

PROCEEDINGS
OF THE PAN-EUROPEAN
FORUM ON SUBCONTRACTING

Madrid, 14 and 15 December 1992



COMMISSION OF THE EUROPEAN COMMUNITIES
Directorate-General XXIII "Enterprise policy, Distributive Trades, Tourism and Cooperatives"

PREFACE

With regard to the present economic situation, the main task the Commission is pursuing under its enterprise policy is to help improve the competitiveness of businesses.

Indeed, competitiveness is a challenge to each individual company. Fostering cooperation between firms at European level is an appropriate way of reinforcing European competitiveness and promoting a resumption of growth in general. In this context, the Community has recently taken a particular interest in one specific aspect of cooperation: subcontracting.

The objective is also to encourage the strengthening of relations between the different organisations in view of the creation of a true European subcontracting network to face the challenges of the Single Market and of the European Economic Area.

A pan-European Forum on subcontracting was held in Madrid on 14 and 15 December 1992

This event, which was organised by DG XXIII, gathered the major part of the players in the area of subcontracting and in particular the organisations representing European enterprises. Some 400 participants of all Member States but also observers of EFTA countries, central and eastern European countries and Mediterranean countries attended the conference.

The present document contains the proceedings of this forum. The issues dealt with concerned mainly:

- a. the need for greater market transparency from an economic and legal viewpoint notably via the presentation of the first studies on the economic importance of subcontracting in the Community;
- b. the approach to quality, the role of certification and steps towards mutual recognition;
- c. the improvement of communication flows between main contractors and subcontractors at transnational level.

I would like to thank all those who contributed to the success of this Forum and who will be associated to future actions.



D. RISTORI
Head of Division

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António CARDOSO E CUNHA

Member of the EC Commission with special responsibility for enterprise policy

Ladies and Gentlemen,

It gives me great pleasure to be here in Madrid today to open the Pan-European Forum on Subcontracting. I would like to wish you all a warm welcome.

When I look around at such a large gathering, I can clearly see how motivated are all those people involved in the forthcoming Single Market and the European Economic Area.

The broad spectrum of interests represented here by such a prestigious audience provides striking evidence of the growing awareness that subcontracting is an important factor - indeed, the key factor - in the pursuit of competitiveness, since it is not only a basis for growth but also a means of forging new relationships between firms.

There are three main points I would like to concentrate on in my introductory remarks:

- the reasons why the Commission is taking a growing interest in subcontracting;
- the Commission's aims in organising this Forum;
- what the Commission expects of the parties concerned: main contractors, subcontractors and intermediaries.

I should like to begin with a few remarks about the Commission's interest in subcontracting.

This interest stems from both structural and short-term considerations. The main task the Commission is pursuing at present under its enterprise policy is to help improve the competitiveness of our productive system. This task is assuming greater importance as markets become globalized, leading to much keener international competition. Firms must therefore be ready not only to rise to the challenge of the Single Market but also to cope with the establishment of the European Economic Area, its opening-up to the countries of central and eastern Europe, and the GATT agreement that will emerge from the Uruguay Round negotiations.

Competitiveness is first and foremost a challenge to each individual company. But it is becoming increasingly clear that the overall competitiveness of our industrial system also depends on constantly optimising links between firms. And these links necessarily involve subcontracting. Some countries have managed to improve their international competitiveness in certain key sectors of industry such as the motor vehicle industry or electronics, largely by breaking new ground in the organisation of relationships between firms carrying out assembly work and subcontractors. I shall come back to the importance of ideas like "lean production", "just-in-time" delivery and "total quality". These are central to discussions about how to improve the international competitiveness of our industries. So let there be very little doubt about the strategic importance of subcontracting in this context.

The aim of improving international competitiveness is of even greater importance in the present economic situation. In the run-up to the internal market, anticipatory effects were strong, especially on the investment front; but the actual completion of the Single Market coincides with a phase of recession. This is not the time or place for me to go into the question of whether this economic situation has to do with the radical restructuring of our economies undertaken in the face of upheavals in the economic environment. Suffice it to say that the resumption of growth was a central theme at the European Council in Edinburgh and was clearly reflected in the conclusions that were adopted there. In the Commission's view, businesses, especially small and medium-sized businesses, have a greater role to play in this respect, given their flexibility and their capacity for innovation and industrial development, with all the positive effects this has on employment.

But once again, concern for the individual situation of each business is not sufficient; the contribution of small businesses to economic growth will be optimal only in the wider context of an optimal relationship between businesses. And the purpose of the Community's policy on the Single Market is precisely to make the environment more conducive to such a relationship, with the ultimate goal being economic and monetary union. The entity comprising the Single Market and the European Economic Area which, is backed up by closer cooperation with the countries of central and eastern Europe, will provide the best framework for realising the full growth potential of our productive systems. But for this environment to produce the desired effect, the utmost advantage must be taken as soon as possible of the opportunities it affords. So now is the time to step up support for business so that, despite the economic problems firms are now facing, they are able to develop in such a way as to guarantee the efficient functioning of our economies in terms of wealth creation and employment - in short, collective and individual welfare. Fostering cooperation between firms at European level is an appropriate way of reinforcing European competitiveness and promoting a resumption of growth in general. Encouragement for cooperation is thus one of the main features of Community enterprise policy. With this in mind, the Community is developing a number of instruments to foster transnational cooperation, in particular by making it easier for firms to find partners. More recently, it has taken a particular interest in one specific aspect of cooperation: subcontracting.

The Commission's interest in subcontracting is a reflection of the horizontal approach to enterprise policy, concentrating on improving and "Europeanising" the environment in which subcontracting activity can develop under the best possible conditions. The Commission's efforts are thus geared to enhancing market transparency at Community level. The early fear in some quarters that the Commission's action would be interventionist has been quickly allayed, with those who harboured such doubts now supporting the Commission in the enterprise policy role it has always played: that of anticipation and stimulation, a role that will become officially recognised under the new Article 130 of the EC Treaty once the Maastricht Treaty has been ratified by the Twelve.

This Pan-European Forum on Subcontracting has been organised by the Commission as part of its role of stimulation. But what are we seeking to achieve in bringing together today so many of those who are interested in subcontracting at European level?

In so complex an area, where the initiative must come from the economic actors themselves - i.e. from the firms carrying out assembly work, from the manufacturers of subsystems and from the firms producing components to be incorporated into the final product at the different stages of manufacture - what role can the Commission play?

It goes without saying that the Commission's role can be no more than subsidiary to the initiatives of the firms themselves; it will involve drawing their attention to the major changes at present under way in this field of economic activity, and sharpening - or even galvanising their awareness of the change in attitudes that is needed. But, subsidiary though it may be, this catalytic role is one of the Commission's most useful tasks as regards the exercise of its responsibilities towards businesses. For it is in this way that the Commission can encourage subcontractors and assembly firms to adapt to the structural changes that are radically reshaping their traditional relationship.

These structural changes show up in the following main areas:

- (a) Firstly, the "total quality" approach has become an essential factor in competitiveness that is based not only on product quality but also on management principles designed to reduce malfunctioning of production processes. Clearly, the "total quality" approach must involve all the links in the chain;
- (b) Secondly, as part of the changing approach to quality, many main contractors are now concluding cooperation agreements with subcontractors in order to bring the latter's quality standards up to their own and even to give subcontractors more responsibility for the development of subsystems or components;

- (c) Lastly, alongside the drive to reduce stocks through the technique of "just-in-time" delivery, there is now greater awareness of management as an instrumental factor in competitiveness. This leads to wholesale delegation of responsibility to production teams, making it possible to detect product defects during the production process and to remedy them straight away. Moreover, effective co-ordination in the subcontracting chain is another crucial advantage that explains why the shift from mass production to flexible production is one of the cornerstones of the new relationship between firms.

Against the background of these structural changes, Community action to facilitate the emergence of a European market in subcontracting takes on a special meaning and a greater significance.

As I have said, this action is part and parcel of the drive to promote cooperation between firms. For it is only by developing a new spirit of cooperation that European industry as a whole will be able to face up to the challenge of increased competitiveness. The fact that representatives of all those involved in subcontracting activity main contractors, subcontractors and intermediaries - have taken up our invitation to attend this European Forum is in itself a significant indication that this appeal for cooperation has not fallen on deaf ears. The Forum will have achieved its main aim if, at the end of these two days, we take our leave of one another firmly convinced that this spirit of cooperation must be strengthened and put into lasting, practical effect.

I now come to my third point, which concerns the practical contributions the different parties can make to the development of strong industrial cooperation in the Single Market and in the wider context of the European Economic Area.

Perhaps I should not prejudge the outcome of your work in this Forum since it will be your task to map out the main lines of future cooperation. Perhaps I should simply confine my remarks to an appeal for you to be open-minded enough to break new ground and to abandon traditional and often conflicting positions. Even so, I should still like to throw out a few ideas which, to my mind, are worth pursuing and could usefully be explored during your discussions.

First of all, for subcontractors.

In a market-oriented system, things are quite straightforward: if you want orders, you must be able to meet the requirements of your customers, the main contractors. Their requirements are influenced increasingly by the structural changes I outlined earlier. The strategy of subcontractors should now take account of the new requirements imposed by these changes in terms of design, staff training, production management and marketing.

Now, in the case of main contractors, I would appeal to their practical sense. In view of the increase in costs attributable to the proliferation of business audits to test product quality or production processes, it is vital to keep such audits to the absolute minimum. Nevertheless, those concerned must find solutions based on certain shared ideas, especially as regards technical specifications and quality.

Lastly, turning to intermediaries, I must stress in particular the importance of the role of the certification bodies. I should just like to recall here how pleased the Commission is with the recent establishment of the European Organisation for Testing and Certification, which is represented at the Forum and has been set up to promote the mutual recognition of the different systems of certification.

I am also pleased to see here today the representatives of a large number of other intermediary organisations active in the field of subcontracting and which contribute to the smooth functioning of the market. Since their main tool is the dissemination of information and data, such information will, from now on, increasingly have to incorporate the European dimension.

On behalf of the European Commission, I should like to wish you success in your discussions and initiatives, so as to lend impetus to the emergence of a genuine European market in subcontracting, a goal we all share.

Roberto SPECIALE

Member of the European Parliament

I would like to begin by expressing my thanks for the invitation to attend the Forum and to convey the best wishes of the European Parliament, especially the Committee on Economic and Monetary Affairs and Industrial Policy, which I represent here and for which, as Mr Ristori has indicated, I am the "*rapporteur*" on subcontracting.

I feel that this meeting, coming as it does in the wake of the communication from the Commission, is particularly appropriate for providing the necessary follow-up and clarifying certain important aspects of subcontracting.

As you are aware, the subcontracting market is very important, especially for SMEs, and, as Mr Cardoso e Cunha has quite rightly pointed out, it is vital to improving the Community's competitiveness.

The main issue for me is the development of the information and communication tools needed to organise more efficiently and on a more equitable basis relations between the major European contractors, including the Japanese and American firms operating in Europe, and subcontractors.

A dual approach is appropriate here. We must help SMEs to improve their dynamism, special skills and quality while reducing their dependence on large firms. This will also involve dealing with the tricky but crucial issues of price negotiation and the terms and conditions of payment.

I join with the Commission in welcoming the work in progress on certification and technical harmonisation and, most importantly, the development of a Community information network.

The recent projects in the field of consumer electronics can provide worthwhile experience in the development of cooperation between users and suppliers and, more generally, they can and, in fact, do provide a stimulus towards cooperation between the Community and Japan.

I am delighted that it will very soon be possible to make further headway in this direction and that, starting with this meeting, technical solutions will flow from the proposals for work on the stated objectives. As far as my own role is concerned, I shall naturally monitor and evaluate these matters over the next few weeks and take the appropriate steps to bring them to the notice of the European Parliament.

This Forum is also important in that the subject-matter forms part of a wider initiative in favour of SMEs.

For some time I have been convinced that this matter is crucial if SMEs are to benefit fully in the run-up to the Single Market.

We must ensure that the establishment of the Single Market provides a genuine opportunity to foster integration and is not dominated solely by big business.

From this standpoint, the presence of SMEs in Europe, the leading role they play, and the assistance they need are essential not only because of their flexibility and their contribution to employment but also because they are a guarantee, actual and potential, of the strengthening of the market and the dissemination of democracy.

In recent years, the Community has developed its initiatives in support of SMEs with increasing courage and decisiveness, to the point where, already and, I trust, increasingly so in the future, they constitute a proper well-organised and coherent policy, something which is most important from the view point of industrial policy.

I believe that, in achieving all this, we have played a positive part, aided by the organisations active in this sector, the receptiveness of the European Parliament and the support of the Commission.

If, as I believe, this is the case, it confirms the commitment and the practical alliance which has developed between these institutions and sectoral organisations, and also the need for a specific operational structure.

The task ahead will not be easy for at least two reasons.

First, the consolidation of a structured policy for SMEs increasingly demands, in addition to Community, national and local instruments and networks, an even sharper focus on these enterprises, which, despite their points in common, form a widely disparate grouping.

This, of course, calls for an enormous degree of sensitivity and consistency on the part of firms in the Community and the national authorities.

Second, while the Community venture has recently made great strides forward, the current situation is one of great uncertainty.

Each of us, after due reflection and in an institutional capacity, will give an assessment of the recent Edinburgh summit; while there are undoubtedly positive aspects to the summit, it nevertheless appears to me that, on an initial assessment, the political worries marking this stage of the construction of Europe have not yet been dispelled.

In the next few months we will have to contend with, and indeed are already having to contend with, a very serious economic crisis and deep recession that will have a particularly severe impact on SMEs, especially smaller ones.

Until the need to give fresh impetus to growth and employment is accorded prime importance and until we have properly planned support measures at Community and national levels, we cannot rest on our laurels. If the Edinburgh summit turns out to have given a clear lead in this area, as I feel it has, it will have been an event of great significance for everyone here.

Clearly, the very concept of the construction of Europe will not catch on with the citizens of Europe unless we all do our utmost to meet the practical concerns of individuals, with the issues of growth and employment surely being among those that loom largest.

I know that work is progressing satisfactorily and, like the European Parliament as a whole, I am eager to see the appraisals of the measures already taken to assist SMEs in the Community and especially to learn of the programme for the next few years, together with the requirements for stimulating economic growth in the Community.

This comprehensive frame of reference is essential to give impetus to the various areas of work and to our current commitment to subcontracting and to ensure that the results achieved and proposals adopted form part of a coherent Community policy. This is the direction our future work must take.

Let us commit ourselves to the completion of the common task before us.

Thank you.

Carlos FERRER SALAT

President, U.N.I.C.E. - Union of Industrial and Employers' Confederations of Europe

SUBCONTRACTING, THE DRIVING-FORCE BEHIND THE COMPETITIVENESS OF EUROPEAN INDUSTRY

Ladies and Gentlemen,

Allow me to congratulate Directorate-General XXIII of the Commission of the European Communities for organising the Forum which we are opening this morning and to thank Mr Cardoso e Cunha for having kindly invited me to talk on the subject of subcontracting.

I would first like to present the organisation of which I am President, UNICE, the Union of Industrial and Employers' Confederations of Europe. UNICE groups together a total of 32 major employers' organisations in 22 European countries, namely the twelve Member States of the European Community, the six Member countries of EFTA and Turkey, Cyprus, Malta and San Marino.

We thus represent all European employers, and our task is to influence European legislators, the Commission, the Council and the European Parliament. Only a few days ago, we met Mr Delors to put forward a number of suggestions for the Edinburgh European Council; we also met Mr Major three or four days ago, and I am convinced that our proposals had some impact on the outcome at Edinburgh. We maintain a regular dialogue with the European Trade Union Confederation, with which we have drawn up a number of joint opinions. In the latest of these, we put forward a package of measures to revitalise the European economy and create jobs. The proposals were passed on to the Heads of State or Government, and I am sure that they were taken on board at Edinburgh.

We also represent employers' interests in international trade negotiations: for example, in the Uruguay Round of the GATT negotiations on liberalising world trade, in which some 108 countries have been taking part, we have acted as permanent advisers to Vice President Mr Andriessen, the Community negotiator, alongside organisations representing all branches of industry, trade and services in the Community. We endeavour in our contacts and discussions to help the Community legislator to adopt the best possible rules and regulations, and above all rules and regulations that assist, rather than hamper, the business community, thus helping to create an environment and a legislative framework that enables European enterprises to boost their competitiveness: this is perhaps our most important objective.

The health of businesses, both large and small, is also at the centre of UNICE's interests. Naturally, nearly 98 or 99% of businesses indirectly affiliated are small or medium-sized enterprises. Now, as we stand on the eve of the twenty-first century, what are the new challenges actually facing European businesses?

European businesses have to take up two major challenges:

- the first is the breathtaking pace of scientific and technological change, which means that products, systems, processes and skills become obsolete after only a few years. In terms of scientific knowledge, a "generation" lasts only about five or six years. At a recent meeting of chancellors of European universities, one member of the distinguished gathering proposed that university qualifications should be valid for a limited period; the proposal was not taken up, but it serves to illustrate the breakneck pace at which knowledge, and consequently industrial products and services, are evolving and the fact that anyone who does not keep abreast of developments in his own field is left out in a very short time.
- the second challenge is the sharp surge in competition that results from the progressive deregulation of the markets, European integration as well as from the liberalisation of trade, products and services at world level.

We are, then, operating in an environment of global competition, and I am convinced that it is constantly striving to meet the two major challenges confronting us in which, thanks to their flexibility, small and medium-sized enterprises have an edge.

In the face of these major challenges, the rallying cry of European businesses is competitiveness. Our firms must remain competitive if they are to survive in tomorrow's world. This means that they must offer, at the right time, a product or service that caters for what the market wants in terms of price and quality.

Against this background of technological change and stiffer competition, the subcontracting relationship is undergoing far-reaching structural change in Europe.

In the past, firms tended to use subcontracting in order to boost their production capacity and flexibility. Each party, the main contractor and the subcontractor, pursued its own interests.

Nowadays, many main contractors have realised that an increasingly specialised relationship of cooperation with subcontracting firms enables them to respond more effectively to market demand, improve quality, shorten delivery times and cut component storage costs, with the well-known "just in time" philosophy playing a key role here.

The conventional relationship between main contractors and subcontractors is developing into a relationship based more on cooperation and partnership. Henceforth, both parties take a proportionate share of the risks and the rewards offered by the market.

Subcontracting, which mainly involves small firms, is thus to be seen as a strategic option for main contractors and, in more general terms, plays a decisive role in the competitiveness of European businesses. This is particularly evident when we bear in mind the part played in global competition by small firms which supply highly specialised products to large European firms at the leading edge of technology.

The Japanese subcontracting model enjoys success of which we hardly need reminding. The way in which subcontractors are organised into a structured network of specialised firms is one of the reasons behind the Japanese economic miracle.

The Japanese regard subcontracting not as a mere supply arrangement but as a genuine partnership between enterprises, the prime objective of which is to achieve a high-quality product. Europe still has a lot to learn in this respect, and it is significant that the industries which traditionally rely on subcontracting, namely electronics, motor manufacturing and textiles, are precisely those where the competitiveness of European firms is at greatest risk.

Given the role played by subcontracting in the economy and its importance for the competitiveness of our large firms "vis-à-vis" their American, Japanese and other competitors, the European Commission has for several years been working to develop subcontracting in the Community. The measures taken are extremely important and are, in my view, justified above all in the field of cross-border subcontracting. Their impact is, however, limited: the development of subcontracting is primarily a matter for the market. Where a business is interested in subcontracting across borders, it should not be hampered by constraints of any kind.

The decision to rely on a subcontractor is a matter for the main contractor, and no one can impose it on him. Furthermore, most small and medium-sized subcontracting firms operate mainly at local level and are hardly inclined to look for new markets abroad.

The Single Market that is to become a reality in less than a fortnight's time will therefore offer new opportunities for the development of subcontracting relationships across borders.

It is not enough, however, to bring down national barriers in order to make a small firm decide to "go European". Its mentality has to change too. Many small and medium-sized enterprises must be made to realise that new opportunities will henceforth be open to them outside their home region. Neither must they forget that they may be exposed to new competitors on their own patch.

The Commission's work in the subcontracting field should consequently, in my view, focus chiefly on training and information for businesses.

UNICE has followed with interest what the Commission has been doing in recent years in the subcontracting field, and I would like to share with you today some of our thoughts on the topic.

The Commission, and in particular Directorate-General XXIII, deserves to be congratulated for all the initiatives taken and planned in this area.

UNICE strongly endorses the Commission's action, which - while avoiding the pitfall of interventionism - is strengthening the competitiveness of our enterprises by improving the general climate in which they have to operate.

Action by the Commission is, in my view, necessary above all:

- as we have already seen, to facilitate cross-border subcontracting and remove barriers to its development; and
- to encourage third-country investors establishing in Europe to rely more on European subcontracting.

The best ways of achieving these two objectives are to ensure that the different subcontracting markets and their legal environment are properly understood, to disseminate clear, practical information and to promote training and business cooperation.

As regards efforts to gain a better understanding of subcontracting markets, the studies which have been carried out to assess the economic importance of subcontracting in the Community and which will be presented at this Forum are a constructive step and will make it possible to gain an overall picture of the situation in Europe. I do hope, however, that the findings will be treated with caution, since the lack of objective information at Member State level and the large number of businesses and sectors concerned do not enable trends to be reliably identified at this stage. We must therefore see that potential investors are not misled by the conclusions.

I am sure that, thanks to the pragmatic approach taken, the studies on the legal aspects of subcontracting, certification, quality and the costs occasioned by the multiplicity of certification procedures will prove extremely useful. The same goes for the studies which the Commission is planning on liability for products and services.

I also feel it would be helpful to find out how the subcontracting market is organised in countries which are our main trading partners or competitors. The Commission has looked into this question by sending a fact-finding mission to Japan; UNICE would urge the Commission to make a similar tour of the United States.

As far as information is concerned, the essential aim is to disseminate clear, practical and relevant information that is available to and can be easily understood by all businesses. Improving the quality and quantity of information available at Community level should be one of the Commission's top priorities.

The findings of the research and studies mentioned should be disseminated as part of that information drive, just as subcontractors should be provided with existing information which concerns them directly and relates to the aspects of Community policy that are geared to enterprises in general, such as standardisation, social affairs, regional development and protection of the environment. The publication of a practical guide to the legal aspects of industrial subcontracting makes an extremely useful contribution, and I am told that the second volume of the guide, comparing the legal environment for subcontracting in the twelve Member States, is due to be published shortly.

The guide is an excellent initiative, and I am sure it will help subcontracting firms, if not directly, at least indirectly through the organisations or individuals advising them.

To disseminate information, the Commission should use as a matter of priority the network of Euro Info Centres which are operating to good effect in major cities across the Community. The EICs should be open to anyone wishing to provide or obtain information on subcontracting. On the other hand, organisations representing particular sectors of industry or services should, in my view, also be capable of informing their members, and the Commission should systematically supply the relevant information.

There should be absolutely no question, however, as there might have been in the past, of setting up an additional - and, I would say, bureaucratic structure for collecting and disseminating the necessary information.

In addition to disseminating information, the Commission should develop training activities. I have observed with great interest schemes organised in Japan, and I think that the organisations representing and assisting subcontractors have a special role to play in organising briefing sessions to raise firms' awareness and understanding of the topic.

I also see as positive the Commission's efforts to promote business cooperation, particularly on a cross-border basis. It was an extremely useful step here to begin compiling glossaries in different European languages. The interconnection of existing databases and data banks on subcontracting is also undoubtedly an excellent initiative that should be put into effect at an early date provided that the study and the planned pilot project demonstrate that the scheme is feasible.

Lastly, the pilot project that the Commission has announced to improve the supply of European subcontracting in the electronics sector strikes me as a well-conceived measure that could be extended to other key areas of the European economy. The fact that this pilot scheme is being part-financed by large firms in the industry is an extremely promising feature that demonstrates the interest shown by the private sector in this type of initiative.

The second aim which I said that the Commission's work should pursue is to encourage foreign investors establishing in Europe to rely more on European subcontracting firms. These foreign firms, mainly Japanese, offer a genuine opportunity for subcontractors to win new business. Nevertheless, the firms concerned are looking for the same standards of quality and reliability as are offered in their home country, and if local subcontractors cannot meet those standards, they will naturally turn to their home market in order to satisfy their needs.

There is no doubt that the Member States have a leading role to play in working towards this objective and attracting foreign capital. The Commission should confer added value on their efforts by sharing its experience and knowledge of the European subcontracting market and providing third countries with an overall picture of that market. It is equally clear, however, that we are once again dealing with a problem that will be settled by the market, and if European firms cannot deliver the requisite standards of quality and reliability, the foreign firms will look for other subcontractors in their home country or elsewhere.

In pursuing these two objectives, I am convinced that the Forum will provide an excellent opportunity for all those concerned by subcontracting to measure what is at stake, identify the needs of the firms concerned, and establish contacts with those who are already well acquainted with the relevant markets and can share their experience. An expert from UNICE will also take an active part, on a more technical level than myself, in the discussions of Working Group No 1 this afternoon. I hope that the findings of the Forum will enable the Commission to refine its information drive, and UNICE is fully prepared to disseminate the conclusions among all its members.

I hope that the Commission will be encouraged by this Forum to continue its initiatives in the subcontracting field as part of its policy to assist enterprises, and above all small and medium-sized ones. SMEs play a decisive role in creating the employment and wealth that our economy so badly needs at the present time. It is therefore essential to provide them with a favourable environment.

I would like to finish by going back to a point I touched on earlier. We have been talking to the European Trade Union Confederation for several years, and in July we agreed on a programme for revitalising the European economy. We had noted that most of the problems we have to contend with in Europe today are due to the poor performance of the economy. We have to get to grips with not only monetary difficulties, but also the problems of economic stagnation and rising unemployment: remember that we are not far off the level of unemployment we experienced in 1985, with 11 million or 11% of the population out of work.

In the programme we have drawn up, which basically involves in the first place drafting plans for completing the Single Market, achieving economic and monetary union and concluding the Uruguay Round negotiations, I believe that charting our course is essential to overcome the uncertainty that is holding back investment.

Secondly, we must "reform" the labour market in Europe, in other words, make it more flexible, improve workforce skills through training and thereby enable firms to adjust to change more easily.

Thirdly, we must pursue an economic policy that restrains public spending, maintains or steps up the level of public investment, lowers interest rates and encourages investment by private enterprises, these being the factors that will contribute most to employment and growth.

This programme was presented a few days ago to Mr Delors, Mr González and Mr Major, and I believe it is an essential platform, with great hopes pinned on small and medium-sized enterprises, since these are firms that genuinely create employment and make a large contribution to technological progress.

These ideas were reflected, at least in part, in the conclusions of the Maastricht European Council, and I am convinced that the whole area of subcontracting is playing an increasingly important role not only in practical cooperation between businesses, but also in the promotion of greater integration, technological development and efficiency.

I therefore have no doubts that this Forum will prove a great step forward for subcontracting; it has UNICE's full support, and I truly appreciate the Commission being here today and organising such an important event as this for businesses in the Community.

Thank you very much.

Rudolf BEGER

Secrétaire Exécutif, A.C.E.A. - Association of European Automobile Constructors

ACEA is the professional representation of all European car, truck and bus manufacturers except PSA.

ACEA was founded in 1991. Since then, it has been enormously active and taken position on major policy issues. These include EC-Japan trade relations, car recycling, transport policy, CO2 emissions, noise, safety and industrial policy issues.

ACEA's character is proactive and dynamic. It acts as a competitive instrument for the benefit of its European members.

The issues and corresponding challenges ACEA is dealing with can be structured into two categories:

- First, the environmental issue which covers all aspects of the social acceptance of the motor vehicle;
- Secondly, the competitive issue which covers all aspects of Europe's challenge by newly emerging, highly competitive automobile manufacturing regions.

Both categories are closely interlinked. Leadership and environmental technology as well as an efficient transport system will indeed provide competitive advantages.

About 50% of all car components are produced by external suppliers. This fact, in itself, clearly emphasises just how important the European supplier industry is, with regard to the overall European economy, to European employment in general, and to the European automobile industry's competitiveness.

Therefore, the relationship between the automobile manufacturers and their component suppliers will be of utmost significance for the European automotive industry's ability to meet these two major challenges. The suppliers' performance, their willingness and their ability to face up to the environmental as well as to the competitive challenge are crucial to the success of the manufacturers' own current structural adjustment process.

ACEA believes that the Japanese competitive advantage is not only a result of the prevailing gap in wage and social cost within the supplier pyramid, but also of the dependency of suppliers from manufacturers as part of existing industrial conglomerates (Keiretsus). The last aspect cannot be transferred to Europe due to its impact on competition and the free play of market forces.

Therefore ACEA members principally do not aim at becoming shareholders in supplier companies. In ACEA's view, improvements should therefore be sought in the improvement of the manufacturer-supplier relationship.

The manufacturers need suppliers that can compete at a global scale. They need suppliers that can meet global quality standards, that produce efficiently and flexibly, that are most cost efficient, that push technological progress and develop a high innovative potential.

This requires efficient, financially strong companies.

In order to achieve this goal and, ultimately, in order to survive, the supplier industry must therefore achieve some fundamental improvements.

These include a higher utilisation rate of equipment, a shorter tool replacement time, a reduced number of equipment breakdowns, inventory reductions, a shortening of product development/production response times and throughput time for parts within plants, a substantial improvement of supply reliability and, last but not least, a very close to zero waste production. The quality of the final product is indeed the accumulated result of the quality of its components.

This will require more than just becoming "lean". For our competitors, "lean" is just an intermediary stage to an even more sophisticated management and production system.

The perspectives after "lean" are characterised by:

- The increasing importance of electronics in products and production
- A further shift from maintenance engineering to production, respectively, equipment engineering
- A radical further standardisation of parts.
- Regional production concentration including R&D on a global basis and in conurbations
- New "JIT" concepts as a response to an aggravating traffic situation.

European automobile manufacturers are still using many more suppliers than their Japanese competitors. According to the recent Boston Consulting Group Study, European automobile manufacturers have about 800 to 2,000 direct suppliers each, while the Japanese have only 160 to 300.

Although the number of suppliers as such may have no relevance on the efficiency of a manufacturer's purchasing management, multiple development or purchasing of identical parts from more than one supplier will result in inefficiencies. For instance, efficiency optimisations can be realised through the development of basic innovations by one leading systems supplier for a number of automobile manufacturers.

In addition to a large number of direct component suppliers, the European automobile manufacturers typically have a higher degree of vertical integration than the Japanese manufacturers. These, and the conclusions from the Boston Consulting Group Study, suggest that the changes needed in the manufacturer-component supplier relationship are indeed "radical rather than incremental, strategic rather than operational".

These changes should include:

- Structural changes such as:
 - * Fewer direct suppliers;
 - * Increasing concentration (requiring DG IV flexibility)
 - * Fewer suppliers/parts;
 - * Greater outsourcing/lower level of in-house production;
 - * Growing significance of global production concepts;
 - * More systems production.
- Changes in manufacturer-supplier relationship, such as:
 - * Design delegation;
 - * Early supplier involvement in the product development, supported by delegation of design responsibility;
 - * Long-term contracts;
 - * Co-operative relationships (networks).
- Changes in labour requirements:
 - * Indeed, the biggest challenge for the European suppliers will be the recruitment and retention of highly skilled personnel.

Suppliers will need to take part in the process of educating personnel by developing strong links with universities as well as developing their own training programmes.

The existing EC programmes in this area need to be particularly reassessed in view of the component suppliers' needs.

In fact, suppliers will increasingly become regarded as an extension of the manufacturer's own operations. This will result in closer co-operation even integration, simultaneous engineering, cross-functional teamwork and, as mentioned already, the delegation of systems and subsystems design and manufacturing responsibility.

This principle of manufacturing subsidiarity is based on the assumption that design and manufacturing operations should be carried out by those who are the best and the most competitive. In addition, mutual trust is mandatory to be able to delegate.

From this follows that the crucial elements of success will not only be performance but, in addition, the quality of the partnership between the manufacturers and their suppliers.

ACEA, its member companies and Associated Organisations (the national motor vehicle manufacturers' federations) are prepared to develop recommendations on principles of a future closer and more long-term relationship between manufacturers and suppliers which shall be developed at European and national level and which are based on already implemented innovative, manufacturer-supplier business practices.

In this spirit, CLEPA, the professional organisation of the supply industry at European level and ACEA, its manufacturer counterpart, have started immediately after ACEA's foundation to explore areas of common interest. In a number of meetings, the following areas were identified which could constitute the core of a future partnership at CLEPA/ACEA level:

- Vocational training
- Standards for Material Marking
- OEM-Supplier Rating Systems
- Research and Development
- Guidelines on manufacturer-supplier co-operation
- Legal issues, including standard contract clauses, warranty standards, liability guidelines, and industrial design protection
- Human capital and technological skills, industrial policy and particular issues relating to the development of support to the conversion of the automotive industry.

On this basis, ACEA is proposing the following steps for the near future:

- Energetic efforts must be made by CLEPA and ACEA to develop, as a first step, acceptable concepts concerning the eight issues already identified;
- CLEPA and ACEA should closely cooperate on initiating Community action,
 - * First, to develop clear framework policy objectives and,
 - * Second, to translate these objectives into Community action.

It is obvious that the European Automotive Industry performance cannot be separated from all the institutional, policy, legislative, and administrative factors that influence it.

In addition, it needs to be recalled that the Commission, in its pursuit of completing a Single European Market also for motor vehicles, promised to the Industry to support its structural adjustment process by providing a business environment that will facilitate this process.

The questions for manufacturers and for suppliers are indeed the same:

- First, what is our common vision of a supportive business environment in Europe, and
- Second, what is the EC Commission's overall programme to support European automotive manufacturing.

ACEA, as a follow-up to the Commission's Communication to the Council on the European Motor Vehicle Industry of May 1992, has recently communicated its first ideas on elements of a supportive business environment and has entered into a dialogue with the Commission services with the goal to achieve concrete policy action.

Let me summarise briefly:

- The principles of "continuous improvement" (*Kaizen*) and "elimination of waste" (*Muda*) must be applied in all our activities, including those with the Commission. ACEA has therefore suggested that its interface with Commission Services needs to be better structured and needs to become more goal and action-oriented.

CLEPA, in the spirit of partnership has been invited to participate in these activities.

