NFDA

NATIONAL FRANCHISED DEALERS ASSOCIATION

NFDA MANIFESTO

GENERAL ELECTION 2017

MAY 2017

CONTENTS

Each party must be open and transparent about its plans and priorities

On 8 June 2017, the United Kingdom (UK) will, once again, vote. This time, it will be in a General Election to decide the country's Government and its future.

While business does not like the uncertainty that elections and referenda create, the vote will settle who runs the United Kingdom for the next five years.

NFDA and the wider business community will be looking to the new Government to set a clear direction of travel following Brexit, which secures continued investment and maintains consumer confidence.

Above all, business will be looking to the political parties during the campaign to clarify their Brexit intentions: what sort of trade deal with the EU (and other nations) will the future UK Government aim to negotiate? Each party must be open and transparent about its plans and priorities, detailing the likelihood of each pursuing: hard Brexit or soft Brexit, bilateral agreements or a free trade agreement or maintained access to the single market and customs union. The political parties must consider how they intend to support businesses through this period of change and outline these plans with absolute clarity.

NFDA will be looking for a free trade deal between the EU and the UK to be concluded before the UK leaves the EU in 2019. This will ensure that the flow of business transactions can continue uninterrupted.

NFDA will also be looking to politicians to debate national economic policy over the course of the General Election campaign. Many challenges lie ahead for whichever party or combination of them takes office. From fiscal policy to the UK's industrial and retail strategies, skills development and air quality, we hope that business will be consulted on these plans and be an integral part of discussions during and after the election.

As automotive retailers, NFDA members import from the EU three quarters of the total number of vehicles sold in the UK. We employ over half a million people all over the United Kingdom. Our opinions deserve to be taken seriously, not only by politicians but by the civil servants who help to run the Government on their behalf. We expect our voice to be heard.

Sue Robinson

NFDA Director

A SUPPORTIVE AND OPEN UK BUSINESS ENVIRONMENT AND OPEN TRADE WITH THE EU

The UK's automotive retailing sector has been a great success story over the past decade. This has been significantly aided by the UK's membership of the single market and customs union. It is imperative that Brexit does not unduly damage the UK's automotive success.

The UK's automotive industry requires free trade with the EU and access to skills. Government must secure:

- zero tariffs
- compatible rules of origin minimal customs procedures, which eliminate the need for warehousing of goods at borders, and
- access to EU workers and skills that are required in UK industries.

A liberal relationship and Free Trade Agreement (FTA) with the EU

Free trade between the UK and EU should be a priority for Government and must be maintained either through membership of the single market or via a new FTA. If an FTA with the EU (and other nations outside of the EU) cannot be reached, sector specific FTA deals for major industries that are crucial to both the UK and EU, must be created.

Maintained use of freight and cabotage rules

Current UK freight and logistics legislation is derived from the EU. The UK must ensure that it mirrors or replaces this existing legislation following Brexit. Both the UK and EU have benefited significantly from cabotage rules allowing a truck to utilise capacity for both outbound and return journey's – whether the operator and truck is based in the UK or not.

WTO vs Free Trade

UK automotive trade with the EU is worth more than £42 billion. This is around seven times greater than with the United States of America (USA), the UK's next largest automotive trading partner. Failure to reach an agreement within the specified time frame, will result in the UK defaulting to World Trade Organisation (WTO) rules.

WTO would create a 10% tariff on finished vehicles imported to or exported from the UK market. Industry estimates that this would add £1,500 to the cost of every car sold in the UK.

In addition, WTO rules "stipulate tariffs of 2.5 percent to 4.5 percent on parts". As most components within UK assembled vehicles are supplied from continental Europe, this means that regardless of the manufacturing source of the car, there would be some impact from tariffs.[1]

This combined with deterioration in the value of Sterling could see car (and overall vehicle) prices rise by over 10%. This will have a direct impact on consumer costs and industry expansion.

- Customers will face an additional £2.7 billion per year on imported cars, and £81 million on cars built in the UK which include imported components

- The potential tariff impact on customer prices for aftermarket parts is often overlooked, as for example, 48% of tyre imports into the UK come from the EU (BTMA/HMRC).

[1]*Bloomberg, 26/01/17 - UK Auto Investment Slumps as Industry Warns of Brexit Threat.*

AFFORDABLE AND ACCESSIBLE FINANCE FOR BOTH BUSINESSES AND CONSUMERS

UK business needs to be able to access finance easily following Brexit. Failure to have accessible finance will negatively impact the industry.

Access to finance should be a focus of Brexit negotiations

A new Government must ensure that finance continues to be available at competitive and affordable rates. Government must not introduce policies that could prevent consumers or businesses from borrowing or which limit credit. Access to finance should be a focus of Brexit negotiations.

