Jacques Compagne - Secretary General

EESC Public Hearing
Milan, 12th of November 2009

Content

- ACEM introduction
- Overview of the PTW manufacturing sector and main challenges
- Impact of the economic and financial crisis
- Proposals
- Conclusion

ACEM Created in 1994:

- 12 manufacturers (including extra-EU)
- 25 brands
- 16 national industry associations
- 14 countries

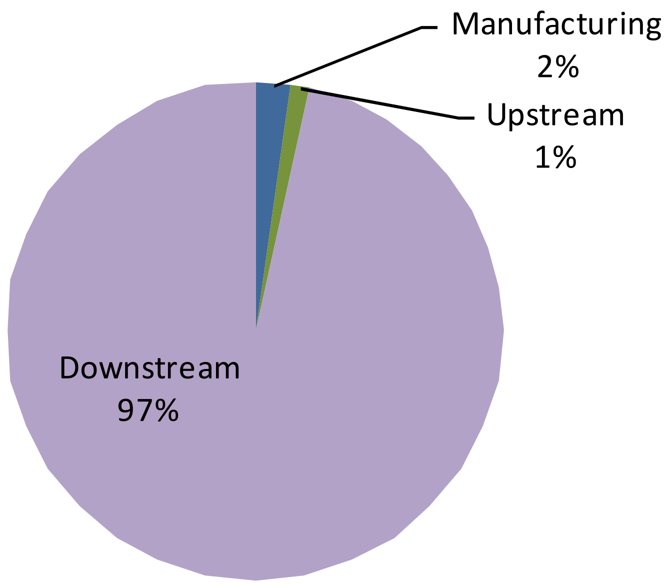
Overview of the PTW manufacturing sector

Widely Diversified Sector

Diversity of vehicles, components, equipments, owners and purposes

Number of Companies (N)

- Total sector 38,000 +
  - Manufacturing 870 (including micro-businesses)
  - Upstream 500*
  - Downstream 37,000

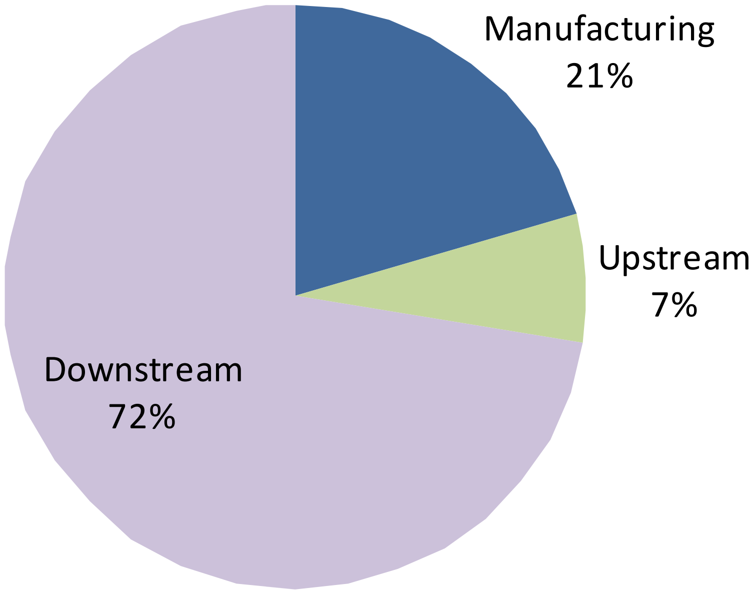


**ACEM Estimate*

Gruppo Class Eurostat 2006

2006 Turnover (€ bn)

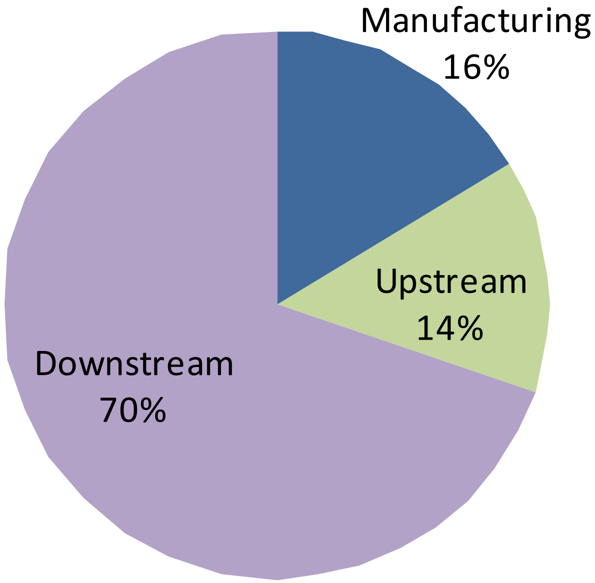
- Total sector 34.1
  - Manufacturing 7.0
  - Upstream 2.4
  - Downstream 24.7



Eurostat 2006 Gruppo Class

Employment (th)

- Total sector 151.9
  - Manufacturing 26.5
  - Upstream 20.7
  - Downstream 104.7



