GERMAN INDUSTRY UK

THE VOICE OF GERMAN BUSINESS IN THE UNITED KINGDOM

STATEMENT
GERMAN BUSINESS WITH THE UNITED KINGDOM
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OVERVIEW

The UK has long been one of Germany's most important investment locations and markets worldwide.

More than 15,000 German companies do business with the UK today. 8,000 sell direct and 4,500 via agents and distributors. 2,500 set up subsidiaries here, of which 2,000 are sales and services and 500 manufacturing companies, employing some 400,000 people.

The UK is not only important as a market but also of great strategic significance for German international business. Many takeovers of British companies confirm this.

Major German companies in the UK today are: Aldi, Allianz (since their takeover of Cornhill Insurance), BASF (Boots), Bayer, BMW (Mini and Rolls-Royce), Bosch (Atco-Qualcast and Worcester Heating), Daimler, Deutsche Bahn (Arriva, EWS, Grand Central Railway and Laing Rail), Deutsche Bank (Morgan Grenfell), Deutsche Post (Exel, DHL and Williams Lea), Eon (Midlands Electricity, Powergen and TXU), Heidelberg Cement (Hanson), Lidl, Linde (BOC), McKesson Europe AG formerly Celesio (Lloyds Pharmacy and AAH), Otto Group (Freemans Grattan Holdings), RWE (npower), Siemens, TUI (Thompson and First Choice), ThyssenKrupp and Volkswagen (Bentley).

Deutsche Post (50,000 employees), Deutsche Bahn (33,000), Aldi (30,000), McKesson (25,000) and Lidl (20,000) are the largest German companies in this country. The majority of the German companies in the UK employ, however, only up to 200 people.

German industry is mainly located outside London, in South East England and in the Midlands. German banks, insurance companies and consultants etc are based in London.

MARKET

German products (and services) have always sold well in the British market. `Made in Germany`, especially with reference to cutting edge innovation and modern design is still a sign of high quality. The strength of German industry in the UK is therefore in the up market business where quality often matters more to the customer than price.

German industry sells mainly motor cars, machinery, electrical, as well as chemical and pharmaceutical products. German food too has been doing well for a long time. The UK (7.5% of exports) is today Germany's third largest market abroad after the United States (9.5%) and France (8.6%).

COSTS

The UK has been offering good location conditions with lower labour and tax costs for some time.

Labour costs
According to the German Federal Statistics Office labour costs per working hour in manufacturing industry (direct pay and benefits) are today
In the UK - £21.40 (€28,30)
In Germany - £33.63 (€38,00)

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Tax costs
Corporation tax: 20% on all profits.
Income tax: 20% on income between £11,501 and £45,000, 40% on income between £45,001 and £150,000, and 45% on income over £150,000.

Britain has no wealth tax and only one local (council) tax.

£1.00 = €1,13
VAT is 20%

The employer's contribution to social security of the employee (health, pension, unemployment and accident) accounts for a maximum of 13.8% of the gross salary of the employee (and the employee's own contribution for a maximum of 12%). In addition, red tape has been reduced, for example planning procedures have been shortened, trade union power run down and there is also no codetermination by law.

LABOUR RELATIONS

Labour relations can be described as good today. Most members of GIUK confirm this.

BUSINESS & INVESTMENT CLIMATE

The UK is an attractive location for German industry. An ever expanding market and low costs are good arguments for a German company to set up in the UK. Also, the British investment climate has been favourable since the 1980's and government has been stable. Between 1997 and 2010 the Labour Governments carried on the business friendly policies of previous Conservative Governments (1979 until 1997), which German industry welcomes.

Less state and more market.

From May 2010 until May 2015 the Coalition Government of the Conservatives and Liberal Democrats continued with the market economy. On 7 May 2015 an all Conservative Government was elected and on 8 June 2017 a minority Conservative Government was re-elected. The investment climate remains excellent.

Of concern are employment laws like the working time regulations, introduced since former Prime Minister Blair signed the EU Social Charter during his first term in office, which makes the UK less attractive as a location. Old problems like poor infrastructure (road and rail) and (vocational) training we feel are still unresolved which also burdens German industry with extra costs. Massive long term investments and something like the German Dual Vocational Training System are needed.

Add to that the Euro. It is not only German industry which would like the UK to adopt the Euro. The former Labour Governments kept stalling and the Conservative Liberal Government stated that joining the Euro was not on their agenda. This has not changed with the new Conservative Governments.

A more recent concern was the referendum on the EU on 23 June 2016. GIUK said, in July 2015, that whilst we support Prime Minister David Cameron, campaigning for significant reductions in EU costs, bureaucracy and regulations, we believe it is in the UK`s best interest to stay in the EU. This was confirmed by our survey amongst the whole of German business published in July 2015. German industry was disappointed that the British people voted to leave the EU, however despite the many challenges ahead, we should not leave the UK which has long been one of Germany`s most important investment locations and markets worldwide. For forthcoming UK-EU Negotiations for Brexit` we then published a Statement in January 2017, `Key German Business Priorities. This was done in cooperation with 14 of our largest companies in membership. The Statement was sent to the British Government and was discussed with Mr Robin Walker MP, Minister in the Department for Exiting the EU, on 21 September 2017 in London. This was followed by a full discussion with senior officials at the Department on 26 October 2017.

The economic situation in 2012 was less positive after good growth rates for most of 2011 following a deep recession in 2009 and 2010. 2013 looked brighter with the economy appearing to have turned a corner with a growth rate of 1.8%. It increased to 2.6% in 2014, to 2.7% in 2015 but went down to 1.8% in 2016 and is expected to be 1.6% in 2017. Inflation is currently 2.9%, base interest rate 0.5% and unemployment 4.3%.