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Joint Working Group on Automotive Sector

Minutes of the

5<sup>th</sup> Meeting on 23 March 2012  
Stuttgart/Sindelfingen

1. The fifth meeting of the Joint Working Group on Automotive Sector was held on 23 March 2012 in Stuttgart Sindelfingen at the sidelines of the Technical Congress and co-chaired by Dr Veit Steinle, Director General, Federal Ministry of Transport, Building and Urban Development and Mr Ambuj Sharma, Joint Secretary, Department of Heavy Industries from the German and Indian side respectively.

2. Mr Stefan Schmitt, Head of Division UI 43 (Innovations for Sustainable Mobility; Electric Mobility) of the Federal Ministry of Transport, Building and Urban Development, received the members of the Joint Working Group on Automotive Sector, the Indian delegation, the VDA and the representatives of the members on behalf of Dr Steinle and welcomed them to Stuttgart Sindelfingen. The intention was expressed to finalize the minutes of the previous meeting bilaterally by means of the written procedure after the current meeting.

3. Mr Sharma, JS(DHI) & Co-Chair of the Indo-German JWG on automotive sector thanked the German side for hosting the fifth JWG Meeting and, welcomed the participants. He recalled the previous meetings of Hon'ble Federal Minister Dr Peter Ramsauer and Hon'ble Minister (HI & PE) Shri Praful Patel in New Delhi in the spring of 2011 as well as in Berlin in September 2011. Mr Sharma gave a brief outline of the development of the automotive industry in India over the previous year. He stated that in particular the automotive sector was slightly affected by the increase in interest rates. At the end of the Indian financial year 2011 (in March 2012), the development of the automotive industry was expected to improve. In the two-, three- and four-wheeled vehicles, increases of around 12 % were expected. Mr Sharma expressed his optimism on Indian automotive sector realising the AMP-2006-16 targets and, referred to McKinsey Survey report presented in the conference on the ranking of the world's leading automotive industries wherein it was stated that India already ranks sixth.

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4. Mr Sharma reported on the current status of the activities in the field of electric mobility. He said that a National Mission Plan for Electric Mobility was currently being worked on. It focuses on all vehicle segments but 2W will constitute majority of the projected demand for electric vehicles as 2W constitute more than 75% of Indian automotive market. By 2020, it is forecast that India will have a latent demand for 1.3 million - 1.5 million xEV 4W. Furthermore, automotive infrastructure for testing and homologation is being upgraded/set up at 7 locations in India. In the field of initial and continuing training, industry and government are cooperating closely.

5. Mr Bräunig, Managing Director of VDA, welcomed the participants and reported on the situation of the automotive industry in Western Europe. He explained that the markets there were open and that cooperation was important for all sides. Issues of initial and continuing

training were also relevant to the German automotive industry and, in particular in the component supply industry, there was a lack of well-trained workers.

6. The participants of both sides agreed to the suggested chronological order of the topics proposed for presentation and discussion:

**I. Electric mobility** (presentation by Mr Heiko Mertens and Mr Vikram Gulati, see Annex)

Mr Mertens presented the issues that are of interest in the field of electric mobility at the international regulatory level. These included, for instance, requirements related to the noise emissions of electric vehicles, minimum noise requirements, identical charging plugs, standardization and issues related to the transport of lithium batteries, which are considered dangerous goods. Mr Gulati explained that, for India, energy security is one of the main driving force for faster adoption of electric mobility especially in view of the high level of state funding for the oil sector. To achieve the objectives in the field of electric mobility, change management was necessary to advance the required activities and measures and to establish partnerships and industries. Further, Mr. Gulati reported on the national implementation and coordination structures which have been created specifically for spurring the adoption of electric mobility in India.

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Mr Schmitt emphasized that the Indian and the German approaches were very similar; in Germany, too, industry, government and academia had been cooperating on a common platform for two years. In the future, electric mobility was to be presented and trialled on a large scale in 3-5 showcases. With a view to Mr Mertens' contribution, according to which field trials were to serve, in particular, to gain experience regarding the shaping of the funding policy, Mr Schmitt emphasized that experience gained in the model regions of the Federal Ministry of Transport, Building and Urban Development would gladly be passed on.

