



Free Trade Agreement between the EU and South Korea

ACEM comments

ACEM Introduction

ACEM/Association des Constructeurs Européens de Motocycles G.E.I.E. was founded in 1994 and represents all major motorcycle manufacturers in the European Union (European or producing in Europe), as well as 12 motorcycle industry associations in the member states. Their products range from 50cc. mopeds to the biggest cruiser and touring bikes.

Powered Two-Wheelers (PTW's) are divided into different segments such as mopeds, scooters, super-sport, touring, commuter, custom, traditional and off-road bikes. This large range of products explains why we refer to them simply as Powered Two Wheelers.

The PTW sector¹ employs over 200,000 people and represents a turn-over of 10 bn EURO in EU, of which ACEM members are responsible for 90% of the total production and up to 95% of the total market in Europe. This represented over 1.8 million vehicles in 2004.

In accordance with the Request for Comments concerning the proposed Free Trade Agreement with the Republic of South-Korea ("Korea"), ACEM is pleased to offer the following comments in support of the Free Trade Agreement ("FTA") in relation to Powered Two-Wheeler (PTW) business and the great potential of the Korean market should the tariff and non-tariff barriers described below be removed.

Background

There is an excellent potential market for large displacement PTWs in Korea, since there are approximately 1.75 million motorcycles in use there, based on 2004 estimated statistics.

¹ EU 15



The Korean market is currently dominated by small motorcycles and scooters. Consumption of heavier PTWs is expected to grow as household incomes increase and provided current trade barriers are removed.

While most ACEM manufacturers' brands are a mark of status in Korea, unfortunately, the government imposes significant barriers to the import and usage of large displacement PTWs and thus greatly restricts sales potential.

Korea's Barriers to Imports of Large Motorcycles

Highway Bans

Korea, unlike other developed countries, prohibits all motorcycle traffic on its tollways, major highways and designated bridges, despite the fact that European heavy PTWs are specifically engineered to be ridden safely, both at highway speeds and under other traffic conditions. Additionally, certain roads in Korea, including many new national roads, are sometimes designated "automobile-only", thereby also prohibiting PTWs. Korea is the only major developed market in which motorcycles are denied access to tollways and major highways, designated bridges and other roads. Traffic studies in other developed markets prove there is no underlying safety rationale for imposing such motorcycle bans. In fact, traffic safety statistics from other developed countries and research organizations demonstrate that tollways and major highways, for example, are actually safer for motorcyclists than are other types of roads, which have numerous intersections, two-way traffic and other hazards (see Annex 1 - Motorcycle use on highways and motorways). Certainly, other countries and regions like Japan, Australia, the European Union and United States do not ban large displacement motorcycles from using tollways and major highways.

In short, these government imposed bans severely limit the utility and enjoyment of large displacement PTWs, whether for basic transportation or leisure touring, and thus makes them undesirable to the average Korean consumer.

Tariffs and Taxes

In addition to a significant set of taxes (a luxury tax of 5%, a VAT of 10% and a registration tax amounting to 5% of the retail selling price), Korea currently maintains



motorcycle tariffs of 8%. These duties and taxes raise the retail price of a large displacement PTW to levels far exceeding the means of most customers.

The short term removal of the 8% extra-duty would establish a fair and balanced situation of the exchange flows between Korea and the European Union.

UN-ECE regulations

Korea became a contracting party of the 1958 UN-ECE agreement on automotive technical regulations in December 2004. It is however disappointing to observe that until now, Korea did not introduce none of the PTW related regulations yet according to the latest status of the 1958 Agreement and of the annexed regulations published on the UN-ECE website (document ECE/TRANS/WP.29/343/Rev.15).

An short term introduction plan of all PTW related UN-ECE regulations would certainly represent a harmonized situation beneficial for manufacturers from both Korea and the European Union.

Noise Standard

Korea presently uses a noise standard based on ISO 362 with a 2d(B)A tolerance. However, Korea's standard makes it unique compared to other developed countries. We would urge it to harmonize its motorcycle noise test standard and numeric limits with those presently used in the European Union and other developed markets, the standard commonly known as ECE 41.

Absence of Ownership Titles for Powered Two-Wheelers

Motorcycle importers face a number of problems related to, but distinct from, the automobile sector per se. For example, while motorcycles are licensed and registered in Korea, however, there is no procedure yet for title ownership. The absence of title ownership for motorcycles severely limits any opportunity for financing the purchase of the relatively more expensive heavy PTW manufactured by the ACEM manufacturers, since financial institutions are reluctant to consider motorcycles as property that can be used as collateral for consumer loans. The absence of true ownership titles significantly affects the sale of large displacement PTWs in Korea which currently cost €10.000 or more.



Motorcycle Insurance

Insurance industry practice in Korea, unlike in other developed countries, precludes coverage for personal injury and collision for motorcycles. This makes the ownership of PTWs, and particularly the premium of large displacement motorcycles and scooters, far less attractive to the Korean consumer.

Conclusion

There is a high potential for very significant growth in the Korean motorcycle market where total motorcycle sales in 2005 were estimated to exceed 140,000 units. In the near term, 4-5 years, the unit sales of ACEM manufacturers on large displacement motorcycles and scooters could easily reach a balanced situation between the extra-EU imports from and exports to Korea should all the aforementioned barriers be removed. One might expect an even positive balance of the exchanges in favor of the EU with the further expansion of distribution capabilities and estimate an export business potentially ranging around 100 million €

It should be emphasized that Korea does not have a heavy PTW industry, so that Korean motorcycle manufacturers would not be affected by the relief sought by ACEM. ACEM appreciate the opportunity to bring these issues to the attention of the European Commission and look forward to working with the Directorate General for External Trade to resolve them through the FTA. It represents an unprecedented opportunity to address these barriers.

