



European
Automobile
Manufacturers
Association

Brexit and the competitiveness of the European auto industry

**AUTOMOTIVE INTERGROUP
COMMITTEE OF THE REGIONS**

Erik Jonnaert

ACEA Secretary General

Thursday, 6 December 2018





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HONDA

The Power of Dreams



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KEY FIGURES ABOUT THE INDUSTRY

13.3 million Europeans work in the automotive sector

3.4 million jobs in automotive manufacturing

€413 billion in tax revenues (EU15)

€53.8 billion in R&D spending, largest private investor

€90.3 billion positive net trade contribution

Motor vehicle trade between the UK and the EU27

EU27 EXPORTS

- **Less than 3 out of 10 EU-built cars are exported (27.4%)**
 - Of which 34% goes to the United Kingdom



- **EU27 exports to the UK in 2017**
 - 2.3 million motor vehicles , worth €38.4 billion
- **69% of all cars sold in UK were manufactured in the EU27**

UK EXPORTS

- **8 out of 10 cars made in the United Kingdom are exported**
 - Of which 54% goes to EU member states

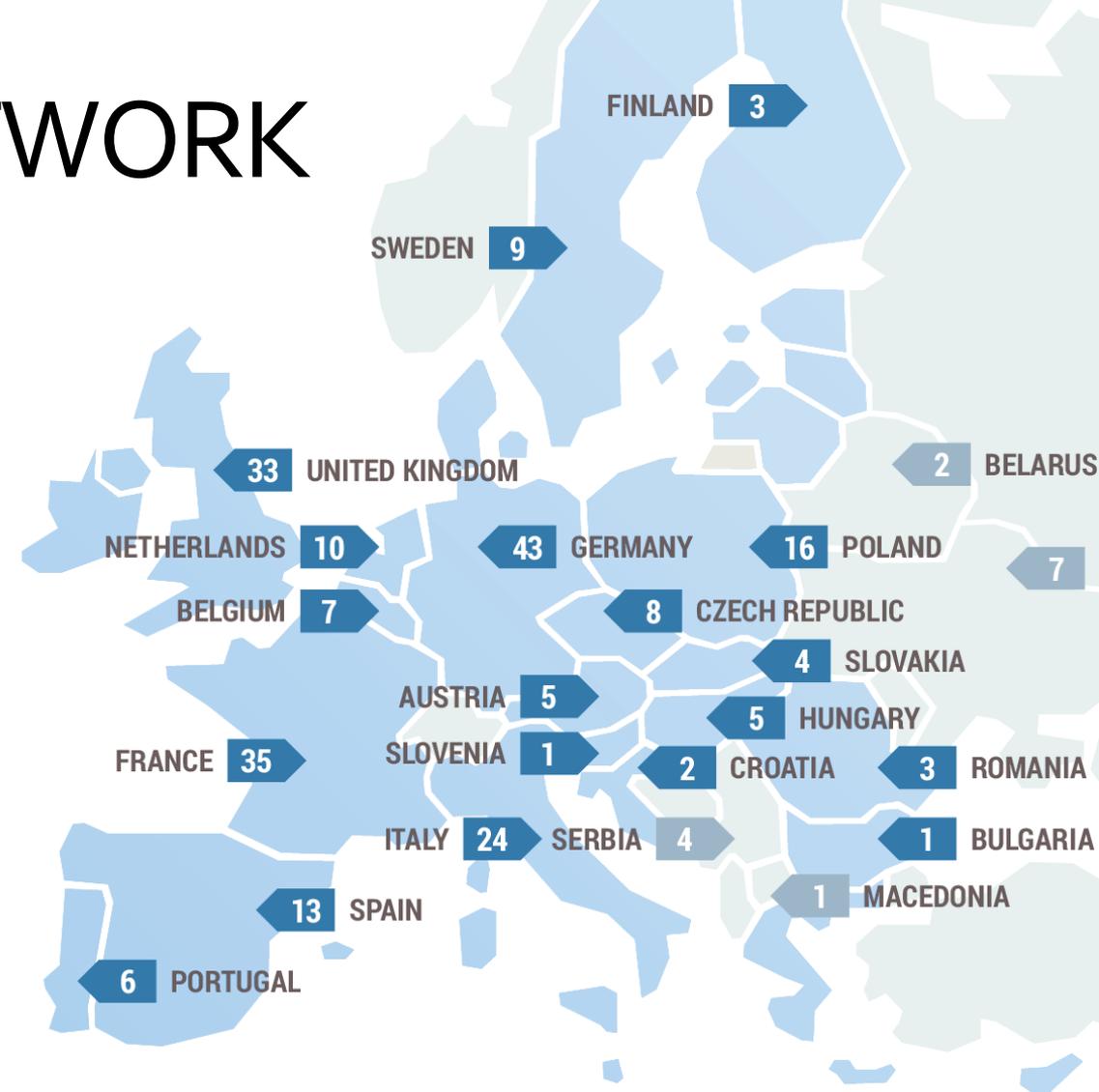


- **UK exports to the EU27 in 2017**
 - 804,332 motor vehicles , worth €14.5 billion
- **6.3% of all cars sold in EU27 were manufactured in the UK**

