

# The state of the car industry

June saw car showrooms re open and some sales take place. Some dealerships reported brisk trade and pent up demand. We now know the overall result. June sales were 35% down on June 2019, and year to date sales are now down by just under one half.

Some of you write in and point out many people cannot afford a new car. Others tell me it is silly to buy one, given the costs and the early depreciation. I continue to research and write about the car industry because it has figured prominently in UK debates about manufacturing, tariffs and trade. It is a modern political paradox or contradiction. The MPs who are keenest on green policies are also often those who worry about the state of our car industry, not seeing that it is green policies which have done most to undermine traditional car manufacturing.

There are several reasons for the collapse of car output and demand. Of course the main one is the lock down period and the impact of anti virus policies. There are however underlying trends and policies that were weakening car output well before covid 19 hit. The high VED put people off buying new. Tax and regulatory attacks on diesels cut buying interest in these cars., These were the vehicles the EU and UK governments had urged the industry to specialise in when they saw diesels as more environmentally friendly than petrol cars. The Bank of England under Mr Carney also tightened credit conditions for car loans. Readers of this blog read my forecasts of decline at the time of the new measures.

There is this central muddle in UK car industry policy. The government seems to want a major car industry, yet still dislikes its main products. It wants a very different car industry. The danger is its recourse to higher taxes and more regulations puts people off existing products without bringing them to buy the products the government wants to see. The industry is caught spending money closing down the old before its time, and spending even more money on the new before there is mass demand. The virus just got in the way and blew a crater in the sales figures.

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## A V shaped recovery?

Andy Haldane at the Bank of England is an optimist thinking we will experience a quick V shaped recovery. A V shaped recovery implies that the output and incomes we lost in the three months of downturn will be replaced in the following three months. One side of the V, the fall, should be balanced by the other, the recovery.

This requires very fast rates of growth in jobs, output and incomes. If we

take the overall downturn as 20% then you need a 25% recovery to get back to where you were. For those badly affected sectors that suffered a halving of their turnover, they need 100% growth from the bottom to recover fully. With car sales down 99% at worst, they need to recover by 10,000% to get back to the start.

There will be fast rates of growth for the sectors coming out of lockdown. It is curious the so called PMIs, the surveys of orders and output undertaken month by month, are not stronger than they are. They are meant to measure the rate of change from the previous month, so where that was very depressed you would expect a very fast rate of growth to recover. Maybe people filling in the forms have allowed general mood to influence their replies, and have not allowed enough for recovery.

The problem is many of the worst affected sectors will not get back anytime soon to where they were, because social distancing and changed patterns of work and leisure behaviour means less business for them. Some entertainment and sports venues will remain closed to audiences for the rest of the year. Some shops will not re-open. Some bars and restaurants will have to accept far fewer customers to allow social distancing.

It is true some businesses will record growth taking them above the levels of January. On line everything will be doing more. Some things will benefit from a rush of sales as people catch up with delayed haircuts or postponed home and car buying. This is unlikely to be sufficient to make up for the weakened areas this year, so I fear we will end the year lower than we began. Full Recovery will take longer.

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## [The flexibility of the car](#)

The car often gets a bad press. It is briefed against for not being green enough. The bad side effects brought on by accidents are not welcome, but all transport brings it with it deaths and injuries when things go wrong. Motorcycles and cycles bring risks, and there have been tragic public transport crashes.

The Covid 19 disaster has reminded us of the strengths of the car. You can travel in it without breathing over fellow passengers on a bus or train and without exposing yourself to infections from others. You can start near to your home and end near to your work or shop or other destination . The road network still offers considerable scope to get to where you want to go though it could be improved to cut accidents and ease flows through junctions.

The car offers individuals and families considerable travel freedom. It allows us to do a weekly shop and get the heavy goods home easily. It allows us to get to work and back, and to visit family and friends. Currently it allows us to reduce or remove our use of public transport as suggested by the

guidance.

I am all in favour of experiment with different fuels, better exhausts, or higher safety standards. Each recent model generation of cars has improved safety features, better fuel efficiency and lower harmful exhaust waste. The important thing is to do this whilst keeping the popular characteristics of the car, the ability to go most places with a decent range.

My car always waits for me and will go as soon as I want to go. That is an important flexibility. true green policies need us to avoid so much congestion through bad road design and insufficient parking.

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## How should Parliament work?

Normally in these blogs I highlight areas where things have gone wrong or need improving. Today's blog begins with thanks to the Speaker and his staff for something that went right. He got a virtual Parliament up and running smoothly and quickly when some of us thought Parliament needed to be working. It was a time of big decisions on the extent of the lock down and management of the NHS response to the virus.

The virtual Parliament allowed MPs to ask questions and make speeches from home via the Zoom link, and reminded Ministers that their blizzard of decisions needed to be reported to MPs and subjected to questions and suggestions. There were remote divisions where an MP voted by computer once through the on line security. It was a big step forward and answered the question of how could Parliament function whilst observing social distancing?

It did however have some limitations. No MP was allowed to intervene on a Minister or other speaker, preventing challenge and proper debate. There were no easy informal exchanges between MPs as a debate or the government's business evolved. Everything had to be planned and timetabled in advance, so there could be no spontaneity.

The Leader of the House was keen that something more like the Commons was restored. Again the Speaker and his team responded well, giving us the Mark 2 Covid Commons. Now we have regained the right to intervene. Most MPs need to attend the Commons to speak and vote, and so there is more scope for suitably socially distanced conversations with other MPs as needed. Voting in the lobbies has been restored with orderly and segregated progress to and through the lobby to vote, speeded a bit by the presence of card readers to accept your vote.

The issue is how can it evolve further? There could still usefully be more spontaneity were some speaking slots to be available unallocated in advance, and if some questions were not previously allocated. The chamber with only 50 people in it at any one time does not have the atmosphere it normally has,

with most debates heard in silence. Outside the chamber the social distancing advice does not always remain observed, as MPs want to talk to each other. Democratic politics is about the numbers that support a cause as much as it is about the justness of the cause. Daily life at Westminster is about running causes , building support and arguing for change.

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## **UK Swiss trade agreement**

The U.K. and Switzerland have signed a document to complete a financial services Agreement to make trade easier on our exit from EU controls. The U.K. is the largest net exporter of financial services and Switzerland the third in the world.