

“This is a catastrophe event for advanced manufacturing in the UK”

Report from OpenText and Birmingham City University unveils UK auto manufacturers fears for Brexit

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There are [less than 150 days](#) to go before the UK leaves the EU. The uncertainty surrounding Brexit still remains. OpenText has been working with the [Centre of Brexit Studies](#) at Birmingham City University to understand the impact that UK manufacturers think it will have on the automotive industry. Our findings are sobering, but are there any solutions available to the impending crisis?

The headline is worrying enough but the full quote from an automotive manager is worth repeating: “This is a catastrophe event for advanced manufacturing in the UK, of which [our firm] will probably not survive in its current format”. It’s a sentiment that we heard time and again as we interviewed automotive leaders in the UK about their approach and preparedness for Brexit.

Another told us that: “My personal perspective is that Brexit is a disaster for the economy, for the country and for our business”.

Indeed, the mood of our interviewees could be summed up from this manager’s quote: “Okay, so we have a two year transition period agreed. But, our own Government studies show that we need five to 10 years to put some sort of system in place.

So what do we do for the three to eight years in-between that? Who collects these customs? Who actually does all of this stuff that we’ve cooked up? So the practicalities as well as the legalities I don’t.... really....understand...”.

Brexit: Optimism in short supply

What we discovered is that there was virtually no one within the UK automotive community that could see any real opportunity in Brexit.

Most were focused on attempting to chart a course that would see their business continue regardless of the outcome. Others were far more pessimistic about the commercial landscape post-Brexit.

One auto manager told us: “This is just a call back to some of the Brexiteers and what they say, so yeah, we do internationally import parts from the wider area and they have to have the documentation and everything that goes with it, but it’s only 10%. But if you overnight add that other 50% to it, so times six, so now you’re up to 60%. We don’t have ports that can cope with that. So, for example, most of the parts actually flow through the Channel Tunnel, ... there’s no warehousing in Dover, there’s no warehousing on the other side of the Tunnel.”

This lack of optimism in some ways chimes with information coming from the UK government. A report published in March this year considers that a ‘no deal’ scenario would be “[“hugely damning to the UK automotive sector”](#), resulting in the introduction of a 10% tariff on cars and a 4.5% tariff on components. This would add at least £1.8 billion to exports and £2.7 billion to imports annually, according to analysis by the [UK Society of Motor Manufacturers and Traders](#). This doesn’t just threaten the revenue and profits of companies, it could easily throw the viability of an auto manufacturer’s UK business into question.

Are there any solutions?

The multi-national nature of automotive supply chains comes as a surprise to absolutely no one, but auto manufacturers told us that there were still huge challenges in understanding and reacting to Brexit’s impact.

When asked, one manager responded: “For us, we can understand Brexit at a functional level, but to understand it at an enterprise level means combining... individual views. And, what one means for the next and what that means for the next and what that means for the next after that, is very difficult. Partly because we are a big organisation and it’s trying to join up the dots and make sure that there aren’t contradictions – that’s a real operational challenge.”

Whatever the final outcome of Brexit, technology is going to play an integral part to ensuring the goal of [‘frictionless trade’](#). According to the Centre of Brexit Studies, one approach is to place a greater focus on information sharing and collaboration between all parties in the supply chain to build the level of resilience needed to ensure continued business operations through the disruption of Brexit.

Alex de Ruyter, Director of the Centre of Brexit studies said: “In response to the potential impacts of Brexit, conventional approaches to reinforcing the supply chain have been to emphasise increased resilience. As such, it is argued that enhancing supply chain integration could help to build up a higher resilient capability. With information sharing, the “bullwhip effect” – the distortion of demand information as one moves upstream in the supply chain, causing severe inefficiencies within the whole supply chain – could be minimalized and companies would be able to make proper responses to different situations.”

In my opinion, improved [Enterprise information Management](#) lies at the core of any technology solution to meet whatever Brexit environment the automotive industry finds itself in. For example, Advanced Shipping Notices (ASNs) could form a basis to facilitate pre-arrival customs clearance, reducing potential bottlenecks at the borders. Technology can help replace physical infrastructure to enable organizations to meet the new customs arrangements – but this will revolve around the quick, effective and intelligent sharing of information.

OpenText and the Centre of Brexit Studies are holding an exclusive ‘Brexit and the Automotive Supply Chain’ event on 30 November 2018. [Reserve your place today](#). A full copy of our research report will be available to all attendees.