



## BRIEFING PAPER

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# The motor industry: statistics and policy

By Chris Rhodes

### Inside:

1. Contribution to the economy
2. Vehicle production
3. UK car registrations
4. Trade in motor vehicles
5. Brexit
6. Views of the trade associations on Brexit
7. Government policy
8. Appendix – vehicle production



# Contents

<b>Summary</b>	<b>3</b>
<b>1. Contribution to the economy</b>	<b>4</b>
1.1 Gross Value Added	4
1.2 Employment	6
<b>2. Vehicle production</b>	<b>8</b>
2.1 Production in other EU countries	9
<b>3. UK car registrations</b>	<b>10</b>
<b>4. Trade in motor vehicles</b>	<b>11</b>
4.1 Trade in motor vehicles	11
4.2 Trade in vehicle parts	12
4.3 Number of vehicles traded	13
<b>5. Brexit</b>	<b>14</b>
Tariff barriers	14
Non-tariff barriers: delays	15
Non-tariff barriers: regulatory standards	15
Labour market issues	16
<b>6. Views of the trade associations on Brexit</b>	<b>17</b>
SMMT	17
Make UK	18
Confederation of British Industry	19
The European Automobile Manufacturers Association	19
<b>7. Government policy</b>	<b>20</b>
7.1 Electric and low emission vehicles	21
7.2 Driverless Cars	21
<b>8. Appendix – vehicle production</b>	<b>23</b>

Authors:

Chris Rhodes

## Summary

- The UK motor vehicle manufacturing industry contributed £16.6 billion to the economy in 2018, 0.8% of the whole economy's output, and 8.5% of manufacturing output.
- The industry employed 166,000 people across Great Britain in 2018.
- 1.60 million vehicles were produced in the UK in 2018, 80% of which were exported
- Automotive exports totalled £40.1 billion in 2018, imports totalled £56.0 billion, so a trade deficit of £15.9 billion was recorded.
- There were 2.4 million car registrations in 2018, the lowest since 2013.

The industry has performed well in recent years, achieving strong growth in employment, production, economic output and exports. But the industry faces fundamental challenges, including profound shifts in global demand, environmental concerns and the advent of new technologies such as driverless cars.

Perhaps most importantly, the prospect of Brexit has increased uncertainty in the industry.

The UK automotive manufacturing sector is highly integrated with the rest of Europe, in both finished cars and component parts. For instance, the UK imported £13.2 billion's worth of vehicle engines and parts in 2018, 79% of which came from the EU. The manufacturers' trade body (EEF) and the automotive trade body (SMMT) have both called on the Government to protect this close integration.

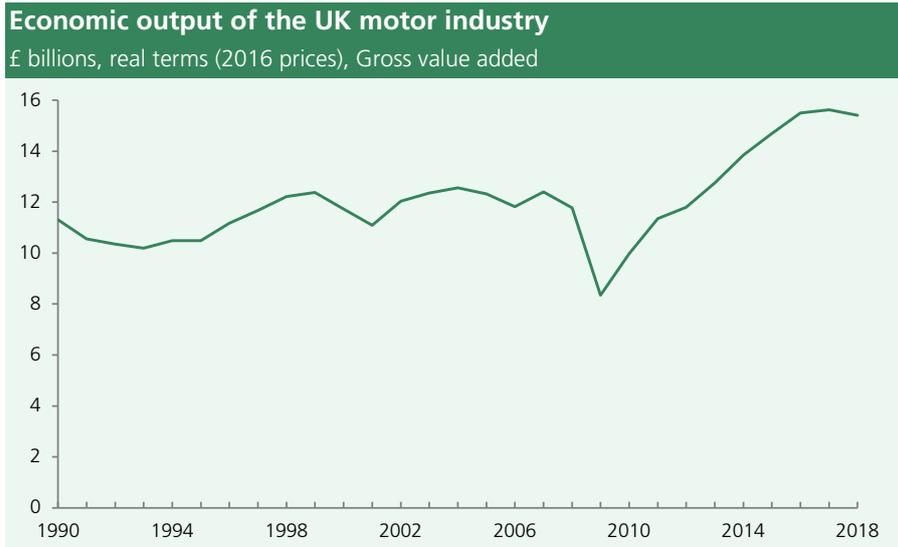
As part of the Industrial Strategy, the government has created a Sector Deal for the automotive sector. This focuses on the development of ultra-low emission, connected and autonomous vehicles.

# 1. Contribution to the economy

## 1.1 Gross Value Added

The motor vehicle manufacturing industry includes the manufacture of parts, bodies and trailers for cars and commercial vehicles.<sup>1</sup>

The industry contributed £16.6 billion to the economy in 2018, 1% of total UK output, and 8% of the UK manufacturing sector's output.<sup>2</sup>



Source: ONS, *GDP estimates*, [Low Level Aggregates Table](#);

The motor industry's economic output was broadly flat during the two decades before the 2008 financial crisis. Output dropped sharply in 2009, during the recession, but bounced back strongly in 2010 and grew steadily until 2016. Output was flat in 2017 compared to the previous year, and in 2018, output fell in real terms (by 2%) for the first time since 2009.

The motor industry's output as a proportion of all manufacturing output has increased from 6.3% in 2000 to the current total of 8.4%.

As a percentage of the whole UK economy, motor vehicle manufacturing was worth 0.8% in 2018.

