

MCIA Response to the Public Consultation on the UK Global Tariff.

The MCIA is the UK trade association for the supply side of the L-Category sector, also known as Powered Light Vehicles (PLV). These are two, three and light four wheeled vehicles, spanning mopeds, motorcycles, tricycles and quadricycles and associated products. The UK industry has been valued at over £7billion per annum to the UK economy, supporting over 50,000 jobs in nearly 6,000 businesses. The UK is the base for global manufacturer Triumph, as well as hosting several other manufacturing and importer businesses engaged in whole vehicle product, components, accessories and PPE/clothing. The UK is also home to the European head offices of two other major manufacturers in the L-Category sector.

The PLV industry contains a range of views on tariffs and a number of businesses may respond individually to the consultation. Given this breadth of feedback, it was not possible for MCIA to respond via the online portal, hence this written submission.

MFN tariffs

A common theme from our internal consultation is that MFN tariffs for the sector should be set at zero on the basis of free trade, reduction of business burden and also as a result of limited or zero domestic production of many products related to the sector.

Simplifying and tailoring the UK tariff.

In principle, MCIA supports this approach. We support the removal of so called 'nuisance tariffs' of 2.5% or less. We also support the rounding down of tariffs to the nearest standardised band. We note that these are in 2.5% increments at the lower range of tariff levels.

However, we urge the Government to consider the following:

- Where current tariffs are 5% or less, the rounding down will bring these to 2.5%, therefore in the range of the current 'nuisance tariff' band. Because of this, we propose that such tariffs are also reduced to zero.
- Where a current tariff already sits on a standardised band that this is also rounded down. Therefore, a 10% tariff would become 7.5%.

Removing tariffs on key inputs to production

MCIA supports this approach. We note that the BEC list already contains several categories related to the PLV sector. Therefore, we would welcome further discussion with Government with the aim of ensuring that all key inputs to production are included from the L-Category sector, particularly in relation to product and component codes commencing 84 to 87. The short time frame of this consultation exercise means we are still working on an exhaustive list and we will be seeking meetings with Government officials once this is complete.



Removing tariffs where the UK has zero or limited domestic production.

MCIA supports this approach. We also urge the Government to include the L-Category sector (codes commencing 8711) within this area for the following reasons:

- Nearly all of UK registrations of categories L1 and L3, which comprises the vast majority of PLV registrations, come from imports (95% of a total market of 107,408 units in 2019)
- Around 5,000 are PLVs manufactured in the UK (the majority of manufacturing beyond this number is based in Thailand)
 - Most UK production is exported (USA and EU the largest markets)
 - Mostly using components from outside the EU

In addition to whole vehicle manufacturing, the UK has an evolving parts and accessories manufacturing sector. This sector covers a range of product codes with the potential to greatly benefit the UK economy and employment, if the correct policies are adopted in relation to tariffs and trade. A survey by MCIA undertaken early in 2019 revealed that among respondents, approximately 29.5% of revenues for the sector come from exports, valued at that time at approximately £4.6million. The removal of tariffs from this sector will represent a significant boost to potential business and manufacturing, much of which takes place in the Midlands and North.

As one MCIA member commented: *“Tariff charges have a large and negative effect on our marketing and sales, therefore we would prefer to see a simple approach which allows 100% UK manufactured goods to be exported on harmonised codes to simplify tax and shipping.”*

Another member, a recipient of the Queen’s Award for Export Achievement, commented: *‘Basically, all the raw materials used in the production of our brake pads are sourced from the EU, and import duties are obviously going to hit us hard, increasing our cost prices considerably, unless zero tariffs can be agreed’.*

Personal protective Equipment (PPE) and other clothing that is manufactured and distributed within the L-Category sector is subject to recent additional legislation, which has placed a considerable financial burden on manufacturers and importers. As such, consideration should be made to apply zero or minimal tariffs to such clothing (and safety helmets), to avoid potential tariffs of up to 12% on MFN rates if trade deals replicating current arrangements are not negotiated. This particularly relates to specific product codes within the range of 39 to 65.

As mentioned above, we are in the process of compiling an exhaustive list of affected tariffs, which we will discuss further with officials.

In Summary

MCIA supports in principle the aims of Government as set out in the consultation. The proposed simplification or removal of tariffs on both production inputs and those products where there is currently limited or zero UK production, can only be welcomed.

However, we urge Government to consider the L-Category sector in greater depth as part of this work, given the latent potential for challenging urban congestion and poor air quality that this sector offers. This becomes a greater factor when the move towards vehicle electrification is considered and the potential of the UK to become a global centre of R&D, technical development and manufacturing. Removal of tariffs in this sector would provide a significant boost, which has a large presence in the regions outside the South East.

As mentioned above, we seek further dialogue with Government in order to discuss more detailed matters in relation to specific product codes and we will be in touch with officials shortly.



Tony Campbell
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