



C L E P A
*European Association of
Automotive Suppliers*

The Road Ahead for the European Automotive Suppliers



Jean-Marc Gales

Chief Executive Officer
CLEPA



Agenda



- Who we are, what we do
- Market trends in automotive
- A new reality for suppliers
- The way ahead...



C L E P A

*European Association of
Automotive Suppliers*

WHO WE ARE, WHAT WE DO

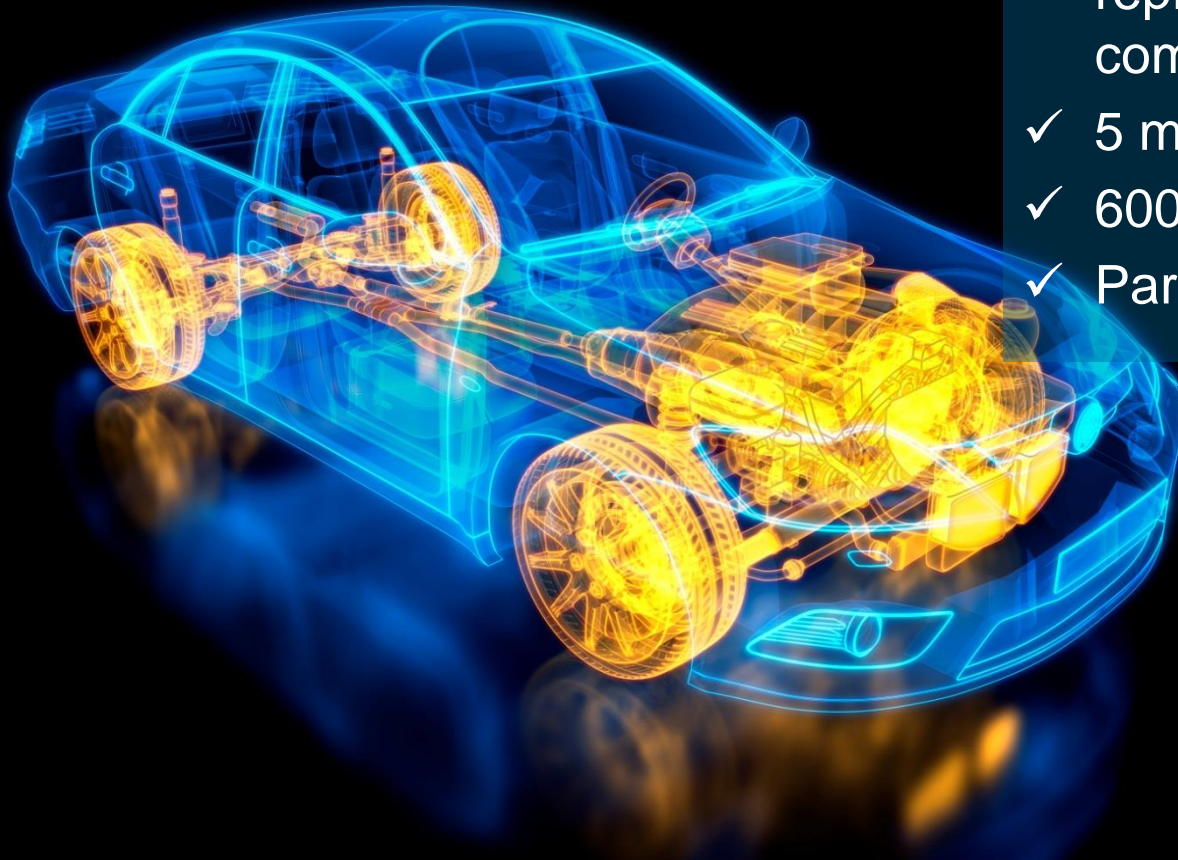
Who we are



- ✓ founded in 1959
- ✓ we represent 111 corporate members of the world's most prominent suppliers for car parts, systems and modules



Who we are



- ✓ 25 National trade and European sector associations representing +3000 member companies
- ✓ 5 million employees
- ✓ 600 billion € sales
- ✓ Partner of the EU and the UN

What we do



- ✓ **EU** Institutional representation – CARS2020
- ✓ Access to **finance** - Horizon2020, EIB funding opportunities, COSME
- ✓ Defining future technical **regulation** (UNECE WP29)
- ✓ International business **support** – CLEPA Desk in China (*planned*)
- ✓ Ensuring harmonious development of **international trade**
- ✓ Media relations and **networking**

How we do it





C L E P A

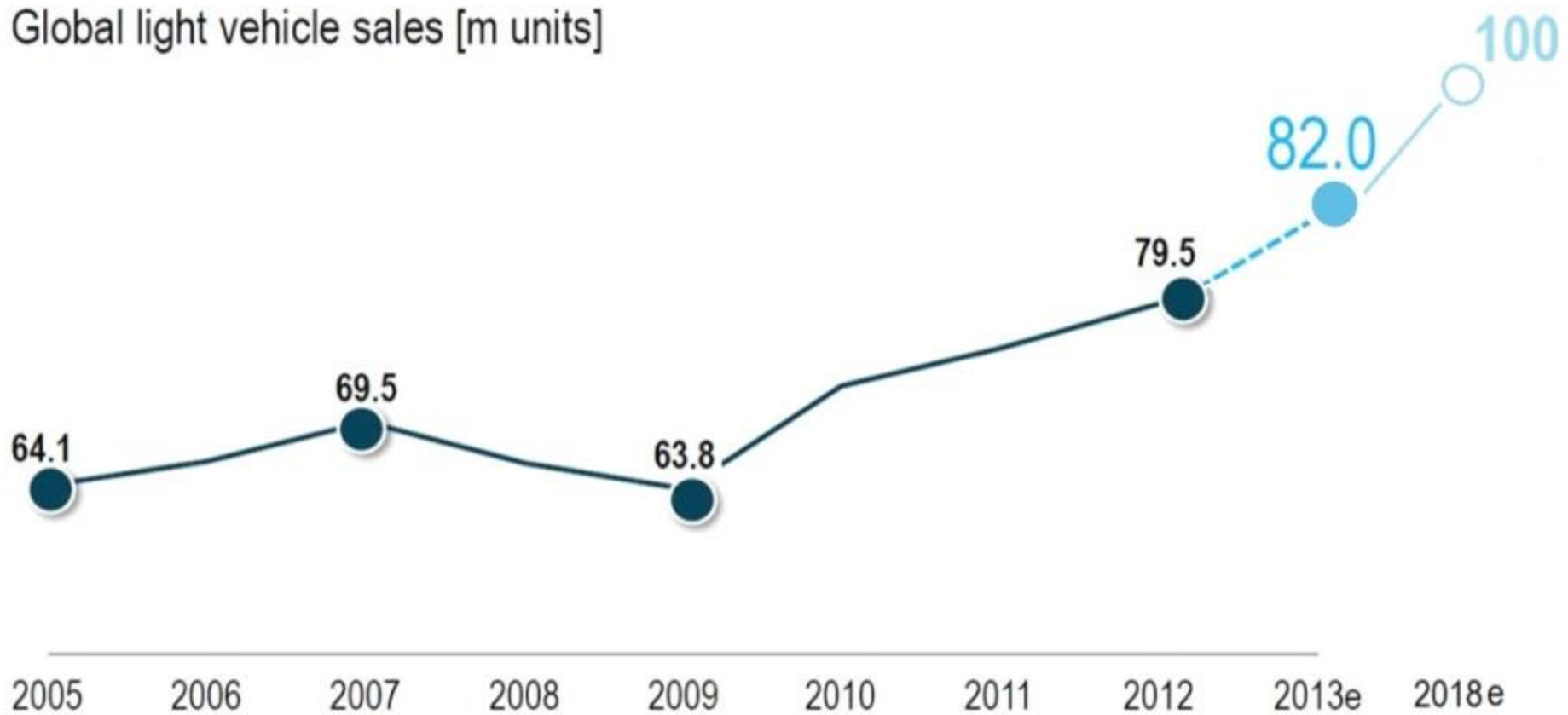
*European Association of
Automotive Suppliers*

MARKET TRENDS IN AUTOMOTIVE

Global vehicle sales on the rise...

