COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 10.07.1996
COM(96) 327 final

COMMUNICATION FROM THE COMMISSION

TO THE COUNCIL, THE EUROPEAN PARLIAMENT,
THE ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS

EUROPEAN AUTOMOBILE INDUSTRY

1996

1996 Communication on the Automobile Industry

Introduction

On the basis of the Commission's last Communication on the automobile industry of February 1994[1], the Council adopted a Resolution on the automobile industry in May 1994[2]. In it, the Council requested the Commission to report on the industry's structural adjustment and on the progress achieved in implementing this Resolution. The discussion was then taken up by the European Parliament[3] and the Economic and Social Committee[4], who both adopted resolutions on the industry. The following document has been prepared by the Commission in order to respond to the Council's request and to the proposals originating from the discussions that followed in the Parliament and the Economic and Social Committee.

1. The Development of Markets and Production

1.1 The Global Context

World automobile production (cars and light commercial vehicles less than 5 tonnes) is estimated to have reached 47.7 million units in 1995 an increase of 0.8 million units over 1994. Production in the Union accounted for about 29% of the total, an increase of two percentage points compared to the 1994/93 average. US automobile producers accounted for 24% and Japanese producers 21% of this total compared to 25% for US and 23% for Japanese production in 1994/93. Automobile production in the most important new manufacturing countries[5] reached a total of 7 million units in 1995, 15% of the total world production. Of this South Korea represented 35%, reflecting an ambitious programme to transform the South Korean car industry, which is already the world's sixth biggest, into the fourth largest by the year 2000.

The globalisation of the world automobile industry is now proceeding at a very fast pace and is affecting progressively all the corporate activities of European manufacturers and suppliers. Reflecting the change in the location of future growth virtually all European manufacturers have now adopted global strategies consisting of achieving a world wide sales and production base spread around traditional and newly emerging growth markets. West European producers' production of vehicles outside the EU represents today 20% of total "European" production. This percentage is expected to increase in the future reflecting faster growth outside Europe and possibly some production relocation. The USA and the growth markets of Asia and Latin America have attracted investments by EU manufacturers in recent years.[6]

Sourcing and investments are to some extent being relocated from relatively high cost locations within the EU to low cost locations inside or outside the Union, notably to Central and Eastern Europe. From the EU automotive industry's point of view, the opening of the East represents both an opportunity and a challenge:

---

[1]COM(94)49 final
[2]OJ 94/C149/01
[3]PE 211.149/fin.
[4]CES 1071/94
[5]Argentina, Mexico, Brazil, Korea, India, Thailand, Taiwan, China
[6]To cite some examples:
- Mercedes Benz and BMW have invested in production sites in the United States;
- China has been selected as a production location by PSA/Citroen and Volkswagen/Audi, with others trying to follow suit;
- Fiat, Ford, GM, Mercedes-Benz,, Peugeot and Rover have entered into joint Ventures with Indian partners for the production/assembly of cars; BMW and Volkswagen are about to do so;
- important new investments have been announced in Brazil where European manufacturers have traditionally had a strong presence: Fiat, Ford, GM, Mercedes, Renault and Volkswagen have announced further investments by the year 2000.

- An opportunity, as the Central and Eastern European countries, with their growth potential for vehicle sales and a good level of technical qualification and relatively low labour costs, offer favourable prospects for exports and attractive conditions for local assembly/production. Many EU manufacturers (Fiat, Ford, GM/Opel, Renault, Rover and Volkswagen) have already taken the opportunity and established joint ventures with Central/Eastern European partners or invested in greenfield production.
- A challenge, because, following the building-up of production capacity in Central/Eastern Europe by their competitors from Korea and Japan (notably Daewoo in Poland, Romania and the Czech Republic, Suzuki in Hungary) EU manufacturers will face increasing competition on their home market at a time when growth prospects on this market are limited and the industry is undergoing major restructuring.

A relocation of some production to Central and Eastern Europe will have a direct impact on employment. On the other hand, investments aimed at exploiting new markets and regions can help to support the European employment base, e.g. through an improved spreading of currency risks and increased demand for automotive parts that have been produced in the EU. This point of view has also been accepted and put forward by the responsible trade union representation at European level, the European Metal Workers Association.

In terms of market size the combined US, EU and Japanese markets still represent more than 70% of world sales. Encouragingly, European producers have improved their performance on all three of these markets in the last two years7. However, major future growth opportunities will come not from the traditional markets of Western Europe, USA and Japan which are tending to level off, but in new growth areas notably China, South East Asia, India, Latin America and Eastern Europe. The European market is therefore not sufficient to ensure long term viability. This does not mean of course that European sales are of secondary importance; on the contrary most European companies will continue to rely on the European single market as underpinning their entire operations and as a basis for expansion.

Graph 1 of the annex shows the worlds' major automobile manufacturers by production output. Compared to the situation ten years ago, some companies that would have featured on a similar chart made then, like Jaguar, Rover and Saab, have not succeeded in remaining independently competitive with their relatively low production levels. In April 1996, Ford of the USA has taken the control of the Japanese car manufacturer Mazda, indicating that this trend is continuing and that the formerly closed Japanese economy is now becoming more open not only for imports of foreign cars but also for foreign direct investment. In the meantime, South Korean companies have emerged and built up considerable capacities. Furthermore, the major South Korean manufacturers have announced plans to increase production to over 5m units per annum by the end of the century. While much of this increased production will be targeted at Asian Pacific markets it can be expected to contribute to an intensification of competitive pressure in Europe.
In Europe, pressures for co-operative ventures and collaboration are increasingly being felt. Many of Europe's manufacturers have entered into joint venture production agreements, e.g. the Ford/VW and Fiat/PSA MPV (multi purpose vehicle) projects. The Volvo/Mitsubishi arrangement to produce two different car models on the same production line in the Netherlands is especially significant because it will produce one of Volvo's core models, rather than the niche models that have typically been the result of other manufacturers' joint ventures. At the same time, the Japanese transplants have become more integrated into the European economy by extending their European supplier base and raising local content levels.

Capacity utilisation in Europe was below 80% for most of the European high volume manufacturers in 1993 and has not risen above this critical level since8. The existing structural overcapacity needs to be seen in the context of the successful policy of manufacturers to reduce

---

[7]see chapter on competitiveness

[8]Capacity utilisation = Units produced per annum / Maximum capacity in units per annum (based on the number of shifts that can be worked on a plant by plant basis)

their break-even point, thereby enabling them to make profits at historically low levels of capacity utilisation and to respond to market evolutions.

Prompted by increasing competition in the European market and the recent crisis in demand, there have been some decisive changes. New greenfield projects such as the Fiat plant in Melfi, the Opel plant in Eisenach, the Seat plant at Martorell and the VW/Ford joint venture in Setubal/Portugal are now fully operational, increasing hereby the overall capacity in Europe and setting new standards in efficiency and productivity for the respective enterprises. Additional capacities in the Community from Japanese and European car manufacturers will also come on stream during the next years. There have been reports that Daewoo is seeking to make the first significant inward investment by a Korean firm in the sector. Daewoo has also started a large scale investment programme in Eastern Europe (Poland, Romania, Czech Republic). The capacity expansion by major European manufacturers in Eastern Europe will also have an impact on the Community market, into which these products have relatively free access. On balance, it is improbable that capacity utilisation of European manufacturers will improve for the rest of the decade, making it essential therefore that manufacturers reduce costs and further increase the flexibility of their manufacturing operations.

1.2 Market developments in the European Union

1.2.1 The market for passenger cars and LCVs[9]

Since the last Communication on the European Automobile Industry was published in February 1994, the number of new car and light commercial vehicle (LCV) registrations[10] has recovered slowly but steadily from the 1993 downturn[11]. In 1994, 12.8 million new cars and LCVs were sold in the 15 Member States, marking an increase of 6.1% compared to the previous year. 1995 saw a rather disappointing increase in demand of just 0.6%, mainly due to increasing car costs and a reduction of GDP and household income growth. For 1996, the European market is expected to grow by about 3% (some manufacturers predict even lower growth figures); if confirmed this would mean that over the period 1994-1996 less than half of the 16% fall in the market in 1993 would have been recovered.

The development of new passenger car registrations during 1994 and 1995 varied widely from Member State to Member State. Of the large car markets, sales in France and Spain have shown the greatest fluctuations, in part due to the expiry of scrappage premiums which stimulated the market in 1994.

While European brands advanced to a 1995 market share of 84.6% compared to 83.6% in 1993, Japanese brands lost 1.6 percentage points from 12.5% to 10.9% (including transplant built cars)[12]. The substitution of imported Japanese brand cars by those locally produced has gained further momentum under the pressure of the rising Yen: imports from Japan were reduced by 16.6% in 1994 and 7.6% in 1995 while the sales of Japanese brand cars made in Europe increased by 21.3% in 1994 and 7.7% in 1995. The penetration of the market by Korean brands has increased rapidly, sales[13] have increased by no less than 59% in 1995 (24% in 1994) to reach 180,000 units, about 1.4% of the European Union market.

1.2.2 The automotive components market

The situation of the European automotive component suppliers has improved again. In 1993 demand in the EU contracted by 8%, followed by an increase of 14% in 1994[14]. The year 1995 should have seen a further improvement. Up to the year 1998 annual growth in demand in

[9]LCVs = light commercial vehicles with less than 5 tonnes

[10]Sources: AAA, DRI McGraw Hill, JAMA, LMC Automotive Services, Marketing Systems

[11](the number of registrations decreased by almost 16% in 1993 to 11.5 million units compared to 14.0 million in 1992)

[12]more details: see table (annex)

[13]Cars plus light commercial vehicles

[14] Figures derived from DEBA (NACE 3530) unless specified otherwise.

Western Europe is expected to be around 7% with especially good prospects for automotive electronics systems[15]. More than 10% annual growth is foreseen until the year 2000 for this segment, with the biggest growth forecast in systems which give information to the driver.

One of the main trends in the industry is towards system or modular supply, which involves the transfer of responsibility for research & development as well as production of a complete (sub) system to the supplier. This is generally combined with high levels of outsourcing which, for new models is often between 65% and 75% of the ex-factory value, as well as single or dual sourcing. This trend inevitably leads to a reduction in the total number of direct or first tier suppliers. The number has already dropped from an estimated 10,000 direct suppliers in Europe in the early 1970s to approximately 3,000 at present and is expected to fall further to approximately 500 by the year 2000[16]. As regards the main car manufacturers in Europe, the average number of parts and systems suppliers per vehicle manufacturer dropped from 1,370 to 1,220 between 1990 and 1994[17]. At the level of individual manufacturers, the reduction of the number of direct suppliers ranged from none to almost 50%.

Internationalisation and globalisation is also impacting the automotive components sector. This represents both a threat in the form of increased competition, illustrated by heavy recent investment in the EU by US automotive suppliers, and an opportunity in the form of increased business opportunities in foreign markets, especially for first-tier suppliers. In view of the challenges of a global automobile industry first tier suppliers will have to become increasingly international in order to provide for assemblers' manufacturing requirements world-wide. Combined with the trend towards systems supply, this can be expected to lead to more international mergers, take-overs and strategic alliances in the supply industry as firms seek to strategically strengthen their world-wide supply capacity and their ability to supply the necessary technology and products to manufacturers.

It is obvious that the trend towards system supply and globalisation presents major challenges for second and third tier suppliers, especially for SMEs. For these companies the main consequence will be increased pressure to reduce costs, yet it is here that the concepts of lean production, total quality and continuous improvement have made the least headway.

2. Competitiveness

2.1 The influence of the business environment

Industrial competitiveness depends primarily on how firms are managed and organised internally, but it is equally evident that the business environment within which the companies operate also plays a crucial role in assuring the maintenance of high value added industry in Europe.

