FAQ on CARS 21

Q. What is CARS 21?
A. CARS 21 was initiated in 2005 and championed by the European Commission with the goal of strengthening the 'engine of Europe', the automotive industry. CARS 21 (Competitive Automotive Regulatory System for the 21st Century) involves national governments, the European Commission, the European Parliament, the automotive industry, environmentalists, trade unions, suppliers, consumers and the oil industry.

The aim of CARS 21 is to make recommendations on the regulatory framework of the European automotive industry "enhancing global competitiveness and employment while sustaining further progress in safety and environmental performance at a price affordable to the consumer".

Q. Why is it important?
A. The auto industry is enormously important for Europe, with 12 million families depending on employment in the sector, and a strong multiplier effect. The industry is also the largest private investor in R&D in the EU and essential to keep Europe on the forefront globally.

The CARS 21 initiative is a crucial recognition of the fact that regulation does affect the competitiveness of the industry and that this effect should be minimised in the interest of society as a whole.

The CARS 21 recommendations also sketch a framework to balance economic and environmental interests. These interests are not contrary to one another: they should and can be addressed in a comprehensive, cost-effective way, leading to the results society demands.

CARS 21 provides a solid platform for exchanging views on how to further improve the industry's competitiveness and continue progress in the fields of road safety and environmental performance.

Q. What do you mean with 'better regulation'?
A. A prerequisite for a competitive automotive industry is a coherent, predictable, realistic and cost-effective regulatory framework. Too often, legislation is designed in a restrictive manner with the industry being involved in too late a stage and with negligence for the restraints of manufacturing vehicles in a profitable, durable way.

The industry strives for a constructive partnership between industry and legislators in the interest of society as a whole.

Q. Do you have examples of 'bad' or 'incoherent' legislation?
A. When it comes to recycling vehicles, for example, manufacturers do not only have to comply with the Directive on End-of-Life Vehicles that was designed for this purpose. There is also regulation on chemicals (REACH) and directives on batteries, recycling, re-use and recovery (so-called RRR) and on the restriction of hazardous substances (called RoHS).

These pieces of legislation partly overlap and differ from each other. This makes the requirements unclear for manufacturers and puts a heavy and unnecessary administrative burden on them.

Another example concerns the current car taxation systems that differ strongly across the EU. When it comes to CO2-related taxation, they therefore do not send clear market signals for more fuel-efficient cars. Manufacturers face a fragmented EU market and are unable to exploit economies of scale.

The industry also demands an improved quality of the impact assessments made before proposing legislation. Often, time is too short for a thorough analysis, underlying data is incomplete or assumptions are questionable. Also, findings and recommendations of the independent sources that deliver the assessments are left out.

Q. Can you give examples of cumulative legislation, and what are the costs involved?
A. The industry is faced with legislative and other, semi-legislative requirements that, together, add up to a significant extra cost. The requirements concern, among others, CO2 reduction, air quality standards (Euro 5 and 6), pedestrian protection, Electronic Stability Control, mobile air conditioning, vehicle recycling, and REACH.

Concerning CO2 reduction, the European Commission has calculated an average costs per car of around 1500 euro to comply with their current CO2 proposal. The reductions thereafter, beyond 2020, will be significantly more expensive, as they include electrification of vehicles and the use of hydrogen.

Q. Why can you not just pass on these costs to the consumer?
A. Vehicles have to remain affordable to consumers. In the current competitive market place, and with consumer spending under pressure, the trend in vehicle prices is rather downwards then up. In real terms, car prices have decreased by around 10% over the past decade.

Manufacturers have absorbed the additional cost by focussing on cost-cutting measures and restructuring. They have not much more room there, apart from moving production facilities elsewhere.

Q. Why have you not spread the CO2 reduction cost over a longer period, as the EU objective to reach the 120grammes/km target was set long ago?
A. We have been doing exactly that, but costs are rising and will be rising further. The industry needs a supportive framework to sustain the necessary level of investment in R&D, engineering and new product programmes.

The industry is clearly committed to reducing CO2 emissions from cars and has, through improved vehicle technology only, reduced CO2 emissions from cars by an average 14% (1995 - 2007). That is more than any other industry has achieved so far. With this result, we also actually over-achieve the EU objective of reducing CO2 emissions by 20% compared to the 1990 level.

Between 1995 and 2008, ACEA members have introduced more than 50 new CO2-reducing technologies into their vehicles. And the industry is determined to do more. The industry invests Euro 20 billion (4% of turnover) a year in research and development, a large amount of which is invested in improved fuel-efficiency and other technologies that enhance the environmental performance of cars.

Q. What needs to be done in your view?
A. There is no such thing as "one technological solution" to reduce CO2 emissions from cars. There are many options, and depending on consumer preferences and their geographical requirements, markets may demand a different approach. Legislators should not prescribe the industry which technologies to apply. The manufacturers are best equipped to find the most suitable solutions.

Furthermore, new vehicle technology alone cannot deliver the results society desires. All relevant actors have to work together: the vehicle industry, the fuel industry, policy makers and drivers. We call this an integrated approach. Reducing CO2 emissions from transport is a complex challenge that needs the involvement of all (full CO2 dossier).

Last but not least, we need a market to accept and take-up the new technologies – and thereby making the objectives a reality - and this has, for a long time, not been the case. We see demand changing somewhat now, but with the economic circumstances, the overall drop in demand weighs much heavier.

It is eminent that there is a supportive market environment, and governments can do a lot to help, for example with fiscal measures. Many countries have (only recently) taken such measures, but tax-schemes ought to be coordinated throughout the EU to sort the most effect.