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THE FUTURE OF THE COMMUNITY'S CAR INDUSTRY

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The future of the Community's car industry

The car industry was one of the main victims of the oil crisis which broke at the end of 1973, since when demand has slumped in all the Member States

Demand for private cars in the Community fell by 15.2 % in 1974 compared with 1973, picking up by only 2.6 % in 1975. Demand for industrial vehicles fell by 11.7 % in 1974 compared with 1973 and by a further 11.7 % in 1975 compared with 1974¹. There has been a closely parallel trend in the rest of the world.

A general recovery of the market is however, now apparent in all the Community countries (although to a lesser extent in Italy and the United Kingdom) and in the United States and Japan. This recovery can be expected to continue as general economic activity revives in the Community and the world as a whole.

We cannot, however, expect in the medium term the same sort of pace (period from 1976 to 1985) as that achieved before 1973. The oil crisis has undoubtedly marked a turning-point in the activity of this sector, which have an average growth rate (with doubtless much wider fluctuations than in the past) which is well below that of the sixties. A study should therefore be made to determine which factors affecting the car have undergone a permanent change since the oil crisis, and what conclusions should be drawn by the car industry and the public authorities.

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Source : Maissen Committee on Automobile Construction.

I. MEDIUM-TERM PROSPECTS

1. Factors of qualitative and quantitative change on the world market

1.1 The general economic situation

The growth rate of the private car market is very closely linked to that of private consumption which, over fairly long periods of time, has a relatively stable share of the GDP (approximately 60 % in the Community), but which may fluctuate quite considerably over short periods.

The growth rate of the commercial vehicle market is directly dependent on economic activity, i.e. on the growth rate of industrial production.

In 1975 there was a 2.6 % drop in the Community's GDP although there was a slight surplus in the balance of payments as a result of the decline in economic activity and the fall in imports. The growth rate of the GDP will probably be around the 5 % mark between 1976 and 1980. However, since an investments incentive policy will be required, to ensure a return to a more healthy employment structure and to increase our external trade, private consumption will have to be restrained ; this will mean that its share of the GDP will fall. This braking effect will be achieved - at least in the medium term by limiting the growth in real incomes and by maintaining a high level of savings. These cumulative facts will mean that the average growth rate of the private car market will be markedly lower than the growth rate of the GDP.

The Community commercial vehicle market should begin to pick up when the average growth rate of economic activity approaches that of industrial production.

The economic development of the rest of the world is of great importance to the Community industry, which exports approximately 25 % of its production (in relatively equivalent proportions) to developed and developing countries.

World trade is expected to pick up and return to a growth rate similar to that of the sixties (around 8 %). However, this recovery will take place in a climate of extremely keen competition, particularly between the United States and Japan. Uncertainty also surrounds this forecast, since nobody knows whether the wage policies envisaged can effectively be implemented, whether inflation might begin to accelerate again and whether protectionist measures might be taken in different parts of the world. It is therefore better to

take a cautious view of the trend in external demand for cars and say that on average it will more or less follow the trend in demand within the Community.

1.2 Environmental and safety constraints

In order to reduce the social cost of car usage (deterioration of the environment and road accidents), industrialized countries have set deadlines by which increasingly stringent standards to reduce the pollution and noise caused by cars and to improve safety must be met. In order to achieve these objectives by the deadlines set, research programmes have had to be carried out; these must reconcile satisfaction of environmental and safety requirements with those of energy conservation: the compromises involved are difficult, particularly in view of the characteristics of demand, and may lead to increased costs, and effects should be made to keep those phase within reasonable limits.

1.3 Speed limits

All developed countries now have speed limits. In countries which have had speed limits for a long time there is no evidence to prove that this has led to a general trend in demand for cars with low-capacity engines: the comfort and versatility of cars at the top end of the range are still attractive to customers.

In countries in which speed limits have only recently been introduced, it is likely that the sale of the more powerful cars will not be affected in the medium term if the limits currently in force (90 - 130 km) are maintained. The main effect on these cars will undoubtedly be that they will have a longer working life.