<sup>1</sup> [Standard Industrial Classification \(SIC\) code 29](#). Gross Value Added (GVA) is a measure of economic contribution similar to GDP

<sup>2</sup> ONS, *GDP estimates*, [Low Level Aggregates Table](#)

## 5 The motor industry

<b>Economic output of the UK motor industry</b>				
<i>Gross value added</i>				
	£ billions		% of manufacturing	% of UK total
	Current prices	Real terms (2016 prices)		
2000	9.4	11.7	6.3%	0.9%
2001	8.5	11.1	6.1%	0.8%
2002	8.1	12.0	6.8%	0.9%
2003	8.1	12.4	7.0%	0.9%
2004	7.4	12.6	7.0%	0.9%
2005	8.0	12.3	6.8%	0.8%
2006	7.8	11.8	6.4%	0.8%
2007	7.7	12.4	6.7%	0.8%
2008	8.2	11.8	6.5%	0.7%
2009	5.9	8.3	5.1%	0.5%
2010	8.4	10.0	5.8%	0.6%
2011	8.7	11.4	6.5%	0.7%
2012	8.9	11.8	6.9%	0.7%
2013	11.5	12.8	7.5%	0.8%
2014	13.8	13.8	7.9%	0.8%
2015	13.6	14.7	8.4%	0.9%
2016	15.5	15.5	8.8%	0.9%
2017	16.5	15.6	8.7%	0.9%
2018	16.7	15.4	8.5%	0.8%

Source: ONS, *GDP estimates*, [Low Level Aggregates Table](#), series: KL6D; KK5X; KL8V; KL8A

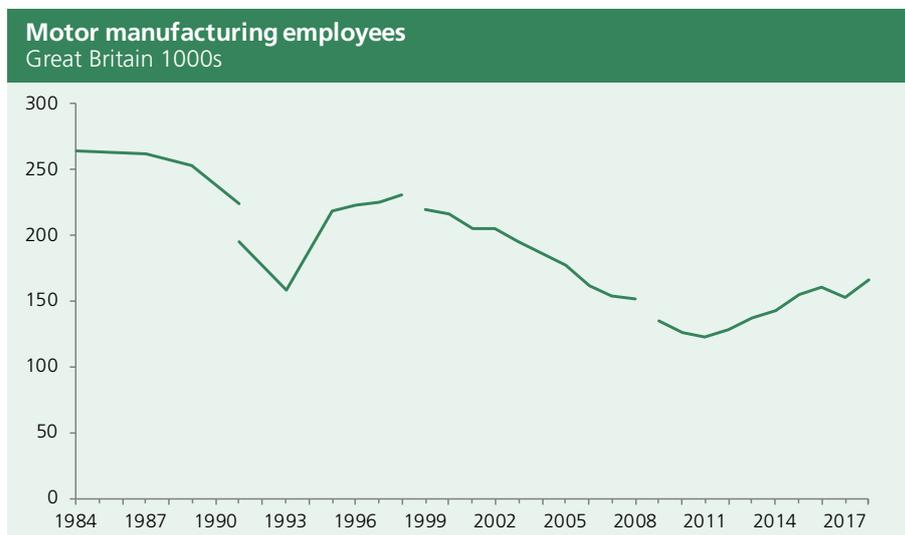
Note: SIC code 29: Manufacturer of motor vehicles; and the manufacture of parts, bodies and trailers for cars and commercial vehicles

## 1.2 Employment

There were 166,000 employees in the motor vehicle manufacturing industry in Great Britain in 2018. This is 7% of manufacturing employees and 1% of all employees.<sup>3</sup>

In common with other parts of the manufacturing industry, increases in productivity and the growth of other industrial bases (particularly in the Far East) have led to significant falls in the number of people employed in the manufacture of motor vehicles in Great Britain, from around 500,000 in 1971 to the current total of 166,000.<sup>4</sup>

Unlike in other parts of the manufacturing sector, employment in the automotive sector grew between 2011 and 2015 for the first time since the early 1990s. Employment in the automotive industry fell in 2017 for the first time in six years, but rose again in 2018.



Sources: ONS: 84-91: Census of employment, 91-98: Annual employment survey, 98-08: Annual business inquiry; 09-18: Business register and employment survey

<sup>3</sup> ONS, *Business register and employment survey*, via [NOMIS database](#)

<sup>4</sup> 1971 data: ONS, *Census of Employment*

## Employment by region

The West Midlands has, by far, the largest number of people employed in the manufacture of motor vehicles of any UK region or country.

54,000 employees in the industry work in the West Midlands, around a third of all motor industry employees in Great Britain.

In the West Midlands, 2% of all employment is in motor vehicle manufacturing. Of all manufacturing employment in the West Midlands, 18% is in the motor industry.

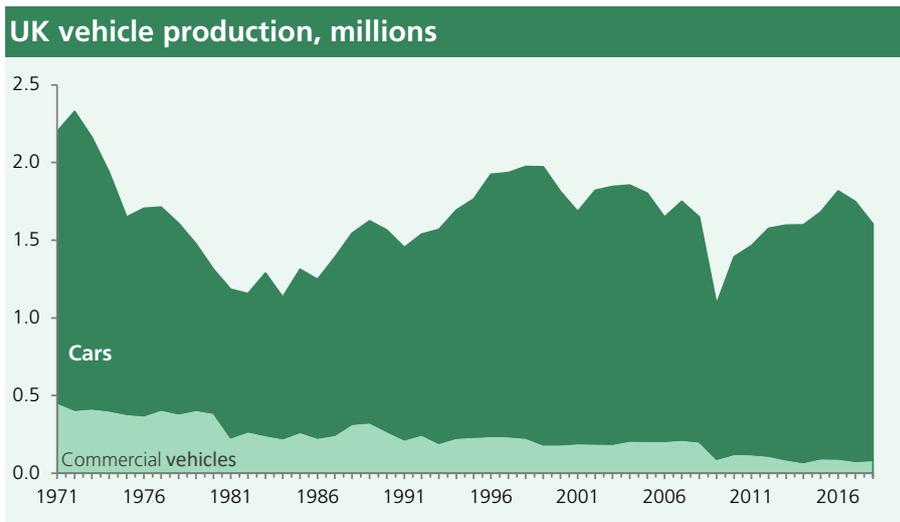
<b>Employment in the manufacture of motor vehicles</b>			
<i>2018</i>			
	000s	% of manufacturing	% of all employment
West Midlands	54	18%	2%
North West	23	7%	1%
North East	17	15%	2%
South East	15	6%	0%
Yorks and Humber	13	5%	1%
Wales	10	7%	1%
East Midlands	10	4%	1%
East	7	3%	0%
South West	8	4%	0%
London	4	4%	0%
Scotland	4	2%	0%
<i>Great Britain</i>	166	7%	1%

