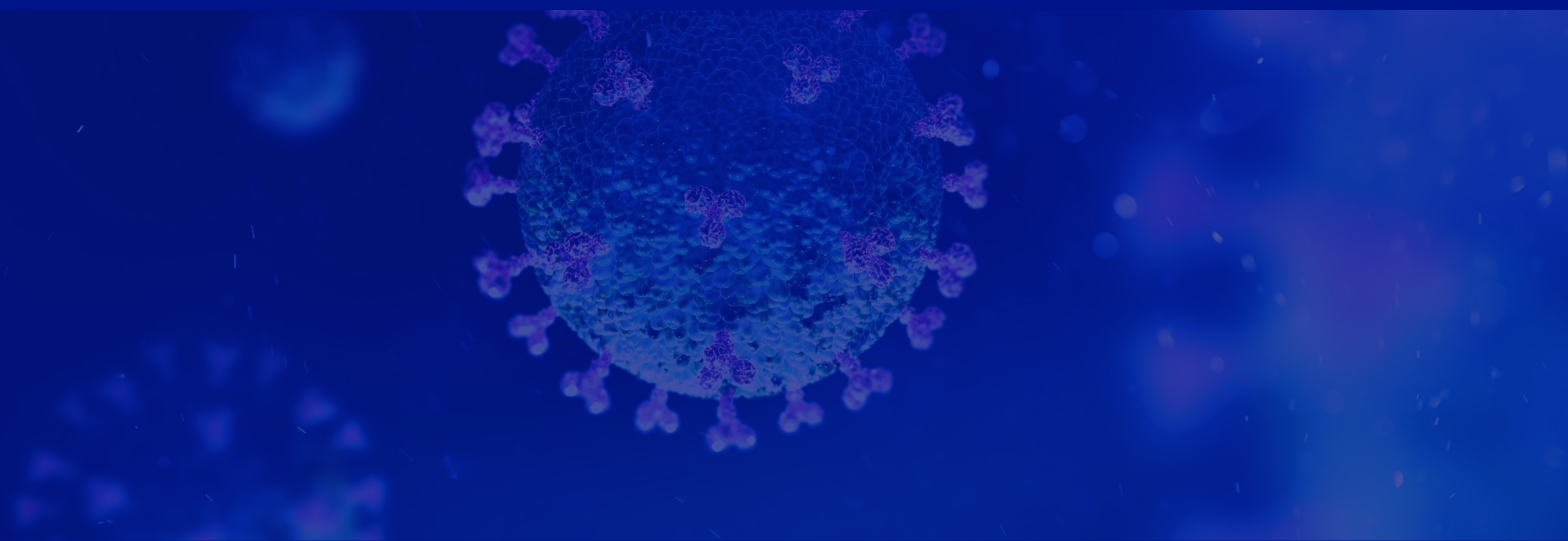
FOR A RESILIENT AUTOMOTIVE AFTERMARKET ENSURING SUSTAINABLE EUROPEAN MOBILITY

12 measures for the recovery and post-COVID-19 period



In a nutshell:

12 measures for the recovery & post-COVID-19 period

1. Addressing liquidity of SMEs
to fight imminent crisis effects and enable necessary investments in the future

2. Targeted measures to those in need
reaching companies vital for EU recovery and economy

3. Specific funding opportunities for responsible investments and qualified workforce
in the European automotive aftermarket

4. Free movement of labour
to be ensured and coordinated on the EU level

5. Free movement of goods
for a functioning Single Market in the EU

6. Safe working places for employees in Europe
to support economic recovery and growth

7. Encourage people to get their vehicles 'eco-checked'
to stimulate demand and contribute to the EU's environmental objectives

8. Contribute to ensuring a cleaner environment - eliminate 'gross polluters' during PTI

9. Digitalisation: Swift adoption of EU legislation on access to in-vehicle data and resources needed

10. Promote the circular economy and move towards a more sustainable & circular automotive services sector

11. Maintain and modernise the Motor Vehicle Block Exemption Regulation
to ensure that the whole aftermarket remains competitive

