

Annual report 2006



ORGALIME



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The President's Message

Edward Krubasik

It is now a year since I took over the Presidency of Orgalime and in this time we have together developed and communicated a proactive vision for our industry in line with the jobs and growth agenda of the EU. If it has been a good year for our companies which have benefited from the global economic expansion and achieved excellent overall growth of output, it is equally important to ensure that our customers in Europe go on investing in the EU, so that the jobs and growth agenda launched by the present European Commission does not only live in cyclical upturns, but lays the foundations for longer term higher structural growth. Making "Europe the most dynamic economic zone" is still a goal we are fighting for: we must keep our lead customers investing in the EU to keep our R&D and also fill our manufacturing capacities here in the EU.

For many years our work with the EU institutions has had to be centred on discussing the EU's endless stream of Directives and legislation which had therefore become the "bread and butter" of Orgalime's work. With the increasing speed of globalisation and the inevitable restructuring that this is bringing about in Europe's manufacturing landscape, it is essential for us to communicate loud and clear to our political institutions, both at EU and national level, what regulatory framework and industrial policy our companies need here in Europe to ensure our future growth as manufacturers in the EU; failing in this policy, more and more of our capacity, investment and R&D will be attracted to the growth areas in other regions of the world.

This is an issue of the utmost importance to the welfare of Europe as a whole, since it is our industry which provides not only the technologies enabling all other manufacturing sectors to produce and to innovate, but, with over ten million people employed in engineering in the 27 countries that the EU now comprises, we are the leading

industrial employer in the EU and also a leading customer for the service industries, so often highlighted.

In practical terms we have undertaken a number of different actions this year:

- We have developed a top level agenda for Orgalime and discussed and adapted it to reflect the concerns of our major sectors and presented it to the European Commission members in a series of meetings. It focuses on the key issues of jobs and growth in our industries: to further integrate markets, foster innovation applied in the EU, support entrepreneurship and simpler regulation.

- I myself have participated as one of the eight industry representatives in the High Level Group on Competitiveness, Energy and the Environment where four European Commissioners, six national Ministers, as well as stakeholders from industry and NGOs are together developing a vision on how to reconcile these three issues at a policy level. We have clearly influenced Europe's work in the field of energy security and energy efficiency. My role in this group is to bring in the technological vision of the suppliers to the environmental and energy industries: I firmly believe that it is through technology that we will create the win-win situation which we are all looking for. Energy efficiency can be a growth driver for our industries.

- Several of my colleagues, CEOs of companies from the mechanical engineering industry, have actively participated this year in drafting a report, developing a vision of what our mechanical engineering branch requires to thrive in the coming years in the EU. This has again been done in collaboration with the European Commission, with national ministries and with the social partners of our industry. We now wish to see our recommendations, which will shortly be published, incorporated

into the industrial policy work of the European Commission and supported by the European Parliament and national governments.

- In order to strengthen the focus of the EU's R&D programmes in the area of our technologies, we have finalised, with the research world and with the support of the European Commission, the strategic research agenda and roadmap for our industry. We now are looking to see our vision reflected in the implementation of the EU's recently launched 7th framework programme for R&D.

- In support of the overall Orgalime agenda, we have developed two policy documents for the electrical and electronics industries and the metalworking industries. These have been discussed with CEOs working in these industries in our newly set up "top executive forums" and with the top of the European Commission's Enterprise and Industry directorate. In 2007, we expect to develop our work in these areas; The electrical/electronics industries will do this in a High Level Group called Electra, so as to underpin the vision we are developing and to encourage the EU institutions to provide us with political support in developing a framework which will encourage our companies to continue investing and developing their businesses in the EU.

- My colleagues and I have visited representatives at ministerial level in both of the Presidencies of European Union in 2006 Austria and Finland and also the incoming Presidency of Germany to communicate our vision and to incite the national governments to support it.

All this work has of course been coordinated and supported by our staff here in Brussels and by our national association network that have risen to the challenge of driving this proactive agenda with me and my colleagues.

Although it is too early to see the long term effect, we are seeing the signs that regulators are beginning to understand that it is possible to create a framework for growth and entrepreneurship which reconciles the competitiveness of our companies, the need to achieve energy security and efficiency and our desire to live in a better environment and society.

The best growth programme long-term for us will be a fully integrated vast internal market in the expanded EU – over 500 million citizens in 27 countries - a market with highly competitive investors in new technologies, the most modern infrastructures, a lead market for new technological applications and a friendly field for entrepreneurs and investors. It is a daunting task which requires tremendous willpower, political courage and cooperation between the institutions, both in Brussels and in the different countries. There are signs of this change, but in many ways, it is still happening too slowly.

The enlargement of the European Union does provide us with enormous opportunities in the short term by building in those new regions with many modern technologies, apply them in our own markets first and thereby provide the competitive edge that we need to stay ahead in the race to innovate.

Increasingly the European Commission and the European Parliament understand that it is through technology and innovation in a highly competitive integrated market that we in Europe will be able to keep up our competitive edge. It is not going to happen through competing with the emerging nations on costs. A dynamic Europe will attract our investments and will shape our competitive edge: we should then be able to maintain our place in the global economy and finance the aspirations of our society.

Orgalime: Engineering the future

The Secretary General's message



Adrian
Harris

Introduction

With a growth in output estimated at 6.6% over the whole of our industry, 2006 has been the most successful year for most engineering sectors since the year 2000. Coupled with a significant rise in investment and in exports, we have seen employment grow in our industry for the first time in many years.

This has also been another year of development for Orgalime itself: just as the European Union has embraced enlargement over the past years with 10 new Member States in 2004 and a further 2 (Romania and Bulgaria) in 2007, so has Orgalime also continued to work on expanding its membership base. 2006 saw 2 new members, the Croatian Employers Association (CEA) and the Engineering and Machinery Alliance (EAMA) (UK), swelling our ranks to 36 member organisations in 24 European countries – national trade federations and associations that represent the electrical & electronic, mechanical, metal articles and metalworking industries. As the membership continues to grow, so have the tasks entrusted to our secretariat and of course our own staff: Orgalime's staff increased to 16 in 2006 and our work was further supported by the rising number of our members who have staff in our offices.

With a portfolio that covers over 120 product areas, Orgalime's coordinating mission remains a huge challenge. Our task is facilitated to a certain extent by our ever closer working links with European sector organisations in our industry, which are further enhanced when we are entrusted representing their interests here in Brussels. Today Orgalime services some 16 European sector associations.

Issues

Although the number of new issues in the regulatory pipeline has somewhat stabilised

in 2006, energy and the environment remained high on our agenda during the year, as did the preparatory work for the revision of the New Approach, the regulatory framework under which most of the internal market directives operate, and different trade and legal issues.

We also considerably increased our work in the area of industrial policy where the different branches of our industry are keen to take a strategic and proactive approach to shaping the framework under which our companies operate in the EU: with the increasing understanding in the institutions that the engineering industries are at the core of Europe's industrial fabric and that all other production and most service sectors depend on the equipment, technology and innovations of our industry to flourish and to develop, there has been considerable interest in cooperating on this. We firmly believe that the economic future of Europe and of its citizens is intimately linked to the success of our manufacturing industry. Ensuring a competitive environment for our industry should therefore be a common goal for all governments, institutions, employers, employees and their representatives.

