

JLR's Discovery shift expected but big questions ahead

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News that Jaguar Land Rover is shifting Discovery production to Slovakia seemed to catch a lot of people on the hop this week yet it had been planned for some time and widely expected. This particular move is not Brexit related (yet).

There will be fears over hundreds of agency staff job losses at Solihull (given the government's lack of a German style part-time wage subsidy scheme to keep workers in place during such disruptions).

But the move also offers the prospect of JLR potentially investing up to £500m in building new models at Solihull, hopefully including electric and hybrid cars. This will hopefully include the new Range Rover and Range Rover Sport from 2020.

The agency job losses from the Discovery shift will come on top of 1000 job cuts the firm announced a month ago.

The latter was linked to diesel's ongoing decline (on which JLR is especially exposed) and Brexit uncertainty.

The plant at Nitra in Slovakia can build up to 150,000 cars a year but expect that to be doubled over time.

While the Discovery move is not directly Brexit related, JLR has previously warned about the potential negative impact of Brexit given that – like the rest of UK auto – it needs to access to European markets and supply chains for components.

As part of the latest JLR announcement, the firm committed to making the next generation of its Range Rover Evoque model in the UK (most likely at Halewood).

Four key points arise from the latest developments:

1. The Discovery shift was always likely and if it frees up space for investment at Solihull in new models including electric cars then overall that's probably a good thing for the region, but...

2. Following on from this, we want to see confirmation of the size and shape of the new investment in Solihull and Halewood and what models will be made in the UK.

3. The fact that (2) hasn't been announced yet may well reflect current uncertainty on the state of the UK auto market and over the form of Brexit (investment in UK auto is stalling because of Brexit uncertainty);

4. Longer term, we'll likely see more work going to Slovakia though – how much depends on the form of Brexit. A hard Brexit with the UK outside the Customs Union and Single Market will see more investment in Slovakia.

Let's be clear. Staying in the Customs Union and Single Market post Brexit would be best for investment, production and jobs in UK auto.

The government and the Opposition need to realise that sooner rather than later.

Professor David Bailey works at the Aston Business School.