

UK automotive & Brexit 1: The future of immigration and access to talent

12 September 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.

Who we are and what we will cover in today's webinar....

- Jennifer Pheasey, Deputy Head Public Policy and Vehicle Legislation and Senior Policy Manager
 - Josh Harris, Policy Manager
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- Status of Brexit
 - SMMT Brexit activity & summary position
 - Status of people & immigration in Article 50 negotiations (UK & EU)
 - SMMT position & areas for input
 - How businesses are preparing and recommended actions

Status of Brexit – 12 September

Some key points...

- 23 June 2016: EU referendum, vote to leave; results in change of government
- January/February 2017: UK government 'Plan for Britain' outlines high-level ambition
- 30 March 2017: 'Article 50' is triggered – UK 2 year deadline to leave
- 8 June 2017: General Election – scope to deliver softer Brexit increased
- June 2017: UK-EU official negotiations begin; monthly meetings; initial focus on people, money and Northern Ireland – no discussions on 'future' until sufficient progress on key issues
- June 2017: EU (Withdrawal) Bill and accompanying Brexit Bills e.g. Immigration Bill
- July-September: Citizen's Rights' and UK Brexit Position Papers
- August: Most recent negotiations still focus on people, money and NI
- Autumn 2017: UK Parliament to progress Bills; Negotiations to continue

Restricting free movement a major campaign issue

Automotive is a key sector in Brexit

End of free movement is an early UK government commitment

Citizen's Rights paper sought to deliver certainty; strong challenge by EU

SMMT's Strategic Approach

Delivering Automotive as a priority



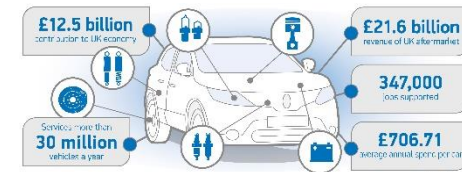
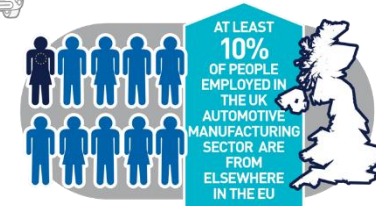
| Audience | Actions |
|-----------------------|--|
| Public communications | Media engagement UK & EU |
| Political influence | UK and EU engagement with politicians, officials and EU Member States, sister associations |
| Member engagement | Brexit Taskforce International Trade WG Customs & Tariffs WG SMMT Sections & Committees |