1.4 The problem of urban traffic in developed countries

There is little hope that the general introduction of a type of private "city car" will provide a solution to the problems of urban traffic. Not only would such cars hardly improve traffic congestion - despite a reduction in their average size - but they would also lead to a situation where drivers would have to have two cars (a city car and an intercity car) and where the coexistence of these two types of vehicle in certain traffic areas would cause problems of safety and infrastructure use. The solution should be sought in the improvement of public transport in urban areas in conjunction with a progressive

ban on private vehicles in the town centres. Since public transport cannot fulfil all the functions that performed by private cars in towns, it is likely that private vehicles (possibly operated as a fleet or as taxis) will have to exist alongside public transport.

The construction of car parks on the outskirts of towns should be generally introduced and developed.

Such a development in urban traffic would hardly affect the current trend towards buying cars; at the most, it would lead to a slight reduction in the number of second cars. It would, however, bring about a small reduction in the rate of utilization.

1.5 The retail price of cars

In the last two years, the retail price of cars has risen by 30 to 50 % - depending on the model - as a result of the rise in the price of raw materials and wages and the larger proportion of fixed costs per vehicles caused by the smaller number of cars produced. There is little information on which to assess the extent of price variations which might be expected in the next few years, since it is difficult to foresee what influence the factors affecting prices will have at any particular moment. We should just mention that the price rises in the last two years have already caused drivers to keep their cars longer. There is, however, a trend at the moment to design simplified and therefore cheaper cars for sale in developing countries, which do not have the same priorities as industrialized countries. A definite distinction might emerge in the complexity of design of cars depending on their market of destination.

1.6 The cost of running a car

Fuel costs rose sharply in the Community between November 1973 and October 1976 (from 19.9 % in the Federal Republic of Germany and to 137 % in Ireland) as did maintenance costs. The initial effect of this rise was to encourage drivers to use their cars less (drop in motor fuel sales of 4.9 % on average within the Community in 1974); however, consumption began to rise again in 1975. It therefore seems that there has been no lasting reduction in car use. On the other hand, the trend in demand towards the lower end of the range - which was very marked in 1974 but has since slackened - shows that drivers are looking for a more economical car. The average engine capacity of European cars will probably be smaller after the crisis and the proportion of diesel motors will rise - at least as long as governments continue to provide a tax advantage for this type of fuel.

In the United States, demand for cars of small engine capacity rose sharply in 1974 and 1975. American manufacturers countered by launching manufacturing programmes for cars with a engine capacity of under 2 litres. In 1975 there seemed to be a revival in demand for the more powerful cars. However, the Government has asked manufacturers to produce cars which will by 1980 ensure a 40 % reduction in the current fuel consumption.

1.7 The growth of the markets in developing countries and in state-trading countries

There is a huge potential market in the developing countries, where demand will grow as the economy and road infrastructure in each country improve. Chances of improvement vary very widely in these countries. Some countries e.g. (Argentina and Brazil) have already reached a certain level of development. Others will be able to make quite rapid progress thanks to the raw materials they possess. The development of the poorest countries will depend on help under international aid shares. The overall demand from these countries should rise in the period in question, although not dramatically.

The number of cars per head is still very low in state-trading countries. It should rise in the next few years as a result of a growing social demand which will have to be - at least partially - satisfied. It is, however, probable that the needs of this market will be met in the main by the national industry of each country.

1.8 Combined effects of these factors on the development of the world market

It is very difficult to assess the combined effects of all these factors in order to make a quantitative estimate of the trend in world demand. Studies have been carried out into this question since the beginning of the crisis and estimates advanced from various quarters. The average trend which has emerged is as follows:

- (1) Demand for private cars during the period 1976-1980 will probably grow on average by just over 3 % per year (taking the 1975 level as a basis). The 1973 growth rate will probably be reached again towards the end of this period. The annual growth rate of the market might fall slightly from 1980 to 1985.
- (2) If the economic recovery which began in 1976 continues, the average growth rates of the world market for industrial and commercial vehicles from 1977 onwards could again match those of the period 1968-1973 approximately (4 % per annum).

2. Changes in the pattern of production

2.1 Siting of production centres

The rising cost of labour in industrialized countries combined with the political desire of developing countries to have their own car industry will probably lead car manufacturers to increase their multinational connections and set up assembly or production units in places where there is a certain demand and a source of cheap labour. Manufacturers should also conduct a realistic policy in these countries which should be designed to ensure the maximum profit from their plants by making them of adequate size.