During Brexit negotiations, Government must ensure:

- There is continued unfettered access to European OEM finance to provide continued growth and sales in the auto industry. This will help to maintain the UK's strong economy.
- There are no negative impacts or blocks to financial flows. This would have an adverse effect on consumer finance offers and create a slowdown in the new car market. Trickling into aftersales and the used car market.
- Finance houses and banks are able to maintain their ability to provide subvented (i.e. manufacturer subsidised) finance in the UK.

For car manufacturers with larger market shares in the UK, the provision of finance for both dealers and customers is typically provided by a wholly owned finance subsidiary of the European parent company.

Others use a 'white label' provider. Manufacturers, tend to raise funds centrally in Europe and currently operate under "passporting rules" to provide financial services in the UK.

Automotive finance is the second largest finance industry after mortgages in the UK. Following consumer demand in both the new and second hand vehicle markets, UK automotive retail is now shaped and driven around finance.

There is a risk that tariffs and exchange rates may make new vehicle finance offered by manufacturers less affordable as wholesale prices increase.

A FOCUSED NATIONAL RETAIL STRATEGY

NFDA was encouraged by the former Government's commitment to an Industrial Strategy. Manufacturing and retail are most effective when they can work together.

Open dialogue between Government and industry should help to develop a strategy and address industry issues

The Government must also look at creating an effective retail strategy. Government should not underestimate the significance of the UK's large retail industry and its economic contributions; especially in the short-medium term, following Brexit. Open dialogue between Government and industry should help to develop a strategy and address industry issues.

Government must:

- Revaluate and develop the UK's current retail strategy, which was published in 2013.
- Engage with industry to develop a focused national retail strategy.
  - A strong retail strategy will enable retail businesses to forward plan and provide continued consumer confidence and spending, especially post Brexit.
- Maintain the benefits currently experienced from the single market and customs union following Brexit, which have aided the retail industry. This includes; zero tariffs and limited customs checks. These have lowered consumer costs (as warehousing at borders is avoided) and provided quick delivery times of goods.

[1] Under the 2010 to 2015 Conservative and Liberal Democrat coalition government, the former Department for Business, Innovation and Skills published a 'Strategy for future retail'. This strategy has not been properly reviewed since its 2013 publishing. First published 23 October 2013: Strategy to support the growth and performance of the UK retail sector, both in the UK and overseas, http://bit.ly/2qukrYf

A FAIR AND TRANSPARENT FUEL POLICY

UK road facts[3]**:**

- The UK is ranked 27th in the Global Competitiveness Index world ranking for roads.
  It is estimated that to fix England's roads alone, will take 14 years.
- Within the next five years, one in six of our local roads will need to be repaired, or may even face closure.
- There is an annual carriageway shortfall of £730m.
- To complete a one-time catch-up cost of road repair would cost £12.06 billion.
- 'The poor condition and lack of adequate maintenance of local roads remains the issue of biggest concern among drivers'.
- Potholes cause damage to cars every 11 mins.

[3]*Comprised of several sources, cited at the back of this document.*

Tackling air quality

NFDA endorses and recognises the purpose of the Clean Air Plan. To make emissions reduction a success Government must be rational, strategic and open to working with relevant industries to ensure that the plans are proportionate and practical.

Government rhetoric around diesel has changed. Many motorists are now feeling uncertain of their diesel investments.

When tackling air quality, Government must ensure:

- Fuel policy is proactive and does not retrospectively punish those who bought diesel in good faith. This includes taxes and local authority regulations.
- Policy must be fair and transparent.
- The impact of all types of air pollution are considered. This means looking beyond private vehicles and including building and light pollution, public vehicles such as buses and taxis and aviation.

Electric vehicles

The development of the electric vehicle market should remain a priority for the incoming Government. Government must commit to providing continued financial support to purchase vehicles and charging infrastructure, including charge points and upgrade of the national grid.

The incoming Government should:

- Continue to support the consumer uptake of electric vehicles through the Workplace Charging Scheme and the Electric Vehicle Homecharge Scheme.
- Remove or increase weight restrictions for electric commercial vehicles, so that they are not commercially disadvantaged because of Gross Vehicle Weight limits including battery weight.

Government rhetoric around diesel has changed. Many motorists are now feeling uncertain of their diesel investments.

- Help to support the new second-hand car market through a fair and proportionate tax system.
- Enable distribution network operators (DNOs) to be able to apply to central Government for grid infrastructure upgrades, following market demand in their locality. Legislation must support this and not place the burden of cost on the private sector. In this respect, amendments should be made to the Electricity Act 1989.
- Extend the Government grant for electric cars, vans and motorcycles past 2018.

Local Authorities and Clean Air Zones

Local authorities will play a key role in reducing the UK's emissions and improving air quality. Several potential policies have already been circulated; including the introduction of clean air zones (CAZs).

When looking at this, Government should ensure that:

- The introduction of CAZs tackle older polluting diesels.
- Government aids lower income households and this is a national policy, targeting the most polluted areas and lower-income households first. Fees generated from CAZs should be used to aid this policy.
- Government and Local Authorities work collectively. Government and Local Authorities should work together to publish four to five year timelines for the planned introduction of a CAZ in any given area, which will provide market stability and information for personal or business investments.

