

Automotive industry survey: Brexit predictions

Analysis of responses to a Europe-wide survey of automotive industry firms on their predictions for the impact of Brexit

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Introduction

The Covid-19 pandemic distracted the automotive industry from trade-deal negotiations but as a no-deal scenario looks more likely than ever, concerns over the impact of Brexit once again loom large. We surveyed a range of automotive industry firms to explore the latest predictions for the likely outcome of EU-UK talks and what they mean for our sector in 2021.

Despite ongoing reports that trade-deal negotiations are proving fruitless, at the time of our survey at the end of November 2020, over half of respondents (57%) felt that it was likely that the EU and UK would successfully complete Brexit negotiations and agree a free-trade deal (see Figure 3).

Only 9% of UK respondents claimed that the UK's membership of the EU is essential to their business

Those from the UK responded more positively than those from Europe, with two-thirds feeling it was highly likely (29%) or somewhat likely (38%) that negotiations would be successful. These figures dropped to 16% (highly likely) and 34% (somewhat likely) for European respondents.

UK respondents are showing signs that they are focused on a future outside Europe. Only

9% claimed that the UK's membership of the EU is essential to their business; 26% said it was somewhat important. A significant proportion of UK respondents (43%) said that it was not important to their business that the UK is an EU member.

In contrast, the figures for European respondents were 19% (essential that the UK is an EU member) and 35% (somewhat important). However, one-third said the UK's EU membership was not important to their business. (see Figure 4).

Methodology

The online survey was conducted in November 2020. A selection of individuals was invited to take part, with people across 12 European countries participating, in addition to those from the UK (see Figure 1).

Respondents were selected to ensure a range of responses across company types (see Figure 2).

Figure 1: Survey respondents by country

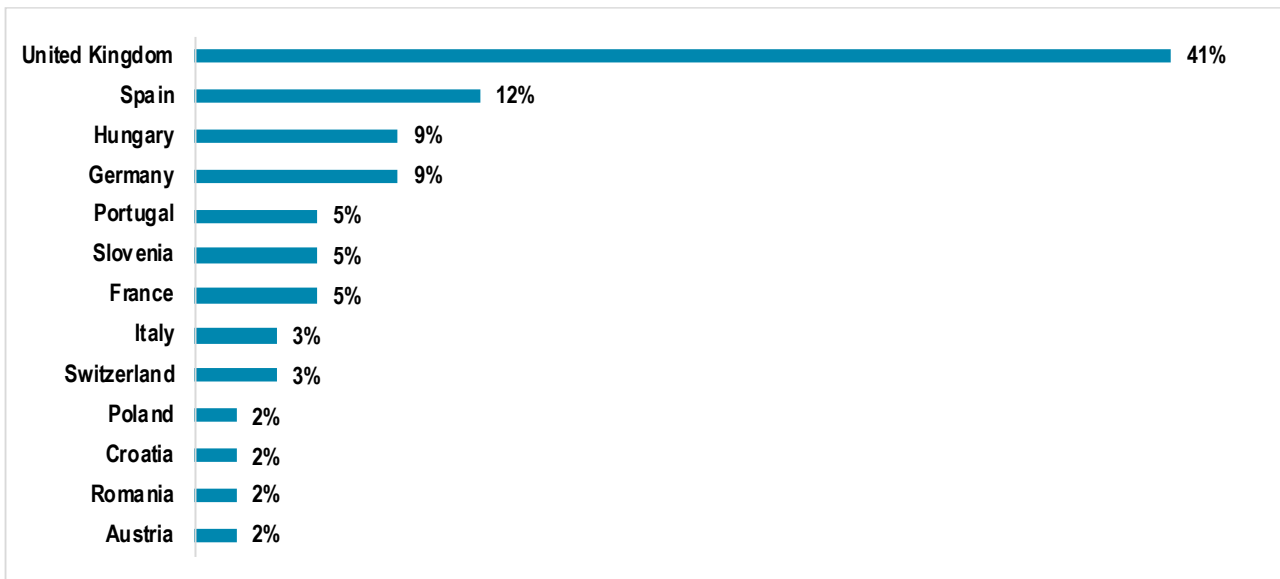
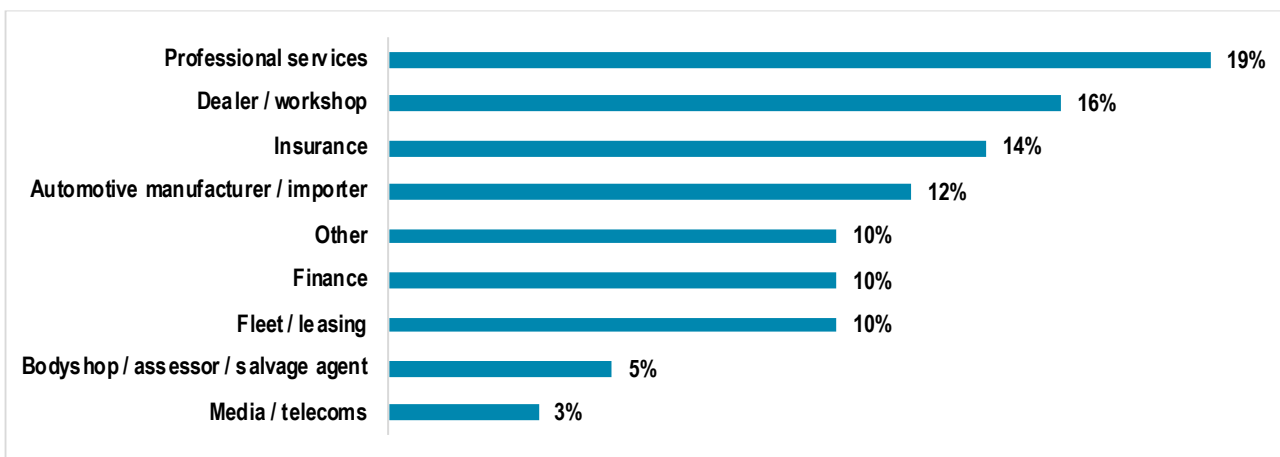


Figure 2: Respondents by company type



Source: Autovista Group, n = 58

Figure 3: Perception of whether the EU and UK will successfully complete Brexit negotiations and agree a free-trade deal

