



# Competitiveness: the major economic policy challenge



The founding members of the ECORYS group



**KOLPRON**



# Contents

<b>Profile</b>	<b>2</b>
<b>Report of the Supervisory Board</b>	<b>3</b>
<b>Report of the Board of Management</b>	<b>4</b>
<b>Competitiveness: the major economic policy challenge</b>	<b>6</b>
Human resources	8
Innovation	9
Connectivity	10
Industrial structure	11
<b>Clients for whom ECORYS carries out projects</b>	<b>12</b>
<b>Countries in which ECORYS was active in 2003</b>	<b>12</b>
<b>A selection of projects</b>	<b>13</b>
<b>Market figures</b>	<b>13</b>
<b>Financial results</b>	<b>14</b>
<b>Human resources</b>	<b>15</b>
<b>Organisation and management</b>	<b>16</b>
<b>Address list</b>	<b>17</b>

*Sound analysis, inspiring ideas*

# Profile

ECORYS is a group of European research and consulting companies. Currently more than 500 highly qualified staff members are working from fifteen locations in eight countries to serve our public and private clients worldwide. We combine the strengths of an organisation with strong roots in its various home markets with the orientation of an international company.

## Our mission

Our mission is to help our clients solve the complex market, policy and management issues that they face. We provide services of the highest quality, valuing our independence, integrity and partnerships. We base our work on the best available research, knowledge and expertise. To this end, we are committed to attracting and retaining colleagues of the highest calibre.

## Our services

Starting from a strong basis in research and consultancy we have, over time, broadened our scope. We now offer our clients a wide range of services and support across the full strategy and policy cycle, ranging from problem identification, through implementation and programme management, to monitoring and evaluation.

We aspire to address the most challenging problems. Our distinctiveness lies in our ability to translate the results of rigorous analysis and the latest high-level research into creative, practical solutions.

## Our services:

- Research and analysis
- Strategy and policy consultancy
- Project, programme and process management
- Monitoring and evaluation
- Financial advisory services
- Legal advisory services
- Communication advice and transfer of knowledge

## Sector orientation

ECORYS has through the years built up a vast knowledge in a wide range of sectors. We combine detailed understanding of individual client issues with in-depth sector knowledge and experience.

## Our principle services relate to:

- Regional and urban development
- Transport, logistics and infrastructure
- Social policy, justice and home affairs
- Labour markets, education and lifelong learning
- Innovation and competitiveness
- Real estate
- Macro and sector policies
- Competition and regulation
- Energy and environment
- Information society and ICT
- Water management

## Clients

Our tailor-made advice has earned us the confidence of many leading companies and institutions. Client relations are often long term. Our public clients range from local governments to the European Commission. Corporate clients range from medium-sized companies to multinationals. We also work regularly for international financing institutions, including the World Bank, the European Bank for Reconstruction and Development and the Asian Development Bank.

## Quality standards

ECORYS is committed to delivering its clients the highest possible added value available in the consulting market. Our reputation for quality is based on our research-led knowledge and expertise. We intend to reinforce and enhance our reputation as one of Europe's leading research and consulting houses.

## Shareholders

Shares of the company are held by management and staff and by the Foundation "Netherlands Economic Institute".

# Report of the Supervisory Board

The Supervisory Board is pleased to present the financial statements and the report from the Board of Management for the financial year 2003, as adopted by the Supervisory Board.

## Finances

The financial statements have been audited and approved by KPMG Accountants N.V. We have submitted the annual accounts for approval to the General Meeting of Shareholders of ECORYS Holding BV. We agree to the Board of Management's proposal for the appropriation of the profit of 2003 and recommend the General Meeting of Shareholders decides accordingly.

## Supervision

The Supervisory Board met with the Board of Management on five occasions in 2003. At these meetings we discussed topics such as the annual accounts 2002, the system of financial planning and internal control, the annual budget and the half-year report 2003. We paid particular attention to the following three issues:

- The shortfall in performance of the Dutch operating company and the persistently poor market situation in the Netherlands;
- The development of management capacities on the group level and the succession planning of the Board of Management;
- The improvement of the corporate governance structures, taking account of the recommendations of the commission Rees in the UK and Tabaksblatt in the Netherlands.

Moreover, we met once in the absence of the Board of Management to discuss our internal functioning and the contribution of each individual member of the Supervisory Board.

We are particularly pleased with the continued positive development of both turnover and profitability of ECOTEC in the United Kingdom. We support the measures that the Board of Management has taken to adapt the structure of ECORYS Netherlands to the market conditions and return to target levels of profitability.

## Changes in the composition of the Supervisory Board

Prof. Huib van Heel, member of the Board since 1999, resigned at the General Meeting of Shareholders of May 2003. In the same meeting, Mr. Frans Engering was appointed as member of the Board.

## Appreciation

The Supervisory Board regrets that the financial results fall short of expectations, notwithstanding the strong commitment of management and staff to meeting the company objectives. We are pleased to note that the company has remained a profitable enterprise and are confident that the measures taken will place it in a good position for further recovery.



## Supervisory Board

Ltr: Frans Engering, Maarten van Dis,  
Prof. Pé Kohnstamm

*Rotterdam, 19<sup>th</sup> April 2004*

## Supervisory Board

*Maarten van Dis (Chairman)  
Frans Engering  
Prof. Pé Kohnstamm*

# Report of the Board of Management

This is the fifth Annual Report of the ECORYS group. It provides general information and data about our company. In line with the tradition of past years, we also give a more detailed insight into a particular area of our work. This year, we have opted for the theme of *"Competitiveness; the major economic policy challenge"*. We start with a brief explanation of recent and future developments regarding our group.

