RESTRUCTURING FORUM
Brussels 17 & 18 October 2007

**"The challenges of the automotive industry –
Towards a European partnership for the anticipation of change"**

EUROPEAN PARTNERSHIP FOR THE ANTICIPATION OF CHANGE IN THE AUTOMOTIVE SECTOR

European Partnership for the Anticipation of Change in the Automotive Sector

1 .The European Automobile Manufacturers Association (ACEA), the European Association of Automotive Suppliers (CLEPA) and the European Metalworkers Federation (EMF) wish to launch and develop, together with the European Commission, a "European Partnership for the Anticipation of Change in the Automotive Sector" aimed at maintaining and strengthening the competitive position of EU automotive companies, creating quality jobs and reinforcing the employability of the workers of the sector, a pre-condition for sustainable growth and social cohesion.

2 .The automotive sector, an important source of economic prosperity, employment and innovation in the EU, is undergoing a major transformation as a result of market trends, international competition, technological innovation and regulatory changes. This transformation creates new opportunities for Europe's automotive sector but represents, at the same time, major challenges for the industry, its employees and the territories in which the sector operates.

3 .Changes in the automotive sector should be addressed in the broader context of (A) redeploying the European economy to activities with more added-value and providing new and better jobs, through solid investment in innovation and human resources in the sector, as well as (B) meeting the anticipated growth in demand for automotive products in the enlarged Europe and other parts of the world. Combined with a predictable and industry-friendly regulatory framework, high ambitions in terms of sustainable development will allow Europe to profit from current and future evolutions and strengthen its competitive position in a changing environment.

4 .The parties share a common diagnostic of the situation in the automotive sector (as outlined in Annex I) and firmly believe that change and restructuring are not synonymous with social decline and loss of economic substance. Rather, change underpins both economic and social progress when it is anticipated in a context of effective social dialogue and when both social partners and public authorities ensure that it takes place under sound, sustainable and socially responsible conditions. The first priority for the social partners is to continue to work to enhance the competitiveness of European operations. They acknowledge that this will be achieved through improvements in quality, productivity, workers' skills and innovation.

5. The parties agree that the following factors (developed in Annex II) are essential to achieve those objectives:

- Mutual trust and partnership
- Better regulation and policy co-ordination (particularly in areas of competitiveness, environment and employment)
- Innovation as a key competitiveness factor
- Investment in employees' skill enhancement
- Continuing improvements in productivity
- Effective change management underpinned by anticipation, facilitation and follow-up through regular dialogue and the mobilisation of support instruments as necessary

6. Where adaptation is needed, the parties and their members will use the rich experience which they have already developed on industrial adaptation as well as anticipation and good

management of change and restructuring. They believe in the added-value of articulated and coherent action at the local, regional, national and European level covering simultaneously and in a coherent way employment, education, industry, trade and innovation issues.

7. The parties agree to work together over the next two years, as outlined in the Annex III of this Partnership Declaration. They invite all other stakeholders (governments, automotive regions, individual companies, European Works Councils and other workers' representatives) to acknowledge this partnership and to co-operate in the planned policies and actions.

The responsibilities and role of each stakeholder

Given the importance of the automotive sector in Europe and the scale of the changes ahead, all levels of governance (European, national, regional) and all economic and social actors (industry associations, social partners and individual companies) must fulfil their role in an articulated and mutually reinforcing way, according to the competences of each one.

At EU level:

The Commission is invited to:

Continue to provide or support the creation of accurate and effective analysis and forecasting tools, in close co-operation with all stakeholders. ACTIONS 1 to 7 in Annex III are examples of tasks that could be launched by the relevant Commission's services.

Continue to promote an anticipative approach through measures aimed at improving synergies between policies and partnerships between actors. Thus, it will continue to ensure appropriate co-ordination between its departments in order to better articulate its different policies, actions and instruments. (See, amongst others, ACTIONS 5 and 6)

Pursue and develop a strong and forward-looking industrial policy for the sector, in line with the analysis and findings of the CARS 21 High Level Group to support industrial competitiveness, in particular through actions geared towards regulatory simplification, adoption of integrated approaches to CO^2 emissions from cars and to safety issues and increased investment into innovation and R&D (notably by fully exploiting the potential of the R&D and Structural Funds – See ACTIONS 13 and 14).

Continue to promote socially responsible practices by enterprises on a voluntary basis, as responsible behaviour leads to sustainable business success. ACTIONS 8, 9 and 12 are geared towards this objective.

