CARS 2020 Report on the state of play of the outcome of the work of the High Level Group

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This report presents key deliverables of the commitments of the CARS 2020 Action Plan and outlines key strategic orientations for the European automotive sector for the years to come.

Achievements

The European automotive sector has been seriously impacted by the adverse economic situation in Europe. Sales falling to unsustainable levels forced vehicle manufacturers (especially volume ones) to take difficult decisions in the area of employment and overall cost-cutting. This, in consequence, threatened the global long-term competitiveness of the sector and put at risk its position in Europe. In parallel, in order to diversify markets and mitigate losses incurred in Europe, most of the companies have strengthened their presence in the emerging economies, turning them into a main source of profit and growth.

The situation where the European automotive market with its industrial fabric was put at risk, required **balanced, targeted, intelligent and competition neutral actions to bring back the automotive industry to the path of growth**. Building on the commitments of the CARS 21 High Level Group, the CARS 2020 Action Plan composed of almost forty specific commitments in four main areas constituted the Commission's **strong response to counteract the negative trend** and invigorate the sector at both the European and international levels.

Since the adoption of the CARS 2020 Action Plan, the Commission together with the stakeholders has made great efforts to address persisting problems and to **respond to global and structural challenges the industry is being faced with today.** Actions, which have been implemented delivered results and **built strong foundations for recovery, job creation and industrial renaissance in Europe now and beyond 2020.** Following major progress, which has been achieved in the implementation of the commitments in all four pillars of the Action Plan, 2013 was **a turning point in the process of re-establishing the automotive sector's prominent position** in Europe and in third markets.

In the year following the launch of the Action Plan, **the Commission has shown its determination to strengthen the sector** by additional

incentives for innovation, striving towards creating a favourable business environment and supporting vehicle manufacturers in their conquest of foreign markets. In parallel, the social aspect was strongly underlined in order to preserve our highly skilled workforce and to ensure that new, well-trained and educated workers will contribute in the future to the success of the sector. The main achievements in specific areas are set out hereafter.

Pillar I - Investing in advanced technologies and financing innovation

- Adoption of the Horizon 2020 programme, the biggest EU research and innovation programme in the history of the EU. Within the €80 billion budget, more than €6 billion has been earmarked for transport[1].

- Launching of the European Green Vehicles Initiative (EGVI) and a second edition of the Fuel Cells and Hydrogen Joint Technology Initiative (FCH JTI). The former, with a budget of €1.5 billion, out of which half will be contributed by the EU, will serve as a key tool to strengthen research and implementation of innovation in the area of clean technologies. For the FCH JTI, the Commission has earmarked over €660 million, out of which around 40% will be devoted to transport related projects. The same amount will be contributed by the industry. Moreover, new financing opportunities for the automotive sector have been created under the 'Societal Challenges' pillar of Horizon 2020 and in the framework of the Public-Private Partnership 'Factories of the Future'. Based on the experience from the previous Framework Programme in relation to the way how the funding was assigned within the 'Transport' domain, the automotive sector should altogether benefit of around €2 billion.

- Supporting small and medium-sized enterprises by means of additional funding available under Horizon 2020 (around €10 billion) and through the COSME programme with a budget of €2.3 billion. An 'SME instrument' developed under Horizon 2020 has been designed specifically for highly innovative smaller companies. With at least €2.8 billion that will be available solely for SMEs, it will provide funding opportunities for early-stage, high-risk research and innovation. The automotive sector, with a significant share of SMEs, could be one of the major beneficiaries of this funding.

- Adoption by the Commission of the proposals for a "Clean Power for Transport Package" setting minimum requirements for fuelling and

[1] €6 339 million for the period 2014-2020 has been earmarked for 'Smart, Green and Integrated Transport' under the Societal Challenges envelope.

recharging infrastructure in the framework of Member States national plans, establishing common standards for recharging infrastructure across the EU and improving consumer information. The Directive is an important enabling step towards achieving deeper penetration of alternative fuelled vehicles in the European market as it tackles the persisting problem of a lack of alternative fuel infrastructure, a major stumbling point for a widespread uptake of vehicles with alternative powertrains.

Pillar II - Improving market conditions

- Publication of 'Guidelines for financial incentives for clean and energy efficient vehicles' in February 2013, a document, which consists of mandatory principles that must be strictly respected and recommended ones which form a set of best practice for Member States implementing demand side measures. Implementation of the Guidelines should lead to maximising the positive impact of the national schemes on the diffusion of low emitting vehicles in Europe and will contribute to avoiding unnecessary distortions in the Internal Market.

- Concluding in November 2013 a '*fitness check'* of the type-approval framework with an objective to identify possible overlaps, gaps, inconsistencies or other areas, which may create excessive and unjustified burdens for vehicle manufacturers. This exercise sets the scene for the review of the framework Directive, to allow it to correct shortcomings and supplement it with additional provisions, for example, those related to market surveillance.

- Introduction of competitiveness proofing in the impact assessment systems as a reinforced analysis of the effect of new pieces of legislation on the automotive industry, especially in a global context. The competitiveness proofing guidelines[2] will be, for example, applied to the assessment of an impact on the car sector of an agreement between the EU and the US in the framework of the Transatlantic Trade and Investment Partnership (TTIP).

Pillar III - Enhancing competitiveness on global markets

- Launching a study to evaluate the cumulative impact of already concluded free trade agreements (FTAs), those being negotiated and those being planned, on the industry's competitiveness. The study

[2] SEC(2012) 91 final

analyses economic consequences of FTAs on the European automotive sector and could serve as a basis for future discussions on policy making.

- Undertaking a reform of the 1958 Agreement – the key tool for a widespread, international legislative harmonisation of the automotive legislation. In addition to increasing the attractiveness of the 1958 Agreement, its second objective remains to deliver a framework that is fit and robust to successfully face future challenges and developments in the continuingly changing global automotive market. This reform will also provide a powerful tool to eliminate non-tariff barriers in our negotiations on FTAs with our major trading partners. A formal proposal was submitted to the March 2014 session of WP.29 hence concluding the technical work.

- Initiation of discussions on regulatory convergence in the car sector between the EU and US in the framework of the TTIP and in coordination with UNECE WP.29 activities. When the agreement is concluded, removal of the regulatory burden in transatlantic trade is expected to deliver substantial benefits for the European automotive sector.

- Tightening co-operation with the US within the framework of the 1998 Agreement in the areas of innovative technologies. Creation of two dedicated working groups covering environmental and safety related issues of electric and fuel cell vehicles aims at deepening legislative harmonisation in the fields, which will play a prominent role in the near future. Moreover, the Commission has been conducting bilateral dialogues with major trading partners, including successful co-operation with Russia and Japan under the framework of the UNECE and with China (e.g. adoption by China of European emission legislation, Euro 5).

Pillar IV – Anticipating, adapting and managing restructuring

- Revision of the rules of the European Globalisation Adjustment Fund (EGF). In line with the new Regulation[3], procedures have been simplified and streamlined in order to reduce the time needed to provide support in case of major restructuring. The scope of workers eligible for funding has been widened to cover temporary and interim employees and a co-funding rate has been increased from 50% to 60%. The changes will enable more efficient handling of applications

[3] Regulation (EU) No 1309/2013

and ensure a better protection for workers in case of restructuring processes.

- Launching an inter-service task force after an announcement of the closure of a Ford plant in Genk. The Task Force, comprised of representatives of the Commission, regional and local authorities ensures efficient use of relevant EU Funds.

- Adoption of the EU Quality Framework[4] for anticipation of change and restructuring that calls for certain principles and best practice to be followed by industry and public authorities with a view to facilitating the investment in human capital and promoting the reallocation of human resources to activities with a high growth potential and quality of jobs.

Next steps

Actions and priorities envisaged for 2014

An increase of sales in the last trimester of 2013 and the beginning of 2014 might indicate that well-coordinated actions undertaken by the Commission, Member States and the industry, in addition to improving consumer and market confidence, begin to bear their first fruit. The EU market seems to be rebounding from the slump (2014 has the potential for a first growth of sales after six years of decline) giving the automotive industry an opportunity to further improve their economic situation (based often on sales in third countries) with increased revenues from the European operations. Recovering from the crisis does not mean however that the peril of stagnation or decline has been successfully averted. Companies have to continue to strengthen their competitiveness by reconsidering applied business models. In parallel, they need to be supported by targeted and thoughtful policy initiatives taking into consideration short-, medium- and long term objectives.

The CARS 2020 Action Plan presented a compelling vision for the European automotive sector together with a list of concrete commitments, fulfilment of which is a prerequisite for reaching the overarching goal of a strong and competitive European automotive industry. In several cases, the commitments are open-ended serving as a code of best practice or as a guideline for policymakers when developing new legislation, while in others, they refer to specific actions which need to be completed within a specific time frame. Assessing the process of implementation of the Action Plan, in 2014 special attention is being paid to the following measures:

[4] COM(2013) 882 final

- launching of a new series of calls for proposal (2014/2015)[5] in the framework of the European Green Vehicle Initiative (EGVI), Fuel Cells and Hydrogen Joint Technology Initiative, as well as action envisaged under the 'Societal Challenges Pillar' especially for 'Smart, green and integrated transport' and under the second edition of a Public-Private Partnership 'Factories of the Future'. In order to simplify the procedure, the vast majority of calls (including those under EGVI) from 2014 apply a 'one stage' approach;

- ensuring investment framework conditions that will contribute to stable and diversified funding support, in particular maintaining financing at attractive conditions for the projects related to safety and low emitting technologies by means of EIB financial tools as well as further supporting good access to funds for SMEs and mid-caps. The Commission will verify the possibility to set-up a task force with the EIB to help identify new financing prospects;

- since no consensus has been reached so far on a voluntary Code of Conduct in relation to vertical agreements, the Commission continues to encourage dialogue between car manufacturers and dealers, in order to reach an agreed voluntary Code of Conduct. However, if agreement is not reached at the latest by the end of 2014, the Commission reserves the right to initiate a process, with the aim of adopting a legislative proposal regulating relations between different players of the automotive sector[6];

- engaging relevant stakeholders in the work on revising the type-approval framework and identifying other candidate areas of regulation that should as a priority be subjected to a '*fitness check'*;

[5] Overall indicative budget: EUR 129 million from the 2014 and EUR 30.00 million from the 2015 budget

[6] This point does not represent a common position of all the Members of the CARS 2020 process. Divergent opinions have been expressed by the representatives of ACEA, CECRA and IndustriALL.

Proposed wording by ACEA:
The Commission has organised several bilateral meetings with stakeholders and the subject was also discussed within the CARS 2020 working group meeting on 30 April and on 21 October 2013. However, since no consensus so far has been reached on a voluntary Code of Conduct, the Commission intends to continue facilitating discussions between different players of the automotive sector;

CECRA and IndustriALL:
In the Commission's initial proposal, it was written that, if dealers and manufacturers fail to agree on a voluntary Code of Conduct, "the Commission intends to initiate a legislative procedure" aimed at developing a legal framework regulating relations between different actors of the automotive sector. The change of the wording from "intends to initiate" to "reserves the right" is not acceptable for CECRA and IndustriALL as it unduly weakens the original wording (the Commission can initiate legislative procedures at any time) which fairly reflected the original Commission proposal. Therefore, the phrase "intends to initiate" should have been kept as it was.

- performing an economic analysis on selected implementing measures related to the development of more representative testing procedures for assessing emissions and fuel efficiency;
- initiation of the work of the European Automotive Skills Council;
- finalising work on a study on the cumulative effects of FTAs on the European automotive industry in order to allow the Commission to develop a more informed trade policy;
- working towards an agreement on closer regulatory cooperation with the US within the framework of the TTIP and continuing negotiations with Japan on an FTA with an aim of reaching a balanced agreement between both parties, taking into particular account the interest of the European automotive industry;
- conducting further discussions with key European trade partners (including Russia, China and Mercosur) with a view to tightening regulatory co-operation. The objective of the negotiations will be to reach common approaches within existing and future legislative frameworks related to the automotive sector;
- adopting the proposals for a reform of the 1958 Agreement and encouraging new countries to participate in the work under the UNECE framework;
- adopting a new Regulation under the 1958 Agreement, which will enable global approval of vehicles hence reducing the burden for vehicle manufacturers and facilitating trade.

Medium term orientations for the European automotive industry

Despite promising results in terms of sales in the 2nd half of 2013 (4.1% growth compared to the same period in 2012, rising however, from very low levels) and a very good first half of 2014 (+6.5%), it goes without saying that the work has not been concluded and all the parties must put sizeable efforts to adapt to changing conditions and opportunities. This is especially important in the context of ongoing structural societal changes (e.g. aging of the population, greater reservations about car ownership and falling distances covered annually) as well as general trends including high congestion in urban areas, improvements in public transport and longer vehicle life-times, which are gradually re-shaping mobility and private needs in Europe thus impacting patterns of demand for traditional vehicles.

Therefore, to ensure that the strong long-term position of the automotive sector is maintained, the Commission's actions need to be further implemented and enforced. An active role of the Member States at national level by means of introduction of complementing and strengthening measures in the areas of promotion of innovation, financing or smart regulations to those proposed by the Commission is indispensable to create powerful synergies. In parallel, the industry needs to continue to proactively address existing problems, improve its competitiveness and be involved in a constructive and responsible dialogue with policymakers.

On the basis of conclusions prepared by stakeholders participating in the work of the working groups and discussions undertaken during the meetings of Sherpas, a list of medium-term recommendations vital for the European automotive industry was prepared. Implementation of those recommendations will further strengthen the sector and support it in facing existing and emerging challenges. In order to reach the strategic objective of a strong, innovative and globally competitive sector, the Sherpas urge all the stakeholders to work together in line with the following guiding principles, which will serve as mid-term orientations for the policymakers and the industry.

1. The automotive industry is and will remain a backbone of the European economy. The long term perspective must guide all short- and medium term actions at the European and national levels. The target of 20% European GDP by 2020 from manufacturing can only be achieved with the strong presence of the automotive industry; therefore it is of utmost importance to keep key elements of the supply chain in Europe.

2. The Commission has secured significantly higher levels of financing to support research and innovation compared to 2007-2013 (e.g. 50% increase of the budget of the EGVI). With a substantial funding earmarked by the Commission, financing at the national levels should reflect the economic and social importance of the industry. Better, more efficient use of available funding should be a priority for all the Member States. Moreover, it needs to be further streamlined and coordinated with policy objectives providing an additional impetus for vehicle manufacturers to strengthen their global competitiveness and, in parallel, to responsibly contribute to tackling existing societal challenges.

