# A history lesson, of sorts…

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

So Nissan has decided to remain in the UK; how soon and how much new investment will take place here remains to be seen; but Nissan keeping its existing assets going is good news, for now. How far its operations remain oriented to Europe or become more UK-focused will be interesting to observe. In truth, with even the thin UK-EU deal which was agreed at the end of 2020, Nissan was always much more likely to stay than go. Nissan made clear that without the deal, the plant would have closed; even so, this is not winning the Premier League – it is staying in it, with difficulty, rather like Burnley seems to do each year.

So while Nissan Sunderland might be akin to Burnley (in Premier League survival terms!), what of Vauxhall Ellesmere Port? Will it be Burnley Mark 2 (a Crystal Palace if you will) or will it be Nottingham Forest, finally departing the league and seemingly never to return?

One way or another, the future of Vauxhall Ellesmere Port will soon be decided. PSA is weighing up whether to invest there to make new models, either the new Astra (which will definitely be made in Germany irrespective of the Ellesmere Port decision) or possibly other models based on PSA platforms. Speaking on the day after the merger of PSA and FCA was confirmed and the new company, Stellantis, saw its shares launched on the stock market, CEO Carlos Tavares said the outcome will be known within a few weeks. So perhaps by the end of February one of the questions I am most frequently by journalists will be answered officially and the constant speculation can end.

Outside the EU, as is now all too apparent in a variety of industries, even with a so-called zero tariff, zero quota trade deal, trade is far from free and frictionless. Delays, customs checks, VAT payments, administrative charges – and yes, import duty (tariffs in other words) – are affecting companies and individuals alike. Although the automotive industry is well used to form filling and customs compliance, none of the additional tasks which UK vehicle operations have to undertake makes the case for PSA investing in Ellesmere Port any easier.

Of course, PSA may decide that leaving the UK and closing Ellesmere Port will risk too much damage to the Vauxhall name and a loss of brand equity. Perhaps, but this is a very difficult thing to measure accurately. More interestingly, Tavares emphasised in his briefing to journalists that a key factor in PSA's decision will be the attitude of the UK government; he specifically raised the question of whether the government can effectively convince PSA that it wants to retain a vehicle manufacturing sector in the UK. The Nissan decision helps, but what PSA will want remains to be seen.

And this is where understanding a little bit of history comes in handy. In 1959, and through the early 1960s, a central pillar the Conservative government's economic strategy was the Distribution of Industry policy. There was a widespread feeling at the time that economic activity was overly concentrated in London, the south-east and Birmingham. Some may say that not much has changed since then, certainly with regard to the concentration of the economy in the London area.

With the north-south economic divide and rising unemployment increasing north of the Midlands especially, the government embarked on what might today be called a process of levelling up. Companies were prevented from expanding their manufacturing activities in London and the south-east unless they made comparable investments in designated areas outside London, specifically in the north-west, the north-east, Scotland and Wales.

The policy led directly to three all-new car plants: Vauxhall at Ellesmere Port, and others at Halewood (by Ford, but now part of Jaguar Land Rover) and at Linwood in Scotland (by Rootes and long since closed); in addition, BMC built a truck plant in Edinburgh and expanded its radiator and pressings factory in Swansea (an operation which survives today, owned by KKR, a hedge fund which bought Calsonic of Japan).

Also on Merseyside, Standard-Triumph expanded its existing factory. The new and expanded factories led to additional capacity for making 600,000 vehicles a year; and in exchange for opening new factories on Merseyside, both Ford and Vauxhall were granted permission to expand in their operations in Basildon & Dagenham and Luton & Dunstable respectively. Interestingly, government papers also reveal that the first factory approval under the Distribution of Industry policy was bizarrely, and contrary to the “levelling up” aims of the time, granted to Chrysler, for a factory in Kew, west London, using mainly French sourced components. If only that had been built …

The Ellesmere Port site itself was acquired by Vauxhall in 1961, construction beginning in 1962 and by early 1963 vehicle production was under way. Some parts were made in Ellesmere Port for the Vauxhall plant in Luton, while Luton supplied parts to Ellesmere Port. An interlinked supply chain was born; by 1964 there were 24 truckloads a day between the two plants, with this total later rising to 48 per day.

Some years later, in 1986, a report by the DTI (the forerunner of BEIS) claimed that across all industries, over 600,000 jobs were created in development areas through the Distribution of Industry policy. However, around 150,000 of these had been lost by 1981, meaning a net direct job creation total of 450,000 jobs; in addition, beyond the jobs directly generated by the Distribution of Industry policy, a further 180,000 jobs in related sectors, ie the supply chain and supporting sectors, had also been created. The government report regarded this as a real success. On the surface this appears to be true, although there was an immense variety in the cost of each job created, ranging from £10,000 per job in clothing to £367,000 per job in metal manufacturing (***these and other figures are stated at 1982 prices***).

The cost of this policy for the automotive industry amounted to £543m between 1966 and 1976 alone, with 38,000 jobs created, at just over £14,000 each. By comparison with some sectors, the automotive industry appears to have been remarkably good value for money. The actual number of jobs created was actually greater than this as the Ellesmere Port and Halewood factories were fully operational by 1966; by the mid-1970s, the two factories alone were employing c25,000. Of course, they employ far fewer now (Halewood c3,500-4,000 and Ellesmere Port just c1,100) as the plants have automated, modernised and moved in-house component production out to suppliers. Back in the 1960s, car companies made as much as

70% or more of their components in-house, a far cry from industry's practice today.

Fast forward to 2021 and, one way or another, despite the multiple problem of General Motors (Vauxhall's owners for many years) in Europe, Ellesmere Port (now owned by PSA of France) is still there, just about. But only 30,000 vehicles came off the assembly line in 2020; this is well below the 120,000 notional capacity and is a fraction of the peak volume of 151,000 made in 1965. The plant has been threatened with closure on a number of occasions, but a combination of union agreement to reduce costs, astute management, and UK government support have kept the plant going (Vince Cable when Trade and Industry secretary even flew to New York to meet the bankers running GM at the time to make the case for keeping the factory open, with evident success).

But now, the factory's future is very much at a crossroads. It has been a core part of the industrial landscape and economic geography of the area for almost 60 years; it is proof that government intervention and industrial policy – even when prosecuted by a Conservative government – can have a long-term and positive impact. Whether it survives will now depend, in part at least, on whether the current Conservative government can persuade the factory's French owners that it values manufacturing industry and foreign investment. And to return to the football analogy; will Ellesmere Port be Crystal Palace, and live to fight another model cycle or two, or be Nottingham Forest and disappear (from the Premier League at least)?