Continue to pursue actively a trade policy geared to the objective of ensuring the global competitiveness of European industry on the European as well as on third country markets, and a level playing field at global level.

Look for ways to make full use of Structural Funds, notably the European Social Fund, to support anticipation of change and restructuring in regions likely to be impacted by on-going or future changes. This implies using the European Social Fund to support investment in training and re-training of workers and the European Regional Development Fund to encourage economic and social re-conversion at regional level. (See ACTION 14).

In a complementary way to the anticipative and long-term intervention of the Structural Funds, support the use of the European Globalisation Adjustment Fund to help workers being made redundant in the sector to re-enter the labour market quickly. (See ACTION 14)

The European social and industry organisations underline the importance of continuous improvement in competitiveness, as well as mutual consultation on major issues which are relevant to the sector. They will organise, where appropriate in co-operation with the Commission, actions aimed at disseminating amongst their members a culture of anticipation and good management of change. They will launch projects at the relevant level with a view to facilitating adaptation to change, anticipating restructuring and attenuating its employment consequences. The Sectoral Social Dialogue Committee which EMF and CLEPA wish to establish could constitute a platform for the preparation of the actions above.

The involvement of the European social and industry organisations in most of the actions in Annex III is considered to be vital for their success.

At national level

National governments are invited to simplify the regulatory framework of the automotive industry, in line with EU policy. They are invited to take steps to encourage and support investments by automotive assemblers and suppliers through initiatives such as the developments of the transportation network and other infrastructure elements, and ensuring the development of a skilled workforce. They are invited to make full use of Structural Funds, in particular the European Social Fund, to anticipate and manage restructuring. They are encouraged to commit themselves to intensify efforts to invest in human capital and R&D, through own funding and by optimising the use of the European funds (notably the Structural Funds).

They should continue to reinforce the co-ordination between their departments in order to better articulate its different policies and instruments.

Finally, they are invited to continue to develop and to reinforce consistent action in the field of lifelong learning and employability – increase lifelong learning measures in order to facilitate transitions, in line with the Guidelines for the Employment Policies of the Member States (in particular Guideline 21).

ACTION 1, 2, 11, 13 and 14 all concern or require co-operation with the national authorities.

At regional level

Regional and local authorities in areas where the automotive sector is important are invited to engage themselves in a permanent follow-up of its evolution in close co-operation with the economic actors and their organisations. They will be requested to participate, within their responsibilities, in the creation and reinforcement of mechanisms of adaptation of the industry and the workforce. Where needed, they are encouraged to develop efforts to diversify and re-convert the economic structure of the territory, as well as to contribute to the creation of alternative sources of employment.

ACTIONS 2, 3, 4, 10, 11 and 14 are particularly relevant in this regard.

At company level

The economic actors of the automotive industry underline the need for a permanent adaptation to competitive pressures. They acknowledge that anticipative social dialogue is one of the prerequisites to achieve this aim.

They will therefore continue to develop, in line with existing legislation and arrangements, internal practices of close, anticipative and effective involvement of workers' representatives (notably the European Works Councils, national works councils and trade unions) by informing them on a permanent basis of new developments and by consulting them well in advance of any foreseeable evolution likely to affect employment within the company.

For that purpose, companies and workers' representatives will further establish mechanisms and arrangements of forward-looking employment and skills planning (quantitative and qualitative), suitable to their particular situation.

They will work together to enhance the competitiveness of their operations with a view to minimising the need for significant restructuring actions.

In particular events of restructuring, they will continue to support efforts to attenuate the social consequences for the workforce and the region concerned, comprising employability and redeployment measures adapted to the particular situation.

They recognise the need to contribute to the revitalisation of territories when economic activities decrease. They will keep regional and local authorities informed of foreseeable developments and co-operate with them, as well as with all the other relevant authorities, in the creation of anticipation and adaptation tools.

The parties agree to work on collecting and exchanging best practices of socially responsible restructuring in order to be able to come out, at a later stage, with recommendations in this field (ACTIONS 8, 9 and 12).

The present partnership has been presented by ACEA, CLEPA and EMF to their affiliates. On that basis, Commissioner Špidla and Vice-President Verheugen will present it to the College.

ANNEX I

A COMMON DIAGNOSIS

The automotive industry is an important pillar of the European economy. The sector provides work to more than 2 million Europeans and supports an additional 10 million jobs indirectly[1]. The industry accounts for approximately 3% of the EU GDP, contributes ca. € 80 billion to exports (5% of total EU manufacturing exports) and is the largest private R&D investor in Europe with over € 20 billion invested into innovation each year (4% of the turnover of the sector and 20% of total European manufacturing R&D).