3. Development and implementation of cutting-edge technologies, the hallmarks of the European automotive sector, must remain the key priority of any future strategy. The industry should have an ambitious target of turnover spent on research and development. Innovations need to be constantly introduced and diffused across the

entire supply chain, among others, in the areas of components, production technologies, resource-efficiency, management, human resources and design, in order to develop highly demanded, safe, clean, energy efficient, connected and affordable products. European climate objectives should guide further developments in the domains of energy vehicle efficiency, decarbonisation and the use of alternative fuels, while keeping the balance with an objective to secure long-term competitiveness of the sector.

4. Globalisation has set great opportunities (the world market is expected to reach 100 million vehicles by 2020), but, at the same time, creates potential challenges for the sector. It is a shared responsibility of the industry and policymakers to shape the business and legislative environment in such a way that will enable the reaping of benefits from the opening of external markets. A close, constructive co-operation is essential in order to equip the sector with tools to take full advantage of trade (almost €128 billion of trade surplus in 2013). The current rate of annual growth of exports of the automotive sector should be maintained. The Commission will strive to facilitate access to new markets through trade policy.

5. Smart regulation principles have to continue to be systematically applied. A proper balance of legislative and non-legislative measures evaluated from the overall perspective of their cost-effectiveness should be pursued. A legal framework that is fair, stimulating, creating favourable business conditions and responding to societal challenges needs to remain a guiding principle for policymakers. The importance of smart regulation principle was reiterated by the European Council of March 2014 stating in the conclusions that "Competitiveness requires a stable, simple and predictable environment, including better regulation and in particular an ambitious Regulatory Fitness and Performance Programme (REFIT). […] Industrial competitiveness concerns should be systematically mainstreamed across all EU policy areas and be part of impact assessments in view of getting a stronger industrial base for our economy. This should go together with competitiveness proofing."

6. The Commission will continue assessing cumulative costs as well as benefits of legislative measures and discuss their impact with all relevant stakeholders. An impact assessment for relevant major future initiatives, including those with a significant impact on the automotive industry as well as a proportionate economic analysis for some implementing acts, based on existing vehicle legislation should ensure the principles of smart regulation are properly implemented.

7. Building a strong automotive industry in Europe will only be possible if highly qualified workforce with specific skills is available. A successful co-operation between all parties is indispensable to anticipate on-going changes and direct resources from European Funds into the most important areas. Moreover, Member States bear the responsibility for creating a targeted educational framework, whereas the industry should strive towards constant improvements in the qualifications of workers and refrain, to the extent possible, from actions which could result in a permanent loss of highly qualified workers.

8. The manufacturing tissue needs to be preserved. Restructuring processes, if deemed inevitable, should be performed in a manner that minimizes negative social impact and which duly considers the set of good practices laid down in the CARS 21 final report. A broad cooperation between companies, Member States and regional authorities should take place at the earliest possible stage. This will diminish the risk of a permanent workforce loss and give an opportunity to implement mechanisms, which could soften the consequences of redundancies. Member States and the industry, with the support of the European Funds and taking into consideration regional smart specialisation, should aim at urgent re-industrialization of the affected sites and actively support re-introduction of workers on the labour market by means of retraining, assistance in job search or promotion of entrepreneurship. The Commission stands ready to launch task forces for all the cases of major restructuring processes in order to assist Member States, regional authorities and industrial partners in the management of available financing from EU Funds.

9. The long-term competitiveness of the industry should be borne in mind when considering transport measures to address long-term climate objectives. The Review of the White Paper on Transport should focus on ensuring a level-playing field among transport modes and their contribution to clean and safe transport in Europe. A better integration of all modes of transport in a truly multimodal vision, together with more extensive use of information and communication technologies will not only allow greater energy efficiency, but will also be the key to a more efficient exploitation of the transport network. Intelligent transport systems (ITS) development should also be an integral part of that discussion.

Future role of the CARS 2020 Process

The CARS 2020 process has given new impetus to the initiative which was originally initiated in 2005 and re-launched in 2010 in order to provide policy recommendations, which would contribute to enhancing the competitiveness and sustainable growth of the European automotive industry. The conclusions of the work of the CARS 21 High Level Group, made up of policymakers as well as industrial and non-industrial stakeholders, served as an important input for the Commission Communication: 'CARS 2020: Action Plan for a competitive and sustainable automotive industry in Europe', which created the basis for the CARS 2020 process.

The current process gathers together a wide representation of Commission departments, Member States and all key sectorial stakeholders. This arrangement creates a unique platform to exchange opinions and provide strategic advice on the development of a European legislative framework, which would create a favourable business environment for the automotive sector in Europe and effectively address societal changes. The outcome of the work of the CARS 21 High Level Group became a basis for the development of a first sectorial policy within the Industrial Policy Communication published in October 2012[7]. Recommendations tabled by the High Level Group streamlined the efforts at all levels giving an opportunity to gear new and existing legislative acts to better address the problems faced by the sector, to strengthen its global competitiveness and to reduce superfluous administrative burdens.

The need for soliciting opinions from all relevant stakeholders with the intention of creating legislation which would respond in a more efficient manner to existing market conditions and address societal challenges remains valid. Challenges lying ahead for the automotive industry will not be properly tackled without strong and dedicated policies having a holistic overview of the sector aimed at supporting growth and fostering an industrial renaissance. By gathering relevant policymakers and stakeholders and providing a forum for discussion on all the policies affecting the sector, the CARS 2020 process provides a more appropriate framework for the development of such a holistic vision of the sector.

The opinion of an added value of the CARS 2020 process in ensuring that issues vital from the perspective of the automotive sector will be properly addressed at the European level has been strongly supported by the participants. The key role of the initiative in bringing together different stakeholders providing strategic advice on the European activities

[7] COM(2012) 582 final

impacting the automotive industry proved that such an initiative is needed and should, therefore, continue in the future.

Following recommendations of the Group, in the next steps, the CARS 2020 process should focus on strengthening of the competitiveness of the European automotive industry and alongside societal and environmental objectives supporting measures that contribute to production, investment and employment in Europe. This could only be achieved by mainstreaming the competitiveness across different policy areas, creating an environment that will facilitate innovation, reducing administrative burden and supporting global presence of the industry. In addition, the CARS 2020 process should ensure by its work that the 'smart regulation' principles are applied thus creating legal framework which stimulates the industry and enables reaching economic and societal objectives in the most cost efficient manner. Main topic indicated by the stakeholders, which should gain special attention in the future framework of the CARS 2020 process, in addition to the ones that were already discussed by the working groups, is the implementation and promotion of intelligent transport systems (ITS) comprising, among others, autonomous vehicles, vehicle-to-x communication[8], as well as smart mobility.

With a broad and active involvement of all relevant stakeholders, the CARS 2020 process managed to reach its objective both in terms of monitoring the implementation of the Action Plan and providing a number of comments and suggestions on further improvement of the framework conditions which will lead to strengthening the competitiveness of the automotive industry. In addition, the Group identified opportunities as well as flagged challenges lying ahead of the sector.

In order to take full benefit of the outcome of the process, its conclusions should be further exploited and need to be embedded into a strategic vision of the European automotive industry. They should serve as a starting point for the development of a general policy for the European automotive sector, which will be a guiding document for the Commission, Member States and the industry in the second decade of the twenty-first century and beyond.

Annexes:

1. Economic situation
2. Progress report on the implementation of the CARS 2020 Action Plan commitments
3. Consensus papers from the working groups

[8] Systems enabling communication between vehicles (vehicle-to-vehicle communication) and between vehicles and infrastructure (vehicle-to-infrastructure communication)

ANNEX I

CARS 2020 Process – Economic situation of the European automotive industry

Similarly to most European industries, the automotive sector has been strongly affected by the unprecedented economic crisis which stroke Europe. Last years have been marked, in most of the EU countries, with a rigorous introduction of far-reaching austerity measures and a struggle to regain positive economic growth. In parallel, sizable efforts were made in order to stem growing rates of unemployment and falling consumers' confidence. In spite of recent signals indicating that the EU economy is slowly coming out of contraction, GDP of the Euro zone fell by 0.4% in 2013 and the GDP of the entire EU rose by 0.1%.

Overview of the situation of vehicle manufacturers, suppliers and dealers

Adverse economic situation created unfavourable conditions for almost all European industry sectors not sparing vehicle manufacturers. Five consecutive years (2008 – 2012) of significant sales and registration declines in Europe brought the automotive sector back to the volumes of the year 1995, almost a quarter lower comparing to peak numbers of the year 2007. Falling sales have affected vehicle manufacturers in Europe in an inhomogeneous manner. Volume producers with a product range focused on small and medium size cars were most heavily impacted. Upon those companies a strong pressure for cutting costs has been built resulting in several restructuring operations across Europe (PSA, Ford, GM and FIAT). Performance of premium brands has been considerably better mostly due to a possibility to compensate worse results in Europe by externalising their sales to third markets.

Year 2013 has brought further declines to already very low sales levels in Europe, however, these were not as dramatic as in previous years. Grim forecast predicting contraction of the European automotive market by another 4% has not been fulfilled and, mostly due to remarkable growth in the last four months (on average, over 6% per month), it closed 2013 with a moderate decline of 1.7%. The noticeable positive trend of the last trimester of 2013 and a very good first half of 2014 (+6.5%) spurs optimism for a sustainable recovery in 2014 (2% according to Global Insight).

A similar picture can be seen for L-category vehicles. Sharp declines of around 13% of sales volumes in 2012 propelled by falling consumers' confidence put manufacturers in a challenging position. Year 2013 did not

bring long sought reverse of a trend; instead sales fell by additional 14% in comparison to previous year.

Likewise, sales of commercial and heavy duty vehicles have been strongly impacted by deteriorating economic situation. It has led to a significant fall of new registrations across Europe in 2012 bringing the market to its historically low volumes and resulted in only a very slight growth in 2013. However, emerging signs of an improvement of an economic situation fuel expectations of approaching increases of sales in 2014.

A decrease of production output of vehicles across the EU in 2012 was a direct implication of falling sales. Growing sales to third countries could not compensate for the loss on the domestic market, aggravating the problem of extensive overcapacities present both at specific plants' and at companies' level. A capacity utilisation rate of 75-80%, widely considered as a sustainable level for vehicle manufacturing plants, is hardly achieved by several Europe based companies raising concerns about possible further restructuring. This might result in a permanent loss of production capacities and reduction of employment not only at the manufacturing sites but also over the entire supply chain. Despite contracting demand on the European market in 2013, the production levels of light duty vehicles grew by 0.8% to almost 16 000 000 units.,

Difficult situation of the vehicle manufactures has also presented a challenge for others market players. Suppliers of the automotive plants have been severely impacted by the outbreak of the financial crisis in the end of the last decade. This forced them to embark on reorganization processes leading to higher flexibility in terms of the utilisation of production capacities, diversification and more effective management of a workforce. At present moment, major suppliers appear to be less susceptible, however not immune, to the consequences of falling production volumes of vehicles successfully externalising their operations to other markets. Nevertheless, in cases where production of components takes place in close proximity to manufacturing plants, reduction of volumes will inevitably lead to a loss of workforce in a specific region. Similarly, smaller suppliers, showing to a lesser extent a possibility to diversify their sales or to follow vehicle manufacturers during a re-location, will be more exposed to insolvencies and, in consequence, will be more prone to take downsizing actions

On the other side of the value chain, lower sales volumes put dealers and repair sector in an unfavourable position. Faced with falling profits and a lack of possibilities to externalise sales to other geographical locations, in several EU countries over 50% of dealers reported losses and signalised in many cases emerging liquidity problems.

Adverse economic situation is regarded as a major but not an ultimate source of falling sales and registration volumes in Europe. Structural societal changes including demographics or alteration of mobility needs shape in a number of ways the demand for vehicles. Growing number of

people living in urban areas as well as progressing aging of the population combined with a constant improvement of public transport and high congestion result in a gradual replacement of a mobility based on personal vehicles with other modes of transport. Emerging reluctance to car ownership and falling distances covered annually can be partly explained on the economic grounds (for example, due to increased fuel prices or high unemployment among young people), however, raising consumers' awareness and availability of alternative mobility solutions seem to reinforce the downward trend.

Development of trade with third markets and its impact on the European automotive industry

Deteriorating situation on the European market has forced EU vehicle manufacturers to search business opportunities outside Europe. Emerging economies, in particular BRIC countries as well as the US and Turkey have become major sources of growth and profit for majority of European companies. Technical superiority and strong brand image, hallmarks of the European products, enabled EU exporters to successfully gain market shares in third countries creating a substantial export surplus (almost €128 billion for the sector in 2013). The position of the majority of European vehicle manufacturers seems currently unchallenged. However, growing competition from local producers and protectionism practiced by several countries require further efforts both on the manufactures' and regulators' sides.

Out of approximately 15 million cars produced on a yearly basis in Europe, around one third (4.7 million in 2013) is exported outside the EU. Traditionally, the biggest trading partner for vehicles is the US with a positive trade balance of around €19 billion and €10 billion for vehicles and parts respectively. The vast majority of almost 800,000 units exported to the US in 2013 belonged to a premium segment. Some independent impact studies performed have estimated that a finalisation of the on-going discussions under the Transatlantic Trade and Investment Partnership (TTIP) with a full elimination of tariffs and a reduction of 10% of non-tariff barriers (NTBs) could contribute to a further increase of sales to the US up to 70% during the period 2017-2027.

China, with a €25 billion positive trade balance is the second most important external market for the European manufacturers. Being by far the world's leading automotive market, China has recently become the main source of profit and growth for several European companies. In parallel to heavy investment in increasing local production capacities, vehicle manufacturers continue to export significant volumes of cars, almost solely from the high-end, premium segment. Imports from China in 2013 constituted about 12% of the total imports of vehicles and parts, however, this number is expected to rise in the future.

