



EUROPEAN COUNCIL FOR MOTOR TRADES AND REPAIRS
CONSEIL EUROPÉEN DU COMMERCE ET DE LA RÉPARATION AUTOMOBILES
EUROPÄISCHER VERBAND DES KRAFTFAHRZEUGGEWERBES

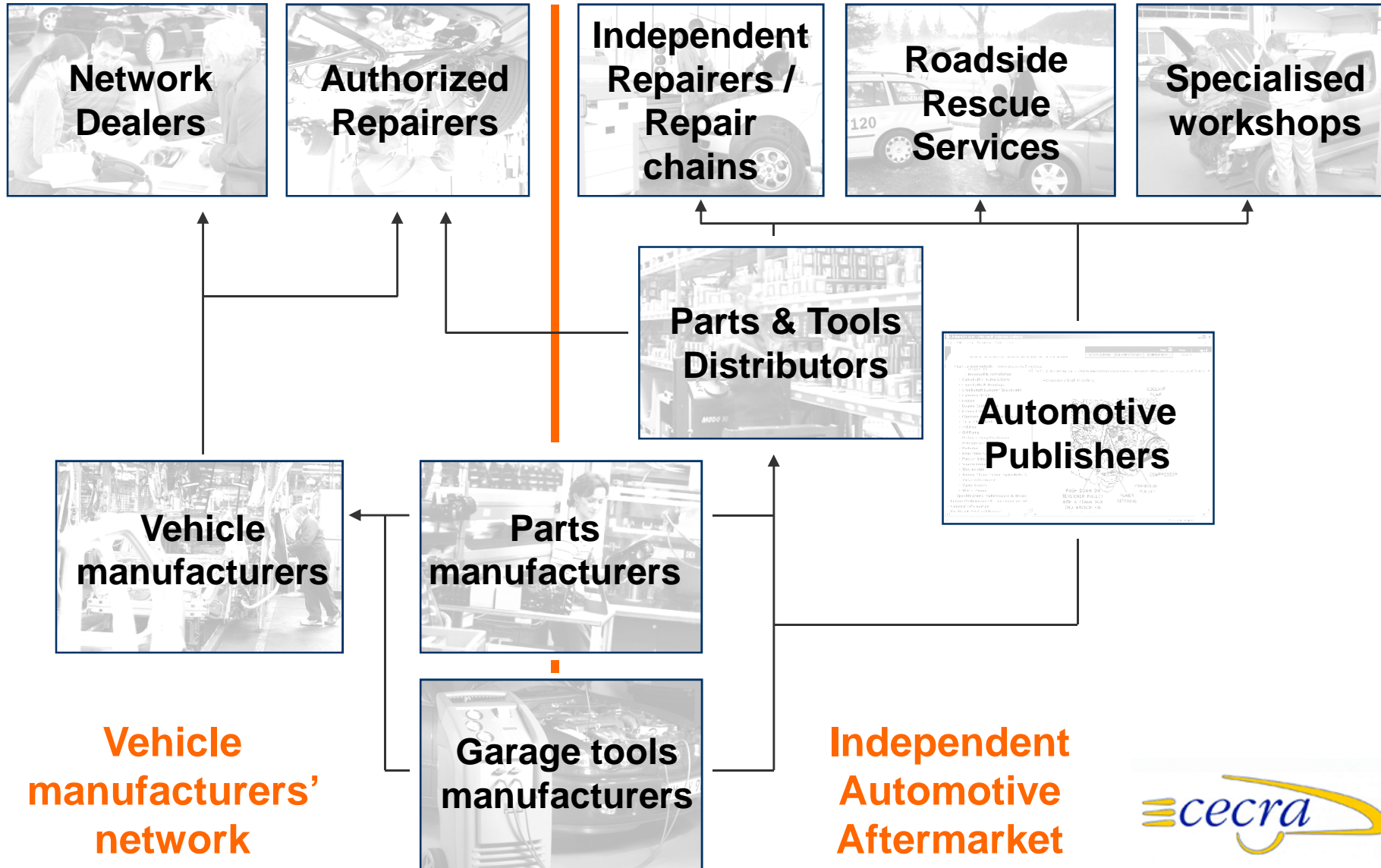
***“The Components and downstream
markets of the automotive sector”***