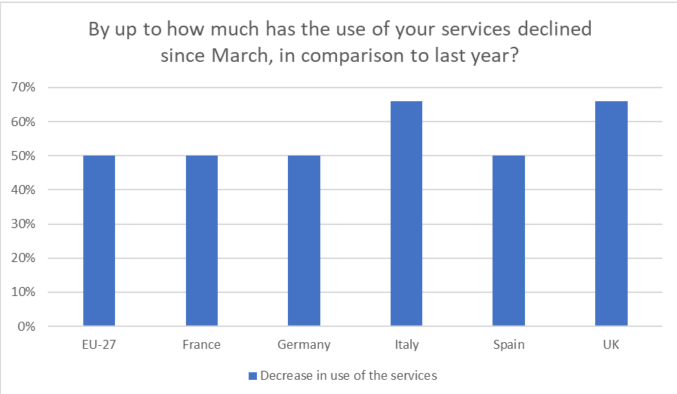
12. Organise a European Automobile Value Chain Summit
to ensure dialogue on the future automotive value chain with all stakeholders

Europe's automotive servicing and mobility value chain accounts for over 4,3 million jobs in the wider 'automobile use'[1], the overwhelming majority of them being employed in over 500.000 SMEs. The sector of vehicle parts production, their distribution, diagnostics and repair & maintenance is composed of array of operators such as parts producers, manufacturers of lubricants, authorised and independent repairers, body repairers, manufacturers of garage and test equipment, independent data publishers, independent distributors of automotive parts and components, road rescue patrols and periodic roadworthiness testing stations, serving private, corporate or public use of more than 300 million vehicles on the EU's roads. It is an ecosystem which plays a vital role in enabling personal mobility, the distribution of goods, servicing public transport operators as well as ensuring essential services such as medical services and law enforcement can continue to operate. This ecosystem ensures Europe's mobility and makes it safer, cleaner and more affordable and accessible for all.

Impact of COVID-19 pandemic crisis on automotive aftermarket

Following an enquiry among the signatories, the received feedback and data clearly shows the COVID-19 pandemic's significant impact on Europe's SME automotive services value chain and its enterprises. Unsurprisingly, the situation is more difficult in those countries which were the most impacted by the COVID-19, such as Italy, Spain and France, but the automotive aftermarket sector at large has been deeply (and negatively) impacted in most of the EU countries. While the sector was often allowed to pursue, at least to a certain extent, its activities, the confinement measures and the temporary closing of business-consumer interfaces has resulted in a fierce drop in demand, with a dramatic effect on the access to liquidities for the overwhelming majority of SMEs and family businesses of the sector.

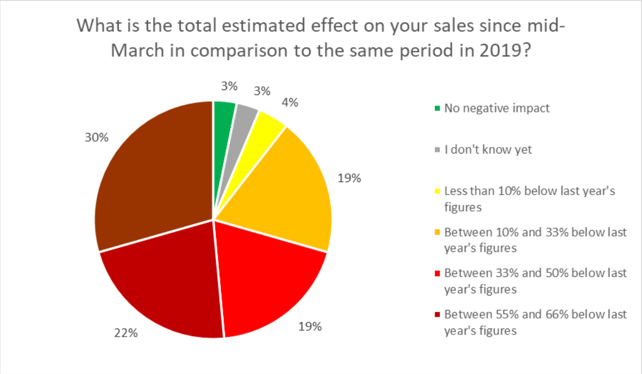
A reliable indicator of the economic activity within workshops is data on the usage frequency of repair information databases or diagnostic test equipment: in the largest markets, such as Italy, Germany or the United Kingdom for example, the use of independent data publishers' services, which are absolutely necessary for the repair and maintenance of vehicles, have decreased between one and two thirds below the last year's figures[2].