While concluding, a regular exchange of information and continued cooperation in this area was agreed upon by both sides.

Mr Steinle highlighted the technology-neutral approach of electric mobility in the form of battery and fuel cell powered vehicles. He furthermore emphasized that Germany would support the Indian application to chair GRPE in the upcoming election in UNECE. Japan also supported the application. A reform of the Agreement of 1958 was required; in this regard, Indian support was needed.

**II. CO2 Regulation** (presentation by VDA for Dr Thomas Becker and Mr K K Gandhi, see Annex)

Dr Koers gave a presentation on CO2 regulation and CO2 targets within the framework of the integrated approach for Europe for the years 2015 and 2020. He explained that the industry believed that diesel technology was a central driving force to achieve the CO2 targets.

Mr Mathur stated that the thinking in India pointed in the same direction. Mr Koers highlighted the importance of fuel quality for diesel technology.

Mr Gandhi gave a presentation and outlined the Indian approach to Fuel efficiency/CO2 regulation. It was informed that the specification of long-term fuel efficiency targets, are being finalised and, that no definite figures for penalties to be paid if the targets were not achieved have been arrived at as of yet. A standard value taking the form of a limit of 130

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grams per km of CO<sub>2</sub> was currently being discussed. For India, this was a good standard considering both technological aspects and fuel economy. Dr Koers emphasized that the European long term goal of 95 grams of CO<sub>2</sub> had not yet undergone impact assessment and discussion had just started. Mr Marathe informed that the auto fuel policy is being developed for the future. The approach to be adopted i.e. whether Euro 5 will be introduced and, if so, from which date is being deliberation. He said that the German companies active in India as well as the Association were invited to participate in the consultation regarding the Indian fuel efficiency/CO<sub>2</sub> regulation.

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### III. Alternative Fuels (presentation by Mr Shrikanth Marathe and Mr Dirk Weigand, see Annex)

Mr Marathe made a presentation on alternative drivetrains and fuels. He explained that following the introduction of CNG and LPG in India, there were now 1 million CNG vehicles. The biodiesel content is required to be increased from 5 to 10 %; 7 % was suitable for the vehicles. In a pilot project of the Ministry of New and Renewable Energies, a fleet with 18 % admixture/CNG and an annual mileage of 50,000 km was being trialled; the aim was to reduce NO<sub>x</sub> and to improve the efficiency of the internal combustion engines. Electric vehicles and hybrid vehicles, gas to liquid as well as coal to liquid and biodiesel from algae were further current research subjects. He emphasized the need for an R&D screening.

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Mr Weigand gave a presentation on biofuels and fuel quality. In the further discussion, he explained that an admixture rate of 7 % was acceptable and technically feasible, but that for a rate of 10 %, different and higher fuel qualities were needed. He further enquired how the quality management and monitoring for the admixture was to be established in India. Moreover, he asked whether the Indian side could provide data and information on this subject.

Mr Marathe informed that for quality management, the required interventions were being made by the Government. He highlighted that Government is investing large amounts of money for upgradation of existing and setting up new automotive testing, homologation and R&D infrastructure through NATRiP. He further informed that some equipment is being installed in testing centres under NATRiP project is also from Germany. Further, he informed that ARAI was cooperating with German research institutions; for instance, two students of TU Braunschweig had participated in the training activities of ARAI. There was also a Proficiency Improvement Programme with the Esslingen University of Applied Sciences.

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### IV. End of Life (presentation by Ms Anita Engler for Mr Rainer Lotz and Mr K K Gandhi, see Annex)

Ms Engler gave a presentation about ELV legislation worldwide. She said that harmonising proved to be difficult due to local requirements.

In Europe, the recyclability had to be demonstrated during type-approval. A corresponding draft was submitted as "informal document" at the WP29 meeting on 26 to 29 June 2012. Regarding India, the recommendation was made, as concerns national standards, to wait for a relevant UNECE recommendation and/or to take the latter into account.

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On the issue of harmonisation of ELV regulations, Mr. Gandhi, SIAM informed that at present, even WP-29 is not convinced whether this is covered under WP-29 scope and it appears that Japan would also object to dealing with this issue. India still had to decide on a formal position in this regard. Mr Mathur asked whether the remanufacturing in Germany also played a role within this framework and the significance of re-use. He was informed that this was only a consideration for engines, since the value of a car reduced after 5 years. Whether certain car parts were re-used or re-sold in Germany depended on whether there was a market for this, which differed from region to region.

