

# TOWARDS SUSTAINABILITY

The UK  
Automotive  
Sector



Data  
2004

Sixth  
Annual  
Report



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## 1. Chief Executive Statement and Signatories

The entry into administration of both MG Rover and Powertrain in March 2005 is an obvious loss to the UK automotive sector. It represents a reduction of about seven per cent in capacity in the context of this report. It highlights the need to maintain a sustainable, productive viable vehicle manufacturing base in the UK, irrespective of the ultimate brand ownership.

For sustainability, 2004 was a year of continued progress as well as some concerns, which are highlighted in this report.

Progress on the environmental front means the UK automotive sector as represented in this report is using less energy and water than ever before. Its output of volatile organic compounds (VOC's) and CO<sub>2</sub> from manufacturing is lower than ever before and it is recycling and recovering more waste than before.

For thousands of people the sector is a safe, enjoyable and rewarding place to work.

The industry has undertaken considerable work in 2004 on progressing stakeholder engagement on sustainable mobility issues. Conscious of the impact of its products during the use phase, work has been started to analyse and assess the most productive ways to progress this agenda. This is outlined in the latter stage of the report.



Christopher Macgowan, Chief Executive, SMMT

The signatories in this process are:

- Audi
- Bentley Motors
- BMW Group
- Ford Motor Company Limited
- GKN Driveline Limited
- Honda UK Manufacturing Limited
- Jaguar Cars Limited
- Land Rover UK Limited
- LDV Limited
- Nissan Motor Manufacturing (UK) Limited and Nissan Technology Centre Europe
- Perkins Engines
- PSA Peugeot Citroën Automobiles UK Limited
- Rolls-Royce Motor Cars Limited
- SEAT
- Skoda Auto
- Toyota GB plc and Toyota Motor Manufacturing UK Limited
- Vauxhall Motors Limited
- Volvo Cars UK Limited
- Volkswagen Group UK Limited
- Volkswagen Commercial Vehicles

Excluded from the Sixth Annual Report signatory's data are:

- MG Rover
- Powertrain

## 2. Location Map

### Location of Major Sites Included in Data Reports





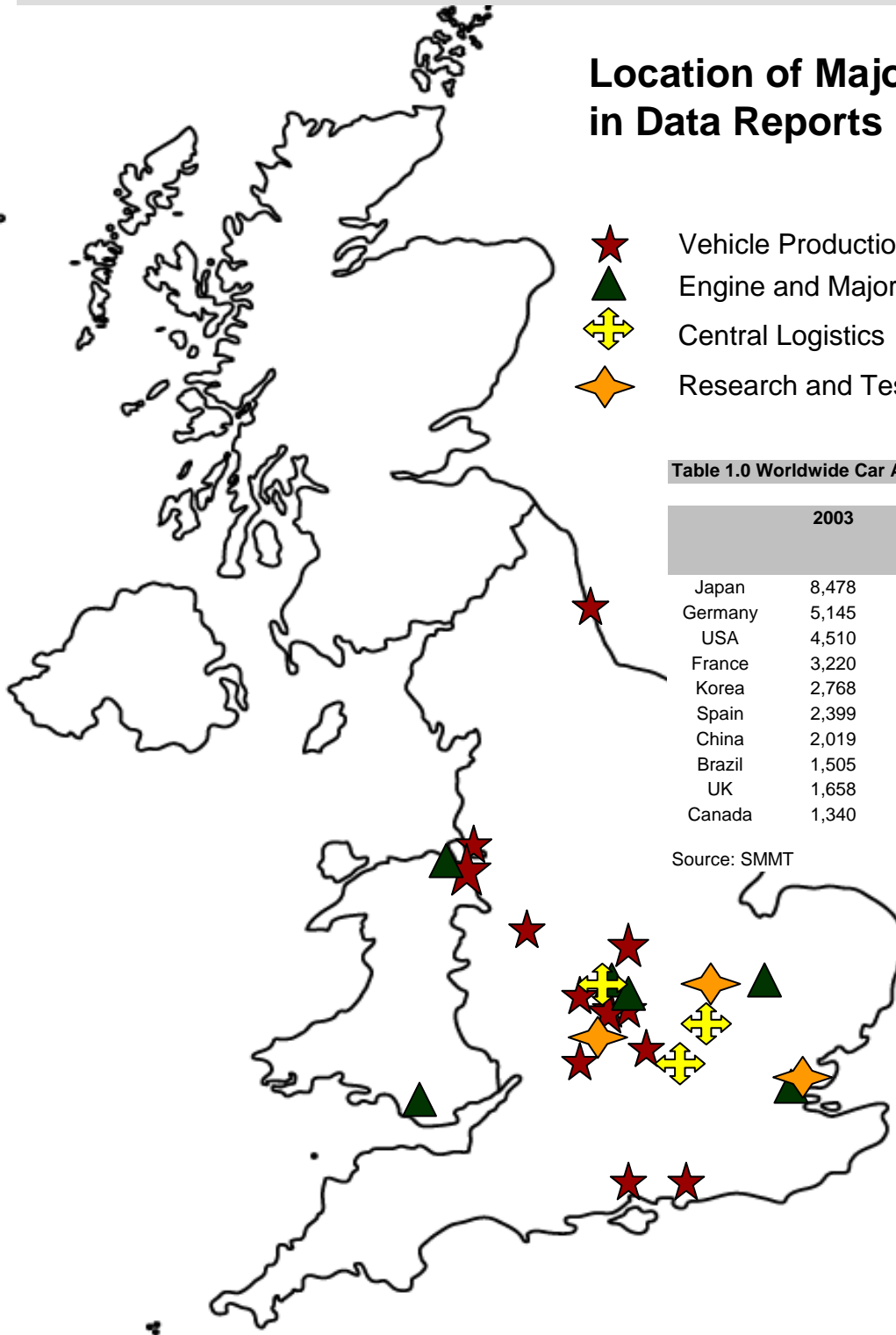
-  Vehicle Production
-  Engine and Major Component's Production
-  Central Logistics
-  Research and Testing

Table 1.0 Worldwide Car Assembly ('000s units)

	2003	2004	2004 ranking	Change 2004 on 2003
Japan	8,478	8,720	1	242
Germany	5,145	5,192	2	47
USA	4,510	4,227	3	-283
France	3,220	3,227	4	7
Korea	2,768	3,123	5	355
Spain	2,399	2,403	6	4
China	2,019	2,316	7	297
Brazil	1,505	1,756	8	251
UK	1,658	1,647	9	-11
Canada	1,340	1,335	10	-5

Source: SMMT



Major sites for indicative purposes only

### 3. Data and Report Coverage

#### SMMT

- Established in 1902
- Over 500 members, comprising:
  - Vehicle manufacturers
  - Vehicle importers
  - Component suppliers
  - Research
  - Design
  - Engineering and testing
- Project support, business and product improvement:
  - Industry Forum supply
  - Automotive Academy - training
  - Foresight Vehicles Programme - technology
- Annual report launched in 2000, detailing:
  - Historical data
  - Trend analysis

#### Sustainability Working Group

This group provides the direction for the report and the inclusion of new data. It meets regularly and agrees the main issues the sector should address, as well as meeting stakeholders. Any members of SMMT are welcome to join the group.