Annex 1 - Motorcycle use on highways and motorways

In Europe the highways and the motorways are currently used by the motorcycles because these type of roads represent a safer way to ride.

ACEM conducted an Motorcycle Accident In-depth Study (MAIDS²) over 5 European countries, by gathering 2000 variables on 1000 accidents. This study demonstrates that the very large majority of the accidents occurs in urban areas where traffic conflicts situations constitute sources of collisions mainly between cars and motorcycles.

Urban/rural

The distribution of accidents is directly related to the demographic characteristics of the area.

	L1 vehicles		L3 vehicles		Total	
	Frequency	Percent of L1	Frequency	Percent of L3	Frequency	Percent
urban	342	85.9	324	62.0	666	72.3
rural	43	10.8	186	35.6	229	24.9
other	13	3.3	13	2.4	26	2.8
Total	398	100.0	523	100.0	921	100.0

Prohibiting Motorcycles to use safer roads like highways and motorways can just simply force Motorcycle to stay in more dangerous areas where there is potentially more traffic conflicts.

² MAIDS project (Motorcycle Accident In-Depth Study), which provides qualitative and representative data on accidents involving PTWs. The full report can be downloaded on the MAIDS web-site (<http://maids.acembike.org>).

Accidents recorded on motorways

The MAIDS study provides also accident records from highways/motorways/freeways (having at 2 or more lanes in both directions and posted speed limits of 100 km/h or more.

The table below shows that 26 motorcycle accidents occurred on these type of roads, which represent only 5% of all cases in the data base.

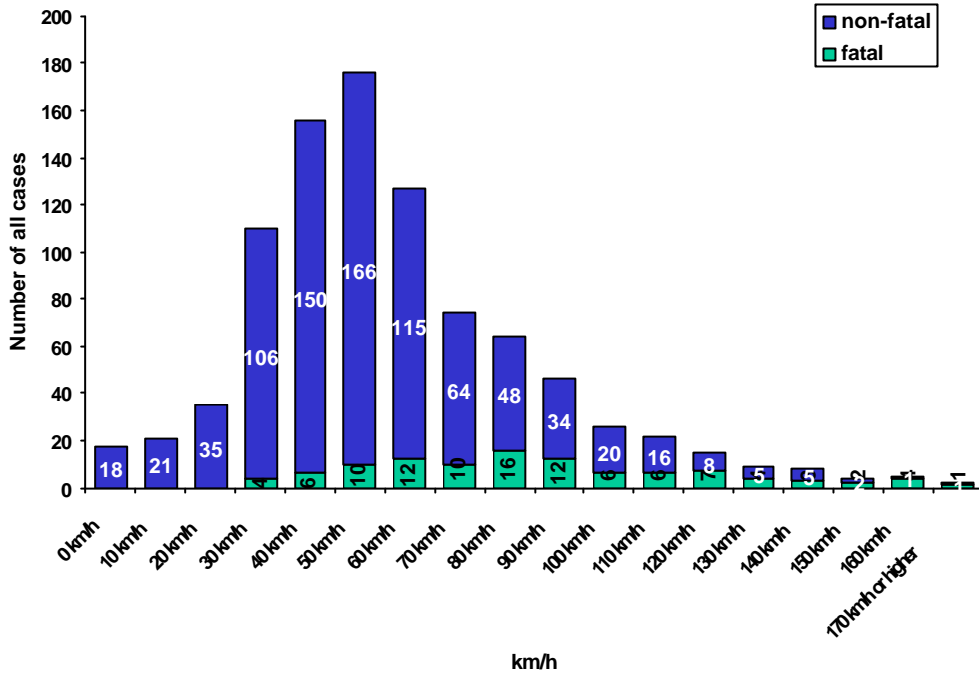
A.3.1.10-Environ. Factors/ Trafficway Vehicle Was Travelling/ MC/ Number of through lanes * A.3.1.9-Environ. Factors/ Trafficway Vehicle Was Travelling/ MC/ Posted speed limit															
Count															
		A.3.1.9-Environ. Factors/ Trafficway Vehicle Was Travelling/ MC/ Posted speed limit (Km/h)													
		30	40	45	50	60	70	80	90	100	110	120	130	no speed limit	Total
A.3.1.10-Environ. Factors/ Trafficway Vehicle Was Travelling/ MC/	1	13	2	1	200	5	31	12	19	86	0	0	0	2	371
	2	1	0	0	68	1	8	3	0	8	3	0	0	4	96
Number of through lanes	3	0	0	0	13	0	1	4	0	1	3	1	0	4	27
	4	0	0	0	19	0	0	0	0	0	0	0	2	0	21
	5	0	0	0	3	0	0	0	0	0	0	0	0	0	3
	8	0	0	0	2	0	0	0	0	0	0	0	0	0	2
Total		14	2	1	305	6	40	19	19	95	6	1	2	10	520
										motorway: 26 cases					

Speed

The figure indicates the distribution of the PTW travelling speed just prior to the precipitating event. The greatest percentage of travelling speeds were between 30 km/h and 60 km/h. This was expected since most of the accidents took place in an urban environment, with typical roadway speed limits of 30 to 60 km/h.

Even if the hereunder figure shows that there is a trend towards higher travelling speeds in PTW accidents involving fatalities, it shows also that **high speed is not the major cause of accidents in countries allowing the use of motorcycles on highways and motorways** (where Motorcycles have the possibility to reach relative high speeds).

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The figure below indicates the cumulative percentage distribution of the PTW travelling speed for all accidents. The median travelling speed was found to be 49 km/h. The range of travelling speeds was found to be between 0 km/h and 185 km/h.

