

The Global Challenges of the European Commercial Vehicle Industry Today and Tomorrow

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**Members of the European Parliament
Representatives of the European Commission
Dear Colleagues,
Ladies and Gentlemen,**

Thank you for joining us!

We still have a very interesting day ahead of us and I am delighted we have such a distinguished panel of speakers to present to you in this setting in Brussels.

The topic of today's Commercial Vehicle conference is well chosen.
Globalisation is a fast moving factor that concerns all societies around the world.

Globalisation poses huge challenges to governments, industries and individuals alike.
Globalisation also offers huge opportunities.

For our industry, globalisation means the following

- an increasing transport & energy demand and an increasing need to protect the environment;
- an ever expanding global market with an increasing need for harmonisation of standards and legislation;
- and a steadily increasing international trade and a need to ensure fair market access

Protecting the environment

We are all concerned about protecting the environment.

In fact, respect for the environment is a core value of the European truck industry - and has been so for the last 30 years.

As a result, modern trucks are significantly cleaner, more fuel-efficient and quieter than those of previous generations.

A modern, 40-tonne truck uses one-third less fuel than one built in the 1970s.
Per tonne transported, this corresponds to a consumption rate of just one litre of diesel per 100 kilometres.

Exhaust emissions from commercial vehicles have also been reduced substantially in the last decade and this trend will continue;

- Already, particulate matter emissions generated by the truck fleet in the EU-15 are 40% lower than a decade ago. A great achievement, in particular when taking into account that the number of kilometres driven, has risen by over 50% during the same period
- Euro 5 trucks - already available on the market now - produce 75% less NOx and even as much as 94% less particulates, compared with the Euro 1 trucks produced only ten, fifteen years ago

Ladies and Gentlemen,

European truck manufactures are world leaders in many fields.

We need smart solutions, focussing on both environmental results and cost-effectiveness, to use our expertise in a globalised world.

We have achieved a lot. The diesel engine is nearing the 'zero emission line'.

The steps we can take to reduce pollutant emissions even further will be marginal in absolute terms. But they will require a disproportionate amount of investment.

There is also a trade-off in terms of CO₂ emissions.

Additional measures to reduce NOx could lead to an increase in fuel consumption and therefore CO₂.

In our view, we need to follow two main routes to make further progress in combating climate change and pollution.

At home, and in all mature markets, we need to adopt an integrated approach, involving all relevant stakeholders:

- the vehicle industry, to further improve fuel efficiency
- the fuel industry, to develop and supply alternative fuels
- authorities, to adjust infrastructure and align taxation systems with political goals
- and vehicle owners & users, to adopt a more economical driving style and ensure good maintenance of a modern fleet

An integrated approach means joining forces, thereby ensuring a more effective strategy for both the environment and the economy.

The industry has put and still is putting in a lot of effort in terms of development to make the diesel engine even cleaner. However, there are numerous possibilities that have a positive effect on the environment too, and would contribute enormously.

Take, for example, the application of longer and heavier vehicles, or free truck lanes and better guidance of traffic for an improved flow of freight transport in Europe.

I would like to emphasise the need to fully focus on the development of intelligent transport systems, logistics and traffic management.

This will be the key to sustainable mobility in the transport sector.

Abroad, outside our developed markets and saturated transport systems, we need harmonised standards to bring our advanced technologies to the emerging markets:

- Let's not waste time on investing in different vehicles and technologies for different markets, and developing different standards for different regions
- Our industry is a global industry with relatively small production numbers compared to mass production goods. There is a huge benefit to gain from economies of scale
- And last but certainly not least: fleet renewal will turn out to be a crucial tool in the needed policy mix. Any forward looking environmental policy should stimulate fleet renewal in a structured way

We could envisage incentive programs at European level to replace Euro I and Euro II trucks and buses as quickly as possible.

These vehicles should not be scrapped: they can be exported to countries where there are still a large number of trucks and buses driving around that do not even meet the Euro I requirements; vehicles that still produce 14 to 18 grams of NOx per kilowatt-hour or more and thick black smoke.

This approach would ensure a major step forward towards more durable road transport at worldwide level.

Together with a renewal of the old transport fleet, harmonisation of technical, emission and fuel standards will be crucial to achieving ambitious results in protecting the environment in the developing world.

Moving on to the subject of harmonisation of technical standards

For our industry, global harmonisation is one of the main challenges, which we are facing today and in the future.

Emission regulations, for example, are becoming increasingly stringent around the world. Standards and testing methods, however, differ from region to region.

This leads to different development and certification tests and to extra costs for manufacturers, public authorities and, ultimately, consumers and society.

Harmonized testing and certification procedures would help reducing these costs and improve efficiencies.

Harmonisation is a way of keeping our recourses focussed and investments concentrated on the right topics.