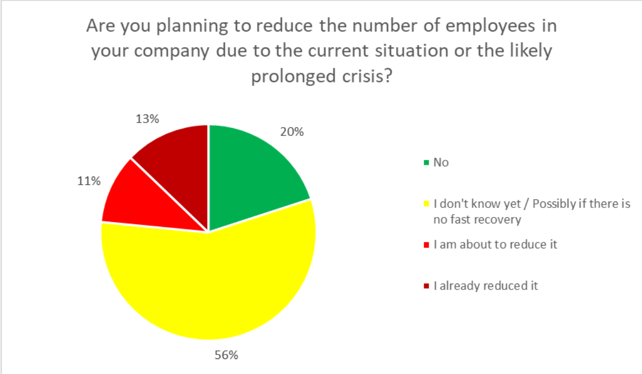


[1] GEAR 2030 Final Report 2017 statistics (p.7) have shown that from the often quoted 12 million jobs in the Automotive Industry, 3,3 million are employed in the sheer production of vehicles/components, whereas the larger part, namely 4,3 million relate to the wider 'Automobile Use' (aftermarket service providers of repair/maintenance, sale of parts/accessories/fluids, car rental/leasing, dealers etc.). The remaining 5 million jobs are mobility jobs created through transport and road construction activities (e.g. taxi, tram, lorry drivers etc.) and thus jobs depending on the use of the automotive industry's products for safe, efficient and affordable mobility solutions. Updated: Cf. ACEA Pocket Guide 2019/2020: Out of 13,8 million jobs, 3,5 mio. jobs are related to direct and indirect manufacturing, 4,5 mio. jobs are created by the wider 'Automobile Use' and 5,7 mio. jobs are transport and construction jobs (roads, bridges etc).

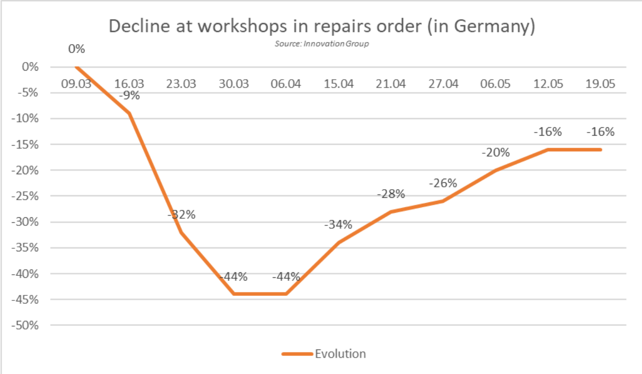
[2] ADPA online survey conducted from the 20th to the 29th of May 2020

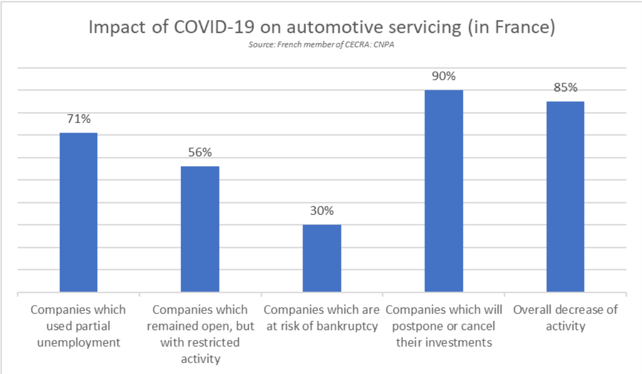
From a Europe-wide enquiry among independent parts distributors[3], sales dropped by at least 50% for one out of two companies, and by more than 66% for three out of ten; less than one out of ten reported a decrease of less than 10%. It also shows that less than one company out of five is confident it will be able to maintain pre-crisis employment level, but already one out of four has started the process of reducing employment (regardless of temporary unemployment schemes).

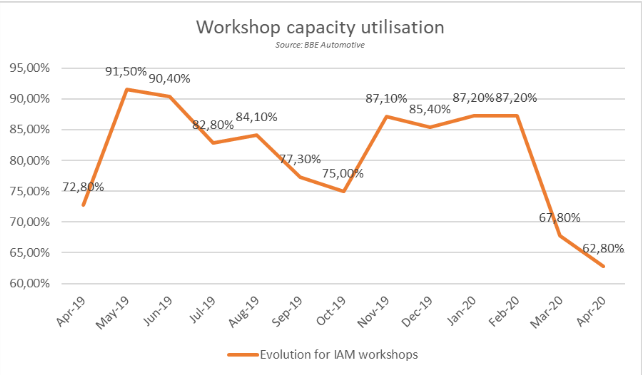




The service area also recorded an enormous decline in sales and workshop capacity utilisation. According to a survey conducted among national associations representing dealers and repairers in Europe[4], workshops in countries most affected by lockdown measures have seen their activity decrease by up to 85%. More than 60% of the automotive companies reported a drop in sales compared to the same month last year. In contrast to April of the previous year, workshop capacity utilisation fell by around 10%. An enormous decline in repair orders has also been observed in the claims area since February 2020 in Germany. At the peak time in April, there was also a decline of about 44% in bodyshop repairs in the insurance claims market. In France, up to 30% of automotive servicing companies might go bankrupted.