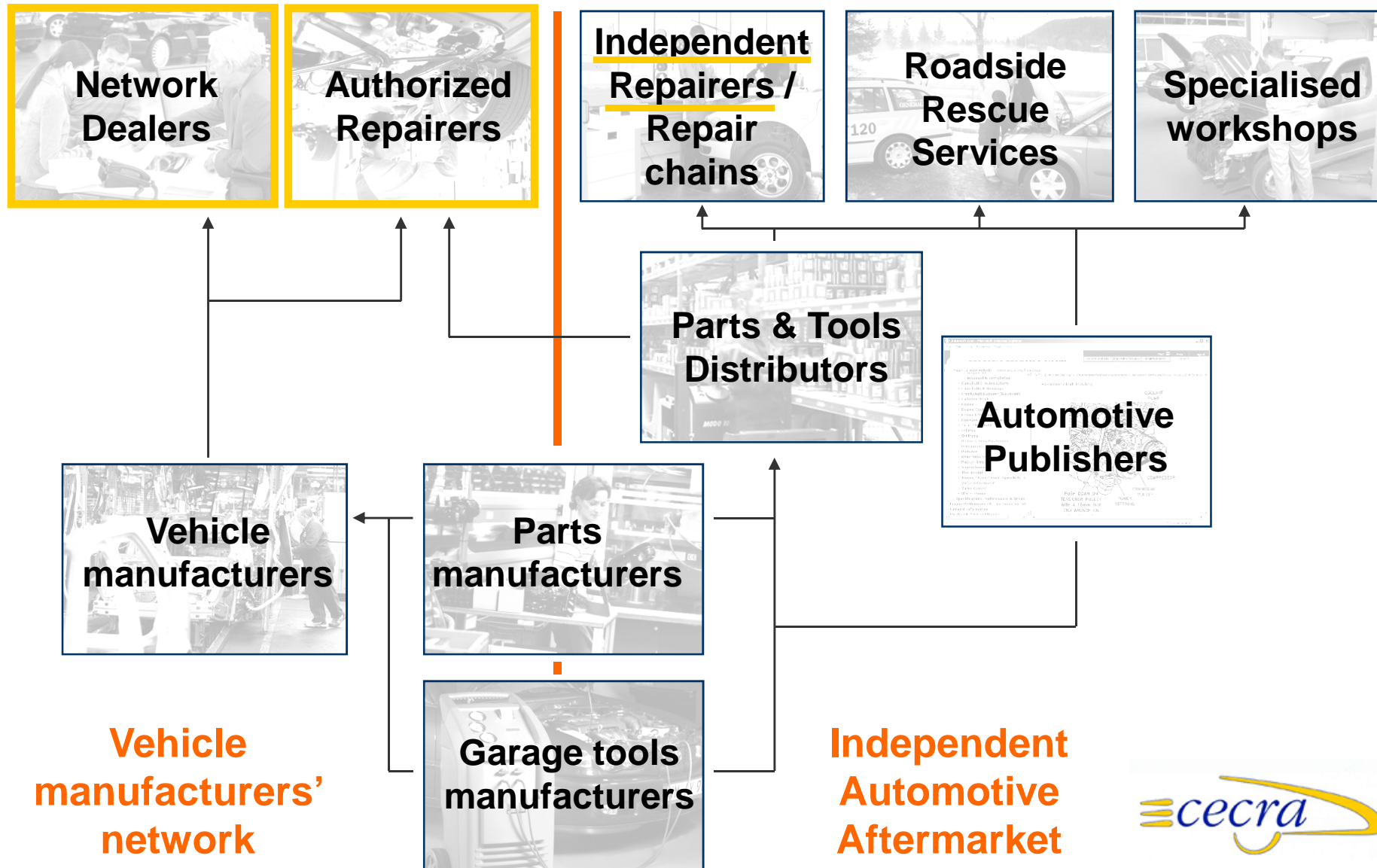
Hearing at the EESC

Brussels, the 4th of February 2009

Charles de Marcilly
EU affairs Director









CECRA's representativeness (1)



27 national trade associations in 23 EU and EFTA countries, representing the 350,000 automotive dealers, authorized and independent repairers



CECRA's representativeness (2)



14 European Dealer Councils representing the interests of authorized dealers and repairers of a particular brand



CECRA's representativeness (3)



