

# Planes, Trains and Automobiles: What does Brexit mean for the West Midlands Transport Manufacturing Sector?

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In writing this blog, we thought about a suitable opener to talk about our survey of transport manufacturers in the West Midlands and neighbouring areas.

As such, [follow this link](#) if you are a manufacturer or supplier or related service provider in auto, rail or aerospace manufacture.

Much has rightly been made of the contribution of the transport manufacturing sector to the West Midlands economy – particularly that of the automotive sector. These manufacturing sectors are especially vulnerable to the form of Brexit, with concerns in automotive in particular as to how a No Deal scenario would lead to tariff barriers, customs delays affecting supply chains, the need to stockpile parts and so on.

Essentially, customs delays under a no deal Brexit would throw a spanner in the works of just in time systems commonly used across UK and EU manufacturing.

Because of such fears, car makers like JLR (and Toyota in the East Midlands) are planning plant shut downs in November, It is the second time this year that car firms will have to shut down because of Brexit uncertainty. Back in April much of the UK car industry was idled in anticipation of the original end of March Brexit deadline.

Firms brought forward planned maintenance shutdowns and took extended breaks in an effort to mitigate the cost of disruption caused by Brexit. Output fell by 45% in April compared with a year earlier.

Just one firm, Jaguar Land Rover (JLR), estimates that the cost of leaving the EU with no withdrawal agreement in place will cost it £1.2 billion. To put this in context, the UK Government have so far allocated about £4 billion in total to mitigate the costs of 'No Deal'.

And this is simply because our car makers, plane makers and train makers have gone about their business within a giant harmonised production and trading zone called the 'Single Market'.

Now when you start talking about leaving the European Union (EU) Customs Union and Single Market, as our Prime Minister Boris Johnson has done over his tenure in office (and back to the 2016 Referendum) it raises all sorts of alarm bells for business.

The West Midlands of course (right in the middle of England) is pretty much 100 miles from the sea in all directions (a clue is in the name: "MID-LAND-S").

So we should be concerned about transport and logistics matters for our Region's 'makers' (be they 'Planes Trains or Automobiles') because any No Deal bottlenecks of uncertain length at Dover, or Holyhead, or Felixstowe, or Southampton will only be compounded as lorries try to crawl their way up the M1 or the M40.

Along these routes of course, will be hundreds of container lorries delivering components for our region's manufacturers that can easily cross the Channel half-a-dozen times during the production process.

Think of the components that go into a GKN Driveline made here in Birmingham or an engine assembled at BMW's Hams Hall engine plant.

Similarly, JLR – our region's biggest car maker – takes leather hides from Scotland, to be cut and processed in Poland, before exporting them from there back to the Midlands, to be kitted and fitted into car seats here.

To put this into context with some stats, for the UK as a whole, the automotive industry contributed an estimated £15.5bn to Gross Value Added (GVA) in 2016, whilst 'other transport' contributed a further £10.6bn.

Of this £10.6bn, the overwhelming majority – some £7.6bn – relates to the aerospace industry. Repair and maintenance of aircraft and parts was also worth a further £2bn to the UK economy in 2016.

Precise figures for the manufacture of locomotives and rolling stock are not directly comparable, but the Annual Business Survey results suggest that the sector was worth some £554 million in 2016.

However, it should be noted that this only measures direct value generated by the industries and thus doesn't capture the whole supply chain – data suggest that in 2016, companies in the broader transport sectors bought over £68bn from suppliers in other sectors (the automotive industry was the largest, buying £44bn with aerospace next at some £18.5bn).

These sectors are particularly important in the Midlands. The West Midlands automotive industry added £5.9bn of value in 2016 (37.9% of the national total) and the 'other transport' (mostly aerospace, but including the rail sector) sector added a further £0.85bn.

For the East Midlands, these sectors were worth a combined £2.4bn and represent 2.4% of the total regional economy. Again it should be stressed that this does not include any other industries in their respective supply chains.

In terms of employment, the automotive sector comprised 161,000 jobs in Great Britain in 2016 of which 54,000 were in the West Midlands and a further 8,000 in the East Midlands. The wider value of sectors like automotive to the UK economy should not be understated. When related activities are added in, the industry is thought to support over 800,000 jobs in the UK.

The aerospace sector directly accounts for further 6,000 and 18,000 jobs in the West and East Midlands.

The manufacture of locomotives and rolling stock accounted for 450 and 2500 jobs in the West and East Midlands respectively. Across the Midlands in excess of a further 4000 jobs exist in maintaining transport equipment (not including shipping or the maintenance and repair of motor vehicles).

As such, these manufacturing sectors are highly significant to the Midlands, and the current Brexit context (and the risk of leaving the EU with No Deal) provides a renewed urgency to undertaking a mapping of the sector in terms of supply chains and logistics and consequent Brexit exposure for a sector where thousands of jobs are now at risk of being lost.

For these reasons we are collaborating with various partners in academia, government and business to undertake a survey of transport manufacturers to get a clear idea of where they buy and sell their wares, and consequent exposure to Brexit in terms of procurement, operations, HR and compliance/risk management.

In undertaking this survey with the support of the West Midlands Combined Authority (WMCA), our work will support the WMCA's work on its West Midlands Local Industrial Strategy, with particular emphasis on the Future of Mobility growth opportunity identified within.

This rightly identifies the West Midlands as the UK's major centre of transport innovation. However, in order for this to continue, companies operating in and around the WMCA area must know their exposure to the variety of Brexit scenarios (and other potentially disruptive influences) that might unfold.

If you wish to take part in the survey, please visit the questionnaire here: <https://bit.ly/2AURECP>

All responses can be kept anonymous if you prefer, so as to ensure data confidentiality and non-disclosure.

We will present the findings of the survey in a workshop to be held at Birmingham City University in December this year.