The third biggest EU trade partner in the automotive sector is Japan. European exports to Japan are dominated by premium cars while imports

tend to be more focussed on entry and mid-level vehicles. Japan has had a traditional surplus in trade of vehicles to the EU, but this trend has been reversed in 2012 and 2013. It is unclear if this is a sustainable trend. In the case of parts and components, the EU trade balance with Japan is negative. The European Commission is currently in the process of negotiating an FTA with Japan. In the motor vehicle sector the objective of the negotiations is to tackle the existing NTBs, which hamper market access for European manufacturers and to increase regulatory harmonisation (based on UN Regulations), in order to facilitate market access and cut unnecessary costs. The successful conclusion of the FTA depends, among others, on satisfactory progress in dismantling NTBs and on the agreement on a set of disciplines regarding NTBs.

Restructuring and effects on employment

Difficult situation in the European market urged a need for further cost-cutting activities and improvement of efficiency. This, in several cases, meant involvement in deeper restructuring processes which inevitably led to reductions in employment. In a first phase of the crisis (2008-2009) most of the restructuring took place upstream of the vehicle manufacturing plants with only three European plants terminating their operations (a Saab Automobile plant in Trollhattan, Sweden; a General Motors factory in Antwerp, Belgium; and a Fiat plant in Termini, Italy). Year 2012 brought new announcement of major restructuring including closure of PSA plant in Aulnay, Ford manufacturing facility in Genk and internal reorganization of FIAT plants. In parallel, however, several European companies including major automotive suppliers, announced creation of new workplaces in response to growing demand on global markets. In total, it is estimated that only around 11,000 jobs were lost in the automotive industry Europe in the course of 2012.

In 2013, despite uncertain economic situation and a bleak outlook for a swift recovery, only one vehicle manufacturer decided to stop production in one of its plants - Opel in Bochum. On the other hand, some companies have reacted through internal competitiveness plans (e.g. Renault and PSA), which have been negotiated with the unions, and which will allow for more flexibility in the management of the workforce and will ensure continued activity and employment for the future. Nevertheless, several vehicle manufacturers have embarked on deep internal restructuring activities including Renault, Volvo Trucks and Volvo cars, Daimler Trucks, PSA) and Honda. Major restructuring events have also taken place within the suppliers' segment. Johnson Controls has decided to terminate production in a plant in Czech Republic. Similarly, Goodyear closed its manufacturing facility in France. Unsurprisingly, job creation in the sector was significantly smaller comparing with occurred job destruction. Following announcements of Jaguar Land Rover, Audi, BMW, Ford Skoda and Iveco, new posts will be created in the nearest future.

It must be remembered that each job destruction activity triggers a ripple effect throughout the entire supply chain. It is estimated that each place in

a manufacturing plant is responsible for a creation of around three additional posts upstream the supply chain. Therefore, restructuring cases mentioned above should be seen in a wider context including a cumulative impact of redundancies on the European economy.

Improving economic conditions and raising consumers' confidence seem to indicate that the worst period of the crisis has been overcome and the market has bottomed out, however, it is not expected that it will reach 2007 levels in the nearest future. Further restructuring activities cannot be excluded, however, it is expected they will not be as far reaching as those which happened in the course of 2012 and 2013.

ANNEX II

Progress report on the implementation of CARS 2020 action plan (September 2014)

1. INTRODUCTION

This paper aims to give an overview of the activities pursued implementing commitments spelled out in the CARS 2020 Action Plan. It draws particular attention to the main issues identified transpiring from the implementation as well as the activities that remain to be addressed or will continue to be applicable in and beyond 2014. Actions which have not been finalised in the course of 2013 have been listed at the end of each pillar as 'Next steps'.

2. ORGANISATIONAL OVERVIEW

On 8 November 2012 the European Commission adopted the Communication: CARS 2020: Action Plan for a competitive and sustainable automotive industry in Europe[1]. This document constituted a first action of the new industrial policy Communication adopted in October 2012 and followed a dialogue started in 2010 with the High Level Group CARS 21. It was built around four pillars, each consisting of a set of concrete implementing initiatives, which aim at strengthening the competitiveness of the European automotive industry. Presenting the Action Plan, the Commission indicated the importance of specific actions in the following areas:

- Promotion of investment in advanced technologies and innovation for clean, energy efficient and safe vehicles;
- Improvement of market conditions by, among others, strengthening the single market for vehicles, consistent application of the smart regulation principles and application of competitiveness proofing;
- Supporting the European automotive industry in approaching global markets by means of balanced trade policy, assessment of cumulative impacts of the free trade agreements (FTAs), bilateral dialogues with major third markets and promotion of international harmonisation of vehicle regulations;
- Promotion of further investments in skills and training in order to meet the needs of the industry in terms of accessibility of highly

[1] COM(2012) 636 final

skilled workforce.

Following the publication of the Communication, the Commission launched a new Expert Group "CARS 2020" whose aim is to scrutinise the implementation of commitments set out in the CARS 2020 Action Plan as well as CARS 21 recommendations. Apart from monitoring, the objective of the Expert Group is also to provide a space for discussion and strategic advice on the implementation process.

3. STATUS OF IMPLEMENTATION OF INDIVIDUAL PILLARS

3.1. INVESTING IN ADVANCED TECHNOLOGIES AND FINANCING INNOVATION

Background

The European automotive industry's leadership in technology continues to be challenged globally. The EU must keep a vanguard in producing vehicles which are attractive to EU consumers, clean, fuel-efficient, safe and connected. In order to maintain the leading position in the development and deployment of cutting-edge automotive technologies and preserving the competitive advantage in the global markets, it is indispensable to strengthen technological expertise by further investments in innovative solutions. Recognizing the importance of the automotive industry for the European economy and being aware of the challenges related to meeting air quality and climate change goals, the Commission has taken an active role in providing an adequate support to the sector.

3.1.1. Research, development and innovation

The Commission's commitment:

– to work together with industry to develop a proposal on the **European Green Vehicles Initiative** (as a follow-up to EGCI PPP) under Horizon 2020, including a platform to develop clean and energy-efficient vehicle technologies, as announced in the 2010 Industrial Policy Communication[2]. The initiative will leverage private funding to help address the key challenges proposed for Horizon 2020.

State of play:

In 2013, the European Commission, after consultations with the industry, prepared and presented a proposal for the European Green Vehicles Initiative. With a proposed budget of more than €750 million Euro divided into seven years of operation (2014 – 2020), this initiative will co-finance research in the area of energy efficiency and alternative fuels.

[2] COM(2010) 614

3.1.2 Access to finance

The Commission's commitment:

– to continue working with the EIB in order to **ensure that financing for automotive research and innovation projects is available** especially in order to meet the 2020 fuel-efficiency targets while maintaining necessary appraisal procedures to ensure the viability of investments in the long term.

State of play:

With approvals of about EUR 20 billion between 2008 and 2013, the automotive sector is the largest industrial sector in the Bank's lending portfolio and a key sector in the EIB's Growth and Employment Facility. The majority of automotive lending has been dedicated to Research, Technological Development, Demonstration and Innovation investments (RDI) projects, notably in the areas of reduction of emissions and of fuel consumption and also on safety. Alongside RDI, projects, the Bank is supporting the deployment of breakthrough technologies, such as technologies and infrastructure for the roll-out of electric mobility in road transport.

More than 20% of the lending to the automotive sector has been provided under the Risk Sharing Finance Facility (RSFF), an innovative instrument jointly developed by the Commission and the EIB to finance higher risk RDI projects, supporting Europe's automotive industry in maintaining RDI investments in areas with longer lead times and lower profit expectations. This risk-sharing instrument will be further deployed under the new financial instruments implemented in Horizon 2020.

The Commission's commitment:

– to support the EIB in its efforts **to facilitate access for SMEs and mid-caps**. Though the administrative burden is considered to be low, the Commission will further investigate which tools could improve accessibility to the financing for SMEs, especially if **SMEs experience difficulty accessing credit from commercial banks**

State of play:

Building on the success of the Risk Sharing Finance Facility (RSFF) and recognising the need to help SMEs that innovate to access finance from banks, the Commission together with the EIB launched at the end of 2011 the Risk Sharing Instrument (RSI) facility, managed by EIF, providing loans and leases to SMEs undertaking research, development or innovation projects. Further focus has been put on the innovative mid-caps segment under RSFF, with the EIB providing direct and intermediated financing

instruments to SMEs, such as the Growth Financing Initiative and the Mid-Cap Initiative.

The Commission's commitment:

– to explore with the EIB the possibility of **financing projects linked to electromobility**, including the support through dedicated technical assistance as with the existing ELENA facility[3].

State of play:

The ELENA facility could support projects focusing on sustainable urban mobility alternatives, such as electromobility, and any other alternative fuel supporting infrastructure. For projects technologically still at an early stage of their development, implementation and deployment phase, the ELENA facility is meant to support the promoters on the feasibility and pre-deployment studies, including pilot implementation initiatives; and linked to a committed leverage factor for further larger investments. In the field of electromobility, around 10 projects have benefited from support of ELENA, involving private and public integrated transport networks.

3.1.3. Lowering CO2 emissions

The Commission's commitment:

– to start a broad consultation on **CO2 regulatory policy for cars and vans beyond 2020** setting out a number of aspects on which views will be sought, and then the responses to which will feed into the determination of the form and level of ambition of future policy in the context of the envisaged review[4]. The Commission will take into account issues, such as cost-effectiveness, the expected development of CO2 reduction technologies and other relevant factors.

State of play:

Two stakeholder meetings regarding LDV CO_2 emissions beyond 2020 were held in November 2012 and May 2014. In addition a large number of pieces of analytical work are being carried out in support. These include:

1) An exploration of the impact of different Regulatory approaches and metrics have been completed and published.

2) An exploration of the cost and potential of downweighting and implications for future choice of utility parameter.

3) An exploration of the impact of mileage weighting on the effectiveness of the Regulations.

[3] ELENA (European Local ENergy Assistance) technical assistance facility for projects on sustainable energy in towns and regions.

[4] COM(2012)393 final

4) An evaluation of the Regulations which explores their impact, appropriateness and fitness for the future.
5) An exploration of the impact of the Regulations on competitiveness.
6) An updating of information on available technologies and costs.
7) An assessment of the potential modalities for the future regulatory framework.

In May 2014, the Commission adopted the Communication: 'Strategy for reducing Heavy-Duty Vehicles' fuel consumption and CO_2 emissions'.

The Commission's commitment:

– to **embed the above policy measures in a wider and integrated policy on CO_2 reductions** from road transport, through the implementation of the White Paper on Transport Policy, covering vehicle technology, infrastructure, driver behaviour and other measures.

State of play:

The European Commission remains devoted to this commitment and is currently in the process of its implementation for example by the adoption of the Clean Power for Transport Package including the Directive on the deployment of alternative fuels infrastructure[5].

The Commission's commitment:

– to propose a review of Directive 96/53/EC at the beginning of 2013 to allow for a **more aerodynamic design of trucks**.

State of play:

In 2013, the European Commission adopted a proposal for a revision of Directive 96/53/EC[6], which will, among others, improve road safety and fuel efficiency of heavy duty vehicles. Discussions are currently taking place in the European Parliament and in the Council.

3.1.4. Pollutant and noise emissions

The Commission's commitment:

– to actively support the development and implementation of a **new driving test cycle and test procedure** to measure fuel consumption and emissions from cars and vans that is more representative of real-world driving, taking account of the characteristics of the EU market. The modalities for the

[5] COM(2013) 18 final
[6] COM(2013) 195 final

inclusion into the EU legal framework of the new cycle and test procedures should be defined before 2014, including the methodology for correlation of the CO2 targets established on the basis of the old cycle and procedure. For the emission testing, the implementation of the new cycle and procedure should ensure compliance with the Euro 6 limit values under real driving conditions, with appropriate transitional arrangements from 2014 up to 2017. For CO2 testing, the implementation of the new cycle and procedure should take into account and be consistent with the environmental objectives already defined and avoid imposing any unnecessary burdens on stakeholders. The definition of the driving range for electric vehicles will also be considered.

State of play:

Under a coordination of the European Commission, the main part of the development of a new, more representative for real life driving test cycle and test procedure (WLTP) has been finalised under the framework of the UNECE. Work on phase 1b is continued. The procedure will be implemented in the EU legal framework together with European specific modalities by the end of 2014. The Commission services propose the new procedure to be applicable as from 2017.

The Commission's commitment:

– to propose before 2014 complementary **measures controlling vehicle pollutant emissions in use**, based on a thorough analysis, with the aim of delivering a timely reduction of real-world pollutant emissions, hence, contributing to improved air quality.

State of play:

The European Commission is concluding the development of a complementary testing procedure based on the use of portable emission measurement systems (PEMS) which will assess more accurately the emissions of selected regulated pollutants in real life driving conditions. As indicated in the CARS 2020 Action plan, the procedure is planned to be implemented in the EU type-approval framework as from 2014.

3.1.5. Road safety

The Commission's commitment:

– to continue to implement road safety work in line with the focus areas and objectives of its **Policy Orientations 2011-2020**[7], covering actions on vehicles, infrastructure and driver behaviour. The right policy mix needs to be found, combining regulatory and other measures and will be defined

[7] COM (2010) 389 final

based on an in-depth impact assessment. Priorities include motorcycles, safety of new vehicle technologies (EVs) and technologies supporting driver behaviour and enforcement of road rules (intelligent speed management devices, seat belt reminders, ITS, eco-driving).

State of play:

A road worthiness package was adopted in April 2014. Several studies have already been undertaken or will be initiated this year in the field of safety of vehicles: speed limitation devices, alcohol interlocks, event data recorders and safety aspects of tyre use.

A staff working document on the safety potential of specific vehicle technologies such as pedestrian recognition systems, emergency braking systems for passenger cars or intelligent speed adaptation was published in October 2014. In addition, a comprehensive study investigating new possible measures to improve vehicle safety has been launched.

The Commission's commitment:

– to further promote the deployment of **Intelligent Transport Systems (ITS)**, including cooperative systems, in particular the EU-wide in-vehicle emergency call system "eCall". Appropriate legislative measures ensuring strong coordination and a timely and complete deployment of all elements related to eCall are being put in place in order for this life-saving system to function effectively from 2015.

State of play:

The proposal on the EU-wide in-vehicle emergency call system "eCall"[8] has been adopted by the Commission. During the legislative process so far, the European Parliament and the Council have supported the Commission's proposal. In the European Parliament, a plenary vote on a first reading position took place on 26 February 2014. The Council adopted a General Approach endorsing the text prepared by the Working Party on 26 May 2014.

