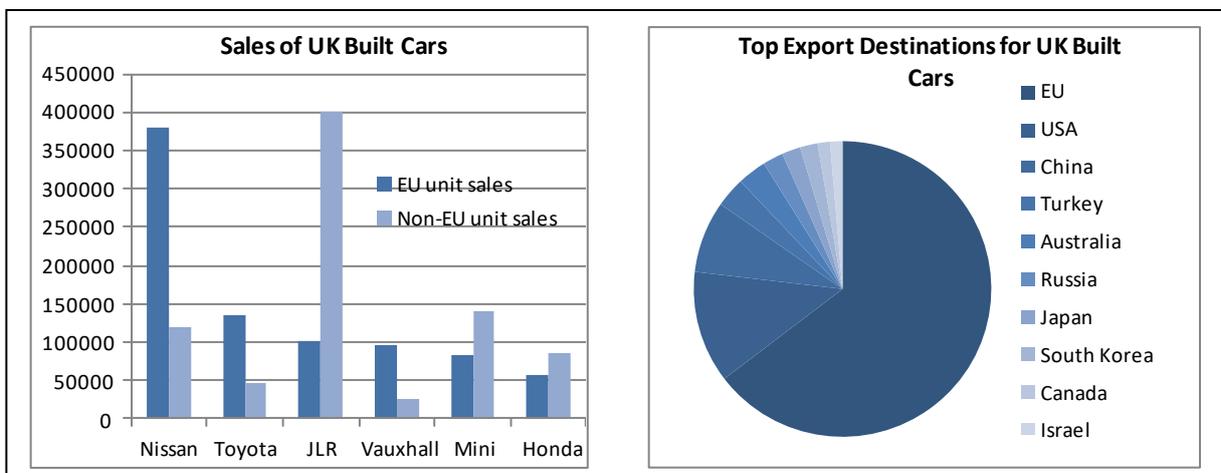


EU TARIFFS ON UK EXPORTS

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Background

The UK automotive sector currently has tariff free access to the Single Market. This helps the UK remain competitive as our supply chain companies' sell components to other EU automotive companies and as our OEMs sell vehicles directly to a consumer market of over 500 million people. Unless access to the Single Market can be negotiated following the UK's withdrawal from the EU, UK companies selling components to the EU will face an average export tariff of 4.5% while manufacturers of vehicles will face an export tariff of 10%.



Nearly 1.7 million vehicles were manufactured in the UK last year, however over 1.2 million of these vehicles were exported. In total nearly 60% of the cars produced in the UK were sold within the EU. For some OEMs this figure is considerably higher with in excess of 75% of cars produced in the UK being sold within the EU. For engines the position is similar with over 55% of engines produced in the UK being sold within the EU.

Impact of the UK's withdrawal from the EU

Although the UK is a significant consumer market, it is not large enough alone to support the size of our current automotive manufacturing sector. In 2015, 2.6 million new cars were registered in the UK, 18.5% of the 14.2 million that were registered across the EU and EEA as a whole. The export market will always be vital if the UK government wishes to sustain and expand the existing UK automotive manufacturing sector. Although the sector welcomes the government's focus on opening up new markets, the regional nature of the automotive sector will mean that the EU must remain the UK automotive market's single largest export market in order for the sector to thrive. This means export tariffs are a critical issue.

UK car sales accounted for **18.5%** of total car sales in the EU and EEA in 2015

The final sale price of a car is affected by a number of factors other than just the costs of manufacturing the vehicle, on which tariffs could be placed; however it is clear that a 10% tariff will have a significant impact on the final sale price and would therefore also impact demand for British built cars.

While recent falls in the value of sterling make UK exports cheaper, the value of sterling against the Euro and dollar is around 15% lower than the long run average. Companies cannot rely on sterling

remaining at this lower rate and in any case the low value of sterling is a two-way street as it raises the cost imported components which account for nearly 60% of components in UK built cars.

UK Automotive Priorities

- Establishing a permanent deal which ensures that the UK automotive industry is able to sell into the EU free of tariffs.
- As part of any negotiation ensuring that transitional measures are put in place (if required) to prevent tariff being placed on UK automotive exports during any gap between the UK leaving the EU and establishing a new trading relationship with the EU.
- Continued reassurance to major inward investors by the UK Government to help continue to secure investments during this period of uncertainty.

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