Politikbrief 01/2015

VDA Verband der Automobilindustrie

News service for Decision Makers in Politics and the Economy

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The age of passenger car fleets is on the rise – important potentials for safety and environment remain unutilised

The cars on German roads are older than they have ever been: Their average age is currently nine years. 38 percent of passenger cars are even older than ten years – in 2000, these made up 23 percent. Overall, the average age of the German passenger car fleet has gone up by around 50 percent in the last 25 years. The environmental premium only stopped this trend temporarily in 2009. The average age of wrecked cars was 14.4 years. Given the number of vehicles on the road of more than 41 million passenger cars at the time, the program failed to rejuvenate the fleet.

What is the reason for the continuing increase in age? On the one hand, the automotive industry was already able to make large advances in vehicle technology in the 1980s and 1990s, which made it possible for vehicles to have a longer useful life. Important examples include full chassis galvanizing, improved undercoating or on-board diagnostics.

Added to this were the effects of the financial and economic crisis. Many potential buyers chose not to acquire a new car for cost reasons and instead kept their older cars for longer. This is particularly apparent across Europe: Between 2000 and 2007, sales in Western Europe were continuously above the threshold of 14 million. Last year, the volume went up for the first time in four years. At 12.1 million passenger cars, it was still significantly below levels before the crisis.

It is thus not surprising that the age of the fleet went up especially in those EU states, which suffered most strongly from the crisis. In Italy, the average age of passenger cars went up from 9.2 years in 2007 to nearly eleven years.
In Spain, every other passenger car is more than ten years old.

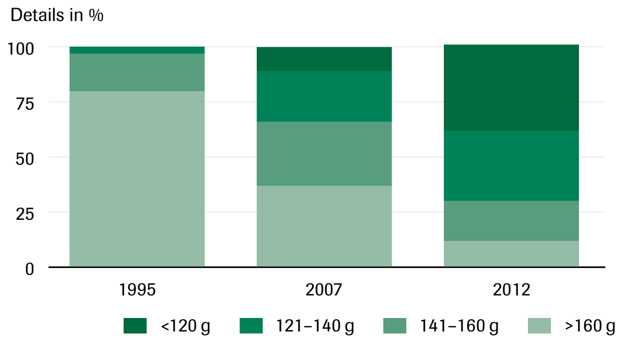
The high age of the European fleet necessarily coincides with outmoded technologies. For instance, modern vehicles have intelligent assistance system, which increase safety for all traffic participants. Traffic sign recognition, head-up displays or emergency break assistance were still a vision of the future only a few years ago.

The introduction of new environmental technologies was equally fast. With billion in investments in innovations, the European automotive industry was able to reduce the average CO_2 emissions per newly registered passenger car by 32 percent in the period from 1995 to 2013. One thing must be clear: The higher the average age of the fleet, the lower are the technical achievements of new vehicles on absolute passenger car emissions. Especially with regard to alternative drives: The longer older cars remain on the roads, the longer does it take for new technologies to affect the real CO_2 balance.

The graph below also demonstrates that updating the passenger vehicle fleet is an effective way to reduce emissions: Since 1995, the proportion of vehicles with CO_2 emissions of more than 160 g/km of new cars registered in the EU has fallen from 80 to only 12 percent. However, this substitution effect is a long-term project: Close to 250 million passenger cars are registered in the EU. A good 12 million new cars each year correspond to a replacement ratio of less than 5 percent.

Proportion of low-emissions vehicle has gone up significantly

CO_2 emissions classes of newly registered vehicles in the EU



Source: EEA

Yes to TTIP: The free-trade agreement between the USA and the EU offers the opportunity of modernised investment protection

First the chlorine chicken, then the arbitration courts. Now that these birds have come down from their dizzying heights in media interest, opponents of the free-trade agreement between Europe and the USA (TTIP) have focused on a new symbol: the "threat" of investor protection and arbitration courts. While so far, it had been the health of the population, which was to be sacrificed to the god of free trade, TTIP is now said to shake the very foundations of democracy. And in order to prevent misunderstandings: A discussion about reforming the arbitration system including an integration of an international arbitration court is right and legitimate. Nevertheless, it is worth questioning the substance behind such heavy criticism of the arbitration courts.

Will investment protection and arbitration courts be used to establish a dangerous parallel justice system? Will the state lose scope of action, and will the taxpayer be the one to pay in the end?