In figures:

- ✓ 350,000 enterprises
- ✓ of which around 120,000 are authorized dealers and repairers and 260,000 independent repairers
- ✓ employ around 2.8 million people



In addition:

- about 110,000 fuel businesses employing 440,000 people; and some 12,000 motorcycle businesses employing 81,000 people



Market outlook 2009



Passenger cars

- Registrations – 7.8 % in 2008 (14.7m)
- Sharpest decline since 1993
- 4th quarter – 19 %
- 2009 forecast at least – 15 %
- January '09 registrations -30 % to – 40 % in ES, IT, UK

Commercial vehicles

- Registrations – 9 % in 2008 (2.5 m)
- 4th quarter – 24 %
- 2009 forecast at least – 30 %

Similar developments around the world

- Global car sales to fall to 50-55 m from 63 m in 2008 and 69 m in 2007

➡ Number of repairers should remain stable but what about dealers?



Figures/statistics: illustration



Number of authorized dealers

Country	2005	2006	2007	2008	Tendencies
Finland	273	250	250	/	Number will decrease with 5-10%
Slovakia	440	456/498	420/538	400/557	Estimation 2009: 402 dealers & 600 sales points
Italy	3866	3909	3893	/	Number will decrease due to non-profitability and high standing costs
Belgium	2055	2001	2075	2139	
Sweden (+trucks)	1348	1343	1369	1327	
France	4638	5321	5472	/	

Source: CECRA 2009

EESC, "The components & downstream markets of the automotive sector" Brussels, 4/02/09



Figures/statistics



Number of employees

Country	2005	2006	2007	2008	Tendencies
Finland	26900	28100	28500	28200	Number of employees decrease due to decrease in sales
Slovakia	21332	23114	27863	28110	Number of employees in sales and repair. Estimation 2009: 28000 - 2010: 29300
Italy	*80000	80500	86000	/	Number of employees decrease due to decrease in dealerships
Belgium	**19761	20011	/	/	
Sweden	/	/	/	/	
France	/	/	/	/	

* total amount estimated - employees dealers + authorized repairers and manufacturers owned outlets

** only employees (not workmen) - sector garages thus not only in dealerships



Need of a tailor made approach

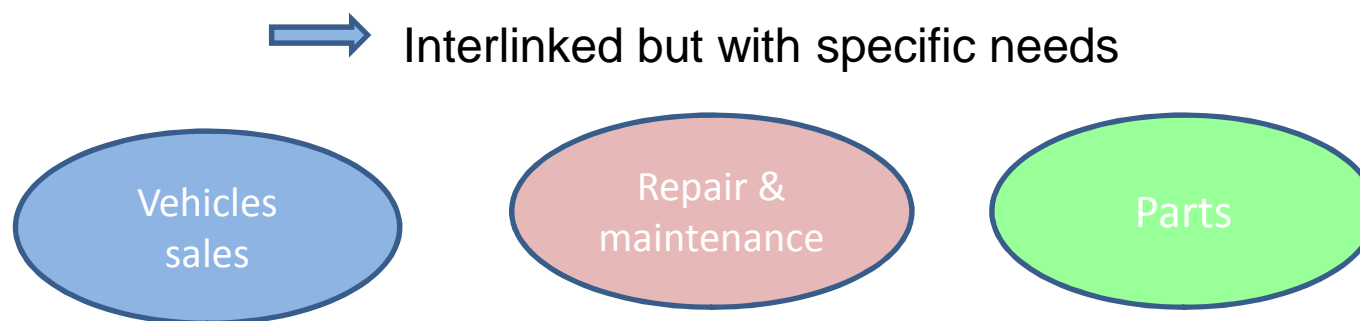


CECRA's motto:

If vehicles can no longer be adequately sold and repaired, why should they be manufactured?

Commission's* observation on the crisis:

Due to its (*automotive branch*) close links to other sectors and the wide spread of supply industry and vehicle trade, the negative economic effects reaches out to millions of employees in all Member States



* Commission IP/09/318



Downstream market, context



➤ Unbalanced & specific market forces

1. Different from the other sectors

- a. Market based on volume
- b. High level of competition: Inter-brand/intra brand
- c. Difficulties for innovation: multi-branding, internet sales...