Source: ONS, *Business register and employment survey*, 2019, via [NOMIS database](#)

## 2. Vehicle production

There were 1.60 million vehicles produced in the UK in 2018, of which 1.52 million were cars and 85,000 were commercial vehicles (such as vans).

Vehicle production in the UK peaked in 1972 at 2.3 million and fell through the 1970s before picking up again in the mid-1980s and 1990s as a result of foreign investment. For example, Nissan opened their first European plant in Sunderland in 1986.



Source: 1971-1995: SMMT, *The motor industry of Great Britain centenary book*, 1996; 1996-2018, SMMT, vehicle production press releases

Vehicle production fell by over 30% in 2009 during the global financial crisis. In 2016 production rose above the 2007 pre-crisis level for the first time. But vehicle production fell in 2017 and 2018. Vehicle production levels remain lower than in the late 1990s.

The recent growth has been the result of increased production of cars, which reached its highest level since 1999 in 2016. The production of commercial vehicles has been in steady decline since the 1970s, and despite a slight increase in 2018, has not recovered from its steep fall during the 2009 recession.

UK Vehicle Production, 1000s				
	Cars	Commercial vehicles	All vehicles	% change
2008	1,447	203	1,650	-6%
2009	999	91	1,090	-34%
2010	1,270	123	1,393	28%
2011	1,344	121	1,465	5%
2012	1,465	112	1,577	8%
2013	1,510	88	1,597	1%
2014	1,528	71	1,599	0%
2015	1,588	94	1,682	5%
2016	1,723	94	1,817	8%
2017	1,671	78	1,749	-4%
2018	1,519	85	1,604	-8%

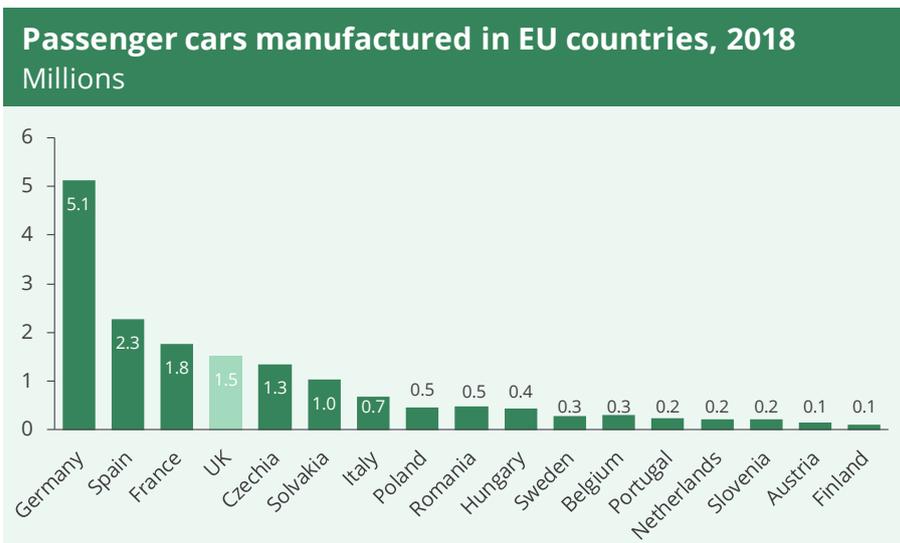
SMMT, [Vehicle production press releases](#)

See the Appendix at the end of the paper for vehicle production data back to 1971.

## 2.1 Production in other EU countries

Germany produces by far the most cars of any European country – 5.1 million in 2018.

The UK is among the six EU countries that produce more than 1 million cars a year. France, the UK and Czechia produced around 1.5 million cars in 2018.

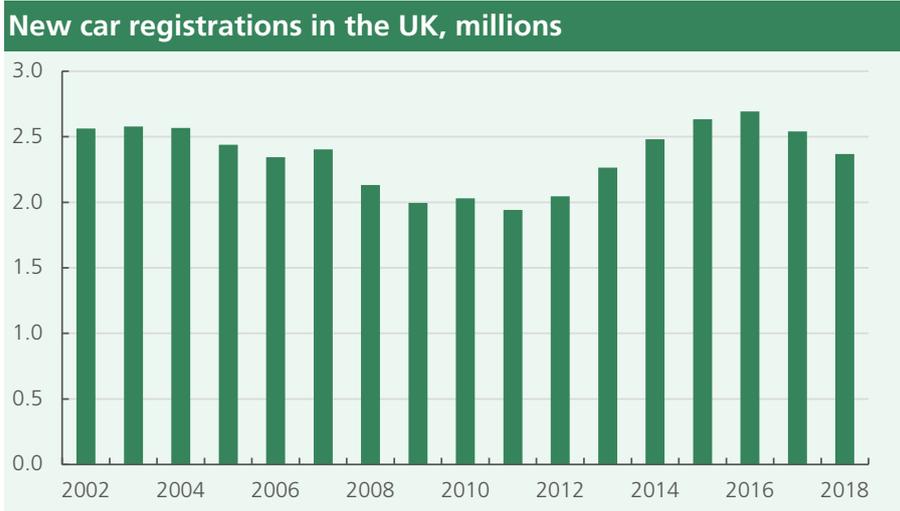


Source: European Automobile Manufacturers Association (ACEA), [EU car production](#), 2019

### 3. UK car registrations

New vehicle registrations in the UK declined between 2003 and 2009 from 2.6 million to 2.0 million.<sup>5</sup>

Since then the number of registrations has recovered. In 2018, 2.4 million new cars were registered in the UK, down 6.8% on the 2016 figure, the second successive annual fall in car registrations.



