

Debate Pack

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UK automotive industry

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Background

There will be a general debate on the UK automotive industry in the Commons chamber on 18 September 2023.

Economic data

In 2022, the manufacture of motor vehicles and parts contributed £13.3 billion to the economy, 0.6% of the UK's total output.¹

This counts the value of sales from UK car manufacturers, minus the value of intermediate costs (such as the costs of raw materials).

The industry grew strongly, in real terms (after adjusting for inflation), during the latter half of the 2000s and first half of the 2010s, despite a sharp fall in 2009 in the aftermath of the financial crisis.

After peaking in 2015, the economic output of the industry started to fall. Some of the reasons suggested for the fall in production included the uncertainty around the UK's future trading relationship with the EU (a major buyer of UK cars), falling demand in other export markets and backlogs caused by new testing requirements.^{2 3 4}

Car production was then significantly affected by disruption caused by the pandemic. In particular semiconductor shortages affected car manufacturers worldwide.⁵

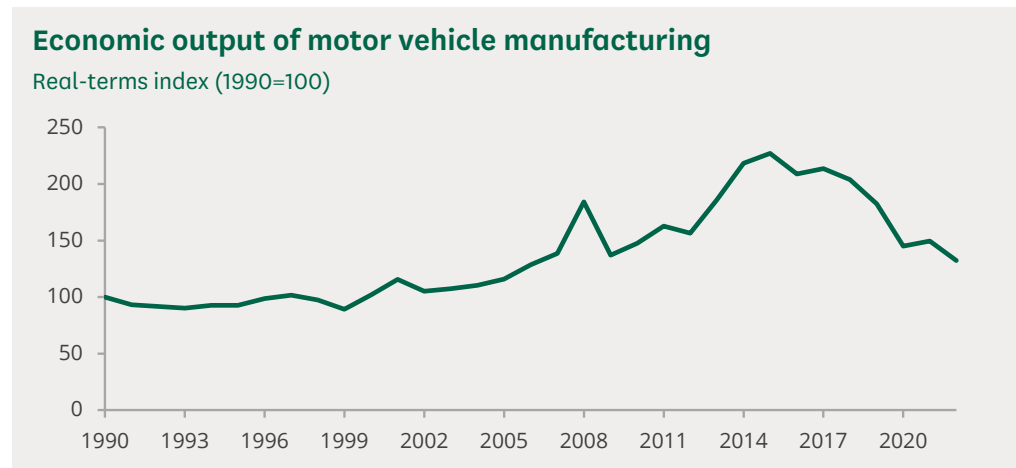
¹ ONS, [GDP output approach – low-level aggregates](#) table 1, 11 August 2023; the ONS has indicated its estimates of economic output will be revised significantly, but this figure is unrevised

² SMMT, "[UK car production falls 20% in first six months as new data reveals £330 million 'no deal' mitigation bill](#)", 31 July 2019

³ SMMT, "[UK car production declines -10.6% in July as exports take a hit](#)", 29 August 2019

⁴ SMMT, "[UK new car market falls in 'exceptional' September as supply issues bite](#)", 4 October 2018

⁵ S&P Global, "[The semiconductor shortage is – mostly – over for the auto industry](#)", 12 July 2023



Source: ONS, [GDP output approach – low-level aggregates](#)

Honda and Ford are among the companies which have closed UK factories or reduced the types of cars manufactured, over the past few years.⁶ Honda's closure has been linked to the EU-Japan trade deal, allowing the company to export cars from its Japanese factories to the EU tariff-free, as well as a shift to electric vehicle production, away from diesel engines, which were manufactured at its Swindon site.⁷

While the total number of cars manufactured in the UK in 2023 is up on the same period last year, it is still far short of the level seen in the mid-2010s, when over 1.5 million cars were manufactured each year.⁸

The Society of Motor Manufacturers and Traders (SMMT) projects 860,000 cars to be manufactured this year, and the possibility for production to reach the million mark by 2028.⁹

The automotive industry also includes elements of the supply chain not captured in the manufacture of vehicle manufacture.