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Mr Gandhi gave a presentation. He explained that, in India, low-tech labour intensive methods are being currently used and there is a need to improve the environmentally friendliness of the current practise. There was a large market for dismantling and shredding techniques. A study group has also been formed to work into this area.

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Mr. Gandhi also informed about the ELV demonstration unit that has been created, in Chennai, India. This unit would help evolve systems and procedure to be adopted and in particular for training purposes. It was stated that there were still many challenges; that includes a definition for "end of life" collection of 'ELV', the accreditation of the respective dismantling units as well as incentivizations.

**V. Commercialisation and Framework Development – Discussion**

On behalf of Dr Manfred Schubert, Dr Wolfram Spelten emphasized that Germany was very much interested in a closer economic cooperation with India. An FTA including the automotive sector was of strategic importance and could contribute to additional growth and employment in both countries. While it was understood that an immediate and complete tariff dismantling was difficult for the Indian automotive industry, this should be the benchmark in the long term. The FTA could provide for adequate transition periods to reflect the ongoing economic development and increasing competitiveness of India.

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Mr. Ambush Sharma, Co-Chair, India stated that the India-EU FTA has been in the works for some time now and has gathered momentum in the past one year or so. These negotiations are in advance stage now. He informed that India believes in encouraging both trade and investments, the automotive sector in India is very important as it contributes 22% to the total excise duty collections, 6% to the GDP and 23% to the manufacturing GDP. Mr. Sharma stressed that automotive sector in India is currently passing through a critical phase and faces challenges towards achieving the targets set in the AMP-2006-16 which is very important. India has also entered into FTA with other countries like Japan, Korea, ASEAN etc and the automotive sector has not been covered in those FTAs despite strong requests. It was stated that India appreciates and understands the concerns of Germany. Mr Sharma informed that on the whole, including auto components, the balance in trade in automotive sector is with EU. Further, given the current scenario of bridging the fiscal deficit, India has had to take tough fiscal measures which include the increase in excise and tariffs for automotive sector. Moreover, a large part of this also has to be seen as a roll back of the stimulus measures given by the Government industry.

It was further informed that India currently has huge negative balance of trade even in automotive sector and the aim is to ensure that larger value addition takes place in India, especially in the automotive and automotive component sector. In particular as the younger age group people accounted for a large proportion of the Indian population there is a need to provide large scale employment. Therefore, the contribution of manufacturing sector to the National GDP is proposed to be increased from 16 % to 25 % by 2022.

As such, it is essential that local manufacturing in important sectors like automotive is encouraged.

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This statement was supported by Mr Sen from SIAM who highlighted that to achieve the goals of the AMP 2016, the existing framework should not be changed.

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Mr Bräunig, VDA, stated that investment needed stable and predictable framework conditions. In that respect, it was advisable for India to agree on the complete elimination of tariffs in the long run.

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Mr Gulati pointed out that India is an emerging economy with the need to provide industrial growth to its millions through employment opportunities. As such investments in larger value addition in India in key manufacturing sectors is essential and necessary.

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Mr Bräunig noted that Germany also had to lobby for investment and employment and did not use instruments restricting trade and/or investment. In fact, freedom of entrepreneurial decisions had possibly been part of the success story in Germany.

The Indian delegation informed that important issues like trade and investments cannot be viewed in isolation of the existing socio-economic realities of nations, especially the developing countries.

Dr Steinle suggested to continue the discussion about the framework conditions at the next meeting.

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**VI. Institutional Cooperation, Training and Skill Development-Discussion**

Mr Bräunig highlighted the competition for well-trained skilled workers, especially among medium-sized German enterprises.

Ms Engler highlighted that there was a high turnover among well-trained skilled workers and said that this was a global phenomenon. Five-year contracts were more or less standard. Therefore, a significantly higher number of employees than actually needed had to be trained.

Mr Mathur emphasized the need to develop the employment conditions and referred to the ASDC, which had been established recently. Currently, the curricula were being developed; the second step was to put the centres in operation. In this regard, there was a lot of potential for cooperation.