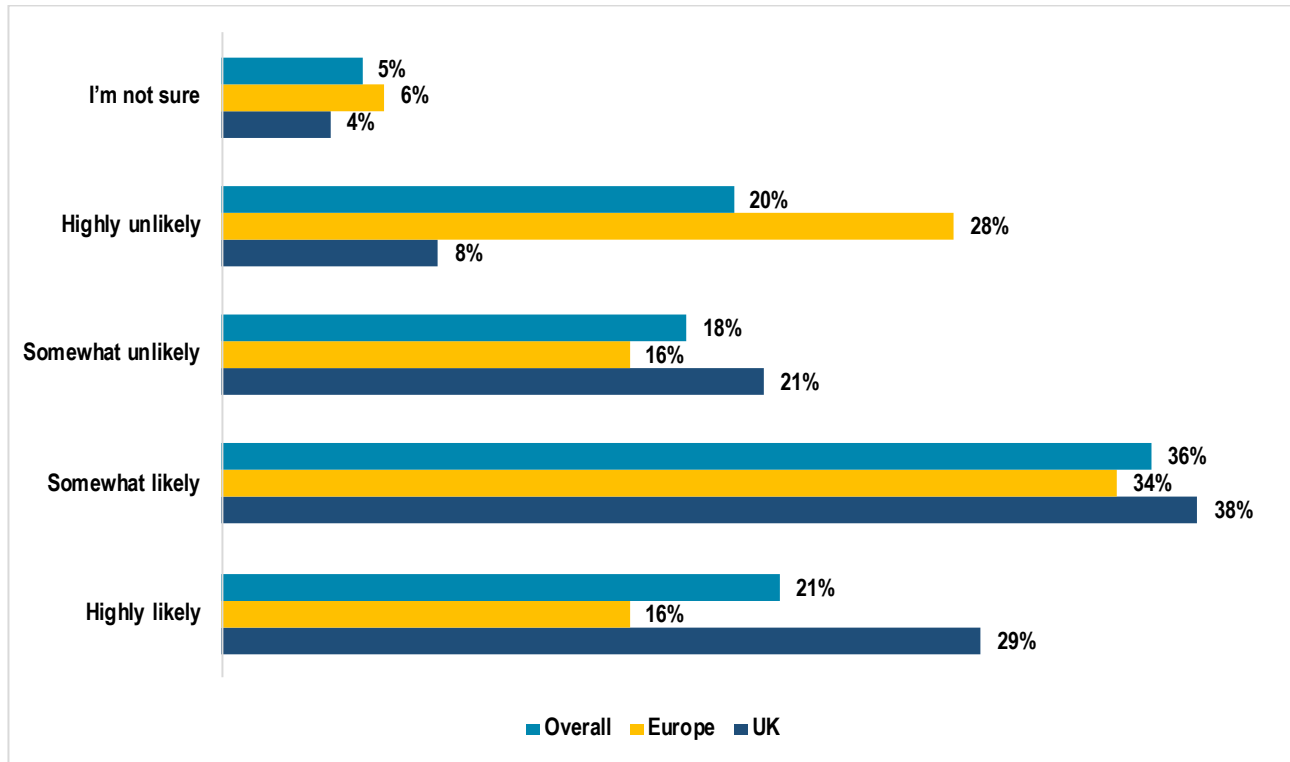
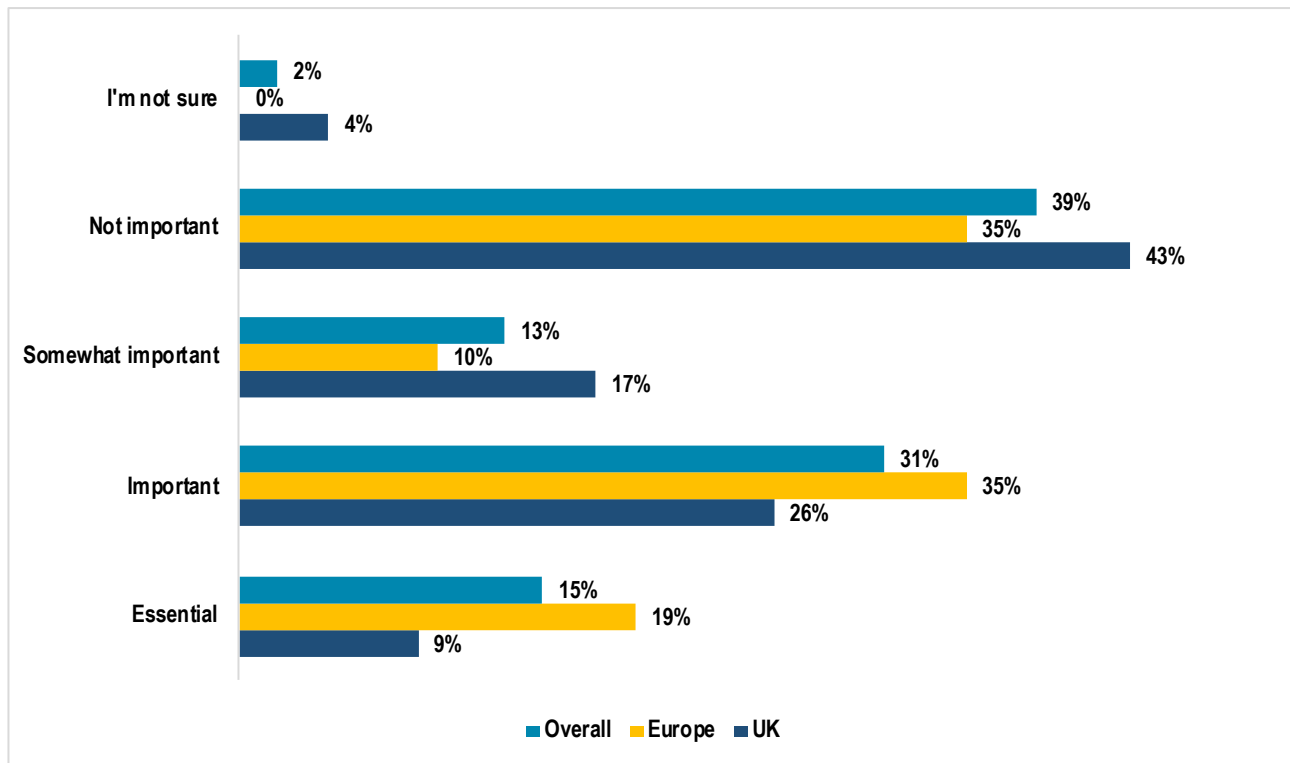


Figure 4: Importance of the UK's membership of the EU to respondents' businesses



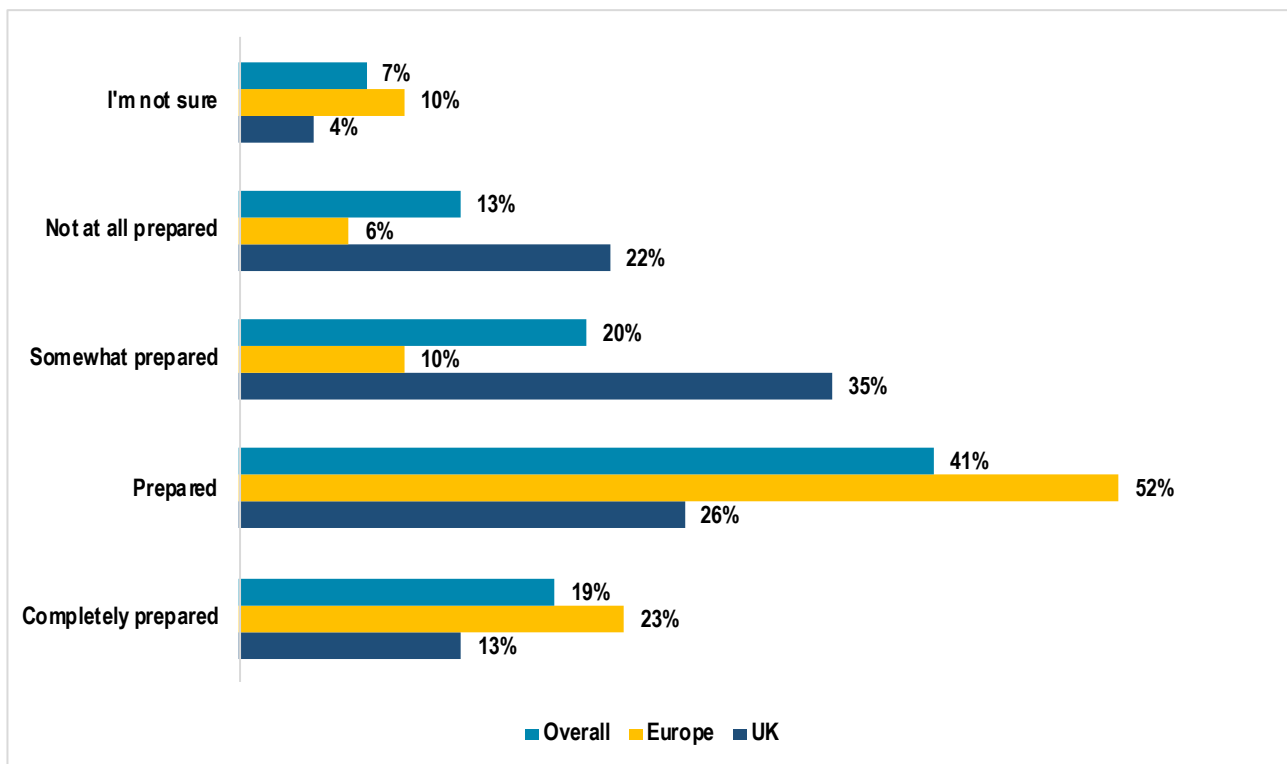
Source: Autovista Group, n = 58

Preparations & predictions

Perhaps because UK respondents remain hopeful for a free-trade deal, they are less likely than their European counterparts to feel prepared for a no-deal scenario. When asked how ready they are for a no-deal Brexit, three-quarters of European respondents claim to be

prepared – either completely prepared (23%) or prepared (52%) – in contrast to UK respondents, only 13% of which feel completely prepared and 26% feel prepared (see Figure 5).