2. Industry VS SMEs

- a. Manufacturers act globally, dealers normally act regionally.
- b. Different sizes of businesses: large dealer group, “mama&papa” shops...
- c. Chains, network, independent, specialized or general trade/repair shop

3. SMEs needs

- a. Operating requires a lot of capital for SMEs but with low margins
- b. Investment is a key word
- c. Specificities of car distribution: in Europe manufacturers exert strict control over distribution (distinct in food industry)
- d. Specificities of the repairer: access to technical information and tools parts



Downstream market, context (2)



- The upstream market controls the entire costs and the results: profitability of the sales, margins definition, transfer of businesses, brand requirement, training, advertisement...but the investment come from the SMEs!
- ☑ interlinked stakeholders who need legislation for counterbalancing market forces, providing a level played field and implementing strict rules
- Block Exemption Regulation **1400/2002** defines the rules on the market for all the stakeholders. BER comes to end in may 2010
- Today we still have strong need to prolong adapted legislation for automotive market



Downstream market, specificities



✓ BER 1400/2002: “ Charter of the sector”

From dealers side (among others):

- Possibility of opening a secondary outlet
- Multi-branding is permitted
- Define contractual clauses:
- Transfer of Businesses
 - Arbitration rules
 - Contractual duration
 - Justifying the termination of dealer and repairer agreements

From independent repairers side:

- Service by independent doesn't invalid VMs warranty
- Access to technical information
- Access to spare parts
- Definition of original spare parts, matching qualities (more comprehensive than 2007/46/EC)
- For authorised repairers: obligation of 30% for provision of parts

➡ **For both operators competition increase for the benefits of the consumer**



Trends



➤ Economic crisis, general comments...

From dealers side particular attention should be given to...

- All the measures modify deeply the market structure
- Development of the sales of “small cars”
- Increase of used car stocks
- Reducing of margins on new cars
- Credit to finance vehicle stock
- Delay of the impact on Trucks and commercial vehicles (long term investment)

From repairers side:

- Vehicle maintenance is not yet hit as vehicle sales by the current crisis.
- Access to parts and technical information remain problematic
- Investment needed (tools and training)



Challenges (1)



➤ Short term cycle: Survive to the crisis

- Think short term before long term. What will happen in the coming month?
- All the stakeholders should be involved: manufacturer, bank, European legislator, Members States
- Adapted measures for SMEs (no R&D in sales and maintenance...)
- Uncertainty due to the crisis but also to the uncertainty of the legislative framework covering sales & aftermarket



Challenges (1)



➤ Short term proposals

- Urgent decision to prolong BER 1400/2002
- Extension of incentives schemes to recent old cars & trucks
- Specific credit line to promote stock management could be assumed by a state guarantee
- Extension of the “lay off employment” supported by states to aftermarket
- Fiscal exoneration for professional taxation on investment
- Interest deduction on consumer credits




Challenges (2)



➤ Long term cycle, new priorities

- Fuel efficiency
- Increasing safety and environmental standards
- Balanced international trade
- Remodelling of the financial and credit system
- Which car in 2020? Hybrid, electric, bio fuels...?
- Challenge of maintenance & parts
- Anticipate the aims of anticompetitive behaviour due to new market organisation
- Innovation in distribution formats and return to customer proximity



All those elements should be under control, so as to guarantee the essence of European economic competitiveness



Challenges (2)



➤ Long term proposal

- Future & improved legislative framework (BER) for at least ten years
- Promotion of the “Think Small First” principle Small Business Act (EESC, INT 445)
- Diminution of VAT on Car maintenance (EESC opinion 1968/2008)
- Eurodesign, appropriate decision of the Council based on the proposal of the European Parliament needed (EESC INT 253)



Creation of a High level study group “ Aftermarket 21” ?



Social aspect



Technology + Environment request + safety
=
Needs of regular updated for the repairer/dealers



➤ Repairers:

- Professional requirements will be higher and
- Require more education and higher salaries
- Population pyramid: being more attractive for new generation
- Provide financial support to repairers concerning training





Thank you for your attention...

For further enquiries please contact:

Mr Charles de MARCILLY
European Public Affairs Director
T. +32 2 771 96 56
M. +32 4 86 36 06 37

charles.de.marcilly@cecra.eu

www.cecra.eu