## Major market areas

### *United Kingdom*

The market in the UK has remained strong for the full range of services which we offer and we anticipate continued growth in 2004. We are particularly pleased by the renewal of a number of long-term programme management contracts which reflects our ability to deliver sustained quality and value for money. We intend to reinforce our ability to win such work. The first step in this process has been a new management structure, which has established a new division specialising in the delivery of programme management and technical assistance services. We also anticipate strong growth in demand for research, consultancy and programme management in the field of housing. We are convinced that the breadth of our knowledge and expertise in regeneration and social policy will enable us to offer an integrated service to clients in the housing sector.

### *The Netherlands*

In last year's report we mentioned the downturn in market conditions in the Netherlands. Unfortunately this downturn has persisted in 2003. There have been no signs of an upturn in the business cycle, which meant a continued negative bearing on our private sector market. Moreover the austerity measures taken by national and local authorities have

meant continuing slack demand for our services from the public sector.

Competition has become fiercer. Like last year, we have been able to compensate the downturn in the national market in part by strengthening our position in certain areas of European work. However, on balance, we have cut back the number of staff and hence realised a lower turnover than in previous years.

### *International*

Our offices in Central and Eastern Europe and in Belgium contributed positively to the results of the group in 2003.

Operations in Belgium performed well and above the target for the year. Our colleagues in Belgium successfully exploited synergies with some of the expertise and experience in other parts of the group.

Progress in the Polish market has been particularly gratifying, both through our local company and in association with ECORYS Netherlands. This is important given the scale of market opportunities there. In Hungary, the market recovered towards the latter half of the year and we have consolidated our position in that home market, especially in the development and planning fields.

We are maintaining our strategy of providing services to the "new Member States" in the context of their future use and management of the Structural Funds.

In addition, our involvement in work to support developing countries continues to be an important part of our portfolio.

## Financial results

Much as last year the year 2003 has been one of mixed fortunes for the group as a whole. For ECOTECH, the year 2003 was the best to-date in both turnover and profitability terms. Total sales have risen 43% in sterling, gross profit by 24% and pre-tax profits by 33%. All major parts of the company have performed well but we are particularly pleased with the achievement around Learning and Skills, Youth Justice and our work in Eastern and Central Europe. ECORYS Netherlands has shown less favourable results: turnover actually declined by 14% and so did the number of staff. The measures taken to adapt the structure of the Dutch operating company to market conditions and to use intra-company synergies have ensured that ECORYS Netherlands has stayed profitable.

On the group level this has led to a financial result that is better than last years' result. This is in line with the expectations we expressed in our previous report. In future years our major challenge is to improve our performance across the board in terms of turnover, profitability and quality with tighter micro management and better project cost control.

## Risk management

One of the core aspects of corporate governance is the monitoring and control of the direction and management of the company. We regard the quality of the risk management and control system in this framework as a subject that merits most attention. To that end, we have established a special committee on group level with the following tasks:

- To make an inventory of all operational and financial objectives of the company and to evaluate the present systems that are in place to guarantee that:
  - all working processes lead to the desired effectiveness and efficiency (control)
  - all information needed to perform all activities is available to the relevant persons and is effectively used (information and communication)
  - what has to be done is actually carried out in practice (management)
  - the organisation is effectively and adequately dealing with external risks that may jeopardise the realisation of the company's objectives (risk assessment)
  - the company and its constituent parts are effectively managed (governing framework)
- To check the adequacy of the actual code of conduct
- To update the accounting manual, including the procedures for reporting and monitoring

The final goal is to have a company-wide special risk management system operational before the end of 2005.

## Future developments

### *2004 - a year of celebration*

Considering the year 1929 in which the oldest component part of our company (NEI) was created as our year of birth, ECORYS celebrates its 75<sup>th</sup> anniversary this year. The other components of the group have in the meantime also reached respectable ages: more than 20 years for



**Board of Management** - Ltr: Hugh Williams, Willem Kuijpers, Willem Molle, Frank Joyce

both ECOTEC and Kolpron. Over the previous decades all members of the group have shown that they can acquire and keep the confidence of an increasing circle of clients and remain competitive even in hard times. We will make sure that the combination of the quality of our services and the strength of our internal organisation will keep us competitive in the decades to come.

### *Short-term targets*

We expect that the external conditions that have determined the divergent development in our main markets in 2002 and 2003 will continue to obtain for most of 2004. The measures taken in the Netherlands to improve our position, and hence the results, should lead to a further improvement of our financial results in the course of 2004.

### *Long-term objectives*

We are in the process of implementing a new business model, which develops the best of our current capacities and interests but puts them into the new realities of rapidly changing and highly competitive markets. We will reinforce our research led consultancy services and programme management as a defining strength of the ECORYS group as a whole. Building a truly European company remains at the heart of our long-term objectives.

We also aim at a further geographical spread in the enlarged European Union.

We foresee indeed an increase in both our pan-European services and in our services to clients who want to take the European dimension into account. To that end, we pursue a prudent double track policy. Where feasible we will extend our network with local offices. In other cases we will rely on co-operation agreements with organisations that provide complementary services to ours.

## Structure and content of the report

In this Annual Report we give, apart from the usual information, our views on a very topical issue: *competitiveness*. In the following sections we highlight the work we do to assist our public and corporate clients to improve their competitiveness. We first give our approach to the general issues and then detail somewhat further the type of solutions for each of our areas of expertise.

*Rotterdam, 19<sup>th</sup> April 2004*

### **Board of Management**

*Prof. Willem Molle (Chairman)*

*Frank Joyce (Vice-Chairman)*

*Willem Kuijpers*

*Hugh Williams*

# Competitiveness: the major economic

The EU has set as its objective to become *the most competitive and dynamic knowledge-based economy in the world by 2010, capable of sustainable economic growth with more and better jobs and greater social cohesion*. Member States and regions have adopted objectives that are in line with this. Hence, the improvement of competitiveness has become a central policy issue at all levels for the present decade.

