

UK automotive & Brexit 2: UK regulatory future and automotive priorities

4 October 2017

- During presentations (10:00 – 10:30) everyone will be muted so that only the presenters will be heard.
- The presentation will be followed by a Q&A session. Click on the hand symbol to show that you have a question.
- If you are experiencing any technical problems please call 020 7344 1673.

What today's webinar will cover....

1. Background
2. Brexit impact
3. Brexit process: regulations
4. Implementation phase impact?
5. SMMT position and activities
6. Type approval
7. Next steps
8. Preparing your business for the future



Background

EU law

- **European Communities Act 1972** makes EU law part of and supreme over UK law
- **ECJ** - Supreme Court of the EU
- **Member States influence legislation** through votes in Council and Parliament



UNECE

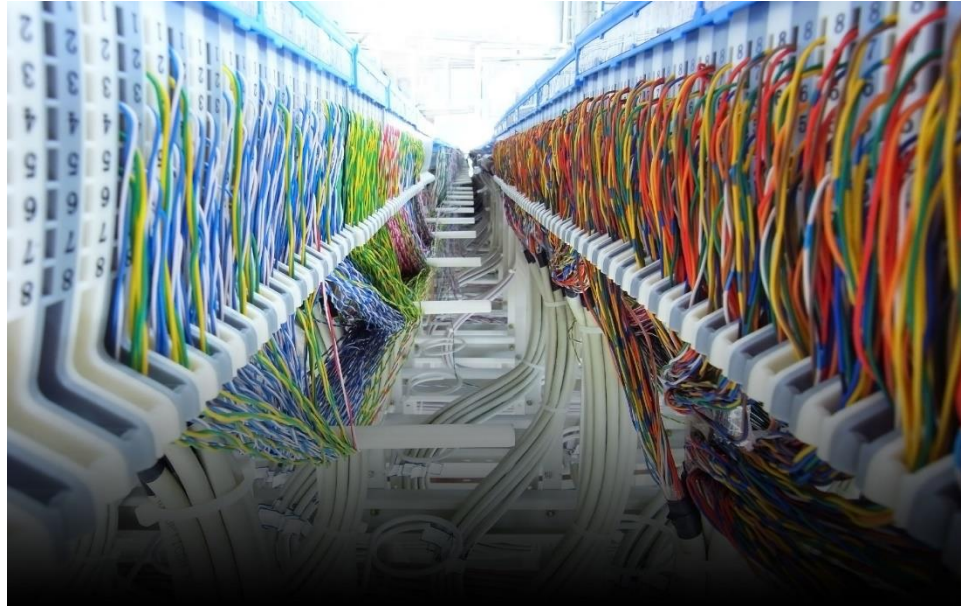
- Develops global technical regulations which are **applicable under EU law**
- UK (independently) and EU are **contracting parties** who can develop and vote on regulations



UNECE

Background

UK statute book is therefore based on decades of EU developed law...





Brexit impact

What we know so far...



For business...

- Selling into the EU will still require compliance with EU regulation

EU position

- Four freedoms are indivisible – no cherry picking
- EU must maintain full sovereignty for deciding regulations
- The ECJ must remain the supreme arbiter of EU law
- Any new relationship must be on a “level playing field”



“non-EU member cannot have all the benefits of membership”

Brexit impact



What we know so far...

UK position

- British Parliament will be in control of making new laws
- The jurisdiction of the ECJ in the UK will end
- The same rules will apply the day after Brexit as the day before



“the question for us now in building a new economic partnership is not how we bring our rules and regulations closer together, but what we do when one of us wants to make changes”

- Not EEA or “traditional” FTA but a... ***“deep and special partnership”***



Brexit process: regulations

Dual process

1. Domestic arrangements to ensure UK law “works” post-Brexit

- EU (Withdrawal) Bill, a.k.a. Repeal Bill

2. UK/ EU negotiations

- UK seeking “deep and special partnership”
- Access to the single market requires regulatory alignment
- Mutual recognition?
- Role of ECJ / dispute resolution?
- UK participation in existing EU frameworks?



The two processes are moving in parallel and likely to be significant overlap

Brexit process: regulations

Domestic arrangements

Queen's Speech

- EU (Withdrawal); Customs; Immigration; Trade
- 2 year session to facilitate regulatory challenge



EU (Withdrawal) Bill

- 30 March – White Paper published
- 13 July - introduced to parliament
- 11 September – passed second reading
- Likely to face amendment



Brexit process: regulations

Domestic arrangements

EU (Withdrawal) Bill

1. Repeal the European Communities Act 1972
2. Convert EU law as it stands at the moment of exit into domestic law before the UK leaves the EU
3. Create secondary legislation powers to ensure law “makes sense”
 - References to “EU law”
 - Involvement of an EU institution
 - Information sharing with EU institutions
 - And to implement the withdrawal agreement.



Brexit process: regulations

UK/EU negotiations

1. Arrangements for an orderly withdrawal
2. Future UK/EU relationship discussions

“Sufficient progress” required to move to phase 2



- Both parties have published position papers on a number of issues
 - Citizens rights
 - Customs
 - Goods placed on the market

Implementation phase impact?

Florence Speech, 22 September 2017

Yet to fully understand the implications of an “implementation phase” on the issue of regulation.

*“a period of implementation
would be in our mutual interest”*

*“during the implementation
period access to one another’s
markets should continue on
current terms”*



Implementation phase impact?