This shifting of production zones will gradually create a surplus production capacity in industrialized countries. New producer countries, which will initially carry out assembly work, will force manufacturers to make increasing use of locally-manufactured parts in vehicles and to export a growing share of their production. The vehicles produced by Eastern block countries, Spain, the Argentine and Brazil are beginning to play a serious role in competition outside the borders of those countries. More and more developing countries are starting up the initial production stages. However, since the formation of a production capacity is a long process, the effect of this competition will not be felt until the end of the next decade. At all events, these nascent industries will need the technological support of and supplies of spare parts from the developed countries over the next ten years, and will also have to import sophisticated or industrial vehicles to meet the needs of their internal markets. However, their production could play a significant role on the world market after 1985.

2.2 Working conditions in the car industry in the industrialized countries

In the industrialized countries there are two factors which, combined, increase the production costs: wage increases and the growing demand for better working conditions. This second factor varies in degree from country to country depending on the level of education and organization and the type of labour employed. Nevertheless, we can expect increasing pressure for an improvement in working conditions during the next ten years, particularly if workers who are, at the moment, employed in other countries find it easier to obtain jobs in their countries of origin than they do now.

Certain types of work are already - and will increasingly be - rejected by local labour. Consequently, research into job enhancement can be expected to increase. Admittedly, the results of studies into the effect on profitability of changes in work organization have, so far, not always been promising.

However, we should not underestimate the effects which a reform of work organization would have on employees' job satisfaction, absenteeism and staff turnover, on the flexibility of the production system and, consequently, on the firm's efficiency.

At all events, studies are being carried out into the automation of production processes to reduce costs and enable car manufacturers to become more competitive. Productivity will be improved and manpower in the industry will gradually decline : this will mean that some workers will have to be retrained. Those left in the car industry will be more highly qualified to operate more sophisticated machinery; acceptable working conditions will have to be created for them in these more efficient production units.

3. The role of the car in the transport system

The car plays a major role in the current transport system. In 1972 it accounted for over 80 % of private transport and around 50 % of goods transport within the Community.

Despite the poor economic climate there is still a high degree of mobility: the average distance covered by each individual has increased by 6.5 % each year : thus the passenger-km demand will double by 1986¹.

How will the pattern of demand between the different modes of transport change in the next ten years? This depends to a certain extent on the policies adopted by the Member States as regards public transport. Attempts to transfer a major share of demand to public transport soon run up against the problem of the requisite investment and the enormous cost of operating a public transport system which could offer comparable services to those which the private owner obtain from his car.

There are, however, cases where the development of public transport will help to change the pattern of road vehicle use.

¹ Information received from the Battelle Institute in Geneva.

The introduction of (primarily rail) high-speed overland links, particularly in inter-city services, will help to restrict the use of the car, but only on certain major routes.

As we have seen above, the general introduction of measures to combat congestion and improve living conditions in town centres (restriction on the number of private vehicles allowed into city centres, pedestrian zones and improvement of public transport) will also affect the pattern of car usage. However, if we accept, as some experts have predicted, that urban and suburban public transport traffic will increase by 100 % by 1985, the volume of private vehicle traffic will also rise by 35 % compared with its present level¹. It is therefore expected that the number of vehicles in the Community will rise in keeping with the above-mentioned expansion of the market. It should also be noted that the bus will play a leading role in the expansion of public transport services: new means of urban transport will only be introduced gradually in the period under consideration.

At the moment controversy still surrounds the possible effects which the development of telecommunications will have on transport demand. Nevertheless, some effect will probably be felt in the period in question.

4. Technological development of the car

The main factors which will influence the technological development of the car in the next years are as follows:

- (1) the need to comply with legislation regarding pollution, noise and safety;
- (2) the search for economy of use and maintenance of vehicles;
- (3) reduction in manufacturing costs.

Companies will have to spend substantial amounts on research in order to achieve these objectives.