Unit labour costs

It is the responsibility of the social partners to ensure that unit labour costs for building vehicles in Europe are internationally competitive, the more so as wage costs account for about 70% of all production costs of a motor vehicle across the entire value-added chain. The situation in Europe varies substantially from country to country.[18] While total labour costs are significantly higher in Germany than in any other major manufacturing location in Europe or elsewhere and the number of hours worked less, higher productivity in this country to some extent makes up for these higher costs. Overall, it has to be said that on average unit labour costs are higher in all European countries compared to the main competitors in Japan and the US. Clearly further improvements have to be made to close this gap. In this context the Commission welcomes

[15] Freedonia Group and Economist Intelligence Unit, 1995
[16] Auto Forum in Stuttgart, 1995
[17] Commission industry survey, 1995
[18] See table 4 of the statistical annex

initiatives by the social partners to develop more flexible worktime models in order to make better use of production equipment and to take shifts in demand into account.

Energy costs

Energy represent a primary input of all manufacturing industries. While prices on the gas market have converged across Europe, at a level close to that of the United States, electricity prices have not. High costs for electricity affect European producers. Compared to lower US prices, the EU automotive industry is suffering from a 25% costs disadvantage. Competition is very limited in the European electricity market, as markets are highly imperfect, and in the majority of cases closed to competition. Preliminary studies on the impact of the Single Energy Market have estimated a potential reduction of electricity prices of 8% in the EU. This amounts to ECU 5.8bn per annum, and covers only direct price reductions arising from increased competition. The recent agreement in the Energy Council on opening the European electricity market will have a positive effect on reducing costs.

Cost of capital

The cost of capital is usually measured in terms of the cost of debt and equity. Although it is very difficult to quantify to what extent the cost of capital has influenced the performance of the European automotive industry, it is possible to identify economic policies that should be pursued to lower the cost of capital. In the 1990s, the average measured long-term real interest rate in the EUR15 has been slightly higher than in Japan and in the United States. Regulatory and market access restrictions that increase the cost of using certain financial instruments in Europe could be modified. Some of these instruments are cheaper and very successful in other parts of the world. Inflation risk premia can also be important, which underlines the importance of the budgetary policies that are currently being pursued by Member State government in order to meet the Maastricht criteria.

The cost of equity for many of Europe's listed companies is also higher than it needs to be. Differing accounting standards, a lack of knowledge about shareholders rights in certain Member States and less stringent reporting requirements internationally, artificially raise the cost of equity for European companies. The Union therefore actively promotes the development of reputable and widely recognised reporting standards via the International Accounting Standards Committee (IASC).

Currency fluctuations

While the appreciation of the Yen has helped European industry to compete on world and domestic markets, currency fluctuations between Member State currencies have significantly affected the financial performance of European automobile manufacturers. As has been described by the Commission in the Communication on the impact of monetary fluctuations on the Internal Market (COM95/503 final), during the last period of currency instability, automobile manufacturers exporting from countries with an appreciating currency saw their profit margins and exports to Member States with a depreciating currency reduced. On the other hand, companies exporting from Member States with depreciating currencies (Italy, UK, Spain), although unable to capture a significantly larger share of the EU automobile market, nonetheless saw their profit margins increase.

In order to abolish the distortions created by these monetary fluctuations (e.g. heterogenous pricing policies, destabilisation of the distribution network especially in the case of dealers located near frontiers, distorted location and sourcing decisions by automotive companies), it is important for the competitiveness of European industry that the Union adopts a single currency within the time-scale provided for in the Treaty (on 1 January 1999). This step, combined with the measures that will be taken to ensure economic convergence and monetary stability both within the EURO Zone and between the EURO and the other European currencies, will help to reduce uncertainty, transaction costs and to improve the functioning of the Internal Market. Furthermore, it will also help the EU automotive industry to improve its competitiveness.

Benchmarking Europe's business environment: the overall picture

Research conducted for the Commission on how Europe's business environment in the automobile sector compares with those of its major competitors shows that there are significant variations among the countries selected for review (USA, Japan, South Korea, Poland, Italy, France, Germany and the UK). In a first step, the countries were benchmarked on absolute criteria (e.g. availability of skilled labour, infrastructure etc.). Here, the EU-4 countries showed a number of strengths leading to the statement that the European business environment for motor vehicle manufacturing investment can be regarded as generally positive. The main strengths and weaknesses are:

European Strengths	European Weaknesses
O general economic performance (also true for USA, Japan, Korea)	o time to obtain building, operating and environmental permits (much shorter in the USA, Japan, Korea)
O protection of intellectual property (legally also provided for in Poland)	o high corporate income tax rates (much lower in the USA, Korea)
O excellent transport infrastructure (also offered by the USA, Japan, Korea)	o high labour cost (the prime advantage for Korea, Poland)
O skilled labour availability (also valid for Korea, Japan)	o lack of work time flexibility (advantage for the USA, Japan, Korea)

The transformation of these strengths and weaknesses into monetary terms, that is being performed in the second part of the study, shows that there are apparent weaknesses on the European side.

The assessment is is based on the calculation of the Net Present Value of an investment (the establishing of the same, state-of-the-art, lean and efficient car plant) in all the different business environments mentioned above. Under given assumptions the results showed that the most profitable location to set up car production would be South Korea, due to a very positive relation between cost and qualitative aspects (infrastructure, administrative efficiency). According to the study, good Net Present Values for the amount of money invested could also be expected in the UK, Poland, and France, whilst other European countries and Japan would be in a less favourable position.[19]

In order to constantly measure the competitiveness of European industry and to compare it to its international counterparts, the Commission is also developing a specific data base in co-operation with EUROSTAT. It covers most OECD countries and contains a wide range of indicators relating to different aspects of competitiveness (e.g. trade balances, market shares, profitability, labour costs, price indices, research and development spending).

2.2 Increasing competitiveness: Measures taken by industry

Capital Investment

Capital investment of the European automobile industry[20] has risen from ECU 10.8bn in 1989 to a peak of ECU 15.0bn in 1992, after which - under the influence of falling sales figures - capital investment was cut to ECU 11.8bn in 1993 and 11.7bn in 1994. The last figure is just 8% higher than the 1989 level, and signifies a decrease if inflation is taken into account. Since the industry has recovered since 1993, capital investment is expected to rise again in the years following 1995. Capital investment as a percentage of turnover is relatively high in Europe. In 1994, European car makers spend over 6% of their turnover on capital investment, similar to their competitors in the USA and compared to around 4% for the Japanese firms.

[19] see graph 2

[20] excluding GM Europe for whom no figures were available

Productivity

With regard to productivity, a core element of competitiveness, the last two years have seen further progress made by the European automobile industry.[21] Research shows that European plants have made the greatest percentage improvement in productivity worldwide over the last five years. But plants in North America and South Korea have also considerably improved their productivity. Given the smaller improvement in the performance of Japanese owned assembly plants in Japan, the average performance gap between European and Japanese plants has slightly narrowed, although a large gap still remains. Many European plants still have a long way to go to achieve world class performance in productivity although the best European plants are among the best in the world. Overall, European plants have made an improvement of nearly 30% in productivity, dropping the number of hours to produce a vehicle from 36.9 to 25.3. The European owned plants in Europe are somewhat weaker performers having an average productivity of 27.1 hours per vehicle, which is roughly 10% worse than the average of US or Japanese owned plants in Europe.[22]

Plants in the industrialising countries (e.g. Korea, Brazil and Mexico) showed almost as great an improvement as the European plants, and at 29.7 hours per vehicle are only four or five hours behind the average European plant. The US owned (i.e. Big Three) plants in North America improved their productivity from 24.9 to 21.7 hours per vehicle. In comparison, Japanese owned plants in Japan showed a minimal change in productivity over this period, from 16.8 to 16.2 hours per vehicle. However, Japanese plants in North America improved their productivity by 18.7% and are quickly approaching the performance levels of their Japanese counterparts.

Quality

Quality trends[23] are similar in many ways to those for productivity. The data used stems from an Initial Quality Survey[24] conducted annually in the USA and has been adjusted to reflect only defects that are directly related to assembly plants. The dominant trend is clearly convergence towards quality levels in the range of 60 defects per 100 vehicles, with the exception of the group of plants from the newly industrialising countries whose quality worsened over the survey period. The greatest improvement is again shown by European plants[25]. The quality of the products of the industrialising countries group has slightly deteriorated between 1989 and 1993/4, which is primarily attributable to a period of labour conflict in the Korean industry and an explosion of Korean domestic demand which has placed a premium on high volume production. Korean auto makers are already showing signs of returning to more competitive levels of quality, although they still lag behind the other regional groupings.

Research & development spending

The European Automobile industry (excluding suppliers) has increased R&D expenditure from ECU 6.2bn in 1989 to ECU 8.3bn in 1994. Even during the economic downturn in 1993, high R&D spending has been maintained. R&D expenditure has resulted in some very successful innovations of motor vehicle technology, e.g. airbags and ABS, which were first developed in Europe and are now being used world-wide. Weaknesses remain, however, notably concerning the ability to transform R&D results into successful products.

---

[21]Source: International Motor Vehicle Programme (IMVP) of the MIT

[22]For confidentiality reasons, all groupings are comprised of at least four plants from at least three different companies. For this reason, it is not possible to distinguish the Japanese from the US producers in Europe.

[23]Source: International Motor Vehicle Programme (IMVP) of the MIT

[24]The Initial Quality survey (IQS) is based on a random sample of new car purchasers in the USA who were asked to fill in a detailed questionnaire about their vehicle after approximately four months of use.

[25]This only includes plants selling vehicles in the US

2.3 Results of restructuring

Employment

Direct employment in the automobile sector in Europe[26] as measured by EUROSTAT in its NACE 3500 category (Motor Vehicles and Parts) has decreased from 2.2 million in 1980 to 1.6 million in 1994. This is a reduction of almost 30% of the workforce. Since there is considerable competitive pressure on the industry to reduce costs, further reduction is to be expected.

Employment in motor vehicle manufacturing alone has gone down from 960,000 in 1993 to 921,800 in 1994. For 1995, reductions to 912,000 have been announced.[27] Employment in the European automobile components sector contracted by 8% in 1993 and by 5% in 1994, indicating a downward trend which is significantly less severe than predicted by the widely quoted Boston Consulting Group study of 1993.

Looking at total employment in the sector (NACE 3500) on a Member State level, the trend of workforce reduction is evident in all major car producing countries.[28] The temporary exception to the rule is Germany, were employment in the automotive sector had been increasing from 1980 until 1989. After German reunification, employment figures have first risen abruptly, taking account of additional Eastern demand and the additional workforce. Since 1991, employment has gone down more steeply than in other EU Member States. Figures for 1994, including the Neue Länder (former GDR), are well below the number of employees in 1980.

Realistically, the automotive sector can no longer be regarded as a sector of employment growth. But new production concepts incorporating elements of lean production, continuous improvement, total quality management, teamwork and outsourcing must not necessarily lead to less employment than traditional ones. Companies employing creative work time models, e.g. VW at its Wolfsburg site, have managed to keep their staff employed even in times of crisis. Tasks requiring know how are more likely to continue to be carried out in the traditional locations than tasks that can be transferred more easily. There is also increasing evidence that some past automation investments could have been used more profitably if they had been spent on human resources development. While state-of-the-art production technology is vital to ensure the future of the industry, the focus of attention is now shifting increasingly towards the employees, whose interest in more stimulating tasks, higher qualifications and a positive work environment should be addressed to achieve higher levels of flexibility, productivity and quality. The dialogue between the social partners at plant, national and European level has an important role to play in this context.