[3] FIGIEFA online survey conducted from the 15th of April to the 22nd of May 2020

[4] CECRA internal survey conducted from the 15th to the 22nd of May 2020

Our recommendations:

12 measures for the recovery & post-COVID-19 period

Resolve

Return (but to a ‘new normal’)

Reimagine the industry to make it competitive, resilient and sustainable

In line with the new European Commission’s Communication[5] and recovery instrument ‘Next Generation EU’, our Recommendations do not look only at measures and incentives which could address, in the short term, the imminent effects of the crisis and kickstart the economy, but also at medium- and long-term measures to achieve a lasting recovery, making the industry stronger and more resilient to future unexpected events. Being confident that the pandemic will be mastered, COVID-19 is an opportunity to ‘reimagine the industry’ on its road to meet the global challenges and better serve the society of the 21st century.

The COVID-19 crisis triggered wider debates in both society and the economy, to take time to reflect and to ‘not simply carry on as before’, triggering amongst other issues a (public) demand for a flexible approach to working conditions, maintaining a cleaner environment, a more sustainable tourism, a more local sourcing of food or industrial products, or an increased use of sustainable products and mobility services. Against this background we believe that the European Union must take a leading role, and the proposals outlined in ‘Next Generation EU’ are an important set of instruments tackling the challenges of the decades ahead.

1. **Addressing liquidity of SMEs**
2. **Targeted measures to those in need**
3. **Specific funding opportunities for responsible investments and qualified workforce**
4. **Free movement of labour**
5. **Free movement of goods**
6. **Safe working places for employees in Europe**
7. **Encourage people to get their vehicles ‘eco-checked’**
8. **Contribute to ensuring a cleaner environment - eliminate ‘gross polluters’ during PTI**
9. **Digitalisation: Swift adoption of EU legislation on access to in-vehicle data and resources needed**
10. **Promote the circular economy and move towards a more sustainable & circular automotive services sector**
11. **Maintain and modernise the Motor Vehicle Block Exemption Regulation**
12. **Organise a European Automobile Value Chain Summit**

[5] Communication from the European Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions ‘Europe's moment: Repair and Prepare for the Next Generation’, published on the 27th of May 2020

SUPPORT MEASURES OF FINANCIAL AND ECONOMIC NATURE
to fight the imminent effects of the crisis
and relaunch economic activity in Europe

1. Addressing liquidity of SMEs

One of the main issues companies are facing now is a lack of liquidity, especially for SMEs. This undermines the possibility to recover as well as to make necessary investments in the mid- to long-term. Additional extensions for paying taxes and social contributions, extension of payment deadlines, guarantees, loans and grants, ensuring credit access and financial support, partial unemployment schemes among others, are necessary instruments which are in many EU Member States widely accessible (but which should continue to be made available) - in particular to SMEs. We are aware of the considerable financial means from European institutions put at the disposal of EU Member States (and of many EU Member States themselves) to support companies and particularly welcome the new European Commission's plan 'Next Generation EU' including e.g. the Solvency Support Instrument. These means have to be put in place and used swiftly, without additional administrative hurdles. Informing sufficiently about existing supportive measures would also be extremely helpful, particularly for companies with limited resources to identify which programmes and funds they can use.

2. Targeted measures to essential sectors in need

We would like to ensure that the offered measures will reach companies, and particularly SMEs, in the sectors that are vital for recovery of Europe at large. The European Commission rightly acknowledges the mobility sector at large as one of the strategic value chains. It ultimately supports the fundamentals of the European Union – free movement of goods and labour[6], and should thus benefit from the supporting measures in a prioritised way. In terms of fair distribution and cohesion in Europe, some European funds (e.g. European Structural and Investment Funds) should be allocated to regions/countries which are most severely affected by the crisis and prioritise most vulnerable companies. Large corporates have multiple and easier access to support measures and funding facilities from banks, investors, or public authorities of foreign countries in which they also operate.

