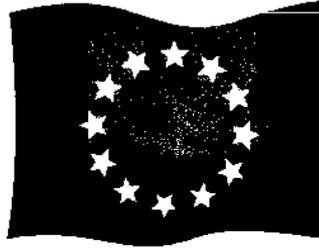


EUROPE AND US



New Europe for me as

**SMITH
LOCKSMITH**

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2003

Using example of EUROFIT Austria

1 LOCKSMITH AND SMITH IN **XXXXX** and in the EU

Wage comparison within the EU

Expenses (wage & extras) per working hour¹

In EURO	1990	1995	2000	2001	2002
Belgium	15,93	20,81	22,47	23,26	24,33
Denmark	14,52	19,47	23,50	24,56	25,56
Germany	16,90	22,99	24,68	25,12	25,92
Finland	16,53	18,74	21,31	22,37	23,14
France	12,26	15,69	17,56	18,02	18,52
Greece	5,30	6,86	8,50	8,96	9,44
Great Britain	9,97	11,20	18,90	19,36	19,69
Ireland	9,06	10,97	14,58	15,92	17,18
Italy	14,32	12,86	15,88	16,31	16,75
Luxemburg	13,83	16,57	18,11		
Netherlands	14,59	18,96	21,01	21,99	23,07
Austria	12,64	18,16	19,63	20,27	20,96
Portugal	2,74	4,11	5,17	5,45	5,71
Sweden	16,85	16,33	21,82	21,04	22,05
Spain	9,32	10,74	12,52	13,06	13,60
EU 15	13,16	15,94	19,13	19,62	20,24
Euro zone	12,70	15,34	18,49	18,96	19,54
Switzerland	16,71	22,57	23,58	24,95	26,31
Norway	17,20	18,96	23,98	25,32	28,38
Slovenia			6,53	6,91	7,27
Hungary		2,11	3,05	3,66	4,56
Poland		2,02	4,61	5,45	5,40
Czech Republic		2,06	3,12	3,54	4,19
Slovakia		1,66	2,74	2,92	3,23
Bulgaria		0,72	1,23	1,37	1,49
Romania		0,79	1,27	1,46	1,55

¹ Date for production (East Europe: whole economy); total labor costs (wages inclusive extras)

² weighted average (without Luxemburg)

Source: WIFO Austria

2 ADVANTAGES AND DISADVANTAGES OF THE EU FROM THE SIGHT OF **XXXX** LOCKSMITH AND SMITH

The most important advantages and disadvantages that will bring the EU entry

Advantages:

- Price reduction of the purchased material
- Participation on the domestic market

- Abolition of the border controls
- Region promotion, research programs
- Quality improvement

Disadvantages:

- Stronger competition
- Technical barriers
- High unemployment

2.1 Advantages of the EU for the locksmith

Price Reduction of the Purchased Material

Material price reduction

Entrepreneurs can achieve reduced purchase prices for material because the bigger variety and the stronger competition within the EU will very likely lead to it. When we take into consideration that the material costs amounts from 25% to 35% of the whole production costs, and if the entrepreneur will gain a reduction of the purchasing price of only 5% to 10%, it will result to the possible reduction of production costs at about 1.2% to 3.5%.

The systematic search for suppliers within the whole EU will be possible by modern data banks, shopping guides and the support of the foreign trade offices.

Participation on the Common Internal Market

Bigger market with new chances

The European common market with more than 400 million inhabitants and without any limitation to buy the goods from any other country is very attractive as the home market. To what extent will the rise of market size or what direct effect will the EU entry have on the potential market of the locksmiths and smiths cannot be answered very precisely yet. The necessary preparations that can lead to own market share rise have to be done by the entrepreneur (market examination, marketing draft, specialization, etc) preferably in cooperation with special advisers, and of course for the particular enterprise.

Abolition of the Border Controls

Canceling of border controls only after EU entry

To enable the completely free movement of goods within the EU all border controls will be canceled or at the beginning reduced. It has been proved, that border controls and formalities connected with them "bureaucracy", waiting periods and "delayed payments" have increased the price of the product in average up to 5%. The abolition of these costs will lead to the rise of the competitiveness of xxxxx enterprises.