For example, the wholesale and retail trade and repair of motor vehicles contributed £30.6 billion to the UK economy in 2022, equivalent to 1.3% of total output.

⁶ Business Rescue Expert, "[Ford is the latest car manufacturer to close a UK manufacturer](#)", [accessed 15 September 2023]

⁷ Euronews, "[What are the real reasons Honda is closing its factory in Swindon?](#)", 19 February 2019

⁸ SMMT, "[Six months of growth for UK car production](#)", 31 August 2023

⁹ As above

Employment and employers

In 2021 (the latest available data), around 160,000 employees across the UK worked in the manufacture of motor vehicles industry, around 0.6% of the total.¹⁰

Regions with higher levels of employment in the industry include the West Midlands, (2.2% of all employees worked in the industry) and the North East of England (1.2%).

The West Midlands is the home of Jaguar Land Rover, while Nissan has a large factory in Sunderland. According to the SMMT, these were the top two companies in terms of number of cars manufactured in 2022.¹¹

Other major manufacturers include MINI (based in Oxford), Toyota (with factories in Derbyshire and North Wales), Vauxhall (in Cheshire) and Bentley (in Crewe).

Most of the major car manufacturers in the UK are owned by companies based elsewhere. Nissan and Toyota are Japanese, Jaguar Land Rover is owned by the Indian Tata group, MINI is owned by German BMW, Vauxhall by Stellantis, formed from the merger of Fiat Chrysler and Peugeot and headquartered in the Netherlands, and Bentley by the German Volkswagen Group.

Recent developments

Rules of origin tariffs on electric vehicles using foreign-made batteries

A major issue facing the industry surrounds the possibility of tariffs on electric vehicles traded between the UK and the EU.

Electric and hybrid vehicles accounted for over 30% of cars manufactured in the UK in 2022, up from 15% in 2019, and over half of cars newly registered in the UK.¹²

Currently, electric vehicles can be traded between the UK and the EU tariff-free provided materials used in the production of the car originating from

¹⁰ ONS, [Business Register and Employment Survey \(via NOMIS\)](#), accessed 14 September 2023
NISRA, [BRES Publication and Tables 2021, table 2.4](#), 30 June 2022

¹¹ SMMT, [SMMT Motor Industry Facts 2023](#)

¹² As above

outside the EU or the UK do not exceed 60% of the value of the vehicle and 70% of the value of the battery pack or cell.¹³

These requirements are due to become gradually more demanding from the start of 2024. By 2027, non-originating materials must account for less than 30% of battery packs, 35% of battery cells, and 45% of the total value of the vehicle, for it to avoid a 10% import tariff.

In evidence to the Business and Trade Committee in February 2023, Stellantis said that if it continues to source batteries from mainland Europe to avoid the forthcoming tariff, or source batteries from China, incurring the tariff, its UK plants would be at a competitive disadvantage.¹⁴

The SMMT said the UK will require access to 60-90 GWh of battery production capacity per year if it is to manufacture at least one million battery electric vehicles by 2030. Currently capacity is around 2.5 GWh, potentially increasing to 25 GWh by 2030.¹⁵ This evidence was given prior to the announcement of the investment by Tata Group (see below).

New investments

On 11 September 2023, BMW announced it would invest £600 million into the Oxford MINI plant to convert it to all-electric production by 2030, with production of two electrified models starting in 2026.¹⁶

Earlier this month Stellantis's site at Ellesmere Port in Cheshire became the first all-electric vehicle production plant in the UK, following a £100 million investment.¹⁷

Tata Group has announced £4 billion to build a new electric car battery factory, creating up to 4,000 jobs. The government estimates the factory will provide almost half of the battery production needed by 2030, 40GWh.¹⁸

In July, Renault in partnership with Chinese car manufacturer Geely announced a new joint company manufacturing engines would be

¹³ UK Trade Policy Observatory, "[Rules of origin do matter after all](#)", 19 May 2023

¹⁴ Business and Trade Committee, Batteries for electric vehicle manufacturing inquiry, [Written evidence from Stellantis](#) (BEV0001)

¹⁵ Business and Trade Committee, Batteries for electric vehicle manufacturing inquiry, [Written evidence from SMMT](#) (BEV0043)