Profits

Following declines in profits over the previous three years, European automotive firms incurred net losses of a total of ECU 2.5bn[29] in 1993. The impact of the recession on profitability has been less than that felt, for example, by US manufacturers in 1990 to 1992, due to the fact that European automotive manufacturers have managed to lower their break even point. In 1994, the revenue of European car producers increased by 10% and the industry returned to positive results with an aggregated net profit of ECU 5.7bn, which will probably be maintained, but not largely extended, in 1995. The benefits of recent cost reduction strategies should be felt more fully in future years, but scope remains for further consolidation of the industry.

---

[26]Taking upstream, downstream and related activities into account, up to ten jobs in Europe are dependant on each job in the automotive industry. This demonstrates that the automobile industry is of crucial importance for the European economy.

[27]Figures based on a survey carried out by the Commission recently

[28]See statistical annex

[28]COM (93)700 final

[29]Source: European Automotive Research Ltd., 1995

European performance on major world markets

The performance of automotive firms on major world markets can also be regarded as an indicator for the competitiveness of the industry. In Japan, European producers have improved their performance markedly in the last two years and now account for about 5% of the domestic new passenger car market.[30] US producers and cars imported from Japanese transplants in the US now account for about 2% of the Japanese passenger car market. The improved performance of European imports, is a reflection of European capacity to satisfy consumers' demand not met adequately by other competitors, as well as improved quality and price of European products relative to their Japanese domestic counterparts. Further progress in removing barriers to trade on this market, notably in removing regulatory obstacles to trade which have negatively affected the transactional costs of doing business in this country has also been an important contributing factor.

In the US a number of European producers have also prospered. The market share of European producers on the US passenger car market has increased from 3.6% in 1993 to 4.3% in 1994 to 5.2% in 1995. As in the case of Japan it has been upmarket models which have formed the bulk of European sales on the US market.

Reflecting these developments EU trade with Extra-EU countries has increased significantly and in 1994 the EU had an automotive trade surplus of 20 billion ECU with the rest of the world. The bulk of the surplus comes from vehicle sales; parts and accessories contribute an annual surplus of 3 billion to the total.

3. The European Union's Strategy

The achievement of competitiveness on a global scale is primarily the responsibility of industry itself. As the chapter above has shown, significant steps in this direction have been undertaken by the European automobile industry already. The public authorities, however, have a key role to play in creating a favourable business environment within which the industry can prosper, since high value added employment in the long run can only be sustained by a competitive industry. The elements of this strategy have been described in the recent Commission Communication on an industrial competitiveness policy for the European Union[31] as promoting intangible investment, notably R&D and training, ensuring strong competition, developing industrial co-operation and modernising the role of public authorities.

3.1 Promoting intangible investment

3.1.1 R&D: The future of the car and the "Car of tomorrow"

In the last Communication on the European Union automobile industry, the Commission called on the industry to develop "clean, lean-produced, intelligent, quality, value" cars for the year 2000 and beyond. In the meantime, the Commission has set up the Task Force on the "Car of tomorrow" an initiative designed to better co-ordinate and focus research activities in the area of the ultra low and zero emission cars of the future and the associated infrastructure for road telematics, refuelling and recharging. This initiative also serves to assure regulatory stability and coherence through better co-ordination and planning of research activities with regulatory policy. While the key bottleneck preventing the commercialisation of such low emission vehicles has been identified as the propulsion system, the choice of technologies necessary to ensure that the industrial and environmental objectives identified by the Task Force are met has not been predecided. It is rather up to industry, acting from the "bottom up", to bring forward joint research proposals which respond to their concepts of which technologies, within the range of promising technologies identified by the Task Force, are most likely to offer the best

[30] 3% on the car and LCV market

[31] COM(94)319 final

prospects of long term commercialisation.[32] The Commission has asked the Council to fund this new research initiative with a budgetary allocation of ECU 130 million in the context of its proposal for supplementary funding of the Fourth framework Programme. The activities of the Task Force will also contribute to the setting of priorities for research under the Fifth Framework Programme, on which discussion should start in 1996.

The optimisation of "Car of tomorrow" concepts and the development of low emission technologies is a necessary but not sufficient condition to guarantee the place of the car in the future transport system. Complementary to the Task Force activities, significant efforts have been made by Commission research programmes to support the R&D needs of the automobile industry as they are expressed in the Master Plan for research and technological development of EUCAR, the Industry's Council for Automotive R&D[33]. For example, the Industrial and Materials Technologies (BRITE/EURAM III) programme has supported more than 30 specific projects[34] with funding exceeding ECU 63.5 million for key technology areas, leading to advanced production systems and vehicles addressing the challenges of globalisation, competitiveness, environmental problems and the need to support sustainable mobility.

The Commission therefore also supports the inclusion of the car in a multimodal traffic system in an intelligent way. This is shown by the fact that the Commission has set up a Task Force on "Multimodality" in parallel with the Task Force on the "Car of tomorrow", as well as by the latest Communication of the Commission on the "Citizens' network / Fulfilling the potential of public passenger transport in Europe".[35]

As purveyors of efficient and cost-effective mobility it is evident that car manufacturers also have a vital interest to ensure that the system of traffic and transport as a whole is optimised. This means giving continuing emphasis also to joint R&D programmes designed for the further development of Transport Telematics and Information Technology projects under programmes such as the Telematics Applications Programme, Advanced Transport Telematics, ESPRIT[36] and other Union programmes.

3.1.2 Training: Human resources policy / utilising the Structural Funds

Immaterial investment, notably vocational training, is now widely recognised as playing a decisive role in achieving greater competitiveness in European industry. At the same time, education and training not only provide European citizens with the skills they need to participate efficiently in the labour market, but also contribute to their personal development and enable them to become more mobile within the single market.

The Commission is contributing to Member States' efforts through Objective 4 of the European Structural Funds, which is aimed principally at training and retraining workers threatened by unemployment, and through the accompanying ADAPT initiative.

Building on the FORCE, EUROTECNET, PETRA, COMETT and LINGUA programmes, the new LEONARDO DA VINCI vocational training programme covers the period 1 January 1995 to 31 December 1999. It was set up with the objective of becoming a "European laboratory of innovation" in the field of vocational training. Previous programmes have already contributed to

---

[32]At the 2nd Forum on the European Motor Vehicle Industry, that was held in Stuttgart on 5/6 October 1995 as a joint European Commission / European Parliament conference, representatives of industry, Commission and Parliament have underlined that it is essential for the acceptance of the Task Force that its work is not restricted to certain propulsion systems

[33]EUCAR - European Council for Automotive R&D, Master Plan, 6 June 1994

[34]IMT (BRITE/EURAM III) projects notably cover: advanced design and manufacturing technologies, advanced thermal engines, emission reduction technologies, electric and hybrid vehicles concepts, advanced vehicle components and vehicle control technologies for active safety

[35]COM (95) 601 / see chapter on transport policy

[36]ESPRIT projects notably concern: Technologies for Components and Subsystems, High Performance Computing, Networking and Integration in Manufacturing, the Open Microprocessor Initiative.

the design of innovative and transnational training material for the automotive industry and LEONARDO will build upon this experience. The automobile industry, having always been a leading sector regarding the development and implementation of new forms of organisation and production systems (e.g. lean production), is also setting standards when it comes to training and retraining. For this reason, in the last Communication on the European Union Automobile Industry of February 1994, the European Commission announced its intention to create a transnational training network for the automotive industry within the framework of the FORCE programme.

This temporary network resulted in the definition of 53 model projects under three headings:

- Training for new work structures

- Training for co-makership (Manufacturer /Supplier relations)

- Learning while working / on-the-job training

Precisely because the number of companies undertaking increased training and organisational development initiatives is continually increasing, and the trend is now towards an industry with better trained employees rather than more and more automatisation, there appears to be a growing need for the exchange of information, experience, and training material. It is hoped that the European network of training projects, that is now being developed by the automotive industry associations ACEA and CLEPA as a follow-up to the initiative described above, can serve as a clearing house for the exchange of information and as the starting point for common training approaches of the industry.

3.2 Ensuring strong and fair competition

Ensuring that strong competition prevails in the Union's market is an essential plank of industrial policy applied in this sector. Three main aspects of that policy need to be highlighted:-

State Aid

The Commission has continued to apply the Framework on State Aid in the motor vehicle industry which was reintroduced in January 1996 and remains valid until end 1997. This framework ensures that aid granted on the basis of approved aid schemes to projects at a cost of more than 17 MECU are notified and that they are examined to ensure coherence with the Framework. Most large scale state support in this sector is given in the form of regional aids which are subject to a particular examination aimed at identifying if the aid is in proportion to the regional and structural handicaps incurred by new investments compared to costs that would have been incurred in a more central zone in the Union. This methodology has served the Commission well in the past and has ensured that investments with state aids have been examined on a comparable and fair basis which weighs up regional policy considerations against the risk of distortions in competition resulting from state aids, it is acknowledged that the Framework also has its limitations. In this context it should be noted that the cost-benefit analysis undertaken are very detailed exercises dependent on the verification of company data by independent outside consultants based in part on forecast and estimation. The Commission has recently tested the possibility of introducing a horizontal framework by which regional aid to large investment projects in any industry is assessed according to a uniform set of transparent, simple and predictable criteria. Given the mixed reactions of Member States to the Commission's subsequent proposals for such a horizontal system, it is uncertain whether the Commission will adopt such an intersectoral framework which might replace the different sectoral frameworks that currently exist. In any case, the Commission has planned a review of the motor vehicle framework later this year and, to that effect, demanded an independent study on the effectiveness of the framework and on possible modifications which might be necessary.

Vehicle distribution

Regulation 123/85 on the selective and exclusive distribution of cars was renewed with important changes from October 1995 by Regulation 1475/95[37], which is valid for 7 years. The changes introduced are aimed at ensuring more competition at the level of distribution, a better functioning of the internal market and a balance between the interests of all the parties concerned.

The most important change relates to the introduction of the possibility for distributors to sell other vehicle brands under certain conditions ("multifranchising"), which include the need to ensure that sales are carried out in different premises, with separate management, without risk of confusing brands. In addition it is now also possible for a distributor to service different car brands. The new Regulation also provides for intervention by an arbitrator or an independent expert in case of conflict between distributor and manufacturer. Abuses of the Regulation are now subject to clearly enumerated sanctions which include withdrawal of the exemption in certain cases.

The changes introduced by the Commission in the Regulation coupled with the evolution of market forces are likely to lead to a further concentration in the field of distribution by the increase in the average size of distributorships and an increase in multifranchising. The increasing sophistication of vehicles, notably their engine management systems as well as complex control systems to reduce pollution will require distributors to invest in expensive diagnostic equipment, a factor which again favours the larger dealer.

External relations

With regard to domestic policy towards Japanese imports, the Union's policy consists of ensuring that the arrangement with Japan (the "Elements of Consensus") continues to be applied in all its elements. Under this arrangement Japan's exports of cars and light commercial vehicles to the Union and to the five formerly restricted markets[38] are monitored on an annual basis until end 1999. The arrangement has functioned satisfactorily so far and has contributed in an important way to creating conditions favourable to facilitating the industry's restructuring process. In 1995, Japanese exports are estimated to have attained the level of less than 800,000 units, some 250,000 vehicles below the agreed monitoring level. Weak markets in Europe, the rise of the Yen and the improved competitiveness of European industry collectively explain this situation. At the same time as mentioned earlier transplant production is increasing, in line with forecasts, and is to some extent replacing Japanese exports. There has been no market disruption in the European market on account of Japanese sales.

Externally, the Commission's policy is to promote equality of market access opportunities in the context of bilateral and multilateral trade negotiations and to encourage deregulation in order to lessen the regulatory burden on manufacturers. In 1995 particular emphasis was placed on Japan and Korea.