As regards pollution the current permitted levels for noxious gases can be met by fitting catalytic converters or thermal reactors to current types of engine. In the longer term, major modifications will have to be made to current types of engine or intrinsically clean types of propulsion units developed, if the standards are made more stringent.

¹ Source : GOST project 33 : Forward study of the requirements of European inter-urban passenger transport.

The same considerations apply in respect of noise.

Safety must be improved by perfecting equipment whose efficiency will be weighed against its effects/^{on}price and against the energy consumption factor.

As far as engines are concerned, there is at the moment no short-term substitute for the conventional internal combustion engine. However, this will have to be further developed in the next ten years to meet environmental standards and energy conservation requirements. The development of electronic ignition and injection systems is already a step in this direction. The diesel engine, which can be still further improved, will probably be used mainly for light commercial vehicles but will also be fitted in more private cars.

The development of environmental standards will certainly promote the introduction of the stratified-charge engine and later, towards 1985, of external combustion engines (Stirling engine). In its initial production stage, the Stirling engine might well play an important role in urban commercial vehicles. The future of gas turbines is still uncertain and will depend on the development of new materials capable of resisting high temperatures.

The electric vehicle is very interesting from the viewpoints of the environment and the diversification of energy sources. Unfortunately, no solution has yet been found to the problem of storing the electric energy in a form which would give these vehicles with the same performance as that of conventional vehicles. Currently-available batteries already allow of envisaging the use of such vehicles for urban purposes (vans and buses) and of obtaining acceptable energy efficiency and operating costs; however, construction costs are still high. The likely progress in battery development should notably improve the situation by the early eighties. However, the best solution from many viewpoints - particularly that of energy conservation - is the development of a type of fuel cell. This does not seem very likely until the nineties.

Of the possible alternative fuels to oil, methanol is manufactured from coal or natural gas. It can be used unmixed or - more conveniently in current types of engines - mixed with ordinary petrol (10 - 15 % methanol will raise the octane level and replace lead). Its general introduction is, however, hindered by production capacity problems. The gaseous fuels (methane and hydrogen) would necessitate excessive modification of the storage and distribution infrastructure/^{for}it to be brought into general use in the next fifteen years.

Changes will have to be made in the materials used, to make vehicles lighter, and to render construction and assembly methods more economical : the use of light alloys, plastics and printed circuits should make this possible. In order to ensure a more efficient utilization of raw materials, research should also be carried out into vehicle design to improve vehicle life and enable materials to be more easily recycled than is at the moment possible.

5. World market shares

The annual world market will be approximately 39 million vehicles in 1980 and 45 million in 1985 compared with 34.2 million in 1974. It is worthwhile looking at the factors which might affect producers' shares of the market in this period.

- (a) Japanese car production will increase dramatically. Japanese forecasts envisage an increase of 1.6 million and 2.3 million in annual production of all vehicles in 1980 and 1985 respectively, over the 6.5 million vehicles built in 1974¹. Japanese production exhibits an exceptionally high level of productivity, which enables the Japanese manufacturers to sell their cars at prices well below those of the European manufacturers. If these forecasts are correct, Japan will gain an important share of an expanding market. Competition with this country will be extremely difficult in the next ten years.
- (b) American producers export very few private vehicles at the moment (1.3 % of 1975 production, excluding Canada). However, they now intend to produce vehicles of a similar engine capacity to that of European and Japanese cars. Consequently, European and Japanese exports to the USA are likely to run into difficulties around 1980 and, if the monetary situation continues to favour American exports, American manufacturers will begin to make their presence felt on the markets of non-member countries.
- (c) Eastern block countries will increase their production in the next ten years and become serious competitors, at least on the markets of non-member countries. Although their internal demand will be bound to rise, they can regulate it, and receive a certain proportion of their production for exports if they need foreign currency to buy goods in the West.

- (d) Production in countries such as Spain, the Argentine, Brazil, South Africa and Australia will develop as a result of better organization. The effect of their competition is beginning to extend beyond their borders. This pressure will certainly increase; around 1985 and thereafter this will be accompanied by competition from developing countries which are now making efforts to develop their own car industries.

