

GENERAL VIEW ON THE AUTOMOTIVE BUSINESS

Profile of CLEPA

Current crisis and the consequences

TECHNOLOGIES AND REGULATIONS FOR SAFETY AND ENVIRONMENT

Original Equipment (OE)

THE EUROPEAN AUTOMOTIVE AFTERMARKET BUSINESS

Key Elements

Framework in the EU

Most likely strategies

Conclusion

REMANUFACTURING - A CORE BUSINESS

Profile of CLEPA

EUROPEAN ASSOCIATION OF AUTOMOTIVE SUPPLIERS REPRESENTS:

- 20 National Associations
- 3000 Companies with:
 - 3 Million Employees
 - € 12 Billion Annual R&D Spend
 - € 300 Billion Annual sales
 - 50% of total R&D spending comes from suppliers
 - Majority of patents come from suppliers
 - 75% of the Car-value comes from suppliers
- 50 Years of experience
- Accredited partner to:
 - EU
 - UN

Profile of CLEPA

CLEPA WORKING GROUPS

→ Which cover all relevant topics for the automotive suppliers

- Aftermarket Policy
- Human Resources & Development
- Legal Advisory Group
- Research and Technology Development
- SMEs
- Technical Regulations
- Trade
- Warranty

Profile of CLEPA



The screenshot shows the CLEPA website in a Microsoft Internet Explorer browser window. The address bar displays <http://www.clepa.be/>. The website header features the CLEPA logo and the text "European Association of Automotive Suppliers". A navigation menu includes "MEMBER AREA", "Home", "Faq", "Sitemap", and "Contact Us". A search bar is also present.

The main content area is divided into several sections:

- LATEST NEWS:**
 - 16/01/09:** EU: Not all European carmakers may survive. The outlook for Europe's car industry is "brutal" and there is no guarantee that all the main...
 - 16/01/09:** Meeting of Ministers on the Situation in the Automotive Sector. Conclusions of the Chairman Günter Verheugen, Vice-President of the European Commission...
- ABOUT US:**

CLEPA is the European umbrella membership organisation for the global Automotive Supply Industry

CLEPA is the European umbrella membership organisation representing the interests of the global automotive supply industry. 80 of the world's most prominent suppliers for car parts, systems and modules and 27 National trade associations and European sectoral associations are members of CLEPA, representing more than 3,000 companies, employing more than three million people and covering all products and services within the automotive supply chain. Based in Brussels, Belgium, CLEPA is recognized as the natural discussion partner by the European Institutions, United Nations and fellow associations (ACEA, JAMA, MEMA, etc).

[Technology Day/ ILIPT Conference: 11.02.2009](#)
- PRESS ROOM:**
 - 08/01/09:** PRESS Review: CLEPA CEO: Europäische Zulieferer brauchen mehr als 25 Mrd EUR
 - 22/12/08:** PRESS Review: CLEPA CEO: Le CLEPA lance un SOS
 - 19/12/08:** PRESS Review: CLEPA: Nasib industri otomotif global
 - 19/12/08:** PRESS Review: CLEPA CEO: Autoindustrie stellt sich auf zwei Krisenjahre ein
- AGENDA:**
 - 06/05/09:** > *First European SME week EU wide, 6 - 14 May 2009
 - 02/04/09:** > *Seoul Motor Show Seoul (S. Korea), 2-12 April 2009
 - 12/03/09:** FTD Forum 2009 - Copenhagen

The website also features a grid of images related to the automotive industry and a large image of a road stretching into the distance.

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Possible measures from the Aftermarket

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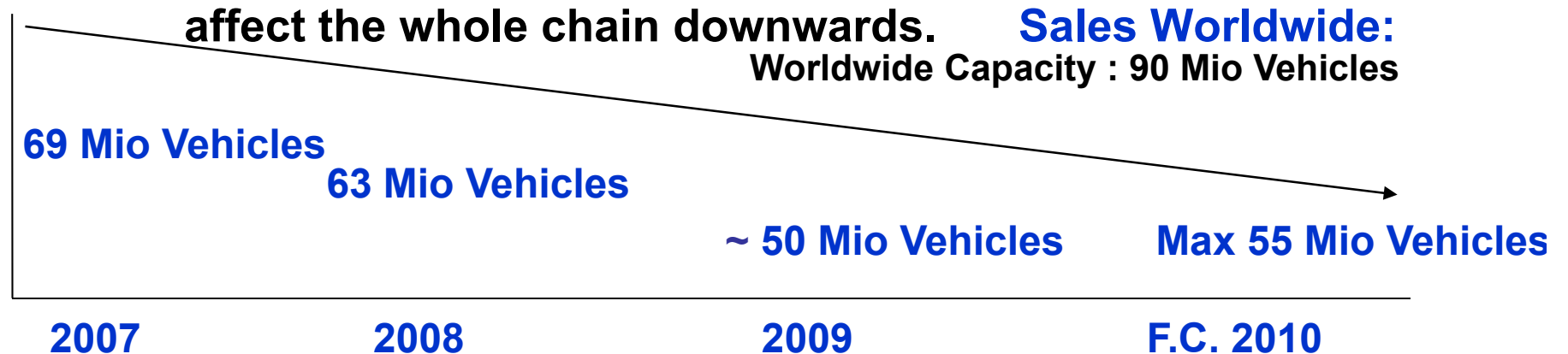
Most likely strategies

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REMANUFACTURING - A CORE BUSINESS

Current crisis and the consequences

➔ Reduced forecast in car sales will intensify overcapacity and affect the whole chain downwards.