3.1.6 Alternative fuels and infrastructure

The Commission's commitment:

– to propose within the coming months an **Alternative Fuels Strategy**, as part of the Clean Power for Transport package, supporting the need for a range of alternative fuels in the context of delivering the EU climate and environmental objectives and in relation to security of the EU's energy supply.

[8] COM(2013) 316 final

State of play:

The Clean Power for Transport package including an Alternative Fuels Strategy was adopted in September 2014 ensuring the build-up of alternative refuelling points across Europe with common standards for their design and use, including a common plug for recharging electric vehicles.

The Commission's commitment:

– to adopt, as part of the Clean Power for Transport package, a **legislative proposal on alternative fuel infrastructure**, concerning the deployment of a minimum refuelling/recharging infrastructure and common standards for certain fuels, including electric vehicles.

State of play:

The Clean Power for Transport package including a legislative proposal on alternative fuel infrastructure was adopted in September 2014 ensuring the build-up of alternative refuelling points across Europe with common standards for their design and use, including a common plug for recharging electric vehicles. Member States must set and make public their targets and present their national policy frameworks by end-2016.

The Commission's commitment:

– to propose a legislative measure at the latest by 2013 to ensure that practical and satisfactory solutions for **the infrastructure side of the recharging interface for electric vehicles** are implemented throughout the EU, in case no agreement is reached on a voluntary approach among stakeholders involved through the standardisation process. It will take into account the synergies between the electricity system and the electric vehicles.

State of play:

The Clean Power for Transport package including a legislative proposal on alternative fuel infrastructure was adopted in September 2014 ensuring the build-up of alternative refuelling points across Europe with common standards for their design and use, including a common plug for recharging electric vehicles. Member States must set and make public their targets and present their national policy frameworks by end-2016.

The Commission's commitment:

– to pursue the dialogue with relevant stakeholders on a **fuel labelling scheme** consistent with the relevant European standards with a view to

ensure that the consumer has easy-to-understand information about the compatibility of his/her vehicle with the different fuels offered at refuelling stations.

State of play:

As a part of the Clean Power for Transport Package, the Commission adopted a Proposal for a Directive on the deployment of alternative fuels infrastructure. With the objective to improve consumer information on fuel and vehicle compatibility, the Commission has proposed to develop fuel labelling schemes at the pump and the car. These schemes are foreseen to be based on respective EN fuel standards provisions (were available). The Clean Power for Transport was adopted in September 2014.

Consumer information and fuel labelling was also a subject of the Commission's study on the functioning of the vehicle fuels market from a consumer perspective, which was carried out in 2013 – 2014 and published on 30 June 2014 as an accompanying document to the Commission's Staff Working Document[9]. The study confirmed the crucial importance of fuel labels, which should be as clear as possible to be effective.

The Commission's commitment:

– to **monitor** the implementation of the National Renewable Energy Action Plans, in particular **the effective biofuel blending rates** used in different Member States **and the compatibility** of fuels with vehicle technologies.

State of play:

In addition to the information included in the first Commission's Renewable Energy Progress Report[10] and its accompanying documents published on 27 March 2013, the latest biennial national progress reports of the Member States of 2013 and 2014 are published on the Commission's website[11].

In addition to the study on biofuel blending policies, plans and blending options published on 5 November 2013[12], the Commission continued research cooperation with fuel and vehicle sector stakeholders in this area. In March 2014 an updated JEC Biofuel project report was published and it includes amended results of the on-going research collaboration between the Joint Research Centre of the European Commission, EUCAR and CONCAWE on the potential for fuels from renewable sources to achieve the 10% renewable energy target for the EU transport sector by 2020 under the 2009 Renewable Energy and the GHG emission reduction targets in road transport under the EU Fuel Quality Directive (FQD) [13].

[9] http://ec.europa.eu/consumers/consumer_evidence/market_studies/vehicle_fuels/docs/study_en.pdf
[10] COM (2013) 175 final
[11] http://ec.europa.eu/energy/renewables/reports/2013_en.htm
[12] http://ec.europa.eu/energy/renewables/studies/renewables_en.htm
[13] http://iet.jrc.ec.europa.eu/about-jec/downloads

In order to facilitate cooperation of stakeholders on fuel market integration and improvement of fuel quality across the EU, the Commission continued cooperation with CEN and the stakeholders on both, development of new fuel standards, including biofuels, as well as on improvement of fuel quality. In addition, joint research projects on future fuels and their quality with involvement of stakeholders was launched by the Commission in June 2014. Cooperation of the stakeholders towards a joint fuel and car roadmaps until 2020 and beyond was also supported. In November 2013, a joint fuel and car industry study on an "Auto-Fuel biofuel roadmap for the EU to 2030" was published[14]. On 18 June 2014, this study was complemented by a Fuel Roadmap for Europe of the Low Carbon Vehicle Partnership[15].

Next steps: 2014 and beyond

- launch a new series of calls for proposal in the framework of the European Green Vehicle Initiative, Fuel Cells and Hydrogen Joint Technology Initiative, as well as those envisaged under the 'Societal Challenges Pillar' especially for Smart, green and integrated transport and under second edition of a Public-Private Partnership 'Factories of the Future';
- maintain financing at attractive conditions of the projects related to safety and low emitting technologies by means of EIB financial tools;
- maintain and further support good access to financing for SMEs and mid-caps;
- preparation of delegated and implementing acts for the Clean Power for Transport package
- continue dialogue with stakeholders and the Member States on the implementation of the Clean Power for Transport package as regards the user information and dialogue of the relevant findings/ recommendations of the fuels market study.
- finalise and implement two new testing procedures for better assessment of fuel consumption and emission of regulated pollutants;
- continue discussions on the CO_2 targets beyond 2020;
- adoption by the Council and the Parliament the revision of Directive 96/53/EC laying down for certain road vehicles circulating within the Community the maximum authorized dimensions in national and international traffic and the maximum authorized weights in international traffic;
- further implementation of legislative measures in the area of road safety especially those related to driving licence, training of professional drivers, national road safety strategies and injuries;
- adoption by the Council and the Parliament of the EU-wide in-vehicle emergency call system "eCall";

[14] http://www.e4tech.com/auto-fuel.html
[15] http://www.lowcvp.org.uk/news,lowcvp-studies-map-out-routes-to-decarbonise-road-transport-fuels_3005.htm

3.2. IMPROVING MARKET CONDITIONS

Background

Maintaining a strong automotive manufacturing base in the EU delivering affordable and desirable products, meeting consumer demands, based on a competitive market for automotive products and services, including the aftermarket can only be ensured if favourable business conditions are provided. EU driven policy, in addition to concomitant national policies such as macroeconomic strucutral and labour law reforms, can have a visible impact on framework conditions, notably through the regulatory policy. This should provide sufficient robustness and flexibility to the industry, along the value chain.

3.2.1. A stronger internal market

The Commission's commitment:

– to set up by 2013 a dialogue between **stakeholders, encouraging them to work towards common principles on vertical agreements** on the distribution of new vehicles. Stakeholders are invited to participate constructively in this dialogue, aiming at a balanced outcome.

State of play:

The Commission has organised several bilateral meetings with stakeholders and the subject was also discussed within the CARS 2020 working group meeting on 30 April and on 21 October 2013. However, since no consensus so far has been reached on a voluntary Code of Conduct in relation to vertical agreements, the Commission continues to encourage the dialogue between the car manufacturers and dealers, in order to reach an agreed voluntary Code of Conduct. However, if agreement is not reached at the latest by the end of 2014, the Commission reserves the right to initiate a process, with the aim of adopting a legislative proposal regulating relations between different players of the automotive sector.

The Commission's commitment:

– to put forward in 2012 **guidelines for financial incentives** for clean and energy efficient vehicles put in place by Member States in order to promote stronger coordination, to maximise their environmental effectiveness and limit the fragmentation of the market[16]. Such incentives should avoid being technology specific, instead relying on objective and commonly available performance data, such as the CO2 emissions from the vehicle. Member States will be invited to take these guidelines duly into account when designing their incentive schemes.

[16] Measures constituting State aid will continue to be assessed under the relevant State aid rules.

State of play:

Guidelines on the financial incentives for clean and energy efficient vehicles were published in February 2013.

3.2.2. Smart regulation

The Commission's commitment:

– to carry out an extensive and in-depth evaluation (fitness check) of the vehicle type-approval framework. In 2013, it will adopt a proposal to enhance **the type-approval framework to include provisions for market surveillance** in areas where a need has been identified, in order to ensure vehicles and their components are safe and compliant with relevant legal requirements, and that this framework effectively achieves the relevant policy objectives**.**

State of play:

The evaluation of the type-approval framework was finalised in November 2013 with a publication of a Commission staff working document. The Commission's proposal to enhance the type-approval framework including proposal for market surveillance provisions will be presented in the course of 2014.

The Commission's commitment:

– within its impact assessment system, **to carry out a rigorous competitiveness proofing exercise for relevant major future initiatives, including those with a significant impact on the automotive industry**. The competitiveness proofing will consider the economic situation and what impact a new initiative is likely to have on the industry's competitive position, especially on global markets. The future Free Trade Agreements, safety and emissions and other initiatives having a significant impact on vehicles will be subject to competitiveness proofing - in line with the operational guidance for assessing impacts on sectorial competitiveness within the Commission's impact assessment system[17], which also takes into account the broader, overall societal and economic impacts. These principles have been very recently reiterated in the updated Industrial Policy Communication.

State of play:

The European Commission has already carried out a competitiveness proofing exercise for the legislation on CO_2 emissions of cars and vans. The competitiveness proofing will also be performed in the future for selected

[17] Staff Working Paper SEC(2012)91 final, 27.01.2012

pieces of legislation with a potentially major impact on the automotive sector (including WLTP, safety package, emissions, CO_2 post 2020, RDE, material restrictions etc.).

The Commission's commitment:

– to explore the possibility and added value of **carrying out a proportionate economic analysis for some implementing acts, based on existing vehicle legislation**, such as the proposals on the revision of evaporative emissions requirements for Euro 6 and anti-tampering measures for L-category vehicles (powered 2- and 3- wheelers and quadricycles)**.** However, if these acts are expected to have significant impacts they will be accompanied by impact assessments in line with the Commission's Impact Assessment guidelines.

State of play:

The Commission remains committed to ensure that economic aspects are appropriately analysed in the context of delegated legislation.

Next steps: 2014 and beyond

- further implementation of smart regulation principles in its work on new legislative initiatives;
- engaging relevant stakeholders in the work on revising the type-approval framework including strengthening requirements for market surveillance
- identifying other candidate areas of regulation that should be as a priority subjected to a 'fitness check';
- performing an economic analysis on selected implementing measures related to a development of more representative testing procedures for assessing emissions and fuel efficiency
- encouraging the dialogue between the car manufacturers and dealers, in order to reach an agreed voluntary Code of Conduct. However, if agreement is not reached at the latest by the end of 2014, the Commission reserves the right to initiate a process, with the aim of adopting a legislative proposal regulating relations between different players of the automotive sector
- publishing in the beginning of 2015 a report on the second hand market in Europe

3.3. ENHANCING COMPETITIVENESS ON GLOBAL MARKETS

Background

Liberalisation of trade remains of a strategic importance for the sustainable growth of the European automobile industry as the sector continues exporting an ever increasing portfolio of high-quality and high-technology vehicles to third markets. Ensuring an open global market place taking into

account the priorities of industrial policy remains a challenge – notably due to existance of non-tariff barriers.While the industry strives to keep its competitive edge, the role of public policy is to ensure a level playing field in terms of market access.

3.3.1 Trade policy

The Commission's commitment:

– to take full account of the importance of maintaining a strong and competitive automotive manufacturing base in Europe when conducting its trade policy, using both multilateral and bilateral tools. Both should be used to tackle the key issues of **removing tariff and non-tariff barriers**. **FTAs should aim at full tariff dismantling** and removal of Non-Tariff Barriers. The overall impacts of each trade negotiation will be assessed in a thorough and comprehensive way.

State of play:

The European Commission fully recognises the role of a balanced trade policy in creating conditions to strengthen, inter alia, the European automotive industry. The Commission is working towards removing tariff and non-tariff barriers (NTBs) in the process of negotiating and implementing free trade agreements. It also systematically assesses the impact of the FTAs on the competitiveness of the sector. This approach has been taken, among others, in the on-going discussions towards trade agreements with the US, India and Japan. In the latter case, the mandate for negotiating the FTA included a parallel approach towards dismantling of tariffs and NTBs removal.

The Commission's commitment:

– to assess the impacts of trade agreements as well as their cumulative impact on the competitiveness of this industry by launching a study into already concluded FTAs and those likely to be concluded in the near future. The study will be launched shortly by the Commission and concluded by the end of 2013. The results will be discussed with the relevant stakeholders.

State of play:

The European Commission has launched a study which will assess the cumulative impact of the trade agreements on the competitiveness of the industry. The preliminary results of the study were presented and discussed in November 2013 and in April 2014.

The Commission's commitment:

– to complement multilateral regulatory cooperation under the UNECE framework with **bilateral regulatory cooperation** in particular with key new players, but also with, for example, the United States - under the Transatlantic Economic Council - and with Japan.

State of play:

The regulatory cooperation under the TEC has entered a new stage with the US in the framework of the Transatlantic Trade and Investment Partnership (TTIP). When concluded, the agreement is expected to strengthen the cooperation between the EU and the US creating a favourable framework for the European automotive sector. Tightening co-operation with the US within the framework of the 1998 Agreement and deepening legislative harmonisation in the areas of innovative technologies has been put into life with the creation of two dedicated working groups covering environmental and safety related issues of electric and fuel cell vehicles. Moreover, the EC has been conducting bilateral negotiations with major trading partners, as well as successful co-operation with Russia and Japan under the framework of the UNECE and with China (ex. adoption by China of European emission legislation, Euro 5).

3.3.2. International harmonisation

The Commission's commitment:

– to promote and actively support further international harmonisation of vehicle regulations along the lines set out below. The **reform of the 1958 UNECE Agreement** is a key element of this strategy and will aim to make adoption and implementation of international regulations **more attractive for third markets**. Member States and stakeholders are invited to support this effort. The Commission will steer the development of a first proposal for the revised 1958 Agreement in March 2013.

