Double Whammy Hits JLR

By Professor David Bailey

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News that Jaguar Land Rover is moving its Castle Bromwich workers to a three-day working week until Christmas isn't a surprise, sadly.

A JLR spokesperson said that "in light of the continuing headwinds impacting the car industry, we are making some temporary adjustments. We are however continuing to over-proportionally invest in new products and technologies, and are committed to our UK plants".

JLR said the decision was "temporary" and came after a "regular review of production schedules to ensure market demand is balanced globally".

It's thought that JLR isn't currently considering similar moves at any of its other UK factories.

There were extended shut downs earlier in the year at JLR plants and 1,000 agency staff were laid off at Solihull.

JLR has been hit by a double whammy of Brexit uncertainty, which has impacted on economic growth and confidence and dragged the car market down, combined with a huge shift away from diesels.

The latter has especially impacted on JLR given that last year over 90 per cent of its UK sales were diesel.

Car drivers are holding off buying diesels, worried the Government is planning to discourage diesel cars through higher taxes, with city councils looking at clean air zones and congestion charges for older diesels in particular so as to improve air quality.

Add in the model mix at Castle Bromwich and you can see how the plant is exposed: despite all being great cars, the XE, XF and XJ are all 'traditional' saloons that aren't doing as well as the firm's crossovers and SUVs, given shifting market tastes.

That leaves them vulnerable to any downturn.

The firm cut production of Land Rovers at its Halewood plant on Merseyside earlier this year and recently said that it will – as expected – shift production of its Discovery model to its plant in Slovakia.

The latter move in turn leaves spare capacity available at Solihull.

I had expected by now to hear what models – including electric vehicles – will be made there in the wake of the Discovery shift but no such announcement has yet been made.

That reflects ongoing uncertainty for the firm, including over Brexit. Nor have we heard what new models will go into Castle Bromwich or whether a mooted battery production facility will go ahead in the region.

The fear is that investment in production in the UK is stalling at the firm.

But, as chief executive Ralf Speth noted to the Financial Times earlier this year: “At the end of the day, we’re in a cycle plan that means I have to make a decision. I can’t just wait, wait, wait, wait.”

And he has warned that “we built up this company over eight years. All that will be undone. It can go down the river so quickly”.

Going forward, I have fears for the Castle Bromwich plant in particular in the event of a ‘hard Brexit’.

In the aftermath of the global financial crisis, JLR tried to close Castle Bromwich and only a major effort by management at the plant and unions kept it going by pulling out all the stops and working flexibility to get cost down.

But Castle Bromwich is a small plant by today’s car industry standards and can’t match the economies of scale in assembly seen at Halewood or Solihull or a massive new plant now up and running in Slovakia.

A hard Brexit would bring supply chain disruption, extra costs and tariffs – all of which will badly affect JLR.

Last week, Mr Ralf talked of “ten of thousands” of job losses in the event of hard Brexit.

Castle Bromwich is especially vulnerable, I fear, in the event of production shifting post-Brexit to somewhere like Slovakia.

Mr Speth also said that “Brexit is due to happen on the March 29 next year… currently, I do not even know if any of our manufacturing facilities in the UK will be able to function on March 30”.

A hard Brexit would be especially damaging for the firm, costing it up to £1.2 billion a year.

As he noted: “Bluntly, we will not be able to build cars if the motorway to and from Dover becomes a car park, where the vehicle carrying parts is stationary… unfettered access to the single market is as important a part to our business as wheels are to our cars.”

Tory MP Bernard Jenkin accused him of “scaremongering” and “making it up”. I disagree.

Mr Speth has been quite clear on the consequences of Brexit for JLR.

Let’s be clear: a hard Brexit will mean considerable damage for the UK auto industry.

Output will fall, jobs will be lost and plants will close.

JLR’s warnings are not ‘project fear’ as extreme Brexiters like Mr Jenkin claim but rather the voices of increasingly frustrated businesses calling on the Government to make the right call.

For the car industry, that means membership of the customs union and access to the single market, a point I have been making here at the Post for the last two years.

As it stands, the firm doesn’t even know if it will be able to run its UK plants after Brexit.We’re six months away and the clock is ticking.