➔ This will lead to crowding out, with following implications:

- Concentration and internationalisation/globalisation
- Various models of cooperation (risk sharing)
- Shifting of production
- Streamlining of management structures
- Further Flexibilisation of employment

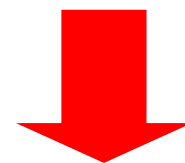
Current crisis and the consequences

- **But also:**
- **Insolvencies**



- **Result:**
- **Loss of companies and bail out (equity)**
 - **Loss of employment**

Less players



But stronger ones

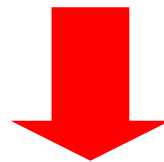
Current crisis and the consequences

From a suppliers perspective:

**Chances and challenges for remaining
automotive suppliers**



Acceleration of **new technologies forced
by law and competition.**



Additional growth potential

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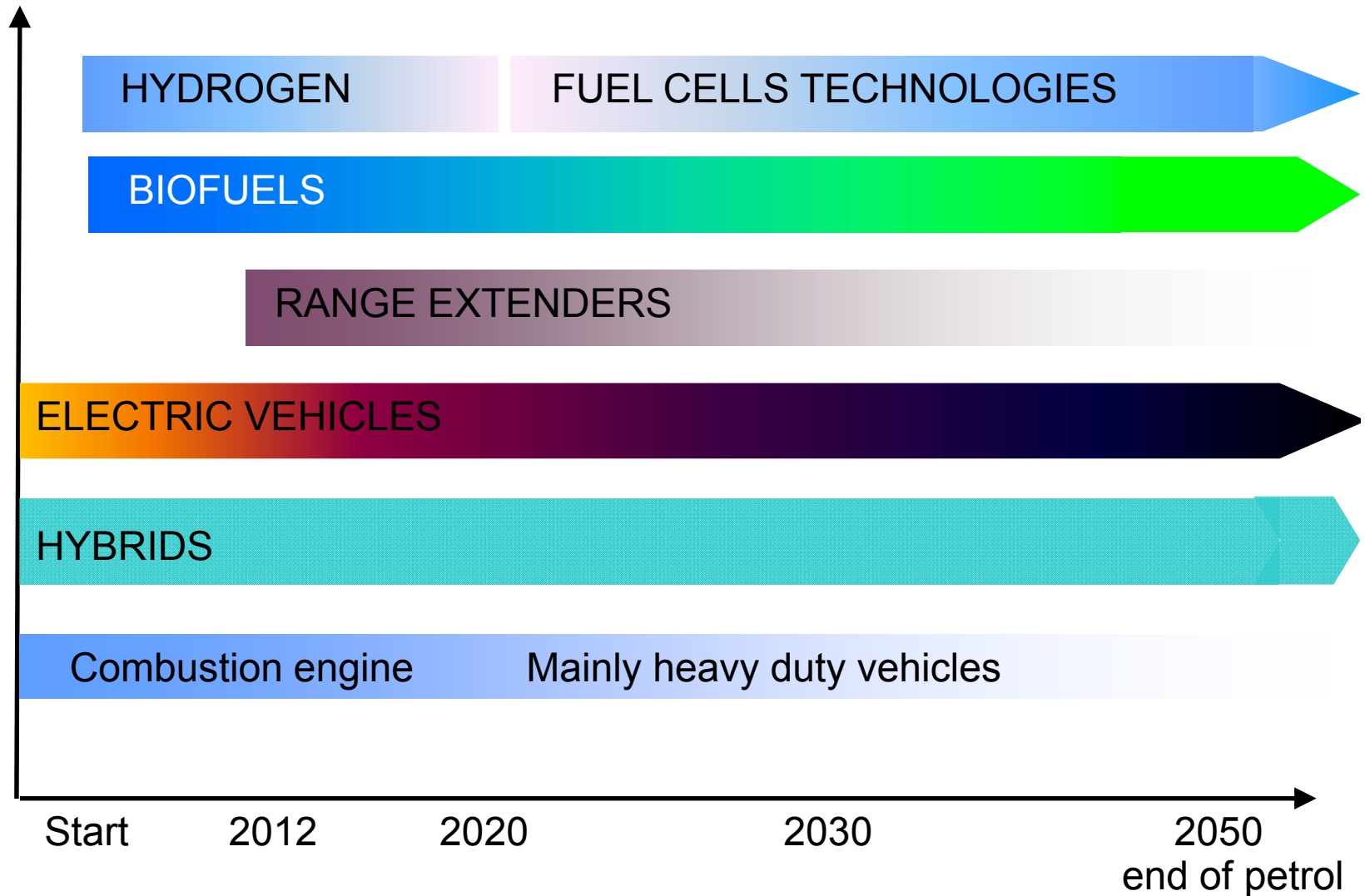
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ROAD MAP OF POWER SOURCES



Original Equipment (OE)

REGULATIONS FOR SAFETY AND ENVIRONMENT

- **C02 reduction legislation passed in December 2008:**

- New cars ≤ 120 g/km CO₂ by 2012 in average
- Including penalties from 15 to 95 Euro
- Long term target of ≤ 95 g/km CO₂ by 2020



C02 reduction legislation for Light Commercial Vehicles passed in October 2009:

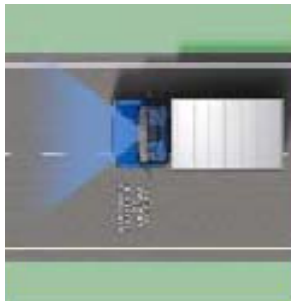
- The EU fleet average for all new light commercial vehicles (vans) of 175 g/km will apply as of 2014
- A target of 135g/km is specified for the year 2020

Original Equipment (OE)



REGULATIONS FOR SAFETY AND ENVIRONMENT

- **Electronic Stability Control (ESP/ESC):**
Mandatory on passenger cars & Heavy Duty 2011/2014



- **Advanced Emergency Braking and Lane Departure Warning:**
Mandatory for bus & Heavy Duty 2013/2015



- **Tyre Pressure Monitoring Systems**
Mandatory for passenger cars 2012/2014

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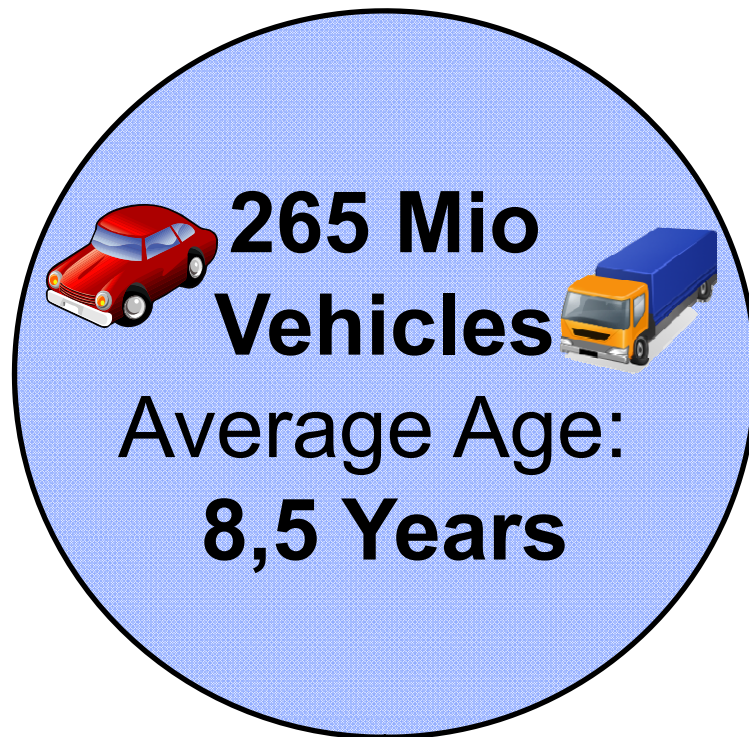
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REMANUFACTURING - A CORE BUSINESS