ECORYS is well equipped to support policy makers in pursuing these objectives. We have substantial experience in this field through the work we have done for a wide variety of clients over a number of years. Furthermore, to improve our service we have started the ECORYS Competitiveness Research Programme. The outputs of this programme will be available to our clients.

As a first step we have produced two papers that are available on our website: [www.ecorys.com/competitiveness](http://www.ecorys.com/competitiveness). First, a review of the theories underlying different aspects of this complex debate. Secondly, a position paper covering a framework (shown opposite) to order the concepts and help policy makers identify how different aspects and actions are related in practice.

## **In line with international conventions, we use the following core definitions:**

At the *national* level, competitiveness is defined as "the degree to which, under open market conditions, a country can produce goods and services that meet the test of foreign competition while simultaneously maintaining and expanding domestic real income"<sup>1</sup>. "More precisely, the level of economic activity should not cause an unsustainable external balance of the economy nor should it compromise the welfare of future generations"<sup>2</sup>.

At the *regional* level, competitiveness is defined as "the ability of regions to generate, while being exposed to external competition, relatively high income and employment levels. In other words, for a region to be competitive, it is important to ensure both quality and quantity of jobs"<sup>3</sup>.

At the *firm* level, the notion of competitiveness is based on the capacity of firms to compete, to grow, and to be profitable. Firm

competitiveness resides in the ability to consistently and profitably produce products that meet the requirements of an open market in terms of price, quality, etc. The more competitive a firm is relative to its rivals, the greater will be its ability to gain market share.

The ECORYS approach to competitiveness makes use of the metaphor of a tree. Each of the aspects of competitiveness can be elucidated using the parts of the tree. A strong tree (competitiveness) will deliver fruits in relation to the quality of the soil in which it is planted.

## **Or in more detail:**

- The fertile soil consists of a composition of many ingredients (e.g. R&D).
- The nutrition is channelled by the roots (e.g. innovation) to
- the trunk (productivity), which then splits into
- the branches (income, employment, profits and taxes) that bear
- the fruits (e.g. housing, mobility) that ultimately produce welfare, sustainability and social inclusion.

Policies that intend to improve competitiveness can address this organic system at different stages. Most address the driving factors that are here represented as the roots that draw nutrition from the soil.

In the following pages we present a selection of projects that illustrate the ECORYS competence in matters of competitiveness strategies. They are organised by each of the four major roots of the tree.

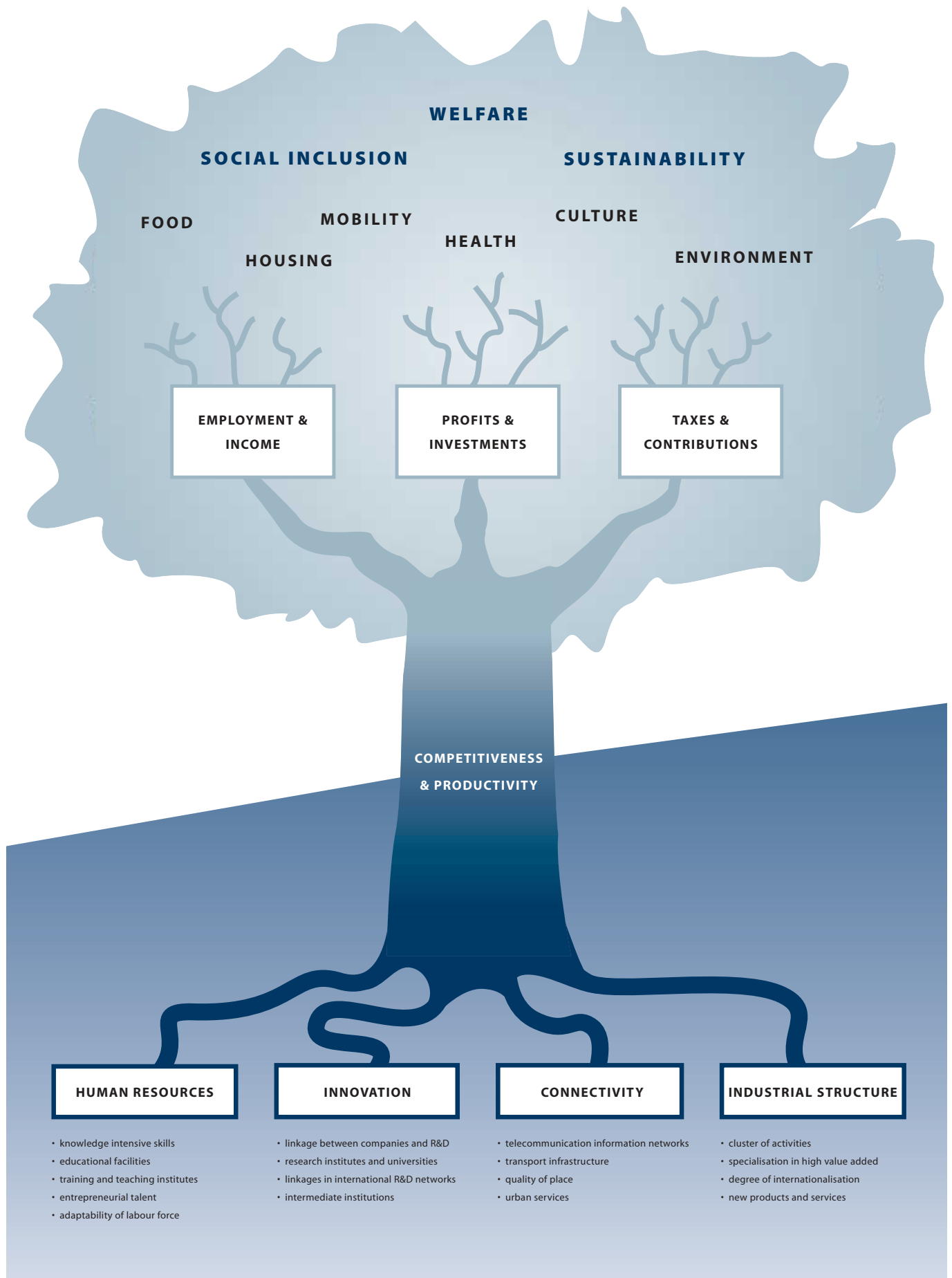
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1) OECD: Programme on Technology and the Economy (1992)

