ACEA European Automobile Manufacturers Association | cecra The voice of European vehicle dealers and repairers | CLEPA European Association of Automotive Suppliers

To: EU heads of state and government

Brussels, 16 June 2020

Urgent request for support for the automotive sector

Dear Sir/Madam,

We are writing to you on behalf of the members of the associations representing the full automotive value chain in Europe. We wish to draw your attention to the urgent need for political support – both on EU as well as member state levels – in order to mitigate the effects of the major economic crisis on our sector.

Since the outbreak of coronavirus, most vehicle manufacturers had to completely shut down their development and production sites for several weeks or even months. This has resulted in production losses of more than 2.4 million motor vehicles so far and has impacted the jobs of 1.1 million employees. Many factories are now re-opening gradually, but at levels well below pre-crisis capacity.

Almost all companies in the suppliers' industry expect a loss of revenue of 20% or more this year, while more than half anticipate negative results. This will also have a knock-on effect on revenues from taxes and VAT in all member states. With most companies not expecting to leave the crisis behind before 2022, recovery will clearly take time.

Most EU dealerships were also closed for many weeks, leading to sales collapsing to historic lows across all vehicle segments. Workshops in countries most affected by lockdown measures have also seen their activity decrease by up to 85%.

This economic pressure will reduce our sector's capability of to invest in the transformation towards carbon neutrality and digitisation, as well as the necessary R&I. Employment in the industry is also at high risk.

Our three associations have consistently underlined the need for political and economic support on EU and member state levels. The European Commission's 'Next Generation EU' Recovery Plan is a first positive step for us, as it acknowledges that our sector is one of the hardest hit by the economic crisis. However, we consider that the proposed recovery package is a missed opportunity for the European Commission and the EU, as it limits itself to providing financial mechanisms that member states must manage and implement, remaining vague on their precise purpose.

The sector has been actively calling for coordinated EU-wide demand-stimulus schemes for all vehicle types and categories. It should be noted that such support will lift the entire economy, not least in countries hardest hit by the crisis, given the complex supply chains organised by suppliers, manufacturers and dealerships across the EU. Indeed, our sector brings a high added value to the European economy, providing skilled and well-paid employment. Demand-stimulus schemes will also accelerate the rejuvenation of the vehicle fleet on Europe's roads, contributing to reducing carbon and pollutant emissions.

Our industry is also concerned by the overall timing of the recovery plan. Beyond the time needed for the approval of the plan itself by Council and Parliament, the national recovery plans will have to be submitted to and approved by the European Commission. This means that most budget lines will not be available before 2021. We strongly hope for a swift and positive decision by member states on the proposed budget to avoid any further delay.

We also believe that purchase and investment incentives should be implemented as soon as possible to relaunch sales and production and unlock growth potential. Member states should support the European Commission in playing a key role in this respect to ensure a technology-neutral approach and secure sustainable funding, while avoiding harmful effects for the industry during recovery.

Regarding the transition towards low- and zero-emission mobility, the sector welcomes the reference to the roll-out of charging and refuelling infrastructure in the recovery package, as this is a pre-condition for 'greening' the European vehicle fleet. We would like to point out however that the 1 million stations referred to in the plan were already part of the Green Deal and fall well below what will be required.

Here again, we would appreciate it greatly if the Commission and member states could take stronger and quicker initiatives on the deployment of charging and refuelling infrastructure. The transition of the sector is clearly under way. However, it requires substantial investments in all efficient technologies, as well as renewable energy and fuel. This is now curtailed by the crisis, undermining the competitive edge of EU industry in the long-term.

Finally, we would like to take this opportunity to point out the critical issue of regulatory compliance: European automobile manufacturers will probably be unable to meet some regulatory deadlines as a direct result of the disruption caused by the COVID-19 outbreak. This is the result of the complete or partial shutdown of manufacturer's own operations and that of technical services doing the homologation work. Despite of repetitive alerts to the European Commission and Member States, no regulatory adjustments have yet been proposed. This is specifically relevant, for example, for the issue of end-of-series vehicles and not related to the overall carbon-neutrality ambition.

We trust that the Commission can and will show higher ambition when elaborating on the substance of the planned initiatives, if asked by national governments, so that together we can bring the automotive sector back into motion in a strong and green way.

As a sector representing the jobs of 13.8 million people, we eagerly await clarity on when and how some of the announced measures will be implemented in practice. We appreciate your support on this matter.

Yours sincerely,

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