Regional Promotion, Research Programs

Some regions that are weaker than average regions in the country respectively in the EU, are considerably promoted from means of the EU structure funds. Particular activities that cannot be financed by locksmiths and smiths but that are of importance for them, e.g. research will be supported by special EU programs.

Quality Improvement

The quality will be one of the strategic factors for a success. The increased quality requirements will have effect not only on big enterprises but also on **xxxxxx** small and medium-sized businesses. A certification according to ISO 9000 standards, or at least a systematic way of work in enterprises according to quality directives will be of an inevitable importance.

**Certification
according to
ISO 9000**

2.2 Disadvantages from the smith's point of view

Stronger Competition

The majority of smiths and locksmiths fear of the more intense and increased competition after EU entry.

The competition will increase when some smiths and locksmiths will offer their services or production for very low prices. In case of the same or similar costs structure as it is in the EU member states, differences in prices should be achieved only by better productivity, more convenient material purchase, lower personnel costs or better enterprise management. But these instruments are also open to home enterprises.

Certainly, price reductions without proper previous calculation will independently from the EU entry - lower market prices, however, such reductions endanger a continued existence of enterprise.

The fear that foreign enterprises will substantially increase to settle them down in **xxxxxx** is in contradiction with experience with previous enlargements in the EU. The mobility of the population was less than 2% and it is very low.

The problem that smiths and locksmiths that are settled down in one country will offer their services in another country e.g. in **xxxxxx** only is likely in border regions because the area of activity for these kind of craft is same limited in the rest Europe as it is in our country. Positive and negative cyclical changes will certainly have faster effect on the local markets after opening of the borders. This brings risks and chances at the same time. A rise of the demand can be awaited in good times.

**New chances
and risks**

Technical Barriers

Removal of technical barriers

It is not necessary to fear that technical barriers will prevent the free competition, because on contrary the EU focuses and insists through the directives and standards on removal of the trade obstacles.

3 EFFECTS OF THE EU ON **XXXXX** LOCKSMITH AND SMITH

In this section we explain four basic freedom and the effects resulting from them on the **XXXXXX** smith and locksmith.

EU common market and 4 freedoms – Free movement of			
GOODS	PERSONS	CAPITAL	SERVICES
Mutual recognition of standards and diplomas and certificates	Mobility for employees	Foreign currency accounts and credits	Cross border activities of enterprises (assembly, public offers)
Abolition of border controls	Free settlement for enterprises and freelancers	Free financial transfers	Mutual recognition of diplomas and certificates
Abolition of proof of origin			
Participating on tax system of the EU			

3.1 Free movement of goods

Abolition of the Border Controls and Proves of Origin

All borders, border controls, prove of origin and so on cannot be completely removed after the EU entrance. This all will enable free movement of goods without any trade obstacles, customs or other limitations, like e.g. border waiting periods.

Standards

The aim of the European standardization is the Europe-wide harmonization of standards concerning the exchange of goods and services through the removal of trade obstacles that could result from different technical demands and requirements.

The New Approach, based on the White Paper of the European Commission, limits the harmonization to the definition of the fundamental security demands. Numerous directives were already issued to confirm this. The CEN, multi sector

European standardization organization (next to the CENELEC for electrical engineering and ETSI for the telecommunications) has the task, to compile standards in accordance with the fundamental security demands of the directives already mentioned. These directives are obligatory for all EU countries, but they leave the choice of the means how to achieve the obligatory aim on governments.