Although ACEA does not see an active role for the EC or national governments in the ongoing restructuring process, it believes that European automotive component suppliers will need to turn increasingly to the EC for funding that will assist their competitiveness and provide for the restructuring they will require.

First key themes to be dealt with between the industry and the Commission concern issues which are of the same high interest for both manufacturers and suppliers:

▪ **First Joint Research.**

US as well as Japanese manufacturers are all accelerating their joint research activities markedly, notably in the field of environmental technology. We need to better assess the feasibility of competitive joint European activities in this field.

▪ **Secondly, Training.**

Highly sophisticated, high-tech production processes need a highly qualified, multi-skilled workforce. Condition for this is an intensified and strategically oriented training effort. We need to better assess the potential benefits coming from existing or revised EC training schemes.

▪ **Other areas of equal importance include:**

- * Reconversion/retraining
- * Deregulation and legislative stability
- * Completion of the Single European Market, notably tax harmonisation
- * Selective distribution
- * Transport policy;

all of which also need to be discussed with the Commission with the objective to initiate political action.

ACEA is open for a partnership with CLEPA on all issues of common interest.

It needs to be recognised, however, that individual manufacturer-supplier relationships will neither be ACEA nor CLEPA business. And on ACEA's side, there is no intention to intervene. But in ACEA's view, there is ample opportunity for joint ACEA-CLEPA activity which can help individual manufacturers and suppliers in the ongoing process of reviewing and revising their relationship with one single goal:

To secure Europe as a viable production basis for socially acceptable, competitive and affordable automobiles, automotive systems and automotive parts.

In conclusion, ACEA believes that the European component supplier industry remains absolutely vital to the European automobile manufacturers, not only from the point of view of technology/know-how transfer, but also from the point of view of reliability, component supply security and particularly with respect to safeguarding the European technological base.

Motele KALK

General Secretary, CLEPA - Liaison Committee for the Manufacture of Automobile Equipment and Spare Parts

Mr Commissioner, Ladies and Gentlemen,

To celebrate the opening of this Forum of subcontracting, I am bringing you the sad news that perhaps, from a strictly legal point of view, we do not exist at all!

In fact, civil and commercial legislation in most European countries do not contemplate "subcontracting" as a specific legal relationship, nor "subcontractors" as a specific party to any such relationship.

Exceptions may be found in respect of the building industry and of public works, but hardly elsewhere.

Nevertheless, "subcontracting" is definitely a viable term in everyday's business language, as witnessed by the numbers in attendance at this Forum.

It reflects an obvious trend in specialisation of modern production.

The organisation I represent, along with a few colleagues who will take part in the various Working Parties and round tables later on, is CLEPA: the Liaison Committee of the European Automotive Components industry in Brussels.

Here again, I should point out that component manufacturers are usually reluctant to accept being defined as "subcontractors": this has to do with our particular sectoral slang, in which this is merely an "executor" working to customer's drawings and specifications and lacking a technology of his own, whilst a component manufacturer generally does have a very specialised product and process know-how. However, we should dismiss this kind of semantic disputes and accept that, in economic terms, component suppliers are subcontractors with certain peculiarities.

I am quite sure that air conditioning, hot-and-cold water tap systems or safety door locks can involve some very sophisticated engineering, so that subcontractors to the building industry, are not all simply "executors" and this must also be true for the other sectors represented here.

Coming back to CLEPA, our industrial sector consists of more than 3,000 enterprises throughout Europe, most of which are small or medium, employing a total of some 900,000 people and generating some 80 billion ECU of which the vast majority is intended for the automotive industry, i.e. passenger cars, commercial vehicles and busses.

In turn, automotive components represent something in the region of 40% of total vehicle value: in fact, vehicle makers outsource much more, some 2/3 of vehicle value or more, but this also includes materials and other products which cannot be called components.

As an organisation, CLEPA represents industries from the most diverse sectors, ranging from electrics and electronics to mechanics, plastics and so on and so forth, all linked by a very strong common factor, that is the destination of the products, intended for a limited number of major customers.

The automotive industry is certainly a very vast field having a long history of close interdependence between vehicle makers and suppliers, which has resulted in massive and visible development of subcontracting relationships.

Perhaps, this is why CLEPA has been welcomed by the organisers of this Forum as representing a specific sector with a few stories to tell, which can be of immediate or future interest to the other participants.

The main area of interest is actually the development of partnership relations between the two main branches of the automotive industry: the vehicle makers, as "main contractors", and the component suppliers as "subcontractors" according to the theme of this Forum.

The need to develop partnership represents a deviation from traditional practices, prompted by Japanese competition and by the need to restore competitiveness of the European industrial system in terms of time to market, total quality and production cost.

These targets are not exclusive to the automotive industry and each industrial sector should set them to itself, preferably before being forced into action by the pressures from external competition, when it may be late to improvise an effective defence.

In the forthcoming working party sessions, my colleagues and I will talk more about partnership, as we know it, i.e. in the automotive industry where it is heavily influenced by a Japanese model (which is now changing, not necessarily for the better).

In a nutshell, it works by a main contractor's taking the initiative of selecting a limited number of key subcontractors (or first-tier suppliers, or systems suppliers as we call them in the automotive industry) and by their integration from the very early stages of conception, design and development of the final product, including its target costing as a whole and its individual elements, its production scheduling and logistical system, with a view to make this association stable and durable as a "common enterprise".

Different situations in different industries may require different approaches and different adaptations of basic principles which can remain very similar in spite of a wide diversity of circumstances.

In our particular case, as my friend and colleague, Mr Beger has been saying before, many areas of common interest and common effort have been identified between ACEA and CLEPA and are leading to close cooperation between the two organisations.

These cannot replace their constituent companies in taking practical actions but can give a significant contribution to the implementation of a general frame of mind into reality.

Thank you.

Heinrich von MOLTKE
Director-General, DG XXIII "Enterprise Policy, Distributive Trades, Tourism and Cooperatives" C.E.C.

Mr Minister, Mr Cardoso e Cunha, Guests of Honour, Ladies and Gentlemen,

There is no doubt that the year 1992 is bound up with the European Community, but it is also unquestionably the year of Spain. Five hundred years ago Spain discovered the New World, and today the Old World is assuming new structures.

For that reason, I am particularly pleased to welcome you today to the Spanish capital for the Pan-European Forum on Subcontracting.

The fact that you have come in such great numbers to Madrid in December, which is not a particularly popular month in which to hold such an event, is for the Commission a measure of the interest which the subject of subcontracting can command. It is not merely the number of participants that is important to us but also the outstanding quality of the speakers we have been able to attract.

There is an obvious reason for the keen interest in this subject: subcontracting is currently undergoing a fundamental change, and this is not simply because frontiers are opening up within the internal market.

For the rest, the German language speaks of "suppliers" as opposed to "subcontractors", and this may be of relevance to our topic.

With two-and-a-half weeks to go before the opening-up of the internal market, it is almost a truism to say that competition is becoming keener. You are all aware, however, that the fundamental change to which I referred is a phenomenon that is attributable to world-wide competition.

What is required today is an ability to adapt and innovate on the part of all those who participate in the subcontracting process. A clear diagnosis is needed of market changes, as well as of the ways and means of adjusting to those changes. In this far-reaching process of change, the role of the Community is confined to providing the necessary impetus so that all the parties concerned become aware of what is happening. Our ambition is simply to act as a catalyst, clearly bearing in mind the limitations which the principle of subsidiarity imposes on us.

The key figures are, of course, still yourselves, that is to say, the main contractor, the subcontractor and the many other bodies involved in this process, including the authorities in the Member States.

The broad lines of our approach are contained in a communication sent by the Commission to the European Parliament and the Council on 17 January of this year. This communication is now under discussion in the relevant bodies of the Community. Two objectives emerge from the document:

1. The creation at Community level of a satisfactory degree of market transparency from an economic, technical and legal point of view.
2. Improvements in contacts and relations between main contractors and subcontractors at Community level and beyond.

The structure of our discussions in the next two days is centred around these two basic objectives. On closer analysis, you will see that the topics of each of the three working groups can be reduced to one or other of these objectives. Each of the topics has been studied in detail by the Commission.

On the display unit outside, you will find a large amount of documentation relating to an economic analysis of the subcontracting market in the twelve Member States, the voluntary recognition of quality controls and the possibilities of establishing contacts between organisations which act as intermediaries in the field of subcontracting.

Contacts between participants at the Forum will be facilitated in two ways:

1. A directory of all the associations interested in subcontracting, which you will also find in the display unit, and
2. The existence of a meeting area in front of the main entrance to the conference room on the first floor, where a substantial number of intermediaries with horizontal or sectoral responsibilities from all the countries of the Community have set up a special small exhibition of catalogues and other displays for your interest.

You will have an opportunity to get to know these organisations better during the coffee breaks. That does not, however, exhaust the list of materials on offer.

At the Commission stand, you may peruse the results of other work carried out by my departments. There is, for example, the two-volume practical guide to the legal aspects of industrial subcontracting, copies of which can be obtained from the Office for Official Publications of the European Communities. The first volume examines the essential points which should be covered in a subcontract. The second contains a comparative study of the legal provisions in force in the Member States.

Also on display are the multilingual sectoral terminologies designed to promote mutual understanding across borders by means of user-friendly comparisons of specialist terms.

Lastly, you will find a practical guide to cross-border cooperation intended mainly for business managers interested in such cooperation.

I would warmly recommend you to pay a visit to the Commission stand, where a extensive range of material on all aspects of the activities of the associations represented here in the many areas of subcontracting awaits you.

I should like to point out to Mr Speciale that the Commission is also currently publishing a consultation document on the subject of payment terms and invites all interested parties to take part in the consultation process.

I hope you will make good use of all this information before we embark on the separate discussions in the three working groups this afternoon.

You will there have an opportunity to exchange opinions in the working groups. The first working group will deal with the economic aspects of subcontracting in the Community, the second with all aspects of quality control for subcontractors, including the problem of the proliferation of certification procedures and - a point here of interest to Mr Ferrer Salat - the training aspects, and the third with the subject of transnational communication between main contractors and subcontractors, where discussion will focus on subcontracting fairs and data banks and on the role of the various associations concerned.

The issue which interests us most concerns the possibilities of creating a decentralised network of exchanges and data banks which would enable the information stored to be made available across borders.

Our overall concern is the establishment of a Community-wide subcontracting market and the various paths leading towards this goal. The subcontracting market is represented by all of you, who have come in such great numbers to Madrid today. It is up to you to make the necessary contacts and to give the Commission some pointers as to how it can assist you in creating a common subcontracting market. In this respect, we are not only thinking of the Community countries. We also have in mind the fact that subcontracting is taking on a global dimension.

I am looking forward to the discussions in the next two days and wish us all success in our common task. At the same time, I would like to thank all this morning's speakers for their contributions, which point the way ahead and reflect the interest which this Pan-European Forum is also generating at political level.

Claudio ARANZADI
Spanish Minister for Industry, Trade and Tourism

Mr Cardoso e Cunha, Mr President, Ladies and Gentlemen,

It is a pleasure to be able to open this, the first Pan-European Forum on Subcontracting, an event which is among the many measures the Commission has introduced to encourage cross-border subcontracting.

Europe's economy, like that of developed countries generally, is, as we all know, going through a difficult period. This is due to a number of factors, in particular over-heavy borrowing by business and the general climate of uncertainty, to which the tension surrounding the construction of Europe may well itself have contributed. Fortunately, that tension is being dispelled, fresh prospects having been opened up by the Edinburgh summit last weekend.

Nonetheless, we are entering a period of ten years or so which will, without doubt, be of major importance to Europe's future. In this connection, Spain wishes to play an active role in the Community, promoting the concept of political, economic and monetary union enshrined in the Maastricht Treaty. We believe that progress on the road to union must enable the twelve Member States (or what may in future be a larger Community) to become the hard core of the Europe of tomorrow. This is a challenge which must be taken up, and Spain is firmly resolved to do so.

Spain's economy and industry are, like those of the other developed countries, battling against a world-wide recession at a time when, as I have just pointed out, the challenges of the Treaty on European Union have to be faced, namely correcting our basic imbalances in terms of inflation and public spending, and tackling our balance-of-trade deficit.

In this context, the Government has put forward a general budget showing how far it is willing to go to contain public spending and achieve those objectives.

From the point of view of industry, I believe it is essential that our currency remain in the European Monetary System, despite the speculative turmoil of recent months. This is vital if we are to ensure exchange rate stability and hold the currency steady and thereby underpin our political will to keep in line with the European average in terms of inflation.

In this respect it is worth pointing out how, in recent years, Spanish industrial prices have moved in line with, and in some cases fallen below, those of the Community as a whole. Nonetheless industry has, in its attempts to compete openly on world markets, been adversely affected by an increase in domestic inflation in the service sector and by higher input costs.

In recent years investment in capital goods has grown by about 5% annually in real terms, 5% above the Community average. This has resulted in a sharp increase in industrial productivity, outstripping that in other major Member States. That higher growth has been accompanied by an increase in nominal wages which has also been above that in the leading Community Member States, and by a greater margin.

In this context the rise in both earned and unearned nominal incomes must therefore be curbed to bring it into line with the Community average. This requires the involvement of everyone, be they employees or firms, for it is the only way to become more competitive and adopt the rules and discipline of the European Monetary System, thereby giving our currency and economic policy a credibility and solidity which would be difficult to achieve were the peseta to be outside the exchange rate mechanism.

The aim, above all, is to bring about macroeconomic conditions favourable to industrial growth, namely price stability and sustained competitiveness and, in the medium term, to achieve both nominal and real convergence with the leading Community Member States.

The industrial policy which the Government is implementing is in accordance with the guidelines set by the Community. In other words, it encourages competition and, above all, horizontal measures designed to strengthen key factors for competition, as well as measures to assist small and medium-sized businesses. This accounts for Spain's horizontal measures on research and technological development, namely the technological and industrial modernisation plan, the plan to encourage the internationalisation of Spanish firms, the quality-in-industry plan, the plan to assist industrial design, etc. Subcontracting is, in this respect, a major component of the policies to assist small and medium-sized businesses.

Since the 1960s, subcontracting has become more and more important as a business strategy in the context of inter-industrial relations. Models of development which attach undue importance to vertical integration and are based on large-scale production facilities performing almost all the work relating to any given product have now been left far behind.

The crisis in the 1970s and early 1980s exposed the limitations of the then industrial and economic structure and this, together with technological progress, substantially altered the prevailing entrepreneurial and industrial way of thinking and, more specifically, strategies such as vertical integration.

Together with new industrial organisation techniques, fragmented production and externalised processes and services gradually replaced the approach followed by business hitherto. Similar strategies have been introduced massively in all sorts of firms, large ones in particular, and in every sector of the economy. It is in this context that the need for, and hence the growth of, subcontracting and inter-industrial relations should be seen.

In Spain, although subcontracting began to grow in the late 1960s, it was in the 1980s that it became such a widespread phenomenon. Beginning with motor vehicle manufacturing and its associated metalworking firms, subcontracting has gradually become a major feature of Spain's industrial fabric. More importantly, not only has it grown in terms of volume - to as much as 70% of total output in the case of some large firms - it has also improved, and is still improving, in terms of quality.

Subcontracting has, in the last ten years, become more widespread and important. It is now very much a part of Spain's economy, especially in industry and, above all, in the service sector. What is more, the range of activities regarded as suitable for subcontracting has been extended, so much so that in some cases all the work which is traditionally regarded as manufacturing is now subcontracted (this does not include highly strategic activities such as investment and development, assembly and marketing). Both these trends have resulted in an increase in subcontracting in terms of volume, especially from the mid-1980s onwards.

The importance of subcontracting in the context of Spanish industry generally is shown by the fact that in the sectors in which it is traditionally quite common (metalworking, machinery and equipment, electrical engineering and electronics, transport vehicles and rubber and plastics), it accounts for an estimated 60% of total production in terms of value, a figure which is close to the Community average.

In other words it has, over a period of time, acquired significance in its own right in the country's economy generally, and has become a key component of Spain's economic and industrial development.

Subcontracting now plays a decisive role in raising the competitiveness of small and medium-sized enterprises. Subcontractors can specialise in specific areas of the production process and enjoy advantages which would not have been readily available to the main contractor had he wished to produce everything on his own. Those advantages fall into a number of categories: permanent innovation, integration of new technology, sustained investment, availability of skilled personnel, market surveys and quality control.

The growth of subcontracting implies special machinery and support from public institutions, i.e. measures implemented by local/regional, national or Community bodies.

The Ministry for Industry, Trade and Tourism has put IMPI (Instituto de la Pequeña y Mediana Empresa Industrial - Institute for Small and Medium-sized Industrial Enterprises) in charge of measures dealing with subcontracting. In cooperation with other public bodies, in particular Chambers of Commerce and Industry, IMPI implements a number of measures designed to encourage subcontracting, most notably the development of an information system which incorporates a national database of subcontracting firms. Unlike subcontracting exchanges, this does not operate at local level only, and the next step would be to link this up to other information systems in Europe.

It must be borne in mind that proper information on market opportunities is of vital importance when drawing up investment and production plans.

IMPI is also implementing other measures in the field of subcontracting. They include providing aid to specialised fairs and exhibitions, taking part in congresses, organising "partnership" meetings, publishing, etc.

In response to demand and the completion of the Single Market, subcontractors are being forced to specialise more and more. Their work is ever more complex, there are fewer and fewer main subcontractors, and secondary subcontractors are reorganising.

In this respect, subcontractors, especially the leading ones, are increasingly called upon to act as partners, as well as to adapt to, and to monitor technology.

As subcontracting relationships move away from dependence and towards interdependence they take on a different character and, in the case of small and medium-sized enterprises, call for a review of both strategy and the way in which production is organised and managed.

Specialisation, innovation, quality and promotion are often concepts which are new to subcontractors, but they are the key to a successful process of change.

Traditional local or regional subcontracting is becoming a thing of the past, not only because of changes in subcontracting itself but also because of the sheer size of the Single Market. This calls for new types of relationship and for the ability to operate on a supranational scale.

Public administrations and institutions must act as a driving force and provide a coordination and information service in order to bring about conditions which lend themselves to subcontracting. In other words, they will be called upon to look into aspects such as information, law, standardisation and certification, and marketing, the very subjects which the experts taking part in this Pan-European Forum on Subcontracting will be dealing with. I should like to wish you all every success.

Thank you very much.

PRESS-RELEASE

MR CARDOSO E CUNHA OPENS THE PAN-EUROPEAN FORUM ON SUBCONTRACTING

On 14 December 1992 Mr Cardoso e Cunha, Member of the Commission responsible for enterprise policy, opened the inaugural session of the Pan-European Forum on Subcontracting at the Madrid Palacio de Congresos in the presence of Mr Aranzadi, Spanish Minister for Industry, Trade and Tourism, the President of UNICE and various other figures.

This event, organised at the Commission's initiative, has attracted the interest of most of those involved in subcontracting, and in particular the organisations representing European businesses. It is bringing together some 400 participants from all the Member States and a number of observers from third countries, in particular the EFTA countries, the countries of central and Eastern Europe, and the Mediterranean countries.

In his speech, Mr Cardoso e Cunha stressed that subcontracting was a key aspect of the competitiveness of European businesses. This competitiveness depends on the ability of subcontracting businesses to innovate and to respond, in terms of quality, delivery times and costs, to the greater demands placed on them by a constantly changing world market.

Competitiveness is also based on the ability of the organisations representing subcontracting businesses to encourage and support their involvement in the process of growing Europeanization and internationalisation with a view to fostering the multilateral dialogue necessary for the formulation of common strategies.

The objective is to promote the strengthening of relations between the various organisations so that a genuine European subcontracting network can emerge to meet the challenges of the Single Market and the European Economic Area.

The subjects to be dealt with at the Madrid Forum on 14 and 15 December include:

- the need for greater market transparency from an economic and a legal viewpoint;
- greater emphasis on quality, the role of certification and steps towards mutual recognition;
- improvement in transnational communication between main contractors and subcontractors.

Studies carried out on these three subjects at the Commission's initiative will be presented for the first time at the conference and will provide the starting point for discussion among all the participants concerned.

These activities are intended to promote the creation of a favourable environment for the development of subcontracting and to strengthen links between the various trade or administrative structures which, at local, regional, national and Community level, undertake initiatives in this area.

Working Group No 1

"ECONOMIC ASPECTS OF SUBCONTRACTING IN THE COMMUNITY"

Chairman : *Mr D. BYK*, Head of Unit, SOEC/D.2 (EUROSTAT)
Rapporteurs : *Mr D. BYK*, Head of Unit, SOEC/D.2 (EUROSTAT)
Mr L. TESSERA, Chairman of UNICE - "Subcontracting" Working Party

1. **KNOWLEDGE OF THE EUROPEAN SUBCONTRACTING MARKET**
Presentation of the findings of the studies on the economic importance and development of subcontracting in the Community

2. **TOWARDS MARKET TRANSPARENCY: A STRATEGY FOR ENSURING CONTINUOUS MONITORING AND TRANSPARENCY OF THE MARKET AT COMMUNITY LEVEL**
 - Tentative formulation of a common methodology
 - Examination of the individual features of sectors
 - Role of national and trade organisations

Anna SODRO

Directorate-General XXIII "Enterprise Policy, Distributive Trades, Tourism and Cooperatives" C.E.C.

PRESENTATION OF THE FINDINGS OF THE STUDIES ON THE ECONOMIC IMPORTANCE AND DEVELOPMENT OF SUBCONTRACTING IN THE COMMUNITY

INTRODUCTION

Before presenting the main results of the studies on the economic importance of subcontracting, I would first like to give you some background information on these studies:

1. Why the Commission decided to launch these studies
2. What the aims pursued are
3. How these studies were carried out and what the main difficulties were
4. and, finally, what the follow-up to these studies will be

1. Why

The Commission decided to launch these studies since there was, until now, no structured research into the European subcontracting markets. Naturally, there have been some studies on subcontracting but these are usually limited in terms of the sectors covered or the geographical areas concerned. This situation makes it particularly difficult to gain a complete understanding of the European market in its entirety.

At a time when markets are becoming more and more international and competition is becoming fiercer - not only at international and national level, but also at regional and local level - firms are having to revise their strategies thoroughly in order to keep up with their competitors. In such a context, it is vital that they dispose of relevant and up-to-date information.

2. What for

The aim of these studies is, therefore, to fill in the gap created by the lack of structured information on subcontracting by providing general and sectoral data on subcontracting from a quantitative and qualitative point of view.

3. How

These studies were carried out over a period of one to one and a half years, extending from February 1991 to June 1992, and involved twelve different organisations, one for each Member State. They consisted of:

- Four Institutes for SMEs:
 - Handvaerksradet* for Denmark
 - Institut für Mittelstandsforschung* for Germany
 - EIM - Economisch Instituut voor het Midden- en kleinbedrijf* for the Netherlands
 - IAPMEI - Instituto de Apoio as Pequenas e Medias Empresas e ao Investimento* for Portugal
- Two Federations:
 - Fabrimetal* for Belgium
 - Mécastat* for France
- One University :
 - The Cardiff Business School* for the UK

- One Association of Chambers of Commerce:
UNIONCAMERE for Italy
- One Trade Export Board:
Coras Trachtala for Ireland
- And three Consultancy Firms:
Proyecto Europa for Spain
ADE for Luxembourg
Sympraxis for Greece

I would like to take this opportunity to thank all those who took part in these studies, most of whom, I know, are present here today, for indeed the task was not an easy one.

Although the Commission had provided the consultants with a common definition of subcontracting and a work method in order to facilitate the comparison of the data obtained, it very quickly became obvious that it would not be possible to adhere strictly to these recommendations. The main reason was that, in most cases, no information was available on subcontracting and, in the rare cases where such information did exist, it was either out of date or was not of direct use for the studies. Furthermore, the constraints imposed by the available resources and the tight timetable allocated for the execution of these studies prevented an extensive survey from being carried out.

Another difficulty stemmed from the definition of subcontracting provided by the Commission. This states that "If subcontracting can be considered as a specific type of relationship between enterprises, it may be assumed that a subcontracting relationship exists wherever a business (frequently small and referred to as the "subcontractor") acts for the account of another undertaking (frequently large and referred to as the "main contractor") in the process of working and making a specific product to plans and technical specifications supplied by the main contractor, who has final economic responsibility".

The difficulty arising from this definition is that it can be interpreted in many ways.

The aspects relating to the difficulties in estimating the economic importance of subcontracting will be further developed by Mrs Matera.

In any event, as a result of the above, the consultants proceeded in most cases by combining different sources, using former studies where available and supplementing the information obtained with the results of postal surveys and in some cases with in-depth interviews.

I must also add that, although it was initially intended to cover all areas of subcontracting, for practical reasons most studies essentially focus on subcontracting in the manufacturing, building and construction sectors. Subcontracted services other than industrial services being more difficult to identify, this sector was not examined in most studies.

4. Special remark concerning Luxembourg

A special remark has to be made concerning Luxembourg.

Luxembourg differs from the other Member States by its small size, which means that the production structure is less diversified than that of the other Member States.

The iron and steel industry still represents 32% of the added value of the total manufacturing sector and the financial sector alone accounts for 31% of the added value of commercial services.

A second consequence of the small size of the Luxembourg economy is the size of firms. In the sectors dominated by firms under Luxembourg control, most suppliers are SMEs, predominantly family businesses.

These firms, even the small ones, are all involved in international trade, at least at the level of the Sar-Lo-Lux region (Sarre-Lorraine-Luxembourg). The completion of the internal market will not, therefore, represent any major change in the working environment of such firms, which are used to operating outside their national territory.

Since the economy is centred principally on the production of services and is characterised by the absence of activities such as automobile or aeronautical engineering, there is no widespread use of subcontracting in Luxembourg outside the iron and steel industry. This does not mean, however, that there is no subcontracting in other sectors.

5. Follow-up to these studies

These studies constitute the first piece of structured research on European subcontracting markets and should enable the Commission, Member States and industrial circles to draw conclusions, for example, regarding the adequacy of the definition of subcontracting and to lay the foundations necessary for the systematic gathering of the quantitative and qualitative data essential to a proper understanding of the subcontracting market.

PRESENTATION OF THE MAIN RESULTS OF THE STUDIES

As it is impossible to cover all the aspects examined in the national reports, not only because there are so many but also because the situation can vary greatly from one country to another and from one sector to another, I shall deal only with those aspects that are a feature of subcontracting in the Community as a whole and will leave it to you to consult the various national reports for more specific information.

1. Absence of regulations on subcontracting

One of the first conclusions that can be drawn from the studies concerns the absence in most EC countries of any specific regulations on subcontracting. As a result, there is no legal definition of subcontracting. This also helps to explain why no statistics are available on subcontracting activities in these countries.

The only country which has drafted a specific law on subcontracting is France in 1975. This law was later amended and added to by that of January 1986. The definition of subcontracting provided by the 1975 regulation was drawn up for the sole purpose of determining the area in which the law applies. This definition describes subcontracting as "the operation whereby a contractor entrusts, by a subcontract and under his responsibility, to another person, called the subcontractor, all or part of the execution of a private or public contract concluded with the client".

Although this definition created a certain amount of confusion by referring to a type of triangular relationship found almost exclusively in the construction industry, it provided the legal basis for the collection of data on subcontracting-related issues. These statistics are collected by the SESSI (Statistical Service of the Ministry of Industry) and INSEE (National Institute of European Economic Statistics).

An annual survey carried out by the Department of Economic and International Affairs of the Ministry of Equipment also yields very detailed and recent statistics on the building and construction sector.

France, therefore, is in a far better position than other Member States as regards the amount and quality of information available on subcontracting.

2. Statistical information

The studies attempted to quantify the economic importance of subcontracting by providing estimates of the total turnover and employment generated by subcontracting, the number of firms involved in subcontracting activities and the amount of exports and imports of subcontracted goods and services. These figures should, however, be interpreted with great care, bearing in mind the different methodologies adopted as well as the different definitions. For this reason, I will at this stage refrain from giving you any figures and ask you to consult the tables contained in the working document.

With regards to the evolution of subcontracting, it is in any event possible to say that, in general, the importance of subcontracting has increased over the past five years.

The geographical analysis of the supply of subcontracting shows the importance of the local market compared with the national market and foreign markets (in the case of Italy, the corresponding figures are approximately 60, 25 and 15%).

With regards to exports and imports of subcontracted goods and services, most trading relations are with other EC countries. This is clearly evidenced in the Netherlands, where EC countries absorb 65% of all Dutch subcontracting exports and provide 69% of Dutch imports of subcontracted goods and services). Most countries demonstrate a particularly strong tie with one other country, in most cases a neighbouring country. If we look at the Netherlands, we can see that its major trading partner is Germany, which accounts for 22% of all Dutch subcontracting exports and 30% of all Dutch subcontracting imports.

3. Sectors in which subcontracting is important

On the whole, it would appear that the sectors in which subcontracting is most important in a majority of Member States are:

- metal working
- electronics
- paper, printing and publishing
- textiles
- and computer services

Subcontractors are for the major part small to medium-sized firms, each of which provides subcontracted goods and/or services to a wide range of clients and branches.

4. Most important customer sectors

A direct consequence of this is that customer sectors are very diverse.

The most frequently cited sectors which make the greatest use of subcontracting are:

- metals and machinery
- transport equipment
- electronics
- and textiles

The public sector is an important source of demand for subcontracting through public procurement.

The total amount of public procurement and public works for the supply of products and services amounted to nearly 3.5 billion ECU in Greece in 1990. The bulk of public procurement contracts are for the purchase of industrial products (37% in 1990), followed by construction projects (36%) and other public works (22.3%).

Demand for subcontracting in that sector is expected to increase substantially in the near future as major public works contracts are launched.

5. Use made of subcontractors/length of subcontracting relations/motives for subcontracting

The extent to which subcontracting is used varies considerably from one sector to another, depending on whether it is upstream or downstream in the production process or supply chains. It is a fact that basic industries make much less use of subcontracting than the sectors involved in the further processing of the basic materials concerned.

As I mentioned earlier, the evolution of the demand for subcontracted goods and services has been positive in most sectors - for example 7.5% in France from 1985 to 1989 and 5% in constant prices in the Netherlands over the period 1978-91.

Main contractors have increased the volume of production contracted out. This proportion varies considerably from one sector to another. In France, for example, it was 95% in the aircraft industry in 1989, 81% in the automobile industry and 78% in electronic.

It was not always possible to determine the average length of subcontracting relations, but, it is estimated that, in Portugal, 50% of subcontracting relations last for over five years; in the Netherlands, 38% of subcontractors receive orders covering a period of one year or more. In the Netherlands also, more than half of all subcontracts in the manufacturing sector are concluded for each order separately.

The main motive for subcontracting is to acquire specialised skills and equipment and, to a lesser extent, to acquire additional capacity.

6. Methods used to search for subcontractors

Personal contacts are still regarded as the most efficient way of finding business partners. Other methods include the attendance at specialised trade fairs or the use of catalogues and data banks.

I take this opportunity to remind you that the Commission has, in view of the increasing importance of cross-border subcontracting, compiled a directory of subcontracting intermediary bodies established throughout the EC. This directory covers the different types of organisation - both horizontal and sectoral - which represent, directly or indirectly, the companies involved in subcontracting in all fields of activity. This directory, the first of its kind, should facilitate more direct and regular contact at cross-border level and, possibly, the setting-up of a network of advisers for all the parties involved in subcontracting.

7. Principal demands of main contractors/Criteria applied in the selection of subcontractors

The most frequently quoted requests from main contractors concerning their subcontractors relate to the reliability of supply (*on-time deliveries*) and quality.

The selection of subcontractors is inevitably based on their ability to satisfy these two conditions. Price is no longer an overall determining factor.

With regards to geographical proximity, in Belgium, a majority of businesses give absolute or partial preference to the proximity of sources of supply, which should be situated within a range of a hundred kilometres.

In Germany, most large companies impose on their subcontractors supplier evaluation systems of varying degrees of sophistication that have been the subject of a great deal of controversy in the last few years. While 40% of the companies subcontracting to large main contractors have certified evaluation systems, the corresponding figure for small and medium-sized subcontractors is only just over 17%.

Main contractors apply these systems primarily to their most important subcontractors, which are usually the bigger companies.

8. Number of main contractors and dependency on one main contractor

As a whole, subcontractors are aware of the risk of depending on one customer. This is therefore not a problem in most countries. The average number of main contractors a subcontractor works for at any one time varies greatly from one country to another. In Greece, it is estimated that subcontractors work for an average number of one to five main contractors; in Portugal the estimated number is 29. In certain countries, such as Denmark, main contractors have a policy of not buying more than 15-25% of a subcontractor's turnover.

9. Geographical location of subcontractors

Most subcontractors are located in the heavily industrialised areas.

- In Spain for example, they are located in: Barcelona, Madrid, Bilbao
- Greece: Athens-Piraeus area, Thessaloniki, Eastern Macedonia
- Italy: Lombardy, Piedmont, Venetia, Emilia Romagna and Tuscany

10. Assistance provided by main contractors to subcontractors

The cases where main contractors provide some sort of assistance to their subcontractors are still few in number, but this trend is growing. The two areas where main contractors are most likely to assist their subcontractors concern quality management and the organisation of production.

In 10% of subcontractor/main contractor relations in the Netherlands, the main contractors place staff with their subcontractors in order to improve quality assurance procedures and to help with product development. Subcontractors also place personnel with the main contractor, mainly for training and instruction in quality requirements, in 10% of subcontractor/main contractor relations.

11. Main problems of subcontractors

Subcontractors, like any other type of firm, face a multitude of problems. Among those most frequently cited are the ones relating to:

- the fact that subcontractors, although often technically very proficient, often lack well-developed commercial skills;
- the lack of information available on subcontracting (many companies are unaware of the existence of such information or of where such information can be obtained);
- the failure by main contractors to honour the agreed payment terms;
- and also the lack of production planning, leading to delivery delays.

The Greek report also mentioned the low level of specialisation and technical training of workers, the lack of organised information networks and systems in the search for customers and the difficulty of access to public procurement. The issue of technical skills is particularly affecting Dutch main contractors, who are finding it difficult to recruit suitably qualified staff. This problem could become more and more serious and may increasingly place Dutch subcontractors at a competitive disadvantage.