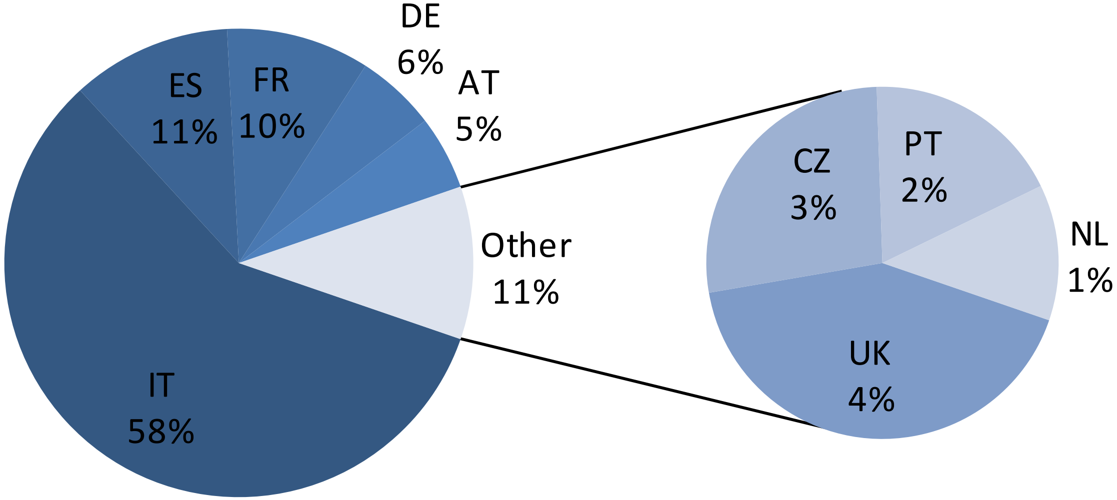
Eurostat 2006 Gruppo Class

2006 Employment in PTW Manufacturing (16% of Sector) Split by Country

- 5 countries IT+ES+FR+DE+AT = 90% of employment

Eurostat 2006 Gruppo Class

PTW Manufacturing Enterprises MS Share of Employees



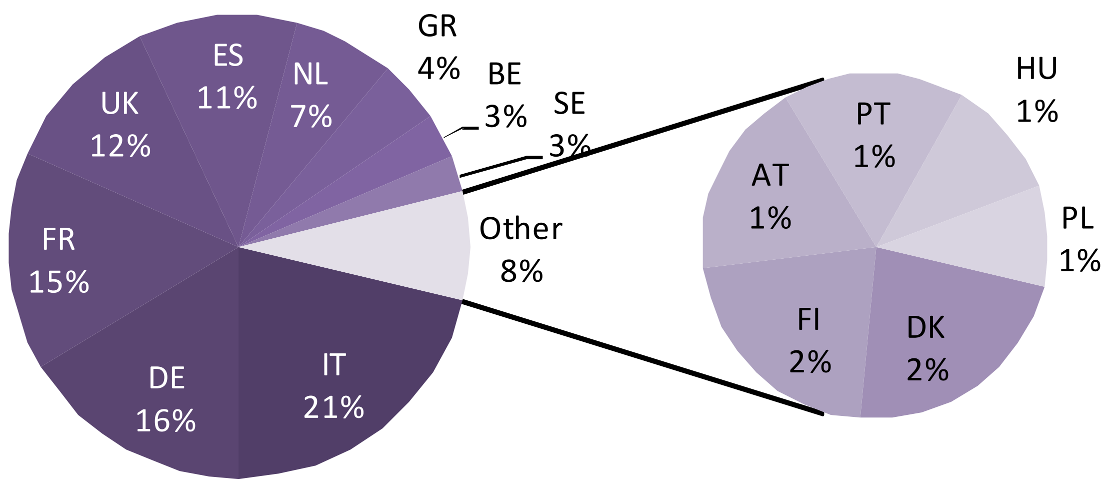
2006 PTW Employment in Downstream (70% of Sector) Split by Country

- 9 countries IT+DE+FR+UK+ES+NL+GR+BE+SE = 92% of employment

PTW Sales, Maintenance & Repair Enterprises

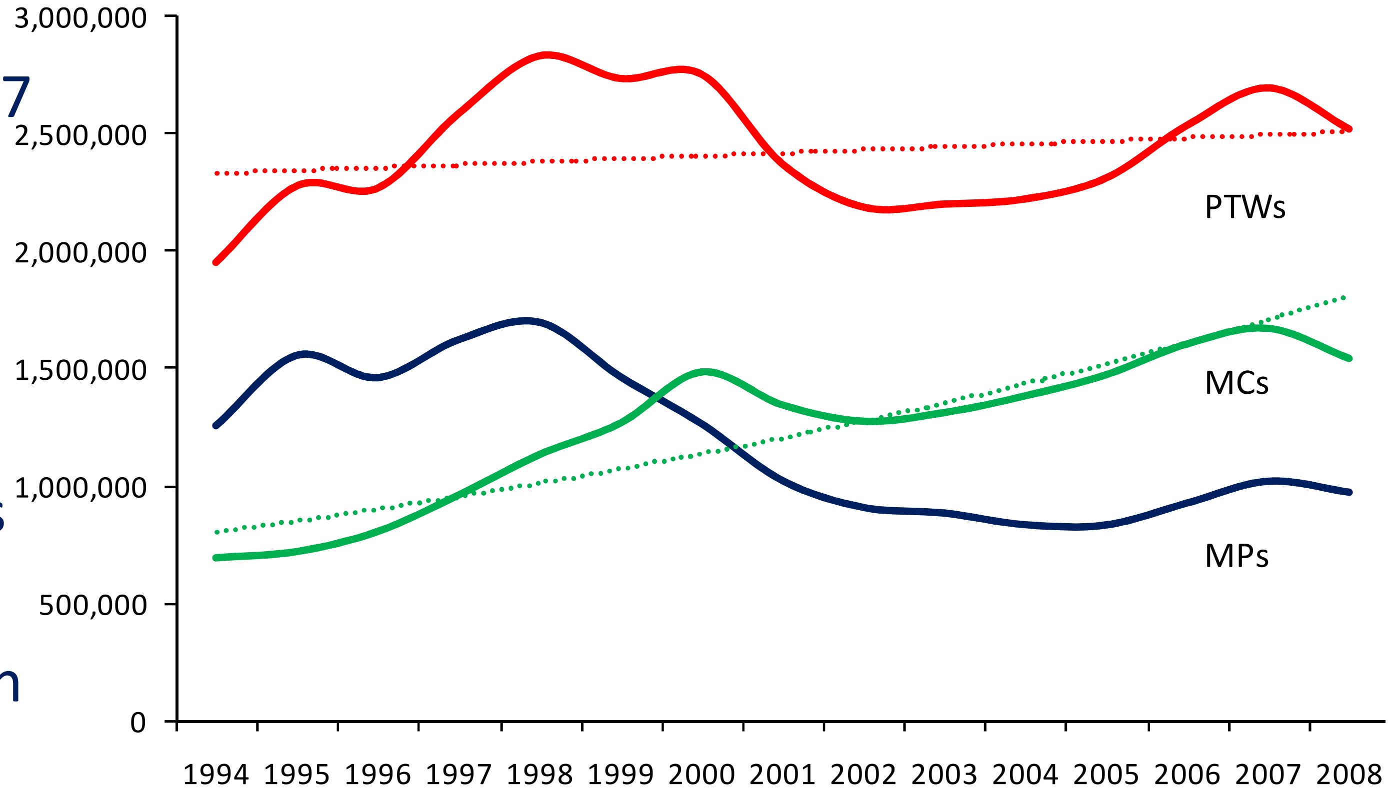
MS Share of Employment

Eurostat 2006 Gruppo Class



EU PTW Market & Main Segment: Last 15 Years

- Culminated at 2.7 million units in 2007
- Positive trend over the period
- MCs: continuous positive trend
- Positive effect on turnover