Source: SMMT, [Vehicle registration press releases](#)

<sup>5</sup> SMMT, [Car registration data](#), January 2019

## 4. Trade in motor vehicles

### 4.1 Trade in motor vehicles

The motor industry is heavily reliant on trade. The value of motor industry (all road vehicles and parts) exports from the UK in 2018 was £40.1 billion. The value of imports was £56.0 billion in 2018, meaning there was a trade deficit of £15.9 billion in the motor industry in 2018.

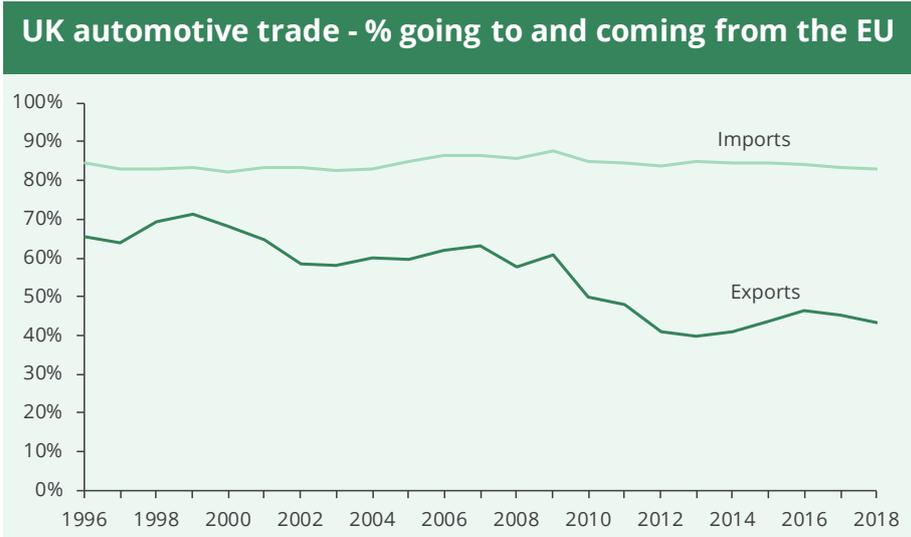
UK trade in road vehicles and parts, 1996 - 2018 (£ billions)									
	EU			Non-EU			World		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1996	9.5	17.3	-7.9	5.0	3.2	1.8	14.4	20.5	-6.1
1997	9.5	18.4	-8.9	5.4	3.8	1.7	14.9	22.2	-7.2
1998	10.2	19.2	-9.1	4.5	3.9	0.6	14.7	23.2	-8.5
1999	10.9	20.6	-9.7	4.4	4.2	0.2	15.3	24.8	-9.5
2000	10.7	19.6	-8.9	5.0	4.3	0.7	15.7	23.9	-8.2
2001	9.1	22.6	-13.5	5.0	4.6	0.4	14.1	27.1	-13.1
2002	9.7	24.5	-14.8	6.9	4.9	2.0	16.6	29.4	-12.8
2003	10.3	25.4	-15.1	7.5	5.3	2.1	17.7	30.7	-13.0
2004	11.3	26.2	-14.9	7.4	5.3	2.1	18.7	31.5	-12.8
2005	11.8	27.4	-15.6	8.0	4.9	3.1	19.7	32.3	-12.6
2006	12.2	29.1	-16.9	7.5	4.5	3.0	19.7	33.7	-14.0
2007	13.5	32.4	-18.9	7.8	5.1	2.7	21.3	37.5	-16.1
2008	13.1	29.7	-16.6	9.6	4.9	4.6	22.6	34.6	-12.0
2009	10.4	23.3	-12.9	6.8	3.3	3.4	17.2	26.6	-9.4
2010	11.7	29.1	-17.4	11.8	5.1	6.6	23.5	34.2	-10.7
2011	13.3	31.5	-18.3	14.3	5.8	8.5	27.5	37.3	-9.8
2012	11.8	31.2	-19.4	17.1	6.0	11.2	28.9	37.1	-8.2
2013	12.5	35.3	-22.8	19.0	6.2	12.7	31.5	41.6	-10.1
2014	13.2	38.8	-25.6	18.9	7.0	11.9	32.2	45.8	-13.6
2015	14.1	42.7	-28.6	18.0	7.8	10.2	32.1	50.5	-18.4
2016	17.2	45.7	-28.5	19.9	8.6	11.3	37.1	54.3	-17.2
2017	18.3	46.8	-28.5	22.3	9.4	12.8	40.5	56.2	-15.7
2018	17.3	46.5	-29.2	22.8	9.5	13.3	40.1	56.0	-15.9

Source: HMRC, [UK Tradeinfo database](#)

Product code: SITC 78 – Road vehicles and parts

Exports have more than doubled since 2009, and imports have increased by over 50%. As a result, the trade balance (exports minus imports) has remained negative in each year since comparable data started in 1996.

In 2018, 83% of UK's imports came from the EU, while only 43% of UK's export went to the EU. Whereas the percentage of imports coming from the EU has remained consistently high over the last 20 years, the share of UK exports going to the EU has fallen sharply from a peak of 71% in 1999. This change is the result of exports to non-EU countries growing much faster than exports to EU countries.



