

# 12 points plan for kickstarting economic growth in Europe after the crisis

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Germany and Europa are facing the heaviest recession in post-war history. Economic recovery requires acute measures. Therefore, the German automotive industry suggests twelve recommendations for post-crisis growth:

- 1. Ensuring strong and coordinated action at EU level:** The German automotive industry operates internationally, produces in almost all EU Member States, and has a strong market position in the European single market. In order to resume production, close synchronisation of the resumption of social and economic activities in the Member States must be ensured. Border closures, protectionist measures, and national approaches are short-sighted and counterproductive.  
  
→ *European-wide coordinated solutions are required to relaunch production in the internal market and to stabilise the respective economies.*
- 2. Ensuring the free movement of goods and services in a resilient single market:** Especially in a global volatile environment with protectionist activities in many regions of the world, the EU internal market needs to be resilient and reliable. Automotive supply chains are complex and cross borders. In the short term, it must be ensured that production and logistics can be relaunched in a coordinated manner. The priority of freight transport at border crossings (so called Green Lanes) is an important element and should therefore also be negotiated swiftly for deliveries with key third countries outside the EU (e.g. Turkey). Consideration should also be given to maintaining, for a limited period of time, the driving times and rest periods for drivers, which have been partially relaxed since March.  
  
→ *A functioning and resilient EU internal market requires permanently open internal borders for freight transport and a quick and coordinated European approach for their reopening.*
- 3. Putting the EU and national budgets on solid grounds:** Even before the Corona crisis, the European Union was not sufficiently prepared to face the challenges ahead. Overcoming the current crisis requires enormous additional financial resources. The burdens of the digital and environmental transformation as well as of the economic recovery following the COVID-19 pandemic should be shouldered jointly. The recovery of Member States' economies must not be hampered by a lack of budgetary resources. Given the current challenges, there should be no ideological debate.  
  
→ *Solidarity between Member States as well as greater willingness to provide the EU with the necessary financial resources is needed.*

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- 4. Giving powerful growth impulses for the European industry:** The immediate response to the social and economic challenges resulting from the Corona crisis is one of the most serious political and economic challenges. The response must be a top priority for the Member States and the EU institutions. Particular attention should be paid to a renewed EU industrial strategy which can actively stimulate growth to improve the overall economic situation. In the short term, its primary objective should be to revitalise the EU economy. Taking into account the fundamentally changed economic situation, the Commission's economic and industrial policy agenda needs a clear focus. In the medium to long term, the EU industrial strategy should be integrated into the European Green Deal in such a way that in EU politics strengthening industry is equally weighted as the reduction of CO<sub>2</sub> emissions.

→ *A renewed EU industrial strategy must actively stimulate economic growth in order to improve the overall economic situation.*

- 5. Boosting automotive demand across Europe:** Resumption of production in the automotive industry by manufacturers and suppliers requires corresponding demand. This means, on the one hand, that car dealerships across Europe must be able to open and that registration authorities must be able to operate. Another element of a European strategy could be impulses to stimulate demand which would rapidly increase capacity utilisation, thus securing jobs and investment capacity. Effective demand stimulation should apply to new cars of all vehicle categories and be explicitly limited in time. High-efficient and clean internal combustion engines also contribute to climate change mitigation and air quality improvement. Purchasing incentives should ideally be based on similar criteria across Europe to avoid fragmentation.

→ *Measures to stimulate automotive demand across Europe should be based on similar criteria and have a clear environmental focus but should not be limited to electric mobility only.*

- 6. Create investment incentives for clean and safe commercial vehicles:** Production in the truck markets in Europe has come to a virtual standstill due to the Corona crisis. There is also stillstand in the trailer branch. In addition, the stock of used EURO VI trucks has risen sharply due to truck returns caused by the crisis. According to estimates, this vehicle stock could double to around 140,000 vehicles throughout the EU within a few weeks. This would be at the expense of manufacturers' liquidity and it would slow down the production of new vehicles and thus also the economic recovery of the often medium-sized suppliers. A secondary use of these economical and environmentally friendly vehicles with the latest emission standard is therefore an important prerequisite for a sustainable restart of the production. The ageing of the commercial vehicle fleet could also be counteracted by appropriate impulses. An EU-wide fleet renewal programme should provide an investment subsidy for companies in the transport sector. The programme should be aimed at the acquisition of trucks of the cleaner and more economical EURO VI standard and, in particular, used EURO VI trucks. If 70,000 older vehicles were replaced by EURO VI trucks with this procedure, the NO<sub>x</sub> emissions of this group of vehicles could be reduced by 84 percent and particulate emissions by as much as 98 percent. Moreover, a fleet renewal scheme for semi-trailer would contribute to climate mitigation and support intermodal transport.