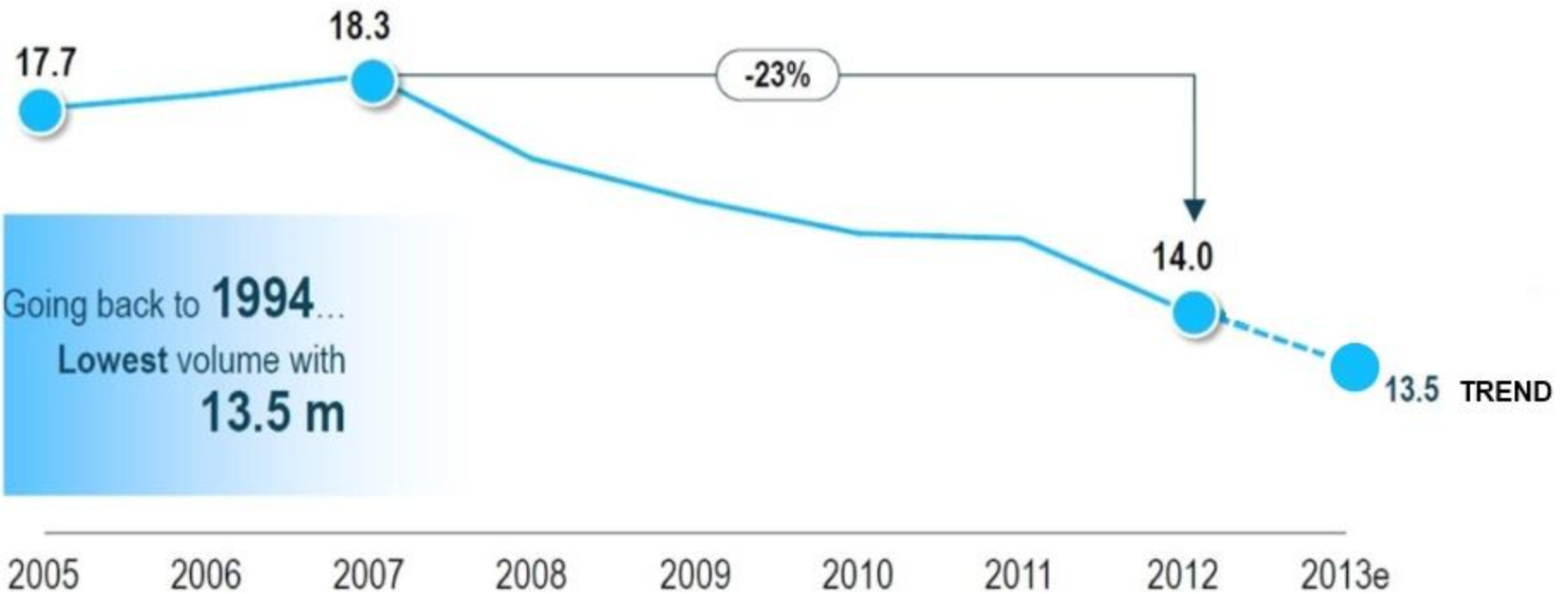


Global light vehicle sales [m units]



Source: Roland Berger, CLEPA estimate

...while European vehicle sales decline



Source: Roland Berger, EU27 plus Norway, Iceland, Liechtenstein

Demographical trend: an overall ageing population (1/3)

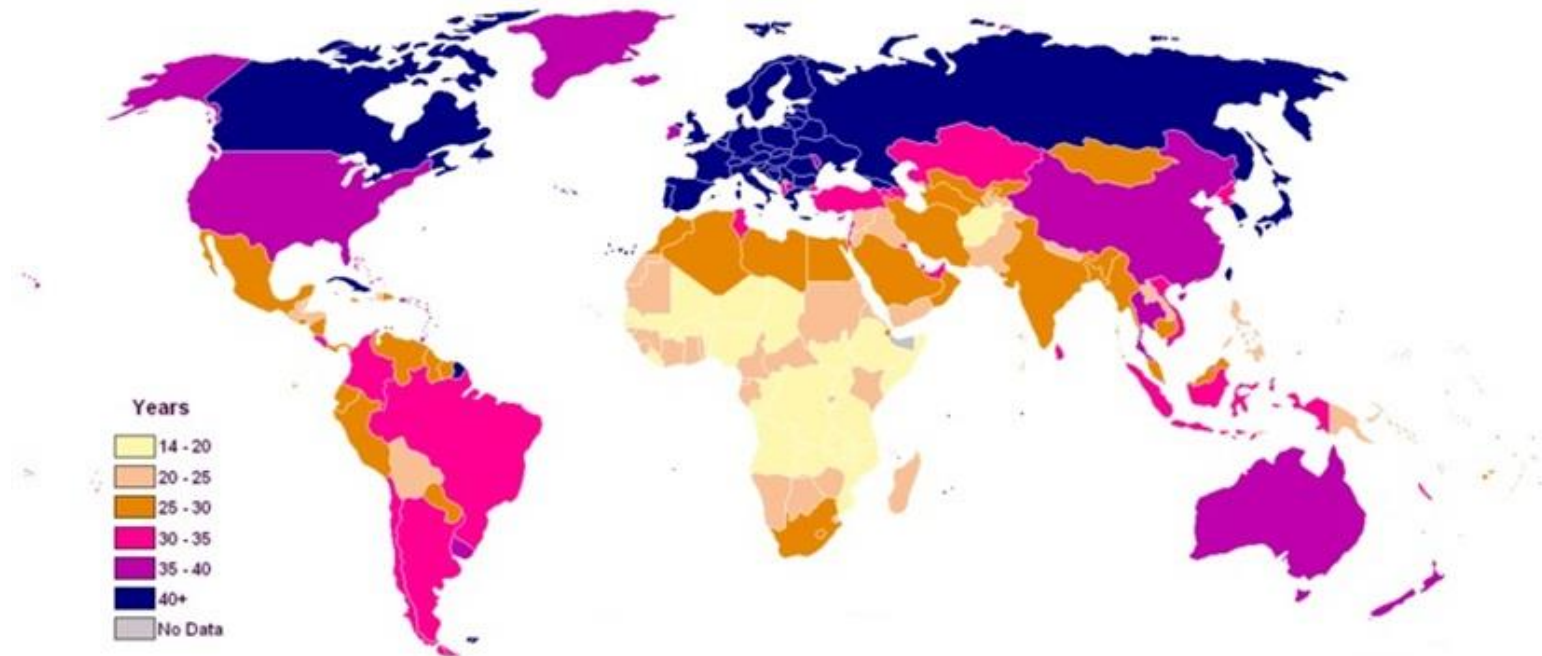


Median age	
Brazil	30,5
China	35
US	36,8
Europe	41,2
Japan	44,6

Demographical trend: an overall ageing population (2/3)



World Median Age



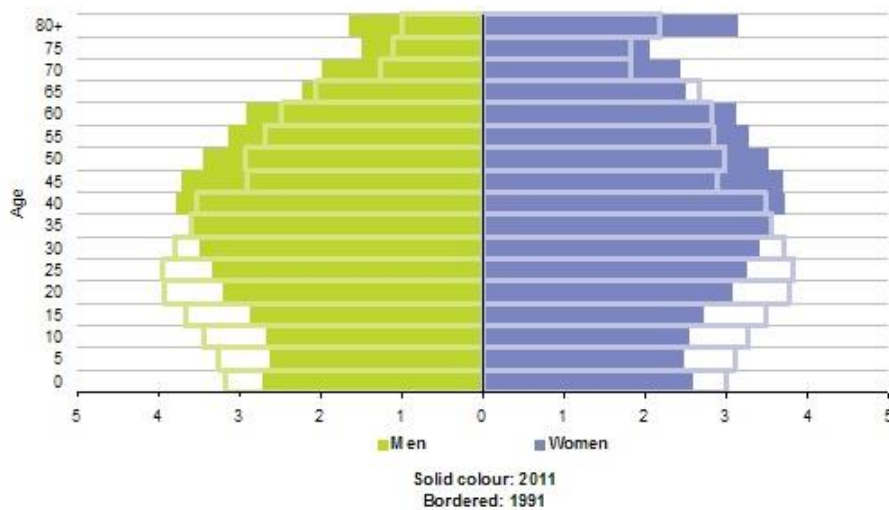
Source: CIA World Factbook

Demographical trend: an overall ageing population (3/3)