Figure 5: Respondents' preparedness for a no-deal scenario



Source: Autovista Group, n = 58



Poor communication

UK respondents' comparative lack of preparedness may be due in large part to their government's communication (or lack of) around what to expect post-Brexit. A majority of UK respondents (60%) expressed that this had been poor (43%) or awful (17%). Only 4% felt it to be excellent (see Figure 6).

[We want] some better direction on what [Brexit] means and what needs to be done around import and export, our main concern being delays in parts supply for vehicles.

Insurance company, UK

European respondents were not any more positive than UK respondents, however, with no one claiming their country's communication had been excellent and only 24% saying it had been good.

42% of respondents feel their government's communication on what to expect post-Brexit to be poor

A high 28% said they were unsure whether it had been good or bad, suggesting that the impact of Brexit is understandably less of a concern for some European businesses and they are therefore less aware of what their government is predicting to be its impact.

Across all countries, 42% of respondents feel their government's communication on what to expect post-Brexit to be poor. There is a lot of work for all countries still to do.

Figure 6: Respondents' rating of their government's communication on what to expect post-Brexit

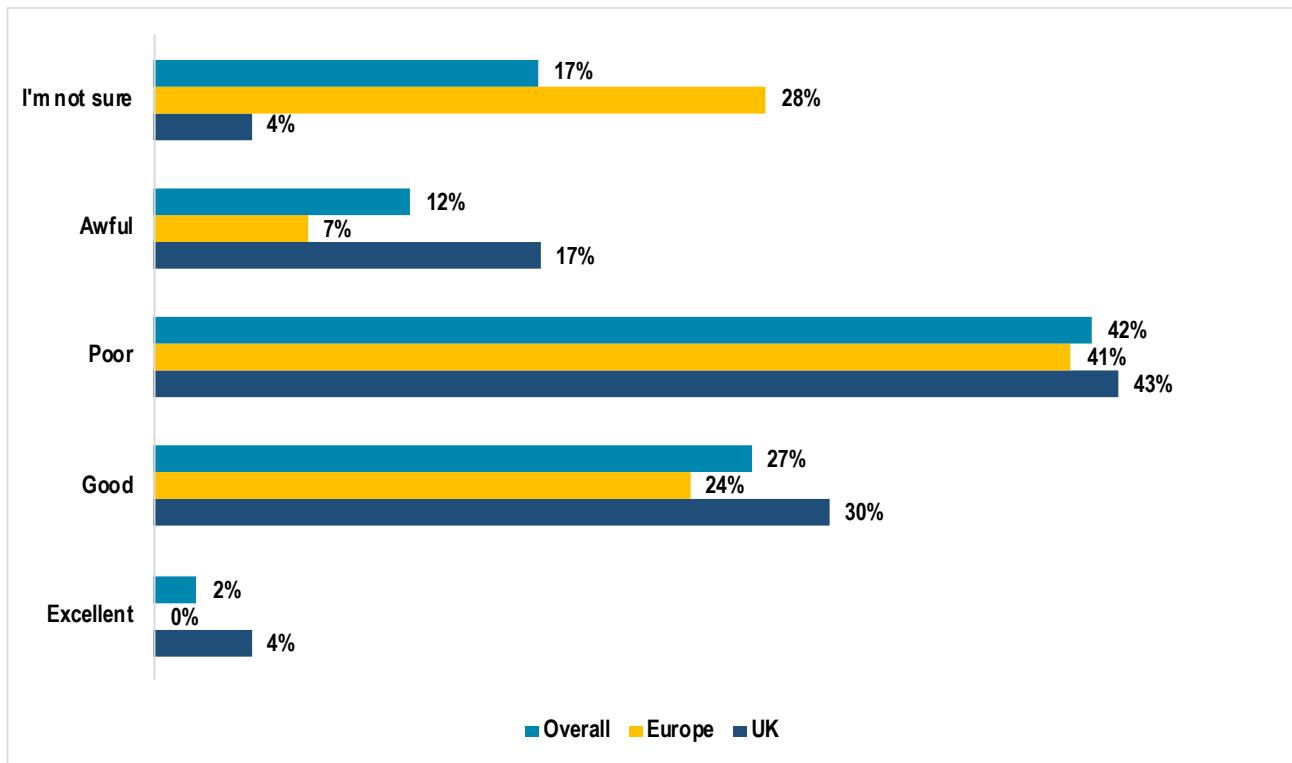
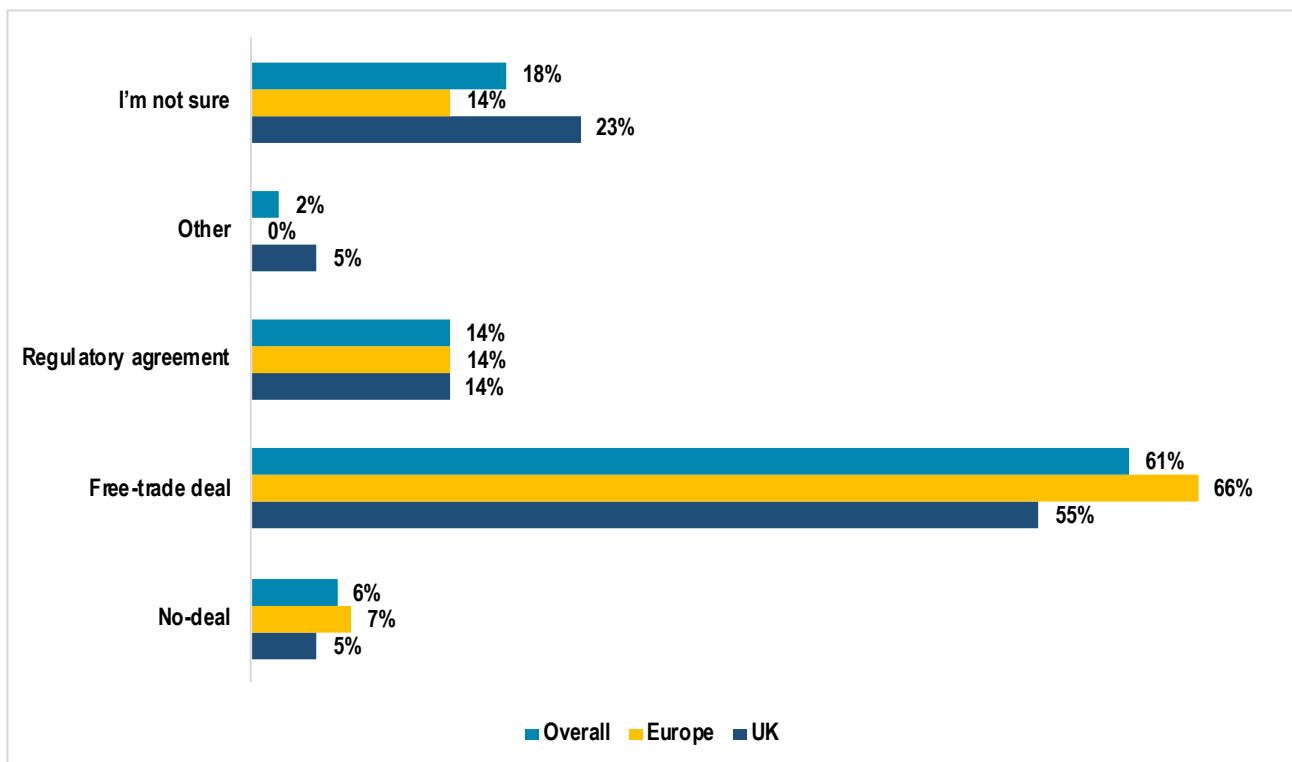


Figure 7: Respondents' preferred trade deal type



Source: Autovista Group, n = 58

When they were asked about what information they'd like their government to provide, respondents' varied answers illustrate just how many areas in which better communication is needed.

