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Fédération Européenne des Métallurgistes
European Metalworker's Federation

Future prospects of the European automotive industry *Position paper of the European Metalworkers' Federation (EMF) on CARS 21*

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1. Challenges and structural changes

The European automotive market is the world's biggest. Western Europe, including the new EU Member States, has a 30% share in global car production. However, saturated markets, especially in Western Europe, mean that future growth will not be as robust as in the new up-and-coming regions in Asia. Moreover, the European automotive industry is facing some daunting challenges. The entire value-added chain - from manufacturers to suppliers, service providers and even dealers - is under pressure to respond.

The challenges are as follows:

Intensified global competition with mounting overcapacities, higher pressure on costs and fiercer rivalry in the area of innovation; soaring prices of raw materials; increasing cost pressure on the value-added chain, particularly on suppliers; the steady build-up of capacity in Eastern Europe, especially in the new Member States; mounting pressure on Western European plants and their employees to relocate; and last, but not least, extensive structural shifts between OEMs and suppliers.

At the same time, regulatory measures taken at EU level in various areas of policy are impacting on the general environment in which the European automotive industry is developing. All this may result in opportunities for growth not being seized, cause momentum for innovation to be lost, and thus trigger a negative employment trend in Europe. For that reason, we urgently need a regulatory policy framework that creates better framework conditions for the automotive industry as well as improving employment prospects there.

2. Proposals for a new European automotive policy

2.1 Growth, innovation and employment

The automotive industry in Europe is a sector of immense economic and social importance, employing 2.1 million workers in its direct core sectors. However, if the indirect sectors are included as well, it turns out that over 12 million workers are dependent on the car industry (Source: Eurostat). These workers need future prospects for their companies and jobs at the various production locations. It is fundamentally important to determine framework conditions for the European automotive industry's long-term strategy that also lead to "**growth, innovation and employment**". This objective must be at the heart of any integrated approach to a new EU industrial policy for this sector. Consequently, we very warmly welcome the fact that in the context of the Cars 21 initiative the European Commission has set up appropriate participatory bodies to ensure that the main actors are involved in the process early on.

We need a long-term, sustainable, consensus-based model that will combine the objectives of growth and competitiveness, on the one hand, with the objectives of developing employment and safeguarding high social and environmental standards, on the other.

A European consensus-based model of this kind will leave us better off than any other models because it will be able to count on highly-motivated workers and workforce representatives who will push hard for continual modernisation and structural improvements based on high social standards and rights of participation. Participation and dialogue are tried and tested basic principles that should also be applied at other levels of decision-making processes.

2.2 Better regulating for growth, innovation and employment

What we need is a new kind of industrial policy geared towards regulating "**growth, innovation and employment**" more efficiently. A European industrial policy for the automotive sector must not only pursue this objective in the long run, but also attain it through concrete implementation of regulations.

- Consequently, any regulatory policy measures must follow an integrated approach and equally be geared towards achieving the three afore-mentioned goals.
- The long-term objectives and also the processes adopted within the framework of the Cars 21 process must guarantee both the involvement of the main actors in the development of political framework conditions at an early stage and the adoption of appropriate legal provisions.
- Legislation must not impose any contradictory demands or pursue conflicting objectives. To prevent any cumulative impact, one department must be assigned an overall coordinating role. Efforts must also be made to improve policy coordination within the European Commission and in the Member States.

2.3 Establishing fair competition in an enlarged European Union

To promote the establishment of a more level playing field within the enlarged European Union, we need to pursue targeted infrastructure and regional development in the new Member States. All the parties involved would be well served by this. However, there must be no imbalance between social and industrial policy resulting in a huge relocation of jobs or a downward spiral in respect of income and working conditions within the EU.

We need fair conditions for competition!