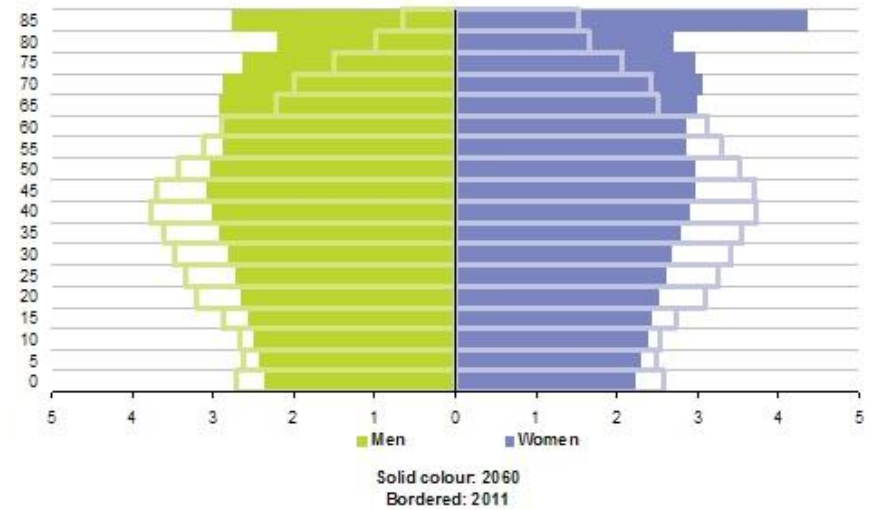


Europe – median age: 41,2y.

1991 - 2011



2011 - 2060



Source: Eurostat

Average vehicle age (2012)



US
11.1_y



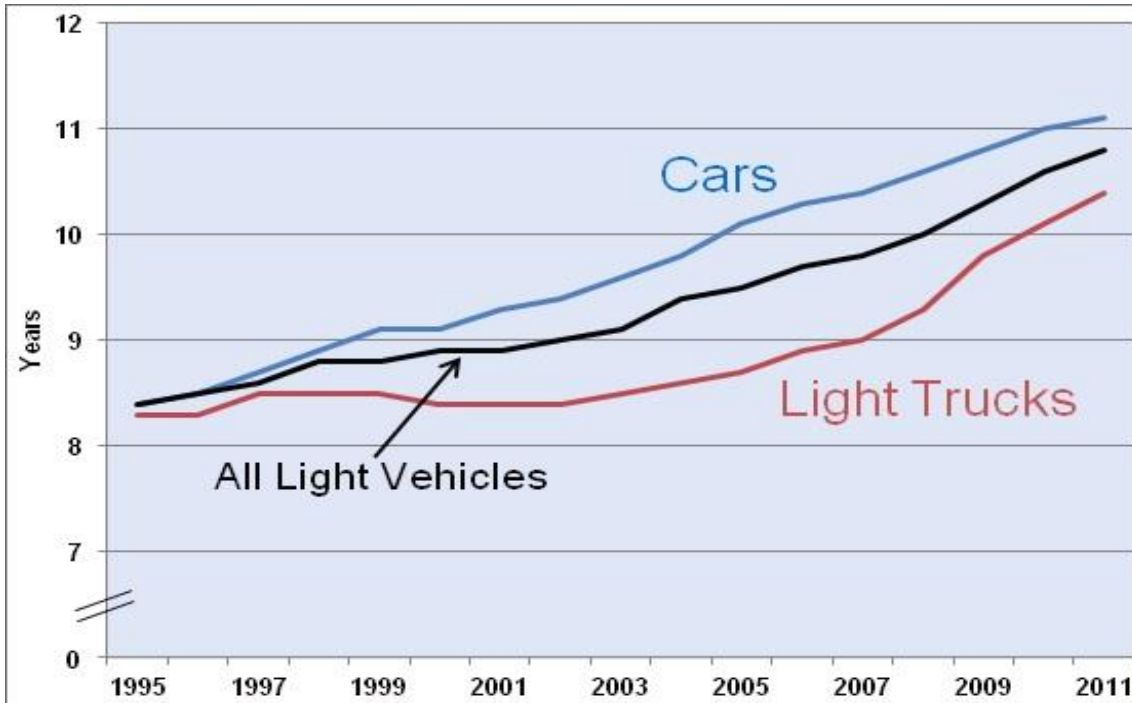
EUROPE
8.7_y



CHINA
6.0_y



Average vehicle age: US (1/3)



US: Between 1995 and 2011, the average age for cars **increased by 32%**, from 8.4 years to 11.1 years

Source: US Department of Energy

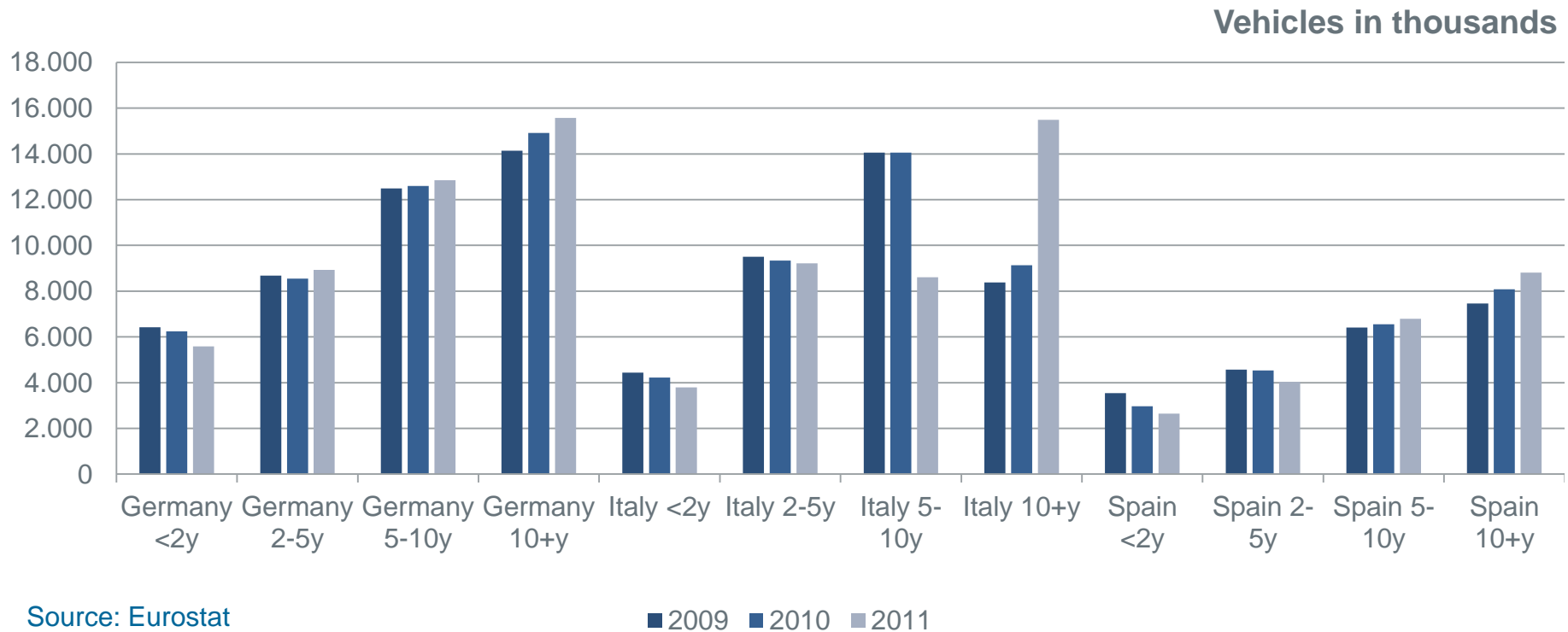
Average vehicle age: China (2/3)



China: average age for cars
ca. **6 years** (*also due to
regulatory reasons/mandatory
scrapping scheme*)

Source: China Car Times

Average vehicle age: Europe (3/3)



“The average vehicle age in the top 5 European countries has grown from 7.9 years in 2009 to **8.7 years** in 2012” (Roland Berger)

