RUBBER INDUSTRY NEW ERA
Avoid wasting a crisis
EUROPEAN TYRE INDUSTRY

A critical link between vehicle and infrastructure:
- The tyre industry is well positioned to help the automotive value chain as well as policy makers meet enhanced safety, decarbonisation and digitalization standards

End-to-end lifetime suppliers and services:
- Tyre and rubber goods companies are original equipment suppliers, replacement suppliers in the aftermarket and providers of a variety of services like tyre fitting (e.g. brake fluid, suspension, wipers, oil change)

The European tyre industry felt the double of effect of a slowing demand from
- Original Equipment Market expected to fall -25% for 2020,
- Replacement Market: -17% for the passenger car and light truck segment and -13% for the truck and bus segment
## European Tyre Market Outlook

### European LV Tyre Sales

<table>
<thead>
<tr>
<th>Summary</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light vehicles</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>OE tyre sales</td>
<td>86.68</td>
<td>83.93</td>
<td>62.23</td>
<td>74.57</td>
<td>80.42</td>
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<td>Change %</td>
<td>0%</td>
<td>-3%</td>
<td>-26%</td>
<td>20%</td>
<td>8%</td>
</tr>
<tr>
<td>Replacement sales</td>
<td>296.71</td>
<td>291.00</td>
<td>242.90</td>
<td>266.94</td>
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<tr>
<td>Change %</td>
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<td>10%</td>
<td>7%</td>
</tr>
<tr>
<td>Total sales</td>
<td>383.38</td>
<td>374.93</td>
<td>305.12</td>
<td>341.51</td>
<td>366.10</td>
</tr>
<tr>
<td>Change %</td>
<td>0%</td>
<td>-2%</td>
<td>-19%</td>
<td>12%</td>
<td>7%</td>
</tr>
</tbody>
</table>

### European MHCV Tyre Sales

<table>
<thead>
<tr>
<th>Summary</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
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<tr>
<td>MHCV</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>OE tyre sales</td>
<td>4.97</td>
<td>4.84</td>
<td>2.99</td>
<td>4.26</td>
<td>4.79</td>
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<td>-3%</td>
<td>-38%</td>
<td>43%</td>
<td>12%</td>
</tr>
<tr>
<td>Replacement sales</td>
<td>15.00</td>
<td>15.04</td>
<td>13.21</td>
<td>13.89</td>
<td>14.85</td>
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<tr>
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<td>0%</td>
<td>-12%</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Total sales</td>
<td>19.98</td>
<td>19.88</td>
<td>16.20</td>
<td>18.15</td>
<td>19.64</td>
</tr>
<tr>
<td>Change %</td>
<td>0%</td>
<td>-19%</td>
<td>12%</td>
<td>8%</td>
<td></td>
</tr>
</tbody>
</table>

### Scenarios

<table>
<thead>
<tr>
<th>Change in total sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;V&quot; Shaped</td>
</tr>
<tr>
<td>&quot;U&quot; Shaped</td>
</tr>
<tr>
<td>&quot;L&quot; Shaped</td>
</tr>
</tbody>
</table>

Source: LMC Automotive
EUROPEAN RUBBER INDUSTRY

- >4000 companies – 98%SMEs
- 160,000 people work in the Rubber industry
- Main markets: Automotive, Aerospace, Construction and Medical
- Highly integrated value chain
- 2020 forecast drop in TU -25%;
- Big social damage expected
- recovery may last until 2023-2024; too early to assess the full scale of problems.
- >40% of Rubber companies applied for loans under government guarantee

**The real impact of the recovery measures remains to be seen; incentives on new cars, and on maintenance are critical**

**Timing is uncertain – visibility not earlier than 2021!**
EU TYRE & RUBBER INDUSTRY SHALL NOW FIND THE CONDITIONS TO FURTHER GROW IN

RESILIENCE
COMPETITIVENESS
A fragile supply chain

1. NR supplies could potentially STILL be impacted by Covid: truly supporting the EXISTING programs (GPSNR) for NR will prevent collapses
2. Market volatility on raw materials in general (impacting our orders to the supply chain) can be controlled by TAILORED funds/loans

A process to be revamped

ESSENTIAL to guarantee a considerable support through the EU Recovery Package to the efforts of the tyre & rubber industry to keep the manufacturing inside the EU:

- Decarbonizing while supporting massive digitalization investments also on AI and robotics
- Supporting the upgrading of the workforce skills to meet the need of a modern manufacturing environment.

A regulatory path certainty is essential, while leveraging on current framework

1. A regulatory super-challenging program is ALREADY drafted: wear, limits, ICT, performance over lifetime: it must be CLEAR
2. Current tools MUST be used with priority to RETREAD sector
   - Incentives, also on the basis of EU label
   - Green Public Procurement
GLOBAL SOURCING

Carefully selected materials
GLOBAL SOURCING

A fragile supply chain

- Europe is heavily reliant on many raw materials
- Tyre manufacturing without Natural Rubber is impossible
- 88% of NR imported into EU is used for automotive Industry applications
- At present there is no commercial substitute to Hevea Brasiliensis as source of NR, only cultivated in tropical climates.
- NR listed as CRM since 2017

- Support to EXISTING programs (GPSNR) for NR will prevent collapses;
- Market volatility on raw materials in general (impacting our orders to the supply chain) can be controlled by TAILORED funds/loans
- Support to industry efforts to implement sustainable procurement practices to operationalize environmental, social and governance responsibilities throughout the supply chain that promote transparency and traceability.
MANUFACTURING PROCESS TO BE REVAMPED
A 2-AGE BASED EUROPE..