There are five main issues where we strive towards global harmonisation: Euro VI standards, technical standards, on-board diagnostics, off-cycle emissions and fuel standards.

I will address only Euro VI standards here, as we have good news to announce.

Ahead of the upcoming Euro VI emission standards for heavy-duty vehicles, ACEA proposes a set of emission limits that are extremely ambitious.

ACEA's Euro VI proposal would, in fact, deliver more than what is needed from the truck sector to achieve the objectives of the Clean Air for Europe programme.

What does our proposal mean?

- The limit values we propose are the technical equivalent of the North American US 2010 requirements. This means an NO_x reduction to the very minimum possible of 0.4 g/kWh and particulate matter to 0.01 g/kWh.
- This is a reduction of 95 and 98% respectively compared to Euro I levels!
- Our proposal would result in merging, in practical and political terms, the future legislative requirements in the EU and the United States
- It would also reduce emissions to the most ambitious level possible

The measures can take effect after the normal, appropriate lead-time for the industry to implement the technical details.

We have deliberately opted for this ambitious strategy:

- We want to achieve global harmonisation, and being ambitious will help achieve this goal
- Harmonisation will push for a technology package that will be applied globally: excellent news for the competitiveness of this major sector of European industry
- We still urge the Commission to conduct a full and transparent impact assessment before deciding on a proposal for Euro VI. And this, in line with the better regulation principles of the Commission and with the recommendations of CARS21
- But at the end of the day, we aim for better regulation that streamlines the different development and homologation burdens in different world regions

Our proposal will result, once more, in significant reductions in emissions from heavy-duty vehicles and from the road transport sector at large.

The implementation of more stringent emissions legislation around the globe will result in even more complex diesel engine technology.

Good quality diesel and biodiesel standards, compatible with high technology engine systems, are therefore crucial.

The necessary trend towards reducing reliance on oil must not compromise quality and maintenance issues. ACEA therefore welcomes the initiative of WP29 in Geneva to look into global fuel regulations.

And then, Ladies and Gentlemen, I have come to the third important issue with regard to globalization: fair trade and market access.

Commercial Vehicle manufacturers are traditionally global. The slogan “producing in the region for the region” is true for most of us.

We have global production networks in place. We constantly exchange parts and components between regions and continents.

Principally, all ACEA members - and the Commercial Vehicle members are no exception - are in favour of free trade.

Trade agreements, whether multi-lateral or bi-lateral, can and should help to achieve this goal, whilst ensuring stability and predictability for business.

The Doha round is now entering a most critical phase. It should become an opportunity to increase the competitiveness of the EU industry as a whole, and to obtain increased market access for the EU automotive industry in third countries, especially in emerging markets.

ACEA appreciates the Commission’s efforts in bringing the Doha Round to a successful conclusion.

However, the EU automotive industry has a number of concerns

- As it currently stands, the ambition is to cut industrial tariffs to almost duty free levels. And this, whilst allowing major emerging countries like China, India or the ASEAN countries, to shield key tariff lines and to begin their cuts from bound tariffs, and not on currently applied tariffs
- Also, such emerging markets could shield key tariff lines from cuts through the use of flexibilities, and exclude automotive products

ACEA believes that emerging markets must also contribute. In exchange for our tariff reductions, they should offer real market access.

We urge the EU negotiators to agree not to close any deal, without introducing an anti-concentration clause that would compromise such market access.

Clearly, China deserves a few words in particular;

In 2007, China will become the number one manufacturer of CVs in the world, for the first time ahead of the EU and US.

China represents major opportunities and challenges for our industry in terms of trade and investment relations. China also represents trade barriers that hamper our industry's competitiveness.

The EU automotive sector has in the past years missed business activities in China, corresponding to a turnover above 4.5 billion euro, due to Chinese non-tariff barriers.

Furthermore, the under-valued Yuan leads to a constant reduction of EU exports to China, and a yearly increase of imported Chinese goods to the EU.

The European delegation in Geneva must keep this in mind when negotiating EU interests for a fair and balanced DDA, and a new partnership and cooperation agreement with China.

Conclusion

To conclude, Ladies and Gentlemen:

- The EU automotive industry plays a major role in the European economy, supporting the jobs of 12 million families in the EU
- The commercial vehicle industry is integral to Europe's prosperity and success
- It is also a global technological leader and key industrial asset
- The EU regulatory framework should safeguard and nurture the commercial vehicle industry's global competitiveness
- The harmonisation work of the WP29 in Geneva needs full support: our key trade partners must recognise and apply international standards
- Fair and mutual market access are essential
- Together, we must find smart ways to protect the environment around the world, using our innovative strength and endeavour
- That is how our industry and our many stakeholders will contribute to shaping globalisation

I'd like to recall what I said at the beginning of my speech: globalisation poses us with huge challenges, but also offers great opportunities.

Thank you for your attention