2) European Commission: European Competitiveness Report (2000)

3) European Commission: The Sixth Periodic Report on the Regions (1999)

# policy challenge



# Human resources

## Strengthening partnerships

Championing the local approach to competitive labour markets in the EU

ECOTEC's expertise in employment policy and practice at the local level has been called on once again by the EU's Directorate-General for Employment and Social Affairs. Following our programme evaluations and production of detailed guidance on effective approaches to local labour market intervention, in 2004 we will be leading a major EU-wide initiative to champion co-ordinated local action.

Competitiveness and the importance of linking training and skills development to the strategic needs of local employers will feature highly. Planned events and publications will include effective small business support in the changing rural economy; skills-based approaches to labour market restructuring in post-industrial areas (particularly the accession states); and the competitive advantages which can be gained from effective integration of refugees and migrants in global cities with labour shortages.

The programme will, for the first time, bring together the fruits of the EU's substantial investment in promoting local partnership approaches. With huge changes in the Structural Funds after 2007, it will help to shift attention away from dependence on mainstream national or EU funding, towards effective, self-sustaining local action.

For further information

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## Improving the functioning of local labour markets

Major challenge for Poland

Human resources are key to enhanced competitiveness. This is also the case in the new Member States of the European Union. The largest, Poland, is confronted with particularly acute problems in this respect, among them high unemployment, insufficient skills, inadequate institutions. ECORYS (together with its Polish partners) are actively involved in projects that aim to significantly alleviate these problems. Two are EU Phare projects devoted to the improvement of the working of the labour market in the Pomorskie (Gdansk) region and the Kujawsko-Pomorskie (Torun) region. They involve actions on the demand side (enhancing the adaptability and competitiveness of SMEs with growth potential), the supply side (vocational training and entrepreneurial development) and the interaction between them (promotion of social dialogue and employment pacts). Moreover, the projects have an important function in building up local capacity for the management of the European Social Fund which will promote more projects in this field in the near future.

For further information

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# Innovation

## Recognising the driving factors

A policy-oriented look at the competitiveness of EU regions

The enlarged European Union is confronted with considerable imbalances between its regions. It has developed an elaborate cohesion policy to improve the competitiveness of the "lagging" regions so that they can catch up with the rest of the EU. Effective policy making requires an in-depth knowledge of the factors that drive competitiveness. The Directorate-General REGIO entrusted a consortium of ECORYS Netherlands and Cambridge Econometrics to investigate this subject anew in order to identify the relevant factors, to establish in what way and in what combinations they affect competitiveness and to suggest improvements in the EU regional competitiveness policy. We identified three main types of regions on the basis of their industrial structure and their capacity for autonomous innovation. The importance of the various factors of competitiveness (such as knowledge networks, entrepreneurship, quality of institutions, production environment) differs between these three types of region. These variations enable us to define, for each type of region, the most appropriate mix of policies geared to overcoming the specific bottlenecks for development.

For further information

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## Supporting regional initiatives

Creative districts meet @Flanders

The region of Flanders in Belgium has launched the initiative Flanders DC. This initiative deliberately takes an international perspective to regional competitiveness. Its objective is to link in the region with other creative economies. The network involves regional actors in the private sector (firms) and public sector (government and knowledge centres). It covers both Flanders and a number of other strong regions in the EU (such as Baden-Württemberg, Lombardia), in North America (Maryland and Québec) and in Asia (Shanghai and Karnataka). IDEA has supported this venture by providing both the project management and the substance of the programme (developed the vision of the creative economy, the supporting literature and the programme of the Flanders DC project). A large number of participants in the network met recently on a highly successful conference in Leuven: *Creative districts meet @Flanders*. The exchange of views permitted participants to better specify and promote the factors that determine the creativeness of their economy.

For further information

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# Connectivity

## Identifying transport interventions

Surface infrastructure of national economic importance needed to support the competitiveness of the English regions

The Regional Development Agencies (RDAs) are responsible for promoting sustainable economic growth and development in each of the English Regions, thereby contributing to the economic success of the country as a whole. Given the national and international scope of many of their key sectors, each of the RDAs has an interest in the national transport infrastructure. They therefore commissioned ECOTEC, in partnership with FaberMaunsell, to develop a framework that allows surface infrastructure of national economic importance to be identified. The study did not use a conventional transport planning analysis. Instead it was based upon the concept of *regional competitive advantage*. This was used to identify the needs of modern, open and competitive economies, recognising that they rely heavily upon inter-regional and inter-national links. By doing so it set up a series of criteria and a framework that can be used to identify infrastructure and other transport interventions (e.g. road pricing) that will help to support national economic objectives.

Preliminary use of the framework highlighted a number of major connections that are currently missing from UK national programmes. For example, high-speed rail links from the regional capitals to London; rail links from the regions into Heathrow airport; and stronger east-west links to complement existing strategic corridors. In welcoming this study the UK Transport Minister recommended that the approach be further developed in partnership with government.

For further information

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## Providing efficient port facilities

An essential condition for export performance and development in India

The competitiveness of developing countries is generally recognised to depend on their capacity to produce at low cost. However, other factors are also important. In particular, the ability to ship their products cheaply and efficiently to world markets. Port services play a critical role in this. India, one of the biggest developing countries, has recognised this and has adopted a policy to improve its port facilities.

