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THE EUROPEAN AUTOMOBILE INDUSTRY: STRUCTURE AND PROSPECTS

The Commission of the European Communities has adopted a communication on the structure and prospects of the European automobile industry. This study of the industry contains a very detailed analysis of the situation and the problems associated with developing its international competitiveness; it also sets out guidelines for coordinated action to encourage the efforts made by the industry to improve competitiveness, facilitate adjustment and develop a suitable economic environment.

1. The Commission is convinced that the European automobile industry - faced with Japanese competition, the aims of the American industry and the emergence of new manufacturers - must maintain its place in the front rank and keep its competitive edge by adjusting its industrial and commercial base, rationalizing its apparatus of production, further developing its technological knowhow and improving its sales networks.

The Commission takes the view that, as the firms themselves are the most directly concerned, they must shoulder the main responsibility for implementing the changes; it is important, however, that the automobile industry should have a suitable economic environment in which to carry out the requisite adjustment and investment. This is where the Commission is called upon to make a fundamental contribution.

The Commission paper is but a beginning. Further information will be produced on the problems of the components and distribution sectors, and will be regularly updated.

Basically, the Commission has three objectives:

- (1) to give the economic operators concerned a reply to the views they expressed and to encourage them to assume their responsibilities;

- (ii) to provide a basis for discussions with the other manufacturing countries (Japan, Sweden, USA, etc) with a view to maintaining a dialogue on the long-term prospects for the automobile industry;
- (iii) to reply to the resolution on the automobile industry passed by the European Parliament on January 13, 1981 urging more European determination in re-structuring and defending the Community's industry.

11. The measures being considered by the Commission will be of four broad types:

1. Strengthening the international market;
2. Encouraging structural development;
3. Making it easier to change jobs;
4. Developing the dialogue with the Community's trading partners.

1. To strengthen the internal market, the following steps must be taken:

(a) the remaining disparities, especially in the tax and energy fields, must be ironed out.

It is the Commission's view that the continuing divergences between the national tax systems makes for compartmentalization of the Community market. The Commission would like its efforts to harmonize the structures of Value Added Tax and fuel to be accompanied by measures taken by the Member States themselves in order to bring automobile tax rates and levels closer together. These measures should be designed to encourage energy saving and should not have a negative effect on car sales in the Community;

(b) the legislative context must be adapted to fit the economic, technological and energy situation: an approach must be worked out which will simultaneously take safety, environment and energy-saving aspects into account;

(c) innovation must be promoted (for instance, by drawing up inventory of the research activities, studies and pilot schemes of the technical centres for research and innovation in the field of car components and drawing-up coordinated research programmes bringing together industry, the universities and the authorities).

2. To encourage the structural development of the industry, the Commission will - by applying Community rules on competition - take into account the need for greater cooperation with regard to fair and open competition in the context of a world-wide market.

Where state aids are concerned, the Commission will supplement the existing rules by introducing a system of post-monitoring of state aids which will draw attention to any risk of excess capacity or protectionist measures occurring. The system, it is hoped, will supplement the Commission's

information, ensure transparency and strengthen discipline in the matter of granting aids.

Use of Community instruments to benefit the automobile industry must comply with the criteria for encouraging efforts to improve productivity, particularly by rationalizing the manufacture of components, stimulating technological change and introducing automation.

3. With a view to making it easier to change jobs, the Commission will first collect and evaluate data and forecasts concerning the consequences of developments in production and of automation on employment; job qualifications and working conditions, and will contribute to future efforts of this kind.

4. The Commission will actively foster the dialogue with its trading partners in an attempt to seek solutions to international problems through a self-constraints trading policy, by improving and stabilizing trading structures based on increased trade flows in components, equipment and technology.

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