IS VAUXHALL BRITISH?

Shop stewards at Vauxhall are angry with the company's refusal to fulfil its promise to build more of its cars in the UK. This comes at a time when both Ford and General Motors (Vauxhall and Opel in Europe) are under attack in the press for their predatory pricing policies.

A recent report[1] by Dan Jones of the Science Policy Research Unit at Sussex University highlights the full extent of the problem. He raises the question of whether GM with an all-time low British content of 22% can truly be regarded as a British manufacturer despite still using the Vauxhall name.

The fall in local content has come about through the importation of cars and components from the European factories of both Ford and GM (and to a lesser extent Peugeot/Talbot). Ford Fiestas built in Spain and Vauxhall Cavaliers in Belgium are but two examples of cars indistinguishable from the British-made models. Purchasers are of course encouraged to believe that the majority of vehicles are of British origin. These 'tied imports' of completed cars and components for assembly when added together have risen from 4% to 31 % over the last 10 years. Imported components alone account for the equivalent value of 150,000 additionally imported cars. The tendency to decrease UK content by increasing these so-called 'tied imports' from continental plants is also at the root of recent difficulties faced by the Austin Rover Group in its continuing struggle for survival.

The growing trend for GM to import both components and cars must be seen as part of its global strategy to overtake Ford in Europe and especially in Ford's largest European market, the UK. In the United

BRITISH CAR PRODUCTION AND MARKET, 1984

1984	UK Content of Cars Sold in UK %	UK Content of Cars Produced in UK %	UK Car Production	Market Share %
Austin Rover	92	92	371,400	17.8
Ford	49	80	273,800	27.8
Vauxhall (GM)	22	52	117,100	16.2

Source: as footnote.

States voluntary import restrictions directed at Japanese cars have allowed the two multinationals to reap huge profits, one estimate puts the figure at $20 billion, thus enabling GM in particular to finance massive discounts to buyers in Europe. This price battle is particularly fierce here in Britain and GM is faring well. It has recently doubled its market share to 17% entirely due to imports. During this period Austin Rover has found itself squeezed between the two giants and without access to multinational resources finds itself in an unequal struggle.

The effects on the British economy stretch further than the car industry. The trade deficit for automobiles in 1984 was a record £2.75 billion, dwarfing those of other manufacturing sectors. The multinationals are widely responsible for this growing trade deficit since 1980. The common assumption that the main threat comes from rising imports from the Japanese and European producers is a myth. Their import slice has levelled off from a high of 37% to its present 35%. Multinational producers, on the other hand, have switched from being net exporters of 200,000 vehicles in 1973 to net importers of 350,000 in 1984. All this is reflected in Britain's recent poor performance in automobile production. UK car production has fallen to 39% of the 1972 level, while at the same time component manufacture has dropped even further to 33%. Employment has similarly been affected. Since 1979 over 170,000 car workers have been made redundant, many as the result of tied imports from the multinational European factories. It is clear that if the trend is not reversed then many more thousands of jobs will be endangered and related industries condemned to closure.

Over 40% of UK buyers of new cars comprise company fleet users, local authorities, trade unions and government. Most have a policy of buying British. Whilst understandably purchasing from the cheapest sources, few buyers are conscious of the fact that when buying a Vauxhall 78% of the content is imported as against 51 % for Ford and only 8% for Austin Rover.

In the face of these trends, of which until recently it has largely been ignorant, the Thatcher government needs to establish a clear understanding with both Ford and General Motors about future UK production levels, component sourcing and the necessity to reach a net trade balance. As an inducement to negotiate, the government should consider the options available when purchasing its own fleet vehicles, not least as Austin Rover now produce a full and competitive alternative model range.

Austin Rover would now be in profit, or at least break-even point, if it had not fallen victim to the fierce war between Ford and GM being orchestrated from the boardrooms of Detroit. Perhaps if the government had acted sooner by splitting public spending between Ford and Austin Rover, and eliminating Vauxhall until local content was substantially raised, then it would have guaranteed Austin Rover net profits by 1985. However, the government's obsession with 'non-intervention', and its inability to fully understand the impact of predatory pricing upon Austin Rover's recovery, have inevitably led to continual losses. These losses resulted in last June's protracted and damaging cabinet review of its five-year corporate plan, a review which raised major questions and doubts over future investment plans for the company. Eventually the government agreed to give the go-ahead to the plan, but if the latter is to succeed it needs to be complemented by government action to deal with import competition from GM in particular.

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1 *The Import Threat to the UK Car Industry* Daniel T Jones, Science Policy Research Unit, University of Sussex 1985.