**During 2005, MG Rover and Powertrain both entered into administration. This signatories' report of 2004 data does not include production from either of these companies.**

**However, graph data in the report includes a bar that indicates the absolute levels on the basis of the inclusion of MG Rover and Powertrain data for 2003.**

#### Data

This report is for 2004, it is intended as trend data, where there are known data issues we highlight them.

#### Report format

Data in the report is quoted in a number of ways:

- Whole industry data (WI)
- All car sales in the United Kingdom (AC)
- SMMT members data (SMMT)
- Signatories to the Sustainability Report, subdivided into:
  - All signatories (AS)
  - *Vehicle manufacturing signatories (VMS)*

Throughout the report we refer to the **Strategy Commitment** and we comment in terms of the Strategy Achievement for 2004.

#### Traffic Light

For the Sixth Annual Report we have used a 'traffic light' system to indicate:

**GREEN PROGRESS**

**ORANGE STATIC**

**RED CONCERN**

This report follows the format of the Global Reporting Initiative (GRI) sustainability reporting guidelines. ([www.globalreporting.org](http://www.globalreporting.org))

## 4. Executive Summary and Key Indicators

Table 4.0 Key Performance Indicators	2003	2004	Change	REPRESENTATION
Number of signatories (AS)	22	20	-2	CONCERN
<b>Economic Performance (Sector) (WI)</b>				
Automotive manufacturing sector turnover (£ billion)	46	47.3	+1.3	PROGRESS
Total number of cars and CVs produced (UK) (WI) (million)	1.84	1.86	+0.02	PROGRESS
Total new car registrations (UK) (AC) (million)	2.58	2.57	-0.01	CONCERN
<b>Economic Performance (Signatories)</b>				
Signatories' combined turnover (£ billion) (AS)	39.16	34.64	- 4.52	CONCERN
Total number of vehicles produced by signatories (AS) (million)	1.73	1.61	-0.12	CONCERN
<b>Product Environmental Performance</b>				
Average new car CO <sub>2</sub> emissions (g/km) (AC)	172.1	171.4	-0.7	PROGRESS
Average new car fuel economy (miles per gallon) (AC)	37.7	37.9	+0.2	PROGRESS
<b>Company Operational Performance (Signatories)</b>				
Total combined energy use (GWh) (AS)	6,126	4,072	-2,054	PROGRESS
Energy used per vehicle produced (MWh/unit) (VMS)	2.8	2.5	-0.3	PROGRESS
Total combined water use (000m <sup>3</sup> ) (AS)	8,404	7,037	-1,367	PROGRESS
Water use per vehicle produced (m <sup>3</sup> /unit) (VMS)	3.4	3.4	0	STATIC
Total combined CO <sub>2</sub> equivalents (tonnes) (AS)	1,679,832	1,447,900	-231,932	PROGRESS
CO <sub>2</sub> equivalents per vehicle produced (tonnes/unit) (VMS)	0.7	0.7	0	STATIC
Total combined emissions of VOCs (tonnes) (AS)	7,337	5,480	-1,857	PROGRESS
VOC emissions per vehicle produced (kg/unit) (VMS)	4.1	3.5	-0.6	PROGRESS
Total combined waste to landfill (tonnes) (AS)	56,743	52,842	-3,901	PROGRESS
Waste to landfill per vehicle produced (kg/unit) (VMS)	17.9	19.8	1.9	CONCERN
<b>Social Performance (Signatories)</b>				
Signatories' combined number of employees (AS)	87,625	76,327	-11,298	CONCERN
Signatories' lost-time incidents (AS)	710	491	-219	PROGRESS
Signatories' average number of training days	3.8	2.9	-0.9	CONCERN
Signatories' average staff turnover (%) (AS)	6.10	8.65	+2.55	CONCERN

## 4. Executive Summary and Key Indicators cont.

**Signatories:** 2004 data for this report does not include MG Rover and Powertrain, hence the decline in turnover and production.

**Product:** Average CO<sub>2</sub> emissions from new cars declined in 2004, but by a smaller amount than in previous years. The change in sector profile contributed to the slower rate of reduction.

**Operational Performance:** Progress in nearly all areas continues. Waste to landfill was affected by major re-engineering at one site.

**Social:** The number of employees continues to decline. Improvements in health and safety are very welcome. Training levels appear to have declined in 2004. Staff turnover increased, but remains very low by comparison with other sectors.

## 5. Sector Profile

Table 5.0 Sector Fact Sheet	1999	2000	2001	2002	2003	2004
Automotive manufacturing sector turnover (WI) (£ billion)	44.2	42.5	42.2	44.6 <sup>a</sup>	46.0 <sup>a</sup>	47.3
Share of total manufacturing turnover (UK turnover) (%)	9.6	9.1	9.2 <sup>a</sup>	9.9 <sup>a</sup>	10.3 <sup>a</sup>	10.1
Total Net Capital Investment (WI) (£ billion)	2.13	2.08	2.25	1.3 <sup>a</sup>	1.2 <sup>a</sup>	1.4
Automotive sector value added (WI) (£ billion)	7.7	7.8	9.0 <sup>a</sup>	8.8 <sup>a</sup>	8.6 <sup>a</sup>	8.9
Total employees directly dependent on the automotive sector (WI)	863,000 <sup>a</sup>	847,000 <sup>a</sup>	835,000 <sup>a</sup>	838,000 <sup>a</sup>	816,000 <sup>a</sup>	806,000
Value of exports (WI) (£ billion)	19.1	19.8	18.0	20.9	21.9 <sup>a</sup>	22.5
Percentage of total UK export (%)	11.5	10.5	9.5	11.2	11.6 <sup>a</sup>	11.8
Sector value added share of UK GDP (%)	3.9	3.4	3.8 <sup>a</sup>	3.7 <sup>a</sup>	3.6 <sup>a</sup>	3.7
UK sector share of global passenger car production (%)	4.5	4.0	3.7	3.9	3.9	3.7
Number of UK volume passenger car manufacturers (WI)	-	9	9	9	9	9 <sup>b</sup>
Number of UK commercial vehicle (CV) manufacturers (WI)	-	10	10	9	9	9
Number of cars and CVs produced (million)	2.02	1.81	1.68	1.82	1.84	1.86
New car registrations (AC) (million)	2.19	2.22	2.45	2.56	2.58	2.57
Cars and light CVs on the road (million)	29.5	29.9	30.5	31.3	31.9	32.4

<sup>a</sup> Economic data has been reviewed in the light of national statistics and revised where indicated.

<sup>b</sup> MG Rover remained in production during 2004, though data is not included in this report.

- Economic progress largely static.
- Number of employees continues to fall.
- Industry is vital to export success.
- Share of global production static.
- Number of vehicles produced (cars and light vans) increased slightly.
- Car registrations declined slightly.

