

SPEAKING POINTS

Ladies and Gentlemen,

- It is a pleasure to be able to speak to you here today. Today's discussions have shown the importance of the role which the automotive value chain has come to play in the economies of the new Member States. This trend is expected to continue in the future thus further reinforcing the importance of the automotive industry in countries which have joined the EU in recent years.

- This is to the credit of both the European automotive industry and of the new Member States themselves. The car industry has, in a relatively short space of time, managed to capitalise on the opportunities offered by EU enlargement, both in terms of advantages offered by the new Member States as production locations as well as through the market opportunities created by the millions of citizens who have joined the European internal market.

- Both the production of cars and sales of vehicles have been growing in the new Member States over the last 10 years. Today, the new Member States already account for 17% of EU vehicle production while Central and Eastern European markets are expected to continue providing market growth at a time when the more mature and traditional replacement markets are either saturated or where demand is falling. Undoubtedly, the current

economic environment is also expected to slow car sales in the new Member States but we are not expecting this effect to be as dramatic as it has been recently in countries such as Spain, Ireland or the U.K.

- In addition to words of congratulation to the industry and the national administrations in the new Member States, I should also mention the role of European governance and policy. The rapid development of the automotive industry in the new Member States is a testimony to the success of our policies on enlargement and the internal market. These have succeeded in spreading prosperity across the European Union.
- I would also like to put the automotive industry in the new Member States into the context of global developments. As you will know, most of new demand for vehicles in the future will come from rapidly emerging economies, such as China, India and Russia. For me, the new Member States of the EU have been Europe's answer to this trend. Most investments into new automotive production capacity in Europe have been channelled into the new Member States for three underlying reasons:
 - Production costs in Central and Eastern Europe remain lower than in the traditional Western European production locations. This combined with a favourable business and investment climate helps car manufacturers to address some of the cost pressures, which they are currently experiencing;

- Secondly, the new Member States are now integrated into the European economy and are geographically close to the large and prosperous markets of Western Europe;
- Thirdly, vehicle markets in the new Member States offer untapped potential when compared to the mature market in Western Europe. Passenger car ownership per 1000 people in the wider Eastern European region is substantially lower than in Western Europe;
- This, however, is not likely to be the whole story. With rising prosperity, both wages and car ownership levels in the new Member States will converge towards Western European standards and investment into training and skills will therefore be as important as ever if we are to have a sustainable automotive industry in Europe in the longer term.
- This becomes even more crucial when the build-up of automotive capacity on the borders of the European Union is considered. At the moment the EU enjoys a healthy trade surplus in automotive products but as time passes, it is likely that countries around the EU will start looking at exporting their production into Europe.
- So, to summarise, countries such as Poland, the Czech Republic Slovakia and Romania form an important part of the European automotive landscape and it is therefore essential that we continue creating the framework conditions at both the EU and national level to help sustain this development and to ensure that automotive

production is retained in the European Union in the medium- and long-term.

- I now want to turn to another aspect of particular relevance in today's economic environment. Restructuring is always a difficult subject to address but I consider it essential that we assess the situation as it stands without hiding our heads in the sand.
- The crisis which recently started in the financial sector has now moved into the real economy and this is putting substantial pressure on vehicles sales in the European Union. The car industry is among the first to be impacted and current fall in consumer sentiment is comparable to that which Europe experienced during the recession of the early 1990s. Over the course of the first nine months of 2008 we have already seen a fall in new-car registrations of 4.4% in Europe. Naturally, this will have a serious impact on production levels, capacity utilisation and, ultimately, employment.
- Prevailing conditions combined with the emergence of low cost production sites both within Europe as well as outside has created fears that manufacturing industries need to be fundamentally restructured. These fears seem to be reinforced when we look at existing production capacities in Europe.
- We are already seeing capacity cuts across Europe and every week brings news of further shift cuts and redundancies. Frankly, overcapacity issues have been present in the European car industry for some time now and many automotive companies have already

been taking difficult steps to optimise their production and costs. However painful this may be, it is to an extent necessary if we are to ensure that the medium- and longer term future brings with it a competitive automotive industry which is able to compete on open, international markets. In this sense, the European Commission does not believe that it should interfere with the commercial decisions made by private companies.

- What is absolutely central, however, is that we take care of those who are affected by restructuring. Where restructuring activity is unavoidable, we expect any resulting transition to be managed in a socially-responsible manner through close co-operation between managements and workers' representatives. The automotive industry already represents one of the best practices in terms of change management and has years of experience in dealing with these issues. We have to provide vocational training and financial assistance to those who need it and European-level instruments stand ready to contribute to this. There is a clear role for the European regional funds, the European Social Fund and the Globalisation Adjustment Fund in ensuring that change management is anticipated and socially-responsible.
- Much of this is local in nature, but I should also note that industrial relations and co-operation are becoming increasingly "Europeanised". Management actions and decisions are increasingly European in their nature and clearly the same has to apply to employee organisations and the relationship between the

two. Discussions between stakeholders can also be more meaningful and balanced if European-level managements interact with European-level worker representations.

- In this context, I would like to underline the importance we attach to the “European Partnership for the Anticipation of Change in the Automotive Sector”, which was launched last year.
- To summarise: the Commission’s position is that we should create framework conditions which avoid the need for restructuring insofar as possible by making Europe an attractive and profitable location in which to produce cars. This could also be achieved by applying the renewed Lisbon strategy for growth and jobs. In this respect we should keep in mind the challenges that the energy and climate change package pose, as well as the increases in CO₂ – emissions stemming from cars.
- The coming months will undoubtedly be difficult for the European car industry but I remain confident that it will emerge from the current headwinds stronger than ever and will continue underpinning economic progress in Europe. I wish you the best of luck in making this happen.
- Thank you.