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THE EUROPEAN UNION**

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REPORT

From : Permanent Representatives Committee

To : Council (Competitiveness)

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Subject : draft Council conclusions on the automotive industry
– adoption

I. INTRODUCTION

1. On 4 February 2009, a point on the situation of the European automotive industry was included in the provisional agenda of the Competitiveness Council meeting on 5 and 6 March 2009.
2. On 10 February 2009, the Presidency circulated a document with draft conclusions on the automotive industry (doc. 6234/09).
3. On 11, 13 and 17 February 2009, the Competitiveness and Growth Working Party discussed the draft conclusions and achieved a large degree of consensus on the text.

4. On 20 February, the Permanent Representative Committee reached agreement on the text, with only a small number of issues still to be solved.
5. By electronic-mail correspondence dated 24 and 25 February, the Presidency achieved full consensus on the text as set out in the Annex to the present Report.

II. CONCLUSION

The Permanent Representatives Committee recommends to the Council meeting on 5 March 2009 to adopt the conclusions on the European automotive industry as set out in the Annex to the present Report.

Draft Council conclusions on the automotive industry

RECALLING

1. the gravity of the current economic crisis and its impacts on industry as a whole and having in mind that the automotive industry is a key sector of the European economy contributing to the employment, innovation and future competitiveness of the whole economy. The present fall in global car sales seriously affects the economic situation of all producers, their supply chain and the after sales market, including the number of small and medium enterprises, with possible strong negative impact on corresponding industrial sectors and the labour market;
2. a European Economic Recovery Plan , agreed on by the European Council meeting on 11 and 12 December 2008, which proposed several timely, targeted and temporary measures for industry, including for the automotive sector and the temporary framework for State Aid assessment as set by the European Economic Recovery Plan¹;
3. the mid-term review of the CARS 21 initiative, which confirmed the major principles to the regulatory framework that should lead to the sustainable competitive framework in which the European automotive industry operates;

¹ O.J. C n° 16, 22.01.2009, Temporary framework for State Aid measures to support access to finance in current financial and economic crisis (2009/C 16/01).

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4. UNDERLINES that any public support to the automotive industry at European level and subsequent national programmes initiated or planned by several Member States should be complementary to the efforts of the industry itself, which is also primarily responsible for responding to the current crisis, and should fully respect Community law. It is particularly important that the industry maintains a clear focus on innovative products delivering the best solutions for the quality, safety and environmental performance.

Industry needs to continuously invest in R&D and innovation and to keep developing its skilled workforce as skilled workers in the European automotive industry will be key to the post-crisis recovery and long-term competitiveness of the sector. It also has to address structural problems such as overcapacities. The policies on the level of the EU and Member States should facilitate the restructuring and encourage the sector that this is carried out in a socially responsible way, in close cooperation with social partners; interventions from the European Globalisation Fund and the European Social Fund can facilitate this transition;

Having in mind the need to react swiftly with the short-term measures, THE COUNCIL

5. STRESSES that access to finance and returning to the normal lending activities of the banking sector, together with restored consumer confidence and demand, is the main prerequisite to overcome the present economic crisis. RECOGNIZING considerable efforts already made to support access to finance, the Council CALLS ON the Commission and EIB Group to jointly present to the Spring European Council further options how to limit the liquidity gap and improve the access to finance for the industry, including financing from EIB sources (e.g. within the European Clean Transport Facility) in terms of increased rapidity and simplification of the project assessment and financing, without changing the assessment criteria and without discrimination among manufacturers or Member States;

6. FULLY RECOGNIZES that car fleet renewal in the EU may have significant positive effects on the consumers' demand for new cars, road safety and reaching European environmental targets, respecting that the new cars should remain affordable for different consumer groups. Therefore invites the Commission to examine and present possible options how to encourage European car fleet renewal in a coordinated manner, for example in the area of vehicle recycling and recovery, including so-called scrapping schemes, as soon as possible. At the same time, the Commission is invited to monitor the corresponding measures of Member States in order to avoid distortions on the Internal Market. Any presented option should not be preferential to any technology, segment or car producer and all relevant interventions should fully comply with the EU State Aid rules and the Internal Market principles;
7. REAFFIRMS the necessity to maintain a high level of R&D investment, in particular in the area of clean cars and related technologies that should reinforce the competitive advantage of the manufacturers in Europe. Therefore, the Council invites the Commission to consider how industry could benefit more easily, without changing the criteria, from European instruments in support of R&D and innovation;

Short-term actions should be consistent with longer-term measures. Therefore the Council:

8. STRESSES that a fully open, flexible and operational Internal Market is a prerequisite for the recovery and future growth of European manufacturers, and protectionism is not the answer to the current economic situation. Thorough implementation of the Internal Market principles should enable the companies to take most cost-efficient investment decisions and gain economic benefits arising from the operations throughout the EU;
9. CONFIRMS that long-term competitiveness of the European industry must be based on competitive and stable regulatory framework conditions and level playing field on EU level, fully respecting the non-discriminatory approach to other sectors of the European economy;

10. WELCOMES the CARS 21 Mid-term review High Level Conference conclusions² and stresses that the main principles of the mid-term review should remain the guiding forces for the future decision-making process, while applying thoroughly the better regulation principles, namely through impact assessments, in order to guarantee predictability and legal certainty for the businesses and assess cumulative costs of regulation. The integrated approach should be followed when proposing any new legislative proposal and all considered options should be properly evaluated. Sufficient lead-times need to be respected having in mind the long-term investment cycle of the sector.

In this respect, the Commission is INVITED to:

- thoroughly assess any possible new legislative initiative in line with these principles and avoid unnecessary administrative burdens on businesses;
- present, by the end of 2009, an indicative roadmap of envisaged legislative and non-legislative initiatives with a significant impact on the automotive industry over the next three years;
- continue the dialogue with the industry and relevant stakeholders as a follow-up of CARS 21 initiative on a regular basis;

11. UNDERLINES the need for a dialogue with third countries and main EU trading partners on the future of the automotive industry and for the deepening of the on-going discussions and negotiations on overall balanced multilateral and bilateral agreements. RECOGNIZES the importance of facilitating the market access of the European carmakers to third markets and a need for open approach to the non-EU markets. INSISTS on the need to refrain from protectionism and discriminatory measures in the global car market.

² Conclusions available at http://ec.europa.eu/enterprise/automotive/pagesbackground/competitiveness/cars21_mtr_report.pdf.

12. AGREES ON the continuation of the debate on the current development of European industry at the next meeting in May 2009 and INVITES the Commission and Member States to explore and analyse all possible options how to further encourage industry to recover, including possible financial and other measures on a relevant level in line with the European Economic Recovery Plan.
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