

„What does Brexit mean for automotive regions? “

The Automotive Intergroup in the Committee of the Regions, chaired by the State of Styria, held an information event on the effects of Brexit on the automotive industry on December 7. The speakers were Barbara Eibinger-Miedl (Minister of the Province of Styria), Fabrizio Sacchetti (European Commission, Task Force Art.50), Erik Jonnaert (Secretary General of the European Automobile Manufacturers Association ACEA) and Maurus Unsöld (BMW Representation in Brussels).

Fabrizio Sacchetti emphasized on the difficulties that are in the way of an orderly Brexit for the United Kingdom (UK). Therefore, one must continue to prepare for all scenarios. The automotive sector is the one with the most integrated supply chains between the UK and the European Union (EU), consisting of a large number of highly specialized production steps, multiple exports and reimports. This sector would thus face particular difficulties. Even a free trade agreement with full facilities or a customs union will not completely prevent delayed border controls. In order to avoid such delays, it would be necessary to extend the transition period. Furthermore, given the heavy dependence of the automotive sector on exports to the rest of the world, it would be desirable for third countries to extend the EU free trade agreements on products from the UK, at least during the transition period. In order to facilitate car trade between the UK and the EU, the European Commission has also submitted a legislative proposal providing for the equivalent recognition of UK vehicle type-approvals on the European market. The proposal should be adopted by the Parliament in January in hope for reciprocity in the UK.

Erik Jonnaert recalled the seriousness of the situation, as 27 percent of European car production is exported to the UK. In addition to that, 69 percent of all vehicles sold in the UK have been manufactured in the EU. The situation becomes even more critical when one looks at supply chains, including the transport of car components several times between UK and EU. The WTO tariffs that would come into effect in a no-deal scenario would jeopardize the existing business models, as they rise the total value of cars up to 10 percent, 10 to 22 percent for commercial vehicles and three to four percent for components. Furthermore, there is a problem with border controls. Massive investments in infrastructure will be necessary in order to not let trade relations come to a standstill. For the UK, this expansion would also create geographical obstacles. The just-in-time production model used by the industry would be difficult to be carried out, as the needed components will not be able to be delivered in a timely manner. Moreover, the industry will face difficulties accessing skilled labour. OEMS even plan to stop production temporarily at some sites, due to the preparations being inadequate in many places.

Maurus Unsöld presented the preparations of the BMW Group for Brexit. Even in an orderly scenario, this would cost BMW a billion euros a year. This number will be significantly higher for larger manufacturers like VW, who export around 10 million cars. To prepare for delivery delays, BMW is currently increasing their storage capacities. Stocks should allow production to continue for at least six to eight weeks after Brexit. However, storage space in the UK and at harbours in the EU is currently scarce and thus expensive. Along with that, improved enterprise-grade IT systems could also mitigate the consequences of Brexit, both in supply chain management and in customs clearance. In the medium term, BMW is planning a greater unbundling of European and British production and considers alternative delivery routes that would relieve the Calais and Dover hubs. Above all, the sea route could present itself promising.