¹⁶ BMW Group press release, "[MINI Plant Oxford goes Electric: £600m investment for all-electric MINI production in the UK](#)", 11 September 2023

¹⁷ Stellantis press release, "[Stellantis announces start of electric vehicle production at Ellesmere Port - the UK's first EV-only manufacturing plant](#)", 7 September 2023

¹⁸ Gov.uk press release, "[Tata Group to invest over £4 billion in UK gigafactory creating thousands of jobs](#)" 19 July 2023

headquartered in the UK, with engine plants and research centres located across the world.¹⁹

¹⁹ Renault Group press release, "[Renault Group and Geely sign Joint Venture Agreement to launch Leading Powertrain Technology Company](#)", 11 July 2023

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Press articles

The following is a selection of news and media articles relevant to this debate.

Please note: the Library is not responsible for either the views or the accuracy of external content.

[**How Mini backing Britain could force a climbdown on Brexit tariffs**](#)

The Telegraph (£)

11 September 2023

[**Mini boost from BMW doesn't mean UK is in global car industry's fast lane**](#)

The Guardian

11 September 2023

[**Electric vehicle production begins at unique plant**](#)

BBC News

7 September 2023

[**EU split over post-Brexit electric car tariffs gives Britain hope**](#)

POLITICO

6 September 2023

[**Another Brexit 'cliff-edge' for the auto industry?**](#)

UK in a Changing Europe

21 August 2023

[**Tata's gigafactory gives Britain's battery industry potential at last**](#)

The Guardian

22 July 2023

[**UK car industry hopes £4bn Tata gigafactory electrifies the sector**](#)

Financial Times (£)

19 July 2023

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Press releases

Major BMW EV announcement to take UK auto investment to over £6bn

Department for Business and Trade

11 September 2023

SMMT statement - BMW group announcement on MINI plant Oxford

SMMT

11 September 2023

Tata Group to invest over £4 billion in UK gigafactory creating thousands of jobs

Department for Business and Trade

19 July 2023

SMMT statement on JLR and Tata Motors gigafactory announcement

SMMT

19 July 2023

SMMT statement on Rules of Origin

SMMT

17 May 2023

SMMT statement on Windsor Framework

SMMT

27 February 2023

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Parliamentary material

Parliamentary Questions

Batteries: Factories

11 September 2023 | UIN 197247

Asked by: Charlotte Nichols

To ask the Secretary of State for Business and Trade, whether she has made an estimate of the number of gigafactories that will be established in the UK by 2030.

Answering member: Ms Nusrat Ghani | Department: Business and Trade

We continue to work with industry via the Automotive Transformation Fund (ATF) to support the creation of an internationally competitive electric vehicle supply chain in the UK, including gigafactories.

The Advanced Propulsion Centre forecasts that UK demand for EV battery manufacturing capacity is expected to reach 89 GWh per annum by 2030.

ATF funding has already helped secure key investments, including, Tata's recent announcement that they will be investing over £4 billion to build a new gigafactory in the UK and the £1bn electric vehicle hub in Sunderland in partnership between Nissan and Envision AESC.

Batteries: Factories

11 September 2023 | UIN 196337

Asked by: Alan Brown

To ask the Secretary of State for Business and Trade, how much from the public purse will be spent on support for the proposed Tata Group gigafactory.

Answering member: Ms Nusrat Ghani | Department: Business and Trade

Details of our support to Tata Group will be published in due course as part of our regular transparency data.

Batteries and Electric Vehicles: Manufacturing Industries

4 September 2023 | UIN 194697

Asked by: Kerry McCarthy

To ask the Secretary of State for Business and Trade, how much (a) public and (b) private sector funding for (i) battery and (ii) electric vehicle manufacturing has been announced since July 2022.

