

UK automakers report drop in investment, production

January 30 2020, by Danica Kirka

British auto production dropped for a third straight year in 2019, as carmakers continued to hold off on investment amid uncertainty over the country's departure from the European Union.

The anemic figures announced Thursday by the Society of Motor Manufacturers and Traders will increase the pressure on Prime Minister Boris Johnson to work out a favorable trade deal with the EU because the industry directly employs 168,000 people and contributes 6 billion pounds (\$7.8 billion) a year to the economy. There are fears things will only get worse if carmakers, who rely on just-in-time supply chains, lose the ability to participate on an equal footing in the European single market.

After more than three years of protracted negotiations about how to leave the EU following the June 2016 referendum, Britain is finally set to do so on Friday. Though it won't be an EU member after, it enters a so-called transition period that will allow current trading rules to remain in effect until the end of the year. Auto executives are pushing for a free-trade deal as soon as possible to prevent them from closing plants and moving elsewhere.

Figures released Thursday show total production fell 14.2% last year to 1.3 million vehicles, the lowest since 2010. Production for export markets declined 14.7% to 1.06 million vehicles—the majority of which went to the EU.

Though investment in the industry almost doubled to 1.1 billion pounds, the figure was less than half the 2.7 billion pound average over the past seven years. A single large investment by Jaguar Land Rover, which is building electric cars in the Midlands, accounted for most of the 2019 figure, the SMMT said.

Mike Hawes, CEO of the trade organization, said the decline in manufacturing was a "grave concern."

"Given the uncertainty the sector has experienced, it is essential we re-establish our global competitiveness," he said. "And that starts with an ambitious free-trade deal agreement with Europe—one that guarantees all automotive products can be bought and sold without tariffs or additional burdens."

The figures come as the car industry convulses with change—and it isn't just about Brexit, which has weighed on the industry since the 2016 vote.

The growth in electric cars, the shift away from diesel and increasing competition from countries like China is causing turmoil as people think about making big changes to their plants and supply lines.

David Bailey, an auto industry expert at the University of Birmingham and author of "Carmaggeddon? Brexit & Beyond for UK Auto," said the government needs to clarify its plans for an EU trade deal, or risk losing even more investment.

"The clock is ticking," he said. "There's a real danger we will be timed out."

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