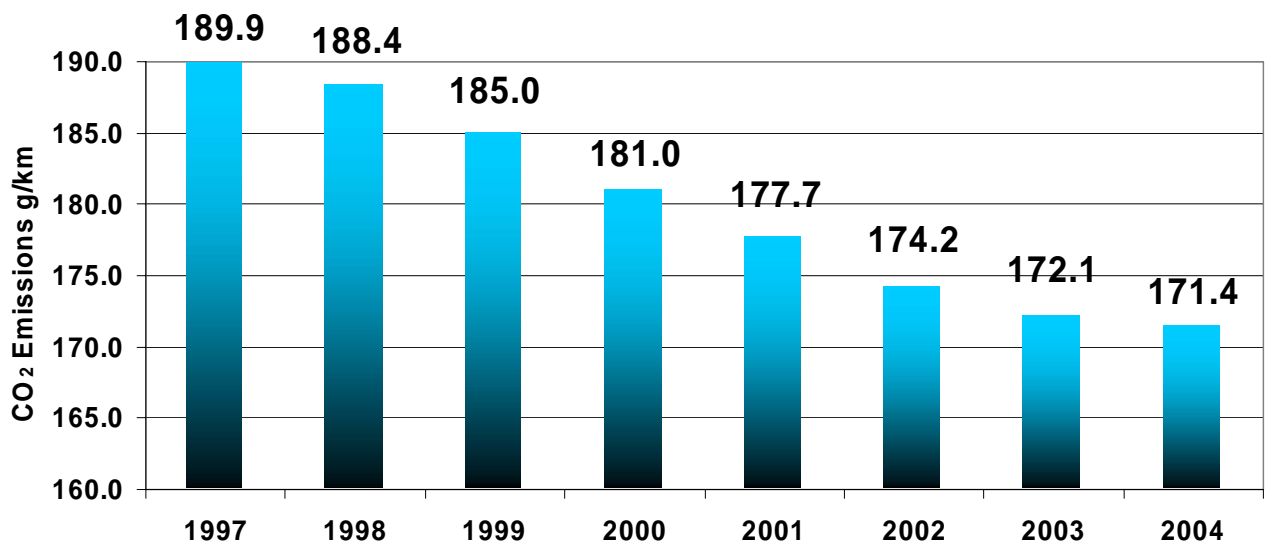
## 6. Product Environmental Performance

STRATEGY COMMITMENT: to continue to improve fuel efficiency.

EU COMMITMENT: to reduce CO<sub>2</sub> emissions from new cars by 25 per cent between 1995 and 2008 across Europe.

STRATEGY ACHIEVEMENT: decline in new car CO<sub>2</sub> emission levels continued in 2004, but at a slower rate due in part to weaker consumer demand in the smaller car segments.

### 6.1 Average New Car CO<sub>2</sub> Emissions

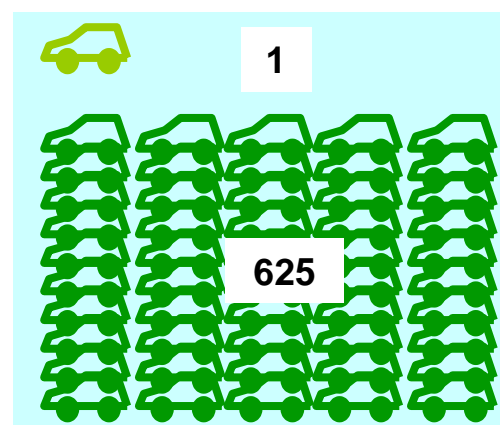
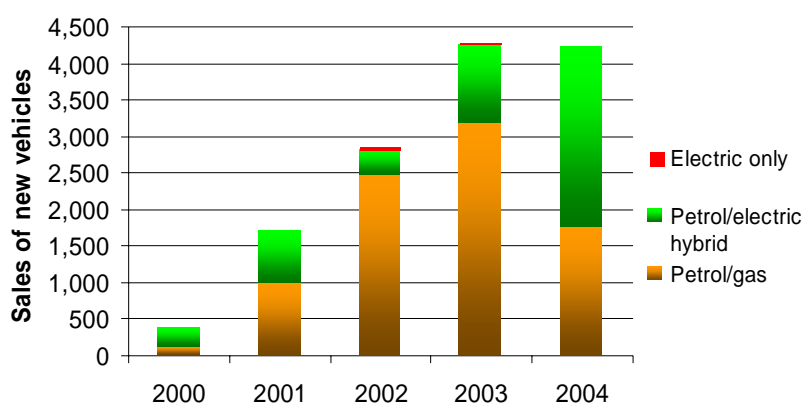


- The average new car sold in the UK in 2004 emitted 171.4 g/km of CO<sub>2</sub>, nearly ten per cent below the 1997 figure.
- The proportion of cars sold with a CO<sub>2</sub> emission figure of less than 140 g/km continues to increase, reaching 15.5 per cent in 2004, up from 14.9 per cent in 2003.
- The supermini sector (Fiesta, Corsa, Punto, Polo, Clio etc.), the largest in the UK, had an average new car CO<sub>2</sub> emission figure of 147 in 2004.
- Although the average CO<sub>2</sub> emission levels of new cars sold in the UK continues to improve, the rate of improvement has slowed in recent years and a substantial increase in the demand for fuel-efficient vehicles will be required if the 2008 target is to be achieved.



## 6.2 Sales of Alternately Fuelled Vehicles (AFVs)

Table 6.2 AFV Sales	2000	2001	2002	2003	2004
Petrol/Gas	94	971	2,473	3,185	1,756
Petrol/Electric Hybrid	263	719	339	1,079	2,462
Electric Only	0	0	35	2	0
<b>Total AFV</b>	<b>357</b>	<b>1,690</b>	<b>2,847</b>	<b>4,266</b>	<b>4,218</b>
<b>Market Share</b>	<b>0.02</b>	<b>0.07</b>	<b>0.11</b>	<b>0.17</b>	<b>0.16</b>



For every one AFV vehicle sold, 625 conventional powered vehicles are sold.

### Market position

In 2004:

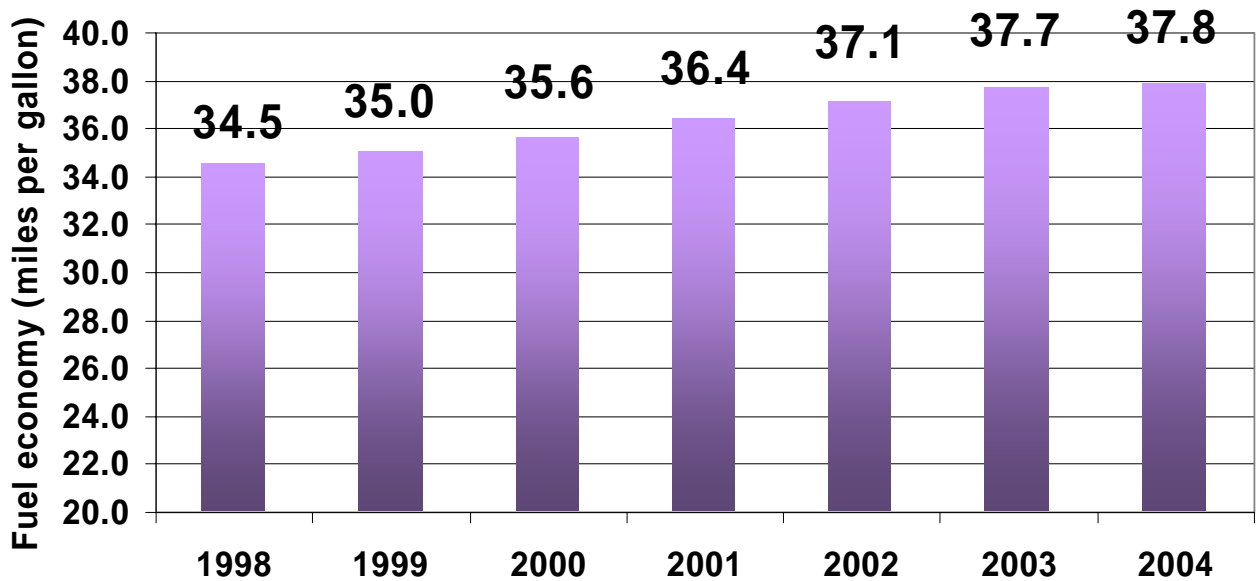
- Sales of alternately fuelled vehicles remain low, accounting for less than one in every 625 sold in 2004.
- Market share of alternately fuelled vehicles fell in 2004.
- Hybrid (petrol/electric) vehicles have grown at the expense of liquefied petroleum gas (LPG).
- Sales of LPG vehicles have declined as a result of fuel duty changes.

