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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a Regulation of the European Parliament and the Council
On the approval and market surveillance of motor vehicles and their trailers, and of
systems, components and separate technical units intended for such vehicles

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Executive Summary Sheet

Impact of the VW emissions crisis on the review of the type-approval framework for motor vehicles

A. Need for action

Why? What is the problem being addressed?

The **VW emissions crisis calls for** a thorough re-assessment of the current type-approval system for motor vehicles with a view to **addressing the regulatory weaknesses that have prevented the detection of this large scale breach** of the type-approval requirements on pollutant emissions. The fact that this could happen puts **the credibility of the type-approval system at stake**. The scale and obvious nature of this breach is evidence that those responsible felt very confident that the deception would not be detected. It has **breached the confidence in the principle of mutual trust** upon which the internal market legislation for motor vehicles has been built. A fundamental change to the type-approval system is needed to address this credibility issue, and to restore the confidence of the society and the level playing field in the internal market.

The **main underlying drivers for this problem are the lack of supervision on the actors responsible for the proper functioning of the ex-ante compliance control mechanism (type-approval) and the absence of an efficient ex-post control mechanism (market surveillance)**.

What is this initiative expected to achieve?

The initiative is expected to:

- ✓ **achieve a substantial change to the way motor vehicles and related products will be verified on their compliance with the safety and environmental requirements,**
- ✓ **ensure the early detection and prevention of non-compliance problems,**
- ✓ **minimise the risk that non-compliant automotive products can be placed or stay on the EU market, and**
- ✓ **create sufficiently strong deterrents for involved actors to ignore, circumvent and breach the rules of the game.**

What is the value added of action at the EU level?

Member States are responsible for the implementation and enforcement of the automotive product legislation in their territory, but the extent and scale of VW crisis has demonstrated that individual action by Member States at national level is not sufficient to detect and prevent major non-compliance problems on the internal market. There is a **warranted need for EU wide supervision to achieve a harmonised and co-ordinated enforcement based on commonly applicable criteria and uniformly applied by Member States. This is indispensable for ensuring a level playing field across the EU.** The VW crisis has demonstrated that if Member States would take remedial actions individually at national level, this entails the risk that the problems would not be uniformly addressed across the EU and create obstacles to the free movement of motor vehicles within the Internal Market.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

Already before the outburst of the VW crisis, the Commission was working on proposals to improve the type-approval legislation for motor vehicles, and **identified main areas with a significant potential for improvement** to better address the problems of unsafe and non-compliant automotive products. The assessment of the possible policy options resulted in the conclusion that regulatory action in these areas would be the most effective. The re-assessment of these policy options in the light of the VW crisis has highlighted the need to further increase their effectiveness in terms of detecting and preventing non-compliance problems. In addition, this re-assessment has resulted in the identification of a major weakness of the type-approval system, i.e. the **lack of supervision on the actors responsible for the proper functioning of the ex-ante compliance control mechanism (type-approval) and the absence of an efficient ex-post control mechanism (market surveillance)**.

Main areas identified for improving the type-approval legislation (pre-VW crisis)
A: traceability of products and responsibilities of economic operators
B: responsibilities and cooperation of enforcement authorities
C: quality of type approval tasks carried out by Technical Services
D: post safeguard measures and recalls
E: procedures for ensuring conformity of production
New areas identified for improving the type-approval legislation (post-VW crisis)
F: Supervision and co-ordination of type-approval and market surveillance enforcement

Who supports which option?

The regulatory options for areas A to E are supported by the majority of the economic operators, national authorities and technical services. The introduction of market surveillance as envisaged for area F is supported by these stakeholders as well. In the aftermath of the VW crisis, strong calls have been made upon the Commission to also establish supervision and co-ordination at EU level to ensure effective enforcement of the type-approval and market surveillance obligations. In particular the European Parliament and environmental and consumer protection NGO's are supporting this option.

C. Impacts of the preferred options

What are the benefits of the preferred options (if any, otherwise main ones)?