Orgalime and the Alliance

While Orgalime has for a long time cooperated with the sectors of our own industry, we are increasingly cooperating with other branches of industry. To this end, the Alliance for a Competitive European Industry, formed in 2004 by 11 major European industry branch associations, including Orgalime, and UNICE, the Confederation of European Business (renamed BUSINESSEUROPE in January 2007), continued their work on common issues: in September 2006, the Alliance staged a workshop with the European Commission on the theme of - The New European Industrial Policy: from Commitments to Results – where we encouraged the

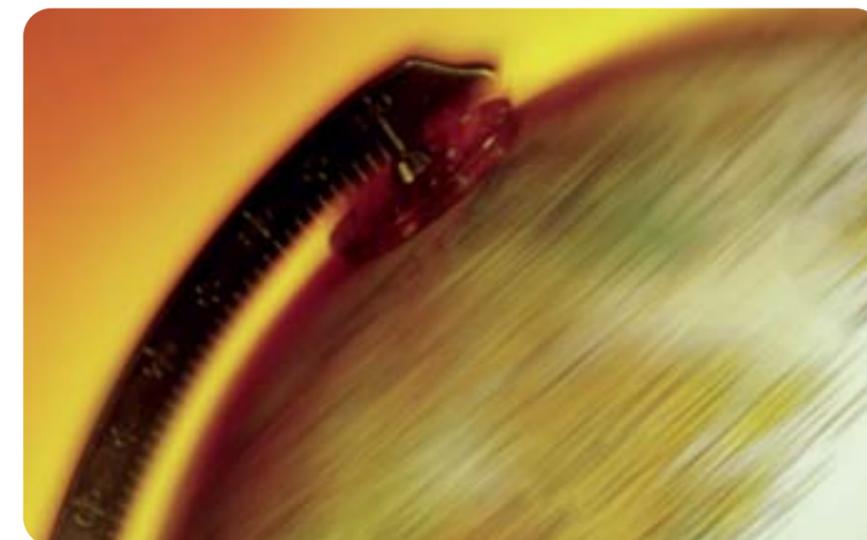
EUROPEAN ENGINEERING IN 2006: A SNAPSHOT

| | |
|-----------------------|-----------------|
| Output | 1 779 billion € |
| Exports out of the EU | 417 billion € |
| Investment | 47.5 billion € |
| Employment | 10.6 million |

Source: Eurostat

European Commission to push ahead with its initiative to develop a new EU industrial policy designed to provide the right framework conditions for enterprise development and to foster innovation.

Orgalime is therefore more than ever a key player in Brussels working closely with the European institutions. Our aim is simple: to ensure that the voice of the EU's engineering industry, the largest manufacturing sector in Europe, is clearly heard in Brussels and the European capitals alike.





Board of Directors 2006

“ With eight of our members now situated in Brussels, our organisation has been strengthened. This will increasingly allow us, when lobbying, to work as a team. The more coherent we are in that area, the better our chances of success. ”

- Mr. David Dossett - Chairman (BEAMA – UK)
- Mr. Alain Poix - Vice-Chairman (FIM – France)
- Mr. Paul van Roon (FME- CWM – The Netherlands)
- Mr. Jean-Claude Karpelès (FIEEC – France)
- Mr. Berndt-Thomas Krafft (FMMI – Austria)
- Mr. Andreas Möhlenkamp (WSM – Germany)
- Mr. Martti Mäenpää (The Federation of Finnish Technology Industries - Finland)
- Mr. Gotthard Grass (ZVEI – Germany)
- Mr. Anders Narvinger (Teknikföretagen – Sweden)
- Mr. Janez Renko (GZS MPIA – Slovenia)
- Mr. Roberto Taranto (ANIE – Italy)
- Mr. Andrés Sanchez de Apellaniz (Confemetal – Spain)

Policy Committees

Metal Articles Liaison Committee (MALC)



“ This sector is the link, central to the EU’s manufacturing supply chain ”

Andreas Möhlenkamp

Policy issues at European level affecting the metalworking or metal articles industry are handled by Orgalime’s Metal Articles Liaison Committee (MALC), with technical issues being dealt with in detail by various task forces. This policy committee also covers the relations of the metal articles industry with its suppliers - in particular the steel industry and its customers - the rest of the engineering industries and the transport industry (automotive, rail and aerospace).

In 2006, MALC issued a strategy paper developing a vision for the metal articles & metalworking sector, "Strengthening the link". We believe that the metalworking sector is the link, which is central to the EU’s manufacturing supply chain. Two thirds of the raw steel produced in the EU is consumed by the metal articles/metalworking industry which transforms it into components and finished products for all other sectors of manufacturing. Although this is the smallest sector that Orgalime represents, it is a major employer in the EU with some 3.6 million employed mainly in SMEs.

In November 2006, CEOs and top management from companies in the sector joined Orgalime to discuss strategic issues for the future of the EU’s metalworking industry with top European Commission officials.



Committee of the Electrical & Electronic Industries (CEEI)

“ The competitiveness of the EE&ICT companies must be defended in a European environment where the increasing mass of regulation often threatens their possibility to adapt rapidly or indeed increases their administrative burdens ”

Jean-Claude Karpelès

The electrical, electronic and ICT industry is one of the leading industrial sectors in Europe, representing some 11.6% of the total manufacturing output of the EU27. It has high potential for further development and for growth and employment. The sector provides technologies for virtually all other sectors of industry, in all human activities and in all countries.

On a truly global market the companies in this sector must operate competitively and react rapidly to a changing business environment. In fact, the market place is practically wide open: there are no longer protected markets, very little in the way of tariffs

and international standards dominate the scene.

The competitiveness of the EE&ICT companies must therefore be defended in a European environment where the increasing mass of regulation often threatens their possibility to adapt rapidly or increases their administrative burdens.

In March 2006, the CEEI produced a briefing paper outlining the basis of a European Programme for Growth, Innovation and Competitiveness of the European Electrical, Electronics and ICT Industries, which we hope will feed into the EU’s industrial policy.



Mechanical Engineering Liaison Committee (MELC)

“ EnginEurope....will propose measures in the areas of market access and protection of intellectual property rights, availability of skilled technicians and engineers, as well as research and innovation ”

Berndt-Thomas Krafft

With 36% of the world’s output of mechanical engineering products, the EU’s mechanical engineering industry leads the world in the production of complex machines and systems used by all other manufacturing sectors.

Policy issues at European level affecting the mechanical engineering industry are handled by Orgalime’s Mechanical

Engineering Liaison Committee (MELC). Technical issues are dealt with in detail by the Technical Harmonisation Group (THG).

A new High Level Policy group on mechanical engineering (consisting of stakeholders from the EU institutions, the European Industry and the unions), "EnginEurope", was formed in 2006 to assess the competitiveness challenges of

Europe’s enabling industry and analyse how mechanical engineering can continue to fully exploit and further develop its potential. The report will be presented in May 2007.

Through its work, MELC has positioned Orgalime as a leading advocate with the EU institutions on key policies and legislation regulating the industry.

The Economic Situation 2006-2007



Agnes Potočník-Mederer

“ Order books are almost full, confidence is high, investment plans are ambitious and prospects are rather bright. ”

Introduction

Orgalime 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. The sectors belong to chapters 28 to 33 of the NACE revision 1 nomenclature.

This year Orgalime economic analysis partly takes into account the accession of Bulgaria and Romania to the EU. On the basis of Eurostat short term indicators, the EU 27's engineering industry's turnover is estimated to have reached some 1,779 billion euro in 2006 (compared to some 1,634 billion euro in 2005) and the industry now employs some 10.6 million people.

The engineering industry which Orgalime represents as a whole at the level of the EU, generates more than one quarter of the output, a third of the exports of the EU's manufacturing industries and almost a third of employment in the EU's manufacturing industries.

The forecasts, which we provide hereafter, are based on Eurostat's latest available annual industrial statistics, complemented by short-term statistics and the analysis and estimates of our economists in different EU countries, as well as Switzerland and Norway.

2006 beats all expectations

2006 started up with rather low activity in the European engineering industry. In the second half of 2005 our industry grew by about 3 percent and modest growth was expected to continue during 2006. But, contrary to expectations, output was much higher. It is estimated to have reached a growth rate of 6.6 percent in 2006 for Orgalime industries, which is the highest growth rate since the year 2000.

Overall, macroeconomic development and European monetary policies were supportive for our industry in the course of the year. Strong export demand from Asia and other emerging markets boosted the activity in the European engineering industry.

The overall EU25 GDP growth is estimated to have reached 2.9 percent in 2006 compared with 1.7 percent in the year before. The demand for investment goods, especially in the business and industry sector, is vital for our industry. Eurostat data show that EU gross fixed capital formation grew by about 4.3 percent in 2006. The global demand of investment goods was also above average growth trend, thereby giving a boost to our industry.

