



BCC's Brexit Response & Economic Impact Assessment in the Automotive Sector in WM

**Economy Overview and Scrutiny Committee Meeting
26 February 2020**



Presentation for the BCC Economy Overview and Scrutiny Committee

PART I:

BCC Brexit readiness programme

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Inclusive Growth Directorate

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Brexit Programme Manager,
Birmingham City Council

PART II:

Supply chain mapping and Brexit exposure survey: Main findings & policy recommendations

Professor Alex de Ruyter

Director, Centre for Brexit Studies,
Birmingham City University

Professor David Bailey

Senior Fellow, UK in a Changing Europe
and Birmingham Business School

BCC BREXIT RESPONSE

BCC RISK REGISTER AND IMPACT ASSESSMENT



BCC Brexit Response

WM and BCC response groups and platforms

Brexit Advisory Group

Established in July 2016

WM Brexit Commission

Established in July 2018

BCC Brexit Contingency Working Group

Established in January 2019

BCC Brexit Response

BCC Risk Register: Initial impact & risk assessment for Birmingham

Short-term

Impact on citizens

- EU Settlement scheme
- Repatriation of UK citizens
- Citizens with no recourse to public funds
- Product & food safety
- Public health
- Product fraud

Businesses readiness

- Trading standards
- Imports & exports regulations
- New trade & regulatory regimes
- Introduction of WTO tariffs
- Cost of goods, materials, labour
- Supply of goods, material, labour

Mid-term

Potential increased demand of BCC services

- Loss of EU funding for key services (e.g. employment, careers, youth services)
- Adult & social care
- NRPF/vulnerable adults
- Housing/homelessness
- ICT, digital and customer services (e.g. call centre)
- Registration of vulnerable and looked after EU citizens
- Registration of the at-risk employees from the EU

Financial & operational impact on BCC

- EU funding
- Clarity on replacement funding
- Access to transnational funding (R&I, ETC)
- Workforce
- Procurement & contract management
- Data sharing & GDPR
- Delivery of major projects (e.g. CWG, HS2)

Long-term

Wider economic impact

- Unemployment
- Decrease in BCC's revenue due to economic shock
- Increase in homelessness
- Increase in the level of health and wellbeing issues
- Potential level of exposure to No-Deal Brexit in WM (12.2% and 11.3%)

BCC Brexit Response

Towards the BCC Brexit Readiness Programme

Strategy

- Addressing the key challenges in a structured way
- Reporting and documenting progress, issues, risks and planned actions regularly
- Ensuring continuous communication and collaboration

Approach

- Identifying the common needs, issues and gaps
- Coordinating the initiatives and actions for the common objectives to avoid duplication and increase efficiency
- Working as a team towards a common goal

Structure

- Following the corporate strategy for programme and project management
- Defining the objectives, activities, resources, timeline, budget and ownership for each BCC Brexit Response

BCC BREXIT READINESS PROGRAMME

OVERVIEW AND GOVERNANCE



WM BREXIT REPORTING

WM Brexit Commission
Chair: Cllr Brigid Jones

MHCLG
Liaison: Nick Page, Solihull

Reporting

Reporting

BCC BREXIT READINESS PROGRAMME

Corporate Leadership Team including Brexit Lead Officer

Head of European & International Affairs

Brexit Programme Manager

Reporting

Reporting

BCC Brexit Contingency Working Group

BCC Brexit Readiness Programme Work Streams

**Trading
Stan-
dards**

**Environ-
mental
Health**

**EU
Funding**

**EU
Settlement
Scheme**

**Supply
Chain &
Procure-
ment**

**Economic
Impact
on BCC
Revenue
&
Services**

Comms

**Regula-
tory
Change**

BCC Brexit Readiness Programme

Priority areas for BCC

Monitoring the progress of the trade talks and the transition timetable: Tracking and assessing the implications of the key agreements reached with the EU during the Transition Period in collaboration with the LGA.

Regulatory change: Monitoring the regulatory changes to have a good understanding of their impact on local authorities and their services.

Economic Impact on BCC Revenue & Services:

- Modelling and estimation of the impact of an economic shock on Council's revenue and demand for services.
- Mapping evidence base, current provision and identify gaps to shape a framework for action to be deployed to support population health and wellbeing in the context of Brexit or another significant economic shock within the city

Supply Chain and Procurement

- Estimation of the increase in costs in relation to exchange rate, import costs, etc. and their implications on the existing contracts,
- Identify the risks and the mitigation actions in relation to:
- Potential disruption in supplying of goods accredited to EU standards and goods from the EU
- Robustness of the service providers/suppliers in case of an economic shock,
- Potential data issues due to personal data is held in the EU or services with data exchange required with the EU
- Ensuring the necessary assurances to be provided by the services/suppliers/service providers

Trading Standards & Environmental Health: Monitoring the negotiations with the EU and understanding the implications of the new arrangements on local authorities and businesses