With respect to improving market access to the Japanese market the Commission has concentrated its efforts in the field of deregulation, the area identified by the European industry as having the greatest impact on its business. In June 1995, an agreement was reached with Japan on a series of measures in the regulatory sphere under which Japan on the one hand accepted that most tests necessary to meet Japanese automobile requirements could be undertaken in Europe and on the other hand agreed to eliminate, simplify and/or rationalise a number of specific Japanese requirements which add unnecessary costs to vehicles. In addition Japan agreed to adhere to the UN-ECE 1958 Agreement on the Mutual Recognition of Approvals in the field of motor vehicle equipment and parts. This is an extremely important commitment by Japan which will reinforce the international harmonisation process carried out

[37]Reference O.J.L 145/1995

[38]France, Italy, Portugal, Spain, UK

through the UN-ECE 1958 Agreement. The Commission will ensure that the undertakings given by Japan in the context of the June 1995 agreement are fully respected. We will continue to pursue outstanding deregulation requests and will continue to pursue unresolved issues when they arise.

The Commission is also devoting considerable resources to monitor the application of the US-Japan Agreement on Automobiles of July 1995 to ensure that its provisions are applied on an "most favoured nation" basis and that European car and car parts manufacturers are not discriminated against in this important market. Further to the requests of the Commission the United States and Japan have finally proposed to include the EU in the monitoring system of their agreement. The Commission has therefore been invited to participate at the annual meeting where all aspects of the agreement will be discussed. To this end the Commission is in the process of establishing a data base of core information as well as setting up its own channels of information to monitor all aspects of the Agreement. The active co-operation of all companies, national and European trade associations and the European Business Community in Japan is essential to ensure that this monitoring process is carried out successfully. This is another example of the need for close co-operation between government and industry in order to ensure results.

With respect to Korea the Union has been concerned for a long time about the very small number of foreign vehicles sold on this market. Korea took steps to open its market in 1994 by reducing tariffs as well as the acquisition tax on luxury cars. The Commission reached agreement with Korea in the same year on a series of arrangements in the area of motor vehicle regulations, which provided for the recognition by Korea of a number of EU standards. In 1995 Korea took further steps to open its market and concluded an arrangement with the US on automobile trade. Negotiations with the Commission have led to additional clarifications and flexibilities in application of Korean automotive regulations. The Korean market for cars and LCVs is very slowly opening up to foreign trade. While imports accounted for a mere 0.05% of the market in 1993, this figure rose to about 0.3% in 1994 and 0.5% in 1995, of which the European share was 0.3%. Having been to all intents and purposes closed for a number of years it must be recognised that it will take time for manufacturers to undertake the necessary investments to penetrate the market. At the same time it is essential that Korea pursues actively its policy of deregulation and market opening measures in order to encourage imports and to ensure that market access opportunities in Korea are comparable to those offered to foreign producers by the Union. Korea remains a priority market for the Union and its evolution will be kept under close surveillance.

With regard to the countries of Central and Eastern Europe, the Commission policy aims at facilitating the restructuring and modernisation process of the associated countries' industry in order to promote their integration into the overall European economy. A major element of the pre-accession strategy for these countries is the alignment of their legislation with the requirements of the Internal Market. In the automotive sector, this requires not only the transposition of technical prescriptions for European vehicle type-approval, but also the establishment of adequate structures for implementation and enforcement, as laid down in the White Paper on the "Preparation of the Associated Countries of Central and Eastern Europe for Integration into the Internal Market of the European Union" (COM (95) 163 final).

In pursuit of the Council's request to draw up a list of market access barriers in third countries[39], the Commission studied in 1995 market access conditions in some 15 countries. The results of this initial study showed that the levels of government intervention and trade protection prevailing in the industry were significantly higher than those affecting other industrial sectors. The report has now been enlarged to a total of 23 countries. This work has supported a bilateral dialogue on market access issues with a number of countries, including Japan, Korea, China, Brazil, Taiwan, India and the members of ASEAN.

---

[39]See para. II.7 of Council Resolution of 16 May 1994 on the Automobile Industry (OJ C149/94)

Foreign trade in automobiles can be facilitated if vehicles and components are produced according to internationally recognised product regulations. The Union and its Member States have always been at the forefront of this effort through their active support for the work undertaken at Working Party 29 of the UN-ECE, the body responsible for the implementation of the 1958 Agreement on mutual recognition. Two major initiatives are underway to reinforce this effort. On the one hand the Community must become a Member of the revised Agreement thereby solidifying the close link that already exists between EU Directives and UN-ECE Regulations in the motor vehicle area. To this end the Commission adopted a proposal to the Council in January 1996, which must also be given approval by the Parliament, authorising the Community's adherence to the Agreement. It is essential that this process be accomplished as quickly as possible, the more so as the European type approval system is now mandatory for new vehicle types and that certifications to UN-ECE Regulations are an alternative means to meeting the prescriptions of Community directives. The Commission considers that full safeguards are contained in the proposals for the Community's accession to UN-ECE agreement to ensure that the respective competences of the Commission, the Council and the European Parliament are fully safeguarded.

At the same time it has to be recognised that this recently revised Agreement must be further developed in order to encourage the participation of more countries, notably the US, Korea, China, India and other new automobile producing states. Contacts are therefore taking place with a view to identifying additional changes that may be necessary. Industry led pressure for the international harmonisation of automobile regulations and certification procedures is growing, forcing regulators to accelerate work in this area. This is reflected in the conference on international regulatory harmonisation within the framework of the Trans Atlantic Business Dialogue organised in April 1996 in Washington, at which US and European industries drew up joint proposals on how to achieve harmonisation of emission, safety and certification procedures for consideration by governments and other interested parties. A detailed comparison of the differences between EU and US regulations is now being undertaken by the EU and US automobile industries. On the basis of this work the EU and the US will have to decide which path is the appropriate one to achieve the global convergence of regulations and progress towards international harmonisation.

3.3 Developing industrial co-operation

Within the EU, the Commission has encouraged the automotive components sector in particular to seek transnational collaboration with the vehicle manufacturers and with each other, mainly with a view to promoting their increased participation in R&D and training programmes. In November 1994, VETIS, the first European buyers exhibition for the automotive sector, was held in Turin in order to promote transnational co-operation. At this event, 530 suppliers had more than 7000 business meetings with purchasing teams from over 50 vehicle manufacturers and system suppliers. A second VETIS will be held in November 1996.

On the **external side**, the Commission has sought to reinforce the presence of the European automotive industry on promising and emerging markets. Priorities for co-operation in the coming years will be Japan, Korea, China, India, Eastern Europe and Turkey. Between the EU on the one side and Korea, China and India on the other side Automotive Business Fora have already taken place with the support of the Commission. In February 1996 a European automotive supplier mission to Detroit, aimed at stimulating co-operation between EU and US suppliers, was supported by the Commission.

With a view to **European-Japanese co-operation**, the Commission will continue to support JAMA-CLEPA "Design-in" business conferences to promote business relations between Japanese vehicle manufacturers and European automotive component suppliers. The first one in Paris was held on 6/7 March 1995 and brought together 11 manufactures from Japan and 80 component makers from 9 EU member states. There were 240 face-to-face meetings between

European suppliers and Japanese purchasing teams at this event. A second event modelled on the same lines took place in Berlin in May 1996, and a third meeting is already scheduled in the UK for 1997.

In order to promote co-operation in the field of standards and technical regulations, the Commission, in co-operation with the European automotive industry, established a dialogue on regulatory issues with China and India. This was continued during a Standards Seminar which took place on the occasion of the 3rd EU-China Automotive Business Forum in Beijing in June 1996 and involved representatives of the Commission, the European automobile industry and Chinese governmental authorities responsible for the development and implementation of safety and emission standards. As a follow-up to a Standards Seminar held in New Delhi in February 1996 at the EU-India Automotive Business Forum, the Commission will continue discussions with a joint Government/industry delegation from India who will come to Europe in late 1996.

3.4 Modernising the role of public authorities and creating a stable and beneficial business environment

3.4.1 Ongoing initiatives to complete the Internal Market

Type-Approval

The EC Whole Vehicle Type-Approval system has been built up over a period of 25 years. In 1996 an important benchmark was reached with the implementation on a mandatory basis of European whole vehicle type approval for new types of cars[40]. With effect from this date national approvals are no longer permitted for new types. Prior to 1996 the system had been extensively deployed by manufacturers on an optional basis (up to September 1995, for example, 213 Whole Vehicle Type Approvals and extension of such approvals had been reported to the Commission).

The type approval system will become mandatory for all new cars in 1998. With respect to other vehicles - goods vehicles, buses and coaches - two pieces of legislation are missing, thereby preventing the implementation of a whole vehicle type approval system for these vehicles. The draft directive on masses and dimensions is still under discussion in the Council whilst on buses and coaches a directive on the specific safety prescriptions of such vehicles will be adopted by the Commission shortly.

At the same time, serious reflection needs to be given to ways in which the adaptation of motor vehicles to technical progress could be better accomplished. There is currently an enormous backlog of requests by Member States and interested parties for technical adaptations that are quite beyond the resources of the Commission services to satisfy. Strict and limited priorities need to be drawn up which reflect consensus on the most pressing needs in the safety and environmental fields. For 1996 these include inter alia the need for a directive introducing UN-ECE Regulation 44 on child seats.

New efforts need to be made also to harmonise car registration procedures which continue to act as an obstacle to the smooth functioning of the type approval system.

Car price differentials

Price levels for automobiles have long been the subject of detailed attention - it being assumed that discrepancies in prices should trigger cross-border shopping as individuals or intermediaries attempt to take advantage of large potential savings. The persistence of price dispersion is often quoted as circumstantial evidence that the Internal Market is not working as well as it should, and that there are obstacles to consumer arbitrage in this market. Detailed analysis of price dispersion for similar car models across Member States has highlighted a number of factors which drive wedges between prices quoted in different Member States. The setting of different

[40] Applies to M1 type vehicles

prices in different Member States can be considered as a rational response of a producer when faced with the existence of national producers who, for historical reasons, act as price leader and price to their local market, or consumer differences - particularly, a preference for national marks which acts as a constraint on the pricing strategy of rival companies.
However, there are policy distortions which do undermine the smooth functioning of the Internal Market in this sector.

- exchange rate volatility: In 1993, for 64% of models, net price differences (excl. taxes) were more than 20% between cheapest and most expensive country. By 1995, this figure had reached 93%. The countries which had depreciated most over the intervening period, were systematically those where prices were lowest in 1995. Further evidence on the impact of exchange rate instability can be obtained by comparing price differentials between countries whose currencies remained stable and those where they depreciated. Differentials between car prices in the former group are low and continue to decline. Much of the dispersion (and volatility of dispersion) is accounted for by countries whose currencies have been depreciating.

- substantial differences in vehicle taxes in force in different Member States: High levels of taxation require producers/retailers to lower their pre-tax prices in these markets in order to maintain sales. Purchasers in partner countries, who are entitled to purchase vehicles free of taxes (taxes have to be paid in the country of registration) might be attracted by these lower pre-tax prices. Analysis carried out in the context of the assessment of the impact and effectiveness of the Internal Market programme suggests that dealers in frontier regions bordering countries with low pre-tax prices are forced to lower prices in order to maintain turnover. This suggests both that cross-border shopping does constrain pricing, but more importantly that disparities in sales/purchase taxes distort prices in a manner which is injurious to dealers and producers.

The Commission is attentive to complaints concerning difficulties experienced by consumers who have purchased cars in another Member State in respect of registration of their vehicle. To this end, an interpretative document on administrative treatment of cross-border purchases has been published (OJ 96/C 143/04).

Taxation differences

In its last report on the situation of the automobile industry the European Parliament has noted that taxation levels for the purchase an average 2000 cc car vary at the moment between 15% in Germany and over 200% in Denmark.[41] Since large tax differentials across the Union can distort competition and notably endanger the existence of car dealers in border regions, the Parliament has called on the Commission to complete the single market by putting forward proposals to harmonise taxes related to the purchase, registration and use of the car. The Commission has already taken action towards tax harmonisation: the introduction of minimum VAT levels in 1993 was also linked to the abolition of excessively high VAT rates for car purchases in some member states. In addition, the Commission has commenced a comprehensive review of the different types of taxation applied to vehicles in different Member States to examine whether there is need for further approximation of such taxes for internal market reasons. The review will also assess what other Community policies could be advanced by initiatives in this area.

