

25 ACTIONS

For a successful
restart of the EU's
automotive sector



MAY 2020



European
Automobile
Manufacturers
Association



Executive summary

Covid-19 is having a **major impact on the economy** with retail and manufacturing activity at a deep low and concerns mounting on consumer sentiment. The European **automotive sector is hit particularly hard**. Most activities in the sector were stopped for several weeks, which is an unprecedented situation. Many actors in the sector are under great economic stress and in need of government support.

As a sector, we want to **contribute to a policy response** to Covid-19 that ensures public health, minimises the impact on the economy and maintains a focus on the overarching objectives of our time: the **digital and carbon neutral society**.

This paper, issued jointly by the four associations representing the automotive sector from equipment and tyre suppliers to vehicle manufacturers to dealers and workshops, lists **25 immediate and tangible policy recommendations**. They are designed to help shape the political and regulatory response to the Covid-19 crisis, ensure the successful recovery of the economy at large and support a forward-looking restart of the automotive sector.

The priorities are to:

- Ensure a **coordinated relaunch of industrial activity**, in line with public health guidelines,
- **Maintain the necessary liquidity** for businesses to support a healthy automotive ecosystem,
- Lay the foundation for a **sustainable economic recovery**, primarily by **triggering vehicle demand and investment** in latest technology and innovation.

These priorities translate into 25 key policy recommendations:



1. Issue harmonised guidance on **health and safety** precautions for the workplace
2. Exempt **transport of goods** from border closures and align border control measures
3. Maintain the central source of information on **border measures** set up by the Commission



4. Grant uniform exemptions for cross-border **commuting and necessary travel**



5. **Consider temporary flexibilities in competition rules**
6. **Use the deferral flexibilities** offered by the Union Customs Code
7. Reopen **dealerships and motor vehicle workshops** as soon as possible
8. Introduce immediate **vehicle renewal schemes** for all vehicle categories across the EU
9. **Reinforce national renewal schemes with direct EU funding**



10. Direct EU funding tools at targeted **public procurement** of new vehicles
11. **Start the announced pilot for charging and alternative fuels infrastructure** without further delay
12. **Speed up and facilitate investment in next-generation digital infrastructure**



13. Postpone all non-essential **public consultations** by at least 2 months.
14. Assess the **impact of the Covid-19 crisis** on industry-relevant legislation
15. Restart the **type approval** process as quickly as possible
16. Enforce EU **market surveillance** of applicable legislation



17. Propose ambitious **Alternative Fuels Infrastructure Directive** amendments already in Q3 2020
18. Speed up legislative proposals to support **uptake of low carbon and low pollutant fuels**
19. Reflect "**Just Transition**" and the **Covid-19 recovery** in the Skills Agenda



20. Speed up the regulatory work on **Digitalisation of Transport**
21. Ensure an **ambitious Horizon Europe budget** to support climate-neutral road transport system
22. Enhance **innovation-focussed public procurement** in transport and mobility through ESIF
23. Extend the EIB **future mobility initiatives** to fund innovation



24. Support **up- and re-skilling** of the labour force
25. Rapidly establish a **sectoral Skills Pact** for the automotive sector

25 actions for a successful restart of the EU's automotive sector



A functioning Internal Market



Safety of workers and employees

Clear guidance and **strong workplace health and safety measures** will need to be put in place to protect the workforce and avoid a secondary outbreak of coronavirus as they go back to work in factories, offices and dealerships.

The sector will fully support recommended public health measures and is already in the process of upgrading installations wherever necessary and possible and to providing PPE (clothing, masks, gloves, sanitiser...) for employees. Without diminishing the access of critical health and other workers to PPE, support will be needed to ensure the availability of PPE for businesses. Industry must also be able to ensure regular disinfections, frequent cleaning of sanitary facilities etc. and will have to rethink processes to ensure sufficient physical distance between employees.

- 1. The Commission should issue harmonised guidance on health and safety precautions, as far as possible, which would greatly facilitate the coordinated ramp-up of activities given that many businesses operate sites in multiple member states. Not least, support for large-scale coronavirus testing would help determine who can safely return to the workplace in an orderly manner.*



Free movement of goods

The **Single Market is an important achievement of the European Union**. Our industries are amongst those who make best use of it to the benefit of customers and society. Defending its integrity is a priority, specifically with regards to the freedom of movement of goods and workers which make up our supply chains. From that perspective:

- 2. Transport of goods should be exempt from border closures and member states should ensure the alignment of their border control measures to support the functioning of the Single Market. If controls at the border crossings are intensified, priority should be given to freight transport, for example through the introduction of "Green Lanes" with easily applicable rules.*
- 3. The central source of information on border measures created by the European Commission, as well as national contact points, is helpful and should be maintained.*



Free movement of labour

We can see already a significant reduction of economic activity brought about by restrictions on movement and social contact enacted by member states.

