Bank of Ireland Motor Sector News

October 2020

In the month of October, new passenger car (PC) sales increased 6.2% (to 2,315 units), Light Commercial Vehicle (LCV) sales increased 56.2% (to 1,667 units) and used imports declined 18.7% (to 9,315 units).

PC Registrations YTD
In the first 10 months, the market declined 25.2 % (to 86,870 units). Volkswagen holds the #1 position with 12.1% market share, followed by Toyota with 11.5% in #2, Hyundai with 9.2% in #3, Skoda with 8.4% in #4 and Ford with 7.8% in #5.

LCV Registrations YTD
In the first 10 months, the market declined 15.3% (to 20,587 units). Ford holds the #1 position with 23.7% market share, followed by Volkswagen with 15.2% in #2, Renault with 13.1% in #3, Peugeot with 9.6% in #4 and Citroen with 8.1% in #5.

Used Imports
Registrations of used imports declined 37.7% (to 58,504 units) in the first 10 months of 2020.

Passenger Car Sales	Light Commercial Vehicles	Used Imported Cars
Oct 2020 YTD -25.2%	Oct 2020 YTD -15.3%	Oct 2020 YTD -37.7%

Provincial Developments

October 2020 YTD

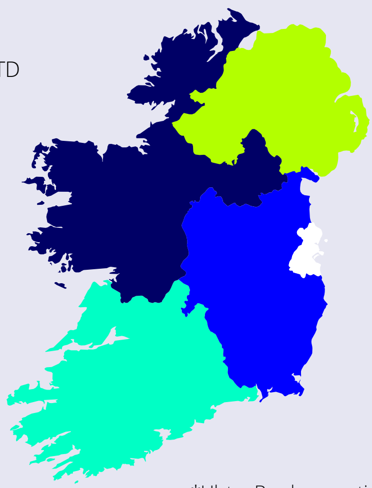
National Position
New (N) -25.2% YTD
Used Imports (UI) -37.7% YTD

Dublin
N -35.4% YTD
UI -31.9% YTD

Rest of Leinster
N -15.5% YTD
UI -40.8% YTD

Connacht/Ulster*
N -13.2% YTD
UI -39.5% YTD

Munster
N -20.1% YTD
UI -40.6% YTD



*Ulster Border counties

Budget 2021

The sector anticipated changes to motor taxation in Budget 2021 due to the full introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) across all EU countries in 2021. WLTP is a new laboratory test to define C02 emissions for motor vehicles and involves more "real world" testing. WLTP produces higher C02 emission results with the effect of higher retail prices for consumers without government intervention. The EU recommended that WLTP is introduced in each market in a revenue neutral manner. With the arrival of COVID in 2020, and subsequent steep decline in new car sales, the sector lobbied strongly for a reduction in Vehicle Registration Tax (VRT) to stimulate new vehicle sales.

Budget 2021 brought with it an extraordinary, and welcomed, €18bn spending package to support the Irish economy. The strong lobby from the motor sector was, however, unsuccessful and the Irish Government made extensive changes to VRT bands and electric vehicle (EV)/Hybrid reliefs.

12 VRT tax bands ranging from 14% to 36% will be replaced with 20 new VRT bands ranging from 7% to 37% based on (higher) WLTP values. Hybrid reliefs (i.e. €1500/€2500 max. rates) will end on 31/12/20 and will be replaced with lower VRT bands in 2021. As the subsidy will be removed, a net price increase will result for consumers next year.

VRT relief will continue for EV's up to €40k but reduces for amounts between €40-50k and will no longer apply for amounts above €50k.

New motor tax bands will exist for all vehicles first registered from 2021 (new cars and used imports). Three motor tax tables will exist next year (i.e. pre- '08 / 2008-2020 / 2021+).

The Nitrogen Oxide (NOx) emissions levy introduced in January 2020 will be adjusted on both new cars and used imports such that the lowest band is 1-40 mg/km instead of the current 1-60 mg/km. Used car imports, subject to the old emissions test, will now be mapped to (higher) WLTP emissions. This will make UK imports more expensive next year (currency dependent).

A VAT reduction of 2% will be in place until the end of February 2021 and this will offset part of these price increases.

It seems counter-intuitive to introduce these measures at such a challenging time for the motor sector. Timing is everything and the EU recommendation of revenue neutral implementation of WLTP could have been adopted, effectively postponing these new measures until a point when COVID (and Brexit) has passed. These are the cards the sector has been dealt, and motor franchises are now working on issuing revised price lists and developing consumer offers to incentivise sales in 2021.

National Framework for Living with COVID

What do Levels 4 and 5 mean for motor dealers?

Level 4: Motor dealers can remain open for vehicle sales and servicing.
Level 5: Motor dealers can remain open as usual for vehicle servicing and repairs. For new and used vehicle sales, dealers are available online, by phone and operate click and collect/delivery services.

Level 5 places additional pressure on motor dealers as the months of October and November are key for building order banks for deliveries in Q1 2021. This adds further operational pressures and compounds an unfavorable outcome for the sector in Budget 2021.

Supporting our Customers

Bank of Ireland Finance (BIF) supports 12 motor franchises representing c. 40% of annual new car sales and we remain committed to our customers. Bank of Ireland and the Irish motor sector is open for business.

Stephen Healy
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Bank of Ireland Information Classification: Green – Public

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