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No-deal Brexit would cost UK car industry £55bn, says analysis

Tariffs would make large parts of the business unviable, says study for the SMMT

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The UK automotive sector risks losing £55bn in manufacturing value within five years in the event of a no-deal Brexit, according to new industry analysis.

British car production could drop below 1m cars a year if there is no deal, compared with more than 1.3m in 2019, because tariffs would make large parts of the UK business unviable, said forecasts commissioned by the Society of Motor Manufacturers and Traders, the industry lobby group.

The car industry has endured a difficult year, as the coronavirus pandemic has forced the temporary closure of every factory in Europe and reduced demand for new cars. At the same time, European car companies spent £54bn last year on new electric car technologies to meet tightening carbon dioxide emissions rules.

Trade negotiations between the UK and EU have still not reached a conclusion, with little more than a month to go until the end of the Brexit transition period on 31 December. EU ambassadors have been told a deal is close to being finalised, but there is still a risk of talks falling through.

The car industry has been outspoken in its opposition to a no-deal Brexit, which would result in 10% tariffs being applied to their products overnight, adding £1,900 to the average cost of a car imported from the EU.

Industry executives have warned that a no-deal Brexit would jeopardise the future of UK plants. PSA Group has said it will only build its new Vauxhall Astra in the UK if there is a trade deal, while Nissan has said the business model of its Sunderland plant - the largest car factory in the UK - would be destroyed.

Nissan's chief operating officer, Ashwani Gupta, last week reiterated that "obviously our UK business will not be sustainable" if there were no deal, in an interview with Reuters. However, the Japanese carmaker on Monday denied a report in German media that a decision to close the plant had already been made.

All of the UK's large car manufacturers have foreign owners. The presence of Japanese and other European carmakers in the UK was based in large part on easy access to Europe's single market, meaning that the industry sees any barriers to trade as damaging. The SMMT study, carried out by consultancy Auto Analysis, found that even a "bare bones" trade deal would cost the industry £14.1bn.

George Gillespie, the SMMT's president and the executive chairman of Japanese-owned car testing company Horiba Mira, said: "We need a future trading relationship that works for automotive. We've already spent nigh on £1bn preparing for the unknown of Brexit and lost 28 times that to Covid. Let us not also be left counting the cost of tariffs, especially not by accident."

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