

Briefing: NAIGT report – “An Independent Report on the Future of the Automotive Industry in the UK”

April 2009

Background

NAIGT was established in April 2008 with the task of developing a 20 year vision for the future of the UK automotive industry and to make recommendations on how to achieve this vision. It was set out that the NAIGT would develop a strategy for sustained success for UK automotive, paying particular attention to challenges of low cost competition and a transition to lower-carbon transport. NAIGT is chaired by Prof. Richard Parry-Jones CBE, led by a steering group of various industry executives and comprised of expert groups examining key areas of NAIGT focus.

NAIGT vision statement:

“A competitive, growing and dynamic industry making a large and increasing contribution to the UK’s employment and prosperity, playing a decisive global role in developing exciting, low carbon vehicle transportation solutions.”

Summary

The comprehensive report assesses the UK automotive industry and examines its weaknesses, challenges and opportunities.

Through its assessment, the report:

- Identifies the transformation of the UK automotive sector to a fully competitive industry.
- Identifies strengths of the UK industry: diverse presence of major international Vehicle Manufacturer owners; labour flexibility; productivity; good scale for internal combustion engine manufacture; globally competitive vehicle and power train R&D; and strong premium brands.
- Identifies weakness of the UK industry: lack of global volume vehicle manufacturers headquartered in the UK; shortage of sufficiently skilled workers; and the absence of a long term strategic policy framework.

Commenting on recent economic developments, the report:

- Notes that measures required to survive the immediate consequences of the recession have been addressed by individual companies and SMMT working with BERR.
- Highlights that more measures are needed to stimulate demand and provide improvements in cash flow through credit availability and policy support are “absolutely vital”, paying particular attention to the Tier 2 and 3 supply base.
- Stresses that without focused assistance, industry faces the prospect of irreversible damage, endangering its ability to effectively compete and build on NAIGT recommendations.

On potential opportunities for the UK economy, the report:

- Recognises the move to low carbon solutions as a potential opportunity for the UK automotive sector.

- States that to prevent threats from competing economies, bold, significant intervention and collaboration by government and industry and is needed.

The report outlines the following key success factors that need to be protected, developed and nurtured in order to create the conditions for greater success:

- A supportive host Government – in policy rhetoric, tone and responsiveness.
- Industry collaboration at a high level to facilitate greater non-competitive collaboration and provide consensus leadership with a more coherent and effective interface with government.
- Critical mass or scale for operations.
- Availability of skills.
- A capable, competitive integrated supply chain of strong Tier 1, Tier 2 and Tier 3 suppliers.

Recommendations:

- Automotive Council

To establish a joint industry/Government Automotive Council to develop, guide and implement a strategic framework for the industry. The Council will be tasked to create a transformed business environment in the UK to make the UK a more compelling investment location, agree on the technology roadmaps for low carbon vehicles and fuels, and to develop a stronger supply base.

- Test Bed UK

To co-ordinate R&D efforts to follow the industry-consensus technology roadmap, and as a part of the roadmap to establish a “bold, large scale pilot”, Test Bed UK, to demonstrate, experiment and build a new low-carbon personal transportation system including its infrastructure. The report recommends that: the roadmap is used to steer publicly funded R&D projects; Test Bed UK involves energy companies, power distribution companies, transport agencies and urban authorities. NAIGT proposes a timeline where a small scale demonstrator fleet (250+ vehicles) is operational through 2010/11, a larger scale market test to develop business models (5,000 vehicles) occurs between 2011 and 2014, with significant uptake from 2014 to mass scale development by 2020.

- Supply Chain Council

To develop a capable high value integrated supply chain, including the establishment of a UK Supply Chain Council, under the leadership of the Automotive Council. The Supply Chain Council should promote and oversee a continuous national supply chain group programme, define a sourcing roadmap, address international challenges face by Tier 2/3 suppliers, endeavor to develop the niche vehicle and supply industry, as well as focus on education and training provision for suppliers.

- Business Environment

To create a transformed business environment in the UK for the automotive industry, recommending that government adopts the low carbon automotive agenda as one of its core priorities, led by BERR, taking a cross-departmental and

cross-agency approach, that the fiscal regime for vehicle ownership is overhauled, incentivising low carbon vehicles, and that SMMT should promote a positive image of the industry to the public.

The competitive status of the UK automotive industry

Alongside the main NAIGT report, a second specially commissioned report into the competitive status of the UK automotive industry was prepared by Dr Matthias Holweg of the Judge Business School at the University of Cambridge. The report looks at two areas: firstly, the question of where future motor vehicles will be built in relation to global growth trends; and secondly, what kind of vehicles will be used in the future, in response to pressures surrounding the reduction in carbon emissions and a move to the low carbon economy.

Link to report: <http://www-innovation.jbs.cam.ac.uk/publications/reports.html>

Next steps

Government is due to publish an official response to the NAIGT report before Parliament's summer recess begins (21 July 2009). The NAIGT suggests the Automotive Council's inaugural meeting should be held by September 2009. In the interim period, the NAIGT will continue to meet to oversee the establishment of the Automotive Council.

SMMT comment

SMMT has welcomed the report and is committed to working with government to maximise growth opportunities for the UK automotive industry. Industry is adapting to the challenging economic circumstances but is eager to take advantage of the long-term opportunities presented through the low carbon agenda. SMMT believes the NAIGT recommendations have the potential to enhance the competitiveness of the industry and make the UK a more attractive place to invest in automotive.

The full report can be downloaded at (5.55Mb):
<http://www.berr.gov.uk/files/file51139.pdf>

Or contact
Jonathan Hawkings jhawkings@smmt.co.uk on 0207 344 9217