

Amended submission 9th January 2018, replaces version submitted on 18 December 2017

Submissions relating to the interests of cycle users and consumers on the Complaint by EBMA and the EU anti-dumping proceeding concerning imports of electric bicycles originating in the People's Republic of China

AD 643

Subject:

Cycles with pedal assistance, with an auxiliary electric motor

Origin People's Republic of China

CN codes 8711 60 10 and ex 8711 60 90

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Status

This submission can be included in the open file accessible by all interested parties.

Preamble

European Cyclists' Federation

ECF is the European umbrella body for cycle users and their associations. Our full members that control the organisation are associations and federations of cyclists at national, regional and local level in Europe covering all countries in the EU and almost all European states. Our members can be found listed on our web site [LINK](#)

ECF also has supporting communities of associated members (organisations with an interest in supporting ECF's work from outside Europe and in allied sectors) and networks of academics, cities, regions, tourism sector bodies and businesses established within and outside the EU.

ECF is widely regarded as the leading contributor to EU policy development in relation to cycling and is recognised by DG Environment with a LIFE+ NGO Operating Grant from DG Environment for its work in promoting cycling policies to improve EU policy in environment and climate change.

Consumer/user representation.

In preparing its position in relation to matters of trade policy ECF limits its views to the representation of the interests of our member associations and their position on the interest of current and potential users of cycles of all kinds including e-bikes.

According to our analysis of EU wide statistics there are approximately 166 million adults per year in the EU who cycle at least occasionally, 97 million of them every week. This amounts to half the adult EU population cycling. ECF is the European body representing the interests of this population.

Since its General Meeting in 2007 ECF members have agreed with the position that Pedelecs (Pedal Electric Assisted Cycles) or EPACS (Electronic Power Assisted Cycles) limited to 250 watts power and 25 kmh speed are in all practical terms bicycles and in all policy terms should be treated as bicycles.

Users of such machines are able to be members of our affiliated associations and the associations advocate for the increased use of such machines.

Since its 2017 General Meeting ECF has also had a policy for the deployment and use of pedelecs in the L category including

- L1e-A "powered cycles" – of speeds up to 25 kph and power cut out at 1000 watts
- L1e-B for "mopeds" – of speeds up to 45 kph and power up to 4000 watts
- (L1e-A deals mainly with cargo type bikes used for logistics, while L1e-B deals with so-called 'speed' pedelecs.)

ECF believes these can be a valuable complement to cycling as an excellent substitute for medium distance car journeys and have excellent active transport credentials. ECF supports the deployment of these vehicles and is committed to informing public authorities of the positives to create the right transport mix in and outside our cities, while managing any impacts on cycling due to possible risks of increased speeds.

Therefore, ECF associations also represent L1e user interests.

Transparency statement

ECF receives funding from businesses in the cycling industry, both EU based and globally, including companies that are members or supporters of interested parties in this action.

This funding is received to support ECF's work advocating for an increase in cycle use across the EU and co-funds our operating grant. This includes co-funding the work of staff that have prepared this submission.

To avoid conflict of interest ECF has determined that it will only respond to this action on behalf of its user associations and does not to seek represent any business interests, regardless of whether those associations fund ECF or not.

ECF has sought information from industry associations and media in order to carry out our own analysis on pricing and sales trends in the e-bike sector.

EU Cycling Strategy

ECF's reference point for the policy objectives that the EU and its member states should adopt in the period up to 2030 is the June 2017 document "EU Cycling Strategy. Recommendations for Delivering Green Growth and an Effective Mobility in 2030"¹.

This document contains an overview of the state of cycling and e-cycling in the European Union and was prepared with the involvement of over 1000 stakeholders.

It contains references to various growth scenarios for cycling and to the impact of e-bikes and the bicycle industry on the growth of cycling.

