



European Economic and Social Committee

**INT/351
CARS 21**

Brussels, 26 September 2007

OPINION

of the

European Economic and Social Committee

on the

Communication from the Commission to the European Parliament and Council –

A Competitive Automotive Regulatory Framework for the 21st Century –

Commission's position on the CARS 21 High Level Group Final Report –

A contribution to the EU's Growth and Jobs Strategy

COM(2007) 22 final

On 7 February 2007, the European Commission decided to consult the European Economic and Social Committee, under Article 262 of the Treaty establishing the European Community, on the

Communication from the Commission to the European Parliament and Council – A Competitive Automotive Regulatory Framework for the 21st Century – Commission's position on the CARS 21 High Level Group Final Report – A contribution to the EU's Growth and Jobs Strategy
COM(2007) 22 final.

The Section for the Single Market, Production and Consumption, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 18 July 2007. The rapporteur was Mr Davoust.

At its 438th plenary session, held on 26 and 27 September 2007 (meeting of 26 September), the European Economic and Social Committee adopted the following opinion by 144 votes with 2 abstentions:

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1. **Overview and main recommendations**

- 1.1 The Committee is pleased that, "in the spirit of better regulation", the European Commission is aiming "to promote coherent interaction between different policy areas, provide predictability and seek the protection of public interest (e.g. environment and safety) while attempting to reduce the regulatory burden on industry". The Committee welcomes the commitment to a holistic approach and the willingness to take on board the various different dimensions of industry development and competitiveness and the different stakeholders involved.
- 1.2 On a more general level, the overall CARS 21 initiative reflects a desire for coordination among public policymakers – not only between themselves but also with the various industry stakeholders. In the Committee's view, this deserves the fullest support. The Commission communication, which outlines the regulatory work already in place and sets out action to be taken in the future, illustrates the importance of such an approach, while also highlighting the difficulties involved.

- 1.3 The main benefit of this approach is that it makes the broad direction of European car policy clear for all stakeholders. The predictability of EU policies is improved in each of the key areas, while the regulatory burden on industry is also reduced.
- 1.4 One direct benefit of the approach is the reduction in the regulatory burden made possible by the replacement of 38 EU directives by UNECE regulations. Similarly, from the progress made in the fields of the environment and road safety, it is clear that an integrated approach is practicable and boosts the legitimacy of the regulatory framework in the eyes of all the stakeholders involved, while at the same time making it more predictable for industry. Such an approach thus generates a consensus that can be drawn on by all concerned as a basis for further action.
- 1.5 However, there are also difficulties inherent in pursuing such an approach. These fall into three categories:
- i) the quest for consensus tends to delay decision-making on the various issues involved;
 - ii) the content of the analysis and of the recommendations is very much contingent on which stakeholders are consulted in the process;
 - iii) an integrated approach may result in an analysis of the issues that muddies the responsibilities involved.
- 1.6 The list of 39 measures or commitments set out in the Commission communication is very long and, considered separately, each one does seem warranted. Bringing all 39 points together, however, will probably be more problematic, raising unresolved issues of consistency and timetabling. For instance, although an integrated approach is adopted to tackle environmental and safety issues, the two questions are not, in themselves, addressed in an integrated way. Such an integrated strategy would doubtless have been possible if, as was done in the High Level Group report, questions had been asked about the pricing of products that meet all the proposed requirements, but that would, in turn, also have highlighted the need for choices to be made. Similarly, the High Level Group was keen to back up its conclusions with a roadmap for all public policymakers. This document embodied the integrated approach that the Commission hoped CARS 21 would foster. The Committee laments the fact that the Commission communication did not propose a roadmap of this kind, even in a modified form.
- 1.7 Broadly speaking, the High Level Group based much of its analysis on the views of car manufacturers. As a result, most of the issues raised relate to products and technologies. The Committee notes that the same exercise would have produced a different outcome had it been more sensitive to the interests of car users. It is important therefore to ensure that provision is made for a future revision of the list of stakeholders to reflect ongoing assessments and reassessments of the issues involved.