For smiths and locksmiths are presently of relevance for example following standards:

Washers, locking elements:

EN 28738:1992 Plain washers for clevis pins - Product grade A (ISO 8738:1986)

EN ISO 4759-3:2000 Tolerances for fasteners - Part 3: Plain washers for bolts, screws and nuts - Products grades A and C (ISO 4759-3:2000)

EN ISO 7089:2000 Plain washers - Normal series - Product grade A (ISO 7089:2000)

EN ISO 7090:2000 Plain washers, chamfered - Normal series - Product grade A (ISO 7090:2000)

EN ISO 7091:2000 Plain washers - Normal series - Product grade C (ISO 7091:2000)

EN ISO 7092:2000 Plain washers - Small series - Product grade A (ISO 7092:2000)

EN ISO 7093-1:2000 Plain washers - Large series - Part 1: Product grade A (ISO 7093-1:2000)

EN ISO 7093-2:2000 Plain washers - Large series - Part 2: Product grade C (ISO 7093-2:2000)

EN ISO 7094:2000 Plain washers - Extra large series - Product grade C (ISO 7094:2000)

EN ISO 887:2000 Plain washers for metric bolts, screws and nuts for general purposes - General plan (ISO 887:2000)

Fasteners:

EN ISO 10673:1998 Plain washers for screw and washer assemblies - Small, normal and large series - Product grade A (ISO 10673:1998)

European
standards
relevant for
smith and
locksmith

EN ISO 2320:1997 Prevailing torque type steel hexagon nuts - Mechanical and performance requirements (ISO 2320:1997)

EN ISO 5845-1:1999 Technical drawings - Simplified representation of the assembly of parts with fasteners - Part 1: General principles (ISO 5845-1:1995)

EN ISO 8733:1997 Parallel pins with internal thread, of unhardened steel or austenitic stainless steel (ISO 8733:1997)

EN ISO 8734:1997 Parallel pins, of hardened steel or martensitic stainless steel (Dowel pins) (ISO 8734:1997)

EN ISO 8735:1997 Parallel pins with internal thread, of hardened steel or martensitic stainless steel (ISO 8735:1997)

EN ISO 8739:1997 Grooved pins - Full-length parallel grooved, with pilot (ISO 8739:1997)

EN ISO 8740:1997 Grooved pins - Full-length parallel grooved, with chamfer (ISO 8740:1997)

EN ISO 8741:1997 Grooved pins - Half-length reverse taper grooved (ISO 8741:1997)

EN ISO 8742:1997 Grooved pins - One-third-length centre grooved (ISO 8742:1997)

EN ISO 8743:1997 Grooved pins - Half-length centre grooved (ISO 8743:1997)

EN ISO 8744:1997 Grooved pins - Full-length taper grooved (ISO 8744:1997)

EN ISO 8748:1997 Spring-type straight pins - Coiled, heavy duty (ISO 8748:1997)

EN ISO 8750:1997 Spring-type straight pins - Coiled, standard duty (ISO 8750:1997)

EN ISO 8751:1997 Spring-type straight pins - Coiled, light duty (ISO 8751:1997)

EN ISO 8752:1997 Spring-type straight pins - Slotted, heavy duty (ISO 8752:1997)

In the areas where there are no directives and regulations, also in fields that are not yet harmonized, the principle of the mutual recognition is applied - so-called "Cassis-de-Dijon-Principle". This means, that goods, admitted to be legally produced and sold in one member country of the EU must be admitted to be sold also in all other EU full member countries.

Machinery Directive and CE Mark (independent on EU entry)

From 1.5.2004 no machinery without "CE mark" may be sold within the EU. The EC directive of machinery (89/392/EEC, ABI 1989 L 183 as well as changing directive 91/368/EEC, ABI 1991 L 198 and Directive 98/37/EC), that was taken over in the national law of all member states, prescribe the mark obligatory and specifies in detail what security presuppositions must be done.

**From 1.5.2004
only CE
machinery
admitted in
EU**

Besides the machinery for the commercial, private and industrial field, all security relevant construction elements e.g. security measures must be integrated into the security concepts.

For the machinery which does not function independently but which is integrated or inserted into another machinery, there must be submitted a declaration of the manufacturer at the time of the delivery. It is stated in it that the use or application of the element produced by the particular manufacturer is prohibited so long, since the whole machinery does not conform to the EC directive. This means for the smith to fill out mostly the appendix 2.B of the directive or appendix 1.B of the VAT.

