

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(89) 402 final

Brussels, 7 August 1989

## DEVELOPMENT OF SUBCONTRACTING IN THE COMMUNITY

COMMUNICATION FROM THE COMMISSION

and

Draft

COUNCIL RESOLUTION

**COMMUNICATION FROM THE COMMISSION ON THE DEVELOPMENT OF  
SUBCONTRACTING IN THE COMMUNITY**

INTRODUCTION	P	1
I - SUBCONTRACTING - A BUSINESS STRATEGY FOR 1992	p	2
A - Economic importance of subcontracting	p	2
B - Subcontracting and the single market	p	3
1. Structural changes in subcontracting	p	3
2. New requirements for subcontractors	p	4
C - The role of the European Community	p	5
II - CREATION OF THE RIGHT ENVIRONMENT FOR SUBCONTRACTING IN THE INTERNAL MARKET	p	5
A - Subcontracting and Community rules of competition	p	5
B - Completing the single market and measures on the business environment for SMEs	p	6
C - Standards and certifications	p	6
D - Payment periods	p	7
E - Liability	p	8
III - BETTER INFORMATION AND COMMUNICATION FLOWS BETWEEN MAIN CONTRACTORS AND SUBCONTRACTORS	p	8
A - Multilingual sector glossaries	p	9
B - Tools to assist in the search for partners	p	9
C - Electronic data transmission	p	9
D - A European Information Centre on subcontracting	p	9

IV - PROMOTING SUBCONTRACTING AND PARTNERSHIP RELATIONS	p	11
A - Educating partners on the partnership approach	p	11
B - Enhancing the status of subcontractors	p	11
1. Practical guide to legal aspects of industrial subcontracting	p	11
2. Subcontracting and public procurement	p	12
3. Promoting cross-border cooperation between subcontractors	p	12
C - Support for subcontractors in modernizing and adapting their technology	p	13
D - Making European subcontracting attractive to foreign investors and promoting it outside the Community	p	13
CONCLUSION	p	14

## INTRODUCTION

The recourse to subcontracting is increasingly becoming a strategic choice for businesses which are confronted to the need of improving their competitiveness. The completion of the single market in 1992 will most probably emphasize even more the scale of this evolution, more particularly with regard to cross-border subcontracting. Moreover the relationships between main contractors and subcontractors are now radically different from what they were in the past when subcontracting was mainly a short-term phenomenon.

Most Community subcontracting businesses work mainly for local or regional markets and have only a limited knowledge of market opportunities in other Member States. When a subcontractor shows initiative and explores the possibility of entering the larger Community markets, he is often discouraged by his lack of knowledge of the different laws and different national certification and registration, commercial and public contract procedures.

The Commission considers that the competitiveness of Community businesses in key sectors such as aerospace, motor manufacturing, electronics, transport equipment and energy production systems will be determined partly by the technological capacity and competitiveness of European subcontractors, the majority of which are small or medium-sized businesses. The measures taken by the Commission to encourage subcontracting SMEs are therefore an important aspect of its policy to improve the business environment and promote the development of businesses.(1)

On the basis of the mandate given to the Business Cooperation Centre (2 ) and the Community action programme for small and medium-sized enterprises (3 ), a number of initiatives have been prepared and the Commission considers that the time has come to present these to the Council and the Parliament for them to draw the appropriate conclusions with regard to future action and propose that, where appropriate, the initiatives be a with those planned at national or regional level.

Any current or future action should form part of a consistent whole clearly setting out the extent and limits of Community policy in this matter, respecting the principle of subsidiarity and reflecting the Commission's role as coordinator and instigator. The general lines of the policy are:

- to create an environment suited to subcontracting;
- to improve the flow of information and communication between main contractors and subcontractors
- to promote subcontracting and partnership relations.

---

1 Com (89) 102 final  
2 Sec (76) 4397 final  
3 Com (86) 445 final

## I. SUBCONTRACTING - A BUSINESS STRATEGY FOR 1992

So far there is no universally accepted definition of subcontracting. France is the only country, which adopted a law on subcontracting in 1975 and a standard for the definition of industrial subcontracting in 1987.

In most of Community countries it is not identified formally, either from a legal or accounting point of view, nor is it referred to in a specific case law, that could help clarify its field of application or define its specific character.