Challenge 1: Fragmentation of the Sector

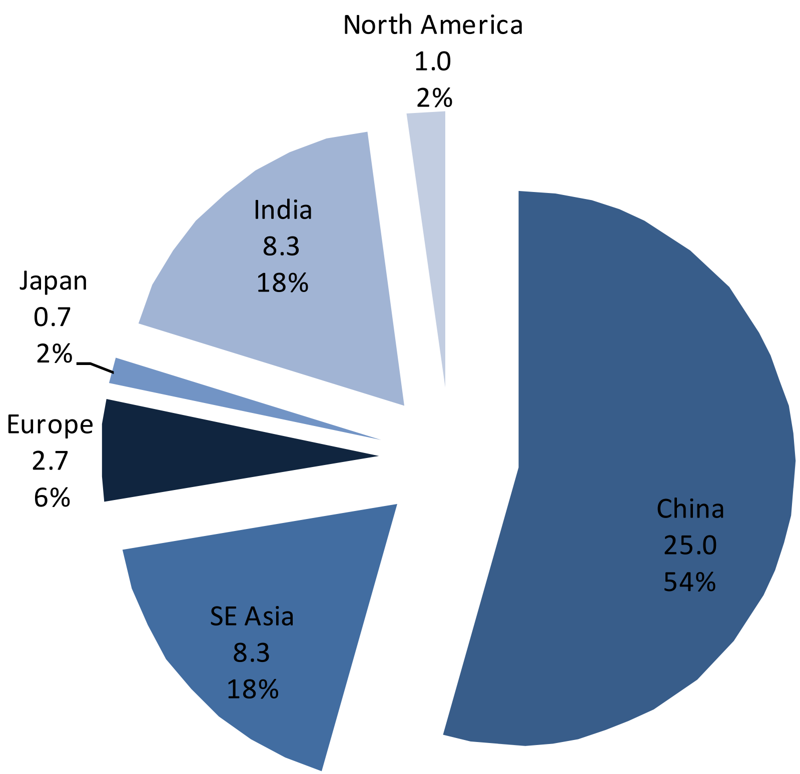
- Average per company (base 70)
  - Employees (n) 380
  - Turnover (M€/year) 100
  - Registrations (n/year) 30,000
  - Registrations /model 3,000
    (average of 10 models/company)

2007 Estimate PTW Worldwide Main Markets

- Europe’s market share is modest unit wise (about 6%)
- More prominent in terms of turnover (about 20%)

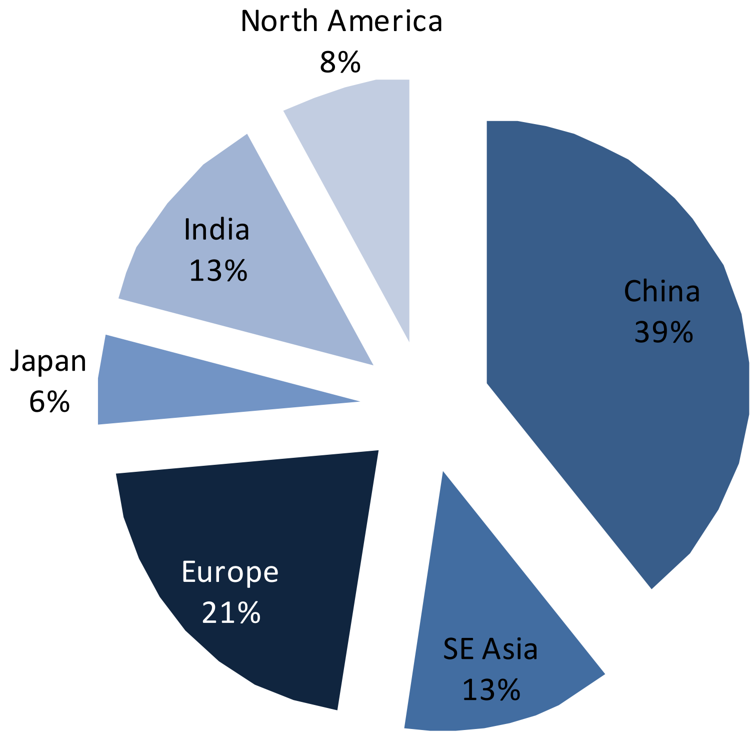
Mn Units

M



ACEM

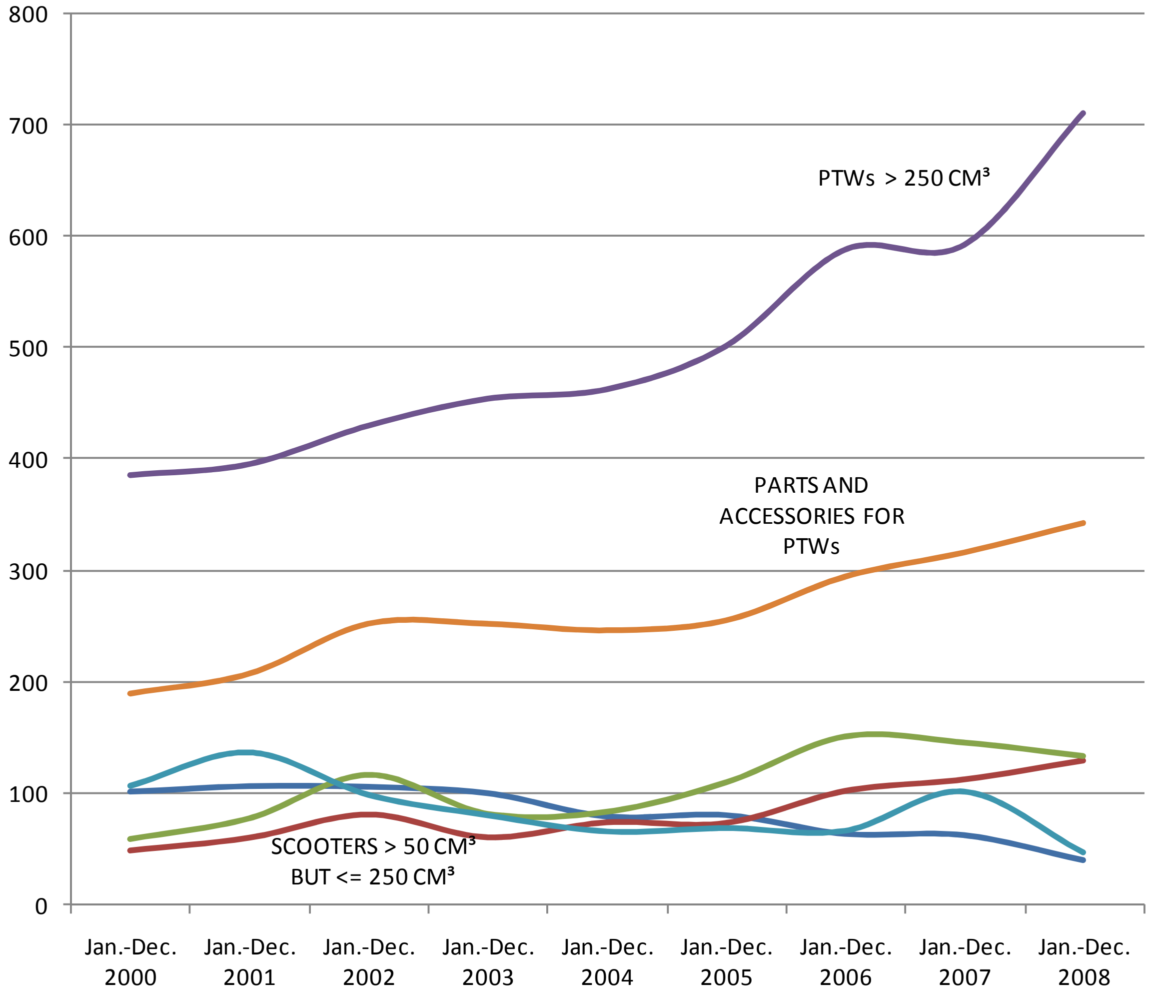
Turnover



Extra-EU Exports (€ mn)