In spite of a foreseeable increasing global demand in the coming years and strong projected growth in Central and Eastern Europe, as well as at the fringe of the EU, the European car industry is facing a situation of a relatively flat demand in Western Europe (its main traditional market) in a context of intensified global competition and of increased imports from outside Europe.

This leads to a conjuncture of excess production capacities in Western Europe and steady build-up of new capacity in EU-10 as well as in some neighbouring countries (Russia, Turkey, Morocco, Iran, etc.). Combined with strong productivity increases, this will continue to put pressure on employment in some traditional production locations.

The industry is also confronted with high raw material prices, an increased pressure on costs, particularly on the supply chain, and unfavourable exchange rates in relation to the main competitors (USA and Japan). The competitive and innovative capacities of the sector, however, are a continuing source of strength for the European automotive industry.

As is the case in many other sectors, the capital structure of the automotive industry, and especially the suppliers, leads to pressure on returns from financial markets. The automotive sector has witnessed in recent years extensive structural shifts between Original Equipment Manufacturers (OEM) and suppliers.

Societal demands are evolving. A key long-term challenge facing the automotive industry is reconciling the need for individual mobility and transport of goods with a volume of traffic close to full capacity and the associated environment impact and security risks. Due to the technical complexity of the product and the effects of motor vehicle use on the environment, safety and mobility, it is probable that the sector, already one of the most regulated areas in the EU and worldwide, will continue to be influenced by the regulatory framework.

The success of the process of inevitable adaptation of the industry to the challenges it faces depends on the factors outlined in Annex II.

[1] According to Eurostat.

ANNEX II

KEY FACTORS OF SUCCESS TO OVERCOME THE CHALLENGES

- Mutual trust and partnership are essential

No process of change, be it industrial or social, can be properly anticipated and managed without mutual trust and partnership between all the actors. It is of particular importance to ensure:

  - openness of public decision-making procedures and the full involvement of all the stakeholders in policies planning and execution;
  - transparency, reliability and responsibility of governance systems, public and private;
  - a trustful relationship between the industry actors (manufacturers and suppliers);
  - an effective dialogue between industry and territories;
  - an effective and continuous social dialogue within companies (namely through European Works Councils as specified in the EWC Directive 45/94/EC).

- Better regulation and policy coordination, particularly relating to competitiveness, environment and employment

A good co-ordination of all the policies influencing the sector is vital for devising coherent and efficient development strategies. The competitiveness policies developed on the basis of the work performed by the CARS 21 High Level Group and focussed on the creation of an enabling regulatory framework should be increasingly linked to employment, environment and innovation policies. Overall, any planned policy or measure should be subject to a solid ex-ante assessment of its economic, environmental and social impact, within a process of consultation and preparation of all the stakeholders.

The goal of such co-ordination consists in reinforcing the integrated approach for the sector, which brings together the various stakeholders, ensures a balance of interests and develops a consensus that combines the goals of growth and competitiveness with those of more jobs, high social, safety and environmental standards.

- Innovation as the key factor for competitiveness

The future of the European automotive industry will be based on an optimal use of its main strengths: the experience of its companies, the skilfulness of its workers, the resources of its territorial structures and the dynamism of the interaction between public and private action.

The world automotive market will continue to grow in the foreseeable future. The European industry can profit from it, by providing high quality products, by effectively using the available financial and human resources and by ensuring balanced and globally harmonized environmental and road safety standards. Innovation is key with regard to all those issues.

Promoting innovation is a collective responsibility of both public and private organisations, as well as of all the workers of the sector and their organisations. At European level, innovation materialises through the pursuit and reinforcement of existing tools (clusters that generate synergies at regional and transnational level; a bigger effort on R&D, notably through the 7th Research Framework Programme and national programmes; an adequate and productive distribution of responsibilities throughout the supply chain; an increased investment in human resources, increased productivity and quality).

- The importance of investment in employees' skill enhancement

Any successful business innovation policy depends upon the mobilisation and the skills of the people working in the industry. The success of all the European companies of the automotive sector has been the result of continuous and extensive investment in the education and training of their workforce.

Reinforcing investment on skills is vital for guaranteeing the future competitiveness of the European industry. That will require a proper identification of skills needs and full co-operation between the public sector, industry and educational establishments in ensuring that the training being offered is in line with the needs of companies and the innovation processes.