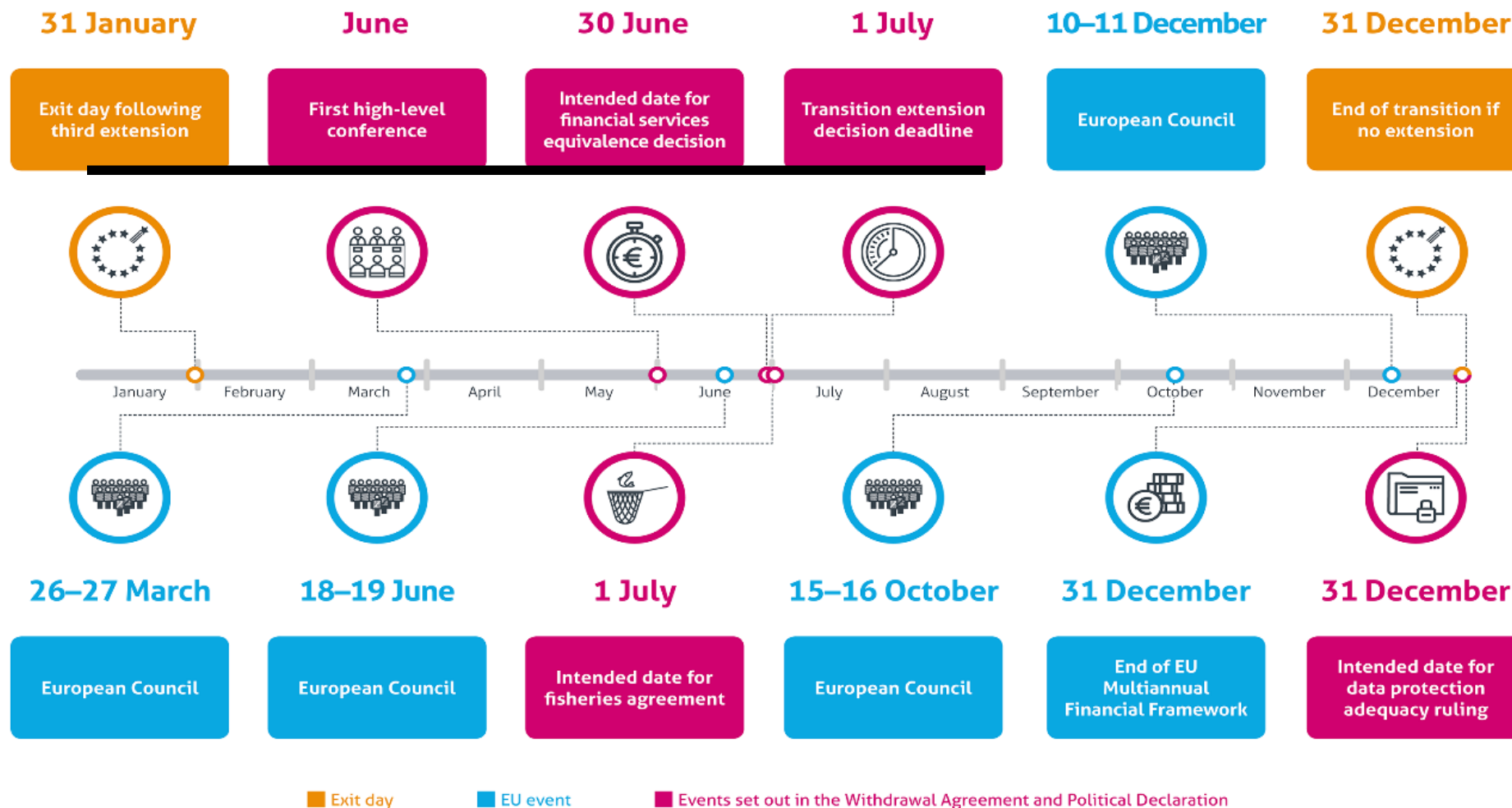
EU Settlement Scheme:

- Timely and smooth implementation of the EU Settlement Scheme and registration of all EU citizens
- Identification of the EU citizens in vulnerable groups and providing support mechanisms for them to register and obtain their rights
- Identification of the EU citizens in BCC workforce and contractors and obtaining assurances

Communication: Developing and implementing a Communication Plan to inform and raise awareness internally and externally on all Brexit related risks and necessary actions for citizens and BCC services, including collaboration with WM LAs to reach out to all stakeholders in relation to EU Settlement Scheme and business readiness

BCC Brexit Readiness Programme

Brexit key milestones in 2020



[Institute for Government](https://www.instituteofgovernment.org.uk/content/getting-brexit-done) <https://www.instituteofgovernment.org.uk/content/getting-brexit-done>

BCC Brexit Readiness Programme

Thank you very much for your attention!

Questions?