Average vehicle distances



Total driven kilometers per car per year

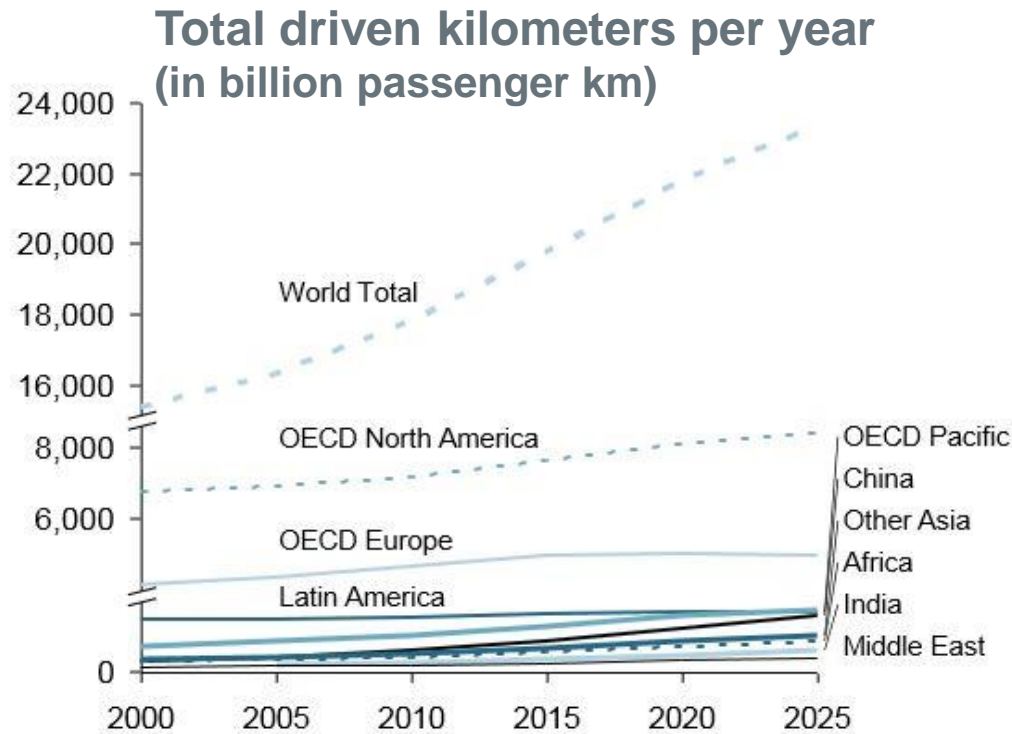
Japan	9,300 km/y
EU	14,000 km/y
US	19,100 km/y
China	ca. 20,000 km/y



Total vehicle distances



Average of driven distances per year increases at global level – with the exception of Europe



Source: Roland Berger

Average age new car buyers (US/EU)



Average age of new car buyers is increasing stronger in the US than in the EU.

US

Majority of new car buyers

- 2008: **35-44y**
- 2013: **55-64y**

Source: Michigan Transportation
Research Institute



EU

Majority of new car buyers

- 1995: **ca. 45y**
- 2013: **ca. 50y**

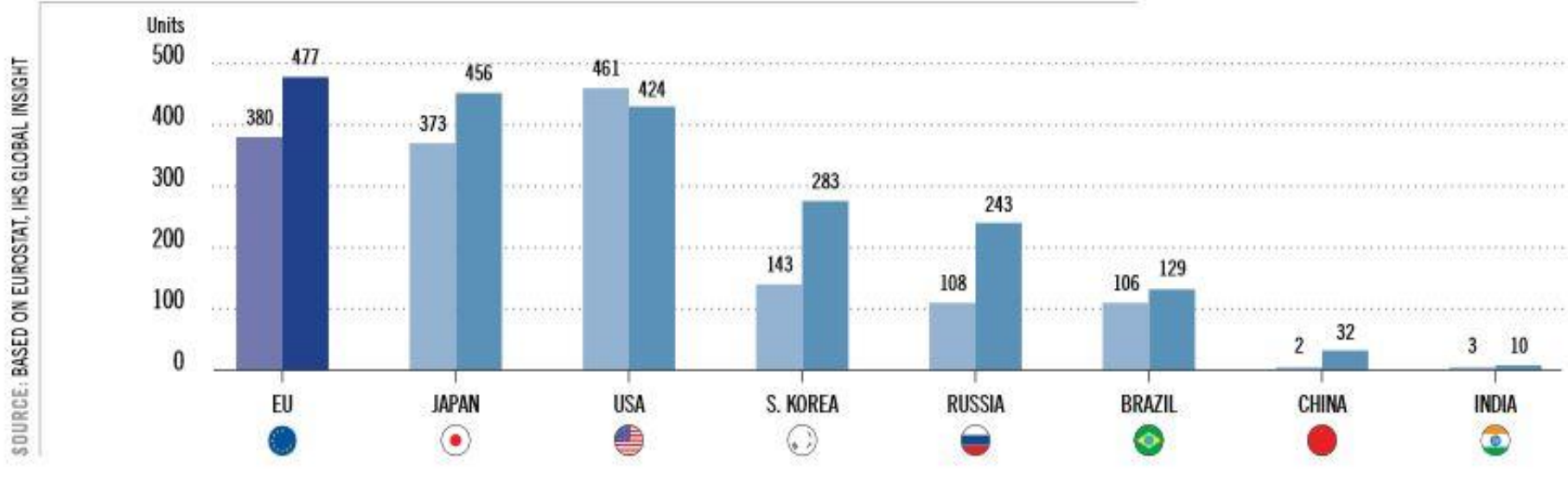
Source: CAR Universität Duisburg-Essen

Motorisation



Trends in motorisation

Car Density in the World (cars per 1,000 inhabitants) | 1995-2010



Source: ACEA

...but in mature markets (Japan, Europe) the trend is opposite: “de-motorisation”



Example: Japan – Ranking of interests of university students [%]

Past students (now in 40s, 50s)

No of interests (avg.): 5.22

Rank	Products/Services	N=300
1	Fashion	35.7
2	Domestic travel	34.0
3	Dining out	32.0
4	Reading	31.7
5	Music	31.3
6	Movies	27.7
7	Cars	27.0
8	PC	25.7
9	Foreign travel	23.7
10	Audio	20.3
11	Camera	19.7
12	TV	17.0
13	Animation, Manga	15.7
14	Jewelry	15.0
15	Sports goods	14.0
16	Cosmetics, Beauty salon	12.3
17	Watches	11.3
18	Licentiates, Learning	10.3
19	Portable Music Players	10.0
20	Motorcycles	9.7

Past students (now in 20s, 30s)

No of interests (avg.): 7.09

Rank	Products/Services	N=300
1	PC	50.7
2	Fashion	47.7
3	Communication devices	39.7
4	Domestic travel	37.3
5	Music	37.0
6	Dining out	33.7
7	Foreign travel	32.7
8	Portable Music Players	31.0
9	Reading	31.0
10	Cars	25.3
11	Movies	25.3
12	Animation, Manga	25.3
13	Video games	25.3
14	Camera	25.0
15	Watches	24.3
16	Cosmetics, Beauty salon	22.0
17	TV	18.7
18	Jewelry	18.3
19	Licentiates, Learning	15.0
20	Audio	14.3

Current students

No of interests (avg.): 8.96

Rank	Products/Services	N=1,000
1	PC	62.1
2	Fashion	53.9
3	Portable Music Players	50.6
4	Communication devices	49.9
5	Domestic travel	44.0
6	Music	43.7
7	Reading	42.9
8	Animation, Manga	42.0
9	Video games	38.4
10	Dining out	37.6
11	Movies	35.5
12	Camera	35.0
13	Foreign travel	33.9
14	TV	28.8
15	Licentiates, Learning	27.3
16	Cosmetics, Beauty salon	26.2
17	Cars	22.8
18	Watches	22.6
19	Furniture, Interiors	21.7
20	Jewelry	17.9

Summary - World



- ✓ Population in emerging markets is on average younger (future exception: China) and increasing
- ✓ **Motorisation is on the rise, especially in Asia**
- ✓ World production and sales of vehicles will be shaped by the US and Asia



Summary - Europe



- ✓ an ageing population still buys new vehicles, but drives less distances
- ✓ young people have less interest in buying new cars
- ✓ **Less cars are being produced for and sold in Europe**
- ✓ **The market will stabilise until 2020**



Increasing popularity of smart mobility concepts

- ✓ inter-modal transport systems
- ✓ car pooling
- ✓ intelligent traffic management systems through c2d, c2c and c2i communication



