

# The eerily quiet collapse of the UK car industry

During the referendum on the EU the car industry and its Remain supporters were full of fears that if we left the EU without a free trade deal with them the 10% tariff the EU would impose on our car exports would do grave damage to our industry. They did not accept that a zero tariff deal was likely, though one was finalised in the end. Nor did they accept that if there were 10% EU tariffs we could have imposed the same on their cars and made more of our cars at home, substituting them for the dearer continental imports. Out of the EU we are also free to take tariffs down on components needed from abroad to lower our total costs of production. I did not see anyone suggest output of our industry might halve if we ended up with some EU tariffs.

The passion behind these fears makes the lack of noise about the collapse of car output since 2016 more surprising. The near halving of output in the last five years has nothing to do with Brexit. We can all agree the pandemic measures dented output badly in 2020 and may have had some lingering effects on 2021. Last year we only made 859,000 cars in the UK. We can agree that the worldwide shortage of microprocessors has impeded production in the last year, as the car industry failed to secure enough supply at a time of maximum competition from the digital revolution companies needing more chips for their successful products. Apple's gain was BMW's loss. What seems more contentious is the impact of the race to net zero on the domestic industry which most of the insiders seem unwilling to talk about, let alone cite as an important cause of the decline.

In the last couple of years there has been a collapse in purchases of new diesel cars, and a decline in new petrol cars as a result of governments in advanced countries especially the UK telling people not to buy them. Advanced countries have been discussing how quickly they can end their production altogether and making it clear to customers they wish to become increasingly hostile to the use of internal combustion engine vehicles. The UK has proposed 2030 as the cut off date. The Treasury has also added its contribution to car output decline with a substantial increase in the cost of VED for a new dearer car. The diesel hit has been particularly tough on the UK industry. With government encouragement not so long ago the UK had become an important world centre for diesel technology development and for engine manufacture. Ford for example moved its car assembly out of the UK but built a lot of engines here.

Tesla has turned out to be the winner so far in the expensive end electric vehicles. Tesla makes no cars in the UK. The UK based brands have been slower to compete, and the UK is struggling to catch up with battery production investment, essential if the UK is to be a serious producer of electric vehicles. Maybe it is time to assess the progress of these policies, and to ask how much more damage there is likely to be to an industry which used to make twice as many cars here.