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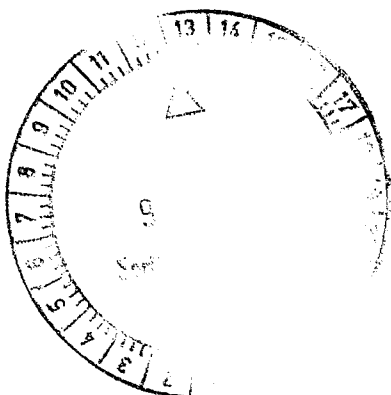
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COMMISSION ACTIVITIES AND EC RULES FOR THE AUTOMOBILE INDUSTRY 1981/1983

PROGRESS REPORT ON THE IMPLEMENTATION OF THE COMMISSION'S STATEMENT
"THE EUROPEAN AUTOMOBILE INDUSTRY" OF JUNE 1981

(Report from the Commission to the European Parliament
and to the Council)



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PREFACE

1. The present progress report intends to present a working document to the European Parliament and to the public which summarizes the specific auto-related measures and initiatives of the Commission.

It refers in principle to follow-up actions to the Statement on the European Automobile Industry of June 1981¹ ("Statement 1981"). Whereas the Statement had been a response to the Parliament's resolution of January 1981², the present report provides reactions to subsequent resolutions, in particular those adopted by the Social and Economic Committee of July 1981³ and those adopted by the Parliament in January 1983⁴.

The Commission had adopted its Statement 1981 at a point of time when the motor industry in the Community lived through an extremely difficult period. The intention was to add an element of stability to the discussion, by way of laying open what the Commission regarded as necessary to do or intended itself to undertake. The Commission's analysis of the state and the prospects for the industry gave reason to be confident about the potential for adjustment.

2. The Commission's objective in the various activities described below, is to secure a stable margin of manoeuvre for the industry, by creating favourable, coherent, and stable framework conditions within which the industries themselves would develop and apply the best possible strategies for adapting to the requirements of the future and for remaining competitive at world level.

Two years later, that confidence appears to have been justified, as the outline of industry performance in Part Two of the present document will show. The carefully optimistic assessment of the present situation needs of course to be qualified: one of the major problems persisting has been generally weak demand, both in Europe and world-wide. Moreover, some important structural problems continue to make a negative impact, the EC dimension not yet having materialized in all areas where problems go beyond what can be solved at national level. The extent to which nationally-based strategies still prevail can be demonstrated in those areas where there is a choice between national approaches and Community options. One test case is the limited recourse to harmonized technical standards (EC Directives, cf. point 3.3 below). Another

area is investment. Strenuous efforts are under way in order to maintain or restore competitiveness. As part of such efforts, however, there should be greater emphasis on the Community-wide approach called for in the Statement 1981 and which would e.g. consist in aiming at bigger economies of scale through more standardization of components.

PART ONE: COMMISSION ACTIVITIES AND EC RULES

1. The first part of this report gives an account of the Commission's activities as of early 1983 and refers to the four major aspects identified in the Statement 1981, namely:

- strengthening of the internal market;
- structural development of the industry;
- changes in employment;
- dialogue with the Community's trading partners.

2. The most important of the four aspects singled out for action in the Statement 1981 is the strengthening of the internal market. Allowing for the EC market to function as a national market is of vital importance, both for industry - because, as may be recalled, the EC owns a passenger car market comparable to the one of the US and this is therefore a major asset for the competitiveness of the EC industry - as well as for the consumers. The Commission's attention focusses on two major questions:

- the differences between car prices in certain Member States and the problems related to so-called "parallel imports" (i.e. imports outside the manufacturer's distribution system). The issue was analysed in the Commission's XIIth report on Competition Policy. Wide publicity was also given to this subject in two BEUC⁵ reports of 1981 and 1982, and other publications. The industry has given its views through the appropriate channels at European level. The differences in car price levels are not per definition a matter of concern: there are and there will always be price differences for similar or even for identical products in different regions. However, the prices sometimes differ greatly. The gap, based on the

low-price market, may reach 100% of the price, for example between the UK and Denmark. Taking Germany and the U.K. as another example, the gap is in the order of 20% of German prices.

In theory, a number of reasons could be put forward to explain these differentials, including differences in the trend of exchange rates and inflation rates, differences in purchasing power, in consumer preferences, in the extras with which models are equipped, in tax systems, in specification requirements, in governmental price control and in transport and distribution costs.

None of these variables can alone adequately explain the existing price differentials. The situation also seems to depend on whether or not there are any national manufacturers who dominate the national market, or whether keen competition among importers prevails.

The Commission services are approaching this complex of questions under three main aspects: (1) analysis of the economic reasons underlying the price differences, (2) principles of the free circulation of goods and (3) competition rules;

- the harmonization of automobile-related regulations and the coming into force of EC type-approval for automobiles. In the area of technical harmonization of car components, the creation of the internal market has advanced a good deal since 1970. Common rules have been laid down in a series of 59 directives covering all relevant automobile parts except windscreens, the weights and dimensions of certain types of vehicles and tyres.

However, the Community-wide system of type-approval has not yet come into force, because the last three proposals for directives have been kept on ice by the Council for several years.⁶ The EC-wide type approval system would automatically come into force, as stipulated under the basic Directive of 1970,⁷ once the three remaining technical directives were adopted. This is not so much a problem of agreement on technical questions. It is rather the access of vehicles from third countries to the EC type approval system which is at stake. Health and safety considerations have led to concern about

the need to rely on tests performed abroad, without adequate means of control. Discussions on this problem have gone on in the Council for three years without positive results, despite a precise mandate given to the Council by the European Council on the occasion of its meeting in Copenhagen of 3/4 December 1982. Following three meetings of the "Internal market" Council of 1 February, 1 March and 26 May 1983, it must in fact be concluded that the envisaged solution, on which the efforts of those involved had so far been concentrated, is not likely to enable the adoption of the three technical directives mentioned above; if that was the case, the EC type approval for motor cars would remain in its present stage of suspension.

Scientific work has been initiated in view of other subjects on which the Community will have to consider regulatory measures in the future. The particular subjects dealt with in expert working groups so far were noise and exhaust emissions. Reports from these groups will provide an objective basis for a "global approach" to the problems involved and for political decision-making, taking into account the repercussions, of, say, noise-related standards on energy consumption, air pollution or safety, as well as cost/benefit considerations.

In its Statement 1981, the Commission has emphasized the need for such a global approach. There are in fact two major reasons for it: the first one is that motor vehicle manufacturing requires long lead-times (3-5 years for a new model) and major investments, and it does therefore need a harmonious and stable body of legislation. Reliable, coherent rules can only be achieved, however, if the interdependency of all aspects involved is taken into account when dealing with any particular regulatory subject. Secondly, this kind of global approach is needed for setting priorities on a political level. It is indeed necessary, particularly in economically difficult circumstances, that priorities are fixed taking into account that one particular objective (e.g. environment protection) may conflict with other objectives (e.g. energy saving), and also in awareness that the innovation capacity of the motor vehicles industry may not be sufficient to cope with all desirable objectives at the same time.

Regarding the impact of the already harmonized EC Directives, the Commission services have started to make an assessment on the extent to which the Directives are actually used. These Directives are optional, in principle, and manufacturers have a choice between these and the remaining national regulations, except in cases where a national government has replaced national regulations by the harmonized rules.

3. Regarding the structural development of the industry, the Commission's activities consist of an analytical and an operational part: for a better understanding of the evolution in the industry's structure, two major studies on the automobile industries and the automotive components industries have been ordered. On the operational side, the Commission had proposed action to obtain more transparency in state aids provided for the automobile sector (retroactive monitoring). Moreover, the Commission stated its intention to give due consideration, in applying EC competition rules, to the need for cooperation both within the motor vehicle industry and the other industries, earlier or later in the production chain.

These initiatives are necessarily of a more long-term nature, and progress is not readily presentable in this area like on other points. However, some details on the state of progress are given below.

4. As regards changes in employment and working conditions in the automobile sector, the Commission has initiated a number of complementary studies in order to fill the information gaps pointed out in the Statement 1981, concerning the effects which may be brought about by technological changes in automobile production. A list of these studies is provided under point 10.1.

Faced with the changes in employment, the Commission continues to examine the question of the reduction and reorganization of working time, is preparing new activities in the context of vocational training measures related to new information technologies, and is proposing a programme of special measures to combat youth unemployment.

As regards the Social Fund, an outline of financial support is presented under point 10.3.

5. In its dialogue with the Community's trading partners the Commission has pursued its efforts to keep world car trade as free as possible, to prevent protectionist tendencies, to improve the balance - particularly with Japan - and to provide favourable conditions for the on-going restructuration in the Community car industry. As a result of such efforts, but also due to the developments in the market place and to increasing competitiveness of European manufacturers, the Japanese market share in the Community has declined.

In its Statement 1981, the Commission had furthermore pointed to the positive effect which could be brought about by more industrial cooperation, higher levels of foreign direct investment, and as a result, a certain shift from trade in assembled cars to trade in components. The factual developments since the Statement 1981 has been drafted, seem to justify these expectations.

Details provided below under point 11 deal with trade policies basically on a country-by-country basis, covering particular developments and/or controversial issues.

SPECIFIC ISSUES

1. Differences in car price levels in the Community.

1.1 The problem of the differences of car price levels is certainly at present the most complex and wide-ranging automobile issue. Car price levels differ considerably between some of the Member States. An "average" group, including France, Germany, Italy and the Netherlands could be identified from the Commission's XIIth report on Competition Policy; the United Kingdom is the most expensive country, whereas Denmark and Greece have the lowest prices⁸, where net prices are almost half as high.

Final consumers have increasingly used the rights following from the principle of free circulation of goods, by buying their cars where they are cheaper than in their own country.

The Commission is faced with a number of complaints⁹ against efforts to protect high-price markets, in particular the U.K. market, against such parallel imports from other Member States where price levels are lower. In so

far as these efforts violate EC competition rules or the principle of free circulation of goods, the Commission is bound to intervene, on the basis of Articles 30-36 or 85 of the Treaty. However, although certain tendencies to protect high-price markets have been discovered, the very existence of different national price levels cannot be attributed in full to anti-competitive behaviour. Price differentials are also caused by legitimate reactions to divergent economic conditions in and between the countries concerned, such as local production cost, consumer habits, inflation rates, exchange rate fluctuations, etc. One could in fact not realistically assume that prices could be uniform throughout the common market, not only because the objective factors determining price policies vary from firm to firm but also because normal competition does not necessarily make prices uniform.

The Commission does not want to directly regulate prices in the automobile sector, nor does it have the legal powers to do so.¹⁰ Indirect pressure towards price alignments on an average EC level is however inherent to the application of Articles 30-36 and 85 in these cases.

Given the complex nature of the problem, the Commission is paying utmost attention to some basic questions; and has ordered a background study on pricing strategies of car manufacturers in the UK and some other EC countries.

The first major problem in dealing with the price differentials lies in the distinction between anti-competitive strategies and legitimate reactions to the economic environment.

A second problem is the correct evaluation of the economic consequences which a downward adjustment of price levels in high price markets would entail. Dramatic consequences for local production in the UK in particular have sometimes been suggested.¹¹

Thirdly, in the area of economic policies, the price differential problem has to be tackled by promoting more coherent national policies and by enhancing the internal market. A good deal of progress has of course been made in this direction, in particular as regards technical harmonization, but still the overall conditions under which the manufacturers operate more generally reveal considerable disparities. Sustained long-term efforts are necessary to make progress in this respect.

In emphasizing the importance of dealing with the problems at their roots, the Commission does not wish to sanction the present situation. Specific measures have also been taken, or are under consideration, on the basis of both Articles 85/86 and 30 to 36 of the Treaty.¹²

It may be appropriate to illustrate and quantify the problems involved and the measures taken, by having a closer look at the situation in particular as regards the U.K. and Denmark.

1.2 As regards the United Kingdom price levels are much higher than on the continent. According to the 1982 BEUC report, the price gap has widened considerably since 1975, leading to a ratio of almost 2 : 1 in prices of certain models in the UK and Denmark.¹³

British citizens, therefore, have started to buy their cars on the continent and in particular in Belgium and Germany. The level of such private imports into the UK is difficult to quantify, but may have reached about 50 000 units per year. Thus, a considerable part of car sales in the UK (1982 = approx. 1.55 million units), roughly 3%, may be done outside the manufacturers' own distribution networks in the UK. Evidently this affects the dealer networks in the UK, affects the cash-flow of the British-based manufacturer, and adds to the unions' concern about the large quantities of cars shipped to the UK by the manufacturers themselves.¹⁴

The Commission is aware of two main groups of difficulties which have been underlying the complaints received:¹⁵

- those concerning the supply of the car the consumer wants. British consumers have had particular problems sometimes in buying right-hand drive cars on the continent for import into the UK; but motor dealers are also sometimes confronted with this problem.
- those related to the registration of the car which often appears difficult without the cooperation of the manufacturer or his authorized dealer, since normally they alone can certify that the vehicle complies with national requirements; in this respect, it is

mainly the motor dealers who are sometimes facing difficulties, in obtaining the "certificate of conformity" which is required as a proof that the car conforms to a type-approved model.

In respect of the first group of problems, the Commission has carried out widespread investigations whereby three major kinds of impediment to UK residents' purchases on the continent have been identified: straightforward refusals to supply, long delivery times and substantial surcharges for the right-hand drive variant. Moreover claims for guarantee restrictions concerning parallel imported vehicles were pursued.

In a number of selected cases Commission's proceedings are under way with the aim of determining the compatibility of the various established measures with the EEC competition rules and in particular Article 85 thereof¹⁶. In the case of Ford, the Commission has taken specific action¹⁷. The Commission has concluded on 16 November 83 that the distribution system operated by Ford Werke AG (Cologne) in Germany for Ford cars infringes the competition rules in Article 85 of the EEC Treaty, and in the form in which it has been applied since 1 May 1982 cannot be exempted. Ford Werke must immediately cease operating the distribution system.

Ford Werke AG operates an exclusive and selective distribution system for the sale of its cars in Germany. Dealers admitted to the distribution system have considerable restrictions placed on them. Although other motor manufacturers also operate such systems, the restrictions of competition contained in them can only be accepted if dealers in the network are allowed by the manufacturer to sell vehicles on request to consumers anywhere in the Community.

Until May 1982, Ford AG, which manufactures both left-hand-drive and right-hand-drive models in various specifications, had also supplied its German dealers with right-hand-drive vehicles both in the specifications customary in Germany and in other specifications, and at more or less the same prices as left-hand-drive models. The dealers resold these cars mainly to British consumers. As Ford AG's selling prices to its German dealers were much lower than those at which the British Ford company sold the vehicles to British dealers, German dealers were able to supply the right-hand-drive models to British consumers up to 30% cheaper. Between January and April 1982, for example, German dealers sold over 2000 right-hand-drive Ford cars.

So as not to undermine the high British prices and to protect the British Ford company against competition from exports by German dealers, in May 1982 Ford Werke AG stopped supplying right-hand-drive models to its German dealers.

In August 1982 the Commission issued an interim order¹⁸ to Ford to resume supplies of right-hand-drive cars to German dealers. The President of the European Court of Justice, in his decision on Ford's interim application¹⁹ for the order to be set aside, upheld the order pending the Court's final judgment of the case, inasmuch as Ford AG was instructed to fulfil orders from German dealers for right-hand-drive vehicles (in the specifications customary in Germany) within the limits of traditional supply levels. The proceedings before the Court of Justice have not yet been concluded.²⁰

The decision of 16 November 1983 underlines that the refusal by Ford Werke AG to supply right-hand-drive vehicles has the object and effect of completely shielding the British market from parallel imports by German dealers and hence from the form of competition these represent. There was hence no possibility of the system receiving the Commission's approval. This applied all the more in the present case in that the refusal to supply was intended to hold up high prices to the detriment of the consumer.

The decision means that Ford Werke AG can only continue to operate its anticompetitive distribution system if it resumes supplying German dealers on request with right-hand-drive vehicles (either in the customary German specifications or in other specifications).

Ford Werke AG has announced that it would contest also this decision in the Court of Justice.

The second group of problems basically comes under the Community rules on the free movement of goods (art. 30-36 of the EEC Treaty). Investigations have been initiated to see whether the apparent restrictions mentioned above are or are not obstacles to the free movement of goods, and whether or not they are justified on grounds known to Community law (especially "the protection of life and health of humans", Article 36).

However, there can also be room for the application of Article 86 EEC in cases where manufacturers and their official importers enjoying a monopoly over the issue of certificates of conformity refuse improperly to provide such a certificate or require a disproportionate payment in return for their service.²¹

Pursuant to the failure of two motor manufacturers in the United Kingdom to provide certificates of conformity for parallel imported cars, the Commission has initiated proceedings under Article 86 EEC which have led to the result that the two companies have changed their policy and are now prepared to provide applicants with the necessary information and documents.

The Commission presently considers that the two most practical solutions are the following: either the national authorities ensure that the manufacturers and their dealers actually provide the appropriate certificates of conformity or the necessary data, or they eliminate the effective monopoly of the manufacturers and their dealers by establishing their own public testing arrangements for vehicles in the operation of which the manufacturers and dealers play no part.²² The Commission intends shortly to send a communication about this problem to the Member States, in which these solutions will be put to them. Infringement proceedings could then be considered in the light of the Member States' replies to the communication.²³ The British authorities have publicly stated the intention of adopting a solution of the first kind,²⁴ and other Member States have made arrangements for the second type, although these do not always extend to independent dealers.

1.3 The other case is Denmark where net car prices are particularly low. The low price level can be attributed to the high level of car taxation (cf. 4.1) and to fierce competition among imports in the absence of local production. As a consequence of low price levels, consumers, particularly from Germany, have bought their cars in Denmark in increasing numbers.

Like in the case of the UK, exact figures on these across-the-border purchases are not available. Figures on Danish car exports may however serve as an indication. They show that Danish exports to Germany, e.g., have gone up from 69 units in 1976 to 4726 in 1982.

