

Will the UK auto manufacturing sector collapse?

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

While the UK political system has ground to a halt amidst the ongoing Brexit saga (with no certainty that Thursday's upcoming general election will solve the problem), the once dynamic vehicle manufacturing sector has entered a period of potentially inexorable decline.

Before the EU referendum, production was on target to reach 2m cars and LCVs a year; however, this year's production total will be below 1.4m and even with a "good" Brexit deal this is about as good as we can expect it to be going forward. In the event of a No Deal crash out – which remains a distinct possibility at the end of 2020 – we can expect a further substantial decline in vehicle output.

Scenarios I have prepared for the SMMT, alluded to in recent press releases and speeches by its CEO Mike Hawes, show that within the lifetime of the next government, UK vehicle production will – in the event of a Hard Brexit, ie switching to WTO terms from 2021 – fall towards and quite possibly below 1m units a year.

This would be a 75% fall since 2017; over the five years from 2019 to 2024 it is likely that the UK would lose a total of 1.5m units' output, effectively more than a full year of production at current rates. The loss of value of output at the factory gate over the same period will be over £40bn. EU tariffs on exported vehicles, engines and components would amount to around £3bn a year.

With falling output and the economic costs outlined above, it's difficult to see how Brexit can be good news for the vehicle manufacturing sector. Even a "good" deal, one which maintains zero tariffs, zero quotas and technical alignment with the EU, will mean the best that can be done will be for the industry to maintain its current size.

We know that Honda is leaving, and that Nissan is reducing its production line-up in Sunderland; the reasons for these decisions

may, officially, be unconnected to Brexit but the Brexit environment has made it very difficult to justify investment in UK vehicle production, especially when viewed from the other side of the world.

The future of the Vauxhall plant at Ellesmere Port near Liverpool remains up in the air, with PSA having said on numerous occasions that the future of this plant was dependent on a positive Brexit deal.

It's true that JLR has decided to make one EV at Castle Bromwich, with hopefully more models to be added in the near future. And Mini's new electric version is also now in production; this year has also seen the long-planned new Range Rover Evoque, Toyota Corolla, Nissan Juke and Vauxhall/Opel Vivaro van go into production; the new Nissan Qashqai and low volume Aston Martin DBX will be in production next year, and a number of JLR models are due for renewal or major upgrades in the next few years.

At this stage there is no sign of these being moved outside the UK.

On the surface therefore things look stable. It is probably now far too late in the data for Nissan to move production of the Qashqai away from Sunderland, although if a Hard Brexit makes it difficult for Sunderland to operate efficiently, Nissan may find it has to either ask Renault for help and switch some assembly to a Renault plant in Spain or France, or consider moving production back to Japan, at least in part.

The EU-Japan free trade deal will mean Japanese exports will have zero tariffs applied by 2026, further reducing the attractiveness of producing in the UK for sale in the EU.

The UK vehicle production sector is at a cross-roads; Brexit has acted as a major set of blocking roadworks and potholes right in the centre of the road.

Clearing this blockage is essential, but which direction the UK and therefore its vehicle production sector will take once the cross-roads signalling is working once again is unknown.

The Centre for Brexit Studies at Birmingham City University, supported by the West Midlands Combined Authority, has

undertaken a supply chain mapping exercise and Brexit exposure check on the transport manufacturing sector, including Auto, Rail and Aerospace in the Region. Our next event will discuss the findings from the exercise, find out more and register for your FREE tickets [here](#).