

A vote of confidence in Brexit Britain?

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

One of Brexit's biggest cheerleaders, billionaire Jim Ratcliffe, the man who founded Ineos Chemicals and who took over the controversial Sky cycling team, has committed to making his long-heralded Grenadier, the so-called spiritual successor to the Land Rover Defender, in Wales.

Up to 25,000 vehicles a year will be assembled in Wales in a new factory next to the soon-to-close Ford engine plant in Bridgend.

However, in a decidedly unusual arrangement, the vehicles' aluminium bodies and steel ladder chassis frames will be made and painted in Portugal before being transported to Wales where the vehicles will be assembled using Austrian engines and other major components sourced across Europe.

There will likely be limited UK content – transmissions, wheels and glass will come from outside the UK as there are no suitable UK suppliers of these parts.

In many ways therefore, the Grenadier operation will be a screwdriver plant and not much more. Of course, the initial 200 jobs, rising to 500 in due course, will be very welcome in an area about to lose 1,700 jobs at Ford. It is far better that they come to Wales than stay in Portugal for example.

However, the limited value-added taking place in the UK is concerning. As the UK becomes more marginalised from Europe – and potentially other markets too – post-Brexit, the nature of work carried out in the UK across several industries not just automotive and the kind of work allocated to UK factories will change.

It is highly likely that much future work will be lower skilled, pure assembly work compared to higher value-added manufacturing operations. Is that what Brexiteers voted for I wonder?

Given the unusual split production arrangements, which entail expensive and time-consuming transport costs as well, the programme's overall economics must be open to question. No comparable vehicle is made using such arrangements.

The tariff regime in which UK made vehicles will be made post Brexit is still unknown and while Ineos has said it expects the trading environment rules will be clear by the time Grenadier production begins, such a view may be optimistic.

If the UK leaves the EU without a deal on October 31, something which remains a real possibility at the time of writing, we cannot expect a quick resolution of future trading arrangements. A UK-EU FTA will take at least 3-4 years to agree, and quite possibly longer. Launching a new UK-made vehicle into a trading environment dominated by WTO tariffs is a risky and an expensive thing to do.

The UK and Welsh governments were right to welcome the project and support it, subject to it being compliant with EU or WTO rules, but there is no guarantee of success in this market.

On the basis of what we have been told it is difficult to understand the economics of the project which seems to turn much accepted logic of the industry on its head.