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BREXIT

But what might it mean to a SCAF member?

Abstract.

As the UK prepares to embark upon BREXIT what do we know about it and its impact upon the companies that we represent and indeed ourselves as individuals? For the Cost Analyst & Forecaster is there anything 'special' that we can and should be doing to prepare for the, well frankly, what?

Agenda

- Polish your crystal balls.
- Looking through the windows might bring joy and dispare in varing measure.
- A few things that we might get rid of.
- Impact will depend upon many things; your business structure – think cost drivers.
- Personal impact.
- Summary.

BREXIT and us.



- The truth is that it will still be several months if not years until we even know what is changing.
- We can therefore only speculate and determine mitigations for the potentially extreme impacts.
- So, best crystal balls at the ready!
- True, in common with other UK companies and in particular Automotive OEM's Jaguar Land Rover has been in direct discussion with the UK Government.
- Any views expressed in this presentation are personnel and not informed by or held/expressed by Jaguar Land Rover or the Government of the United Kingdom.

Obscure EU Laws to repeal. @ #6

Sunday Express, By [ALICE FOSTER](#)

PUBLISHED: 05:50, Fri, Jun 24, 2016 | UPDATED: 16:43, Fri, Jun 24, 2016

- 6. Ridiculous rule on... Toasters
- [Brussels bureaucrats plan to crack down on toasters, kettles and hair-dryers](#) shortly after today's [EU referendum](#) on Britain's membership of the bloc.
- The proposed ban on high-powered household appliances is part of the European Commission's long delayed 'eco-design restrictions'.
- Even some EU officials have admitted that the move would bring "ridicule". The new rules come after the controversial ban of high-powered vacuum cleaners.
- But, if as the UK we wanted to kerb CO₂ doesn't it actually make some to limit the power of required but none essential devises?

Obscure EU Laws to repeal. @ #5

Sunday Express, By [ALICE FOSTER](#)

PUBLISHED: 05:50, Fri, Jun 24, 2016 | UPDATED: 16:43, Fri, Jun 24, 2016

- Ridiculous rule on... Bananas
- In a widely ridiculed ruling, Brussels bosses banned rogue bananas with "malformations and abnormal curvature".
- In 2009, the European Union introduced strict restrictions on the quality of bananas and other fruit sold within the EU.
- Under the regulations, Class I bananas can have "slight defects of shape" but Class II bananas are allowed to have "defects of shape".
- But, ... No I can't defend the wanton waste of food, inefficiency in food production in the name of increased packing density etc.
- The directive was repealed after the EU grew concerned that growers were throwing out perfectly tasty bananas because they were curved a bit too much. Rumors that completely straight bananas were also banned were unfounded, although some growers may have interpreted them as having an "unsightly curvature."

Obscure EU Laws to repeal. @ #4

Sunday Express, By [ALICE FOSTER](#)

PUBLISHED: 05:50, Fri, Jun 24, 2016 | UPDATED: 16:43, Fri, Jun 24, 2016

- Ridiculous rule on... Pet horses
- Under a bizarre EU law, it is illegal for people to eat pet horses but they are still allowed to eat other types of horses.
- Europeans who raise and slaughter horses for meat must not pass them off as pets in a bid to dodge food safety rules.
- Horse passports must show whether horses can be used for food at the end of their life.
- My 'head' agrees that this is ridiculous, my 'heart' however has a level of sympathy, but my family kept rabbits for meat and food.

Obscure EU Laws to repeal. @ #3

Sunday Express, By [ALICE FOSTER](#)

PUBLISHED: 05:50, Fri, Jun 24, 2016 | UPDATED: 16:43, Fri, Jun 24, 2016

- Ridiculous rule on... Balloons
- Brexit campaigner and Tory MP Boris Johnson, now foreign Secretary, proclaimed that “ludicrous” EU rules mean that “children under eight cannot blow up balloons”.
- But in a strongly-worded denial the European Commission had previously said: “EU DOES NOT ban children from blowing up balloons”.
- The controversial directive warns that children under eight should not blow up latex balloons without adult supervision.
- **This feels like an item blown up out of all proportion.**

Obscure EU Laws to repeal. @ #2

Sunday Express, By [ALICE FOSTER](#)

PUBLISHED: 05:50, Fri, Jun 24, 2016 | UPDATED: 16:43, Fri, Jun 24, 2016

- Ridiculous rule on... Light bulbs
- Eurosceptic actress Liz Hurley came out in support of Brexit as it means that Britain can go back to using decent “60-watt, peach-coloured” light bulbs.
- Widely unpopular EU regulations have restricted the sale of incandescent light bulbs because they were seen as not energy efficient enough.
- Their more energy efficient replacements - LED and fluorescent bulbs - give off a colder, more unnatural light.
- In common with #6 on the toasters etc this is introduced to meet the CO₂ targets, technology has already meet the colder, more unnatural light issues and LED lighting is now available to meet most requirements. Some LED light bulbs that I recently bought use just 5% of their tungsten equivalents!