¹ https://ecf.com/sites/ecf.com/files/EUCS_full_doc_small_file.pdf

ECF conclusions on the development of the e-bike market relevant to this

1. ECF's view is that Pedelecs (Pedal Electric Assisted Cycles) or EPACS (Electronic Power Assisted Cycles) limited to 250 watts power and 25 kmh speed are in all practical terms bicycles and in all matters of EU and Member State policy should be treated as bicycles.
2. Pedelecs have the potential to deliver a 77% increase in the use of bicycles in the EU by 2030, with an estimated economic benefit of €380 billion per year to the EU. Therefore all evaluation of the pedelecs market and trade measures must recognise that greatest potential injury or benefit to consumers and to society comes from creating conditions that encourage or discourage use of the e-bikes, especially as a substitute for private car use.
3. In order to realise the benefits of e-bikes to individual consumers and to society manufacturers and retailers must supply e-bikes that are safe and fit for purpose so that they are reliable and encourage frequent use in all conditions. Competition between products and brands is welcomed, but low price is not the determining factor in whether people cycle more or less. In fact, the evidence we have says that exactly the opposite is the case.

ECF's analysis shows that countries where people cycle more are the countries where bikes and e-bikes cost more. Bikes in these countries are routinely better equipped and more fit for the purpose of regular cycling. Access to e-bikes of this quality is essential to realise the predicted growth for e-bike use.

ECF's members and other consumers welcome price competition and the opportunity to select between manufacturers and products on price and specification. The ability to source bicycles in an international market aids both innovation and access to products, so competition is welcomed, particularly by existing cyclists. But ECF has shown that cheap bicycles sold purely on low price points do not encourage more cycling, in fact there is evidence that very cheap bikes may discourage cycle use by being uncomfortable to ride, unreliable and lacking the accessories needed for daily use.

ECF is concerned that this pattern is being repeated for e-bikes, with the additional concern that e-bikes include more technology that cannot be maintained by users and batteries which have extra requirements for safe use and disposal. This creates a significantly increased risk that bikes are purchased, but not used, at significant expense to the consumer and loss of benefit to society.

There is also an emerging concern that e-bikes for children are now entering the market which are unsuitable for use, being less safe than bikes for adults due to the use of very low-cost designs. ECF and its members are investigating the source and design of these bikes.

For e-bikes there is a need for a comprehensive service for the consumer that includes a mechanism for replacement of batteries at the end of battery life to keep the bikes in use. With the wide variety of batteries and specifications in the market this supply and replacement has to be maintained by manufacturers. Such service should provide for battery recycling in line with the EU promotion of the circular economy.

4. ECF is not able to reach a judgement on whether dumping practices exist or whether fair trading conditions exist in the trade between external countries and the EU. However, if the case of dumping were to be proven we can comment on the potential impact on consumers, and on cycle use.

Regardless of the point of manufacture, a market where some parties are able to artificially reduce cost of e-bikes creates the so called “race to the bottom” in terms of price and product quality. This will not encourage cycle use because the average price level of e-bikes in many EU countries will not be of a quality or level of equipment for daily cycling and not allow the e-bike to take on its most important role for users as a substitute for private car use. It does not support the use of e-bikes because the industrial and retail sectors cannot build the service infrastructure needed for e-bikes to be maintained and used on a long term basis. The skills and resources needed to support e-bikes are higher than bicycles so investment in the service sector as well as the supply chain is essential.

ECF supports the view of the European Cycling Strategy that market conditions should encourage industrial investment in innovation, regardless of the source of the bikes. In order to grow e-bike use to the predicted level, and potentially well beyond this level significant investment is still needed by industry in further product development. This is a relatively immature market and there is potential for significant new technologies to come into the market. ECF welcomes investment in developing new products and technologies in any country, but is concerned that competing with countries which practice dumping is a disincentive to such corporate investment.

The market price should include enough income to support creation of a comprehensive EU-wide system for safe purchase, fitting, use and disposal of e-bike batteries.

1. ECF's view is that Pedelecs (Pedal Electric Assisted Cycles) or EPACS (Electronic Power Assisted Cycles) limited to 250 watts power and 25 kmh speed are in all practical terms bicycles and in all matters of EU and Member State policy should be treated as bicycles.