Although subcontracting is sometimes carried out by big companies, in particular in the field of motor manufacturing for first tier subcontractors, in most cases subcontractors are small or medium-sized enterprises.

Subcontracting exists in a variety of sectors. It occurs in public works and the building industry where it traditionally takes the form of a relationship between three partners (the contracting authority, the main contractor and the subcontractor). In a more strictly industrial situation there are only two partners involved (the main contractor and the subcontractor). This form is encountered in motor manufacturing, aerospace and the textile industry.

There are also different ways in which subcontracting is practised. Japan for instance, has a pyramidal type of organisation with different layers of subcontractors, while in Europe main contractors were, until now, in direct contact with a very large number of subcontractors.

Nevertheless, 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 in what follows as the "subcontractor") acts for the account of another undertaking (frequently large and referred to in what follows 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.

### A. Economic importance of subcontracting

An immediate consequence of the difficulties of defining subcontracting is the absence of statistics and the problem of obtaining quantifiable data on which to base a reliable economic assessment.

France is the only country which since the early 1970s has been measuring the amount of work contracted out through annual business surveys carried out by INSEE. According to statistics published by the INSEE, the aerospace, shipping and motor manufacturing industries are the largest main contractors but subcontracting is also increasing in electrical and electronic manufacturing and in the textiles and clothing industry in particular.

Six out of every ten industrial undertakings with more than 20 employees subcontract work occasionally or regularly. But the weight of large undertakings (with over 500 employees) is the key factor since they account for two thirds of all subcontracting. The vast majority of subcontractors are SMEs and, according to certain local surveys, half of these are also main contractors. An empirical assessment suggests that the European industrial subcontracting market is worth ECU 100 000 million. Whereas only a few years ago, the share of external source of supplies was estimated, in Europe, at some 40% (purchases and subcontracting) it now accounts for some 60% (over 80% in Japan).

#### B. Subcontracting and the single market

The completion of the internal market will bring on a liberalization of intra-community exchanges and will enable the more systematic recourse to cross-border subcontracting. For example, the opening of public markets will provide increased market opportunities for both main contractors and subcontractors. However, by reinforcing intra-community competition, the internal market will urge businesses to increase their competitiveness and specialization.

Thus, the internal market will emphasize a certain number of structural changes in the subcontracting relation, generated by the increased externalization of the production. They bring a profound modification in traditional attitudes and consequential in subcontractors' demands and new requirements.

##### 1. Structural changes in subcontracting

These structural changes are three-fold:

- an increasing demand for subcontracting
- a greater specialization of subcontractors
- a modification in the relation between main contractor and subcontractor

In order to maintain their flexibility and their ability to adapt, an increasing number of large companies are putting out an increasing proportion of their production to subcontractors. The possibility of getting supplies from alternative and competitive sources enables them to contain their costs and become more competitive. In addition to this quantitative change in the demand for subcontracting, there is a qualitative one. The main contractor intends to pass on more and more complex operations to his subcontractor and expects him to master a process or a technology that he himself does not possess (or that he considers not profitable to acquire) as well as the realization of sub-assembly or whole-function operations.

The form of subcontracting known as 'capability subcontracting' and which was used in the past to counter the fluctuations of main contractors' production capacities is increasingly changing into specialist subcontracting. Therefore, in order to remain competitive, subcontractors have to specialize in a specific field.

These new demands also bring a change in the relation between main contractors and subcontractors.

By acquiring a product (that he no longer produces) as well as a know-how (that he does not possess), the main contractor has every interest in establishing more stable and balanced relations with his subcontractors, and in certain cases involving them in his research and development works. It is in this sense that one can speak of partnership.

At the same time, main contractors commit themselves to reduce the number of direct subcontractors with which they will have this type of relation and on to which they will pass on the responsibility of whole assemblies.

We are thus in presence of a phenomenon of "cascading subcontracting" whereby first level subcontractors will turn to other subcontractors of the second or third level to manufacture the various components. Finally, in order to preserve, as much for themselves as for their subcontractors a threshold of dependency low enough not to threaten their mutual existence in case of difficulty, main contractors encourage their subcontractors to diversify their customers, and develop products of their own.

This new conception of the organization of production, in which subcontracting plays a positive role in improving competitiveness, also covers the respect of the legislation on working conditions and already approved conventions.

