

Global Britain Briefing Note

No 114

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64% of buoyant UK car market taken by Eurozone manufacturers in 2015

In January 2016 *Autocar* # published an analysis of the UK car market in 2015. It shows that 2.6 million new cars were registered in the UK in 2015, and that manufacturers based in the Eurozone had a sixty-four per cent share of the UK car market in 2015. Within that 64%, German manufacturers alone had a 45% share.

2015: UK Registrations by Manufacturer's Share		
German	Volkswagen	20%
	Opel/Vauxhall (owned by General Motors)	10%
	BMW	9%
	Mercedes	6%
	<i>Total German</i>	45%
French	Renault/Nissan/Dacia	10%
	Peugeot/Citroen	7%
	<i>Total French</i>	17%
Italian	<i>Total Italian: [Fiat/Alfa Romeo]</i>	2%
Total Eurozone		64%
Japanese	Mazda, Toyota, Honda	7%
US	GM, Ford	21%
South Korea	Kia, Hyundai	5%
UK	Land Rover/Jaguar	3%
Total from outside Eurozone		36%
Total all countries		100%
# Source: derived from "The UK car market winners & losers of 2015" at www.autocar.co.uk/car-news/industry/uk-car-market-winners-and-losers-2015 ; 6 th January 2016		

What will happen on Brexit ?

On Brexit, Continental EU-based car manufacturers, German, French & Italian (and American- and Japanese-owned manufacturers with plants in the UK and Continental Europe) will insist that two-way trade in cars between the UK and Continental EU continues to be free of customs duties and any other restrictions on trade.

Pressure from German car-makers, in particular, which account for 45% of UK registrations, will ensure that such duty-free two-way Anglo-German trade will continue. This is how it would work.

German automotive trade federations, the trades unions, the manufacturers themselves, the regional Länder, the Bundestag, the Bundesrat, the Chancellery and the German Constitutional Court in Karlsruhe would all directly and indirectly apply pressure on Brussels to revoke or suspend the ten per cent EU customs duty which currently applies to imports of cars from non-EU countries with which the EU does not have free trade agreements (“FTAs”).

In order to see why duty-free trade in cars will continue post-Brexit, let us imagine the “counterfactual” scenario in which Germany had been forced by Brussels to apply the ten per cent duty on its imports of cars from the UK, and the ‘phone call* the German Chancellor would have to make to the head of Volkswagen in Wolfsburg:-

Chancellor: Good morning, Herr Dr Pötsch. I have some bad news for you, and for your employees. Now that the UK’s outside the EU, and there’s no UK-EU FTA in place, despite the British offer to scrap duties altogether, the EU and therefore Germany will charge ten per cent customs duty on car imports from the UK, and the UK will charge ten per cent customs duty on UK car imports from the EU and therefore Germany. So from tomorrow all your car exports to the UK (over half a million in 2015, including lots of high-end Audis) will henceforth be ten per cent more expensive. What’s more, the UK being outside the EU has abolished its duties on car imports from China, Japan, the USA and all other non-EU countries. It’s a pity you’ve spent 70 years making VW the UK market leader with a 20% share of the market, but that’s life. Sorry about all this but that’s EU politics for you.....Tschüss !

Next, the Chancellor puts in a call* to the head of BMW in Munich:-

Chancellor: Good morning Herr Dr. Reithofer. I have some bad news for you, and for your employees. Now that the UK’s outside the EU, and there’s no UK-EU FTA in place, despite the British offer to scrap duties altogether, the EU and therefore Germany will charge ten per cent customs duty on car imports from the UK, and the UK will charge ten per cent customs duty on UK car imports from the EU and therefore Germany, no doubt giving Jaguar and Nissan and Toyota cars built in the UK quite a lift. So, from tomorrow, all of your exports from Bavaria to the UK, as well as your imports into Germany (and into France & Spain and elsewhere in the EU) of BMWs and Minis built in the UK, will be ten per cent more expensive. Sorry about all this but that’s EU politics for you.....Tschüss !

The preceding imaginary - and improbable - scenario, indicates that as far as the UK car industry is concerned, there is little downside, and plenty of upside, to being outside the EU.

Notes

In January 2016 one of the UK's main car magazines, *Autocar*, published an analysis of the UK car market in 2015. Its analysis is based on new car registrations rather than returns from manufacturers themselves, or from the main UK car trade body, the SMMT. *Autocar* estimates UK new car registrations in 2015 at 2.6 million. Its analysis is by manufacturer, and makes no distinction between manufacturers' models: a Ford Fiesta "counts" as much as a Bentley. So the market shares estimated in this paper should be regarded as indicative/approximate rather than definitive.

*A previous version of these imaginary 'phone calls first appeared in a Civitas paper published in 2013, titled "*Withdrawal From the EU Would Not Damage Our Car Industry: True or False?*", by Milne/Hamill. www.civitas.org.uk

Global Britain

Ewen Stewart
Director

Brian Monteith
Director of Communications

Howard Timms
Treasurer

Ian Milne
Chairman

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