Input prices however remain a cause of concern. Although some metal prices started to ease a bit during late second quarter last year, input prices in general remained high during 2006. Copper prices reached a high in May 2006 and have now passed below 5000 euro per tonne. Zinc prices have also eased, whereas aluminium prices are still high. Nickel prices have soared and have still not shown any signs of coming down. Steel prices have started to move

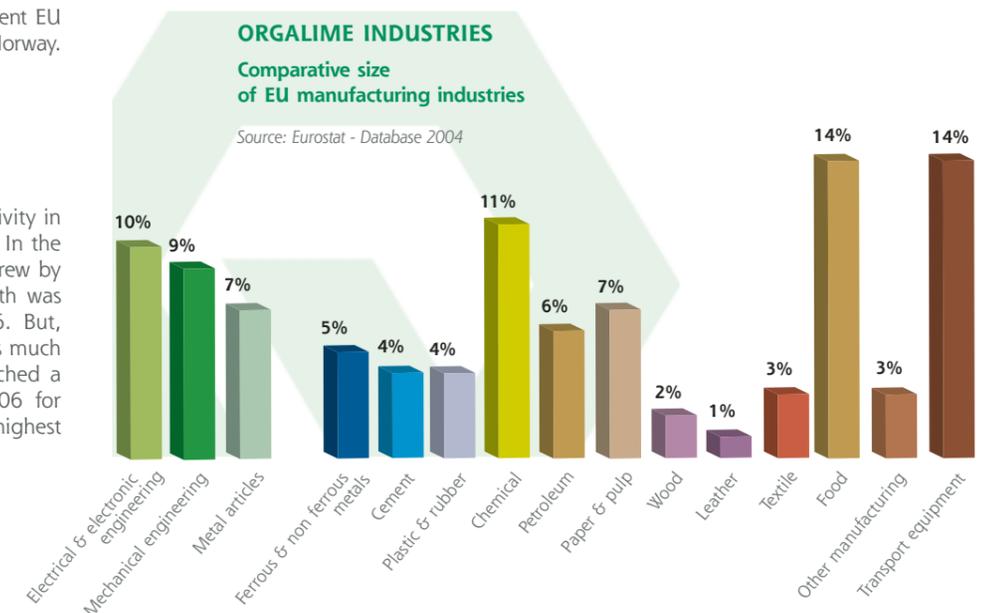
upwards again late in 2006 after, being rather stable on average during 2006.

As was the case in previous years, profit margins are under pressure for many metal intensive engineering firms since only a fraction of the input price increases can be passed on to customers.

Investment and employment

As a consequence of the upswing in production and higher capacity utilisation, gross fixed investment increased sharply in 2006, after two years of moderate increases. In 2006 we estimate gross fixed investment in our industry as a whole rose by an impressive 12.9 percent in volume terms. This is highly welcome, since fixed investment formation is important for future growth and productivity gains. All three Orgalime sectors also showed high growth rates in fixed investment.

Due to high activity and growth in output well above the average employment increased somewhat in the industry Orgalime



represents. According to our economists, overall employment increased by some 0.5 percent in 2006. Employment creation was especially high in the machinery and equipment and in the metal goods sectors, whereas employment remained stable in electrical engineering as a whole.

The general outlook for 2007

Order books are almost full – production capacity and skilled personnel are the major constraints

Towards the end of 2006 and at the beginning of 2007 activity has accelerated further in our industry.

It appears that 2007 will be a good year for our industry: generally, order books are full, confidence is high, investment plans are ambitious and prospects are rather bright. But Orgalime economists forecast slightly less favourable overall business conditions during the course of 2007 and predict growth in output in our industries to slow down slightly from 6.6 percent in 2006 to 4.3 percent in 2007. Foreign trade is expected to grow by 5.6 percent in 2007 and will continue to have a positive impact.

The positive business trend for Orgalime industries will however continue for some time: domestic demand in Europe is expected to maintain its relatively strong momentum. Investment should remain dynamic, benefiting from an extended period of favourable financing conditions, healthy corporate earnings and high capacity utilisation. Overall European consumption should also strengthen further over time, in line with developments in real disposable income, as employment conditions on European labour markets continue to improve.



Investment plans of Orgalime industries look promising: fixed investment in Europe is expected rise by 5.7 percent in 2007.

As a consequence of high activity, employment creation will also continue during 2007. The European engineering industry is expected to increase employment by 0.7 percent. This is actually a higher rate than in 2006, which is a normal cyclical phenomenon.

Short term business indicators reveal very sustained activity in the EU engineering industry at the beginning of the year 2007. Some sectors, especially the metal goods sector, mechanical engineering and electrical machinery are almost overheated. Companies do not consider demand as a limiting factor for future growth. Instead machine capacity and the lack of employees are considered as major production constraints.

Although we again expect our industry - for the second year in a row - to reach above long term average growth rates in 2007 there are, nevertheless, a number of factors, which may negatively affect the expected activity in our sectors:

- The European Central Bank and other European central banks have continued to raise interest rates in order to meet their inflation targets over the medium term. Higher cost of capital is normally associated with a slowdown in activity and a reduction in demand of investment goods.
- Input prices will remain also a cause of concern. There are indications that some of them have peaked while others are still high and rising.
- The euro is still comparatively strong which could imply slower export growth, if the present exchange relations are maintained.

- Last, but not least, US industry and the US economy have slowed down somewhat, a factor one should not neglect.

Electrical, electronics and instrument industries

The electrical, electronics, ICT and instrument industry is amongst the largest industrial sectors in Europe. In 2005 turnover reached some 647 billion euro and the sector employed some 3.5 million people; the major producers being Germany with a share of above a third of output with Great Britain, France and Italy as the other leading producing countries. World market production amounted to some 2,132 billion euro in 2005.

2006 was an excellent year for European electrical engineering. Recovery started already in mid 2004 and has continued ever since. After a temporary slowdown in 2005, output in 2006 grew by 7.3 percent.

| ORGALIME SECTORS | 2006 estimate | 2007 forecast |
|-----------------------------------|---------------|---------------|
| Metal products | + 5.3 | + 3.5 |
| Mechanical Engineering | + 7.1 | + 4.5 |
| Electrical/Electronic Engineering | + 7.3 | + 5.1 |
| ICT* Instruments | + 5.4 | + 3.4 |
| TOTAL ORGALIME INDUSTRIES | + 6.6 | + 4.3 |

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

An overview of sector performance and outlook. Percentage change in volume year on year according to Orgalime estimates.

Foreign trade was the main contributor to the high growth of output and exports increased by 8.2 percent. Extra EU sales were particularly strong.

Austria, Denmark, Finland and Slovenia showed double digit growth in this sector in 2006. With few exceptions, growth was above long term average in all countries represented by Orgalime.

Production of electrical engineering machinery accelerated up to a growth rate of 7 percent in 2006. The sector has finally regained strength, after some weak years in the beginning of the decade. The subsectors of motors, generators, wire and cable reported a very strong year, whereas activity was lower for accumulators and batteries. Lighting equipment and other electrical machinery recovered strongly after a decline in 2005.

The ICT industry's output accelerated once again in 2006 after a rather sluggish year in 2005. Production growth is estimated at slightly above 13 percent. The sector showed, particularly strong growth in Denmark, Sweden, Germany and Slovenia, whereas it was weak in France and in the UK. At subsector level, the electronic components sector faced strong demand and output in terms of volume reached a very high growth rate of 25 percent. The television and telecom subsectors, on the contrary, grew rather modestly, although the radio and television industry recovered after a difficult year in 2005.

Production in instrument engineering continued to increase for the fourth consecutive year by 5.4 percent in 2006. Denmark, Slovenia and Germany showed the highest growth rates among member countries. The optical instruments subsector showed double digit growth but, in general, all sectors recovered nicely after a flat year in 2005.

Orgalime Achievements 2006



- REACH Regulation 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals adopted, with most of Orgalime's key wishes included.

- Orgalime President Edward Krubasik one of the eight industry representatives in the High Level Group for Competitiveness, Energy & the Environment.

- Orgalime delegation led by Professor Krubasik, President of Orgalime, accompanied by the Presidents of member associations meet the Environment Commissioner, Mr. Dimas to discuss environmental policy, WEEE/RoHS and REACH.

- Launch of the Manufature Technology Platform's strategic research agenda to define the needs of our industry for the coming 7th Framework Programme for R&D.

- Setting up of a working group "EnginEurope" under Director General for Enterprise and Industry, Mr. Zourek for developing a sectoral policy approach for the mechanical engineering industry "EnginEurope".



Mechanical engineering industry

The European mechanical engineering industry reached turnover of about 560 billion euro in the year 2005 and employed some 3.5 million people. World market production is estimated at 1,160 billion euro in 2005, the EU accounting for about 36% of world production.