An interesting remark made in the Irish report refers to the fact that suppliers are not being allowed a learning curve to service new business, since they do not receive the feedback that would enable them to make the changes necessary to win a contract.

12. Trends

Importance of subcontracting

In general, subcontracting is expected to increase in the next few years, albeit at a lower rate. Forecasts by the BIPE (Bureau d'Information et de Prévision Economique) in France for 1986-96 indicate that average growth for industrial subcontracting is not likely to be much more than 2% in volume during the first part of the 1990s (compared with 7.5% over the period 1985-89). This figure varies considerably from one sector to another (0.05% in textiles and 3.5-4% in electronics).

Demands of main contractors

Both main contractors and subcontractors expect higher demands in terms of quality control, reliability of supply and just-in-time deliveries.

Subcontractors are becoming more and more aware of the necessity of being certified in order to obtain contracts, especially in foreign markets.

Markets

Subcontractors are becoming more and more international and are having to serve their customers in many different markets.

Evolution of relations between main contractors and subcontractors

There is a general trend towards new forms of interaction and cooperation among main contractors and subcontractors. Main contractors attempt to out source non-core activities in order to reduce their capital spending on in-house resources, thus bringing down their break-even points, and to focus on their main strengths.

This trend offers many new opportunities for innovative, specialised subcontractors who are highly efficient and able and willing to customise their products and services to meet customer needs in terms of product quality, reliability, customer service and flexibility.

The structure of the main contractor/subcontractor relationship will change. The first steps towards a multi-level system of subcontractors, which is similar to, though not identical with, the Japanese model can already be observed in some industries (particularly in the automobile industry).

This process of stratification will continue in the future and will have significant repercussions in other industries as well. As a consequence, the assemblers of the final products, at the top of the system, will be in direct contact only with a limited number of carefully selected, highly competent first-tier subcontractors who are involved in the product and process engineering chain from the very beginning and are regarded as long-term partners of the assemblers.

In the automobile industry for example, each first-tier subcontractor has the responsibility for handling the procurement of parts for a system, such as brakes or engines, from well selected second-tier suppliers.

In the automobile industry, this trend means big opportunities for those suppliers who become qualified as system suppliers and are thus in immediate contact with the most recent technical developments in the car industry. But becoming a first-tier supplier is not without its price: it means greater business risks and requires significant investments. Only a minority of components and parts manufacturers, and certainly not small and medium-sized suppliers, will be able to carve a niche for themselves in the first tier of the overall supply system.

Small and medium-sized suppliers are therefore sceptical about the consequences of multi-level supply systems and are afraid of being cut off from important technical developments taking place in the manufacture of the final products.

13. Framework

The public and private infrastructure existing in the various Member States varies greatly from one country to another. However, the twelve countries do share one similarity in as much as there is no deliberate policy of publicly funded aid to subcontractors. Some attempts have been made, as in Denmark and France, for instance, but these were quickly abandoned.

Subcontracting is, therefore, promoted indirectly via policies developed for SMEs. The measures include the provision of assistance in key areas of concern to subcontracting, such as general management, production, equipments and materials.

The most active organisations promoting subcontracting are the National Institutes for SMEs, such as IMPI in Spain, IAPMEI in Portugal, EOMMEX in Greece, EIM in the Netherlands and IMF in Germany, followed by the Chambers of Commerce, trade organisations and specialised institutions. These organisations promote subcontracting mainly by organising subcontracting fairs, holding seminars on subcontracting related issues, issuing catalogues and setting up and managing subcontracting data banks, such as BADASUB, which is run by IMPI, and various subcontracting data banks in Portugal, such as Bolsa de Subcontratação do Norte, Bolsa de Subcontratação do Centro, Bolsa de Subcontratação do Sul.

In some cases, several institutions have joined forces in order to achieve a more efficient result. This can be illustrated by the "Subcontracting Observatory", which was set up by several Italian Chambers of Commerce and carries out annual surveys on subcontracting.

The Dutch Ministry of Economic Affairs has been particularly active in promoting subcontracting since 1988, when it launched an important scheme to make Dutch subcontractors aware of developments in the field. This consists of a national programme aimed primarily at first-tier subcontractors and regional projects aimed at second-tier subcontractors. This national awareness campaign is based on demonstration projects in eight Product Market Combinations (PMCs) and follows a step-by-step approach.

- studies are carried out to identify, in each PMC, the developments in supply and demand, the strengths and weaknesses of the Dutch subcontracting industry and the problems encountered in main contractor/subcontractor relations;
- individual firms can benefit from a quick audit to identify their specific strengths and weaknesses;
- further to these studies and audits of firms in a PMC, a committee of representatives of subcontractors and main contractors is set up for each PMC to formulate concrete projects for improvement.

At the beginning of the year, it was decided to gear the programme more specifically towards new developments, aiming particularly at the promotion of cooperation and the enhancement of technical expertise.

14. Conclusions

To conclude: The studies revealed that major changes are to be expected in the area of subcontracting, giving subcontracting companies a totally different shape and structure throughout the next decade. The process of transition will be difficult and painful for many firms involved and there will be winners as well as losers among the subcontractors.

There is no doubt that, for many subcontractors, major adjustments are vital if they are to be successful and qualify as competent partners in the value-chain instead of being mere subcontractors in the traditional sense of the word.

Matilde MATERA
Statistical Office of the E.C. (EUROSTAT)

***PRESENTATION OF THE WORKING DOCUMENT ON THE NATIONAL REPORTS ON
THE ECONOMIC IMPORTANCE OF SUBCONTRACTING IN THE COMMUNITY***

The aim of the synthesis report is to give a quick overview of the results obtained by the consultants in the 12 Member States and to provide a first comparison of these results at the European level.

This analysis will allow the Commission and its partners in Member States to:

- test the definition provided by the Commission,
- draw conclusions on the comparability of the data obtained,
- discuss a methodology for obtaining reliable data and ensuring the continuity of the collection.

The data collected in the Member States has therefore been examined and proposals have been formulated for improving the estimation of the economic importance of subcontracting in Europe.

The starting point of the studies was the definition of subcontracting provided by the Commission. I say that it was only a starting point as this definition did not prove to be very operational, it was indeed too theoretical.

As the lack of a precise definition will lead to a collection of data impossible to aggregate at the European level without a loss of reliable information, it is necessary to formulate a more precise definition of subcontracting.

This definition should be elaborated further to discussions on aspects such as:

- the supply of technical specifications by the main contractor,
- the exclusion of standardised goods and services and goods and services produced and kept in stock,
- the notion of services,
- the revision of the generally accepted notion that SMEs equals subcontractor and that large enterprise equals main contractor,
- the relevancy of incorporating the concept of final economic responsibility in the definition of subcontracting,
- and the projects carried out by EUROSTAT in the field of subcontracting.

Time and resource constraints prevented the consultants from carrying out a rigorous statistical survey. The data they obtained therefore reflects the lack of official statistical sources, the variety of non-homogeneous sources used and the specific interests and peculiarities proper to each Member State. The data should therefore be interpreted and compared with great care, bearing in mind the different methodologies adopted as well as the different definitions used.

Tables containing the aggregated figures for the manufacturing and building sector in terms of production volume, business turnover and employment are found at the end of the report.

With regards to business turnover and production volume in the manufacturing sector we can see that, for example, in Denmark, subcontracting accounts for more than half of the business turnover of the sector and in the Netherlands, for 58% of the business turnover.

As far as the building sector is concerned, we can see that, in Portugal, subcontracting accounts for 65% of the production volume and in the Netherlands for 78% of the business turnover.

As far as employment generated by subcontracting is concerned, we can see that, in the manufacturing sector, subcontracting accounts for 48% of the total employment of the sector and in Denmark for 16% of the total employment of the sector.

The incoherences highlighted in the present analysis emphasise the need for a proper information strategy. Such a strategy requires:

- firstly, a clear definition of the variables,
- secondly, further explanations of the definitions used to ensure their harmonised understanding,
- thirdly, a greater coordination between EUROSTAT, the National Statistical Institutes in Member States and the various trade associations representing the enterprise world.

Aware of the importance of obtaining this information, EUROSTAT has charged its department dealing with European enterprise statistics with the task of collecting relevant data on subcontracting. Several EC statistical projects already take subcontracting into account.

PRODCOM

Subcontracting being a key aspect of production statistics, the scope of PRODCOM has been extended to cover subcontracting related products. The collection of additional data for products for which subcontracting is important is under discussion with the National Statistical Institutes of the various Member States.

Yearly censuses on enterprises

In addition to information on turnover, employment, investment, value-added etc., it is envisaged to ask enterprises to provide information on variables which will enable EUROSTAT to quantify the importance of subcontracting.

Surveys

Subcontracting being particularly widespread among SMEs, it is envisaged to carry out surveys among such firms to obtain specific information relating to their subcontracting activities. This methodological framework will enable EUROSTAT to obtain relevant and reliable data on subcontracting. For example, on the number of enterprises involved in subcontracting and the income resulting from subcontracting.

This system should be operational within 3 to 5 years. Such a delay is, however, not acceptable for sectors in which subcontracting is of crucial importance. For such sectors, for example automobiles, textiles, clothing, construction and electronics, it is therefore envisaged to carry out surveys on a pilot project basis. The relevance and feasibility of carrying out these surveys on a limited number of sectors is under discussion.

These pilot projects would involve, on the one hand, all the statistical bodies that is to say EUROSTAT and the National Statistical Institutes of the various Member States, and on the other, the trade associations representing the enterprises.

These pilot projects could be launched during 1993 the first year of the Single Market. Some preliminary results should be available end of 1993 or during the first half of 1994.

Information being the condition *sine qua non* for transparency and fair competition in a market economy, the setting-up of either a global statistical infrastructure and of the above-mentioned pilot projects can greatly contribute to improve the current situation.

In addition to the work which is being carried out by EUROSTAT, it is necessary to give subcontracting an accounting recording in the frame of the first Directive as this will facilitate the implementation of a rigorous statistical system.

Edouard MATHIEU

Head of Statistical Studies on Industry, French Ministry for Industry and Foreign Trades

Thank you. I should like to summarise the French statistical system.

There are two main points: it is decentralised and works on the basis of cooperation with the trade associations. When I say that it is decentralised I mean that responsibility for statistics on, for example, industry is shared by the following ministries:

- INSEE (the National Statistical Institute),
- the Ministry for Industry - SESSI (Statistical Department), which is responsible for the two main surveys of industry - the annual survey and the production surveys,
- INSEE, which also conducts a survey of small industrial undertakings and small undertakings in general,
- the Ministry of Agriculture, which is responsible for surveys of agricultural food products industries,
- the Ministry for Infrastructure, which conducts a survey of building and public works,
- the Customs Authorities, which are responsible for customs surveys of goods in processing.

The trade associations and the statistical authorities cooperate, which means that about 50% of compulsory surveys in France are conducted by the associations with the official approval of the authorities. Undertakings are obliged to respond and, in exchange, the rules of statistical confidentiality are respected.

In France statistical principles are established in cooperation with, for example, professional accountants and trade associations.

I am going to concentrate on the definition of subcontracting in the annual survey conducted by the Ministry for Industry. This covers demand for subcontracting. I shall go on to discuss supply, i.e. subcontracting taken on by the undertakings.

The annual survey

There are two types of questionnaire according to whether an undertaking has over or under 100 employees. Undertakings with over 100 employees are asked to indicate the value of subcontracted work and also to subdivide it. I shall come back to this later.

Undertakings with under 100 employees are simply asked for the total value of the subcontracted work. I shall look at contractors with over 100 employees to give you an overall picture of the definitions. Small undertakings represent a simplified version.

In French accounting, the results of subcontracting are recorded under three headings:

- the first heading covers purchases of designs and services which form an integral part of the works and products in question.

I should like to look more closely at this phrase because it explains many of the discrepancies we have just seen between the countries, i.e. countries, like France, which show subcontracting rates of 10% of production and countries which show 80%. Subcontracting demand in France therefore covers services which form an integral part of the works and products of the contractor.

- the second heading covers purchases of equipment and works which form an integral part of the works and products of the contractor;
- the third heading covers general subcontracting other than the types mentioned above, for example where the whole of an activity from design to marketing is subcontracted.

Although the definitions were drawn up with accountants through the services of professional bodies or auditors they may still be interpreted in a variety of ways.

Undertakings should really be declaring as subcontracting only that which forms part of their own product. Subcontracting orders should cover only elements included in the direct cost of the product, with the purchase of services being regarded as indirect costs.

Despite all these precautions - the fact that accounting definitions are used and the views of the Conseil de la Comptabilité are taken into account - practice does vary. Undertakings have, however, been asked to subdivide the total value of subcontracting according to its nature. We ask them in the questionnaire to enter subcontracting of services separately. We specifically ask, for example, for general services, which enables us to eliminate them because they should not have been there. We then ask for equipment which is not subcontracted - which does not mean very much except that some undertakings indicate such purchases and subsequently decide that they do not really amount to subcontracting.

The final heading is industrial subcontracting, which is real subcontracting under the definition agreed with the Conseil de la Comptabilité.

We ask for industrial subcontracting to be divided into capacity and specialty. I do not want to define these two types of subcontracting but I should like to point out that the fact that undertakings have to respond means that they do look into what they mean by subcontracting and arrive at our definition of industrial subcontracting, which implies works specifications but also involves products.

I should just like to say one or two words about differences in response according to trade. The car industry does not regard suppliers as subcontractors in France and does not therefore put them under the headings I have just described. This means that subcontracting is underestimated but corresponds exactly to the definition we want.

The practice of the aircraft construction industry - which is the main subcontracting industry in France - is rather different: purchases from suppliers are entered under the headings I have quoted but they are then asked to divide them into capacity/speciality, etc. and at this point they hesitate and take them out; their suppliers are thus also eliminated from subcontracting in the strict sense.

Jean-Michel ETIENNE

Deputy Director for Economic Action, French Ministry for Infrastructure, Housing and Transport

I should like to say a few words about the building industry and its characteristics as seen from a French perspective.

A tripolar system exists in the subcontracting sector:

- the client;
- the main contractor, who has a number of subcontractors;
- the subcontractor, who in turn may subcontract to others.

The essential task in the building industry is to establish organised links between these three players, links which are not limited to a contract between client, main contractor and subcontractor.

Flexibility of the system

The system is highly flexible in practice, in so far as a firm can be a subcontractor on one market, a main contractor on another and one of several subcontractors on yet another.

Obviously, some firms tend to be subcontractors or main contractors more often than others, but it is possible for the same firm to play a different role on three separate building sites.

System introduced by the Law of 1975

The system in France is not governed solely by ordinary contract law. It was introduced by way of a special law which was mentioned earlier, the Law of 1975.

This Law gives special protection to subcontractors in so far as it enables them to opt for different terms of payment depending on whether public procurement or a private supply contract is involved.

In the case of public procurement, the money can be paid direct by the client to the subcontractor, i.e. without going via the main contractor.

In the case of a private supply contract, the main contractor normally needs a banker's guarantee in order to pay the subcontractor.

Many problems and flaws have yet to be eliminated.

In the building industry, economic logic means that contracts too often tend to go to the firm which simply quotes the lowest price.

This affects subcontracting. The main contractor is very often tempted to secure the contract at the lowest possible price, and this is reflected in the prices passed on to subcontractors. He tightens the screw on subcontractors once, twice, three times and, in some cases, four times, depending on how many tiers of subcontracting there are. The main contractor's willingness to quote excessively low prices leaves subcontractors with too little room for manoeuvre.

We are therefore dealing with a widespread economic problem which clearly does not lend itself to a purely statistical approach.

Conclusion

It is, in my opinion, perfectly natural to want to find out more about this sort of situation at the level of statistics, and in that respect I cannot but endorse the initiatives taken by the Commission, provided they are clearly defined in advance.

Looking specifically at the building industry, I find that Europe is not being constructed exactly in the way one would have expected a few years ago, in so far as firms do not find it all that easy to move from one end of Europe to another.

Obviously, a firm operating in Denmark will seldom, if ever, build houses in Greece. In border areas, however, firms can forge subcontracting links that fall outside the strictly domestic framework. I wonder whether it would not be worthwhile adopting a specific approach for such areas or, at least, carrying out pilot studies or trials in the field of subcontracting at a number of suitable locations.

I should like to stress that the economic aspects of all this machinery must be scrutinised before the legal aspects since, irrespective of the sector of the economy concerned, subcontracting is a key component of competitiveness, flexibility, adaptability, specificity and technical expertise.

Caution is, in my opinion, called for when dealing with subcontracting, which needs protection and encouragement rather than over regulation.

Séverin ABATUCCI

Secretary General, CNSTB - F.I.E.C. - Federation of the European Construction Industry

Thank you.

What I have to say concerns the construction industry. I shall try to be brief and avoid unnecessary repetition.

I represent the European Construction Industry Federation, which covers more than 27 national federations in 20 countries in the European Community and EFTA, not to mention Czechoslovakia and Hungary.

Our member firms come in all shapes and sizes, ranging from the local tradesman to multinational companies. This is a special feature of the construction industry, reflected in its representative organisms. Our specialities are structural and civil engineering.

Unfortunately I do not have time to address this question in any more detail. The fact is that we traditionally group all these activities in a very widely defined construction sector, regardless of size of firm.

What forms of work can a construction company engage in? And how do they carry out their contracts?

Traditionally, a distinction is drawn between three forms: consortia, general contractors and separate contractors.

A consortium is a means of getting a number of firms in to work on a contract with a given client. Each firm has a separate contract with the final consumer, i.e. the client. In this case, subcontracting arrangements are established with the client awarding the contract rather than with the main contractor.

The work may also be let to a single firm acting as a general contractor, who then calls on subcontractors to do specific tasks, it being practically impossible for one firm to deal with all the specialities covered by the construction sector.

A third form of working on construction contracts is by way of contracts entered into directly with the client, with no formal link between the various firms involved.

Subcontracting is found in all three forms, i.e. consortia, general contracting and separate contracting.

I should like to take a more detailed look at subcontracting in the construction industry, which is fundamental as far as we are concerned.

In the construction industry, there is only one client who orders the construction work, made up almost always of one-off jobs (i.e. work that is not normally reproduced over and over again).

Contracts with firms are based on a client's requirements. The client lets the contract to one or more firms, who will normally be principals or main contractors as defined in the French law of 1975.

Who acts as subcontractors in the construction industry?

Given that contracts are let according to the client's choice and not to a particular form of company, we find subcontractors of all shapes and sizes. It is quite possible for a large company to be a subcontractor, just as a small firm might be a main contractor.

Company size is not a criterion for deciding whether one firm is more suitable for subcontracting work than another. Large firms are probably more likely to subcontract work out than small firms, but it is quite possible to find a large company taking on subcontracted work in certain conditions.

It is always the client's choice which will determine the size of firm.

We also make a distinction between the basic (or "carcass") work and secondary (or finishing) work. The carcass works give rise to the larger contracts, normally accounting for 50% of work on a given site. The more technical contracts are designated the finishing works.

Once again, the finishing work will not always be a matter for subcontractors, just as the carcass work will not always be a matter for the main contractor.

No construction firm is by nature or birth a natural subcontractor; in other words, a firm may be a main contractor on one job and a simple subcontractor on another, depending on the client's requirements.

I was struck this morning by a term used by the Director General, Mr von Moltke, who spoke of "Zulieferer" with regard to subcontractors. The correct term for a subcontractor in the construction business would be "Nachunternehmer", the term "Zulieferer" being used more for suppliers.

As I am sure you are aware, we use a lot of definitions which are by no means easy and which show that, as far as the construction industry is concerned, subcontracting is neither a trade nor a sector in its own right. Nor does it have anything to do with fate, or vocation, or anything like it. No firm sets out to specialise in subcontracting. Firms specialise in a given trade, but they can exercise that trade as a contractor just as well as they can as a subcontractor.

Mark HEDDERLY

C.E.E.T.B. - "Comité Européen des Equipements Techniques du Bâtiment"

Thank you Mr Chairman, Ladies and Gentlemen.

I would just like to make a few brief remarks about subcontracting from mechanical and electrical contractors across Europe.

It is true to say that over 200 years ago, architects not only designed but also built their buildings. Approximately a 100 years ago, architects stopped building and the builder or main contractor came to be in his own right. About 50 years later, the builders stopped building and the age of the specialist contractor or specialist subcontractor dawned. However, the European construction industry as a whole has been slow to recognise and accept this fact.

The process of European integration has made it more apparent for it has brought about the formation of pan-European bodies like the "Comité Européen des Equipements Techniques du Bâtiment" which I represent today.

This organisation was formed in 1976 and consists of three European Trade Associations: the AIE (Association Internationale des Entreprises d'Equipement Electrique), GCI (Génie Climatique International), UICP (Union Internationale de la Couverture Plombière).

Between them, the three constituent parts of the CETB represent 17 national trade associations from 17 EC and EFTA States. These in turn represent some 450,000 companies who employ 2.4 million people and have a combined turnover of 120,000 million ECU.

Some of these 450,000 companies can be classified as SMEs, others are of national and international importance. These figures perhaps more than anything else highlight the economic and technical importance of specialist mechanical and electrical contractors for they show they are responsible for carrying out over one third of all building works executed in the European Economic Area.

If the activities of the CETB's member companies are taken as a whole with those of other specialist contractors and subcontractors within the European construction industry, it can easily be seen, that, from the foundations of a building till its roof, up to 70% of all construction work is discharged on a subcontracting basis.

There has been some discussion this afternoon about what a subcontract is or what is the relationship between a subcontractor and a main contractor. Well generally speaking, our member companies have a particular speciality which they then sell to the main contractor and that, from our point of view and to put very simply, is a subcontracting relationship.

M&E (mechanical and electrical) contractors often account for more than 50% of the value of a building contract, therefore, it is not only right, but it is essential that the CETB is allowed to take an active part in the formation of policy for the European construction industry with relation to legal, commercial and technical matters.

In order for the CETB to do this, its constituent bodies, like GCI, from time to time undertake surveys on various issues, for example, payment terms and pre-qualification and other vital questions for our industry. This information is then used to lobby at both national and most importantly at European level. For example, the CETB have participated recently in the GAIPEC study which I hope will lead to a Directive harmonising liabilities guarantees and insurance across the EEA and Switzerland in the construction process.

The CETB has, through its constituent bodies, drafted an industry case for a derogation from the working time Directive. Also, the CETB has successfully negotiated with FIEC, the Fédération de l'Industrie Européenne de la Construction, an agreement which sought to promote and secure good practice on payment and procurement vis-à-vis subcontractors and main contractors. This agreement, reached in the 1970s and formally registered with the Commission in 1982 under article 85, was of a voluntary nature and, as far as I am aware, has never been put into effect by main contracting interests. Consequently, ten years later the CETB would like to see the protocol forming the basis of a Directive which would have the force of law across the EEA.

We also await the consultation paper on payment terms which, I believe, DG XXIII is in the process of issuing. Generally speaking, it is obviously important to have a clear definition of what a subcontracting relationship or situation is and I think that it would not be possible to have a global definition, one will have to look at it sector by sector.

One of the difficulties, and I think that the Commission has already highlighted this, is that there is a lack of statistical information and really anything that can improve upon what is virtually nothing, which is currently the situation for the European industry, would be very welcome.

Michelle LEDIC

Director-General, O.E.T.H. - European Textile and Clothing Observatory

Thank you Mr Byk.

I would just like to briefly introduce the OETH, the European Observatory for Textiles and Clothing, which I have been running for the last 13 months, since it was created by representatives of the European Textile and Clothing Associations, European distributors of textiles and clothing and with the support of the European Commission.

The objective of the OETH is to bring more transparency into the sectors of textiles and clothing by bringing together public and private bodies and improving the collection of statistical information. The information that we are trying to improve for the most part already exists. We are trying, and I think quite successfully, to produce objective information and carry out studies which will benefit both the public and the private sector.

I noted, from the list of participants, that there are very few representatives of the textiles and clothing industry here but I do not think I need to tell you that the textile industry is very different from the clothing industry.

The clothing industry is really where a lot of SMEs are based and therefore subcontracting is important, I would say, from the point of view of both main contractors and subcontractors.

In my short presentation, I would like to deal with an additional dimension of subcontracting, the one that is taking place outside the borders of the EC. As far as the textiles and clothing industry is concerned, it is called OPT, Outward Processing Trade. In French, it is called TPP, *Traffic de Perfectionnement Passif*. Another English term used for this type of activity is Cut and Trim Operations.

In my view, it is difficult, in the case of the textile and clothing sector, to talk about subcontracting and isolate it from, for example, transnational developments, especially since OPT is, as you will see, of great importance for the sector, in terms of both trade and production. My presentation is divided in three parts. Firstly, I would like to present the results of a study the OETH carried out on Outward Processing Trade in the textile and clothing sector.

Secondly, I will say a few words about the problems and issues we encountered in the course of this study, particularly regarding the statistical evaluation of OPT.

Thirdly, I will briefly present the aspects that need to be taken into account to improve the collection of statistical data as far as the textile and clothing sector is concerned.

Today, a lot of manufacturers of clothing, and increasingly of textiles, are engaged in outward processing trade. The OETH has analysed the available data and has concluded the following:

1. Just under 10% of total imports of clothing into the Community is in the form of outward processing trade.
2. For some countries very active in outward processing trade, like Germany, it accounts for some 15%.
3. OPT imports of clothing into the Community increased by some 25% between 1990 and 1991. In Germany, they increased by about 30%.
4. At the same time, the EC textiles industry exported cloth to be made into garments. It means that the owner of cloth, perhaps a clothing producer, exports the cloth for example to Czechoslovakia where it is made into a garment and then reimports it tariff free into the Community. These exports of EEC cloth into third countries accounted, in 1991, for nearly 9% of total EC exports of textiles. In Germany again, it was 17%.
5. OPT exports of textiles rose by more than 20% for the total of EEC between 1991 and 1990. In Germany it increased by more than 30%.

In 1992, due probably to the overall recession in all the EEC economy, these trends slowed down a bit.

Another point which shows the relative importance of this type of activity, is when you relate it to domestic production within the EEC. I will just mention three clothing items: if you look at 1988 and 1991, OPT for example in trousers in 1988 accounted for 7% of domestic production of trousers. In 1991, that is three years later, it accounted for 13%.

Men's shirts in 1988 was 10%, in 1991 it was 20% so this means that outward processing trade was equivalent to 20% of domestic production of men's shirts.

Coats also increased from 18 to 24% in just three years.

No matter which industry you are in, imagine what effect such a reallocation of production would have on your production.

What are the problems and issues that we found in this study?

1. It was not clear to what extent OPT is done by manufacturers and to what extent it is done by traders. We discovered that manufacturers are increasingly becoming traders that is, they are switching their activity and a large part of their turnover is generated through trading activity. The same thing can be said about traders, that they are switching their activity from traders to producers, at least to some extent. How to statistically solve this development is something I think EUROSTAT together with national statistical offices have to address.
2. Customs statistics do not necessarily deal with the OTP phenomenon in a satisfactory manner. In the medium term, this needs to be tackled if we want to have a more transparent view of the globalization of the market that is taking place.

What needs to be done in the textiles and clothing sector ?

Firstly, I think that the transnational dimension of this sector should not be ignored especially now in the context of the completion of the Uruguay Round. It is of course envisaged to include the textile and clothing sector into the GATT.

Secondly, the strategic importance of subcontracting, but also of OPT as an industrial policy, should correctly be assessed.

Thirdly, OPT is not only applied, as some may think, by large firms. Increasingly medium-sized firms, I am talking here about manufacturers, are doing it as well. The evidence comes, for example, in cases where large retailers, traders, ask a small SME to produce garments with such low profit margins that this enterprise just cannot meet this price. Therefore, the small, I would say more medium-sized enterprises, have to turn to OPT or to subcontracting to lower costs in EC countries. Therefore, I think that not only large, but also medium-sized firms, should be covered in any statistical exercise that is undertaken covering the textile and clothing sector.

Just another remark to conclude. It is in my view essential, at a time of globalization of markets, for public bodies and the EC to have complete and objective information on the developments that affect competitiveness. Therefore, the OETH is going to give all its support to the EC and EUROSTAT in order to define how the textile and clothing sector can be best covered by a common methodology taking into account its sectoral specificities.

Thank you.

François-Marie GRAU

Responsible for economic affairs, French Union of Clothing Industries (UFIM) - ECLA

I represent the European Association of Clothing Industries, which covers some 20,000 companies employing a million people throughout Europe. To us, subcontracting is an absolutely essential element, accounting for almost 42% of jobs in the European clothing industry and 33% of the industry's turnover.

Clothing manufacturers are, as Mrs Ledic said earlier, having to cope primarily with international competition and are suffering grievously from imported goods and the fact that clients are tending to subcontract work abroad.

Subcontracting undoubtedly has a range of benefits, though, and while we are on the point of subcontracting abroad, I should like to stress one of the benefits which seems to us absolutely crucial and which is already a major reality for firms in the clothing industry: the "short-circuit". I think it might be interesting to see how far other industrial sectors are affected by this phenomenon.

What we are seeing increasingly in our industries today is the emergence of "short-circuit", the idea being to respond very rapidly to consumers' changing demands. And when I say rapidly, I mean that the clothing industry has to respond within two weeks at the outside.

The textiles and clothing market is undergoing sweeping changes, with consumers calling for ever more diversified and ephemeral products, i.e. fashion garments combining creativity with quality, albeit in very limited series, which is a fairly recent phenomenon. This is something we have been seeing emerge over the past 10 years or so, i.e. fewer and fewer basic products, and more and more garments with production runs of only 500 or 1,000.

To meet this new demand, subcontractors are clearly having to adapt their production methods and make the necessary organisational changes, which inevitably have an effect on the workforce.

Short-circuit manufacturing is all the more essential in enabling manufacturers to meet the challenge of subcontracting abroad, and it is one of the comparative points in favour of our industry vis-à-vis low-price imports. Generally speaking, the developing countries which do the "passive processing" work which Mrs Ledic referred to are to be found in Eastern Europe, the Maghreb countries or in Vietnam or Madagascar.

It is extremely difficult to keep track of production in such distant countries and to keep to extremely tight deadlines where your manufacturing units are thousands of kilometres away or may be on the other side of a sea or ocean. As a result, the developing countries do not have the technical capacity to compete on the short-circuit market as the European manufacturers have had to do - successfully, by and large.

The idea of short-circuit manufacturing is becoming current throughout the clothing industry.

As Mrs Ledic pointed out, textiles are not the same as clothing. Textiles are basically a capital-intensive industry with a high level of investment and a small workforce.

In the clothing industry, on the other hand, capital investment is low and the workforce is large. As we have not always succeeded in automating production, we need a substantial workforce accounting for more than 50% of the price of the finished product.

However, both industries - textiles and clothing - are equally determined to use the short-circuit system; this, of course, is something which is particularly attractive to companies which are closest to the market and which are most exposed to market fluctuations, i.e. the subcontractors.

What are the advantages of the short-circuit system?

In our trade, short-circuit working is geared to the demands of the major distributors.

In the mail-order trade, for instance, repeat orders come back in 50% of cases to European subcontractors, who have more to offer in terms of value and service for money. Repeat orderers, by the way, is what we term distributors who order a first batch of products and, having found that they sell well, then order a second batch.

The hypermarkets or superstores sell between 10 and 15% of up-to-the-minute gear, where the price factor is far less important than the fashion factor. They also distribute between 40 and 50% of long-life products, which are characterised by a very short manufacturing time, the objective, from the stores' point of view, being to minimise stocks.

Finally, specialised chain stores sell up-to-the-minute fashion gear all year round. They get their supplies from subcontractors and, in most cases, from European subcontractors, which are best equipped to handle the tight flow pattern.

It is a fact, though, that subcontracting outside the Community is on the increase, because of the price factor. Price is an absolutely essential aspect as far as our industries are concerned, and I think it might be interesting, Mr Byk, to see whether other industrial sectors are facing the same problem, and if so, what the appropriate response might be.

Patrice ROUSSEL

Manager, D.E.B.A. - Data for European Business Analysis - E.E.I.G.

Thank you. I should just like to draw your attention to two approaches to subcontracting.

We have already seen that subcontracting takes a variety of forms. I should like to depart from the idea of subcontracting in the strictest sense of the term to say that, according to the investigations of the Statistical Office of the European Communities, subcontracting should be assessed at least at two levels.

Production

There are two types of production where subcontracting is concerned. The first is the manufacture of intermediate products from materials such as plastic, rubber or metal.

Under the terms of the PRODCOM Regulation regular Community statistics must be compiled on such products with explicit details of their intended use. This new Community instrument represents a decisive step towards the harmonisation of existing national production surveys and the establishment of such surveys in countries which do not yet have them.

The other production type is quite simply production distributed over several undertakings in a given country or a variety of countries.

Previous speakers have pointed out, quite rightly, that clothing is a major source of subcontracting and is representative of these types of production or stages in production for third parties. PRODCOM is designed to cover the recording of this phenomenon.

This then is an initial step towards acquiring information on subcontracting by recording products particularly subject to subcontracting.

Undertakings

Subcontractors are used either because there are too many orders or for reasons of price. It is better to ask a third party to do the work because the production costs are lower in countries where labour is cheaper.

This kind of subcontracting has been very well analysed by my neighbours in connection with the clothing sector which is particularly affected by decentralisation.

As a statistician I would ask for considerable vigilance in the measurement of this phenomenon because it is not really possible to produce an accurate picture without rigorously monitoring undertakings and their activities. We need in fact to know which undertakings are involved and the extent to which those which hand over a large part of their industrial activity to subcontractors can still be regarded as part of that industry or whether they should be classified under trade.

In the case of clothing, the trend is such that the best-known manufacturing undertakings have become exclusively trading undertakings. This is a problem of definition. My experience at EUROSTAT has shown me that the countries interpret the distinction between trade and industry in different ways and it is therefore quite possible for the same undertaking to be classified in different ways in Italy and Germany. This makes harmonisation at Community level difficult.

If progress is to be made in the statistical recording of subcontracting, registers of undertakings in the Member States must be compatible so that the undertakings can at least be counted and classified.

Motele KALK

General Secretary, CLEPA - Liaison Committee for the Manufacture of Automobile Equipment and Spare Parts

First let's for a moment look at the statistical classification of automotive suppliers.

As Mr Mathieu was saying earlier, European vehicle makers do not themselves consider their components suppliers as "subcontractors" but as "suppliers".