State of play:

The European Commission services presented to the World Forum for Harmonisation of Vehicle Regulations (WP.29) in March 2013 a first informal draft with amending proposals for revising the 1958 Agreement. WP.29 welcomed these draft proposals with the request to further finalise them and to resolve the main outstanding issues. In November 2013, a finalised set of draft proposals has been submitted to WP.29, so that all Contracting Parties to the 1958 Agreement can start scrutinising the proposed changes with a view to ensure that they can support the proposal for amending the 1958 Agreement which has to be adopted by unanimity. The proposals contain major features to make the 1958 Agreement more attractive for 3rd countries and provide greater and legal clarity to the provisions aimed at

enhancing the quality and reliability of the type-approval procedures and the mutual recognition of type-approvals. The representatives of the automotive industries in WP.29 (OEMs and suppliers) welcomed these proposals as a substantial improvement. A number of 3rd countries expressed their strong interest in joining the revised 1958 Agreement and have requested to consider increasing the 2/3 (e,g. to 4/5) majority voting rule to ensure that new Contracting Parties will have a fair share in the decision process. The European Commission has received a mandate from the Council to represent the Member States in further negotiations on the proposals. A formal proposal was submitted to the March 2014 session of WP.29 hence concluding the technical work.

The Commission's commitment:

– to contribute to the **development of a first proposal for a new Regulation[18] on IWVTA (International Vehicle Type Approval system)** by November 2013. The IWVTA Regulation will substantially reduce the administrative burden related to the introduction of the same vehicle model in countries which are Contracting Parties to the 1958 Agreement.

State of play:

An informal proposal for a new Regulation on IWVTA co-developed by the European Commission has been submitted to the March 2014 session of WP. 29. The draft UN Regulation will be finalised for formal submission to WP.29 by June 2015.

The Commission's commitment:

– to **steer the work of the two informal working groups on (1) safety and (2) environmental performance of electric vehicles** with a view to agreeing a Global Technical Regulation (GTR) on the safety of electric vehicles in 2014 and a common approach in terms of policy on environmental performance of electric vehicles. Both informal working groups were launched on the initiative of both the EU and the US but have already attracted a broad membership, including Japan, China and Canada. The agreement on a GTR on electric vehicle safety will be of key importance so as to ensure economies of scale for manufacturers and reassure consumers on the adequate level of safety of electric vehicles.

[18] According to the established principles of the 58 Agreement, Contracting Parties applying the most stringent version of the IWVTA Regulation will not have to accept type-approvals issued according to a less stringent version.

State of play:

The EU together with the US have established two working groups under the UNECE 1998 Agreement, which aim at developing common provisions for safety and environmental impact of the electric vehicles.

The Commission's commitment:

– to promote, based on input from stakeholders, stronger international cooperation between standardisers to achieve common or compatible standards on electric vehicle safety, infrastructure and interoperability.

State of play:

The European Commission is strongly involved in the promotion of international standards in the area of electric vehicle safety, infrastructure and interoperability. This objective is attained by close international cooperation in the framework of the UNECE and through standardisation activities undertaken by CENELEC.

Next steps: 2014 and beyond

- working on an agreement on a closer regulatory cooperation with the US within the framework of the TTIP and further negotiation in this area with key trade partners;
- continuation of the work in the framework of the UNECE and by means of bilateral agreements with an aim of further international harmonisation of automotive legislation;
- adopting the proposals for a reform of the 1958 Agreement and encouraging new countries to participate in the work under the UNECE framework;
- adoption by the WP.29 of the proposal for a new Regulation on IWVTA.

3.4. ANTICIPATING ADAPTATION AND MANAGING RESTRUCTURING

Background

As the economic and social parameters evolve over time, modifying the competitive position of production locations, the industry strives to adapt to this new situation. However, this is not an isolated attempt provided that public intervention can effectively provide the necessary impetus to safeguard both the internal market and a level playing field, while ensuring that the negative social consequences of any restructuring are kept to a minimum.

3.4.1. Human capital and skills

The Commission's commitment:

– to following the recently completed feasibility and added value assessments, support in 2013 the creation of a **European Automotive Skills Council**[19], which will bring together existing national organisations conducting research on skills development and employment in the automotive sector. The Skills Council will also involve employers' and workers' representatives at European and national levels and education and training providers' organisations. The Skills Council will encourage peer learning based on the exchange of information and good practice as well as providing a platform for dialogue. It will start by analysing **trends in automotive employment and skills,** which will form the basis of recommendations aimed at policymakers, education, training providers and other stakeholders.

State of play:

The Commission continued to support the creation of an Employment and Skills Council in the Automotive Industry and to encourage the European industry and social partner organisations, as well as other relevant stakeholders, to work together to achieve that goal. A new call for proposals has been launched (deadline for applications: 15 January 2014), in the framework of which a project for the creation of a Skills Council should be presented with a view to create the Council by the end of 2014.

The Commission's commitment:

– to encourage the **use of the European Social Fund (ESF) for workers' retraining and re-skilling.** Without prejudice to the decisions that will be taken in the Multi Annual Financial Framework on the ESF, Member States will be encouraged to make more use of the systemic projects addressing skills needs, skills matching and anticipation of change and propose life-long learning opportunities.

State of play

The European Commission strongly encourages the use of the European Social Fund (ESF) to support skills development and anticipation of change. On-going negotiations of Partnership Agreements covering years 2014-2020 foresee such a support in the automotive sector. The Commission expects that ESF funding is made available to support the adaptation of the industry, as was the case in previous years.

[19] Project run by the social partners and supported by the European Commission / DG Employment, Social Affairs and Equal Opportunities

3.4.2. Dealing with industrial adjustment

The Commission's commitment:

– continue to **monitor/review restructuring activities as regards to their strict compliance with EU legislation**, in particular concerning state aid and internal market rules.

State of play

The Commission is regularly consulted on all State and Regional aid aimed at the companies undergoing restructuring within the automotive sectors. Each notified measure is examined with respect to its compliance with the State aid rules e.g. Rescue and restructuring aid guidelines, Regional aid guidelines to ensure that no undue competition is taking place within the internal market.

The Commission's commitment:

– **identify good practice and promote an anticipative approach in restructuring** in consultation with representatives of the automotive-intensive regions, employment authorities and the sector's stakeholders, including the social partners.

State of play

The European Commission is actively involved in identifying good practice and promoting an anticipative approach in restructuring, among other, through the CARS 2020 Expert Group.

The Commission's commitment:

– to re-launch the **inter-service task force** to **study and follow up the main cases of automotive plant closures or significant downsizing**. The task force has been active and highly efficient in past cases in the automotive industry[20]. The task force would streamline the use of the relevant EU Funds (by providing technical assistance, reducing waiting time, advising on the most effective use of resources, monitoring and reporting).

[20] For example, the cases concerning VW Forest and MG Rover in West Midlands.

State of play

The Commission has launched an inter-service task force for Ford Genk in April 2013. Following this, the Flemish authorities were presented in an inter-service meeting in July 2013 with all the funding possibilities for the region.

The Commission's commitment:

– for the cases of plant closures and significant downsizing, **to invite the Member States to consider using the European Globalisation Adjustment Fund (EGF)**.

State of play

The European Commission recognizes the benefit of using the European Globalisation Adjustment Fund (EGF) (renewed for the period 2014-2020) in case of significant downsizings. The Commission encourages Member States to apply this measure, among other, through the CARS 2020 Expert Group and when dealing with inter-service task forces.

The Commission's commitment:

– to encourage Member States to make use of **labour flexibility schemes and their co-financing by ESF** in support of the suppliers who might need additional time to find new clients following a closure/downsizing of an automotive plant.

State of play

The European Commission acknowledges the advantages of applying labour flexibility schemes and encourages Member States to apply this measure, among others, through the CARS 2020 Expert Group.

Next steps: 2014 and beyond

- launching of the European Automotive Skills Council;
- further encouragement of Member States to use of European Social Fund (ESF) for retraining and re-skilling workers in the automotive sector and supporting labour flexibility schemes;
- monitoring restructuring activities from the perspective of their compliance with EU legislation;
- further promotion of good practice in an anticipative approach to restructuring;
- continuation of the work of the inter-service task force for Ford Genk and standing ready in case a new major restructuring case takes place in the automotive sector;
- further encouragement of Member States to use the support available from the EGF for the cases of plant closures and significant downsizing.

ANNEX III

Outcome of the work of the CARS 2020 Working Groups on economic situation of automotive industry, clean vehicles, future work on road safety and trade and international harmonisation

ECONOMIC SITUATION OF AUTOMOTIVE INDUSTRY CONCLUSIONS AND RECOMMENDATIONS OF CARS 2020 EXPERT GROUP

While the CARS 2020 process has for its main mission to monitor the implementation of CARS 2020 Action Plan, the Working Group on economic situation, industrial change and social impact has made the following recommendations.

1. Continuous innovation is the basis for a global success of Europe's automotive sector. It is up to the companies to strengthen their competitiveness, but the public authorities have to support this important industry sector, especially by providing good general framework conditions.

2. **Public authorities need to act on the European, international, national and regional level** in order to maintain a healthy manufacturing base in Europe, soften the social impact of restructuring and ensure that working conditions (health and safety protection and remuneration) do not deteriorate in the sector.

3. While concrete actions are needed in short-term especially in order to soften the impact on workers and local economies and in medium term in order to reindustrialise sites affected by the economic downturn, a **longer-term competitiveness also has to be addressed as well. For that purpose, shifting trade patterns and major societal trends shaping the demand for motor vehicles should be analysed and their impact anticipated**. (e.g. change of car ownership; changes in preferred powertrains or shift from mid-segment to smaller city cars and premium). Proactive approach is necessary in order to further strengthen the industry by training the workers and adapting the production equipment.

4. The actions proposed in **pillar I, II and III of CARS 2020** concerning the financing the innovation, regulatory activities, better regulation and balanced trade policy **are supported by CARS 2020 stakeholders and need to continue to be implemented on the basis of an impact assessment, social aspects and a market-**

oriented approach in order to address this longer term industrial perspective efficiently.

5. The international competitiveness of the European automotive industry on global markets must be further proved. Trade policy plays a major role in this context. It has to take full account of the need to maintain a strong and competitive automotive manufacturing base in Europe. Therefore all trade policy instruments should be used to overcome the current difficult situation by dismantling tariff and non-tariff barriers and opening markets. For new FTAs, their impact will continue to be assessed, including the impact of all agreements previously concluded. More specificially, the cumulative impacts of FTAs concluded, under negotiations or planned have recently been thouroughlyassessed in a special study.

6. The **most effective use should be made of all financial tools available on the EU level**: RDI funding under the FP7/Horizon 2020, SMEs funding under CIP/COSME programmes, EIB lending, Structural Funds (in particular the European Social Fund) and European Globalisation Fund. Dedicated fiches on each of these instruments will accompany this document. An example of effective use of European financial instruments is creation of **Commission's ad-hoc task-forces in the event of automotive plant closures.** Such task-forces will coordinate the effective use of financial instruments and provide technical advice which can considerably streamline the utilisation of Structural Funds. Importantly, coherence must be ensured among the use of Structural Funds, State aid and restructuring operations.

7. **Investments in innovation and the necessary skills** is one of the possible contributions in order to improve the situation of the automotive industry in Europe. As a consequence of constantly evolving environment, the European automotive industry is expected to develop innovative solutions on further energy efficiency, connectivity, hybridisation and alternative powertrains. Investing in competences and innovative technologies is therefore necessary for **making vehicles cleaner and more energy-efficient**, which should also allow the companies to **benefit from the trade on third markets** where the demand for vehicles is expected to grow in a short and medium term. Funding for engineering and product development (in particular for suppliers) is essential to maintain the position as global hotbed of automotive engineering and innovation. In order to foster future growth through innovation, the development of highly qualified automotive professionals should be supported to tackle the workforce shortages automotive sector is experiencing.

8. The issue of overcapacity remains a problem for some manufacturers in Europe. **Importantly, structural overcapacity**, requiring more decisive and permanent solutions, should be distinguished from **cyclical overcapacity** which can be dealt with through temporary adaptation measures, thus avoiding additional loss of capacity and employment in Europe. **Structural overcapacity needs to be tackled** in order to regain the global competitiveness of the sector.

9. In order to address the issue of overcapacity and restructuring and ensure a smooth adaptation, an **effective social dialogue should be maintained.** This dialogue can be **enhanced through agreements with employees' representatives on concrete procedures** for dealing with change and restructuring. Alternatively, company level agreements applicable to EU-scale (transnational) undertakings can be used.

10. Furthermore, for the most effective planning and implementation of restructuring operations, the existence of **partnerships with external stakeholders** can be very helpful. Those external stakeholders should involve regional authorities, universities and education and training providers, technological institutes, development agencies as well as external job and skills observatories and is some circumstances they can form **regional task forces on restructuring or workers retraining**.

11. In terms of tackling **cyclical overcapacity**, **bridging mechanisms** (i.e. shorter working weeks, renegotiation of working conditions, saving or borrowing working hours/ holiday allowances, short time work arrangements, internal or external redeployment within the group of companies and temporary lay-offs) **should be deployed by social partners and public authorities. Flexibility arrangements could also be implemented by companies on their own** provided that they are **temporary and reversible, and if the economic case allows they should contain compensation** for workers once the company returns to normal operations.

    Such mechanisms play a useful role in situations of temporary overcapacity even though they represent a significant cost for companies and public finances and they might put off more structural change. They may also prove to be advantageous in a longer perspective since they allow companies to maintain a highly skilled workforce. Companies and public authorities should make a good use of such bridging mechanisms knowing that very good results can be achieved if such **bridging schemes are combined with education and training activities as well as internal reorganisation**. On the European level, the ESF can be used for co-financing such schemes if training element is involved.