This sector of the engineering industry, which represents 9 percent of the value of industrial production in the EU, plays a key role in the evolution of both competitiveness and productivity of industry in general. Its prime customer is manufacturing industry. The mechanical engineering industry is the enabling industry for other manufacturing and service sectors. It is a rather 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 over a third of EU production. Other major producing countries are Italy, France and Great Britain.

Due to very strong extra-EU export growth of 13 percent, the sector increased output at a historically high rate in 2006. Production volume grew by 7.1 percent, the highest rate since the year 2000.

In the course of 2006 demand in the EU's internal market improved considerably thereby also giving a boost to less export intensive businesses.

Denmark, Finland, Germany and Sweden showed strong performance in this sector in 2006, but overall, Orgalime members also reported a good year for their sector.

All subsectors showed healthy growth in 2006. Activity was especially strong in machine tools and for general purpose machinery. Growth in output for the agricultural and forest machinery subsector was slightly below average.

Metal products – metalworking industry

This sector of engineering covers a wide range of products including tools and finished metal goods (accounting for some 40 percent of the sector's production), castings, forgings, boilers and metal containers, as well as secondary transformation on contract basis, such as treatment and coating of metals for other engineering sectors, for example the automotive and metal construction sector.

Germany accounts for a third of the industry's production, France a fifth and the UK and Italy each just over 10 percent.

The turnover of the sector is estimated to have reached some 427 billion euro in 2005 and employment amounted to about 3.6 million people.

In 2006 activity picked up considerably after a sluggish year in 2005. Output is estimated to have reached a growth rate of 5.3 percent in 2006. Sectors that showed strong performance were tanks and containers, followed by treatment and coating. Contrary to 2005, the expansion in 2006 was broad based and all major subsectors posted healthy growth.

Though the sector has limited dependence on exports, foreign trade picked up considerably in 2006 and our economists expect exports to have grown by 6.8 percent in volume.

Demand for metal goods was especially strong in Denmark, Norway and Slovenia with double digit growth. But output growth in the sector was well above average for almost all Orgalime members last year.

The industry which produces, to a large extent, inputs or products used in other sectors in engineering gained from increased demand in those sectors throughout 2006.

Orgalime Issues in 2006

In 2006, Orgalime published a total of 34 Position Papers across the broad range of topics including environmental, trade, technical and horizontal regulatory issues. These Position Papers are given the widest possible circulation within the EU institutions, national authorities (via members' networks) and European-wide media.



“ REACH was a tremendous challenge, resource and content wise. A strong downstream user alliance of Orgalime with the European automotive and aerospace industries helped to secure our key issues. ”

Environment and energy

As with recent years, the environment team has had a significant share of the issues on Orgalime's agenda to deal with throughout 2006. Notwithstanding the fact that the competitiveness of manufacturing industry is high on the policy agenda of the EU institutions, there has been no slow down in the work on environmental issues and policies. Our prime concern in this area is that most of the environmental regulation that has been introduced over the past 5 years falls under Article 175 of the EC Treaty (as opposed to Article 95 which is used for the internal market): such legislation sets only minimum standards, allowing national governments or even regions, to add further requirements, which inevitably undermines one of the prime achievements of the EU – the single internal market.

The environment topics listed below are the areas in which Orgalime has been engaged over the past 12 months:

REACH

REACH continued to be an important issue to Orgalime in 2006, despite the fact that our industry was not the primary target of the legislation. The issue was opened back in 2003 and in June 2006, the Environment Council eventually arrived at the adoption of its Common Position. Orgalime worked closely with the aerospace, defence and automotive industries emphasising the impact of shifting obligations and responsibilities of authorisation and substitution down the supply chain, where the vast majority are engineering SMEs, undermining the "Think small first" principle, which the institutions claim to have adopted.

In September, the European Parliament started its second reading of the proposal, with Orgalime supplying detailed voting lists to provide MEPs with our advice.

In December, the chance of reaching a compromise looked highly unlikely until a "Trialogue" meeting between the EU Council, European Parliament and European Commission at the eleventh hour, hammered out a text. Orgalime commented on the compromise at a joint press conference, again underlining the consequences of REACH for downstream users. The European Parliament plenary vote, followed swiftly by the Council formal approval on 18 December, brought the legislative process on one of the most hotly discussed issues ever to a timely conclusion.

The work is not quite yet finished though, with "just" the issue of implementation to consider! Considerably more work needs to be done before the Regulation enters into force on 1 July 2007. Orgalime is now actively involved in the discussions on implementation and will shortly be publishing guidelines specifically aimed at downstream users in the engineering field.

Waste Electrical and Electronic Equipment (WEEE) and Reduction of Hazardous Substances (RoHS) Directives

Orgalime finalised and published 3 guides related to the WEEE and RoHS Directives in 2006:

- WEEE & RoHS scope guide
- Guide to understanding the specific obligations of the RoHS Directive
- WEEE in B2B: Guide to contractual options for producers selling B2B equipment.

Naturally, our focus has shifted to the implementation of this complex legislation in the different member states and, to support this aspect, we have also been producing overviews and commenting in the areas of:

- RoHS exemptions
- Coordination of WEEE national registers
- WEEE/RoHS national transpositions
- The potential introduction of categories 8 (medical devices) and 9 (monitoring and control instruments) into RoHS.

No sooner has the Directive come into force in all countries, are we being asked to focus our minds on the review foreseen in the Directive. This process has already started, with Orgalime contributing to an information gathering exercise initiated by the European Commission.

Orgalime is committed to continuously providing input to the WEEE review process; we are asking regulators to shape WEEE in a sustainable manner, rather than introducing yet further environmental and administrative requirements without considering the competitiveness of European electrical and electronic manufacturers that are active on global markets. The results of the review are due to be announced in 2008. With a proposal for an EU wide waste strategy running concurrently, the environment team and their associated working groups have got their work cut out in 2007.



Review of Waste Directive

Work was started in 2006 on the production of a position paper concerning the review of the EU Waste Directive. Orgalime believes that the draft waste Directive must aim at establishing a truly harmonised piece of legislation:

- where waste policy constitutes product policy
- with a consistent and mature waste policy framework
- with clear and coherent requirements.

Such a policy should enable Europe to lead by example on waste management to the benefit of the environment, consumers and the competitiveness of European industry alike.

A disappointing vote at the European Parliament's first reading indicated that there is still much work to be done to communicate our vision in this area during 2007.

Energy issues

Energy Using Products (EuP) Framework Directive

Now that the framework directive has been adopted, the studies on possible implementing measures are in full swing. Orgalime is carefully monitoring the 19 ongoing studies and has taken the lead in coordinating our industry's approach to the follow up. We have also commented more particularly on the horizontal issue of losses arising from equipment in standby and off-mode position.

In mid 2006, Fraunhofer-Institut für Zuverlässigkeit und Mikrointegration (IZM), the contractor of the preparatory study for lot 6 "Standby and off-mode losses", published a Draft Definition Document for Standby and Off-mode

Losses for broad discussion. Orgalime responded with a position paper in October and stressed the need for clearer definitions of certain terms. Orgalime has highlighted that basic definitions have again been overlooked, thereby introducing an element of uncertainty on the part of industry. It is essential that terms, such as Standby or Off-mode Losses, can be clarified and a clear differentiation can be reached.

Energy Efficiency and energy security policies

With the launching of the High Level Group (HLG) on Competitiveness, Energy and the Environment of which Professor Krubasik, Orgalime's President, is one of the eight industry representatives, Orgalime has become heavily involved in the strategic debate on reconciling the three policies of competitiveness, energy and the environment where our industry, as the main technology supplier, is seen by many as the bridge between what have in the past been conflicting policies. This High Level Group includes four Commissioners and six national Ministers as well as representatives from industry, the trade unions and environmental groups.

During the year, besides the input provided by our President to the High Level Group, we issued two position papers on these issues, one on the Green Paper on Energy Efficiency and the second on the Green Paper on a European strategy for Sustainable, Competitive and Secure Energy.

On the issue of energy efficiency we welcomed the Green Paper's acknowledgement that "industry has been the prime vehicle in developing Europe to the energy efficiency status of today and in creating the perspectives for tomorrow" and the strong emphasis that the Green Paper puts on the demand side. However, we cautioned the European Commission that, in order to

achieve a certain coherence at the policy level, it would be essential that policymakers should clearly set policy objectives and priorities, for example, energy, waste management, substance management, safety or other; indeed we do not believe that all these issues can be addressed at the same time. Therefore, our industry supports a holistic, life cycle approach to focus action on areas, where the most benefit in terms of environmental, social and economic perspectives can be derived. We also stressed that, in order not to affect the innovation potential of our companies, any incentive to promote energy efficiency should in general be technology neutral.