C L E P A

*European Association of
Automotive Suppliers*

A NEW REALITY FOR SUPPLIERS

Situation Suppliers



- ✓ We expect **70,000 - 85,000** Western European automotive supplier jobs to be at risk in the next 3-4 years
- ✓ 70,000 – 85,000 jobs – this time on a permanent basis
- ✓ Highest „relative“ impact in France, Italy and Spain
- ✓ Highest absolute impact in Germany

Situation Suppliers



Selected announcements of restructuring measures

GENERAL STATEMENTS

"There are ten plants in Germany, but only work for seven"
General Manager, Johnson Controls Interior

"Our objective is to stop the bleeding in Europe... we have lost significant cashflow, and we have to adapt."
CEO, Faurecia

"In some areas we'll probably can't avoid to cut jobs... We'll have to adjust our structures in time."
CEO, Bosch

"...we'll try to keep as many jobs as possible, but we must remain realistic. Hopefully the job reduction does not turn out to be too severe."
President, Hella

"We certainly need to make adjustments in Europe."
CEO Magna International

ANNOUNCED ACTIONS

COMPANY	ACTION	# HEADS
Autoneum	Plan to close down Dieppe plant, France in 2014	112
Behr	Close down Pforzheim plant, Germany by 2015	230
Benteler	Cut jobs in Western Europe, thereof 500 in German headquarter in Paderborn	1,800
Bosch	Conduct negotiations on cutting jobs at Hildesheim automotive plant, Germany	n.a.
Boshoku Automotive Europe	Close down Geretsried location, Germany in 2015	140
Eberspächer	Cut jobs at Neunkirchen plant, Germany	300
ElringKlinger	Streamline French subsidiary in 2014	40
Faurecia	Close down Evreux plant, cut jobs at plant in Bains-sur-Oust, France in 2013	~130
Federal Mogul	Cut jobs at Wiesbaden locations, Germany until 2014	322
Fehrer	Close down Leipzig production, cut jobs in Kitzingen, Germany in 2014	350
Georg Fischer	Cut jobs at Singen locations, Mettmann, Herzogenburg, Schaffhausen	700
Hella	Close down of Paderborn plant, Germany in 2013	n.a.
Johnson Controls	Close down Peine plant, Germany and plant near Prague at the end of 2014	1,685
	Plan to close down Grefrath plant between 2014-2016	320
Leoni	Cut jobs at Stolberg location, Germany	130
Magna Exteriors & Interiors	Cut jobs in Markgröningen, Germany in 2013	600
Magna International	Cut jobs at Sulzbach bumper production, Germany in 2014	250
Mahle	Close down Ingersheim plant, France in 2014	270
Michelin	Cut jobs at Tours plant, France until 2015	730
Schaeffler	Cut jobs at wheel bearing production in Schweinfurt, Germany in next few years	876

Source: Roland Berger / Lazard

3 Key Challenges for Suppliers (1/2)



RESTRUCTURING



Raise money for restructuring costs in Europe

ASIA



Raise capex for stronger footprint in Asia

R&I



Increase R&I spending to maintain technology leadership

3 Key Challenges for Suppliers (2/2)



Suppliers face increasing restructuring pressure in Europe

Up to 8-12% capacity reduction by OEMs

Internationalisation helps securing high-level jobs in Europe



Suppliers need to increase their production capacity in Asia

OEMs already have 50% production capacity in Asia
European suppliers need to double their number of plants outside Europe by 2020



Technology leaders invest 5% of their annual revenues in R&I – even in times of crisis



C L E P A

*European Association of
Automotive Suppliers*

THE WAY AHEAD...



3 Priorities for the European Automotive Industry



R&I LEADERSHIP



Increased funding for R&I to maintain the technology lead of the European Industry

SKILLS



Reinforced link between **education & automotive industry** to eliminate skills gap and retrain the work force

SMART REGULATION



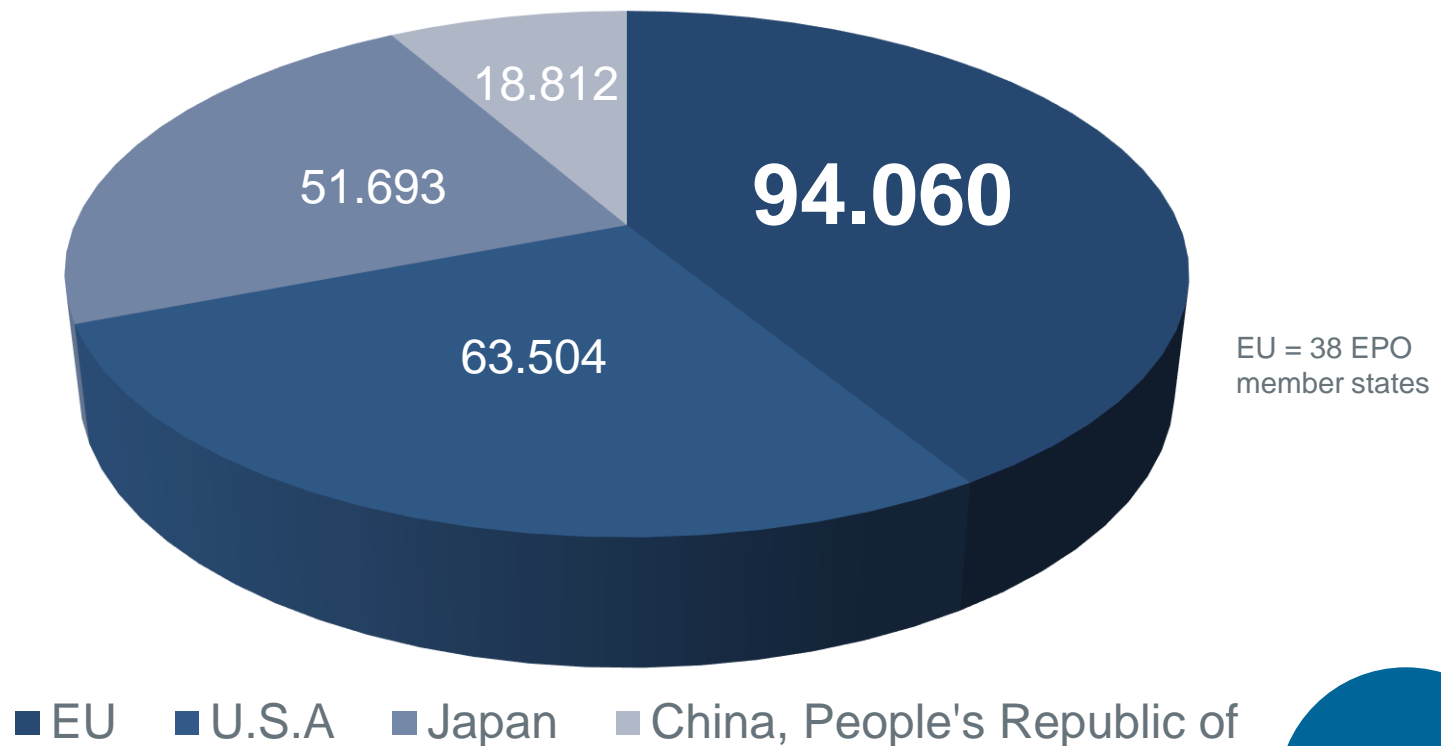
Ensure smart regulation: promoting safer, greener and interconnected vehicles

R&I Leadership



Europe is still leading when it comes to R&I... But for how long?