It is a subject, like many others, that is completely forgotten by the Covid issue.

Fleet / leasing company, Portugal

In the UK, respondents called for clarity on the specifics of changes to imports, exports and travel, as well as for more time to adjust to any changes and clarification on what Brexit will mean for the automotive industry in particular.

Among European respondents, the concern most commonly expressed was that Brexit seems to have been forgotten in light of the Covid-19 pandemic

Among European respondents, the concern most commonly expressed was that Brexit seems to have been forgotten in light of the Covid-19 pandemic and that governments need to turn their attention to its impact sooner rather than later.

When asked what information their government had provided that had been helpful, no respondent was able to give an example.

With or without a deal, Brexit is bad for my business.

Professional services company, Spain

Deal or no deal

We can't assume that a free-trade deal will be beneficial to every business. Indeed, there is opportunity for some companies in other scenarios. That said, 61% of respondents would prefer a free-trade deal to the other possible options, with this being favoured slightly more by Europeans (66%) than Britons (55%). Few respondents see benefits in a no-deal scenario, with only 6% claiming this to be best for business.

Given the lack of helpful governmental communication on the subject, across Europe 18% of respondents are uncertain about what type of deal would be best for business, up to 23% in the UK (see Figure 7).

The UK is an island. Brexit is the best option for the EU.

Media / telecoms company, Spain

Respondents across Europe and the UK also agree that should Brexit happen without a deal, it will have a negative impact on their business (60% feel this way). However, only 14% agree that it will have a highly negative impact (see Figure 8).

We invited respondents to comment on the likely impact of Brexit. Several people pointed out that Brexit is bad – or good – regardless of what type of deal (if any) is agreed.

Figure 8: Respondents' expectation of the impact on their business of a no-deal Brexit

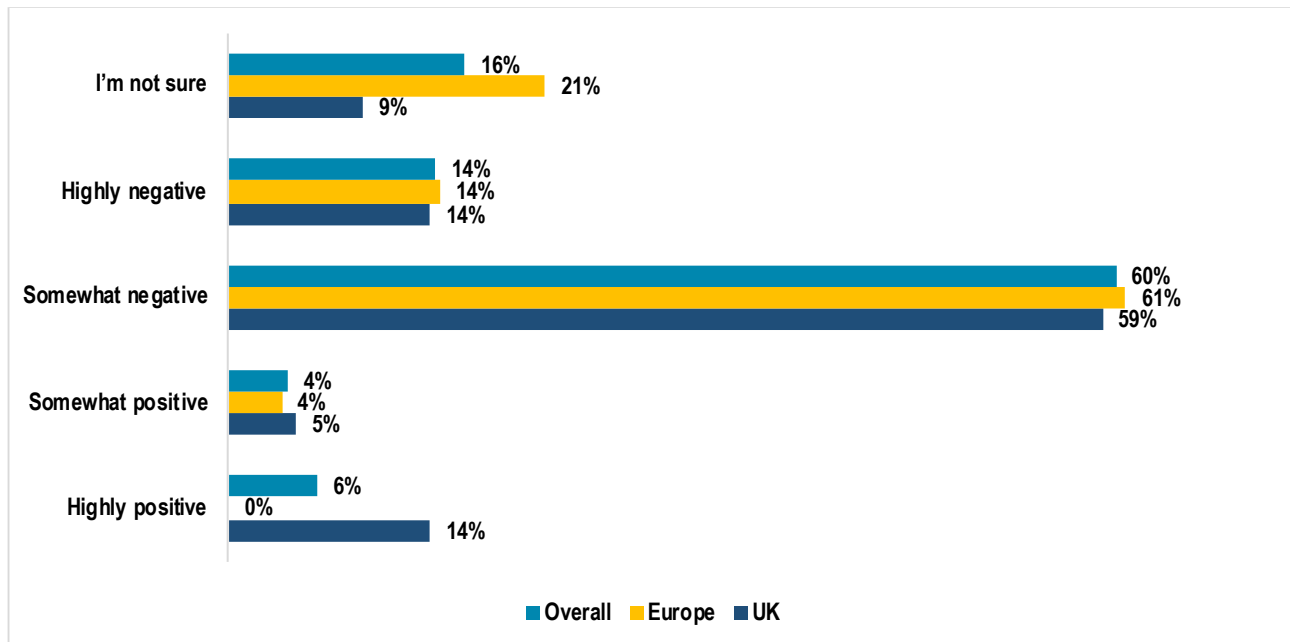
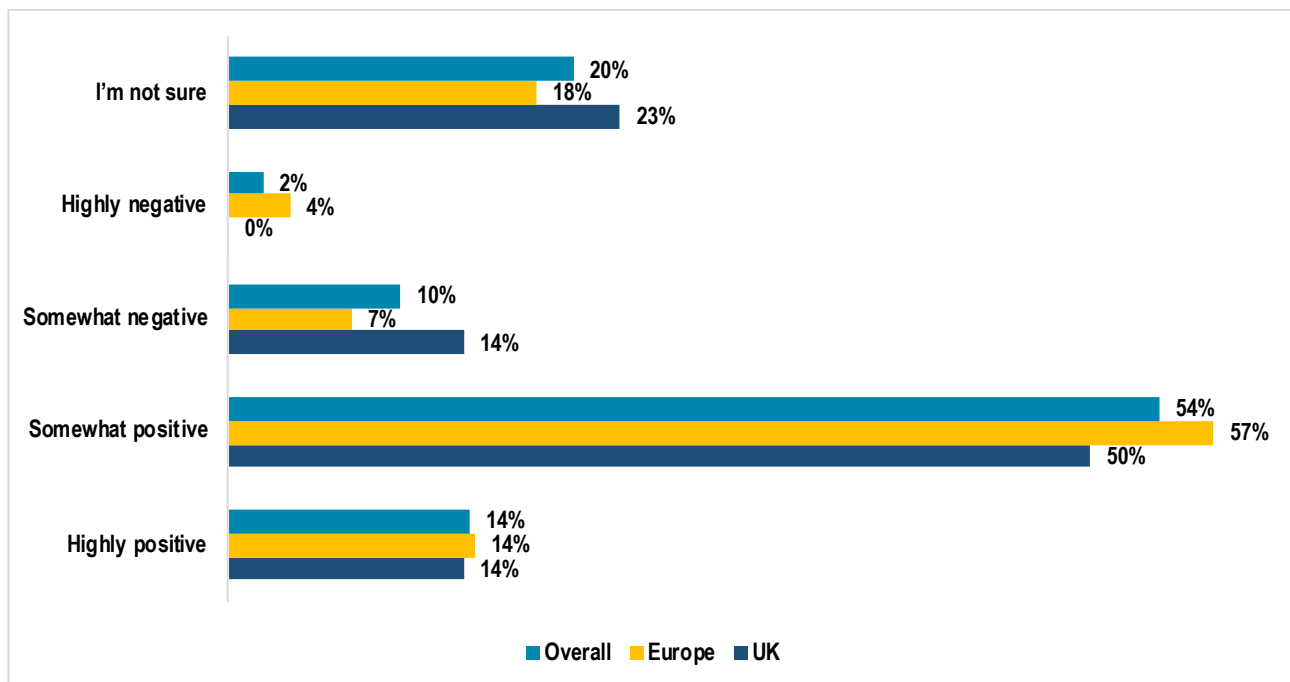


Figure 9: Respondents' expectation of the impact on their business of Brexit with a trade deal



Source: Autovista Group, n = 58

Just because most businesses expect a no-deal Brexit to be somewhat negative, it doesn't necessarily follow that if a trade deal is agreed, it will have a positive effect, of course. That said, most respondents expressed optimism that should a trade deal be agreed, it would have a positive impact on their business (see Figure 9).