12. In terms of tackling the **structural overcapacity**, **the companies, trade unions and public authorities should not resist the necessary restructuring but minimise its social impact by endorsing and following good practices presented in CARS 21 Final Report** (Chapter II). More specifically:

    a. **Change processes should be reflected into companies' long-term strategies**. Companies should **monitor on a permanent basis the situation and probable evolution of the company's economic and financial situation**, **technological developments as well as changing employment and skills needs**. On this basis, companies should develop adequate **business plan strategies**. Human resources, employment and skills considerations should be at the heart of this strategic planning.

    b. **Restructuring operations should be prepared as much in advance as possible** with all the concerned stakeholders, including the upstream suppliers and dependant companies downstream. Redundancies should be envisaged as a last resort and all actors (including suppliers and dependent companies) need to be involved on a fair basis. Measures should be phased in over time.

    c. **Restructuring operations should be explained and justified on the basis of a clear business rationale,** justifying it on grounds of either long-term strategic goals and requirements or short-term constraints.

    d. **Measures should be made available, to the employees concerned, aimed at reinforcing the employability** and helping them to re-enter the labour market as quickly as possible (such as information and advice centres, mobility cells and redeployment units within companies, training and re-training of workers, assistance in job search and entrepreneurship).

    e. Companies should pay attention to the **external impact that the restructuring processes may have on all other local and regional actors**, including suppliers, SMEs, etc. In order to minimise those effects, companies should provide their suppliers and dependant companies with early information on the envisaged restructuring operation and involve them in its preparation.

13. The **regional authorities should be involved in restructuring processes** in order to avoid the most severe solutions (like closures and relocations) or prepare them well in advance when they are unavoidable. They have an important role in enhancing **cooperation and partnerships in their territory** and can **play a**

major role in the coordination of the work of various stakeholders during restructuring processes (territorial employment pacts, PPPs)**.** Finally, they can bring support to companies e.g. by tax reductions, temporary secondment of employees, training as well as guarantees, loans or other funding possibilities, as far as it is in line with the EU state aid rules.

14. **Member States have also, in line with the EU state aid rules, a role to play in restructuring operations** as they possess the institutional capacity to support workers and they also manage substantial financial resources that can be allocated to meet the needs of restructuring companies and their employees. Member States should also contribute to **shaping a legal and regulatory framework** that makes it possible for rapid and appropriate use of financial and non-financial support schemes in case of restructuring processes. They can notably:

    a. **Support all forms of negotiation and collective bargaining** on anticipation of change and restructuring as well as on forward looking employment and skills planning at national, sectorial and company levels.

    b. Set up **national employment and skills observatories** in cooperation with the relevant actors. In addition to the industry proposed education and training, , the Member states can provide framework conditions in school and university education leading to sufficient labour resources adapted for automotive industry needs.

    c. Promote and **contribute to the economic** revitalization of regions severely affected by restructuring

    d. **Mobilise all forms of assistance and effective use of Structural funds** according to priorities in line with the objectives above, c**oordinate the regional, national and European levels** (in terms of Structural Funds use).In this regard, Member States should pay attention, in the planning of their **programming for structural funds, to make them adequate from the beginning to sectoral actions and/or to provide financial support in case of restructuring processes**.

15. Some participants considered a coordinated action on a European level necessary to reduce existing overcapacity, while other stakeholders believed the companies should be able to take their own actions based on economic rationale. While **the Commission does not have a mandate to manage the problem of overcapacity**, **it has provided the framework in terms of managing the social impact of capacity reduction as well as state-aid control.**

16. The proposals of the Commission under the pillar IV of the **CARS 2020 Action Plan are considered to be a way forward** in terms of action on the European level and should be **implemented swiftly.**

17. In addition, **the regulatory framework in which the industry operates in the EU is crucial for competitiveness of the industry.** The principles of the better regulation were already agreed upon in first CARS21 HLG report and remain valid. Above those principles already agreed in that report**, the Commission will continue carrying out competitiveness proofing on future key legislative and selected non-legislative initiatives affecting the automotive industry (including WLTP, safety package, emissions, CO_2 post 2020, RDE, material restrictions etc.).**

18. In addition to competitiveness proofing, study carried out on each policy/regulatory initiative should be coordinated among the several EU directorates so that their interaction does not negatively affect the competitiveness proofing of each of them individually (e.g. spreading initiatives over a reasonable time span, not taking initiatives that can have adverse effects on one another, etc.).

CLEAN VEHICLES
CARS 2020 CONSENSUS PAPER

1. ELECTROMOBILITY AND ALTERNATIVE FUELS

Analysis

The European automotive industry has a leading role in the development of clean and energy efficient technologies for transport and is a major sector in terms of employment, investments and economic prosperity in Europe. Over the years, substantial progress has taken place in the area of improving internal combustion engines and substantial further development potential remains. In view of its potential and cost effectiveness, this technology will most likely remain a dominant one during next decade; however, the share of vehicles using alternative fuels[1] is likely to increase in the mid- and long term.

A leading position in the development and deployment of clean and energy efficient vehicles and associated infrastructure and services are believed to be indispensable for the European automotive industry to keep its global competitive advantage. Growing vehicle fleet, constituting also a share of older vehicles, contributes to air quality problems (especially in densely populated areas) and CO_2 emissions. High and sometimes volatile oil prices, concerns about EU energy security and significant impact of energy carriers on the EU trade balance combined with a drive towards diversification of energy sources and CO_2 benefits support the encouragement of low emitting, energy efficient vehicles. Driven by European legislation the development, demand and supply of vehicles with more environmentally friendly technologies is and will be growing to the extent they are affordable for customers and meeting their mobility needs, encouraging vehicle manufacturers to invest more in these technologies and take market advantage, both within and outside the EU.

Low emitting vehicles, which also include vehicles with alternative propulsion technologies, are considered to play a prominent role in the new European industrial policy laid down in the 2012 Communication '**A Stronger European Industry for Growth and Economic Recovery'**[2]. In the outlined strategy for recovering from the crisis and coming back on the path of sustainable growth, vehicle technologies delivering environmental and social benefits, while at the same time meeting mobility needs of consumers, will strengthen the global competitiveness of

[1] Alternative fuels means fuels or power sources, which reduces the use of oil sources in the energy supply to transport and which have a potential to contribute to its decarbonisation. They include, for example, electricity, hydrogen, natural gas (CNG, LNG) and LPG.

[2] COM(2012) 582 final

the European automotive industry, stimulate growth and job creation and help to achieve environmental and climate change goals. The principles of the Industrial Policy Communication correlate with the commitments of the **CARS 2020 Communication**[3] setting down a list of concrete actions that will be taken by the Commission to strengthen the automotive industry and help it to maintain its leading position in the global market. The **CARS 2020 Expert Group**, which has been created in order to monitor the progress in delivering the commitments spelled out in the CARS 2020 Communication, has also delivered the objectives of the **Industrial Policy Communication task force**.
The European strategy for encouraging the development and eventual widespread use of clean and energy efficient vehicles has also been defined in a 2010 Communication '**European strategy on clean and energy efficient vehicles**'[4]. This document identified the most important areas of the market for alternative fuels and traditional combustion technologies and aimed at supporting the European motor vehicle industry in preserving its leading position by developing vehicles with clean and energy-efficient technologies.

On 24 January 2013, the European Commission published the "**Clean Power for Transport Package**" (CPT) consisting inter alia of a Communication[5] including an overall alternative fuels strategy and a legislative proposal for a Directive[6] concerning alternative fuels infrastructure. Actions at EU level were considered necessary in order to overcome market failure where applicable and ensure the EU-wide proper functioning of the internal market. The proposal for a Directive set out requirements on national policy frameworks for the market development of alternative fuels and recommended targets on a minimum number of recharging or refuelling facilities for the necessary infrastructure build-up, including the implementation of common standards of a recharging infrastructure.

The development and deployment of electric, hydrogen and other alternative fuels vehicles has not been, however, unproblematic. High costs, low consumer confidence, prejudices and lack of refuelling/recharging infrastructure were considered, amongst others, the main stumbling points for a faster market uptake of the green vehicles. The progress has been further slowed down due to a lack of clear commitment of non-EU countries on reaching environmental and climate objectives hence not encouraging public authorities for more decisive actions in this area. Despite heavy investments in research and innovation projects (especially in energy storage systems), electric and fuel cell

[3] COM(2012) 636 final

[4] COM(2010)186 final

[5] COM(2013) 17 final

[6] COM(2013) 18 final

vehicles constitute just a fraction of the today's market. Similarly, alternative combustion fuels, for example natural gas and LPG, in spite of being mature technologies, seem still not be attractive enough to the consumers to increase significantly their market penetration.

Conclusions

1. While it continues to make remarkable advances in reducing vehicle pollutant emissions and CO_2 (per km or tkm), road transport remains one of the most energy-consuming sectors (around 25% of total energy consumption in Europe in 2010[7]) and a contributor to pollutant and CO_2 emissions in Europe. The development and deployment of cleaner and more energy efficient vehicles are indispensable in order to diversify energy sources, increase energy security and help reaching ambient air pollution limits and CO_2 targets and hence reduce health and climate change impacts.

2. EU's and Member States' actions in the field of electromobility and alternative fuels should be ambitious, smart, cost effective and taking into consideration existing market situation. In addition, they need to follow a technological neutrality principle.

3. Continuous research in the area of clean and energy efficient vehicles is a prerequisite for a competitive European automotive industry. Strong involvement in the development and marketing of cutting edge technologies in this area should assist the industry to keep its leading international position and build its growth and profits on strong and sustainable bases.

4. The internal combustion engine (ICE) will remain the leading technology in the short and medium term in Europe as well as in other parts of the world. Unique competences of the European manufacturers should be strengthened and used for delivering vehicles responding to the societal challenges. Further research is needed to increase energy efficiency and reduce pollutant and CO_2 emissions from internal combustion engines.

5. Barriers to the uptake of vehicles with alternative fuel powertrains should be addressed by coordinated actions of all relevant stakeholders in the EU. As a part of integrated approach implementation, a special focus on cost-effective refilling infrastructure, research and standardisation is needed to enable market penetration of these technologies as they can contribute to cleaner and more sustainable transport.

[7] http://ec.europa.eu/transport/facts-fundings/statistics/doc/2012/pocketbook2012.pdf

6. European motor vehicle pollutant emissions legislation should be smart and cost-effective. While aiming at responding to the EU environmental objectives, it should continue to support deployment of new environmentally beneficial technologies and keep under consideration societal and economic aspects. Through a development of high quality legislation, the EU should establish itself as a point of reference and encourage other countries to follow, thus leading to an increased level of international harmonisation.

7. Technology neutrality in the respect of powertrain and fuel solutions should be maintained, leaving a level playing field for all alternatives. Favouring one technology over another could have a detrimental impact on the market, limiting investments in alternative solutions and closing an opportunity for consumers to choose a preferable option.

8. A change of technologies need to be customer-driven and consumers have to be sensitised about potential benefits. Proper level of information about environmental and CO_2 impact of different alternatives is necessary to take conscious decisions in this respect. Dealers and workshop can play an important role in increasing consumers' awareness of new technologies.

9. The "Clean Power for Transport Package" is an important enabling step towards achieving deeper penetration of alternatively fuelled vehicles in the European market by means of setting minimum requirements for refuelling and recharging infrastructure in the framework of Member States national plans, setting standards and improving consumer information. Together with an introduction of harmonised type-approval requirements for electric and fuel cells vehicles and existing provisions for natural gas and LPG, it will create a more favourable framework for further deployment of alternatively fuelled vehicles. The proposal from the Commission was a step into right direction and the Commission should continue its efforts to support Alternative Fuels Strategy implementation and monitor measures implemented on the level of Member States.

10. Customer acceptance is needed to facilitate deployment of alternative propulsion system vehicles. This can be aided by improving vehicle performance, better information on savings and environmental benefits (preferably in a life scale approach and taking in account the variety of energy mix in Europe in order to more easily compare different fuel alternatives), demonstration projects as well as use of incentives. Re-assurance towards the resale value of the vehicles with alternative powertrains should also be tackled.

11. Additional measures encouraging consumers to choose more environmentally friendly vehicles should be developed by Member States. This could be achieved, for example, by:

- financial incentives based on objective, technology neutral criteria for a purchase of low emitting vehicles regardless of how they are fuelled.
- non-fiscal incentives, measures and advantages stimulating use of low emitting vehicles, for example, creating dedicated parking places for clean vehicles in city centres or restricting use of vehicles not fulfilling specific emission requirements.

12. Further penetration of alternative powertrain solutions might have a positive impact on job creation in Europe (especially in a long run) provided that the solutions are cost-effective from a societal point of view. However, a shift in technology could lead to job losses in the workforce employed in the area of traditional technologies, temporary shortages of skilled workers in the area of new technologies or transfer of workplaces outside Europe. In order to be able to successfully face the challenges of technological changes, employees' skills need to be constantly improved.

13. It is of utmost importance that the production base of vehicles and the supply of components for both traditional and alternative powertrains remain in Europe. This will enable further investments in research and development across the entire supply chain to take place in Europe contributing to the goal of a strong and sustainable European industry, capable of competing on the international markets offering products that are of a high technological and environmental standard.

2. TOWARDS LOW POLLUTING AND ENERGY EFFICIENT VEHICLES

Analysis

Air pollution remains a concern for many European citizens, city authorities and national governments. Traffic congestion in cities and in large urban agglomerations has a negative impact on air quality creating a need to consider effective and far-looking tools that would mitigate harmful emissions from vehicles (ex. in parallel to better enforcement of the emission performance of vehicles, replacing older vehicles with cleaner modern vehicles meeting the latest emission standards, better vehicles' maintenance and various traffic calming measures could be taken into consideration). Despite substantial reductions in pollutant emissions over the various Euro steps, road transport emissions still represent a main contributor to certain air pollutants. Due to the non-compliance with

European Air Quality Directive (EC) No 2008/50 referring to exceedance of nitrogen dioxide (NO_2) concentration levels in ambient air, 18 Member States have requested more time to meet the NO_2 concentration limits. Some Member States which have proposed robust air quality management plans to comply (nominally by 2015) have been granted extra time. Those Member States which have been refused an extension are subject to potential infringement procedures by the Commission.

It must be underlined that since the monitoring of CO_2 emissions from light-duty vehicles was initiated in 2000, a constant decline of average test cycle emissions (-23% until today) has been reported. Still, the sector is the second highest source of CO_2emissions in the EU, contributing about one-fifth of the EU's total emissions of this greenhouse gas.

Air quality problems

Problems in meeting NO_2 concentration limits can be partly explained by the fact that tailpipe emissions of in-use vehicles can be significantly higher under real driving conditions than those obtained during a standardised type-approval certification. In a study performed by the JRC[8], five Euro 5 diesel passenger cars were tested showing emissions in the range 620 ± 190 mg/km NO_x, while the corresponding Euro 5 emission limit for NO_x is 180 mg/km.