Brexit – UK automotive priorities

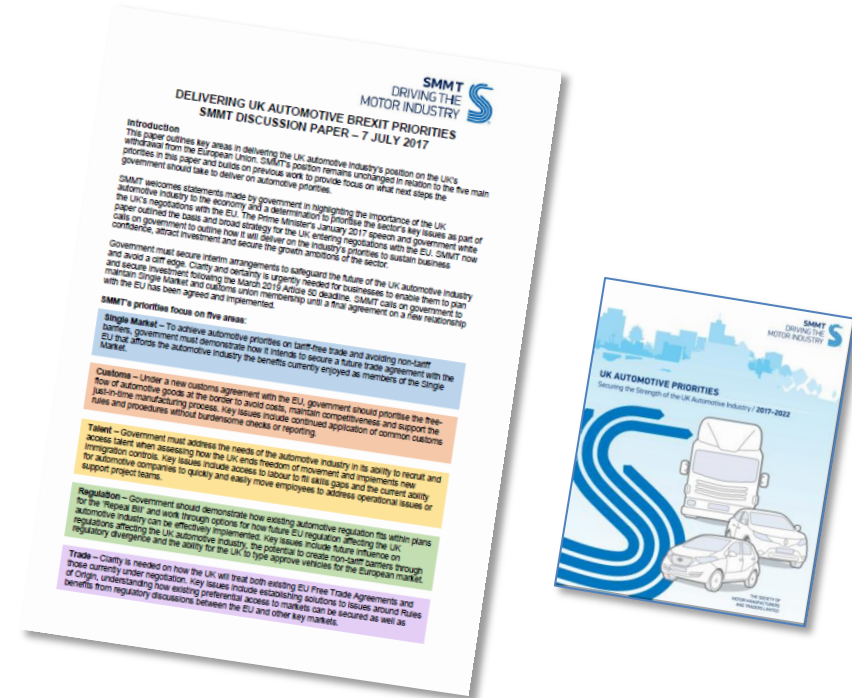
SMMT position

- **Single Market** - Ensure UK automotive is able to operate without tariff or non-tariff barriers on its exports and imports to and from the EU
- **Customs** - Secure a customs agreement which provides frictionless trade and recognises the integrated nature of supply chains across Europe
- **Talent** – Guarantee the automotive sector with unrestricted access to talent across Europe
- **Regulations** – Create regulatory certainty through harmonisation and future influence
- **Trade** – Secure the UK's position in current EU trade deals and clarify the status of UK trade relationships
- **....Transition** - Current arrangements should continue to apply should no future agreement be reached



SMMT & Brexit: developing position papers on key issues

- June 2017 & ongoing: Key messaging in new Parliament focused document 'UK automotive priorities 2017-2022'
- 21 June: 'Business as usual' transition messaging at SMMT International Summit
- July 2017: Communication of SMMT discussion paper
- Aug 2017: Comment on government position papers; Transition position paper
- Aug/Sept: Comment on government position papers; Developing talent/immigration positioning; engaging govt
- Ongoing: Regulatory issue positions
- Ongoing: Customs position paper



What we know about EU migration....

Employment of EU nationals by occupation, 2013 to 2015

% of workers employed in different occupations

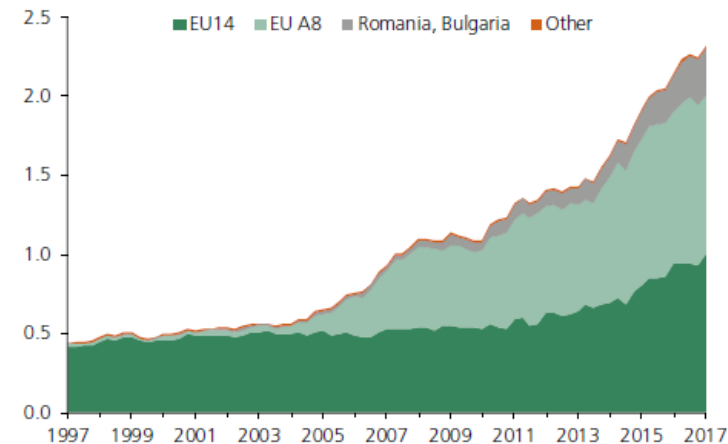


Notes: occupations ordered based on median hourly pay excluding overtime at April 2016.

Source: ONS, *International immigration and the labour market, UK*, 12 April 2017, using Annual Population Survey data for 2013 to 2015

EU nationals working in the UK, 1997-2017

Millions, not seasonally adjusted



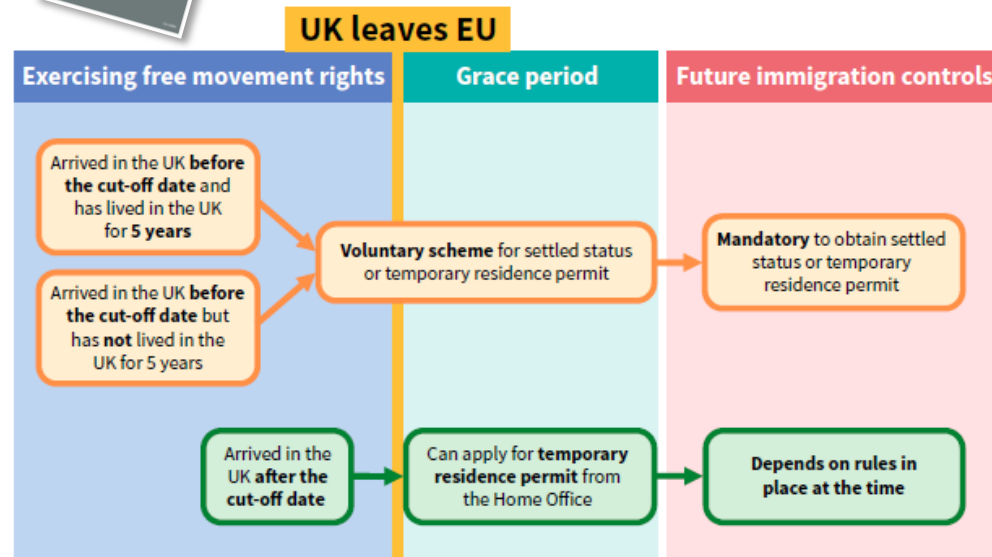
Source: ONS, *UK Labour Market, May 2017*, Table EMP06