Border closures paralyse businesses if **cross-border commuters** make up an important part of the workforce. Furthermore, businesses often rely on **specialists** who are affected by travel restrictions to keep machines and operations running.

- 4. The Commission should continue working towards the uniform granting of exemptions for cross-border commuters and necessary travel where possible, without compromising the protection of public health.*



Maintaining liquidity



Financial support measures

Cancellations of orders or site closures—as well as a significant drop in demand—have and will lead to **liquidity** drying up in many businesses. SMEs are particularly vulnerable. Measures enacted in members states and at the EU level comprise **state aid, tax breaks, investment guarantees, loans and other measures**. Such measures will ensure the survival of many otherwise healthy companies which are hit by the crisis and will remain essential for some time to come.

Further essential measures taken by governments include the reduction of working time with wage compensation, **temporary unemployment and other flexibilities in labour rules**. Similarly, such flexibilities will continue to be needed to support businesses to weather the crisis.

Well-defined and temporary **flexibility in the application of competition rules** would allow industry to keep supply and production chains intact—as already called for by Commissioner Breton.

- 5. The Commission should consider temporary flexibilities in the competition rules. This would enable economic operators in the value chain to coordinate financial and other support for joint suppliers; allowing cooperation on distribution of capacity and product volume in case of production short falls due to the crisis and allowing sharing of critical and appropriate information throughout the value chain.*

To further help address liquidity issues, **national customs authorities** should fully utilise the flexibility offered by the Union Customs Code (UCC) to take into account serious difficulties of economic operators. Long-term deferral of import duty payments, VAT payments and the payment of customs debts without the application of interest as well as the application of a waiver for guarantees to secure the deferral would be first line response measures.

- 6. The Commission (DG TAXUD) should take a proactive and coordinating role to ensure the flexibility offered by the UCC is fully utilised by Member States.*

The ability of Export Credit Agencies to provide export insurance or export supporting loans and guarantees should be expanded to address increasing supply chain risks and liquidity shortages across the globe, particularly in emerging markets.



Triggering demand



Reopening of dealerships and workshops

To support the relaunch of the automotive sector and economic activity at large, the business of selling, repairing and maintaining vehicles is critical and it will be essential for people and for society that **vehicle dealerships and motor vehicle workshops reopen** as soon as possible. This would unlock the sales of end-of-series vehicles that are waiting for production or are in stock at dealerships, helping to set the whole value chain back in motion.

7. Dealerships and motor vehicle workshops must be allowed to resume activities as soon as possible where this is not yet the case, applying the necessary precautionary measures in regards of health and safety.

Mobility is a key element of our modern society. **Repair and maintenance** of vehicles is essential to ensure safe and uninterrupted services such as the transport of patients and medical personnel as well as transport of pharmaceutical products, food and other supplies as well as the mobility of workers and employees. This requires the free flow of automotive components, nationally and internationally.

Public fuel stations must remain open and charging infrastructure must be maintained.

Periodic Technical Inspections should resume as soon as possible to avoid impacts for the safety of road-users.

 **Vehicle renewal programmes**

It will be essential to support the relaunch of the automotive sector with **immediate, targeted and coordinated EU vehicle renewal schemes**, for example through tax reductions, purchase incentives or scrappage schemes as well as with stimulus through public procurement.

Such measures would help to increase the utilisation of manufacturing capacity quickly and therefore **safeguard jobs and investment** capacity. Stimulating demand in the automotive sector will act as **an engine of overall economic recovery** thanks to the sector's vast and complex ecosystem, significant employment impact and immediate knock-on effect on other sectors of the economy.

Demand stimulus measures will also make a **positive contribution towards carbon neutrality, road safety and digitalisation** of society by increasing the market uptake of cleaner vehicles as well as advanced driver assistance and connectivity solutions in vehicles.

8. Coordinated vehicle renewal schemes should be introduced for all vehicle categories across the EU to accelerate the renewal of the vehicle population on Europe's roads and boost private and business demand.

9. Purchase and lease incentives could be provided either through direct EU funding or through national schemes with additional EU financing, e.g. through structural funds. Specifically, with regards to private vehicle fleet operators, the Commission and European Investment Bank should consider extending their Cleaner Transport Facility to enable private fleet operators to renew their fleets.

Purchase and investment incentives should ideally be based on **similar criteria across Europe** to avoid fragmentation and to leverage economies of scale to the largest extent possible. They should take into account society's climate ambitions and resource efficiency objectives as well as trigger the required social and economic impact. In particular:

- Incentives should be limited in time, technology neutral, and available for all vehicles that conform with the latest emission standards (Euro 6d temp/ Euro VI-D), i.e. incentives should not be limited to any specific vehicle class or technology.
- For cars, incentives should ensure financial inducement for purchasing any vehicle that meets the current regulatory safety and environmental criteria, and additionally be

differentiated progressively according to safety and environmental performance, for example certified CO2 emissions.