Source: HMRC, [UK Tradeinfo database](#)

Product code: SITC 78 – Road vehicles and parts

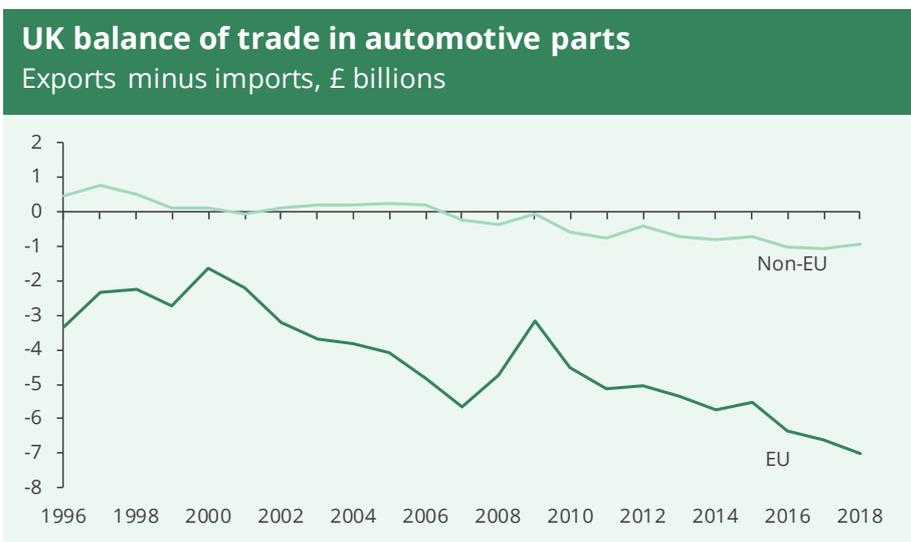
## 4.2 Trade in vehicle parts

The automotive industry involves building cars made up of components produced by other manufacturers in different countries. Supply chains connect manufacturers, and often cross several international borders.

In 2018, the UK imported £13.2 billion worth of engines and parts from the EU to produce its vehicles. EU imports accounted for 80% of total imports in parts.

The UK exported parts worth £5.3 billion in 2018, 69% of which went to the EU.

The UK runs a trade deficit in motor parts in trade with the EU and the rest of the world, of £7.0 billion with the EU and £0.9 billion with the rest of the world. The overall motor parts trade deficit is £7.9 billion.



Source: HMRC, [UK Tradeinfo database](#)

Product code: SITC 784 - Parts and accessories of the motor vehicles of group

### 4.3 Number of vehicles traded

In 2018 the UK exported 1.2 million complete cars. 52.6% of these cars went to the EU – or around 60,000 cars.<sup>6</sup> After the EU, the next two largest destinations for UK-built cars were the US (17.9%) and China (6.1%).<sup>7</sup>

The UK exported 80% of the completed cars it produced in 2018.<sup>8</sup>

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<sup>6</sup> SMMT, [Annual review of 2018 press release](#), January 2019

<sup>7</sup> Ibid

<sup>8</sup> Ibid

## 5. Brexit

The UK motor industry is highly integrated with the rest of Europe. Since the UK's decision to leave the European Union on the 23<sup>rd</sup> June 2016 there have been concerns regarding the impact of Brexit on the motor industry expressed by a number of interested parties. The Business, Energy and Industrial Strategy (BEIS) Select Committee's 2018 inquiry into the impact of Brexit on the industry concluded that:

Overall, no-one has argued there are advantages to be gained from Brexit for the automotive industry for the foreseeable future. We urge the Government to acknowledge this and to pursue an exercise in damage limitation in the negotiations. This involves retaining as close as possible a relationship with the existing EU regulatory and trading framework in order to give volume car manufacturing a realistic chance of surviving in this country.<sup>9</sup>

Some of the key issues raised by Brexit for the industry are outlined below.

### Tariff barriers

The UK exported 80% of cars produced in 2018. 53% of these were to the EU.<sup>10</sup>

In the absence of a trade deal, the UK-EU trade would fall back on World Trade Organisation (WTO) terms and tariffs. WTO rules would see the application of a 10% tariff on vehicles and an average 4.5% tariff on vehicle components, according to the SMMT. The SMMT warns that these tariffs would increase the cost of production, undermine competitiveness and potentially increase the cost of cars for consumers.<sup>11</sup>

It should also be noted that these tariffs would affect the industry's ability to export and import car parts, meaning that there could be considerable costs added to the operation of automotive supply chains in the event of a 'no deal' Brexit.

The BEIS Select Committee found that<sup>12</sup>

Unless these additional costs were to be passed on to consumers, the current profit margin of around £450 on a £15,000 car would be comfortably wiped out. Such an increase would inevitably have an impact on sales.

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<sup>9</sup> House of Commons Business, Energy and Industrial Strategy Select Committee, [Brexit and the implications for UK business: Automotive inquiry](#) Select 11 March 2018, HC 379 2017-2019, p4

<sup>10</sup> Ibid

<sup>11</sup> SMMT, [Written evidence submitted by the Society of Motor Manufacturers and Traders \(OBJ0098\) to the Exiting the European Union Committee](#), published 1 March 2017, para. 5

<sup>12</sup> House of Commons Business, Energy and Industrial Strategy Select Committee, [Brexit and the implications for UK business: Automotive inquiry](#) Select 11 March 2018, HC 379 2017-2019, p8

### Non-tariff barriers: delays

Tariffs are only one type of barrier that free trade deals can reduce or eliminate. Non-tariff barriers can be just as important or more important.

Often, car manufacturers operate on a 'just-in-time delivery' basis, meaning that they do not hold reserves of parts and components in order to improve efficiency and reduce warehousing costs.