- Remarkable continuous progress of:
  - MCs >250cc (near X2)
  - Parts & Accessories
  - Scooters 50-250cc segment

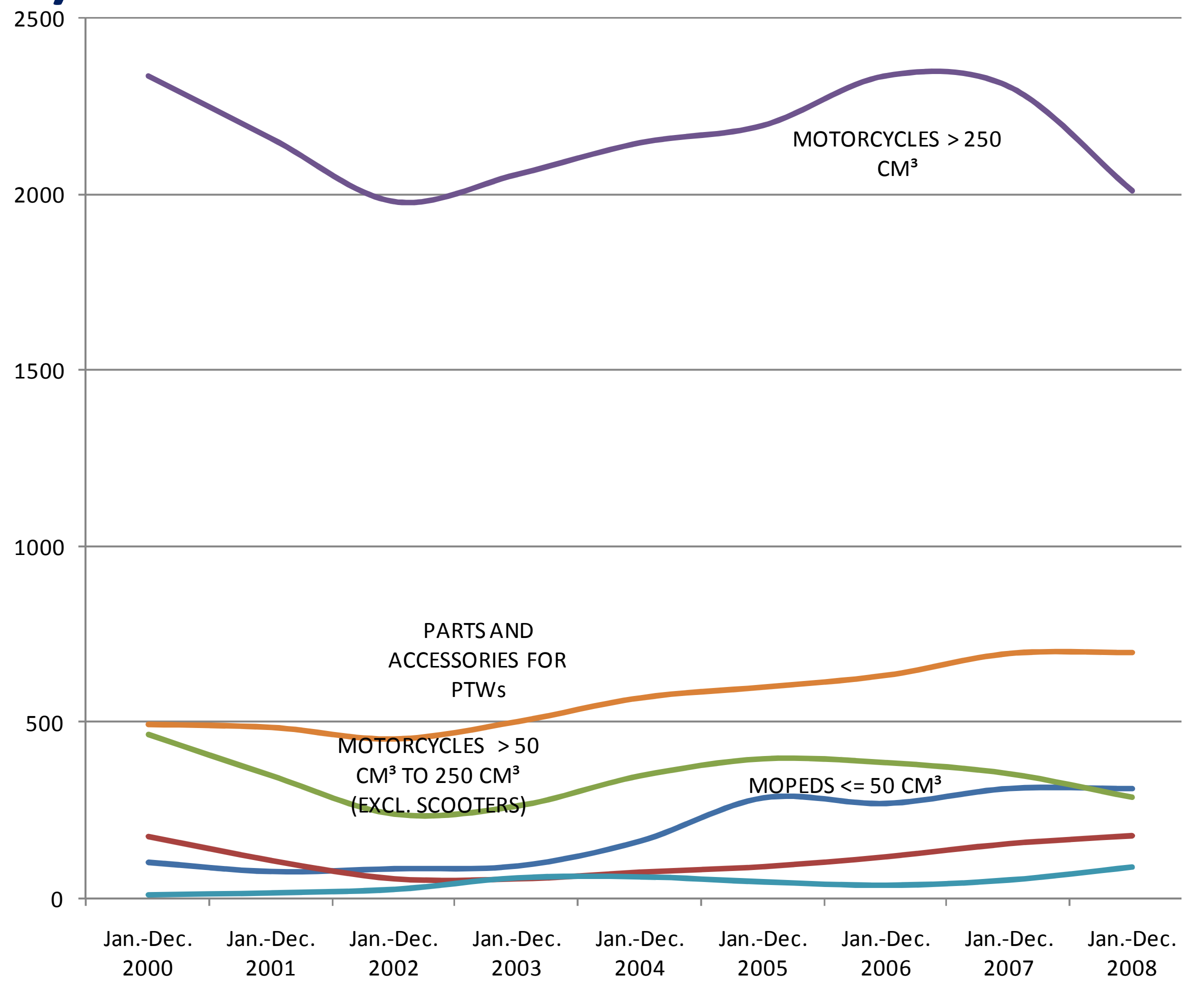
- Main customers
  - USA
  - Japan
    - Viet Nam
    - Russia



Source: Eurostat

Extra-EU Imports (€ mn)

- Stagnation of MCs
  - >250cc, main item of extra EU imports
  - Also for the 50-250cc segment
- Increase of Parts and Mopeds
- Main suppliers
  - Japan
  - China
  - USA
    - Taiwan