ECORYS Transport has been charged by the Indian Government to establish a strategic masterplan for the Gujarat Maritime Board (GMB), the biggest port organisation in India. As a basis for this, we made trade and traffic forecasts and financial analyses for various alternative plans. Making sure that the technical facilities are in place is a necessary but not a sufficient condition for efficient operation of ports. Good management is also important. So we complemented our consultancy work with the restructuring of the organisation. This involved, among other aspects, the clear division between commercial and regulatory responsibilities, the introduction of a strategic planning unit and provision of an adequate management information system. Finally, we supported the GMB with guidance, assistance and management training during its first year of operation.

For further information

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# Industrial structure

## Developing successful clusters

ECOTEC's UK guide shows the way

Regional development strategies increasingly focus on support for industrial clusters. In practice, there is little clear advice about which actions can most effectively support the development of successful clusters. December 2003 saw the publication by the UK's Department for Trade and Industry (DTI) of *A Practical Guide to Cluster Development* – a guide researched and written by ECOTEC.

The guide is a companion to the DTI's Innovation Report *Competing in the Global Economy: The Innovation Challenge*. It is founded on an extensive, evidence-based assessment of the factors most commonly underpinning successful clusters. The guide is aimed at practitioners and is based on practical experience from around the world: it pays particular attention to the role of public policy interventions in stimulating success. The guide has been very well received by regional bodies throughout the UK and Lord Sainsbury, UK Minister for Science and Technology who says: "... the policy actions in this document constitute best practices, and should provide a firm evidence based platform for local cluster strategies".

For further information

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## Enhancing business services

Key to industrial renewal in the EU

The service sector is the largest contributor to wealth in the European Union. Business services are recognised as playing a key role in improving the competitiveness of all enterprises throughout the economy. Yet relatively little is known about the way this relationship works. Because of this, the Directorate-General Enterprise of the European Commission has decided to dig deeper into the matter and to devote a major part of the *Competitiveness Report 2002* to this subject. ECORYS provided a background report on the position of the EU in international trade and investment in services. It showed the weaknesses of the European business services sector and the instances where market barriers hindered the deployment of its potential. In a subsequent report, we identified how business services contribute to productivity growth in their client sectors by acting as agents of knowledge and innovation transfer.

For further information

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## Clients for whom ECORYS carries out projects

### Public sector organisations

- Institutions and organisations of the European Union: European Commission, European Parliament, European Investment Bank, Eurostat, European Training Foundation, European Foundation for the Improvement of Living and Working Conditions, CEDEFOP, Eurocontrol, European Environment Agency, Delegations of the European Commission
- National governments: ministries of Agriculture, Economic Affairs, Education, Employment, Environment, Finance, Foreign Affairs, Home Affairs, Housing, Justice, Labour, Overseas Development, Pensions, Public Works, Regions, Social Affairs, Spatial Planning, Tourism, Trade and Industry, Transport
- Government agencies: central planning bureaux, bureaux for statistics, development agencies, foreign trade agencies, foreign investment offices
- Embassies
- Independent administrative governmental bodies: transport safety boards, councils for work and income, arts council, council for spatial planning and the environment, port authorities, rail authorities, competition authorities, environment agencies, road maintenance authorities

- Public corporations such as central banks, railway companies, electricity companies, postal services, development corporations, transport companies, district water boards and waste water treatment board, forest companies
- Regional authorities, County councils and Provincial governments
- Local authorities, municipalities, district, city, borough and neighbourhood councils, municipal corporations, town planning institutes

### International organisations

- International Financing Institutions: World Bank, European Bank for Reconstruction and Development, Asian Development Bank
- International organisations such as the United Nations

### Corporate clients

- Industrial companies such as manufacturing and petrochemical companies
- Consulting firms: consulting engineers, law firms, notary offices, financial advisory and tax consultants, assurance companies
- Others, including: housing corporations and foundations, architects, land development

companies, property advisers and developers, construction companies, shoppingcentre councils, institutional and private investors, commercial banks, insurance companies, (temporary) employment agencies, transport, logistics and freight companies, telecom providers, trading companies, sales companies, retailers, research organisations

### Non-profit organisations and not-for-profit groups

- Non-governmental organisations (NGOs)
- Relief organisations
- Educational and vocational institutes: universities, vocational training centres
- Administrative bodies such as social insurance organisations, employment agencies
- Interest groups and organisations: employers' organisations, trade unions, consumers' organisations, environment protection organisations, professional interest groups, professional associations
- Civic groups, clubs or associations
- Chambers of Commerce, commodity boards, tourist boards, aerospace organisations, cultural institutions, medical centres
- Philanthropic foundations

