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European
Automobile
Manufacturers
Association

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EUROPEAN COMMISSION
Office: SC15 6/100
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Brussels, 18 March 2005

Subject: ACEA Priorities for CARS 21

Dear Mrs. Lalis,

On behalf of the ACEA members of the CARS 21 High Level Group, please find attached the ACEA priorities for CARS 21, as requested at the first Sherpa meeting on 21st February 2005. We have outlined four main areas of focus:

- Improvement of the competitiveness of the industry through the development of a competitiveness-orientated and cost-effective regulatory framework. The main delivery in this area should be a clear reduction of the cumulative cost of legislation weighting on the industry.
- Better regulation and competitiveness-orientated policy making.
- Application of outlined competitiveness and better regulation principles to all EU automotive policy areas, in particular: CO₂ emissions reduction, future legislation on emissions standards, safety, design protection, taxation, whole vehicle type approval for Commercial Vehicles, Intellectual Property Rights enforcement.
- Improvement of the image of individual mobility in the Transport debate.

Whilst the CARS 21 group should focus its work in priority on the development of lower cost and competitiveness-orientated regulations and policies, this objective should be further integrated in a clear road map aimed at enhancing the global competitive position of the European automotive industry. The priorities and prior recommendations listed in our contribution should provide the basis for such a road map. For the sake of compliance, a monitoring process should also be established.

This contribution constitutes a starting point for the discussions to be held within the framework of CARS 21. We hope you find it useful for your task and look forward to a continuous and constructive dialogue on this issue.

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Should you have any queries, please do not hesitate to contact either Ms Anne Pouchous or myself.

Yours sincerely,



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ACEA Priorities for CARS 21

I. Foreword

Whilst a significant contributor to Europe's economy and society, the automotive industry is currently facing major challenges that are putting increasing pressure on its ability to compete globally. A number of factors account for this situation, some of which are largely outside the control of the industry. This is the case in particular of the regulatory framework ruling the production, sale and service of automobiles in Europe which is not focused to improve competitiveness in a global economy. Instead, industry has to face costly and ill-adapted rules and procedures, a fragmented market and a lack of level playing field with competitors outside Europe.

These inefficiencies mean that, overall, the European automotive industry is not profitable enough in its home market, slowing down the uptake of more advanced technologies necessary to compete effectively on the global market.

The automotive industry will only be able to defend and improve its competitive position if the economic and the regulatory environment in which it operates (i.e. its home market) enables it to sustain –in a profitable way– the growing investment in technology, R&D and other resources that are needed to meet the many challenges ahead.

The CARS 21 initiative has set itself the ambitious task of building a Competitive Automotive Regulatory System for the 21st Century. Whilst ACEA members fully support this objective, **a well targeted approach is needed to ensure that the CARS 21 group delivers concrete and clear recommendations, focused on enhancing the competitiveness of the European automotive industry through the development of competitiveness-orientated and cost-effective regulations and policies.**

The CARS 21 group should also aim at developing a clear **road map** to enhance the global competitive position of the European automotive industry. The priorities and prior recommendations listed in this paper should provide the basis for such a map. For the sake of compliance, a monitoring process should also be established.

This specified approach should not be limited to the CARS 21 discussion group. It should also be reflected at the working level in all relevant EU and national services involved in the daily elaboration of EU automotive policy. In this context, the role of the Competitiveness Council should be enhanced so that it can more efficiently fulfill its mandate.

II. ACEA Priorities

1. Improve Competitiveness

The primary objectives of the CARS 21 group should be to **define the regulatory framework conditions necessary to enhance the global competitiveness of the European automotive industry in the future, paying particular attention to the need to lower the cumulative cost impact of present and future EU legislation on the industry, while fulfilling its environmental and safety responsibilities.**

The ability of the European automotive industry to compete is severely restricted by the low profit margins characterising its home market (3-4% in EU against 6-8% in the US and 5-6% in Japan)

and the increasing costs generated by the ever more stringent EU regulatory environment. Due to market acceptance problems, these costs are essentially born by the industry, directly affecting its margins. This situation is critical as low return on investment significantly hampers the industry's potential to enhance growth, employment and investment in innovation. The CARS 21 group should make concrete proposals to address these concerns.

