

Prospects for UK automotive production

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Presentation to Welsh Automotive Forum

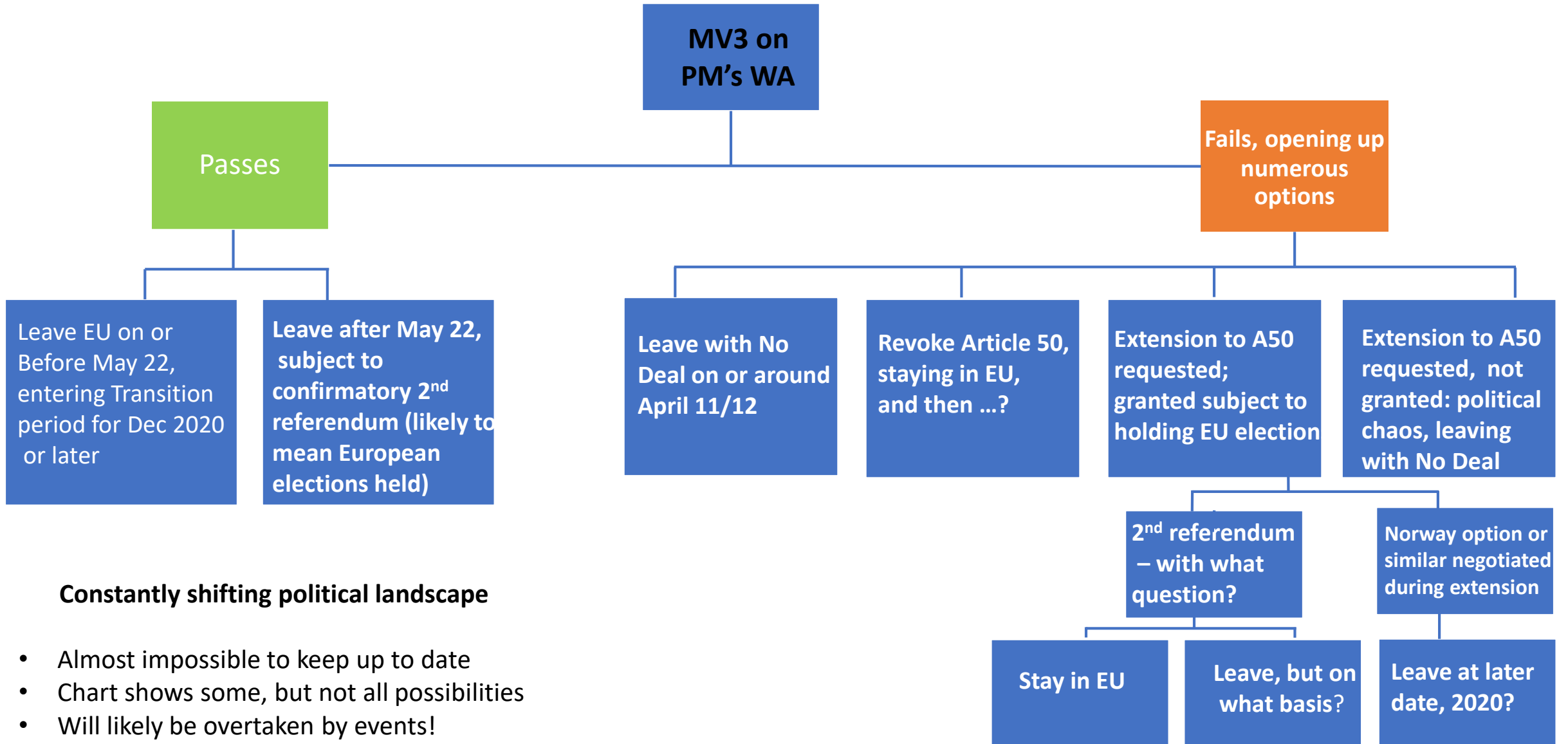
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Brexit – Where are we now?