Besides the on-going efforts for further harmonization in taxation levels, the Commission has conducted an investigation into whether the Danish system of motor vehicle taxation is compatible with the EEC Treaty, in particular with Article 95. So far, no elements can be found which would justify the conclusion that this tax system is in infringement of Article 95. Furthermore, the Commission also had to examine, from the point of view of competition rules, the complaint of German car dealers near the Danish border to see whether their sales difficulties are mainly due to the substantially lower wholesale prices offered to Danish dealers for similar products.²⁵ The legal tests for application of the ban on discrimination laid down by Article 86 of the EEC Treaty would not seem to be satisfied: they require one or more undertakings to have abused a dominant position within the common market or in a substantial part of it. With the goods in question here there is probably no fundamental reason why manufacturers and importers should not sell at different prices in response to varying economic circumstances in different Member States.

2 BLOC EXEMPTION FOR SELECTIVE DISTRIBUTION SYSTEMS OF MOTOR CARS

Following the Statement 1981, as regards the manufacturers' rights to set up networks based on the selection of dealers, the Commission has published a draft regulation on bloc exemption for distribution and servicing systems for motor vehicles.²⁶

The draft which was discussed in 1982 by the Advisory Committee on Restrictive Practices and Dominant Positions, will set the limits within which motor vehicle manufacturers may draw up standard agreements. It is based on the administrative principles developed in, and in connection with, the BMW decision of 1974.²⁷ The Regulation will offer the advantage of applying the exemption automatically, without the need for individual decisions. It is intended to cut down the administrative burden of taking individual decisions on the hundreds of such agreements and amendments to agreements that are notified to it. The main argument for exemption is that distribution

agreements of a selective or exclusive nature are usually indispensable measures of rationalization. The co-operation between the manufacturer or his importer and a number of selected dealers and repairers guarantees the provisions of specialized servicing for the product. Competition in the motor trade tends to focus on inter-brand competition between rival distribution networks rather than intra-brand competition between dealers and repairers in the same network; a certain degree of restriction of competition in the latter area can be tolerated.

As drafted, the regulation grants an exemption, in principle, for the following types of restrictions on the motor dealer:

1. not to sell another manufacturer's vehicles or parts,
2. not actively to seek custom outside his allotted territory,
3. not to sub-contract distribution or servicing and repairs to other dealers or repairers without the consent of the manufacturer or his importer, and
4. not to sell new vehicles or replacement parts obtained from the manufacturer to dealers outside the distribution network.

Also exempted is a restriction on the manufacturer's freedom to appoint other dealers in the allotted territory during the period of the contract.

A series of conditions attached to the exemption are believed necessary in order to safeguard effective competition and unrestricted freedom for consumers to buy new cars wherever in the common market prices and conditions are most favourable. The most important conditions are designed to ensure that:

1. Dealers must not be made so dependent on the manufacturer or importer that their freedom to compete is seriously diminished.
2. Consumers can have servicing or repairs done under the manufacturer's warranty anywhere in the common market.
3. Spare parts supplied by third parties matching the quality of those supplied by the motor manufacturer can be sold and used in the official distribution network.

4. Consumers can order cars with the specifications required at the place where they are to be registered from official dealers in other Member States who are willing to sell the vehicles to them, if the manufacturer or his importer sells the model concerned through the official distribution network at both places (requirement of availability of vehicles with certain specifications).

This last condition is intended to stop manufacturers or importers trying to prevent or hinder sales of right-hand-drive versions of their cars on the continent.

Finally, the draft suggests a means of dealing with the considerable differences in the prices paid for the same make and model of car by consumers or official dealers in different Community countries. This consists in automatically allowing parallel imports (that is, imports by dealers outside the official distribution network who buy vehicles in a Member State where prices are low and import them into one where they are high) whenever the difference between the retail prices (list prices) recommended in two countries exceeds 12% for six months. For the purposes of the price comparison, however, no account will be taken of recommended prices which are distorted by extremely high tax rates or temporary freezes of prices or profit margins.

The parties to motor vehicle distribution agreements will have a choice between submitting to the provisions of the new regulation or electing for those of the general block exemption for exclusive distribution and purchasing agreements under Commission Regulation 67/67. The latter has been extended in an amended form as from 1 July 1983. Both regulations also provide for the possibility of further restrictive clauses being exempted by individual decision in special cases.

The Commission is expecting to receive written submission on the draft from motor trade associations and consumer organizations and will also give such interest groups an opportunity to add to their comments orally. This round of consultations will be followed by further talks with the Member States through the Advisory Committee on Restrictive Practices and Dominant

Positions which was already consulted on an earlier draft. The Economic and Social Committee has adopted an opinion on the draft regulation on 28 September 1983 (doc. CES 848/83, not yet published in the Official Journal). It approves the Commission's proposal to exempt vertical distribution in the motor vehicle sector from the general ban stipulated in Treaty Article 85 (1); the conditions of exemption are laid down in Treaty Article 85 (3) and Regulation 19/65/EEC. The Committee suggests at the same time a number of modifications. The Commission should avoid imposing a standard contract, and should simplify the text of the draft still further. It should on the one hand not under-estimate the keenness of intra-Community competition between motor vehicle manufacturers and ensure on the other hand a fair balance between the parties' reciprocal rights and obligations in the interests of competition and consumers. Unauthorized sellers should not be accepted for vehicle distribution. The Committee considers that it is of vital importance to safeguard the interests of consumers particularly in respect of spare part availability, price, quality and guarantees, and it objects to the inclusion of spare parts in the regulation. It also is against rules that are too extensive and impracticable as regards the availability of different versions of the same model of vehicle. Nevertheless, consumers should be able to order from anywhere in the Community a vehicle meeting the specifications legally required in the country of registration, provided that such a vehicle is supplied in that country.

The Committee rejects the clause of the draft amounting to a suspension of the system of selective distribution while prices net of tax differ by more than 12% for a period of more than six months between any two EEC markets, because the elimination of important price differentials must be regarded in the first instance as an objective to be achieved; price differentials exceeding 12% should not necessarily entail as an automatic legal consequence the cancellation of selective distribution.

As usual, the European Parliament will also be invited to give its opinion on the proposed legislation.

3. EC TYPE-APPROVAL FOR MOTOR-CARS AND HARMONIZATION OF TECHNICAL REGULATIONS

3.1 Full harmonization of technical requirements is a cornerstone of the Commissions's efforts to strengthen the internal market. Its particular relevance has changed over the years: whereas some major technical problems had to be solved in the early stages of harmonization, i.e. 1970 - 1977/78, the adoption of the three draft directives still pending at the Council is chiefly related to foreign trade rather than to technical issues. Secondly, whereas one major objective of harmonization was, in the beginning, to enable bigger economies of scale, the technological progress now allows to cope with differing technical requirements more flexibly. And thirdly, as regards further efforts in harmonization, new objectives have come to the forefront, such as noise levels, air pollution, and, possibly, passenger safety in case of lateral and frontal impacts in road accidents, and pedestrian safety in car front impacts following a Community-sponsored research programme on biomechanics (cf. below point 8.2). Along with the promotion of these objectives, consciousness has grown of the need to provide the industry with a comprehensive, coherent and stable body of legislation as a favourable basis for long-term planning and competitiveness.

These changes have entailed consequences as summarized below.

3.2 The question of the three remaining directives which were envisaged in Directive 70/156/EEC of 1970²⁸ and which are still blocked at the Council are part of what is called the "third country problem" which relates not only to motor cars, but to several other products as well²⁹.

It is mainly the differences of views within the Community about the access of vehicles from third countries to the EC type approval system which has until now delayed the appropriate decisions. Health and safety considerations have led to concern about how to control the conformity of individual vehicles with the prototype which has received type approval. It

is also to be remembered that in the context of approving the results of the GATT negotiations, the Community issued a very detailed statement on reciprocity.³⁰

3.3 It should be noted that the entry into force of the EC type-approval system for motor-cars would not mean that national testing procedures were fully abolished for models produced in the EC. It would still be possible to maintain national standards, due to the fact that the Commission has not proposed total harmonization so that only one complete set of standards is applied throughout the Community, to the exclusion of all others.

When it harmonized standards by introducing "optional" EC standards, the Community recognized that the Member States could retain their national standards alongside the harmonized ones. This means that there will be two sets of standards and two procedures among which the manufacturers will have to choose, if national governments do not prefer to abolish their national rules: on the one hand, the manufacturers can comply with EC standards, with the effect that no Member States may refuse to register or prohibit the sale, entry into service or use on grounds relating to the construction or functioning of the car.³¹ On the other hand, they can also decide for national standards, but in this case, changes in specifications and further testing may become necessary in other Member States.

Given the optional nature of harmonized standards, the Commission is, of course, highly interested to assess the extent to which already existing EC standards are actually used. In order to do so, the Member States and the car manufacturers were approached in early 1982 in order to find out:

- where the Member States have replaced their national standards by the harmonized ones, so that the latter have in fact become mandatory;
- and, in so far as EC standards are optional, to what extent the manufacturers prefer to comply with them.

40 EC directives were included in the questionnaires.

Provisional results of these enquiries, though not yet covering all the Member States, suggest that the manufacturers still have the choice, to a large extent, between national rules and EC rules. The national governments have replaced national standards by the EC ones only partially, and of course to a varying degree. Italy and the Netherlands seem to be quite far along this road. France has made obligatory less than half of the standards covered by the enquiry. Germany has done so on a selective basis for environment protection purposes mainly. The situation in Ireland and Luxembourg is different in so far as there is no type approval requirement (Ireland) or because type approval granted in any other Member States is accepted (Luxembourg).

As regards the second part of the enquiries some 20 car manufacturers were approached, including Japanese and US multinationals. They replied in respect of about a hundred different models. It was found, on a provisional basis, that the utilization of EC standards varies to a considerable degree. Italian makers are quite naturally on top of the list, due to the mandatory implementation of EC standards in Italy. They are however followed by some Japanese makers. On average, although it is difficult to generalize in a meaningful way, 18 of the 40 directives covered by the enquiry are more widely used. Among those are particularly the directives on environment protection and active security. For the rest of the standards, the manufacturers seem to prefer the national ones, and EC standards are also almost without effect where the specification concerned is not subject to national standards.³² Further discussion of the results of the enquiries have been initiated in the relevant expert groups and at the level of the Commission services responsible for technical harmonization.

3.4 The thrust of the envisaged EC type approval system is limited to the technical aspects of construction and functioning of the vehicle. Inasmuch as these aspects are in the interest of the consumers, the EC type approval serves the purpose of consumer protection as well.

The envisaged rules do not, however, deal with questions like e.g. where and when a particular car has been registered for the first time. The certificate by which conformity of a particular vehicle with an approved type

is testified, does consequently not include this kind of information. There is no intention, at present, to reconsider this question, given that the technical aspects coming under EC type approval rules are fundamentally different from those related to the biography of a particular car.

3.5 Whereas the harmonization of technical standards establishes requirements which new cars have to comply with, the Commission is also involved in creating common rules for roadworthiness tests for used cars. For certain categories of vehicles, (buses, commercial vehicles weighing more than 3.5 tons, taxis and ambulances), the rules of Directive 143/77³³ have come into force on 1 January 1983. The vehicles will have to pass tests annually, in the future.

As regards private cars, the Commission is proposing to examine the possibilities for the introduction of roadworthiness tests in 1984.³⁴

3.6 Turning to current efforts for further harmonization, it should be recalled that the Statement 1981 has urged for a global approach to be applied which would cover at the same time the aspects of environment, energy-saving and safety when dealing with specific questions. Cost/benefit considerations would also have to be made.

Taking into account these principles, and in the follow-up to the Environment Council of 3 December 1981, the Commission established two expert working groups which were to analyse, in view of future harmonization, the problems relating to noise levels and air pollution.³⁵

3.6.1 Regarding noise emissions, the Member States and the Commission committed themselves in 1977³⁶ to create equal noise standards for all categories of motor vehicles by 1985. The envisaged level is 80 dB(A). The present level for passenger cars is in fact 80 dB(A) but is higher for commercial vehicles and for motor-cycles.³⁷ The present EC requirements already compare quite well on an international level, with only Switzerland (since October 1982) and Japan (for commercial vehicles as from October 1983) lying ahead. The expert working group, formed in December 1981 with participants from the national governments and industry, presented its report in June 1982. The report establishes for the six vehicle categories included a breakdown of possible noise limits to be achieved in 1985 and beyond, based

on the state of the art, and indicating the consequences on production costs, energy consumption, reliability, air pollution etc. A draft directive based on these results is presently under consideration.

In addition to the work of the expert group, the Commission has introduced some improvements to the measurement methods of noise emissions³⁸ which establishes the basis on which to consider the conclusions of the experts's work.

3.6.2 In the area of exhaust emissions, the Community has laid down limits in particular for carbon monoxide, unburnt hydrocarbons and nitrogen oxides. The standards at present in force date back to 1978.³⁹ Although a direct comparison of the standards is difficult, due a.o. to differing methods of measurement, it is safe to assume that the EC standards are less strict than those particularly in the US and Japan. In these countries, EC manufacturers face competitive handicaps because their cars have to be refitted.

In April 1982, the Commission transmitted to the Council a draft directive⁴⁰ aiming at the introduction of the fourth amendment of the UN Economic Commission for Europe to its exhaust gas regulations (Regulation 15.04). Under this directive, new cars would have to comply with the reduced emission standards from October 1984 onwards. The Economic and Social Committee and Parliament have adopted a favourable view.⁴¹ The proposal was adopted in June 1983.⁴²

The second working group created in December 1981 is charged with the establishment of the basis for the next steps to be considered. In the first phase, it has dealt with the three pollutants already regulated ..., on which it has presented its report in June 1983.

3.7 In the same period, the working group has received a new mandate according to which the reduction of lead in fuel is being examined. In the present situation, the lead content may vary at national level between 0.15 g/l and 0.40 g/l, according to Directive 78/611.⁴³

Lead in fuel presents an important obstacle for reducing polluting exhaust emissions, because it is a pollutant in itself, and because it prevents some anti-pollutant measures from becoming effective (e.g. catalytic post-combustion). However, an in-depth analysis of the real impact of lead in fuel on human health will still have to be carried out. There are also economic and foreign trade implications.⁴⁴ It is necessary to take into account that considerable investment would be needed, and more crude oil be required for the production of lead-free fuel. Furthermore, any steps on this matter would need to be coordinated on as broad an international level as possible in order to avoid unilateral measures resulting in trade barriers.

The Commission will present specific proposals to the Council in April 1984, as regards reduction of polluting exhaust emissions and of lead in petrol. As far as lead is concerned, this will be in accordance with the time-table proposed by the Environment Council of 16/17 June 1983:

With regard to the special case of lead in petrol, a maximum possible reduction of lead contents will be aimed at, ending up with the use of a leadless petrol.

For this purpose the Commission is asked to submit the necessary proposals. The Commission will submit an interim report for the next meeting of the Council. At its meeting in Spring 1984 the Council will decide on Commission proposals to be submitted of the latest on 15 April 1984.

and with the overall guidelines given by the European Council of 17 June 1983:

The European Council also welcomed the conclusions of the Environment Council on the special case of lead in petrol. It emphasized the importance of reducing the amount of lead in the Environment and called for progress which may lead to the use of leadless petrol.

The Commission proposals will chiefly be based on the two reports of the working group. Moreover, the resolution adopted by the European Parliament on the subject of lead in petrol, on 6 June 1983⁴⁵, will also be taken into account. In this context, reference should also be made to a Directive adopted by the Environment Council on 3 December 1982 and which limits the general lead value in the atmosphere.⁴⁶

3.8 Another focus of interest is found in passenger safety, as a result of the Community sponsored research programme on biomechanics. This programme, which consists of some 37 specific projects dealing particularly with side crash impact and the development of special dummies, was wound up at the end of 1982. The results were presented to a world-wide public during a symposium in March 1983. Building on the research performed, it will subsequently have to be considered whether a sufficient base has been established for conclusions in terms of passive safety regulations, applying, again, the principles of the "global approach".

With regard to specific safety regulations, the existing directives on seat belts and on anchorages of seat belts have been amended.⁴⁷

4. TAXATION ISSUES

4.1 In its Statement 1981, the Commission has drawn attention to the favourable effects which would flow from more homogeneous taxation on purchase and use of motor-cars (also as regards energy-saving, cf. point 7.2 below) within the Community. There are, however, considerable discrepancies in the national laws concerning vehicle purchase taxes, or the operation directly connected therewith:⁴⁸

- Belgium: VAT at 25%; cars with an engine capacity greater than 3 000 cc or developing more than 116 kW are subject to an additional tax of 8% computed on the value of the car excluding tax;
- Federal Republic of Germany: VAT at 14% (since 1.7.1983);
- Denmark:⁴⁹ VAT at 22% together with a registration tax, computed on the purchase price including VAT, of 105% on the first DKR 19 300 and 180% on the remainder;
- France: VAT at 33.33%;
- Greece:⁵⁰ two taxes are charged on cars:

(1) a special consumption tax made up of two elements: A and B:

- (a) Element A is calculated on the cubic capacity of the car at a rate of 23 Drachmas (DRA) per cc for a capacity up to and including 1200 cc,
DRA 28 per cc where the capacity is between 1 200 cc and 1800 cc and DRA 40 per cc above 1 800 cc;

- (b) Element B, an ad valorem tax calculated
in accordance with the following formula:

$$B = \text{Element A} \times \frac{4 \times V}{100\,000}$$

where V = value of the car less DRA 25 000.

The total consumption tax is A + B.

- (2) A registration tax is charged as follows:

(a) for a capacity up to and including
1 800 cc: 100 DRA per cc for the first
1 200 cc, 200 DRA for cc between 1 200 and
1 800 cc

(b) for a capacity exceeding 1 800 cc: 150
DRA for the first 1 200 cc, 300 DRA thereafter

- Ireland: VAT is charged at 18%. An excise duty at the rate of 50% on the value after importation or manufacture is also charged. The 50% rate is increased to 60% for cars over 16 horsepower.
- Italy: VAT at 20% on cars with an engine capacity of less than 2 000 cc (2500 cc for diesel cars) and 38% for cars of more than 2 000 cc;
- Luxemburg: VAT at 10%;
- Netherlands: VAT is charged at 18%, a special tax on motor cars is levied. It is due at the time of the supply and is payable by the manufacturer or importer, but is calculated on the basis of the price at which the vehicle will be sold to the user, minus VAT.

Rate of the tax: with effect from 1.8.1982:

- if the total price does not exceed HFL 10 000: 16% of price excluding VAT

- if the total price is more than HFL 10 000:

16% of 100/118 of HFL 10 000 increased by

24% of 100/118 of the total price minus HFL 10.000.

