

The future of Automotive – will it ever recover?

By Poppy Surplice, Intern, Centre for Brexit Studies

One of the biggest sectors to suffer from the ongoing pandemic has been the automotive industry. With it being one of the largest sectors within the West Midlands thanks to the likes of Jaguar Land Rover being based here, the impact on the industry, as well as the region, is still unfolding.

Without sales and income coming into the trade, there has been a steep decline in profit for all automotive companies. For weeks, the UK's motor industry was suspended from manufacturing plants to car dealerships. Thankfully, now lockdown measures have been slowly lifted across the UK, we can see a small incline of profits from various companies.

The trend is broadly similar in Europe, where major manufacturers such as PSA Group, Renault and Daimler are slowly bringing plants back to 'normal' (1). Auto companies have begun to pick up sales again, including the likes of JLR, BMW, Audi, and Toyota. But unfortunately, many dealerships closed their plants altogether due to the loss of income during the past few months, including plants in Birmingham, London, and Manchester. According to CBS Visiting Professor David Bailey, car production in the UK will fall by 200,000 to just below 1.1 million due to plant shutdowns. This represents an output of 18% fall already this year (2).

Back in June, we saw car dealerships opening back up in England which has massively helped the economy to boost back up. It also helped me, as when I'm not at University or interning for CBS, I work in a car dealership, so I experienced first-hand the impact that Covid-19 has had on the sector. It has been a scary time for many workers within the industry, and there were many times where I worried about the future of mine and my colleagues jobs. Companies are simply unsure to the future of their trade, with many introducing different solutions to survive as a business, including keeping staff on furlough, closing dealerships down and redundancies.

As a current part-time employee at Jaguar Land Rover, the company are currently going ahead with possible redundancies across the dealership. Unfortunately, due to sales slumping during the current coronavirus pandemic, the UK car industry could face 2,000 new job losses and the worst Summer car sales since 1952 (3). This is, of course, not the preferred solution for dealerships. However, this is currently the only way forward for the future of the automotive trade. Thankfully for the trade, with 'lockdown' lasting around 4 months, it did not cause significant impact to the permanent state of the supply chain.

The issue for the car industry is simply that customers cannot afford new luxury vehicles after the issues that the past few months has created. With many workers still on furlough, or are unsure if their job is safe, buying a new car is just not a priority for so many of us. Therefore, sales are lower, and production is slower, as there is no demand.

On the plus side, financial services such as PCP, and leasing car contracts need to be renewed after a period of time. This means that customers will need to renew their contracts with their selected dealership, which could give a boost to the industry. In terms of new car sales, UK new car registrations were down by 89% year on year in May 2020 (4). Subsequently, the SMMT records saw a 21.5% year on year increase in pure-electric vehicles such as the Tesla Model 3 and Jaguar I-Pace. The future for car dealerships after the pandemic does look like they will be focusing on hybrid.

As mentioned, I am a current employee at JLR in Birmingham. Like other dealerships, we have stuck to the government guidelines throughout the showroom. This includes one-way systems, hand sanitizer stations and test driving without a sales executive. Access to dealership premises is likely to

continue to be restricted, with some dealers operating on an appointment-only basis. One way dealerships have reduced costs to keep the business running is introducing online portals, where you can trade in your old car, buy a new one and have it delivered by a franchised dealer, without the need to leave your home (5). Although this causes job losses throughout the UK, it means some dealerships can still work online.

The 2020 calendar for the motor trade events is looking empty due to the current pandemic status. Most events have been cancelled or postponed until a later date. This includes car launches, car races and car show events. Motor events including the British Grand Prix, Classic Motor Show and Silverstone Classic have all been postponed to a later date. Can car events take place in the foreseeable future? We hope so, as these events have a wide range of demographics and see large crowds year by year. Hopefully, these events will take place once all other events have the permission to do so.

Will the automotive industry ever be the same again after the pandemic? Or is now the time for the sector to adapt to a new way of doing things, and testing new ways to still sell and succeed in a 'new normal'? We will soon find out...

- <https://www.bbc.co.uk/news/business-52645642>
- <https://www.birmingham.ac.uk/research/perspective/auto-industry-hit-from-coronavirus.aspx>
- <https://www.theguardian.com/business/2020/jun/04/car-dealer-lookers-cuts-1500-jobs-and-closes-12-showrooms>
- <https://www.autocar.co.uk/car-news/industry/uk-new-car-registrations-down-89-year-year-may-2020>
- <https://www.whatcar.com/advice/buying/car-dealerships-in-england-are-open/n21187>