

Succeeding together

Basic principles of collaboration between
automobile manufacturers and their partners



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The automobile industry is faced with new and serious challenges – The same can be said about the partnership between manufacturers, suppliers and engineering service providers

The common goal of the companies belonging to the automobile industry is to offer sustainable mobility to all citizens in a manner that fulfils their individual mobility requirements. Manufacturers and their partners – this group includes suppliers as well as engineering service providers – want to intelligently mould the mobility of the future through innovation and investments. A forward-looking and innovation-oriented regulation of mobility offers and trust in the partnership between manufacturers, suppliers and engineering service providers are elementary and basic prerequisites for achieving this objective.

The automobile industry is in the middle of an unprecedented phase of transformation, which is being triggered by technological progress, shifting markets and regulatory framework conditions. This phase will sustainably change both mobility and collaboration within the value creation chain.

User behaviors and value creation are undergoing massive changes due to ambitious and extensive climate protection and sustainability goals that cover the entire supply chain, as well as due to the digitalization of vehicles and infrastructure. At the same time, there is very little economic room for manoeuvre, the pressure to innovate is immense, and the global competition is fierce.

In the global competition between manufacturers and their partners, competitors and new players from across the world have made gains and are putting an increasing amount of competitive pressure on the German automobile industry. The stability of global supply chains is simultaneously being threatened by trade conflicts and geopolitical disputes. Highly volatile raw material prices, short-term restrictions on transport routes as well as shortages of preliminary products and raw materials characterize the current time, and exert a massive influence on procurement, manufacturing and selling conditions.

Global competitiveness, the power to keep innovating, development partnerships and stable supply chains represent the basis of the success of the German automobile industry. The common goal of manufacturers and their partners is to further develop the automobile ecosystem, which is repeatedly recreated in a manner involving close cooperation, high transparency and the sustainable economic activities of all players. The automobile industry makes a large contribution to prosperity, and offers participants development opportunities and opportunities for advancement, at home as well as abroad. The German automobile industry is a worldwide advocate of recognized European standards. A functional model of values, economy and collaboration can enable these ideas to exert a global influence and improve living conditions.

The challenges are massive, and the potential for conflict is multi-faceted. Traditional partnerships between manufacturers and their partners are being put to the acid test of a shrinking market for vehicles with internal combustion engines. New drive technologies go hand in hand with new forms of cooperation between manufacturers, suppliers and other partners. And all partners in the supply chain are called upon to build sustainable supply chains together in these new partnerships.

Reliable and recognized principles must continue to represent the foundation of cooperation, so that these challenges can be overcome. These basic principles of the collaboration between the automobile manufacturers and their partners in the automotive value creation chain should therefore serve as a basis for balanced burden-sharing during this transformative phase.

Manufacturers, suppliers and engineering service providers recognize the following basic principles and take care that they are implemented fairly throughout Germany, Europe and the world.

1. Joint responsibility for mutual success

The German automobile industry's innovative capacity, technological leadership and economic strength are based on the responsible and mutually-appreciated cooperation that takes place both between manufacturers, suppliers and engineering service providers, and across all of the partners' work levels. Trust, respect and mutual appreciation represent the foundation of any stable development and supply relationship.

Collective responsibility can only be taken, and faithful cooperation can only exist if all the participants establish a partnership that is based on a level playing field. This involves fairness, transparency and corporate sustainability. Collective responsibility and collective success can only come about if responsibilities are clarified, and risks and opportunities are distributed and divided fairly between the partners in the supply chain. The transformation of the powertrain in particular involves major opportunities, but also extraordinary challenges and major investment endeavors for all supply chain participants. Such a situation can only be dealt with if there is a collaborative relationship between manufacturers and partners.

2. Anchoring sustainability and transparency as guiding principles

Sustainable actions constitute a central business maxim for manufacturers, suppliers and engineering service providers. In addition to the products, production and logistics, this also factors in the procurement of raw materials and preliminary products. A common guiding principle is to create a sustainable automotive value creation chain. Within the permissible anti-trust framework, the manufacturers and suppliers jointly discharge the corresponding legal obligations to exercise diligence and work towards the implementation of the same throughout the supply chains.

Regardless of whether they are corporations or small-scale enterprises, the companies of the automobile industry live sustainability in their daily business routines. What is clear here is that, problems that emerge along the supply chain adversely affect all subsequent stages of the process. All the players in the supply chains must therefore develop a common understanding of how sustainability can be achieved on a daily basis.

Corporate sustainability in inter-relationships should therefore become both the brand essence and the global competitive edge of the German automobile industry.

Sustainability in the manufacturer-supplier relationship focuses particularly on stability, long-term partnerships, transparent and timely communications as well as the sharing of risks and opportunities.