Supply chain mapping and Brexit exposure survey: main findings and policy recommendations

Professor Alex de Ruyter,

Director, Centre for Brexit Studies, Birmingham City University

Professor David Bailey,

Senior Fellow, UK in a Changing Europe and Birmingham Business School



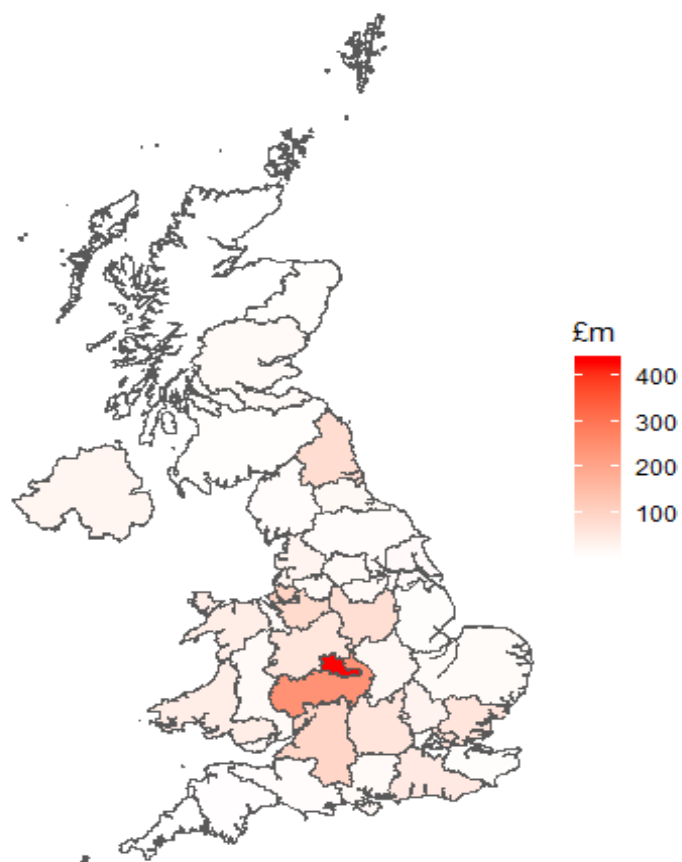
Sector overview

- In 2017, the automotive sector was directly worth £15.2bn to the UK economy and represented over 8% of total manufacturing
 - Sector directly employs 50,000 in West Midlands
- Aerospace sector accounted for 4.3% of the UK's goods exports in 2018
 - Derby and Rolls-Royce: 16,000 manufacturing jobs are clustered (out of 26,400 in the Midlands)

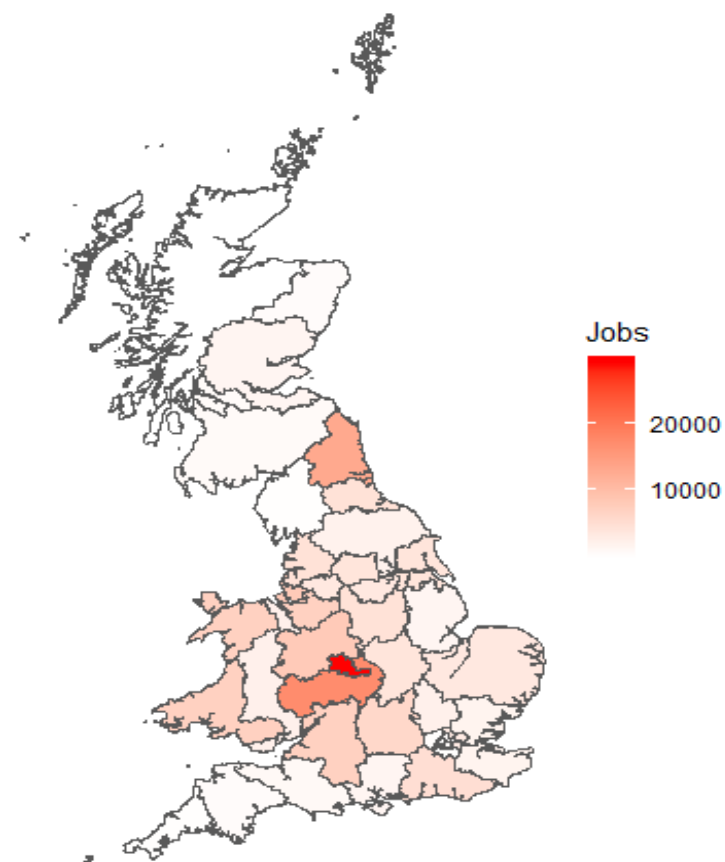
United Kingdom automotive industry manufacturing share by volume 2017

Jaguar Land Rover Automotive Plc	31.8%
Nissan Motor Manufacturing (UK) Ltd	29.6%
BMW UK Manufacturing Ltd	13.1%
Honda Motor Company Ltd	9.8%
Toyota Motor Corporation	8.6%
Other	36.8%