Key Elements

1. SIZE AND STRUCTURE OF THE EUROPEAN CAR PARK.



≤ 5 years : 35 %

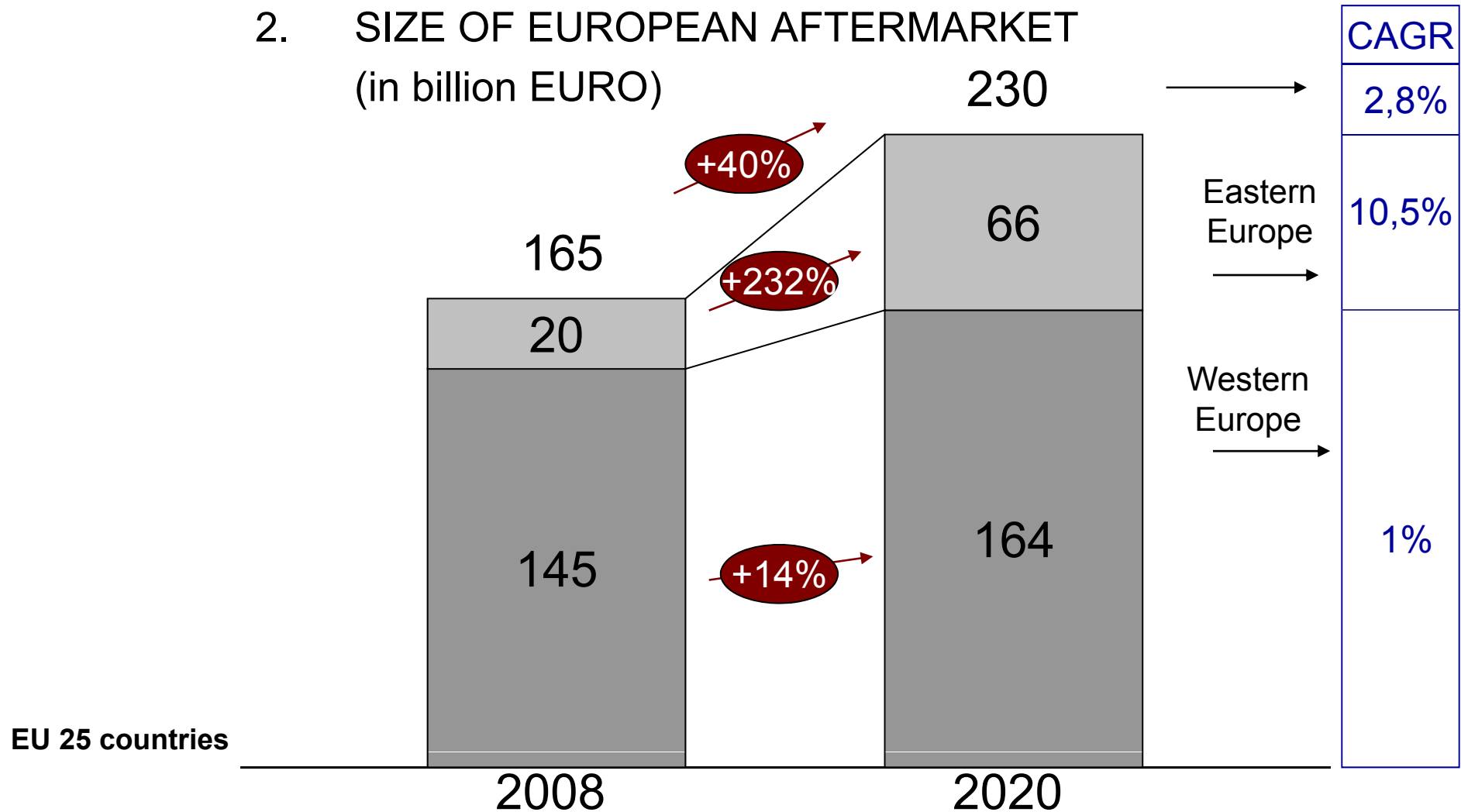
5-10 years: 33 %

> 10 years : 32 %

Tendency : Increasing car park age

Key Elements

2. SIZE OF EUROPEAN AFTERMARKET (in billion EURO)





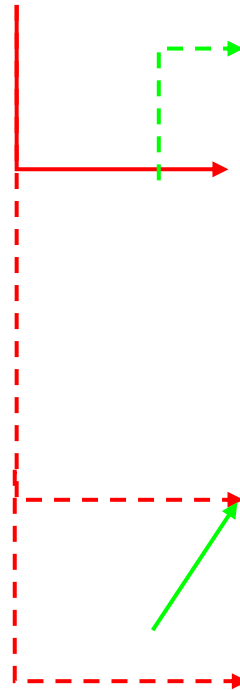
3. PROFITABILITY OF THE AFTERMARKET (example of German market in 2006)

Sources: McKinsey CARE Initiative; Datamonitor; AAIA Factbook 2005/06;
2005 ZDK 2005; IFA Nürtingen, (CLEPA)

DAT

4. THE LANDSCAPE of the European Aftermarket

The large variety of players makes the landscape complex



Key Elements

5. KEY DRIVERS OF CHANGING DEMAND UNTIL 2020

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REMANUFACTURING - A CORE BUSINESS

Framework in the EU

FOCUS

1. **Competition** for the sake of the consumer *
2. Increasing **Safety** on European Roads *
3. Protection of **Environment** *
4. Regulatory **Simplification** and internationally recognized rules *

* Extracts from CARS 21

Framework in the EU

IMPORTANT LEGISLATION

1. European Commission Treaty Rules, Article 101-106
 - Common Rules on competition, taxation and approximation of laws

2. Euro 5/6 (EC 715/2007)
 - Access to information for inspection, diagnosis, servicing or repair for new car models compulsory from 2009.
 - Necessary information required for the manufacturer of diagnostic tools and publishers.
 - Unequivocal Parts Identification via VIN

Framework in the EU

IMPORTANT LEGISLATION

3. Motor Vehicle Block Exemption (MVBER EC 1400/2002)

→ Expires in 05.2010, Will be replaced by new MVBER and VBER, which will contain:

- Hardcore restrictions on dual branding and free flow of spare parts.
- Guidelines on Maintenance and Repair information (RMI).
- Guidelines on Warranty terms.
- Guidelines to avoid abuse of subcontracting on tooling & IPR.

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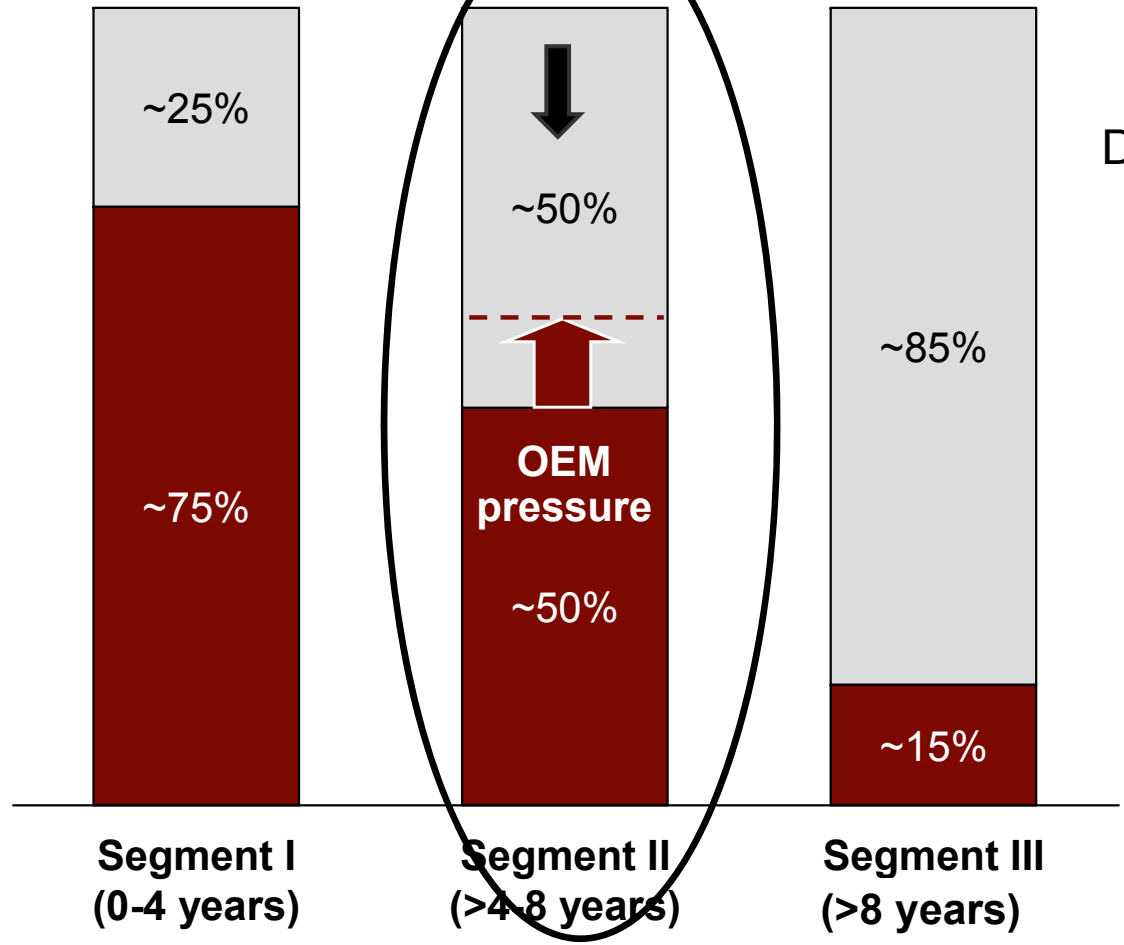
Most likely strategies