- United Kingdom: VAT is charged at 15%. A special car tax of 10% is also levied on the wholesale price of the car (taken as 5/6 of the retail price), except in the case of motor caravans for which the value for tax is 60% of the wholesale value.

These discrepancies constitute one of the factors underlying the price differentials for cars in the Member States. They present one of the long-term aspects under which to improve the framework conditions for the automobile industry in order to do away with price differentials.

However, the Community competence in this area is limited. Taxation policies have in principle remained the sovereignty of the Member States. The Commission is considering the necessary political initiatives, to be taken at the right moment. In the short-term, it can examine taxation issues only under Article 95 or 101 of the Treaty. Article 95 has therefore been the basis on which the Commission has started to examine some complaints addressed to the Commission and which concern in particular the level, and, partly the system, of taxation in Denmark, Greece and in France.⁵¹ No formal proceedings have yet been opened.

4.2 The lack of harmonization as regards tax is also a reason for restrictions in the free use of vehicles throughout the Community.

Under international conventions, a foreign vehicle may,⁵² subject to certain conditions, be imported for temporary use, provided that it is not placed at the disposal of a resident of the country of importation; this latter restriction is designed to prevent tax evasion. Whilst the Court of Justice,

in its judgment of 9 October 1980 (Case 823/79, criminal proceedings against Giovanni Carciati/1980/ECR2773), has held that this restriction is compatible with Community law, it has pointed out that measures taken to prevent tax evasion should not be excessive.

The Commission presented in 1975 a proposal for a Directive on tax exemptions for certain means of transport temporarily imported into one Member State from another,⁵³ which Parliament has endorsed⁵⁴ and which was adopted by the Council on 28 March 1983⁵⁵. The draft is designed to harmonize certain conditions governing the temporary importation of vehicles for private or business use. The Commission is aware that this proposal does not eliminate all the problems in this area; it intends to submit further proposals.

4.3 A further point concerning passenger cars, namely whether companies should be eligible to deduct VAT incurred in respect of expenditure on such cars (purchase, repairs, etc.), has been considered as part of the preparatory work for a further directive on the harmonization of VAT law. A proposed directive, under which the deduction of such tax would, subject to certain exceptions, be excluded has been submitted by the Commission to the Council.⁵⁶

5. TRADEMARKS

Suppliers to car manufacturers are in certain cases expected to stick the trademark or brand name of the manufacturer on the automobile component they are supplying, failing which they would no longer be accepted as contractors. The parts manufacturers, through their federation of national associations (CLEPA) claim that they should be given the right to affix their own brand name or trademark to parts which they have developed or in the development of which they have at least played a major role. This should be achieved by an enforcement at EC level of mandatory identification of products, which could well be in the already widespread form of allowing the trademark/brand name of both the parts manufacturer and the vehicle manufacturer to be affixed. The attention of the European Parliament has been drawn to this problem by CLEPA late 1982.

Community law does not at present lay down any general rule requiring manufacturers of replacement parts for motor vehicles to mark such parts with their own trademark. Suppliers of parts and manufacturers of motor vehicles may by agreement determine what trademarks are or are not to be affixed to the product or its packaging. The question of whether a motor vehicle manufacturer can enforce a general rule that all the replacement parts distributed by it must bear its trademark alone depends on the willingness of suppliers to relinquish their own brand image. It is not possible to give a general answer to the question whether in individual cases clauses prohibiting suppliers from using their own trademarks infringe the competition rules laid down in the EEC Treaty. The problem of refusal by a motor vehicle manufacturer to allow the use of other trademarks should be examined with particular reference to whether there is abuse of a dominant position under Article 86 of the EEC Treaty. If the manufacturer has a dominant position on a regional market, there may also be infringement of national law.

The Commission has sent requests for information to eight motor vehicle manufacturers pursuant to Article 11 of Council Regulation No 17/62 with a view to determining to what extent supply agreements contain clauses preventing the suppliers from using their own trademark and from referring in their advertising to the fact that they are suppliers to a motor vehicle manufacturer. The Commission has already obtained extensive material, but cannot decide on the questions involved in the branding of parts until it has more precise information on the facts of the various situations and on the economic circumstances. It is therefore at present organizing hearings of the relevant associations.⁵⁷

6. INSURANCE AND DRIVING LICENCES

6.1 Another indirect restriction on the free use of vehicles in the Community stems from the obligation on the owner to take out third-party insurance with an insurance company established in the Member State in which the vehicle is registered.

In this field, Council Directive 72/166/EEC of 24 April 1972⁵⁸ deals with accidents which vehicles registered in one Member State cause in another Member State or in certain third countries bordering on the Community. This

Directive and the Commission Decisions relating to its application (Decisions 74/166/EEC and 74/167/EEC of 6 February 1974⁵⁹ and 75/23/EEC of 13 December 1974)⁶⁰ have removed the need for the International Motor Insurance Card ("green card") to be checked at the Community's internal frontiers and at the frontiers with a number of neighbouring third countries.

On 7 August 1980 the Commission presented to the Council its proposal for a second Directive on the approximation of the laws of the Member States relating to insurance against civil liability in respect of the use of motor vehicles.⁶¹ This proposal is designed to eliminate major disparities which still exist, for example as regards the minimum insurance cover prescribed by law, and thus to ensure uniform insurance protection for road accident victims in the Community.

On 8 January 1981, the Commission made a recommendation (81/76/EEC) on accelerated settlement of claims under insurance against civil liability in respect of the use of motor vehicles, which urges the Member States to take all the measures necessary to facilitate the communication of police reports.⁶²

6.2 With regard to driving licences, the Council adopted on 4 December 1980 its first Directive (80/1263/EEC) on the introduction of a Community driving licence,⁶³ which is in force in the Member States as from 1 January 1983. This Directive covers, amongst other things, the mutual recognition of national driving licences and their exchange when holders take up ordinary residence in another Member State. Further measures to harmonize provisions on the issue of driving licences are planned; proposals to this effect will be presented by the Commission once the work arising directly out of the first Directive has been carried out.

7. ENERGY CONSERVATION

7.1 Although motor vehicles account for a considerable proportion of total energy consumption (19.3% in 1981 in the EC-10), this issue was dealt with in the Statement 1981 on a rather low key. The Commission wants to avoid any regulation in this area. The developments in the market place have justified this approach: fuel efficiency has more and more become an important factor of competition, and the reductions in fuel consumption

achieved or aimed at by the car manufacturers go perhaps beyond what could have been expected from any legally imposed rules. Furthermore, the car manufacturers have committed themselves voluntarily at national and EC level to improve fuel efficiency as part of general energy saving efforts.

The commitments made were for a reduction of 10-12% by 1985, according to the country concerned, based on 1978 as a point of reference. The average reduction envisaged at EC level is 10% by 1985.

According to a Council Resolution of June 1980⁶⁴ concerning new lines of action by the Community in the field of energy saving, the Commission services undertook to analyse the situation on a year by year basis, by approaching the Member States' authorities, and with help from independent consultants. The results covering the years 1978-1980 became available early 1983, and the Commission intends to continue the exercise until 1985. The results now available show that in 1980, the weighted average fuel consumption of newly registered cars went down by 5.34% compared to 1978. EC car manufacturers attained 5.69% of reduction, whilst foreign makes attained 4.12%. On a national basis, the French makers were at the top of the list, with average reductions of 6%, followed by German makes (5.5%), UK makes (4.73%) and Italian makes (3.8%).

These reduction rates cannot of course be compared with each other as they depend on e.g. the absolute level of consumption.

However, it can be concluded, that half of the objectives envisaged for 1985 were achieved by 1980.

7.2 The Statement 1981 has also pointed to the need to design the harmonization of tax structures as regards purchase and use of motor vehicles so that energy saving could be encouraged. In order to establish a basis which would enable it to evaluate the impact of any particular taxation measure on energy consumption, the Commission has therefore launched a study on how fiscal systems affect the use and ownership of private motor-cars. In this context a model is being developed for the prediction of the impact of taxation policy on car fuel consumption.

7.3 Regulatory work in this area, as may be recalled, has been limited to a Directive on measurement methods for fuel consumption.⁶⁵ More recently, the Commission transmitted to the Council a draft directive aiming at the saving of crude oil by using substitute components in fuel,⁶⁶ in particular methanol and ethanol. The draft directive is based on the work of a special working group involving representatives of the Member States and of the Industry on alternative fuels which had conducted technical research work in 1980/81. The European Parliament gave its opinion in March 1983 on the basis of a report from the Committee on Energy and Research.

7.4 Particular efforts are also being made to support research into energy-saving technologies (cf. below point 8.2.3).

8. RESEARCH AND DEVELOPMENT

8.1 The Commission takes the view that R&D directly related to the development for the market of new products and processes is the task of the relevant industry⁶⁷ and the Commission does not intend to intervene directly to support such R&D in the European motor vehicle industry. The Commission has however initiated, or contributing to, a number of specific research projects which have a clear industrial objective but are still precompetitive and multisectoral in character. Also under preparation are further large research programmes which by their subjects are of interest to the automobile industry.

8.2 The main existing programmes and projects are the following:

8.2.1 Under the multiannual R&D programme adopted by the Council on 17 May 1982,⁶⁸ the Commission is entrusted with the task of carrying out during the period 1982-1985 an R&D programme in the raw materials sector.

The fundamental objective of this programme is to reduce the external dependence of the Community for its supplies of raw materials by increasing its self-supply potential and developing materials technologies.

This programme includes four sub-programmes: metals and minerals substances, wood as a renewable raw material, recycling of non-ferrous metals, substitution and materials technologies (technical ceramics).

Invitations to submit proposals for participation in these research programmes have been published in mid 1982.⁶⁹ A total of approximately 200 proposals have been received and examined in the relevant Council Committees.

There are a number of research areas particularly relevant to the automobile industry in the section dealing with ceramics⁷⁰.

Technical ceramics of the type of carbides silicides, nitrides and oxynitrides are likely to play a paramount role in the development of engines with high thermodynamic efficiency, such as adiabatic diesel engines (blocks and valves and pistons of ceramic materials), or gas turbines equipped with ceramic fans.

The target envisaged by the EC car manufacturers by the year 2000 is a vehicle of medium size, of a weight of about 800 kgs, and having an engine of approximately 100kW which would burn 3-4 litres per 100 km at a speed of 120 km/h. These results seem to be achievable only by applying major technological changes, including use of advanced materials.

Using technical ceramics for these objectives presents the advantage of the material being available in the EC and of its qualities such as reduced weight, high resistance to high temperatures and to corrosion. However, the problems of the present generation of ceramic materials, such as weak shock

resistance, and the difficulties of high temperature powder technologies are also well known. The Commission's R&D programme is aimed at exactly these problems. The total cost of the programme will be shared, the contribution from the EC budget being in the order of 3.5 million ECU. It is to involve about 40 different research contracts, out of which two thirds should be of interest to the automobile sector. Both car manufacturers and components manufacturers will be among the contractors.

The other branch of the R&D programme, i.e. substitution of metals, is less important for the automobile sector, although windfalls are always possible. The EC contribution to this part of the programme totals 6 million ECU.

8.2.2 From 1978 to 1982 the Commission of the European Communities promoted biomechanical research in Europe by means of a coherent programme of financial participation in individual studies, investigations and experiments.⁷¹ The EC contribution to this programme was 3 mio ECU or roughly 40% of its entire cost. The objective of this programme was to establish a scientific basis for a new generation of Community Directives within the framework of the EEC-type approval procedure for motor vehicles, in view of a further improvement of the safety of car occupants and other road users. Hence, utmost importance was given to projects aiming at completing the knowledge of human tolerances to accidental constraints and at the development of human substitutes ("dummies") necessary for the assessment of the safety features of complete motor vehicles.

The following six priority themes have been defined and were covered by a total of 37 specific projects:

- vehicle occupant tolerance and injury criteria in frontal impact;
- vehicle occupant tolerance and injury criteria in side impact;
- pedestrian injury mechanisms in impact by car front structures;

- development of a standard dummy for side impact testing;
- mathematical models of impact and injury prediction;
- occupant behaviour and interaction during vehicle impact.

The results were presented to and discussed with experts, including representatives from the ECE, US and Japan, during a symposium in March 1983. The conclusions reached were to the effect that further research is necessary on certain topics (e.g. the development of mobile barriers for accident simulation), but consideration can also now be initiated on how to lay down the results of research in performance-oriented safety regulations. The principles of the "global approach" described above (point 3.5) will have to be taken into account. Furthermore, questions to be studied include e.g. which changes in testing methods for type approval purposes may be necessary given that prototypes will probably have to be subjected to full-scale testing leading to the destruction of the vehicle.

The proceedings of the symposium will be published before the end of the year to provide more detailed information.

8.2.3 Particular efforts are being undertaken to promote research into technologies which would help to reduce fuel consumption by motor-cars.

The Commission has sponsored a first programme including six projects in 1975-1979 and for which approximately 417 000 ECU had been spent. In the second programme (1979-1983), some of these projects were again included for continuation.

The improvement of internal combustion engines is a continuation of work carried out in the first programme. Research on different new fuels was added to this programme. Also recovery of waste heat and its use (e.g. bottoming cycle) are now being studied. Of the new concepts, the rectilinear engine and the Stirling engine with electro-magnetic coupling are studied. Finally international co-operation was set up in the field of composite/metal jointing for vehicle weight reduction. Electric vehicle traction systems are being developed in order in the long term to increase the flexibility and diversification of fuel use and to reduce the

environmental problems in urban transport. The lack of economically viable advanced batteries is the bottleneck for large scale commercialization of electrical vehicles. Research is therefore done to develop advanced batteries with a high power and energy density

Some 1.4 million ECU have been made available for the projects.

A survey of the results (1975-1979) and a compilation of selected new projects (1979-1983) including those mentioned above are published in the Commission's booklet "The Community's Energy R&D programme: Energy Conservation"⁷².

In addition to these research projects, the Commission has given support to a number of demonstration projects for electrically powered vehicles and other fuel-saving technologies. A total budget of approx. 2.2 million ECU is allocated to these projects. In each case, Community financing presents 40% of the total cost of the project involved. A survey of the results is published in the Commission's booklet "Evaluation of the Community demonstration programmes in the Energy Sector".

The Community furthermore participates in the work of COST⁷³ which includes as projects particularly relevant to the automobile sector:

N° 302 - Technical and economic conditions of utilization
of electric road vehicles

N° 303 - Technical and economic evaluation of programmes
concerning bi-mode trolley buses

N° 304 - Utilization of substitute fuels by road vehicles

8.3 The Commission is highly conscious of the fact that the competitiveness of the European motor vehicle industry is adversely affected by its lack of access to a wide range of multisectoral technologies more easily available in competitor countries. Research into these technologies and their applications, essentially research at the precompetitive phase is

considered to be appropriate for further Community action particularly where Community programmes can assist in the co-ordination and rationalization of research across the national boundaries.

The Commission has recently proposed a European Strategy on Science and Technology⁷⁴ in the form of a framework programme on R&D in 1984-87. The framework programme, the main objectives of which have been endorsed by the Council of Ministers, proposes a marked increase in R&D related to the improvement of the competitiveness of European industry and provides a programming guide for future R&D actions.

8.3.1 In the case of basic technological research, the Commission has submitted to the Council and the European Parliament a major research programme (COM(83)350 of 20.6.1983) which includes a number of subjects of interest to the automobile industry, such as: reliability, wear and deterioration, surface science and technology, laser technology, joining techniques, new testing methods, polymers, composites and other new materials, and certain aspects of computer-aided design and computer-aided manufacturing.

8.3.2 The car manufacturing industry has also shown interest in the Commission's projects for precompetitive co-operative R&D in information technologies. (European Strategic Programme for R&D in Information Technologies - ESPRIT). The fields covered by this programme include, in particular, computer integrated manufacturing which is becoming ever more important in car manufacturing and which is certainly just as important as product engineering in order to maintain and improve competitiveness. The Statement 1981 had emphasized the development potential in the Community car industry under this aspect and work under the pilot projects⁷⁵, already under way, includes much which could in time be applied to this sector.

9. STRUCTURAL DEVELOPMENT OF THE INDUSTRY

Considerable attention has been devoted in the Statement 1981 to the large fragmentation and the low degree of concentration in the EC automotive industry. Particular reference has been made, along with the analysis, to the Commission's responsibilities in this area, notably to its powers in the field of competition and in the use of EC financial instruments.

9.1 In following the evolution of the structure of the industry, the Commission has examined the adjustment problems with the aid of two major studies which will provide better understanding of the present shape and performance of the automotive industries, along with the prospects in this sector. The main study "Concentration, Competition and Competitiveness in the Automobile Industries and in the Automotive Components Industry of the European Community" is on sale. It offers a detailed and comprehensive survey of the Community market, production, foreign trade, competitiveness and prospects for the EC automobile industry. The relations between automakers and components manufacturers are also analysed.

The other study deals, on a comparative basis, with the perspectives of the European automotive components industry. Together with an economic analysis undertaken earlier on, it establishes long-term prospects for the sector. The particular aspects covered by the study include component technology and the auto production process, economic consequences of different component-producer relationships, the impact of new technology on the structure of the component industry and adjustment pressures and strategic responses.

It should be noted, however, that the Commission does not necessarily agree with the conclusions suggested in any study.⁷⁶

With the latter study (as well as with some other study projects, cf. below point 10.2 as regards employment issues), the Commission gives an incentive to automobile-related research at European level, since several national research teams are involved in this.

9.2 As announced in the Statement 1981,⁷⁷ the Commission has taken steps to set up an "a posteriori" monitoring system covering both specific national aids to the motor industry and other general aids insofar as this industry benefits from them.

The Commission's overall policy is to increase the transparency of national aid to industry, and thus to help avoid the appearance of surplus capacity arising which could subsequently lead to protectionist measures and state aids liable to distort competition and to interfere with free movement.

The Commission has entered into a dialogue with the Member States concerned, in an effort, first of all, to identify the practical problems, particularly of a statistical and administrative nature, which may arise as the system is set up. The content and the final form in which the information is to be supplied will be defined as a next step.

9.3 The Commission has also informed Member States that it has included the motor vehicle industry among those sectors to which its Directive on the transparency of financial relations between Member States and public undertakings⁷⁸ will be first applied. This choice, primarily motivated by the comparatively widespread nature of public financial participation in the sector, will enable the Commission to ensure equal treatment of private and public undertakings where the application of Community aid rules is concerned.