Again, the response is similar across the UK and Europe, suggesting that the end to Brexit-related uncertainty will be positive for all countries involved.

Auto-industry impact

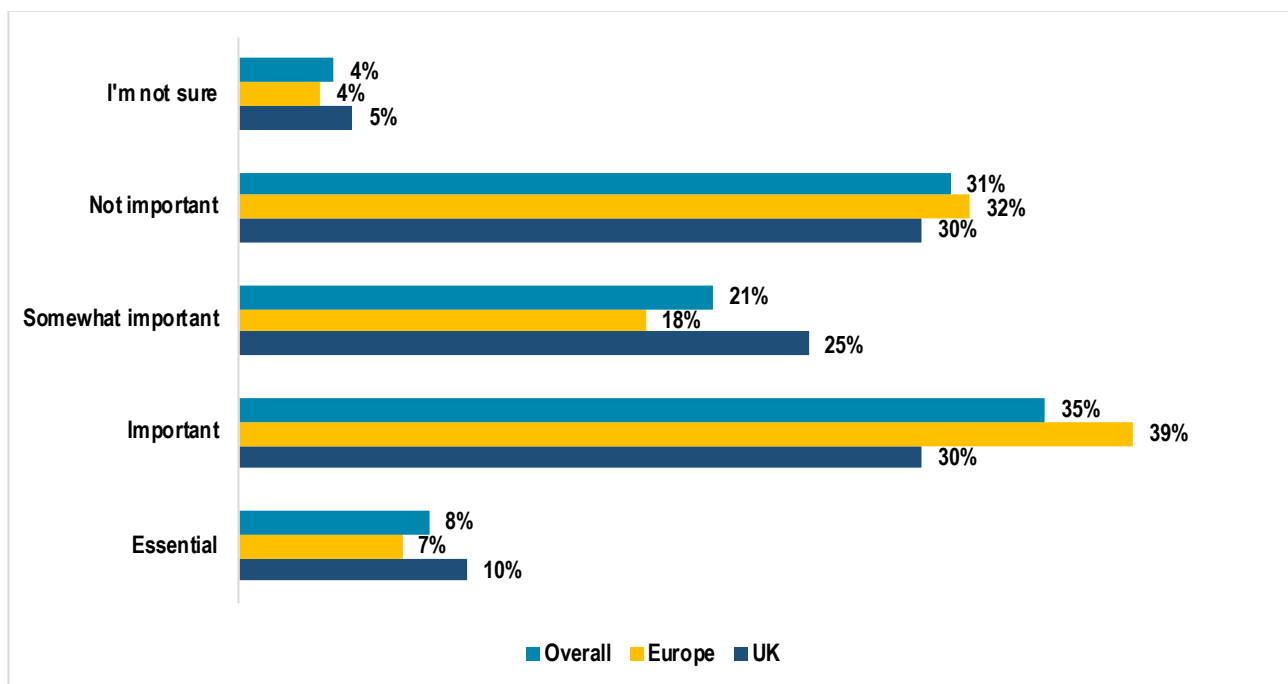
Certain Brexit-related issues will be particularly pertinent to the automotive industry. First up, we asked respondents how important it is to their business that the UK adopts EU-type approval regulations without requiring its own testing.

Again, we see consensus across Europe and the UK: almost half of respondents consider the adoption by the UK of EU-type approval regulations to be essential or important (see Figure 10).

That said, one-third of respondents see this issue as not important, as we might expect given approval regulations are likely to affect certain company types more than others. Automotive manufacturers and importers and fleet and leasing firms are much more likely to consider EU / UK harmonisation on this issue to be important to their business than are dealerships, for example.

Half of respondents consider the adoption by the UK of EU-type approval regulations to be essential or important

Figure 10: Importance to respondents' businesses of the UK adopting EU-type approval regulations without requiring its own testing

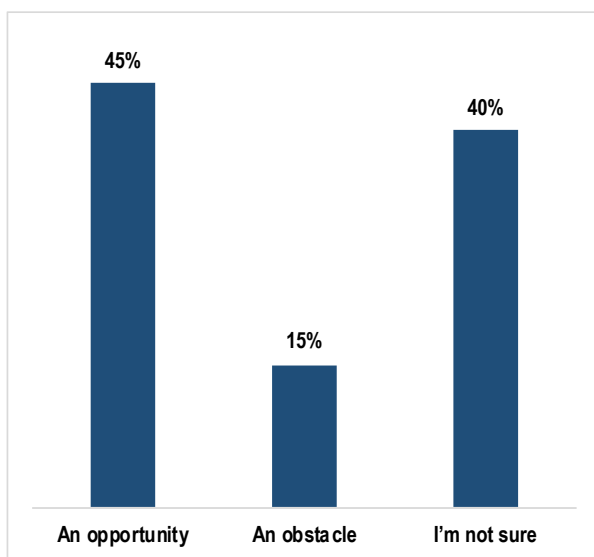


Source: Autovista Group, n = 58

Industry development: a divide

UK respondents were asked whether they saw Brexit as an opportunity or an obstacle for the UK in leading the way in the development of new automotive drivetrain technologies. Many more respondents see Brexit as an opportunity than an obstacle (45% vs. 15%) but 40% said they were unsure. Once again, we see high levels of uncertainty over the impact of Brexit and divided views (see Figure 11).

Figure 11: Perception of UK respondents on whether Brexit presents an opportunity or obstacle for the UK to lead the way in the development of drivetrain technologies



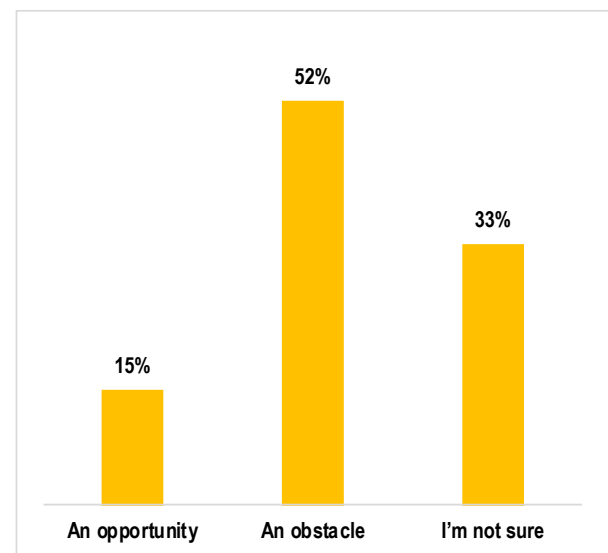
Source: Autovista Group; n=24

Europe-based respondents were asked a similar question, to gauge whether they thought that Brexit was an opportunity or obstacle for the EU in the development of new drivetrain technologies. Again, we saw high levels of uncertainty in response to this question, with one-third of respondents stating that they were not sure.

Those that were decisive on the issue, however, were much more likely than their UK counterparts to feel negatively about the issue: 52% of respondents see Brexit as an obstacle

(see Figure 12). Only 15% see Brexit as posing an opportunity in this area.

Figure 12: Perception of European respondents on whether Brexit presents an opportunity or obstacle for the EU to lead the way in the development of drivetrain technologies



Source: Autovista Group; n=34

When invited to comment, EU respondents spoke of reduced foreign investment, regulatory complications, division of R&D efforts and limited collaboration, all likely to hold back Europe – and the UK – in becoming leaders in drivetrain development.