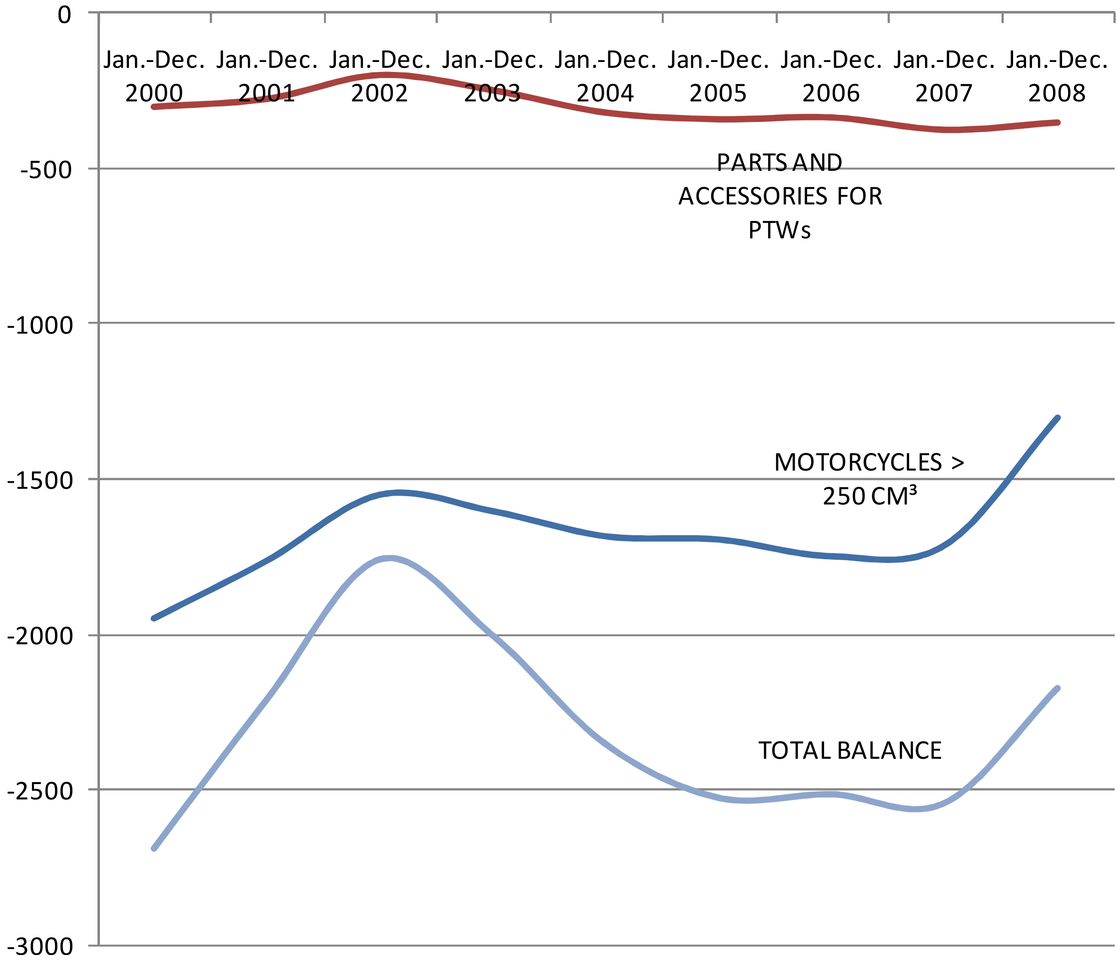


Source: Eurostat

Extra-EU Trade Balance (€ mn)

- MCs >250cc and Parts main contributors to the Trade deficit
- Encouraging trend for MCs >250cc
- Main partners contributing to the deficit
  - Japan
  - China
  - Taiwan
  - Thailand

Source: Eurostat



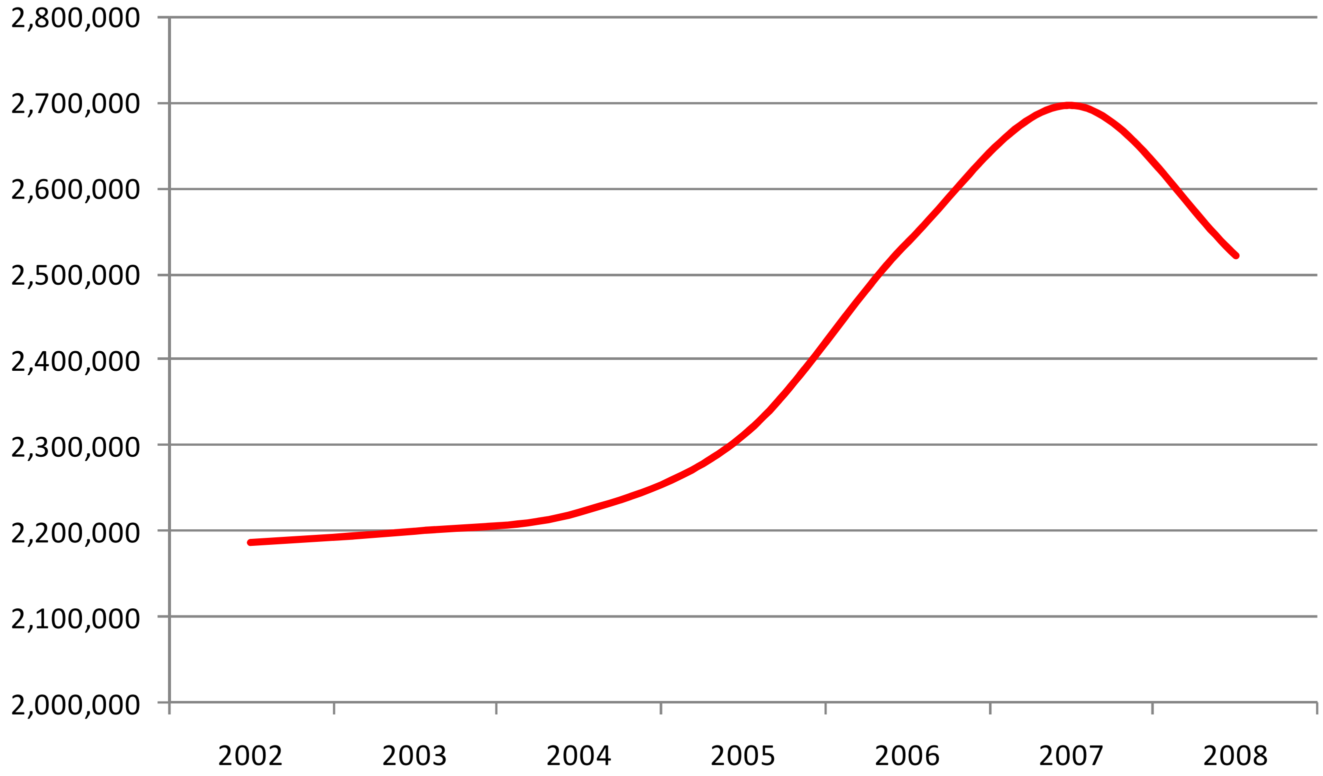
Challenge 2: Biggest worldwide markets are a threat, not yet an opportunity

- Strong pressure from low cost mass production players
  - Generating market turbulences (off-road mini motorcycles)
  - Generous interpretation of CoP
- Significant tariff barriers, preventing EU manufacturers to export
  - e.g. over 100% in India
- Non technical barriers to trade remain serious obstacles
  - Even after bilateral agreement with EU (e.g. South Korea)