What is likely to be beyond dispute is that foreign investors are to be protected against discrimination, expropriation and capriciousness. It must be possible to plan, and protect, billions in investments. Such investment protection is a good and right tradition in free-trade agreements. The European Union and the USA should foster this tradition due to their global importance.

Global investor protection is in Germany's interest. The automotive industry alone, with its high foreign investments, is good evidence of this. Since 2009, we have been building more cars abroad than in Germany. The combination of "Exports from Germany" and "On-site production" in the global markets secures our globally successful position

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Solidarity for free trade: Automotive manufacturers and suppliers stand up for TTIP

Photograph: VDA

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The crucial question now is whether such investment protection can be better provided by state courts or by non-state arbitration courts. It is common practice in the more than 3,000 investment protection treaties currently agreed across the world for states to mutually consent to establish the competence of an arbitration court if an investor's rights are violated by a contract state. Arbitration courts apply legal state rules, and these are a commonly used process to effectively solve disputes between investors and states (ISDS).

Incidentally, the existence of arbitration courts is not limited to international economic relationships. The German Civil Proceedings Act (ZPO) has explicitly stipulated them, alongside basic legal state principles, for more than 100 years. This fact highlights that – contrary to frequent claims – arbitration courts are an integral part of the law.

In the same way that national arbitration courts need not be subject to basic criticism, the objections to international arbitration courts are not sound. A reasonably designed arbitration court system has neither the task nor the opportunity to bypass legal systems and democratic decision-making processes. An effective response to this concern can be guaranteed if the free-trade agreement ensures that e.g. consumer or environmental protection standards cannot be interpreted as a violation of investor rights. This means that the legislative sovereignty of the EU, its member states and the USA remains. And the mandate, which EU member states have granted the Commission for negotiating TTIP, stipulates precisely that.

One can now counter: Neither the USA nor Germany are so-called “rogue states”. That's correct. But nevertheless, investment protection as well as arbitration courts are important for TTIP. It is a sign for all other countries (and investors) that legal protection is not simply subject to political whims. There are legal systems in Europe which do not enjoy our unlimited degree of trust. And unpredictable and drawn-out appeal stages are now threatening not just countries like Romania and Bulgaria. As a result, experienced arbitrators appointed by both the investors and the defendant state are a guarantee for neutrality, independence, process fairness and – not least – for technical expertise in the legal specialist fields.

In this context, the fact that an arbitration ruling cannot simply be enforced is also important. National laws are required for this, which can prevent enforcement if it is contrary to the basic ideas of the relevant legal community.

Especially the many small and medium-sized companies in Germany, which cannot afford large legal departments, profit from ISDS provisions. Because the stages of appeal of national courts can be expensive and take a long time. As a result, arbitration processes have long become applied practice among medium-sized companies. Without arbitration courts, small and medium-sized companies would not be able to trade internationally, because their extensive commitments abroad would not be sufficiently protected.

And this is also clear: We must improve on existing rules. For instance, arbitrator appointments must become more transparent. And it is true that the transparency rules published by the UN Commission on International Trade Law (UNCITRAL) since 2013 ensure that the meetings and documents of arbitration court processes are publicly available to everyone.

And in spite of all of these striking accusations: TTIP offers a historic opportunity to establish a global benchmark for fair and safe investment protection. If we miss out on this opportunity to define a “gold standard” without transatlantic partner, others will be making the rules in the future. But will those be better? Hardly. Which is why we say “Yes” to a TTIP agreement containing modern investment protection.

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German current account surplus: European neighbours also profit

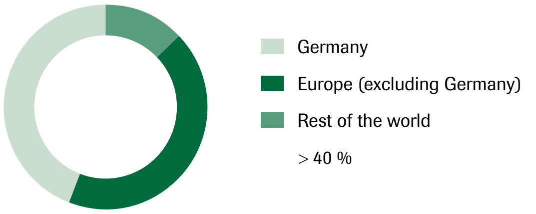
The EU Commission is bringing up an old topic again. It is asking Germany to take "decisive policy action" to reduce its current account surplus. By contrast, France is given an extended deadline for to take action regarding its annual budget deficit. Brussels' strategic approach is not new – nevertheless, it comes as a surprise. When it was appointed, the EU Commission had envisaged the reforms of which Europe was in such dire need. But different signals would be needed for this. The accusation that Germany's supposed "austerity" measures are worsening the crisis in the Eurozone apparently continues to make the rounds in offices in Brussels. This attitude is surprising in the engine room of the European economy. Because the facts are telling us a different story.