Brexit means a reduced market for both UK and EU brands, so that reduces investment and collaboration in terms of new technologies. Bad for both and good for Japanese, Chinese and Korean brands.

Automotive manufacturer / importer, Spain

Similarly, when all respondents were asked whether Brexit would provide an opportunity or an obstacle for the UK in leading the way in the development of electric vehicle charging infrastructure, UK respondents see Brexit as an opportunity, and European respondents see it as an obstacle (see Figure 13)

Figure 13: Perception of whether Brexit provides an opportunity or an obstacle for the UK in leading the way in the development of electric vehicle charging infrastructure

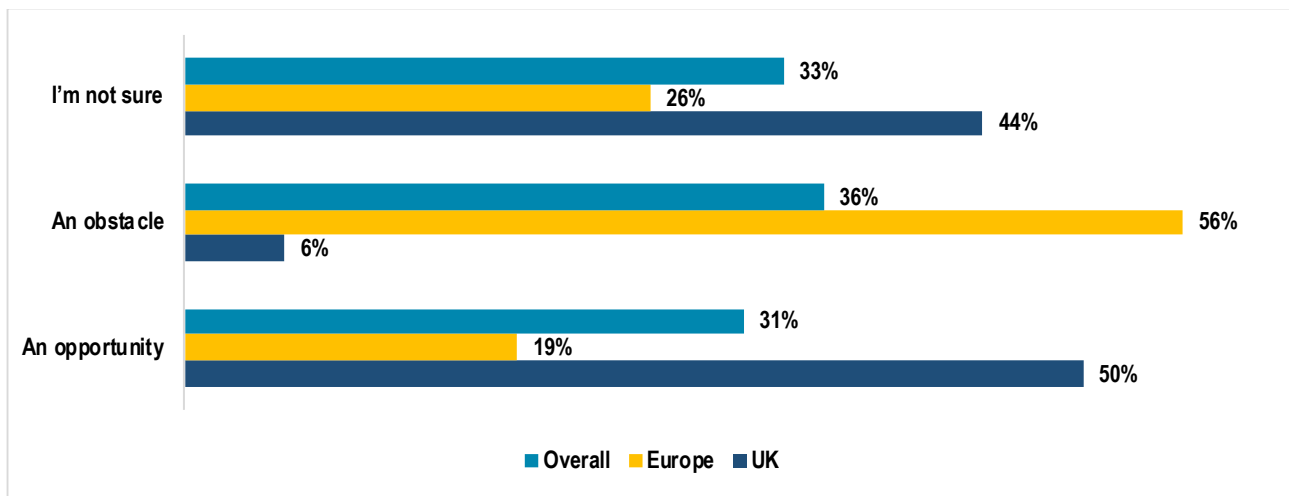
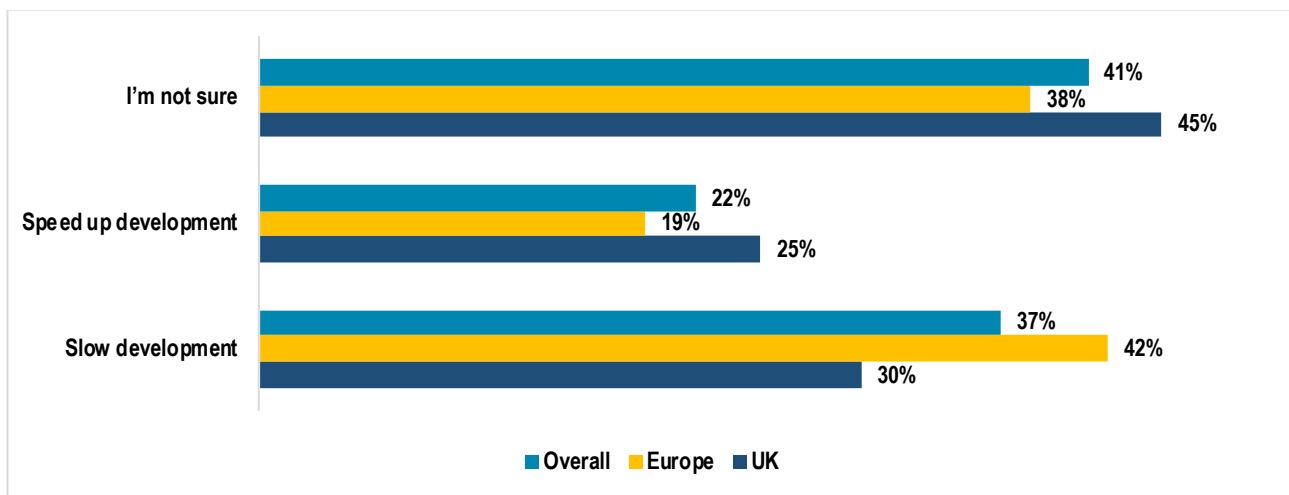


Figure 14: Perception of how Brexit will affect the development of new automotive technology



Source: Autovista Group, n = 58

Both autonomous vehicles and new powertrain technologies are enormously expensive, long-term projects, best completed in multi-national collaborative projects.

Dealer / workshop, UK

Although UK respondents at least see opportunity in Brexit, respondents from all countries agree that Brexit will slow the development of automotive technology, such as autonomous vehicles or powertrain developments. There is, once again,

significant uncertainty expressed in response to this question, however. While only 22% of respondents think that Brexit will accelerate development, around 40% of participants feel that Brexit will slow development, and around 40% are not sure what the impact will be (see Figure 14).

Follow-up comments made in response to this question focus on reduced cross-Europe collaboration, and how this will slow automotive technology development across Europe.



Rising costs, rising prices?

Across Europe people agree that, whether Brexit will create opportunities or obstacles, the rate of automotive technological development will slow. But, in general levels of uncertainty remain high around the impact of Brexit on our industry's most significant trends.

We saw more certainty, however, when we asked respondents about the likely impact of Brexit on more prosaic factors: insurance costs, service maintenance and repair costs, residual values, new-car prices and new-car registrations.

All respondents agree that insurance costs in their region will be least impacted by Brexit, although just over one-third of respondents do expect them to be affected. Most of these respondents agree that they will be higher, with 31% of Britons expecting them to be somewhat higher (26%) or much higher (5%) in the UK and 23% of Europeans expecting them to be somewhat higher and 8%

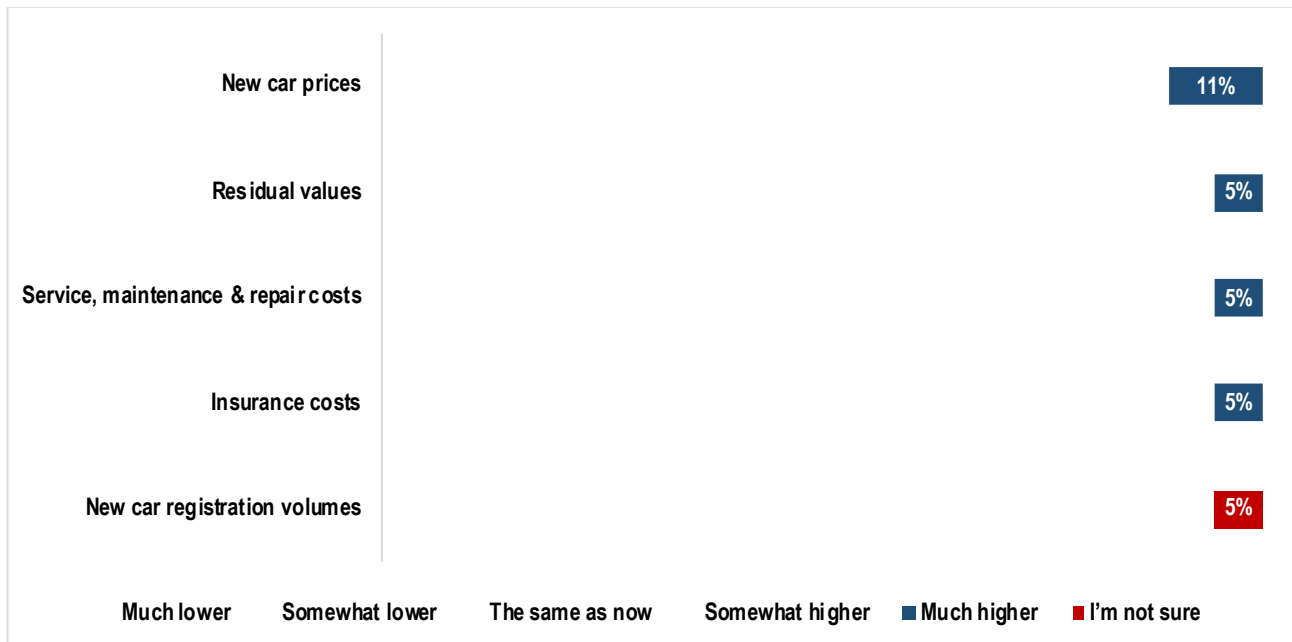
expecting them to be much higher in the EU (see Figures 15 and 16).