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REMANUFACTURING - A CORE BUSINESS

Most likely strategies

OEMs will target shares in car range up to 8 years and push the IAM towards older cars



Development of IAM market shares

■ OES channel ■ IAM channel

Source: A.T. Kearney, SupplierBusiness (CLEPA)

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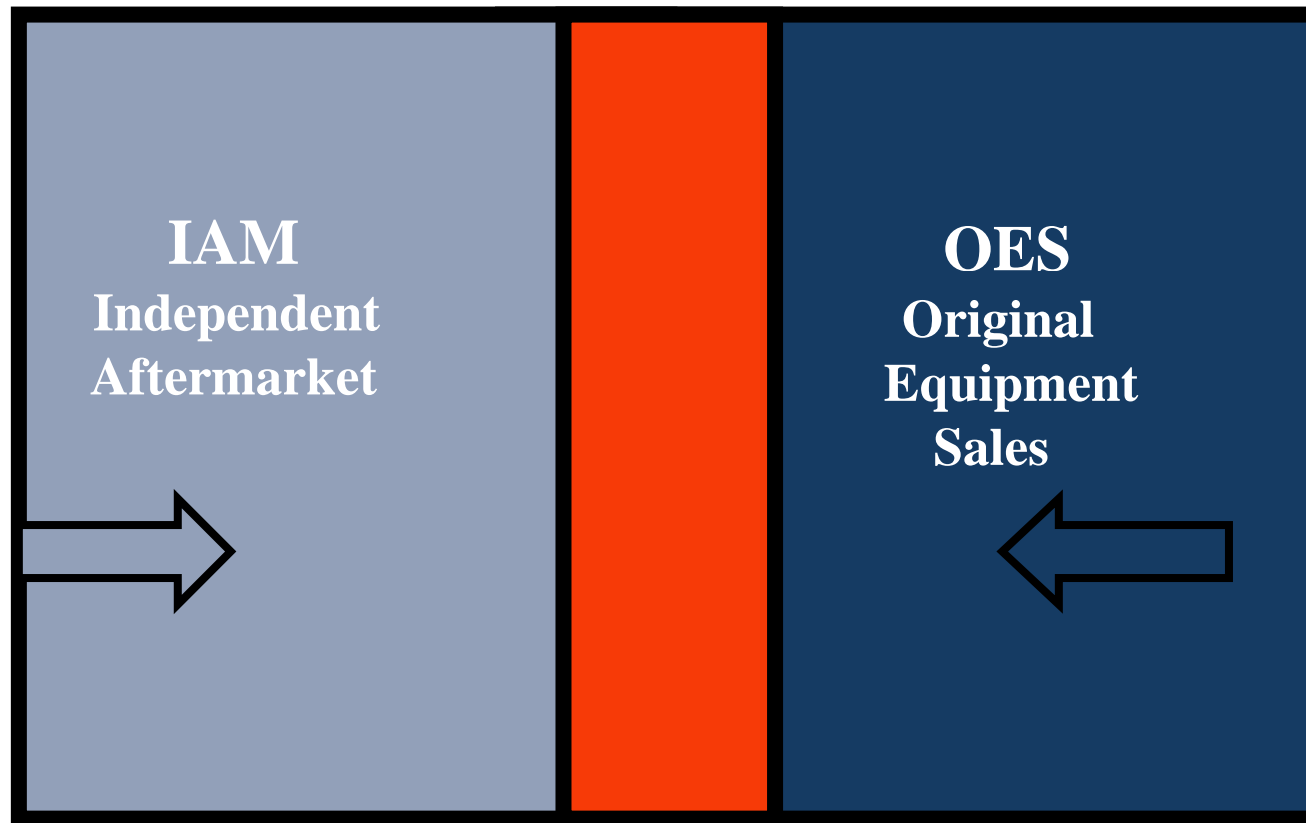
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REMANUFACTURING - A CORE BUSINESS