It is undisputed that Germany has reached new export records in the past year. The exports of the German automotive industry have also grown – by 2.5 percent compared to the previous year. Exports to Asia even went up by 8 percent. A total of 4.3 million passenger cars were exported in 2014. That's around 17,000 vehicles per working day. This clearly shows: The demand for the excellent quality of German manufacture continues to be encouraging. And the German industry is rolling up its sleeves to make sure things stay this way – with hard work, great innovativeness and record investments in research and development. Our community benefits from this: the number of permanent employees increased further in 2014. And the state can be happy about a stream of tax income.

But are other countries missing out? A look at the figures helps: German imports also went up last year, albeit more slowly than exports. Oil prices were the main reason for this. But this is if anything a positive economic impulse for the whole of the EU and not cause for concern. In particular, the data confirm that our European neighbours are sharing in German economic success. Their share of German imports has gone up further. German passenger car manufacturers also obtain a lot of components and parts from suppliers in Europe. An average passenger car from Germany has a share in value creation for European suppliers outside Germany of more than 40 percent (see graph).

But that isn't all. Be it Spain or Poland, Slovakia or Hungary: In many European locations, German automotive manufacturers and suppliers are the drivers of qualified employment and regional wealth. All of these facts allow us to draw but one conclusion: Germany with its strong industrial foundations cannot be blamed for undesirable economic trends in the Eurozone, but instead is the power house of the European economy.

Car production is international: European suppliers share a significant proportion of the value created by German cars.



Source: VDA

But how to deal with the smouldering Euro crisis? The most urgent need for action continues to be in the crisis countries themselves. Increasing own competitiveness is and will remain most important. There is no other way. A working tax system, efficient administration and a flexible labour market are indispensable pillars in order to gain new trust as a market for investments. One thing must be clear: Money alone cannot buy a sustainable upturn.

It is also helpful to take a look at other EU countries: The Baltic states, Ireland and Spain are close to harvesting the fruits of their hard reform labour. It took great efforts to overcome resistance and perform profound structural reforms. But the results show: Courage and decisiveness are rewarded.

So can Germany just lean back? Quite the contrary: The socio-political good deeds of the last few months will be a heavy burden in the future. Employment costs in the automotive industry went up to more than 50 Euros per hour in 2014. This broadened the gap between it and other European sites. Further charges must be avoided from now on. Instead, German industry needs reasonable energy prices, flexible employment options, impulses for innovations and investments and a mean in terms of climate protection policies. A successful agreement of an extensive TTIP treaty would be an important growth and employment impetus – not only for Germany but also for the whole of Europe. Especially the still young EU Commission should take a step in this direction. It has stressed several times that it is planning to trigger the important reindustrialisation of Europe. Now, it is high time for it to take decisive action in this respect.

Digitisation and mobility are coming together

Cars are driving through cities quietly and without emissions; none of them is going too fast or too slowly. Traffic jams are prevented at source. Vehicles cannot ignore red traffic lights or enter the wrong lane by mistake. Driving times can be planned across long routes, and the search for a parking space is a thing of the past.

This scenario seems hard to imagine today, but it might become reality in the future. However, the path to this goal must be evolutionary, not revolutionary. Various driver assistance systems are already in use. The German automotive industry is already working on further systems for new solutions. These systems will increasingly relieve drivers and develop in steps – via partially and highly automated driving to fully automated driving. And this is not just about electronic gadgets which only petrol heads and techies can afford. This is about designs for the political, economic and social challenges of making everyday traffic of the future safer and more efficient.

The British research institute Centre for Economics and Business Research (CEBR) has calculated that every German driver spends 118 hours a year in a traffic jam and taking detours in order to avoid traffic jams. Connected driving could avoid 20 percent of traffic jams in Germany. This would result in savings of 233 million litres of fuel a year, 600,000 tons of CO_2 and 5.2 billion Euros. In addition to saving time, resources and costs, connected and automated driving also increase safety for all traffic participants. Individual functions like linear or cross guidance of cars – such as for the traffic jam pilot or highway chauffeur functions – can great reduce risks often caused by drivers. Accidents due to distraction or excessive strain can thus be prevented. We are thus getting closer and closer to the ideal of road traffic without accidents.