The main interest of consumers in the matter of e-bikes is in their use and in creating conditions that increase the use of all forms of cycle including e-bikes.

For individual users such machines should be fit for purpose and safe to use.

It is the interest of all cyclists in our member associations that conditions should exist that encourage more people to cycle more often, because of the consequential benefits to society that accrue from increased cycle use. ECF's member associations have collectively followed the policy that pedelecs are bicycles since 2007. This is because

The EU specification for a pedelecs is designed to integrate pedelecs into conventional cycle use. The top speed and power limits mirror the capabilities of cyclists using only human power so pedelecs and cyclists can operate together. This means pedelecs should be used in all places where bicycles are used such as cycle paths and users can acquire and use bikes according to national rules for cycling.

Retail and supply of pedelecs is largely through the same manufacturers and shops that supply bicycles, users see pedelecs as bicycles.

Pedelecs have the potential to increase access to cycling by people who find cycling difficult or where they wish make their journey easier. Pedelecs support change of behaviour from private car use and extend the reach of public transport.

The benefits of cycling and e-bike use are documented extensively in the June 2017 document "EU Cycling Strategy. Recommendations for Delivering Green Growth and an Effective Mobility in 2030"². (EUCS) This proposed strategy is the result of a systematic review of all EU policies related to cycling wherein approximately 1,000 people were involved. This strategy document was put together by an expert group with 27 members, representing 15 governmental and non-governmental organisations, academia and business representations. In addition, approximately 1,000 individuals were involved in the process of formulating the strategy.

ECF was a leading contributor to this document and supports its conclusions.

This strategy emphasises the importance of e-bikes as a catalyst for growing cycling in Europe.

According to the EUCS the German Federal Environment Agency described the advantages of pedelecs as:

- Making it easier to travel longer distances,
- Making it possible to transport greater loads,
- Making it easier to overcome natural obstacles, such as inclines and headwinds,
- Offering an alternative to company cars, and
- Being ideal for recreational activities.³

² https://ecf.com/sites/ecf.com/files/EUCS_full_doc_small_file.pdf

³ (Wachotsch, Kolodziej, Specht, Kohlmeyer, & Petrikowski, 2014)

- 2. Pedelects have the potential to deliver a 77% increase in the use of bicycles in the EU by 2030, with an estimated economic benefit of €380 billion per year to the EU. Therefore all evaluation of the pedelecs market and trade measures must recognise that greatest potential injury or benefit to consumers and to society comes from creating conditions that encourage or discourage use of the e-bikes, especially as a substitute for private car use.**

After detailed analysis the EUCS says

“we conclude that there is a potential of generating about 103 billion km cycled on EPACs in 2030” which would represent a 77% growth in all cycling levels in the EU just due to e-bike use.

The strategy also refers to an ECF report⁴ from 2016 classifying and partially quantifying the benefits of cycling in the EU. The report found that every year, cycling in 28 EU Member States creates economic benefits of EUR 513 billion. It demonstrates that the benefits of cycling arise not only in specific, isolated fields like transport or environmental policy, but also in many other areas where the EU has competences. Of these benefits to the EU the report values €16 billion to the bicycle industry meaning that the benefit to society from outside the industry is €497 billion gained per year because of cycling’s benefit in areas such as health savings, pollution, tourism and energy saving.

Therefore, if e-bike use is going to deliver a 77% increase in cycling by 2030 it can be estimated to deliver a €380 billion benefit to the EU by extrapolation of the current economic benefit, in addition to the impact on the industry in terms of additional sales and services sold.

Therefore, ECF concludes that the policy requirement for the EU and the interest of consumers of e-bikes are completely aligned – the products and market conditions must be those that maximise use of e-bikes, especially for use as transport, logistics and sustainable tourism where they might replace car and freight vehicle use.