II. Priority objectives for the car industry

It is clear from the foregoing that in the period 1975-1985 the European car industry will face the greatest difficulties it has ever known. These will be :

- (a) very low initial demand, which will only pick up slightly in an economy which is trying to return to an even keel;
- (b) an urgent need to prevent excessive rises in production costs whilst various factors are making labour more expensive, and the constraints on the use of vehicles are increasing in complexity and necessitating considerable research efforts;
- (c) a trend in world car production which will lead to increasingly harsher competition.

The European car industry will therefore only be able to prevent or delay the gradual cording of its share of the world market by increasing its competitiveness. It can do this by :

- (a) continuously improving productivity;
- (b) retaining its lead in car technology;
- (c) maintaining a situation of active competition on the internal market;
- (d) developing its external sales outlets by intensive marketing efforts.

The very nature of the car industry and the market it supplies make the car industry itself responsible for most of the measures necessary to improve its competitiveness. Action by the Member States or the Community can be taken only in certain fields.

I. ACTION TO BE TAKEN BY THE CAR INDUSTRY ITSELF

1. Measures in respect of industrial structures

Concentration increased steadily in the European car industry during the last decades, however, the size of its companies, as an average, still smaller than that of its major Japanese or American competitors. The further concentrations should be left to the initiative of the industry itself, they will have to safeguard an efficient competition between groups. Should some of them still take place, it would be desirable for them to be at transnational level, and to be conceived in a rational way allowing gains in production and distribution costs.

2. Cooperation in research

It is particularly important that the European car industry maintains its lead in the car technology, which is now being challenged by some of its competitors. In view of the trend towards increased production costs in Europe, the car industry could find outlets in the sale of sophisticated vehicles, original techniques and production units in the future. It could gradually become a supplier of technology rather than of finished products. The industry would be well advised to diversify. New solutions will also have to be found in view of the constraints put on the car by environmental and energy conservation considerations. Enormous research efforts will have to be made. It is in manufacturers' own interests to work out forms of cooperation, without infringing Community rule of competition, so that they can cope with the great expense and the risks inherent in such basic research.

3. Investment measures

The need to resist external competition should force manufacturers to improve the productivity of their plants. Heavy investment will be required to rationalize production and to automate manufacturing processes as far as possible. There seem to be technical economic and social limits to automation. There is much to be done in this field to develop an automated work cycle which is still acceptable to the human operators. Studies should be continued to find this balance between social and economic interests.

4. The search for external markets

In the face of the medium-term threat to the export prospects for European vehicles, the industry's leaders should redouble their efforts to penetrate world markets. They may receive Community aid to remove technical and other non-tariff barriers to free world trade, e.g. through tariff discussions (Eatt). However, only by carrying out marketing studies themselves can the firms decide which markets to attack, what strategies to adopt and what products to push.

IV. ACTION BY THE PUBLIC AUTHORITIES

1. Speeding up the harmonization of national laws

The degree of success to be achieved in stepping up productivity and enlarging foreign sales outlets depends on the extent to which the Community's motor vehicle market is truly a single market with as few trade barriers as possible. Quite apart from the disparities between the currencies and the fiscal differences within the Community - which should be eliminated - it should be possible to remove those barriers resulting from the differences in national laws on technical matters. For the manufacturers (who sell three-quarters of their production in the Community) these continuing differences are the cause of unnecessary costs. Given the benefit that would result from harmonizing standards, the considerable delays experienced between the date when a measure being finalized and that of its coming into force or, even worse, the unilateral introduction of new variations by some countries, are quite senseless. The political will to progress rapidly in this sphere (including the matter of lorry weight and dimensions) should not encounter too many difficulties on the way.

2. Harmonization of intervention and national subsidies

Certain forms of state intervention in the management and financing of companies can end up by counteracting those changes in industrial structures which would normally be brought about by market trends. While selective intervention may be regarded as positive as long as the measure is temporary, is gradually withdrawn and results in the beneficiary company being able to hold its own in the face of competition, it is anything but positive when it results in inadequate structures being shored up. In the end such action would lead to the creation of yet another subsidized sector.

In addition, where this type of intervention is relied on to relieve a purely national situation, and leaving out of account the Community background, this can cause errors in assessing the economics of the sector.

