

No regulatory alignment with the EU: government policy becoming clear?

By Ian Henry, Owner and Managing Director of AutoAnalysis and Visiting Professor at the Centre for Brexit Studies.

Speaking to the FT from a Westminster café, rather than the gilded rooms of the Treasury, Sajid Javid told UK businesses that they had had three years or more to prepare for leaving the EU so they should be ready for the UK to no longer follow EU rules. The country will no longer be a rule taker.

But what rules will it follow? Javid's bombshell, delivered a fortnight before Brexit day at the end of January, provided no guidance as to what would happen, only what wouldn't be happening.

Industry bodies, from automotive to food and drink, were quick off the mark to protest, with the SMMT's Mike Hawes saying that moving away from regulatory alignment with the EU would cost the industry billions.

What new regulations the UK government will introduce for the auto industry remain to be seen, but whatever they are, UK vehicle manufacturing plants will still have to comply with EU rules, ie they will be rule takers. They will not be able to ship UK-made cars to the EU unless they are made to EU standards or rules.

By saying that the UK won't be a rule-taker, the government is either being disingenuous or simply doesn't understand how the world works. Or may be both.

In his interview with the FT, Javid said that Japanese sold cars in the EU but didn't follow EU rules. It is difficult to know whether Javid really believes this, or has misunderstood the situation, or if he knows he is wrong but says it anyway because he thinks that what his boss wants him to say, irrespective of its veracity. Of course the Japanese car companies follow EU rules, or they wouldn't be able to sell in the EU.

The Japanese follow EU rules, just as they follow US rules for selling in the US, Australian Design Rules when selling down under and other country specific rules elsewhere in the world; the US manufacturers also follow EU rules when shipping Jeeps and a few other US-made vehicles to the EU, just as European manufacturers follow Japanese or US rules when selling in those markets, irrespective of where the vehicles themselves are made.

So UK car factories, which ship 80% of their output overseas, mostly to the EU, will continue to make vehicles which comply with EU or other countries' rules.

Once outside the EU, UK-made vehicles will still have to be homologated – or approved – before being sold in the EU; this testing and approval process, much of which currently takes place in the UK, will likely have to take place in the EU. And EU car companies which currently have their vehicles homologated in the UK will switch this activity back to continental testing agencies.

Is the UK government really going to develop a new set of technical rules and regulations for vehicles sold here? What is the UK going to regulate for which the EU does not? Tougher emissions and safety standards perhaps? Surely, the government may argue, no one can object to that? Perhaps not, but ahead of a new regulatory environment being designed and implemented, the UK will presumably have to continue to follow (or take) EU rules: or will the country switch into a completely deregulated mode? Cars which don't pass NCAP or Euro 4 anyone?

That means few or no airbags, limited emissions controls, no side impact bars and plenty more besides. Plenty of cars without such niceties are made in Iran, China and other emerging markets. May be that is what the Brexiteers want – total deregulation. Nothing should surprise us now.