UK Automotive – Brexit Briefing

UK automotive – An Overview

- **168,000 people are employed directly in automotive manufacturing. The sector, as a whole, employs 823,000.**
- **The total economic impact of the sector is over £200bn (10% of UK GDP) with every £1 generated by automotive delivering £3 to the UK economy.**
- **Automotive accounts for 14.4% of total UK exports in goods, worth £44.4 billion.**
- **81.5% of cars made in the UK are exported to 160 markets worldwide.**
- **Car exports and engine production are at high levels, with 1.52m cars and 2.71m engines built in 2018.**

Avoiding a No-Deal Brexit

- It is essential that a no-deal Brexit be avoided, not just on 12 April, but under any circumstances.
- Leaving the EU without a deal would add significant cost to UK Automotive. A 10% tariff would add £1.8bn to the cost of exports to the EU and £2.7bn to the cost of imports.
- Border disruption would undermine automotive's highly efficient just-in-time manufacturing. 1100 trucks deliver £42 million worth of parts and components to UK vehicle and engine plants every day. Border delays will disrupt, and could stop manufacturing, costing £50,000 in gross value added to the industry, or over £70 million per day.
- UK automotive is already bearing the cost of Brexit, even before the UK has withdrawn from the EU. 20% of automotive companies have lost business as a direct consequence of Brexit; more than 50% have seen operations suffer because of uncertainty regarding the UK's future trading relationships; 12.4% have moved operations abroad as part of contingency planning; 12.4% have cut headcount as part of contingency planning; and inwards investment is down -46.5%.

A Future Relationship that delivers for UK Automotive

- UK Automotive is highly integrated with the EU. The sector's competitiveness relies upon manufacturer's ability to move goods freely across the border, just-in-time and just-in-sequence. For the automotive sector to remain competitive, the UK's future trading relationship with the EU must deliver frictionless trade with the EU.
- Frictionless trade is best secured by remaining in the customs union and delivering the outcomes of the single market.
- The customs union creates a single customs territory within which goods are traded tariff free regardless of their origin. The single market creates a common market with a shared regulatory framework and a common approach to market surveillance, security controls, compliance and redress. Taken together, the customs union and the single market provide for genuinely frictionless trade. Any future arrangement between the UK and the EU must replicate the benefits of this combination.
- Access to existing preferential trading terms with third countries must be secured through the replication of the benefits of EU free trade agreements. Securing agreement to the continuing cumulation of EU content for the purposes of rules of origin is essential to delivering those benefits.UK automotive trades globally, and over 15% of the sector's exports go to countries with whom the EU has agreed an FTA.
- The sector also requires ongoing access to EU talent, and the ability to move employees freely across sites in the UK and the EU. 10% of employees in UK automotive come from other EU member states.
- **Annex A** sets out the extent to which different models for the future relationship deliver the automotive sector's priorities.

UK Automotive Industry Key Asks

1. Avoid a "no-deal Brexit" under any circumstances.
2. Secure a future trading relationship that delivers tariff free and frictionless trade with the EU.

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Annex A – Assessment of Future UK/EU Trade Models

This table assesses the extent to which different models for the UK's future relationship with the EU delivers on the automotive sector's priorities. For UK automotive to continue to be competitive, the future relationship must: deliver frictionless trade; be tariff free; deliver the outcomes of the customs union and guarantee the free flow of goods across the border; secure the benefits of the single market through regulatory harmonisation; guarantee the ability to access talent freely from across the EU; secure the existing benefits of EU trade agreements; and guarantee the UK's continuing participation in EU R&D programmes.

	Tariffs	Customs	Regulatory Alignment	Regulatory Influence	People	International Trade	R&D
Single Market + Customs Union (“Norway+”)	Delivered	Delivered	Delivered	Partially Delivered	Delivered	Likely, but untested	Delivered
EEA Membership (“Norway Model”)	Partially Delivered (depending on rules of origin)	Partially Delivered (physical border with simplifications)	Delivered	Partially Delivered (ability to comment on proposals but not to vote)	Delivered	Not Delivered	Delivered
EFTA Member (“Swiss Model”)	Partially Delivered (depending on rules of origin)	Partially Delivered (physical border, simplifications)	Partially Delivered (no automatic alignment)	Partially Delivered (less than EEA)	Delivered	Not Delivered	Delivered
Customs Union for Industrial Goods Only (“Turkey Model”)	Delivered	Partially Delivered (physical border, free circulation)	Partially Delivered (depending on the terms of a CU)	Not Delivered	Not Delivered	Not Delivered	Delivered
Association Agreement (“Ukraine Model”)	Partially Delivered (depending on rules of origin)	Not Delivered	Partially Delivered (depending on the terms of an AA)	Not Delivered	Not Delivered	Not Delivered	Delivered
FTA (“Canada Model”)	Partially Delivered (depending on rules of origin)	Not Delivered	Not Delivered (but partial mutual recognition possible)	Not Delivered	Not Delivered	Not Delivered	Not Delivered