

FOR (A)  
MEETING  
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MR TURNBULL

28 February 1985

EC VEHICLE EMISSION STANDARDS

Robin Nicholson's note has dealt with, inter alia, the environmental aspects, this note looks at the economic ones.

In 1984 BL sold 85,000 cars into Europe plus 310,000 in the UK. 19,000 were sold in Italy and 33,000 in France, but only 9,000 went to Germany. These European sales were made at prices some 20% lower than BL's UK selling prices, more than half were Minis and Metros, and little more than 10% Montego and Rover. By contrast, the UK imported some 135,000 cars from Germany, 130,000 from France and 55,000 from Italy, and this excludes imported cars badged as Ford or GM products.

The average UK content of GM cars is around 20% and of Ford's 45%. Their decisions on vehicle emissions will be taken at a European level and will not be significantly influenced by the UK. From a manufacturing standpoint therefore, BL's interests equate to those of the UK.

The EC's option 2 emission levels are just about achievable by lean burn technology on all save large cars, but any toughening is likely to require expensive three-way catalysts on medium cars as well. Lean burn and three-way catalysts are radical alternatives and there is no half-way house between them.

Given our low exports and high imports, a sustained free-for-all would be best for the UK. Unfortunately the House of Lords Select Committee on the Environment is just about to publish a report essentially advocating three-way catalysts. This would increase car prices by £500 and would



miss out on the 15% energy saving that lean burn should achieve. The higher car prices would be unwelcome to the consumer and the reduced demand could cost 50,000 jobs all told.

On balance Norman Lamont has it about right. We should be seen to be constructive by supporting the introduction of the more permissive option 2, but if this fails we should opt for a free-for-all rather than compromise.

PETER WARRY