## 2. New requirements for subcontractors

The demands for specialization and for diversification entail a profound change in the role of the subcontractor. Mainly constituted by small businesses that are bound to a single or more main contractors geographically close and for which they have until now, realized capacity functions, subcontractors are in most cases, ill-prepared for these new imperatives of competitiveness. They are thus facing new requirements that express themselves in terms of the improvement of the business environment, of information and of strategy adaptability.

A more widespread use of European norms, a greater transparency of certification procedures, a clarification of the situation of subcontracting with regard to public procurements will all contribute to improve the environment of subcontracting and are the conditions ensuring a more systematic and fairer recourse to cross-border subcontracting. On the other hand, information on the capacities of subcontracting as well as market opportunities offered as much in the framework of public procurements as in that of important European projects, must be available at Community level, more particularly to enable subcontractors to diversify their customers. In addition, a good knowledge of new technologies, of innovation, normalization and of the evolution of the markets are necessary for them to specialize.

If an information which is easily available, simple and up to date is a vital condition in preparing subcontractors for a

Community wide market, then they also have to define the notion of a more global strategy. In view of this, any measure promoting innovation, marketing and management, are most important.

In order to make the necessary investments related to innovation and specialization, subcontractors need to establish more stable and balanced relations as well as a more regular and anticipated dialogue with their main contractors.

Finally, the elaboration of partnership and cooperation strategies with other subcontractors will enable them to reach the critical size on the Community market, to have access to new markets and to specialize in very sharp and competitive fields.

### C. The role of the European Community

The institutional framework for subcontracting varies from country to country mainly because of variations in industrial structure, the extent to which subcontracting has developed and the role traditionally played by representative economic bodies and the public authorities.

With regard to the above mentioned requirements of subcontracting businesses, the role of the Community authorities is on the one hand to ensure that a legal and financial environment favouring subcontracting - particularly cross-border subcontracting - is created. On the other hand, it must help improve the flow of information and communication between the main contractors and subcontractors in different European regions as well as the promotion of subcontracting and partnership relations so that they are in a better position to exploit the potential of the internal market.

The measures taken by the Commission will therefore complement national actions and consist of a series of initiatives which aim to create conditions which will foster the development of harmonious relations in subcontracting and promote their cross-border dimension.

## II CREATING THE RIGHT ENVIRONMENT FOR SUBCONTRACTING IN THE INTERNAL MARKET

### A Subcontracting and community rules on competition

In 1978 the Commission assessed subcontracting agreements in the light of Article 85 of the Treaty of Rome (4).

The resulting communication clarified under what conditions contracts of this type were not caught by that Article, and removed certain doubts about the compatibility of this form of division of labour with Community competition rules. The Commission thereby supplemented, in respect of subcontracting, its earlier communications on cooperation and agreements of minor importance, and helped to establish more balanced relationships between enterprises, thus expanding the scope for fruitful cooperation.



B Completing the single market and measures on the business environment for SMEs

The work launched by the Commission pursuant to the White Paper on the completion of the internal market will facilitate subcontracting in general and cross-border subcontracting in particular. The initiatives proposed in the Council decision of July 1989 relating to the improvement of the business environment and the promotion of the development of enterprises, in particular SMEs, also contribute towards this objective.

Also, as there is subcontracting in many sectors of economic activity, most Community policies, whether on regional development, social matters, innovation or technology transfer, affect subcontracting. For instance, some of the measures introduced under the SPRINT programme help promote cross-border cooperation between subcontracting intermediaries and enterprises. In the same way, in the framework of Community R & D activities concerning industry, such as the BRITE-EURAM programme, research proposals regarding the interface and common problems between main and subcontractors are considered.

C Standards and certification

Commission policy following the Council's adoption of Directive 83/189/EEC and the resolution of 7 May 1985 by the Council is contributing significantly towards the reduction of technical barriers to trade and the clarification of the conditions, particularly on safety, health etc...with which European products have to comply.

The substitution of harmonized standards for in-house purchasing specifications or rules is of fundamental importance for subcontractors in as much as they enable a more balanced and transparent technical dialogue between main and subcontractors as well as a reduction of costs of toolings, certification controls and audits. In addition, harmonized standards are drawn up on the basis of the fundamental principles of standardization: participation by all the parties concerned through the intermediary of standardization bodies and with full transparency, public enquiries, etc.

The Commission intends to pursue its policy of promoting European standards, particularly through harmonization directives and the "public contracts" directives.