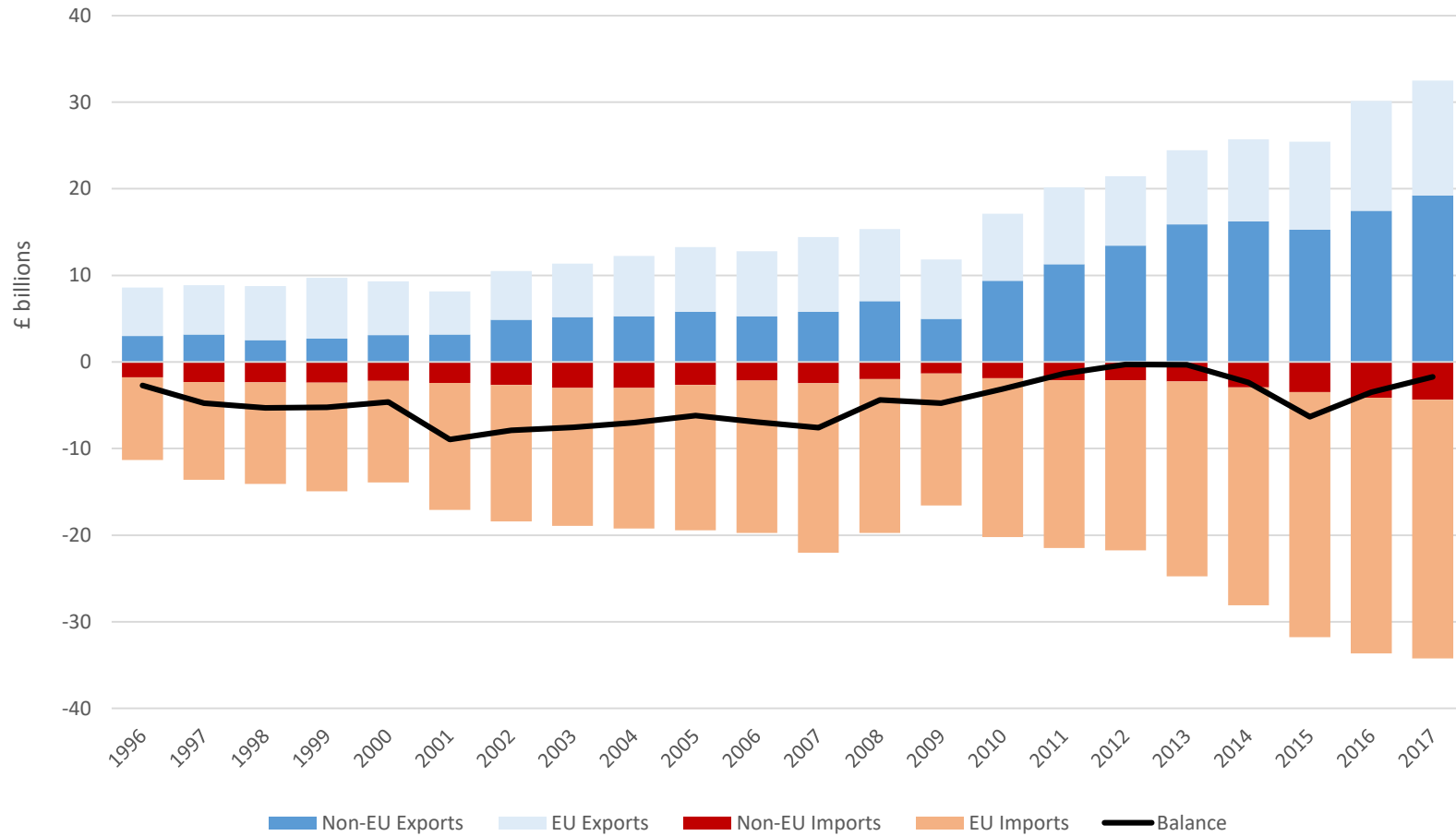
Automotive GVA by NUTS2 Region



Automotive Jobs by NUTS2 Region

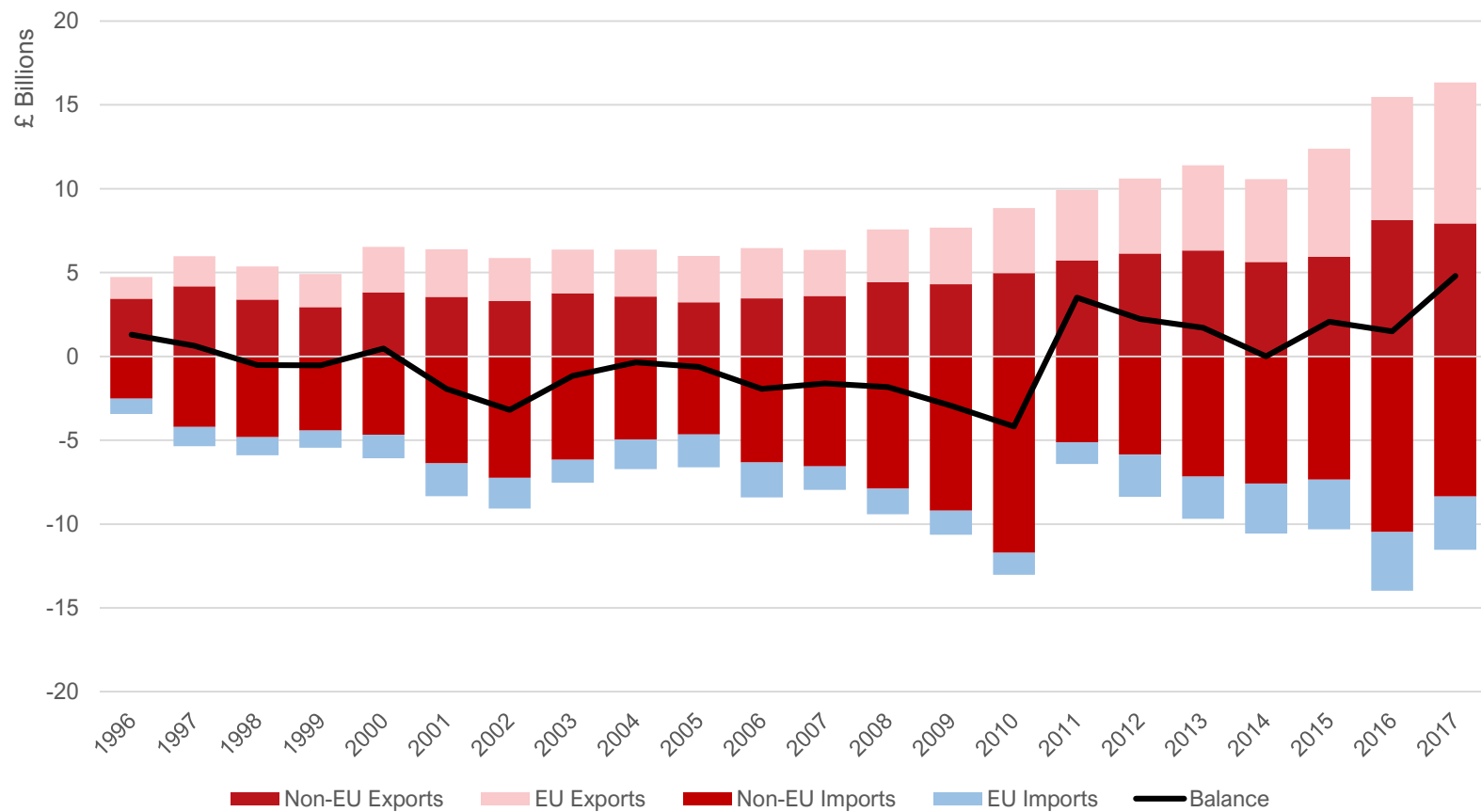


Trade in the Automotive Sector



Trade in the Aerospace Sector

Source: HMRC Overseas Trade Statistics



Project team

- Prof Alex de Ruyter (Centre for Brexit Studies)
- Ian Henry (AutoAnalysis/Centre for Brexit Studies)
- Prof David Bailey (Birmingham Business School, UoB and Senior Fellow, UKiCE)
- David Hearne (Centre for Brexit Studies)
- Rachel Eade (University of Birmingham)
- Di Li (Centre for Brexit Studies)
- Shishank Shishank (Centre for Brexit Studies)

Supply Chain Mapping Exercise and Brexit Exposure project

- Surveying large and small suppliers and logistics firms in the Midlands
- Covering companies' business/client mix, auto vs non-auto, UK vs exports and Brexit readiness
- On-line portal (see <https://forms.office.com/Pages/ResponsePage.aspx?id=VeArfoqCI0W15bd62ZOXharMkrpV8IFBrdRVgUt8Bk9UMUtaVIITUjN00U5JTVdaQUIzUk5MN1UwTC4u>) and survey conducted by Qualtrics
- 250+ responses

Key aspects examined