### Grant Mechanisms

Late in 2004 the government announced the European Commission was undertaking a review of the 'PowerShift' and 'CleanUp' grants to encourage the take-up of environmentally friendly technology.

Any grants for AFVs is therefore unlikely in 2005.

### 6.3 UK Average New Car Fuel Economy



- There was a small improvement in the average miles per gallon (MPG) for new cars sold in the UK from 37.7 MPG in 2003 to 37.8 in 2004.
- Source SMMT and DfT data.

### **The Diesel Story**

- The number of diesel-powered cars sold in the UK increased by 138 per cent between 1997 and 2004.
- The diesel share of the new car sales increased to 32.5 per cent in 2004, up from 27.3 per cent in 2003.
- Quieter and more responsive vehicles, reduced service intervals, wider model availability and lower running costs have all increased the attraction of diesel vehicles.
- Diesel engines cost considerably more to produce than their petrol counterparts, they work at higher operating pressures and are more sophisticated.
- Diesel penetration is forecast to reach 38 per cent by 2006, but is not forecast to grow much beyond 40 per cent, given the present duty level on diesel fuel.
- Diesel penetration in Europe averaged 49 per cent in 2004, with some countries as high as 70 per cent.
- Newly proposed emissions regulations (Euro 5) are at present being discussed.
- As a consequence of the new standards, particulate filters for diesel engines are likely to become a requirement.

## 6.4 CO<sub>2</sub> Trends by Vehicle Excise Duty (VED) Band

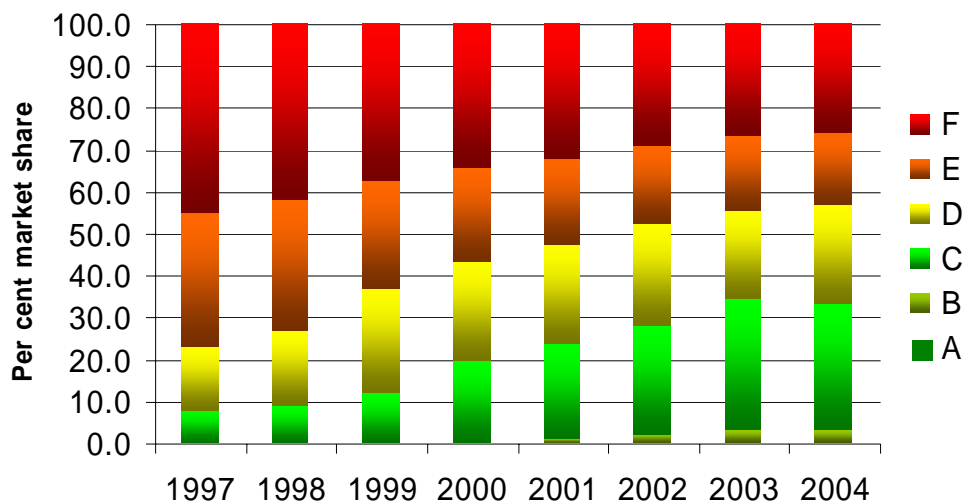




Table 6.4 VED Bands	label	g/km
	A	less than 100
	B	101 - 120
	C	121 - 150
	D	151 - 165
	E	166 - 185
	F	186 plus

### Tracking the Trends

- The graph above shows the trends in new car CO<sub>2</sub> emissions in relation to the current vehicle excise duty (VED) bands.
- These reflect the new colour-coded bands the label was introduced in September 2005.

## 6.5 Tailpipe Emissions

**STRATEGY COMMITMENT:** to continue to research, develop and bring cleaner technologies to the market to improve tailpipe emission standards.

**STRATEGY ACHIEVEMENT:** manufacturers continuously work to research, develop and introduce improvements in tailpipe emissions.

- Euro 4 emissions standards for cars became compulsory for newly introduced models from 1 January 2005, and for all models from 1 January 2006.
- Euro 5 standards are now in the latter stage of consultation.
- Manufacturers will continue to invest to achieve Euro 5 air quality standards, but at the same time reduce CO<sub>2</sub> emissions. These principles create complex technology.
- Improvements to air quality through exhaust gas treatment will pose a dilemma in CO<sub>2</sub> reduction levels and costs.

## 6.6 Vehicle Recycling

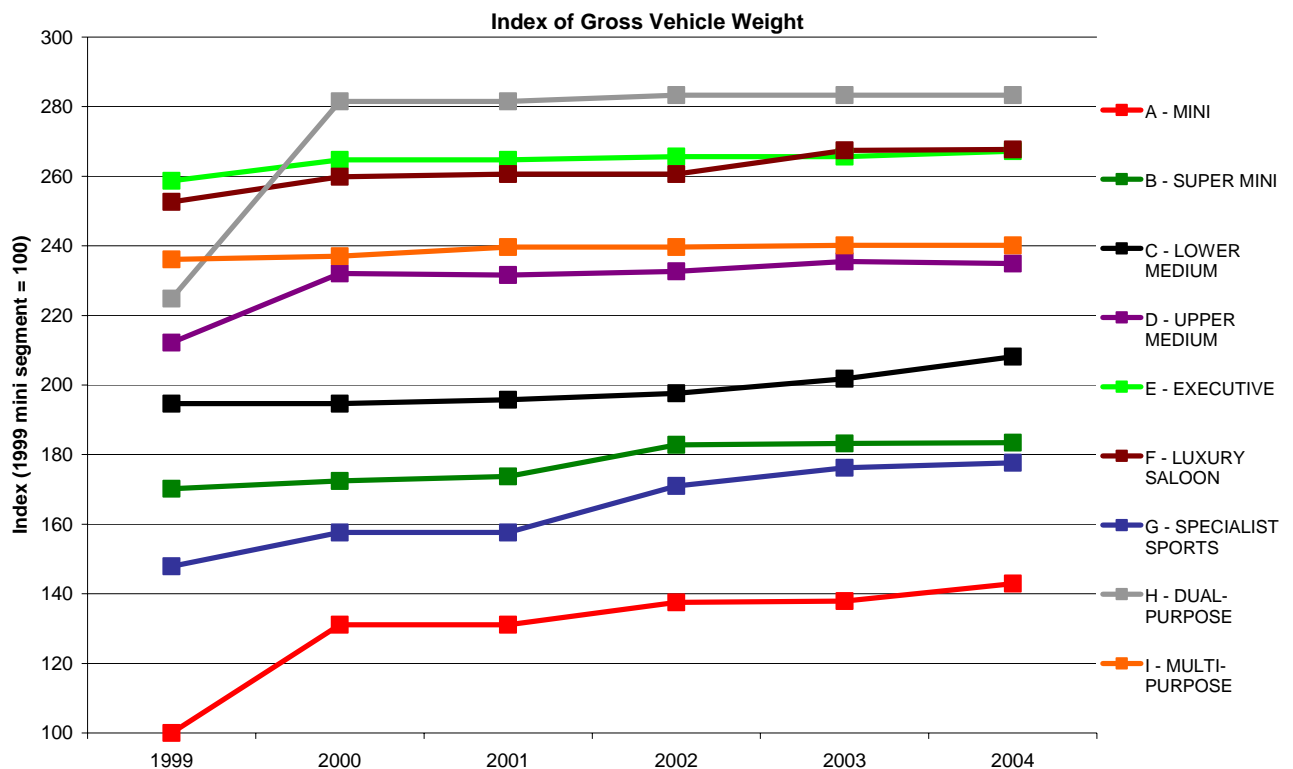
**STRATEGY COMMITMENT:** to continue to facilitate efforts to improve the level of material recovery from end-of-life-vehicles (ELVs)