Safety issues

Important initiatives, leading to enhanced safety of vehicle occupants, are underway in the following areas:

Protection of passengers against frontal impacts

A new Council and Parliament directive is currently under discussion and is expected to be adopted later this year. Applicable to passenger cars, it sets out an up-to-date frontal impact test procedure which is representative of real accidents. The Directive will be mandatory for the approval of new designs after 1 October 1998.

---

[41] PE 211.149/fin.

Protection of passengers against side impacts

A new Council and Parliament directive has been adopted and will enter into force later this year. Applicable to passenger cars and car-derived vans, it introduces requirements for side impact protection for the first time. It will be mandatory for new vehicle designs after 1 October 1998.

Bus and coach seat belts

The Commission **has** adopted amendments to three directives which will introduce requirements for 3-point belts in all minibus seats and 2-point belts, together with energy-absorbing seats, for coaches. The adoption of these measures became possible following the positive opinion given by the Regulatory Committee of Member States in April 1996 and ensures that the first phase of the "integrated approach" to improving bus and coach safety announced by Commissioner Bangemann in March 1994 has been completed.

Bus and coach construction directive

A proposal for a new Council and Parliament directive (the second phase of the "integrated" approach) is expected to be published shortly. It will set out technical requirements for roll-over protection, stability and other safety features such as number of exits. Once adopted, this directive will allow complete vehicles to obtain EU type-approval for the first time, to the benefit of the internal market.

Other measures to enhance road safety

In order to improve safety on European roads and especially for pedestrians, it is also important that complementary national and local measures like improvements of the infrastructure, traffic management and better driver education are pursued actively.

Environmental issues

The production, use and scrappage of automobiles remain subjects of considerable environmental concern. The Commission is undertaking a series of initiatives in all these areas. The need to control noxious pollutant emissions is long-standing and work is advanced in the Commission on proposals to reduce vehicle emissions further from the year 2000. New proposals for car emission reductions have been adopted by the Commission on 18 June 1996. They will be followed shortly thereafter by proposals on light commercial vehicles and diesel engines of heavy goods vehicles. These measures, as well as measures to improve fuel quality, will be based on the results of the Auto-Oil programme, a unique collaboration between the Commission and the automobile and petroleum industries aimed at providing a sound data base for future measures. In accordance with the principles laid down in Article 4 of Directive 94/12, the last car emissions directive, the objective is to determine the most cost-effective combination of measures - technical and non-technical - susceptible to reduce emissions in accordance with air quality objectives. Technical measures include improved vehicle technologies and reformulated fuels, and better in use inspection and maintenance. Non-technical measures include such measures as the support to public transport, scrappage schemes and road pricing. Analysis is also taking place examining the extent to which technical standards could be complemented by economic instruments and fiscal incentives without damaging the internal market.

In addition, the proposal sets out indicative limit values to be applied during a second stage, to reduce vehicle emissions in the year 2005. The purpose of introducing a second stage is twofold:

- it provides uniform targets to those Member States who would like to stimulate the improvement of environmental technologies by granting fiscal incentives

- it gives advance notice to the automobile industry of the measures likely to be applied from that date. In the meantime, taking into account that the limit values correspond to technologies that are currently being developed, such as the NOx catalytic converter, it has been decided that the indicative limit values proposed will be subject to confirmation by no later than 31

December 1998 on the basis of the Auto-Oil II programme. The Commission expects that the oil and automobile industries will continue to co-operate constructively with a view to identifying the most cost-effective measures in order to reduce environmental pollution.

In December 1996 the Commission adopted a strategy paper setting out how to reduce CO2 emissions from automobiles which are a major contributor to anthropogenic emissions of CO2 and which contribute to global warming. At the Environment Council of June 1996, the Commission's approach was broadly endorsed. The centre-piece of this strategy consists of a voluntary monitored agreement to be negotiated with industry (European and importers) aimed at reducing the average fuel consumption of new cars to a level equivalent to 5 l/100 km for petrol cars and 4.5l/100km for diesel cars by 2005 (if possible) or 2010 at the latest. Negotiations with industry will begin shortly. The Council will be informed of progress achieved by December 1996.

Work is also advanced on a Commission proposal on the treatment of end-of-life vehicles, an environmental problem of growing concern. While manufacturers are paying particular attention today to design cars which can be more easily dismantled and recycled, there are still concerns that the amount of recyclable material is not high enough nor is the overall recovery rate satisfactory. It remains to be seen if these issues should be dealt with through legislation (for example by setting mandatory quotas of recyclable material) or whether a voluntary approach, building on industry experience so far should be followed instead.[42] Whichever solution is finally adopted, it is essential that all actors - manufacturers, suppliers, dismantlers, treatment plants play their role and that the burden is not unreasonably placed on one segment of the industry.

Finally, in the environmental area, the Commission's White Paper on Energy Policy[43] indicated the need to take account of possible developments in biofuels and to support their introduction.

Transport policy

The proliferation of the motor vehicle in Europe has brought many advantages, notably increased economic growth and personal mobility. While acknowledging this, the Commission has also taken note of the fact that the development of the vehicle fleet has resulted in congestion, pollution and accidents, all of which affect both car users and those without access to cars. As part of a strategy to tackle these problems and to promote the most efficient modal split, the Commission has recently produced a Green Paper on the creation of a "Citizens' Network" in order to promote public transport and another one on "Fair and Efficient Pricing in Transport".

The Green Paper on the "Citizens' Network" aims at promoting high quality public transport systems and encouraging networks that fit together so that passengers can easily change from one transport mode to another. It is deemed essential that individual modes and public transport operations are integrated more effectively. The Green Paper on "Fair and Efficient Pricing in Transport" aims at making transport pricing systems fairer and more efficient in order to influence transport users to minimise the overall costs and negative external effects of transport.

Furthermore, the European Council has endorsed the Commission proposal to create a TransEuropean transport network in December 1993. The huge potential for competitiveness, for generating jobs, for improving links across the Union and for the efficient functioning of the Single Market has been recognised by the Member State governments. Despite the agreement on the positive effect of creating these networks, projects still lack financial support by the Member States. For car users, the creation of a truly trans-European road network would have considerable advantages. The road network cannot be extended indefinitely due to the lack of space, notably in densely populated areas. But roads and cars can become more intelligent, making use of the range of technologies that are being developed in the framework of the

---

[42] A number of voluntary agreements have already been signed in the member states between governments and the automobile industry

[43] COM (95)682

creation of the information society. It has been estimated that the use of transport telematics alone, as has been suggested as part of the TransEuropean Networks project, can increase the capacity of the existing infrastructure by up to 20%. Improved interoperatability between different transport modes would also greatly benefit motor vehicle users. Furthermore, the building of new roads in peripheral regions and in areas bordering the Central and Eastern European economies would notably benefit the integration of these regions into the Single Market economy.

3.4.2 Orientations for the future

Improved co-ordination of regulatory policies

Regulatory policy is based above all on the need to harmonise divergent national regulations and ensure high levels of safety, environmental and consumer protection in accordance with Article 100A of the Treaty. Much of the regulatory activity in this area is linked to the putting in place of the European type-approval system for motor vehicles. Hitherto it could be said that policy was governed above all by the twin objectives of the need to ensure that the highest safety standards prevail on the European market and that pollutant emissions are minimised in consistency with the availability of technologies.

More recently it has become clear that regulatory pressure on the industry has become more intense as public authorities have been obliged to react to public pressure demanding the further regulation and control of the industry. Currently issues directly concerning the automobile industry are subject to the following major policy initiatives :-

- Preparation of new emission standards for "stage 2000" for cars, light duty vehicles and heavy duty diesel engines in accordance with the results of the "Auto-Oil" programme; completion of the current co-decision procedure on light commercial vehicles.
- Completion of the co-decision procedure regarding the introduction by 1998 of new crashworthiness standards to protect car occupants against front and side impact crashes;
- Preparation of a draft directive on the treatment of "End of Life" vehicles which will have important consequences for the automobile industry;
- Preparation of a new directive on "pedestrian friendly car fronts" designed to reduce the dangers of car fronts for pedestrians;
- Commission Communication on options to reduce CO_2 emissions from cars.
- Commission Green Paper on the internalisation of external costs from transport.
- The co-decision procedure currently underway on the directive on "design protection" and the specific provisions for crash repair parts which are design protectable.

Each of these initiatives responds to a particular political, economic, social or environmental need and in themselves are perfectly justifiable. Collectively, however, they amount to a quite formidable system of regulation or potential regulation on the industry which, taken as a whole, profoundly affects the business environment in which the automobile industry functions in Europe and, indirectly, in third markets. Given that the strengthening of industrial competitiveness, high value added employment and investment in Europe remain goals of industrial policy, much more attention must be given to the overall interaction of different policy initiatives and their impact on the sector as a whole. To take a simple example, additional safety requirements on the one hand, and high recyclability requirements on the other, would lead to the addition of weight to a vehicle which, ceteris paribus, will increase fuel consumption. This emphasises the need to give greater prominence to the impact on competitiveness of different regulatory and other actions affecting industry as a whole, a matter which should be reviewed in the Intergovernmental Conference renewing the Maastricht Treaty. In order to encourage further discussion about how better co-ordination of policies can be achieved, the Commission has drawn up an inventory of future regulatory measures, that will be updated on a regular basis.

The high level advisory group

The idea to create a high-level group advising the Commission on questions concerning the automotive sector and the use of motor vehicles as a means of transport was first advocated by the Economic and Social Committee and taken up by the European Parliament, which, in its Resolution of 21 September 1995[44], asked the Commission to create "a high level panel made up of industry, social partners, motoring organisations/user groups, the Parliament and the Commission to meet three times a year to review the impact of the range of EU policies as they effect the automobile industry..." The Commission in principle accepts this suggestion and is now consulting ACEA (car manufacturers), CLEPA (component makers), the social partners and user groups to obtain their endorsement, which is essential for the project to succeed. The panel will comprise a core group of some CEOs from the major car companies, and will be modelled after the one already existing in the maritime industry.

It is also foreseen to establish another high level panel soon. This group, comprising senior representatives from the Commission, the automobile and component industries, but also power generating utilities and public authorities, will have the mandate to advise the Commission on research priorities and strategies. There are strong practical arguments for merging the two suggested high level groups into one organisational structure, comprising a **top level** panel to discuss political questions with Commissioners and MEPs, and a sub-panel on research which would bring together the company board members responsible for R&D.

The issue of regulatory coherence in the automobile industry that was discussed above is particularly relevant in the environmental sphere and should be a key matter to be taken up by a high level advisory group.

[44]PE 193/733

4. Summary

In its resolution on the automobile industry, the European Council *"recognises that the Union has an important role to play in creating a favourable business environment for the automobile industry which sets an appropriate framework for a future-oriented and coherent approach to the development, production, distribution and use of the automobile and its impact on the environment and on society as a whole"*.