In our comments on the issue of energy security, Orgalime stressed that, as a major manufacturing industry in the EU, it was essential for the competitiveness of our companies that they should be able to count on a reliable, secure energy supply, which moreover is competitive. In order to attain this, a genuine internal market where providers of energy are able to compete effectively, is important. Given the historic evolution of the energy sector, the essential role that energy plays in the every day life of citizens and the situation that the sector has enjoyed at a national level, Orgalime believes that it will be difficult to achieve a genuine single market without the support of the EU institutions.

We also called upon a reinforced separation of network operation from production and supply (unbundling), improved network operation and the creation of a body of transmission system operators in the interest of avoiding blackouts and to prepare the grids for future demands.

We encouraged the European Commission to develop a long term policy that sets minimum standards for the balance of grid and generation capacity capabilities and life expectancies, to ensure that investment is made on a sustained basis to maintain a high quality supply and network, so as to

meet both the current and predicted needs of EU citizens and industry.

Finally we encouraged the European Commission to focus on getting the widest possible international consensus on action on climate change and cautioned the institutions not to develop policies which effectively discourage manufacturing investment in the EU when there is a demand for products: this would only facilitate the emergence of manufacturing capacities outside the EU where other environmental standards apply and thereby endanger the EU's jobs and growth and industrial policy agendas.

Integrated Pollution Prevention and Control (IPPC)

At the IPPC Information Exchange Forum in December 2006, the European Commission issued a working document on the representation of equipment manufacturers in the "Seville process". Further to Orgalime's initial comments expressed during the IPPC meeting and, in view of the revision of Directive 1991/61/EC, Orgalime advocated for:

- Fully respecting the representation and balance principles for mandating European associations with the nomination of industry experts of that branch
- Abstaining from establishing separate or new rules for the nomination of sector representatives of Orgalime industries, which might lead to weakening the technology neutral approach that Orgalime promotes
- Business data and know-how to be secured in the future.

Orgalime is committed to continue engaging in both, the Seville process and the upcoming revision of the Directive.





“ Engineering companies still face problems due to diverging national product-related requirements, as well as to more general framework conditions. ”

Internal market and standardisation

New Approach and Market Surveillance (NAMS)

This has been one of the main issues on Orgalime's agenda during the year. After DG Enterprise and Industry launched a public consultation on the review of the New Approach early in the year, containing questions on standardisation, conformity assessment procedures, notified bodies, CE-marking and whether or not the overall proposal to review the New Approach is acceptable. Orgalime responded with a number of position papers on the CE marking and conformity assessment procedures, as well as on the issue of placing a product on the EU market, calling on the European Commission to provide a common definition that:

- Sets key criteria for determining when a product is placed on the market
- Ensures equal treatment for products whether they are manufactured in the EU or imported
- Applies to all product legislation, including in other areas, such as the environment.

The "NAMS" task force also launched a newsletter in September – "FairIndustry.eu" – aimed at sharing information on public and private initiatives in the area of market surveillance. The first two issues attracted significant interest with around 6000 downloads from Orgalime's website recorded. In 2007, the European Commission's proposals will be issued and we will

therefore enter the phase of discussions of the proposals in the European Parliament and the Council. This will remain a key issue on our agenda for the year.

The new Machinery Directive

Opposed at the outset by Orgalime, this revised and reworked Machinery Directive 2006/42/EC was adopted during the year by the European Council and the European Parliament after several years of discussions in which Orgalime participated intensively to ensure that adoption of an acceptable compromise text.

Member States must now transpose the Directive by 29 June 2008, and it will become mandatory from 29 December 2009 onwards. Until then, the current Machinery Directive 98/37/EC continues to apply, with a direct transition from the old to the new one on that date. This aspect is one of several possible problems identified, which Orgalime intends to clarify with the European Commission. In order to achieve this, Orgalime has set up a Machinery Core Group to collaborate with the European Commission to draft guidelines that aim to smooth the route ahead for our industry. This work will carry on during 2007.

Low Voltage Directive (LVD)

Apart from the overlapping problems experienced with the Machinery Directive, Orgalime has been busy supplying input to the European Commission concerning standards for electrical household appliances with respect to the safety of children, elderly and disabled people. This has resulted in the European Commission issuing a new mandate to CENELEC which recognises that some risks

may be impossible to address by technical means and, in line with recognised risk management techniques, an associated warning or instruction must be introduced to address the possible shortcomings.

At the end of the year, the codified version of the LVD was published in the Official Journal. This means that the old 73/23/EEC is now repealed and the new 2006/95/EC of 12 December 2006 has come into force. With no substantial change to the provisions of the Directive, manufacturers have been spared the nuisance of changing all references to the old LVD in existing documents accompanying products that have already been placed on the market or will be so in the coming year.

Pressure Equipment Directive (PED)

Work on the PED, which has been in force since 2002, still continues, although at a reduced rate. It has been a difficult challenge for manufacturers and their customers, to convert their previous national practices to those of a unified market. Nevertheless, on the whole, it appears that the PED is working satisfactorily and many areas which might have led to misinterpretations have been clarified through the issue of guidelines where Orgalime represents industry in the discussions with the European Commission and the Member States.

As for every new regulation, we believe that a stabilisation period is needed: any changes, even if they are intended to streamline a process, would result in additional work and therefore costs, to adapt to these changes. This is why Orgalime is continuing to oppose the proposed merger between this directive and the Simple Pressure Vessels Directive, which we feel is driven by the institutions for essentially bureaucratic reasons in the framework of

their "simplification" programme: one law should lead to shorter texts than two.

At the level of work in the area of standardisation, 19 more European Approval of Materials were published in the Official Journal during 2006. They were developed and produced under the grant agreement between Orgalime and the European Commission.

Finally, at the beginning of the year Orgalime was invited to participate in a workshop on the implementation of the PED, arranged by the Technical Assistance Information Exchange Instrument (TAIEX) for accession countries.

Revision of the Electro-Magnetic Compatibility Directive (EMCD)

Orgalime has continued working on guidelines to complement those already endorsed by the EMCD Working Party. As some issues are not dealt with in the official European Commission guidelines, Orgalime wanted to clarify these issues before the new Directive comes into force on 20 July 2007. This work is now nearly complete.

Standardisation

International standardisation

In this major policy paper, Orgalime developed its vision of how international standardisation and standards should work. We commented on a number of key issues including:

- Our belief that the standards-making process is an essential tool to develop and underpin global markets for engineering products. Orgalime therefore strongly supports the promotion of the ISO/IEC stan-

dards system in the new and emerging markets in order to guarantee true global harmonisation and coherence of standards.

- Our view that global relevance initiatives must not impede the main task of the international standardisation organisations, i.e. to publish international standards, globally accepted and used instead of private, national or conflicting regional standards.

- On the financial situation of the standardisation system, we believe improvements should be sought mainly by reducing cost and increasing the efficiency of standards development organisations (SDOs), including through regular review of both work programmes and participation in technical committees. We also commented that increasing the participation of authorities in the process and, hence, in financing the process were highly desirable. Orgalime does not believe, however, in mergers between SDOs as a standard solution for increasing efficiency or reducing costs.

- Finally, on the issue of deliverables, Orgalime believes that both traditional standardisation and private fora/consortia are needed and that, in most areas, there is no real competition between these. New deliverables offered by the establi-

shed SDOs must have strict, well-defined and generally known rules for their adoption, which means that not all new deliverables can be produced by the SDOs and that separate structures and processes are therefore unavoidable.

Efficiency and effectiveness of standardisation consultants

During the summer, the European Commission contracted a consulting firm in order to carry out a study "to evaluate the efficiency and effectiveness of the quality check performed by European Standardisation Organisations' (ESO) consultants on European harmonised standards supporting EU legislation".

While generally acknowledging the usefulness of ESO consultants' involvement, Orgalime members provided input to the consultation which underlined the need for truly independent consultants. Among our recommendations, Orgalime expressed the need to ensure that ESO consultants are aware that their role is advisory and not managerial, and that they should be involved at an earlier stage of standards development and encouraged to participate in TC meetings. Orgalime also recommended establishing a training programme for consultants on the respective role of essential health and safety requirements of directives and harmonised standards.