**STRATEGY ACHIEVEMENT:** continued compliance with regulation and development and research in other areas; future success is sensitive to commodity prices.

The following developments in vehicle recycling took place in 2004:

- The final stages of legislation for the End of Life of Vehicles Directive.
- The establishment of 'take-back' networks in the UK.
- Regulatory target of a minimum of 85 per cent (by weight) recycling.
- Healthy scrap values maintain strong markets for waste steel and a buoyant steel and automotive scrapping industry.
- Discussions began on progression toward 95 per cent recycling targets.

## 6.7 Vehicle Weights



The Overall Weighted Index of Gross Vehicle Weight:

1999	100
2004	109

## 7. Production and Distribution – Environmental Inputs

Table 7.0 A Signatories and the environment	1999	2000	2001	2002	2003	2004
Number of signatories	11	18	18	24	22	19
Number of manufacturing sites covered by SMMT's sustainability strategy	40	44	45	43	38	32
Number of manufacturing sites with a certified Environmental Management System	26 (65%)	35 (79%)	37 (82%)	35 (81%)	33 (87%)	32 (100%)
Number of companies having minimum environmental standards applying to UK-based suppliers	-	11 (65%)	12 (67%)	12 (52%)	13 (59%)	10 (52%)

**STRATEGY COMMITMENT:** to continue to control and reduce the environmental impact of company operations.

**STRATEGY ACHIEVEMENT:** the reduction in impact on the environment of company operations continues across nearly all key sectors, except waste to landfill, where a dramatic decline in 2003 was not quite matched in 2004.

**MG Rover and Powertrain:** in the attached graphs we indicate by a bar ( — ) the absolute level that would have been achieved if data for 2003 for these two companies is added to signatories' 2004 data.

TABLE 7.0 Inputs	1999	2000	2001	2002	2003	2004
Total combined energy use (GWh) (AS)	6,110	7,013	6,857	6,540 <sup>a</sup>	6,126	5,337
Energy use per employee (kWh) (AS)	64,175	70,108	71,166	74,685	69,912	69,923
Energy use per £1million turnover (kWh) (AS)	303,828	309,717	281,036	186,943	156,419	154,062
<i>Energy use per vehicle produced (MWh/unit) (VMS)</i>	<i>3.1</i>	<i>3.9</i>	<i>4.3</i>	<i>4</i>	<i>2.8</i>	<i>2.5</i>
Total combined water use ('000m <sup>3</sup> ) (AS)	-	9,620	10,105	9,108	8,404	7,037
Water use per employee (m <sup>3</sup> ) (AS)	-	96.2	104.9	101.8	95.9	92.2
Water use per £1million turnover (m <sup>3</sup> ) (AS)	-	457	414	255	215	203
<i>Water use per vehicle produced (m<sup>3</sup>) (VMS)</i>	<i>-</i>	<i>5.3</i>	<i>6.2</i>	<i>5.6</i>	<i>3.4</i>	<i>3.4</i>

<sup>a</sup> Revised from 6,681.

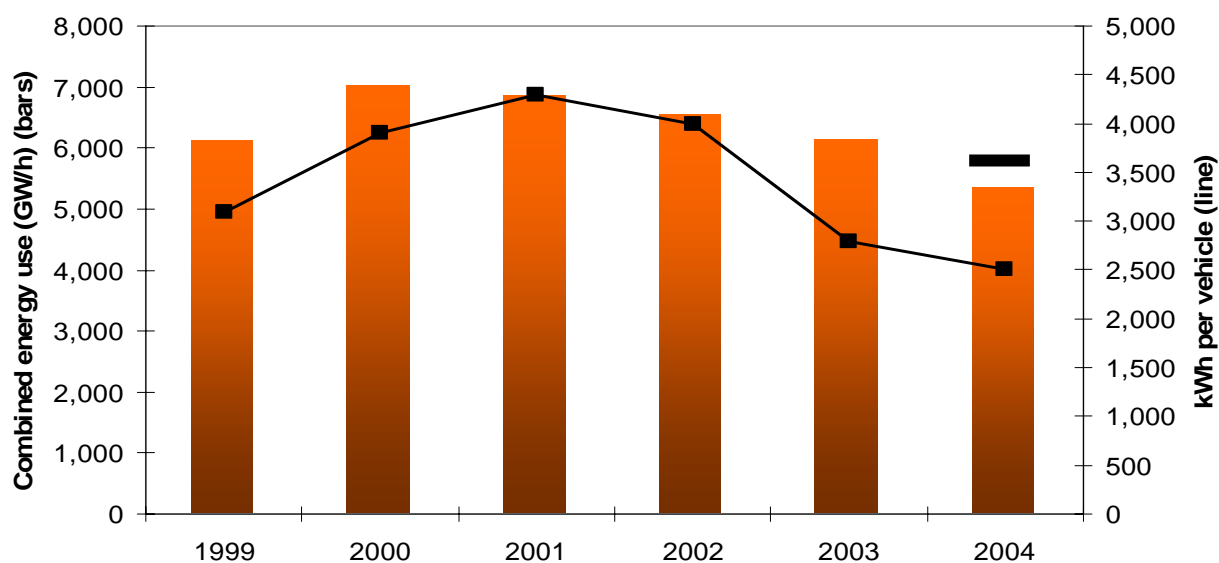
### Energy Use

- Energy use continues to decline both in absolute and per unit terms.
- The sector has grappled with EU Emission Trading Scheme (ETS) Phase One, and has been able to show reductions.
- The manufacturing element of the sector, as opposed to the retailing and tertiary element demonstrates more significant reductions.
- Manufacturers in the UK are players in the EU ETS and the Climate Change Levy (CCL).

