



ACEA

European
Automobile
Manufacturers
Association

Auto industry concerned by price hike in iron ore

Brussels, 31 March 2010 – The European automobile industry is very concerned by the sudden and massive increase in the price of iron ore, a crucial material for producing steel. The leading iron ore exporters announced, yesterday, steps to raise their prices by more than 80%. Such excessive and unpredictable pricing policy would affect the competitiveness of manufacturing in Europe, including the automotive industry.

The automobile industry needs broad access to raw materials at competitive conditions, especially in times of fragile economic circumstances. With roughly one tonne of steel per car, the automotive sector is a major client of the steel industry and – hence, iron ore exports. Cost pressure in the sector is already high due to large investments in environmental and safety technologies, while economic recovery and consumer demand are still slow.

The main iron ore exporters are Australia's Rio Tinto, Brazil's CVRD and Australia BHP Billiton (often called the 'big three'). Major producers like India and Russia hardly export their iron ore. The 'big three' represent around 70% of the exports of iron ore and, subsequently, hold the significant pricing power of an oligopoly. In addition, BHP and Rio Tinto have announced their intention to create a joint venture and merge their Australian iron ore productions, leading to further concentration.

ACEA, the automobile industry's trade association, asks the European Commission and Member States to urgently use all appropriate channels to tackle distortive developments. ACEA also encourages the EU to rapidly develop and implement a raw materials strategy to ensure a level playing field on the world's raw material markets and facilitate broad access to raw materials from third countries at competitive conditions.

About ACEA

The European automotive industry is key to the strength and competitiveness of the European economy. The ACEA members are BMW Group, DAF Trucks, Daimler, FIAT Group, Ford of Europe, General Motors Europe, Jaguar Land Rover, MAN Nutzfahrzeuge, Porsche, PSA Peugeot Citroën, Renault, Scania, Toyota Motor Europe, Volkswagen and Volvo. They provide direct employment to more than 2.3 million people and indirectly support another 10 million jobs. Annually, ACEA members invest over €26 billion in R&D, or 5% of turnover.

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