A commitment to the fundamental corporate policy standards that are recognized throughout the sector and the establishment of clear business partner principles – e.g. the basic principles of collaboration between automobile manufacturers and their partners – create transparency for all business partners, thereby contributing to the building of trust.

3. Adapting to changed development conditions

Short innovation cycles for digital technologies, legal regulations, changing mobility behaviors and increasingly innovative foreign competitors lead to significant changes in the value creation chains and development partnerships.

Enduringly successful and stable cooperation and development partnerships must be centered around balanced contractual regulations and a fair sharing of opportunities and risks in development projects.

Rising development and investment costs necessitate both a contractually regulated, fair and timely financing of development services and a common understanding of preparatory development efforts which makes it possible for all contract partners to engage in sustainable economic activity.

Fair development times, accordingly timely assignments and fair remuneration for development services are indispensable when it comes to guaranteeing both a high level of quality and the resultant decisive competitive edge of the German automobile industry.

4. Modernizing contractual relationships between manufacturers and suppliers

The use of legal regulations – including sector-relevant ECU criteria in particular – should be clearly defined and reliably agreed upon between all supply chain participants, in order to reduce expenses and take joint responsibility for discharging legal obligations to exercise diligence in a manner that benefits everybody. A standardization of the test audits can boost synergies and avoid additional expenses.

Digital products and technologies, new value creation models and changing task-sharing arrangements between manufacturers and their partners call for a respectful handling of both the protection of intellectual property (IP) and the transfer of rights, as well as fair warranty conditions. The associated risks between manufacturers and their partners should be shared transparently in accordance with the principle of responsibility. Fair regulations for the use of intellectual property (IP) should be agreed upon between the parties as basic prerequisites of a successful innovation partnership, in order to avoid uncertainties that pertain to the pigeonholing of IP and which can inhibit cooperation in development partnerships.

5. Boosting the resilience of supply chains

Shortages of raw materials and preliminary products and the stoppage or significant restriction of transport routes and transport capacities massively disrupt supply chains in a manner that significantly affects manufacturers' and suppliers' value creation and employment circumstances. In the case of limited availabilities of goods, all participants are hereby requested to do everything that can be done within the framework of the anti-trust and competition laws to provide for the highest possible degree of transparency with regard to missing and available goods, so that it will be possible to optimally overcome shortages. An increase in the accuracy and consistency of recalls, planning by the customers that is as long-term as possible and the active management of sub-suppliers by suppliers can make a significant contribution to the stabilization of disrupted supply chains. Keeping large delivery capacities ready – even during short-term recall fluctuations – can make an important contribution to both guaranteeing the ability to deliver and keeping supply chains intact, but it often involves considerable expenses for warehousing and logistics. This should be considered fairly in the delivery relationship.

Joint compliance with these mechanisms can minimize damages for all participants in the automotive supply chain, protect jobs and create a good baseline for the resumption of production in the aftermath of supply bottlenecks.

These basic principles were developed by the automotive supply chain committee (ALK), and adopted by the VDA's executive board on June 22, 2022.



Hildegard Müller

President



Dr. Gunnar Güttenke

Chairperson of the automotive supply chain committee (ALK)



Arndt G. Kirchhoff

Chairperson of the advisory council of manufacturing group III (parts and accessories)

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Nikolai Setzer

Continental AG

Jürgen Spier

Spier GmbH & Co. Fahrzeugwerk KG

Dr. Stefan Wolf

ElringKlinger AG

Oliver Zipse

Bayerische Motoren Werke AG

Automotive supply chain committee (ALK)

Dirk Große-Loheide

AUDI AG

Dr. Joachim Post

Bayerische Motoren Werke AG

Dr. Marcus Schoenenberg

Daimler Truck AG

Werner Pütz

Ford-Werke GmbH

Stefan Gramse

MAN Truck & Bus SE

Dr. Gunnar Güthenke

Mercedes-Benz Group AG

Matthias Brüggemann

Opel Automobile GmbH

Barbara Frenkel

F. Porsche AG

Murat Aksel

Volkswagen AG

Dr.-Ing. Markus Heyn

Robert Bosch GmbH

Ulrich Schrickel

Brose Fahrzeugteile SE & Co. KG

Nikolai Setzer

Continental AG

Franz Haslinger

Dräxlmaier Group

Dr. Stefan Wolf

ElringKlinger AG

Thorsten Muschal

Faurecia Automotive GmbH

Dr. Rolf Breidenbach

HELLA GmbH & Co. KGaA

Arndt G. Kirchhoff

Kirchhoff Gruppe

Peter Schiefer

Infineon Technologies AG

Günther Apfalter

Magna International Europe AG

Michael Frick

Mahle GmbH

Anish Kumar Taneja

Michelin Reifenwerke AG & Co. KGaA

Matthias Zink

Schaeffler AG

Dr. Holger Engelmann

Webasto SE

Wolf-Henning Scheider

ZF Friedrichshafen AG

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