

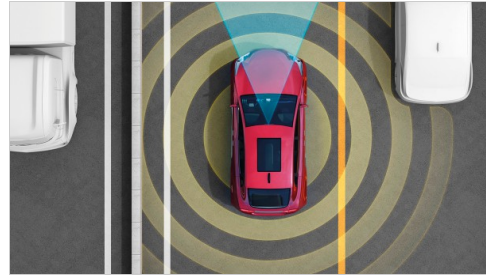
# SMMT pledges to try and maintain market stability following UK vote to leave EU

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**The referendum result that could lead to a possible exit of the UK from EU and the related impact on the automotive sector takes top billing at the 2016 International Automotive Summit in London**



The 2016 International Automotive Summit, held in London, UK, was originally intended as a forum for senior industry executives and commentators to discuss sustainability across the automotive landscape; a major new sustainability report was released at the event. But inevitably sustainability took a back seat to ongoing events, as organizers, speakers and attendees focused on the recent referendum result and the wider impact on the national automotive industry if the country ultimately leaves the European Union (EU).

The summit was organized by the Society for Motor Manufacturers and Traders (SMMT), the UK body which promotes the national and international interests of the UK automotive industry. Speaking to journalists in advance of the conference, Mike Hawes, SMMT chief executive, had this to say about the referendum outcome: “It’s not the result the industry had hoped for, but looking to the future we will look to ensure stability and that the interests of the automotive industry are taken care of. “

Hawes continued by saying it was critical that the UK retain tariff-free access to the EU single market. This would maintain the competitiveness of the UK, while also helping to counter longer-term uncertainty. Highlighting the importance of the automotive sector to the UK economy, he noted that national industry turnover in 2015 had reached a record GBP71.6bn. In addition, the UK automotive industry supports about 800,000 jobs; an estimated 17,000 new positions were created over 2015 alone.



**SMMT chief executive Mike Hawes noted that a weak UK currency could benefit suppliers and OEMs in the UK (Source: Julian Buckley)**

Hawes went on to point out that the UK automotive sector would look to support the continued free movement of people across the single market. According to the SMMT, there are approximately 5,000 vacancies in the UK across all areas of automotive and it is important that the industry can draw on both national and international talent pools to successfully fill those positions with qualified personnel. “Attracting new talent is not about replacing British [workers], it’s about attracting talent to fill available positions,” said Hawes.

As the largest manufacturer of premium vehicles in the UK, changes in the relationship between the UK and the EU could have a far-reaching impact on Jaguar Land Rover (JLR). Speaking at the press conference, Adrian Hallmark, group strategy director at JLR, said: “We’re a British company and we respect the decision. It’s a problem we’ll rise to face, and overcome.” Hallmark went on to say that JLR would maintain its commitment to the UK while continuing its considerable investment in national R&D (the carmaker claims to have the largest national R&D budget in the UK manufacturing sector). In addition, the company would continue as planned with bringing a new GBP1 billion assembly facility online in Slovakia. Due to enter production in late 2018, the plant will produce a series of models, possibly including the new F-PACE SUV.

Responding to the idea that premium competitors such as BMW, Mercedes-Benz and Audi could support tariffs to reduce the appeal of competing JLR products in Europe, Hallmark pointed out that sales of those German brands was “an order of magnitude” bigger than those of JLR, in the UK and across Europe. To press for such tariffs would effectively “cut off the nose to spite the European face.” He added that no jobs would be moved in response to the Brexit vote, while the company would be further insulated by natural and technical hedging.

Speaking at the summit, Chris Giles, economics editor at the Financial Times, noted that prior to the referendum the UK had the highest forecast growth of any member in the G7 group of European countries. “Now we have no government, no opposition, no plan, and a downgraded credit rating (with Standard & Poor’s reducing the UK’s AAA preferred rating).” Forecasts for annual economic growth have also been downgraded, from 2.1% to 0.3%.

Giles went on to explain that while economic figures released in January 2017 would offer a clearer picture of the effect of the Brexit vote, the financial markets alone were not a sufficiently concise indicator of the vote’s short-term effect. “The big impact will come if people stop making spending decisions. If a lot of people do that at the same time, business investment will crumple and tip the economy.”

He added that a key factor in maintaining a steady economy would be the Bank of England, although at this point the institution only has limited market leverage. At the start of the financial crisis in 2008, interest rates were set at 4.5%. A year later they had been reduced to 0.5% but even this was not sufficient to kick start the economy. With the interest rate still at 0.5%, Giles noted that there Bank of England had little room to maneuver, but could still issue a package of changes to “get ahead of the curve”.

To try and improve the sombre mood, Giles noted that in comparison to services (including financial services), goods were well placed due to the UK deficit in goods trade with Europe. Additionally, he said that the rules governing goods trade are less complicated than those affecting services and agriculture, which should help with securing future deals and improving overall business confidence.

Moving forward after the Brexit referendum result there is a clear concern that the British government is not listening to business, as it comes to terms with the ramifications of a possible exit

from the European Union and the upheaval caused by both major parties being engaged in heated leadership battles. But the SMMT's Mike Hawes was in no doubt that the government was still taking note of the automotive industry in particular.

Recalling a meeting he had attended the previous day with the UK Secretary of State in Brussels, Belgium, he noted: "There wasn't a single element of that debate that didn't mention cars as a key factor. Automotive is at the front of everyone's mind, given the level of employment and the overall importance to the economy."

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