- 1.8 One risk of an integrated or holistic approach is that each of the stakeholders may well argue that it is up to the other stakeholders to change. In the field of road safety or environmental performance, for instance, industry players may take the view that their efforts – particularly on the technology front – are being thwarted by the actions of infrastructure managers or consumers.
- 1.9 In the light of all these factors, it is clear that the Commission communication is not the last word on car-related public policy and the choices that have to be made. The Committee therefore backs the strategy of keeping the public debate on car policy alive and open not only to all the social partners but also, more broadly, to the other stakeholders involved, and of providing information on the choices that have to be made at various times. Such a strategy is preferable to drawing up a definitive list of all potential ways forward, leaving it to the experts and industry to decide at their own discretion which path to follow.
- 1.10 In a concluding point, the Commission communication states: "(There) exists a unique opportunity to develop a distinct policy-making culture with regard to industrial policy. The Commission believes that principles such as the quality of legislation, simplification, impact assessments, stakeholder consultations, lead times and choice of instruments should be at the heart of developing legislative proposals".

The Committee welcomes this approach and hopes that this opinion will help the Commission to put it fully into practice.

The Committee therefore recommends:

- that industry players be given the time to fully develop the technologies needed to meet more stringent requirements without products becoming significantly more expensive as a result, and thus ultimately slowing down the renewal of the car fleet;
- that environmental issues should not be restricted to the question of CO₂ and that interest should not focus exclusively on technological remedies but should encompass a more holistic approach, taking due account of the actual role of cars and road transport in European societies;
- that the restructuring forum, the review scheduled for 2009 and the impact assessments on which that review is to be based should reflect the integrated approach fostered under CARS 21, and that steps should be taken to boost credibility both upstream (in the choice of stakeholders) and downstream (in incorporating the recommendations put forward by the working groups);
- that the European Economic and Social Committee be involved more directly and at an earlier stage, in line with its remit – reflected in its set-up and membership – to involve

the various components of European society in Commission policies in precisely this way.

2. **The Commission proposal**

2.1 **The Commission approach: CARS 21, an original and model initiative**

2.1.1 In line with its policy to improve the quality of lawmaking and to face the challenges of increasing global competition, in 2004 the Commission asked the CARS 21 High Level Group – comprising all the main stakeholders (Member States, industry, NGOs and members of the European Parliament) and also the three key commissioners involved in this area (enterprise and industry, environment, and transport) – to advise on future policy.

2.1.2 More specifically, the High Level Group set up at that time was given the following remit: to make recommendations for a short, medium and the long term public policy and regulatory framework for the European automotive industry that enhances global competitiveness and employment while sustaining further progress in the safety and environmental performance of vehicles at a price affordable to the consumer.

2.1.3 In this way, the Commission wanted to showpiece the car sector as an example of its more modern approach to industrial policy by explicitly incorporating its activities in this field into the ambit of the Lisbon agenda. In a bid to ensure that production sectors develop in a way that is at once sustainable, economically viable, socially responsible and environmentally sound, the Commission wants any action it takes to be preceded by a wide-ranging consultation process among the stakeholders involved so as to take stock of the current state of play and the future outlook and to carve out a broad consensus as to what action should be taken. In this particular case, the stakeholders represented in the High Level Group included car makers, oil producers, suppliers, car distributors, car repair businesses, car users, national public authorities and the three main Commission directorates-general involved (environment, transport and energy, and enterprise and industry). DG Enterprise and Industry was responsible for coordinating the work, which continued throughout 2005. A public hearing was held in April 2005. The report was adopted by the working group in December 2005. Its findings were then submitted for broad public consultation in 2006. The Commission communication is based both on the CARS 21 report and the 34 submissions received in 2006.