9.4 Interventions from EC financial instruments (excluding the Social Fund) have become smaller in quantity and less important as a contribution to overall investment in the automobile sector in 1981/82, than during the period 1975-80 referred to in the Statement 1981. The largest part of the loans and grants went to Italy, followed by France and the United Kingdom.

As regards the total of grants from all Community funds, the amount was approximately 15 million ECU in 1981 and 16 million ECU in 1982.

The Regional Fund has remained the most important source for the automobile industry⁷⁹ although by way of its objectives and structure (reimbursement of national aid) it cannot be used in favour of any particular industrial sector. Commitments for the automobile sector were in the order of 15 million ECU both in 1981 and 1982. In 1981 in particular, concerning projects worth more than 10 million ECU, manufacturing of motor vehicles and components presented the sector of manufacturing industries from which the biggest number of projects has been sponsored.

As regards loans, the total amount was in the order of 19.5 million ECU in 1981, and 86 million ECU in 1982⁸⁰. The greater part of these loans has come from the EIB, and to a lesser extent from ECSC and NCI.

In 1982, almost 70 million ECU were given by the EIB to this industry in Italy. Most of these loans served for energy saving measures, or were given to assisted regions, or contributed to the introduction of advanced technologies in the production process.

As far as the New Community Instrument (NCI)⁸¹ is concerned, the Council decisions of April 1982 and June 1983⁸² authorized the Commission to grant a single tranche of borrowings under NCI II and an initial tranche of borrowings under NCI III. These decisions have gradually extended the use of the NCI in favour of the manufacturing industry and have marked priority to be given to investment undertaken by SME. Producers of car components should therefore be able to benefit from possible NCI interventions, provided they are small or medium-size enterprises⁸³.

A breakdown by number of loans between automobile components and car manufacturing shows that more than half of all projects sponsored concerned car components. Due to smaller amounts per project in these cases, however, the share of the components subsector in total allocations to the automobile sector in value terms was in the order of 15-20% only.

10. EMPLOYMENT AND WORKING CONDITIONS

10.1 Besides general policies aimed at reducing unemployment, Commission efforts devoted to employment questions in the automobile sector are influenced by a basic lack, still in 1981, of information about the effects on employment and working conditions that the changes which the industry is currently undergoing will have. A number of studies into various aspects of size and structure of employment, location, training, working conditions, etc. have therefore been launched.

As regards the introduction of new technologies, the Commission has found broad consensus on the need to accept and encourage technological progress whether it be in the form of new manufacturing techniques (like robotics), or at product level. Those concerned with the matter have also agreed on the need to anticipate its effects on employment and to take whatever steps are necessary ahead of time so as to ensure that workers do not have to bear the brunt of changes when they occur without preparation or assistance, but rather that they may be given a fair share of the fruits of the changes they are faced with.

Thus building on exchanges of views with the European Parliament, and the European Metalworkers' Federation,⁸⁴ the Commission has initiated, and partly received, a number of studies which will, together, provide for a thorough assessment of the present situation and of employment prospects in this sector:

- (1) The EMF itself established a report on working conditions in the European automobile industry which provided for comparative tables concerning employment structure, wage systems, working hours and supplementary systems of social security.
- (2) A study in train, contracted to "Economist Intelligence Unit (Europe) SA", analyses the regional impact of EC policies in the automobile sector, with a particular emphasis on employment.
- (3) An assessment of the changes in quality and quantity of employment associated with, and required by, the present process of industrial change in the automobile industry is being undertaken by the Wissenschaftszentrum Berlin, in conjunction with research teams from France, Italy, U.K., and Sweden as well as the US and Japan.
- (4) A forecast for sectoral employment in the EC up to 1990 was undertaken by the Netherlands Economic Institute.
- (5) The particular impact of robotics on employment, with special reference to the motor vehicle industry, is one of the topics dealt with in the November/December 1982 bulletin of the European Pool of Studies (EPOS),⁸⁵ available through the Directorate-General Employment, Social Affairs and Education.
- (6) Changes in employment in the automobile industry may also need to be taken into account, insofar as the automobile industry is a major user of machine tools, in the context of the Commission's considerations for support to recovery strategies in the Community machine tool industry.⁸⁶

10.2 During 1981, approximately 157 000 jobs were lost in the automobile industry of the Community (EC-9). Total employment in this sector (including car manufacturing and production of components) has thus gone down, within a year, to the lowest level since the early 1970's.⁸⁷

As regards regional developments, there was a particular loss of jobs in the UK automobile industry. It amounts to nearly 25% over the period 1975-81, and losses in 1981 alone, compared to 1980, were of the order of 75 000. Thus almost half of all job cuts in the Community in 1981 were made in the UK.

Compared with 1975, the level of employment in this sector is still higher than in manufacturing as a whole; and this is so despite the over-proportionate speed at which jobs have been cut in the automobile sector in 1981 (cf. Table 24 in the Annex).

Future employment growth prospects in the industry should be treated with caution despite signs of an upturn of car sales in many national markets. While assembly operations will probably continue to be fairly labour-intensive, given the current state of the art in technological innovation, other areas will probably open to greater automatization and robot operations, thus limiting the potential employment growth. This consideration must however be tempered by the trend to reduce work-time in key sectors, including auto manufacturing.

10.3 Persons occupied in the automobile sector have continued to be among the beneficiaries of the Social Fund. The amounts involved and the number of persons, as far as is identifiable for 1980/1982, are indicated in Annex 28. However, it is certain that for training and retraining in the automotive industry, more than the stated figure has been allocated from regional appropriations, which cannot be quantified because they are part of general framework programmes.

As regards the job effect of other EC financial instruments (see chapter 9.4), the Regional Fund also has a certain impact, the employment effect being relevant in case of each particular project.

11. TRADE POLICIES

During the past two years, automobile issues have been part of wide-ranging Commission contacts with third countries under a considerable number of aspects. The leitmotiv, in accordance with the Statement 1981, has been to keep automobile markets open and to arrive at stable and balanced trade relations. The particular issues involved vary, however, from country to country, so that the following survey should preferably deal with the Community's trading partners one by one.

11.1 JAPAN

11.1.1 The question of Japanese car exports to the Community has been one of the major aspects of the Commission's discussions with the Japanese authorities. Japanese cars do in fact account for the bulk of extra-EC car imports. In order to provide a realistic picture of the share held by Japanese cars, EC imports from Spain, which mostly consist of cars locally produced by EC-based manufacturers, may be neglected.

The Japanese share in EC imports excluding those from Spain has been declining from the level of 74.9% in 1980, to 71.8% in 1981 and to 68.3% in 1982 (cf. Annex 11).

The Commission is also aware of the growth of Japanese car exports to third markets, and of the extent to which Community producers have lost their share of certain export markets under pressure from Japanese competition. In summary, if the markets of the EC and Japan are excluded, Japan's world market share went from 5% in 1970 to 19% in 1981, while the Community's declined from 19% to 10%.

11.1.2 The Commission's position vis-à-vis Japan is geared to obtain a Community-wide moderation of Japanese exports.⁸⁸ Automobiles belong to the product group for which Japan has given explicit assurances to that effect.

The automobile issue remains part of the Community's discussions with Japan. The EC requests have been transmitted to the Japanese authorities most recently in the form of "request lists" which were handed over in December

1981 and November 1982. The discussion goes on in particular in the framework of regular semi-annual consultations on high level and on other ad hoc occasions.

EC car imports from Japan have also been the subject of an "a posteriori" statistical surveillance system, since 1981.⁸⁹ The system has been extended for 1983 with the addition, among others, of light commercial vehicles and motor-cycles.⁹⁰ It works on the basis of national import statistics and does therefore not in itself represent an obstacle to trade.

In applying this approach, the Commission follows the principles of a number of Council statements on EC-Japan relations, particularly those of 22 March 1982 and 13 December 1982.

Discussions with the Japanese Government were particularly intensive during 1981, as there was rising concern in Europe about the effects of the Japanese self-limitation measures vis-à-vis the US and Canada, and about the need to work out a genuine strategy for the EC as a whole. The Japanese undertook that Japanese car exports to the Community in 1981 would be moderate.⁹¹ In June 1981, in particular, both sides reached agreement on the following points⁹²: the Japanese side recognized the considerable efforts which the European car industry was making to modernize and adjust; Japanese car exports to the Community would be stabilized in 1981 as a result of a moderation in exports to the Benelux countries and the Federal Republic of Germany, and because of existing restrictions on imports into some Member States and also recent exchange rate movements between the yen and European currencies; consequently, following measures taken by Japan vis-à-vis the United States and Canada, car exports which would have gone to the United States and Canada should not be deflected to the Community; discussions between Japan and the Commission regarding future prospects would also be pursued.

In February 1983, the Government of Japan renewed its undertaking to the effect that in 1983 exports to the Community of motor vehicles would be moderate, as a consequence of an extension of policies applied in 1982 and due to the economic situation in the Community. Light commercial vehicles, forklift trucks and motorcycles are covered along with passenger cars.

Readiness was indicated to enter into consultations with the Commission, should any particular problem emerge in the course of 1983. The two parties also agreed to hold regular consultations at ministerial level.

11.1.3 Japanese passenger car exports to the Community have in fact started to decline since 1981, from the very high level in 1980 (790 000 units). The decline for the year 1981 as a whole was 5,8% (744 000⁹³ units), but within that year, there were sharp fluctuations from the still considerable increases in the first half to significant declines in the second half. The year 1982 began positively with further declines in Japanese exports, but more recently, some significant growth rates were again recorded. The level of Japanese penetration by the end of 1982 was therefore not far from the 1981 level (8.1% in 1982, compared to 8.3% in 1981).

11.1.4 Similar preoccupations also arose mainly in 1981 about Japanese exports of light commercial vehicles (lcv's). In this sector⁹⁴ the EC manufacturers have suffered set-backs in Europe and losses in third markets, coinciding with major Japanese advances.

Lcv's constitute a rather important segment of the EC motor vehicle market on the whole. Although the share of all commercial vehicles in use in the total number of vehicles in use was only 9.4% in 1981 for the Community, the share is much higher in some Member States, such as Greece (32.3%), Luxembourg (16.9%), Denmark (15.8%) and France (11.8%). Furthermore, as the manufacturers are largely the same as for passenger cars, any deterioration in the lcv market segment adds to the difficulties on the side of passenger cars.

The situation has developed along the lines described for passenger cars.

Japanese exports of commercial vehicles to the EC⁹⁵ were at a peak in 1980 with 136 000 units. Their share in new registrations in the EC then was 11,7%. In 1981, a small decline came about (131 000 units) and the downward trend has continued in 1982 (1982: 118 600 units = -9,5% compared with 1981). Their market share declined from 11.6% to 10.6% during these periods.

11.1.5 Some of the Member States maintain specific rules on imports of Japanese cars. The official import restrictions (mainly Italy) on motor vehicles are listed in the Annex to Regulation 288/82 of 5.2.1982 on common rules for imports.⁹⁶ Besides, other restraints are also known to exist as regards the car markets in France and the UK.

Import restraints, and the question therefore of further harmonization of national trade policies vis-à-vis Japan received further consideration in 1981/82, after the Commission had developed specific proposals in 1980. In November 1980, the Council had stated that some possibilities in relation to liberalization on both sides could be explored, subject to tangible progress on a number of other points. Developments in trade during 1981 were however unfavourable to the idea. In June 1981, the European Council emphasized that the Community should make the fullest possible use of its bargaining power, as an entity, in its dealings with Japan.⁹⁷ At its meeting on 23 June 1981 in Luxembourg, the Council took note of an overall report made by the Commission on EC-Japan relations, as a result of which it was agreed a.o. that the position regarding imports should be clarified more fully.

Quantitative restrictions on direct imports can be backed up, according to Community law, by exclusion of the product in question from free circulation of goods within the Community. Italy, in particular, has had recourse to this possibility, according to Article 115 of the EEC Treaty. It may be recalled that, under this Article, Member States having direct import quotas may ask the Commission's authorization to prevent third country products circumventing the direct import quota by "indirect" imports through other Member States. Italy obtained authorization in 1981 and 1982 for passenger cars,⁹⁸ trucks and buses⁹⁹ and four-wheel-drive cars¹⁰⁰ in relation to Japan.

There is, furthermore, an implication caused by the possibilities under Article 115, concerning the origin of the product in question. Only cars of Japanese origin, e.g. in the case of the Italian import quota, can be subjected to the quota itself or to the request for exclusion from free circulation of goods. The question of origin has arisen when Italy claimed, in early 1982, that the BL Acclaim was not a British but a Japanese car. Some of its major components are in fact imported from Japan under the BL-Honda Agreement. This problem was solved through Commission contacts on both sides.¹⁰¹

There are no "local content" rules under EC law in respect of Japan. Any car for which any tariff duty payable has been paid can freely circulate in the Community market. The only case in which problems can arise at present concerns the Italian market because of the official restriction on direct imports. The rules on origin applicable in this case are general in wording with no reference to any specific level of local content.¹⁰²

The Commission does not intend to initiate a discussion on such rules for the Community. Any efforts to tighten the existing rules could divert Japanese investment projects from the Community to other countries where the rules would be softer yet still providing access to the Community market.¹⁰³ Furthermore, any move towards specific local content requirements could be dangerous, be it under GATT aspects, or by promoting protectionist tendencies in other countries from which the Community would suffer.

11.1.6 In the follow-up to the Council decision of March 1982, the Permanent Representatives Committee established a high level working party to consider the issues involved, from the point of view of the structural adjustment of industry linked with trade policy, in completing a Community policy within which European firms would be better able to develop positive strategies to meet Japanese competition. The working party focussed its attention on three case studies on the products already recognized as "sensitive" to imports from Japan, and among which passenger cars. After having met several times during the year, the working party has presented its report to the Council in December 1982. It states the common opinion that the industry itself has to promote its restructuration. However, the task of the public authorities would be to create a favourable economic environment. No agreement was found on some of the modalities to that effect, and in particular whether the existing differences concerning car imports from Japan should be eliminated.

11.1.7 Another major aspect of automobile-related trade policies with Japan concerns the opening of the Japanese market to EC car exports. There are in fact not many European Community cars imported into Japan, and their numbers dwindled from 41.943 in 1979 to 26.626 in 1981, a decline of 36,5%. However, there was an increase in 1982, with imports rising by 17,2% to 31.205 units. Thus EC makes took just over 1% of the Japanese market.

The Commission does not of course seek any bilateral balance with any given country in any particular sector. However it is regarded as essential for smoothing tensions in trade with Japan that there should be better potential access to the Japanese market. Thus, streamlining of the Japanese car homologation procedures has been the subject of discussions for several years now. Japan which has eliminated tariffs on cars, has also removed a number of administrative barriers in its car homologation procedures;¹⁰⁴ these and other measures taken in early 1982, and in January and March 1983 as part of packages aimed at improving market access have therefore been appreciated as steps in the right direction. Discussions on other, sometimes detailed, problems continue.

It is to be observed that the commitment of EC manufacturers to the Japanese market is increasing with one European model having received type approval in Japan (VW Rabbit), and two producers having established wholly-owned distribution networks (BMW, BL).

11.1.8 In accordance with its position on the link between stabilization of trade relations and external investment/industrial co-operation, as explained in the Statement 1981, the Commission considers that industrial co-operation and Japanese investment in the Community are both welcome provided that similar opportunities for co-operation and investment exist for European undertakings in Japan. Japanese investment in the Member States should be encouraged in particular in so far as it may have a positive effect on the employment situation in the Community and on exchanges of technology.

The major co-operation ventures and investment projects involving the Community and Japan¹⁰⁵ include:

- British Leyland is already producing the Honda Ballade under licence in the United Kingdom and selling it, with some modifications, as the Triumph Acclaim. British Leyland and Honda have also reached agreement whereby both will build a jointly designed executive car to be sold in Europe and Japan.

- Nissan has considered the possibility of setting up a 200 000 car per year plant in the United Kingdom. No decisions have yet been reached. If the scheme goes ahead, it will be the largest Nissan plant outside Japan.

- VW and Nissan have reached an agreement to produce the Santana model in Japan. Production will begin in 1983 on a level of approximatively 60 000 units per year.

- Alfa Romeo and Nissan have agreed to establish a joint venture named ARNA for the production of small cars in southern Italy. Nissan will supply the bodies from Japan and they will be matched with Italian engines and other mechanical equipment. The cars will be sold mainly through the Alfa networks in Europe - they are for Europe only - after production begins in 1983 at the rate of 60 000 a year.

Japanese manufacturers have also become active in Spain. Nissan, in particular, has acquired an interest in Motor Iberica held by Massey Ferguson in 1980. It has increased its share in Motor Iberica from 36% to 54,7% in 1982.

11.2 UNITED STATES

There are no genuine bilateral trade issues with the United States in the automobile sector. However, the Commission has sought to keep close contacts with the US authorities in order to compare the moves towards adjustment and strategies adopted on both sides, to meet Japanese competition. In this context, the Japanese commitment for self-limitation vis-à-vis the US¹⁰⁶ of May 1981 forced the Commission to request the Japanese authorities that there should be no deflections to the Community of cars which would otherwise have been shipped to the US. The Commission is now closely following the discussions on "local content rules". The purpose of the bills providing such rules is to force foreign manufacturers to locate manufacturing in the US, and to keep local manufacturers away from purchasing abroad. The administration strongly opposes the bill and its chances seem to remain slim, especially in the wake of the agreement between General Motors and

Toyota for joint car production in the US, of February 1983, and in case of a renewal of the Japanese self-restraint measures vis-à-vis the US. The Commission has explained its reservations to the US authorities for reasons of GATT conformity and economic consequences.

In the area of technical regulations, there are frequent contacts in particular with the US National Highway Traffic Safety Authority (NHTSA) on matters such as safety, environment protection, etc.

11.3 ENLARGEMENT - IRELAND, GREECE, SPAIN, PORTUGAL

11.3.1 IRELAND

According to Protocol No. 7 of the Act of Adhesion, Ireland has to ensure full compliance in the automobile sector with EEC rules and more particularly with the principle of free circulation, from the beginning of 1985 onwards. Under the present transitional period, imports of fully built-up vehicles are still tied to a specific level of local assembly. Whereas this system has temporarily led to substantial assembly operations and exports, numerous producers (European and Japanese) have successively decided to close down their operations in Ireland.