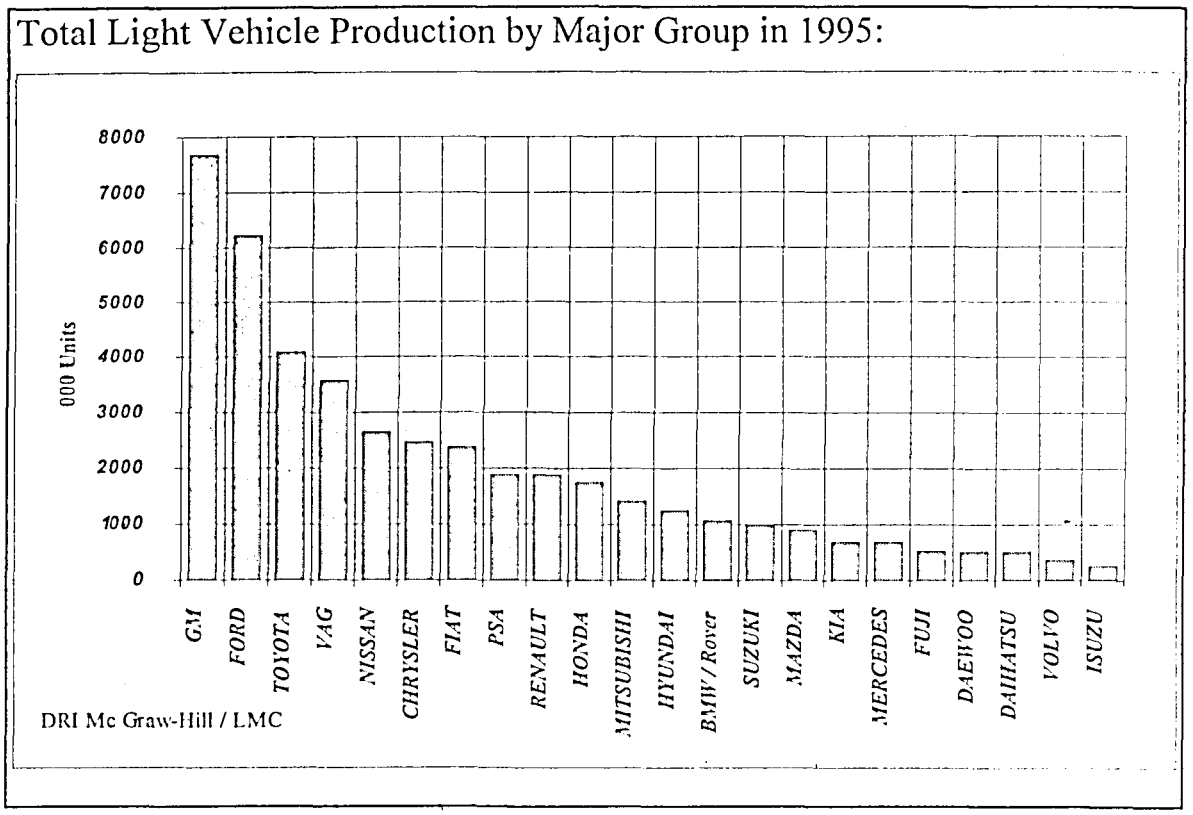
Since this resolution was passed, important achievements have been made:

- The Task Force "Car of tomorrow" has started to operate
- The Block Exemption Regulation for the distribution of motor vehicles has been renewed
- Industrial co-operation has been established with China / India
- The Korean and Japanese markets have been opened further to European imports
- Contacts between European suppliers and Japanese manufacturers have been enhanced at the JAMA-CLEPA business conference with the support of the European Commission
- The necessary regulatory work for the EC Type-Approval, becoming mandatory for new types of passenger cars in 1996, has been completed
- The results of the Auto-Oil programme, which is based on air quality targets for major European cities and a detailed cost-benefit assessment, have been released and have been used as the basis for new Commission proposals to reduce passenger car emissions
- New safety and environmental initiatives have been taken (front and side impact crash protection, safety belts in buses and coaches) and more are underway
- A training network has been initiated with funding from the FORCE programme, resulting in 53 concrete, innovative training project proposals. The continuation of networking under the LEONARDO programme has been confirmed

However, as explained in this Communication, further joint industry - governmental efforts need to be undertaken to facilitate a further improvement in the industry's competitiveness. The Commission will continue to work in order to improve the framework conditions for the European automotive industry, utilising cost-benefit assessment techniques to take environmental and social constraints into account in new regulatory policy. Europe's automobile industry is one of the bedrocks on which the European economy is built. It is an asset to be carefully developed. Both, public authorities on the one hand, and employers and workers on the other, have key roles to play to ensure that this can be achieved.

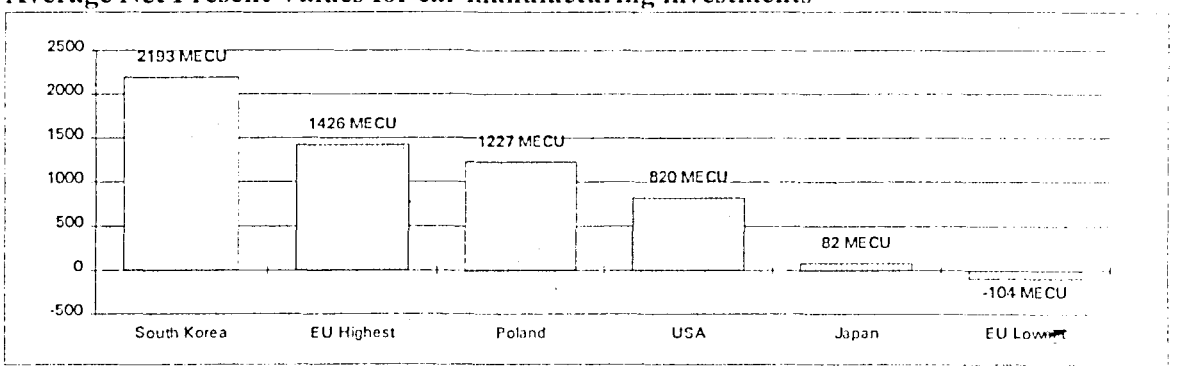
Graphs and Tables

Graph 1:



Graph 2:

Average Net Present Values for car manufacturing investments



Market shares :

New car & LCV registrations in the EU, USA, Japan and South Korea.

	REGISTR. 1993	REGISTR. 1994	REGISTR. 1995	CHANGE 94/93 (*)	CHANGE 95/94 (*)	MARKET SHARE 1993	MARKET SHARE 1994	MARKET SHARE 1995
EU 15								
VW GROUP (**)	1793.9	1845.3	1977.5	2.9%	7.2%	14.9%	14.4%	15.4%
GME (**)	1453.0	1535.7	1544.8	5.7%	0.6%	12.1%	12.0%	12.0%
PSA (**)	1466.8	1600.9	1509.7	9.1%	-5.7%	12.2%	12.5%	11.7%
FIAT (**)	1226.8	1349.1	1394.8	10.0%	3.4%	10.2%	10.6%	10.8%
FORD EUROPE (**)	1406.3	1513.5	1535.3	7.6%	1.4%	11.7%	11.8%	11.9%
RENAULT (**)	1312.8	1442.5	1358.7	9.9%	-5.8%	10.9%	11.3%	10.6%
BMW + Rover (**)	744.6	793.1	773.3	6.5%	-2.5%	6.2%	6.2%	6.0%
MERCEDES (**)	488.6	560.5	547.7	14.7%	-2.3%	4.1%	4.4%	4.3%
VOLVO (**)	180.3	214.4	228.3	18.9%	6.5%	1.5%	1.7%	1.8%
TOT. EU (Prod. in EU 15)	10073.2	10855.1	10870.2	7.8%	0.1%	83.6%	84.9%	84.6%
JAPANESE	1510.8	1430.1	1400.0	-5.3%	-2.1%	12.5%	11.2%	10.9%
IMPORTS FROM JAP.	1084.8	904.9	836.0	-16.6%	-7.6%	9.0%	7.1%	6.5%
PROD. IN EU 15	379.5	463.1	498.6	22.0%	7.7%	3.2%	3.6%	3.9%
PROD. IN US	21.7	34.6	28.9	59.6%	-16.5%	0.2%	0.3%	0.2%
PROD. IN OTHER ZONES	24.8	27.5	36.6	11.0%	33.0%	0.2%	0.2%	0.3%
US	58.2	61.9	66.6	6.4%	7.5%	0.5%	0.5%	0.5%
KOREAN	92.3	114.9	182.8	24.4%	59.1%	0.8%	0.9%	1.4%
OTHERS	308.4	318.8	336.7	3.4%	5.6%	2.6%	2.5%	2.6%
TOTAL	12042.8	12780.8	12856.3	6.1%	0.6%	100.0%	100.0%	100.0%
USA								
GM	3562.4	5015.9	4841.6	40.8%	-3.5%	25.6%	33.2%	32.8%
FORD	4667.0	3818.1	3801.0	-18.2%	-0.4%	33.5%	25.3%	25.7%
CHRYSLER	2047.8	2204.0	2164.3	7.6%	-1.8%	14.7%	14.6%	14.7%
BIG3	10277.2	11038.0	10806.9	7.4%	-2.1%	73.8%	73.2%	73.2%
JAPANESE	3213.0	3508.0	3364.5	9.2%	-4.1%	23.1%	23.2%	22.8%
TOTAL EU 15 (***)	318.0	405.1	462.8	27.4%	14.2%	2.3%	2.7%	3.1%
KOREAN	109.5	138.3	132.1	26.3%	-4.4%	0.8%	0.9%	0.9%
TOTAL	13917.2	15089.4	14766.3	8.4%	-2.1%	100.0%	100.0%	100.0%
JAPAN								
TOYOTA	2058.0	2031.0	2029.0	-1.3%	-0.1%	31.8%	31.1%	29.6%
NISSAN	1098.0	1046.0	1131.6	-4.7%	8.2%	17.0%	16.0%	16.5%
MITSUBISHI	717.7	755.2	820.0	5.2%	8.6%	11.1%	11.6%	11.9%
HONDA	405.1	501.3	567.0	23.7%	13.1%	6.3%	7.7%	8.3%
OTHER JAPANESE	1987.2	1891.8	1929.3	-4.8%	2.0%	30.7%	29.0%	28.1%
TOTAL JAPAN	6266.0	6225.3	6476.9	-0.6%	4.0%	96.9%	95.4%	94.3%
US (Incl. Jap. trans.)	54.5	102.5	143.2	88.2%	39.7%	0.8%	1.6%	2.1%
US-BIG 3	19.3	36.7	40.6	90.2%	10.7%	0.3%	0.6%	0.6%
TOT. EU15 (Incl. Jap. trans.)	145.0	173.1	223.3	19.4%	29.0%	2.2%	2.7%	3.3%
EU MAKES (***)	144.0	171.1	221.7	18.8%	29.6%	2.2%	2.6%	3.2%
OTHERS	1.8	25.7	21.6	1333.3%	-16.0%	0.0%	0.4%	0.3%
TOTAL	6467.3	6526.7	6865.0	0.9%	5.2%	100.0%	100.0%	100.0%
SOUTH KOREA								
HYUNDAI	689.3	722.9	746.1	4.9%	3.2%	45.8%	46.3%	47.7%
KIA	495.1	412.3	441.5	-16.7%	7.1%	32.9%	26.4%	28.2%
DAEWOO	277.7	249.6	198.9	-10.1%	-20.3%	18.4%	16.0%	12.7%
OTHER KOREAN	41.6	171.5	169.8	312.6%	-1.0%	2.8%	11.0%	10.9%
TOTAL KOREAN	1503.7	1556.3	1556.3	3.5%	0.0%	99.9%	99.8%	99.6%
US	1.4	1.8	2.6	27.6%	39.8%	0.1%	0.1%	0.2%
TOTAL EU 15	0.5	2.0	4.3	292.4%	121.4%	0.0%	0.1%	0.3%
JAPAN	0.0	0.0	0.0			0.0%	0.0%	0.0%
TOTAL	1505.7	1560.1	1563.3	3.6%	0.2%	100.0%	100.0%	100.0%

Source : DRI Mc Graw Hill / LMC & Polk / AAA / Automotive News / JAMA / JAIA / KAMA

(*) Percentage change calculated on exact registrations figures

(**) EU manufacturers' figures (registrations, % change and market share) for cars & LCVs produced and registered in the EU 15 market only are estimates.