2.1.4 The CARS 21 report represents a very laudable move on the part of the Commission to avoid excessive numbers of uncoordinated and sometimes therefore inconsistent regulatory initiatives.

2.1.5 To do that, as the report repeatedly states, the working group calls for what it terms a "holistic" approach, i.e. an approach that looks at the interactions between the various elements involved. The High Level Group members thus want to see more readily

understandable and predictable rules and to avoid situations in which the various Commission DGs take action where the impact is unclear and where no checks have been made on consistency.

- 2.1.6 In its final report, the working group lists 18 recommendations grouped into seven chapters: better regulation; environment; road safety; trade; research and development; taxation and fiscal incentives; and intellectual property. It also concluded by proposing a *roadmap* for those responsible for public policies and regulatory measures that will impact the automotive industry over the next ten years. Fully in line with the objectives laid down by the Commission, the roadmap was designed to give European car policy the coherence and predictability that private investors need to ensure the sector's competitiveness. The roadmap was supposed to provide that predictability by setting out the regulatory path to be followed over the next few years.
- 2.1.7 This communication is the Commission's response to the report presented by the CARS 21 group. It includes the Commission's assessment of the recommendations and the reactions to the CARS 21 report expressed during the 2006 consultation exercise. It sets out the direction in which the Commission intends to steer future automotive policy. The main lines of action are as follows:
- **Reduction of administrative burdens:** The Commission will propose replacing 38 Community directives with corresponding global UNECE¹ regulations, for instance on tyres, safety glass, fog lamps and seatbelts. By doing so, industry can rely on one single text valid throughout the world. In addition, self-testing and virtual testing will be introduced for 25 EU directives and UNECE regulations to reduce compliance costs and make administrative procedures less costly and time-consuming.
 - **Reduction of CO₂ emissions:** The Commission strategy is based on an integrated approach, involving not only engine technology, but also technological improvements (e.g. setting minimum efficiency requirements for air-conditioning systems, setting maximum tyre rolling resistance limits and the use of gear shift indicators) and increased use of bio-fuels. The strategy also focuses on additional efforts by Member States in areas such as traffic management, improvement of driver behaviour, infrastructure and further CO₂ emission reduction.
 - **Road safety:** The Commission believes an effective road safety strategy should be based on a combination of improvements in vehicle technology, road infrastructure, driver behaviour and enforcement. A total of 11 future actions are proposed, including for example the mandatory inclusion of Electronic Stability Control and seat belt reminders and obligatory use of daytime running lights for new vehicles.

¹ United Nations Economic Commission for Europe.

- **Trade:** The communication proposes assessing the potential of using bilateral trade agreements (particularly in the Asian region) to improve market access, and reinforces the need to enforce intellectual property rights globally.
- **Research and development:** Clean renewable fuels and vehicles and intelligent vehicles and roads have been identified as core research priorities. With approximately EUR 20 billion (about 5% of the industry's turnover) invested into research and product development, the automotive industry is the largest R&D investor in Europe in absolute terms.

3. **The Committee's comments**

Before coming back to the method and to the merits and limits of this new approach to the question of automotive policy and sectoral policies in general, this opinion would refer to the five key areas and the proposals which the Commission has set out for each.

3.1 **Internal market, regulatory simplification and internationalisation**

- 3.1.1 The EESC supports the proposal that the framework directive for the approval of motor vehicles be extended to all categories of vehicles. It stresses, in particular, the importance of this directive for the marking of spare parts.
- 3.1.2 The EESC supports the plan to simplify and internationalise the regulatory environment, but also wishes to avoid harmonisation becoming an absolute priority that would take precedence over all other considerations.
- 3.1.3 Therefore, whilst agreeing with the Commission that in principle it is worth giving preference to multilateral commitments, it also fully supports the Commission when it states that it is "conscious of the need to maintain the possibility for the EU to legislate independently from the UN/ECE system where this is required to meet EU objectives in terms of health, environment or other policy objectives". Given that such provisions are potentially crucial in relation to international trade and access to markets, it is indeed vital that this proviso be maintained, so as to ensure that European industry has the means to respond to any laws or regulations introduced in other regions of the globe that might be an obstacle to its competitiveness.