11.3.2 GREECE

Greece has been allowed, under the Act of Adhesion,¹⁰⁷ to maintain quantitative import quotas on buses both from EC-9 (Article 36 of the Act) and from certain third countries (Article 115 of the Act). The transitional period during which these measures may be maintained, is scheduled to end on 31 December 1985, and the quotas are to be increased annually until 1985. In order to make the situation more transparent on this point, the list of import quotas annexed to Regulation No. 288/82¹⁰⁸ has been amended in Regulation 899/83 by a more-specific indication of the products involved.¹⁰⁹ Certain adaptations of the Greek import quotas are also imminent, e.g. as regards Tunisia.¹¹⁰

Furthermore, the adhesion of Portugal to the Community would require certain changes in the transitional arrangements with Greece (cf. below).

11.3.3 SPAIN

Trade in automobile products between the Community and Spain has increased substantially over the last few years. Among the factors enhancing this development, particular reference should be made to the Spanish restructuration plan of 1979¹¹¹ which basically seeks to encourage large vehicle manufacturers to produce a smaller range of models, by enabling them to import models they do not produce in Spain and by allowing them to buy more components from abroad.¹¹² Spain now enjoys a considerable surplus in automobile-related trade with the Community. It stood at over 550 mio ECU in 1981, compared with 45 mio ECU in 1976. However, in 1982, a considerable increase in EC exports to Spain meant that this surplus was reduced to just under 375 million ECU. Broken down between cars and commercial vehicles on the one hand and car parts on the other, however, there are two different developments: whereas Spain records a surplus in shipment of completely built-up vehicles,¹¹³ the balance in trade of car parts is in favour of the Community.¹¹⁴

It follows from this pattern that Member States whose car manufacturers have invested in Spain generally have a less marked one-sidedness in automobile trade with Spain.

There has been growing concern in the Community, particularly in the United Kingdom, about the imbalance of these trade flows.¹¹⁵ Widespread attention has been drawn to the disparities in import duties on both sides, as established under the preferential trade agreement of 1970,¹¹⁶ as well as to the 60% local content rule in Spain.

In March 1983, Spain offered to open a tariff quota for 1983 for two categories of passenger cars, in an effort to bring more balance into its car trade balance. For 5000 units in the 1300-1600 cc bracket (including 1275cc), the import duty would be 19%, and for 10.000 units in the 2000-2600 cc bracket (including 1994cc) the tariff duty would be 25%. This represents in both cases a reduction from the normal duty of 36.7%.

11.3.4 PORTUGAL

The Commission's discussions with the Portuguese authorities center on the implementation of the 1979 protocol on automobiles, under which Portugal has maintained a number of import quotas on cars from the Community. The protocol is scheduled to expire at the end of 1984.

Consideration is also given in this context to car trade between Portugal and Greece, Greece itself maintaining transitional import rules until December 1985, under Article 36 of the Act of Adhesion (cf. above point 11.3.1), concerning buses. The Commission intends to propose an expansion of the Greek import quota in order to make it include Portugal if necessary.

11.4 AUSTRALIA

The Community has been involved in bilateral and multilateral discussions and negotiations with the Australian authorities since 1975, following the introduction in Australia of special protective measures (quotas, tenders, additional duty of 12.5%) to supplement the duty of 45% (bound in GATT). The level of the quota is fixed on a yearly basis to give Australian producers 80% of the Australian market - the remaining 20%, which is left for imports, is mostly supplied by Japan whose share of the Australian import market has gradually increased and is around 85%. Because of the cumulative impact of these protective elements, the Community's share of the Australian import market has been eroded, and is now around 12%.

In December 1981, the Australian Government announced its policy for post-1984 assistance arrangements- these were to comprise a tariff quota (duty of 57.5%) and a tariff duty, beyond the basic quota of 150%. In addition a part of the tariff quota is to be allocated by tender.

Although the size of the basic quota was to be increased, the level of protection and the incidence on Community cars (high-priced) is excessively high. The new Australian Government has not yet decided regarding the future level of assistance to industry in general and to motor cars in particular. The Commission has recently reiterated its preoccupation to the Australian authorities to the effect that the position of EC exports to Australia should be safeguarded.

11.5 REGULATORY MATTERS - SWEDEN, SWITZERLAND

Both neighbouring countries, linked to the Community by Free Trade Agreements, present important markets for the EC car manufacturing industry and important links exist, in particular with Sweden's car manufacturers (e.g. Renault-Volvo). Besides following the development of industrial co-operation and the evolutions in the market place, the Commission has paid particular attention to the policies in the area of standards. As regards Switzerland, the focus has been on exhaust emission standards which have become more vigorous in October 1982 and will do so again in 1986 following decisions made in October 1981.¹¹⁷

Discussions with Sweden also concern air pollution standards and more particularly intentions in the country to introduce lead-free petrol. In both cases, as large a degree as possible of conformity in standards is being sought in order to minimize the negative impact on free trade in automobiles.

11.6 IMPORTS FROM STATE TRADING COUNTRIES

Registrations of COMECON cars in the Community rose from about 85.000 in 1980 to 119.000 in 1982, an increase of 40%. Given that the total EC market remained stable over this period, COMECON penetration went up from 1% to 1.4%. Markets shares vary however, at national level, and they are particularly high in Denmark, where the increase was from 7% in 1980 to 15.3% in 1982, and in Belgium, with the corresponding figures being 3.2% and 5.4%. As almost all cars originating from COMECON countries are of less than 1500 cc, their significance as competitors to EC models must furthermore be seen against the size of the small car market segment only.

Prices of COMECON cars are normally considerably below those of comparable EC models, and they tend to be technologically lagging behind. The prices have increased less, in many cases, over recent years, according to BEUC publications. The most important makes are LADA (USSR) and SKODA (CSSR).

Import arrangements applicable to imports of cars from the COMECON countries¹¹⁸ are laid down by Regulation 3286/80¹¹⁹. According to this Regulation, quantitative restrictions only apply to imports into Italy,

whereas imports into other Member States of the Community are liberalized, except for certain specific provisions that apply to Ireland under Protocol No. 7 of the Treaty of Accession.

The import quotas to be opened for 1983 are specified in Council Decision No. 82/971/EEC,¹²⁰ according to which Italy must open quotas for motor vehicles and parts imports from Hungary, USSR, CSSR, Roumania.

Italy has received the authorization from the Commission to exclude cars of USSR origin from free circulation of goods under Article 115 of the Treaty. The Commission's decisions are published together with those concerning Japanese cars (cf. above point 11.1.5).

- 1) COM(81)317, published as Supplement 2/81 to the Bulletin of the European Communities.
- 2) O.J. No. C 28 of 9.2.1981.
- 3) O.J. No. C 230 of 10.9.1981.
- 4) On imports of Japanese cars into the EC; on the Community car industry; on competition in the automobile market; cf. O.J. No. C 42 of 14.2.1983.
- 5) Bureau Européen des Unions de Consommateurs.
- 6) cf. Written Question No. 1361/82 by Mr. Rogalla, O.J. C 58 of 2 March 1983.
- 7) Directive 70/156/EEC of 6 February 1970, OJ L 42 of 23 February 1970, p. 1.
- 8) cf. Written Question No. 1515/81 by Mr. Michel, O.J. C 118 of 10.5.1982.
- 9) cf. Written Question No. 361/82 by Mr. Normanton, O.J. C 225 of 30.8.1982.
- 10) cf. Written Question No. 1527/81 by Mr. Collins, O.J. C 98 of 11.4.82.
- 11) "Differences between car prices in the UK and Belgium", Ashworth, Kay, Scharpe, Institut for Fiscal Studies, Oxford, Report Series No. 2, 1982.
- 12) cf. Written Question No. 101/82 by Mr. Welsh, O.J. C 188 of 22.7.1982.
- 13) Based on figures included in the 1982 BEUC report.
- 14) In 1982 57.7% of all new cars sold in the UK were produced outside the Country.
- 15) cf. Written Question No. 1585/81 by Mr. Hord, O.J. C 92 of 13.4.82. and Written Question No. 1829/82 by Sir James Scott-Hopkins, O.J. C 111 of 25.4.1983.
- 16) cf. Written Question No. 1961/81 by Mr. Batterby, O.J. C 221 of 25.8.1982.
- 17) cf. Written Question No. 1589/82 by Lord Douro, O.J. No. C 100 of 13.4.1983.
- 18) O.J. No. L 256 of 2.9.1982.
- 19) O.J. No. L 258 of 2.10.1982.
- 20) O.J. No. C 295 of 11.11.1982.
- 21) Court of Justice of 13.11.1975, in Case No. 26/75 (ECR 1367 - General

Motors Continental).

- 22) cf. Written Question No. 2351/82 by Mr. Hume.
- 23) cf. Written Question No. 2188/82 by Mr. Glinne.
- 24) cf. Written Question No. 573/82 by Mr. Couste, O.J. C 266 of 11.10.1982.
- 25) cf. Written Question No. 393/81 by Mr. von Hassel and Mr. Muller-Hermann, O.J. C 338 of 28.12.81. Also cf. Written Question No. 1299/82 by Mr. Bonde, O.J. C 25 of 31.1.1983.
- 26) Draft Commission Regulation (EEC) on the application of Article 85(3) of the Treaty to certain categories of motor vehicle distribution and servicing agreements, O.J. C 165 of 24.6.1983.
- 27) O.J. L 29 of 3.2.1975.
- 28) On windscreens, O.J. C 119 of 16 November 1972, tyres, O.J. C 37 of 14 February 1977, weights and dimensions of certain motor vehicles, O.J. C 15 of 20 January 1977.
- 29) There is a total of 20 Directives pending, cf. Written Question No. 778/82 by Mrs. Boot, O.J. C 287 of 4 November 1982 and Written Question No. 1498/81 by Mr. Moreau, O.J. C 85 of 5 April 1982.
- 30) O.J. L No. L 14 of 19.1.1980.
- 31) Article 7, para 1 cf Directive 70/156/EEC, O.J. L 42 of 23.2.1970.
- 32) An example of this is the Commission's proposal for a Council Directive amending Directive 76/756/EEC on the approximation of the laws of the Member States relating to the installation of lighting and light-signalling devices on motor vehicles and their trailers (O.J. C 279 of 22.10.1982) which goes beyond what Member States have made obligatory at national level. The European Parliament has emphasized the practical advantages which this device would have, in a resolution adopted on 11 February 1983.
- 33) O.J. No. L 47 of 18.2.1977.
- 34) Communication to the Council COM(83)58 of 9.2.1983.
- 35) Both aspects have been included in the Community's Third Action Programme (1982-1986) on the Environment (Council Resolution of 3 December 1982). O.J. No. C 46 of 17 February 1983.
- 36) In the context of the adoption of the Amendment Directive 77/212/EEC
- 37) Directive 78/1015/EEC, O.J. No. L 349 of 13.12.1978.
- 38) Directive 81/334/EEC, O.J. L 131 of 18.5.1981.
- 39) Directive 78/665/EEC, O.J. L 223 of 16.8.1978.
- 40) O.J. C 181 of 19.7.1982.

- 41 O.J. No. C 346 of 31.12.1982.
- 42) O.J. No. L 197 of 20.7.1983.
- 43) O.J. L 197 of 22.7.1978.
- 44) cf. Written Question No. 1588/81 by Mr. Seefeld, O.J. C 85 of 5.4.1982.
- 45) O.J. No. C 184 of 11.7.1983.
- 46) Directive 82/884/EEC, O.J. L 378 of 31.12.1982.
- 47) Commission Directives No. 82/318/EEC and 82/319/EEC of 2 April 1982, O.J. No. L 139 of 19.5.1982; and Council Directives 81/575/EEC, 81/576/EEC and 81/577/EEC of 20 July 1981, O.J. No. L 209 of 29.7.1981.
- 48) cf. Written Question No. 366/82 of Mr. de Ferranti, O.J. C 262 of 6 October 1982.
- 49) cf. Written Question No. 1299/82 of Mr. Bonde, O.J. C 25 of 31.1.1982.
- 50) cf. Written Question No. 683/82 by Mr. von Wogau, O.J. C 271 of 14.10.82.
- 51) cf. Written Question No. 679/82 by Mr. von Wogau, O.J. C 225 of 30.8.1982 and No. 1767/81 by Mr. Cecovini, O.J. C 126 of 17.6.1982, as regards special taxes imposed by France on heavy passenger cars of foreign origin.
- 52) cf. Written Question No. 22/82 by Mr. Rogalla, O.J. C 262 of 6.10.1982 ; Written Question No. 66/82 by Mr. Jürgens, O.J. No. C 198 of 2.8.1982; Written Question No. 1597/82 by Mr. Schieder, O.J. C 62 of 7.3.1983.
- 53) O.J. C 267 of 21.11.1975.
- 54) O.J. C 53 of 8.3.1976.
- 55) O.J. L 105 of 23.4.1983.
- 56) COM(83)870 final of 25.1.1983.
- 57) cf. Written Question No. 1730/82 by Mr. Megahy and Mr. Seal, O.J. C 100 of 13.4.1983.
- 58) O.J. No. L 103 of 2.5.1972.
- 59) O.J. No. L 87 of 30.3.1974.
- 60) O.J. No. L 6 of 10.1.1975.
- 61) O.J. No. C 214 of 21.8.1980.
- 62) cf. Written Question No. 1676/81 by Mr. Jackson, O.J. No. C 98 of

19.4.1982.

- 63) O.J. L 375 of 31.12.1980.
- 64) O.J. C 149 of 18.6.1980.
- 65) Directive No. 80/1268 of the Council, O.J. No. L 375 of 31.12.1980.
- 66) O.J. C 229 of 2.9.1982.
- 67) cf. Written Question No. 1494/81 by Mr. Moreau, O.J. C 92 of 13.4.1982.
- 68) O.J. No. L 174 of 21.6.1982.
- 69) O.J. C 163 of 30.6.1982, as regards technical ceramics and O.J. C 171 of 9.7.1982, as regards the other research areas.
- 70) cf. Written Question No. 1047/82 by Mrs. Quin, O.J. C 298 of 15.11.1982.
- 71) cf. Written Question No. 1348/81 by Mr. Moreland, O.J. C 38 of 15.2.1982.
- 72) EUR 7389 EN, 1982.
- 73) COST: (European Co-operation in the Field of Scientific and Technical Research), created in 1971, forms a framework and forum for research co-operation at European level beyond the Community.
- 74) COM(82)865 of 21.12.82 and COM(83)260 of 24.5.1983.
- 75) cf. the advance notice for participation in ESPRIT pilot projects, O.J. C 276 of 19.10.1982 and the Commission's Communication to the Council COM(83)258 of 2.6.1983.
- 76) Further studies on the present strategies of car manufacturers and on the long-term prospects world-wide, and in which the Commission takes a certain interest, include: - Long-Term Perspectives of the World Automobile Industry (OECD); - Transnational Corporations in the International Auto Industry (UN Centre on Transnational Corporations 1982).
- 77) cf. also the Eleventh Report on Competition Policy, point 215.
- 78) Commission Directive No. 80/723/EEC of 25.6.1980, O.J. L 195 of 29.7.1980; cf. also Tenth Report on Competition Policy, point 235.
- 79) cf. also the Annual Report of the Regional Fund, and the publication of sponsored projects in the Official Journal, e.g. O.J. C 246 of 20.9.1982, C 347 of 31.12.1982 and C 85 of 28.3.1983.
- 80) Not including sub-loans from EIB global loans allocated to the automobile sector. Sub-loans are included however in the sectoral breakdown given in the EIB Annual Reports.
- 81) Council Decision 78/870/EEC, O.J. L 298 of 25.10.1978.

- 82) Council Decision 82/268/EEC, O.J. L 116 of 30.4.1982, and Council Decision 83/308/EEC of 13 June 1983.
- 83) cf. Written Question No. 1496/81 by Mr. Moreau, O.J. C 118 of 10.5.1982. The preference to be given to small and medium-size companies is also enshrined in Council Decision 83/200/EEC (O.J. L 112 of 28.4.1983) concerning new NCI loans.
- 84) The EMF created a working group on automobile industries which met in October 1981 and in December 1982 with the Commission services present; the EMF has also organized, together with the Socialist Group of the European Parliament, a symposium on the future of the European automobile industry, in April 1982.
- 85) Robotics - Current events in the Federal Republic of Germany, France, Italy, Ireland, Scandinavia and the United Kingdom (Social Change and Technology in Europe, Information Bulletin No. 10 of November/December 1982).
- 86) The European Machine Tool Industry - Commission Statement, SEC(83)151 of 3.2.1983.
- 87) cf. also Written Question No. 1617/81 by Mrs. Hoffmann, O.J. C 129 of 19.5.82; and Written Question No. 363/82 by Mr. Fernandez, O.J. C 333 of 20.12.82.
- 88) A detailed account of the Commission's discussions with the Japanese authorities up until June 1981 is given in the reply to Written Question No. 1852/80 by Mr. Seal, O.J. C 247 of 28.9.81.
- 89) Regulations: No. 535/81, O.J. L 54 of 28.2.1981; No. 3595/81, O.J. L 361 of 16.12.1981; No. 3385/82, O.J. L 356 of 17.12.1982.
- 90) Regulation No. 653/83, O.J. L 77 of 23.3.1983.
- 91) cf. Written Question No. 1101/81, Mr. Beyer de Rijke, O.J. C 345 of 31.12.81.
- 92) cf. Written Question No. 938/81 by Mr. Radoux, O.J. C 323 of 10.10.1981.
- 93) This figure represents Japanese exports (recorded at customs) and does not correspond to the registration figure used elsewhere.
- 94) It must be pointed out that, since there is no uniform definition of an lcv in the Community, the figures for registrations supplied by the Member States, which are used to calculate the Japanese market share, do not refer to the same weight categories. They do not at all tally with the Japanese export figures. An additional problem is that the Japanese figures are expressed in loading capacity, which cannot be accurately converted to gross vehicle weight. The Commission, in co-operation with outside experts, is making strenuous efforts to resolve this problem and to harmonize the weight categories for statistical purposes.
- 95) Source: Japan Automobile Manufacturers Association (JAMA).
- 96) O.J. No. L 35 of 9.2.1982.