Second-least likely to be affected is service, maintenance and repair costs, although UK respondents expect a bigger impact than their European counterparts. Only 39% of Europeans expect these costs to change; 35% of them expect them to increase. In contrast, 58% of UK respondents expect costs to change; 47% expect them to be higher.

When it comes to new-car registration volumes, almost two-thirds of respondents expect Brexit to have an impact, but those from the UK are more likely to expect a negative impact: 58% of UK respondents think that new volumes will be lower in the UK after Brexit (53% somewhat lower; 5% much lower).

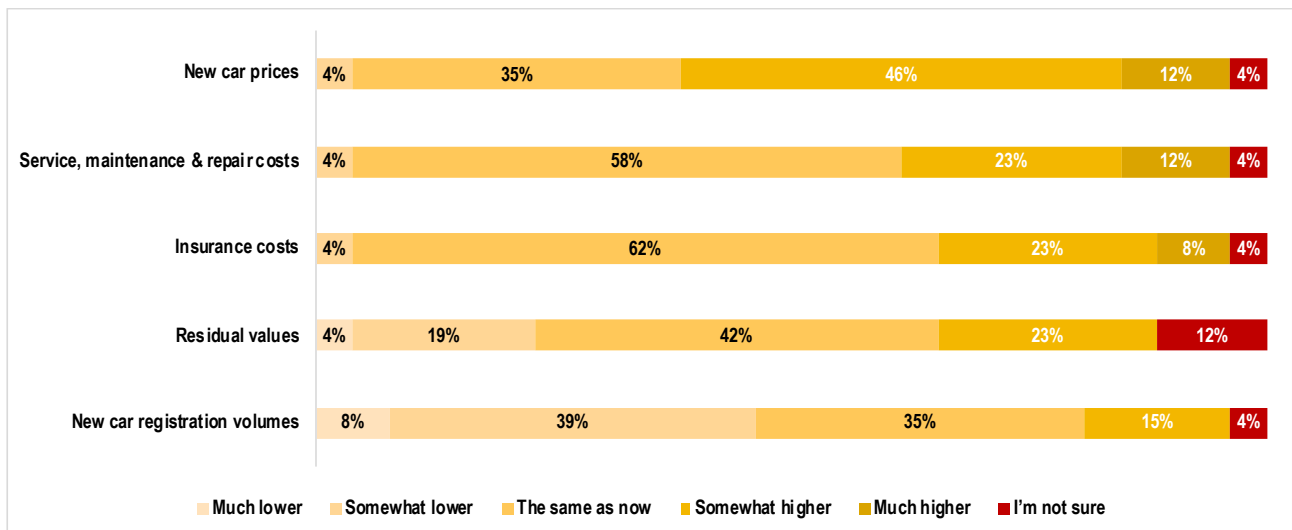
In Europe, respondents also agree that new-car registration volumes will fall, but fewer people feel this way: 39% expect volumes to be somewhat lower and 8% expect them to be much lower in the EU.

Figure 15: UK respondents' predictions for the impact of Brexit on UK car prices, RVs, costs & volumes



Source: Autovista Group, n = 24

Figure 16: European respondents' predictions for the impact of Brexit on EU car prices, RVs, costs & volumes



Source: Autovista Group, n = 34

Given the extent to which residual values (RVs) can be affected by economic and societal shifts, it's unsurprising that respondents expect them to be affected by Brexit. European respondents are much less likely to expect a change, however, with 46% of them predicting higher or lower RVs in the EU compared to 69% of UK respondents for their region.

be higher and 23% expecting them to be lower.

Finally, new-car prices: respondents agree that they will be most affected by Brexit of all the factors listed, with 79% of UK respondents expecting a change and 62% of European respondents. Two-thirds (63%) of Britons expect local new-car prices to increase, as too do 58% of Europeans.

Overall, Britons expect rising costs and lower new-car registrations but also increased new-car prices and RVs. Europeans don't see increased RVs as likely although but do expect an increase in new-car prices.

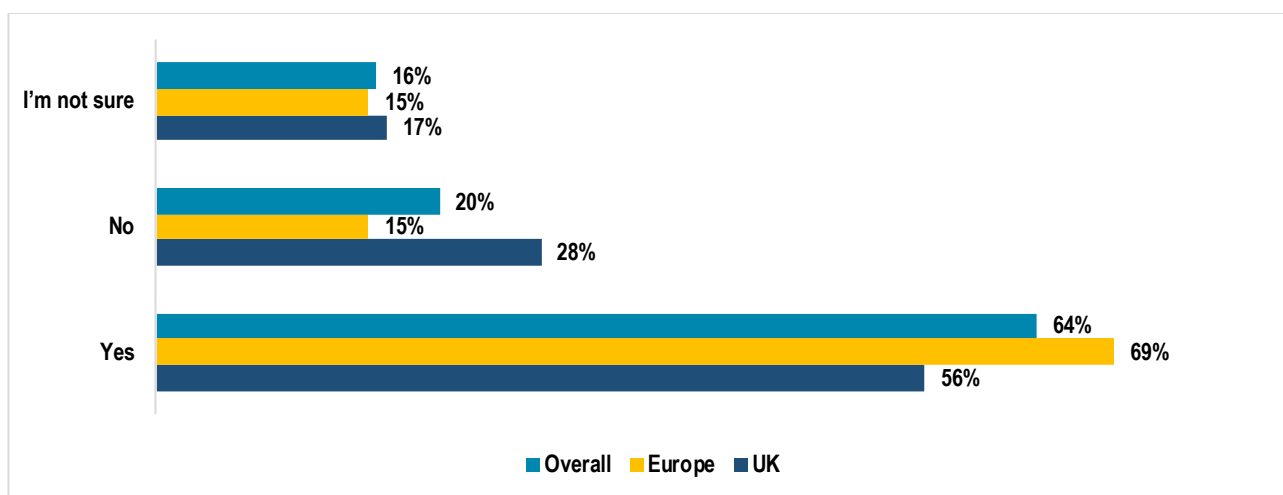
Also, on the subject of car prices, we asked respondents whether they anticipate different prices in the UK for the same car, depending on whether it is produced in the EU or the UK.

A majority of respondents agree that varying UK car prices are likely: 56% of UK respondents agree this is a likely scenario as do 69% of Europeans (see Figure 17).

Britons expect rising costs and lower new-car registrations but also increased new-car prices and RVs

Britons are hopeful for a positive impact of Brexit in this area – with 53% predicting an increase in UK RVs – and Europeans are more negative, with only 23% expecting EU RVs to

Figure 17: Predictions for whether prices in the UK for the same car with vary, depending on whether it is produced in the UK or EU



Source: Autovista Group, n = 58

When asked what that price variation might look like, UK respondents predict that car prices will rise generally but that the UK price of cars produced in the EU will rise higher than the price of UK-produced cars (see Figure 18).