- ONS data has limitations
- Recent ONS data suggests drop in EU migrants coming to UK and an increase in departures

UK government position



- EU citizens who arrive before a cut-off date and have 5 years' continuous residence will be eligible for settled status
- EU citizens looking to remain will need to apply for documentation
- EU citizens with 'settled status' will continue to have broadly the same access to healthcare, education' etc
- People who arrive before the cut-off date but do not have 5 years residency by exit day can stay and apply once they meet criteria
- ...but it is a negotiation...



Migration Advisory Committee

Call for Evidence on 'Brexit and aligning UK immigration system with modern industrial strategy'

- Deadline 27 October; response plus roundtables
- 3 parts to all questions: Migration Trends; Recruitment Practices, Training and Skills; Economic, Social and Fiscal Impacts
- Some key areas where SMMT will require further input:
 - Trends in EEA workers over time
 - Contingency planning
 - Advantages and disadvantages of employing EU workers
 - Low skilled workers/views on shortage occupation list
- Case studies/supporting information



- *Will companies also respond directly?*
- *Seek member views*

Key issues with UK proposals and future documents



- Certainty on transition needed
- Lacks detail, final arrangements not in place until negotiation completed
- Costs – likely +£1000 apply for settled status (would include annual skills charge, health surcharge and other fees).
- UK skills gaps/challenges: pressure from a breadth of sectors

What next?

- *September/October?:* Home Office paper on admin requirements and fees for a new EU visas and immigration system
- *Late 2017?:* Immigration White Paper/consultation
- *Early 2018:* Immigration Bill
- *2018:* Migration Advisory Committee report to Government on EU migration

“more ambition, clarity and guarantees”

Michel Barnier

EU/UK position comparison

A challenging area

- ✓ Current rights apply until date of exit
- ✓ Current dependents/family members
- ✗ Future dependents/family members
- ✓ Frontier workers
- ✗ Enforcement of rights
- ✗ Legal issues
- ✓ Conditions for residency
- ✗ Current holders of permanent residency
- ✓ Associated rights
- ✗ Voting rights
- ✓ ✗ Healthcare



‘Improve the
Brexit offer to EU
citizens, or we’ll
veto the deal’
Guy Verhofstadt
MEP

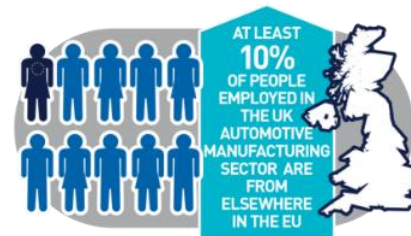


COMPARISON OF EU/UK POSITIONS ON CITIZENS' RIGHTS – 31/08/2017

The working group completed a mapping of the alignment between the two parties' positions, to prioritise future discussions. This table summarises the UK and EU positions and compares them. Green indicates convergence, red indicates divergence and yellow indicates where further discussion is required to deepen understanding.