Leaving the EU without a trade deal would increase the administration, regulatory checks and tariffs checks on products entering the UK from the EU. This could potentially cause considerable delays to the delivery of parts, which would jeopardise just-in-time manufacturing operations.<sup>13</sup>

### Non-tariff barriers: regulatory standards

Differing regulations that determine how a manufactured good is produced or tested are a type of non-tariff barrier. All cars sold or registered in the EU are subject to strict safety and other regulations. New cars must be issued with a Certificate of Conformity to prove that they meet EU regulations. Certificates of Conformity can only be provided by a 'type-approval authority' in an EU member state. In the UK, the type-approval authority is the Vehicle Certification Agency (VCA).<sup>14</sup>

In the event of a no deal Brexit, the European Commission has stated that UK would assume third country status in relation to the EU, and the VCA would lose its status as a type-approval authority.<sup>15</sup> Manufacturers would have to seek approval from a type-approval authority in another EU country, which could be costly, and may add to the time taken to gain approval. SMMT commented to the BEIS Select Committee the type-approval authorities in other EU member states might lack the capacity to provide certification for UK manufactured vehicles, in addition those manufactured in their own country.<sup>16</sup>

This issue could be mitigated if the European Commission's stance changes. The integrated nature of supply chains means that manufacturers in other EU member states rely on parts produced in the UK, and so the automotive industry in other EU countries would also be adversely affected in the scenario outlined above. This means that it is in the interests of remaining EU member states and the UK to find a solution which removes this potential barrier to future trade.

Detailed information on trade in the automotive industry can be found in the SMMT report, [UK automotive trade report 2019](#), July 2019

<sup>13</sup> *Ibid*, p10

<sup>14</sup> Department for Exiting the EU Select Committee, [HM Government Sectoral Brexit Impact Assessments: Automotive sector](#), December 2017, p11

<sup>15</sup> European Commission, [Brexit preparedness notices: Type Approvals \(automotive vehicles\)](#), February 2018, p2

<sup>16</sup> House of Commons Business, Energy and Industrial Strategy Select Committee, [Brexit and the implications for UK business: Automotive inquiry](#) Select 11 March 2018, HC 379 2017-2019, p13

## Labour market issues

The automotive sector relies on a higher proportion on non-UK EU workers than the rest of the economy: 7% in the automotive sector, compared to 5% in the UK as a whole.<sup>17</sup>

The industry is particularly reliant on non-UK labour in “engineers, aerodynamicists, vehicle dynamics engineers” according to the BEIS Select Committee.<sup>18</sup> These are the sorts of occupations that require long-term training and education, meaning that if there is a sudden change to workers rights in the UK, replacing people in these occupations will take some time. The UK government is committed to ensuring the rights of EU workers in the UK after Brexit, mitigating the immediate impact of Brexit in this area.<sup>19</sup>

However, it is possible that the industry’s ability to attract overseas workers might be compromised in the longer term. The [Automotive Sector Deal](#), discussed later in the paper, includes measures to strengthen the UK education system’s ability to generate a ‘pipeline’ of skilled engineers and other occupations essential in automotive manufacturing.

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<sup>17</sup> HM Government, [Sector Analysis: Automotive Sector](#), via Department for Exiting the European Union Select Committee, December 2017, p7

<sup>18</sup> House of Commons Business, Energy and Industrial Strategy Select Committee, [Brexit and the implications for UK business: Automotive inquiry](#) Select 11 March 2018, HC 379 2017-2019, p24

<sup>19</sup> *Ibid*

## 6. Views of the trade associations on Brexit

The trade associations that represent the views of automotive manufacturers are in favour of a post-Brexit deal between the EU and UK that preserves many of the features of the EU single market and customs union. These include tariff free trade in goods, no customs or other checks on goods imports and exports, regulatory alignment between the UK and the EU in areas such as safety measures, and freedom of movement for skilled workers.

### SMMT

The Society of Motor Manufacturers and Traders (SMMT, the trade association for motor manufacturers and traders) argued in favour of remaining in the EU before the referendum in 2016.<sup>20</sup>

Since the referendum SMMT has advocated for as 'close' a relationship as possible between the UK and the EU after Brexit. For example, in a position paper published in December 2016, SMMT argued that the government priorities during negotiations with the EU should be:<sup>21</sup>

- 1 Securing continued membership of the Single Market
- 2 Securing continued membership of the Customs Union
- 3 Guaranteeing unrestricted access to talent across Europe
- 4 Creating regulatory certainty through harmonisation
- 5 Securing the UK's position in current EU trade deals and those under negotiation

In March 2019, ahead of the initial deadline for the UK's exit from the EU, SMMT argued that<sup>22</sup>

'No deal' must be finally and demonstratively taken off the table – the consequences to the automotive industry of an abrupt, disorderly exit have been made clear again and again. It would be a disastrous development for the whole of the UK and the consistent warnings from across the business spectrum must be taken seriously. We urge MPs to find consensus – there is too much at stake in terms of business and livelihoods.

At the [International Automotive Summit](#) in June 2019, SMMT presented the [UK automotive trade report](#) which found that leaving the EU without a deal could bring "crippling disruptions" to the industry's just-in-time operating model. The report states that:<sup>23</sup>

Every minute of delay [to the delivery of parts to automotive plants] could cost approximately £50,000 in gross value added to the industry, over £70 million per day (based on five day working week).

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<sup>20</sup> SMMT, [Remaining in EU critical to future of UK automotive industry](#), June 2016

<sup>21</sup> SMMT, [Automotive priorities for the UK's withdrawal from the EU](#), 7 December 2016

<sup>22</sup> SMMT, ['No deal' threat still looms large](#), 15 March 2019

<sup>23</sup> SMMT, [UK automotive trade report](#), 25 June 2019, p20

SMMT's position on a number of other Brexit related issues are set out in a document published on 11 March 2019: [13 Brexit myths busted](#).