It should be noted that the gap between real driving and test cycle emissions currently seems to be limited to NO_x emissions of light-duty diesel vehicles and does not exist for other criteria pollutants. For gasoline engines, attention is also given to new technologies such as lean burn (potential problems with NO_x emissions) or direct injection. Engines with latter technology are more fuel efficient, but meeting final particulate number (PN) emission limit (in force as from 2017/2018) under real driving conditions can be a challenge. Regulation (EC) 715/2007 as amended by Regulation (EC) 459/2012 therefore, requires the Commission to implement at latest till 2017(18) a type approval test method ensuring the effective limitation of PN emissions also under real driving conditions. The PN emission limit for gasoline direct injection engines will be harmonised in 2017/2018 with the requirements for diesel engines and will be ten times lower than the emission levels allowed for between 2014(15) and 2017(18).

[8] M. Weiss, P. Bonnel et al. "Analysing on-road emissions of light-duty vehicles with Portable Emission Measurement Systems (PEMS)", EUR 24697 EN - 2011

RDE project

In accordance with Regulation 715/2007/EC setting provisions for Euro 5/6 norms, testing of vehicles should reflect realistic condition of use. As a consequence of concerns that diesel passenger cars were not delivering expected levels of NO_x reduction on the road, the Commission (JRC and DG ENTR) launched in January 2011 a "real driving emissions of light duty vehicles" (RDE-LDV) project, which aimed at developing a test procedure directly assessing the NO_x emissions of light duty vehicles under real driving conditions.

The new procedure is being developed by the JRC with significant support from a RDE-LDV working group composed of stakeholder experts and experts from industry. It will be based on the use of portable emissions measurement systems (PEMS) which will measure vehicle emissions over certain routes covering most common real world patterns (urban, sub-urban and highway driving). In order to correctly assess the emission levels, realistic boundary conditions for "normal use" (like ambient temperature, humidity, grade slope, etc.) must be defined and a robust statistical evaluation will be applied.

Competitiveness in the global markets

Development and market deployment of low emitting vehicles, apart from contributing to an improved air quality in Europe, has a profound impact on the competitiveness of the European industry. European vehicle manufacturers, by focusing on low emitting technologies are setting in some aspects global technological reference. European suppliers of emission abatement technologies deliver their cutting edge products to major OEMs around the world benefiting from the fact that many countries have started to regulate emission levels of new vehicles. Moreover, third countries' legislation is based in many cases on the European standards creating a favourable market framework and reducing costs both for the OEMs and suppliers of components.

The importance of development and marketing of clean vehicles was underlined in the new European industrial policy presented in the 2012 Communication '**A Stronger European Industry for Growth and Economic Recovery'**[9]. Further progress in the area of low emitting vehicles was recognised as one of the most important factors in strengthening global competitiveness of the European automotive industry, contributing to a creation of new jobs and stimulating economic growth.

[9] COM(2012) 582 final

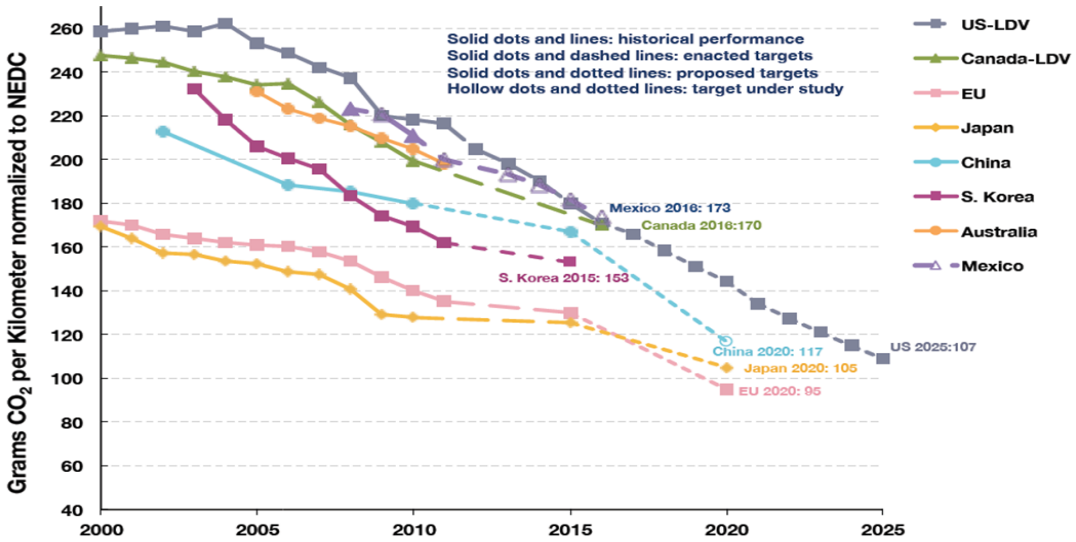
Reducing CO2 emissions from road vehicles

The EU has addressed the issue of growing CO_2 emissions from road transport by adopting a strategy for reducing CO_2 emissions from light duty vehicles in 2007 and subsequently by introducing CO_2 emission performance standards for passenger cars in 2009 and light commercial vehicles in 2011 with a view to setting reduction targets for new vehicles within those categories until 2020.

More precisely, Regulation (EC) No 443/2009 (CO_2 from cars) specifies a short term target of 130g CO_2/km to be achieved in 2015 by the EU average new car fleet. Similarly, Regulation (EU) No 510/2011 (CO_2 from vans) provides a short term target of 175g CO_2/km to be fully achieved in 2017. Both Regulations provide targets for 2020: 95g CO_2/km for cars and 147g CO_2/km for vans. Modalities for reaching the 2020 targets have been recently agreed by the European Parliament and the Council.

EU CO_2 targets have so far been set at a level somewhat ahead of standards in other regions; nevertheless it is evident that over time reduction requirements are converging (see figure 1).

Figure 1 ICCT: CO_2 performance standards



[1] China's target reflects gasoline vehicles only. The target may be lower after new energy vehicles are considered.
[2] US , Canada, and Mexico light-duty vehicles include light-commercial vehicles.

In order to continue reducing the climate impact of light duty vehicles (passenger cars and vans) and to ensure that European automotive industry will maintain a competitive edge further reduction objectives for the period post 2020 are to be expected. This includes modalities for reaching future targets in a way that prevents distortions of competition between manufacturers, provide incentives for low-emission vehicles and strengthen the international competitiveness of the industry. The Commission expects to pursue discussions on this matter in the future.

Although data on CO_2 emissions from heavy-duty vehicles are not currently monitored, it is estimated that these vehicles are responsible for approximately 25% of total road transport CO_2 emissions. In order to get a better understanding of the role of HDVs' emissions, potential for reductions, as well as, taking into consideration that commercial vehicle sector strives to improve fuel economy and reduce CO_2 emissions through competition between commercial vehicle manufacturers, a methodology for measuring CO_2 emissions from whole HDVs is currently under development. A strategy with a short-term focus on monitoring and reporting these CO_2 emissions is also under consideration.

The World Harmonised Light Duty Testing Procedure (WLTP)

The need for a more representative test procedure for fuel consumption and CO_2 emissions has been considered by a number of recent studies[10]. These studies show that there is an increasing gap between CO_2 emissions measured at type approval and emission levels in real world driving conditions. This growing discrepancy not only points to the fact that the expected reductions in CO_2 emissions from passenger cars have not been achieved, but also to the risk that consumers will lose faith in fuel consumption values communicated by means of labels and marketing materials, thus undermining incentives to promote more fuel efficient vehicles. These may lead to an inconsistent application of the requirements, which in turn may result in competitive disadvantages for manufacturers.

These concerns and the need for a new CO_2 test were the subject of in-depth discussions in the CARS 21 process. In response to the call in the CARS 21 final report[11] to introduce the new test cycle and procedures into the EU legal framework without delay, the Commission has in the CARS 2020 Communication[12] committed to undertake this work before the end of 2014, which would include the methodology for correlating CO_2 targets established on the basis of the old cycle and procedure. The Commission services are proposing that the new test should be applicable from 2017.

The implementation of the new test in EU law requires an adaptation of the type approval legislation foreseen for the end of 2014. The Phase 1b of the WLTP being discussed in UNECE will be adapted into the type-approval legislation at the later stage. In parallel, a methodology for adjusting the CO_2 emission targets expressed in values determined through the existing NEDC test should be defined in a way which will ensure comparable level of stringency for manufacturers under the old

[10] ICCT (2013) From laboratory to road T&E (2013) Mind the Gap! Why official car fuel economy figures don't match up to reality TNO (2012) Supporting analysis regarding test procedure flexibilities and technology deployment for review of the light duty vehicle CO2 regulations.
[11] http://ec.europa.eu/enterprise/sectors/automotive/files/cars-21-final-report-2012_en.pdf
[12] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52012DC0636:EN:NOT

and new test procedures. The work on both these elements of the implementation has already been initiated with broad involvement of Member States, the automotive industry and NGOs.

Conclusions

1. New test procedures focused on ensuring real driving emissions within reasonable limit values and mitigating CO_2 emissions of passenger cars and LCVs will help to address societal challenges related to air quality and to reduce road transport dependence on hydrocarbon fuels.

2. More stringent environmental and climate performance requirements spur the development of clean and energy efficient vehicles, which might stimulate an emergence of new, highly qualified jobs. Smart legislation, taking into consideration economic and social costs as well as an impact on the industry, provides certainty and allows for long term planning, thus encouraging investments in the deployment of new, cost efficient pollutant emission abatement and CO2 saving technologies and giving the automotive industry a competitive edge globally.

3. European suppliers of emission abatement technologies deliver their cutting edge products to major OEMs around the world benefiting from the fact that many countries have started to regulate emission levels of new vehicles, often in line with the European legislation.

4. Due to on-going global convergence of the requirements on the energy efficiency of vehicles, EU manufacturers and component suppliers complying with EU standards will be well prepared to meet international emission reduction requirements in a 2020 perspective.

5. Policies aimed at CO_2 reductions from road transport are being developed on the basis of the White Paper on Transport. The White Paper provides an integrated approach by putting forward a wide range of actions to reduce CO_2 emissions from transport, taking into account other measures than only vehicle technology for achieving further energy efficiencies.

6. The first part of the work on a development of new testing procedure for assessing fuel consumption/CO_2 emissions (WLTP) has been finalised at the UNECE level. Implementation of WLTP should take place as soon as possible provided that the industry has a sufficient lead-time from when the new legislation is published and enters into force in EU law and that a system ensuring reduction requirements of comparable stringency for manufacturers under the old and new test procedures can be developed.

7. In line with the CARS 2020 Action Plan, the RDE procedure assessing pollutant emissions in real driving should be applied as from regulatory

Euro 6 dates starting with a monitoring phase in 2014 and an application of not-to-exceed emission limits as from 2017(18).

FUTURE WORK ON ROAD SAFETY
CARS 2020 CONSENSUS PAPER

ANALYSIS

Despite recent progress traffic accidents still affect hundreds of thousands of families and lead to huge economic costs each year. Whilst the number of road fatalities in the EU has fallen (from 54,302 in 2001 to around 28,000 in 2012[13]), **road traffic injuries remain the leading cause of death in the EU** among young people aged 15-29. Roughly 40% of those who die in road traffic accidents are **vulnerable road users** (i.e. pedestrians, cyclists and users of motorised two-wheelers) who also account for 68% of the fatalities in urban areas. **Improving road safety via integrated approach recognising the role of the driver, infrastructure and vehicles therefore remains a priority**.

Many new measures already adopted will take effect over the next years and should further improve road safety. However, additional actions will be needed in order to advance in the long-term "vision zero" set out in the Transport White Paper[14] and reach the objectives spelled out in the **Policy Orientations on Road Safety 2011-2020**[15] (halving the number of fatalities by 2020 in relation to 2010). In March 2013, the European Commission published its First Milestone towards a Serious Injury Strategy. In addition to the 28,000 killed in 2012, more than 250,000 people were recorded as seriously injured following traffic collisions in 2012. On the basis of the data available on injuries, the Commission actions should better consider injuries in the future measures on vehicle safety.

European legislation has made a significant contribution to the recent reduction in road fatalities. A number of in-vehicles safety features have been made mandatory by the **General Safety Regulation (GSR)[16] adopted in 2009,** such as Electronic Stability Control systems on cars, vans, trucks and buses and the fitment of Tyre Pressure Monitoring Systems on cars, as well as Lane Departure Warning Systems (LDWS)[17] and Advanced Emergency Braking Systems (AEBS)[18] on trucks. In parallel to the GSR, another Regulation was finalised in 2009

13 http://ec.europa.eu/transport/road_safety/pdf/observatory/trends_figures.pdf
14 COM (2011) 0144 final
15 COM(2010) 389 final
16 Regulation (EC) 661/2009 of the European Parliament and Council concerning type approval requirements for the general safety of motor vehicles, their trailers and systems, components and separate technical units intended therefor.
17 Regulation (EU) No 351/2012
18 Regulation (EU) No 347/2012

concerning the **protection of pedestrians and other vulnerable road users**[19] which aims to mitigate the critical injury levels in case of a collision of a vehicle with persons. With regard to **the safety of powered two-wheeled vehicles**, such as powered cycles, mopeds and motorcycles, as well as tricycles and quadricycles, **several measures have been recently adopted by Council and Parliament**[20]. Examples are mandatory fitting of advanced brake systems on two-wheeled motorcycles and the automatically switching-on of the headlamps on all of these vehicles.

New safety technologies that can improve safety by assisting the driver will be soon available or are already entering the market now. The deployment of these technologies, focused on accident avoidance rather than accident mitigation, should be promptly assessed given their potential benefits for the prevention and compensation of human error, by large the most important accident factor. A robust and standardized European accident data base, available to all stakeholders, would help in assessing efficiency of the technologies.

In the area of **passive safety**, investigation will be carried out on the possible introduction of seat belt reminder systems on passenger seats, instead of only the mandatory car driver seat, enhanced crash test procedures as well as a special focus on rear-under run and side under run protection devices for trucks and better protection of vehicle occupants such as small statured occupants and elderly people.