EU PTW Market: Zoom 2002-2008

2002 – 2007: +23%

2008: Apparent slight drop -7%

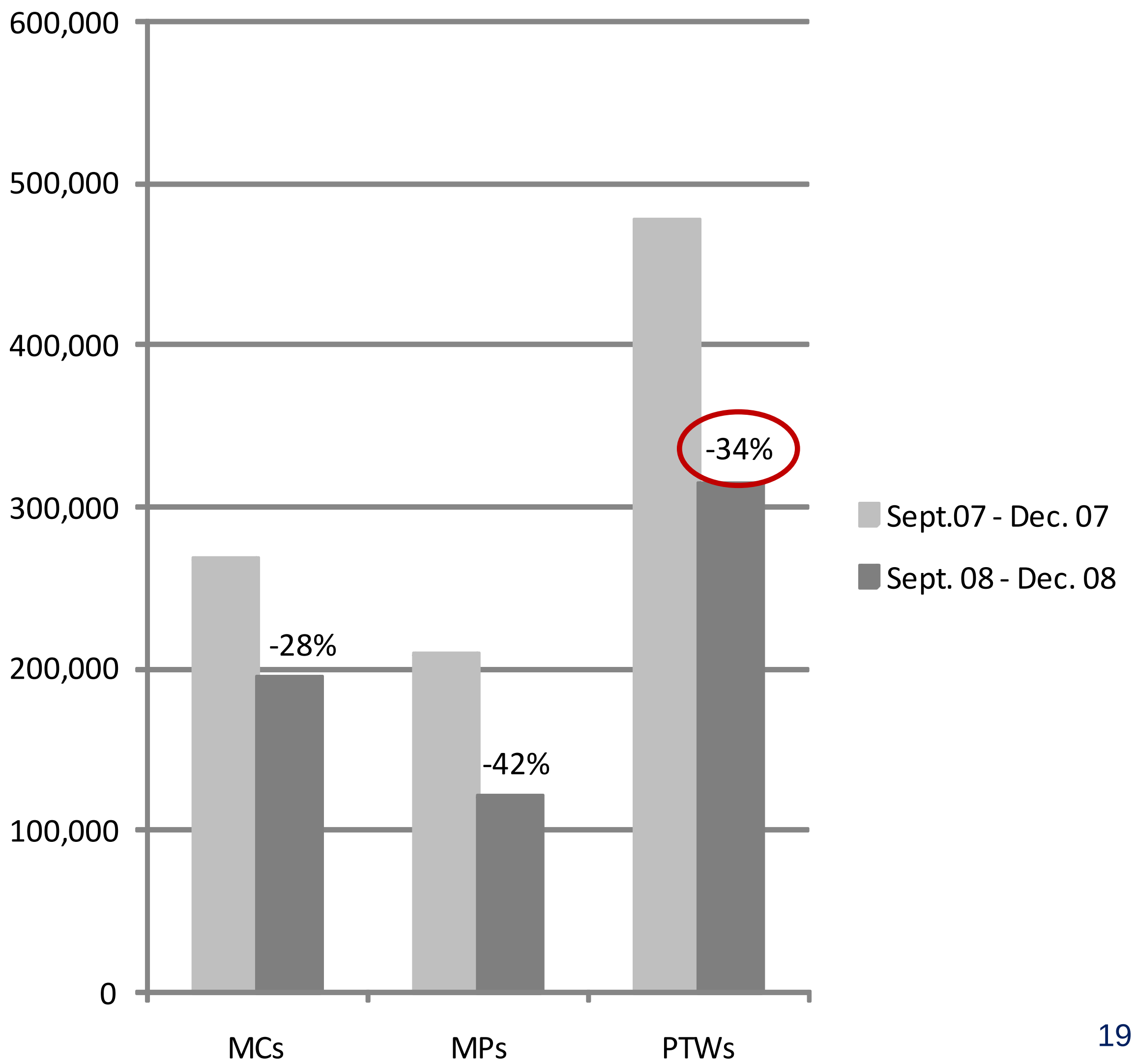


Evolution of volumes

Last quarter 2008/2007

Problem identified

-34% drop



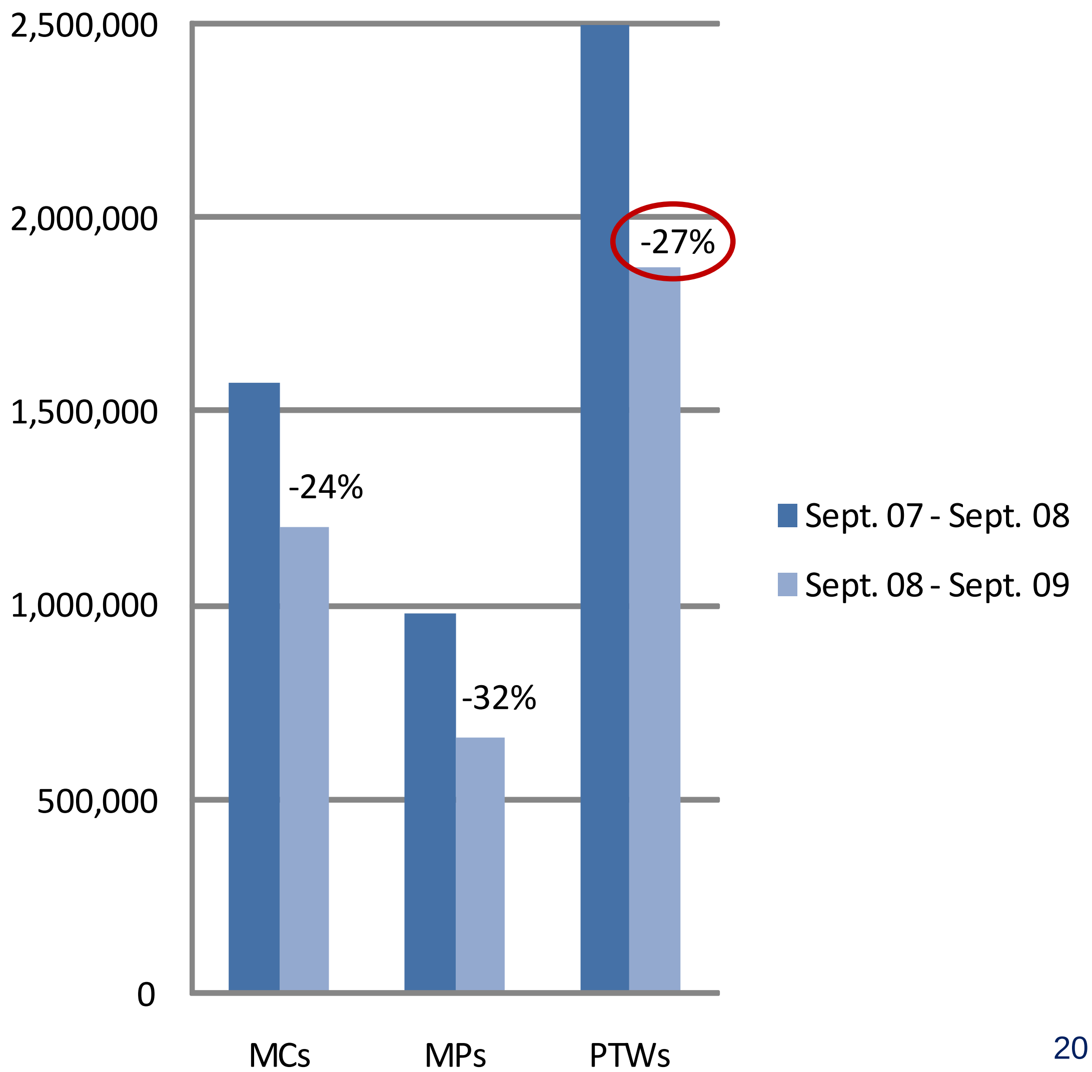
Evolution of volumes

12 months (Sept. – Sept.)