Sufficient information on standards is also particularly necessary to subcontractors who want to take on cross-border subcontract work. A feasibility study is being made in order to improve the transmission and transparency of information on standards and standard projects.

The now generally accepted role of quality in economic progress and commercial success inevitably results in more narrowly drawn specifications and in companies requiring their suppliers to conform more strictly.

Suppliers therefore have to undergo proliferating and complex type approval procedures which give rise to disproportionate costs on the supplier's side and therefore constrain any effort to expand into cross-border contracting.

The Commission's action which aims at mutual recognition of certification and testing procedures, is three-fold:

- establishing common transparency criteria for use in assessing the competence and operation of certification bodies and test laboratories and in approving them;
- the adoption of a Council Decision incorporating a number of modules on different aspects of certification procedure for use in Community legislation;
- setting up a European structure to organize mutual certification and testing recognition on the basis of the common transparency criteria.

A policy statement and a proposal for a Decision have recently been addressed by the Commission to the Council (5).

The Commission will also analyse the cost - in terms of finance, equipment and human resources - to European subcontractors of the multiplicity of certification procedures and will take action to ensure that businesses and certification bodies are aware of the problem.

#### D. Payment periods

Another major problem for subcontractors is that of payment periods. There are still enormous differences on this point. For instance Italian subcontractors have to accept periods of up to 120 days whilst German firms generally pay their subcontractors within 30 days.

Eight of the twelve countries have laws on terms of payment and in at least seven of them contractual practice on this point is the source of particularly difficult problems for subcontractors.

The cost of the inter-company credit generated as much by late payment as by the difference between the periods of payment to suppliers of raw materials and payment by the main contractor, may be estimated at between 2 and 3% of a company's turnover. Practices of this type can undermine the very existence of some SMEs.

The Commission considers that the problem of payment deadlines is a key factor in the viability of SMEs and that the differences between the laws and practices of the Community countries could hamper intra-Community trade. It will therefore be conducting in-depth discussions on the question with the national authorities and trade circles of the Member States.

#### E. Liability

The entry into force of Directive 85/374/EEC on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products directly concerns subcontracting in so far as it lays down the principle of the manufacturer's no-fault liability in the event of damage caused by a defect in his product, the word 'producer' being defined in Article 3(1) as "the manufacturer of a finished product, the producer of any raw material or the manufacturer of a component part ...".

The latter is not liable where "...the defect is attributable to the design of the product in which the component has been fitted or to the instructions given by the manufacturer of the product..." (Article 7(f)).

As the burden of proof lies with the producer, the wording of the contract setting out the main contractor's specifications and the controls required is particularly important, since the contract may be taken to represent the "instructions given by the manufacturer".

Furthermore, Article 5 of the Directive provides for the joint and several liability of the producers where more than one person is liable for the damage. The subcontractor's liability could therefore be invoked in this respect.

In view of the specific nature of subcontracting, the Commission will charge a group of experts to examine the implications on subcontracting businesses of this directive.

### III. BETTER INFORMATION AND COMMUNICATION FLOWS BETWEEN MAIN CONTRACTORS AND SUBCONTRACTORS

Under the action programme for SMEs, the Commission has taken a series of measures aimed at improving information and communication between main contractors and subcontractors at Community level.

#### A. Multilingual sector glossaries

As the products of subcontracting are not standard products, they are not listed in conventional nomenclatures. One of the Commission's first tasks was therefore to draw up multilingual sector glossaries to facilitate contacts between main contractors and subcontractors in different countries. The glossaries are also used in setting up data banks and subcontracting exchanges, which can be linked up across borders by means of compatible electronic data transmission systems.

The Business Cooperation Centre has continued with the task begun in 1976 and, by the end of 1989, six further volumes will have been added to the range. This means that most sectors in which work is contracted out (metal, plastics and rubber, textiles, wood, electronics, industrial services, ceramics and general services for businesses) will be covered.

#### B. Tools to assist in the search for partners

The systems available to the Business Cooperation Centre in the search for partners, whether traditional advertising of business cooperation or the new computerized BC-NET system, are useful means of improving communication between main contractors and subcontractors and facilitating the search for partners in other Community countries.

The Commission is currently evaluating and improving these systems so that they can be put to good use specifically in subcontracting.

#### C. Electronic data transmission

Electronic data transmission is spreading rapidly in Community trade and represents a particular challenge for SMEs.

