

Vauxhall – caught in the crossfire hurricane of global change?

By Ian Henry, Owner and Managing Director of AutoAnalysis and Visiting Professor at the Centre for Brexit Studies.

After the proposed FCA-Renault merger foundered, the FCA-PSA merger seems likely to go ahead. The real centre of power in the new company will be in France and as a result, if Renault and Nissan can maintain their alliance in some functional form in the years ahead, France will have two global automotive champions. The corporatist French state will be delighted.

Meanwhile, pressures on the two Vauxhall plants will only intensify as a result of this merger. Uncertainty already surrounds the Ellesmere Port: the decision on whether to make the new Astra there appears to be on permanent hold.

A major difference between PSA and GM (the former Vauxhall owners) is that under GM ownership, information leaked out regularly; people tended to know what was likely to happen. This does not appear to be case with the cards-close-to-their-chests senior management at PSA.

Carlos Tavares, PSA's notoriously parsimonious CEO, has said Ellesmere Port will get some of the Astra production allocation if the Brexit deal does not make producing cars in the UK uneconomic.

Like many others in the industry he has been waiting for the UK to confirm its EU departure and terms. A definite decision on Ellesmere Port's future had been expected by now, but this has seemingly been delayed until 2020; how much longer the decision can be delayed is a moot point. And the merger with FCA complicates matters further.

The one thing which Fiat certainly brings to the merger is more under-utilised capacity, in Italy and Turkey especially; Fiat has at least three plants which traditionally make vehicles in the Astra size segment in Italy and Turkey and in a merger with PSA they would expect to get some of the enlarged group's production of vehicles in this size

segment. That would place even greater strain on the business case for retaining Astra production in the UK.

Looking at the implications for the van plant in Luton, similar issues arise. The good news, for now at least, is that Luton has started making an all-new van, for Vauxhall/Opel and also the Peugeot and Citroen brands. A second piece of good news for Luton is that the lead plant for this programme, at Hordain in northern France, could not make the volumes which Luton has been allocated, so for now at least PSA needs Luton. But, in the longer term, this may not be the case.

Plans are already in place to convert the Opel plant in Gliwice, Poland, currently making the Astra, to make vans. This decision was made to reduce the dependency on PSA on sourcing large vans from a Fiat plant in Italy at Val di Sangro. But how might this change once the FCA-PSA merger is complete? Across the four plants, Luton, Hordain, Gliwice and Val di Sangro, there will be capacity to make 550,000+ vans.

By contrast, Ford already makes over 300,000 Transits in one plant in Turkey, a volume which will rise to 400,000+ once it takes on production of the Volkswagen Transporter, the next version of which will use the Ford Transit platform.

So much of the automotive industry's economics come down to scale; it seems inconceivable that, in the long run, the enlarged PSA-FCA group could run a van programme – using a common platform – across four factories. Its ideal may be one mega-plant, or possibly two large plants.

A case might be made for three plants, to allow for flexibility and the production of special vehicles and conversions (eg ambulances, police vehicles etc), but four plants seems unjustifiable. Sadly, it is not just Ellesmere Port whose future is now doubt.