In order to advance connected and automated driving, the automotive industry depends on a safe legal framework – within Europe and globally. Collaboration with national and international politics is required. On the one hand, the infrastructure must be adjusted and expanded. Questions such as "What is language of the traffic lights of the future so that all cars can understand them?" must be answered. On the other hand, the conditions must be created to enable vehicles to take on tasks, which can currently only be performed by drivers. The Vienna Treaty of 1968, which is still valid today, states that drivers must be able to control their vehicles at all times. This provision requires an adjustment. In March 2014, the relevant article was complemented at the meeting of the UNECE, the UN Economics Commission for Europe, working group for road traffic safety working. The German Road Traffic Act (StVO) also requires reforms. According to the current ordinance, it is illegal to perform additional tasks while driving.

The changes relevant to automated driving must still be implemented at UN level and in national legislation. The German automotive industry promotes internationally harmonised requirements for drivers. It does not make sense to have different rules across Europe. The legal framework must be synchronised with progressive technical developments in order to enable innovations. VDA therefore explicitly welcomes the initiative of the Federal Minister for Traffic to launch a pilot project on "Digital Test Environment Autobahn" at the A 9. A sub-section is to include technology for sensors, measuring equipment and communication – one further step on the long way to the intelligent mobility of the future.

Connected and automated driving increases the requirements of data protection in the vehicle. The focus is on recording and analysing mobility meta data and ensuring confidentiality. Against the backdrop of their responsibility, the German automotive industry wants to implement a pronounced safety culture including in connected vehicles. Safety-related systems in vehicle electronics are separated from navigation, telematics and infotainment applications by various protection mechanisms. The aim is to prevent attacks on or manipulation of central driving functions such as brakes, accelerating and steering.

The member companies of the VDA – vehicle manufacturers and suppliers – have already set out joint data protection principles for connected vehicles. These cover the three core topics of transparency, self-determination and data security. In our opinion, it is important in this discussion to realise that the use of data is required to ensure that vehicle systems work – such as in the case of engine and emissions controls or ABS and ESP. The automotive industry wants to improve safety, environmental acceptability and vehicle comfort. To achieve this, a responsible use of data provides unmissable potentials.

For Germany, the digitisation of mobility is an opportunity to become an international forerunner in this area. Development competence creates solution competence. German companies apply and appreciate our legal framework. But if we don't do it, then others with a different concept of the law will.

“Mobility connects” at the 66th IAA Cars in Frankfurt am Main

The 66th International Motor Show IAA Cars will take place in Frankfurt am Main from 17 to 27 September. It will be opened by Germany’s Chancellor Dr. Angela Merkel.

The world’s largest mobility trade fair offers an extensive view of new vehicle models and current developments for traffic safety, comfort and environmental and climate protection. Its focus is on further optimising engines and on the newest generation of alternative drives. Another focus is on connected and automated driving, which can be experienced not just at the company booths but also in the new area “New Mobility World”. Current key topics will also be represented at the IAA specialist events, at which representatives from commerce, politics and media will meet for discussions.

The IAA is not only the world's most important mobility trade show; it's framework programme also makes it an important platform for political communication: In addition to the Chancellor, many federal and regional politicians, EU representatives and many other high-ranking international guests are expected.

VDA will again offer individual tours for members of parliament and the staff of ministries and government agencies. To find out more about these tours, please contact Tineke Geywitz and Dr. Christoph Muhle from the VDA organisational team at geywitz@vda.de and muhle@vda.de.

You can find more details about the trade fair at www.iaa.de and at www.facebook.com/IAAMesse.

A selection from the 2015 program of IAA specialist events
(as of the beginning of May 2015)

Fri, 18 September
- Hessischer Mobilitätskongress (Mobility Congress for the Federal State of Hessen)
- India Day
- Cars and Taxes

Mon, 21 September
- Financial Services for cars
- Saarland Day
- Joint event with IG Metall on digitisation

Tues, 22 September
- Mexico Day
- Cars and Customs Taxes

Wed, 23 September
- carIT Congress
- Expert Forum Digital Radio

Thurs, 24 September
- Conference on TTIP
- Symposium on Urban Mobility

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Youth without cars?

Discussions of the future of mobility are dominated by connected driving, automation or alternative drives. The focus is less often on the user. But even a glance at the younger generation reveals one surprising fact: The level of motorisation among young people (18 to 24 years) in Germany has fallen by around 30 percent between 2000 and 2008. Must the German automotive industry fear a collapse in its domestic market?