In this connection the TEDIS programme, introduced under Council Decision 87/499/EEC, aims to encourage the a development of electronic data transmission systems.

Some pilot projects devoted to small and medium-sized businesses are already up and running under the programme. It would seem desirable to continue with this measure in order to obtain guidelines on how to educate the subcontractors.

#### D. A European Information Centre on Subcontracting

The completion of the single market in 1992 and the new demands on subcontractors that this will bring in terms of technological adjustment, diversification of their outlets and increasing complexity in legal and technological standards bring an increased need for information of businesses, more particularly for information of cross-border nature. The Commission has asked for a feasibility study on a European Information Centre on Subcontracting. This study has highlighted the needs of businesses for information as well as the conditions of viability for such a Centre. In order to check the guide-lines set out in the study, the Commission consulted those parties mainly

concerned (businesses, intermediaries, local and national public authorities, etc...). There have already been consultations through the work of the committee of government experts on subcontracting.

An operational proposal for the Centre is currently being circulated to as many potentially interested bodies as possible (chambers of commerce, development agencies, etc...). Depending on their reactions, the Commission will then take things a stage further with a view to launching the project. If approved, the Centre could be operational some time during 1990.

This European Information Centre on Subcontracting should not be an arm of the Commission but an independent body providing, the extension and interface, at Community level, of the local, regional and national bodies that represent, assist and advise on subcontracting matters. It should have a simple structure and should soon become self-financing.

On an indicative basis, the following functions could be fulfilled by the Centre:

- to improve the flow of information between main contractors and subcontractors at European and international level;
- to provide up-to-date and easily accessible information on the legal, economic, institutional and technical subcontracting environment in the twelve Community countries and others (United States, Canada, Japan);
- to give subcontractors immediate access to the data banks covering standards (ICONE) and certification systems (PROMOLOG-CERTIFICAT);
- to provide regular advance information on subcontracting opportunities in public procurement and large-scale European contracts;
- to promote the setting up of consortia, European economic interest groupings and other cooperative ventures to submit joint tenders for contracts, or to join commercial and administrative forces in order to prospect new markets, particularly export markets;
- to establish a central reference base for checking cross-border subcontracting capability;
- to provide a forum for exchanging experience and holding meetings on subcontracting;
- to promote the search and studies on subcontracting.

#### IV. PROMOTING SUBCONTRACTING AND PARTNERSHIP RELATIONS

In order to accompany the structural changes in subcontracting within the Community, the Commission is developing a series of actions aimed at reinforcing the capability of subcontracting and promoting partnership relations between main and subcontractors. (6 )

##### A. Educating partners on the partnership approach

A series of pilot projects could be planned in conjunction with subcontracting intermediaries and purchasers' associations with the aims of making undertakings aware of the need to integrate the concept of partnership into their forward plans and their negotiations, and of improving the exchange of experience at Community level.

The aim of these projects would be, inter alia, to promote the use of European and national standards in specifications, to plan orders further ahead, to deal with the problem of payment deadlines, to promote cooperation in matters of value analysis between main contractors and subcontractors and to provide technical assistance for subcontractors.

It would also encourage such relationships if success stories about partnership operations were collected and disseminated all over the Community.

##### B Enhancing the status of subcontractors

###### 1. Practical guide to legal aspects of industrial subcontracting

In view of the completion of the single market in 1992 and the increase in cross-border ventures, the Commission has started to draw up a practical guide to legal aspects of industrial subcontracting.

This will comprise a section on the need to draw up a written contract and the various clauses that should be included, and a second part comparing the legal systems governing subcontracting in the twelve Member States, and will therefore serve as a practical handbook to subcontractors wanting to go into cross-border ventures.

---

6 the concept of partnership refers to the setting up of economic cooperation links between businesses as for instance, in the framework of the Europartenariat programme.

## 2 Subcontracting and public procurement

The use of subcontracting in public contracts is increasing. Together with the practice of order batching, this represents one means of access for SMEs to large contracts. Improved access for SMEs is one approach adopted by the Commission in its Communication on the regional and social aspects of public procurement for the adjustment of "regional preferences" to Community legislation regarding free competition for these procurements (7).