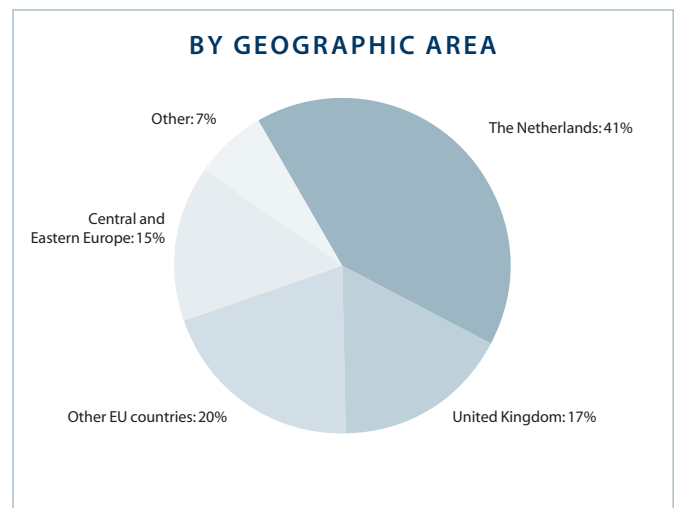
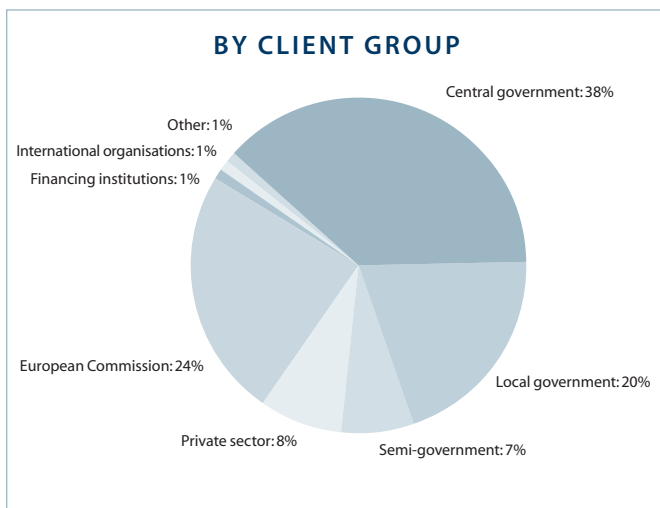
## Countries in which ECORYS was active in 2003

Armenia	Ethiopia	Kuwait	Norway	Turkey
Azerbaijan	Finland	Kyrgyz Republic	Papua New Guinea	Ukraine
Bangladesh	France	Latvia	Poland	United Arab Emirates
Belarus	Georgia	Lithuania	Romania	United Kingdom
Belgium	Germany	Luxembourg	Russian Federation	Uzbekistan
Bosnia and Herzegovina	Ghana	Macedonia, FYR of	Rwanda	Vietnam
Bulgaria	Grenada	Mali	Slovak Republic	Slovenia
China, the People's Rep. of	Hungary	Malta	Spain	West Bank and Gaza
Costa Rica	India	Moldova	Sri Lanka	Yemen
Croatia	Indonesia	Mozambique	Suriname	Yugoslavia, Federal Rep. of
Cyprus	Ireland	Netherlands, the	Tanzania	Zambia
Czech Republic	Kazakhstan	Netherlands Antilles	Thailand	
Denmark	Kenya	Nicaragua	Trinidad and Tobago	
Estonia	Kosovo	Nigeria	Tunisia	

## A selection of projects

- Study on the operational revenue potential of the railway line Betuweroute, the Netherlands  
*Client: Ministry of Transport, Public Works and Water Management / Directorate-General for Freight Transport*
- Measurement of the administrative burden on businesses and public institutions for the Ministry of Education, Culture and Science, the Netherlands  
*Client: Ministry of Education, Culture and Science*
- Drafting a development programme for the establishment of the Urban Network Brabant 2004-2008, the Netherlands  
*Client: Urban Network BrabantStad*
- Advisory service for building and property management of school buildings and local amenities, the Netherlands  
*Client: Municipal Administrative Commission on public education and a housing corporation*
- Process management and technical assistance for the renewal of a city centre and residential areas, the Netherlands  
*Client: Municipality of Noordwijkerhout*
- Organisation of the Zuidvleugel Conference on future development of the Randstad region, the Netherlands  
*Client: Governmental Platform Zuidvleugel*
- Business impact study of the draft regulation REACH, Flanders, Belgium  
*Client: Federation of the Chemical Industry in Flanders (FCN)*
- Forecast of labour market developments and policy challenges 2004-2010, Flanders, Belgium  
*Client: Viona Labour Market Research programme of the Flemish Government*
- Evaluation of the Cornish Objective 1 programme, UK  
*Client: Office for the Deputy Prime Minister (ODPM)*
- Endowment Strategy and Process, UK  
*Client: Castle Vale Housing Action Trust*
- Interim Evaluation of the Phare programme  
*Client: European Commission/DG Enlargement*
- ESPON 2.2.3 The Territorial Effects of Structural Funds in Urban Areas, UK  
*Client: ESPON Co-ordination Unit*
- Management of the ESF Objective 3 programme in London, UK  
*Client: London Learning and Skills Councils*
- Information Dissemination and Exchange of Good Practice in Local Employment (IDELE), UK  
*Client: DG Employment*
- Promotion of Innovative SMEs in the Baltic Region, Russian Federation  
*Client: RF Ministry of Industry, Science and Technologies – funded by the EC Tacis programme*
- State Budget Reform project, Russian Federation  
*Client: RF Ministry of Finance - funded by the European Union*
- Building the foundation for Public-Private Partnership (PPP) in Poland  
*Client: European Bank for Reconstruction and Development (EBRD)*
- Architectural design works for large residential project (800 dwellings) in Prague west area, Czech Republic  
*Client: project developer Skanska*
- LOFT programme: study of derelict brownfield sites to establish potential transformations of redevelopment and designation of action areas, Hungary  
*Client: Municipality of Budapest*
- Ex ante evaluation of agricultural and rural development operational program - Hungary 2004 - 2005  
*Client: CFCU Hungary*

## Market figures (% share in turnover)



# Financial results

2003 was very much a year of mixed fortunes for the ECORYS group.

In the UK, ECOTEC had its best year ever with increases in turnover and profitability. Sales rose by 43%, gross profit by 24% and pre-tax profits by 33%. All major parts of the company performed well and the Social Policy Division reported a pre-tax profit of almost € 1 million.

Overall, ECORYS Netherlands had a disappointing year, reflecting the continuing weakness of the market in the Netherlands. A reduction in turnover was broadly matched by decreased costs. However, the company has put in place further measures to ensure its costs are brought into line with market expectations. This will improve the 2004 results and give a much improved result in 2005 when the full year's effect takes place.