Conclusion

EUROPEAN AFTERMARKET PARTICIPANTS

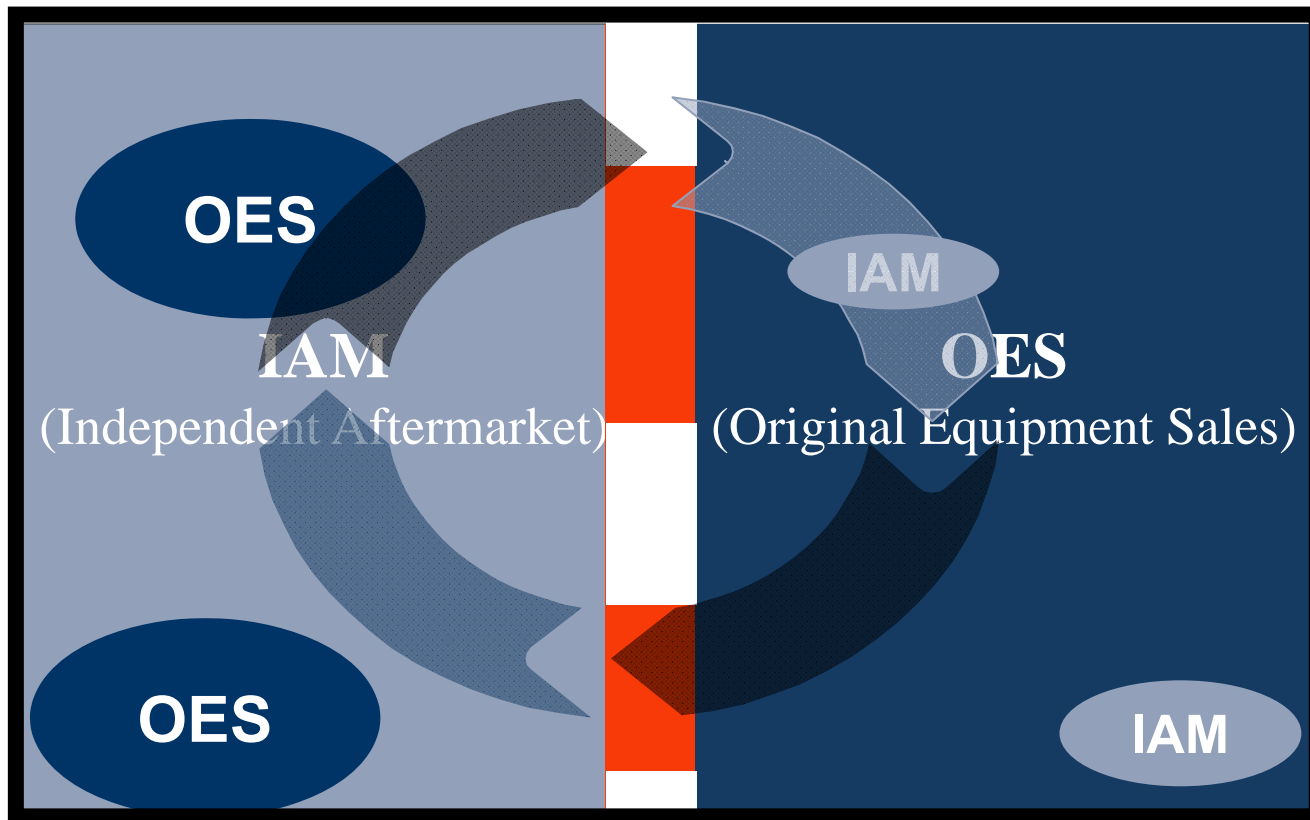
How they did act in the past



Conclusion

EUROPEAN AFTERMARKET PARTICIPANTS

How do they act now



Source: CLEPA

Conclusion

CLEPA's Principles

Consumers (car drivers or owners) must have the freedom to get repaired and Maintained their car in the workshop of their choice, either independent or authorized.

The workshop and the consumer must have the opportunity to order or buy spare parts from a supplier of their choice, independent (IO-network) or authorized (OEM-network).

It must be assured that cars can be maintained and repaired properly and according to the regulations with the right spare parts in all workshops.

Conclusion

The welfare of the car-owner must drive all thoughts and actions.

The car-owner decides where to go.

By mind ✓ distance ✓ quality ✓ cost

By feeling ✓ convenience ✓ trust ✓ relationship

Conclusion

The European Commission will / (has to) assure the right framework for:

- fair competition
- safety, environment and simplification of rules

CLEPA supports the interests of the automotive part suppliers towards the European Institutions and the UN...

... the rest is business ...