Metric units

In March 2006, Orgalime responded to an on-line consultation from the European Commission on the standardisation of SI units. We believe that worldwide use of one system for measurement units would, without doubt, provide considerable benefits to industry and consumers alike. However, as we also believe that the process to achieve this should not cause prejudice to manufactu-

urers, we requested that the European Commission should allow the use of supplementary indications (so called dual labelling) on products, using both SI and other units in order to be able to serve the needs of the markets for engineering products.

Orgalime welcomed the European Commission Staff Working paper on units of measurements at the end of 2006, which envisages the continuation of permission to use supplementary indications of non-metric units. A public consultation was opened by the European Commission (until March 2007). We will continue to monitor and react to this issue throughout 2007.

Future of the Internal Market

In June 2006, DG Internal Market and Services launched a public consultation, aimed at stimulating a debate on the future of internal market policy. Orgalime responded to the European Commission's questionnaire that will in turn feed into a European Commission Communication, presenting future orientations for the internal market.

We acknowledged that our industry has derived significant benefits from the development of the internal market and this policy has a crucial role to play in the context of the Lisbon strategy.

We also elaborated on some of the challenges and shortcomings affecting our industry, among them that, notwithstanding the need to extend the internal market to new areas, the internal market for products was far from complete: engineering companies still face problems due to diverging national product-related requirements, as well as due to more general framework conditions.



“ Policy makers have at last realised that Counterfeiting and other IPR violations are a very real threat to the European economy. Our companies depend on their innovation potential to be competitive in world markets and to innovate you need to invest and have the required return on your investment to go on innovating. ”

Trade

Anti-Counterfeiting

Orgalime's Anti-Counterfeiting Task Force responded to the European Commission's questionnaire on Anti-Counterfeiting and Piracy in March 2006. Counterfeiting and piracy of both industrial and consumer goods is increasingly posing a critical challenge to the European and world economies and, in our sector, also to the safety of consumers and workers. We welcomed this consultation and urged the European Commission to strengthen and institutionalise the cooperation between Directorate Generals in order to develop a consistent policy for IPR protection. We also want to see a greater presence of European Commission delegations in certain countries, where we suggest that "IPR helpdesks" should be set up to provide information and support to companies affected by counterfeiting.

Prior to the EU-US summit in June 2006, Orgalime asked the EU and US not to give any positive signs to China with respect to granting it market economy status and to state that respect of IPR is an integral prerequisite, in advance of the foreseen date in the WTO accession agreement (i.e. 2016). Orgalime is concerned that the EU and US should clearly only be considering such a step when the serious IPR issues, which European engineering companies are facing, are resolved.

EU-China

Orgalime experts have actively participated in the EU-China Regulatory Dialogue meetings, representing our industry views. The dialogue is organised by the European Commission, the General Administration of Quality Supervision, Inspection and

Quarantine of China (AQSIQ) and the Certification and Accreditation Administration of China (CNCA). The main working items are resolving problems with the Chinese Compulsory Certification Scheme (CCC), decreasing both number and costs of factory inspections, whilst promoting the use of international standards etc. During these meetings, experts also presented our concerns on the Chinese Energy Efficiency Label and the Chinese RoHS legislation. Orgalime also provided speakers and defended industry views at a Cenelec seminar on CCC.

Rules of Origin

In November 2006, Orgalime received a letter from the European Commission highlighting a report on the state of play of the international harmonisation process on non-preferential rules of origin for engineering goods. In addition, the European Commission requested an industry response on the negotiations. Orgalime issued a position paper requesting that the European Commission reject the WTO Committee Chairman's proposal which would mean that, in the future, engineering companies would need to accommodate 2 rules of origin at the same time. Orgalime stressed the need to avoid the introduction of new bureaucratic requirements.

Customs Code

An industry friendly customs policy is of the highest importance for the European engineering industries, since its competitiveness very much depends on the ability to trade and on the immediate availability of imported inputs for the manufacture of its products. To underline the importance of the issue, Orgalime released a position paper on the European Commission's suggestion to amend the Community Customs Code.

While Orgalime fully supports the objective of simplifying and modernising customs legislation and procedures in the EU and worldwide, prior to the meeting of the EU Customs Committee, Orgalime expressed its concerns on a number of practical consequences that certain articles of the above-mentioned document would imply and asked the European Commission to consider Orgalime's comments on the status of an Authorised Economic Operator (AEO), the required set of data for the prior declarations and on the 24-hours rule.

In this position paper, we also argued that the required set of data for the prior declarations should be decreased for both AEOs and others, since we fear that the requirement of too many data elements would, in practice, mean the end of the simplified custom clearance procedure.

The European Commission plans to increase customs controls and security of borders, partly due to terrorist attacks.

mechanical engineering, while we developed policy papers for the needs of both the Electrical, electronic and ICT industries ("Outline for the basis of a European Programme for Growth, Innovation and Competitiveness of the European Electrical, Electronics and ICT Industries") and for the metalworking and metal articles industries ("Strengthening the link"). We expect these papers to lead in 2007 to initiating similar projects as "EnginEurope".

Finally, we also stressed the need for the European Commission to keep up the momentum and deliver results. This message was reinforced through our President in his many meetings with top officials and through his participation in the workshop we co-organised with our partners in the Alliance for a Competitive European Industry later in the year.

industry manufactures an impressive range of innovative products and production systems that are a key innovation drivers for all other manufacturing sectors of the EU's economy.

The report issued by the group, due for release in 2007, will contain recommendations for industry and institutions alike. We are already seeing a number of the recommendations of the group being incorporated into the EU's policies in areas such as market access, Research and Development and IPR.

a revision of this Directive was not necessary and that introducing direct producers' liability would seriously harm the competitiveness of the EU's economy and also be discriminatory, through favouring non-European competitors who would not need to operate under such conditions.

Orgalime urged the European Commission to consider the negative impact that such a measure would have: first, it would seriously affect B-2-B sales by creating difficulties for the relations between the companies in the distribution chain. Secondly, it would mean a significant deviation from the principle of 'privity of contract', which is a basic principle of contract law and ensures that a contract will only create rights and obligations between the parties to the contract. The Director General of the Health and Consumer Protection Directorate-General of the European Commission (DG SANCO) responded to our position, informing us that the European Commission, for the moment, does not intend to amend the Directive. However, the battle is not quite over yet, as there could be further proposals for change in a Green Paper to be presented in 2007.

Legal & General

Actions in the area of industrial policy

Communication on industrial policy

Early in the year Orgalime commented on the European Commission's Communication "Towards a more integrated approach for industrial policy". In our position paper we welcomed the European Commission's fresh approach to industrial policy and the clear signal giving a kick-start to its programme focusing on jobs and growth and on industrial policy.

While we commented on several areas of the European Commission's proposals on horizontal cross-sectoral policy (IPR, R&D, skills, market access and simplification), we also stressed the need to complement such a broad horizontal approach with policies taking into account the specificities of individual sectors in areas, such as research and innovation or sector legislation. With this in mind, we have initiated a follow up of the specific requirements of each of the three main branches we represent, with a first initiative ("EnginEurope") covering the area of

Mechanical engineering branch – "EnginEurope"

In the follow up to the Communication on industrial policy and to an earlier review by the European Commission and by the Economic and Social Committee of the competitiveness of the mechanical engineering industry, at Orgalime's request, a new high level working group "EnginEurope" was set up early in the year. It included several CEOs from different subsectors of the industry, as well as top officials from the European Commission, six national governments and the trade unions, with Orgalime and its members playing a supporting role to this group. EnginEurope's mission was to assess the competitiveness challenges facing Europe's machinery industry, to analyse how mechanical engineering can continue to fully exploit and further develop its long term potential.

Orgalime strongly believes that maintaining and expanding the competitiveness of this core "enabling" industry is a key factor in the jobs and growth agenda, given that the

Product Liability Directive

In the course of its periodic reviews of legislation in force, at the beginning of 2006, the European Commission issued a questionnaire concerning the Directive on liability for defective products (Directive 85/374/EEC, amended by Directive 1999/34/EC). Orgalime answered this consultation, arguing that a revision is not required. Later in the year, the European Commission published its report on the functioning of this Directive and we were pleased at the outcome, since the European Commission confirmed it was unnecessary to submit any amendment to the legislation.