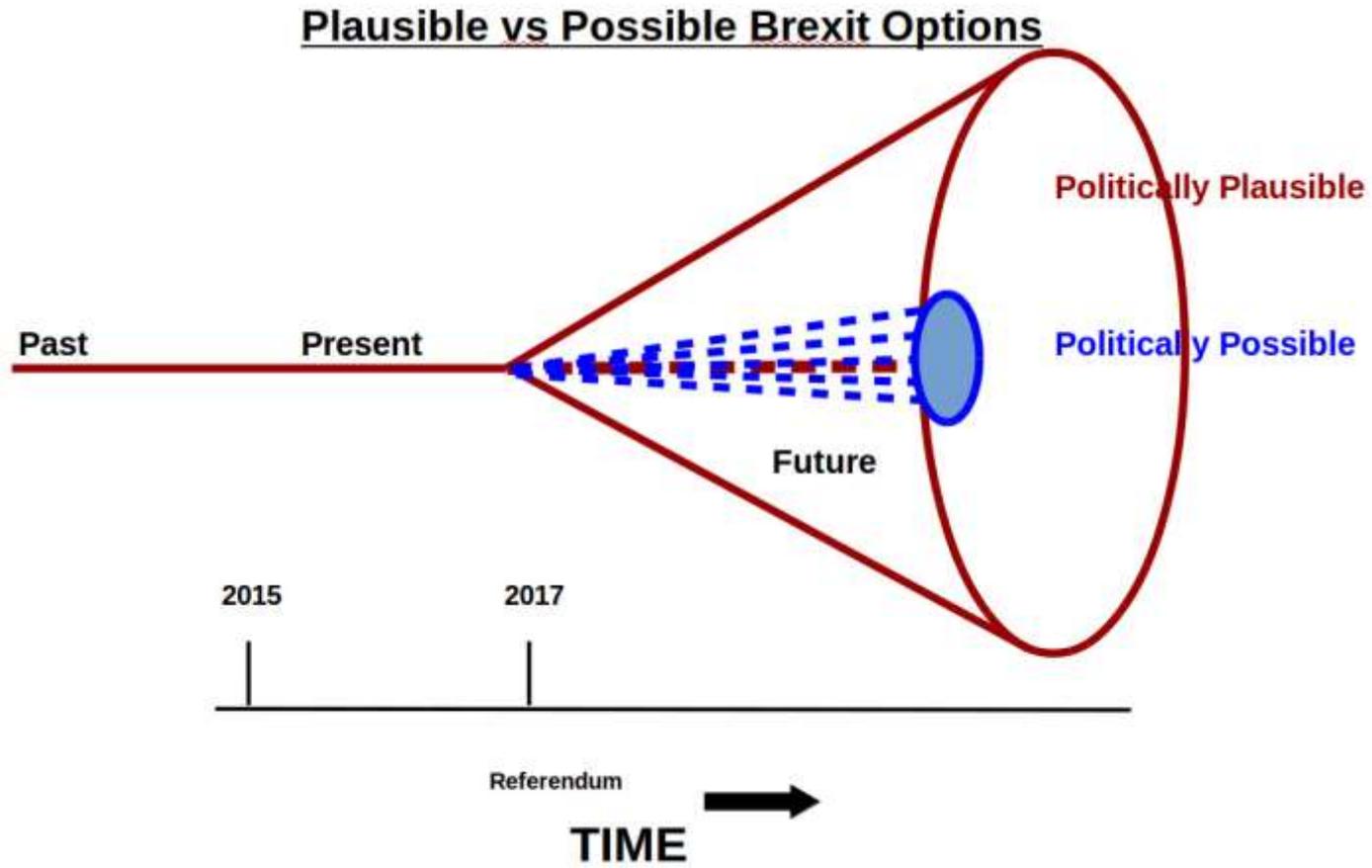
Obscure EU Laws to repeal. @ #1

Sunday Express, By [ALICE FOSTER](#)

PUBLISHED: 05:50, Fri, Jun 24, 2016 | UPDATED: 16:43, Fri, Jun 24, 2016

- Ridiculous rule on... Tea bags
- While pushing for a Brexit, MP Johnson said in his Telegraph column that barmy EU rules mean that “you can’t recycle a tea bag”.
- Under EU law, local authorities are allowed to ban the composting of tea bags if there are fears over the spread of disease.
- For example, Cardiff Council told households not to throw away tea bags in an attempt to prevent the spread of foot-and-mouth disease in 2005.
- So much for it being an EU law related item.