Integrated manufacturing network spanning Europe

MANUFACTURING NETWORK

- Today, vehicle manufacturers operate more than 300 assembly and production plants across the European continent
 - 33 plants in the United Kingdom
- Often making components, such as engines and transmissions, in one country and assembling the final motor vehicle in another EU member state



COMPLEX INDUSTRY

- **Automotive manufacturing is a highly complex industry**
 - A single vehicle part may be composed of over 30 components
 - In turn, each component can undergo up to 100 process steps to become a finished product
 - It may pass through 15 countries, crossing borders multiple times
 - Finally, a single motor vehicle consists of around 30,000 parts
- **Today, the European Single Market enables the free movement of goods, capital, services & people, which is fully leveraged by OEMs & suppliers**

IMPACT OF BREXIT

- **Today, the EU and UK auto industries are closely integrated**
 - From an economic, regulatory and technical point of view
- **Exact ramifications of Brexit are still difficult to predict**
- **Yet, any Brexit-related changes to the current (high) level of integration will most certainly have an adverse impact on:**
 - Auto manufacturers and suppliers with operations in the EU27
 - Auto manufacturers and suppliers with operations in the UK
 - Industrial competitiveness of both industries (on the global market)
 - The European economy at large

Industry's key concerns on the potential implications of Brexit

- **Brexit impact would likely be felt in at least three key areas:**
 1. Access to each other's markets
 - Customs procedures (delays may stop production)
 - Introduction of import duties
 2. Regulatory framework for the automotive industry
 3. Access to labour and skills

1. ACCESS TO EACH OTHER'S MARKETS

- **If the UK leaves the Single Market without any measures to replace the current system in place, the free circulation and tariff-free flow of goods between the EU27 and UK will no longer be guaranteed**
- **Without a deal, tariffs (under WTO) would amount to:**
 - 10% for passenger cars
 - 10 to 22% for commercial vehicles
 - 3-4% on average for parts and components

1. ACCESS TO EACH OTHER'S MARKETS

- **Setting up border checks between the EU27 and the UK would:**
 1. Require formal import and export procedures, adding significant costs for our industry
 2. Put customs systems across Europe under very significant pressure
- **Port congestion, for example, may endanger the 'just-in-time' production systems that are so vital to the European auto industry**
 - Every day 1,100 EU trucks cross the Channel to supply UK plants alone



2. THE REGULATORY FRAMEWORK

- **Current regulatory framework provides common legislation in various areas that are vital to the EU auto industry**
- **Type approval**
 - UK type-approval authority (VCA) checks a significant percentage of motor vehicles before they are placed on the EU market
 - Departure from the Single Market without a deal means that type-approval certificates issued by the VCA may no longer be valid in the EU27
- **No regulatory barriers should be introduced after Brexit**
 - Regulatory divergence and uncertainty in legal framework would give rise to NTBs
 - Leads to additional costs and hampers the industry's competitiveness

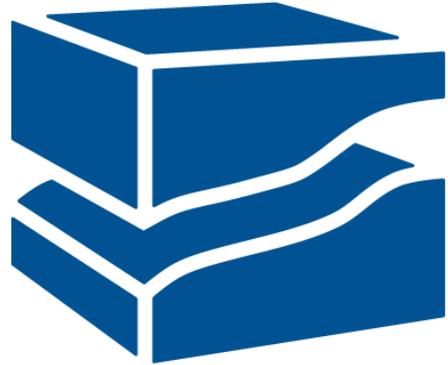
3. ACCESS TO LABOUR AND SKILLS

- **Auto manufacturers rely on the free movement of people for unrestricted access to skills and expertise of Europe's workforce**
 - Need to be able to freely deploy employees to various locations in different countries without any bureaucratic obstacles
 - At least 10% of people employed in the UK automotive manufacturing sector are from elsewhere in the EU
- **Brexit expected to have negative impact on the efficiency and competitiveness of our industry as well as on automotive employment in Europe**

CONCLUSION

- **Highly-integrated manufacturing network spanning Europe**
 - Complex supply chains and production relying on 'just-in-time' delivery
- **Brexit leads to uncertainty for Europe's automotive industry**
- **Stable legal and regulatory framework is imperative to:**
 - Taking decisions on future investments (product cycles of 4-7 years)
 - Safeguarding competitiveness of the European automobile industry
- **Crucial that 'divorce' agreement is concluded to ensure a transition period guaranteeing an orderly withdrawal**
 - Impact of a no-deal Brexit on the auto industry would be catastrophic

THANK YOU FOR YOUR ATTENTION



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