3.2 **Environmentally sustainable road transport**

- 3.2.1 The EESC welcomes the quality of the measures already introduced and envisaged for making road transport environmentally sustainable. Following the commitments entered into by the Commission, which stresses its intention to carefully analyse the impacts of future regulatory activity on employment and safety, the EESC alerts the Commission to the need to give industry time to develop the requisite technologies to meet stricter requirements, without

producing steep rises in product prices or, ultimately, a slowdown in the renewal of fleets. This issue, whose importance was emphasised in the CARS 21 report, appears to be relatively neglected in the Commission communication.

- 3.2.2 Similarly, the EESC notes with interest that the Commission intends to pay more attention in future to real-life emissions (point 8), but regrets that the Commission does not consider the implications of this with respect to the inspecting, maintenance and reparability of vehicles.
- 3.2.3 The EESC stresses that the integrated approach upheld by the Commission essentially translates into a focus on pollutant emissions and particularly CO₂ emissions from new vehicles sold in Europe in the coming years. In effect, the Commission focuses solely on the technological solutions (biofuels, hydrogen, Intelligent Vehicles and Intelligent Transport Systems) or economic responses (possible inclusion of the road transport sector in the EU Emission Trading Scheme) it intends to promote. The Committee regrets that the Commission does not give sufficient attention to exploring the potential of a holistic approach more attentive to the place of the automobile and road transport in European societies.
- 3.2.4 In this respect, the Committee emphasises that the CARS 21 report explicitly expressed concern over the speed of fleet renewal, which it considered to be a key factor. It also stressed the importance of traffic congestion. The Committee wishes these avenues for promoting more environmentally friendly automobiles, and other issues, such as the promotion of new forms of access to automobiles, to be given the same consideration, in future, as the technical solutions.
- 3.2.5 The Committee would stress the need to encourage the supply of – and demand for – cleaner vehicles. The Commission should thus strive to develop tax incentives for certain cars and fuels that are coordinated, technically neutral and, as far as possible, harmonised; this could be done for instance on the basis of CO₂ emissions, which would help to reduce the CO₂ emitted by vehicles by directly influencing consumers and demand.

3.3 **Increasing safety on European roads**

- 3.3.1 The Committee supports the comprehensive approach to road safety issues upheld by the Commission, which is based on "the interaction between improvements in vehicle technology, road infrastructure, driver behaviour and enforcement".
- 3.3.2 The same issues that arose in relation to the environment also apply here. Thus, a key phrase in the CARS 21 report - "*at a price affordable to the consumer*" - made the point that trade-offs sometimes have to be made to the detriment of the environmental or safety aspects of vehicle performance. This phrase has not been taken up in the communication.

3.3.3 Accordingly, in the Commission communication, the list of proposals in the area of road safety is as follows²:

- make the inclusion of Isofix child restraint systems obligatory for all new M1 vehicles;
- make the use of daytime running lights obligatory (a public consultation was launched on this subject on 1 August 2006);
- make the inclusion of the Electronic Stability Control mandatory starting with heavy-duty vehicles and followed by passenger cars and light-duty vehicles as soon as a test method has been developed;
- make seat-belt reminders mandatory for all new vehicles;
- amend phase II requirements of the Pedestrian Protection Directive in order to improve the provisions of Directive 2003/102/EC³.