The plausible vs possible Brexit options.



The impact of Brexit.

- It is most likely to depend on 1 or more of several factors:
 - The international nature of your materials.
 - The international nature of your markets.
 - The dependency on labour markets.
 - Your age/readiness for retirement.

Brexit.

The international nature of your materials.

- Current trading relations with the EU across the 'open market' mean ZERO import duty into the UK.
- Import duty changes with the receiving countries ability to produce the traded commodity for itself.
 - **Example:** a Vehicle OEM might have a profile on its product for say £9,400 of Euro in a £13,300 material cost bill.
 - If the import duty increases from 0% to 5% then UK sold vehicles will increase in cost, £470 or 3.5%.
 - UK sales represents about 18% of total world sales.
- The German auto Industry alone has around 100 production sites in Britain, including its suppliers. With imposed import duty they would also be impacted with duty into Europe. Given that German auto policy is to build where the product is sold most mainland European vehicles would see material price increases that could not be recovered when the vehicle is exported.
- Vehicles sold outside of the UK will have their material cost import duty recovered unless there is a bizarre twist in the way that current duty law works.
- Of course import duties into the UK could also change for other non EU sources.
- NB: in a radio 4 interview on 31st Jan, FORDs European CEO stated that all of their engines come from either Dagenham or Bridgend, that is a lot of UK sourced material that FORD will be lobbying to import free of duty.

Brexit.

The international nature of your Sales.

- Trading relations with the EU across the 'open market' mean ZERO import duty of goods from the UK into the EU.
- Import duty changes with the receiving countries ability to produce the traded commodity for itself.
- Example: Say the import duty rises from 0% to 20%. Our fictional Vehicle OEM has 19% of its sales in Europe because it has already diversified its markets. UK Vehicle OEMs as a whole exports some 49% of its vehicle output into Europe.
- European (German) Vehicle OEMs typically export 800,000pa vehicles into the UK compared to UKs 835,000pa into Europe. Subject to the specific Vehicle sector your company falls into it could be an even playing field, with the potential that UK produced vehicles becoming nett 'cheaper' to the European imports in the UK.
- Of course import duties on UK products into non-European markets could also change.

Brexit.

The dependency on labour markets.

- A common resource required by all of our represented companies is a Labour Force.
- UK as a whole, by country of birth, 16 to 64, in 2013 had 30,240,914 employees. 25,767,788 UK, 1,712,234 EU27, 2,760,892 Other.
 - [Source: Labour Force Survey](#)
- UK Birth Rate: the UK isn't replacing itself through birth; current rate is 1.93 (2011 Census), 1.84 to UK born woman.
- To achieve a sustained UK GDP growth the UK needs a Labour force which with migration unplugged isn't and in the short term cannot be self sustaining.

Brexit.

Your age/readiness for retirement.

- In my case @ 61yrs this is a concern.
- The quantity of pensionable aged residents is increasing, either due to 'baby boomers' becoming pensionable and/or increasing life expectancy.
- State Pensions need to be funded by current contributors to the Pension pot through National Insurance contributions.
- In short if the UK isn't replacing itself through birth; current rate is 1.93 (2011 Census), 1.84 to UK born woman.
- Then the UK needs a migrant workforce to contribute to National Insurance contributions be they a European or Non European migrant workforce.
- An on-line, but resident outside of the UK, might achieve the delivery of some UK employment requirements but they will not close the Pension gap.

Brexit.

In conclusion.

- Given the stage that UK as whole is at with the Brexit plan, the UKs future relationships to the European Market, labour migration etc the only knowledge that we have is that we do not have any knowledge.
- As Cost Analysts and Forecasters we can only therefore review our respective businesses as if we were embarking upon the biggest of new projects where the scope is unclear and review how changes should they occur will impact the new 'business project'.
- Review your respective companies for 'Cost Drivers' and review those against a potential to be impacted by a UK/European Market interaction.
- Don't neglect the secondary interactions with none European Markets where the UK currently benefits due to a preference resulting from the third parties relationship with Europe as a whole.

- Thank you.

- Q&A.

- Although at present we know that we all have more questions than answers.