3. Specific funding opportunities for responsible investments and qualification of workforce

Just as many other sectors, the automotive aftermarket sector has embarked on its journey to tackle the challenges of the future. This is a major objective which is considered to be good for the society as a whole, but also to companies themselves. The change of consumers' habits and expectations, new rules in public procurement, ambitiously inclusive corporate social responsibility of key market players, that make it necessary for our companies to adapt their operations and to adopt new good practices. However, many of these projects are capital-intensive, and liquidity is becoming a scare resource for SMEs. In order to allow them to make the necessary investments (in buildings, in trainings, in logistics, in equipment, in processes), we would like to suggest that specific funding programmes, with well defined objectives and resources, are established and scaled up in favour of SMEs (such as COSME).

The same way, specific programmes should support training/education and how to better prepare to new trends and new challenges in our industry. It is crucial for the entire value chain to maintain a qualified, local workforce able to service, maintain and repair increasingly complex vehicles.

[6] As confirmed in the recently published package of guidelines and recommendations - Tourism and transport: European Commission's guidance on how to safely resume travel and reboot Europe's tourism in 2020 and beyond

MAKE THE SINGLE MARKET WORK AGAIN

4. Free movement of labour

Status beginning of June 2020, we see with concern still a number of national measures closing or constraining borders, and would welcome a stronger coordination on the EU level to lift restrictive measures on European borders and reinstate free movement of people, particularly the labour force as the engine of the European economy. Specific attention should be paid to cross-border commuters to work, which are often essential for economic activities of specific regions. Safeguarding the integrity of the EU and its freedoms must be a priority to genuinely re-establish the European Community.

5. Free movement of goods

In similar manner to the previous measure, the EU has to guarantee the free movement of goods to ensure the full functioning of the Single Market of goods. This includes lifting border controls, which still do exist, not only within the EU, but also on the external borders, either introduced in recent months or maintained by a number of Member States, which include bans, export restrictions, and extended borders for goods. Together with more flexibility this would help avoid bottlenecks to supply chains in Europe and safeguard all freight transport modes as a priority for the EU.

6. Safe working places for employees in Europe

The COVID-19 crisis has surely put the health and safety preparedness, both in the public and the private sector, to a serious test. Beside stronger coordination on public health and enhanced crisis management, we believe that for economic recovery and growth it is essential that employees can return to their work places as quickly as possible, while ensuring that the working conditions respect necessary health and safety precautions and measures to fight the pandemic and avoid further outbreaks in near future. To act in a coordinated and harmonised manner and due to the existence of the European Single Market and Economic Area, we recommend Member States and companies to take into account the Guidelines and Recommendations on Adaptation of Work Places to COVID-19 published by the EU's Health and Safety Agency[7]. Also, specific safety checks should be made for professional vehicles, when they have not been used for a long time because of the COVID-19 crisis.

[7] Guidelines and Recommendations on Adaptation of Work Places to COVID-19 published by the EU's Health and Safety Agency "EU-OSHA" on the 24th of April 2020

FOSTERING THE ECONOMIC ACTIVITY ACROSS THE WHOLE AUTOMOTIVE SECTOR VALUE CHAIN in line with the wider EU goals

In order to support the recovery of the EU's mobility, it is vital to sustain a good functioning of the automotive aftermarket services sector. An holistic approach with a set of balanced measures that address the whole value chain in a coordinated manner, is needed to ensure a healthy restart and functioning of the transport and mobility sector at large.

7. Encourage people to get their vehicles 'eco-checked'

In its ambitious plan 'Next Generation EU', the European Commission promotes deployment of cleaner cars on the EU's roads, which we believe should be addressed in a holistic manner to include not only new vehicles, but also the existing vehicle park. With the renaissance of the use of passenger cars, linked to the concerns in promiscuous public transports, it means that road safety needs to be ensured in the coming months, and that equally emissions do not rise.

To fulfil the European Union's objective and to stimulate demand at shorter notice in the automotive servicing sector, incentives should be envisaged to encourage vehicle owners to have, as a minimum, a 'top ten' - 'eco-check' of their vehicles.