3.3.4 With a view to ensuring that increases in the cost of new vehicles as a result of these proposals remain at reasonable levels, the EESC advocates a clearer focus on vehicle prices and their impact on the speed of fleet renewal and – therefore – on road safety. The EESC draws attention to the fact that the delay in the second phase of the proposed Pedestrian Protection Directive means a shortening of the necessary phasing-in period for the manufacturers and complicates the planning of the measures to be taken. The timetable for implementing the directive and the precise specifications for manufacturers should also be clarified without delay. The Committee urges the Commission to consider that road safety also means that vehicles in circulation must be maintained by users, even when they are old. The Committee advocates that the planned measures be classified in accordance with the cost/benefit ratio of each, when their cost to the user is weighed against the impact they may have on the number of accidents and the likelihood of death or injury to road users. To the same end, the EESC urges the Commission to look beyond the technologies that have already been introduced and to integrate, more explicitly, all the means of influencing the behaviour of road users (including education, prevention and road signs). In this regard, the EESC would stress the need to be particularly attentive in future to the impact on the issues involved here of demographic developments and of the growing numbers of old or very old drivers among car and road users.

3.3.5 To the same end and in accordance with the position upheld in the CARS 21 report, the EESC emphasises the importance of the tax incentives aimed at boosting demand for safer cars. Steps should be taken to encourage the supply of – and demand for – safer vehicles.

² COM(2007) 22 final, page 13.

³ Directive 2003/102/CE of the European Parliament and of the Council of 17 November 2003 relating to the protection of pedestrians and other vulnerable road users before and in the event of a collision with a motor vehicle and amending Council Directive 70/156/CEE (OJ L 321 of 6.12.2003, p. 15) ; EESC Opinion: OJ C 234 of 30/9/2003, p 10.

3.4 Trade and overseas markets

The EESC backs the Commission's approach to international trade issues and particularly the attention it devotes to bilateral international agreements, non-tariff barriers to trade and the question of intellectual property rights, particularly in Asia. In the choice of countries for concluding free trade agreements, more attention should be paid to economic criteria such as the size of the potential market and the prospects it offers and reciprocity in the removal of trade barriers. Beyond the upstream questions, the EESC draws the Commission's attention to the need to give more explicit consideration to the spare parts market, both in order to harmonise the way it is dealt with in the various European countries and to devise a strategy towards China, India and Russia.

3.5 Research and development

The EESC lends its full backing to the Commission's support for R&D and its conviction that the three pillars of sustainable development will only hold together if private and public sector research efforts are maintained and stepped up. Nevertheless, echoing the concerns set out in point 3.4, the EESC draws attention to the need to involve the whole of the automotive sector, including post-production chain operations, in these efforts. Such questions as the cost of technological progress, the reparability of the products that benefit from this progress, and the training needed to adapt repairs and infrastructures accordingly must be raised very early on and the Commission must be proactive in ensuring that this is the case. The Commission should focus an appropriate part of the Seventh Framework Programme on other activities as part of an integrated approach to road safety issues including infrastructure (e.g. electronic communication systems).

3.6 Taxation and fiscal incentives

The EESC supports the Commission which "*urges the Parliament and Council to adopt the proposed directive⁴ as soon as possible*". Once the Parliament has adopted this proposal for a directive, which encourages fiscal harmonisation, the Council will have to be convinced that it is a good idea to bring about convergence of the provisions that are currently creating distortions between the vehicle and automobile services markets within the EU.

3.7 Spare parts market

The EESC, whilst regretting that these issues were not given more attention in the Commission's analysis, supports its defence of Regulation (EC) No 1400/2002⁵ and its

⁴ Proposal for a Council Directive on passenger car related taxes (COM(2005) 261 final); EESC opinion: OJ C 195 of 18/8/2006, p. 80.

⁵ Commission Regulation (EC) No 1400/2002 of 31 July 2002 on the application of Article 81(3) of the Treaty to categories of vertical agreements and concerted practices in the motor vehicle sector [Official Journal L 203 of 1.8.2002, p. 30].

intention to ensure that it is applied in a homogenous way throughout the EU. The EESC welcomes the fact that the Commission intends to support provisions that will make technical information freely accessible. In this regard the EESC stresses the importance of playing close attention to the implementation of the provisions required by the adoption of the OASIS format.