I was also saying this morning that the components suppliers do not readily accept the definition of "subcontractor", because in the automobile industry, a subcontractor is essentially someone who works according to the customer's drawings. This is quite rare in supply, most components suppliers have their own research, their own product development, their own drawings; they only accept dimensional parameters from the makers, but otherwise they are technically independent. This is a confirmation of what has been said and applies equally to France and all over Europe.

With regard to the statistical classification of automotive components, this is a very heterogeneous industry, going from electronics to mechanics and rubber and plastic.

So it is a question of classification of the enterprises, but it is essentially a question of classification of the destination of products.

Since the origins are so diversified, we should rather adopt the common element which is the destination of the products. And this is an issue that will be brought up in meetings between CLEPA and EUROSTAT and that we have already discussed with ACEA (the Association of vehicle makers) to overcome the difficulties we face to obtain statistics.

And now, I would like to turn to another question.

There is a problem which is probably specific to the automotive components industry but I would like to find out among all the representatives of different other subcontracting industries whether this is a problem that also applies in other fields. The problem is when there is competition between prime contractors and subcontractors in the aftermarket for spare parts or consumables which they supply to the prime contractors.

The parties to a subcontracting relationship are normally:

- The prime contractor, producing or assembling and selling a final product featuring some degree of complexity, with the use of a variety of technologies to produce its individual elements,
- and
- One or more subcontractors, each supplying a range of parts required to make up the final product sold by the prime contractor as a complex final product (or specific "consumables" required for the utilisation of the final product).

The subcontractors' products intended for incorporation in the final product when first sold are frequently referred to as "original equipment" (OE).

In addition to the OE market, many products also have an "aftermarket" (AM), consisting of spare parts to be employed whenever the final product sold by the prime contractor to an end-user undergoes accidental damage or wear and tear involving repair work and replacement of parts.

The aftermarket may also include specific "consumables" required for the actual utilisation of the final product, irrespective of its wear and tear, such as typewriter ribbons, photographic film, video/audio tapes, flints for cigarette lighters, etc. (although their consumption may be significant, fuel, power and ordinary lubricants are normally not included in this particular segment of the aftermarket).

Although aftermarket prices for all sorts of spare parts or consumables for every possible complex, final products are usually a multiple of OE prices (as paid by the prime contractor to his subcontractors), the main parties concerned may have very different attitudes in respect of the aftermarket:

- a) a very keen interest, justified by the huge pricing gap between OE and AM, which can be attractive to prime contractors and subcontractors alike and place them in keen competition against each other, provided that:
 - aftermarket volumes are large enough
 - a proper distribution organisation is available or can be set up without a disproportionate effort and investment.
- b) a limited interest, or even total disinterest, if the obvious attraction of the pricing gap does not apply to a sufficient volume justifying the organisational and financial effort required by proper distribution, appropriate product packaging, advertising, etc., so that prime contractors and subcontractors find no incentive in competing against each other but would gladly relinquish the aftermarket to the opposite party if it can secure an adequate degree of availability of spare parts and consumables to keep the end-users happy.
- c) a lawful exclusion of either party on account of industrial property rights (patents, etc.) or mutual agreements backed by adequate payments.

In the automotive industry, the aftermarket is really sizeable, as it covers a vehicle park of 150 million cars and commercial vehicles in the EC alone: it is estimated at between 15 and 20 billion ECU (or 100-140 ECU per vehicle per year) in terms of net revenue to the industry, or between 30 and 50 billion ECU end-user expenditure at retail price levels which can be roughly doubled again to allow for the average amount of labour and other services associated with the replacement of parts.

Furthermore, a market of this size obviously attracts the keenest interest on the part of both the vehicle makers and the component suppliers, as distribution, servicing and repair channels (factory-controlled, franchised or fully independent) are available to all the contestants, including "pirates" selling copied parts (unprotected, or imitated without too much concern for legitimate rights).

Some vehicle makers attempt to monopolise the aftermarket by ejecting even their own subcontractors, with a number of restrictions to source identification and supplier advertising, as described in the attached excerpts from CLEPA's case paper on this issue.

The case has been discussed with ACEA, the European Association of Automotive Producers, in the attempt to arrive at an inter-sectoral agreement: however, this has not been achieved, on the ground that ACEA are not collectively a party to the quarrel, which involves some of their members only, and furthermore lack the power to impose rules of behaviour on their member companies.

The case has also been submitted to the EC Commission's DG IV (Competition) as an example of abuse of dominant position: according to DG IV, existing EC legislation is sufficient to protect the component manufacturers' interests and rights, on condition that any damaged party should lodge a precise and specific complaint against any vehicle maker's abusive behaviour; what is true in theory is utterly unrealistic in practice, as lodging a complaint against a major customer would be tantamount to commercial suicide for any component supplier wishing to retain his high-volume business.

Accordingly, CLEPA has reached the conclusion that repressive legislation on a complaint basis is of no practical use and that it should be supplemented by suitable preventative legislation discouraging this kind of abuses.

Appropriate plans have been made and steps taken to this effect.

For the time being, any subcontractor in any branch of industry who has a legitimate interest to having free access to the aftermarket for his products and meets obstacles from his prime contractors or any other third party is invited to get in touch with CLEPA to compare notes and to see whether the specific problems concerning automotive parts have a broader and more generalised significance.

And, to conclude, an obvious recommendation to subcontractors: do not give up the right to identification of your products without reason (or without specific compensation); you may regret it if you have an interest in the aftermarket and this is best served if your products can be visually identified and recognised as being of the same quality as those you supply to your prime contractors.

**APPENDIX *EXCERPTS FROM CLEPA'S CASE PAPER ON AUTOMOBILE
COMPONENT BRANDING***

1. The issue of component branding

For several years, a number of major vehicle makers in the EC have been applying increasing pressure to force independent component manufacturers to cease affixing their own brand (name or trademark) onto the products supplied as OE (Original Equipment) and to replace it with the vehicle's brand; the component manufacturer's resistance to such an imposition has been seriously impaired by the vehicle maker's threat to reduce or cancel their orders if suppliers did not comply with branding instructions (often incorporated in product drawings, thus acquiring technical significance !).

Components manufacturers, of course, are not permitted to use the vehicle's brand on spare parts intended for distribution through independent channels in the AM (aftermarket), nor is this believed to provide an ideal solution to the problem of product source identification.

2. The vehicle maker's objective

Introduction of the vehicle's brand instead of that of the actual component manufacturer is aimed at obliterating source identification for spare parts, thus allowing the vehicle makers' networks to increase their AM share at the expense of the separate distribution channels of the independent component manufacturers. The resulting shift in aftermarket shares would concern distribution only and theoretically leave the component manufacturers' production volumes unaffected, but the difference between sales revenue at AM price levels and at the prices obtainable from vehicle makers (usually very similar to the OE level, although intended for resale) would accrue to the vehicle makers instead of the independent component manufacturers.

In addition to branding, most vehicle makers prevent source identification for parts by restricting the suppliers' freedom to advertise: this ranges from a simple requirement for prior clearance of advertisements to an absolute ban on any mention of the supplier's business relationship with the vehicle maker.

Some others claim intellectual property rights on the suppliers' products, simply because they could not have been developed without using general know-how in respect of the vehicle which belongs to the vehicle maker.

3. Prejudice to the independent component manufacturers

List prices in the AM (at consumer level) can be as much as 4 to 5 times higher than net OE prices charged to vehicle makers and net revenue to the independent component manufacturers - after discounts and rebates to distributors - can approximate 50% more than OE sales revenue.

Although the difference does by no means constitute additional net profit (allowances must be made for individual product packaging and warehousing, distributing overheads, stock, obsolescence and wastage, credit risks and control, etc.), it still provides a healthy margin of contribution, usually much better than on OE sales.

Obliteration of source identification (other than the vehicle's brand) cannot fail to divert AM demand - on the part both of ultimate consumers and professional users - onto the spare parts offered as "original" by the vehicle makers' distributing networks, leaving customers with the only alternative to employ acknowledgedly "non-original" spare parts, significantly cheaper but riskier in terms of

- quality, performance and reliability, i.e. all those not warranting an immediate and visible association through branding - with the corresponding parts fitted as original equipment on new vehicles: even the vehicle makers' practice of referring to their own distributing networks as the only source for "original spare parts" may be misleading to the trade and to the public. Accordingly, lack of identification between the products of a same component manufacturer supplied as OE (but without his brand) and those offered in the AM (even if bearing his brand, deprived of its role to vouch for correspondence to original equipment) is bound to produce one or the other of these adverse effects:
- either a decrease in, and eventually the disappearance of, the independent component manufacturers' share in the market for "quality spare parts": this will be taken over by the vehicle makers' distributing networks, or possibly shared between them and the producers/distributors of spurious (and cheaper) spare parts;
- or retention of their AM share by the independent manufacturers of "quality" components, at the cost of a deterioration in their image and in their selling price levels, which will require alignment to those of the producers/distributors of spurious spare parts in order to stay in business in spite of obliteration of a distinctive identity as "quality" products corresponding to OE components bearing the same brand;

In each case, the independent component manufacturers will suffer financial prejudice, and in the second one the vehicle makers will not even achieve the gains expected from having expropriated the identity and the image of their component suppliers.

4. Operating features of independent component manufacturers

Notwithstanding their limited size, the vast majority of the independent component manufacturers endeavour to cover both segments of the market for their products:

- the OE segment, involving significant expenditure on research and development, up-to-date technology and quality control, in order to produce large volumes at competitive prices and relatively low margins;
- the AM segment, concentrating on brand image and OE reference, efficient logistics to provide a satisfactory level of service in distribution, small batch production for a large proportion of the range, higher prices and margins (but also higher overheads) than in the OE segment.

A good balance between the two segments is regarded as the key factor to achieve and maintain smooth and steady performance in terms of profitability and cash-flow.

5. The EC market for automotive components, its structure and key features

The total EC market was estimated at 70 billion ECU in 1988; it absorbed 90% of the industry's output with a sizeable volume of intra-EC trade; Germany and France were the main exporters to the other member countries and to the rest of the world.

It is subdivided in two main segments:

- OE, consuming 75% of the total or 53 billion ECU approximately; a high degree of concentration (on the demand side) prevails in this segment, which consists of 6 major vehicle-making Groups covering over 80% of total EC vehicle production (some 16 million units in 1990 including commercial vehicles) each making between 1 1/2 and 2 million vehicles and operating production plants in 2 or 3 different countries, with extremes of one and four countries; the remaining 20% is produced by another half dozen of somewhat smaller companies plus a few very small speciality producers;

- AM, consuming 25% of the total or 18 billion ECU approximately; a very high degree of fragmentation is the distinctive feature of this segment, not only on the demand side but to a certain extent also on the supply side, as the aftermarket consists of many thousands of independent parts dealers and repair shops, fleet operators' own repair and maintenance units, DIY facilities and private garages, plus thousands of franchised dealers and repair shops forming the vehicle makers' networks; all these operators can draw their spare parts requirements from a combination of different sources: the vehicle makers' networks (reselling products made by the independent component manufacturers and, partly, by subcontractors or internal production facilities), the independent component manufacturers' distributing organisations, as well as those of the manufacturers of spare parts only and also specialised importers; as reliable information on the respective market shares is not available, it is inevitable to assume that each of the three main channels accounts for 25 to 30% of the total market, i.e. to 5 billion ECU each, the remaining 15 to 20%, say 2 -3 billion ECU, being covered by extra-EC imports.

6. Significance of product branding

Whether products are marked with their manufacturer's real and full name, or a chosen name or a symbol, branding - subject to specific regulation in particular instances - tends to be regarded by established legal doctrine primarily as a means to identify the origin of a product, so that its manufacturer can take credit for its good quality or accept responsibility for its shortcomings and, in a broader sense, build up his image and (by association) promote all his other products identified with that same brand.

It is also generally admitted that, in addition to its actual manufacturer's brand, a product may bear supplementary marks, e.g. to identify a distributing channel or to vouch for compliance with safety or quality standard set and supervised by public authorities or other impartial bodies.

Furthermore, the basic functions of branding have recently undergone a specific development in connection with EC Directive n°374/85 on product liability and ensuing implementation by national legislation in most member States, as branding can be the most suitable means to achieve easy and direct identification of the manufacturer to be held responsible in the event of claims for damages caused by product faults.

In the market for automotive components, the traditional functions of branding have their ordinary significance - but not an exceptional one - in the OE segment, where suppliers do not have to rely on logos or symbols to make themselves known to prospective customers and to establish contact with them.

In the AM segment, however, very great significance is attached by professional users and even more by ultimate consumers to what is commonly known as "the OE reference", i.e. reassurance that a spare part is the same as the original part requiring replacement, and will fit and perform perfectly: the brand affixed onto the spare part can visually provide prima face evidence to this effect.

In fact, it is common experience that spare parts providing the "OE reference" usually meet with unquestioning acceptance in the AM, whilst those bearing a different brand are at a disadvantage and must prove themselves before getting established, or opt for the easy way of lower pricing.

7. Evolution in the automotive industry

Over the last decades, the activity of the vehicle industry has evolved from "manufacturing" to "assembling", with a volume of external purchases and subcontracting now exceeding two-thirds of total production value: more than half of that consists of components, the product category ranking first - although composite and diverse - on the vehicle makers' shopping list, ahead of steel, paint, tyres, etc...

Indeed, it must be acknowledged that evolution has brought the independent components suppliers to play an irreplaceable role over the century-long history of automobiles, and to assist the vehicle makers' process of "de-verticalisation" with a steady advancement of motor vehicles in terms of performance, comfort, safety, reliability, fuel economy and emission control.

By the component industry's placing its resources -technical, financial and human - at their disposal, the vehicle makers have been enabled to concentrate on their main task of conceiving and producing passenger cars, busses and lorries without getting too deeply involved in collateral problems, which could otherwise have forced them to distract energies and capitals from their main objectives and - for economical and reasons - to do so probably less effectively than a widely diversified industry consisting of many individual specialists in rather narrow fields of activity.

The job of the vehicle makers, having evolved from manufacturers into assemblers, is still not confined to completing and bringing their end-products into the marketplace: it also extends to provide customer financing and especially to ensure product durability by making available a suitable network of repair and service facilities and disseminating an adequate degree of technical knowledge throughout the aftermarket.

To discharge such an obligation towards vehicle owners, and at the same time avoid an excessive commitment of resources needed elsewhere, vehicle makers require (and actually use) a vast amount of external help paralleling company-owned and operated facilities, so that they cannot claim the right to monopolise certain aspects of customer service.

8. The dominant position of the vehicle makers

In a loose sense, vehicle makers occupy a dominant position in the economy of most industrialised countries, but in a more technical sense their dominance - whether as a category, collectively, or as industrial concerns individually - can be recognised to a varying extent in the different markets where they operate, as suppliers or as customers to other parties:

- in the sales market for the finished products of the vehicle makers, free competition exists and is very keen in all the 12 member countries of the EC, where customers have the choice between a variety of makes and models of cars, trucks and busses made by 6 major Groups and many of the smaller companies forming the automobile industry: irrespective of actual production location, proper representation is ensured in each country by direct subsidiaries or official importers/distributors with a network of franchised dealers supplemented by a number of "parallel importers" obtaining vehicles directly from the country of origin.
- in the procurement market for OE components throughout the EC, major vehicle makers hold a heavily dominant position as "obligatory partners" vis-à-vis independent component manufacturers (other than those making spare parts only), which have to rely on domestic OE sales for 60-70% of their output value and have a very limited choice of alternative customers; considering the disproportion in company size and strength, the geographical distribution of the industry and its high degree of specialisation by product families, independent component manufacturers are subjected to the dominance of vehicle makers not only as a category, but also individually.
- as suppliers of spare parts in the AM, vehicle makers also hold a dominant position, or aim ruthlessly at achieving one, in their relationships with their vast networks of franchised dealers and repair shops, which are restricted in their product choice by a system of quotas, discounts and year-end bonuses, combined with difficulties in identifying spare parts of an equivalent quality (although theoretically at liberty to buy them under EC regulation n°123/85 on selective distribution: this has just set an important principle but without developing it adequately); obviously, the existing situation is not confined to the trade but has serious reflections on ultimate consumers as well.

9. The vehicle makers' conduct in the market segments where they hold a dominant position

In the considered opinion of CLEPA (Comité de Liaison de l'Industrie des Equipements et Pièces pour Automobiles), the conduct of certain vehicle makers in the segments of the component market where they hold a dominant position, and the inter-reactions from one sector to another, constitute a clear case of abuse of such a position, aimed at altering, restricting or affecting free competition: a practice made expressly illicit by article 86 of the very Treaty of Rome establishing the European Community. The imposition to cease affixing the independent manufacturers' brand on OE components, apart from moral considerations, may not be unbearably harmful in that particular market segment, but produces effects in the AM segment which are definitely prejudicial to the independent component manufacturers, as it deprives their products of the immediate "OE reference" and weakens their capability to compete on an equal footing with the spare parts distributed by the vehicle makers' own networks.

It is also prejudicial to other interests in the AM by preventing immediate recognition of spare parts of an identical quality as those supplied under the vehicle makers' name, thus limiting the franchised dealers' and repair shops' freedom to employ alternative products with an explicit reassurance as to their equivalence, and it affects more generally the trade and the consumers by disguising the true origin of the products and their comparability with the spare parts offered by the vehicle makers as "original", to the implicit exclusion of all others.

It is only beneficial, for the same reasons, to the vehicle makers aiming at improved sales penetration in the AM through the obliteration of their OE suppliers' identity, thus restricting and altering free competition.

Finally, the vehicle makers' conduct and their policy to obliterate the true identity of component suppliers may also result (perhaps not deliberately) in an obstruction to the application of EC-inspired national legislations on product liability, by making the source identification of faulty products unnecessarily complicated for prospective claimants.

10. Conclusions

Obliteration of their suppliers' identity by the vehicle makers has not yet become generalised practice throughout the automobile industry in all the EC member countries, and individual situations vary significantly.

For instance, German component manufacturers have obtained guarantees in this respect from the vast majority of their domestic OE customers, with the involvement of the Bundeskartellamt; in France, a "modus vivendi" on branding has been operating informally for a number of years.

However, independent component manufacturers are deeply concerned lest pressures already experienced on branding elsewhere - if condoned without any positive actions to stop them - shall eventually spread on a wider scale and ultimately cause the few present cases of malpractice to become an established and accepted routine, extending to all vehicle makers operating in the aftermarket in competition with their own OE suppliers and with all the other manufacturers, importers and distributors of non-original spare parts.

The existing situation and its potential developments pose a very serious threat to the component industry, requiring urgent correction which can only be effective on a European scale: national solutions (such as in Germany) could only eliminate the problem partially, as the interests of component manufacturers and of vehicle makers extend far beyond the boundaries of individual domestic markets and intra-EC trade has become quite substantial, in both the OE and AM segments.

Working Group No 2

"TOWARDS MUTUAL RECOGNITION ON A VOLUNTARY BASIS: THE IMPORTANCE OF QUALITY CONTROL"

Chairman : *Mr H. von MOLTKE*, Director-General, DG XXIII
Rapporteurs : *Mr J. McMILLAN*, Head of Unit, DG III/B.5
Mrs L. CASIMIRO, DG XXIII/B.2

- 1. WHAT SUBCONTRACTORS EXPECT FROM MAIN CONTRACTORS; SETTING UP A QUALITY CONTROL SYSTEM; THE IMPORTANCE OF CERTIFICATION**
 - 1.1. Presentation of the findings of the study on the cost of the multiplicity of certification procedures for subcontractors in the Community
 - 1.2. Importance of the contract: quality and liability

- 2. WHAT MAIN CONTRACTORS EXPECT FROM SUBCONTRACTORS**

Annie PLAZANET
Manager, BIS STRATEGIC DECISIONS

How exactly did we conduct this survey on the costs of the multiplicity of certification procedures?

It is based on a wide range of interviews conducted among 195 subcontractors in eleven Member States of the Community, and covering eleven industrial sectors. These were face-to-face interviews, followed by workshops, which were again organised in eleven of the Member States. The workshops brought together experts and the full range of players involved in the certification issue, i.e. subcontractors, main contractors, government representatives, certifying bodies, etc.

What was the underlying aim?

The aim was not so much to conduct a statistical survey as to make a qualitative study, i.e. to ask subcontractors how many audits are carried out by their main contractors to try to assess the cost effect of the multiplicity of audit procedures, and to look into the effect of third-party certification procedures on the behaviour of subcontractors' main contractors.

The finding is that the concept of quality assurance is being taken more and more seriously by main contractors, with an enormous increase in the number of audited subcontractors in 1990 compared with 1989.

In 1989, 53.8% of subcontractors covered by this sample were audited at least once, compared with 76.9% in 1990, a significant increase of some 23%.

However, this is a sample mean and the situation is by no means uniform over all sectors. Some sectors report an even higher percentage increase (e.g. aerospace, mechanical engineering, plastics and automobiles), while the percentage is down in others. Generally speaking, though, there has been an increase in the number of main contractors auditing their subcontractors.

How many times have these subcontractors been audited?

The number of audits received by a subcontractor depends on a number of parameters, the most important of which is the number of clients the subcontractor deals with. Another significant parameter is how demanding the client is. Some main contractors carry out audits, others do not. One final parameter is the kind of habits or conventions which are specific to particular sectors or countries.

The figures set out in the document circulated by the Commission of the European Communities show clearly that there are differences from sector to sector in respect of all these parameters.

In 1990, each subcontractor received an average of 7.6 audits, comprising three acceptance audits and 4.6 monitoring audits.

These data, which are sample averages, are again highly variable from one sector to another. The most audited sectors include metal working and mechanical engineering, with the fewest audits in leathers and hides, clothing manufacture and glass.

On average, each subcontractor had 7.3 clients. In some sectors, the number of clients is much higher, whereas in others the average is lower.

How much do audits cost?

Once we had worked out the number of audits received by subcontractors, we went on to estimate their cost.

The direct costs are assumed by the main contractors, but the subcontractor has to bear a range of indirect costs, such as the time that x number of his workers have to spend preparing the audits.

In terms of time spent, it has been found that, on average, an acceptance audit takes up 18.4 man-days, with a monitoring audit requiring 12.6 man-days. The total for both types of audit then comes to 99.2 man-days, which is quite a considerable investment. Once again, there are differences between sectors and countries.

As for the other data on the number of audits received and the companies audited, the cost of such audits can vary widely, again depending on sector and country. In some sectors, the observed average of 99.2 man-days is in fact even higher, e.g. in the aerospace, automobile, metalworking and electrical/electronic industries. In other sectors, on the other hand, the mean is considerably lower, e.g. leather and hides, toys and clothing.

This led us to try to express the cost in financial terms (in ECUs).

Our calculations put the cost of multiple audits of subcontractors at some ECU 26,478. For this costing exercise, we had to take account, in addition to the various parameters specific to sectors, number of persons, etc., the number of workers in the various branches of industry, given the differences from country to country.

These mean costs are, when compared with the mean value obtained, higher in such sectors as aerospace, automobiles and electrical engineering. On the other side of the coin, the costs incurred in mechanical engineering, chemicals, clothing and toy making are substantially less than the average ECU 26,478.

The importance of third-party certification.

Third-party certification is a voluntary act on the part of a subcontractor who wishes to provide evidence of his quality assurance system and who thus approaches an independent organisation to do so.

The reference test is usually ISO 9000 and the series EN 29001, 29002, 29003. 60% of subcontractors in the sample had already been third-party certified or were being certified.

It was interesting to note the beneficial effect that these subcontractors had already felt compared with the number of audits received (or the anticipated effect).

60% of the subcontractors say that certification has or will have an effect on main contractors' audits, while only 27.8% feel that it will have no effect, and 12.2% found it difficult to come down either way.

The last point I should like to make concerns the benefits which subcontractors have felt, or expect to feel, from third-party certification.

Very few subcontractors have been able to quantify the benefits or the anticipated benefits.

However, for those who have made the attempt, our conclusion has to be that the benefits are appreciable in that, in terms of acceptance audits, the saving is of the order of 14.1 man-days, and for monitoring audits of the order of 7.5 man-days. Looked at in terms of the sum total of audits received over a year by a subcontractor, the saving would be around 73.4 man-days which, translated into money terms, produces a total average saving of ECU 15,371.

François GUIBERT

Director, CENAST - *Centre National de la Sous-traitance* (France)

Obviously, companies nowadays can no longer afford to ignore legal problems, nor can a company be expected to deal alone with all the problems arising under tax and social law.

Our contribution to this symposium is based on the fact that, on the company certification documents, ISO standards 9000, 9001 and 9002 refer to the contract review element.

What exactly is this contract?

A contract is a legal instrument setting out the contracting parties' common intent. A small firm can rarely call on the services of a legal expert and is very much at a disadvantage in terms of legal problems, particularly on an international scale.

Small businesses have to be told how they can break into the system. We have been working together with DG XXIII on a brief document giving a practical guide to the legal aspects of industrial subcontracting, which sets out the ten main aspects of a subcontracting contract.

The second volume contains information on case law in the various countries and will bring you a little closer to the heart of the matter.

In all inter-industrial relations and more particularly at the subcontracting level, the watchword must always be quality. Quality as such is the sum of a wide range of quality elements. At a given moment, it may amount to no more than the delivery deadline, but quality is always defined by the contract, and starts with a sound contract.

All these quality elements need to be defined, as a subcontracting contract is not a "traditional" sales contract. It is in law an obligation to perform a service; in sales terms, it is something which is being sold in the future, in that the subject of the contract does not exist at the time the contract is drawn up. It is in effect a plan, a service to be rendered.

It therefore follows that a contract must make it possible to define very clearly what a subcontractor is undertaking to do, which means in turn that he must know what his client wants.

Contrary to what some people may say, quality in law is not what the client really wants, but rather what he says he wants. This can often lead to confusion, just as the company certification documents are not a product quality label, which again, I think, is the source of a great deal of ambiguity. A firm may be well placed to produce a certain type of product, but the fact remains that some of these products may still be faulty.

It does not follow automatically that a firm with a quality control system produces nothing but high-quality products. Other checks are needed too. A client does not buy quality with a capital Q, but rather specific levels of quality. This is a highly sophisticated industrial world we are getting into, and we have to define very precisely what we want, what we expect and what the required industrial result should be.

So quality starts with a good contract. The contract must set out the technical specifications and all the relevant legal conditions, with a view to covering any problems which are likely to arise, especially as regards guarantee provisions, replacement of parts, repairs, etc.

From my own experience, I think I can say that barely 30% of all contracts are of this type. The main risks we are likely to come across in the subcontracting field emanate from the "general-purpose" type of client; clearly, the aerospace, automobile and railway industries are going to produce good-quality contracts.

This demand for higher quality is to be welcomed, as our aim must be to sell more and more expertise, more and more value added.

But delivering higher quality means setting up more checks and taking more responsibility.

This leads us on to the quality-management aspect. And this is the essential subject of today's discussions. The fact is that, however much care and diligence a subcontractor brings to the kind of products or services required of him, the "zero option" does not exist in law, nor in industry, and the concept of total quality is a highly dangerous one. We have to learn to live with industrial reality.

As far as I am concerned, one of the major risks for any firm, whether small, medium-sized or large, is to be badly insured. If a client approaches a subcontractor who is poorly insured, and if there is a problem, the client will have no real come-back, and likewise if the subcontractor is taken to court and required to pay sums which are beyond his financial means, he has no option but to go bust.

It is in everyone's interest to start with a good contract, to have sound quality-management procedures and to be properly insured.

We have to help firms in a practical way, as legislation and civil codes are not universally accessible; what firms need are documents and the chance to consult a practising lawyer to help them in drawing up contracts. We also need to develop insurance systems, which we hope will one day be grouped together in a common system. This, after all, is the prime objective, and we need to take a joint, international look at the situation to avoid the kind of thing we have just heard about, i.e. an accumulation of audits one on top of another and at vast expense.

We are also starting to take a look at joint insurance procedures, so as to avoid the cost of multiple insurance policies. After all, where a car maker requires all his subcontractors and suppliers to take out astronomically expensive insurance, as is the case at present, the cost tends to accumulate and add to the price of the car.

In France, we have set up a common insurance system for six subcontracting syndicates, enabling us to take out insurance for substantial amounts of money at very favourable conditions.

It is absolutely essential for trade and professional organisations to get together to find the right solution, and for us to receive support from our respective ministries. The European Community can then help us to draw up the necessary documents and organise meetings like today's, which should be to everyone's benefit.

Armand WIELOCKX

Director, Advanced Manufacturing Technology Centre ALCATEL N.V.

ALCATEL being in the telecommunications business, is in a very particular situation regarding "Subcontracting". Our main customers are the different P.T.T.'s, the different post offices like France Telecom, Telefonica, Deutsche Bundespost, and so on. They still have their different specifications and that puts us sometimes in a very difficult situation vis-à-vis our potential suppliers in the subcontracting business, we cannot globalize.

Technologically our products become more and more complex; with increased competitiveness, our business is a neck to neck race to stay on the forefront. Systems which could be delivered five years ago with a delivery time of six months, now have to be delivered in a matter of weeks. This is, of course, a dramatic change. In addition, the hardware content of our products is divided by two every five years, while the software content is multiplied every three years by two. The life cycle of our product becomes smaller and smaller. We have products like telephone sets which life cycle is less than a year, we have continuously to introduce new products in manufacturing. That is roughly the environment we have to operate in.

Our purchasing people are not focused any more on pure price negotiations. In the past, subcontracting for us was a pure-price question. Now it becomes more and more a matter of lowest cost of ownership. With cost of ownership, we mean the total costs to fulfil a function. Very often if we work with subcontractors, an important part of the job remains to be done in-house, industrial engineering, test engineering etc. So we have to look at the total cost, not only at the subcontractors price.

There are two different classes of elements that we have to look at when judging a subcontractor. First of all, there are the easy to quantify elements, price, transport, duty, insurance etc. Secondly, and more importantly, those categories of elements which are very difficult to quantify, such things like technology level, production reliability, flexibility, on time delivery and so on. We have to take both sets of elements into account.

What we would like to discuss with our subcontractors is in short, right quality, on time. Therefore, we need to communicate better with our suppliers so that we can have long term partnerships; that we understand the expectations from the suppliers and that they understand the expectations from their customer. We have set up in most of our companies a supplier's rating system to follow their quality, their delivery reliability, their performance, flexibility and price.

There are two types of rating. One set at the start of the cooperation when we try to assist new suppliers by looking at quality audits, logistics audits, costs audits. This task is performed by a team of advanced procurement engineering and design people who will qualify the prototypes. Once the contract is agreed upon and we are working on a rolling forecast basis, the operational procurement people take over assisted by manufacturing people to follow up. Quality indexes, flexibility, delivery time, will play a more important role now than in the first phase.

It is important that subcontractors and Alcatel companies work extremely closely together, agree to common standards and requirements, of course, always taking into account the common standards and requirements from the final customer. Alas, every now and then, these final customers have different workmanship standards and different requirements and therefore it will not always be easy to come to common goals.

We know of the concern of our subcontractors. If hardware is divided by two every five years in the electronic industry, there will be less and less opportunities for the subcontractors. I believe, that we can share this problem.

Within Alcatel, it is our strategy not to give only work to our subcontractors in case we need them and we have no capacity enough ourselves. Our strategy is to give them a continuous load, of course, they will have to be flexible and manage the ups and downs. We want to maintain a minimum responsible load to maintain the partnership.

We will not only use subcontracting as a tactical opportunistic mean to balance our own factory but we want to use it as a strategic tool.

One of the discussion items of this congress was whether we should train our buyers and our suppliers in the business of "subcontracting". Alcatel has a local and cooperate training plan for buyers. We have also external programs in the different countries like France, Belgium and Germany. We invite sometimes sellers and buyers from subcontractors to our own companies to sit together with our people in the same educational programmes so that at least, we think the same way.

If I look at the future, I see that customers requirements in telecommunications are getting more and more similar because also our customers realise that common standards will be to their benefit as well. I am afraid though that it will take quit some time before "similar" means "the same".

Fortunately for us there are more and more European and international legislation norms coming into work, we are going the right direction.

In the meantime we and our subcontractors will have to keep track of the continuous changing environment of procedures and legislations. Many smaller subcontractors will have problems to follow the pace. There must come a time that our buyers can expect good working practices without need for personal audits. The question is when will it be ?

Javier MATALLANOS

Director of Materials and Logistics, CASA - Construcciones Aeronauticas S.A.

I would like to use the few minutes I have to put across to you the basic concepts required for an understanding of the present-day market.

The first concept is that of globality. The world aerospace industry is the first in the 20th century to achieve absolute globality, by which I mean that, nowadays, aeroplanes are built in at least 10 or 12 countries, due simply to the problem of costs.

The second concept is that of costs. While costs in the computer industry have gone down, those in the aeronautical market have gone up, owing primarily to aspects relating to safety and to capacity, where requirements have increased year by year.

The most important aeronautical companies in each country have undergone a process of concentration at national level due to the fact that their products are increasingly complicated, their designs more technologically advanced and the products, as a result, increasingly expensive.

From the statistical point of view, we can gain some idea from the fact that to develop a 150 - 200-seat passenger aeroplane will cost approximately US\$ 3,000 million. For that reason, the major European and American aeronautical companies have opted decisively for subcontracting as a strategic element in:

- reducing costs
- spreading risks
- making production more flexible
- reducing manufacturing and delivery times.

The third concept is quality. It is standard practice in the aeronautical industry to delegate the certification of a subcontractor to a single company, to be responsible for other companies which are members of organisations providing guarantees relating to certification and standardisation (CASE, EASE).

Quality is the key to the development of the aeronautical industry and of air transport in general throughout the 20th century. Quality is linked to safety, and any shortcoming in this respect on the part of the contractor or the subcontractor would drive them out of business, since no company will fly an aeroplane which does not come with full guarantees and which is likely to suffer an accident.

To summarise, we are seeking a basis of as few subcontractors as possible in terms of numbers, but as wide a choice as possible in terms of characteristics enabling us to manufacture new products at reasonable cost and in appreciably less time than has been the case until now.

Claudio MILANESIO
Director of Analysis of Suppliers Development, IVECO S.p.A.

I would like to outline a few concepts that we are developing, and I hope I will make myself clear. I will begin with a keyword: the customer.