The check should focus on key engine management component functionality determining emissions, such as EGR (exhaust gas recirculation) valves, the turbocharger, manifold pressure, air mass meter, fuel pressure and fuel injector, lambda sensor values, DPF pressure sensor values, Ad-Blue system pump and dosing (UREA reducing additive) and last but not least, should include a check of the tyres. Similar concepts of 'eco-entretien' already exist in France and Belgium.

8. Contribute to ensuring a cleaner environment – eliminate 'gross polluters' during PTI

The COVID-19 restrictions have – as a side effect - created greater consciousness of a cleaner environment across Europe. Research[8] has also shown that around 80% of the pollution is emitted by 20% of the vehicles. This is particularly an issue in the city environment where slow moving traffic and stop/start conditions lead to the manipulation of vehicle exhaust treatment systems to resolve exhaust filter blockage problems, that in turn, create the higher levels of pollution from these 'gross polluters'. The current periodic roadworthiness inspection (PTI) is not identifying these 'gross polluters'.

However, to eliminate these gross polluters and their impact on the environment, but also to detect tampering with the emission treatment systems, we suggest the introduction of a new mandatory emission test method which would directly measure the PN (Particulate Number) and the NOx emission values against corresponding limits which would identify correct emissions compliance. This would thus help both objectives - improving air quality and reducing vehicle tampering- and thus constitute an important measure in accordance with the 'Green Deal'.

[8] GOCA, (Groupement des sociétés agréées de contrôle automobile et du permis de conduire A.S.B.L.), 'PN Study - New fine particle emission measurement for the assessment of the quality of the particulate filter during the periodic inspection of diesel vehicles', Presentation for CITA WG2 on the 13th of March 2019

A SUSTAINABLE, RESILIENT AND COMPETITIVE EUROPEAN AUTOMOTIVE AFTERMARKET SECTOR

The automotive aftermarket and services value chain enables safe and efficient transportation across the entire European Union thanks to its multi-brand solutions and its wide geographical coverage. It is instrumental in this crisis and should remain a key strategic asset for Europe in the future. However, due to the COVID-19 crisis, the sector has been severely impacted and particularly weakened in view of the global challenges ahead. The European Union should consider all means to make Europe and its most vital sectors and economic operators more resilient and sustainable in the post-COVID world, mobilising human, technical and financial resources.

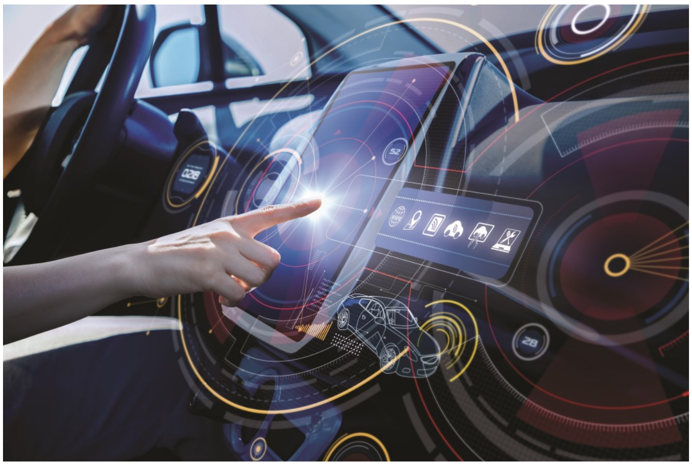
The current crisis should not narrow down the different ambitions set by this European Commission, be it in the area of digitalisation, future mobility or environmental protection, but rather make them key building blocks for Europe's future prosperity and resilience. Whilst we do not intend to simply reactivate old demands due to the COVID crisis, we emphasise the need to maintain/adopt (as a matter of urgency) a set of EU legislations, which are crucial for improving the resilience of the hundreds of thousands SMEs active in the vehicle parts, diagnostics, servicing and repair of vehicles.

9. Digitalisation: Swift adoption of EU legislation on access to in-vehicle data and resources needed

In an increasingly digitised automotive sector, the whole automotive value chain is undergoing profound transformation. With the advent of the 'connected car', the repair process starts now in the vehicle where the data quality and the ability to safely access car functionality determines the quality of the service.