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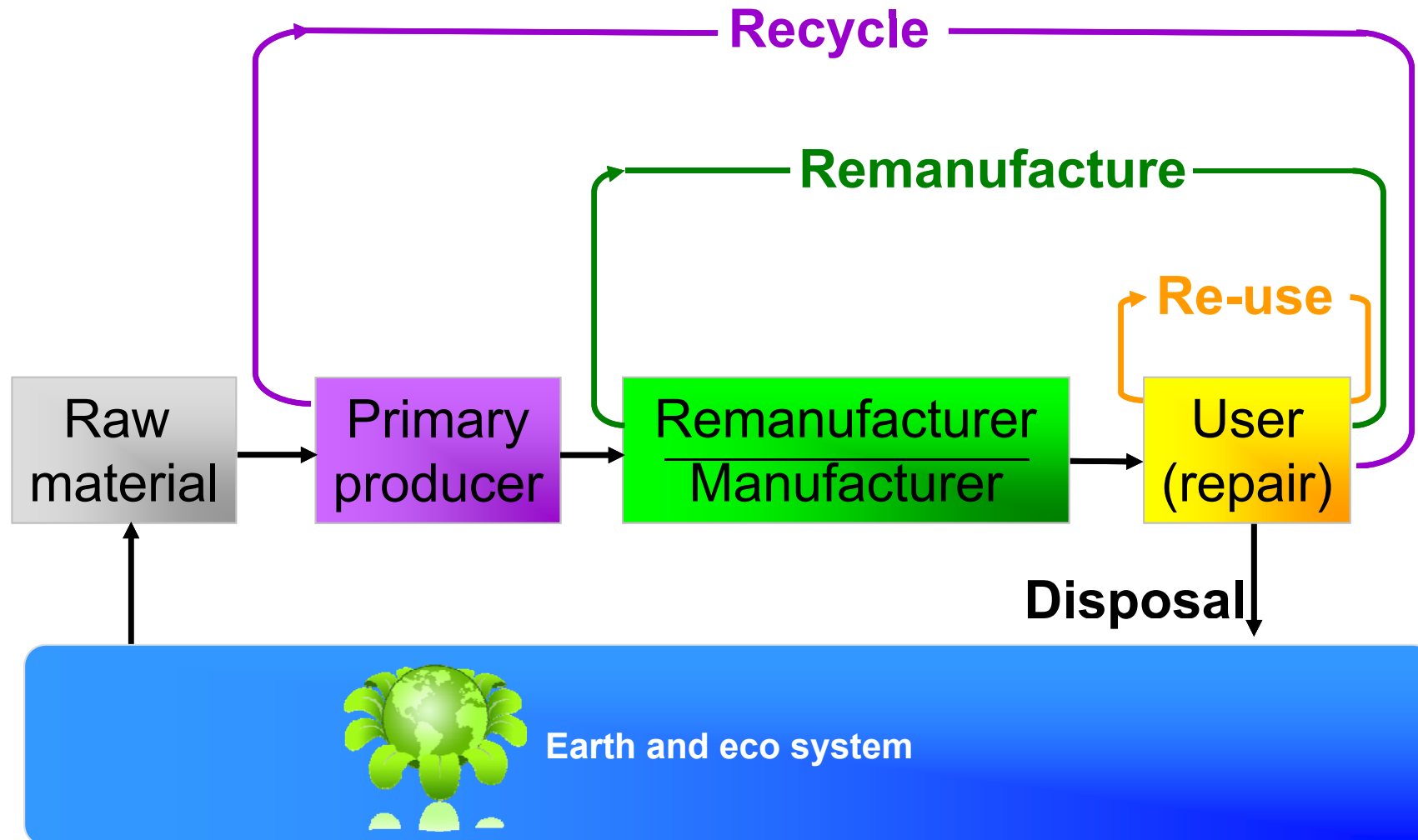
REMANUFACTURING - A CORE BUSINESS

Remanufacturing Definition

It is important to point out that a remanufactured part is different from a reused, refurbished or repaired part. The CLEPA definition of a remanufactured product is:

“A remanufactured product fulfils a similar function to the original part. It is manufactured using a standardized industrial process in line with specific technical specifications. The industrialized process incorporates defined core management standards. A remanufactured spare part is warranted as a new spare part.”

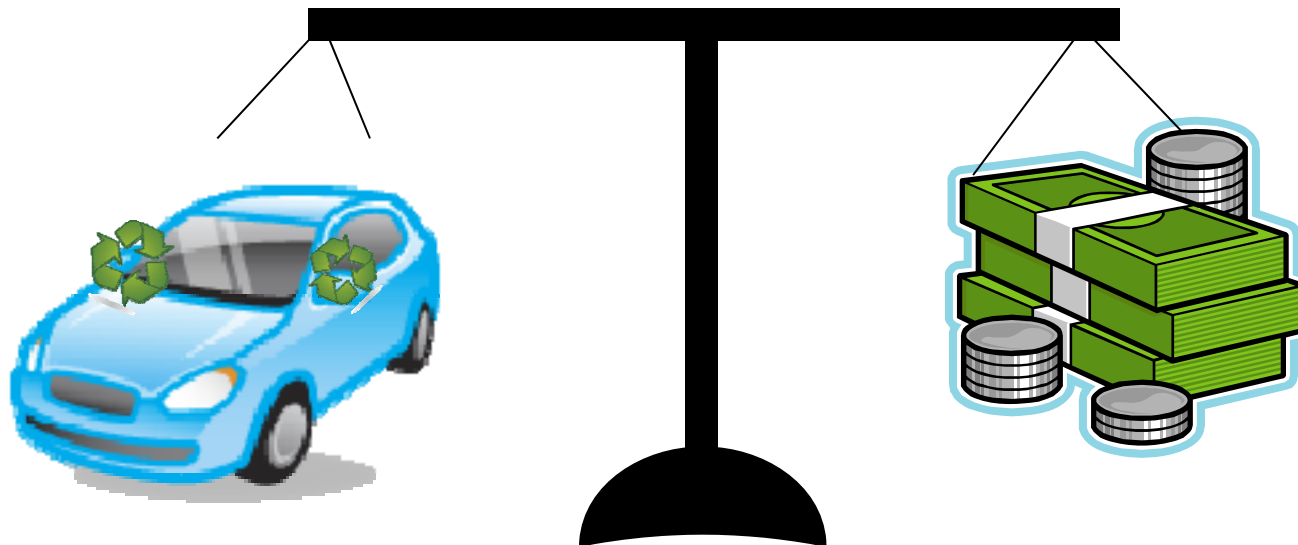
Remanufacturing & closing-loop waste streams