(***) Market shares are greater for the the new passenger car market only (i.e. excluding LCVs)

Table 2

WORLD CAR AND LCV PRODUCTION

TOP TEN CAR & LCV PRODUCING COUNTRIES IN 1995.

(in 1,000) *EXCLUDING DOUBLE COUNTING*

	PASSENGER CARS	LCV	LIGHT VEHICLES
USA	6338	5301	**11639**
JAPAN	7611	2234	**9845**
GERMANY	4360	171	**4531**
FRANCE	2365	270	**2635**
SOUTH KOREA	2031	535	**2566**
CANADA	1327	1041	**2368**
SPAIN	1959	350	**2309**
UK	1532	205	**1737**
ITALY	1422	213	**1635**
BRAZIL	1216	246	**1462**

WORLD SUMMARY - PRODUCTION OF CARS & LCV IN 1995.

(in 1,000) *EXCLUDING DOUBLE COUNTING*

	PASSENGER CARS	LCV	LIGHT VEHICLES
EU15	12617	1293	**13910**
EASTERN EUROPE	2025	212	**2237**
USA	6338	5301	**11639**
OTHER NAFTA	2025	1254	**3279**
NAFTA - SUB TOTAL	*8363*	*6555*	**14918**
JAPAN	7611	2234	**9845**
SOUTH KOREA	2031	535	**2566**
OTHER ASIA	902	917	**1819**
ASIA - SUB TOTAL	*10544*	*3686*	**14230**
LATIN AMERICA	1449	291	**1740**
OTHER	561	115	**676**
TOTAL	35559	12152	**47711**

Source : DRI Mc Graw Hill / Marketing Systems

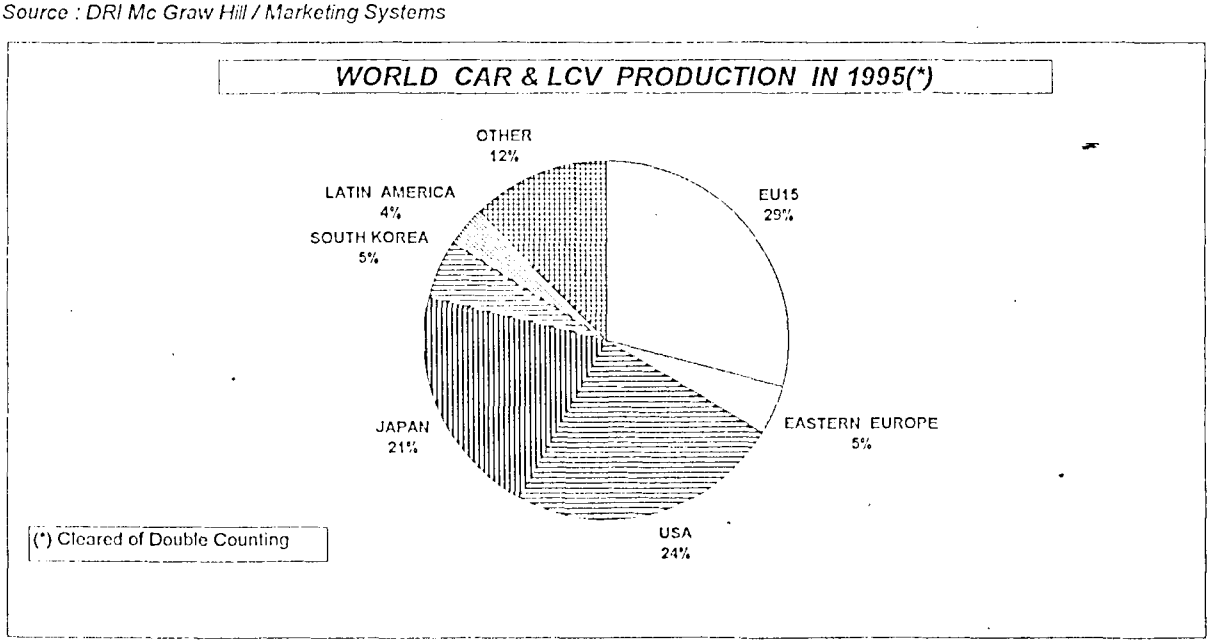


Table 3

EU 12 TRADE WITH EXTRA-EU (*)

NEW PASSENGER CARS & LCVSs

UNITS	EXPORTS TO EXTRA-EU	IMPORTS FROM EXTRA-EU	NET TRADE
1990	1,816,049	1,747,389	68,660
1991	1,555,041	1,944,494	-389,453
1992	1,575,737	1,903,710	-327,973
1993	1,760,635	1,629,765	130,870
1994	2,218,438	1,420,765	797,673

Source : Eurostat / Comext

NEW PASSENGER CARS & LCVSs

000 ECU	EXPORTS TO EXTRA-EU	IMPORTS FROM EXTRA-EU	NET TRADE
1990	22,069,335	11,314,221	10,755,114
1991	18,953,146	13,731,383	5,221,763
1992	19,379,697	14,651,404	4,728,293
1993	23,014,965	1,239,798	21,775,167
1994	29,656,735	12,377,942	17,278,793

Source : Eurostat / Comext

PARTS & ACCESSORIES FOR MOTOR VEHICLES (**)

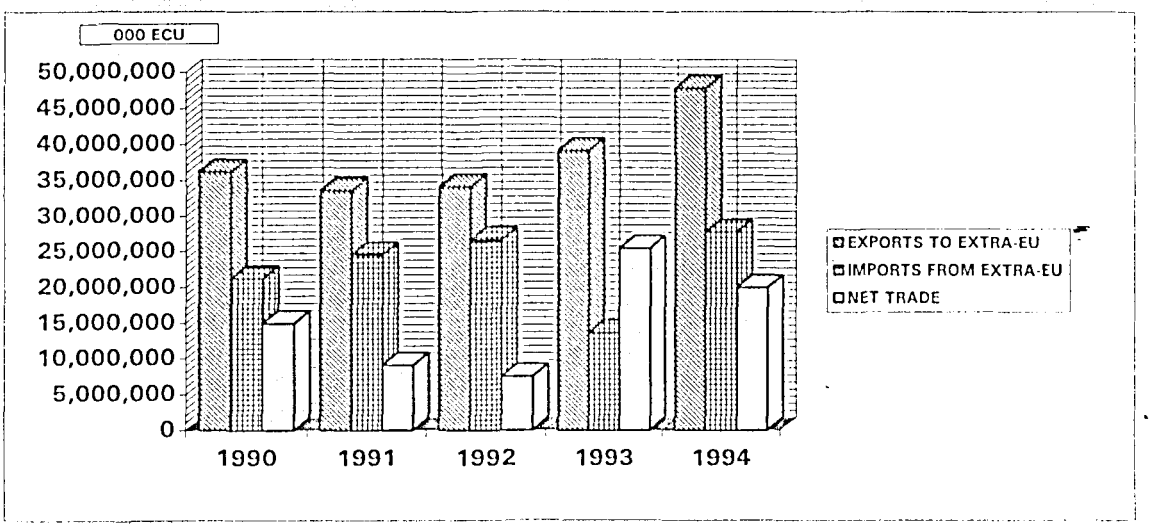
000 ECU	EXPORTS TO EXTRA-EU	IMPORTS FROM EXTRA-EU	NET TRADE
1990	14,164,033	9,981,038	4,182,995
1991	14,712,329	10,825,793	3,886,536
1992	14,808,697	12,004,406	2,804,291
1993	16,190,565	12,467,708	3,722,857
1994	18,173,144	15,414,109	2,759,035

Source : Eurostat / Comext

(**) Includes parts & accessories for motor vehicles (CN code 8708);
as well as other relevant parts & components for motor vehicles included in chapters 40; 68; 70; 83; 84; 85; 87; 94 of the Combined nomenclature.

NEW PASSENGER CARS & LCVSs + PARTS & ACCESSORIES FOR MOTOR VEHICLES

000 ECU	EXPORTS TO EXTRA-EU	IMPORTS FROM EXTRA-EU	NET TRADE
1990	36,233,368	21,295,259	14,938,109
1991	33,665,475	24,557,176	9,108,299
1992	34,188,394	26,655,810	7,532,584
1993	39,205,530	13,707,506	25,498,024
1994	47,829,879	27,792,051	20,037,828



Source : Eurostat / Comext

(*) Note : Austria, Sweden & Finland were not members of the EU in 1990-1994 and are therefore included as trading partners.

Table 4

Unit labour cost * in the automobile industry : An international comparison.

	1980	1993	1995 (p)
France	72%	59%	54%
Germany	77%	78%	74%
Italy	67%	69%	59%
Spain	64%	55%	46%
United Kingdom	92%	66%	59%
Belgium	74%	60%	60%
Netherlands	72%	63%	68%
Japan	44%	44%	50%
USA	63%	47%	44%

SOURCE : VDA, NACE, JAMA, MMVA, DRI, National Associations.

