

# The continuing collapse of the UK car industry in the EU

The latest figures for car output and sales confirm the long downtrend which the UK government started with their Vehicle Excise tax hikes in the Spring of 2017 with the Bank of England assisting with their squeeze on car loans. For many recent months there has also been a parallel fall in car sales in China, the USA, and especially on the continent of the EU. I forecast here the impending decline of car manufacturing following the 2017 budget measures and money squeeze. In the USA higher interest rates on car loans did not help. In China a 10% purchase tax hit sales. On the continent the general economic downturn, regulatory changes over emissions and the attack on diesels also damaged car sales.

What is curious is the SMMT and some others who claim to speak for the UK industry go on and on about the damaging consequences of Brexit when we have not left and when this downturn is the result of several forces which have nothing whatsoever to do with Brexit. Why don't they speak out about the tax hikes here and in China that have hit demand? Why don't they discuss what is an affordable and responsible level of new credit to buy cars? Why don't they comment on how the shift to a strong attack on diesels by the EU and various governments including the UK have upended the big investment in diesel powered vehicles the EUK industry has recently made? Why don't they discuss how they will design and invest in a new generation of electric cars that enough people want to buy, if that is the agreed way to the future for the industry and governments?

UK March car output was down by 14%. The SMMT predicts a total production of 1.36m cars this year in the UK, down from 1.52 million last year. The main manufacturers are scrambling to shut down excess diesel car capacity, much of it modern and expensive, whilst trying to design and invest in new hybrid or electric vehicles. There is not yet much customer enthusiasm for the new electric cars governments want them to sell making judging the new investment difficult. The industry also decide to hold the usual summer shutdowns of plant for holidays and maintenance around the original date for Brexit, so the April figures will carry the impact of that as well. The industry could not even work with the government it seems so close to to be able to arrange the closedown at the right time for Brexit, given their unjustified pessimism about the process.

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## The Spanish election

According to the BBC and others the Spanish socialist party won a famous

victory. It is true they are the largest single minority party in the new Parliament, and have the first chance to try to form a government.

“Winning” means they got just 28.7% of the vote and 123 seats in a 350 seat Assembly. This is fewer seats than the centre right Popular party got in the previous election when they had 137 seats. They were unable to create a stable government in coalition with others to last a full term.

The conservative PP plunged from 137 seats to just 66 seats. Their vote share almost halved from 33% to 16.7%. They lost votes to the right of centre challenger party Ciudadanos who increased their position to 57 seats and to the new force of Spanish nationalism, Vox, who took 24 seats from zero before. The right of centre parties commanded 42% of the vote and have 149 seats between them.

The left of centre parties took just 1% more of the vote, at 43%. They captured 165 seats between them, with the PSOE (socialists) on 123, and Podemos on 42. This leaves them short of a majority.

The biggest third bloc comes from Catalonia. There are 22 MPs from that part of Spain where many voters wish to leave the Spanish union. Neither the left nor the right coalitions will be that keen to do a deal with the Catalans, as Catalan nationalism is unpopular in the rest of Spain whilst remaining popular in Catalonia. It is likely Spain will remain without a government pending the European and local elections. Neither the PP led coalition nor the PSOE led coalition was able to govern effectively in the last Parliament owing to the arithmetic of support.

These kind of outcomes are now very common on the continent where the main centre left and centre right parties no longer command enough support to form stable governments in the way they used to. It probably suits the EU, as it means there is no strong challenge or power centre in most member states capable of disagreeing or pressing successfully for a change of EU policy.

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## [Conservative voters and the Brexit party](#)

I read that members of the Conservative party are being warned not to vote for the Brexit party and not to recommend others to vote for it. It is curious the party leadership feel they have to brief out this statement and only apply it to one particular possible choice of an alternative vote. It implies they do think a lot of former Conservative voters and Conservative

party members are thinking of voting Brexit. I trust they are also against party members wandering off to vote Labour or Green.

My advice to the leadership is to tackle the reason why they have this fear. I would love to see the Conservative party take action to stop the Brexit party advance. The solution is easy. The Prime Minister should this week announce the cancellation of the Euro elections. She has always said she does not want to hold them, so abandon them. In accordance with the extension Agreement with the EU we can then leave the EU around the time of the Euro elections, with or without an Agreement. That would be a great announcement. The Brexit party would have to stand down its candidates and loses its purpose in life. The EU might then make us a better offer, faced with the reality we will leave anyway. The Conservatives would shoot up in the polls. We would fulfil our promise to leave by the end of May and put behind us the unfortunate and unwelcome delay.