It is further essential that the CARS 21 group discusses and makes clear recommendations on the following specific areas where automotive-focused policy initiatives could be taken in order to stimulate the industry's competitiveness:

- **Greater R&D and innovation efforts**
 - Increase R&D budgets in line with the Barcelona targets for 2010 (3% of EU GDP);
 - Create a single programme within FP 7 devoted to the R&D innovation needs of the road transportation sector and promote a "*bottom-up*" approach;
 - Match R&D efforts with proper intellectual property rules;
 - Simplify participation rules of research schemes and avoid red tape.
- **Completion of the Internal Market for the automotive sector:**
 - Promote fiscal harmonisation in automotive sector;
 - Develop Whole Vehicle Type Approval for Commercial Vehicles;
 - Ensure the uniform implementation of EU legislation.
- **Promotion of an efficient European Transport Policy**
 - Ensure fiscally neutral, non-discriminatory and technically compatible infrastructure charging measures;
 - Provide a realistic long-term Transport Policy that does not decouple economic growth from transport growth and makes realistic assumptions about modal shifts;
 - Avoid cross subsidisation between different modes of transport;
 - Modernise and maintain the European road transport network.
- **Promotion of a dynamic trade and investment environment in third countries**
 - Pursue efforts aiming at the removal of trade barriers (tariff and NTBs) through a balanced combination of multilateral and bilateral trade negotiations;
 - Evaluate the external dimension of EU legislation through proper impact assessment;
 - Match trade liberalisation efforts with proper and enforced IPR rules;
 - Prevent the integration of new principles within the WTO framework which may reflect disguised protectionist measures and create new forms of NTBs (e.g. environmentally friendly goods).
 - Avoid market distortions by unfair penalties for products.

2. Better Regulation and Competitiveness-Orientated Policy-Making

The competitiveness of the European automotive industry crucially depends on the development of a simple, cost-effective, coherent and stable EU regulatory framework. In this context, the CARS 21 group should review EU automotive policy, with the aim of:

- Cutting the cost of regulation and promoting market-driven solutions that help global competitiveness;
- Ensuring that forthcoming regulatory proposals are formulated in a reasonable, uniform and carefully planned way¹;
- Preventing incompatible legislation as well as taking into account the cumulative impact of legislation.

This exercise should draw on the definition of an efficient and competitive automotive policy process based on the following principles:

¹ Example of recent legislative proposals that are expected to add significantly to the regulatory burden include: Design Protection for Spare and Style Parts, Phase II requirements of the Pedestrian Protection Directive, Chemicals Policy, MAC, ELV (in particular material restrictions).
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- Define clear priorities and policy objectives with a long term view;
- Avoid conflicting objectives of legislation and prevent cumulative impacts => Adopt an holistic approach to policy-making;
- Implement proper integrated Impact Assessment (ex-ante and ex-post) for all major EU legislations, based on a sound analytical approach and adequate consultation of industry;
- Adopt technology-neutral rules only;
- Give better consideration to alternatives to regulations, favouring market-driven solutions;
- Provide sufficient lead-time for industry to comply with new rules;
- Adopt a split-level approach for regulation;
- Follow-up on implementation (in a uniform way in all countries) and use Art.95 of the EU treaty as the basis for automotive legislation (e.g. ELV);
- Promote the global technical harmonisation of motor vehicle regulations ((i) promote worldwide acceptance of UN regulations, (ii) make better direct use of UN/ECE work)
- Simplify EU legislation (eliminate or modify superfluous, obsolete or inapplicable rules);
- Promote greater coherence and predictability in the EU regulatory process;
- Promote better policy coordination within the Commission and with the Member States;

It is further crucial that all new legislation proposals – in particular environment protection and road safety legislation – are developed on the basis of an integrated approach and within a competitiveness-orientated framework that takes into consideration:

- The competitiveness impact of proposed legislation;
- Customers' benefits, purchasing power and overall market demand and acceptance for new product features;
- Market driven solutions.

3. Apply Competitiveness and Better Regulation principles to all EU Automotive Policy Areas (vertical priorities)

The High Level Group should apply the above principles to all areas of concern to the automotive industry (existing and forthcoming), in particular, but not limited to:

- CO₂ emissions reductions
- Future legislation on emissions and standards
- Safety (Pedestrian Protection Phase II, e-Safety)
- Design protection for visible spare parts
- Taxation
- Whole Vehicle Type Approval for Commercial Vehicles
- Intellectual Property Rights enforcement

4. Improve the Image of Individual Mobility in the Transport Debate

Despite its crucial contribution to the EU economy and society, the automotive sector does not always benefit from a positive image in the political arena. The CARS 21 group should define the necessary actions to enhance the image of individual mobility in the Transport debate (public *versus* individual mobility, road *versus* rail, etc.) and the industry's efforts in producing the world's safest and most environmentally friendly vehicles.