- The EU must organise the tax situation in such a way as to preclude any unfair fiscal competition.
- In addition, legislation that is of relevance to the automotive industry needs to be arranged in an integrated approach in such a way as to avoid distortion of competition.
- Legislation governing aid has to be tightened up and correspondingly implemented, so as to rule out the possibility of any plants receiving unfair subsidies.
- In conjunction with a corresponding industrial policy, EU structural aid must also aim both to promote the new Member States and to maintain and pursue the development of those automotive structures already established in the industry's traditional core sectors.

2.4 Boosting the ability to innovate

The ability of the European motor manufacturing and supply industry to rise to future challenges depends more on competitive capacity as regards innovation than on competitiveness as regards costs. Fostering the ability to innovate is a key strategy for achieving sustainable growth and safeguarding jobs. Over the next few years, the advent and deployment of new technology in particular will give the European motor manufacturing and supply industry a chance to grow and boost employment. According to the "FAST 2015" study conducted by Mercer and the Fraunhofer

Institute, the European automotive industry could become a global engine of growth and, especially in the supply industry, has the potential to boost employment by 60% between now and 2015. However, we will only succeed in drawing on this potential if the requisite funds for investment can be raised. According to this study, the need for investment is skyrocketing and will double by 2015, a trend that many individual companies will struggle to come to terms with. Small and medium-sized automotive suppliers in particular generally lack the equity to keep up this pace of investment and are restrictively treated by the banks.

- EU research policy and in particular the 7th Framework programme for research must energetically foster basic research, development and especially the faster implementation of innovation in the automotive industry.
- Above all, this will entail coming up with innovative concepts and solutions for developments in the areas of transport and mobility, communications systems, emissions, safety and alternative drives. This research activity has to be afforded an adequate framework and given sufficient funding to generate competitive advantages and create new job opportunities.
- The SMEs that supply the automotive industry must be given better opportunities to finance their activities. What we need are new initiatives and standards to foster cooperation and make venture capital available.

2.5 Promoting dynamic innovation in value-added clusters

The European automotive industry's unique selling points include its regional and transnational 'value-added clusters', which boast some outstanding examples of cooperation between manufacturers, suppliers, engineering service providers and universities and colleges.

Such value-added clusters not only generate tremendous synergies, but also pooling their skills makes them relatively resistant to relocation and thereby makes them guarantors of long-term jobs in the regions concerned.

- These approaches need to be supported by the EU's industrial policy. This also applies to the inclusion in clusters of automotive regions close to the border in the new EU Member States, as well as to any newly established ones. Approaches of this kind must be further refined by conducting European, national and regional dialogues on innovation.
- If we wish to maintain Europe's structures, we need to deliberately channel the flow of know-how and innovation within new network structures. Fostering such a development is one of the European Union's most important industrial policy tasks and this has to be reflected in the EU's respective research policy and labour market policy instruments.

2.6 Promoting knowledge networking and the learning organisation

If companies are to be successful in the future, they must start developing and manufacturing new, intelligent products at more regular intervals. Workers' know-how plays a tremendously important role in this connection.

Applying knowledge quickly and within a network has become companies' key to success and will therefore be crucial in a competitive context in the 21st century.

- Consequently, one of the most important future tasks for the European automotive industry is to make comprehensive use of workers' know-how and promote its development.
- Lifelong learning and skill enhancement must play a central role in the development of the organisation and workforce of European carmakers, so we need policy-makers within the EU to make the promotion of skills development and knowledge networking a high priority.
- The European Commission must organise a dialogue with the main actors for discussing specific ways of achieving these promotional aims.

3. Main areas of regulation in CARS 21

3.1 Better regulation

We need a new kind of industrial policy. This must be geared towards better regulation. However, this industrial policy must also lead to more "**growth, innovation and employment**". This objective must be seen as an integral approach and a core element of a new EU policy governing regulation within this sector. The Cars 21 debates should lead to the adoption of procedures that embrace the following principles:

- Any regulation should not only have to be of social, environmental and economic use, but also help to improve the employment situation and social conditions.
- The main actors must be involved in any discussion of legal provisions at an early stage.
- The prime objective of such discussion must be to reach a consensus well in advance on which priorities to pursue and on any alternatives and consequences.
- Regularly conducted independent studies should provide better bases for decision-making (e.g. assessing scientific impact, establishing a benchmark for comparing different arrangements in the other economic regions, and so on).