We at Iveco have for some years now been endeavouring to focus all our attention on the customer, our motto being: "the real boss here is not the Chairman, it is the customer". We consequently make every effort to satisfy the customer. This concern has become the only key to survival and success that we regard to be truly essential to the future of our company.

The keyword "customer" immediately evokes a fundamental concept that can usefully be discussed. For me today, the customer is someone buying a lorry since I work for a company that produces lorries. All the other people who together make up the production chain, from the dealers who sell the lorry, through Iveco, which designs and assembles it, to Iveco's suppliers and sub-suppliers, are partners in the same business of developing, producing and selling lorries to the final customer, who is an individual.

This principle leads us on directly to the concept of partnership. In recent years, we have completely overhauled our company strategy and pursued a set of policies geared to developing the partnership with our suppliers.

What does this mean? In substance, it means that, while yesterday we were accustomed to shopping around among a large number of suppliers and deciding from time to time, or from year to year, who could offer the best terms (generally the most economically advantageous terms), today we are ready and have indeed been doing so for some years, I am glad to say on an exponentially increasing scale - to work according to the principle that we are not in a strict client-supplier relationship, but are partners in the same business, bound by multiannual contracts that may run for up to five years and may in some cases entrust 100% of the production of a particular component to a single supplier. This was unthinkable until recently.

It means above all working with our partners from the moment the product is imagined, and therefore not leaving it all up to our marketing men on the ground to define what the product should be, to sound out what the customer wants and needs, but making our suppliers and customers talk to each other. This of course also makes it possible to shorten the development time: in our industry five years is still a normal period of time for developing a new model; our aim is to bring this down to three years. These are therefore the principles on which we are operating today.

I would like to make a further point which is relevant not so much because it concerns the company I work for, but because it is typical of a number of other situations that we encounter in Europe today. I work for a company that is not just based in one country, but has plants in five or six other countries in Europe. Our company has developed in this way because that was its development strategy: in addition to increasing our market share day by day and percentage point by percentage point, we felt it necessary to take over other producers. We thus absorbed some of our former competitors who had failed to keep abreast of competition on the market and had ended up, shall we say, "for sale".

After the Second World War, in the early fifties, there were some 50 lorry producers in Europe, and now there are only about 10 of us. A fairly obvious rationalisation process has therefore taken place in the industry. This has enabled us, by absorbing and integrating with those producers who felt unable to remain in the business, to gain a foothold just about everywhere in Europe and acquire their market shares. I would stress that, in acquiring market shares, we not only acquired the assets, but also took on the liabilities of the firms concerned through the undertakings we gave in terms of employment and production capacity and towards suppliers.

In the space of a few years, we inherited the supplier pool of four or five European lorry manufacturers, bringing our pool at one point to as many as 2,500 suppliers. Such a large pool is, however, inconsistent with the policy I was describing earlier of working in partnership. I am convinced that, like us, many other European manufacturers are being forced to rationalise their pool of suppliers: we will have to bring ours down from 2,500 to six or seven hundred. Only with that number will we be able to work in a spirit of partnership. We will therefore have to make a choice, paying great attention to the values we are looking for. Those values are the ones that the market is demanding from us: quality (an absolute priority), price, and hence the ability to be competitive in terms of our costs, flexibility, faith in the company and innovative capacity, i.e. awareness of the importance of R&D. These values surely provide one of the keys to competitiveness.

The values we have chosen are the basis for selecting our pool of suppliers. We are therefore working today with those who are already our partners and can be 100% sure of remaining so tomorrow.

Wanting to work in partnership also means delegating responsibilities: the relationship is no longer to be seen in terms of a balance of power, but rather as a joint commitment to achieving a single objective.

Product development is a business that requires an enormous amount of investment; if a supplier regards the company he is supplying as a "cash cow", he would perhaps not be the ideal partner for a firm that invests billions of dollars.

It is the market which, with its flexibility, decides what it wants; we must be perfectly in tune with what the market requires, otherwise each customer whose wants are not satisfied is a customer lost to us and lost to our partners.

It is undoubtedly the ability to keep down costs that determines short-term competitiveness, i.e. the sort of competitiveness which shows up in price lists and which we have made our top priority because we know that it is the main consideration for the customer today. A customer who is prepared to make an outlay of about 120 or 130,000 dollars to purchase a vehicle will agree to pay a thousand dollars more, but wants to be certain that the lorry he is getting will give him maximum utility in his business.

I will leave you for the time being with that thought.

Thank you very much.

Tommy OLSSON

Trading Agent Manager for Western Europe, IKEA

IKEA is a home furnishing company. Our business idea is to provide a wide range of home furnishing items of good design and functions at prices so low that the majority of people can afford to buy them. The low price is a very important part of what IKEA is doing.

IKEA was founded in 1943 by Mr Ingvar Kamprad who started on a very modest scale by selling fish that he had caught, Christmas magazines and seeds. That was the start to it. In 1947, the company became a mail order company. Some years later, in 1950, furniture was introduced and the nowadays well known IKEA catalogue was printed for the first time. The heart of Ikea is in Älmhult, in the deep forest of south of Sweden. Here you find the roots of the Ikea culture and here we develop all our products.

In 1963, IKEA went international by opening a store in Norway, and since then the company has known quite a rapid growth. Anders Moberg succeeded Ingvar Kamprad as president for the furniture operations and when Ingvar handed it over to us he said: "I have managed to make the first billion of ECUs, now it is your turn to make the next ten". We are a fast growing company, so we are well on the way to doing this. Today the turnover is three billion ECUs and we have 115 stores. We have stores in 24 countries and over 23,200 co-workers.

As you can see, purchases are still mainly in the Nordic countries, the rest of Europe accounts for 30%, Central and Eastern Europe for 15% and the rest of the world for 15%. It is interesting to know that Germany is still our fourth biggest individual sales market.

IKEA's concept of providing knock-down, that is, self-assembly furniture, that is delivered in flat packages and produced by several very specialised suppliers, requires quality to be in the product from the start. When the customers take the product home, everything must fit. Zero defects is the only acceptable standard from the customer's point of view.

We started to work in an organised way regarding quality about ten years ago. Our quality policy states that there should be the right quality in our products, in the services to our customers, before, during and after the sale, and also in our own work, what is called internal quality. No company can reach quality without that.

And all this must be done at the lowest possible cost. Regarding product requirements and due to our international character, we have decided to put the same requirements on the product irrespective of the purchasing country and sales market. Regarding legal requirements, we normally pick the best ones and we make that IKEA standard. We also try to follow sensible other standards and practises. I would like to mention the "Swedish Möbelfakta system" which is unique in its kind regarding furniture which states requirements on the service treatment, on the quality of the product, workmanship, etc.

Only products that fulfil these requirements can have these labels. And about two third of our furniture range does that.

I would like to say that both suppliers and customers within the Community will benefit a lot from a wider use of similar standards.

As far as our purchasing policy is concerned, we first evaluate the different purchasing markets. Where do the best possibilities lie regarding production capacity, production technique, skill, low labour costs, raw material etc..

European countries, and even EC members differ greatly from one another in these respects.

We start selecting the good purchasing country. We establish a local purchasing office and we start to learn how that market works. We stick with the market even if it takes some years before it begins to pay off. Which means first we select the market then we select the suppliers. When we select suppliers, we also have to take into account the various quality levels of products that we offer to our customers. For these basically similar products, there are different customers and different suppliers that are specialised to give us that.

We are working to reduce the numbers of suppliers that we have today, 2,100, by introducing a better supplier structure. Which means as few suppliers as close to the sales market as possible. We adapt the approach of "system suppliers" in the way that we put the full responsibility for quality and delivery performance on the supplier who packs the finished product for delivery to IKEA, even when most of the components are bought in from subcontractors. We are not exactly in the case where we can say we have a single sourcing system. We classify our suppliers into three classes: basic, potential basic and other suppliers. And for the two first classes, we are looking for a long term partnership where we are prepared to offer the supplier capacity commitments and investments, when necessary. The supplier must prioritise IKEA as a customer and he must of course be leading in his field of operation.

When we evaluate our suppliers, it is on three basic criteria, quality, delivery performance and price.

We have a document model for this, but we do not use a rating system. We look at the quality part. The supplier must be able to deliver what can be called zero defect, defect-free items. ISO 9002 is our normal requirement on a quality system of a supplier. A few of them are designing for IKEA, then we use the ISO 9001. There should be a continuous improvement in all aspects of the suppliers activities.

Regarding delivery performance, flexibility, both in production and in product mix, short through-put time and minimum capital tie-up, just-in-time, and a functioning Material and Requirement Planning (MRP) system are required.

The supplier should have a sound financial base for his operation and create sufficient profit to be able to invest at the level required to maintain his leading position. By constantly improving his competence, methods and equipment, he should be able to provide a stable, in most fields decreasing, cost level. And we also expect our suppliers to give us full insight into the cost structure. So that we together can discuss cost reductions rather than the normal price negotiations. In addition to these three categories, production adaptation, which is a keyword in IKEA are part of the success we have, the continuous efforts to adapt the product to production and vice versa. Suppliers should be open for new methods and technics to keep their leading position, competence development, both on the shop floor and in the board room. Environmentally friendly production becomes more and more important. And last but not least, the supplier must be able to put himself in the shoes of the end customer.

By concentrating on all these aspects, we can create a relationship which is of the type "win-win", both parties will benefit.

IKEA will get the low price we are looking for, therefore we can get more customers, the suppliers regain more volumes and the competitive advantage.

Staffan GULLANDER
Professor, LINKÖPING INSTITUTE OF TECHNOLOGY (Sweden)

The UKOMP programme has been running in Sweden since 1991 and concerns a selected group of subcontractors to large Swedish multinational companies such as Ericsson, Alfa Laval, ABB and Electrolux. We believe that the experiences we have had are of interest to the business Community, the large companies themselves, their intermediary organisations (Chambers of Commerce, Federations etc.) and also to their government bodies at national and supranational level.

The programme was conceived to overcome the lack in Sweden of any programme to improve the competitiveness of Swedish subcontractors.

Swedish multinational companies are facing increasing competition and subsequently so are their Swedish subcontractors. Recently they are having to face competition from the Baltic countries where salary levels are only about 5% of those in Sweden.

The programme basically consists of making a business plan for the subcontractors which they can follow for a number of years.

This plan is "tested" by the Institute as well as by the other subcontractors participating in the programme.

Apart from the business plan, we also deal to a large extent with what we would call internal efficiency. That would relate to important matters such as quality, productivity, lean production etc.. We also deal with external efficiency. Indeed, it is not sufficient to be internally efficient, you also have to think about acquiring companies or forming strategic alliances. Preliminary contacts could be established through instruments such as the BC-Net which has been developed by the Commission.

I would like to explain briefly how our programme is structured: we have five subcontractors, each one represented by 3 people, the Chief Executive Officer and two of his closest vice-presidents (usually from the manufacturing and the marketing departments). Every subcontractor is selected or "nominated" by a main contractor to participate in this programme.

The main contractors do not participate in the programme as it would prevent the subcontractors from having open discussions with the other participants and the professors. They are, however, invited for a dinner where we have a very free exchange of opinions on problems between the two parties.

The subcontractors come from different industries so that they are in no way in competition. We could have for example a plastic company, a foundry, a packaging company, a mechanical company and so on.

We do not require any specific educational background of the participants, the most important being what they have achieved, their "career", in the company.

The companies have a turnover of between 4 and 70 million ECUs.

Meetings take place about four times at monthly intervals and each last one and a half days. We think it is important to have an evening together so as to develop contacts between the participants and the professors.

Before the programme starts, we send a "profile" of each company (their history, present situation including existing products, business ideas and some of the main contractors they work for) to all the participants. This enables them to have a clear understanding of the situation of the other subcontractors taking part in the programme and leads to more fruitful discussions.

Another characteristic of the programme is that the professors must have a good business experience. We usually work in pairs as it makes the discussions more lively. The course is like a workshop; the participants bring their problems with them and together we work out a solution.

We are very keen on sharing experiences. Indeed, we believe that companies from different industries have a lot to learn from each other.

We also offer a few days consultancy services at the participant's company.

What have we learnt with this programme?

First of all, that the participants which are subcontractors and small and medium-sized companies are the most difficult companies/people to "educate" on management issues. They are frequently self-made men who do not easily accept taking advice from other people. We respect this of course but it does cause some problems. We also find that, when they are in the course, they try to look at what other things they could have done. We have a good responsiveness from the participants both small and large companies. Experiences are exchanged to a large extent be it between large companies and smaller ones or vice-versa and companies from different industries.

The participants liked the programme so much that they even talked about forming a club at the end of the programme. This could be likened to the Japanese tendency of forming what they call sub-suppliers associations. The main contractors on the other hand also talked about forming a club to improve their purchasing functions.

We believe strongly in the "win-win" concept that we were able to put forward to the participants to the programme. It is similar to a partnership in co-production. We are also of the opinion that the subcontractors understand well the implications of going for a "win-win" situation rather than a "zero-sum" situation. We think that this will inevitably lead to a reduction of the number of customers that any subcontractor can handle. Indeed, you cannot have too many "win-win" relationships at the same time. If you had thirty customers before, you might only have ten of them in a "win-win" situation. This programme has therefore a very important effect on the structure of subcontractors.

We have also noticed that the companies are becoming more and more international. They sort of feel obliged to become more international. If they don't, they might feel that there is something wrong with them. However, it is not as simple as that; some companies should become more international, others should not, this also has to do with whether the companies produce their own products or not. Marketing problems are very important. These companies need a lot of help in this respect.

What about the future of UKOMP?

UKOMP will continue to be run in the manner I have just described. We also think that it is interesting to run this programme for a group of subcontractors working for one main contractor. This idea is currently being discussed with a number of companies.

Finally, UKOMP could also be used to bring together subcontracting companies from different countries, to form some kind of international group of subcontractors that will get to know each other.

Michel RAFFET

General Secretary, ERG - European Regional Group

The European regional group is the umbrella organisation for European purchasers' associations, of which there are seventeen, and is affiliated to the world-wide organisation the International Federation of Purchasing and Materials Management.

From the contributions made so far, you will have gathered that, quite apart from developing policies and strategies, there is a need to train men and women, irrespective of the size of the firm, in the purchasing function. Whether we are talking about small or medium-sized firms or major industrial groups is irrelevant. What matters is that there should be a real purchasing strategy. But training programmes cannot be devised in a vacuum. They must be based on actual market conditions, the needs of firms and the training needs of buyers.

I would like to use three transparencies to illustrate my point.

This small diagram shows everything that goes to make up a company strategy. At the top you can see the management of upstream resources, at the bottom successful penetration of the downstream markets, and, in between, the main production, financing and human resource management functions. As has been clear from all the talks on subcontracting so far, buying is today very much an upstream function and basically involves managing the firm's external resources. This reflects the move away from independent organisation towards a network concept which has been evident among firms over the past few years.

It goes without saying that training for buyers and the programmes planned will have to be designed with this situation in mind, and take it into account when considering subcontracting firms, whether small or medium-sized. Because how many of us today do not tend to expect our subcontractors to organise their own buying in such a way as to put them in a strong position on the market? It is through their buying and materials management skills that *we* can be competitive.

So, from this example we can see that training for buyers must be part of a firm's overall strategy. And it is because the buying function has assumed such importance at management level that it has become such a major strategic element.

Second illustration.

Here we have the three stages of a project in order. First comes overall planning, which means research and development, followed by industrial implementation, i.e. buying the machinery etc., and, finally, production. Running horizontally across you can see a series of percentages from 0 to 100%. And, as you can see, we have drawn two straight lines, one leading from each of the three project development stages, and another intersecting with a percentage. This is intended to show that if the buying function is included at the product design stage the possible profit, as a proportion of overall potential, obviously, is 80%. In other words, the right action at this stage will mean that 80% of the potential 100% profit is achievable. Action only at the industrial implementation stage, i.e. manufacture and installation of machinery, would cut back this percentage to around 20%. And by leaving action until the materials buying stage, which is still very much the case in the buying departments of many firms, profit would be cut right down to 5 to 10% of full potential.

So what does this mean in practical terms? Basically, two things. Firstly, that buying must also perform a technology watch function and be an active element in project planning. This does not imply that buying should replace the functions of the development engineers and marketing specialists, but that a buyer needs to be more technologically-minded than a technician. He must be capable of getting fully involved in projects, really know his way around within his own firm and be a moving force in upstream innovative capacity. Because it is quite clear today that there can be no real chance of developing innovation internally as a giver or receiver of orders if maximum use is not made of innovative developments outside.

Third and final transparency.

On one side you have the upstream and downstream markets. Then there are three large circles showing the key figures who have to work together in order to fully exploit upstream resources, which is the province of the development engineers, technicians, buyers and sales and marketing specialists.

This sort of "troika" arrangement is the recipe for success through well organised team work on the part of the firm's prime movers. The way to achieve the kind of subcontracting market we want downstream is to really optimise all the costs in the production chain. This means that the buyer must be a key team member within the firm whose communication skills must be brought to bear to optimise intra-company relations and ensure that all functions work together properly, thereby making a really positive contribution to the success of the projects. Training must therefore concentrate on all aspects of communication, teamwork and optimum use of all value analysis type methods etc. to ensure the successful progress of projects in a spirit of cooperation.

In this regard, it is clear that quality, performance and value criteria all rest on an ability to cooperate which in turn depends on an awareness of certain techniques which those in the buying function must be prepared, through training, to use.

To conclude, purchasing is a function which requires the ability to assess the internal needs of the firm and how to sell them outside, and the ability to establish good partnership contacts with upstream suppliers.

Clearly, we cannot win the competition war by acting individually. We must stand or fall together.

I also believe it would be a mistake, for contractors and subcontractors, to imagine that when economic conditions are favourable, success can be achieved by trampling over other competitors. That is not just an ethical problem, but one of pure common sense. I believe that developing this sense of partnership is the key to successful subcontracting in the current climate, and that it must be developed Europe-wide. This is what the organisation of European Purchasers' Associations E.R.G., which I represent, is working for.

Graham CHALMERS

Technical Manager, BSI - British Standards Institution

I have been a practitioner in Quality Assurance with BSI for over twenty years, dealing with all sectors of industry, commerce, the professions, both in the public and private sectors, and therefore have a wide range of experience in third party certification.

In the light of the points made today, I believe I can make a better contribution to our discussion by responding to those points rather than giving my intended set talk on Third Party Certification.

We have heard today, talks from representatives of sophisticated industries at the forefront of technology, telecommunications, automotive, aerospace and IKEA at the forefront of furniture development. All these industries are knowledgeable upon the benefits of managing quality. Unfortunately, there are many industries and companies who do not have this knowledge.

If quality is managed, there is more product conforming to specification available for sale to the customer, which enables you to satisfy customer demands in terms of delivery time and volume. In turn, this means less rejected products, resulting in less waste of raw materials and components, less waste of labour and less waste of energy in terms of electricity, water, gas and oil. All these we should save because they use the precious resources of our planet. Again if quality is managed, a company can become more efficient and thereby decrease its quality costs. Decreasing these costs means there is more profit, additional finance for investment therefore higher salaries and wages. This in turn makes a stable workforce which helps produce better products, and the whole cycle goes on again.

Managing quality lays the basis for good international trading. I regret that I must disagree with one of my colleagues as I do not see why a small foundry in, say, Italy should not be in a position to supply SAAB in Sweden if it can meet their requirements. Likewise, a Swedish producer should be able to supply into Italy if he so wishes - there being no bounds to what is achievable.

Where does third party certification fit into all this ?

Some may say it does not, and no doubt there are, particularly with large firms, many relationships in business which do not require third party certification. These are perhaps a privileged few, because, as we have heard, most of the firms we have in Europe are small to medium sized enterprises. It is not just large companies that trade: medium and small businesses also inter-trade. A two or three man (or woman) company may well trade with a four or five man company, but may not have the capacity or knowledge to assess its suppliers although they may wish to do so. This is where third party certification has a role. By demonstrating that a company is committed to achieving quality, it establishes confidence, which can be very useful to the small firm unable to perform assessments itself. It is also beneficial for the public purchaser, for example, in a city or town government. With public money to spend they will be looking to purchase quality assured goods and services for the citizens. However, they have neither the resources nor knowledge to assess their suppliers and therefore rely on third party certification.

Someone asked earlier how a company could be included on the tender list to supply a major manufacturer. This may be particularly difficult if they are at one end of Europe, whilst the firm they wish to supply to is at the other.

Another question raised was how can new companies establish their credibility in the marketplace ? The answer is possibly through third party certification. With third party certification they also have a greater likeliness of being accepted onto a tender list.

We have talked about subcontracting, which is a term I personally dislike, as it can imply that somebody is lower than somebody else - I prefer the term "partnership" as it reflects working together. There is also the belief that subcontractors are always the smaller of the two parties, but as you know this is not always the case. I am sure amongst you there are firms with subcontractors far larger than themselves. For example, consider a small metal fabricating business buying material from a major steel producer. I suggest that it is unlikely such a large producer could allow the small fabricator to undertake an assessment of its quality management system. However, if both the large and the small companies are third party certified, the question should not arise.

Third party certification is valuable to large companies in their role as supplier and customer. Their clients can have confidence in their products because of the third party certification. The large company, on the other hand, as a customer, may have many suppliers. If those suppliers have third party certification, this can greatly relieve the load on their quality departments.

Returning again to the matter of partnerships, which I believe to be the best approach, with two organisations working together across the interface, where inevitably problems mostly occur. Even within companies themselves a majority of problems emanate between different departments. So, the "partnership" approach to the supplier/customer interface achieves the results all parties desire. However, a structure is required upon which to build such partnerships. The basis for this structure can be the ISO 9000 series of standards.

We have heard that ISO 9000 is vague in its requirements, but I would argue with this view by saying that the document is flexible. If it was too stringent in its requirements there would be those who would say that it does not fit, for example, the furniture industry, or the automotive industry. Consequently, it has been written in a flexible manner which enables its application to any industry, service, or profession. In fact, BSI currently is providing third party certification of quality management systems, based on ISO 9000, of all types of manufacturers, professionals such as doctors' practices, and services such as sports stadiums, which demonstrates ISO 9000 can be applied in virtually all areas.

We have talked here mainly about products, but quality assurance goes far beyond manufacturing a quality product. You can produce an extremely good product, but, if it is transported by a bad transportation company they can damage your product before it gets to the customer. This is where a problem arises because disagreement occurs between the manufacturer and the customer, and not with the transport company. So, quality assurance and third party certification can apply, as we do, to trucking companies to ensure the quality products get to the customer still conforming to specification.

Mention has also been made to payment for products and services. Many companies, I believe, do not get paid even though they are good contractors; large firms do not pay small companies, small ones do not pay smaller ones, or if they do, it often takes a long time. This is an excellent opportunity to look at applying quality assurance in accounting, which can bring you back to product certification. Many may say "Well, if you look at the system that's fine, but what about the quality of the end product". Yes, a quality system will ensure product conformity to specification.

Henrique MACHADO JORGE
Director, EOTC - European Organisation for Testing and Certification

THE ROLE OF MUTUAL RECOGNITION

The assessment of product conformity to standards or technical specifications, is nowadays a widely accepted mechanism for reassuring markets and purchasers that a product indeed satisfies the design and/or performance requirements which apply to it. Should this be seen as part of a "quality policy"? Yes, in a broad sense, but no in a strict sense. Let us be more specific about this.

Quality should be seen as a product (or service) attribute, whose definition belongs in the remit of the supplier. It is up to the latter to decide which level of quality he/she is going to stick to, in providing products or services to the market. Hence, from the standpoint of conformity assessment it could be said that "any quality is quality" - be it so "low" that only a tiny segment of the market wishes to go for it, or so "high" that most potential purchasers are deterred by what they may see as "too costly for the purpose"...

On the other hand, since quality is often defined as "meeting the customer's expectations", conformity assessment indeed is a quality tool. It is a verification and attestation that the product/service meets the approved/required/expected characteristics. Very often, it is "neutrally" performed. Why "neutral"?

The terms is being used here to mean : carried out by a party independent from the supplier. In fact, conformity assessment may be performed in a number of ways : by the supplier him/herself, using in-house capabilities (the so-called "first-party assessment"); or by the purchaser, again using own, in-house capabilities (the so-called "second-party assessment"); or finally, by a "third-party", independent from both the supplier and the purchaser. All are possibilities, whose relative merit very much depends on the context at stake.

Why then "mutual recognition"? What does it mean? Where does it fit? How does it come about?

If supplier and purchaser do agree (or public authorities make it mandatory) that the involvement of a third-party is called for, there may be a question of deciding which conformity assessment operator is acceptable to both supplier and customer, for verifying the product. In case supplier and purchaser are of different nationalities, it would not be too far fetched to assume that each may opt for an operator in his/her own territory - the supplier, eventually for bringing down the verification costs, the customer because he/she is used to work with a given organisation.

But suppose that the possible choices for supplier and customer, are operators which have established an agreement of "mutual recognition" between them, whereby they commit themselves, under specific conditions, e.g. to accept each other's test reports. Will there still be a problem of choice in that case? Most likely, no!

But why should one expect such type of agreement to take place, to start with? Well, for a number of reasons. But usually the most forceful one is, sheer market pressure.

One may look at it this way. If there are mutual recognition arrangements, it means that there is a lot wider choice for a supplier or purchaser, when "shopping for" conformity assessment services. The fundamental reason being that the operators, signatories to the agreement, will be the most highly interested parties, in guaranteeing that a given level of competence is matched by all of them - otherwise one (or more) operator(s) could (most likely would) benefit unduly from being seen as if being on a par with others, with a higher level of qualification.

From an operator's standpoint, does it sound like "shooting oneself in the foot"?... Not really! Being a signatory to a mutual recognition arrangement, in turn brings, at least in principle, the promise of a larger clientèle - at no extra marketing cost!

Could this be seen as a longer term factor in the European conformity assessment scene? The answer is a emphatic yes. On several counts. In first place, it is already partly a reality : under the umbrella of the European Organisation for Testing and Certification (EOTC) there are already about ten recognised arrangements, and a number of others are under assessment or preparation. Secondly, there is a growing sentiment in the European Communities, that such type of mechanism is the only, practical and efficient, way of guaranteeing appropriate levels of competence, between "notified bodies". Thirdly, and not least, because this is the expression of a general trend, not just confined to Europe. It is really global in nature. Global, because it is based on international references (standards and guides); global, as well, because other regions (such as North America) are starting to apply it, too.

Jacques McMILLAN

Head of Unit, Directorate-General III "Internal Market and Industrial Affairs" C.E.C.

I think that what we have seen and heard today, is that, whatever the size of European industry, whatever the size of the enterprises, it is quite clear that, one way or another, the European enterprises are going to have to face the quality game. Whether they like it or not.

The European Communities have tried, in the face of the 1992 deadline for the internal market, to produce the Community policies that would ensure the completion of that internal market, in such a way that it operates as if it were a national market. In doing so, we have had to take on board an awful lot of elements which are the elements of international trade and international competition. Quality is one such element and there is no way of getting around it. One way or another we have to go for quality. Not simply for the pleasure of going for quality, but because quality is an economic factor, it is one of the basic factors in the economy of enterprises, one of the basic management tools that any enterprise should have in order to be able to plan ahead and stay in the business. And I think that if we put quality management back into its proper perspective, we then have all the right arguments for saying why we should go for quality systems.

We are fortunate in Europe to have the EN 29000 series. They are different from the ISO series. Although identical in their text, they are very different in their effect. Because of the existence of European standards, all the national standards institutes of Europe have had to withdraw all differing national standards on quality management systems. In other words, there are only 3 quality management standards throughout the EC and EFTA, that is the EEA whenever that comes into being. And that is a fundamental element, because it gives us a common language, one which people can understand. When we are talking about subcontracting, co-contracting or partnership, we are talking about industrial relations, economic relations between partners, partners who are going to sign contracts on the basis of a joint project. After all, quality systems allow two partners, which have the same kind of quality system, to work together and ensure that contract will in fact operate properly.

Does that mean that we have to systematically go for certification ?

This is a difficult question. Certifiers, on the one hand, will say that is not necessary but that is preferable. Industry, on the other hand, will say that it is very costly. I think we have got to bring things back to what Mr Chalmers said, and that is, that you should set up a quality system because it is going to bring you a benefit, in your internal management and in your relations with your counterparts. In some areas, that system may be required to be certified. It may be required, for example, by the public authorities for public procurement. In some industries, such as the construction and aeronautics industries, the client and user may require that added guarantee.

But over and above that, you do not have to have a system certified. If you are working properly with a quality system that is clearly accepted by your co-contractors, you do not need to have the system certified. But in some instances, the system could bring you an advantage if it was certified and we come back to the study which shows the number of audits that subcontractors have to go through.

This study is very interesting because it shows that there are multiple audits, and that some of those multiple audits are not going to go away. We have heard several members of the panel say that they are not going to go away, because they will not be able to abandon auditing their contractors, their subcontractors. But, if the quality systems were certified, this would reduce considerably: a) the number of audits and b) may reduce the coverage of the different audits that are being carried out by the main contractors.

I think that it is about time, not only for subcontractors to reflect on the problem, but also for the contractors to reflect on the fact, that we are all paying for these multiple audits. Subcontractors in time and in cost because you are passing on the cost of your man/days to the contractor. The contractor is taking on the costs of the subcontractor, and those of the audit. He is also going to be taking on indirectly the costs of all the other audits, of all the other customers. And at the end of the day, the customer is going to pay for all those multiple audits, which in many instances do not add anything to the quality of the end product. So, there could be room for a lot of reflection, on the relationship between second party and third party certification. And that reflection is not just for subcontractors, or certification bodies, or contractors. I think it is for everybody to examine the question, to see how we can reduce those audits, which do not have to be repeated.

The advantage of quality systems such as EN 29000, is that we have a common base for quality systems throughout Europe, which means that even if you do need to have the systems certified, it is going to be a common certificate on the main structure of your quality system. Going back to what Mr Guibert was saying earlier on, it means, in contractual terms, that you are going to have a far clearer situation across the whole of Europe because it is going to be the same basic contract.

Where you need a plus, will be on the audit on the particular product or on the aspects of the quality system, which are linked to the specific nature of a given product, and no more. And maybe, if we manage to get that reflection on board, that will have done a great deal, not only to help subcontractors but also the contractors themselves.

I feel that the EOTC has a role to play in this. Not because it is just another European organisation, but because one of its main objectives is to bring together all the partners in testing and certification (i.e. subcontractors, main contractors, the public authorities, the certifiers, the manufacturers). Because if you do not bring them together, you will end up having an artificial market and multiple certification products either because bigger industries are going to be systematically requesting certification when they do not need it, or the certification bodies may be tempted to create artificial markets for certificates. I am not saying they do, but they might be tempted to do so in some instances. I have seen it, not in Europe but elsewhere. And that can only be controlled if there is a link back to the market. And that, we hope, is what the EOTC is going to bring us, with the added value of mutual recognition of the certificates. On the understanding that a lot of the certificates are based on common ground anyway, because we have the common standards.

I think those are the main elements that I wanted to underline, and I would like to stress again, certification should not be done for the sake of certification. It is an economic activity in its own right and unless you are required to do it for public procurement purposes or for legislative purposes, think more in terms of quality systems, than in terms of the certification. If you put your quality system into place, because you need it, it will be appropriate to your needs, it will answer the needs of your contractors. And if later on you need the certification, the certification will come all of its own and then suddenly you will discover the cost of certification of quality systems is not what it is said to be, when you go about it the right way.

Working Group No 3

"CROSS-BORDER COMMUNICATION BETWEEN MAIN CONTRACTORS AND SUBCONTRACTORS"

Chairman : *Mr D. RISTORI*, Head of Unit, DG XXIII/B.2
Rapporteur : *Mr D. GONZÁLEZ DE LA RIVERA*, Deputy Director-General of IMPI
Mrs I. RODRIGUEZ-TOQUERO, DG XXIII/B.2

1. INFORMATION AND COMMUNICATION TOOLS

1.1. The importance of subcontracting databases and exchanges

- (a) Presentation of the study on the feasibility of linking up subcontracting databases and exchanges
- (b) Prospects for future development
- (c) Possibilities opened up by the VANS computerised network for the exchange of information and cooperation between existing structures
- (d) Experience in the management and operation of a number of cross-border databases or exchanges (sectoral and multisectoral)

1.2. The "INTERPRISE" programme and the development of transregional partnerships in subcontracting:

- Objectives, characteristics and operating conditions
- An example of its application: Europartners - Lyons

2. THE ROLE OF TRADE ORGANISATIONS

2.1. Action taken by RIOST (Réseau International des Organismes de Sous-traitance, coopération et partenariats industriels)

2.2. European Charter for Main Contractors in the Construction Industry

2.3. Presentation of a draft project for setting up a subcontracting EEIG

Egbert BERNSMEISTER
Senior consultant, European Independents

**PRESENTATION OF THE STUDY ON THE FEASIBILITY OF LINKING UP
SUBCONTRACTING DATABASES AND EXCHANGES**

Thank you very much Mr Ristori. Good afternoon ladies and Gentlemen,

I would like to present you some selected results of a feasibility study on the formation of a network of subcontracting exchanges and data banks. The study was carried out by the international group of the European Independents, a leading group of independent consulting companies in eight countries consisting of a network of some 1,500 consultants.

I was responsible for the coordination and management of that project and for this reason I have been asked to come here today and present the results of the study.

One of the main purposes of the study was to examine if and under what conditions the existing and emerging subcontracting exchanges and data banks could be linked up or incorporated into a European network.

Our recommendations were based on the results of an extensive field research. We carried out about 650 interviews with users of subcontracting data banks by means of a user's questionnaire. We focused on subcontractors. About 70% of the sample were subcontractors and another 30% were main contractors.

The companies were primarily small and medium-sized companies which meant that about 50% of the companies made a turnover of less than 10 Million ECU.

The business sectors covered were mechanical engineering (26%), the car industry (21%), electronics (18%), construction (14%), aerospace (10%) and, last but not least, the textiles industry (10%).

In addition to interviewing the users, we also contacted 26 operators of subcontracting data banks personally in order to complete an operator's questionnaire.