- 97) cf. Written Question No. 2119/80 by Mr. Damseaux, O.J. C 303 of 23.11.1981.
- 98) O.J. No. L 46 of 19.2.1981; O.J. No. C 243 of 7.9.1982; O.J. No. C 14 of 18.1.1983.
- 99) O.J. No. L 301 of 22.10.1981.
- 100) O.J. No. L 88 of 2.4.1981 and O.J. No. C 243 of 7.9.1982.
- 101) cf. Furthermore, as regards Italy's requirement for a certificate of origin for car components: Written Question No. 680/82 by Mr. von Wogau, O.J. C 239 of 13.9.1982.
- 102) O.J. No. L 148 of 28.6.68. Articles 5 reads: "A product in the production of which two or more countries were concerned shall be regarded as originating in the country in which the last substantial process or operation that is economically justified was performed, having been carried out in an undertaking equipped for the purpose, and resulting in the manufacture of a new product or representing an important stage of manufacture."
- 103) A 60% local content rule is included, on a mutual basis, in preferential rules of origin agreed between the Community and EFTA countries and Spain, and under the Community's General System of Preferences. Korea is the main car exporter benefitting from GSP, cf. O.J. L 363 of 23.12.1982, p. 47. As from 1 April 1983 onwards, alternative and simpler rules of origin apply vis-à-vis the EFTA countries, cf. O.J. L 385 of 31.12.1982.
- 104) For details, cf. the reply to Written Question No. 1497/81, by Moreau, O.J. C 126 of 17.5.1982.
- 105) For other EC-Japan co-operation projects, also in other sectors, cf. reply to Written Question No. 2100/80 by Mr. Couste, O.J. L 186 of 27.7.1981.
- 106) 1.68 mio units in April 81-March 82, renewed for April 82-March 83, and for April 1983-March 1984.
- 107) O.J. L 291 of 19.11.1979.
- 108) O.J. L 35 of 9 February 1982.
- 109) O.J. L 103 of 21 April 1983.
- 110) cf. O.J. C 115 of 28.4.1983.
- 111) Décret-loi No. 816/79 of 5.4.1979, cf. Written Question No. 1495/81 by Mr. Moreau, O.J. C 98 of 19.4.1982.
- 112) cf. Written Question No. 376/81 by Mrs. Lizin, O.J. No. C 222 of 2.9.1981 (including particular references to the investment project of General Motors in Spain).
- 113) Spanish passenger car exports to the EC, 1982= 390 000 units; Spanish passenger car imports from the EC, 1982 = 54 000 units.

- 114) The EC surplus with Spain was 504,7 mio ECU in 1982 (EC exports: 855,3 mio ECU, EC imports: 350,6 mio ECU).
- 115) cf. Written Question No. 1118/82, Mr. Jackson, O.J. C 43 of 14.11.82, and Written Question No. 1552/82, Mr. Megahy, O.J. C 43 of 14.2.1983.
- 116) Preferential import duties are: for cars: 36.7% in Spain; 4.2% in the EC. For car components; 16.3% in Spain; 4.0 or 2.5% in the EC.
- 117) cf. Written Question No. 1087/81 by Mr. Catherwood, O.J. No. C 12 of 18.1.1982.
- 118) cf. Written Question No. 2230/82 by Mr. Jackson.
- 119) O.J. L 353 of 29 December 1980.
- 120) O.J. L 387 of 31 December 1982.

PART TWO: PERFORMANCE OF THE EC CAR MANUFACTURERS AND
MARKET DEVELOPMENTS

This chapter serves to illustrate the importance of the automobile industry to the EC economy, and also to show that the last two years have been somewhat difficult ones for the industry.

During this period, the adaptation process has continued to require heavy investment, coinciding with stagnant and sometimes declining demand, and with stiff import competition. In this difficult environment, the EC car manufacturers introduced a large number of new models, partly involving new production processes, management practices, and components supply strategies, at a cost of very roughly 500 m \$ per model. Their profit situation was on the whole accordingly difficult, and about half of them scored net losses in 1981.

Expenditure programmes will continue, with yearly amounts estimated to be in the order of 2.5-3 bn ECU in Germany, 1.5-2 bn ECU in France, 3-3.5 bn ECU in the U.K. and 4-4.5 bn ECU in Italy (Source: Marketing Systems).

The immense efforts made by the industry, since a couple of years, started bearing fruits in 1982 when market shares were won back from Japanese makes in the Community and some extra-EC markets. Improvements in sales were however not big enough to make good for on-going expenditure programmes and for difficulties overseas in certain cases. The overall financial situation in the auto industry has not therefore seen a substantial recovery, although some companies have come nearer to the break-even point and expect to reach it soon.

Demand was in fact down by 5.1% in the EC car markets in 1981 (on which the EC manufacturers rely to a proportion of some 80% of their total sales), and world demand slumped by 3% in that year.

In 1982, the situation improved a little in the Community whereas world demand declined again, with some positive regional developments, especially in Scandinavia and some other non-EC countries of Western Europe.

As for the Community's main competitors, the USA went through a very difficult period, with car production falling sharply and sales declining as well. After a slow start to 1982, Japan almost maintained its 1981 level of car production although commercial vehicle output decreased considerably. Japan's exports of all vehicles were down considerably in 1982.

1. Production, demand in 1981/82

1.1 Passenger cars

In general terms, one can speak cautiously of a slight recovery in the Community passenger car sector in 1982. Production has increased and exports have been maintained in a shrinking world market. However, many problems still remain, notably the lack of any real increase in demand during the year.

At the level of the Member States, the improvement of French and German car production and exports has meant that the EC car output has increasingly centred on these two Member States, given the continuing decline of UK production and the fall in output in Italy.

1.1.1 Production (cf. Annex 1)

Production of passenger cars fell by 5.1% in the EC during 1981 to just under 8.7 million vehicles. However, the Community was not alone in suffering decline, since output fell by 2.1% in the USA, 0.9% in Japan and 4% in the world as a whole. The EC accounted for 30.3% of the world's production, as against 30.7% in 1980.

Among the Member States, the only major producer to increase its output was Germany, with a 1.6% rise in production. France and Italy suffered considerable decline (11 and 13% respectively), while the fall in UK output continued (down by 3.6%).

However, in 1982, the fall in EC production was reversed and output rose by 4% to 9.06 million units. This was mainly due to a rise of more than 5% in Germany's production, generated by increased exports (see below), and by 6% increase in French output, over the low level of 1981. These two countries accounted for 72% of EC car production. However, British production continued to fall, to below 900.000 in 1982.

The rise in EC output contrasted sharply with the 19% fall in US production during the period, while output in Japan remained more or less stable (falling by 1%, but showing an increase during the second half of 1982).

1.1.2 Demand (cf. Annex 2)

New registrations in the Community were down by 2.3% in 1981 to just over 8.4 million units. This was less than the 3.3% overall decline in the world and meant that in 1981 the EC had exactly 30% of the world's car demand, a rise of 0.3% on 1980. During 1981, demand in Japan remained fairly stable, while in the USA it declined by 3.5% to 8.44 million vehicles.

At the level of the Member States, the only major market to register an improvement was Italy (1.5%). Germany (-4%) and France and the UK (-2%) underwent a fall in demand. There was a considerable fall in new registrations in the Benelux countries (14% for the Netherlands and 6% for Belgium).

In 1982, there was a 1% increase in EC demand. A stimulation of demand in France has led to an increase of more than 12% in new registrations and in the UK market demand increased by 5%. However, this has been evened out by the increasingly depressed state of the German market (-7.5%) and a slight decline in sales in Italy.¹ The Benelux market has remained at the 1981 level, while the small Member States present a volatile pattern in car demand. In Greece demand is recovering from the low level of 1980 which was caused by an increase in taxation. Conversely, in Ireland, a prebudget rush to purchase new cars at the end of 1981 has contributed to a relatively sluggish level of sales in 1982, in the wake of higher taxes.

However, when compared to the USA, the EC did not fare too badly. Here domestic demand fell by 8.2% during 1982, despite a big improvement during the fourth quarter. On the other hand, there was a marked rise in Japan (6%), and this contributed to a reduction in Japanese exports. (See below.)

1.2 Commercial vehicles

Although most attention has so far been focussed on the light commercial vehicle sector, with particular reference to Japanese penetration, the aim of this section is to cover the whole range of commercial vehicles.

The sharp fall in production of commercial vehicles in the Community in 1981 was not reversed in 1982. Demand has remained sluggish and exports showed no marked increase despite a fall in Japanese shipments abroad. In fact, the Japanese increased their exports to the EC towards the end of 1982 and maintained a high share of the light vehicle market for the year as a whole.

1) Sales (not new registrations) figures are used here for Italy, since they reflect the up-to-date state of the market.

The Community is still a very successful net exporter of commercial vehicles (the export/import ratio is considerably superior to that of cars) (see Annex 19) and exports a higher proportion of heavier vehicles.

At the level of the Member States, the most encouraging sign during 1982 was the increase in UK production, which still enables it to be considered along with France and Germany as a major producer.

In the United States, production and demand have started to pick up following the drastic slump of 1980, but in Japan a combination of a decline in home demand and a depressed export market has led to a considerable fall in output during 1982, after a successful year in 1981.

1.2.1 Production (cf. Annexes 4 and 6)

In 1981, production in the Community declined by 16.2% in 1981, standing at 1.18 million vehicles. The biggest falls occurred in the 0-2 ton sector (-26%), and the 4-8 ton group (-25%). The overall fall in Community output was mainly due to a 41% decline in British production, which fell to 230.000. There was also a decline in output in Germany and France, and only Italy (+5.9%) increased its production. Japan is the world's main producer of commercial vehicles, especially of light vehicles, and its production rose by 5% in 1981 to over 4.2 million vehicles (43% of world production). This was mainly due to a rise of 24% in "light van" production. In the USA, however, a sluggish home market, and pressure from Japanese imports, led to a collapse of commercial vehicle production in 1980, when it fell to 1.67 million units. Despite a 2% rise in 1981, output stood at less than half the 1977 level.

1982 did not bring about an upturn in commercial vehicle production in commercial vehicle production in the EC, unlike in the passenger car sector. Output has fallen more slowly (-2,9%), but the only bright spot has been a recovery of production in the UK (up 17%). Production has continued to fall in the other Member States.

In contrast, US production seems to be pulling itself up from the low levels of 1980/81, and showed a 12% rise during 1982. However, Japan's production decreased by 8% over the same period, in the wake of a depressed home market and a decline in exports. (See below.)

1.2.2 Demand (cf. Annexes 5 and 7)

In 1981 new registrations of commercial vehicles declined by 6% to 1.01 million units. The majority of EC markets were in decline in 1981, with the exception of Italy (where registrations jumped by 17%), France and Greece. The other Member States registered a sharp fall in demand, particularly the UK (-20%) and Germany (-15%).

In the US, there was a fall of 12% in demand, while in Japan it increased by 4.6%. The overall rise in demand in Japan was due to a 27% rise in registration of "midget" vehicles, which now account for almost half the Japanese market. Similarly, in the EC the smallest decrease in demand occurred in the 0-2 ton class (-2.7%). Demand for commercial vehicles in Japan has risen more rapidly than for cars over recent years and commercial vehicles now occupy 38% of the vehicle parc there, as against 9% in the EC and 22% in the USA.²

In 1982 there was a 2% increase in EC demand for commercial vehicles. Most Member States, notably France (+8%) and the UK (+6%) have shown a growth in demand, with the exception of Germany, where the market continues to be very depressed and registrations have dropped by 17% to 124.000 units, and the Benelux countries.

2) L'Argus (1982).

Unlike in the passenger car sector, commercial vehicle demand in Japan fell during 1982 (by 2%). However, United States' demand had picked up considerably - new registrations showing an 11% increase during this period.

2. Trade in automobile products (cf. Annex 19)

2.1 The EC remains a huge net exporter of automobile products (exports of 24 billion dollars and an export:import ratio of 3:1 in 1981). However, it was overtaken by Japan as the world's major exporter in 1981, and Japan's trade surplus is almost twice as high as that of the Community because of the paucity of its imports. By contrast, the United States had a 12 billion dollar trade deficit in this sector in 1981.

2.2 Importance of automobile products in total extra-EC trade

Exports of automobile products³ accounted for 8.5% of extra-EC exports in 1981, compared to 8.3% in 1980. The upward trend has continued in 1982 (8.7%).

On the import side, the corresponding figures are considerably smaller, namely in the order of 2.5%.

By comparison with the US and Japan, the Community stands in the middle. For the US, the export share was 6.8% and the import share 10.1%, in 1981. Automobile exports of Japan accounted for 19% of total exports, whereas the figure for the import share was 0.3%.

3) For the purpose of this section defined as SITC 781-4 or NIMEXE 87.02-87.06 (engines therefore not included).

2.3 The importance of the Internal Market (Annex 18)

Another aspect of EC automobile trade is the relative importance of Intra-trade (i.e. trade between the Member States) and Extra-trade (with non-EC countries).

The development of trade during the period 1979-82 (Annex 18) enables the following conclusions to be drawn:

(i) The Community as a whole has retained a high share of its internal market. In 1982, over 77% of imports of EC Member States were from other Member States.

(ii) The Community has considerably increased its exports to third countries. Between 1979-82, "Extra-EC" exports rose by 46%. However, "Intra-EC" exports still accounted for 52% of total exports. (In ECU value).

2.4 Exports and imports of passenger cars⁴

Exports (cf. Annex 9)

The EC's exports, in the wake of its fall in production, were 3% down in 1981, totalling 1.79 million, and represented 20.6% of production. The Community's share of third markets on the whole remained at just over 10%.

Germany is the main exporter of passenger cars among the Member States. In 1981, its exports amounted to 809.000 vehicles, but this still represented a fall of 5% on 1980. The extra-EC exports of Italy fell by 24%, while French and U.K. exports rose, by 2% and 8% respectively.

4) In the case of EC, references to "imports" or "exports" always imply "extra"-EC imports or exports (i.e. to countries outside the Community).

It should be noted that the structure of UK car exports is unique among the Member States, since about 60% are destined for countries outside the Community.

In 1982, EC exports remained at the 1981 level. German exports rose by 5% to regain their level of 1980, and French shipments continued to rise (by 8%), helped by exports of the Renault Alliance to the USA. On the debit side, Italian exports continued to slide, and UK exports fell by nearly 20%.

Japan's exports remained at 3.95 million in 1981, and it is far and away the world's largest exporter (47% of total in unit terms). Its share of third markets went up to 19.3% from 18.2% in 1980, since it maintained exports in a declining market.

However, in 1982 Japan's exports declined by 5% to 3.77 million units.

The USA is less important than the Community or Japan as a car exporter. Shipments abroad (including those to Canada), declined by 12% in 1981 and by 34% in 1982, totalling 360.000 units.

Imports (cf. Annex 10)

EC imports fell by just over 5% in 1981, due mainly to sluggish domestic demand and a reduction of shipments from Japan. The Community took about 16% of world imports. Germany, France and the UK are the main EC importers - Germany and the UK because of their high level of Japanese imports and France because of the large number of cars re-imported from Spain.

Sales of imported makes in the USA dropped by 2% in 1981, while Japan's imports fell by 33% to only 32.000.

The level of import penetration in 1981 was: EC - 15,4%, USA - 28,8%, Japan - 0,9%.

In 1982, EC imports continued to fall by 1.5%, thanks to a 26% decline in German imports. Other Member States' imports (especially France - +32%) rose. However, for the Community as a whole there was a slight decline of import penetration.

The USA's imports also declined in 1982 by 5.7%, while in Japan they increased slightly to over 36.000 cars.

2.5 Exports and imports of commercial vehicles

Exports (Annexes 14 and 16)

EC exports of commercial vehicles stood at 276.000 in 1981 (an increase of 1.3% on 1980) of which Germany and France accounted for 90.000 vehicles each. In value terms, Germany is the most important, since 70% of its exports are of heavier vehicles.

Japan is by far the world's largest exporter of commercial vehicles with 2.02 million units in 1981, a rise of 3% on 1980.

However, there is much less difference between the EC's and Japan's exports when they are examined in value (5.2 billion dollars for the EC, 7.2 billion for Japan in 1981). This is due to the higher percentage of heavier vehicles in the Community's exports. The average unit value of the EC's exports was 19.000 dollars, compared to 3.500 for Japan and 14.000 for the USA, in 1981.

Using a distinction based on engine capacity one can say that only 55% of EC exports were of light vehicles, while these accounted for 82% of Japan's exports. EC exports of heavier vehicles rose by 18% in 1981, while those of light vehicles dropped by 9%. Around 40% of heavy vehicle production was exported, against 20% of light vehicles. Heavy vehicles accounted for 83% of the Community's commercial vehicle exports in value.

Indeed, a comparison of Annexes 6 and 7 confirms that the EC is a net exporter of 100.000 vehicles of over 8 tons G.V.W.

US exports in 1981 stood at around 168.000 (including exports to Canada).

During 1982, EC exports fell by 6%. Italy's exports were badly hit - down by 27% and only the UK was able to increase its exports (by 11%).

Exports from Japan declined by 12% during 1982.

Imports (cf. Annexes 15 and 17)

In 1981 the EC imports fell by 8% to 135.000 vehicles, and took just over 13% of the market in unit terms. Over 90% of the imports were light vehicles, mainly coming from Japan. The main importer in 1981 was Greece, with over 31.000 vehicles, mainly from Japan, a number of which are sent in kit form for assembly. The other two major markets are France and the UK. Germany imported 36.000 Japanese light vehicles in 1981, but most of these are counted as passenger cars.

EC imports rose by 15% in 1982, with France (+38%) showing a particularly marked increase.

In unit terms, the EC's export/import ratio is only 2:1. However, if the value of trade is taken into account, the Community's considerable export of heavy vehicles brings the ratio up to 6:1.

As in the case of passenger cars, Japan's market is virtually closed to imports - these did not even attain 1.000 units in 1981, and fell by 45% during 1982. Consequently, Japan is a huge net exporter of commercial vehicles.

In the United States, sales of imported makes rose by 2.6% in 1981 and by 7% in 1982. The USA became a net importer of commercial vehicles (in both value and units) for the first time in 1981.

2.6 Increasing importance of components (cf. Annex 19)

Over the last few years, the structure of the Community's automobile trade by product has changed. The components sector has grown in importance and in 1980 became the main source of the EC's export earnings in the sector. Despite a decline (in dollar value) in 1981, component exports still accounted for 37% of the EC's sectoral trade surplus, and for 32% of total sectoral exports, compared to 27% of both in 1975.⁵ The general increase in components exports can be put down to increasing international co-operation between car manufacturers and to the growth of production and assembly operations of EC manufacturers in third countries. This is illustrated by the main export markets for EC companies being the US (16% in 1981), Spain (9.4%, cf. point 10.3.3 above) and Sweden (8%). 61% of all exports went to industrialized countries.