As it currently stands, three out of four motorists remain most resistant to purchasing an electric vehicle because of one of three specific barriers;

1. price of the vehicle (29%)
2. access to charge points (at home (12%) and during journeys (12%) and
3. the battery range of vehicles (22%).[2]

[2](NFDA/YouGov Survey, April 2017)

INDUSTRIAL SUPPORT

Delegated testing for Heavy Goods Vehicles

NFDA calls for the introduction of designated Heavy Goods Vehicle (HGV) MOT testing to support UK industry and connectivity. This would mirror the same system used for private cars and light vans. Designated testing would also save Government additional costs, as Government currently pays for HGV-MOT testers' travel costs.

Government must commit to:

- Addressing the inadequate numbers of testers and lengthy waiting times for tests currently experienced with ministry testing. This means that businesses incur unnecessary costs and time delays.

- Enabling designated testers to perform HGV MOTs and avoid problems incurred from current testers restrictive working times and the insufficient number of Authorised Testing Facilities (ATF), especially in more rural areas.

- Assessing how to reduce financial losses suffered by businesses due to vehicle unavailability and inflexibility because of the current restive MOT testing regime. The current system does not enable businesses to bring forward or delay testing because of business requirements or unforeseen circumstances.

Improving the UK's road network and condition of roads

UK roads need significant expansion, improvement and maintenance. Previous Governments have failed to provide the required levels of funding to repair and expand UK roads sufficiently.

"The condition of UK's roads must be addressed. It is essential that funding is allocated to the upgrading and mending of potholes and road deficiencies. However, additional funding should also be provided to maintaining repaired roads. Repairing the worst roads in isolation, without routine maintenance, is counterproductive. In this sense, prevention is key. A well connected and maintained road network should be an integral part of the UK's industrial strategy and will be essential as the UK ensures that it is ready and prepared for business."

Sue Robinson, NFDA Director

Government funding is required to improve the road network and must address:

- The increasing number of potholes. Pothole levels are likely to "surge" from increased numbers of heavier and larger lorries travelling on our roads and current low levels of maintenance. There are also more vehicles on UK roads than ever before and driving lengths have begun to increase again, as the UK continues to grow, post-recession.

- Expanding the road network to ensure that the UK can develop its freight and logistics companies in the wake of Brexit. Currently 80% of UK freight is moved directly by road. This is significant as businesses try to lower emissions and reduce the number of HGVs travelling on UK roads by using less but larger vehicles.

Previous Governments have failed to provide the required levels of funding to repair and expand UK roads sufficiently.

Industry facts:

UK automotive retail: what is at stake?

Auto retail and the UK economy

- The top 200 UK franchised dealers have a combined turnover of £61.3billion (up 8.6% on 2015).
- UK automotive retail has an annual turnover of £181.7billion, inclusive.
- UK automotive retail has a Gross Value Added of £32.1billion.
- UK automotive retail pays £1.1billion in tax.
- UK automotive retail is 18th largest employer in the UK, employing 1.7% of the UK's workforce.
- There are 4,900 automotive franchise retail sites.

UK auto retail sales

- In 2016, there were 2.69 million new car registrations.
- Second-hand car registrations reached over 8.2 million in 2016.
- Plug-In Car Grant in January 2011, there have been 83,052 eligible cars registered.
- In 2016, there were 35,447 vehicles eligible for the varying levels of Plug-In Grants registered.
- In 2016, there were 10,264 pure electric vehicles registered.

UK auto retail aftersales

- There are 2,364 franchised dealer MOT test stations in Britain.
- On average franchise dealers perform 1,541 MOTs on Class 3 and 4 vehicles annually.
- UK automotive retail turns over £23.9 billion from the maintenance and repair of vehicles.
- UK automotive retail provides £8.2 billion in Gross Value Added from the maintenance and repair of vehicles.

References:

[3]*Figures from textbox footnote three have been gathered from the following sources:*

- *World Economic Forum – The Global Competitiveness Report 2016-2017 – published 28 September 2016*
- *Evening Standard, Francesca Gillet: Local Government Association warning: It would take 14 years to fix England's potholes - 29 October 2016 (accessed 15.03.2017)*
- *Asphalt Industry Alliance - ALARM Annual Local Authority Road Maintenance Survey 2017 – published 28 March 2017*
- *RAC – RAC Report on Motoring 2016 – Road to the future – published September 2016 – page 46*
- *The Telegraph, Tom Whitehead – Potholes cause damage to cars every 11 mins, figures show – published 26 January 2015, (accessed 15.03.2017)*

[4]*Figures from footnote four of the main text have been gathered from the following sources:*

- *Annual Business Survey 2015 (ONS)*
- *Office for National Statistics (ONS)*
- *National Franchised Dealers Association (NFDA)*
- *Society of Motor Manufacturers and Traders (SMMT)*
- *Motor Trader www.motortrader.com*

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