Following the 2019 election, SMMT released a statement which congratulated the new government and said that SMMT “look forward to working with the new government at this critical time for the automotive industry and the country.”. The statement went on:<sup>24</sup>

The priority must now be to restore business and economic confidence and re-establish the UK's reputation as a great place to invest. The agenda remains much the same, which means working to secure a future relationship with the European Union that helps UK Automotive maintain its globally competitive position. When automotive succeeds so does Britain.

We remain optimistic about the future of this sector as the fundamentals are strong; our expertise in building high-tech, premium products, the sophisticated supply network and our strength in developing the latest powertrains and autonomous technologies demonstrate that we have the foundations to build a new British success story.

We want to be leaders in the technological revolution that is reshaping our industry, producing ever cleaner, cutting-edge vehicles that are driven throughout the world and which are the embodiment of the quality, ingenuity and innovation that sits at the heart of UK automotive manufacturing.

## Make UK

After the EU referendum, Make UK (formerly EEF, the manufacturer's trade association) called on the government to focus on four priorities, which require a close relationship between the UK and the EU:<sup>25</sup>

- 1 Access to key markets for goods and services, looking at the EU and existing trade deals in the first instance, as well as looking towards opportunities in new markets. The UK must be prepared to make a contribution to the EU in order to achieve this as part of its negotiating strategy.
- 2 Ensuring regulatory certainty, including addressing the interwoven legal systems, developing regulatory cooperation with the EU and, in time, focusing on a flexible legislative environment for the UK with a Comprehensive Legislative Review.
- 3 Addressing the UK skills gap, calling for the Government to maintain the current skills base and a new immigration policy, which enables manufacturers to access much needed skills.
- 4 Establishing domestic policies focused on shoring up investment, supporting productivity, enhancing investment through a new industrial strategy for a stronger manufacturing base, and a pause on meeting the deficit target; both of which have since become Government policy.

<sup>24</sup> SMMT, [Time for long-term strategy to meet industry ambitions](#), 13 December 2019

<sup>25</sup> EEF, [Britain and the EU: Manufacturing an orderly exit](#), 21 September 2016, p3

## Confederation of British Industry

The Confederation of British Industry (CBI) have argued that the success of the UK automotive industry has been built on a “pan- European supply chain” and that therefore “full convergence on multiple regulations is key...”<sup>26</sup>

The CBI noted two areas where they argued convergence with the EU was particularly important:<sup>27</sup>

- Rules that determine how, and by whom, vehicles can be approved as safe for the road. CBI argue that it is important that the Vehicle Certification Agency (VCA) maintains its ability to approve cars for the European market.
- Maintaining pan- European rules on CO<sub>2</sub> and other air pollutants to ensure that international targets on clean air and climate change are met.

## The European Automobile Manufacturers Association

The European Automobile Manufacturers Association published a [Position paper on Brexit](#) in March 2018. This report concludes:

Any changes to the deep economic and regulatory integration between the EU and the United Kingdom will have an adverse impact on automobile manufacturers with operations in the EU and/or the UK, as well as on the European economy in general.<sup>28</sup>

A more recent [Fact Sheet on Brexit](#) (published March 2019) found that:<sup>29</sup>

There is no other industry that is more tightly integrated than the European automotive industry...The impact of a no-deal Brexit on the automobile industry would be potentially catastrophic.

To illustrate the ‘tight’ relationship between the UK and EU car industries, the Fact Sheet notes that:

- 52% of UK produced cars are sold to EU customers.
- 38% of EU made cars are exported to the UK

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<sup>26</sup> CBI, [Smooth operations: An A-Z guide of the EU rules that matter for British Business](#), April 2018, p31

<sup>27</sup> Ibid, p31- 34

<sup>28</sup> European Automobile Manufacturers Association, [ACEA Position Paper Brexit](#), March 2018, p2

<sup>29</sup> European Automobile Manufacturers Association, [Brexit Fact Sheet](#), March 2019

## 7. Government policy

UK Government policy for the automotive sector is centred on the [industrial strategy](#) which was published in November 2017. The industrial strategy includes a [sector deal for the automotive industry](#).

Sector deals are partnerships between government and industry which are designed to help industries to overcome specific issues that they face. These partnerships involve industry councils which meet regularly to identify issues and decide how to tackle them. The councils include industry leaders and government representatives.

‘Sector deals’ have been modelled on the long-term relationship the government has already built with the automotive industry after the establishment of the [Automotive Council](#) in 2009.

The 2018 sector deal for the automotive industry seeks to build on the successes of the past and help the industry

...reap the benefits from the transition to ultra-low and zero-emission vehicles by continuing to build the agile, innovative and cost competitive supply chain needed to secure international investment.<sup>30</sup>

The automotive sector deal contains a number of spending commitments, some of which are re-announcements. These highlight the four key policy areas the Government is focusing on.<sup>31</sup>

### **Transitioning to ultra-low and zero emission vehicles**

- Investing £500 million over ten years (to be matched by £500 million from industry) to research, develop and industrialise new low- carbon technologies in the UK.
- £246 million to improve the UKs ability to design, develop and manufacture batteries for the electrification of vehicles.

### **Establishing the UK as a global leader in Connected and Autonomous Vehicles (CAVs, also known as ‘driverless vehicles’)**

- £250 million of government investment to position the UK as a global leader in Connected and Autonomous Vehicles (CAVs) development and deployment. This includes:
  - £150 million for collaborative R&D projects from which, to date, £100 million has been committed to 51 projects.
  - £100 million for CAV testing infrastructure.

### **Improving supply chain competitiveness and productivity**

- £16 million for an industry-led match-funded national supplier competitiveness and productivity improvement programme to support a sustainable and internationally competitive UK supply chain for future volume vehicle production.