In contrast to the above developments of exports, EC imports of components have shown themselves to be less important. In 1975 spare parts accounted for 28% of EC automobile imports, by 1981 only 24%. The Community's imports of complete vehicles (passenger and commercial) have progressed more quickly than those of components.

These trends were confirmed to some extent in 1982, when EC components exports rose by 38%, compared to a 30% increase in exports of all automobile products.

5) SITC 783 excluded.

PART THREE - ANNEXES

No.

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- 3 Japanese penetration of the EC passenger car market -
1970-82
- 4 Production of commercial vehicles - 1981-82
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Annex 1 Passenger car production 1981-82

Country	1981	% Change 81/80	1982	% Change 82/81
<u>EC</u>	8.695	- 5,1	9.056	+ 4,1
<u>of which:</u> Germany	3.577	+ 1,6	3.761	+ 5,1
France	2.612	- 11,1	2.777	+ 6,3
Italy	1.257	- 13,0	1.297	+ 3,2
U.K.	955	- 3,6	888	- 7,0
<u>Japan</u>	6.974	- 0,9	6.887	- 1
<u>USA</u>	6.280	- 2,1	5.097	-19

Annex 2 Passenger car registrations 1981-82

Country	1981	% Change 81/80	1982	% Change 82/81
<u>EC</u>	8.378	- 2,3	8.460	+ 1,0
<u>of which:</u> Germany	2.330	- 3,9	2.156	- 7,5
France	1.835	- 2,0	2.058	+ 12,2
Italy	1.735	+ 1,5	1.685	- 3,0
Netherlands	387	- 14	407	+ 4,5
Belgium/Lux	382	- 6,1	370	- 0,9
U.K.	1.485	- 1,9	1.555	+ 4,7
Ireland	106	+ 13,3	73	- 30,8
Denmark	72	- 2,6	85	+ 18,8
Greece	47	+ 31,4	72	+ 53,2
<u>Japan</u>	2.866	+ 0,4	3.038	+ 6
<u>USA</u>	8.444	- 3,5	7.754	- 8,2

Units: 000's vehicles

Sources: Marketing Systems/CLCA/
MVMA/JAMA

Annex 3

Japanese penetration of the EC automobile market

1) Passenger cars

	1970	1975	1976	1977	1978	1979	1980	1981	1982
Germany	0.1	1.7	1.9	2.4	3.7	5.6	10.4	10.0	9.8
France	0.2	1.5	2.7	2.6	1.8	2.2	3.1	2.7	2.9
Italy	0.02	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Netherlands	3.2	15.6	16.8	19.8	18.8	19.5	26.4	24.5	22.4
Belgium/Lux.	5.0	16.5	18.0	19.3	17.8	17.7	25.8	24.8	21.0
United Kingdom	0.4	9.0	9.4	10.6	10.9	10.8	11.9	10.9	11.0
Ireland	-	11.6	12.7	19.7	23.9	26.7	30.5	29.7	26.9
Denmark	0.4	16.1	19.0	17.4	18.0	14.4	30.9	24.2	25.3
Greece	14.6	10.8	15.1	19.1	13.8	16.4	49.4	48.3	45.0
EC 10	0.6	4.8	5.4	7.0	6.3	6.9	9.0	8.3	8.1

Source: Marketing Systems/National Associations

Units: % of total market (based on unit value)

Commercial Vehicle Production 1981-82Annex 4

	1981	% change 81/80	1982	% change 82/81
<u>EC</u>	1.177	- 16,2	1.143	- 2,9
<u>of which:</u> Germany	319	- 10,3	301	- 5,6
France	408	- 7,4	372	- 8,8
Italy	176	+ 5,9	156	- 11,4
U.K.	230	- 41,0	269	+ 17,0
<u>Japan</u>	4.206	+ 5,0	3.783	- 8
<u>USA</u>	1.701	+ 2,0	1.909	+ 12

Sources: Marketing Systems/CLCA/JAMA/MVMA

Commercial Vehicle RegistrationsAnnex 5

	1981	% change 81/80	1982	% change 82/81
<u>EC</u>	1.009	- 6,0	1.027	+ 1,8
<u>of which:</u> Germany	149	- 15,3	124	- 16,8
France	335	+ 3,5	363	+ 8,4
Italy	143	+ 16,6	151	+ 7,9
Netherlands	44	- 7,4	39	- 8,6
Belg./Lux.	29	- 12,6	28	- 5,9
U.K.	225	- 19,7	231	+ 6,0
Ireland	12	- 7,7	13	+ 5,7
Denmark	17	- 17,4	18	+ 13,1
Greece	60	+ 12,3	60	+ -
<u>Japan</u>	2.261	+ 4,6	2.201	- 2
<u>USA</u>	2.186	- 11,8	2.430	+ 11,2

Sources: Marketing Systems, CLCA, JAMA, MVMA

Units: 000's vehicles

Breakdown of production of commercial vehicles by gross vehicle weight EC, USA and Japan

European Communities				Japan				United States			
Class G.V.W.	1977	1980	1981	Class G.V.W.	1977	1980	1981	Class G.V.W.	1977	1980	1981
<u>0-2</u>	456	500	370	<u>Light vans</u>	523,2	668,0	828,6	<u>0-2.73</u>	1.325,7	592,3	629,0
<u>2-4</u>	381	444	416	<u>0-4</u>	1.899,7	2.360,0	2.345,5	<u>2.73-4.55</u>	1.723,1	794,2	816,4
<u>4-8</u>	112	125	94	<u>4-8</u>	499,6	745,3	794,2	<u>4.55-8.86</u>	29,3	9,0	3,6
<u>8-16</u>	154	127	103	<u>8-16</u>	58,1	68,5	69,8	<u>8.86-15.00</u>	204,9	150,0	136,8
<u>16+</u>	91	104	101	<u>16+</u>	44,3	55,2	51,5	<u>15.01+</u>	157,3	121,8	114,6
<u>Road Tractors</u>	56	54	53	<u>Road Tractors</u>	7,2	10,4	8,1				
<u>Buses</u>	57	53	42	<u>Buses</u>	48,5	91,6	102,8				
<u>TOTAL CV</u>	1.306	1.404	1.177	<u>TOTAL CV</u>	3.083,5	4.004,8	4.205,8	<u>TOTAL CV</u>	3.440,3	1.667,3	1.700,5

Sources: EC - Marking Systems
 Japan - JAMA
 USA - MVMA

Units: G.V.W. Metric Tonnes (gross vehicle weight)
No of vehicles 000's

In the case of Japan, G.V.W. is estimated by doubling the loading capacity.

Breakdown of new registrations of commercial vehicles by gross vehicle weight EC, USA and Japan

European Community				Japan				United States			
Class G.V.W.	1977	1980	1981	Class G.V.W.	1977	1980	1981	Class G.V.W.	1977	1980	1981
<u>0-2</u>	346	374	395	<u>Midget</u>	507,4	839,3	1.064,3	<u>0-2.73</u>	1.193,5	1.130,1	1.094,0
<u>2-4</u>	287	340	332	<u>Small</u> ⁰⁻⁴	1.031,8	1.144,2	1.046,4	<u>2.73-4.55</u>	1.887,4	1.078,1	863,6
<u>4-8</u>	84	90	90	<u>4-8</u>	68,6	74,0	61,0	<u>4.55-8.86</u>	78,3	10,6	14,3
<u>8-16</u>	66	65	58	<u>8-16</u>	7,2	8,5	5,9	<u>8.86-15.00</u>	178,5	143,5	118,1
<u>16+</u>	42	47	42	<u>16+</u>	40,6	47,3	36,6	<u>15.01+</u>	127,5	113,7	95,5
<u>Road Tractors</u>	28	32	32	<u>Road Tractors/Jeeps</u>	15,6	24,7	23,3				
<u>Buses</u>	28	29	21	<u>Buses</u>	22,9	23,4	22,9				
<u>TOTAL CV</u>	909	1.019	1.009	<u>TOTAL CV</u>	1.694,1	2.161,2	2.260,9	<u>TOTAL CV</u>	3.465,2	2.476,8	2.185,5

Sources : EC - Marketing Systems

USA - MVMA

Japan - JAMA

Units: G.V.W. Metric Tonnes (Gross Vehicle Weight)
No of vehicles 000's

In the case of Japan, G.V.W. is estimated by doubling the loading capacity.

Annex 8Japanese Penetration in EC Automobile Market(2) Light Commercial Vehicles

Country	1980	1981	1982
Germany	4,7	8,0	7,2
France	3,4	2,9	2,9
Italy		0,4	0,9
Netherlands	13,6	24,1	24,5
Belgium/Lux.	17,8	20,5	29,8
United Kingdom	11,8	18,8	11,6
Ireland	34,2	54,1	59,5
Denmark	33,3	36,3	37,6
Greece	61,3	67,1	77,0
<u>EC-10</u>	10,5	11,6	10,6

Source: CLCA/National AssociationsUnits: % of total market
(based on unit value)

Annex 9

Passenger car exports 1981-82

	1981	% 81/80	1982	% 82/81
EC	1.790	- 3,3	1.790	-
of which: Germany	809	- 4,9	849	+ 5,0
France	595	+ 2,1	640	+ 7,6
Italy	158	- 24,4	114	- 28,8
U.K.	168	+ 8,4	135	- 19,6
Japan	3.947	-	3.770	- 4,5
USA	545	- 11,7	360	- 34

Units: 000's vehicles

Source: Marketing Systems/JAMA/MVMA

Note: The figures for the EC countries are taken from industry sources; not customs statistics.

Annex 10

Passenger car imports 1981-82

	1981	% 81/82	1982	% 82/81
EC	1.481,6	- 5,3	1.459,8	- 1,5
of which: Germany	326,9	- 1,1	242	- 25,9
France	276,3	+ 9,3	364	+ 31,6
Italy	164,8	- 24,1	180	+ 9,2
U.K.	281,4	- 10,6	288	+ 2,4
Japan	32	- 31	36	+ 15
USA	2.432	- 1,5	2.293	- 5,7

Units: 000's vehicles

Sources: Eurostat/JAMA/Automotive News

Note: Customs statistics used for EC countries.

Annex 11

Passenger car imports from Japan as a percentage of total extra-EC imports, 1980-82

Year	(1) Total Extra-EC Imports	(2) Less imports from Spain	(3) Imports from Japan	(4) (3) as % of (2)
1980	1.547,6	1.131,6	847,1	74,9
1981	1.481,6	1.121,9	805,5	71,8
1982	1.459,8	1.062,2	725,5	68,3

Source: Eurostat
Units: 000's vehicles

Table 12

Geographical Breakdown of Japanese Vehicle Exports

1982

Destination of exports	Passenger Cars				LCV's (1)			
	1982	% 82/81	% share		1982	% 82/81	% share	
			82	81			82	81
<u>EC 10</u>	641,4	- 9,1	17,0	17,9	118,6	- 9,5	8,3	7,9
Germany	171,6	- 27,0	4,6	6,0	24,7	- 32,2	1,7	2,2
France	58,0	+ 33,3	1,5	1,1	10,6	+ 26,2	0,7	0,5
Italy	0,5	- 16,7	-	-	0,9	+125,0	0,1	-
Netherlands	77,5	- 24,8	2,1	2,6	7,9	- 34,2	0,5	0,7
Belg./Lux.	85,8	- 14,9	2,3	2,6	9,6	+ 1,1	0,7	0,6
UK	159,6	+ 7,4	4,2	3,8	22,6	- 24,4	1,6	1,8
Ireland	18,2	- 41,7	0,5	0,8	5,6	-	0,4	0,3
Denmark	26,4	+ 34,7	0,7	0,5	3,7	- 7,5	0,3	0,2
Greece	44,0	+ 90,5	1,2	0,6	33,0	+ 33,1	2,3	1,5
<u>Rest of W. Europe</u>	262,1	+ 10,6	6,9	6,2	73,6	- 11,8	5,1	5,1
<u>East Europe</u>	0,5	- 92,9	-	0,2	-	-	-	-
<u>North America</u>	1844,7	- 6,0	48,9	49,7	415,0	- 21,8	28,9	32,1
USA	1691,8	- 4,0	44,9	44,6	381,2	- 22,4	26,5	29,7
Canada	152,9	- 23,5	5,1	5,1	33,8	- 14,6	2,3	2,4
<u>Latin America</u>	139,4	- 31,8	3,7	5,2	63,9	+ 41,2	4,4	6,6
<u>Africa</u>	85,5	- 41,1	2,3	3,7	139,3	- 33,6	9,7	12,7
<u>Middle East</u>	341,9	+ 50,7	9,1	5,7	255,4	+ 44,5	17,8	10,7
<u>East Asia</u>	222,8	- 0,2	5,9	5,9	238,0	- 16,8	16,7	17,9
<u>Oceania</u>	222,5	+ 1,1	5,9	5,6	131,8	+ 3,8	9,2	7,1
<u>World</u>	3770,0	- 4,5	100	100	1437,0	- 13,1	100	100

Units: 000's vehicles/X

Source: JAMA

(1) LCV = Small + midget vehicles

Annex 13. EC and Japanese market shares in third countries (passenger cars) 1970-81

Destination	Japanese exports			EC exports			Japan market share		EC market share	
	1970	1981	% 81/70 ²⁾	1970	1981	% 81/70 ²⁾	1970	1981	1970	1981
Austria	3,2	46,2	+ 27,4	131,5	131,7	-	2,2	23,3	90,7	66,3
Finland	18,0	28,1	+ 4,1	63,8	43,5	- 3,4	17,1	26,8	60,5	41,4
Norway	7,0	38,4	+ 16,7	50,1	58,8	+ 1,5	10,5	36,7	75,2	56,2
Portugal	6,9	7,0	+ 0,1	57,7	41,2	- 3,0	10,6	8,8	88,8	52,0
Spain	-	6,7	-	13,4	166,0	+ 25,7	-	-	2,7	32,8
Sweden	1,1	27,5	+ 34,0	111,5	88,5	- 2,1	0,5	14,6	43,5	46,9
Switzerland	16,1	79,9	+ 15,7	198,5	186,2	- 0,6	7,1	27,4	87,8	63,8
Non-EC W. Europe	52,7	239,4	+ 14,8	641,3	722,4	+ 1,1	4,2	16,0	51,3	48,1
East Europe	0,4	6,9	+ 29,5	79,2	49,4	- 4,2	-	0,3	8,8	2,1
North America	404,5	2.013,8	+ 15,7	993,9	354,9	- 8,1	4,5	21,9	11,0	3,9
- USA	339,5	1.813,8	+ 16,4	909,5	323,6	- 9,0	4,0	21,5	10,8	3,8
- Canada	65,0	200,0	+ 10,8	84,4	31,6	- 8,6	10,2	24,9	13,3	3,9
Latin America	29,8	152,0	+ 16,0	108,1	122,0	+ 1,1	3,7	11,7	13,5	9,4
Asia (ex. Japan)	63,9	462,6	+ 19,7	144,6	178,6	+ 1,9	19,9	37,5	45,0	14,5
Africa	39,6	138,5	+ 12,0	269,3	275,2	+ 0,2	9,9	23,1	67,3	45,9
Oceania	86,3	220,1	+ 8,8	123,3	28,8	- 12,4	17,3	36,7	24,5	4,8
World ¹⁾	677,2	3.240,4	+ 15,3	2.414,7	1.726,7	- 3,0	5,2	18,9	18,7	10,1
(European Community)	44,6	706,1	+ 28,5	-	-	-	0,7	8,4	97,8	84,6
(Japan)	-	-	-	13	21	+ 4,4	99,2	99,1	0,6	0,7

1) Excluding EC and Japan

2) Annual change

Source: Marketing Systems

Explanatory notes

1. Calculation of "market share". This is done simply by dividing the exports of the EC and Japan into either the total new registrations or total imports of the country or region concerned, whichever is more appropriate.

2. Problems of definition

(a) Japan

By no means all the cars exported from Japan are complete vehicles. Many of them are exported in kit form for assembly, and when the value of these kits is less than 60% of the final value of the vehicle, they are no longer counted as "cars" in the JAMA statistics, but given separately as knock-down kits, and not included in these figures.

The "real" market share of Japan in Oceania and Africa (in unit terms) would be considerably higher if these "CKD's" were taken into account.

(b) EC

The EC exports to Spain (166,000 in 1981) reflect largely French vehicles exported in kit form for assembly in Spain. Many of these are re-exported.

This high level of exports to Spain (including CKD's) means that the EC's share of the non-EC Western Europe market is possibly rather inflated in 1981, compared to the Japanese share.

