

Global decision – making for global Britain

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On July 5, JLR confirmed it would invest several hundred million pounds in its Castle Bromwich factory to make the next XJ as an electric car. Further electric models, a large SUV and probably electric versions of or replacements for the XE/XF, will follow.

Notably, the reconfigured factory will be able to make both electric and conventional diesel- and petrol-powered vehicles in future. This news came a week or so after PSA confirmed that it would build the next Astra in the UK, at Ellesmere Port, subject to an acceptable Brexit deal, which is widely assumed to mean no “no deal” Brexit.

Given the uncertainty and declining sales and investment in the UK automotive industry in recent months, these two announcements, albeit along with caveats for Vauxhall, are undoubtedly good news for the country’s industry and the companies and factories themselves. 1,000+ jobs at Vauxhall and 2,500 at Castle Bromwich are now safe, along with several thousand more in the supply chain.

Coming after negative news from Honda (closing the Swindon plant by 2021, if not before), Ford (closing the Bridgend engine plant by the same date) and Nissan cutting the product range to be made in Sunderland (the Q30/QX30 has stopped while the X-Trail will not even start), the news from Vauxhall and JLR is undoubtedly good.

However (and there was bound to be one of those coming up), we know that PSA has issued caveats surrounding the Ellesmere Port commitment and JLR is still far from convinced that the government is doing all it can or should be to maximize the potential for electric vehicles to be made in Castle Bromwich.

Doubts remain over the scale of the charging network, the robustness of the electricity distribution network and the capacity of the country’s power generation sector. Consumer concerns regarding range anxiety is gradually being overcome, but still remains a block when it

comes to some purchases; the changing nature of government support for EV purchases has led to a significant fall in plug-in hybrid volumes and a lesser fall in the rate of full EV sales.

UK consumers will buy electrified or fully electric vehicles, but they need both a sufficient choice of vehicles to be made available, and some financial inducement to do so, at least until electrified vehicles reach price parity with petrol or diesel cars; over the next few years, more and more electric vehicles will be on sale, some made in the UK, but most will be imported, from the EU (especially Germany), as well as from Japan, Korea and the US. In the early stages of the switch to fully electric vehicles, we will see an increase in long distance imports, especially where local, European (as opposed to UK) manufacture is uneconomic because of their relatively low volumes.

The Vauxhall and JLR announcements (and earlier ones, both positive and negative) moreover tell us much about the nature of decision-making in the industry and the UK's place in this process. In the case of Vauxhall, decision-making regarding factory allocations is now made in Paris, by a small team reporting directly to Carlos Tavares, PSA's CEO.

Opel's German management will make representations, and the UK unions and local management will make their own pitches for the UK, but the decision was taken in isolation with the announcement or rather its timing coming as something of surprise, it not having been expected until the autumn.

This was similar to the news earlier in 2019 when Toyota confirmed it would make a Suzuki model at its UK factory starting in Q3/2020. Only a very select few knew this was even under consideration, let alone about to be announced.

The decision to close the Honda factory was also made at some distance from the UK, this time in Japan; officially the line was that global shifts in electric vehicles made it uneconomic to continue production in Europe. This may well have been a major factor, but equipment was reportedly already on the way from Japan to the UK to re-tool the Swindon plant to allow it to make electrified vehicles in future.

Quite what made Honda change its mind may never be known, but the decision, and the way it was made, shows how the UK (whether local management or indeed senior politicians) are not necessarily party to, or involved in key decision-making. Even the JLR decision regarding the Castle Bromwich investment will have been finally signed off in India, at the Tata HQ there, rather than in the Midlands.

The changing locus of decision-making is nothing new of course: decisions regarding the future of Ford's substantial operations in the UK were, by the late 1960s, being made by the fledgling Ford of Europe organisation, which gradually took total control through the 1970s and 1980s; similarly, Vauxhall lost autonomous decision-making to General Motors Europe not long after. Even iconic British names like Bentley and Rolls Royce are subject to decisions made in Wolfsburg and Munich.

And, as the UK becomes ever more reliant on foreign direct investment in its automotive industry, it will find its ability to significantly influence decision-making regarding investment in the country reducing all the time.

Politicians may talk all they like about having an industrial strategy and creating a world class industrial or investment climate, but – short of taking control of major companies, call it picking winners if you like, or even partial nationalisation – there is little that politicians, of any political persuasion, can really do to influence decisions regarding factory locations and investment.

Except of course by offering financial support. In a post-Brexit world, demands for financial support will come from far and wide across the UK economy; whether the automotive industry will succeed in winning national support, for electric power generation or distribution and charging, or a broadly supportive environment for further investment remains to be seen.

Certainly, the decision-makers in India, China, Japan, Germany and France will be watching closely when the next decision has to be made. Probably later this year.