**Summary:**

Dr Steinle thanked the participants for the pleasant atmosphere and the open discussion and the host, VDA, for organizing the meeting.

At the end of the meeting, the topics and the contact persons were confirmed as follows:

- Electric mobility: Mr Mertens - Mr Gulati
- CO2 regulation: Dr Thomas Becker - Mr K K Gandhi
- Alternate fuels: Dr Weigand - Dr Marathe
- End of Life: Mr Lotz / Ms Engler - Mr Gandhi
- Commercialisation and Framework Development: All
- Training and Skill Education: Mr Sugato Sen - Mr Bräunig

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The topic managers are requested to report on the progress of their work at the next meeting. It was agreed to send the minutes swiftly and to enclose the presentations.

No date has been specified for the next meeting. The India Day at the IAA Commercial Vehicles Fair in Hanover in September 2012 is supported by SIAM and ACMA. It is being examined whether there will be a meeting of the topic groups and/or the Joint Working Group within this framework.

Participants:

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Indian Delegates:

1. Mr Ambuj Sharma, Joint Secretary, Department of Heavy Industry (DHI), Ministry of Heavy Industries and Public Enterprises, Government of India
2. Mr Vikram Gulati, Director, Operations, National Automotive Testing R&D Infrastructure Project (NATRIP)
3. Dr Binoy George, Consul (Commerce), Consulate General of India, Munich, Representing Ministry of External Affairs, Government of India
4. Mr Shrikanth Marathe, Director, Automotive Research Association of India (ARAI), Pune
5. Mr Vishnu Mathur, Director General, Society of Indian Automobile Manufacturers (SIAM)
6. Mr K K Gandhi, Executive Director (Tech), Society of Indian Automobile Manufacturers (SIAM)
7. Mr Sugato Sen, Senior Director, Society of Indian Automobile Manufacturers, (SIAM)
8. Mrs Subhag Naqvi, Representative of Automotive Components Manufacturers Association - ACMA)Mr Ambuj Sharma, Joint Secretary, Ministry of Heavy Industries and Public Enterprises, Government of India

German Delegates:

Federal Ministry of Transport, Building and Urban Development (BMVBS):

9. Dr Veit Steinle, Director General Environment and Infrastructure, Department Policy Issues, Federal Ministry of Transport, Building and Urban Development (BMVBS) – Co Chairman JWG
10. Stefan Schmitt, Director Innovations for Sustainable Mobility, Electric Mobility, Ministry of Transport, Building and Urban Development
11. Dr Anna-Luise Stille, Desk Officer, Innovations for Sustainable Mobility, Electric Mobility, Ministry of Transport, Building and Urban Development

Federal Ministry of Economics and Technology (BMWi):

12. Dr Wolfram Spelten, German Federal Ministry of Economics and Technology Division IV C 4 - Environmental Innovation and Electric Mobility

VDA:

13. Klaus Bräunig, Managing Director, VDA
14. Dr Martin Koers, Head of Economic Policy and Climate Protection, VDA
15. Angela Mans, Head of Foreign Trade and International Relations, Department Economic Policy and Climate Protection, VDA (Mobile phone: +49-175-1690053)
16. Hans-Thomas Ebner, Head of Department Technology, VDA (partly)
17. Dr Stefan Wöhrle, Head of Department Environment policy and technical environment protection, VDA (partly)

VDA-Members:

18. Ms Sabine Jost-Heil, External Affairs Stuttgart - EA/S, Daimler AG
19. Ms Anita Engler, Mercedes-Benz Cars Development - Certification and Regulatory Affairs Design for Environment, GR/PZU, Daimler AG
20. Mr Dirk Weigand, Director Automotive Issues, External Affairs and Public Policy (EAPP-Stuttgart), Daimler AG
21. Mr Heiko Mertens, Head of Team eMobilität, Volkswagen AG
22. Dr Kirsten Broecheler, Public Affairs, MAN SE
23. Mr Sascha Henke, External Affairs, Governmental and Political Relations, Robert Bosch GmbH
24. Mr Kai Luecke, External Affairs, Governmental and Political Relations, Robert Bosch GmbH
25. David Demmer, Business Planning Government Relations. Adam Opel AG