Direct producers' liability in sale of consumer goods

In the autumn, Orgalime expressed its concerns in answer to a Commission questionnaire on Directive 1999/44/EC concerning the sale of consumer goods and associated guarantees, in which the European Commission asked stakeholders about their opinion on introducing direct producers' liability at Community level. We stated that

European Private Company (EPC)

In 2006, after several surveys and feasibility studies on the matter, the topic of the European Private Company (EPC) provoked Orgalime to produce a follow up position paper. In it we welcomed the progress of the Action Plan on "Modernising Company Law and Enhancing Corporate Governance in the EU" and the conclusion that there is a clear need for the creation of an EPC statute for SMEs.

This, in our view would be a real step towards simplification of the regulatory environment in which our companies operate in the EU's internal market: with 27

Orgalime Achievements 2006

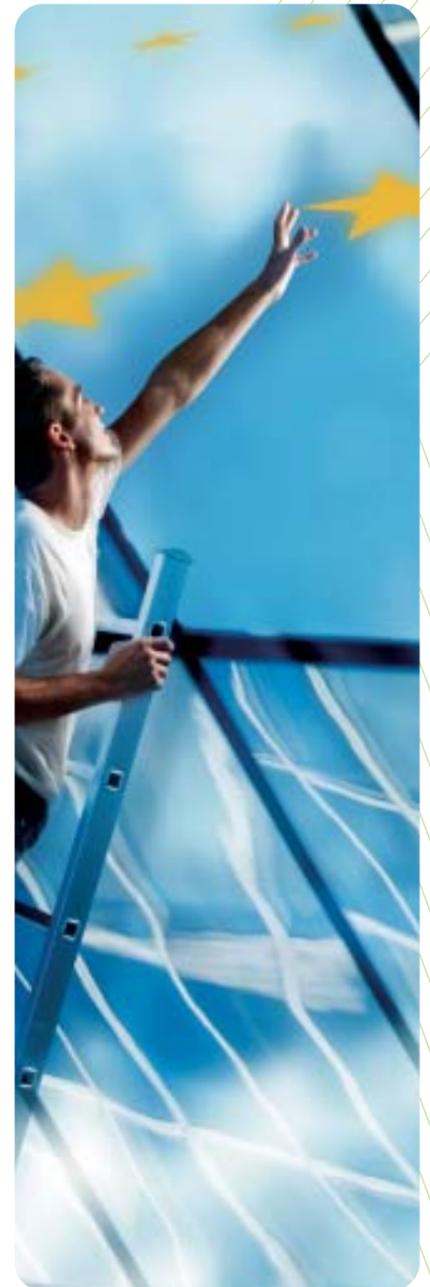
- Newsletter on market surveillance launched ("FairIndustry.eu").

- Orgalime finalises WEEE/RoHS scope guides which are distributed worldwide and have a major influence on the application of the directives.

- Orgalime delegation led by Professor Krubasik, meets Mr Bartenstein, Minister of the Economy to provide our industry's input to the Austrian Presidency of the EU.

- Orgalime delegation led by Honorary Orgalime President Mrs. Martine Clément and Mr. Antti Herlin, President of The Technology Industries of Finland meets Mr. Pekkarinen Finland's Minister of Trade and Industry to provide our industry's input to the Finnish Presidency of the EU.

- Discussions by Orgalime CEOs in the electrical and electronic industries with Vice President of the European Commission Mr. Verheugen on industrial policy for the electrical and electronics industry.



Orgalime Achievements 2006

- Discussions by Orgalime CEOs in the metalworking industry with Enterprise and Industry Director General Mr. Zourek on industrial policy for their industry.
- Orgalime delegation led by Professor Edward Krubasik, meets Mr Würmeling, Federal Secretary of State and representatives of several departments of the German Ministry of Industry and Technology to provide our industry's input to the incoming German Presidency of the EU.
- Alliance for a Competitive European Industry – Workshop entitled 'The new European Industrial Policy: From commitment to results'. A high profile event focusing on the needs of EU industry.
- Alliance meetings with Mrs Catherine Day, Secretary General of the European Commission to discuss 'Better Regulation'.

very different national systems of company law, the establishment of subsidiaries in EU Member States still entails serious difficulties and high costs. Orgalime therefore argued that the incorporation of an EPC should be as simple as possible and that complementary application of national company law provisions and cross-references to national company law must be avoided. We are seeing progress on this file which will remain on our agenda for 2007.

European Contract Law

Orgalime is monitoring and trying to minimise possible damage arising from the so called European-Contract Law initiative, which has been strongly promoted by DG SANCO and by certain MEPs. The initiative proposes to amend EU legislation in the area of contract law. To this end a so-called "Common Frame of Reference" (CFR) was developed by the European Commission based on research carried out by academics. A network (CFR-Net), which includes industry experts, was set up to receive feedback from stakeholders and a number of workshops were held in the last two years. Some 15 lawyers from Orgalime's Legal Affairs working group and member companies are members of this CFR-Net and regularly participate in the workshops where they defend the industry's position that the existing legislative frameworks in the area of contract law in different countries and even within countries are no barrier to trade. This issue will remain on our agenda for 2007.

European Competition Law

While Orgalime has always been in favour of developing and sustaining a competitive commercial environment in the EU and, in general, agreed with the European Commission on the recognition that the public and

private enforcement of antitrust rules is fundamental for creating and sustaining such an environment, Orgalime commented critically on the European Commission's Green Paper "Damages Actions for Breach of the EC Antitrust Rules". In its letter to the European Commission, Orgalime came to the conclusion that the Green Paper put into question the existing system of enforcing Community rights and that the Green Paper entails the risk to introduce more litigation in Europe.

Orgalime expressed that the existing system of enforcing Community rights should not be changed for rights derived from Community antitrust rules. Orgalime's lawyers fear that more court actions would increase chances of divergent decision-making between competition authorities and civil courts, with obvious negative implications for the internal market and the ability of companies to compete in a global environment. Increased litigation would neither serve public interest nor companies that, due to increased uncertainty, would avoid new forms of innovative and pro-competitive behaviour to the detriment of their competitiveness.

Furthermore, Orgalime also demanded that a strengthening of private enforcement should not result in overcompensation. Primarily the competition authorities are responsible for the prosecution of antitrust violations. We believe that, besides this principle, private persons should only be allowed to claim their actual damage and not to make use of additional legal instruments possessing a certain penal character. Especially class actions or double damages should not be introduced into the European legal order.

Joint Orgalime-European Commission workshop

As Orgalime welcomed a number of members from the new member states, which joined the EU in 2004, we initiated a series of workshops with our members in order to

reinforce partnerships and collaboration with our industry in these countries. In the light of future candidate countries joining the EU, another workshop was held in Sofia, Bulgaria in April 2006 to strengthen existing ties. The aim was to promote application and enforcement of EU legislation relevant to the engineering industries. Set up with the help of the European Commission, the event also aimed at identifying in which areas the candidate countries experience difficulties in the application of Community legislation, to identify the role of engineering industries associations in the application and enforcement of relevant EU legislation and to present how established Western European industry associations co-operate with the European Commission and other governmental bodies in developing and implementing EU legislation and relevant standards. There was a session devoted to European environmental policy and this gave an opportunity for the candidate countries' industries to discuss both with representatives from existing EU countries, dealing with waste management, as well with representatives from the Bulgarian Ministry for Environment and Water.

Research & Development

7th Framework Programme (FP7)

In May 2006, the Competitiveness Council reached an agreement on a general approach for FP7 for research and technological development. This followed the inter-institutional agreement concerning the budget for the 2007-2013 period, for which the sum of €54.5 billion has been allocated. The majority of the budget has been allocated to the 'Co-operation' pillar of collaborative research (€32 billion).

Orgalime was disappointed that, as in the past Framework Programmes, new Production Technologies have been combined with Nanosciences, Nanotechnologies and Materials into one research theme. There are only very limited synergies between Production Technologies and Nanosciences, Nanotechnologies and Materials, with Production Technologies deserving "an area of their own". Orgalime issued a position paper to reflect these sentiments.

In early 2006, Orgalime was asked by the European Commission to nominate candidates for the FP7 Advisory Group on SMEs. Several candidates from our R&D group were nominated to this Advisory group whose work has now started.

