# CARS 2020: towards a strong, competitive and sustainable European car industry

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PURPOSE : to present an Action Plan for a competitive and sustainable automotive industry in Europe (CARS 2020).

BACKGROUND : the automotive industry is of **strategic importance** to the European economy. The sector represents around **12 million direct and indirect jobs** and delivers a sizeable positive contribution to the EU trade balance (growing over the last few years and reaching € 90 billion in 2011). The industry records the biggest private spending on research and innovation (€ 28 billion in 2009) and is an essential driver for technological innovation. It is an important **multiplier of growth**, due to strong economic linkages with many industrial sectors.

The automotive sector is today at an **historic turning point**: production and trade patterns are shifting and the climate agenda is becoming more urgent. At the same time, road safety remains an important concern.

In the past months, the European automotive industry has been facing an **increasingly difficult period**, with the EU market for new cars declining for the fifth consecutive year. Several manufacturers have reported **financial losses on the EU market** mostly due to declining sales combined with the long-standing structural issue of overcapacity.

At the end of 2010, the Commission decided to re-launch the **CARS 21 High Level Group**, which was originally set-up in 2005, as a follow-up of the Commission Communication "European strategy on clean and energy-efficient vehicles", adopted on 28 April 2010.

Against this background, the Group has defined **a common view on key characteristics of a strong and competitive automotive industry and progress towards sustainable mobility for EU society in 2020** as follows**:**

- an automotive sector which remains of **strategic importance** and a cornerstone for the EU industry and economy;
- a **strong manufacturing base** in the EU for road vehicles and components, manufacturing a sizeable part of the vehicles and parts sold on the EU market;
- a strong industrial network with a flexible and integrated supply and distribution chain;
- a sector **exporting** a larger portfolio of high-quality and high-technology vehicles to third markets;
- **global markets which offer a genuine level playing field** to all players in the sector, with fair chances for all technologies;
- an automotive industry that is leading in technology, in coordinated action with the fuel supplier industry, producing vehicles which are attractive to EU consumers, clean in terms of **regulated pollutants, more fuel-efficient, safe, quiet and connected**;

- a portfolio of propulsion technologies, dominated by advanced combustion engine technology, though increasingly electrified. In addition, the deployment of vehicles with alternative powertrain concepts (such as electric5 and fuel cell vehicles) is becoming significant;

- appropriate **refilling and recharging infrastructure for alternative fuel vehicles** being built, in line with their market potential;

- a **workforce** in both manufacturing, R&D and servicing that is trained and prepared to work with a multitude of technologies.

The Commission fully recognises these challenges and the need of an **ambitious industrial policy strategy for the automotive sector**. With this strategy, the Commission intends to support the active role the automotive sector will play in seeking to reverse the declining share of industry in Europe from its current level of around 16% of GDP to as much as 20% by 2020.

CONTENT : based on recommendations by the CARS 21 High Level Group, the Communication presents **an Action Plan for the automotive industry**, highlighting the Commission's commitment to support the sector's competitiveness and sustainability. It is the first concrete example of the application of the updated vision for industrial policy in a sectoral setting, i.e. the automotive industry. This Action Plan is articulated around the following **four pillars**:

**(1) Investing in advanced technologies and financing innovation** : through a range of regulatory initiatives and support to research and innovation :

- to develop a proposal on the European Green Vehicles Initiative (as a follow-up to The European Green Cars Initiative which is one of the three Public Private Partnerships (PPP) 2009-2013) under Horizon 2020;

- to continue **working with the EIB in order to ensure that financing** for automotive research and innovation projects is available;

- to establish a set of measures aiming to lower **CO2 emissions, pollutants and noise emissions**;

- to continue to implement **road safety** work in line with the focus areas and objectives of its Policy Orientations 2011-2020 and further promote the deployment of **Intelligent Transport Systems (ITS);**

- 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**.

**(2) Improving market conditions** : through :

- **strengthening the internal market** : (i) setting up a dialogue between stakeholders, encouraging them to work towards common principles on **vertical agreements on the distribution of new vehicles**; (ii) putting forward **guidelines for financial incentives** for clean and energyefficient vehicles put in place by Member States in order to promote stronger coordination of these measures ;

- a comprehensive and consistent application of principles of **smart regulation**, will be ensured, integrating an indepth assessment of the impacts on industry, society and other stakeholders, notably the associated costs and benefits ;

- adopting a proposal to **enhance the type-approval framework** to include provisions for market surveillance in areas where a need has been identified.

**(3) Enhancing competitiveness on global markets** : through :

- **an effective trade policy** : 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 ;

- **the international harmonisation of vehicle regulations** : the 1958 UNECE Agreement should be modernised to accommodate the needs of emerging economies and to the extent that it enables the **mutual recognition of international whole vehicle type approvals** (IWVTA) starting with the category of passenger cars.

**(4) Anticipating adaptation and managing restructuring** : while on the one hand, the automotive industry faces the problem of availability of a qualified workforce, on the other hand there is a need to deal with the social consequences of restructuring, when job losses are unavoidable. The Commission will:

- encourage the use of **European Social Fund (ESF)** for workers' retraining and re-skilling;

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

- 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.

The Commission proposes to set up in 2013 **a high-level process called CARS 2020**, in order to monitor the implementation of the CARS 21 recommendations, as well as the measures set out in this Action Plan.