What does Brexit mean for dealers and why won’t they discuss it

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What does Brexit mean for dealers and why won't they discuss it?

By Professor Jim Saker

The silence was stunning. At a recent meeting of the Automotive Fellowship International, Steve Nash, the CEO of the IMI, was chairing a debate on the future of the franchise system in Western Europe, and asked: “What do you think the implications of Brexit would be for the retail automotive sector in the UK?”

The silence continued, one or two people checked their emails, while others stared at the stunning tapestries in Luton Hoo’s Wernher Room. After a while, Nash moved the conversation to another topic.

From my perspective, the implications of Brexit for our sector did not appear to have been argued or articulated. I started to ask around, first at the conference and later, some legal friends. The answers were really interesting.

Brexit would be an almost unique event. The scenario—a country that has been applying the legal requirements of a particular jurisdiction removing itself from that regime overnight—has not happened often in world history. Most changes are negotiated and agreements set in place over a long period of time, such as the handover of Hong Kong to China, and even then problems occurred. This situation is so different, there are very few precedents in place.

What does it mean for automotive retailers?

European legislation has come in a range of formats for our sector, but probably one of the most interesting aspects appears to revolve around the Block Exemption Regulations (BER) that have affected both the ability to have protected market areas and the sharing of technological information.

Brexit raises a range of questions that need to be answered:

- Do manufacturer/dealer contracts that have been written under the existing European rules have legality if the parties are no longer part of that jurisdiction? If not, what would then happen?
- Do new dealer contracts need to be put in place?
- Removing the restrictions of BER could potentially lead to a restructuring of the franchise system.
- Would the removal of the requirement for manufacturers to share technology with approved service providers stop in the UK, causing the independent sector to be disadvantaged?

For some dealer groups operating in both the UK and Europe, there is the potential expense of having to change systems to run under different rules in both jurisdictions.

Professor Jim Saker is director of the Centre for Automotive Management at Loughborough University’s Business School and an AM Awards judge. He has been involved in the automotive industry for more than 20 years.