

Government aims and objectives need a strategic operating plan to be realised

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

The UK government has decided to dispense with the “Industrial Strategy” brand according to BEIS secretary of state, Kwasi Kwarteng. Perhaps, having told the members of the Industrial Strategy Council that they are no longer required, Mr Kwarteng will rebrand his department as BE.

It’s hard to make sense of this decision; the Prime Minister and his acolytes speak in glowing terms about the potential of AI, cyber-technology, wind power generation and various aspects of the pharmaceutical sector as industries which will lead the country in a new era of prosperity. These industries or sectors need objectives and their own strategies if government policy is to be realised. And that is very much the case as well in the automotive industry if the government’s aims and wishes to move to an all-electric future are to come to fruition.

The intention or aim to ban the sale of pure petrol and diesel engine cars from 2030 has been stated, but not yet fully regulated or legislated. Discussions continue as which forms of electrified – ie hybrids – cars will still be allowed to be sold and for how long into the 2030s. Mere details this issues may be, but they matter. And they matter for the companies involved, notably the Japanese, Toyota and Nissan, who are both wedded to strategies which centre on manufacturing hybrid vehicles in the UK. Moreover, these plans are predicated on being able to do so into 2030s.

The government would no doubt prefer it if they were to make full battery electric vehicles, but neither is really that strong in this technology; they will get there one day, almost certainly, but in the meantime, they won’t be making EVs in high volume in the UK for a good while yet. And the government can’t afford the economic and political fall-out from a policy change which puts these factories at

risk; the conflict between policy aims or objectives and the practical aspects of translating those into an actionable strategy is clear.

Similarly, the government speaks positively about how the country needs or must build gigafactories to make batteries. Stellantis has announced plans to build at least 1 million batteries or cell packs in two factories, in France and Germany (and more will likely follow); and on a grander scale Volkswagen has announced plans to build no less than six such factories by the end of the decade across Europe. Both vehicle companies have made it clear that they are doing so to take control of this core technology of the future, to increase their own level of vertical integration and to avoid being overly dependent – as much of the industry is now – on a small number of Asian battery suppliers.

Other car companies will follow a similar path, notably GM in the US and Mercedes in Europe; Toyota is, unusually, a laggard in this area but is active in developing solid state batteries and will surely get there in the end; it rarely fails. But despite the clear evidence that it will be the car companies who will lead the next round of mega investment in gigafactories, there few signs that the UK government is working hand in glove with the car companies to bring even one gigafactory in the UK. Much faith is being placed in a new battery company, Britishvolt, rather than an established Asian supplier, or one or other vehicle company. We may get a surprise one day soon, and a deal for a gigafactory may be announced but personally I am not expecting this any time soon.

And this same disconnect between aims and objectives and implementable strategy is evident in the area of EV use; the government wants to see battery electric vehicle use rise and do so quickly. But electric cars are expensive, much more so than their equivalent petrol or diesel engine versions; the electric Golf is around £2000 more expensive than the most expensive petrol Golf; and the ID3 (the new full electric alternative to the Golf) is even more expensive. Consumers are turning to electric vehicles it is true, and growth rates in their use are impressive, but this is from a very low base; EV registrations in the UK rose over 180% to c108,000 units, a 6.5% share and impressive though this is, there is a long way to go – and growing EV sales in a tough economic environment, post COVID and with many consumers nervous as to their job security will difficult.

Overall car sales are likely to remain depressed for a while; so the decision to cut grants or incentives available for EV purchases seems rather perverse. Until prices of EVs come down to parity with ICE vehicles – not to mention consumers who lack a guaranteed charging point of their own at home being convinced re the viability of owning an EV – it is difficult to see EVs taking a dominant share of the market quickly.

There is nothing wrong at all with the government's aims and wishes to see an automotive industry making all electric vehicles and for consumers to buy these vehicles; but policy actions to bring these aims to life need more coherence and consistency of application for these aims to be realised. Objectives and aims need a strategic plan, an industrial strategy if you will. But dispensing with the Industry Strategy Council and the Industrial Strategy brand, to quote Mr Kwarteng, is hardly a sign of commitment to an implementable strategy for the electric vehicle sector whether from the manufacturing or consumer perspective.