The Commission considers that, for subcontracting in public procurement, action is required on two fronts:

- better information must be made available on subcontracting opportunities;
- the legal status of subcontractors must be clearly defined

Regarding subcontracting opportunities in particular, the recent Council Directive amending Directive 71/305/EEC ("public works") provides that awarding authorities may include in the tender notice information on the main contractor's intentions with regard to subcontracting.

Since at that stage the main contractors may already be committed to using certain subcontractors, the awarding authorities should be prepared to make lists of possible main contractors available to firms interested in subcontracting.

This information should be distributed early enough to enable subcontractors to contact potential tenders before the latter submit their tenders. The network of Euro Info Centres hooked up to the TED data bank disseminates tender notices and helps SMEs to tender for contracts in which they are interested.

A clear and balanced legal framework would also enable subcontractors to tender with greater confidence and security for public contracts in other Community countries.

The Commission will put forward proposals along these lines in a communication and recommendation on SME participation in public contracts.

## 3 Promoting cross-border cooperation between subcontractors

The Commission is also encouraging the development of activities specifically involving regions in different Community countries. The activities are being promoted by subcontracting intermediaries and are aimed at bringing together firms whose activities complement each other and which can therefore combine to tender for large contracts. The EEIG is a suitable instrument for the purpose since it enables several SME subcontractors to combine on a project.

C. Support for subcontractors in modernizing and adapting their technology

Three businesses in France, Belgium and the United Kingdom have been involved in a pilot project to train the managers and employees of SME subcontractors in just-in-time methods. The assessment report highlights the fact that this management method leads to clear improvements in the way a business operates and that the approach depends on a number of factors arising out of the very nature of subcontracting businesses, particularly the lack of personnel and main contractors' failure to plan their orders.

As regards training subcontractors to produce high quality, the Commission is currently completing a cross-border pilot project introducing quality assurance and control systems into small and medium-sized subcontracting businesses. There are also a number of current projects in Member States initiated by main contractors, intermediaries, public authorities or subcontractors themselves. There are plans for a survey of these projects.

D. Making European subcontracting attractive to foreign investors and promoting it outside the Community

To obtain a clearer idea of the detailed organization of subcontracting in Japan, the Commission arranged for a group of specialists to study subcontracting in Japan in 1988.

Thirty-eight representatives of subcontracting intermediaries took part in the fact-finding mission. Their remit was to disseminate the information they gathered to the undertakings they represent.

One of the first lessons the members of the study group learned was that European undertakings have to step up their efforts to make up the ground they have lost with regard to productivity and product quality. This is particularly important in view of Japanese investment in Europe, which represents a not insignificant potential subcontracting market.

In Spring 1990 the Commission will be organizing one-day meetings on the response of European subcontractors to Japanese investment. A preparatory study will be carried out on the strategy used by Japanese investors and the effects of their investments on local businesses.

Also, as part of the programme to create a better business environment and encourage the development of enterprises, particularly SMEs, the Commission intends making arrangements to promote exports by SMEs. There will be a special section on subcontracting. The success of such a programme will partly depend on the action taken at Community level to improve the competitiveness of subcontractors. A more detailed examination will be made in the light of the results of the general programme on subcontracting. The potential for such experts should not be overlooked in the context of the present trade liberalization negotiations.



**CONCLUSION**

Subcontracting is increasingly emerging in answer to the challenge of technology and international competition.

The 1992 deadline is throwing new light on the challenge the subcontractors are facing. If we create an environment which favours the development of more harmonious and better balanced relations this will help businesses meet the objectives of quality and competitiveness.

The Council is called upon to adopt the draft resolution accompanying this communication.

**DRAFT**

**COUNCIL RESOLUTION ON THE DEVELOPMENT OF  
SUBCONTRACTING IN THE COMMUNITY**

**THE COUNCIL OF THE EUROPEAN COMMUNITIES,**

Having regard to the Treaty establishing the European Economic Community,

Having regard to the proposal from the Commission,

Whereas the Council adopted on 3 November 1986 a resolution concerning the action programme for small and medium-sized enterprises, and in July 1989 a decision relating to the improvement of the business environment and the promotion of the development of enterprises, in particular of small and medium-sized enterprises in the Community;

Whereas, following communications on an enterprise policy for the Community and on strengthening cooperation between European firms: a response to the 1992 internal market deadline, the Commission has sent to the Council a communication on the development of subcontracting in the Community;

Whereas subcontracting is becoming a strategic choice for enterprises as part of their policy to use external resources;

