

<p style="text-align: center;">Trade and Industry Select Committee Inquiry into the Success and Failure in UK car manufacturing industry - Final Report March 2007</p>

Background

In January 2006, the House of Commons Trade and Industry Select Committee launched an inquiry into *the Government and MG Rover*. Following the submission of very little evidence, the remit of the inquiry was broadened into the *reasons for success and failure in the UK car manufacturing industry*. SMMT submitted written evidence to the Committee, and several vehicle manufacturers gave oral evidence to this inquiry, as well as Trade Union representatives and individual MPs. The final report of this inquiry has been significantly delayed.

Introduction

The final report of the Committee presents the evidence and recommendations for industry and government from its inquiry. The report outlines the global nature of industry, factors affecting individual UK plants; lessons from the MG Rover Task Force and the future of the UK car manufacturing industry.

SMMT is widely quoted throughout the report – as are several oral evidence witnesses.

Key conclusions and recommendations

- There are *mixed prospects for passenger car production in the UK – skills improvement; R&D commitment; lean manufacturing; and strengthened local supply-chain – all need extra effort from government and industry.*
- *Some shift of production to low-cost countries is inevitable*, however a complete relocation is not imminent to Asian markets, but a shift will continue to Eastern Europe.
- *Age of plants is a major factor* influencing closure/run-down decisions of manufacturers. However *many companies have invested huge sums of money in upgrading and developing factories* – the relative costs of modernisation and adaptation are major factors in decision making for upgrading facilities or relocation to other facilities.
- Although some VMs have chosen to close plants in the UK because of logistics, *many vehicle manufacturers have international supply-chains whilst manufacturing in the UK.*
- There is a perception of the *UK having higher labour costs* than other Western European states. Government should study this claim.
- Recent and high volatile energy costs in the UK put pressure on big industrial uses like automotive manufacturers.
- *Skills and training are critical issues.* The Automotive Academy is praised as a best practice model yet has now become part of the National Skills Academy for Manufacturing (NSAM). Government should explain the reasoning behind this. Separately the Committee is examining manufacturing skills.
- The issue of *low carbon transport* should lead to consistent and sustained research funding.



- The Committee will launch a future inquiry into the role and focus of the UK's R&D base.
- *UK automotive R&D is internationally respected*; however the Committee noted the dominance of Ford in R&D activity, and questions the scale of other efforts and role of the UK in global automotive innovation.
- The Committee suspects that manufacturers are reluctant to reduce production (and hence have job losses) in the home country of their brand.
- The *UK automotive industry is not 'doomed'* but some plants remain vulnerable.
- There are lessons to be learned from the MG Rover Task Force – however, overall it was a success.

SMMT comment

- SMMT welcomes the publication of the Select Committee's final report, its consideration of SMMT evidence and its approach in recommending actions for both Government and industry. However, the widening of the remit of this inquiry – from MG Rover to wider UK car manufacturing – has led to a wider intake of evidence and a weakening of the suggestions for Government action with regard to automotive manufacturing.
- The conclusions of this report are not 'new' and industry continues to highlight the competitive pressures and skills issues in the sector.
- SMMT looks forward to the final report of the Committee's inquiry into skills shortages.
- Automotive investment in the UK, is not solely through the R&D outlined in the final report, several manufacturers are investing in the manufacture of new models. The Government's R&D tax credit system still does not address the issue of incentives for larger companies making small profits or losses.
- Regulatory burdens impact heavily on industry in Western Europe, and need to be eased in like with the recommendations of the CARS 21 initiative and the 'Integrated Approach'.
- Automotive manufacturing in the UK continues to face challenging trading conditions both domestically and in a very competitive global market. The report recognises this, the diversity of the sector and business conditions.
- The report presents some of the key business options used by many automotive companies, such as relocation to low-cost countries or heavy investment in training, but fails to address that some small businesses in the supply-chain do not have the flexibility, adaptability or resources to use them. Those companies which are more profitable and adaptable thrive in the UK and in innovative vehicle technology, utilising the long-standing experience and skills of UK automotive manufacturing.
- SMMT looks forward to the Government's consideration of the recommendations in this report, and calls for timely action on the competitiveness issues facing the UK automotive sector.

The full document may be accessed at:

www.parliament.uk/parliamentary_committees/trade_and_industry.cfm

Should you have any further queries, please do not hesitate to contact Jennifer Huckstep on jhuckstep@smtt.co.uk or 020 7344 9217