- 3. In order to realise the benefits of e-bikes to individual consumers and to society manufacturers and retailers must supply e-bikes that are safe and fit for purpose so that they are reliable and encourage frequent use in all conditions. Competition between products and brands is welcomed, but low price is not the determining factor in whether people cycle more or less. In fact, the evidence we have says that exactly the opposite is the case.**

ECF’s analysis shows that countries where people cycle more are the countries where bikes and e-bikes cost more. Bikes in these countries are routinely better equipped and more fit for the purpose of regular cycling. Access to e-bikes of this quality is essential to realise the predicted growth for e-bike use.

⁴ <https://ecf.com/what-we-do/cycling-economy/economic-benefits>

ECF's members and other consumers welcome price competition and the opportunity to select between manufacturers and products on price and specification. The ability to source bicycles in an international market aids both innovation and access to products, so competition is welcomed, particularly by existing cyclists. But ECF has shown that cheap bicycles sold purely on low price points do not encourage more cycling, in fact there is evidence that very cheap bikes may discourage cycle use by being uncomfortable to ride, unreliable and lacking the accessories needed for daily use.

ECF is concerned that this pattern is being repeated for e-bikes, with the additional concern that e-bikes include more technology that cannot be maintained by users and batteries which have extra requirements for safe use and disposal. This creates a significantly increased risk that bikes are purchased, but not used, at significant expense to the consumer and loss of benefit to society.

For e-bikes there is a need for a comprehensive service for the consumer that includes a mechanism for replacement of batteries at the end of battery life to keep the bikes in use. With the wide variety of batteries and specifications in the market this supply and replacement has to be maintained by manufacturers. Such service should provide for battery recycling in line with the EU promotion of the circular economy.

There is also an emerging concern that e-bikes for children are now entering the market which are unsuitable for use, being less safe than bikes for adults due to the use of very low-cost designs. ECF and its members are investigating the source and design of these bikes.

The key documents that tell us the relationship between cycle use and the type of bikes being sold are the estimated transport mode shares for each country in the EU and the market reports supplied by the industry.

Chapter 2.1 of the EUCS provides a summary of the available usage data: "The Current State of Cycling in the EU - Cycle use in the EU-28" . It summarises national data for cycle use using figures from Eurobarometer transport surveys

ECF has cross correlated this data with the unit price for bicycle sales proved by the CONEBI annual market report to show the relationship between cycle use and expenditure on cycling.

Within these numbers for all bikes we can also study the sales of e-bikes and study the individual market reports country by country, routinely published in industry media like Bike Europe.

Our analysis of consumer trends for bicycles show us that consumer use is much higher in countries where bicycles are "fit for purpose" . This means bicycles for daily use are more likely to be sold fully equipped at point of sale with equipment such as mudguards, fitted lights and a luggage rack. Transmissions are more likely to be upgraded to sealed hub gears or concealed chain cases and to include dynamo gears on bikes that are used every day.

In previous submissions to the review of anti-dumping measures on bicycles ECF showed that the bicycle market does not conform to traditional pricing patterns. The evidence from the bicycle market is that pricing does not conform to patterns expected in other consumer markets. In traditional market

economics high consumer demand drives up competition and drives down prices. The bicycle in Europe shows the reverse trend. The data created by ECF in 2010 showed this pattern and has been replicated in repeat studies using the same sources for subsequent years.

ECF has also separated different blocs of EU countries to eliminate bias in the numbers due to differing purchasing power or GDP per capita and found that similar correlations exist between price and use.

A small sample of the many data sets and analyses is shown below.