2012 Total number of EPO patent filings



Source: European Patent Office



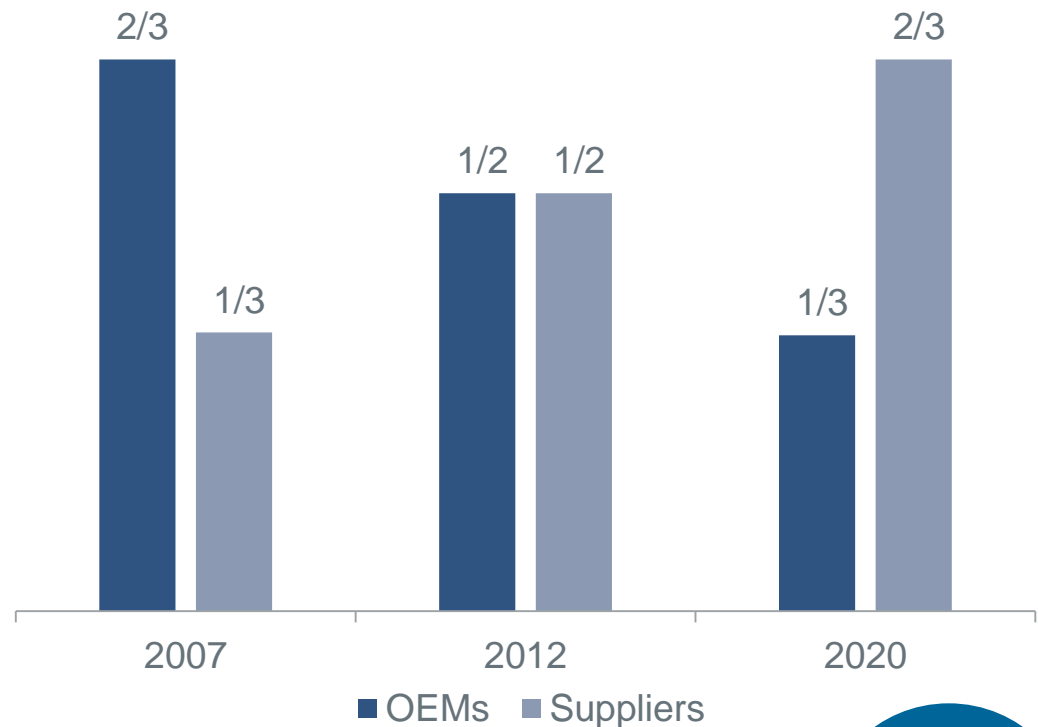
R&I Leadership



Suppliers on average account for **50% of the R&I spending** in the European automotive industry – with a rising tendency

With **future challenges** such as global localization, volume bundling and OEM module strategies, the balance of R&I expenditure will tip towards suppliers

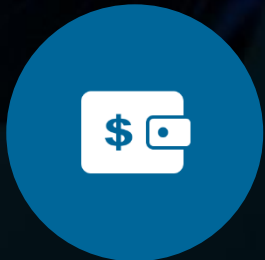
R&I expenditure – OEMs vs Suppliers*



* CLEPA estimate

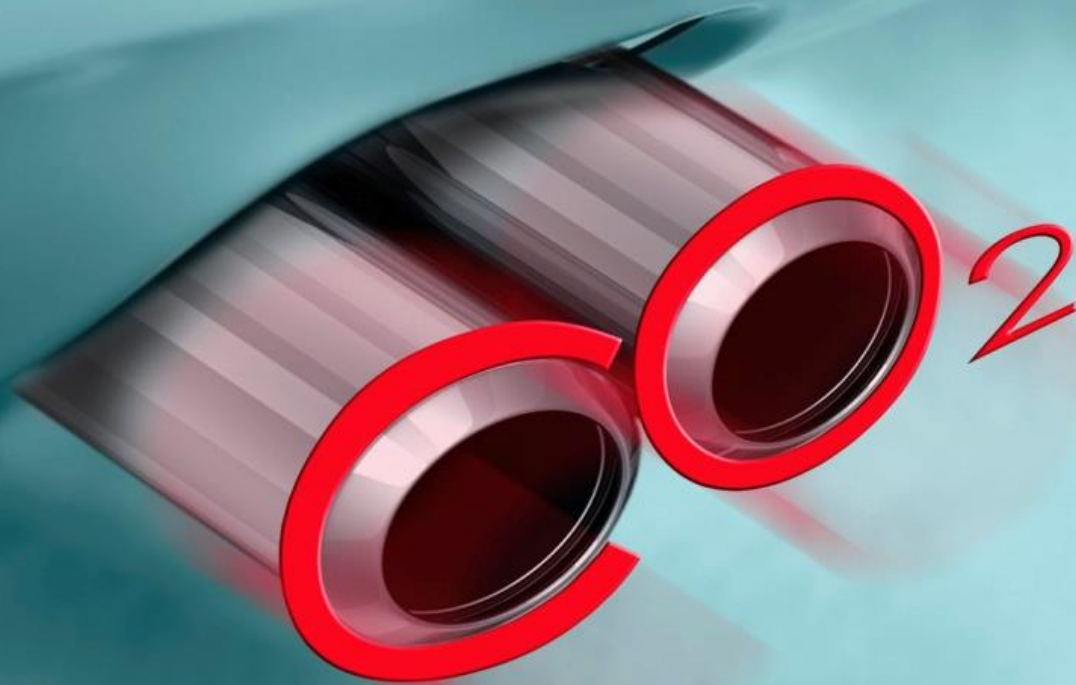


CLEPA Research Priorities





Decarbonisation of road transport



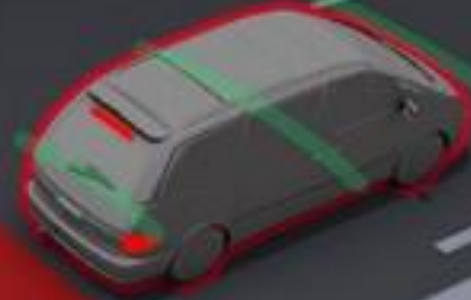
CLEPA Research Priorities



Safety



FULL AUTO BRAKE



CLEPA Research Priorities



Intelligent transport systems



CLEPA Research Priorities



Advanced lightweight materials



Source & copyright: BMW Motors (GINA fabric concept car)

CLEPA Research Priorities



Advanced manufacturing / engineering technologies



R&I Leadership

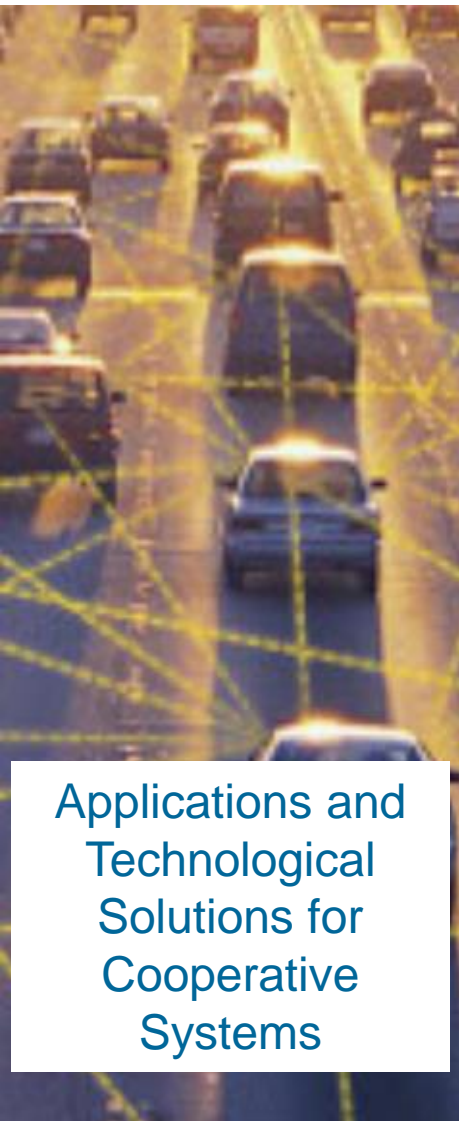


Publicly and privately funded R&I activities need to match and complement each other:

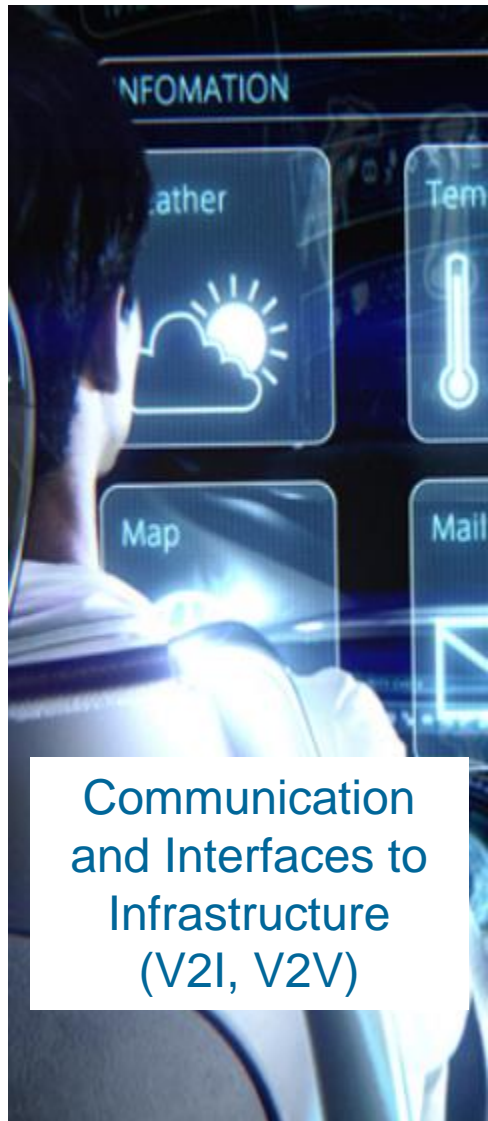
- ✓ European Automotive Suppliers invest **€18bn** per year in R&I activities
- ✓ This should be mirrored by financial commitment at EU level: investing **at least €5.5bn** into road transport
- ✓ CLEPA has developed **Roadmaps** for all five research priorities



