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## Confusion over scrappage rescue plan for motor industry

By Sarah Arnott and Kunal Dutta

### *Manufacturers and dealers unsure about who will pay for incentive*

As the Government's £2,000 cash-for-old-bangers scheme launches today, in a bid to breathe life back into Britain's stalled motor industry, manufacturers and dealerships are split over which of them is expected to cover the car industry's share of the discount. One of the major manufacturers, Honda, almost pulled out, fearing that it would be economically unworkable.

The scrappage plan is intended to encourage drivers to junk cars over 10-years-old and buy a new one subsidised by both the Government and the manufacturer. Since the plan was announced last month, manufacturers and dealers have reported widespread consumer interest. Yet Honda, which has 700 pre-orders across its 190 dealerships, said the additional pressure on its profit margins of discounting vehicles by a further £1,000 almost forced it to turn down participation.

"We had to look very seriously at the figures, because margins are already perilously thin on cars brought in from Japan," a spokesman said. "In the end we decided we couldn't afford not to do it. Consumer and dealer expectation was so high that we just had to re-work our calculations."

The industry was expecting the entire £2,000 subsidy to come from the Government, only to find that half of it had to be put forward by the manufacturers – although subsequent negotiations have seen the £1,000 cost split about 75:25 with the dealerships.

Car dealerships still have conflicting opinions over which part of the motor industry is expected to cover the £1,000 share of the subsidy. The BMW Showroom in Park Lane said it was expected to cover the full payment – whereas the Fiat showroom in Marylebone, north London, believed the responsibility fell with the manufacturer.

"The administrative process isn't as transparent as we would have hoped for," said Tony Dittli, managing director of Fiat Marylebone. His showroom has received 50 enquires and 10 confirmed orders. "But there are still question marks hanging over the eligibility of old cars as well as the documentation dealers need to provide manufacturers with in order to ensure their customers qualify."

Some dealerships are simply applying flat discounts for all customers, regardless of owning an old car.

The AA predicts that younger and lower-income motorists are most likely to take up the offer. Buyers are less convinced. Kate Tanswell from Wembley, north London, was shopping for a car with her daughter yesterday. "You have to wonder whether a student driving a banger is likely to be in any sort of financial position to buy a brand new car – even with a hefty discount."

Solicitor Jonathan Silverman said the scheme was "headline grabbing and ill conceived". He added: "There's no incentive to buy a smaller or more eco-friendly car. Most dealerships are falling over themselves to do business and buyers should be able to negotiate similar discounts, regardless of whether or not they have a car to scrap."

Trevor Finn, the chief executive of motor retailer Pendragon welcomed the incentive: it has so far generated more than 5,000 enquiries through the company's Stratstone and Evans Halshaw websites. "To put it in context," Mr Finn said, "on an annualised basis we sell about 10,000 cars per month."