Consumers expect affordable smart digital services with remote and predictive information about the 'health status' of their vehicle. There are a full set of new digital innovative remote services, which could be developed, creating a more predictable and efficient 'just in time' provision of services and parts in and for the workshops and the entire aftermarket ecosystem. This would result in much lower operating costs and efficiency gains. Innovative 'on the fly' services (i.e. the remote ordering of diagnostics, repair data and spare parts for a specific vehicle), would reduce repair times and costs for the consumer. The ability to remotely access vehicle data reduces spare parts delivery times, optimises parts stocks, or even makes the parts "smarter" by adding sensors and improving the predictability of the wear and tear. This enables a reduction in both environmental footprint and of the transport costs. First of such digital eco-systems were already developed by the aftermarket, but are currently technically somewhat limited by only being possible based on On-Board-Diagnostics (OBD port) access.

These are striking example of how – through digitalisation - an entire eco-system can be made more sustainable and resilient. To build real Data Economy in practice and in line with the 'Manifesto for fair Digitalisation Opportunities'[9], we call upon the European Commission to adopt without delay (but even more swiftly than planned) EU legislation providing a legal framework for in-vehicle data access and use, which is urgently required to enable independent businesses to develop innovative services and to compete effectively.



[9] Manifesto on fair digitalisation opportunities published in October 2019

10. Promote the circular economy and move towards a more sustainable & circular automotive servicing sector

The circular economy has undoubtedly great potential for the EU economy, be it through new jobs (700.000 new jobs expected by 2030), reduced dependency on external suppliers or generally making the automotive servicing sector more sustainable and resilient for the global challenges.

The move towards a 'Sustainable and Circular Automotive Servicing Sector' becomes increasingly important, with customers expectations on one side, and financial institutions' rating being also increasingly based on environmental performance of products and services on the other side. With the high number of small & medium- size enterprises involved, support for the reshaping of an entire ecosystem will require support for the implementation of a new holistic way of operating. Due to the considerable contribution of the automotive aftermarket and servicing sector to Europe's mobility at large, a targeted and prioritised approach of the public sector is essential, be it project funding for a change management to a new business model, up-scaled funds, an adapted regulatory framework or reduced tax rates, amongst others.

Circular economy in the automotive aftermarket

1. Responsible

Sourcing

- Eco-certified listed suppliers
- Distribution optimisation
- Recycled materials

Behaviour

- Eco-friendly consumables
- Energy savings
- Pollution prevention

2. Repair

- Partnerships with specific workshops
- Increase mechanics knowledge
- No systematic replacement

3. Reuse

- Breaker's yards partnerships (subject to quality checks and labels)
- Propose second-hand parts (subject to quality checks and labels)

4. Remanufacture

- Used parts collection
- Suppliers' reman program
- Parts warranty

5. Recycle

- Waste sorting process
- Used parts collection
- Financial benefits for the workshop

Measures for the circular economy in the automotive servicing sector could range from defining what are 'sustainable spare parts' introducing specific eco-labels, increase regional sourcing, optimising the supply chain (transports/CO_2 footprint) to an improved recollection/decommissioning. It will imply to re-think and re-shape traditional business models.

Fiscal measures could also have multiple incentives, increasing the demand in the long-term, and keeping SMEs afloat, and have different forms, such as reduced VAT rate, reduced road tax obligations, deductible costs or direct subsidies to the consumers.

The measures could, among others, also include responsibly sourced parts, in particular remanufactured parts, which are existent in the automotive industry since years. However, despite their environmental and economic benefits, the percentage of remanufactured parts in the entire aftermarket supply chain is still low in the EU (e.g. compared to the US with around 40% usage rate). This is partially because the process of remanufacturing is laborious and costly, and the process requires a dedicated handling effort.

The EU should thus use different stimuli, including tax incentives and green public procurement, but also support to the industry to re-design the entire supply chain management, from the remanufacturing through logistics (avoiding any new increase in transports/CO_2 footprint) to dedicated awareness creation and incentive schemes for workshops.