After reflecting the above, the profit and loss account for 2003 showed an increase in turnover of € 5.6 million to € 64.8 million. The group achieved an operating profit of € 1.2 million (2002: € 0.9 million) and a post tax profit of € 0.5 million.

The balance sheet and profit and loss account will be considered at the annual meeting of shareholders on the 27<sup>th</sup> of May 2004.

## BALANCE SHEET (IN € 1,000)

31.12.2003

31.12.2002

ASSETS		
<b>Fixed assets</b>		
Intangible fixed assets	1,834	1,826
Tangible fixed assets	2,973	3,860
Financial fixed assets	212	185
<b>Current assets</b>		
Work in progress	5,769	8,502
Debtors	20,971	20,590
Cash at bank and in hand	4,186	-
	<b>35,945</b>	<b>34,963</b>
LIABILITIES		
Equity	7,167	7,217
Minority interests	83	41
Provisions	-	95
Long term liabilities	223	313
Current liabilities	28,472	27,297
	<b>35,945</b>	<b>34,963</b>

## PROFIT AND LOSS ACCOUNT (IN € 1,000)

2003

2002

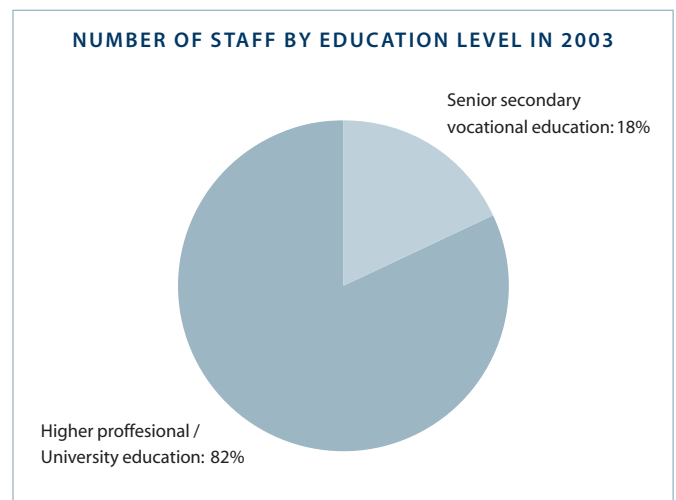
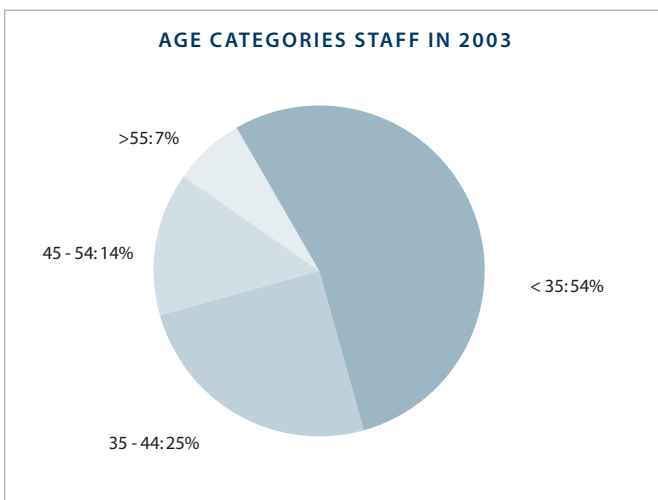
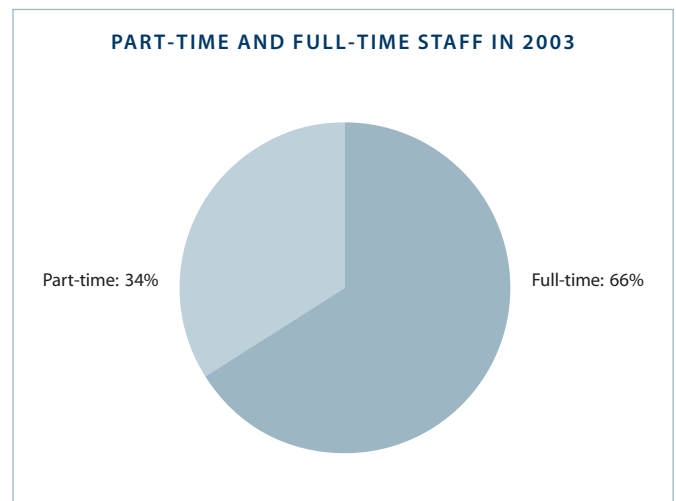
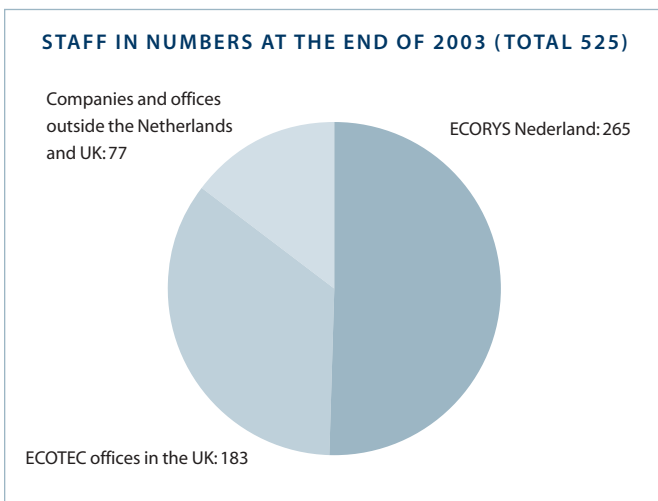
<b>Total turnover</b>	<b>64,769</b>	<b>59,126</b>
<b>Gross profit</b>	<b>37,056</b>	<b>38,756</b>
Salaries and social insurance contributions	27,842	29,142
Other costs	6,913	7,472
Depreciation	1,094	1,223
<b>Total costs</b>	<b>35,849</b>	<b>37,837</b>
<b>Operating profit</b>	<b>1,207</b>	<b>919</b>
Results of non-consolidated subsidiaries	10	11
Interest	(278)	(374)
<b>Profit before tax</b>	<b>939</b>	<b>556</b>
Corporate tax	(359)	(214)
Minority interests	(39)	10
<b>Profit after tax</b>	<b>541</b>	<b>352</b>