- Very difficult to be certain
- Constant flux and unpredictable
 - May's deal seems unlikely to be passed
 - April 11/12 emerging as crucial date when UK has to reveal Brexit plan to EU or leave with No Deal
- House of Commons: indicative votes possible to consider:
 - Customs Union
 - EEA/EFTA membership
 - Long delay for re-think
 - 2nd referendum
 - Revoking article 50
 - Or something else – PM resigns?
- Legal force of indicative votes very limited
- On balance, a soft Brexit seems most likely, but not guaranteed and timing unclear:
 - ***At time of writing this slide government has not brought forward statutory instrument to delay March 29 departure***
 - ***Cannot discount possibility of a Hard Brexit on April 12 ...***
- Consequences of needing to hold European elections very difficult to predict

Brexit: Can you tell me where we're heading?



Constantly shifting political landscape

- Almost impossible to keep up to date
- Chart shows some, but not all possibilities
- Will likely be overtaken by events!

UK 2018 Car & LCV output: 1.58m, -9.5%

Decline due to:

- End of life volume dip: Auris, Avensis, Evoque, CR-V, Juke
- Production shift overseas: Discovery
- Poor sales: Jaguar sedans, Infiniti, Discovery Sport
- Brexit uncertainty
- European slowdown
- China market fall
- Diesel

A few positives

- Civic to US (c60% of Swindon output)
- New Leaf boost to Nissan volumes
- Strong Mini volumes
- Investment announcements:
 - Luton £100m for new PSA van, for Vauxhall, Opel exports and Peugeot/Citroen UK supply
 - JLR battery (Hams Hall, new) and e-motors (Wolverhampton, expansion)

Prospects for 2019 (1)

- Generally not good
- Political turmoil means poor decision-making environment
- Expect production down to 1.4m at best, ie with PM's deal passing
 - January car production down 18%, but this reflects loss of Discovery, CR-V, Avensis and halving of Astra and Evoque volumes vs. January 2018
 - New Evoque and Corolla should help make February slightly better ...
- No Deal in April would mean additional fall of 150,000, possibly more, towards 1.2m
- More cutbacks ...
 - Honda announced Swindon closure, by 2021, may be earlier – 120-130k loss
 - X-Trail production cancelled – 50k boost will not happen
 - Infiniti stopping production – just 12k loss
 - Ford redundancies
 - 4,500 JLR job cuts under way

Prospects for 2019 (2)

- Some positive signs ...
 - Luton switchover to new van underway:
 - Output should rise from 60k to 90-100k
 - Mini Oxford investment for electric Mini continues:
 - Adds 25k pa, maintaining plant at 200-220k
 - Toyota Corolla SOP January
 - Suzuki version of Corolla confirmed for late 2020:
 - Not massive volumes but will maintain utilisation at Burnaston
 - And investment at Aston Martin continues

Brexit: industry's views and actions

- Industry very frustrated at lack of policy certainty
- Some April shutdowns planned on assumption of no deal at March 29 ...
 - Mini brought plant improvements and summer holidays forward
 - JLR added minimum 1 week extra to April shutdown
 - Honda planning at least 6 shut down days
 - Luton switching to new van in April rather than summer
 - Other VMs watching, waiting, with unannounced contingency plans, inc flying in components
- Toyota should be at full production for new model in April ... unplanned shutdown due to No Deal Brexit would be at worst possible time ...
- Planned shutdowns mean that even with delayed/no “no deal” Brexit, UK production likely to be down 150,000+ y-o-y – and possibly more ...

Meanwhile in Europe

- Investment in new models/plant renewals continue ...
- Growth in EV product lines accelerates, especially at German VMs
- BMW and Mercedes expanding in Hungary
- Fiat Italy expanding production of Alfas and Jeeps
- Ford expanding Romanian factory, while cutting jobs in Germany and UK
- PSA adding Opel model to Poissy factory in France
- Volvo Belgium plant can't make enough XC40s
- VW planning new multi-brand plant, possibly in Serbia, to allow:
 - German plant to switch to EVs:
 - Skoda to take on some ICE-powered cars from Germany
 - Skoda/SEAT models to move to new plant
- Porsche will launch electric SUVs and sports cars