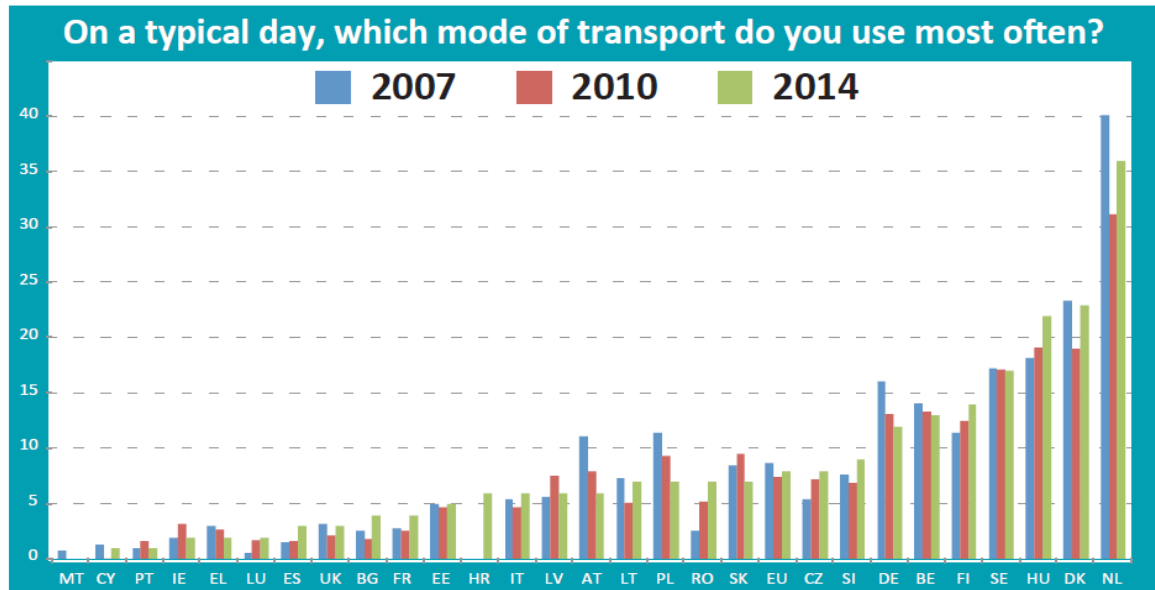
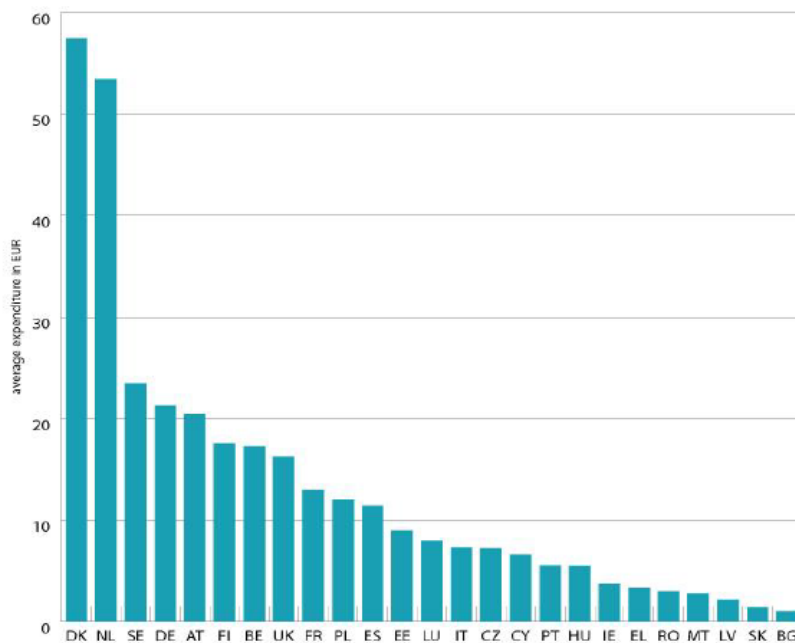


Figure 9: Average expenditure per head on new bicycle purchases 2015 (in EUR)