On the other hand, increasing skills and competence levels, including general ones, will contribute to the creation of an adaptable and mobile workforce, to enhancing the employability of the workers of the sector and to facilitating employment transitions, as necessary pre-conditions of a successful and socially acceptable strategy of anticipation of change and of inevitable restructuring.

- The need to continuing improvements in productivity

Facing fierce and ever intensifying global competition, the European automotive industry has experienced and will continue to experience considerable pressure on costs and productivity growth.

A sound operational basis is a prerequisite to further growth, in order to sustain and increase levels of employment, investments and innovation. The first priority for the automotive industry is, therefore, to continue working to enhance the competitiveness of European operations through improvements in productivity, quality and innovations in the manufacturing process.

- The need to continue to facilitate anticipation, preparation and good management of change and restructuring

Mutual trust, innovation, investment on human resources and policy co-ordination are vital but will only succeed to ensure the adaptation of the industry in a sound economic and social environment if they are supported by specific, tailor-made mechanisms and practices of anticipation, preparation and management of change and restructuring at all levels (EU, national, regional and company level).

Knowledge is a pre-condition of any efficient action. Good anticipation, preparation and management of change therefore require anticipative and continuous analysis of trends in terms of technological and competitive conditions, as well as of human resources and training needs.

Anticipation is a global, multi-field and multi-actor process. In the current and future circumstances of the automotive sector, it requires:

- coordinating the action of public and private entities;
- investing in skills following an integrated approach (public and private learning institutions, companies, territories, etc.)
- commitment of the regions to the sector and two-way dialogue between regions, companies and workers' representatives;
- maintaining and where appropriate creation of early-warning systems at sector, company and territorial level;
- clearly addressing the need to envisage economic re-conversion and/or diversification of regions when necessary;
- mobilisation of support instruments, including financial ones;
- proactive involvement of workers in order to facilitate socially acceptable change;
- ensuring an effective information and consultation of workers' representatives, especially through EWC, as well as through local works councils and trade unions;
- finding ways of reducing restructuring social costs to a minimum;
- particular attention to the specificities of component manufacturing industry including SMEs which play an important role in the automotive sector.

ANNEX III

FOLLOW-UP ACTIONS

1. Analysis tools

The parties will work together to monitor the evolution of the sector on an on-going basis. A comprehensive study on the evolution of the automotive sector will be presented as a follow-up to the Restructuring Forum of 17 and 18 October 2007 and will be up-dated on a regular basis.

That study will be completed with particular analysis on:

Employment and skills issues

ACTION 1: Employment trends, structure of employment, demographic issues and skills needs

ACTION 2: Good sectoral, regional and company practices of increasing the skills levels and the employability of the workforce

Restructuring processes

ACTION 3: Good practices of anticipation and good management of change and restructuring at company and regional level.

ACTION 4: Analysis of automotive regions

General issues

ACTION 5: Mobility, quality of life and societal demands

ACTION 6: Impact of regulatory changes

ACTION 7: Integration of the supply chain

2. Co-operation, exchanges and mobilisation of the actors

In order to carry on the studies under 1 and to disseminate, discuss and follow-their findings, the parties will organise or encourage the realisation of:

ACTION 8: Dissemination and discussion workshops with the participation of representatives of Human Resources Management of the sector

ACTION 9: Dissemination and discussion workshops with the participation of representatives of European Works Councils of the automotive sector

ACTION 10: Seminars and workshops in automotive regions likely to experience significative change.

3. Anticipation and adaptation tools

ACTION 11: On the basis of the studies and exchanges above, the parties will constitute an informal observatory of the automotive sector focussed on:

- the evolution of industry worldwide and in the EU;
- the evolution of employment and skills needs;
- the creation of a data base on the practices of anticipation and good management of change and restructuring at company, sectoral and territorial level, including those focussed on increasing skills levels and employability.

This observatory will take stock of a regular basis of the whole range of actions carried on and report back to the parties.

ACTION 12: They agree to work on collecting and exchanging best practices of socially responsible restructuring in order to be able to come out, at a later stage, with recommendations to this field.

4. Reinforcing the EU support instruments

Innovation and R&D

ACTION 13: The Commission will exchange with all the stakeholders on the best way to make full use of the existing support instruments, notably the 7th Research Framework Programme.

Structural Funds and EGF

ACTION 14: The Commission will exchange with all the stakeholders, as well as with Member States and relevant regional authorities, on the best way to make full use of the existing support instruments, notably the Structural Funds and the European Globalisation Adjustment Fund.