Unlikely. Analyses have shown that instead, changed socio-economic conditions have led to the lower motorisation level. The factors of income, household size and urban living are important here.

The higher the household income, the higher the number of cars available to the household. According to a survey by the Institute for Mobility Research (ifmo) from 2011, the income of younger households has gone back perceptibly. Whereas in 1998, a younger household still received an income of EUR 2,300 per month, this had fallen to EUR 2,150 in 2008. This is likely to be influenced by the higher proportion of students, which reduces average income. In the mid-1990s, around 27 percent of each age group went to university. In 2009, this figure had reached 45 percent.

Less certain job entry also plays a role in the reduction in income. Instead of obtaining a permanent job in the first years of work, many nowadays start work in temporary jobs. This puts a damper on more expensive purchases.

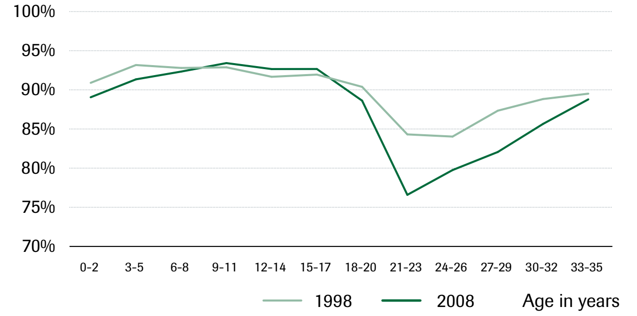
Household size is another factor. Multi-person households are more likely to buy a car because costs per person are lower. According to the ifmo, the number of single-person households has increased significantly: In 1998, 31 percent of young households were single-person households, whereas in 2008, this number was 41 percent.

The place of residence is also significant for the question of whether to buy a car. Since urban areas tend to have a good public transport network, residents there have less of a desire to own their own cars than do those in more rural regions. There have been changes here, too. In 1998, 50 percent of young households lived in urban areas, whereas in 2008, 53 percent did.

Overall, the situation of young people today is less favourable to cars than it was 20 years ago. The question is whether this will remain the same when young people get older. This does not appear to be the case. At the latest after the age of 35, the availability of cars is as high as it was in the same age group in 1998.

Once young people have become established professionally and are starting a family, cars as a means of transport are as important now as they used to be. The regressive level of motorisation among younger people is merely pragmatic and temporary. Car purchases are postponed, not abandoned.

Proportion of persons in households with a car



Source: Institute for Mobility Research, 2011

Invitation to the 2015 VDA Commercial Vehicles Symposium in Berlin

The commercial vehicles industry in Germany has around 180,000 employees, more than a quarter of all employees in the automotive industry. The industry can boast internationally known truck manufacturers as well as medium-sized companies in the trailer and vehicle body industry. The companies produce heavy and light trucks, transporters, semi-trailers, as well as buses, waste collection vehicles and various special components – vehicles which secure the logistic backbone of our economy. Many of them have a global presence and are in an excellent position in terms of competition on the international market. At the same time, they face challenges, which require well-thought-out decisions in politics and an effective framework in Germany and Europe.

Efficiency, lower costs and environmental sustainability have today become requirements set by consumers and transport companies alike. A further reduction of fuel consumption is therefore an important aim for commercial vehicle manufacturers, on which they are focusing their development efforts. Important progress has already been made in this respect, with more due to follow. This year's VDA Commercial Vehicles Symposium will take place against this backdrop, being entitled “Commercial vehicles today and tomorrow – Service providers for our modern mobility”. Discussions will focus on an efficient transport of goods on roads and rails. They will also deal with transport relating to goods and economic transactions in cities. In addition, it will look at passenger transport and at the challenges of a recent intercity coach industry.

Speakers and debaters include Dr. Wolfgang Bernhard, Member of the Board of Management of Daimler AG, Andreas Renschler, Member of the Board of Management of Volkswagen AG, Ulrich Schöpker, Member of the Board of Management of Schmitz Cargobull AG, and VDA President Matthias Wissmann.

The Commercial Vehicles Symposium will take place in Berlin on 24 June from 1pm to 4pm. For more information, please contact Mr. Thomas Fabian (Tel. 030 897842-370, email fabian@vda.de).

Imprint

Publisher	VDA Verband der Automobilindustrie e. V. Behrenstr. 35 10117 Berlin www.vda.de Telefon 030 897842-0 Telefax 030 897842-600
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Status	May 2015