From this point of view, maintaining or extending a national capacity might unduly hinder a similar development in another Member State or simply shift elsewhere the difficulties it had been hoped to solve.

If the aim is to bring about balanced growth, avoid costly waste and disrupt competition as little as possible, it is important that national aid policies on the motor industry should be co-ordinated. In any case, since these are state subsidies, they may be considered and granted only in accordance with the rules and procedures governing competition which are set out on this subject in the EEC Treaty.

3. Intervention in the field of research and development

In the atmosphere of intense competition which will in future characterize the motor vehicle market, a technological headstart will remain a major asset. In order to meet the constraints imposed by environmental and safety regulations, and the need to conserve energy and cut manufacturing costs, the industry will have to make an enormous research and development effort.

Given the very difficult economic conditions in which they will be operating, it is not certain that the companies will succeed in investing in the type of research required if their competitiveness is to be ensured. To alterate the situation, it might be worth considering some Community participation to financial support of this research; in some instances, this participation could be distributed between several companies with a view to cooperative work (see paragraph III, 2).

The main field for this type of cooperation, where subsidies might be considered, would be basic research, particularly on pollution, safety and energy economy; this could also apply to cooperative research in the materials field. The Member States already subsidize specific research projects and it would be beneficial to compare the various programmes with a view to identifying the areas where coordination would be possible.

Another area in which it might prove beneficial to organize research at Community level is that of electric vehicles which represent an excellent solution from the point of view of the environment and the diversification of sources of energy. The potential benefits have been realized since some of the Community's large electricity companies have already pooled, or are on the point of pooling, their efforts in order to promote this type of vehicle. It would appear that in this sector, an appropriate method is to carry out in common demonstration projects, whilst at the same time supporting research on new batteries and fuel cells,

4. Foreseeable trends in the sector and their effect on employment

The actions and measures considered above should have the effect of maintaining the present level of activity in the European motor industry or should at least postpone a drop in activity as far as possible. But even if the present level is maintained - and even more so if it drops - the need to reduce the labour force in the industry will become evident in the next ten years and even beyond that.

The interaction of three main factors will bring about this reduction:

- a) Until the point is reached where demand on average absorbs full production capacity (in theory 1979-1980), there will be a surplus of labour. This situation will exert some degree of pressure to lay off personnel;
- b) In order to cut production costs and remain competitive, the industry will have to augment its productivity by rationalizing and automating its production machinery. Productivity will probably increase faster than the foreseeable market growth rate: this will result in the labour force being reduced. If the industry does not succeed in becoming more competitive it will lose an increasing proportion of the market and, again, the effect will be that the labour force is reduced.

- c) The effects of transferring production, and therefore jobs, to developing countries will be felt in the medium-term.

The need to reduce the labour force raises serious problems for the industry itself as well as for the workers. Hence the first essential is to establish the need for the process in people's minds. This should be done through consultations between the Community Institutions, the Member States and of both sides of industry representatives, in which all possible solutions for safeguarding jobs are considered. Yet, if the car manufacturing industry were forced to maintain surplus labour, its efforts to become more competitive would be bound to fail. Action by the public authorities will probably therefore be required to find alternative jobs for all those who, in the next few years, will be forced to leave the car manufacturing industry or will be unable to find jobs in it.

It is at present very difficult to put a precise figure to the number of jobs likely to be lost in the industry in the next ten years. In 1975 the car industry directly employed 1 300 000 persons in the Community; in addition approximately 1 600 000 were employed in selling and repairing cars at a rough estimate. Moreover, 1 800 000 jobs - in the car accessories industry, in industries producing the requisite materials (steel, glass, rubber, plastics, textiles, etc.) and in subcontracting - depended on the car manufacturing industry. There are substantial grounds for believing that in the coming decade the industry as a whole will gradually lose several hundred thousand of its present total of jobs.

This kind of estimate, which cannot be supported by precise figures unless detailed studies are made, clearly emphasizes the scale of the problem. But it is not of great practical interest since it is very general and since not all industrial undertakings will be affected in the same way. Some firms have already cut down the number of jobs in some of their factories, whilst others have to maintain a surplus of labour. The market share of the various manufacturers can vary with the success of their models.