Answering member: Ms Nusrat Ghani | Department: Business and Trade

Since July 2022, we have seen Tata Group announce an investment of over £4bn in a UK gigafactory. JLR have also announced plans to accelerate their shift to electric vehicles and have committed to a £15bn investment in their industrial footprint, vehicle programmes, autonomous, AI and digital technologies and people skills. In addition, in the wider electric vehicle manufacturing supply chain, we have seen Johnson Matthey announce an investment of over £60m in Hertfordshire to develop hydrogen technologies, Pensana announce an investment of £145m in a rare Earth metal refinery, and Ford announce a further £150m investment in Halewood to manufacture Electric Drive Units, in addition to their £227m investment announced in October 2021.

Details of our support to companies will be published in due course as part of our regular transparency data.

Electric Vehicles: Manufacturing Industries

11 July 2023 | HL8895

Asked by: Lord Taylor of Warwick

To ask His Majesty's Government what plans, if any, they have to protect the growth of electric car production in Britain.

Answering member: The Earl of Minto | Department: Business and Trade

The Automotive Transformation Fund (ATF) aims to support the creation of an internationally competitive electric vehicle supply chain in the UK. The government continues to work with industry via the ATF to unlock strategic investments in gigafactories, motors and drives, power electronics, and fuel cell systems.

In the coming months, after engagement with industry, the government will build on the ATF and the long-term Advanced Propulsion Centre R&D programme to take decisive action to ensure future investment in the manufacturing of zero emission vehicles.

BritishVolt: Insolvency

15 February 2023 | UIN 140089

Asked by: Bill Esterson

To ask the Secretary of State for Business and Trade, if she will make an assessment of the implications for his policies of the closure of Britishvolt.

Answering member: Ms Nusrat Ghani | Department: Business and Trade

As part of our efforts to see British companies succeed in the industry, the Government offered significant support to Britishvolt through the Automotive Transformation Fund (ATF). Full due diligence was completed before a final grant offer letter was awarded.

Funding was designed so that agreed milestones had to be achieved for the company to drawdown any funds. These milestones were not met and therefore no ATF funds were paid to Britishvolt.

The Government want to ensure the UK remains one of the best locations in the world for automotive manufacturing as we transition to electric vehicles. That includes investing record sums in battery R&D – such as the recent announcement of £211 million into the Faraday Battery Challenge, which will help deliver 100,000 jobs in battery gigafactories and the battery supply chain by 2040.

Cars: Manufacturing Industries

2 February 2023 | UIN 133531

Asked by: Sir John Redwood

To ask the Secretary of State for Business, Energy and Industrial Strategy, what steps he will take to increase the level of car manufacturing in the UK.

Answering member: Ms Nusrat Ghani | Department: Business and Trade

The Government is determined to ensure the UK continues to be a highly attractive location for automotive investment and manufacturing.

In the last couple of years alone, we have seen Nissan and Envision invest £1 billion to create an electric vehicle (EV) manufacturing hub in Sunderland, a £2.5 billion investment by Bentley in Crewe, and £380 million by Ford to make Halewood their first European EV components site.

We continue to work through the Automotive Transformation Fund (ATF) to develop an internationally competitive electric vehicle supply chain. This includes unlocking private investment in gigafactories, battery material supply chains, motors, power electronics, and fuel cell systems.

Debates

Automotive Industry

12 July 2023 | House of Commons | 736 cc358-409

Opposition day debate

UK Car Industry

17 May 2023 | House of Commons | 732 cc841-852

(Urgent Question): To ask the Secretary of State for Business and Trade if she will make a statement on the future of the UK car industry.

Car Industry

17 May 2023 | House of Lords | 830 cc342-348

Lords statement on the car industry, repeating the statement given in the Commons on the same day, with additional debate.

Automotive Manufacturing Sector: Support

15 May 2023 | House of Lords | 830 cc8-11

To ask His Majesty's Government what is their investment strategy to support the automotive manufacturing sector in the United Kingdom.

Statements

Tata Group gigafactory investment

19 July 2023 | UIN HCWS978

Kemi Badenoch | Department: Business and Trade

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Further reading

Inquiries

Batteries for electric vehicle manufacturing

Business and Trade Committee

Reports

Charging ahead? Future of the UK car industry

House of Lords Library

3 July 2023

December 2022 UK Car Manufacturing

SMMT

25 January 2023

SMMT Motor Industry Facts 2023

SMMT

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