### Water Use

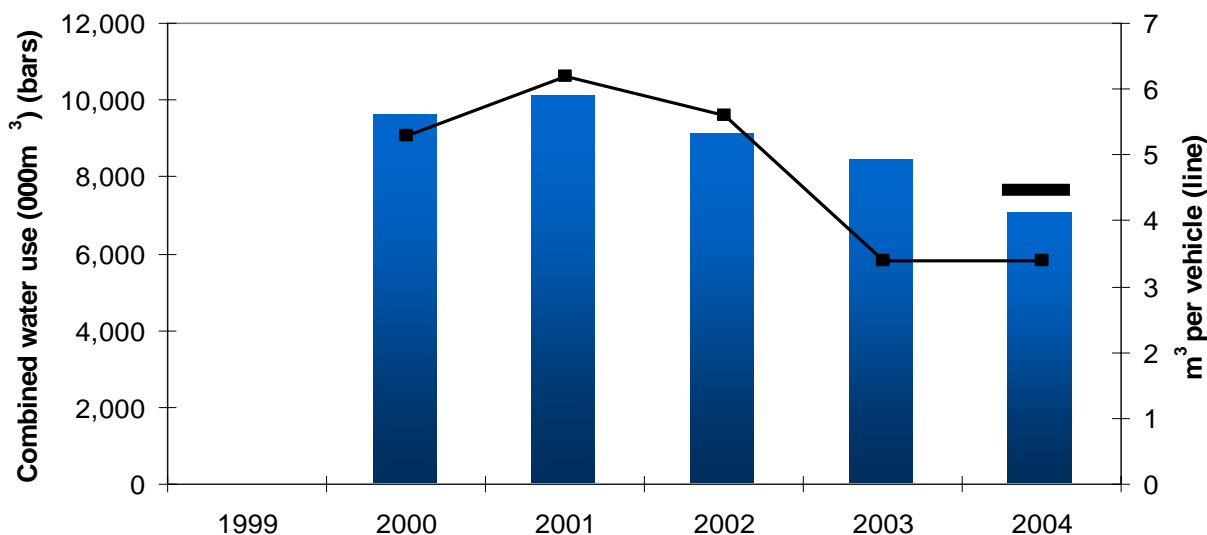
- Water use continues to decline in absolute terms and unit measures remain stable.
- Since 2000 the amount of water use per vehicle produced has declined by more than 35 per cent.

## 7.1 Signatories' Combined Energy Use



- Energy use per vehicle is now over 40 per cent lower than in 2001.
- Total energy usage declined, but this mainly reflected the MG Rover Powertrain impact.

## 7.2 Signatories' Combined Water Use



- Water use per vehicle remained static.
- Absolute water use declined by eight per cent, taking into consideration signatories not included in 2004 data.

## 7. Production and Distribution – Environmental Outputs

TABLE 7.3 Outputs	1999	2000	2001	2002	2003	2004
Total Combined CO <sub>2</sub> equivalent (tonnes) (AS)	1,821,586	2,182,926	2,149,771	1,954,295 <sup>a</sup>	1,679,832	1,447,900
CO <sub>2</sub> equivalent per employee (tonnes) (AS)	19.3	21.8	22.3	23.9	19.2	19.0
CO <sub>2</sub> equivalent (tonnes) per £1million turnover (AS)	90.6	95.3	88.1	59.9	42.9	41.8
<i>CO<sub>2</sub> equivalent per vehicle produced (tonnes) (VMS)</i>	<i>1.1</i>	<i>1.1</i>	<i>1.3</i>	<i>1.2</i>	<i>0.7</i>	<i>0.7</i>
Total Combined Emissions of VOC (kg) (AS)	4,018,951	7,136,682	6,926,340	6,240,100	7,336,780	5,479,870
Emissions of VOC per employee (kg) (AS)	42.2	71.3	71.9	69.7	83.7	71.8
Emissions of VOC per £1million turnover (kg) (AS)	199.8	339.0	284.0	174.6	187.4	158.2
<i>Emissions of VOC per vehicle produced (kg) (VMS)</i>	<i>2.9</i>	<i>4.4</i>	<i>4.6</i>	<i>4.2</i>	<i>4.1</i>	<i>3.5</i>
Total Combined Waste to landfill (tonnes) (AS)	54,954	80,399	121,207	70,897	56,743	52,842
Waste to landfill per employee (tonnes)(AS)	0.6	0.8	1.3	0.8	0.6	0.7
Waste to landfill per £1million turnover (tonnes) (AS)	2.7	3.7	4.9	2.0	1.4	1.5
<i>Waste to landfill per vehicle produced (kg) (VMS)</i>	<i>-</i>	<i>40.3</i>	<i>66.4</i>	<i>40.5</i>	<i>17.9</i>	<i>19.8</i>
Total Combined Packaging waste for recovery (tonnes) (AS)	10,900	20,272	16,768	17,053	15,038	16,809
Packaging waste for recovery per employee (tonnes) (AS)	0.11	0.2	0.17	0.3	0.2	0.2
Packaging waste (tonnes) for recovery per £1million turnover (tonnes)	0.5	0.9	0.7	0.7	0.4	0.5
<i>Packaging waste (kg) for recovery per vehicle produced (VMS)</i>	<i>5.6</i>	<i>10.5</i>	<i>8.4</i>	<i>8</i>	<i>6.5</i>	<i>7.9</i>
Total Combined Packaging waste for recycling (tonnes) (AS)	1,802	5,058	6,344	5,801	12,587	16,003
Packaging waste for recycling per employee (kg) (AS)	18.9	50.5	65.8	61.4	143.6	209.7
Packaging waste for recycling per £1million turnover (kg) (AS)	89.6	240	260	153	321.4	462.0
<i>Packaging waste for recycling per vehicle produced (kg) (VMS)</i>	<i>1.1</i>	<i>2.5</i>	<i>3.5</i>	<i>2.8</i>	<i>5.1</i>	<i>8.5</i>

<sup>a</sup> Revised from 2,142,706.

### CO<sub>2</sub> Output

- CO<sub>2</sub> generated from manufacturing, retailing and tertiary operations declined for the fifth successive year in a row.
- CO<sub>2</sub> generated per vehicle produced remains static at 0.7 tonnes per vehicle, nearly half of that recorded in 2001.

### Volatile Organic Compounds (VOCs)

- More progressive decline per vehicle is encouraging.

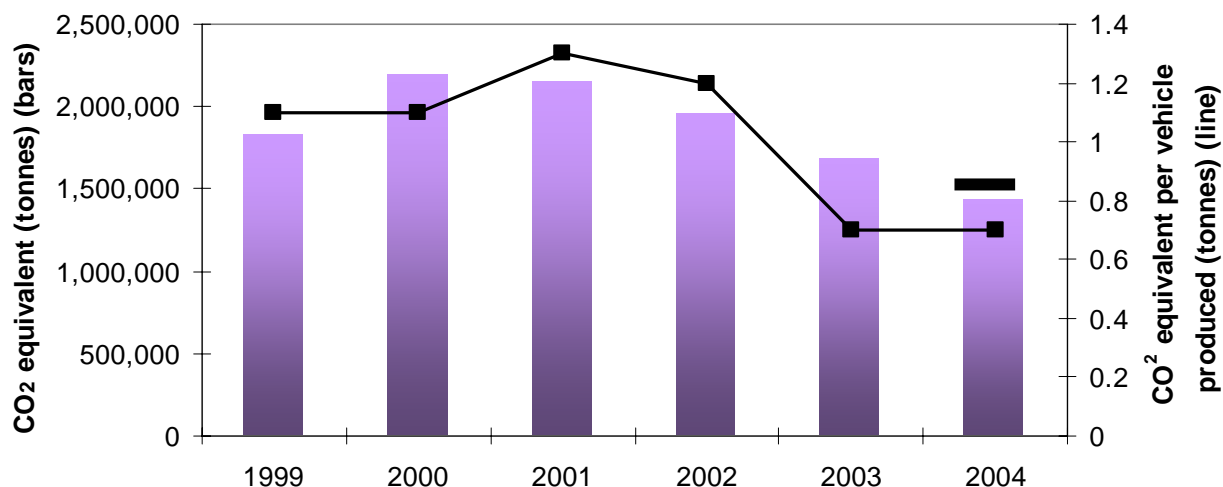
### Waste to Landfill

- Increased per vehicle by ten per cent over a very low 2003 figure.