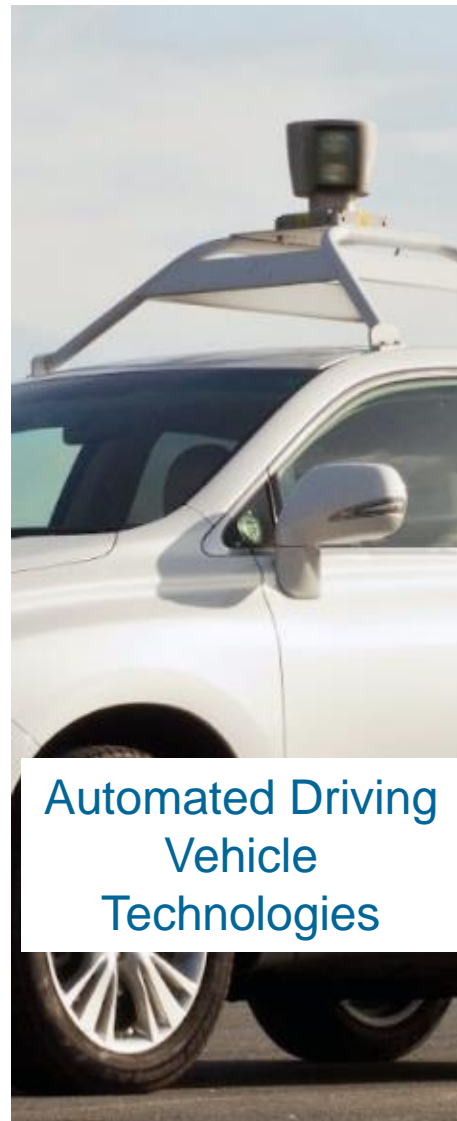
ITS Roadmap (1/2)



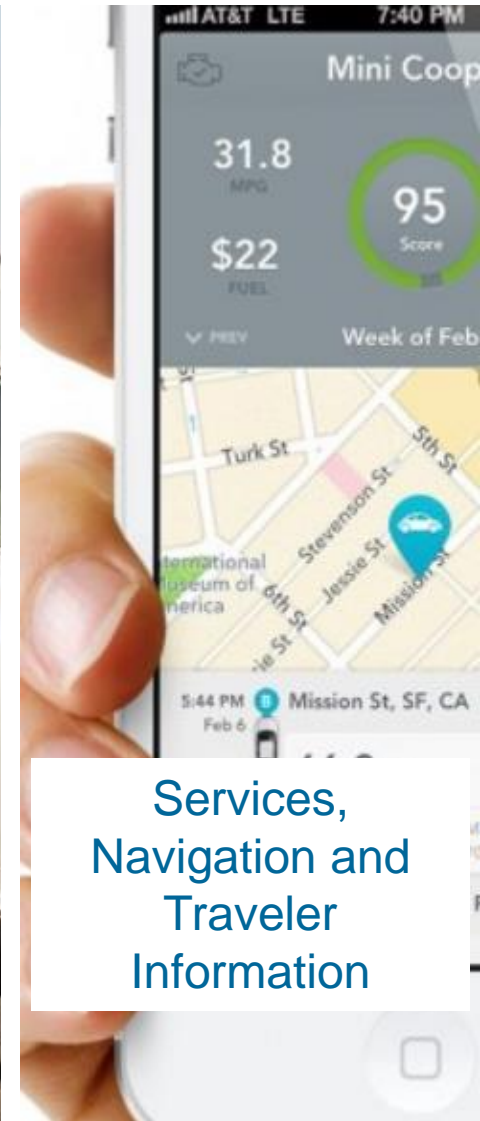
Applications and Technological Solutions for Cooperative Systems



Communication and Interfaces to Infrastructure (V2I, V2V)

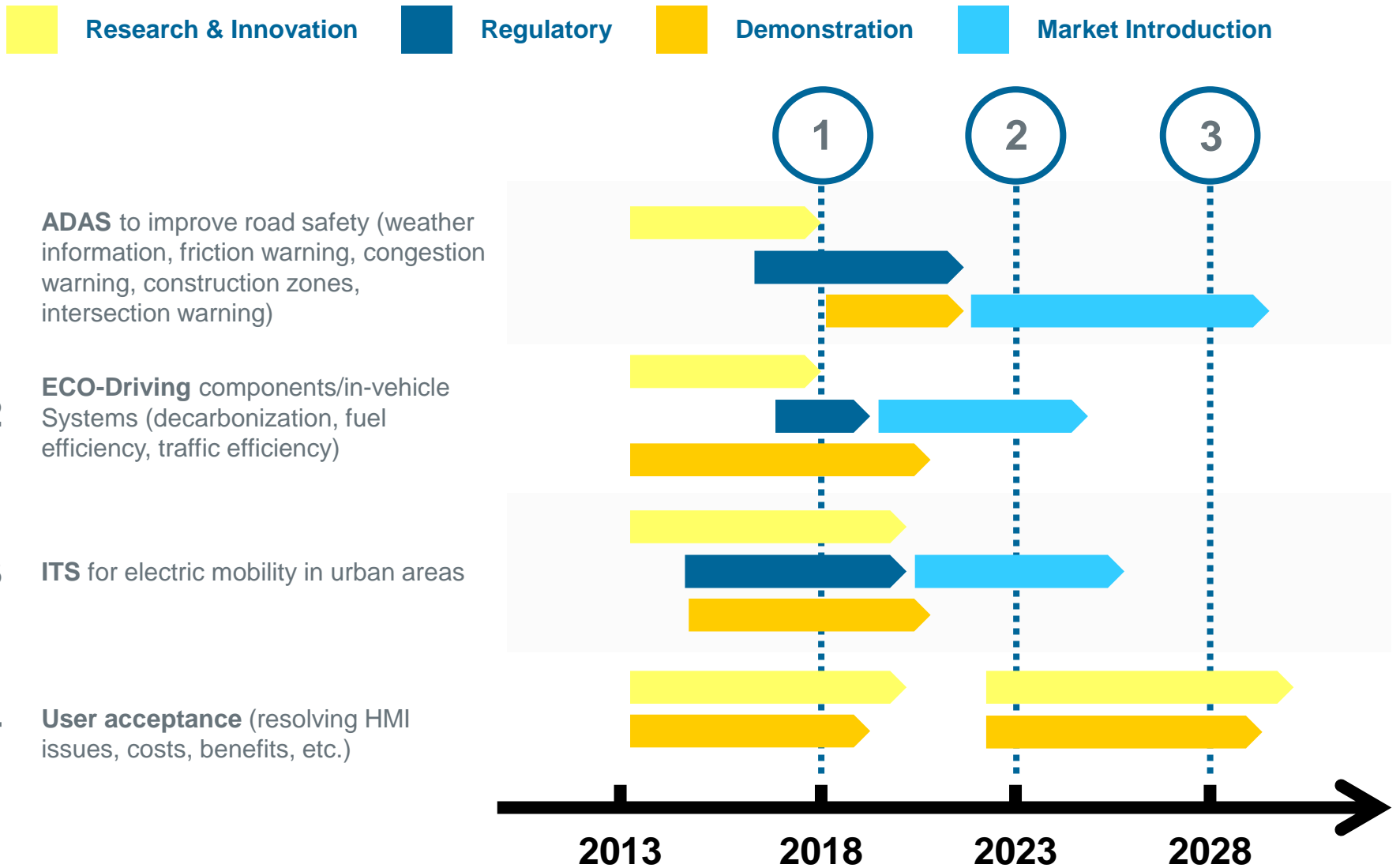


Automated Driving Vehicle Technologies



Services, Navigation and Traveler Information

ITS Roadmap (2/2)