Remanufacturing

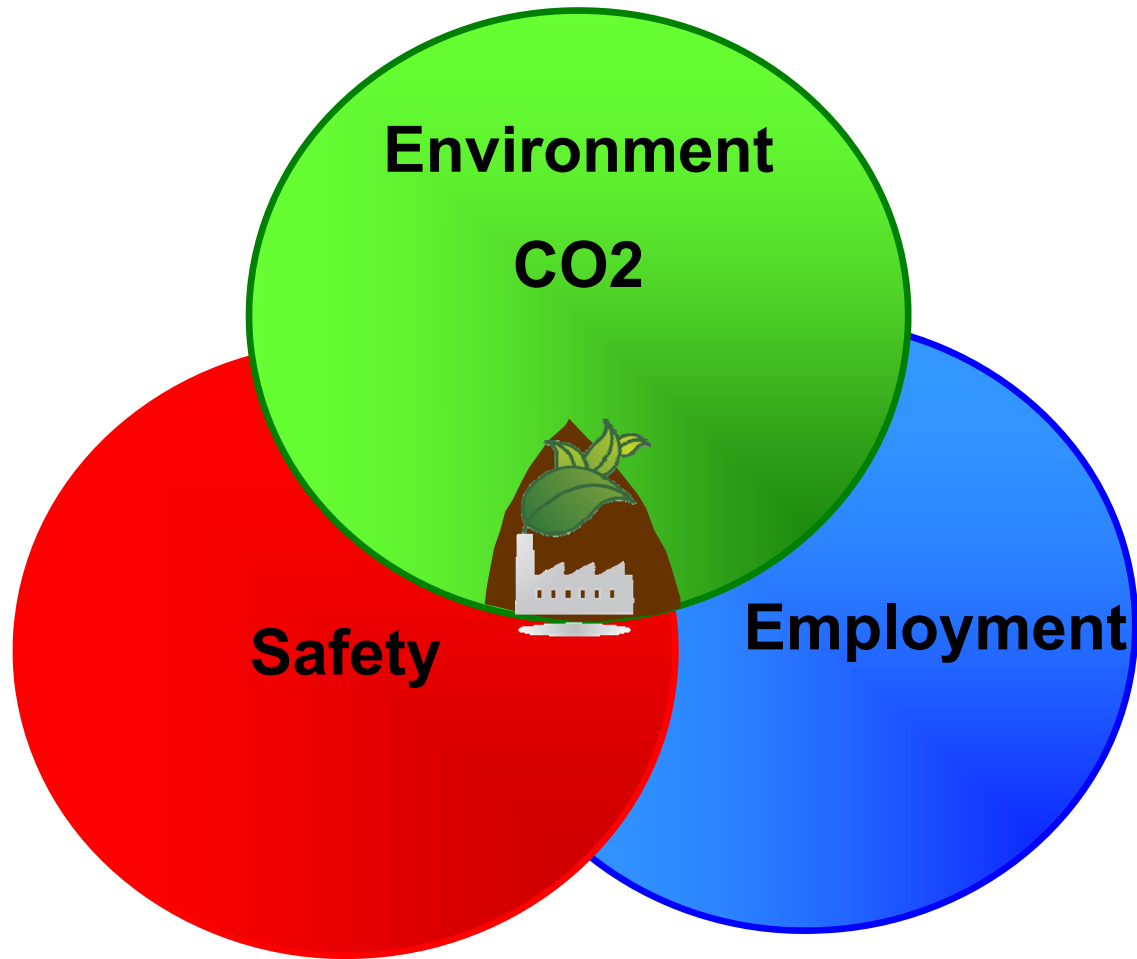
Is remanufacturing an ecologic dream or a business opportunity?

- The European automotive remanufacturing business is worth approximately 6 billion Euros (retail sales)

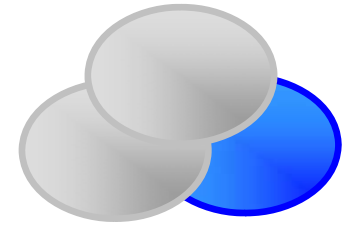


Remanufacturing is a business worth taking seriously!

Aspects of remanufacturing



Remanufacturing Strategy



Remanufacturing is no longer considered a marginal business, remanufacturing is part of our Core Business Strategy.

CLEPA's Remanufacturing Activities

Objective:

- Highlight the values of reman: Environment, Safety and Employment.
- Establish reman as a brand.
- Core handling

- + Benefits for consumers: value, quality and the characteristics of the products
- + Benefits for industrial brands: The manufacturers of these products are particularly trustworthy manufacturers.

CLEPA's Remanufacturing Activities

Lobbying:

Activities towards:

- legislators
- public opinion leaders
- industry and trade
- consumers (installers)

Best practices:

- What can we learn from the US
- How to share knowledge with APRA

Contact



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*Since January 2007 Director Aftermarket in CLEPA,
the European Automotive supplier association, based in Brussels.
-6 years with an automotive wholesaler in Germany
-33 years with Bosch, always Aftermarket. Responsibilities in Sales, Marketing and
General Management. Based in Germany, France and Singapore.
-Last assignment General Manager IAM for Western Europe*