In the next few years, in the area of **active safety**, priority of research should be set on advanced active safety technologies. The contribution to improving safety of vulnerable road users especially in urban areas will also have to be assessed (e.g. pedestrian detection, in combination with emergency brake systems, blind spot reduction)

In the next years, road safety should continue to improve benefiting from the deployment of **Intelligent Transport Systems (ITS)** as spelled out in Directive 2010/40/EU and the Action Plan adopted in 2008. ITS will push for more extensive use of information and communication technologies in transport enabling the vehicle-to-vehicle and vehicle-to-infrastructure communication. Under this broad ITS framework, proposals on the fitting of **eCall** (the pan-European 112-based emergency in-vehicle call system), universal traffic information, and information services for safe and secure parking places were adopted by the Commission in 2013. The Commission also counts on the **Connecting Europe Facility** and **Horizon 2020** to provide support for the establishment of necessary information and transport infrastructure.

[19] Regulation (EC) 78/2009
[20] Regulation (EU) No 168/2013

With regard to vehicle technology, the Commission in 2013 will adopt a Commission Staff Working Paper on the deployment of ITS and vehicle technologies to improve road safety, and **launch a comprehensive research study** investigating new possible measures to improve vehicle safety. The outcome of the study would serve as a basis for the **report by the Commission to the Parliament and the Council** requested by the General Safety Regulation and the Pedestrian Protection Regulation.

CONCLUSIONS

- Alongside the effective enforcement of the existing measures (reinforced by dedicated market surveillance activities with the economic operators on the market), **new EU actions could help** to further improve road safety (both in terms of reducing the number of casualties and serious injuries). Education regarding rights and obligations and safe behaviour of drivers and other road users on roads and continuous information campaigns complemented by enforcement of the existing rules are key instruments to arrive at a safer road environment.

- In line with the CARS 2020 Action Plan and the Policy Orientations on Road Safety 2011-2020, future work on road safety should follow an **integrated approach, recognising the role of the driver, infrastructure and vehicles**.

- As part of this **integrated approach**, envisaged measures on vehicle technology will have to be **carefully weighted (e.g. cost/effectiveness), compared and completed with** possible alternative measures on driver behaviour (e.g. enforcement measures, driver training) and infrastructure. Given that the real-life impact of new measures on vehicle construction and equipment is delayed by the **slow rate of fleet renewal,** in certain cases, **alternatives to legal measures** (e.g. information campaigns,) may be evaluated in comparison to more efficient than legislation to deploy new technologies without impairing the **affordability** of vehicles for consumers. The EU road safety need to be based on a right policy mix covering actions on vehicles, infrastructure and drive behaviour. Future road safety regulations will continue to be based on accident data evidence and on the most cost-effective approach.

- The European automotive industry acts now on a **global market** and this should also be taken into account in proposing new measures, i.e. preferring UNECE Regulations vs. EU legislation and assessing the impact of new measures on the **competitiveness** of the European industry. For non-established in-vehicle technologies, **adequate lead-time in line with agreed CARS21 principles** must be provided for manufacturers and even more upstream,

appropriate RDI funding is of valuable importance. Funding in RDI should focus on maintaining and strengthening European technological leadership in advanced safety solutions. Attention should also be paid to the impact of the safety measures on the environment.

- **Priorities should be given** to the measures likely to address the main priorities of action on road safety e.g. **vulnerable road users** and the main accident factors – extensive speed**, alcohol, error and distraction and drugs**. CARS 2020 stakeholders supported the **programme of work of the Commission services**, including the research study, based on quality criteria, on new possible measures to improve safety mentioned above as well as additional studies on alcohol inter-lock devices and crash event data recorders. **Priority should be given to** new safety features that are cost/efficient, **enforceable**, and compatible with infrastructure, taking into account the role of the consumer behaviour.

- To address the safety of new types of vehicles (e.g. electric, fuel cells vehicles) should also be a priority to improve acceptance.

- **Integrated approach must be implemented thoroughly.** Technology should not be seen as the only solution. Further investment into infrastructure is needed to multiply opportunities given by new safety devices on vehicle side. The role of Member States is crucial in this aspect, using full variety of EU instruments to support infrastructure development throughout EU and enforcing existing legislation.

- The preparation of new measures by the Commission, notably via studies, **should involve stakeholders at multiple stages of the process** to be carried out. It is important that interest groups can raise awareness for specific issues to be incorporated in the study.

- Deployment of ITS technologies should actively be supported.

- Regional and local administrations can play a crucial role in training and education public awareness rising and informing on road safety. They must be taken into account as privileged partners concerning road safety".

TRADE AND INTERNATIONAL HARMONISATION

CARS 2020 CONSENSUS PAPER

CARS 2020 Action Plan highlighted the centrality of international aspects for the competitiveness of the European automotive industry and their impact on the objective to retain production, R&D and jobs in the EU. The European automotive industry has a very strong position in international trade and clearly benefits from market opportunities on both traditional and newly emerging markets, which partly offsets a difficult domestic situation.

While EU demand continues to be low compared with 2007, in 2013 the EU had a sustained surplus of €82.7 billion in trade on passenger cars[21] and a surplus of €127.8 billion[22]for the sector as a whole, the largest among manufacturing sectors. Trade, in particular exports from the EU, continues to be concentrated on the higher-value segments (around 90% of exports of vehicles with engines over 1500cc).

The US continues to be the EU's main partner in the automotive sector, yet the emerging economies are gaining ground as key trade partners. This importance is reflected in the political priorities for the Commission, both with regard to international harmonisation and trade negotiations.

Main trade partners of the EU in 2013[23] (automotive related products):

Country	Exports M€	Imports M€	Balance M€
USA	37.042	6.94	*30.102*
China	28.454	3.525	*24.929*
Russia	14.452	0.07	*14.382*
Japan	8.071	10.173	*-2.102*
Brazil	4.435	0.293	*4.142*
Korea	4.182	6.002	*-1.82*
India	1.209	1.764	*-0.555*
Total	***97.845***	***28.767***	***69.078***

However this situation cannot be taken for granted: competition intensifies and some of our main partners, sharing the evaluation on the importance of the sector, are gradually reinforcing measures that protect manufacturers producing locally. While the industry strives to keep its

[21] Source: Eurostat, Comext database. Product group: Group 87 extract - New passenger cars.
[22] Source: Eurostat, Comext database. Product group: Group 87 extract - new passenger cars, van, trucks, buses, motorcycles, trailers and components.
[23] Source: Eurostat, Comext database. Product group: Group 87 extract - new passenger cars, van, trucks, buses, motorcycles, trailers and components.

competitive edge, the role of public policy **is to ensure a level playing field, via trade policy in the broadest sense, including market access and regulatory harmonisation.**

The Members of the Working Group consider that the following elements warrant a political follow-up by the Commission and the Member States, and submit the relevant recommendations for this work.

1. ***Progress in international harmonisation***

CARS 2020 Action Plan recalled the priority given to international harmonisation of vehicle regulations. The Commission and stakeholders shared the conclusion that the most effective instrument for international regulatory harmonisation is the UNECE 1958 Agreement. The stated objective was that it needs to be modernised to accommodate the needs of emerging economies and to enable the mutual recognition of international whole vehicle type approvals (IWVTA). The reform of the 1958 UNECE Agreement is a key element of this strategy and will aim in particular to make adoption and implementation of international regulations more attractive for third countries, whilst at the same time ensuring its continued reliability and robustness.

The Commission has reported on the following progress:

- At the 162nd session of UNECE Working Party 29 in March 2014, a consolidated set of proposals for revising the UNECE 1958 Agreement was presented to the Contracting Parties to the Agreement, who were invited to immediately start their national procedures for consideration of the proposed revisions. Once these national processes are finalised, and the possibility of obtaining unanimity has been verified, the proposals for the revision of the Agreement will be put to the vote in WP.29 (tentatively in June 2015). One politically important issue needs further consideration, i.e. the request by Asian and other countries to increase the current 2/3 majority voting threshold, for example to four-fifths, which is considered as essential to attract new Contracting Parties to the 1958 Agreement.
- The Commission continues to contribute to the development of a proposal for a new UN Regulation on IWVTA. The IWVTA Regulation will substantially reduce the administrative burden related to the type-approval and introduction of the same vehicle model in countries which are Contracting Parties to the 1958 Agreement and will apply this new UN Regulation.

In parallel to the work on the 1958 Agreement, the Commission informed that it continues to strive to obtain concrete results under the 1998 Agreement, and to engage the United States on the need to incorporate GTRs in domestic legislation. This should include all contracting parties. The most promising areas of work are breakthrough technologies, notably hydrogen and electric powertrains. The GTR on hydrogen fuel cell vehicles

was concluded in the WP29 session of June 2013 and a Phase II agreed by the contracting parties. The work on safety and emissions of Electric Vehicles (involving China for the first time) is on-going.

In the framework of the TTIP negotiations, the Commission has engaged to reflect, with the US, Japan and other key partners, on aspects that can be improved to make the result more effective (transposition into the internal legislations of the contracting parties). As a first approach, the Commission will review the criteria for choosing the priorities for new GTR, the early exchange of scientific data and the procedures for implementation.

Recommendations:

- The members of the Working Group considered that priority needs to be maintained in the process of revision of the 1958 Agreement, to make it more attractive to emerging economies while maintaining its robustness as a trade facilitation instrument. They will consider the feasibility of enhancing the voting procedures to ensure that new Contracting Parties feel fairly represented and will be committed to the harmonisation process. The Commission will explore feasible scenarios with Member States.
- The members of the Working Group supported the initiative to revise the approach to the 1998 Agreement.

2. Current bilateral trade negotiations

CARS 2020 Action Plan recognised that Free Trade Agreements (FTA) are an important means to improve market access in third countries. The Commission and the stakeholders have agreed that FTAs should be used to tackle the key issues of removing tariff and non-tariff barriers. FTAs should aim at full tariff dismantling, removal of Non-Tariff Barriers (NTBs) and enhanced regulatory cooperation, envisaging progress in the three pillars. This three-pillar approach should be the guiding principle for the relevant FTA negotiations. The best way to remove NTBs, and therefore the ideal objective of sectoral annexes to the FTAs, is the acceptance of international regulations under the 1958 UNECE Agreement.

The Working Group has debated the state of play of the on-going negotiations which are more relevant for the automotive industry: with the United States, Japan, India and Canada. The Commission reassured the Members of its commitment to take due account of the positions and concerns of the CARS 2020 stakeholders during negotiations, aiming to achieve the best market access possible in all FTAs.

In fact the negotiation of dedicated provisions to tackle NTBs with the EU's partner countries has become standard procedure in the negotiations. Specific annexes to FTAs are adapted to the characteristics and market conditions of the EU's partners, but all intend to solve existing issues,

establish disciplines to avoid new barriers to trade and to promote harmonisation.

The negotiated provisions need to take into account, inter alia, the differences in regulatory tradition of the partner countries, with solutions adapted to self-certification countries and type-approval countries.

Regarding countries applying self-certification, the first new generation FTA that included such provisions (the one with Korea) has now been in force for nearly 3 years. While some progress has been made in terms of reducing market access barriers, a number of non-tariff barriers remain and as new obstacles continue to emerge, it is clear that efforts to ensure FTA enforcement need to be maintained. Tariff dismantling is proceeding according to the schedule. However some lessons have also been learned in this context and these are being duly taken into account in other negotiations, notably with regard to marking. The Commission expects that Korea will upgrade its commitment to the UN process, and its intention to apply the WLTP may be seen as a positive step.

As for other self-certification countries, the negotiations on the Annex with Canada are completed and will allow for some recognition of equivalence for a limited number of regulations.

The TTIP, due to the importance of trade involved, is a very special challenge. The Commission shares the evaluation that solving, regulatory divergences will provide considerable economic value as that could boost the European car industry significantly on the world stage. The Commission is therefore fully committed to developing solutions to these divergences. It also agrees that the most promising way forward is to pursue progress on the different pillars: (1) seeking the recognition of equivalence for existing regulations and (2) strengthening of the cooperation in the 1998 UNECE Agreement for new regulatory initiatives; (3) further developing bilateral cooperation, e.g. on research and on regulatory work plans. This assumes, obviously, that the level of protection ensured by regulations from both sides are equivalent, and that any such recognition will not result in a lower level of safety or environmental protection.

The TTIP negotiations continue at a regular pace (one round each two months, on average) with the objective of finalising the negotiations as soon as possible. The Commission will maintain the regulator consultations of the stakeholders on the occasion of each Round. The issue of product liability will also be considered.

As for type-approval countries, the only concluded "new generation" FTA (not yet in force) has been with Singapore. This is a very ambitious text that will allow for full harmonisation, based on UN Regulations, and that the Commission expects will serve as a model for other ASEAN countries (negotiations with Thailand and Vietnam are on-going; while there is no progress with Malaysia and Indonesia). This text has also been the model for the new Agreement with Morocco, and the Commission expects that this will have an impact in other Mediterranean Countries.

Among type-approval countries, the important negotiation with Japan has reached the stage of the 1st year revision. The Commission considers that progress can be reported in some of the Scoping Roadmaps. The overarching objective of the FTA negotiations is that motor vehicles and parts produced in one Party should be accepted on the market of the other side without additional testing, certification or marking requirements, based upon the product approval issued by the exporting side. The key instrument to achieve this is regulatory convergence. With this objective the negotiation will cover two key aspects: the negotiation of comprehensive bilateral disciplines (sectorial annex) and the resolution of existing NTBs impacting on the EU industry, including those that were not referred to in the illustrative list of NTBs included in the Scoping Exercise conclusions.

The negotiations with India have been suspended for the moment, due to elections.

Recommendations:

- The members of the Working Group support the Commission's commitment that FTAs should aim at full tariff dismantling, removal of Non-Tariff Barriers (NTBs) and enhanced regulatory cooperation, with the support of the stakeholders to the different processes of negotiation and or enforcement, with the final goal of facilitating trade.
- The Commission should continue monitoring the implementation of FTAs in an efficient manner, with a view to seeking satisfactory solutions to implementation issues.

3. The impact of trade liberalisation on the EU automotive industry

In the CARS 2020 Action Plan the Commission undertook to assess the impacts of trade agreements, as well as their cumulative impact, on the competitiveness of this industry by launching a study into already concluded FTAs and those likely to be concluded in the near future. Therefore, at the end of 2012, the Commission launched a call for proposals for the development of a study on "The impact of trade liberalisation on the EU automotive industry". The preliminary findings of this study have been discussed with the Working Group members and the final version will be made available as soon as possible.

The Working Group agreed that the study provides background analysis for future discussions on trade policy.