Tales from Wales show the challenges of COVID-19 and Brexit…

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Recently the rather unusual plans of a new entrant into automotive manufacturing – Ineos – to make SUVs in Wales have been paused (for which read almost certainly cancelled); shortly after this news came reports that a fledgling – but as yet not fully funded – British start-up, Britishvolt, would build a gigafactory for in Wales, near the new Aston Martin plant. One piece of bad news quickly followed by a piece of potentially good news. Maybe, or maybe not.

Ineos' plans to make the large and heavy chassis at the heart of its SUV in Portugal and then ship it Wales where it would be assembled with other European sourced parts into a spiritual successor to the Land Rover Defender were always odd; in an era when the industry has largely moved away from body-on-frame structures in favour of monocoques and towards fully electric or hybrid vehicles, Ineos' dual production location strategy merely added to Ineos' odd plans to build an SUV on an outdated structure powered solely by internal combustion engines.

Now, with neither the Welsh nor the Portuguese plants having seen much construction progress and the economic consequences of COVID-19 beginning to bite, Ineos appears to have had a change of mind. The fact that the manufacturing planners and engineers running the programme are mostly ex-Mercedes may have had something to do with it, especially when the Daimler announced it would like to sell the Smart factory in France; this had been due to make the new Mercedes EQA electric vehicle.

Mercedes now has more capacity than it needs and Ineos has the chance to save on building two new factories by taking on an existing plant; if Ineos had wanted to save money by not building a couple of new plants, even with government support, it could have had the vehicle made by Magna (which has experience of making SUVs, especially those designed by Mercedes), or taken over the soon to close Honda factory.

The costs of entry into the world automotive manufacturing are far from minor: Ineos, run by one of Britain's richest men, has now realised this, if it did not already; with this cautionary tale, and the likely non-arrival of replacement jobs for the soon to close Ford Bridgend engine plant (near to which the Ineos factory was due to be built), the authorities in Wales (and Westminster) should not get their hopes up too much regarding the battery plant. Britishvolt may well end up making batteries in Wales, but with no definite customers and with a large funding programme yet to be completed, a note of extreme caution is in order.

Brexit Britain as a new investment location for supplying manufactured goods into the EU and more widely has always been a questionable proposition; and, as every day without a tariff free trade deal goes by more questions will be asked; Ineos may well have concluded that importing parts into the UK (with tariffs of 2-4% on imported content) and then selling finished vehicles overseas with a 10% tariff in the EU, and elsewhere too, may not be financially worthwhile; tariffs could well add over £2,500 to the cost of each vehicle.

Deciding to assemble its new vehicle in France will probably make more economic sense than the dual Portuguese-Welsh plan but it will give the lie to the Ineos Grenadier being a beacon of shining light for Brexit Britain.

Meanwhile, other financial issues may well prevent Welsh-made batteries powering UK-made cars in the years ahead remain to be seen. However, certainly, the combination of COVID-19 and the increasing likelihood of a No Deal Brexit make such an outcome more likely, unfortunately.