### Recovery and Recycling

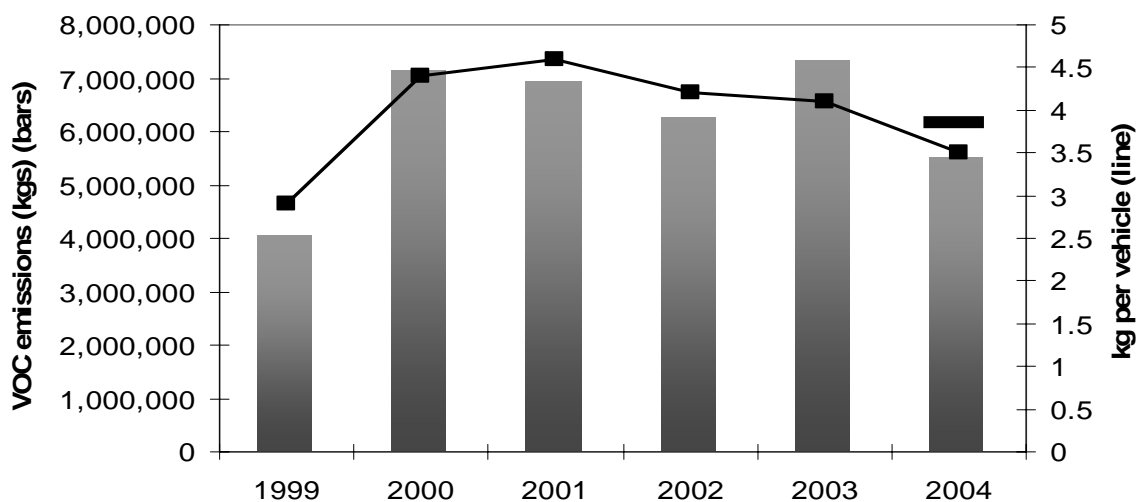
- Recycling and recovery obligations of packaging waste for the sector are now in excess of 16,000 tonnes per annum nearly double the obligation of 1999.

### 7.3 Signatories' Combined CO<sub>2</sub> Emissions



- CO<sub>2</sub> output per vehicle produced remained unchanged at 0.7 per tonne.
- For the typical new car this represents just over 4,000 km (2,500 miles) of driving.
- This data is for the final car assembly process and does not include transportation of materials or finished product.
- Total output of CO<sub>2</sub> from signatories fell by 230,000 tonnes, or over 45,000 tonnes including the MG Rover Powertrain impact.
- CO<sub>2</sub> output per vehicle produced has reduced by 45 per cent since 2001.

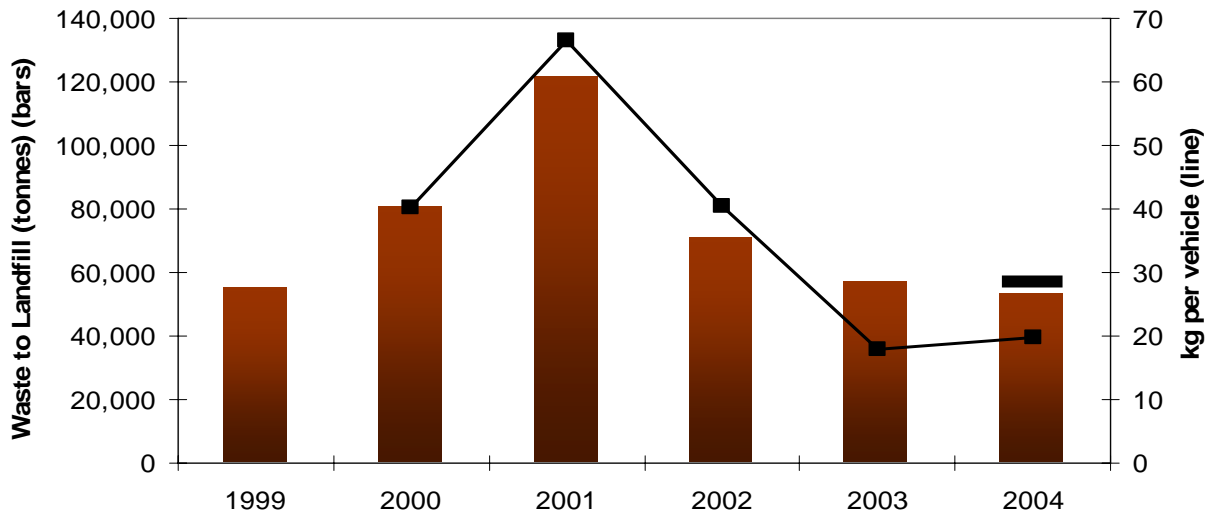
### 7.4 Signatories' Combined VOC Emissions



- Variable performance across signatories in absolute terms, roughly half increasing, half decreasing.
- Decline in the level of VOCs per vehicle produced is encouraging.
- Absolute levels decline even after consideration given to MG Rover and Powertrain.



## **7.5 Signatories' Combined Waste to Landfill**



- For the most part the progress made in 2003 has been maintained in 2004.
- Some site-specific increases related to redevelopment projects.
- Total waste to landfill increased by 500 tonnes, when consideration is given to MG Rover and Powertrain.

## **7.6 Recycling and Recovery**

### Packaging Obligations

- Reported figures are on target for recycling and recovery for the signatories.
- Total signatory waste recycling and recovery obligations are now 32,811 tonnes.
- Recycling obligation targets have increased eight fold since 1999.

### Actual Recycling and Recovery

#### Recycling

- We asked signatories to report on actual levels of recycling in 2004.
- Returns were received from 12 signatories.
- The tonnes recycled numbered over 145,000 tonnes (please note some signatories include metal recycling in this figure).

#### Recovery

- We asked signatories to indicate material re-used on site.
- Only four signatories gave returns.
- The figure amounted to over 3,000 tonnes.

## 8. Economic Performance

**STRATEGY COMMITMENT:** to continue to seek economic growth and secure competitiveness in the global environment.

**STRATEGY ACHIEVEMENT:** the UK remains a focus of automotive production, design and research excellence. The entry into administration of MG Rover and Powertrain in 2005 will impact on but not significantly reduce the strength of the industry.

### 8.1 UK Economy

Table 8.0 Contribution to UK Economy	1999	2000	2001	2002	2003	2004
Value of UK Automotive Exports (£ billion) (WI)	19.1	19.8	18	20.9 <sup>a</sup>	21.9 <sup>a</sup>	22.5
Expenditure on Business R&D (£ million)(WI)	1,145	929	930	960	955	955
Sector share of total GDP at market price (%) (WI)	0.8	0.8	0.9	0.9	0.8	0.8

<sup>a</sup> Economic data has been reviewed in the light of national statistics and revised where indicated.

- Data for 2004 remains static, with the sector representing just less than one per cent of GDP.
- The value of exports increased by just under three per cent in 2005.

