North East automotive body warns investment could be lost to overseas competitors without Government action

The body representing North East automotive firms has called for a level playing field with other countries competing for sector investment.

North East Automotive Alliance boss Paul Butler said he echoed the recent comments of Unipart executive chairman John Neil, who revealed his 8,000-job firm was assessing whether to “pivot” to the US in the wake of “gaming changing” incentives offered by the US authorities. Mr Butler, who leads the body billed as the UK’s largest automotive cluster, representing more than 300 firms, called for the Government to step up or risk losing business.

He said: “I echo the thoughts of many others in the UK automotive sector, all we ask for is a level playing field with competition across the globe, particularly Europe. North East based multinationals compete internally for investment, without similar support the business case for investment does not stack up to that of our international competition and therefore investment will go to other non-UK plants and UK competitiveness declines. This is particularly important as when it comes to allocating supply contracts the UK subsidiaries cannot compete with their sister plants and therefore there is a danger that future business is lost to the UK.”

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The US Government’s $360bn Inflation Reduction Act offers significant subsidies and tax incentives to firms in the electric vehicle manufacturing space. And the EU's proposed response to the move, Green Deal Industrial Plan, has also tried to entice producers by relaxing state aid rules.

Both moves have the potential to cause disruption to UK automotive manufacturing, of which the North East contributes 30% of all passenger vehicles made here. The region's supply chain has battled against numerous headwinds in recent years, including semiconductor chip shortages, high energy prices and Covid disruption.

New figures for the first three months of year show a 6% increase in the number of cars built in the UK – a level still well below pre-pandemic levels. On the back of the data, Mike Hawes, chief executive of the Society of Motor Manufacturers and Traders, said: "If British car manufacturing is to get back towards those levels, with all the economic benefits that brings, we need to match the best in global competitiveness. "That means driving down the high cost of UK energy, reforming business rates and vigorously promoting Britain globally to secure the investments essential to a zero-carbon automotive future."

Mr Hawes has previous said the UK has the capabilities to produce all of the components needed to make electric vehicles, but has called on the Government to lead a strategy to realise the country's potential. Introducing an SMMT report published last month he said: "We must scale up and do so rapidly. This means creating the conditions to retain and attract investment, capture earlier and greater UK-based value in battery production, drive the rapid growth of the electrified supply chain and secure the trade agreements that guarantee the supply of mineral sand the openness of markets. This requires a Government-led strategy and action delivered at pace."

The Chancellor has said there will be a response to the US'

Inflation Reduction Act later this year, and wrote in The Times newspaper that the UK is “not going toe-to-toe with our friends and allies in some distortive global subsidy race”.

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