This European map shows the geographical coverage by country and gives you an idea of the responsibilities of each of the partners of the European Independents. You can see that, for instance, *Mecrator* in Finland was responsible for the field research carried out in Scandinavia as well as in Hungary and the former Soviet Union, *Finco* was responsible for Denmark, *P-E International* carried out the field research in the United Kingdom, *Berenschot* concentrated on the Benelux countries, *Kienbaum* on Germany, Austria and Switzerland, *Orgaconseil* was responsible for France, *Orga* for Italy and *ICSA* for Portugal and Spain.

This project could therefore be regarded as a good example of cross-border cooperation and of international subcontracting.

One of the most interesting and maybe surprising result of our field research was the response to the question: what are the most important methods used for seeking subcontractors. As you can see, only 4% of the sample was of the opinion that subcontracting data banks are the most important search method.

In general, we can say that users prefer "human routes" involving direct personal contacts i.e. subcontracting fairs or word of mouth (20% of the sample). Another 20% have more or less highly sophisticated research facilities, in-house research facilities. 15% primarily use reference books. Surprisingly, especially in view of the figures I have just given, chambers of commerce and trade associations are not greatly used (only 2 to 4% of the sample).

I will now give you the main conclusions of the field research.

The first important point is that there is apparently a large amount of hardly used data banks across Europe. This means that, on the one hand, users have a pretty low awareness of the existence of these services and, on the other, there are some marketing shortcomings in the Community for subcontracting exchange services.

The second point I would like to emphasise is that subcontracting relations are generally too complex to be simply resolved by a data bank. In other words, data banks should be viewed simply as a tool, nothing more, and everybody should keep in mind that potential data bank users prefer human routes as I mentioned earlier.

A third point which is worth mentioning is that there is no common user's profile which means that profiles may vary greatly from one region or sector to another and are therefore not always comparable.

Another important point is that subcontracting is viewed mainly as a local and stable relationship with infrequent renewal of contracts, so that the real question is: what are the needs of subcontractors and main contractors.

The survey also showed that transnational subcontracting is mainly limited by language related problems, geographical location, transport costs and lack of information.

Finally, the survey indicated that different specialised additional services are required to cater for sectoral as well as regional differences.

The study also examined a number of possible approaches and networking options which could assist subcontractors in their search for potential subcontracting partners.

The first approach that was examined was that of a centralised system.

Let me first give you the example of a central data bank. The advantage of a central data bank is that the system can be accessed only via a specialised international contact point. Consequently, you no longer have language related problems and the communication of data is standardised. However, there are several disadvantages which have to be taken into account:

- updating is more difficult since the sources of information are far away from the subcontractors and main contractors,
- additional services are not required (they are not so efficient as it is difficult for one single entity to obtain a thorough knowledge of all the different companies of the various sectors and regions),
- substantial investments are needed not only to implement but also to support the central data bank,
- coverage off all sectoral and regional specifications is not possible, at least not in the early stages of such a new data bank,
- last but not least, it is impossible to integrate the existing structures into one big and newly developed data bank.

So, our conclusion was that there are more disadvantages than advantages to the central data bank approach.

Another example of centralised system is that of computerised and specialised networks, i.e. the BC-Net. Here we have a different situation. There are two main advantages to this approach. The first advantage is the same as the one I mentioned for the central data bank, that is, that it is accessible only via a central contact point which avoids language related problems and communication problems. The second advantage is that it would allow a possible network-effect.

The disadvantages are that

- it is necessary to access the system via a specialised business consultant which constitutes an extra step in the contact-chain,
- the management of both network and central contact-point would be too heavy to create and maintain due to the large variety of data to be provided,
- another problem is that the network implies that its users satisfy certain preconditions i.e. that all the users accept the same codification system and accept a central management of the data by the central contact-point.

Our conclusion was that the setting-up and testing of such a system would be too expensive and time-consuming. We therefore agree that this alternative should be kept in mind and that other solutions should be examined.

The alternative to centralised systems are of course decentralised systems and here the approaches are different.

The advantages of the decentralised systems can be summarised as follows:

they are suited to answer specific requirements of sectors, regions and users

- updating is easier because the decentralised outlets are near the sources,
- additional consultancy services are more effective since a deep knowledge of subcontracting partners is possible,
- investments may be phased and distributed as needed among different players in the market,
- the different actors or key players in the market may work independently,
- they are compatible with existing structures which means that they may continue to evolve to cope with future developments in information technology as well as in the subcontracting world.

Our conclusion was that the decentralised approach seems to be the most appropriate insofar as it maintains and extends the dynamics inherent in the existing structures. I think that this is essential and want to point that out now.

Logically, the next question is, how can we implement such a decentralised system. We think that two main options should be taken into account. The first one is to develop existing data banks with a European approach. This implies that certain requirements be met. You will find more details concerning these requirements in our final report.

The second option is to develop cooperation between subcontracting partners. This option consists of three complementary sub-options: bilateral exchange of information, interactive access and decentralised exchange of requests.

Bilateral exchange of information consists of exchanging data between subcontracting services in the context of bilateral negotiations between partners. It could easily be implemented as it does not require a standard format of data or a standard exchange medium. It is up to the cooperating services to define the exact means of communication.

The advantages of this sub-option are double: there are more business opportunities because of a wider geographical/sectoral coverage and because it is a closed system, there is no external access which could affect the quality of the contents of the database.

There are, however, some disadvantages:

- this solution alone does not solve the problem because it relies on bilateral negotiations,
- differences between existing informatic systems make it impossible to implement at a European level,
- cost of all these bilateral negotiations.

Our conclusion was that this solution may only be implemented in some particular cases depending upon bilateral negotiations.

The second sub-option is a sort of interacted access which means that data banks which are only accessible via an operator are further developed into an open system i.e. any user has basically direct access to the data bank via telecommunication means.

There are several advantages:

- intermediary bodies are encouraged to provide a sort of information brokering. Therefore every information broker needs of course at least some brief knowledge about the existence of all the different European and international exchange services,
- this interactive access is highly desired by more sophisticated users (primarily main contractors),
- it provides an immediate answer as well as provides a preliminary list of potential business partners.

The two main disadvantages are first the multitude of different accesses and second the fact that it is not appropriate for most of the users if you keep in mind that a lot of small and medium sized enterprises have not the technical equipment to carry out this sort of interactive access.

Our assessment of this sub-option is that it should be considered as a complementary approach.

The third sub-option is a decentralised exchange of requests which means that partner search-proposals are disseminated from one exchange service to a couple of other ones without a central coordination entity. It is achieved by a communication system which integrates classic ways of communication as well as modern telecommunication means.

The advantages of this system are that there is no central point, no central entity and therefore no costs for such a sort of entity. It seems to constitute a pragmatic step towards further cooperation. The format of the requests may be normalised (e.g. CEC terminologies, English and/or French supported) without imposing restrictions on each particular system.

This criteria goes together with the data bank requirements already mentioned and can use existing means of communication.

The only disadvantage which is worth mentioning is that there is no immediate answer.
We therefore concluded that the decentralised exchange of requests is a pragmatic solution.

I would like to point out at the end of my presentation that the implementation of all the afore-mentioned alternatives or approaches depend largely on their acceptance and the initiatives of intermediary bodies in the Community as well as on a high level of acceptance within the Community of subcontractors and main contractors.

Thank you very much for your attention.

Eric HAMELINCK

Directorate-General XXIII "Enterprise Policy, Distributive Trades, Tourism and Cooperatives" C.E.C.

Ladies and Gentlemen,

1. Unlike conventional partner searches, which are generally aimed at one or two partners having shared objectives, searches by a main contractor are directed at a specific collection of firms engaged in various activities, which are very often highly specialised. In other words, it is the main contractor who takes the initiative.

The subcontractor occasionally approaches potential main contractors to advertise his know-how.

2. Irrespective of how the main contractor goes about finding new subcontractors, the resources he uses must always provide him with structured information. The sources consulted must inform him, at least, about:
 - the sector of activity (metals, plastics, electronics, etc.);
 - the products or services supplied by the subcontractor;
 - the subcontractor's means of production or supplying the service;
 - the product or service ranges of the contractors for whom the subcontractor works;
 - the identity of the subcontractor.

It is very important for contractors that such information should be:

- verified and correct,
- up-to-date,
- encoded in a uniform way and
- easily accessible.

The study showed that (i) the various subcontracting exchanges and databases were very heterogeneous and that (ii) these information sources, nevertheless, had several points in common.

At present, if a main contractor wants a comprehensive picture of the subcontractors on a particular market, he has to consult the various information sources separately.

On each occasion he may find what he wants or he may draw blank. In the latter case, he will have more or less wasted his time.

He will never be certain, either, that he has consulted all the existing databases for the field in which he is interested.

In addition, he will also have interrogated as many types of files as the systems he has consulted.

The results of the study on the feasibility of interconnecting subcontracting databases and exchanges showed that there is genuine demand for such a system. It also highlighted the need to give preference to a decentralised solution.

Following the observations we made in the study, we developed a theoretical model known as a "database link-up system".

The system makes it possible, through a single access point, to consult data held in several linked bases.

The system can be accessed as soon as the interrogator realises that the database he is consulting contains no, or not enough, suitable information. The database, provided it is connected to the system, will serve as an access point.

The system, which is simply a means of communication between several databases, is directed by a coordinator.

The coordinator selects the databases which will be connected. Exchanges and databases interested in being selected must first apply to the coordinator.

At all events, connected exchanges and databases will remain independent.

The coordinator of the link-up system must be a neutral organisation. It will be responsible only for setting up the system and providing access to the various databases connected.

There are three types of participant:

- the *provider*, i.e. the subcontractor identified in the files of the connected databases;
- the *broker* or database manager;
- the *interrogator*, i.e. the main contractor seeking to consult the data.

Functioning of the link-up system

1. A main contractor consults the data in a particular database.
2. The interrogator is satisfied: the link-up is not used.
3. The interrogator is not satisfied: he asks the supplier, the manager of the database he has just consulted, to consult other connected databases.
4. The supplier uses the system to consult some or all of the other databases connected.
5. During this consultation, the supplier may retrieve data and submit them to his client, the main contractor.

Assuming that the basic idea is accepted, the theoretical model could be developed and then tested.

There are four very important points to be considered before the link-up can effectively start to operate:

1. Common access keys to all databases that wish to participate in the link-up must be defined.
2. The means of communication for the link-up (i.e. the VANS computerised network) must be defined.
3. Communication and application software for the access points must be developed.
4. Payment procedures for the operation of the link-up must be defined.

Thank you."

José GARCIA FLUXA

Information Resources Manager, DG XXIII "Enterprise Policy, Distributive Trades, Tourism and Cooperatives" C.E.C.

Thank you, Mr Ristori.

Directorate-General XXIII has for some years been developing a set of programmes designed to improve the environment for European businesses, with special reference to information and cooperation, and these have given rise to the Euro Info Centres, BC-Net, and other networks.

Pursuing this line of action and with the aim of giving the members of these different networks the best possible tools for the job, DG XXIII has devised a new telecommunications-oriented project called VANS (Value Added Network Services). The aim is to provide those working in partnership with DG XXIII with a communication tool enabling them to exchange information electronically with other users.

The project is currently in the general start-up phase, and the system is initially to serve some 350 members or organisations.

In the first stage the system will link up the Euro Info Centres and members of the BC-Net and BRE networks, but it is intended subsequently to cater for the needs of other departments and projects, in the areas of the distributive trades, tourism and subcontracting, for example.

The legal basis for the VANS project is a contract signed between DG XXIII and an IT services firm for providing the necessary infrastructure. Across Europe, the firm has a number of telecommunications systems and private lines reserved for users of the network.

There is in each Member State, for at least one of the services offered, a technical help desk speaking the national language, which should greatly facilitate the technical assistance that users are going to need.

The first service offered by VANS is electronic mail, which enables messages to be sent between different users, either on a bilateral basis, in other words from one user to another, or from one user to a number of addressees specified on a list.

The second option offered by VANS is file transfer, designed for cases where a user wishes to transmit not just a message, but an entire file of data.

The third facility is access to databases through the communication systems available in each Member State. Various database servers will be accessible to VANS users; in concrete terms, we have decided for the time being to enable the 350 members taking part in the initial phase of the project to call up servers such as Eurobases or Echo Services.

Experience in solving problems that are bound to arise with any computerised data retrieval project should also apply to other existing database servers in the Community and later perhaps even in non-Community countries.

The fourth facility offered by VANS is a form of conferencing service in which the members taking part can share the same file, like an electronic blackboard, for creating a text and introducing corrections or adding comments to it. This will serve as a forum for discussion between groups of users dealing with the same topics.

Prospective VANS users must have an IBM-compatible PC together with a modem in order to be able to exchange data through the telecommunications network.

To conclude this presentation, I would like to stress that the different subcontracting options that have been put forward are clearly feasible using the different functions offered by VANS. If we are looking for a general function in which the only aim is to exchange contract information, then the electronic mail facility will serve the purpose perfectly well; if we want different data servers to interchange data files, then the file transfer function will undoubtedly be appropriate; and if what is wanted is access to information on subcontracting in Europe stored in databases physically located in different Member States, DG XXIII's Value Added Network will also make this possible by extracting the relevant information from the databases and making it available to VANS users.

The VANS project is currently in the general installation phase, and the system is expected to be launched in early 1993. VANS will thus be able to provide the logistical basis for a pan-European subcontracting network.

Aurora FRAGOSO

Information and Development Service, IMPI - *Instituto de la Pequeña y de la Mediana Empresa Industrial* (Spain)

I would like to tell you about the business databases incorporated in the business information system (sistema de Información Empresarial (SIE)), which is in turn part of the Institute for Small and Medium-Sized Industrial Undertakings (Instituto de la Pequeña y Mediana Empresa Industrial (IMPI)).

The Institute attaches great importance to information, and for that reason it uses databases as the foundation for the system providing information to undertakings.

The business information system (SIE) operates through a central server, located at IMPI, which is accessible to any undertaking or organisation wishing to obtain information. This involves two different procedures:

- the administrative formalities, based on the signing of a contract under which IMPI undertakes to provide information and the company undertakes to pay the fees laid down by Ministerial Order;
- the technical operations; a personal computer, modem, telephone line and communications programme is required in order to access the information. IMPI transmits using:
 - a switched network
 - the Iberpac network: X25, X28 and X32
 - the BRS retrieval software.

THE INDUSTRIAL DATABASE (BDIN) contains approximately 50,000 companies throughout Spain. These were selected using a questionnaire drawn up by IMPI.

The intention is to have an up-to-date register of the most important undertakings. It is updated every year.

The *AID DATABASE* contains all aid and assistance measures carried out by public authorities. Our sources of information are the Official State Gazette (Boletín Oficial del Estado), the seventeen Autonomous Communities and the Official Journal of the European Community.

At present we have approximately 1,600 documents, a figure which varies month by month.

The purpose of this database is to provide all information currently available with regard to assistance, so that undertakings interested in a specific form of assistance may obtain the information and can then apply directly to the organisation providing it.

The *PUBLIC CONTRACTS DATABASE* lists public invitations to tender for contracts. Our sources of information are the Official State Gazette, the seventeen Autonomous Communities, provincial Official Gazettes and the Official Gazette of the Ministry of Defence.

Information from this database can be obtained via electronic media or by fax.

When a businessman is interested in receiving daily information relating to a given sector, a specific activity or an invitation to tender, he can draw up parameters enabling us to retrieve information on invitations to tender falling within those parameters. We can therefore send him details every morning by fax on those invitations to tender published in the various gazettes, without the need for him to access the database.

BADASUB contains all subcontracting undertakings in Spain. The sectors covered are metalworking, plastics, rubber, electricity, electronics, chemical industry, textiles, etc., using the European Commission nomenclature. This database is updated every two years.

In order to be included in this database, subcontractors must fill in some forms which are then sent to Chambers of Commerce or to trade associations, which then forward them to the IMPI for incorporation free of charge.

Any undertaking or user of IMPI may access the database in order to search for subcontracting businesses of interest to them in a specific sector, or which manufacture a certain product.

Ines ARONADIO

Head of the Information et Development Service, I.C.E. - *Istituto Nazionale per il Commercio Estero* - National Institute for Foreign Trade (Italy)

Prior to the practical demonstration of its operation, we will now briefly present our database system, better described as a system to assist Italian companies and foreign purchasers active in the field of subcontracting.

ICE's subcontracting project was launched in the 1970s, a period in which there was a change in the economic climate which led in the 1980s to the creation of a series of subcontracting centres in the major manufacturing regions of Italy.

It was in Düsseldorf in Germany that the ICE established the first subcontracting exchange in 1986.

Our activities take the form of a series of promotional measures designed to provide us with information and to keep us in contact with the market.

Our overriding need was to create a data bank which would allow us to determine the requirements of purchasers. Secondly, it was our objective to promote Italian subcontracting and to help Italian companies to develop their links with purchasers elsewhere in Europe. It is precisely as part of these promotional activities involving the data bank that company data sheets using EEC nomenclature are assessed. These sheets describe products, their manufacture and the sectors for which they are destined. The sectors covered by the ICE project are the metal, plastic and rubber industries, electrical engineering and electronics.

The database is constantly updated and expanded while the purchasing industries are constantly monitored by means of visits to companies and to specialised exhibitions. As with many subcontracting exchanges, a "newsletter" provides a further way of communicating with purchasing companies.

Italian subcontractors can be listed in our database and our subcontracting exchange by sending in an input form. A very significant aspect, and one which must be emphasised, is the fact that not all Italian subcontractors are listed in the data bank of our seven exchanges; only those meeting certain requirements in terms of quality control, the technological standard of their equipment and references. In other words, those able to respond precisely to the specifications submitted by purchasers on the various markets. This sheet is compiled by the Italian company itself and makes it possible for us to coordinate supply and demand on an individual basis. Each sheet compiled by Italian companies is reviewed by an expert attached to one of the seven subcontracting exchanges.

At present, the database contains 4,719 files for foreign purchasers and 3,000 for Italian subcontractors. Within the exchange, the major foreign purchasers are manufacturers of motor vehicles, machine tools and household appliances, together with companies involved in industrial goods-transfer and automation, agricultural machinery, electrical engineering and electronics.

Access for purchasers to one of the seven ICE exchanges in European cities is very simple: they need merely list the company's requirements in a structured form so that these can be matched up with available Italian suppliers. This service is free. Italian subcontractors have the option of subscribing to our exchanges or of requesting individual services which are charged according to the type of service we are asked to provide.

The best way of demonstrating how we provide help in the field of subcontracting is to give the floor to our subcontracting expert from the Brussels office.

Hilde BREPOELS

I.C.E. - *Istituto Nazionale per il Commercio Estero* - National Institute for Foreign Trade (Italy)

My job is to link up Belgian main contractors with Italian subcontractors. Some of my colleagues perform the same task in other countries. There is the Italian Institute in Vienna, for example, which does the same thing for Austria, and the offices in Düsseldorf, Lyons, Zürich and Barcelona.

I want to explain how our database works in Brussels, and I will use a specific case to do so. A Belgian company, EURODAVIO, contacted us to find Italian subcontractors. The company specialises in mining, lifting and handling equipment, and also manufactures excavators. It was looking for an Italian subcontractor to make cabs for its excavators.

EURODAVIO sent us its address as well as all the relevant information to help us look for a subcontractor, for example details of the equipment, dimensions, machining operations necessary (i.e. sheet-metal cutting, folding, assembly, welding) and quantities involved.

We began by searching for the corresponding European codes, since our database uses the European codes.

The European codes are always based on three sectors: the products, the types of machining involved, and the sector destination. We have added a fourth sector -materials - since the Community has not yet produced codes for this sector.

For present purposes let us look at the machining aspect. The machining operations required for manufacturing the excavator cabs were cutting, folding and welding the sheet metal.

EURODAVIO had told us that they were looking for firms who already manufactured excavator equipment and who had a quality control system. We included these criteria in our search. In order to ensure up-to-date information, when scanning our Italian database we selected only firms which had contacted us since 1991. It is essential to specify the sector destination, i.e. the sector to which the Belgian main contractors belongs. This we did by inputting the code for lifting apparatus.

Once all the codes had been entered, the Italian firms which matched the specified criteria appeared on screen. There were seven in all. The information is available in Italian, French and Dutch. We can also choose several formats for identification cards, the simplest being the card showing the address only.

We sent EURODAVIO's request to the seven firms selected, enclosing the technical drawings, and asked them to send us full documentation and a detailed description of their products if they were interested.

Four of the firms replied, and one of them was selected. That firm is today supplying EURODAVIO with 20 excavator cabs with a value of Bfrs 1 000 000, and is on the point of concluding another contract.

We have chosen this example to demonstrate that it is possible for a medium-sized firm to establish professional contacts abroad provided it has suitable equipment, a quality control system and good references.

Thank you for your attention.

Luciano GALLETTI

Director, RESFOR - Rete per la subfornitura - Subcontracting Network - S.r.l. (Italy)

Good evening. First of all, I should like to thank DG XXIII for inviting us.

Our role is, to some extent, to prepare the ground. Subcontracting firms which contact data banks and agree to be analysed and assessed with a view to being included in them do so primarily in the hope of securing, in as short a time as possible, contracts that will expand their business.

The aim of both the client and the main contractor is to quantify and reduce the cost of finding potential partners. The initial motive is not necessarily to find someone with whom they can begin collaborating at once. There can be many other motives, such as trying to find people for a project or a list of vendors, in the hope that an opportunity to expand business will later arise.

In our view, intermediaries should, when dealing with firms, play the same sort of role as a public and social body, but their approach should resemble as closely as possible that of private market operators.

This is certainly our objective; it is a difficult one to achieve, since it means working side by side with firms, trying to understand their problems and helping them to break out of the confined space in which they operate.

Since RESFOR operates in the metalworking industry it has, from the outset, followed a technical approach. We feel that, when dealing with firms, the most suitable approach consists in checking first of all whether the two potential partners are ready to become involved first in a technical, and, in due course, an economic, venture.

RESFOR works jointly with Cermez, the second centre in Italy to receive UNI approval for ISO certification and quality control. We agree to collaborate with sister organisations because we feel this to be in the interest of certification and the constant improvement of quality.

We have been operating for four years now, and our present objective is to produce, for every request we receive, a sort of feasibility study which will enable the two firms to understand to what extent they can go ahead and invest in closer ties.

European countries account for 70% of our work, with German-speaking countries representing 60% of that figure. The assistance required by SMEs is accordingly of a very high level.

By creating a file we can generate, enter, store and verify information on relations between suppliers and clients, on whether or not the request is of a competitive nature, etc. The file may show, for instance, that the firm showed an interest, was later involved in talks and sold; it can also show turnover, all this in response to a specific request. Processing an offer accordingly involves a great deal of highly complex work.

Since we do not have a specialist for every single branch of the industry, we cannot ourselves make an offer or put forward an estimate in respect of a given production cycle or process. We use a system which is designed to speed up communication with firms, and any offer we do pass on is based on what the firms themselves have proposed.

This has enabled us to become well versed in the technical and economic issues involved in the evaluation and interpretation of specific techniques, and to become aware of all the variables surrounding potential business relationships. We have been able to operate as a buying department and provide firms with a major prerequisite of growth and, as a result, have forged even closer links with our clients.

In addition to subcontractors, we have a list of firms which contains information on their workforce, clients, the quality of their products, on their industrial processes, technical standards, know-how, etc.

There is also information on how the firm uses the know-how (i.e. whether the licence belongs to the client or is their own). Needless to say, we have details of production and control machinery, including machine tools; every machine is described in detail and we can conduct our client and supplier searches in the light of all this information at our disposal.

The information is part of a system accessible to both parties, via client files and supplier files respectively. Our working tools are integrated to provide a service to both the client and the supplier; the information can in some cases be accessed from outside.

We feel, however, that very useful though computers may be, direct contact is still essential. The client and the supplier need to know one another; the greater the distance between the two parties, the more the intermediary who is trying to arrange a meeting between them needs to check whether they can effectively do business with each other. Selecting and classifying subcontracting firms is invariably very difficult, however, especially since, in the early stages, one does not know what the client has in mind in terms of approach, deadlines or working methods.

We feel that our experience may well be of interest, since it falls within the context of the services on offer to firms, in this case very small firms.

Our work is not without its difficulties, but we firmly believe that it helps to create a reference point which, if linked with others in Europe, can effectively help to promote and improve subcontracting.

Thank you very much.

Maurice NAY
President, SOUTRAITEL EUROPE (France)

This morning we dealt with the European context within which subcontractors have to operate. In discussing SOUTRAITEL I intend to discuss the aspect of communication, considering SOUTRAITEL as a tool of communications strategy for subcontractors.

As was said this morning, the world of business is faced with significant, permanent and very rapid change, and industrial undertakings must adapt rapidly and meet the requirements of their customers as closely as possible. In this field, small and medium-sized subcontractors are well placed, although the economic situation is a difficult one, making competition more intense. In such an uncertain context, is there a winning strategy for the subcontractor? Nothing is less certain. It is essential, however, that at the European level they have a definite strategy for conquering their markets.

As we know, undertakings should attempt to diversify their customer base in order to reduce the risk of excessive dependence on main contractors; reference was also made to this this morning. In fact, increasing the number of outlets is a vital necessity.

Secondly, the subcontractor must stand out. If he wants to gain a position in the marketplace, he must stand out from the competition through a policy of specialisation, innovation and service. Forming a partnership is most certainly an effective response for the subcontractor.

Thirdly, the subcontractor should control his means of production in order to guarantee his customer the level of quality desired. I believe the second committee is doing very effective work on this important subject. The undertaking must have quality references available. The trend is increasingly towards certification, and this is now an essential asset for the subcontractor.

These three aspects are distinguishing characteristics for subcontractors, making them true partners for main contractors, and the automobile industry, as was mentioned this morning, is a perfect illustration of this. Are these assets sufficient to guarantee subcontractors a satisfactory position in their market, harmonious development and, at the end of the day, a good economic performance?

The subcontracting market is becoming more European, and today's conference is a demonstration of this. And, while it offers new opportunities, it also spotlights new competitors. In addition, we consider it essential that the subcontractor should introduce a true communications strategy.

Attendance at trade exhibitions is an example of this, and undertakings with these three assets attend the major international meetings, the recent MIDEST being a case in point. Undertakings will, of course, continue to use printed media; there are a number of well-produced annual directories and trade publications which are essential. Use of these two types of tools is rather limited, however; an exhibition lasts only a few days, and written media quickly become obsolete. It is important for undertakings to use all the modern methods at their disposal in their communications strategies, and the network of databases at European level is without a doubt essential; this is where SOUTRAITEL comes in.

I would like now to give you a presentation on SOUTRAITEL, currently being structured at European level, and we will show some images on the screen to my left illustrating its objectives and current approach.

We have been working with European partners for some years, as is shown on this map. The image here shows the various European countries, and those in red are currently participating in SOUTRAITEL Europe. There are various partners working with us, and here is a list per country of the main ones. Our aim, therefore, is to globalise at European level, and the illustration in red shows the member countries of SOUTRAITEL, around a logo illustrating its completely European approach.

That, then, is the European dimension through a partnership; it is also important, however, to show you the structure of the subscribers to SOUTRAITEL. Its subscribers meet the three criteria referred to above, agreeing to pay an annual subscription to the database. The next image shows the group of subcontractors, as near as we can determine it, broken down into three levels, with the basic level, in green, representing what might be termed the traditional technologies corresponding to a local market. In blue, a more developed market with knowledge and experience oriented towards an inter-regional and national market, and finally, at the top of the pyramid, there are those undertakings able to offer a supplementary service; it is this latter group which is the target of the SOUTRAITEL database.

The next image shows how we are structuring SOUTRAITEL Europe at European level with the partners I referred to; the structure is based on this top section, shown by a triangle in each of what could be considered as national databases. The IMPI in Spain has been one of our partners since April and is helping to fill out the top section of the structure with undertakings with specific skills, making it possible to respond at European level so that main contractors may find within this system the information they need.

Here is the SOUTRAITEL logo. We will now move on to the demonstration, highlighting the functions of the database, and at this level here we see the various partners involved.

Access to SOUTRAITEL is via the 3615 viewdata system. SOUTRAITEL can be accessed from any country in Europe using a Minitel or a PC linked to videotext, giving access to the server in Strasbourg. This gives you the logo you have just seen and then, on the second screen page, a list of the partners with whom we work.

For example, there is MIDEEST, a large-scale exhibition which is an important partner. There is the EC, shown in this green area, with whom we have a privileged relationship, and which supports us in our development at European level. We also have, in the fourth section, a partnership we developed at the last MIDEEST with the Chambre Syndicale des Banques Populaires. We will be able to show SOUTRAITEL's potential as a true communications tool, and at MIDEEST we were able to provide logistic support to contacts between main contractors and subcontractors. During the MIDEEST it was possible to identify visitors who wished to meet main contractors to discuss work.

This image lists the days of the week on which MIDEEST was held, and selecting one of the days calls up a list of the meetings programmed for that day and the name of the undertaking which accepted a number of interviews for direct negotiation of partnership offers.

We now return to the general menu.

That was the first page, with the logo of the company with whom we worked. We then come to the beginning of the database, and call up the general summary, which appears in French here because that is the language we are using. But I can make a small alteration, which I think you will be able to see. We are currently working in five languages, and the database changes automatically to the language of the requesting country, identified by a password available to the subcontractor or main contractor from the country in question. When a call is placed from Barcelona, the database automatically switches to Spanish, and all the vocabulary on the screens corresponds to European Community nomenclature. This avoids any ambiguity in the technical terms. Similarly, if an undertaking calls from Eindhoven, the database switches to Dutch. At present, we have five languages: French, German, Dutch, English and Spanish. And I am pleased to say that we have here today our Italian partners, with whom we are about to sign a cooperation agreement, and beginning in February SOUTRAITEL will also operate in Italian, according to the same principles.

Here is a demonstration, starting from the general summary, with choice No 1 selecting the subcontractor search.

I would like to stress that this search is done on the direct initiative of the main contractor, and that there is a direct link between a main contractor searching for a specific skill, going through the general menu and choosing a country; but for our demonstration we will select all of Europe, and we can type in a number of keywords; in this example, we shall use "sheet metal work", and this will enable the main contractor to select from the database on the basis of this criterion. We can, however, use several criteria at once. For example, we can enter "sheet metal work" and then "painting", if the main contractor is looking for an undertaking with both these skills. A third criterion may also be used; this could be a quality criterion, about which much has been said, for example ISO 9000 certification.

On the basis of this simple interrogation, the system has chosen 62 undertakings. And the main contractor has only to call up this list, and then has the opportunity to contact these 62 undertakings using the electronic mail system incorporated. Or, for convenience, it can select from among these undertakings the nearest suitable one and can call up the entry for that undertaking; this is at the lowest level of the system.

So, there is a general menu making it possible to select on the basis of general information, that is key number one. Starting from there, a full profile of the undertaking can be built up, i.e. an entry designed according to a European model. You can then call up an on-screen "business card", which gives the undertaking the opportunity to really sell itself by highlighting its strong points and distinguishing itself from its competitors; this is the strategic aspect I referred to at the beginning. You can then call up the main characteristics, highlighting the special skills of the undertaking in response to interrogation criteria, for example "sheet metal work", and then you can find out from the database whether the undertaking selected has those skills.

There is also the possibility of entering the dimensions of, for example, the pieces to be cut, enabling you to select an undertaking which accepts those sizes which the main contractor wishes to have cut.

This, then, is an example of the user-friendliness of this system, which now contains nearly 1 000 European subcontractors. We are, of course, in the process of upgrading it with our European partners and, as you know, Europe was not built in a day, and the approach is a long-term one.

Those partners with whom we have a contract, however, are enabling us to realise and develop this application with a clear objective: namely that SOUTRAITEL, which is an association set up on the initiative of the Chambers of Commerce and of certain partners, should be considered as an undertaking in its own right, with its own budget and with clear objectives.

It is worth noting, since we are discussing subcontracting, that SOUTRAITEL does not have its own server, but rather entrusts that task to a subcontractor with the required skills; we therefore work in a partnership between main contractor and subcontractor.

That brings me to the end of this presentation. Thank you.

Reiner SCHULTE

Head of the "New Media" Department of the Publishing House "Wer Liefert Was?" (Federal Republic of Germany)

The questions I would like to discuss today are: how is information acquired, what are the available information media, and where can information be found? As regards gauging how good the supply of information is, that is up to you, because you are the ones from whom the demand comes.

But to start with, what is information exactly? Information is not the fact that a subcontractor manufactures something, but the knowledge of that fact.

Information tends to be acquired nationally rather than internationally. For example, a German wanting to find about the product range of a Spanish manufacturer would not ask in Germany, but here in Spain.

Information is not acquired passively. In other words, an information company like "Wer liefert was?" cannot rely on people with knowledge which they want to share coming along on their own initiative and informing us that they make this or that product.

One way of actively gathering information is the written enquiry, but this is actually the least successful method. At one time, we sent questionnaires out to firms asking them to check information which we already had on them. Many firms did not reply, and we therefore assumed that the information was accurate. This assumption was generally wrong.

A second possibility is to gather information by telephone. As a rule, this medium can be used when one already has information and wants to check it.

The best information is information collected on the spot. We ourselves purchase information and addresses from address distributors, chambers of commerce and government offices and do our own research. And if you compare quality, you will generally find that the information obtained free of charge or passively is the poorest and the least up to date.

We demand of our information suppliers that they be present in the country. That is where the information is the most up to date. With that in mind, we have tried to diversify our firms geographically. Our headquarters in Hamburg has been producing data banks since 1932. Originally these were in book form, but since 1986 we have been working with *online* and *CD-ROM data banks*, and since 1987 with *vtx*, *btx* and *minitel*.

We have set up firms in Austria, Switzerland, the Netherlands and, most recently, Belgium. At present we have approximately 100,000 addresses of subcontractors in Germany, 12,000 in Austria, 15,000 in Switzerland and 15,000 in the Netherlands. We will not be publishing the information on the Netherlands in March 1993 (our customary date), since the information is not yet complete. Publication is instead planned for 1994. Research in Belgium begins on 1 January 1993.

Each of our firms in the aforementioned countries, including Belgium and Holland, is independent. Although they get the nomenclature from us in Hamburg, the search for firms and the building up of the data banks is a national matter and is therefore performed in Hamburg, Vienna, Zug, Amsterdam and Brussels.

A physical presence in the particular country is therefore essential in our opinion. The second criterion is the number of researchers. In our opinion, a researcher cannot visit and investigate more than 1,000 firms in a year. For the 142,000 firms currently in the data banks (including the 15,000 Dutch firms not yet published) we currently employ 145 researchers. This figure will be increased to 190 in 1993.