The Library’s paper The [Industrial Strategy](#) includes more information on the industrial strategy as a whole.

<sup>30</sup> Department for Business, Energy and Industrial Strategy, [Government agrees landmark Sector Deal to establish UK as world leader in future of mobility](#), January 2018

<sup>31</sup> Department for Business, Energy and Industrial Strategy, [Automotive sector-deal \(key commitments\)](#), January 2018

### Investing in automotive research and development

- £225 million from 2023 to 2026 to support R&D in the sector, with industry providing matching funding

## 7.1 Electric and low emission vehicles

The Government's 2018 [Road to Zero Strategy](#) outlines how it will support the transition to zero emission road transport and reduce emissions from conventional vehicles during the transition. It sets out several new measures, including an "ambition" for at least 50% — and as many as 70% — of new car sales to be ultra-low emission by 2030, alongside up to 40% of new vans. There have been widespread calls for the Government to accelerate the uptake of EVs and to phase out conventional petrol and diesel engine vehicles earlier.

To achieve the aims in the Strategy, the Government is (amongst other things) providing grants to make electric vehicle ownership more affordable and to offset the costs of installing chargepoints in the home, workplace and on-street. Eligibility and guidance for these grants is available [on vehicle purchases](#) and for [chargepoint infrastructure](#).

The Library's paper [Electric vehicles and infrastructure](#) includes more information about Government's policy on electric vehicle infrastructure.

## 7.2 Driverless Cars

On the 30<sup>th</sup> March 2017 the Government set out next steps in establishing the UK as global leader in connected and autonomous vehicles. Business Secretary announced plans for first phase of £100 million investment in connected and autonomous vehicle (CAV) testing infrastructure. The investment will create CAV testing centres between Birmingham and London.<sup>32</sup>

The House of Lords Science and Technology Committee published [Connected and Autonomous Vehicles: The future?](#) In March 2017 to which the Department for Transport and Department for Business, Energy and Industrial Strategy published [a response](#) in October of 2017.

The House of Lords Committee report had four main findings:

- The Government is too focussed on highly-automated private road vehicles ("driverless cars"), when the early benefits are likely to appear in other sectors, such as marine and agriculture;
- The development of CAV across different sectors needs coordination and the Government, working with key stakeholders, must get a grip on this chiefly by establishing a Robotics and Autonomous Systems (RAS) Leadership Council as soon as possible to play a key role in developing a strategy for CAV;
- There is a clear need for further Government-commissioned social and economic research to weigh the potential human and financial implications of CAV;

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<sup>32</sup> Department for Business, Energy & Industrial Strategy, [Government sets out next steps in establishing the UK as global leader in connected and autonomous vehicles](#), 30 March 2017

- This is a fast-moving area of technology and the Government has much to do, alongside industry and other partners, to position the UK so that it can take full advantage of the opportunities that CAV offer in different sectors.

### **Automated and Electric Vehicles Bill 2017-19**

The Automated and Electric Vehicles Bill had two main provisions (as outlined in the [Library's paper on the Bill](#)):

- To ensure that compensation after an accident with an autonomous vehicle remains within the motor insurance settlement framework, rather than through product liability framework against the manufacturer
- To introduce measures to ensure the Conservative Party manifesto commitment for almost every car and van to be emission free by 2050 is delivered. Powers in the Bill would allow Government to regulate to improve consumer experience of electric vehicle charging.

Further information can be found in the House of Commons Library briefing paper, [Automated and Electric Vehicles Act 2018](#).

## 8. Appendix – vehicle production

UK Vehicle Production, 1000s				
	Cars	Commercial vehicles	All vehicles	% change
1970	1,641	458	2,099	-
1971	1,742	456	2,198	5%
1972	1,921	408	2,329	6%
1973	1,747	417	2,164	-7%
1974	1,534	403	1,937	-10%
1975	1,268	381	1,649	-15%
1976	1,333	372	1,705	3%
1977	1,304	410	1,714	1%
1978	1,223	385	1,608	-6%
1979	1,070	408	1,478	-8%
1980	924	389	1,313	-11%
1981	955	230	1,184	-10%
1982	888	269	1,156	-2%
1983	1,045	245	1,289	11%
1984	909	225	1,134	-12%
1985	1,048	266	1,314	16%
1986	1,019	229	1,248	-5%
1987	1,143	247	1,389	11%
1988	1,227	317	1,544	11%
1989	1,299	327	1,626	5%
1990	1,296	270	1,566	-4%
1991	1,237	217	1,454	-7%
1992	1,292	248	1,540	6%
1993	1,376	193	1,569	2%
1994	1,467	228	1,695	8%
1995	1,532	233	1,765	4%
1996	1,686	238	1,924	9%
1997	1,698	238	1,936	1%
1998	1,748	227	1,976	2%
1999	1,787	186	1,973	0%
2000	1,630	184	1,814	-8%
2001	1,492	193	1,685	-7%
2002	1,630	191	1,821	8%
2003	1,658	189	1,846	1%
2004	1,647	209	1,856	1%
2005	1,596	207	1,803	-3%
2006	1,442	208	1,650	-9%
2007	1,535	216	1,750	6%
2008	1,447	203	1,650	-6%
2009	999	91	1,090	-34%
2010	1,270	123	1,393	28%
2011	1,344	121	1,465	5%
2012	1,465	112	1,577	8%
2013	1,510	88	1,597	1%
2014	1,528	71	1,599	0%
2015	1,588	94	1,682	5%
2016	1,723	94	1,817	8%
2017	1,671	78	1,749	-4%
2018	1,519	85	1,604	-8%

Sources: 1971-1995: SMMT, The motor industry of Great Britain centenary book, 1996; 1996-2018, SMMT, vehicle production press releases

## BRIEFING PAPER

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