"ManuFuture" Technology Platform

Orgalime is participating in the Manufacturing Technology Platform, which is focusing on future manufacturing technologies, in both the ManuFuture support and High Level groups. Through the active involvement of our industry in the multiple activities of this platform, we have contributed to the drafting of the Strategic Research agenda, which will underpin much of the EU funded R&D in which our companies will participate under FP7.



Orgalime Publications

2006 saw Orgalime continue to attract readership to the 27 legal and technical publications now available (model forms, general conditions & guides). Statistics show that in any 30 day period, publications draw an unprecedented 25% of visitors to this section of the Orgalime Website.

Each of the publications provides expert practical guidance, allowing companies to use Orgalime standard general conditions or draw up different types of contracts based on Orgalime templates, which are now commonly used in international trade. General conditions and other forms of standard contracts simplify negotiations and rationalise the handling of contracts and contract relations. They have been designed to reflect normal contract practice in the industry. Well over one million copies of Orgalime's different sets of general conditions have been supplied to engineering companies throughout the world. Sales in 2006 of the S2000 were over 50.000, with only just over a quarter being requested in the English language version. The Chinese version (also made available in 2006), has started to probe the Asiatic marketplace, with over 1500 copies sold.

New editions of the model forms for 'Exclusive Agreement with Distributors Abroad' and 'International Technology Licence Agreement (outside EU/EEA version)' were both released during 2006. Also the General conditions for the manufacture and supply of specially designed components were reissued.

Orgalime also published two guides specifically for giving advice and assistance to engineering companies on European Environmental legislation. In January 2006, the WEEE and RoHS Scope Guide was released. In March 2006 a 'Guide to contractual Options for B2B Equipment under WEEE' was presented, which was drafted by a special task force set up by

Orgalime. These publications served to strengthen Orgalime's reputation as the prime European association representing the authoritative industry view on this complex legislation which affects a wide range of industrial sectors both in and outside the EU, in particular because of the global supply chain of our industry.

General conditions of contract

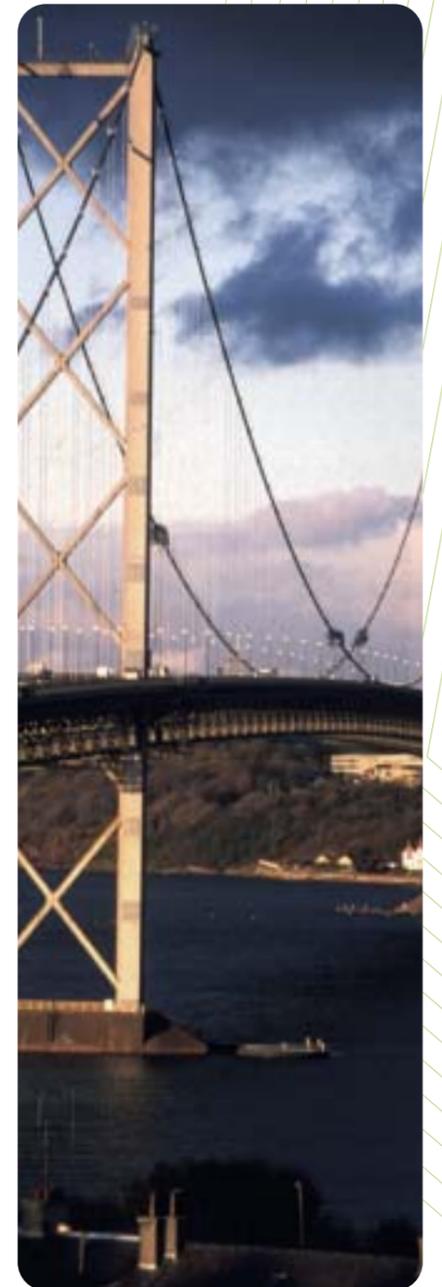
- General conditions for the supply of mechanical, electrical and associated electronic products – S 2000 – August 2000
- Supplementary conditions for the supervision of erection of mechanical, electrical and electronic products – S 2000 S – August 2000
- General conditions for Computer Software – SW 01 – March 2001
- General conditions for Maintenance – M 2000 – September 2000
- General conditions for the supply and erection of mechanical, electrical and electronic products – SE 01 – September 2001
- General conditions for the manufacture and supply of specially designed components – SC 06 – April 2006
- General conditions for series processing – SP99 – December 1999
- Conditions for the provision of technical personnel abroad – October 1995
- General conditions for the repair of machinery and equipment – R 02 – July 2002
- Turnkey Contract for Industrial Works – February 2003

Model Forms

- Agency Contract – International agency contract on an exclusive basis – January 2002
- Exclusive agreement with distributors abroad – June 2006
- International technology licence agreement (Inside EU/EEA version) – January 2005
- International technology licence agreement (Outside EU/EEA version) – June 2006
- Original equipment manufacturer contract (OEM contract) – February 1991
- Consortium agreement – February 1995

Guides

- Pressure Equipment Directive – May 1999
- Guide for drawing up an international development contract – September 1999
- Security for payment in credit sales – December 1999
- Guide on S 2000 – September 2000
- Understanding WEEE & RoHS Guide – April 2003
- WEEE & RoHS Scope Guide – January 2006
- Guide to contractual options for B-2-B equipment under WEEE – March 2006
- Guide to Defect Liability in Europe – April 2005
- European Competition Law in Practice – 30 key points – May 2004
- Co-operation Agreements: A short guide to the creation of a joint venture – June 2004
- Drawings and technical documents - Ownership and protection against improper use – June 1993



Orgalime Bridgehead



Back in 1996, Orgalime increased its cooperation with the European Sector Associations in industry by launching the 'Orgalime Bridgehead'. This allowed certain sectors of European engineering not wishing to dedicate full time resources in Brussels, to cooperate with Orgalime which offers them early warning services on Brussels issues, specific projects and, if required, association management services. The Bridgehead provides these sectors of our industry with the advantage of the benefit of Orgalime's network and service infrastructure, while receiving a tailor-made service allowing the association to develop its own brand and remain politically independent from Orgalime. In 2006, Orgalime reinforced its staff in the Bridgehead (which now numbers 5) to service the ever increasing number of organisations to whom Orgalime provides a variety of services. The Orgalime Bridgehead now services 16 European Committees or Associations:

Early warning, monitoring or other services

- CECAPI (electrical installation equipment)
- CEMA (agricultural machinery)
- CEO (hand tools)
- EFCEM (catering equipment)
- EIFI (fasteners)
- ESTAL (surface treatment on aluminium)
- EUMABOIS (woodworking machinery)
- EUROMAP (plastics and rubber machinery)
- EUROM 1 (precision mechanical & optical industries)

General Secretariat

- CEIR (valves)
- EFSAC (fire and security equipment)
- EGMF (garden machinery)
- EUROPERF (metal perforators)
- EUROPUMP (pumps)
- FEM (material handling industries)
- PNEUROP (compressors)

The close contact of European Sector Committees with Orgalime in related branches brings major advantages in terms of synergy. Moreover, the results of Orgalime's work in areas such as technical directives, trade policy and many environmental issues is reinforced by the strengthening cooperation among the different representatives of our industry in Brussels, many of whom today also provide direct input into work of Orgalime.

Member Associations

AUSTRIA

FEEI Mariahilfer Strasse 37-39
5, Obergeschoss, A - 1060 Vienna
Web: www.feei.at

FMMI Wiedner Hauptstrasse 63
Postfach 335, A - 1045 Vienna
Web: www.fmmi.at

BELGIUM

AGORIA Diamant Building
Boulevard A. Reyers 80, B - 1030 Brussels
Web: www.agoria.be

BULGARIA

NATIONAL CHAMBER OF ELECTRICAL ENGINEERING IN BULGARIA
P.O. Box 76, BG - 1407 Sofia
Web: www.bcee-bg.org

CZECH REPUBLIC

ELA Polygon house, Dondlebská 5
CZ - 14000 Prague 4
Web: www.electroindustry.cz

DENMARK

DI H.C. Andersens Boulevard 18
DK - 1787 Copenhagen V
Web: www.di.dk

FINLAND

THE FEDERATION OF FINNISH TECHNOLOGY INDUSTRIES
Eteläranta 10, SF - 00130 Helsinki 13
Web: www.teknologiateollisuus.fi

FRANCE

ALLIANCE TICS Tour Neptune
Place de Seine 20
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