European Parliament resolution, 3 October 2017

- Notes, in line with its resolution of 5 April 2017, that the Prime Minister of the United Kingdom proposed in her speech of 22 September 2017 a time-limited transitional period; such a transition can only happen on the basis of the existing European Union regulatory, budgetary, supervisory, judiciary, enforcement instruments and structures; underlines that such a transitional period, when the United Kingdom is no longer a Member State, can only be the continuation of the whole of the *acquis communautaire* which entails the full application of the four freedoms (free movement of citizens, capital, services and goods), and that this must take place without any limitation on the free movement of persons by imposing any new conditions; stresses that such a transitional period can only be envisaged under the full jurisdiction of the Court of Justice of the European Union ('ECJ'); insists that such a transition period can only be agreed provided that a fully-fledged withdrawal agreement covering all the issues pertaining to the United Kingdom's withdrawal is concluded ;

SMMT position

Principled approach

- Market access as a priority
 - the UK's automotive regulatory environment should not negatively impact market access to and from the EU
- Influence
 - the UK should seek to maintain its voice and influence in both UNECE and EU regulations setting



SMMT position

EU (Withdrawal) Bill

3 key principles for government:

1. **Transparency** – a clear and open process
2. **Engagement** – industry as a partner to government and parliament
3. **Regulatory continuity** – making informed legislative choices



SMMT White Paper response available online www.smmt.co.uk/brexit

SMMT activities

Work to date

- Analysis of regulatory challenge
- Identification of priority regulatory issues
- Response to Repeal Bill White Paper
 - www.smmt.co.uk/brexit
- Engagement with UK government on negotiations
- Engagement with parliamentarians on regulatory challenge



SMMT activities

Key regulatory challenges

Type Approval, CO2, EU-ETS, REACH, data

Preference for post-Brexit mechanism for individual regulations largely consistent.

1. Remain within existing EU framework
 - Challenges: ECJ jurisdiction, reliant upon political will/ negotiations
2. Development of a mirrored/ linked UK system
 - Challenges: lack of influence, implementation lag, administrative/cost burden
3. Development of independent UK system
 - Challenges: divergence and associated market access costs



Type Approval

Priority regulatory issue



Key principle:

UK participation in, or full regulatory alignment without exception and without latency in implementation, with EU type approval

- Without the above, regulatory divergence will occur...
- ...resulting in manufacturers having to approve, and potentially develop, vehicles to different standards for the UK to the EU at significant cost...
- ...resulting in potential reduction in UK consumer choice and UK automotive sector competitiveness

Type Approval

Priority regulatory issue

Immediate concerns:

- Vehicles produced after Brexit, but covered by an existing pre-Brexit European type approval, should continue to be able to be registered within the EU single market or the UK after Brexit
- The extension of existing pre-Brexit approvals by the VCA, should be permitted

If not, significant challenge and cost for industry in reapproving:

- Technology implementation impact
- Costs from forced gap in registration
- Logistical costs



Type Approval

Goods placed on the market

Commission position paper:

- Seeks to clarify the status of Goods placed on the Market under Union law before the withdrawal date

“The concept of placing on the market refers to each individual good, not to a type of good, and whether it was manufactured as an individual unit or in series.”

- Very narrow scope/ strict interpretation of withdrawal matters



Type Approval

Goods placed on the market

UK government position paper:

- Broader scope, covering continuing validity concern



*“Avoid unnecessary duplication of compliance activities that have been undertaken by businesses prior to exit. This means that **where products have gone through an authorisation process prior to exit, for example a type approval for a car, this approval should remain valid in both markets after exit.**”*

Next steps

Brexit process

- European Council Summit, 18-20 October
 - sufficient progress?
- Continuation of UK/EU negotiations
 - One week of negotiations every month
- EU (Withdrawal) Bill
 - Committee stage, 8 days of line-by-line scrutiny on full floor of HoC (date tbc)

Next steps

SMMT actions

- Continue regular and high-level engagement with UK government and parliamentarians
- Understand and communicate implications of Florence Speech and transition
- Receive feedback on last round of negotiations – goods placed on the market
- Communicate position papers on key regulatory items
- Follow and communicate EU (Withdrawal) Bill process

Preparing your business for the future

Many unknowns, but preparation can start

Action	Why
Evaluate risk exposure ➤ are you an exporter? ➤ are your customers exporters? ➤ are your suppliers from the EU? ➤ do you have a VCA ECWVTA?	Know your risk
Engage supply-chain	Mitigate risks
Feed comments/views to SMMT	Support and strengthen sector position

- SMMT member support, signposting and services being developed

Thank you

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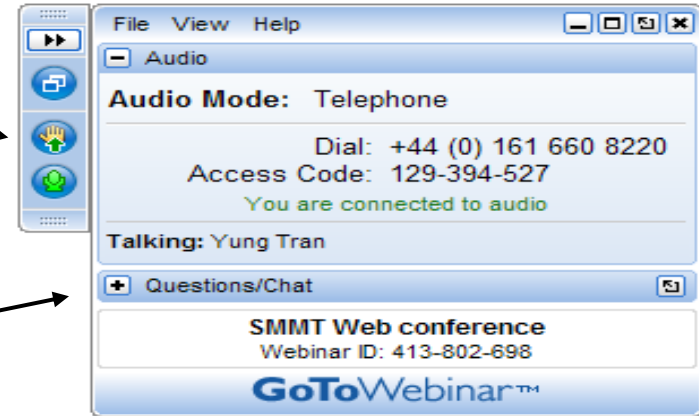


Questions and Answers

Please click on the hand symbol to raise your hand if you have a question.

Please ensure that you are connected to the audio to ask a question.

Alternatively, you can type your question.



Email: memberservices@smmt.co.uk with your questions after this session.

Slides emailed to participants after this session.