



JAPAN AUTOMOBILE MANUFACTURERS ASSOCIATION, INC.

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Mr Heinz Zourek
Director General
DG Enterprise and Industry
EUROPEAN COMMISSION
1049 Brussels
BELGIUM

27 February 2006

Dear Mr Zourek,

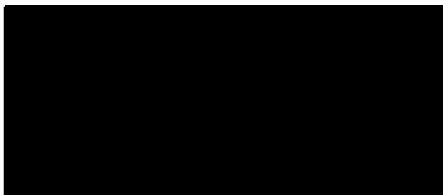
JAMA has followed the CARS 21 discussions with much interest and attention since the launch of the High Level Group in January 2005 and welcomed the publication of the group's final report in December 2005.

We have now had the opportunity to assess the CARS 21 final report in detail and would like to submit our comments to you as per the attachment herewith. Our comments focus on the areas of better regulations, environment, road safety and competitiveness.

Allow me to take this opportunity to reiterate the fact that JAMA is fully committed to the growth and enhanced competitiveness of the EU automotive industry and looks forward to a sustained dialogue with the European Commission in that regard. Indeed, it is hoped that a system will be established that ensures not only complete fairness and transparency in the legislative process, but also the provision of opportunities whereby JAMA can convey its position and participate in relevant discussions.

We thank you for your continued support and look forward to engaging with you and your team on this matter.

Respectfully,



Attachment: as above

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JAMA Comments on the European Commission's "CARS 21 Final Report"

Introduction

- JAMA members contribute substantially to the European economy through their production, research-and-development, sales, and distribution activities in EU Member States. Increasing the competitiveness of the European automotive industry is an extremely important issue for JAMA members as stakeholders in that industry. Accordingly, JAMA was an active participant in and contributor to the CARS 21 public hearings conducted in April 2005.
- The CARS 21 High Level Group's compilation in December 2005 of the "10-year roadmap of key initiatives" and its delivery of recommendations for bolstering the EU automotive sector's competitiveness amidst accelerating globalisation represent highly significant policy developments. JAMA fully supports these initiatives of the European Commission.
- JAMA members play an integral role in infrastructure establishment as part of the EU business community. In this light, the recommendations contained in the CARS 21 Final Report have unmistakable and far-reaching implications for the activities of JAMA members. JAMA has carefully examined the CARS 21 Final Report from this perspective and has drafted the assessment that follows below.
- JAMA understands the European Commission plans to conduct follow-up reviews based on the Final Report's recommendations. JAMA kindly requests the Commission to give fair consideration to its various positions and concerns at the time of those follow-up reviews.

1. Better Regulation and Simplification

- Simplification and international harmonisation of automotive standards are highly desirable with the advancement of globalisation. JAMA therefore welcomes the undertakings of the Commission in this regard. The implementation of preliminary stakeholder consultations, the introduction of impact assessments, the promotion of international standards harmonisation as well as the assurance of necessary lead times and regulatory predictability are all critical points which are in line with the thinking of JAMA and its members. We do, however, look forward to improvements in the transparency and accountability of the comitology process in discussions on regulatory formulation.
- The early formulation of Global Technical Regulations (GTRs) is an essential issue in assuring international competitiveness. JAMA expects the EU side to

take an active role in advancing GTRs at WP29. In particular, we anticipate Japan-EU cooperation on the early adoption of the Pedestrian Protection Directive (Phase II) proposed by the European Commission as a GTR standard.

- JAMA favours accurate impact assessment studies and inclusion of their results in the regulatory formulation process in due consideration of their regulatory impact. We would particularly like the Commission to launch an assessment of the environmental impact of MACs, as discussed below.

2. Environment

2.1 Reduction of CO₂ Emissions

- JAMA supports the adoption of an integrated approach that aims for further reductions of CO₂ emissions by involving not just auto manufacturers but all relevant stakeholders, including government and vehicle users.
- We specifically look forward to the early introduction of eco-driving and gear-shift indicators, since previous studies have established their role in CO₂ reduction.
- CO₂ reduction is also dependent on the availability of high-quality fuels. Better quality fuels should therefore be provided in accordance with the specifications of the World-Wide Fuel Charter advocated by ACEA, JAMA, the Alliance, and EMA, in order to enable vehicle manufacturers to incorporate new technologies in their products.

2.2 Euro 5

- While public consultation in the preliminary draft stage was in itself constructive, it must be noted that the industry's comments and opinions were not reflected in the draft proposal. We therefore hope that the Commission will re-examine industry's comments.
- JAMA members have two major concerns about the current Euro 5 proposal, as follows:
 - (i) Heavy passenger vehicles: It will be technically difficult for vehicles exceeding 2.5t in GVW to comply with the M1 criteria. JAMA therefore considers it appropriate to establish two different criteria—one for passenger vehicles up to 2.5t and another for vehicles exceeding 2.5t.
 - (ii) Lead times: JAMA strongly favours the introduction of enforcement dates as follows: Either 2010 or 24 months after regulatory enactment (whichever is later) for new M-class vehicles up to 2.5t; and either 2011 or 36 months after regulatory enactment (whichever is later) for new M-class vehicles exceeding 2.5t. JAMA has further requested that a

lead time of one year after the enforcement dates for the aforementioned two categories of new vehicles be applied to all other vehicles.