Whereas, the completion of the single market in 1992, by offering to businesses wider market opportunities, will enable a more systematic recourse to cross-border subcontracting and, by reinforcing intra-community competition, will emphasize structural changes in the subcontracting relation;

Whereas the improvement of the subcontracting environment is a necessary condition for its cross-border development;

Whereas appropriate and pertinent information and ease of communication are particularly important for establishing cross-border subcontracting relationships;

Whereas the adjustment to new demands for competitiveness, specialization and diversification represents a challenge for subcontractors and that establishing more balanced and stable relationships in subcontracting calls for special efforts on the part of main contractors and subcontractors alike,

**Notes** with interest the Commission's action so far, and in particular its promotion of cross-border subcontracting;

**Calls** upon the Commission to continue to instigate, initiate and coordinate measures aimed at creating a propitious environment for subcontracting;

**Encourages** initiatives to improve the flow of information and communication between main contractors and subcontractors, in particular the continuation of work on multilingual sectoral terminologies and the improvement of the systems to assist in the search for partners;

**Welcomes** the initiative concerning the creation of a European Information Centre on Subcontracting and requests the Commission to continue its works, in close collaboration with concerned professional organizations;

**Stresses** the importance of promoting more balanced and stable relationships between main contractors and subcontractors and of promoting European subcontracting to foreign investors;

**Considers** that an improved legal framework for subcontracting is desirable, particularly in public procurement, and that the problem of payment periods should be carefully examined;

**Wishes** to be kept informed of the progress of the Commission's work on the development of subcontracting in the Community.

## **ANNEX**

### **SUMMARY OF ACTIONS BROUGHT FORWARD BY THE COMMISSION OF THE EUROPEAN COMMUNITIES FOR THE DEVELOPMENT OF SUBCONTRACTING IN THE COMMUNITY**

#### **PROJECTS COMPLETED**

Conference on "Subcontracting in Europe" - May 1988.

Pilot project on the introduction of Just-in-Time in subcontracting SMEs.

Fact-finding mission on subcontracting in Japan - November/December 1988.

Terminologies in the metal and plastic and rubber sectors.

Practical guide to legal aspects of industrial subcontracting in the Community. Publication of the first volume relative to the subcontract.

Feasibility study on the creation of a European Information Centre on subcontracting.

#### **PROJECTS IN PROCESS**

Publication of a study on subcontracting and the integration of production processes in European industry.

Practical guide to legal aspects of industrial subcontracting in the Community. Publication of the second volume relative to the legal situation of subcontracting in the twelve Member States.

Consultation of subcontracting intermediary bodies for the definition of a European Information Centre on subcontracting.

Pilot project on the introduction of quality insurance and quality control schemes in subcontracting SMEs.

Publication of terminologies relative to the following sectors:

- electronic/electrotechnic
- textiles
- wood
- industrial services
- ceramics
- general services to enterprises.

## **FUTURE PROJECTS**

Assessment and improvement of instruments for the search for business partners' instruments, in order that they can be put to good use in subcontracting.

Update of terminologies of the "metal and plastic and rubber" sectors. Computerization of existing volumes.

Study of the cost of the numerous procedures of certification for the subcontracting SMEs.

Constitution of a group of experts in charge of examining the effects of the application of the directive 85/374 (product liability) on subcontracting enterprises.

Examination of the effects of the variety of legislations and methods for terms of payments for subcontractors in the Community.

Follow-up of work relative to the creation of a European Information Centre on subcontracting. Support of the launching of the project.

Conference on the response of European subcontractors to Japanese investment in Europe.

Propositions relative to the definition of a clear and balanced legal framework for subcontracting in public procurements.

Initiatives for the education of partners on the partnership approach and cooperation between subcontractors.

## **FINANCING**

All these projects are included in the framework of the decision of the Council of July 1989 relative to the improvement of the environment and to the promotion of the development of enterprises, in particular SMEs, in the Community, and will be therefore financed by the line 7770 of the budget, measures for the stimulation of enterprises (SMEs). In consequence, it entails no additional expense with respect to those already decided.

ISSN 0254-1475

COM(89) 402 final

# DOCUMENTS

EN

13

---

Catalogue number : CB-CO-89-350-EN-C

ISBN 92-77-52421-9

---

Office for Official Publications of the European Communities  
L-2985 Luxembourg