The preferred combination of regulatory policy options for the main areas as they have been assessed before the outburst of the VW crisis (referred to as pre-VW measures), is estimated to have the potential of reducing the value of the market taken up by non-compliant and unsafe automotive products by €656 million and €12 billion per year respectively. Re-assessment in the light of the VW-crisis has resulted in the identification of the need to further strengthen these pre-VW measures with complementary actions (referred to as post-VW measures) to increase their effectiveness in terms of reducing the market value taken up by non-compliant automotive products. The additional benefits stemming from the post-VW measures under area F, envisaging better EU supervision and co-ordination for the enforcement of the type-approval and market surveillance obligations has been estimated to generate an additional benefit of €117 million/year. (See summary table below).

Benefits in terms of reduced share of non-compliant and unsafe automotive products on the EU Market (€ million/year)								
Reduction of ↓	Area →	A	B	C	D	E	F	Combination
Non-compliant products								
Pre-VW measures		188	94	124	-	250	-	656
Post-VW measures		-	47	62	-	125	117	351
Total Pre-VW + Post-VW measures		188	141	186	-	375	117	1007
Unsafe products								
Pre-VW measures		1500	4500	3750	-	2250	-	12000
Non-compliant + unsafe products		1688	4641	3936	-	2625	117	13007

The combination of the pre-VW and post-VW measures would also reduce the number of vehicles to be recalled, leading to an estimated additional cost savings of about € 60 million per year for the economic operators and the authorities involved, and reduce the associated nuisance for the owners of the vehicles concerned.

What are the costs of the preferred options (if any, otherwise main ones)?

The estimated costs of the pre-VW and post-VW measures and their combination are summarised in the table below.

Summary of estimated costs for implementing the Pre-VW and Post-VW measures (€ million)			
	Pre-VW	Post-VW	Total
Costs to manufacturers	90.0	10.0	100.0
Costs of introducing market surveillance	10.0	182.0	192.0
Costs to technical services	3.0	9.0	12.0
Costs of implementation and enforcement by Member States	28.0	-	28.0
Costs for the EU supervision and co-ordination	-	9.0	9.0
Overall estimated costs of implementing the pre-VW and post-VW measures	131.0	210.0	341.0

Note: The estimated costs for implementing the pre-VW and post-VW measures are at least an order of magnitude lower than the estimated benefits.

How will businesses, SMEs and micro-enterprises be affected?

The impact of the pre-VW measures on enterprises in terms of their cost of doing business, their capacity to innovate and their international competitiveness have been assessed in detail by means of a competitiveness proofing study. It emerged that the envisaged measures may have relatively greater impact on those sectors in the industry dominated by SMEs, such as manufacturers of certain categories of vehicle, distributors of vehicles and components and also some technical services. However, the expected impacts are not significant to the extent that specific mitigation measures for SMEs would be necessary. The post-VW measures are not expected to have a significant impact on SMEs either.

Will there be significant impacts on national budgets and administrations?

As can be seen from the summary of estimated costs, the impact on national budgets and administrations stem mainly from the strengthened market surveillance and enforcement obligations.

Will there be other significant impacts?

The second most significant impact identified would be for economic operators, in particular for non-EU importers to designate an EU representative for market surveillance purposes. It should be noted that a similar obligation already exists for type-approval purposes, where manufacturers from 3rd countries have to designate an authorised representative in the EU. For these economic operators the additional cost would be limited if they would use this representative also for market surveillance purposes.

D. Follow up**When will the policy be reviewed?**

The type-approval framework has been substantially updated in 2007 with Directive 2007/46/EC, followed by a simplification exercise in 2009 with the General Safety Regulation No 661/2009. A fitness check on this framework, carried out in 2013, has demonstrated that a reasoned review of all the framework provisions was not possible due to a number of transitional provisions not yet having entered fully into force and the lack of experience with regard to the implementation of the newly introduced provisions. The lesson to be drawn from this is that the next review would only make sense if sufficient time is allowed for building the necessary experience to collect relevant evidence of the positive effects the envisaged measures will generate (i.e. at least 5 years after its entry into force).