- Value of automotive business in Midlands
- Split by vehicle company client
- Split by location (Local Authority)
- Division between tier 1s, tier 2s and logistics and by firm size
- Employment mix – UK/EU
- Major challenges faced by supply chain:
 - Road logistics
 - Paperwork etc.

Manufacturers – position in supply chain

Tier”	Exclusivel y auto	Exclusivel y aero	Exclusivel y rail	Exclusivel y other road	Mixed
“OEM”	24	1	14	0	4
Tier 1	18	5	10	1	10
Tier 2	12	14	11	1	13
Tier 3+	4	4	0	0	3
Industrial service provider	7	0	0	1	0

Manufacturers – size distribution

Tier	Micro (<10 employee s)	Small (11-50 employee s)	Medium (51-250)	Large (251-500)	V. Large (500+)
“OEM”	3	3	10	20	7
Tier 1	1	10	15	17	1
Tier 2	1	6	15	26	3
Tier 3+	0	0	5	5	1
Industrial service provider	1	1	1	2	3

Findings 1: turnover

- Average (mean) turnover just under £500 million
 - though distorted by JLR with turnover of £25bn
- 22 firms report turnover greater than £1m per (estimated) employee
- Median turnover £32.5 million
 - automotive sector mean turnover (excluding JLR) approximately £170 million