- Purchase incentives should be enhanced by scrapping premiums in order to take older generation vehicles off the roads in favour of more advanced cars, trucks and vans, speeding up the rejuvenation of the vehicle population.
- For commercial vehicles, especially heavy-duty vehicles, renewal schemes should be targeted at transport operators and provide incentives to replace older (5+ years) vehicles by newer Euro VI vehicles.
- With an estimated one million taxis on the road, accounting for 10-20% of urban traffic, an incentive and support scheme for private fleet operators provides a significant opportunity to create sufficient demand support for innovation and improve the air quality and road safety in cities across the EU.¹

Complementing private demand, targeted **public procurement** should also help revitalising sales and production as well as boosting the environmental and safety performance of all vehicles types on the roads. Member states and the Commission should consider **supportive demand measures in this area**.

Funds could for instance be allocated to support the renewal of busses and coaches as well as vehicles for communal transport and delivery. Public tenders could also stimulate demand for retreaded tyres, supporting remanufacturing activity and jobs in the EU.

10. The Commission should allocate European Structural and Investment Funds to allow for implementation of the Clean Vehicle Directive and enable targeted public procurement by regional and local authorities.

State aid rules should be revised to allow for government support for investment in fleet renewal by businesses providing vital public services.

Furthermore, support should be considered to **upgrade new and existing public transport** vehicles to reduce the risk of coronavirus infection, such as better air filtration systems, more spacious seating arrangements and the creation of smaller compartments within buses.



Investment in infrastructure

Technological transition through infrastructure investment

Customer surveys continuously rank worries about driving range and charging infrastructure as main obstacles to a further uptake of alternatively powered vehicles, especially battery electric vehicles and plug-in hybrids. Rapid deployment of charging and refuelling infrastructure is therefore considered an indispensable prerequisite to the market uptake of alternative powertrains in order to support the dual objectives of economic recovery and climate policy.

¹ Private fleet operators operating in urban freight (retail logistics, deliveries) represent another 15% of urban traffic and should also be considered, considering the significant average age (10.9 years) of commercial vehicles in the EU.

- 11.** *Industry calls for the immediate start of the pilot initiative on “1 million charging points and refuelling stations across the EU for all vehicle types”, including high-power charging and hydrogen refuelling stations for heavy-duty vehicles.*

Similarly, **next generation digital infrastructure** will be a key enabler of more reliable communication for vehicles, which will play a critical role in managing the safety challenges that come with vehicle automation and autonomy.

The deployment of **digital infrastructure** will also be of critical importance to ensure the automotive industry can continue to lead the way in the implementation of Industry 4.0. Automation and additive manufacturing will be key to help automotive industry reduce dependencies and vulnerability to global supply chain risks.

- 12.** *The EIB should play an active role in facilitating investments in next generation digital infrastructure.*



A supportive regulatory framework

The automotive industry is and remains fully committed to the objectives of the European Green Deal and Digital Agenda. The recovery of the European economy and the automotive sector should therefore be supported by **an adequate regulatory framework** that keeps the focus on achieving the **ambitions of a carbon neutral and digital society** and factors in the **severe impact of the Covid-19 crisis**.

In **general**, the Commission and its executive agencies should:

- 13.** *Postpone all non-essential public consultations by at least 2 months.*
- 14.** *Assess the impact of the Covid-19 crisis on all existing and planned regulatory requirements, timelines and initiatives up to mid-2021.*
- 15.** *Together with member states, restart the type approval process as quickly as possible, to facilitate the rolling implementation of regulatory requirements.*
- 16.** *Ensure that national market surveillance authorities enforce compliance with the current EU regulatory requirements.*



Specifically with regard to the **Green Deal objectives**, the Commission should:

- 17.** *Speed up work on an ambitious AFID² proposal to be presented already in Q3 2020.*
- 18.** *Adopt an ambitious proposal on the revision of the Fuel Quality Directive and future revision of Renewable Energy Directive to support the higher uptake of low carbon and low pollutant emission fuels, in combination with supportive measures through the review of the Energy Taxation Directive.*

² Directive on the deployment of alternative fuels infrastructure (AFID)

- 19.** *Reflect the principles of “Just Transition” and the needs stemming from the Covid-19 recovery under the Skills Agenda (Q2 2020).*

Specifically with regard to **the Digital Agenda**, EU institutions should also:

- 20.** *Speed up the regulatory work on Digitalisation of Transport to enable new and multiple digitalised services.*

A lack of comprehensive and timely regulation is likely to cause market failures in regard to technological choices and inter-operability, as well as hampering competition in new mobility services, which have the potential be one of the boosters for the recovery after the crisis.