- Western EU Tyre plants were built in 1950-1970, now with all having at least 50 years age..
- Eastern EU plants born on average after 2000, much younger
- A specific incentive plan for a massive digitalization, AI, robotics, investment of the manufacturing industry to respond to a global competition.
- Tyre industry kept investing on EU manufacturing and in this very moment there is need to create the conditions to further step-up, with tailored support programs.
The EU Recovery Package should prioritize EU investments in the digitalisation of the (tyre) manufacturing industry. In a time of incredible pressure on its members manufacturing realities in the EU, ETRMA calls the EU Institutions to guarantee a considerable support through the EU Recovery Package to the efforts of the tyre industry to keep the manufacturing in the EU and save job and value for the European society. Hand in hand with the necessity to promote efficiency and decarbonize its footprint, ETRMA sees these supports delivered through a specific incentive plan for a massive digitalization investment of the manufacturing industry. The modernizing of the manufacturing capacity of EU passes through a step up of its capability to respond to a global competition that will get out of the crisis with aggressive market pressure on products. An efficient industry produces competitive products and services for the market.

Investing in AI & robotics for manufacturing

The recently launched data and AI strategies recognize the value and the need of dedicated data spaces for manufacturing, to nurture the creativity and implementation of new system, processes, and services delivering efficiency and product quality. ETRMA supports and welcomes public incentives to integrate more and more these elements into our manufacturing realities. Ad hoc projects, grants and funds may trigger the capability of stretched investment plans in manufacturing realities to keep a sustained pace on changes and innovation without delaying the modernization of the EU production.

Incentivize the training of the workforce on digital skills in the context of employment saving schemes

Along with the above incentives, and considering the fragility of many jobs posts that this crisis has created, there is a need for a general upgrading of the workforce skills to meet the need of a modern manufacturing environment. A general support of the recovery plan to the reemployment of many of lay-offs with renewed and enhanced skills (on predictive maintenance, use of digital tools, interaction and control of automated processes, etc) would respond to the new industry need in a digitized production environment and guarantee the resilience and preparedness of the EU system to a possible next crisis.
A REGULATORY PATH CERTAINTY IS ESSENTIAL
A REGULATORY PATH CERTAINTY IS ESSENTIAL while leveraging on current framework

A super-challenging regulatory program
  o abrasion,
  o fuel efficiency & noise limits,
  o ICT & access to data,
  o performance over lifetime

it must be CLEAR

Current tools MUST be used with priority to
  o RETREAD sector
  o Incentives, also on the basis of EU label
  o Green Public Procurement
“With the relaunch of our economy, the pivotal challenge of mastering the transition to a decarbonised transport system in a digital age is more than ever at the top of our agenda”, Thierry Breton

A modern European transport infrastructure and well-targeted financial support are important tools for this transition

- **Promoting Retread**
  The regulatory action should be focused on attractive business models through subsidies for fleets to use retreaded tyres & encouraging the public sector to buy services rather than products could help develop markets for the circular economy

  ➔ **Dematerialise GPP** – to support a resource efficient, circular, shift through remanufacturing models such as retreading and tyre-as-a-service

- **Leveraging on incentives foreseen already by Tyre Label Regulation** (never significantly implemented by MSs) and on GPP potential
2/ DIGITALISED TRANSPORT AND TYRE DATA SOLUTIONS

EU GOAL: Secure the full benefits of digitalization by increasing traffic efficiency, enhancing road safety and contributing to clean air.

- EU needs to speed up a consistent regulatory work on smart mobility and especially on access to in-vehicle data, on Data Act and on Artificial Intelligence.

- European Tyre Industry calls for implementation of a fair and open governance model, which allows all involved parties equal access to in-vehicle data and a free consumer choice for mobility services.

By revising:

- the type approval of the vehicle communication interface (clarify the means of connection, define the data scope and the data standards – EC 715/2007)
- the liability framework to integrate connected and intelligent devices and define the responsibilities and roles of each party.
- the ITS Directive and its delegated acts, consistently with the new regulated data governance model.

By introducing:

- an approval regulation of the on-board telematics platform independent from the vehicle, allowing the vehicle owner to choose their data operator independently from the vehicle manufacturer and opening the way to a free market for connected mobility services.
- an ENISA cybersecurity certification scheme for connected transport, so as to ensure secure and non-monitored access to vehicle data for all parties in the connected mobility ecosystem.
NEXT STEPS

• ETRMA wishes to work side by side with the Commission
  o An efficient action is only possible at European level
  o This crisis has shown the efficiency of cooperation and of working in ecosystems

• ETRMA Board requests a meeting with Commissioner Thierry Breton in September

Thank you