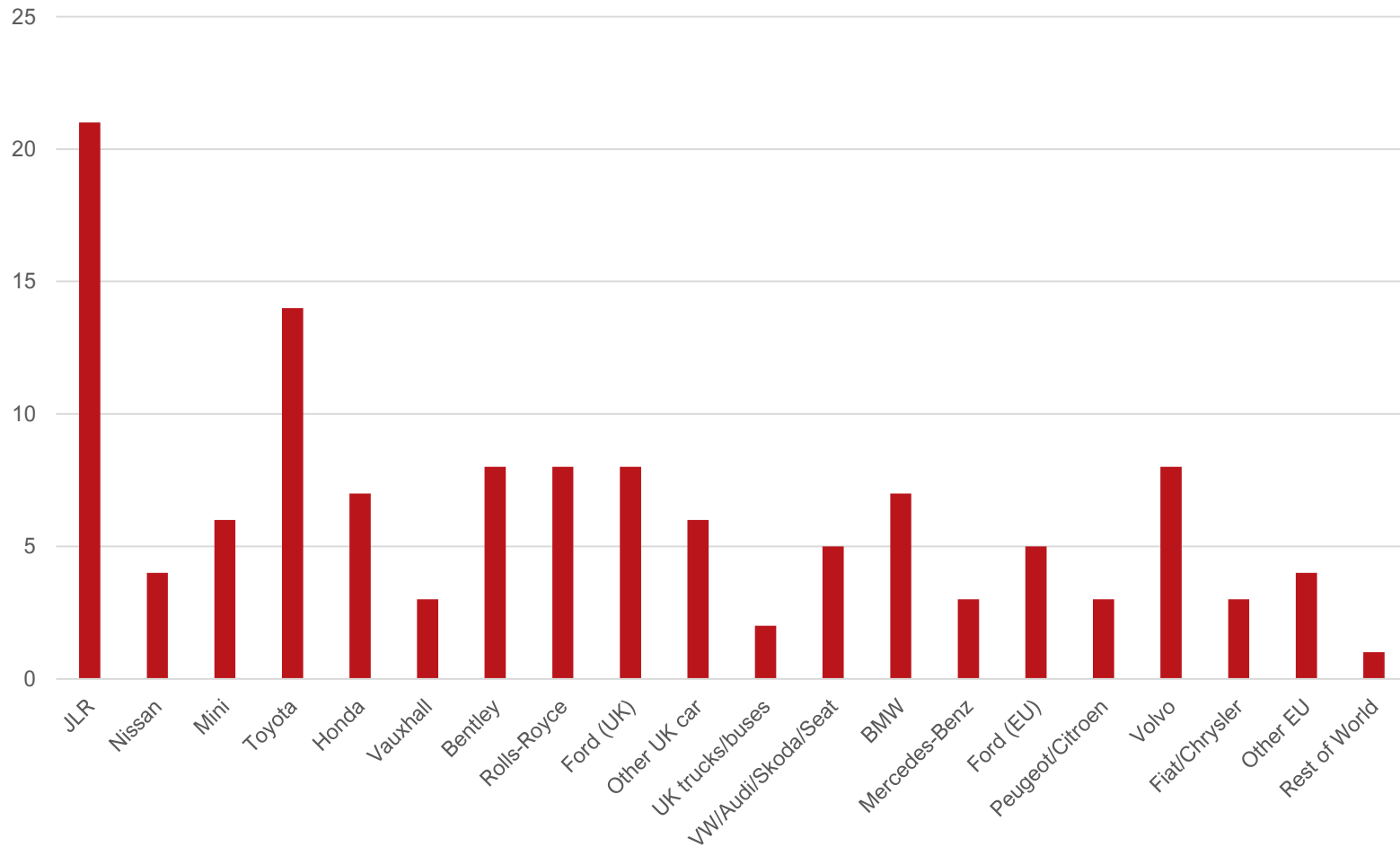
Findings 2: Workforce – dependency on EU workers

- On average, 31% of the total manufacturing workforce accounted for by the survey (just over 40,000 people) is from the EU. However, this varies substantially by firm (and firm size).
 - 32% for the very largest firms (500+)
 - 36% for large firms (251-500)
 - 13% for medium firms (51-250)
 - 8% for small firms (fewer than 50 employees)

Findings 3: average revenue dependence by suppliers on OEMs

	Average Revenue Dependence
JLR	14%
Nissan	7%
Mini	5%
Toyota	9%
Honda	7%
Vauxhall	3%
Bentley	6%
RR	5%
Ford (UK operations)	5%
Volvo	5%

Number of Exposed Firms (>20% Revenue)



Findings 4: importing to and exporting from the EU

- A large majority of manufacturers (127 firms) import from the EU
 - 93% larger manufacturers import from the EU
 - 89% of medium-sized firms import from the EU
 - 67% of small manufacturers import from the EU
- For exporters: 92% of larger manufacturers; 85% of medium ones, and;60% of smaller ones export to EU.
- 17% of exporters and 14% of importers exclusively use the Chunnel (no other transport method). A further third use rail in conjunction with another method.