What information media exist?

The cheapest and oldest is *print product*: our *print product*, which currently weighs 12.5 kg, costs approximately DM 150.

The second oldest medium is the *online data bank*. This is very expensive and is normally used only by the larger firms, information brokers or chambers of commerce. Using it is extremely complicated. The costs work out at approximately DM 300 per hour of search.

The third possibility is the *minitel system*, known in Germany under the name *btx*. This has a poor reputation in Germany at the moment, but I believe that its importance will grow in the future. It is the *online system* for the average citizen. It is easy to use and can be addressed in the user's native tongue.

The fourth medium, *CD-ROM*, is a compact disk with a storage capacity of approximately 650 megabytes. The 127,000 firms currently in our data bank occupy about half of the available space on the disk. The disk costs DM 1,400 and is particularly useful for anyone wishing to use the data to advertise their own products, since all data can be incorporated direct into mail-merge letters, thus enabling queries to be sent off direct.

Finally, I would like to mention some of the sources where information can be found.

National and foreign chambers of commerce keep various registers. Here in Spain, to my knowledge, there is a German-Spanish, an Austrian-Spanish and also a French-Spanish chamber of commerce. They can tell you where information from these countries can be obtained. If you are interested in *print directories*, for example, you should first have a look at the *print directories* recommended by the chambers of commerce. The chambers of commerce also normally have foreign *directories*.

As regards *online data banks*, the "bible" is the CUADRA, published by Cuadra/Elsevier (655 Avenue of the Americas, New York, NY 10010). This is a very good register of *online data banks*, costing approximately DM 250. The same publishers also produce a *Directory on CD-ROM data banks*. The addresses of the publishing firms can be found on an A4 sheet displayed in the foyer.

In Spain there is also an association of directory publishers. It is a member of the European Association of Directory Publishers in Brussels, which distributes registers via data banks, *print products*, *online* and *CD-ROM data banks*, containing all aspects of the subcontractors' data bank, down to the data bank on *company profiles* etc.

Another possibility for international buying or selling of information lies in the trade departments of the various embassies.

Geert HEIKENS

Directorate-General XXIII "Enterprise Policy, Distributive Trades, Tourism and Cooperatives" C.E.C.

Ladies and Gentlemen,

I should first like to tell you the story of my encounter with Mr François Dupont in Paris five years ago. We were walking along a street together past the Palais de l'Elysée when Mr Mitterand's car stopped on its way to the Palais. Mr Mitterand opened the window and said, "Good evening Mr Dupont, how are you?". I was of course amazed to find that Mr Mitterand knew Mr Dupont, but Mr Dupont said, "Oh no there's nothing strange about it at all - everyone knows me". I did not believe him. "Alright, I'll prove it to you. We'll go to Germany or to Rome, wherever you like". The next day we went to Bonn and the same thing happened. Mr Helmut Kohl's car was at the Chancellor's Office and once again it was "Good evening François, good evening Helmut". This happened again and again. There was proof enough that Mr François Dupont was well known in Europe. Finally, we went to Rome on a Sunday morning when the Pope was to appear. When the Pope came to the window he saw Mr Dupont beside me and said "Come along and join me Mr Dupont". Leaving me alone, Mr Dupont went up and two minutes later he was standing beside the Pope at the window. The person next to me tapped me on the shoulder and asked, "But who *is* that beside Mr Dupont?"

The moral of this story is that Mr Dupont is really putting the idea of partnership into practice because he is doing it on a personal basis. The INTERPRISE programme follows on from the discussions we have just been having about databases, etc. as the next stage in the list of contractors looking for subcontractors or partners.

The INTERPRISE programme is designed to encourage collaboration and partnership between businesses or services in Europe. The objective is to stimulate direct contact between contractors.

An INTERPRISE programme should consist of three phases:

- 1 identifying and selecting cooperation projects for participating undertakings,
- 2 actively looking for interested parties in the regions concerned by publishing a catalogue,
- 3 organising two days of meetings between heads of undertakings.

As you will see the phases are the same as those which make up the Europartenariat programme. Each regional undertaking selected is given a stand where, on the basis of personal and prearranged interviews, potential partners from other countries can meet to discuss and negotiate.

We ask a minimum of three regions from three different Community countries to participate in the INTERPRISE programme. A programme involving at least three regions and/or countries of the Community can be extended to a non-member region/country without any problem. It has, in fact, recently become possible to include other countries, particularly Mediterranean countries, under a new programme MEDINVEST designed to encourage main contractors in the Mediterranean countries to take part in the Community INTERPRISE.

I said a minimum of three regions but there can be more - some INTERPRISE projects involve all the Community countries. There must be a minimum of three organisations for each of the three regions. These organisations must be fully committed to preparatory work for the INTERPRISE project. It is not enough simply to show some interest. We need full commitment. I can assure you that the preparatory work is very demanding and the success of the project depends on good preparation.

Why did we introduce the INTERPRISE programme? How does it differ from the Europartenariat programme?

The difference is that there is no restriction where the choice of region is concerned. The programme does not cover only disadvantaged regions. All regions are eligible.

The second difference relates to local operators. Many want to undertake targeted action to stimulate partnership.

Thirdly, it provides a real means of developing contacts throughout the Community.

Results

In 1992 there were 32 projects under the INTERPRISE programme involving 38 events. Through these 32 programmes we mobilised approximately 4,500 main contractors in Europe. The satisfaction rate of main contractors who participated in the INTERPRISE programme was around 85-90%. Of course it is too early to have concrete figures on the number of contracts concluded as a result of the programme, but there is no reason to think that these results will be any lower than for Europartenariat, i.e. 30-40% of undertakings participating conclude a cooperation agreement.

I should now like to ask Mr Lemerle to give some information on a Europartenariat project. We shall then take a look at the Lyons project on subcontracting, which was taken into account in the INTERPRISE programme.

Olivier LEMERLE

Brussels Office of ACFCI - *Assemblée des Chambres Françaises de Commerce et d'Industrie*

On 17 and 18 June 1993, Europartenariat France Nord-Est will be hosting Europe's largest ever inter-company cooperation meeting. 2,000 European firms from the Community, the EFTA countries, Central and Eastern Europe and the Mediterranean will be seeking to set up partnership arrangements with selected French firms detailed in the Europartenariat catalogue, the basis being quality considerations and the mutual interest of cooperation projects.

This is the eighth such event to be organised by the EEC - DG XXIII to be more precise. It is the first to be organised in an Objective Two region, i.e. an area undergoing industrial restructuring. It will also be the first inter-company cooperation meeting since the inauguration on 1 January 1993 of the Single Market.

Thus, on 17 and 18 June next, Lille will be hosting the coming together of 2,000 firms from throughout Europe with some 470 companies from Northeast France, i.e. Champagne-Ardenne, Lorraine, Nord Pas-de-Calais and Picardie.

Right now, in the middle of December 1992, we are concluding the selection exercise at local level, using - among other resources - the network of Consular Chambers. This will enable us to produce a catalogue which will be sent out to all countries by the end of January: 80,000 copies in all in five languages. There will be a form for you to fill in if you wish to attend the Europartenariat. In a second letter which will be appearing likewise at the end of January, you will get more information on the companies and the sectors concerned.

I can only urge you to attend this event and to pass on the message. If I had to settle on one telling figure, it would be this: a proven 40% success rate. I hope to see lots of you in Lille in June.

Thank you for your attention.

Pierre BONNET/Gilles GAQUERE

Lyons Chamber of Commerce and Industry - Subcontracting Department (France)

Ladies and Gentlemen,

As we are governed by the clock, I shall be brief. I shall begin by outlining the operation, and then Mr Gaquere will present the results.

In 1991, the Lyon Chamber of Commerce and Industry established "Alliance", the annual subcontracting exhibition, which this year will take place on 11 - 15 May, bringing together 800 exhibitors and 12,000 visitors. The Lyon Chamber of Commerce and Industry plays a leading role in this event through an Industry Forum, which has the aim of overcoming the "short-term" concept. Until now, the aim of a subcontracting exhibition has been to put exhibitors and visitors together with the Industry Forum. We will make it possible for the head of an undertaking to plan for the medium and long term.

There are three main axes: business, technology and management. Obviously, Europartners has its place in the business axis. Europartners is an operation under the INTERPRISE programme, and I would like here to thank, through Dominique Ristori and Mr Heikens, the team from DG XXIII who put their trust in us to set up this operation. It was, I believe, the first INTERPRISE to deal with subcontracting.

Europartners is a cooperative European transnational operation along the lines of the INTERPRISE programme, aimed exclusively at subcontracting businesses in the following sectors: engineering, metalworking, surface treatment, plastic injection moulding, rubber processing, composite materials and electrical and electronic engineering.

The organisation is a transnational federation. There are three partners at the head of the organisation: the Community naturally, ERAI (Entreprise des Rhône-Alpes Internationale), who support the operation financially, and the leading partner, the Lyon Chamber of Commerce and Industry. It operates under the Alliance framework, and here you see all the countries which have cooperated in this operation.

We shall now look at the countries and their representatives in more detail. A number of them are here today, and I thank them for their effective contribution to this operation. Firstly there is Italy, with the "Centro Estero de Camere e Commercio Piemontese", Spain with CEAM, Belgium with ICM, Germany with the Frankfurt Chamber of Commerce and Portugal with the Portuguese Office of Trade. Those are the European partners. But INTERPRISE programmes are also open to non-member countries. Europartners has been opened up to include Canada, Poland and the Maghreb (Algeria, Tunisia and Morocco).

I shall now describe what I see as the essential role played by the partners. This is to recruit those undertakings with an actual, precise and specific development project. I stress the words actual, precise and specific, because the success of the operation will depend on the selection made. Our partners recruit undertakings and assist them during the event, but also follow up after the operation.

Mr Gaquere will present the results of Europartners 1992, which took place in Lyon on 13 and 14 May 1992.

As Mr Heikens said in his presentation, Europartners is a means of circulating requests for and offers of subcontracting partnerships by means of a catalogue. This catalogue will be used initially to organise subcontractors and, in the medium term, to circulate publicity to main contractors. This is then backed up by organising meetings. This means, as Pierre Bonnet has explained, that the Alliance exhibition, enables undertakings to meet other subcontractors. Information is supplied by the Lyon Rhône-Alpes Euro-Info-Centre, and is what is known as the Europartners after-sales service, that is, an attempt to follow-up what happens after the meetings. As Mr Heikens said, this is a fairly long and difficult process, but we are on the lookout for any information which may emerge in order to try to see specific results.

What sort of undertakings took part in Europartners? At the first one, the countries with the largest representation were France, Italy and Morocco.

As far as activity sectors were concerned, all sectors in the Rhône-Alpes region in which the Alliance was represented were included, with a high percentage from the engineering and metalworking sectors.

Summary of results

Our aim was realistic; 144 undertakings attended, all of them subcontractors. 73% came from France, Italy or Morocco, 68% of them were active in the engineering and metalworking sectors, 48% were already exporters, 37% had no partners. Average turnover per employee was ECU 60,000, and average total turnover ECU 6 million. The final result was 500 meetings between these 144 undertakings, i.e. nearly 4 per undertaking, which is roughly average, and 2,000 catalogues distributed; an attempt to introduce competitiveness between countries. As it is organised, Europartners offers a subcontractor the opportunity to be both supplier and customer.

This supplier/customer concept was analysed country by country, although not in detail. The ideal situation would be that of Switzerland, which was a rather unusual case this year in that both supply and demand from that country were high. At the end of the operation we carried out a broad survey on a representative sample of subcontractors who were involved in Europartners. This showed that 14% of meetings were fruitless, 30% enabled undertakings to meet and establish contact, 36% exchanged information and intended to meet again and 20% were establishing partnerships. We are currently monitoring trends in this latter category.

I shall now hand over to Pierre Bonnet to conclude.

That is the end of our presentation. Now I think we need to talk about the future, and I can tell you that we have just now submitted a draft for Europartners 93, and we hope to be able to repeat the operation in favourable conditions.

Thank you.

Jean GERMANO

General Secretary, R.I.O.S.T. - *Réseau International des Organismes de Sous-traitance, coopération et partenariats industriels*

What exactly are we aiming for?

Building a European system of subcontracting is undoubtedly an objective, but how precisely are we to do so? We have already seen what a staggering range of documents, information and potential is available to us.

There is no lack of ideas and information, but what are we to do with it all?

The Biarritz Meetings

Four years ago, we - in conjunction with the EEC - organised a first series of meetings of subcontracting organisations in Biarritz, on which occasion we first started delving into this wide range of possibilities. The possibilities, though, were more than matched by the frustrations. After two days of talking we had plenty of information on what various people were doing, but not on how to set about doing things together.

The Creation of RIOST

At the suggestion of the Community, the various organisations decided to compare what they were doing, coordinate their activities and act in concert. A year after these first meetings we saw the appearance of an international organisation created under Belgian law and based in Brussels, known as RIOST, which is the French acronym for the International Network of Subcontracting Organisations. The operative word is "organisations". It is up to these organisations to play an important role in bringing together contractors and subcontractors. In a highly fragmented world, in a world of small businesses, these organisations have an important role to play.

The Members

You will already be acquainted with some of the network's members. RESFOR is one; the Lyons Chamber of Commerce is another. One of the Belgian members is the Institut des Classes Moyennes. Spain has played a special part in this whole process. I would like to express my particular appreciation of the work of IMPI, which was closely involved in the work leading up to the initial meetings. I shall not inflict the full list of members on you. You have received the relevant documents. The important thing anyway is to take a look at what we are empowered to do in the subcontracting business and find ways of acting in concert. But to what end?

The Aim

Promoting subcontracting by way of more effective communication and coordinated activities is undoubtedly a worthy aim. RIOST is a young organisation, having been set up at the end of April 1990; it needs time and goodwill and a mission.

Documentation

We talked this morning about the important role of documentation. We have had plenty of information here on companies' data banks and how, thanks to the feasibility study, we can see ways of interconnecting them by using a tool like VANS. I would urge all members of RIOST to take a serious look at the kind of solution that is being proposed and which seems to me - as far as I can judge - to be precisely what we have been waiting for. It is now up to us and our organisations to set the ball rolling.

The Community has overseen the creation of a full-scale model of bibliographical documentary information (in a field other than that covered by companies' data banks). You know how dispersed this kind of information is. What do we have in the way of a catalogue, a data bank, a text, a study, etc.? It is all highly dispersed. Everybody knows a bit of the information. The Community's idea, and which we have now made a reality - is to bring everything together in an easy-to-use form, to pool all this information, so that we know what kind of document and what kind of information is available in Italy, Spain, Portugal, Ireland.

You have some documentation on this subject. I should like to see this tool made available to the Commission, so that it can (with the support and the active participation of our organisations) make it into a working information tool.

Subcontracting events

You have all, at some time or another, had to wrestle with the problem of deciding which subcontracting event or exhibition or conference to attend. We have done a trawl - no doubt an incomplete one - of more than forty purely European events. Many of these of course are category-specific, but in response to this fragmented situation, exhibition organisers are starting to pool their resources. They are from different countries, like Sweden, and outside the EC we have the well-known groupings like MIDEEST. One programme which is now in the process of being set up is the European Fairs Cooperation (EFC), which will of course be proposed to the Commission. The important thing is not just to take stock of existing events, but to ascertain their objectives, resources and services, with a view to facilitating cooperation between events and between meetings of contractors and subcontractors. What we need is a proper labelling system so that people can get an idea of the quality rating of a specific event. This is one of the matters we should be addressing.

Japanese Clients

In June 1990 the EC made us aware of the important problems being faced by Japanese contractors based in Europe. Here we have, in a nutshell, the problem faced by international clients. RIOST suggested that subcontractors' organisations should try to do something about it.

One of the responses came from the Welsh Development Agency, which I am sure has a representative somewhere in the hall, and which has produced an outstanding action programme for Japanese firms. I would also mention a project being run by the Assembly of French Chambers of Commerce in conjunction with the Ministry of Industry and other organisations, the French Centre for External Trade, the Japanese Chamber of Commerce in France, and the Franco-Japanese Business Club. The important thing is to ensure that Japanese contractors know there is a demand for structured undertakings capable of giving immediate satisfaction, and that a number of subcontractors can be brought up to the right level to avoid the kind of thing that is happening in certain countries. There are too many contractors claiming "we do not have enough good-standard trading partners; we have to bring them in from outside and they tend to be from Asia". It is up to us to ensure that our subcontractors are up to scratch and can meet the requirements of all contractors (and not just the Japanese).

Non-Member Countries

As far as non-Member countries are concerned, we are preparing a programme for the EC on relations with the countries of Latin America and with the Maghreb countries (with whom we already have fairly close links and a number of incipient projects), and with Eastern Europe. I would just mention in passing that the Chairman of RIOST, Dr Bernard Lor, is based in Potsdam, and that my assistant, Mrs Lemonnier, has visited the new German Länder to see what kind of cooperative ventures we can work out with experienced organisations, and with organisations now discovering the industrial subcontracting arm of the economy.

I shall skate over other collaborative activities, like informal meetings and colloquia. In the final instance, all these initiatives must come from members, i.e. from the organisations themselves.

If we are going to set up a European system of subcontracting, we have to start by Europeanising the subcontracting organisations.

Thank you.

Bruno MUSOLFF

Honorary Vice-President, FIEC - Federation of the European Construction Industry

THE EUROPEAN CHARTER FOR THE GENERAL CONTRACTOR IN THE CONSTRUCTION INDUSTRY

Ladies and Gentlemen,

It is almost impolite, at this late hour, to begin talking about a sector of the economy that has not yet been mentioned, namely the construction industry.

I am speaking to you on behalf of FIEC - the International European Construction Federation. This is an umbrella organisation - founded in 1905 - for 27 national construction industry associations in 20 European countries, including not only the Member States of the Community but Eastern European countries too. The associations represent 1,350,000 firms, which account for 10% of Europe's gross national product. One job in every eight is in the construction industry.

FIEC is thus the construction industry's competent representative in contacts with the European Parliament and the Commission. Its members are contractors of all sizes and in all specialisations. The problems we in the construction industry face are, therefore, quite different to those discussed here so far.

In all, 80% of the construction firms organised under FIEC's umbrella have fewer than 20 employees, and less than 1% have over 500 employees.

What is a main contractor in the construction industry? It is a construction firm which, regardless of its own structure, buys in the market-place some of the services necessary for the planning and execution of a construction project and carries out others itself. It assumes complete responsibility for quality, price and deadlines vis-à-vis the owner or client. The size of the firm or of the construction project is unimportant. This description of main contractor applies whether the project is a house ready for occupation, a precast garage or the Channel Tunnel.

Because a main contractor can or will not carry out everything by himself, he needs a subcontractor ("Nachunternehmer" in German) - an ambiguous and, hence, problematic term. Strictly speaking, it is not appropriate to the construction industry, where there are relatively few subcontractors ("Unterunternehmer" or "Zulieferer") and more second-tier subcontractors ("Nach-" or "Nebenunternehmer"). "Subcontractors" are usually independent, efficient firms which add to the capacity of the main contractor vertically or horizontally.

Depending on market conditions, the firms represented by FIEC work both as main contractors and subcontractors. Besides, they have to earn a living predominantly on the major market in Europe, namely the award of construction contracts in separate lots, e.g. involving only painting, roofing or carcass work.

What does a group, i.e. a group of FIEC member firms, hope to obtain through the Charter? Since 1974, FIEC working parties have been examining the special features of this type of market and contract in Europe. Owing to the short time available, my remarks will not extend to the American-style "general contractor". While such contractors contributed during the post-1945 period of reconstruction to the emergence in Europe of the general construction contract, this development also brought to light the latter's unpleasant aspects. Our studies resulted in three definitions, valid throughout the Community, of main contractor activity in the construction industry.

On the basis of these, standard contracts have been drawn up on European groupings (1980), European subcontracts (1981) and the main contractor in Europe. All three were published in book form with forewords by senior Commission staff.

The most recent work in this long series is the European Charter for Main Contractors - the trade's answer to the increasing requirements imposed by the market. Construction is always associated with intrigue and more often than not with worries. The bigger the project, the more complex the planning and execution problems which have to be resolved, to say nothing of the risks, which are increasing disproportionately. If you have ever been involved as a client in a project, even if just the building of a house, you will know what I mean.

Simply from observing a relatively large site, one can see, without actually having to experience, how complex the coordination between the many planners, craftsmen and contractors must be. The fact that, on larger construction sites, sometimes up to a hundred different trades are represented shows how important such coordination is.

These findings have led increasingly to new types of market relationships and demands, in particular from clients, the majority of whom are still private clients, although the public authorities too are appearing more and more on the scene. Tighter budgets, limited financial resources and manpower shortages are forcing authorities to award construction work more often to main contractors, despite the fact that most national legislation regards this type of award in an unfavourable light.

The Charter is designed primarily to alleviate the worries felt not only by the client, particularly in the public sector, but also by colleagues and members of the trade active in subcontracting. In order to avert all possible misunderstandings, it must be emphasised that the qualified main contractor cannot do everything better. In many areas, he must seek cooperation from specialists since it would make little sense to employ such people in his own firm.

Economic construction involves much more than just bearing prices in mind at the building stage. Calculated over the lifetime of a construction project, follow-up costs are often many times the original cost.

There are three main aspects to the Charter: it emphasises the advantages of this type of contract for clients, it requires qualitative self-regulation and external recognition of the latter through entry in a register of main contractors, and it lays down clear rules of conduct in dealings with clients and subcontractors. It also has an altogether ethical component in that it provides for the setting-up of a supervisory agency and an arbitration body.

This general approach, which focuses on the cooperation between a main contractor and trade colleagues (subcontractors), is just one way of responding to the needs of the market.

It is not the only way. In certain circumstances, it is the best solution, but there must be free competition with other methods of awarding contracts, irrespective of whether buildings or infrastructure projects are concerned.

For those subcontractors present here today, the Charter should not be a cause for alarm; on the contrary, it is a helping hand offering the necessary guarantees of fair coordination, even across Community borders. It is a gentlemen's agreement whose observance is ensured through supervision by a controlling body. To support its objectives, therefore, the European subcontractors standard contract which was published by FIEC back in 1981 and has since been applied around the world is to be revised and updated. FIEC believes it is competent to handle these particular problems and is, at any rate, more competent than outsiders.

Klaus BELLWINKEL
General Secretary, E.B.M. Wirtschaftsverband

PRESENTATION OF A PLAN FOR ESTABLISHING AN EEIG ON SUBCONTRACTING

Ladies and Gentlemen,

I promise not to keep you much longer. Thank you very much for being so patient. I shall try to be brief.

You will find a description of the EEIG on subcontracting in the papers prepared for this working group. Copies of these documents are available on the table by the exit for those of you who do not yet have them. At this point I would just like to make some brief additional comments.

In his concluding remarks this morning, Mr von Moltke said: "Given the very far-reaching changes which everyone has predicted for subcontractors, and the difficult times for some which have been forecast, the important thing for subcontracting firms is that they are willing to innovate and that they create markets themselves." The decisive factor here is that subcontractors themselves must become active, and the fundamental objective which the EEIG on subcontracting has set itself is to help them do so and, in addition, to provide them with the instruments they need.

The priority of the EEIG on subcontracting is not to replace existing organisations but rather to create the opportunity of achieving its goals in cooperation with all the existing interested organisations and institutions, not only those in the European Community of today but also those in future applicant countries.

The EEIG is intended to be a platform for inter-industry cooperation. It should be independent of governments and all official institutions. It should take account of the different forms of activity and organisation in the internal market and in future applicant countries. Above all, it should help to resolve cross-border questions using a joint approach. And it takes special account of the fact that more and more firms have to be active as subcontractors in several countries at once and that they cannot simply concentrate on a single domestic market.

As a result, the tasks which the EEIG on subcontracting has set itself are the following: support for measures to adapt to new technologies and strategies, advice on concluding contracts, appraisal of subcontracts, and arranging of business relations and contacts. However, all this activity is not restricted to the internal market and future applicant countries; it also concerns all other countries for, in our experience, 25% of all subcontracting products currently manufactured in EC countries are exported to third countries. It is in these third countries in particular that we see major opportunities for European subcontractors.

The tasks would then extend to cooperation, arranging of collaboration between subcontractors, advice on cooperation agreements, procurement of inventions, patents and licences, and presentations to large institutions representing final customers, such as the major European telecommunications bodies and railway companies.

Since you can study the details in the papers provided, I shall not go into the matter any further. I would just like to make clear once again that it is not a question of setting up a new large organisation, but rather of bringing together the existing organisations, institutions, institutes, research institutes and accreditation centres within such a system in the interests of individual subcontractors and in order to set in train meaningful cooperation.

The intention is to set up various country-specific project groups so as to make it clear that only those interested in supplying very specific countries outside the Community can cooperate in a focused way.

In addition, project groups should be formed to concentrate on particular projects, especially major European projects such as Airbus, Ariane and EFA, the new European fighter aircraft, a lower-cost version of which has just been approved. Further details are given in the papers provided.

The metal-working industry has made enormous progress as regards surface treatments and similar processes through joint laser-technology projects, which were also supported by the Commission and have recently proved very useful to subcontracting firms in the context of global competition.

I am referring to individual groups because we believe it is right to involve those organisations and institutions in the various Member States which are interested, with one of them taking on a particular task and another a different task so that, overall, there is no need for new institutions.

We are also interested in computer networking. Make no mistake: this has nothing to do with the data-processing issues discussed today in this working group. It concerns commercial and technical business traffic between subcontractors themselves and between subcontractors and their customers, i.e. the development of a uniform computer language for all parties.

When you think that some subcontracting firms today have to use up to 22 and even more different computer languages to communicate with their customers, then you can see the problems this causes and the importance of cooperation in this area.

Look at quality control in subcontracting, which has a very specific objective. Here it is a question, for example, of resolving the contradiction between in-house quality systems used by large customers and the ISO 9000 in order once more to provide subcontractors with a uniform basis.

In conclusion, I would like to refer to one more point. The EEIG on subcontracting sees itself in the first instance as a service provider. That is why we chose the legal form of a European Economic Interest Grouping, which was introduced in 1985 by a Commission regulation following a Council decision that same year.

As I have already mentioned, the EEIG is not intended to become another large institution but rather is aimed at all those who are already active in subcontracting and believe that it is in their interests to cooperate with it and to contribute their experiences.

I would ask everyone here who is interested in the project to complete the questionnaire accompanying the papers provided. Since many participants have already left the conference room, perhaps we will have another opportunity at the plenary session tomorrow to mention the questionnaire. Please return it to the Secretariat or send it to the address of the EEIG on subcontracting.

The intention is then to invite interested parties in the spring of next year, i.e. 1993, to a discussion of how this project should be implemented in practice.

I would like to thank you once again for being so patient and I wish you a pleasant evening.

Dominique RISTORI

Head of Unit, DG XXIII "Enterprise Policy, Distributive Trades, Tourism and Cooperatives" C.E.C.

Thank you very much, Mr Bellwinkel, for that very interesting project. Here too, there should be a wide-ranging debate.

Tomorrow, the reports from the various working groups will be presented, each being followed by a wide-ranging discussion with the participants.

As regards the report from our working group, which my friend Daniel González de la Rivera will present, there are three main points which I would like to stress.

To begin with, the current value of the various exchanges and databases must be emphasised, as must the opportunities for extensive cross-border expansion of a decentralised network. This covers the entire first part of our work.

The second conclusion concerns the opportunities afforded by existing programmes for supporting partnership and cross-border cooperation, in particular through the INTERPRISE and Europartenariat schemes.

Thirdly, special emphasis needs to be given to the initiatives of trade, sectoral, Community, national and regional bodies. These deserve to be highlighted since they will promote and sustain the emergence of a proper European subcontracting market in an international context as a result of the wealth of existing and future initiatives, such as the last project presented to us.

I hope you have an enjoyable evening and a good night's rest. We shall meet here tomorrow at 0930. My thanks, in particular, to the interpreters.

Thank you very much. Till tomorrow.

REPORTS OF THE WORKING GROUPS

CONCLUSIONS

CLOSING SPEECHES

Daniel BYK

Head of Unit, Statistical Office of the E.C. (EUROSTAT)

REPORT FROM WORKING GROUP N° 1

Thank you, Mr Chairman. I am going to report to you on the proceedings of Working Group No 1, which endeavoured to assess the economic importance of subcontracting.

The reports commissioned by DG XXIII and the synopsis presented to the Working Group undoubtedly break new ground in attempting to outline the economic situation of subcontracting in Europe.

This work has led to conclusions that can be grouped under two main headings: quantitative understanding of subcontracting work and markets, and qualitative economic findings.

The quantitative dimension will be at the centre of my summing-up, while Mr Tessera will report on the second aspect.

A general shortage of statistics

The first observation to be made is that most Member States suffer from a real lack of information on subcontracting.

This weakness was stressed in both summary reports, but also loomed very large among the concerns of the authors of the national reports and those who took part in our discussions.

Participants were unanimous in wanting to see this gap filled. To that end, a number of measures can or should be taken; more specifically, they should pursue two objectives:

- to compile statistics that will help firms gain a better understanding of subcontracting markets;
- to look for solutions that do not impose unnecessary extra burdens on businesses, in other words solutions that use existing structures to best effect (the national statistical offices or other bodies in Member States responsible for collecting statistics).

Clearly, the success of the venture will hinge on attainment of these two objectives.

The need for comparability

The necessary information must be comparable if we are to build up a reliable picture of the situation and trends in subcontracting across the Community.

A fact which emerged very clearly in our discussions is that the main stumbling-block here is the way in which subcontracting is defined. The current Community definition, the one used in France to develop a system of statistics that has been judged highly satisfactory by most participants or the one adopted by the consultant who carried out the UK study are all valid contributions to an effort that should be continued in this area in a spirit of straightforward pragmatism.

We should therefore avoid the pitfall of attempting to work out an overall, self-contained definition, but should instead select a set of concepts or specific definitions that represent what we want to observe and cover the whole range of relations between clients and outworkers, clients and subcontractors enjoying some degree of technical independence, and clients and their suppliers, as in the case of motor vehicle manufacturers and component suppliers.

In other words, comparability is essential, but it must not close our eyes to sectoral diversity.

The way forward

A number of points have emerged from our discussions which can serve to guide future work.

- The task of quantifying subcontracting should be tackled from two main angles: collection of information on products, on the one hand, and data on firms, on the other.

More specifically, as far as products are concerned, destination should be indicated in certain cases by drawing a distinction between industrial subcontracting or services, on the one hand, and subcontracting for the market as a whole, on the other. Cross-border flows will also have to be monitored, however.

As far as businesses are concerned, the data that needs to be collected relates to turnover and the number of partners, possibly along with other variables enabling the structure of subcontracting to be described.

- A sectoral approach should be promoted, particularly through pilot exercises in such areas as textiles and clothing, electronics, motor manufacturing, building and civil engineering.
- Support should be given to work on drawing up accounting or statistical reporting standards and recommendations with a view to stabilising and organising the regular collection of subcontracting data.

Efforts to ensure that subcontracting transactions are clearly and explicitly taken into account when Community accounting standards are drawn up or in the development of statistics on production, structures and activities will thus provide us with data-collection instruments that have a legal basis but do not create a new set of rules or impose further legal constraints and that ensure regular collection of data.

Conclusions

A few lines of thought have dominated our discussions and should guide our work:

- We must remedy the severe shortage of statistics in order to facilitate the development of a Europe-wide market, one that will not be free and competitive unless the players are adequately informed of the terms of transactions;
- We must take account of the fact that, since the concept of subcontracting covers a variety of specific trades and sectoral situations and since the process itself is undergoing far-reaching change, any definition may have to be supplemented or modified;
- We must right now clear the way for the regular production of information on the situation throughout Europe, information that should also reflect cross-border transactions or processes.

The ground having been prepared by our Working Group, we must keep up the effort and refine our thinking. Expert meetings will need to be held to steer the work, and it would be desirable for a workshop to be held as early as possible next year on the methodological aspects of the collection of data on subcontracting. Such a workshop should be attended by all the parties involved in the exercise, namely the official bodies responsible for collecting statistics, trade associations and businesses themselves.

This should make it possible to launch pilot sectoral data-collection exercises as quickly as possible with a view to ultimately providing a sound statistical basis for a European subcontracting market.

Luigi TESSERA
President of the Working Group "Subcontracting" UNICE-Confindustria

REPORT FROM WORKING GROUP N° 1

The problem of the shift in the market and the problem of greatly intensified competition have increased considerably in the past few years.

We are witnessing a shift away from what was in the past a production-oriented market towards a more consumer-oriented market: this trend is bringing with it some very tangible changes. Firms are having to react much more quickly to shifts in market demand, and this applies to all areas of subcontracting despite the fact that, as Mr Byk has quite rightly pointed out, the differences between the various sectors are so great that it is extremely difficult to encompass them all in a single definition.

The quest for competitiveness is prompting firms to look for new avenues, forms of production that are more efficient and enable them to serve the market better.

Other systems have already achieved more than we have here in Europe, and that is why we are observing with the utmost interest past and present developments outside Europe, where the requirement not only to deliver, but also to produce "just in time" first emerged.

The need has become clear to produce with "zero defects". It has become essential to apply the concept of "total quality" in running a business, to introduce greater flexibility and to focus attention on the "time to market", i.e. the time needed to design, develop and manufacture a product and place it on the market. This involves substantial changes, which are reflected in the statistics, which show that every aspect of the organisation and management of the productive system needs to be overhauled.

Product development should involve both client and subcontractor, thus leading to a new subcontracting relationship in which they cooperate with each other as partners.

Other points emerged from yesterday's discussion that are vital and reach to the heart of the problems experienced by small firms: first, the flexibility required of subcontractors, which should at certain times make it possible to reverse the roles: the subcontractor can thus in turn become a client in such cases and relay the signals he has received from the market.

Firms need to specialise more, and the problem of logistics needs to be looked into from all angles. The openness of the European market is much talked about these days: it could prove a source of problems for subcontracting firms located in border areas.

It is also essential for firms to have greater access to information and training.

Here again, there is a need for greater cooperation between clients and subcontractors.

In addition to these considerations, which have to do with growth, there is serious concern that subcontractors may not be able to cope in such a short space of time with the costs of adjusting to shifts in the market.

