

Honda leaves Swindon – a cameo of our time

The immediate reason why Honda is closing its Swindon car assembly plant is the lack of demand for its cars throughout Europe. The company's sales in Europe peaked in 2007 at 313,000 and is now under half that. Contrary to referendum rumours their closure has nothing to do with Brexit. They are also ceasing production in Turkey and do not want any production in Europe for the future.

The second reason is the EU/Japan trade deal. The prospective ending of 10% tariffs on imported cars from outside the EU will make Japanese produced Hondas in future 10% cheaper. Why not make them in Japan and get greater economies of scale from manufacturing there where they need output for the home market as well?

Which brings me to the third reason. Honda needs to launch new models that are all electric for the market of the future. This requires a complete rethink on how you make cars and where you make them. Honda will put its battery capacity into Japan and get the economies of scale there for the European market production at the same time.

This Honda story is a warning to the UK and to other established centres of car production in Europe. The transformation of the car means new plant and new equipment and may well mean a different pattern of industrial location as a result. Brexit was never a threat to the UK car industry. Electrification is. For the UK to keep its current level of capacity and to grow its industry it needs to take bigger strides to invest in and control the raw materials, component production and assembly of the electric cars of the future given the determination of the USA, EU and UK governments to force this transition. Until enough people freely buy electric cars this means the industry investing in advance of demand and government offering suitable assistance to help make the new products more affordable and acceptable to customers.

Meanwhile the Honda factory will become warehouse space. Let's hope it will not just be filled with more imports.