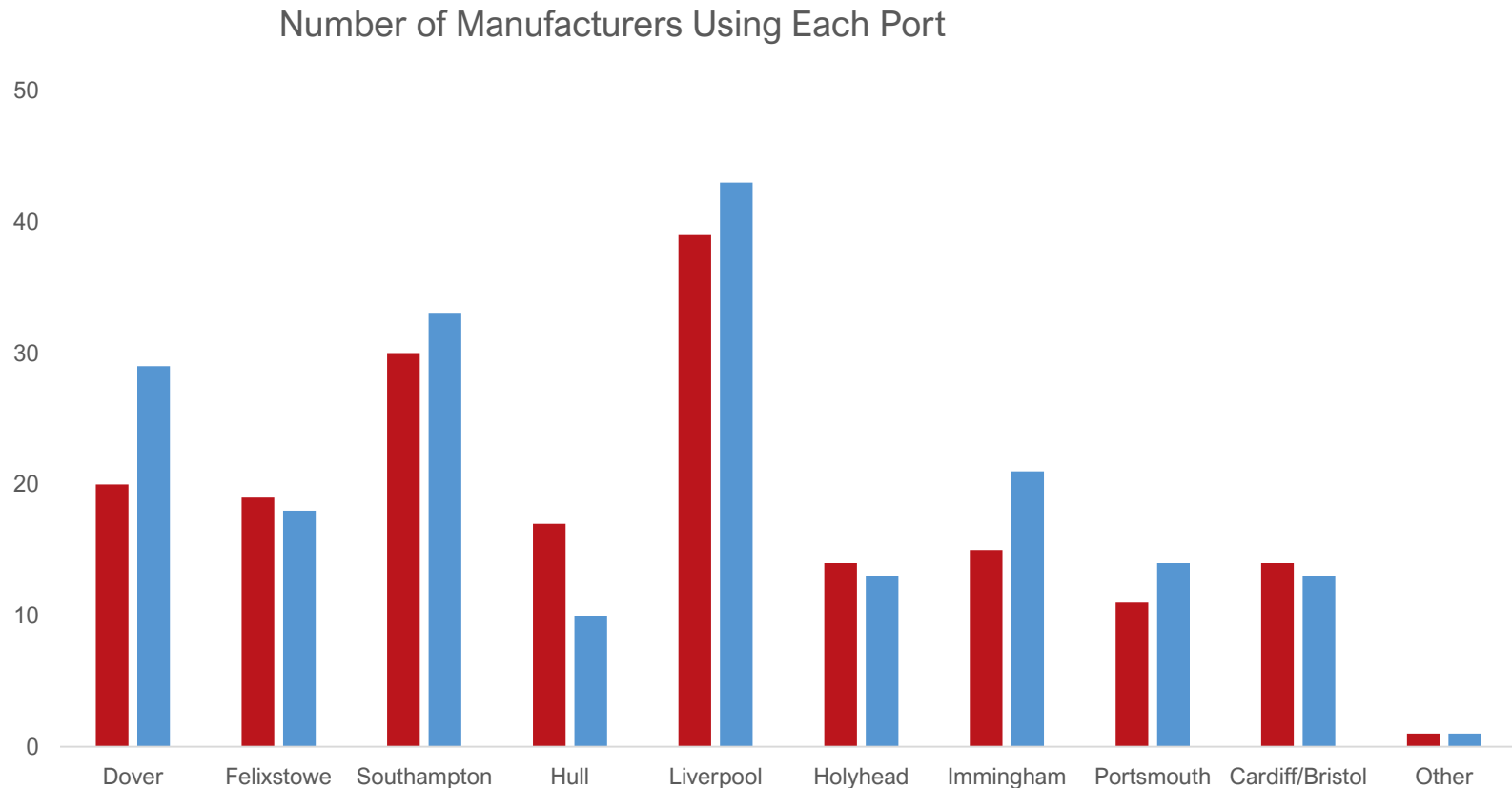
Transport mode of imports from EU

	Firm Size		
Import Type	Small (<50)	Medium (51-250)	Large (250+)
Rail	67%	64%	43%
Sea	56%	51%	76%
Air	33%	33%	61%