| TOPIC | DETAIL | EU POSITION | UK POSITION | ISSUES |
|----------------|--|--|---|---------------|
| Personal scope | EU nationals lawfully resident before the cut off date | Date of UK's withdrawal | Between the date of ASD trigger and date of exit | UK to clarify |
| | | EU citizens resident in accordance with Art 6, 7, 12, 13, 14, 16 and/or 17 of Directive 2004/38 | EU citizens resident in accordance with Art 6, 7, 12, 13, 14, 16 and/or 17 of Directive 2004/38 | |
| | | EU rules with usual margins of discretion | UK prepared to specify in the WA details of implementation such as lack of Comprehensive Sickness Insurance (CSI) or not testing 'genuine and effective' work | |
| | EU national posted workers | Not covered by the citizens' rights chapter of the WA (linked to cross-border services). | EU national posted workers at the cut off date within scope of WA | |
| | Frontier workers | Those who are working as a frontier worker at the specified date fall within the scope of the WA for as long | UK will offer reciprocal arrangements. | |

UK automotive and immigration



- % EU workers varies by location, manufacturer, size and type of business
- Supply-chain levels vary – 0 to 30% non-UK EU workers
- Only anecdotal information for other parts of automotive
 - Logistics: potentially significant % i.e. drivers, port employees
 - Aftermarket: limited non-UK employment
 - Retail: unknown, potentially significant % i.e. technicians
- Contractor/agency roles typically higher % non-UK EU workers

- UK automotive employs EU workers in all types of roles within businesses: senior executive/leadership, finance, customer service, HR, engineers, technicians, IT and more
- Automotive roles are skilled
- Non-UK EU employees help support hard-to-fill positions
- Moving staff between sites is part of how we structure our businesses
- UK to EU sites and vice-versa can be for very short-term (1 day) to 5 years +

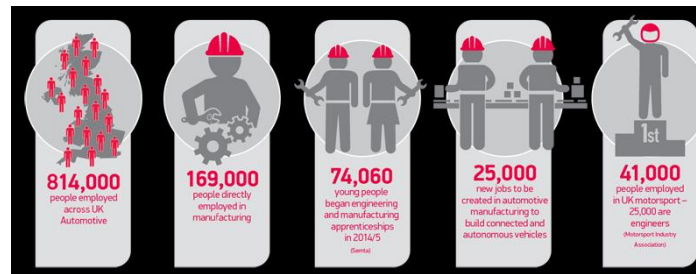
SMMT high-level position on ‘access to talent’

| Priority | Solution |
|---|---|
| Certainty on the right-to-work status of EU nationals already in the UK. | ➤ Early statement confirming the right-to-work status of EU nationals already in the UK and certainty for their dependents. |
| Flexibility to for automotive workers to move between plants at short-notice with no or minimal cost and administrative burdens. | ➤ An immigration system which includes the flexibility of automotive workers to move between plants at short-notice with no or minimal cost and administrative burdens. |
| Access to EU workers to support UK automotive critical skills gap challenge and workforce flexibility. | ➤ An immigration system which maintains access to EU workers as required for automotive requirements with no or minimal administrative or cost burdens. |
| Maintain the UK’s competitive advantage of a flexible workforce. | ➤ Continuity in the UK’s competitive advantage of a skilled and flexible workforce. |

UK automotive skills needs and challenges

Access to a wide workforce pool is critical to UK automotive success

- Automotive manufacturing has a skills gap of around 5,000 people; with a particularly acute demand for engineering skills.
- This skills gap is projected to increase.
- Engineering skills – companies are typically always advertising for new staff
- A number of acute skills gaps in the industry – engineering, leadership, IT, languages
- Board level and leadership roles mixed local/international skills set – often from HQ



SMMT key questions

Welcome your views

- EU staff levels, job roles, etc
- How and why you employ non-UK labour
- Risks/challenges of future restrictions
- Any immediate Brexit impact
- Restrictions based on job role, skill level, salary threshold
- If you send UK staff to other EU sites
- Migration Advisory Committee questions
- How can SMMT support you?
- Any views or comments



Preparing your business for the future

Many unknowns, but preparation can start

| Action | Why |
|---|---|
| Gather EU workforce data | Know your risk |
| Gather historical data i.e. when first in UK | Role of employer in immigration to increase |
| Contingency planning, assessing skills challenges | Mitigate risks |
| Assist or support concerned/affected staff | Reduce risk of staff leaving |
| 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.