Peak season seriously damaged

-27% drop

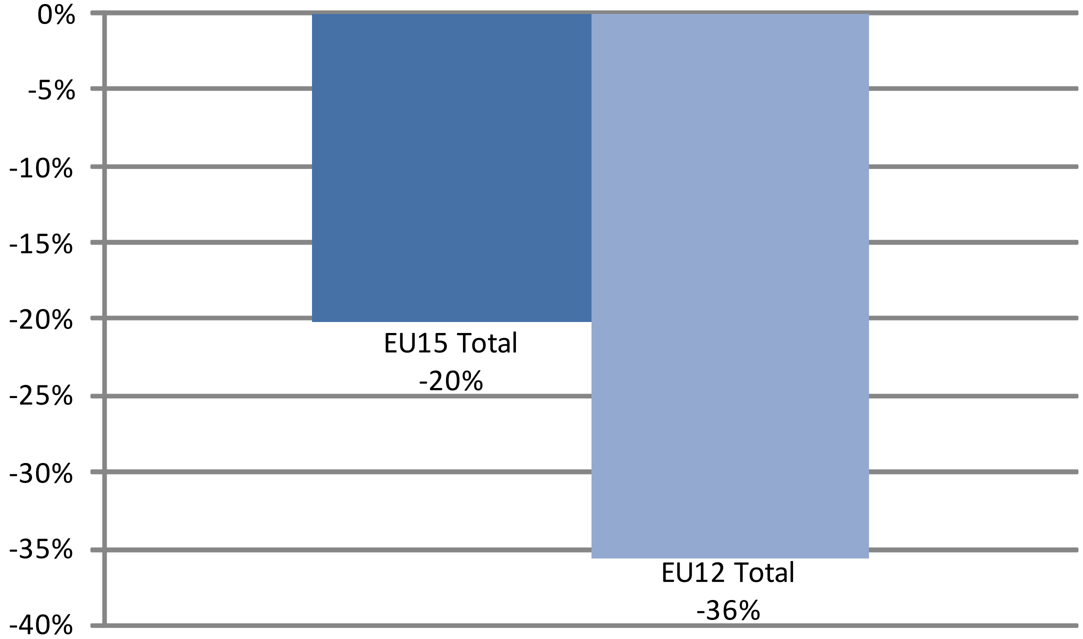
650,000 PTWs lost



Evolution of MC volumes Western / Eastern Europe

12 months (Sept. – Sept.)

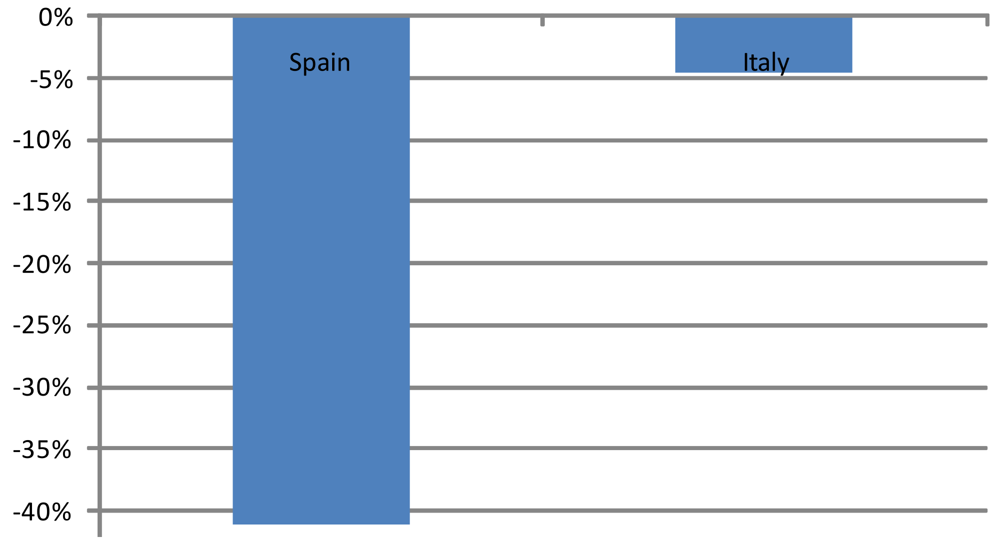
New Member States more severely impacted



Evolution of MC volumes: Divergences at National Level

12 months (Sept. – Sept.)

- In Spain, multiple regulatory changes generate uncertainty
- While in IT the scrapping scheme acts as shock absorber



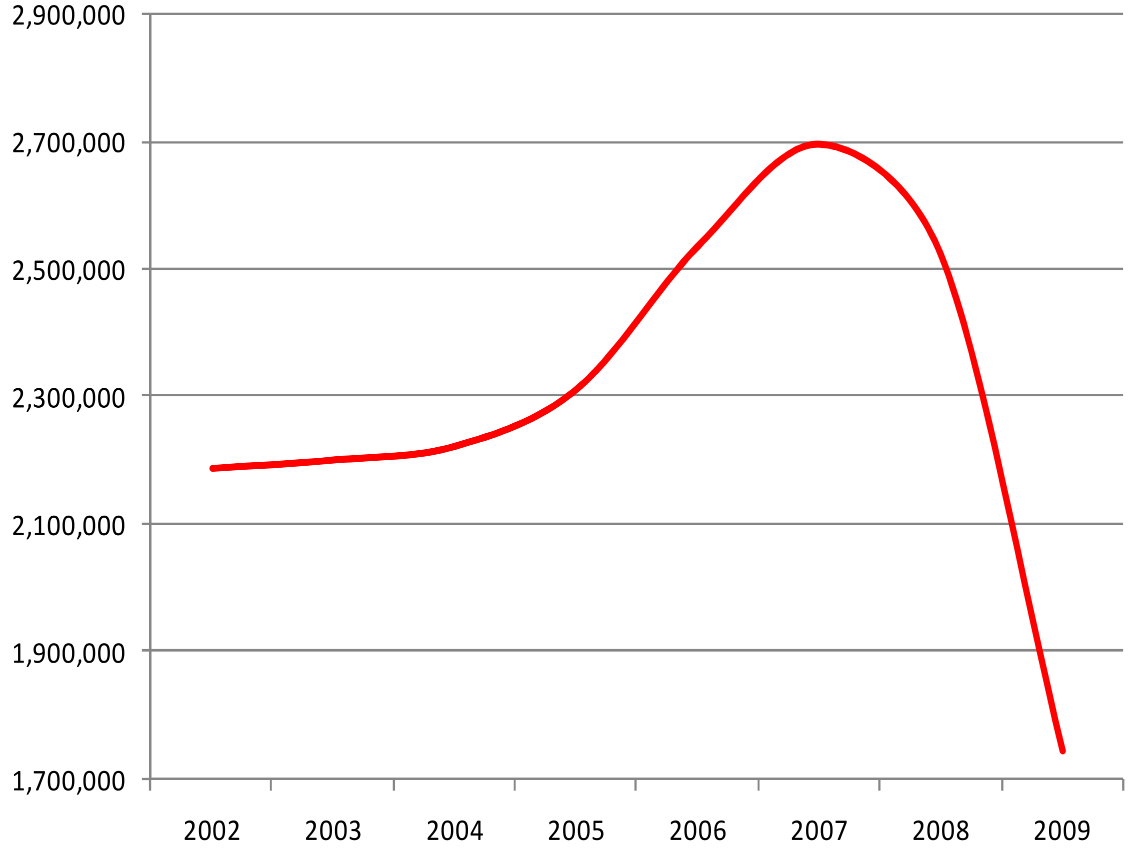
Crisis conditions require appropriate measures by governments!