Companies may decide to close down subsidiary assembly plants, particularly in countries other than that in which they have their head office. There may be mergers. All these different possibilities mean that, if an intervention system is to be devised, the situation must be studied region by region.

This is all the more necessary since the pattern of intervention will vary according to a given region's industrial structure. The problem may be tackled by considering the special case of the motor industry, but it will probably rapidly transpire that, at a time when many other industries are also going through a period of change, what should really be examined is the entire industrial fabric of a region.

The question as to which alternative activities should be developed is one of the delicate problems that will have to be examined. It appears that at least part of the labour force which is gradually released by the motor industry could find work in public transport, particularly urban transport, which is to be extended considerably over the next few years. But here again solutions will have to be sought in the light of regional specializations, since it might turn out to be the case that a company which is active in an industry regarded as depressed may be making a good economic showing in a particular region. It may be that the solution lies at local level, by extending the activities of such companies.

A further complicating factor is the growing imbalance between supply of and demand for labour in the motor industry. For the next ten years the industry will remain labour-intensive, particularly in assembly plants. But, increasingly, workers in developed countries are rejecting assembly-line jobs which, in most of these countries, are now being taken on by immigrant labour. There are several aspects to the problem:

- a) How does one change the way in which production is organized so that, at the same time as cutting costs, greater job satisfaction is provided ?

and so that, once immigrant labour becomes scarce, the form of organization is acceptable to native labour which, in addition, will be threatened by high rates of unemployment over the next few years ?

- b) How can the industry be persuaded to invest in more "human" production systems ?
- c) How does one train the qualified technicians needed to operate installations in which operations will become increasingly automated ?

The research and analysis required as a basis for forecasting regional variations in employment and devising new production systems should be begun soon, since the task will be complex and will take a long time. The work should fit into the industrial, regional and social policies and should draw on the studies of local structures available for a good number of the Community's regions. Any intervention resulting from this research could be financed partly by the Social Fund and partly by the Regional Fund, in accordance with their respective procedures, and so far as their rules permit.

5. Actions at Community level

The aim of the actions, whose details and implementation methods are described above, will be to enable the motor industry to remain as competitive as possible in the face of sharp international competition and the constraints imposed from outside which are, nevertheless, based on economic and social motives. It is advisable to specify that the problems, linked to the constraints applied to motor-car construction and use, will be dealt with in the frame of the specific common policies, as for example those concerning environment, energy, transport or the removal of barriers to trade.

Seen in this light, the elaborated actions should help to provide solutions to the problems discussed in points 1-4 of this chapter. They should constitute the main lines of a Community programme. Such a programme would require the cooperation of all parties involved with the sector - the Community, the Member States, industry and the trade unions. It is proposed that an "ad hoc" group made up of representatives of the Member States and the Commission be set up. The Commission would undertake the following tasks:

- a) the Commission would gather and update basic information concerning the sector, e.g.:
 - basic data concerning the Community car industry and dependent industries (structure, geographical position, employment, financial analysis);
 - forecasts of world trends in the motor vehicle market, for ten years ahead if possible;
 - any information contributing towards determining the market shares and providing an insight into future trends in these shares;
- b) on the basis of this information and by consulting both sides of industry, the Commission would assess the influence of the foreseeable trends on the competitiveness of the European industry and on employment in it;
- c) study the measures that should be taken to reduce the harmful effects of these trends. Once the Commission has formed some preliminary conclusions on future market trends, the ad hoc group could take up its duties. These would include:
 - periodically to review the results of any analyses made by the Commission, and to give its opinion on these results;

- to compare nationally-financed research programmes and to seek to align them with each other;
- to assist in working out Community research programmes;
- to discuss any measures of any sort which might be envisaged at national level and might affect the motor vehicle market;
- in the light of their implications for the policy eventually adopted for the sector, to assist in aligning any national subsidy measures that might be presented for consideration;
- where appropriate, to determine what measures would be best suited to speed up the process of removing the present technical barriers to trade and prevent the creation of new barriers.

6. Implementation of the above actions

The actions, which will be defined in the frame of the above groups, could involve recourse to the Social Fund, Regional Fund or E.I.B., or, should the occasion arise, from the subject of proposals to the Council.