→ *Investment incentives for truck customers lead to more modern and safer trucks on Europe's roads and at the same time they stimulate the economy.*

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- 7. Encouraging fleet renewal on a large scale:** A political stimulation of demand, accompanied by simple financing support, can provide an important stimulus for a new start after the crisis. The European Commission and the European Investment Bank should consider extending the Cleaner Transport Facility (CTF) to allow private fleet operators to renew their fleets. With an estimated one million taxis, representing 10-20 percent of urban transport, an incentive and support scheme for private fleet operators provides an important opportunity to create sufficient demand, supports innovation, and improves air quality as well as transport safety in cities across the EU. Targeted public procurement should complement private demand in order to relaunch sales and production. An ambitious national implementation of the Clean Vehicles Directive could also contribute to this target. Support for the retrofitting of new and existing public transport vehicles should be considered at EU level. The installation of new technologies, such as improved air filtration systems, more spaced seating, and the creation of smaller compartments in buses, can contribute to reducing the risk of infection.
- *Stimulate public and private demand through ambitious national implementation of the Clean Vehicles Directive and through smart financing schemes for new purchases and retrofitting.*
- 8. Careful reassessing new targets of the European Green Deal:** The German automotive industry is fully committed to achieving climate neutrality in road transport by the middle of the century. In this context, our manufacturers do not question the agreed CO<sub>2</sub> fleet targets for 2020/21 and 2030. However, additional burdens should be avoided. The envisaged tightening for 2030 needs to be reassessed in the light of the current crisis and its economic consequences. The use of scarce financial resources requires careful consideration in the context of an impact assessment, which must fully assess and consider the economic and social impact of the corona crisis.
- *The European Green Deal should release EU energy, climate and transport policy framework from administrative burdens and put them on a coherent and market-based basis.*
- 9. Expanding flexibility in EU state aid:** Fast and unbureaucratic liquidity assurance for our companies was and is important. Flexibility in the interpretation and approval of EU state aid right contributes to the unbureaucratic support of the European economy. Public support for investments in fleet renewal by companies providing vital public services can thus be made possible quickly. However, there is also a risk of international competition being distorted if non-European competitors receive massive state support without repayment requirements. A framework for sustainable finance should be incentive-based and non-sanction-based, so-called blacklists, should be avoided in the classification framework. The automotive industry is undergoing a fundamental technological transformation. The investment required to transform plants, employees' skills and R&D is very substantial. To deliver the shared ambition of the Green Deal there needs to be an effective partnership between the industry, states (as well as the EU) and social partners. It is therefore critical that funds are made available to support this auto industry transformation. This requires the EU state aid regime to be modernised/relaxed to allow EU member states to support this structural change and to maintain jobs also in existing manufacturing locations.
- *State aid rules need to be revised and simplified and allow investment support also in mature locations.*

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- 10. Enabling technological transformation through infrastructure investments:** Electric mobility and other alternative powertrain technologies are an important building block for the recovery of automobile value creation in Europe. National support schemes are important but not sufficient. The European initiative “1 million charging points and refuelling points across the EU for all types of vehicles” needs to be launched as soon as possible and scaled up significantly. The initiative must also include high-performance recharging and hydrogen refuelling points for cars and heavy-duty vehicles.
- *An ambitious revision of the Alternative Fuel Infrastructure Directive (AFID) is key to align national frameworks, simplify administrative burdens and make information on public recharging and refuelling points more transparent.*
- 11. Supporting research and innovation:** The EU should maintain an ambitious budget for research and innovation activities within Horizon Europe to develop a climate neutral road transport system, taking into account technology neutrality as a key contribution to the success of the Green Deal. Considering the priorities of European policies, it is crucial to provide sufficient flexibility in the framework programmes. This will allow optimal synergy between the EU’s policy objectives in terms of electrification and the sector’s need for technological neutrality in order to remain globally competitive.
- *The EU should make full use of all instruments at its disposal to support research and innovation in order to underpin Europe’s long-term competitiveness.*
- 12. Strengthening the EU’s export economy and securing the achievements of globalisation:** The European automotive industry depends on access to export markets and functioning global value chains. Protectionist activities in all parts of the world need to be resolutely opposed. New export markets need to be opened up. Priority should be given to concluding trade and investment agreements with partners relevant to the automotive industry. These include, for example, agreements with the US, the UK, Mercosur, India and other important future markets. Regarding the negotiations between the EU and the UK, the VDA supports all efforts towards a close, constructive, and trustworthy agreement, including regulatory aspects. Customs policies, such as simplification of customs procedures, the lifting of export and import restrictions on certain goods and the modernisation and harmonisation of the IT structure, could also boost imports and exports with third countries. The EU should firmly defend its commitment to the achievements of globalisation against international partners.
- *Rules-based international free trade needs to be expanded and access to future markets need to be concluded.*