Research and innovation

To underpin Europe’s long-term competitiveness, the EU should fully leverage all instruments at its disposal to **support research and innovation**. This includes the EU budget, public procurement and financial support from the EIB.

- 21.** *The EU should stick to an ambitious budget for research and innovation activities within Horizon Europe for the development of a climate-neutral road transport system as a key contribution to the success of the Green Deal.*

While respecting European policy priorities, it is key to provide enough flexibility in the framework programmes to allow for an optimal synergy between the EU’s policy objectives regarding electrification, and the sector’s need for technology neutrality to remain globally competitive. Flexible framework programmes are also key to allow for cooperation between suppliers, OEMs and competitors while respecting competition rules.

The Commission’s responsibility for public procurement rules and its public procurement strategy should be further optimised to ensure **that public procurement serves as an important lever** to stimulate innovation (e.g. 5G).

- 22.** *Innovation-enhancing public procurement in transport and mobility areas should be supported by ESIF funds to ensure that Green Deal objectives are realised across Member States.*
- 23.** *The EIB’s future mobility initiative should be further extended to fund innovation, serving the realisation of the long-term objectives of carbon neutral and safe transport and mobility.*



Skills and competences

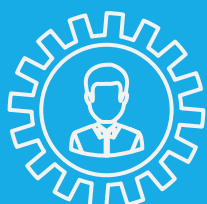
The European automotive sector is facing **unprecedented structural change** with respect to the key drivers of change: e.g. alternative powertrains, connectivity, digitalisation etc. The current crisis will speed up the transformation of the sector. Quick adaptation of the labour force is essential to ensure future competitiveness of the European automotive industry. Therefore,

24. *The European Commission should step up its efforts and support for up- and re-skilling of the labour force in the sector within the updated EU Skills agenda.*
25. *The European Commission should accelerate establishment of a sectoral Skills Pact for the automotive sector.*

This applies particularly as regards:

- Financial support **investment into human capital** (“skills bonds”) by the European Investment Bank (EIB).
- The establishment of the **sectoral skills pact for the automotive** ecosystem to mobilise private capital.
- **Establishing an EU-wide education and training Framework** based on EU-wide accepted definitions of skills and enabling establishment of a dedicated EU-wide labour market for the automotive sector. Europe must be ambitious on this point compared to China and USA.
- Supporting the implementation of the first wave of **massive training programmes** under that Framework in pilot regions and throughout the ecosystem (industry, services, logistics, mobility).

EU's automotive sector factsheet



13.8 million Europeans work in automotive, accounting for 6.1% of all EU jobs.

11.4% of EU manufacturing jobs – some 3.5 million – are in the automotive sector.



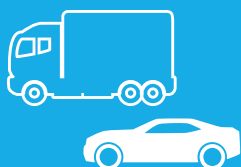
Motor vehicle taxation brings in €440.4 billion for governments in major European markets.

The automobile industry generates a trade surplus of €84.4 billion for the EU.



The turnover generated by the automotive industry represents over 7% of EU GDP.

Investing €57.4 billion in R&D annually, the automotive sector is Europe's largest private contributor to innovation, accounting for 28% of total EU spending.



The EU motor vehicle fleet is getting older year-on-year. Passenger cars are now on average 11.1 years old, vans 11 years and heavy commercial vehicles 12 years.

About the signatories



European
Automobile
Manufacturers
Association

ACEA, the European Automobile Manufacturers' Association, represents the 16 major Europe-based car, van, truck and bus manufacturers: BMW Group, CNH Industrial, DAF Trucks, Daimler, Ferrari, Fiat Chrysler Automobiles, Ford of Europe, Honda Motor Europe, Hyundai Motor Europe, Jaguar Land Rover, PSA Group, Renault Group, Toyota Motor Europe, Volkswagen Group, Volvo Cars, and Volvo Group.



The voice of European vehicle dealers and repairers

CECRA is the European federation bringing together national professional associations which represent the interest of motor trade and repair businesses and European Dealer Councils. CECRA represents on a European scale 336.720 motor trade and repair businesses. Together they employ 2.9 million people.



European Association of Automotive Suppliers

CLEPA, the European Association of Automotive Suppliers, represents over 3.000 companies supplying state-of-the-art components and innovative technology for safe, smart and sustainable mobility, investing over 25 billion euros yearly in research and development. Automotive suppliers in Europe directly and indirectly employ nearly five million people across the continent.



EUROPEAN
TYRE & RUBBER
manufacturers'
association

ETRMA, the European Tyre & Rubber Manufacturers Association represent nearly 4.400 companies in the EU, directly employing about 370.000 people. The global sales of ETRMA's corporate members represent 70% of total global sales, have a strong manufacturing and research presence within the EU and candidate countries, with 93 tyre-producing plants and 17 R&D centres.