3.8 The CARS 21 method and its application by the Commission

- 3.8.1 The EESC welcomes the fact that the European Commission henceforth intends to **improve the regulatory framework** and "*aims to promote coherent interaction between different policy areas, provide predictability and seek the protection of public interest (e.g. environment and safety) while attempting to reduce the regulatory burden on industry*". It welcomes the commitment to develop a comprehensive approach and to integrate the various dimensions of the automotive industry's development, its competitiveness and the various stakeholders.
- 3.8.2 In connection with the social and industrial aspects as addressed in the first pages of the report, the EESC feels, like the Commission, that the two need to be linked, in that employment is directly connected with the competitiveness of the European automotive industry as a whole and of the various locations. From this perspective, the EESC largely agrees with the analysis of the situation of Europe's automotive industry.
- 3.8.3 It is pleased that the Commission considers that, "it appears probable that vehicle assembly for the European market will largely be conducted in Europe" whilst also agreeing with the Commission that this is not necessarily synonymous with job stability.
- 3.8.4 The EESC urges the Commission to organise the dialogue between the social partners so that the patterns of job relocation within and beyond the European Union, as described in the CARS 21 report, can be anticipated and managed. Similarly, the EESC would ask the Commission to consider the impact of developments in this sector on second-level subcontractors and those further down the line, who are being placed in a particularly precarious position by current trends.
- 3.8.5 To the same end, the EESC gives its full backing to the support measures envisaged in the communication as well as to the idea of organising a restructuring forum on the automotive industry in order to "address challenges and better anticipate and adapt to change". The EESC urges the Commission to seize this opportunity to ensure that the automotive sector as a whole, and particularly the actors involved in post-production, are taken into account in this work and included in the support measures. Such initiatives accord with the approach of holding joint discussions and strategy appraisals within the sector, which are needed by the various players involved. The EESC emphasises that it has a key role to play in this work and these discussions, in particular in ensuring that all the social partners, and the stakeholders more generally, are more clearly represented.

3.8.6 For example, SMEs or very small enterprises often have greater and less fulfilled needs for training and these actors within the automotive industry should also be able to benefit from the Structural Funds and other restructuring support instruments.

3.8.7 The Commission ends its communication by saying that:

"there exists a unique opportunity to develop a distinct policy-making culture with regard to industrial policy. The Commission believes that principles such as the quality of legislation, simplification, impact assessments, stakeholder consultations, lead times and choice of instruments should be at the heart of developing legislative proposals".

3.8.8 The EESC agrees with this approach and hopes that this opinion will help the Commission to implement it fully. Accordingly, it draws the Commission's attention to the occasionally incomplete analysis set forth in the communication. More specifically, even if they were not forgotten, the analyses in the CARS 21 report and the conclusions that the Commission drew from them appear to be characterised by an under-representation of consumers and post-production chain players in the debate. As a result, it would seem to the EESC that the automobile sector in general and the environmental and safety aspects in particular, are not dealt with in a sufficiently holistic way. The approach is biased towards production and technology and pays insufficient attention to existing car fleets and vehicle use.

3.8.9 Consequently, the EESC considers that the evaluation to be conducted in 2009 must take account of this opinion and integrate more effectively than heretofore the views of the post-production players and users. To do so, "stakeholder consultations" must remain open and must be better organised, so as to ensure that the automobile sector under consideration comprises not just car manufactures and that the "impact analyses" can be revamped. The quality of impact assessments needs to be improved. They need to be comprehensive, based on verified information, objective and neutral. It is not appropriate for the Commission department which has drawn up a political opinion on an issue to draw up the corresponding impact assessment as well. The EESC welcomes the proposal to set up an Impact Assessment Board and calls on the Commission to convene those stakeholders all too readily forgotten by the private-sector "architects" of the automotive system that is to be regulated.

Brussels, 26 September 2007.

The President
of the
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