2.3 Mobile Air Conditioners (MACs)

- While JAMA agrees, as per Recommendation No 9 in the Final Report, that “sufficient lead-time is provided” and that “a technology-prescriptive approach should be rejected,” it finds it difficult at the present time to endorse the statement “The Council Common position is supported.” Although JAMA’s position on MACs was communicated by letter to the European Commission in December 2005, we again request the Commission to take into consideration the following specific concerns regarding the proposed ban of HFC-134a:

- (i) We ask the Commission to conduct an environmental impact assessment of the use of alternative refrigerants. The reason for our request is that although automotive CO₂ air-conditioning systems exhibit superior performance with regard to direct emissions (refrigerant leakage), this advantage does not necessarily hold true with indirect emissions (decreased fuel economy as a result of power consumption by the air-conditioning system). According to current test data on the total equivalent warming impact of the two systems, CO₂ air-conditioning systems overall can be less efficient than HFC-134a systems in some cases. Thus, an assessment of the respective systems’ warming impact is warranted, taking into account total vehicle emissions.
- (ii) The Commission should clarify the economic burden resulting from the polarisation of refrigerant types. It has been noted that the use of HFC-134a as an automotive refrigerant is expected to continue outside of Europe, including Japan and the US. Banning HFC-134a in Europe alone will present a large obstacle to industry, adversely affect globally-operating vehicle manufacturers including European manufacturers, and eventually prove detrimental to consumers.
- (iii) Under these circumstances, JAMA strongly urges the Commission to review the regulations banning HFC-134a in 2007, by which time the results of a quantitative test on running vehicles will be available.

3. Road Safety

- JAMA supports the basic policy of an integrated approach—as with CO₂ reduction—towards improved road safety, taking into account not only the vehicles themselves but also vehicle users and infrastructure.
- JAMA hopes that a timetable will be drawn up for the relevant vehicle safety technologies once reliable technical performance evaluations have been concluded. The United Nations Economic Commission for Europe (UNECE)

has already commenced deliberations on electronic stability control (ESC), daytime running lights (DRL) and seatbelt reminders (SBR). For the EU to pursue separate studies on the regulation of these technologies would be contradictory to the basic policies outlined in the Final Report's Recommendations 1–3 on Better Regulation. Therefore, JAMA strongly favours holistic deliberations at the UNECE.

- As previously mentioned in section 1 of these comments ("Better Regulation and Simplification," paragraph 2) regarding the deliberations on Phase II of the Pedestrian Protection Directive, JAMA strongly favours international harmonisation and the adoption of the Global Technical Regulation (GTR) currently under examination by the UNECE.

4. Strengthening Competitiveness

4.1 Trade

- JAMA agrees that the promotion of activities to reach a settlement on the Doha Development Agenda is of crucial importance. It firmly believes that the removal of tariffs and non-tariff barriers—including zero-zero harmonisation agreements among advanced nations—in the automotive (autos and auto parts) sector, which constitutes a large percentage of global trade, will be effective in promoting not only further trade liberalisation but also enhanced competitiveness for the EU auto industry through, for instance, expanded export opportunities and greater technical innovation by virtue of the inexpensive imports of advanced-quality parts from other regions.
- In addition, FTAs complement the WTO and contribute to the stimulation of regional economies and the further development of the auto industry through their synergistic impacts on trade liberalisation and expanded investment.

4.2 Taxation and Fiscal Incentives

- JAMA endorses the Commission's policy to gradually abolish current passenger car registration taxes and transition to a system based on an annual circulation tax. It also considers it advisable, when formulating a tax base that incorporates a CO₂-based element, to design a system that will advance harmonisation among EU Member States.
- JAMA fully supports the introduction of harmonised fiscal incentives to stimulate consumer demand for vehicles incorporating advanced environmental and safety technologies. In this regard, JAMA believes that such incentives should be technology-neutral and that all advanced environmental and safety technologies should be considered fairly. JAMA also believes that the coordinated introduction of such incentives to the EU is of critical importance.

4.3 Intellectual Property

- JAMA concurs with Recommendation No 18 on design protection and welcomes its advancement. However, it views the removal of design protection from visible spare parts as a violation of the spirit of that recommendation. JAMA is convinced that the protection of intellectual property rights in turn helps protect the safety of consumers.

Conclusion

The European Commission's "CARS 21 Final Report" comprises policies and recommendations designed to strengthen the competitiveness of the EU automotive industry. Aware that follow-up reviews will be conducted on the adoption of the recommendations contained therein, JAMA will continue to monitor developments in the implementation of EU automotive policy and to present its position and engage in discussions at every available opportunity.

In regard to the European Union's creation of *a competitive automotive regulatory system for the 21st century*, it is hoped that a system will be established that ensures not only complete fairness and transparency in the legislative process, but also the provision of opportunities whereby JAMA can convey its position and participate in relevant discussions.

JAMA is committed to the growth and enhanced competitiveness of the EU automotive industry and looks forward to a sustained dialogue with the European Commission in that regard.

We thank you for your continued support.

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