# Human resources

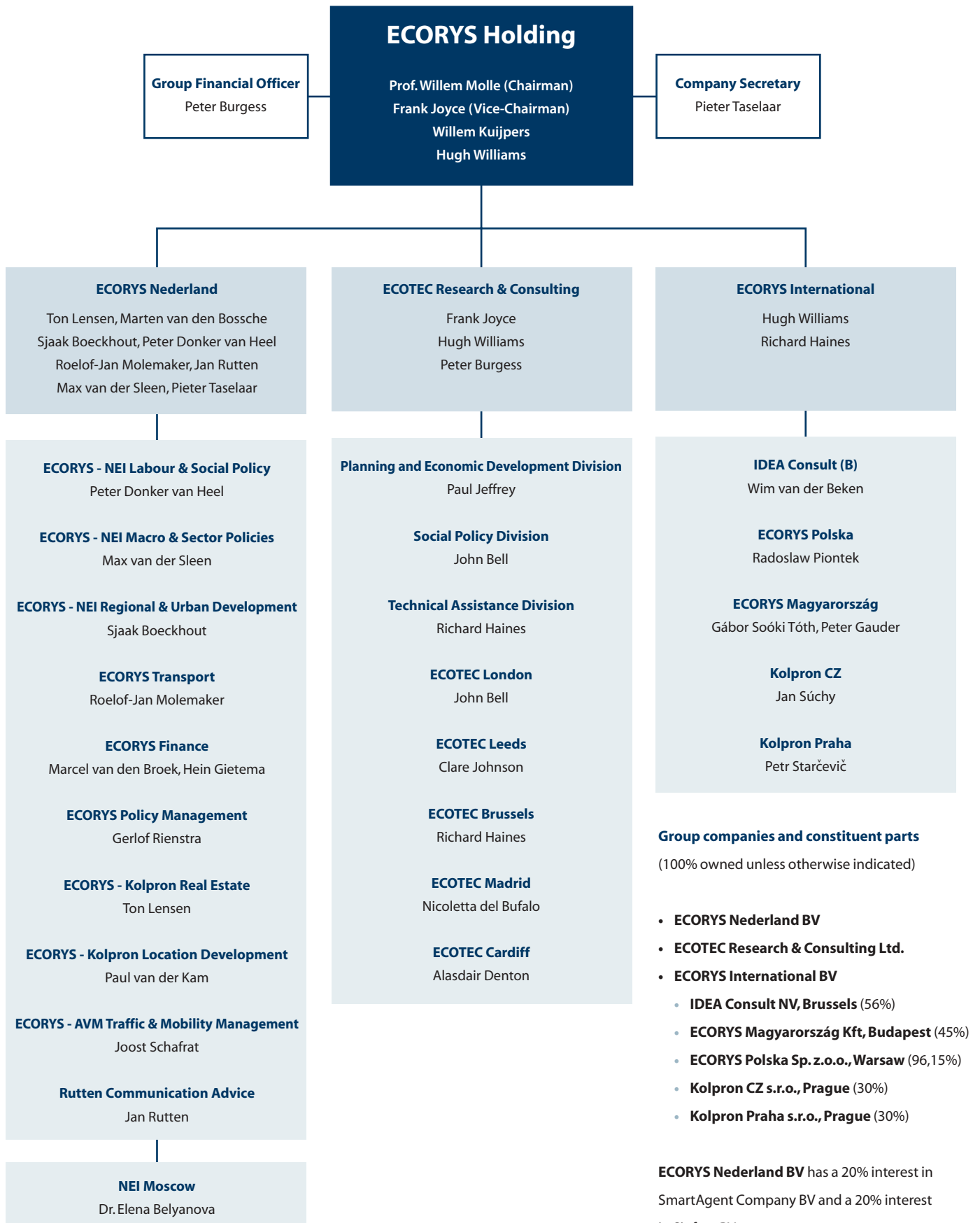
In previous years our report has focused on our concerns with the mechanics of implementing improved human resources policies at operating company level and at group level in integrating senior personal development programmes and encouraging inter-group working. While we have made progress, particularly with regard to flexible working patterns, clearer review procedures and outcomes and more focused training, our agenda for action is expanding as standards and expectations rise. It is vital in these circumstances to retain a clear vision of what our core human resource objectives, as an integrated company, are centred on. They are:

- To attract and retain the best staff available, providing an environment for an international career in research, consulting and programme management, which offers intellectual challenge, variety and social relevance.
- To enhance our capacity to work as an integrated international company offering inter-disciplinary expertise and multicultural experience.
- To develop a cadre of staff committed to developing the group as an international policy house with a capacity to respond flexibly to a rapidly changing policy agenda in both home and international markets.
- To create an environment in which entrepreneurial skills can flourish within a supportive management environment, which recognises the need for flexibility on the one hand and is complemented by efficient administrative procedures on the other.
- To ensure that we have a company in which "solidarity" between members of staff is a paramount consideration and ensure that financial targets and management practices reinforce this objective.
- To recruit and develop employees committed to a company working across research, consultancy and programme management in mutually supportive ways.
- To reinforce our commitment to excellence in all that we do, drawing on the highest standards of the academic community coupled with a clear understanding of the imperatives of the commercial and political environment in which we work.

The realisation of these objectives continues to require detailed measures and concrete actions at every level within the group.



# Organisation and management as of May 2004



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