(p) preliminary data

** Labour cost per unit of gross value added.*

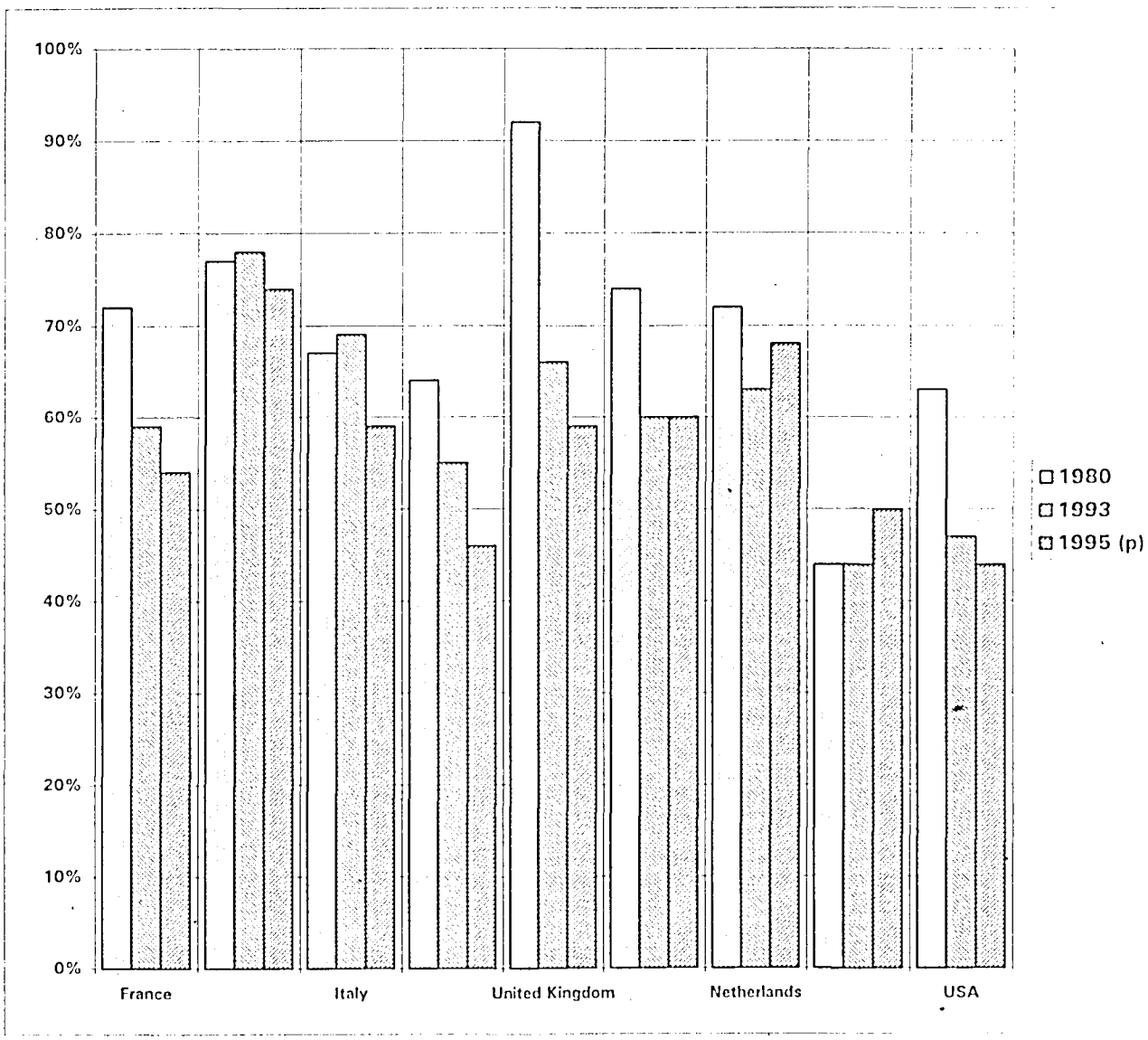
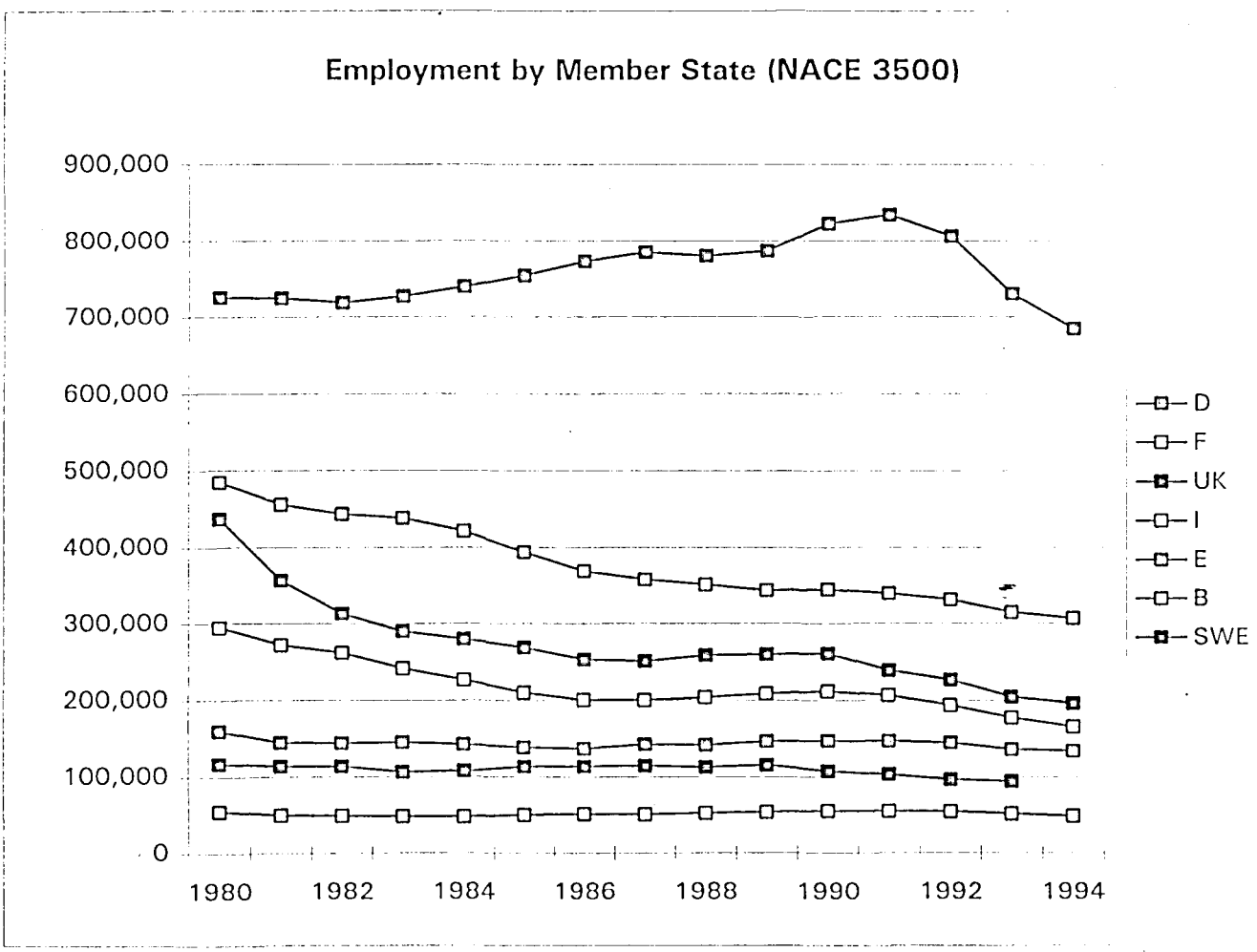


Table 5

Employment NACE 3500 (Motor Vehicles and Parts)

	Germany	France	UK	Italy	Spain	Belgium	Sweden *
1980	725,994	484,850	437,159	294,910	159,851	55,075	116,900
1981	724,966	456,214	356,989	272,055	145,057	49,959	113,800
1982	719,084	443,646	313,216	261,936	144,269	49,461	113,800
1983	727,429	438,178	290,035	241,332	145,281	48,636	106,100
1984	740,416	421,427	280,114	226,727	142,561	48,271	107,800
1985	755,007	394,021	268,808	210,244	138,520	50,359	113,500
1986	773,725	369,223	253,192	200,649	136,872	51,770	113,900
1987	785,448	358,096	250,895	200,028	142,603	51,390	114,400
1988	780,824	351,616	258,481	203,718	141,628	52,865	112,500
1989	787,426	344,085	259,770	208,359	146,670	54,283	115,300
1990	822,408	345,038	260,977	211,850	147,106	55,774	107,600
1991	834,696	339,900	239,084	206,735	146,864	55,160	102,900
1992	806,699	331,713	226,758	193,383	144,500	54,829	96,400
1993	730,787	315,014	204,450	177,232	135,722	52,292	94,204
1994	685,116	307,297	195,870	165,617	134,050	49,534	



* = Source UNIDO (Manufacture of Transport Vehicles and Parts)

Source: Eurostat

Market shares
New car & LCV registrations in the EU, USA, Japan and South Korea

	REGIST. I - III 95	REGIST. I - III 96	CHANGE % (*)	MARKET SHARE I - III 95	MARKET SHARE I - III 96	Point change
EU 15						
VW GROUP (**)	514.5	566.5	10.1%	14.6%	15.2%	0.59%
GME (**)	422.6	434.3	2.8%	12.0%	11.7%	-0.34%
PSA (**)	423.4	441.5	4.3%	12.0%	11.9%	-0.17%
FIAT (**)	412.5	459.2	11.3%	11.7%	12.3%	0.61%
FORD EUROPE (**)	427.1	449.0	5.1%	12.1%	12.1%	-0.08%
RENAULT (**)	382.5	382.6	0.0%	10.9%	10.3%	-0.60%
BMW + Rover (**)	204.8	206.5	0.8%	5.8%	5.5%	-0.28%
MERCEDES (**)	145.4	163.5	12.4%	4.1%	4.4%	0.26%
VOLVO (**)	65.9	47.8	-27.5%	1.9%	1.3%	-0.59%
TOT. EU (Prod. in EU 15)	2998.8	3150.9	5.1%	85.2%	84.6%	-0.59%
JAPANESE	379.7	397.2	4.6%	10.8%	10.7%	-0.12%
IMPORTS FROM JAP.	*235.0*	*231.7*	*-1.4%*	*6.7%*	*6.2%*	*-0.46%*
PROD. IN EU 15	*126.7*	*143.3*	*13.1%*	*3.6%*	*3.8%*	*0.25%*
PROD. IN US	*8.8*	*6.8*	*-22.8%*	*0.3%*	*0.2%*	*-0.07%*
PROD. IN OTHER ZONES	*9.2*	*15.3*	*65.8%*	*0.3%*	*0.4%*	*0.15%*
US	15.1	15.9	5.5%	0.4%	0.4%	0.00%
KOREAN	34.1	59.7	75.0%	1.0%	1.6%	0.63%
OTHERS	*91.0*	*99.4*	*9.3%*	*2.6%*	*2.7%*	*0.09%*
TOTAL	**3518.7**	**3723.1**	**5.8%**	**100.0%**	**100.0%**	
USA						
GM	1123.5	1141.8	1.6%	32.3%	31.6%	-0.76%
FORD	926.6	937.9	1.0%	26.7%	25.9%	-0.79%
CHRYSLER	524.6	591.3	12.7%	15.1%	16.3%	1.25%
BIG3	2576.7	2671.0	3.7%	74.1%	73.8%	-0.29%
JAPANESE	764.7	805.1	5.3%	22.0%	22.3%	0.26%
TOTAL EU 15	105.0	115.0	9.6%	3.0%	3.2%	0.16%
KOREAN	29.1	25.8	-11.2%	0.8%	0.7%	-0.12%
TOTAL	**3475.5**	**3617.0**	**4.1%**	**100.0%**	**100.0%**	
JAPAN						
TOYOTA	573.3	564.3	-1.6%	29.6%	28.7%	-0.92%
NISSAN	342.9	267.7	-21.9%	17.7%	13.6%	-4.10%
MITSUBISHI	238.1	227.8	-4.3%	12.3%	11.6%	-0.71%
HONDA	148.0	164.5	11.1%	7.6%	8.4%	0.72%
OTHER JAPANESE	536.4	628.6	17.2%	27.7%	32.0%	4.26%
TOTAL JAPAN	1838.7	1852.9	0.8%	95.0%	94.2%	-0.76%
US (Incl. Jap. trans.)	30.2	42.7	41.3%	1.6%	2.2%	0.61%
US-BIG 3	11.6	15.8	36.2%	0.6%	0.8%	0.20%
TOT. EU15 (Incl. Jap. trans.)	53.8	61.2	13.8%	2.8%	3.1%	0.33%
EU MAKES	47.7	56.9	19.4%	2.5%	2.9%	0.43%
OTHERS	*13.1*	*9.6*	*-26.1%*	*0.7%*	*0.5%*	*-0.18%*
TOTAL	**1935.8**	**1966.4**	**1.6%**	**100.0%**	**100.0%**	
SOUTH KOREA						
HYUNDAI	177.9	172.8	-2.9%	48.1%	44.6%	-3.55%
KIA	104.7	110.4	5.5%	28.3%	28.5%	0.17%
DAEWOO	49.6	38.4	-22.5%	13.4%	9.9%	-3.50%
OTHER KOREAN	36.2	63.9	76.7%	9.8%	16.5%	6.71%
TOTAL KOREAN	368.4	385.6	4.7%	99.6%	99.5%	-0.16%
US (****)	*0.5*	*0.7*		*0.1%*	*0.2%*	*0.05%*
TOTAL EU 15 (****)	*0.9*	*1.4*		*0.2%*	*0.4%*	*0.12%*
JAPAN (****)	*0.0*	*0.0*		*0.0%*	*0.0%*	*0.00%*
TOTAL	**369.8**	**387.7**	**4.8%**	**100.0%**	**100.0%**	

Source : DRI Mc Graw Hill / LMC & Polk / AAA / Automotive News / JAMA / JAIA / KAMA

(*) Percentage change calculated on exact sales figures

(**) EU manufacturers' figures (sales, % change, market share and point change) for cars & LCVs produced and sold in the EU 15 market only are estimates.

(***) Market shares are greater for the new passenger car market only (i.e. excluding LCV)

(****) Estimates

ISSN 0254-1475

COM(96) 327 final

DOCUMENTS

EN 10 07 15

Catalogue number : CB-CO-96-352-EN-C

ISBN 92-78-06885-3

Office for Official Publications of the European Communities

L-2985 Luxembourg