The safety of the machinery should come out and be guaranteed primarily from the construction, secondarily from installation of safe devices and thirdly by indication of possible dangers in the enterprise manual or on the machinery itself. Besides, the manufacturer must provide a technical documentation, where he lists the measures for reaching of the security. This technical documentation is therefore an integral component of the machinery and obligatory presupposition to be attached to the CE mark.

The manufacturer of machinery certifies the conformity with the directive himself by a declaration and by putting the CE mark. But who only declare the conformity and attaches the CE mark without necessary technical documentation and without keeping to the directive in all points, he risks punishments in form of penalty, sale prohibition, requirement of rework or retraction of already supplied machinery.

**Declaration of
conformity by
the
manufacturer**

The examination is done in four steps:

- ❑ Conformity assessment process - this can be done by the manufacturer, but assumed, the machinery is not particularly dangerous one according to the appendix IV, e.g., presses, lifts and security equipments. This kind of machinery underlies the EC - construction sample examination by a notified body.
- ❑ Conformity declaration is to be filled out (1 page) in the languages of all countries where is the machinery being supplied.
- ❑ Keeping to the documents

**Process of
conformity
examination**

Some special fields are excluded strictly from this directive, e.g., steam boiler, receiver, medical devices and firearms as they have their own directives.

The construction products directive can be also relevant to smith and locksmith.

3.2 Free movement of persons

Free movement of persons considers also the free establishment of persons or enterprises within the whole EU after the transition periods.

Free Choice of Working Place

The principle of the free movement of persons enables and ensures to every employee of any EU member nationality the free workplace choice in all EU countries, and namely under the principle of equal treatment with residents of the particular country. Third countries citizens are not considered to be a part of free movement of persons.

The target is to create the border crossing labor market. Employees are community citizens and are completely equal to the residents of any other member country. Employments can be now executed in all member countries without working permit. Wage or salary and other working conditions are equal for all employees working in any EU country, no matter, whether these citizens of that country are or not. Social legal regulations guarantee that assurance times can be added to the exercise of a profession in another EU country and no insurance premiums will get lost.

Here transition periods of maximum 7 years are possible.

Freedom of Establishment

The freedom of establishment enables all craftsmen (natural and legal persons) and self-employed persons the possibility of operating commercially within the whole EU area. It offers to the employer something similar like the free choice of working place for employee.

The freedom of establishment brings no serious changes for **XXXXXX**:
Up to now foreigners of all EU countries could settle their enterprise down under condition of employing of **XXXXXXXX** managing directors and after having the residence permit for themselves in our country.

In the practice the freedom of establishment will hardly has any additional effect. In average only 90 foreign enterprises per a year are established by foreigners within the whole EU.

Also this regulation is not a one-way street.

Mutual Recognition Regulations

The profession education and training systems relevant for the "self-employment" are not uniformly regulated within the EU member states. An essential presupposition for employees' mobility lies in the recognition of diplomas or the certificates of competency.

Therefore, separate directives were created for many occupations and professions. So there are for example concerning trade particular directives for certain groups of activities e.g. for wholesale trade, industry and craft, retail trade etc.

However, the access regulations for particular professions are very different in the member states of the EU so some harmonization is foreseen in the future as well. Therefore, EU uses so-called transitional directives to realize the freedom of establishment. These directives will probably remain as final directives and they will be limited only to remove the discrimination existing in the member states. Essentially it is determined in them that a certain time of the practical independent professional activity is recognized as a substitute for a required certificate of competency in the admission country. These transitional directives also cover the smith and locksmith professions. This specifically means that a continuous six years lasting activity on a self-employed basis or in managing position in any EU country - this is the main case - is recognized as a sufficient certificate of competency. With the proof of this activity the trade or craft authorization is to be issued.

In the EU these regulations exist since more than 25 years. However, they have led only to minimal mobility. For an illustration - only 0.3% of all registered start-ups in Germany were established by foreign craftsmen coming from another EU member state, and they were mostly only from the neighboring countries like the Netherlands, France or Belgium.