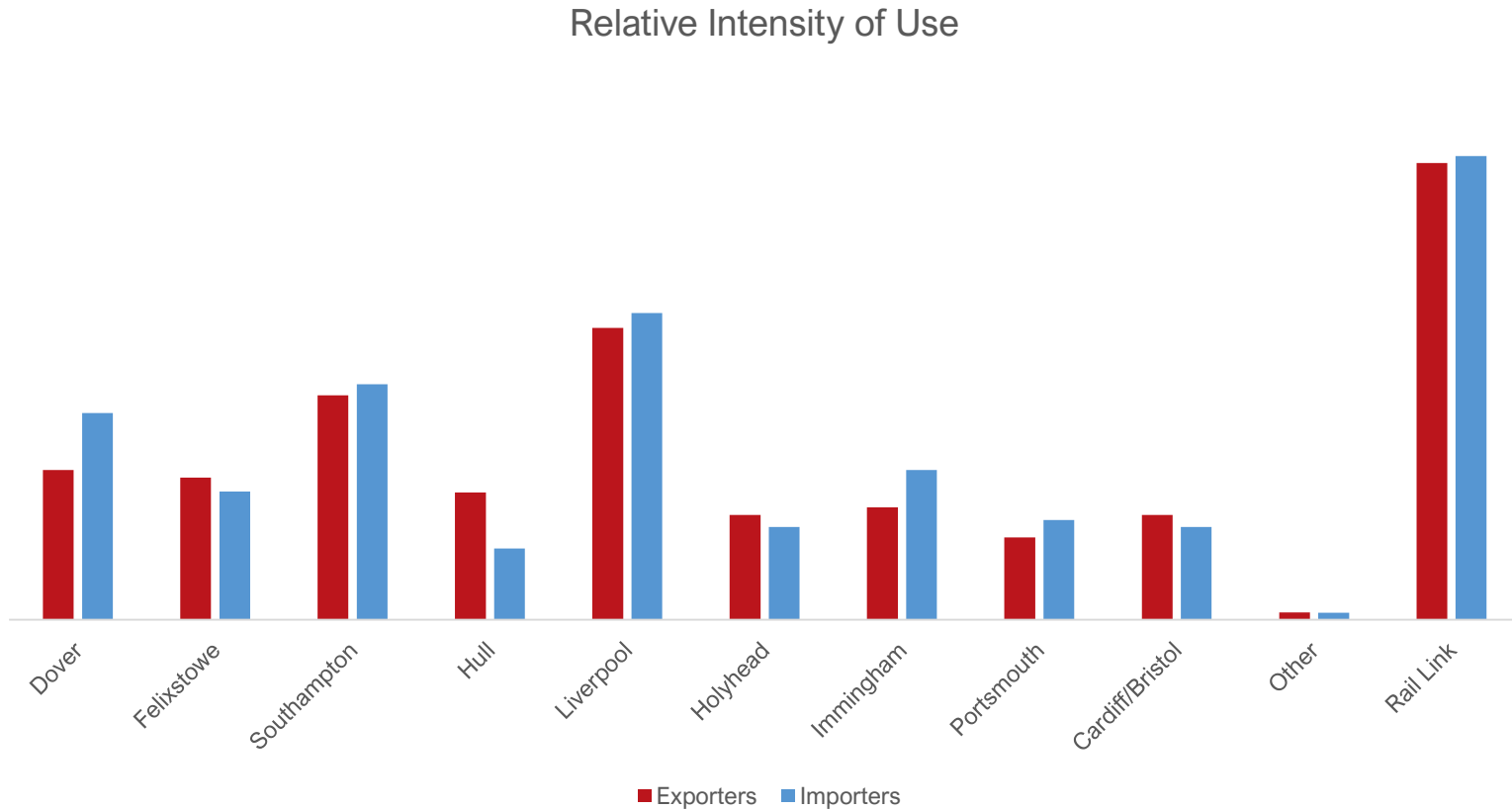
Transport mode of exports to EU

	Firm Size		
Export Type	Small (<50)	Medium (51-250)	Large (250+)
Rail	71%	58%	45%
Sea	43%	44%	73%
Air	14%	44%	54%

Transport mode dependency..



Transport mode dependency...



Transport mode dependency..

- Only freight shipped by air likely to be unaffected by Brexit.
- ***For all firms, high dependence on the Channel Tunnel rail is of concern as its combination of speed & cost is unlikely to be replicable via any other source.*** These firms are highly vulnerable.
 - There is no realistic alternative to the Chunnel that gives the same combination of speed and cost, particularly for heavier/bulky items.
 - If even a small proportion of traffic from the Chunnel gets rerouted, it will cause an increase in port traffic elsewhere..

Transport mode dependency

- Only 20% of all exporting firms use Dover at all and only 2.4% use it exclusively. For importers, the figures are broadly similar (at 23% and 3.8% respectively)
- **In this sense, Felixstowe/Harwich and Southampton are likely to prove key ports, with the A14 and A34/M3 likely to provide several “pinch points”.** Issues might also arise on freight rail links.
- Amongst our sample, the ports of Felixstowe (57 firms), Southampton (56 firms) and Liverpool (73 firms) are already used by more firms than the port of Dover (49 firms).

Transport mode dependency..

- Since the relevant block is at Calais, it seems probable that either a major French port with more capacity (potentially Dunkirk or Le Havre?) or Rotterdam could be used.
- On the UK side, to reiterate, this would put high pressure on road links to and from Southampton, Immingham/Grimsby and Felixstowe.
- Implication is A34/M3, A14 and M1/M18 could potentially see significant additional traffic.

Findings 5: Brexit exposure..

- 56% of manufacturers declare that their suppliers are “fully ready” for Brexit.
- In contrast, only 44% of firms have developed alternative logistics arrangements.
- 44% of manufacturers fully ready to be compliant with EU regulations post-Brexit.
- 55% of larger manufacturers fully established their VAT compliance, c.f. 46% of smaller ones.

Brexit exposure contd...

- Majority of firms (89%) stockpiled and proactively informed employees about settled status scheme.
- Only 24% have completed detailed, accurate activities around commodity code and product classification.
- Only 16% of firms felt their organisation was prepared with necessary skills to complete new customs requirements related to import/export.
 - Majority felt that they were at medium risk (70%), with the remainder of firms highly exposed on this front

Findings 6: policy implications..

- Most helpful activities that could be undertaken by government (whether local, regional or national) were:
 - Further investment in regional and national transport infrastructure needed.
 - Direct business funding to cover the cost of Brexit
 - Further information regarding precise procedures related to import/export. Tackling skills gaps (primarily via funding for staff training) was also felt to be imperative.
 - And, that some felt that the business tax regime could be adjusted to help soften the blow (with business rates a particular bugbear).

Recommendations

- Boost regional investment support schemes –e.g., a wider Regional Growth Fund (RGF)
- Vehicle scrappage schemes to boost demand
- Short-time working support
- Refunding tariffs levied on UK exports to (for example) the EU
- Writing-off of government loans, preferential loans, commitment to covering operating losses..

Recommendations

- Bailouts to prevent financial collapse
- Taking equity stakes in manufacturers
- Potential business tax/rates holidays
- Training funding to help companies retrain and reskill workers
- Supply-chain diversification
- Invest in expanding the on-road/car park EV charging infrastructure

Recommendations

- Establish industry support task forces
- Look to win the setting up of a battery gigafactory
- Establish Special Economic Zones (SEZ)
- Remain under the aegis of the European Aviation Safety Agency.

Thank you. Any questions?



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