



Name of Cabinet Member:

Name of the Director who has cleared the briefing:

BASIS request ID: Room, time: Participants: Name of main contact person: Telephone number: Directorate/Unit:

MINI BRIEFING NOTE

The associations of European automobile manufacturers (ACEA) and of European automotive suppliers (CLEPA) will meet you in a tripartite call to discuss supportive measures and financial aid for the automotive industry.

The automotive sector is currently heavily impacted by the coronavirus crisis. Market capitalisation (stock value) of automakers plummeted since January and some suppliers are already running out of cash due to the decline or no demand from OEMs.

This meeting will allow you to check current financial/production situation and to obtain information on their specific needs in terms of support measures.

Key messages

1. I understand gravity of the situation that the automotive industry faces today – human and safety dimension and economic consequences.
2. I would like to thank you for the involvement in the fight against coronavirus, in particular through adjusting production lines to manufacture ventilators (e.g. Dailmer, VW, Fiat, Scania) and through financial donations.
3. We will have to further ramp up production of medical equipment – ventilators - so I count on your involvement and my services will facilitate this.
4. The Commission is ready to provide financial support to accompany the automotive industry and especially its SMEs, via notably the Corona Response Investment Initiative. A presentation of the financial situation of your members would be useful to help us target aid.
5. In the framework of the state aid temporary framework, the Commission will also allow Member States to provide grants, subsidies loans and guarantees. We will process requests coming from the Member States very quickly.
6. We need to address the current situation but also started to assess what will be needed for “the day after”.
7. I would like to hear from you what measures, other than the ones we have undertaken, will be necessary and how we can be of help.

Questions to the interlocutors

- Is there any share of your activity that is still on-going and if yes, can you explain what it is and why?
- In addition to the horizontal support measures put forward by the Commission and Member States, are there any additional, immediate automotive specific support measures needed? Do you see a need for national policy coordination?

- What are your current plans to convert some of the existing facilities to produce protective personal and medical equipment (e.g. masks and ventilators)?
- What type of support do you need in this respect?
- What are your needs in terms of financial support? Has your government proposed to help?
- Given the cross border nature of the automotive sector, which are your recommendations for the facilitation of circulation of essential goods, services and persons (e.g. experts) across EU countries?
- What is the situation on your third country markets: in particular in China and the US but also in Japan and Korea?
- What kind of measures do you consider necessary to relaunch the production and demand once the health pandemic is over?
- What kind of ecosystem could be built to enhance Europe's position?

Defensives (based on questions received so far from the industry)

1. Will the EIB also provide a financial support to the automotive industry?

The EIB Group will rapidly mobilise up to EUR 40 billion to fight crisis caused by Covid-19. Amongst them, EUR 10 billion will be dedicated liquidity lines to banks to ensure additional working capital support for SMEs and mid-caps.

2. What long-term measures are planned by the Commission to support economic recovery of the automotive industry after the end of the crisis?

Several measurements are under reflection but have yet to be confirmed and will be taken in coherence with the Green Deal main objectives. To relaunch car demand, the Commission will invest in fast charging infrastructure to support electric car sales and will encourage state and local subsidies to the industry. A legislative proposal for the EU Unemployment Reinsurance Scheme is also in preparation to help workers who lose jobs because of the crisis and support reskilling.

3. Will the Commission adjust regulatory deadlines for the acts that will be applicable or will enter into force in the coming months?

I have instructed my services to make a thorough analysis of all the upcoming regulatory deadlines and of their adequacy under the current circumstances.

Your input will be appreciated in this respect.

4. Will the Commission maintain Green Deal ambition, in particular with regard to CO2 standards?

The Green Deal remains and will remain a priority for the Commission. Concerning CO2 standards and there is intention to implement it (this has been double checked with CLIMA).

5. Does the Commission envisage temporary VAT waiver on some products? That would be of great help.

The Commission will consider broad range of measures that can be of support to the industry.

6. How can you help us to generate demand?

Keeping in mind that the pandemic will be over, the Commission has already started reflection on the type of support measures that should be introduced as a matter of priority (e.g. scrapping schemes ("[cash for clinkers](#)") [used to facilitate the fleet renewal also after 2008.crisis](#), reinforcement of charging infrastructure, tc.).

7. How can you prevent vulnerable innovative European companies from being taken over by the Chinese competitors as the situation in China stabilizes?

Sovereignty is at the core of the recently adopted Industrial Strategy. This crisis is a wake-up call in this respect. Consolidating and securing the value chains of European industry will be one of my priorities.

Background information

- The automotive sector represents 3.2% of total EU output, 12.5% of total EU manufacturing output and 13.8 millions of direct and indirect jobs.
- Three major impacts of the crisis are already evident:
 - 1. (almost) complete stop of production (with the exception of a limited production of emergency and light commercial vehicles) due to supply chain disruptions and public health concerns: major carmakers and suppliers plants closed in the EU, causing massive temporary layoffs.
 - 2. decline in demand: sales nearly stopped in late February (tendency which continued to almost flat level in March) due to the closures of dealerships (limited online sales being the exception but also "drying out" very quickly). According to first estimates, the collapse in demand in the automotive industry is expected to reach 80% in March (for comparison, in China, retail sales fell by 79% y/y in February). Export to traditional markets (US, China) is equally affected
 - 3. financial stress: liquidity is a primary problem concern in particular for SMEs, including ramping up of vehicle stock in case of volume manufacturers. Market capitalisation (stock value) of already overvalued automakers and their suppliers plummeted since January. The announced share buybacks to restore the market value may be seen as a concern as this may negatively affect the available cash-flow for the very much needed capital expenditure/investments. Consequences are expected on long-term employment but remain unclear.
- The Commission proposed a €37 billion Corona Response Investment Initiative (CRII), notably to provide liquidity to firms (covering e.g. working capital in SMEs)
- Automotive industry expects a decisive involvement and support from the European Investment Bank, following the example of the Economic Recovery Plan from 2008, where SMEs have been the main beneficiaries
- They also call for extra measures such as temporary VAT exemptions (proved effective to boost sales of EV for example in Norway).

- We are currently assessing which regulatory deadlines should be postponed following the almost complete shutdown of the whole EU automotive industry.
- We are doing this assessment for all sectors of the automotive sectors (cars, trucks, busses, motorcycles tractors) but also for engines that equip mobile machinery. We already had several contacts with stakeholders (associations and individuals companies).
- Our preliminary analysis is that we will have to make legislative proposals to change certain deadlines that became unrealistic because of the crisis.

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CV [REDACTED] / [REDACTED] ACEA and [REDACTED] Fiat-Chrysler



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