These professions are abroad as it is in our country as well almost exclusively determined and aimed for the regional and local market. However, freedom of establishment is no one-way street: so the quality of the work of **XXXXXX** craftsmen can be a challenge for them to establish an enterprise in another EU member state. The transitional conditions have to be considered.

3.3 Free movement of services

The free movement of services just guarantees in supplement to the freedom of establishment the equal border-crossing offering of performance providing, if the valid legal rules of the host country are kept.

3.4 Free movement of capital

An inevitable presupposition for ensuring the fluent exchange of goods and services are free money and capital transactions. The liberalization and the increased competition resulting from it should contribute to the decreasing of financial and capital expenses of enterprises and to better access to financial possibilities within international credit and assurance market.

The areas of business belonging to this field are variable and cover venture investments, real-estate business acquisition, assurance payments, donations, caution money, guarantees as well as business with shares, debt bonds and credits.

3.5 Legal aspects

Besides the legal effects which were treated in previous chapters we want to provide you with some relevant information for your craft concerning the patent and competition law.

Company Law, European Economic Interest Grouping (EEIG)

An essential measure is the EEIG (European Economic Interest Grouping) that makes the cooperation of SMEs from different countries much easier. The EEIG is having legal capacity in state of business location, it can handle towards third persons as independent legal form and it can for its members e.g. sell the products, can integrate part licenses, to provide common marketing etc. It needs no initial capital and has as a main advantage in comparison to the pure cooperative agreements, that in spite of the independence of its members, its credibility is considerably increased through the strong liability (unlimited liability).

4 STRATEGIES FOR SUCCESS IN THE EU

**Success is
dependent on
the enterprise
itself**

Although the EU offers many chances and only a few risks for smith and locksmith, the success of every enterprise remains very strongly dependent from the intern organization and management. We cannot provide you here with an extensive management consultancy but we want to present you some indications that can contribute to make the economic activity in a European environment easier for you.

4.1 Enterprise analysis and cost calculation

Every enterprise should be aware of his strengths and weaknesses. These are often only subjective impressions that are however not sufficient to initiate the measures and actions for improvement. Therefore it is often advisable to integrate a short analysis prepared by neutral external advisers.

To examine the strengths and weaknesses

The most frequent problem by such analyses concerning smiths and locksmiths as well is the lack or absence of important data material, e.g. "main indicators", which can serve as a competent information source for business decisions, for example:

Often missing strategic indicators data

- The calculation in the simplest form of full costing for determining of the break-even point, or in form of the marginal or breakeven analysis for shortage or bottleneck oriented decisions, with regular post calculation.
- The allocation of expenses according to the inputs or revenues involved for particular procedures, products or cost centers.
- The budgeting, solvency plan, examination of the financing.

Only when this operative basic information exists, the entrepreneur can think and decide about organization, strategies and visions.

4.2 Marketing

Marketing covers not only advertisement and sales. First of all it is a fundamental entrepreneurial philosophy, that influences in a customer oriented way all activities of one enterprise, e.g. from the telephone answering to the product delivering or service providing.

Marketing is more than advertisement or sales

Thereby are analyzed all marketing relevant areas, they are assessed and improved if necessary:

- The products and services: are they optimal adjusted to the market demands and requirements, production capacities, return possibilities (not sales!)?
- The prices and conditions: are they calculated on the base of the real expenses and are they in conformity with the market and return maximizing purposes?
- The distribution: are the existing and potential customers supplied and treated according to optimal sale criteria, distribution channels, market size, distances, competition, areas and representatives?

- The communication: How have you planned your sales, travel arrangements for you and / or your representatives, corporate identity, sales promotion measures, publicity and advertising campaigns, participation at fairs?

As variegated as the questions, are also the instruments and methods. In order to prepare them properly e.g. ABC analyses, market research and segmenting, competition analyses and so on are used.