Source: CONEBI report 2016

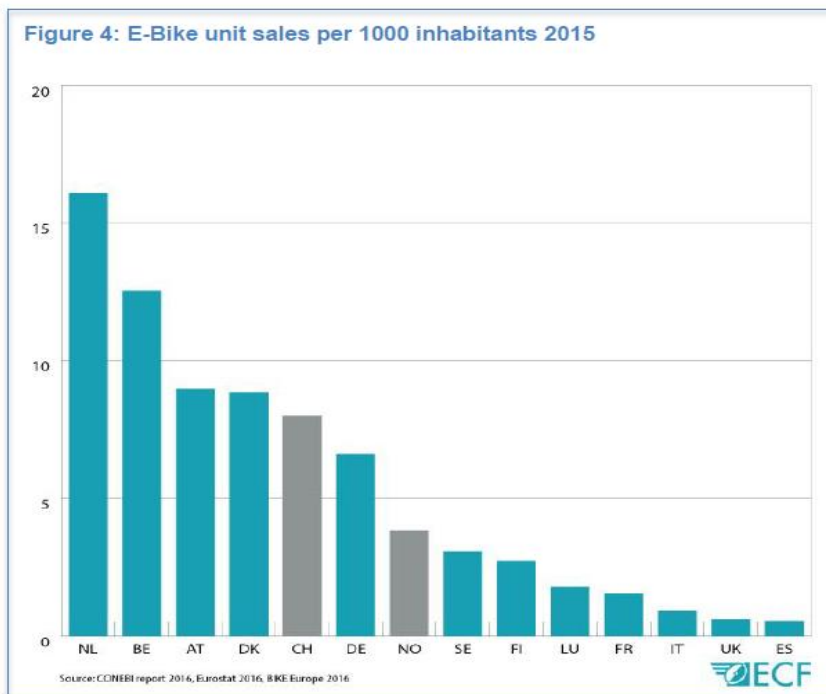
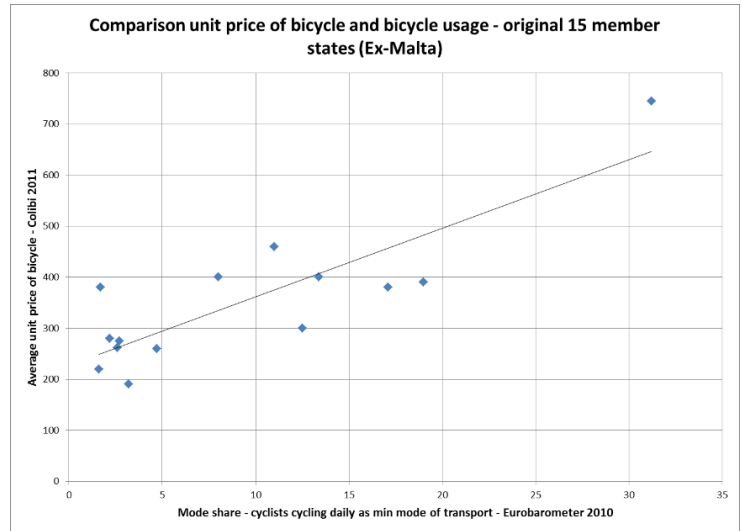


Source ECF analysis CONEBI Market report 2016⁵

In the countries with highest bicycle usage there is a significant shift towards higher unit pricing of bicycles. Low use markets are dominated by cheap mountain bike style bikes, not suitable for daily riding and there is consistent evidence of a huge national ownership of unused bikes.

This result tells us that the use of bikes is linked to product design and quality that is fit for purpose. It appears that society cannot stimulate cycling with its benefits of health, carbon reduction, congestion reduction and economic regeneration of cities based on a price model for the sale of bicycles, indeed it appears that very low specification bicycles may even be associated with deterrence from cycling because they are not appropriately built for the conditions of use in European cities.

For e-bikes we see similar countries represented in the higher per capita sales as higher per capita sales and expenditures per year on all bicycles.



Source ECF Analysis CONEBI Market report 2016⁶

⁵ <https://ecf.com/groups/ecf-analysis-conebi-%E2%80%99CeU-bicycle-market-report-2016%E2%80%9D>

⁶ <https://ecf.com/groups/ecf-analysis-conebi-%E2%80%99CeU-bicycle-market-report-2016%E2%80%9D>

The market report on e-bike prices shows similar trends to all bicycle prices. Low cycle use countries are represented by low e-bike prices, just as low conventional bicycle prices occur in low cycle use countries. Czech Republic and Hungary have the highest cycle use in the Eastern countries and e-bike prices are the highest in that region.