EU PTW Market: Outlook 2009

16 years backwards!

-25% drop

Near 3/4 million PTWs lost



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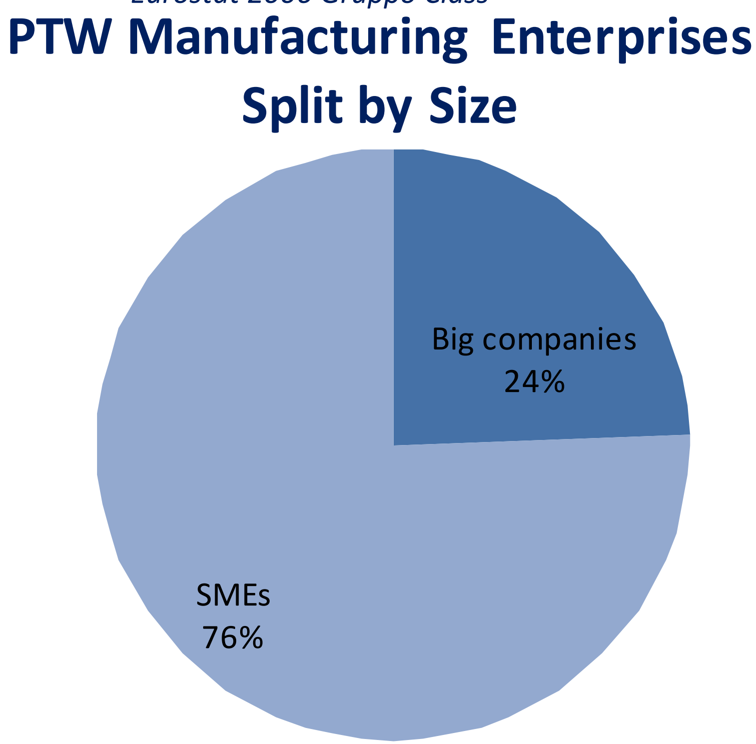
Impact on the whole sector

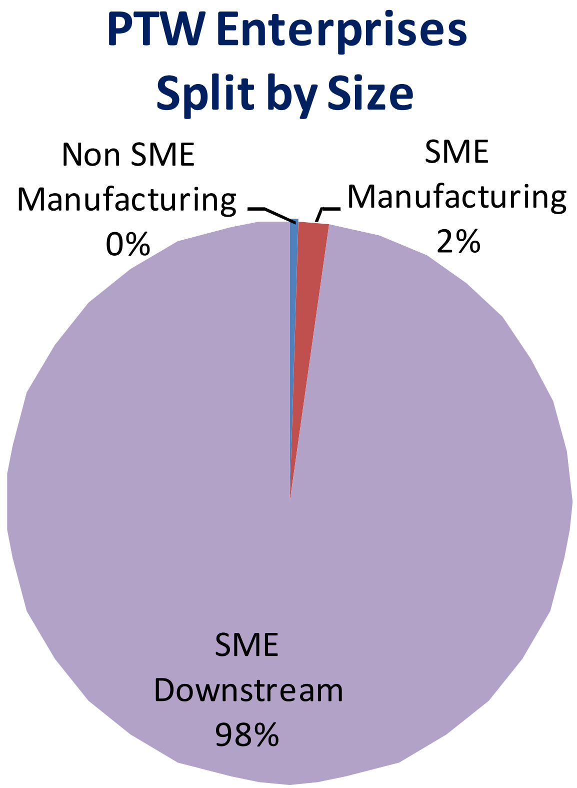
- Cash flow shortage, amplified by
  - The seasonality
  - The overstocks of vehicles and components
  - Limited access to credit,
  - Sourcing difficulties
    - ➢Additional tooling costs
    - ➢Additional stock
- Job losses
- Serious financial difficulties impacting more severely SMEs, some of them close to bankruptcy

Split by Size of Companies (%)

- Wide representation of SMEs in manufacturing and downstream sectors (under-reported)

Eurostat 2006 Gruppo Class





Challenge 3: Impact of the crisis amplified for PTWs

- Endogenous factors
  - The nature of the market: seasonality, leisure part
  - The fragmentation of the sector
- Exogenous factors
  - The strong and sometimes unfair Extra-EU competition
  - The continued increasing disharmony inside the EU market itself
  - The lack of coordinated supporting measures(IT excepted)
- Regulatory factors
  - The over-complexity of the regulation (e.g. licensing)
  - The over-regulation of the sector (e.g. off-road PTWs)
  - The lack of visibility on future regulations

Addressing the Economic and Financial Crisis

- ✓ Supporting measures to sales
  - ➢ Based on the high number of companies and employees involved in the sector (manufacturing, upstream and down stream), Member States should develop scrapping schemes with progressive contributions taking into account the value of the products
- ✓ Financial supporting measures
  - ➢ Member States should motivate their respective financial sector to restore the access to the credit and reasonable credit terms for the consumers and businesses

Addressing the External Trade Conditions

- ✓ Fair competition
  - ➢ Restore the same level playing field for EU and Extra-EU competitors through intensive focused activities from market surveillance authorities to the benefit of consumers, road safety, environment and the PTW industry
- ✓ Access to the Extra-EU markets
  - ➢ Balanced trade agreements with third countries through reciprocal removals of the tariff barriers and of technical and also non-technical barriers

Addressing the Fragmentation of the Markets

- ✓ At International level
  - ➢ The EU Commission with the support of the Member States should continuously promote the worldwide harmonization of the technical regulations through the UNECE world forum and demand their application by the contracting parties
- ✓ At EU level
  - ➢ The EU Commission should ensure consistent application of legislation by the Member States (e.g. timing, etc)
- ✓ At national level
  - ➢ While devising new measures, Member States should keep the aim of a more harmonized internal market

Addressing the Future PTW Technical Regulation

- ✓ From the Industry
  - ➢ The Industry, fully assuming its social responsibility, pro-actively proposed a series of technical measures to address the PTW road safety and environmental challenges, through a constructive cooperation with the EU Institutions

Addressing the Future PTW Technical Regulation

✓From the EU Commission

- The EC should carefully consider the intrinsic characteristics of the sector and its possibilities in the current difficult context, and set the goals of the future regulation accordingly
  - Appropriate lead time
  - Pragmatic approach
- Particular attention on non technical regulations that also have a considerable impact
  - Implementation of 3DLD

Conclusion

- The PTW industry plays an important role in the EU in terms of the economy and jobs, however the sector could suffer from the current crisis, with implications for employment.

- Provided that the proposed measures and aims are implemented, the sector has a considerable potential of growth
  - Inside the EU due the increase of individual mobility needs
  - Outside the EU due the attractiveness and competitiveness of its products

Thank you!