Quality

Quality systems

The development of quality assurance systems will also become of bigger importance for smith and locksmith. Especially concerned will be the enterprises that are suppliers to industry. The number of enterprises that source out particular productions and cooperate with subcontractors constantly rises. However, this requires having of the QS – quality systems to insure a production of a product at standardized level while cooperating with subcontractors.

The quality assurance also plays an important role at the European level to guarantee the European competition at standardized quality standards.

A certification according to the ISO series 9000 has besides technical reasons also sales-promoting effects. However, it helps mostly to enterprise itself, because it demands and makes possible the systematic analysis and improvement of all work routines and working attitudes.

Cooperations, EU Actions for SMEs

Particularly SMEs often cannot manage on account of their personnel and financial resources continuative measures on their own. However, just in it lie their strengths of the dynamism and flexibility.

COOPERATIONS

Fears from possible disparities and the role of confidences and secrets independency are unreasoned when cooperations are well prepared, i.e. with plan, objectives, competence and responsibility subdivision, definition of the financial and time investments and obligations. For the preparation and supervision can be used services of specialists.

In the typology we distinguish various forms of the cooperation:

- Horizontal - for enterprise with similar activities, competitors in different countries or regions

Cooperation forms

- Vertical - for enterprise with supplementary activities.
- One sided - if an enterprise realizes alone, e.g. orders or license assignment.
- Mutual - e.g. by mutual sales, common development.

Also the possible areas and kinds of cooperations vary as for example:

- Trade and sales: representation, marketing, advertisement, fairs, purchasing
- Technology: supply, product development, technology, R&D (Research and Development)....
- Financing: shareholding, risk or venture capital
- Generally: acquisition, fusion, establishment and joint venture.

FINANCING

Many enterprises are under capitalized so a low company capital share is present now in the EU and therefore the EU has created a multiplicity of programs and promotions in this field.

RESEARCH

The particular consideration of the 6th Research Framework Program of the EU was to provide SMEs with an access to technical and scientific progress that can also be fast transformed in improved or new products.

5 QUESTIONS

To define chances and risks of the business and to draw from it the correct conclusions means, to answer as precise as possibly a multitude of questions, which refer:

- * to the analysis of an own enterprise and his position in the competitive environment,
- * to the developing goals
- * to the appropriate strategies and measures.

Chances and Risks can be after all defined only individually

Appropriate questions for the enterprise or competition analysis can be, for example:

- * What kind of products / services do we offer?
- * What can we do we particularly well?
- * With what kind of products do we achieve what kind of results?
- * With what kind of customer groups will we handle?
- * By what kind of customer groups do we achieve what kind of results?
- * What is our market?
- * Why do we restrict our performance to this market?
- * Which kind of advantages and disadvantages does have our location?
- * Who are our strongest competitors, measured by the capital or sales?
- * Which of our competitors are the most innovative?
- * Which are our most important strengths and weaknesses?
- * Which planning and control instruments are available for us?
- * What accuracy has achieved our pre calculation in comparison with post calculation?

Questions to the developing goals can be for example:

- * What are our substantial strengths that we can sell to our customers particularly well and that can distinguish us clearly from our competitors?
- * Why would customer choose our product even if the distance would be bigger?
- * What chances do we have by export deliveries to the previous target groups?
- * What chances have we if we want to attend new export target groups or delivery chains?
- * Which additional costs appear, if we perform our services to the more distant customer?
- * Which target groups do we want to address more intensively / particularly / exclusively?
- * Which products or product groups should be further supported / launched?
- * Which service performances should we strengthen?
- * Which marketing activities can strongly influence our sales?

Questions to the definition of appropriate strategies and measures are, for example:

- * What do we have to do in order to achieve our goals in for example these areas?
 - Customer relations
 - Offered assortment

- Service performance
- Marketing and advertisement
- Cost structure
- Planning and control
- Calculation

- * Who is responsible for the execution of the measures?
- * What deadlines do we have to pay attention to for the separate measures?
- * Who is responsible for coordination and control of the specified measures?