

Honda loses out in Europe and worries about the change to electric cars

Honda's market share has fallen a long way in recent years in Europe. From selling 311,000 cars at the peak in 2007, last year it sold just 136,000.

The Swindon plant is only running one of the two lines, and at under 150,000 cars a year it is a small plant by world standards. Honda Europe is one of the casualties of the top down electrification policy pursued by the EU and UK governments. As Honda explained :

"This is not a Brexit related issue for us. This decision has been made on the basis of global issues. We have to move very swiftly to electrification of vehicles, because of demand of our customers and legislation".

Honda wishes to concentrate its investments in large plants making modern vehicles that meet changing legislation in the places where they sell most cars. That is Asia and the USA, not Europe, where their market share is now small. This is one example of the massive change being forced on the industry by governments with their requirement to sell many more electric vehicles. It is interesting that Honda mentioned legislation as an important factor, underlining that this abrupt change in the profile of cars to be sold results from a top down instruction from legislators as well as from some customers having a genuine preference for electric vehicles.

It follows hard on the heels of Nissan's decision to make one of its diesel cars only in Japan without adding a UK line , given the big drop off in demand following adverse legislation and threats of more to come from government. Nissan does have decent overall volumes in the UK and is committed to further investment in its UK business.

I forecast particular difficulties for the UK car industry in 2017 when the Bank of England adopted a tough stance on car loans, and the government launched a tax attack on new vehicles whilst pursuing an anti diesel policy. This was particularly damaging to the UK based car industry which had built centres of excellence for clean diesel engine technology here in the UK with government encouragement. Investment in car production is a long term business. The big switch in UK government attitudes to diesels will have a price that goes beyond its obvious impact on the large section of our car industry that makes diesel cars. Companies want consistent support for the industry and a predictable legislative and tax background, whether they are making diesel or petrol vehicles.

I trust the government will explore alternative uses for the Honda factory and work for the workforce. It could get a contractor that supplies vehicles to the state and or does deep maintenance on public sector vehicles to undertake it there, for example.