11. Maintain and modernise the Motor Vehicle Block Exemption Regulation

In these times of crisis and vulnerability of SMEs, the EU should carefully look at the regulatory system and particular elements that help ensure that the aftermarket remains competitive. In this sense, the existing competition law framework, with the Motor Vehicle Block Exemption Regulation (2010/461), acts as a safeguard of economic activities across the vertical chain of the automotive aftermarket sector. The risk that this set of rules (for the competitive provision of spare parts, important provisions that a vehicle may be repaired ‘from day one’ in the repair shop of the consumer’s choice without invalidating per se the vehicle’s warranty, access to technical information) would simply expire in 2023 without renewal, would bring even more uncertainties to already vulnerable SME companies. Regulation 2010/461 and the accompanying Sector Guidelines contain a number of provisions on the trade of spare parts, the access to technical information, and the possibility to service vehicles under warranty, which are essential in allowing our sector to offer/provide competitive services to the consumers. Maintaining and further improving/modernising this legal instrument is vital particularly for the post-COVID world.

12. Organise a European Automobile Value Chain Summit

The current crisis is disrupting the entire automotive sector, from manufacturing industry to aftermarket and to the wider automobile mobility value chain. The signatories would appreciate discussing with the EU institutions, in a holistic manner, what could be done to ensure a sustainable relaunch of economic activity in a way that enables the companies in our sector to move forward as efficiently as possible. This should be accompanied by measures for the competitiveness of the entire industry sector. We share the view that urgent measures have to be taken, but insist that such measures must be carefully discussed with all the stakeholders collectively so that none of the stakeholders’ position would be undermined. We therefore suggest organising a European Automobile Value Chain Summit for the dialogue with all stakeholders involved in the automotive sector.

Brussels, June 2020

ADPA – Automotive Data Publisher Association
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EGEA – European Garage Equipment Association
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Secretary General

FIGIEFA – Automotive Aftermarket Distributors
Sylvia Gotzen
Chief Executive Officer

sme united – Crafts & SMEs in Europe
Véronique Willems
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UEIL
Jos Jong
Board Member

UNDERSIGNED STAKEHOLDERS

ADPA, the European Independent Data Publishers Association aims to ensure fair access to automotive data and information and to provide competitive framework conditions for independent data publishers. This will allow the publishers to be able to design and provide competitive, innovative and multibrand products and services to operators of the automotive aftermarket.

www.adpa.eu

AIRC stands for Association Internationale des Réparateurs en Carrosserie. Formed in 1970, the AIRC is the global federation of leading national organisations in the area of vehicle repairs. These member organisations together represent more than 50,000 vehicle repair and vehicle builder companies in many countries.

www.airc-int.com

CECRA, the European Council for Motor Trades and Repairs, is the European Federation representing the interests of the motor trade and repair businesses and European Dealer Councils on behalf of vehicle dealers for specific makes. Its aim is to maintain a favourable European regulatory framework for the enterprises of motor trade and repair businesses it represents.

www.cecra.eu

CLEPA, the European Association of Automotive Suppliers, represents over 3,000 companies supplying state-of-the-art components and innovative technology for safe, smart and sustainable mobility, investing over 25 billion euros yearly in research and development. Automotive suppliers in Europe directly and indirectly employ nearly five million people across the continent.

www.clepa.eu

EGEA, the European Garage and test Equipment Association represents both manufacturers and importers of tools and equipment for the repair, servicing and technical inspection of vehicles, as an integral part of the automotive industrial value chain. Its role is to ensure that its associations' members can provide the best equipment and service to the automotive aftermarket by striving to keep members up-to-date concerning new vehicle technologies and legislative and standardisation requirements and thus be competitive in the garage and test equipment supply, service and calibration industry.

www.egea-association.eu

FIGIEFA is the international federation of independent automotive aftermarket distributors. Its members represent retailers and wholesalers of automotive replacement parts and components and their associated repair chains. FIGIEFA's aim is to maintain free and effective competition in the market for vehicle replacement parts, servicing and repair.

www.figiefa.eu

SMEunited is the employers' organisation representing the interests of European Crafts and SMEs at European level. SMEunited is a recognised European Social Partner. It is a non-profit seeking and non-partisan organisation. As the European SME umbrella organisation, SMEunited incorporates over 70 member organisations from over 30 countries consisting of national cross-sectorial SME federations, European branch federations and other associate members, which support the SME family.

www.smeunited.eu

UEIL, the Union of the European Lubricants Industry, represents the interests of the lubricants industry in Europe, with a special focus on SMEs and independent companies that produce lubricants and metal processing fluids essential for the automotive and industrial sectors.

www.ueil.org