

The Drive for Industrial Competitiveness and Growth in Europe

ACEA RESPONSE TO CARS2020 ACTION PLAN

Brussels, 22 February 2013

Introduction

Industry is the backbone of the European economy. Robust industrial competitiveness and a strong manufacturing base are pre-requisites for the sustainable development of the continent. Indeed, in these difficult economic times, they are crucial to the EU's ongoing recovery, helping to strengthen long-term competitiveness and to cement Europe's global economic leadership.

The automotive industry is a major contributor to growth and employment in the EU. Some 11.6 million people - or 5.3% of the EU employed population - work in the sector. The sector is also a key driver of knowledge and innovation, representing Europe's largest private contributor to R&D, with €26 billion invested annually.

Today the sector finds itself at a critical juncture. Although benefiting from the strong growth in vehicle sales globally (particularly in BRIC countries and other emerging markets), it faces a difficult situation in its home market which is threatening its future global competitiveness. Sales have been on a downward trend for the past six years running (see annex). Between 2007 and 2012, new car registrations have dropped by 3.5 million units for passenger cars (-22.4%) and by almost 1 million units for commercial vehicles (-34.6%). Other challenges include significant cost pressures that cannot be passed on to the price-sensitive consumer, overcapacity for some manufacturers and markets, a high cost base, increasingly stringent and expensive legislation, growing competition from imports and, ultimately, low profitability. In most cases, these challenges are valid for all EU manufacturing sectors.

ACEA welcomes the fact that political leaders have come to recognise the importance of the industry for the future of the EU, notably by issuing two key Communications in recent months:

- Industrial policy Communication update: A Stronger European Industry for Growth and Economic Recovery
- CARS2020: Action Plan for a competitive and sustainable automotive industry in Europe

Moreover, ACEA supports the initiative of several member states in calling for an ambitious review of EU industrial policy and for greater involvement of member states in the Competitiveness Council and also encourages the European Parliament to

discuss and consider the situation of the EU automotive industry. ACEA also welcomes the adoption of the Council's Conclusions on industrial policy in December 2012. These all represent first steps towards real EU industrial policy action. However, the industry now needs **a clear and concrete roadmap for implementation**, not just more policy papers. With this in mind, ACEA has outlined five priority areas which can help reinforce the competitiveness of the automotive industry. Europe must act before it is too late.

Five priority issues for the automotive industry

1. Effective implementation: The Commission's Cars 2020 Communication rightly addresses several key issues that are fundamental for the industry. It is urgent that these are now effectively implemented by all institutions. Unfortunately, experience has shown that this is not always the case. ACEA therefore supports the CARS 2020 monitoring process that the Commission intends to set up. In particular,

- The Commission should ensure that the principles and recommendations of CARS 2020 are applied in practice.
- All Commissioners and Commission departments should abide by this document.
- The implementation should be properly monitored.
- The 'competitiveness proofing' should be put into practice, and practical policy initiatives should be identified.

2. Immediate action: In view of the critical situation with the shrinking market, CARS 2020 needs immediate follow-up through short-term measures, both by the European institutions and Member States, as well by the industry itself. Specific attention should be given to:

- reducing existing overcapacities by some manufacturers;
- enhancing the growth of the sector;
- supporting research and innovation;
- increasing flexibility on the EU labour market.

From this perspective, the Commission should:

- assess the issue of overcapacity in the sector and present the results of its analysis;
- use all the means at its disposal to mitigate the social and economic impacts of restructuring in different areas;
- mobilise existing funds and simplify procedures (conditions for funding, flexible mechanisms etc).
- ensure adequate access to funding for the industry and for the customers as well
- enhance deployment of infrastructure for alternative fuels and streamline incentives for clean vehicles.

3. A supportive regulatory framework: A robust regulatory framework that fosters growth, jobs and investment is key for the competitiveness of the industry and

improvement of the framework conditions should be supported by the Member States and EU institutions. Bearing in mind its competences, the Commission should focus on ensuring a level playing field across the EU and beyond.

- The Commission should take concrete actions to alleviate the regulatory burden for the industry in Europe.
- The Commission should modify certain legislative proposals that are under preparation/discussion, such as those relating to noise, eCall or CO2 emissions.
- Given the current economic circumstances, in certain cases less stringent targets should be considered, providing longer lead-times or postponing or withdrawing certain proposals.

4. Balanced trade agreements for Europe: Trade issues are playing a more and more important role in the overall competitiveness of the EU automotive industry. European automobile manufacturers are global companies. They therefore support fair and balanced trade agreements that create a level playing field.

- European trade policy should strengthen Europe's manufacturing base.
- The previous CARS 21 recommendations should be respected in this important policy field.
- The industry should be involved in the proposed study regarding the cumulative impacts of free trade agreements.
- Secure a robust and timely implementation of the Korean commitments in dismantling NTBs and strictly stick to the terms of mandate given by the Council in the forthcoming negotiations with Japan.

5. Strengthened R&D: The automobile industry is requesting €5 bn under Horizon 2020. This amount is in line with the sector's social and economic importance, as well as its own level of contribution (as the largest private investor in R&D). The allocated funds should also match the levels that the EU's main trading partners invest in their auto industries.

- The EU institutions should defend the Commission's proposal during the inter-institutional negotiations.
- The Commission should take other activities to support future investment in research activities (funding mapping, streamlined EIB funding etc).