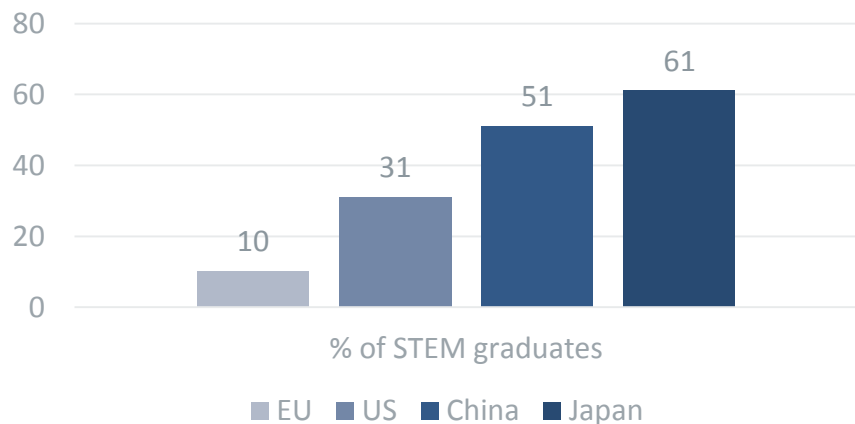


Skills development

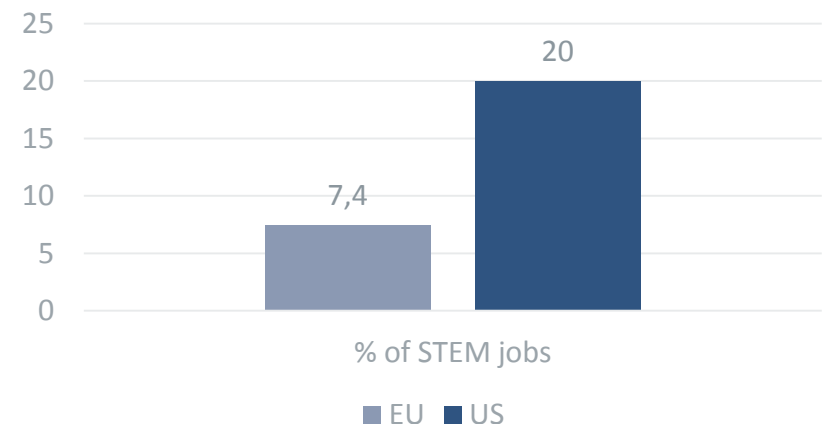


The supply of STEM skills is critical to the development of knowledge-intensive economies and European competitiveness

STEM graduates (% of total number of graduates, bachelor level)



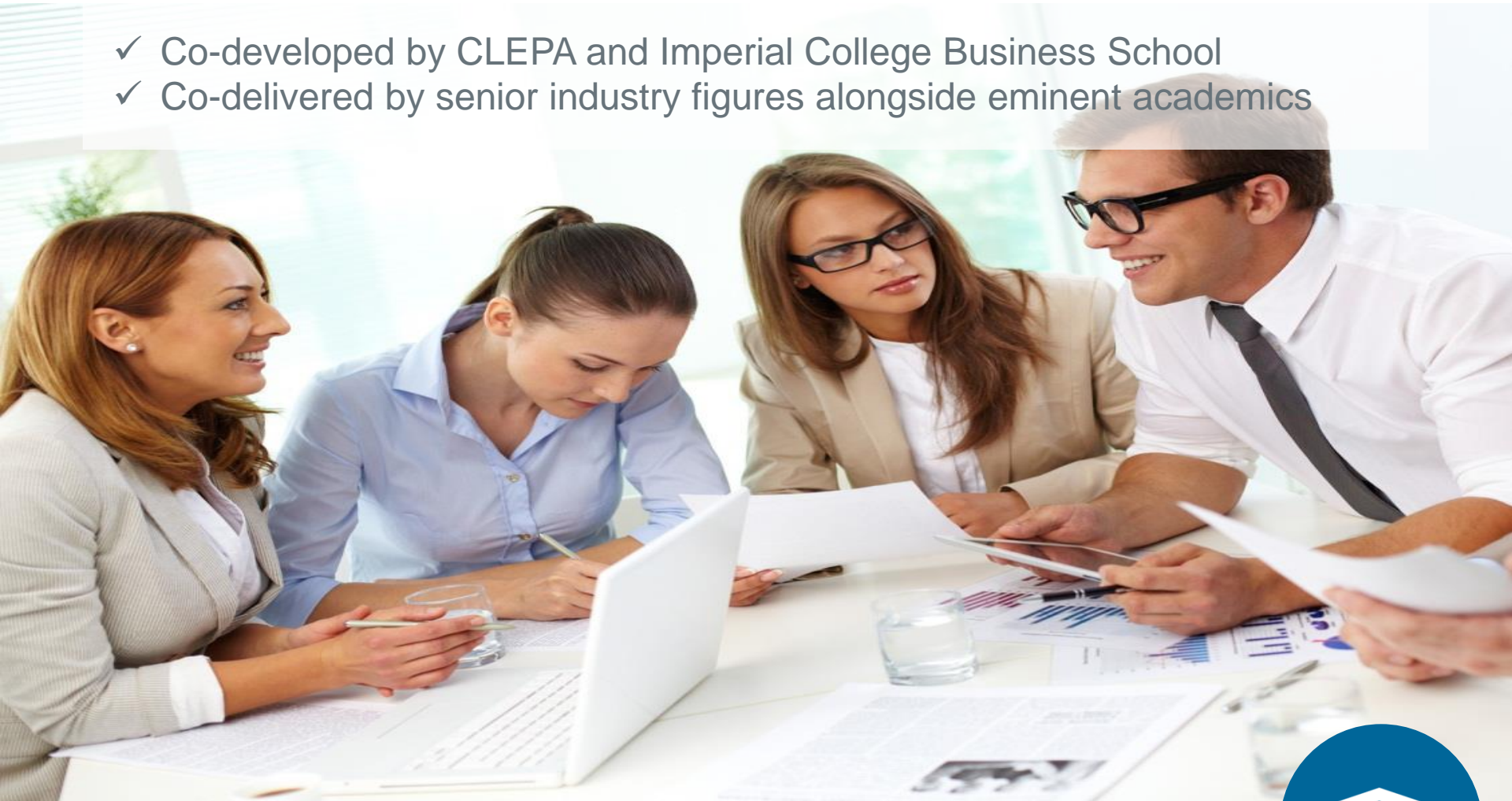
STEM jobs (% of total employment figures)



CLEPA Global Management Programme



- ✓ Co-developed by CLEPA and Imperial College Business School
- ✓ Co-delivered by senior industry figures alongside eminent academics



CLEPA
European Association of
Automotive Suppliers

**Imperial College
London**



CLEPA Global Management Programme



Target audience

- ✓ Primary focus on Tier 1s
- ✓ Aimed at Senior Managers (both individuals and teams)

Two 3-day modules (London)

- ✓ Building the Innovative Organization
- ✓ Executing for Long-Term Value Creation

Live business project to advance a specific commercial opportunity (“Value Proposition”)

**Imperial College
London**



Smart regulation



- ✓ ...is **efficient and effective**: cost-efficient and goal-oriented
- ✓ ...ensures **favorable framework conditions** for the industry
- ✓ ...drives **technological leadership**
- ✓ ...creates **high-level jobs in R&I and manufacturing**
- ✓ ...promotes **safer, greener and more interconnected vehicles**



International Trade (1/2)



Transatlantic Trade Investment Partnership (TTIP)

- ✓ Regulatory convergence of automotive regulations is critical to the success of the TTIP
- ✓ CLEPA joint submission with MEMA to US Trade Representative, non-exhaustive list of safety and emission regulations
- ✓ Long-term benefits: cost savings in development, production and certification



International Trade (2/2)



EU Trade Agreements with Asia

- ✓ EU Free Trade Agreements with Japan, Russia, India
- ✓ EU Agreement on Investment Protection with China





C L E P A
*European Association of
Automotive Suppliers*

THANK YOU !