3.2 Competitiveness and employment

- The European Commission is called upon to submit proposals for a framework for corporate tax and eradicate the conditions that result in unfair competition.
- The European Commission is called upon to tighten up the legislation governing aid and meticulously apply it. This same legislation must also be applied to structural funds, so that simple plant relocations are no longer subsidised.
- Industrial policy must be properly balanced, i.e. geared towards promoting the new Member States and also maintaining and further developing automotive sector structures that have grown up in traditional core sectors.
- Regulation must always help to enhance innovative ability with a view to stimulating growth and employment.
- Basic research carried out before competition kicks in, developments and applications in automotive technology, and also the transport, communications, logistics and mobility systems need emphatic EU backing.
- Strategic areas where innovation is required include:
 - new drive concepts (optimisation of conventional drives, hybrid concepts, fuel cells) so that a transition strategy can be used to reduce CO² emissions in the long run;
 - the development and implementation of the satellite navigation system GALILEO as the basic infrastructure for intelligent communications, guidance and control systems;
 - framework conditions enabling transport operators (rail, road and waterways) to network with each other as part of an integrated strategy for the transport sector.
- In addition, the competitiveness of the diesel engine must not be jeopardised - or worse still completely destroyed - by imposing additional standards in the short term. The diesel engine as a fundamental option cannot be called into question. Target standards must not be allowed to prescribe specific technologies.
- The positive unique selling points of the European automotive industry include its regional and transnational innovation networks (so-called 'value-added clusters'). These clusters not only generate tremendous synergies, but also safeguard employment in the long run. The EU must emphatically support these approaches. One key issue in this connection is the involvement in such clusters of regions close to borders within the new Member States.

- The European Commission is called upon to allocate high priority to the promotion of skills development and knowledge networking. Know-how and knowledge networking will be decisive factors in future competition. A dialogue with the main protagonists is necessary to discuss specific possibilities for such promotion.
- Participation structures and workforce involvement in a process leading to more **“growth, innovation and employment”** in the automotive industry need to be shored up and refined. Consequently, the line of development to follow does not entail abolishing participatory rights, but shoring them up in keeping with the European social model.
- European Works Councils are the response to mounting corporate concentration at European level. Issues like employment, employability, investment, decisions regarding business locations, and working conditions are becoming increasingly important at the transnational level. To meet these mounting requirements, the basis on which European Works Council take action must be reinforced by the overdue revision of the EWC Directive.
- The challenges arising from demographic change must be taken into account by arranging a dialogue with the main actors in the automotive sector on the development of corresponding work-related, employment-related and developmental concepts. With regard to the work-related concept, it is particularly important to develop exemplary solutions which contribute to the safeguarding and extension of know-how and to the handing of knowledge and expertise down from one generation to the next.
- Last, but not least, the European Commission is called upon to press for compliance with the ILO's core labour standards by carmakers and automotive suppliers in the enlarged European Union.

3.3 Integrated approach to traffic safety and the environment-

The CARS 21 group should discuss the existing and anticipated legislation relevant to the automotive sector and check the mutual compatibility of the various instruments. This process should lead to the formulation of proposals for the legislative process, and may include proposals regarding revision of specific directives. This applies in particular to the areas of traffic safety and the environment, with a view to prompting a balanced 'utility expectation' for the environment, competitiveness, innovative momentum and employment.

4. Conclusion

The aim of a European automotive policy must be to develop a long-term sustainable European consensus model that is shaped by striking a balance between competitiveness, social and environmental responsibility. A basic consensus of this kind must combine innovative and competitive capacity on the one hand with the objectives of developing employment and high social and environmental standards on the other. This should be the guideline for a “CARS 21” initiative geared to the long-term.