Some firms are afraid of being too small for the product they manufacture and the subcontracting role they play. If they have to withdraw from a particular market, they lose all the know-how they have built up over the years, a loss that cannot be underestimated. It is much easier to maintain know-how built up over the years rather than to switch to a new area or start from scratch: we should therefore not lose sight of what is at stake here economically.

Concern was also expressed that not even a highly efficient and responsive subcontracting system such as, for example, that which has been developed in France in the clothing industry can afford any protection against the relocation of manufacturing operations to countries with lower labour costs, resulting in severe job losses for our countries.

There are also fears that the burden of red tape carried by subcontractors might be aggravated by further constraints imposed by the Community.

I would like to finish on a more general note. All the points I have been making lead to the conclusion that subcontracting firms are worth more to the economy than their intrinsic economic weight. Subcontracting can create in our countries a network that keeps client firms, despite their large size, in close association with their subcontractors, but only if these are highly developed and perfectly integrated.

It is essential to give proper consideration to these questions because a great deal is at stake economically.

Thank you.

Jacques McMILLAN
Head of Unit, Directorate-General III "Internal Market and Industrial Affairs"
C.E.C."

REPORT FROM WORKING GROUP N° 2

Ladies and Gentlemen,

I shall try to give you an idea of the broad lines which emerged from our discussions in working party No 2 on mutual recognition and quality considerations in the subcontracting business.

I should like to begin by placing our work in its proper context. The aim was to discuss quality issues on the basis of a study carried out by DG XXIII on the cost of multiple audits. This study is in turn based on a broad and general Community policy base. For a number of years now, the Commission has been advocating a global approach to certification and testing with a view ultimately to the mutual recognition of test reports and certificates throughout the Community, and extending into the European Economic Area. This is the policy we are pursuing with a view to achieving the mutual acceptance of the various certificates, whether they be secondary (i.e. issued by the purchaser) or tertiary (i.e. by an organisation independent of the purchaser or vendor) or even certificates issued by the manufacturer himself.

The Community is facing increased competition at all levels. This has given rise to a new strategy on the part of industrialists, who are now attaching more and more importance to companies seeking to set up quality-assurance systems to cope with the competition. They are increasingly looking at the activities of firms right from the planning and development stage, passing through manufacture, installation, output control and follow up right up to the after-sales service. All these elements are now an integral part of contractual clauses between the two parties.

Quality assurance is thus an upstream element, enabling each firm to evaluate and adapt its tools and organisation more quickly and more cheaply to market needs. The system is based on ISO international standards 9000 and European standards EN 29000. It has to be said, though, that these standards do not always cover everything the contractor requires. The level of his requirements is expressed in terms of approval audits or follow-up audits which vary from sector to sector and according to the economic importance of the contractor.

The above Commission study, which was presented to the working party, aims to evaluate the impact of the multiplicity of audits to which subcontractors are subjected. Based on surveys of 200 subcontractors in 11 industrial sectors, the study brings out the importance attached by subcontractors to the question of quality assurance and certification by third parties, and the audit procedures used by contractors. It also makes it possible to work out the attendant costs in terms of money, time and human resources.

The main conclusions of the study can be summarised as follows:

- the idea of quality assurance is becoming increasingly accepted by subcontractors and contractors. Indeed, 76.9% of subcontractors were audited in 1990, 23% more than for the previous year. Every subcontractor has in average 7.4 clients a year and is submitted in average to 7.6 audits. Subcontractors always have to bear the direct costs that are involved. These costs can be illustrated by the time spent by the person who must manage these audits. These costs were estimated with regard to the firm's activity in 1990. An approval audit costs 18.4 man/days and 4,355 ECUs whereas a monitoring audit, that is an annual monitoring audit, costs 12.6 man/days and 3,082 ECUs. These figures vary greatly according to the sector, the country and the size of the firm.
- main contractors are already aware of the importance of third-party certification, as a means of gauging the efficiency and sound organisation of companies and as a prior condition for the selection of new suppliers. However, this does not seem to have been reflected hitherto in a reduction or lightening of the

audit load. But subcontractors remain nonetheless optimistic, i.e. 60% of firms questioned and already certified expect to see a substantial potential saving;

- the role of trade and professional organisations and/or certification organisations seems to be a relatively minor factor in whether or not subcontractors decide to put in for certification. It emerged from the discussions that small and medium-sized businesses need more information as regards what procedures to follow (especially subcontracting firms).

The ensuing discussion was intended to bring together representatives of all parties concerned: subcontractors, main contractors, certification organisations and the EOTC, the European umbrella organisation for all parties affected by certification issues. The idea of the discussion is to find out what changes need to be made for the mutual recognition of certificates issued in different countries, to lighten the audit load and to minimise the costs which are inevitably passed on to the final consumer.

The contractors, representing highly differing sectors, stressed the differences and the need for different solutions from one sector to another. However, they do appear to have similar concerns, in that all of them are seeking to reduce the number of subcontractors so as to concentrate the work and improve mutual relations.

All of them stress the fact that subcontracting is increasingly becoming a part of their investment strategy and that a true partnership arrangement with subcontractors is needed right from the planning stage. Clearly, industrial relations in this sector are undergoing change, possibly because the distinction between main contractors and subcontractors is tending to blur in the wake of industrial restructuring, with subcontractors themselves tending to act as main contractors. The criteria for evaluating subcontractors are becoming increasingly complex, with the simple criteria like price and delivery deadline being overlaid by much more complex criteria like reliability, flexibility, management commitment, technology, etc.

These are the criteria which are evidently becoming more and more difficult for third parties to manage. It is why these contractors have insisted on subcontractors being audited by the purchaser, although they do, in certain conditions, accept certification by third parties, especially when safety is one of the factors, as it is in the aerospace industry, where audits tend to be more rigorous. But inspection techniques differ from one sector to another. Thus, in the aerospace industry, each manufacturer will accept subcontractors which have been audited by an independent organisation recognised by the manufacturers as a whole. In this sector, the conclusion must be that mutual recognition already exists on a world-wide scale.

In the furniture business, IKEA has very stringent inspections carried out by a second party based on the highest quality assurance levels EN 29001 and 29002, but will accept and take account of third party certification. In the automobile industry, constructors recognise the "list" of subcontractors that they have drawn up according to their own criteria. In other words, third party recognition is not a systematic feature.

As regards the position of subcontractors, the discussion showed how concerned they are at not being able to defend themselves adequately against the sheer weight of the contractors. They are fearful of the effect of concentrating subcontractors without as yet seeing any of the positive effects of restructuring, whereby they themselves are liable to become main contractors in their turn.

Clearly, it is essential to strengthen training for subcontractors in terms of legal back-up and quality. Some of the contractors present already run training schemes. Mr Raffet of ERG laid particular stress on training purchasers in optimisation of the purchasing function in their role as managers of external resources who have a part to play in the innovation effort in a subcontracting firm, more particularly in small businesses.

We have heard the example of the Technology Institute in Linköping in Sweden, which has dreamed up a workshop system involving representatives of 5 subcontracting companies and their main contractor clients. These meetings and discussions provide an opportunity not just to examine specific cases but to also find solutions for different types of problems.

Mr Guibert, representing CENAST, stressed that the kind of contracts that subcontractors are now entering into effectively give them more and more responsibility and apply increasingly severe price constraints, which is bound to run counter to the quality factor. He concluded that the majority of subcontractors do not have the legal resources they need to be able to protect their interests properly.

The reaction of contractors has been to stress first and foremost the need for a partnership arrangement from the product planning and design stage, and to emphasise the need for subcontractors to become more and more specialised.

As regards whether the cost of quality assurance systems can be borne by firms, the discussion showed that there are ways of introducing a quality policy into a firm without necessarily occasioning unreasonable expenditure. The important underlying principle must be that a quality system is an economic decision which will enable a firm to manage its affairs better, to optimise its structures, to acquire greater flexibility and, in the final analysis, to be more responsive than its competitors.

However, the benefits will not start to be reaped until two or three years after a quality assurance system has been put in place.

The important point about certification is that it is not yet compulsory and should not become compulsory. It often is for regulatory reasons and in cases where safety is a very important consideration. It may be that, the more we move towards a partnership arrangement, the less need we shall have of certification, given that certification is above all a means of giving a partner that extra bit of confidence. There are cases, though, where third party certification presents a considerable advantage for subcontractors, particularly in the face of the multiple audit phenomenon. In other words, there is a place for third party certification in respect of points which are common to the various audits, so as to allow main contractors to concentrate on the more specific points. There would be a cost advantage for all concerned, given that multiple audits are a financial burden not just on subcontractors, but also on the final consumer.

So what we are seeing emerge now is the problem of how to recognise certificates. For some six or seven years now, the Commission has been trying to set up a Community policy for the mutual recognition of certificates. The European Organisation for Testing and Certification currently embraces all test and certification partners, such that certificates issued at one place in the Community can be recognised anywhere else in the Community.

The EOTC was set up for this purpose and to try to bring a little order into the market from the point of view of certification. A mutual recognition system within the EOTC will be a way of making the procedures more transparent and of applying the brake on the artificial market. Eventually, a certificate with Europe-wide recognition will be regarded as value added in terms of market access, not just in Europe but throughout the world in as much as European certification instruments are based on international instruments. In that case, certification will clearly bring with it enormous advantages.

Mr Chairman, ladies and gentlemen, that is the gist of the discussions we had yesterday in working group No 2. I should like to conclude by stressing that, as regards certification and quality, certain measures are already being taken at Community level to ensure that various types of Community infrastructure can be made more accessible to all firms, including small businesses. We currently have programmes under the regional funds, the aim being to give a boost to testing laboratories and quality-control organisations in the more disadvantaged regions. A study is currently in progress on the full range of these certification activities throughout the Community with a view to establishing who does what and where, and so as to make the quality market more coherent and more accessible to all.

I should like to conclude not just with the usual conclusions, but by underlining a number of questions which were at the heart of our discussions and which have not yet been properly answered.

The first question is how to reduce the multiple audits, and how far can they be reduced, given that in some cases they are going to be inevitable? What should be the role of the contractors' and subcontractors' representative organisations? Is there any way we can provide more help for subcontractors in their quality drive by, for instance, strengthening quality-related infrastructures throughout the Community? And finally, what part does the quality element have to play in partnership relations, and hence in facilitating contractual relations between main contractors and subcontractors?

Thank you for your attention.

Daniel GONZALES DE LA RIVERA
Deputy Director-General, IMPI - *Instituto de la Pequeña y Mediana Empresa*
Industrial

REPORT FROM WORKING GROUP N°3

Ladies and Gentlemen,

I have the pleasure of summing up, with the help of Mrs Rodríguez Toquero, the proceedings of Working Group No 3 on cross-border communication between main contractors and subcontractors.

I would like to begin by reiterating the conclusions drawn by Mr Ristori, who chaired yesterday's round-table discussion:

- we must assess the merits of the different databases and the possibilities for cross-border development through their decentralised use;
- we must look into the opportunities offered by the different support programmes, normally those concerned with cross-border cooperation, such as INTERPRISE and Europartenariat;
- we must build on the initiatives taken by organisations at sectoral, European, national or regional level which can play an important part in creating a genuine subcontracting market.

1. I will first very briefly describe and indicate the main features of the different databases that have been presented:

BADASUB was presented by IMPI, the Spanish agency for promoting SMEs in industry. This is a national database which focuses on the supply side, i.e. the subcontractor, and is encoded in line with Community terminology.

The ICE runs a bilateral base used by both main contractors and subcontractors in five countries. It too employs the Community nomenclature and its main feature is that it tries to find main contractors for Italian subcontractors in the countries covered.

RESFOR, also an Italian database, adopts methodologies used in the private sector. Its technical coverage is determined by the form that has to be filled in by main contractors and subcontractors. Its geographical scope is regional, which greatly facilitates monitoring, and at national level it places special emphasis on quality and certification.

SOUTRAITEL Europe is an integrated database for main contractors and subcontractors in various EC Member States. Access to the information on the base and exchange of subcontracting offers and requests is through videotex. The communication system enables firms to display on videotex screens subcontracting offers and requests and details of manufacturing processes, products, activities, machinery, quality control, etc. In addition to entering details of their business, firms subscribing to the system can send one-off messages on various topics, such as purchases and sales of machinery, prices or spare machine time. Soustraitel can be consulted in five Community languages.

WLW (Wer Liefert Was?) is a German private firm. Its database is bilateral and it supplies information on some 125,000 firms through catalogues, CD-ROMs and on-line consultation of its database. Its aim is to use existing tools more efficiently by incorporating new data, standardising terminology, adding further languages and achieving optimum decentralisation.

Mr Bernsmeister then presented the study on the feasibility of linking up subcontracting databases and exchanges.

The study was carried out through field work by 1,500 consultants across the Community. The aim was to see whether and how the information contained in existing databases could be linked up. To that end, some 650 interviews were conducted with firms concerned by subcontracting, of which 70% were subcontractors and 30% main contractors. The sectors covered were basically chemicals, electronics, aerospace, textiles and mechanical engineering. The study analysed the answers to the central question: what is the means of communication used in contacts between main contractors and subcontractors? The findings revealed that very few firms use databases, with the majority relying on direct, personal contact.

The possible approaches for using an international database network are centralisation, in which a single method of access is allowed through a single specialised contact, and decentralisation, in which the data can be accessed in various ways. Once the study on the feasibility of linking up subcontracting databases and exchanges had been presented and discussed, the option of a centralised system was ruled out and decentralisation was recommended, taking the example of the Carrefour and VANS systems, since there are points in common in the sources of information for the different databases and exchanges.

The Carrefour system was seen to have prospects. The project was presented as a means of linking up various bases through a single access point. It is managed by a coordinator who selects the databases to be introduced in the light of a thorough knowledge of them. Three parties are involved, namely the coordinator, subcontractor and main contractor. To be able to implement this project, it is necessary to:

- a. lay down specific rules for selecting the different databases;
- b. define the means of communication to be used, such as, for example, the VANS system, which I will come to shortly;
- c. choose suitable software;
- d. set the charges for use of the service.

The VANS system is a development of the electronic data transmission networks operated by DG XXIII at the Commission. It is a telecommunications system that uses existing infrastructure in terms of nodes and telecommunications lines. Users must have a compatible PC, a modem and a telephone line. The services offered are electronic mail, file transfer and database access. The task would be to adapt this already existing system to the needs of linking up subcontracting databases.

A little thought shows that both centralised and decentralised systems have their advantages and disadvantages. Nevertheless, decentralised systems are more feasible, and if this option were taken it would mean setting up interconnection machinery with a view to harmonising the information.

In any event, experience seems to show that the fundamental requirement for any such information system is that all the parties concerned by subcontracting should be involved. From this standpoint, the tendency for firms to establish stable business requires subcontractors to know where the demand lies.

2. In addition to databases and computerised networks, other means of intercommunication are provided by the cross-border cooperation programmes. Here we can mention INTERPRISE, an initiative set up to promote and stimulate cooperation between industries and services in Europe, itself inspired by the Europartenariat programme, the aim of which is to support local, regional or national initiatives designed to put businesses in contact with one another. The aim is to foster cooperation between small and medium-sized enterprises.

The latest Europartenariat event took place in Bari recently, and the next one is to be held in Lille on 17 and 18 June 1993.

The experience of the Lyon Chamber of Commerce was also presented: it had organised the first INTERPRISE event in the subcontracting field. The basic objective was to encourage cross-border cooperation, and the experience was judged highly successful. The countries involved were Belgium, Germany, Spain, France, Italy and Portugal, while the Commission, Chambers of Commerce and financial partners also took part. The Euro Info Centres were used as a channel for disseminating subcontracting offers and requests. A proposal has been put forward for organising another INTERPRISE event in 1993.

3. The third part of our presentations and discussions was devoted to trade associations. All the schemes described are actively supported by public bodies and trade associations whose task is to create favourable conditions for the emergence of a genuine subcontracting market. I shall give a few examples.

RIOST was set up in 1990 in view of the need for coordination between the main parties involved in subcontracting. The Commission was the driving-force behind this scheme when the first moves were made four years ago. The organisation works in close cooperation with different administrations and its aims are to facilitate concerted action between members of the network, to centralise information that is scattered far and wide, to study and assess the different subcontracting fairs and to strengthen relations between bodies and firms and interested parties in other countries (Japan, Eastern Europe, America and North Africa).

A European Charter is being promoted by the European Construction Industry Federation (FIEC). Curiously, the construction industry has not so far adopted a high profile in institutional work on subcontracting, despite being composed of 1,350,000 firms which account for some 10% of gross national product and having been one of the pioneering sectors in the subcontracting field. The need has been felt to draw up a European Charter for Main Contractors, which endeavours:

- to respond to market needs: construction involves risks and problems, gives rise to planning requirements and affects other sectors;
- to reassure contractors working for public clients;
- to ensure quality control and draw up lists of firms;
- to establish clear standards of behaviour;
- to promote compliance with a code of conduct;
- to ensure compliance with the principle of free competition;
- and, lastly, to develop relations with bodies other than the Commission.

We concluded yesterday's proceedings with the presentation of a European Economic Interest Grouping.

Enterprises can have recourse to a European Economic Interest Grouping, a legal entity created by the European Community, if they wish to establish a platform for cooperation and the intersectoral promotion of subcontracting in EC Member States and candidate countries for future accession.

The Grouping is independent of the Member States and public authorities and builds on measures and schemes developed by existing bodies. Its aims are to help subcontractors adjust to new strategies and to provide advice on types of contract, certification procedures and the establishment of commercial relations.

Thank you very much.

Claude ALTERSOHN
Honorary Inspector General

CONCLUSIONS

Introduction

I would like to adopt an overall (ecumenical) viewpoint and examine the underlying trends emerging in all countries, even the less developed ones.

PART 1. TRENDS COMMON TO ALL SUBCONTRACTING ACTIVITIES

Subcontracting is a very ancient practice, but one which is still evolving. It was already in existence in the Roman era.

1960 subcontracting of capacity

1970 subcontracting of speciality

1980 subcontracting of function and gradual development of partnership in conjunction with the changing system of production.

1. Expansion of the market

Need to improve knowledge of flows at Community level by seeking a smaller common denominator rather than a general definition valid for all countries and for all trades.

2. The quality revolution

The idea of total quality - not recent (Daimler) - is essential now at all levels, irrespective of country.

Involves more and more intelligence (in both the French and the English sense).

Rigorous but flexible rules required, adapted to the situation of the SMEs, and generally valid; hence the importance of mutual certification and acceptance.

3. Ongoing promotion efforts essential

This highlights the important role of the organisations represented at the Forum; differences in statutes should lead to complementarity and not to competition.

4. Confidence and mutual respect indispensable at all levels

Consequently, there are strong ethical requirements.

Ultimately, there are not five zeros, but eight: to the five Japanese zeros should be added:

zero - poison

zero - litigation

zero - contempt.

PART 2. PARTNERSHIP: MYTH OR REALITY?

1. Regression associated with the current crisis

Reversion; return of bad practices.

2. But trend continues

- To stay in the front rank, subcontractors must become suppliers in the fullest sense.
- Reduction in the number of primary suppliers and development of chain subcontracting.
- Role specialisation carried to the extreme: lead contractors: design, final assembly, marketing. Realisation of subsets at level 1 and of components at level 2 or 3. Contractors who unload all production on to partners in order to get the job completed more easily will be increasingly numerous.
- Partners will be involved increasingly closely in all stages of production, from design to solving after-sales problems.

Conclusions

1. Price criterion will decline in importance compared with the services criterion

This will create problems for the least developed countries. They must no longer rely entirely on their wage levels to increase market share, but must also play the quality and innovation cards. They must be helped to do this through increased efforts as regards technology transfer.

2. But the human factor will still be as important as ever

Discrimination and vigilance are essential in the last analysis, regardless of the sophistication of the equipment. "Metal-mindedness" still essential for engineers.

In future, therefore, subcontracting must be regarded as an intimate mixture of technique, ethics and humanism.

Dominique RISTORI

Head of Unit, DG XXIII "Enterprise Policy, Distributive Trades, Tourism and Cooperatives" C.E.C.

CONCLUSIONS

Directors-General, Ladies and Gentlemen,

There are two points which I am glad Mr Altersohn mentioned in the conclusion to his talk. First, the increasingly rapid change from concentrated production to a network structure, which requires an increasingly higher level of specialisation and performance throughout the chain. Second, it is not possible, in certain cases, to believe that competitiveness can be based primarily on low wages. The latter can secure a temporary advantage only, when what is needed is an intensification of quality and skills.

Since we are now summing up our work, whose intensive nature, due to your participation, needs to be emphasised, I will summarise, if you permit, the arguments which led to this forum being set up.

As regards the first point, which deals with market and in particular economic transparency, it must be stressed how necessary it was to make a major effort concerning our perception of what actually exists. The twelve economic studies launched by the Directorate-General for Enterprise Policy were the first to cover the Member States in a horizontal, multisectoral manner. Of course, they represent a first step only towards a more structured investigation of the European subcontracting market, but it is a fundamental first step. The rest, i.e. a clearer economic perception of the trend of demand, the sectoral evolution of products and services and the profound changes affecting these markets, will follow.

I am glad, too, that, in this context, working group No 1 has concluded that the role of the trade associations - your role, or at least the role of those who have the determination and the resources - will increase as far as the collection of statistics is concerned and that, therefore, several organisations will be able to make a contribution to ensuring that figures are reliable and up to date. The involvement of the Statistical Office in this work, and of the national institutes, will guarantee the comparability of the different data. That comparability should be increased. It will also ensure that collection covers all the key points not only as regards products and services but accounting rules as well. We should also mention the suggestion, which Mr von Moltke endorsed, that Community and national organisations should get together to develop a standard contract which will make it possible, provided both sides make the effort, to ensure approximation while maintaining the necessary compatibility with national legal systems.

Turning to the second major topic, i.e. quality and certification, I would like, here too, to emphasise the importance of the first study, commissioned by the Directorate-General for Enterprise Policy, on the cost of the multiplicity of the procedures currently applicable. The outlay in both time and money is considerable. With your assistance, the information must be disseminated widely to all concerned. The Commission's aim will not be to achieve uniformity: the Community is a diversified whole. On the contrary, everything will be done to stimulate and encourage approximation as regards the setting of criteria both by accreditation bodies and certification organisations. It will then be for the employers' or trade associations to examine the advisability of preparing a proper code of ethics for certification, designed in particular to avoid duplication of effort as regards the audits requested by firms. It is important to convince contractors of the validity of third-party certifications, since quality standards have to be recognised by the largest possible number. It is also important to stress the significance of the contract for the "quality" approach and to emphasise the extent to which this approach is not confined to equipment and research but includes the development of quality in training and occupational skills modules. It is to be hoped that contractors will offer such training on a wide scale to their subcontractors, who do not always have the necessary resources, assuming that such modules really reflect the specific quality requirements of the various industries.

Let us also stress how important it is to pay particular attention to organisation and management within the firm. Much competitiveness is lost in Europe because there is too much disruption within our firms, and it is up to us, and you, to try and convince entrepreneurs of this. In troubled sectors, too much market share is lost both inside and outside the Community. Similarly, optimisation of the "purchasing" function should be pursued, with appropriate support in terms of training.

We should also remember the importance of all that has been done by our Swedish colleagues, especially the case studies on the basis of workshops and specific case studies of subcontractors, again in response to requests from subcontractors. These are examples which we should ensure are disseminated as widely as possible so that the maximum benefit can be derived from them.

As regards the third and last aspect - the improvement of communication - I would say that the value of the present set-up has been revealed to a significant extent during these deliberations, and this applies not only to data banks and databases. Present resources are already considerable. The aim, therefore, is not to do away with this and turn to some indeterminate centralised body but to improve still further what already exists by Europeanising it, especially by using sectoral terminologies more intensively or by adding extra languages. This is extremely important. At all events, interconnection can only be based on a broadly decentralised system enabling those who wish to do so to link up with other data exchanges. This will make it possible to seek out opportunities on a wider transnational basis where a search has drawn blank or has been conducted too narrowly.

May I also point out in this context that all the initiatives developed by Community bodies and by trade associations, in terms of support for markets or of accessing new markets, especially those in Central and Eastern Europe or the Mediterranean, are particularly important. The Community supports them and will continue to do so, not only through its own partnership programmes but through wider partnership schemes drawn up in cooperation with the Directorate-General for External Relations.

Let me also draw attention to a new initiative, which will be carried out in close connection with the Directorate-General for Industrial Policy, namely improving the competitiveness of subcontractors in consumer electronics. We are going to launch a two-year pilot scheme, to be part-financed by the Community industry and to be developed at a seminar held in Brussels on 25 and 26 March. The scheme will seek significantly to improve European competitiveness in this niche, in cooperation where necessary with our Japanese opposite numbers.

I believe it is clear from all these points that, the more united and the more closely linked they are, the better trade, employer and sectoral associations, in close contact with the competent departments in the Member States and with the Community will be able to meet the challenge of European competitiveness and growth. It is these, moreover, which will be at the heart of the new programme for SMEs currently being drawn up, which was given a definite boost at the most recent European Council in Edinburgh.

Finally, I hope that the atmosphere and spirit of Madrid, if you will allow me, which have emerged throughout our deliberations, will inspire every one of us for a long time to place subcontracting at the centre of this new competitiveness, this new growth and, above all, this new culture. For it is thanks to you, the men and women on the ground, that we can and will be able to ensure that European subcontracting evolves favourably.

Thank you.

José MENDEZ ALVAREZ

Director-General, IMPI - Instituto de la Pequeña y Mediana Empresa Industrial

Ladies and Gentlemen,

The general aim of industrial policy as far as small and medium-sized enterprises is concerned is to encourage the start-up, consolidation and growth of potentially viable SMEs by contributing to the development of a propitious overall environment in the sector, always within the specific context of industry. To that end, a number of specific policies have been devised to help small and medium-sized firms boost their competitiveness, overcome their weaknesses and adjust their strategies to the single European market.

Against this background, allow me to outline briefly the policy pursued by the Instituto de la Pequeña y Mediana Empresa Industrial, the Spanish agency for promoting SMEs in industry, or IMPI for short.

IMPI's work focuses on four main areas: information, finance, cooperation and innovation.

As far as information is concerned, the aim is to help firms gain a better understanding of their economic and institutional environment, which has become more complex as a result of our integration into the Single Market, and of the regional, national and Community aid programmes for which firms in the sector are eligible, placing special emphasis on constantly encouraging SMEs to take part in Community programmes devised for them. In this area too, efforts are being stepped up to promote access to other services that are becoming increasingly vital to SME competitiveness, namely workforce skills upgrading and managerial training.

To that end, IMPI provides SMEs with a range of effective and up-to-date tools for improving each link in the value added chain.

Through the business information system, IMPI runs and distributes a set of databases which can be accessed in real time and from which information can be retrieved on public funding available, aid offered by the Community and by central and regional government, Spanish industrial firms, subcontracting conditions, opportunities for technology transfer, etc. This business information system is backed up by the Euro Info Centres, which serve as a channel for permanent two-way communication between SMEs and the Community institutions in the context of completion of the Single Market.

In the area of finance, the aim is to help small and medium-sized enterprises to overcome the difficulties they face in obtaining credit and raising capital, as regards both cost and access, so that they can obtain finance on the same terms as larger firms.

With a view to mitigating these difficulties, IMPI has promoted and developed the loan guarantee system by setting up mutual guarantee societies. These are organisations with a strong mutual character which are formed by small and medium-sized enterprises in conjunction with public or private bodies and whose fundamental object is to provide financial institutions with guarantees so that firms can gain access to credit. Having completed the process of transferring its holdings in the mutual guarantee societies to the Autonomous Communities, IMPI is currently focusing its attention on strengthening refinancing for second-tier guarantees through a joint guarantee society. The new aim is to boost confidence among financial institutions so that the mutual guarantee societies can obtain lines of credit on more competitive terms, thus improving the solvency and liquidity of those providing first-tier guarantees.

In the field of business cooperation, the aim is to overcome the weaknesses from which firms suffer as a result of their small size in such strategic areas as production, technology, marketing and R&D. The many forms of cooperation available, including subcontracting, offer businesses a wide range of opportunities for carrying out investment projects that they would not have been able to undertake on their own.

In this field we endeavour to promote long-term agreements which, by overcoming cultural, economic and technical barriers, afford SMEs access to new markets and facilitate the introduction and assimilation of new technologies, complementarity of assets and increased size.

As regards innovation, the basic objective is to promote business strategies based on R&D work and aimed at introducing both process and product innovation while placing proper emphasis on industrial design and quality and recognising the need increasingly to differentiate products and reduce dependence on foreign technology.

IMPI is taking part in the following Community technological innovation programmes: SPRINT, BRITE EURAM (through the CRAFT project), and STRIDE; IMPI's specific task is to promote the work of intermediaries to as to achieve greater spin-off from Community programmes. These intermediaries are mostly consultants or other bodies located close to SMEs on the ground, which the administration cannot easily reach.

Of the support work I have described, the measures most closely related to subcontracting are undoubtedly those to do with what we broadly describe as business cooperation. Here, we have to distinguish between cooperation on a local basis and inter-regional cooperation, it being clear that the former has already been consolidated through local industrial schemes and the latter is where the challenge lies.

The local cooperation model should be expanded geographically to give rise to inter-regional business cooperation. We have to extrapolate from local experience in order to put such cooperative schemes on a much broader basis.

Interregional cooperative ventures should display the same specific features as local schemes, but have to tackle the difficulties stemming from geographical remoteness, differences in standards, the lack of information and the protectionist barriers still kept in place by third countries.

Machinery therefore has to be set up to overcome these handicaps by providing support in three main areas:

1. Financial support for cooperation agreements between businesses that jointly take risks and can complement each other, through long-term financial instruments;
2. Assistance towards consultancy costs for assessing the feasibility of a cooperative scheme;
3. Creation of information networks, company matching schemes and certification machinery, to improve transparency and facilitate subcontracting agreements.

Some of these measures have been implemented in Spain, although they do not yet apply directly to subcontracting. In the narrower field of cross-border subcontracting, certain initiatives have been set in motion and fostered through the business cooperation plan and indirectly through other schemes.

As has been established by the findings of different economic studies, subcontracting in the Community currently represents an estimated annual turnover of nearly ECU 10 billion, and is thus one of the main pillars of the Community economy.

In this market, inter-industrial relations should develop with the aid of machinery that contributes to greater market transparency and standardises the criteria to do with legal matters, information, terminology, quality and type approval.

If we are to create a genuinely international subcontracting market, we must put in place measures which, as we have already seen, serve above all to facilitate communication between main contractors and subcontractors. Among such measures, priority should be given to setting up a database that would interconnect the databases and data banks on subcontracting in the different countries and harmonise the information. Databases are one of the quickest and most effective ways of bringing supply and demand together, but they have not always been properly exploited by businesses, because these are either unaware of their existence or not sufficiently convinced of their effectiveness.

Lastly, as agencies or players involved, albeit indirectly, in subcontracting, we must be capable of taking measures that create a propitious environment for the development of subcontracting, a task in which the studies and findings discussed at this Forum will, I am sure, provide valuable guidance.

Thank you very much.

Heinrich von MOLTKE

Director General, DG XXIII "Enterprise Policy, Distributive Trades, Tourism and Cooperatives" C.E.C.

Ladies and Gentlemen,

The fact that you have paid close attention throughout the entire proceedings of this conference demonstrates that the topic we selected was an important one. We found the debates to be of considerable importance, showing us as they did that a great deal is happening. And a great deal still needs to be done, with you as the driving force. Your lively participation in the debates, which ran over time, proves one thing: you are fully aware of the importance of this topic and are about to join in the cooperation process, which all our speakers have described as indispensable.

I found it very interesting that Mr Altersohn said virtually the same things as did a representative of the Federation of German Industries (BDI) a few weeks ago at a conference in Birmingham organised by the British Presidency. What were Mr Altersohn's closing words? "We need a new enterprise culture or, for that matter, a new enterprise ethic." That was also the conclusion reached at the Birmingham Conference.

The balance of power between large and small has always been a problem. It is clear that in the relationship between main contractor and subcontractor, this balance of power is exposed to particular pressures.

We have established that it is in everyone's interest for there to be fruitful cooperation between the two parties, and we have, I believe, seen how much can be done in order to improve this relationship even further.

Here I am referring to cooperation at all levels, in particular cross-border cooperation, between subcontractors, between subcontractor and main contractor and between the various organisations that intervene in many ways. We take the view that this is especially important on the eve of completion of the Single Market.

We are delighted by your lively participation in the debates and the ease with which we have been able to communicate despite different languages and traditions.

I would like to thank you very much for your participation. The speakers on the panel and those present on the floor of the conference room have been the mainstay of this event. We are very grateful to you.

We would also like to thank the Director-General of IMPI and his organisation for all the hospitality and help which we have received. Thanks also go to the Commission's Conference Service, the Statistical Office and the other Commission departments involved.

We would like to thank the technicians and hostesses of this congress hall for their devoted work as well as the interpreters, who enabled us to communicate long after our discussions should have been brought to a halt. I am sure that you will all agree with me that, without the ever-ready presence of our interpreter colleagues, such a conference could not take place.

In conclusion, in my capacity as Director-General of DG XXIII in the Commission, I would like to express my particular thanks to the Unit for Subcontracting under the leadership of Mr Dominique Ristori. I do not want to name any other individuals, for they have been mentioned often enough during this conference. You all know what is involved in organising and preparing such a conference. Countless hours of overtime have been worked, and all this has always been borne with a smile, despite considerable pressure. I would like to thank everyone for the commitment they have shown.

One thing will be clear to all those who have taken part. We must somehow continue this work. We do not know whether such a conference is to be repeated in the same format or whether there should instead be specific subjects for us to tackle. We are always open to your suggestions. We regard ourselves as your service provider, so perhaps we too should have gone through all the certification procedures.

We are always ready to listen to people who come forward with proposals for cooperation, and Mr Ristori has already mentioned a whole list of dates when you can meet again. Do make use of the numerous opportunities which we provide to renew contacts. It is only by repeatedly providing such opportunities that we will be able to channel the complex subject of "subcontracting" at European level in the direction which you desire.

With that, I have come to the end of my remarks. I wish you all a safe trip home. However, it would give me great pleasure to see as many of you as possible again at the joint lunch.

I hereby declare this conference closed.