If the PM and Cabinet remain wedded to holding Euro elections the way to get former Conservative voters back who have said they will now vote Brexit is to have a clear and credible European Manifesto statement of how we are going to get out soon. This has to handle the case of Parliament not signing the Withdrawal Agreement, three times rejected, as well as the government's preferred case.

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## Recent government announcements

I paused yesterday when I read the latest Ministerial announcements that were being put out to the press, public and MPs.

The Home Secretary announces an additional £4m spending on anti-slavery prospects. I am all in favour of the UK doing what it can to stop modern slavery. Good border controls into the UK would be an important part of achieving results. The strange thing about the announcement was the small sum involved, the lack of progress reports on what has been achieved with spending so far, and the absence of any measurable change he expects to come from the £4m being committed.

I always think it a bad idea for Ministers to put out that they are spending so much, or so much more, without saying what the money will buy, and how it compares with what is being spent up to that point. We were told in this latest announcement that the government has spent £200m on anti-slavery over an unspecified time period. What successes has that brought us in this important battle against criminal activity? Why will an extra £4m make a lot of difference? As one of the two projects is better care for victims in Nepal, what action is being taken to avoid future victims? The main issue is not so much the amount of money, but what the money buys and how successful our spending programmes are. Has the Home Secretary taken more action to prevent human trafficking into the UK? That would be an important

contribution to ending modern world slavery.

The second announcement was even more curious. The government is spending £4m on new computer games. It will make cash available to help “the creators of Peaky Blinders and Wallace and Grommit” “develop new games based around their famous creations”. Why does it need government cash for such a commercial prospect? Is this a grant or gift, or does it buy taxpayers any equity in the project? Why on earth is the government involving itself in difficult commercial questions of which game will be better and more popular than other games?

Ministers should be more strategic, and should concentrate on spending money where only government can take the actions. When talking about spending they should be more interested in the output, the quality and efficiency of the spending, rather than just headlining the amounts being committed. In a £700 billion budget there are 175,000 £4m packages to talk about, too many for individual Ministerial attention.

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## Parliament turns to other matters

It was a welcome development this week that Parliament avoided more Groundhog day debates on Brexit. We all know each other’s positions and have heard the arguments regurgitated all too often. Instead we talked of social care and schools, amongst other matters.

There was considerable agreement from all parties in the Commons that social care and schools need more generous financial settlements. The topic of school funding was introduced by a Conservative MP and drew warm support from the Labour front bench as you might expect. The Labour debate on social care also saw Conservative MPs accepting the need for better settlements.

The odd thing about this Parliament is it does not marry its wish to spend more on certain public services with its approach to Brexit. A large majority of MPs on both sides accept the idea that the UK should pay at least £39bn to the EU. Indeed many seem to welcome this, with large payments over the next two years. It is as if the referendum had never happened. I seem to remember day after day debates in that campaign about just how much money we might save, with everyone agreeing there would be large savings but disagreeing over whether to use the gross or net amounts. The public certainly got the idea and by a majority voted to spend the money at home, whether it was £10bn a year, £12 bn a year or more. Why is that so many MPs in this Parliament are so casual with money for Brussels, when they agree we need it for something else?

There is no legal clause in the Treaty requiring us to pay after we have left. The large sum in the Withdrawal Agreement is not nailed down in numbers and would doubtless be bigger than the Treasury £39bn estimate. The Treasury seems to want to pay the money and says we would need to anyway. It is particularly difficult to know why we would have to pay for the next two

year's membership if we just left, when that was a big element in the £39bn! Labour came up with a bank tax to pay more to our schools. The Chancellor has collected more tax than he expected, so he could just provide a bit more cash for schools out of that. It would be far better to have a Brexit budget, boosting the UK economy with better funded public services and tax cuts, all paid for from saving all that money to the EU. The Schools Minister was left explaining he and his colleagues were going to put in a good bid for the Autumn Spending Review. By implication he too thinks there is a good case for bit more cash.