Implications for Wales' auto industry (1)

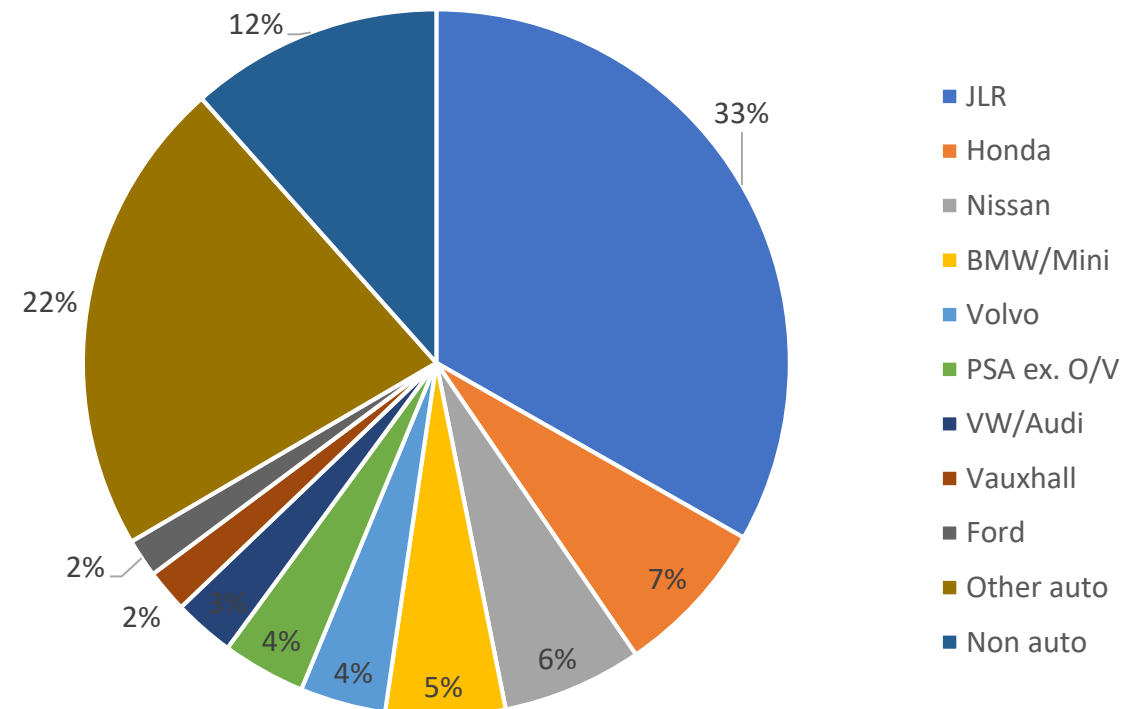
- Brexit clearly a major worry:
 - Ford job losses at Bridgend inevitable, but not solely due to Brexit
 - Honda closure adds to concern
 - Tata Steel: merger with ThyssenKrupp needs to be monitored; opportunity in e-motor steel should not be missed ...
- More positively:
 - Toyota Deeside safe for current programme; sole source of 1.8 litre hybrid engine
 - And Aston Martin production to start soon ...

Implications for Wales' auto industry (2)

WAF survey of members

- Very good response – please continue to keep WAF informed
- £1.3bn turnover across 50 companies identified
- **JLR c1/3 of business:** a potential risk ...
- 2 companies almost 100% focused on Honda: an obvious worry
- Others have a mix of business:
 - But concerns remain re: Ellesmere Port and JLR's Castle Bromwich plant
 - Ellesmere Port could have positive future in Hard Brexit ...

WAF members business mix



In conclusion

- Current flux and political confusion likely to continue even if PM's deal is passed:
 - Negotiations on future trade and security relationship have not even started
 - PM expected to resign/be forced out
 - Possible General Election?
- Extension of A50/Brexit delay may simply mean putting off toughest decisions
- Until “No Deal” has been “legally” removed, worry will remain
- Existing contingency plans for Brexit and model life cycle effects mean UK production will fall again this year