Commercial Vehicle Exports

Annex 14

Country	1981	% Change 81/80	1982	% Change 82/81
<u>EC</u>	276	+ 1,3	260,1	- 5,8
<u>of which:</u> Germany	91,1	+ 20,2	86,8	- 4,7
France	93,6	- 3,7	84,6	- 9,6
Italy	23,1	+ 2,2	16,9	- 26,8
U.K.	55,1	- 15,6	61,3	+ 11,3
<u>Japan</u>	2.018	+ 3,3	1.774	- 12
<u>USA</u>	168,8	- 10,8	139	- 18

Commercial Vehicle Imports

Annex 15

Country	1981	% change 81/80	1982	% change 82/81
<u>EC</u>	135	- 7,7	155	+ 14,8
<u>of which:</u> Germany	8,0	+ 27,0	18,6	+ 7,5
France	29,8	- 19,9	41,0	+ 37,6
Italy	14,0	+ 1,4	18,6	+ 32,9
U.K.	25,7	- 15,2	30,4	+ 18,3
<u>Japan</u>	0,8		0,4	- 45
<u>USA</u> (sales of imported makes)	320,0	+ 2,6	342	+ 6,9

Units: 000's vehicles

Sources: Eurostat/JAMA/MVMA

CEE Exports and Imports of Light and Heavy Commercial Vehicles 1980-81(a) Exports

<u>Member States</u>	<u>Light CV's¹⁾</u>		<u>Heavy CV's²⁾</u>		<u>% Heavy CV's</u>	
	<u>1981</u>	<u>% 80</u>	<u>1981</u>	<u>% 80</u>	<u>1981</u>	<u>1980</u>
Germany	28,2	- 13,5	62,9	+ 45,8	69	57
France	78,7	- 5,4	14,9	+ 7,0	16	14
Italy	8,7	- 25,0	14,3	+ 31,2	62	48
U.K.	31,3	- 7,8	23,8	- 24,2	43	48
<u>EC Total</u>	152,8	- 8,9	123,1	+ 17,5	45	38

(b) Imports

<u>Member States</u>	<u>Light CV's¹⁾</u>		<u>Heavy CV's²⁾</u>		<u>% Heavy CV's</u>	
	<u>1981</u>	<u>% 80</u>	<u>1981</u>	<u>% 80</u>	<u>1981</u>	<u>1980</u>
Germany	6,6	+ 31,9	1,3	+ 6,8	16	19
France	29,1	- 17,9	0,7	- 59,3	2	5
Italy	9,6	- 7,6	4,4	+ 28,4	31	25
U.K.	24,2	- 12,5	1,5	- 44,1	6	9
Netherlands	7,2	+ 14,3	1,2	- 16,0	14	18
Belg./Lux.	7,0	+ 7,7	1,4	- 29,1	17	24
Ireland	4,3	+ 16,5	-	-	-	5
Denmark	4,8	- 6,7	1,0	- 28,6	17	21
Greece	29,6	n/a	1,5	n/a	5	-
<u>EC Total</u>	122,4	- 5,6	13,0	- 16,4	10	12

Units: 000's vehicles/%

Source: Eurostat

1) Light CV corresponds to NIMEXE 87.02.86 i.e. a commercial vehicle with petrol engine of less than 2800 cc or a diesel engine less than 2500cc.

Heavy CV corresponds to NIMEXE 87.02.81 i.e. with engine of above 2800 cc or 2500 cc.

Annex 17Community Trade Balance in Light and Heavy Commercial Vehicles

	<u>Light CV's¹⁾</u>		<u>Heavy CV's¹⁾</u>	
	<u>1980</u>	<u>1981</u>	<u>1980</u>	<u>1981</u>
<u>Export</u>	652,6	669,9	2011,6	3166,7
<u>Import</u>	290,5	401,4	259,9	254,5
<u>Balance</u>	+ 362,1	+268,5	+1751,7	+2912,2
<u>E/I Ratio</u>	2,3:1	1,7:1	7,7:1	12,4:1

Units: Million ECU

Source: EUROSTAT

1) See Annex 16 for definitions

Annex 18

EC automobile¹⁾ exports to Intra and Extra-EC

Year	Exports			Ratio: Intra/Extra
	Intra-EC	Extra-EC	Total	
1979	22.732	18.037	40.769	55,8 : 44,2
1980	22.664	19.796	42.460	53,4 : 46,6
1981	21.947	20.213	42.160	52,1 : 47,9
1982	28.274	26.317	54.591	51,8 : 48,2
% Change 82/79	+ 24,4	+ 45,9	+ 33,9	

EC automotive imports from Intra and Extra-EC

Year	Imports			Ratio: Intra/Extra
	Intra-EC	Extra-EC	Total	
1979	22.333	5.663	27.996	79,8 : 20,2
1980	21.900	6.390	28.290	77,4 : 22,6
1981	23.962	7.415	31.377	76,4 : 23,6
1982	27.827	8.240	36.067	77,2 : 22,8
% Change 82/79	+ 24,6	+ 45,5	+ 28,8	

1) SITC 781-4

Source: Eurostat

Units: million ECU

Value of automobile trade of EC Japan and USA 1975-81

TABLE (A)

Annex 19

million US Dollars

TABLE (B)

		1975	1979	1980	1981	1975	1979	1980	1981
Table 1 (A) Passenger cars									
(B) Commercial veh.									
Imports	1) EC	1.246,5	5.004,8	5.846,8	5.352,1	204,7	798,7	941,0	865,9
	Japan	236,9	575,0	452,0	325,7	7,0	24,0	29,2	22,2
	USA	7.548,4	16.016,0	18.017,3	18.878,7	596,5	1.769,3	2.092,5	3.999,2
Exports	1) EC	6.628,8	11.839,5	12.354	11.173,4	3.703,7	4.091,3	4.832,3	5.225,8
	Japan	4.030	11.964,0	16.114,6	18.445,4	5.019,4	4.563,6	6.434,4	7.163,2
	USA	2.892,2	4.743,3	4.030,9	4.025,6	2.628,5	2.231,5	2.135,2	2.417,2
Balance	1) EC	+ 5.382,3	+ 6.834,7	+ 6.507,2	+ 5.820,3	+ 3.499,0	+ 3.292,6	+ 3.891,3	+ 4.359,9
	Japan	+ 3.793,1	+ 11.389,0	+ 15.662,6	+ 18.119,7	+ 5.012,4	+ 4.539,6	+ 6.405,2	+ 7.141
	USA	- 4.656,2	- 11.272,7	- 13.986,4	- 14.853,1	+ 2.032,5	+ 462,2	42,7	- 1.582,0
Table 2 (A) Spare Parts									
(B) All auto. Ind.									
Imports	1) EC	571,6	1.594,3	1.910,5	1.946,0	2.022,8	7.397,8	8.698,3	8.164,0
	Japan	45,5	93,7	101,5	106,6	289,4	697,7	582,7	454,5
	USA	2.507,2	5.920,8	5.510,3	4.419,8	10.652,1	23.706,1	25.620,1	27.297,7
Exports	1) EC	3.806,3	7.284,2	9.187,3	7.910,3	14.138,8	23.215,0	26.373,6	24.308,5
	Japan	637,6	1.737,4	2.168,4	2.760,8	6.707,2	18.265,0	24.717,4	28.369,4
	USA	4.384,3	7.367,4	7.572,2	8.925,1	9.905,0	14.342,2	13.738,3	15.367,9
Balance	1) EC	+ 3.234,7	+ 5.690	+ 7.276,8	+ 5.964,3	+ 12.116,0	+ 15.817,2	+ 17.675,3	+ 16.144,5
	Japan	+ 592,1	+ 1.643,7	+ 2.066,9	+ 2.654,2	+ 6.417,8	+ 17.567,3	+ 24.134,7	+ 27.914,9
	USA	+ 1.877,1	+ 1.446,6	+ 2.061,9	+ 4.505,3	- 747,1	- 9.363,9	- 11.881,8	- 11.929,8

Sources: OECD/EUROSTAT

1) Extra-EC

Annex 20

Automobile trade in value by Member State 1982

	<u>EC10</u>	<u>D</u>	<u>F</u>	<u>I</u>	<u>NL</u>	<u>B/L</u>	<u>UK</u>	<u>IRL</u>	<u>DK</u>	<u>GR</u>
<u>Import</u>	8.240	1.603	1.705	842	533	1.045	1.825	125	237	325
<u>Export</u>	26.317	15.225	4.606	1.892	295	811	3.352,3	1	105	32
<u>Balance</u>	+18.077	+13.622	+2.901	+1.050	-238	-234	+1.527	-124	-132	-293

Source: Eurostat

Units: million ECU

SITC 781-4

DG III/A/1
SG/sl
XII.1982

Annex 21

WORLD PASSENGER CAR PRODUCTION - Demand and Trade - 1970-1981

VARIABLE	YEAR	Quantity in 000's vehicles					% share of world total				
		EC	USA	JAPAN	OTHERS	WORLD	EC	USA	JAPAN	OTHERS	WORLD
PRODUCTION	1970	9.423	6.550	3.179	3.653	22.805	41,3	28,8	14,0	16,0	100
	1975	8.328	6.741	4.568	6.085	25.723	32,4	26,5	18,0	23,7	100
	1980	9.167	6.417	7.038	7.269	29.890	30,7	21,5	23,5	24,3	100
	1981	8.695	6.280	6.974	6.731	28.680	30,3	21,9	24,3	23,5	100
	Annual Growth Rate 1970-81	- 0,7	- 0,4	+ 7,4	+ 5,7	+ 2,1					
NEW REGISTRATION	1970	6.832	8.388	2.379	4.531	22.130	30,9	38,0	10,8	20,5	100
	1975	7.067	8.262	2.738	7.607	25.674	27,5	32,1	10,6	29,6	100
	1980	8.603	8.748	2.854	8.791	28.996	29,7	30,2	9,8	30,3	100
	1981	8.402	8.444	2.866	8.317	28.029	30,0	30,1	10,2	29,7	100
	Annual Growth Rate 1970-81	+ 1,9	+ 0,1	+ 1,7	+ 5,7	+ 2,2					
EXPORTS	1970	2.253	285	726	1.307	4.776	47,2	6,0	15,2	27,4	100
	1975	1.932	640	1.827	1.808	6.325	30,5	10,1	28,9	28,6	100
	1980	1.831	617	3.947	2.034	8.447	21,7	7,3	46,7	24,1	100
	1981	1.704	545	3.947	2.243	8.439	20,1	6,5	46,8	26,6	100
	Annual Growth Rate 1970-81	- 2,5	+ 6,1	+16,6	+ 5,0	+ 5,3					
IMPORTS	1970	153	2.007	18	2.275	4.449	3,4	45,1	0,4	51,1	100
	1975	630	2.077	43	3.414	6.132	10,3	33,9	0,7	55,7	100
	1980	1.445	2.960	38	4.203	8.442	17,1	35,1	0,5	49,8	100
	1981	1.297	2.731	25	4.300	8.353	15,5	32,7	0,3	51,5	100
	Annual Growth Rate 1970-81	+21,4	+ 2,8	+ 3,0	+ 6,0	+ 5,9					

SOURCE : MARKETING SYSTEMS

Annex 22

Retrospective tables on distribution of automobile exports

(a) Passenger cars (SITC 781)

Country/Region	% of world exports		
	1971	1976	1980
EC*	57,7	54,4	52,5
Japan	13,3	19,1	27,4
USA	8,8	10,4	7,2
USA & Canada	24,4	22,1	13,9

(b) Commercial vehicles (SITC 782)

Country/Region	% of world exports		
	1971	1976	1980
EC*	40,9	39,7	39,8
Japan	12,8	19,9	29,5
USA	19,8	19,2	9,8
USA + Canada	38,7	31,0	20,6

(c) Spare parts (SITC 784)

Country/Region	% of world exports		
	1971	1976	1980
EC*	45,8	46,3	52,4
Japan	2,8	4,9	6,6
USA	31,3	28,3	23,1
USA & Canada	45,7	41,1	31,4

* including intra-Community trade

Units: % based on dollar value

Source: United Nations

The World's Top 25 Vehicle Producers - Ranked by 1981 Production Units

No	Producteur/Rank 1981	1975	1979	1980	1981
1	<u>General Motors (USA)</u>	4.650	6.445	4.753	4.628
2	<u>Toyota</u>	2.336	2.996	3.293	3.220
3	<u>Nissan</u>	2.281	2.705	3.118	3.101
4	<u>Volkswagen-Audi</u>	1.940	2.530	2.529	2.210
5	<u>Ford Motor (USA)</u>	2.500	3.075	1.888	1.937
6	<u>Renault</u>	1.427	1.945	2.132	1.810
7	<u>PSA</u>	1.379	2.126	2.051	1.594
8	<u>Ford Europe</u>	1.099	1.664	1.395	1.435
9	<u>Fiat Group</u>	1.232	1.534	1.554	1.210
10	<u>Toyo Kogyo</u>	643	971	1.121	1.177
11	<u>Mitsubishi</u>	520	939	1.105	1.095
12	<u>Honda</u>	414	802	957	1.009
13	<u>Chrysler Co.</u>	1.509	1.429	883	1.002
14	<u>Opel</u>	675	1.014	834	855
15	<u>Lada</u>	690	830	825	830
16	<u>General Motors (Canada)</u>	599	845	764	757
17	<u>Daimler-Benz</u>	556	693	717	712
18	<u>Suzuki</u>	184	345	469	579
19	<u>Isuzi</u>	245	425	472	457
20	<u>British Leyland</u>	738	504	396	427
21	<u>Ford Canada</u>	481	491	434	357
22	<u>B.M.W.</u>	221	337	341	352
23	<u>Volvo</u>	331	336	286	302
24	<u>Polksi-Fiat</u>	135	305	330	286
25	<u>Moskvitch</u>	300	325	230	235
	<u>World Production</u>	33.332	41.885	38.673	37.603
	% held by Top 1	14,0	15,4	12,3	12,3
	5	41,0	42,4	40,9	40,1
	10	61,1	63,1	61,6	59,4
	25	81,9	85,0	85,0	84,0

Source: L'Argus

EMPLOYMENT IN THE AUTOMOBILE INDUSTRY 1975-81

Annex 24

Unit : 000's persons

C o u n t r y	1975	1976	1977	1978	1979	1980	1981	% Change 1975/81
WEST GERMANY	591,5	589,7	619,5	646,9	672,8	692,0	657,7	+ 11,2
FRANCE	446,7	463,7	486,8	488,7	489,5	479,7	453,4	+ 1,5
UNITED KINGDOM	478,3	448,3	464,2	473,9	458,5	440,6	366,0	- 23,5
ITALY	242,5	240,6	230,6	234,4	241,5	260,4	240,4	- 0,9
BELGIUM	46,4	50,5	52,5	54,6	56,0	57,5	55,9	+ 20,5
NETHERLANDS	21,8	21,4	22,4	22,7	24,1	24,4	24,3	+ 11,5
IRELAND	6,3	6,0	6,4	6,4	6,3	6,2	6,1	- 3,2
DENMARK	4,0	3,9	5,1	5,2	6,0	6,4	6,1	+ 52,5
LUXEMBOURG	0,7	0,8	0,8	0,8	0,8	0,8	0,8	+ 14,3
EUROPEAN COM. (9)	1.838,2	1.825,0	1.888,4	1.933,6	1.955,4	1.968,0	1.810,7	- 1,5
GREECE							12,0	
EUROPEAN COM. (10)							1.823,7	
U.S.A.	792	851	891	997	990	763	723	- 8,7
JAPAN	601	622	629	638	651	671	(690)	+ 14,8
SPAIN			120	126	123	121	119	- 0,8
CANADA			113	119	109	102	108	- 4,6
SWEDEN			61	62	66	68		+ 11,5

Sources : EUROPEAN COM. : EUROSTAT / U.S.A. : Dpt. of Commerce / JAPAN : M.I.T.I.
OTHER COUNTRIES : F.E.M.

AUTOMOBILE INDUSTRY EMPLOYMENT RELATIVE TO TOTAL INDUSTRIAL
EMPLOYMENT

Member State	Employment 1981		% change 75-81		Auto industry as % all industrial employm.	
	Auto	Industry	Auto	Industry	1975	1981
<u>Germany</u>	657,7	10.537,3	+ 11,8	- 1,0	5,6	6,2
<u>France</u>	453,4	6.784,4	+ 1,4	- 8,8	6,0	6,7
<u>Italy</u>	240,4	6.598,2	- 0,9	- 0,2	3,7	3,6
<u>U.K.</u>	366,0	8.010,5	- 23,5	- 16,9	5,0	4,6
<u>Belgium/Lux.</u>	56,7	1.147,6	+ 20,4	- 16,2	3,3	4,9
<u>Netherlands</u>	24,3	1.454,8	+ 11,5	- 8,0	1,4	1,7
<u>Ireland</u>	6,1	302,6 ¹⁾	- 3,2	+ 6,3	2,2	2,0
<u>Denmark</u>	6,1	600,0 ²⁾	+ 52,5	+ 5,3	0,7	1,0
<u>EC 9</u>	1810,4	35.435,4	- 1,5	- 7,3	4,8	5,1

1) 1980 figure

2) Provisional figure

Units: 000's persons

Source: Eurostat (Employees in Employment)

Automobile Industry = NACE 35

All industry = NACE 1-5

Annex 26

Indices of employment in automobile industry compared to manufacturing as a whole (1975 = 100)

	<u>1980</u>	<u>1981</u>	<u>% 81/80</u>
<u>All</u>			
<u>manufacturing</u>			
<u>Industry</u>			
<u>(NACE 1-4)</u>	93,7	89,4	-4,6
<u>Automotive</u>			
<u>Industry</u>			
<u>(NACE 35)</u>	106,1	98,6	-7,1

Source: Conjunctural Indicators (No. of Employees), Dec. 1982.

Table 27a

grants to the automobile sector in 1981 and 1982 (1)

		F	UK	I	D	LUX	DK	NL	IRL	TOTAL
ECSC grants	1981	-	-	-	-	-	-	-	-	-
(interest rebates	1982	247 500	495 000	-	306 000	190 000	-	-	-	1 238 500
on loans)										
ERDF grants	1981	8 865 093	-	1 316 815	3 607 551	-	-	-	777 261	14 566 720
	1982	730 347	1 100 040	11 099 921	932 791	-	40 583	800 493	316 150	15 020 325
Energy grants	1981	-	-	375 445	-	-	50 655	-	347 890	773 990
	1982	959 110	36 910	-	-	-	-	-	-	996 020
Total		10 802 050	1 631 950	12 792 181	4 846 342	190 000	91 238	800 493	1 441 301	32 595 555

(1) Figures concern commitments made

Table 27b

Loans to the automobile sector in 1981 and 1982

		F	UK	I	D	LUX	TOTAUX
ECSC reconversion loans	1981	-	1 059 091	-	-	-	1 059 091
	1982	3 066 426	3 600 000	-	2 178 374	1 874 484	10 719 284
EIB loans (1)	1981	-	-	11 600 000	-	-	11 600 000
	1982	-	-	69 000 000	-	-	69 000 000
NCI loans (2)	1981	-	-	-	-	-	-
	1982	-	-	5 400 000	-	-	5 400 000
Total		3 066 426	4 659 091	86 000 000	2 178 374	1 874 484	97 778 375

- the accounts refer to contracts signed

- Figures do not include sub-loans for the automobile sector from EIB global loans and the NCI

- The value of the ECU, as regards EIB and NCI loans, is that of the last working day of the trimestre before signature of the loan.

Notes:

(1) concerning loans for energy saving or for regional development

(2) concerning loans for energy saving

Annex 28

European Social Fund

Beneficiaries in the automobile and auto components sector

<u>Year</u>	<u>Persons</u>	<u>Ecu</u>
1980	6000	7.403.000
1981	3980	3.931.000
1982	4419	9.554.000

Note: These figures do not fully reflect the total expenditure (cf. point 10.5)