European respondents were asked whether EU car prices will also change. Unsurprisingly, people were less likely to expect the price of EU-produced cars to change, with 61% of Europeans expecting them to stay the same as now. The remaining 39% did expect to see

somewhat of an increase, however. Again, unsurprisingly, Europeans expect cars produced in the UK to be most likely to increase in price, with 72% of respondents predicting an increase (see Figure 19).

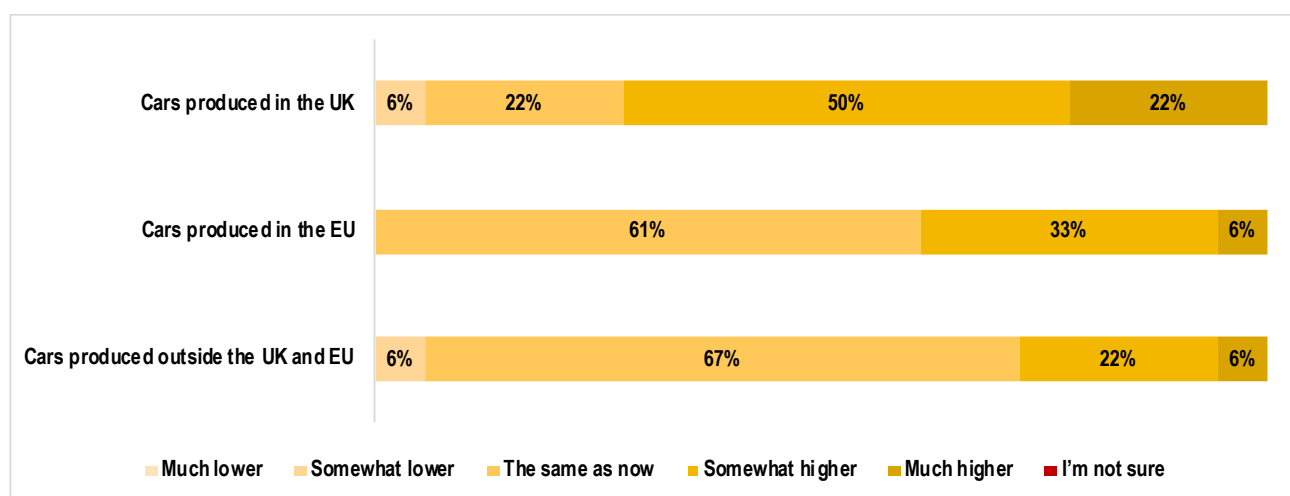
Neither UK nor European respondents tend to predict that the price of cars produced outside the EU and UK will change, with 67% of Europeans and 70% of Britons expecting the prices of these cars to stay the same after Brexit.

Figure 18: UK respondents' predictions of whether UK prices will be higher or lower for cars produced inside / outside the EU and UK



Source: Autovista Group, n = 24

Figure 19: European respondents' predictions of whether EU prices will be higher or lower for cars produced inside / outside the EU and UK



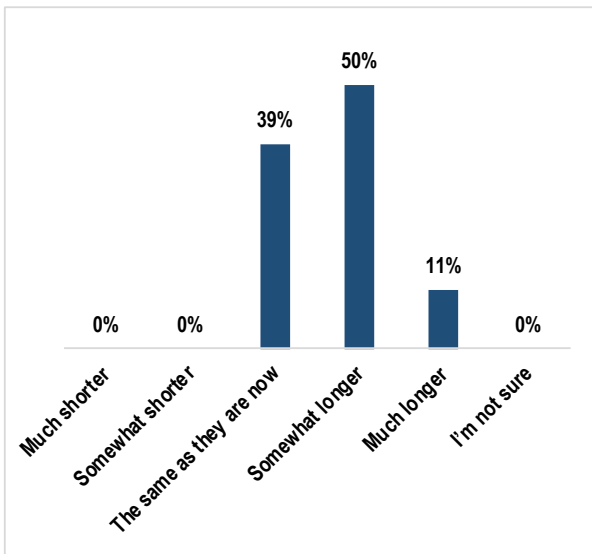
Source: Autovista Group, n = 34

Delivery delays

Finally, on the impact of Brexit on the day-to-day operations of the automotive industry, we asked respondents how they see delivery times for new cars being affected by Brexit.

A majority of UK respondents expect delivery times for new cars to the UK to get longer as a result of Brexit: 50% say somewhat longer, and 11% say much longer. The remaining 39% expect delivery times to be unaffected (see Figure 20).

Figure 20: UK respondents' predictions for how delivery times for new cars to the UK will be affected by Brexit

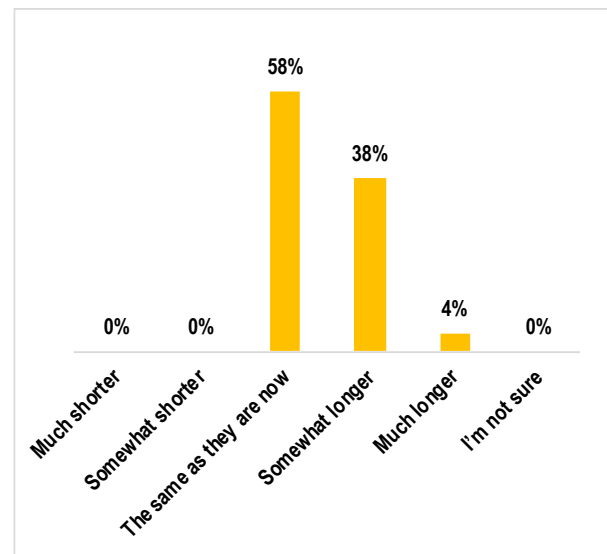


Source: Autovista Group; n=24

In contrast, Europeans are hopeful that delivery times for cars to the EU will be unaffected by Brexit, with 58% predicting this outcome. Just over one-third predict somewhat longer delivery times, however, and 4% predict much longer delivery times (see Figure 21).

Europeans are hopeful that delivery times for cars to the EU will be unaffected by Brexit

Figure 21: European respondents' predictions for how delivery times for new cars to the EU will be affected by Brexit



Source: Autovista Group; n=34

Conclusion

Brexit officially started on 31 January 2020 and a transition by the UK out of the European Union began. This was a time for the two sides to discuss their working relationships, set legislation in place and negotiate a trade deal. It was never going to be an easy process and against the unexpected backdrop of the coronavirus (Covid-19), the deadline for securing a trade deal has been pushed to its limit.

UK businesses believe in a positive outcome more than European companies. This highlights a divide between the UK and the EU and shows that many in Europe still believe that the UK leaving the Union is the wrong choice. It also highlights why most UK businesses are not as prepared for a no-deal scenario – the optimism that everything will be ok, which perhaps led to the situation in the first place.

It is clear that the overriding theme throughout this period was the uncertainty of what will happen following the end of the transition period on 31 December. Yet this lack of knowledge is not just down to the problems establishing a trade deal, but also to how any new relationship between the UK and the European Union will be established. The results suggest that Europe is more ‘upset’ by the UK, leaving the Union than Britain is, seeing Brexit as an obstacle. In contrast, those in Britain describe the situation as an ‘opportunity’.

However, it does seem that since the referendum in 2015, businesses have felt that they could adapt to the situation, with many UK and EU respondents stating that Britain’s membership of the Union is not essential to their business. Nevertheless, when it comes to collaboration, the divide may be more difficult to cross.

Many in Europe still believe that the UK leaving the Union is the wrong choice

Obstacles will need to be vaulted in the months and years ahead, whatever happens regarding a free-trade deal between the UK and Europe. Poor communication by governments on both sides does seem to be a theme. There is a sense that Brexit has been forgotten during the pandemic. And now, at the last hour, communication is again taking centre stage with the UK and the EU having reached deadlock in their negotiations. An exit with no deal is looking increasingly like it will become a reality.

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