	Average Price to Consumers incl. VAT 2015
Austria	2,000 €
Belgium	2,000 €
Germany	2,000 €
Netherlands	2,000 €
Poland	1,700 €
Sweden	1,600 €
Spain	1,461 €
Greece	1,460 €
Czech Republic	1,300 €
Finland	1,300 €
France	1,300 €
Hungary	1,300 €
Portugal	1,300 €
Luxembourg	1,200 €
Denmark	1,130 €
Italy	1,100 €
Slovenia	1,000 €
UK	900 €
Croatia	900 €
Ireland	900 €
Slovakia	900 €
Lithuania	875 €
Bulgaria	870 €
Estonia	870 €
Romania	870 €
Malta	850 €
Cyprus	650 €
Latvia	650 €

Batteries

With the wide variety of batteries and specifications in the market this supply and replacement has to be maintained by manufacturers. Compliance with the battery testing standard EN50604 is non-mandatory which creates a potential gap in compliance in the market.

There is a need for all batteries to have matched chargers to give correct charging and maintain battery life. This has to be maintained even for second hand bikes or as batteries are upgraded or changed.

Therefore for e-bikes there is a need for a comprehensive service for the consumer that includes a mechanism for replacement of batteries at the end of battery life to keep the bikes in use. This should be based on a service from manufacturers because over time a second-hand market in e-bikes is expected to become established and it is important for users to be able to purchase the correct battery for their bike over time. Such service should also provide for battery recycling in line with the EU promotion of the circular economy.

- 4. ECF is not able to reach a judgement on whether dumping practices exist or whether fair trading conditions exist in the trade between external countries and the EU. However, if the case of dumping were to be proven we can comment on the potential impact on consumers, and on cycle use.**

Regardless of the point of manufacture, a market where some parties are able to artificially reduce cost of e-bikes creates the so called “race to the bottom” in terms of price and product quality. This will not encourage cycle use because the average price level of e-bikes in many EU countries will not be of a quality or level of equipment for daily cycling and not allow the e-bike to take on its most important role for users as a substitute for private car use. It does not support the use of e-bikes because the industrial and retail sectors cannot build the service infrastructure needed for e-bikes to be maintained and used on a long term basis. The skills and resources needed to support e-bikes are higher than bicycles so investment in the service sector as well as the supply chain is essential.

This conclusion is consequence of our concern about the fact that low specification bicycles and e-bikes do not stimulate cycle use (above). The pressure on other sectors such as retail is clear, e-bikes need services that can maintain electrical and pneumatic systems, carry an extended range of more expensive spare parts and have mechanisms for battery storage and disposal. Retailers and suppliers need to invest in these services.

ECF supports the view of the European Cycling Strategy that market conditions should encourage industrial investment in innovation, regardless of the source of the bikes. In order to grow e-bike use to the predicted level, and potentially well beyond this level significant investment is still needed by industry in further product development. This is a relatively immature market and there is potential for significant new technologies to come into the market. ECF welcomes investment in developing new products and technologies in any country, but is concerned that for competing with countries which practice dumping is a disincentive to corporate investment.

The European Cycling Strategy illustrates some of the potential new technologies that could emerge in cycling up to 2030.

This includes not only the bikes themselves, but a significant range of connected technologies that allow cycling to be part of new trends in mobility such as Intelligent Transport Systems and Mobility as a Service.

The additional power available to e-bike users allows a greater range of electronic devices on the bicycles and to carry a range of technologies that are unsuitable for unpowered bikes due to weight or wind resistance. This can introduce cycling to a much wider range of users.

ECF sees that investments in e-bike innovation are global and welcomes this development. Fair competition will encourage a return on investment for those companies, thus stimulating further innovation.