### 8.2 Production Indicators

Table 8.2 Economic Indicators	1999	2000	2001	2002	2003	2004
UK automotive manufacturing sector turnover (£ billion) (WI)	44.2	42.5	42.6 <sup>a</sup>	44.6 <sup>a</sup>	46.0 <sup>a</sup>	47.3 <sup>a</sup>
<b>Signatories combined turnover (£ billion) (AS)</b>	<b>20.1</b>	<b>21.0</b>	<b>24.4</b>	<b>35.7</b>	<b>39.2</b>	<b>34.6</b>
Total UK number of new cars produced (AC)	1,786,623	1,641,317	1,492,146	1,629,744	1,657,558	1,646,881
Total UK number of new CVs produced	185,905	172,442	192,872	191,267	188,871	209,293
<b>Total UK number of new vehicles produced</b>	<b>1,972,528</b>	<b>1,813,759</b>	<b>1,685,018</b>	<b>1,821,011</b>	<b>1,846,429</b>	<b>1,856,174</b>
<b>Total number of new vehicles produced by signatories</b>		<b>1,572,642</b>	<b>1,470,659</b>	<b>1,441,794</b>	<b>1,731,894</b>	<b>1,614,981</b>
Total number of new car registrations (AC)	2,197,615	2,221,647	2,458,769	2,563,631	2,579,050	2,567,269
Total number of new CV registrations	288,100	298,043	313,411	322,258	363,687	389,923
<b>Total number of new vehicle registrations</b>	<b>2,485,715</b>	<b>2,519,690</b>	<b>2,772,180</b>	<b>2,885,889</b>	<b>2,942,737</b>	<b>2,957,192</b>

<sup>a</sup> Economic data has been reviewed in the light of national statistics and revised where indicated.

- All car production of 1,646,750 includes MG Rover.
- Signatory total of 1,614,981, does not include MG Rover, but does include some van production.
- MG Rover production in 2003 was 132,789.
- Car and commercial vehicle production in 2004 increased by less than one per cent on 2003.

## 8.3 Investment

Table 8.3 Investments	1999	2000	2001	2002	2003	2004
Auto manufacturing sector net capital investment (£ billion)	2.13	2.08	2.23	1.3 <sup>a</sup>	1.2 <sup>a</sup>	1.4
Inward direct investment into automotive manufacturing (£ billion)	3.48	2.73	-0.85	-0.23	535	535
Expenditure on business research and development (£ billion)	1.14	0.93	0.96 <sup>a</sup>	1.0 <sup>a</sup>	1.25 <sup>a</sup>	1.26
Signatories combined UK investments	-	£1.28bn	£1.22bn	£1.52bn	£1.80bn	ND

<sup>a</sup> Economic data has been reviewed in the light of national statistics and revised where indicated.

ND No data for 2004.

- Investment was static, but at a consistently lower level than in the first three reporting years.
- Research and development investment increased slightly in 2004.

## 8.4 Employment

**STRATEGY COMMITMENT:** to continue to secure and enhance employment opportunities where appropriate

**STRATEGY ACHIEVEMENT:** signatories work hard to make the sector a sustainable place to work and to increase diversity and skills. The closure of MG Rover and Powertrain in 2005 will lead to a decline in sector employment of 6,200 direct jobs and some in the component sector.

Table 8.4 Employment Indicators	1999	2000	2001	2002	2003	2004
Number of jobs dependent on the sector	863,000	847,000	835,000	838,000	816,000	806,000
• Automotive manufacturing	260,000	250,000 <sup>a</sup>	237,000 <sup>a</sup>	232,000 <sup>a</sup>	225,000 <sup>a</sup>	218,000
• Automotive supply and use	608,000 <sup>a</sup>	597,000 <sup>a</sup>	598,000 <sup>a</sup>	606,000 <sup>a</sup>	591,000 <sup>a</sup>	588,000
<b>Signatories total combined employees (AS)</b>	<b>95,214</b>	<b>100,036</b>	<b>96,357</b>	<b>89,455</b>	<b>87,625</b>	<b>76,327<sup>b</sup></b>

<sup>a</sup> Economic data has been reviewed in the light of national statistics and revised where indicated.

<sup>b</sup> 82,425 if MG Rover and Powertrain 2003 numbers included.

- MG Rover and Powertrain (reported as employing 6,200 in 2003) account for about 50 per cent of the 11,000 decline in signatory employees.
- Total employment in the sector continues to decline, but vehicle production is slightly up.
- The sustainability dilemma of economic benefit versus employment level is present, with industry needing to match the best productivity in the world, with low fixed costs.

## 9 Supply Chain

### 9.1 Supply Chain Efficiency

STRATEGY COMMITMENT: to support Industry Forum and work to enhance supply chain efficiency.

STRATEGY ACHIEVEMENT: signatories continue to drive quality through the supply chain and, where practical, continue to develop the use of alternative modes of transport, in their logistics networks.

Industry Forum [www.industryforum.co.uk](http://www.industryforum.co.uk)

Industry Forum works together with the automotive industry to create tangible results in manufacturing processes its aims being to achieve a sustainable world leading competitiveness in the UK-based vehicle and components industry.

To put this work into context:

- Some 70 per cent of the cost of every vehicle is bought in, first-tier suppliers are important.
- Second and third-tier suppliers are equally important because 60 to 70 per cent of the cost of each product supplied by the first-tier is also bought in.
- Therefore for the long term success of the manufacturing process in the UK, effective supply chain management is fundamental.

### 9.2 Global Supply Chain

- For 2004 we asked signatories to report on the extent to which their supply chain is global.
- Most signatories do not collect this data, and those that do are only just starting to collate this information.
- Our objective remains to ascertain the distance from which components are sourced to assess the contribution to sustainability of the industry.
- We are aware of the global nature of components manufacturing and look to provide an indicator for this.

## 10. Social Performance

STRATEGY COMMITMENT: continue to improve the skills, facilities and opportunities available for employees

STRATEGY ACHIEVEMENT: difficult to quantify fully, but low staff turnover, flexible working policies, high levels of training, good health and safety and high quality of staff facilities all indicate some success

### 10.1 Employee Profiles and Development

#### Employee profile

- In 2004 just over nine per cent of the workforce were female; no change from 2003.

#### Flexible Working

- Flexible working arrangements are being introduced by more signatories and to a greater degree to attract and retain employees:
  - One signatory saw a 33 per cent increase in the take-up of flexible working.
  - Two other signatories have introduced a sabbatical leave programme.

#### Employee support

- Child care, counselling and drug screening are all increasingly offered to employees.
- One signatory introduced a 24-hour employee help line in 2004.
- Drug and alcohol policies are being revised and updated.
  - Testing for drugs and alcohol are now in place at some signatories.

#### Trade Union Partnership

- To help make the UK a world-class manufacturing base consultation is taking place with trade unions to establish how this can be achieved.

#### Other examples of employee development

- Support for employees in the process of adopting children through additional leave.
- Development of 'smoking-free' sites and encouragement to employees to give up smoking.
- Programmes to involve employees' families in workplace activities.
- Plans for 'carers' leave for those employees looking after elderly relatives, for example.
- Companies have programmes involving non-UK based staff, demonstrating the exchange and inter-relationship of global partnerships and human resources.

## **10.2 Health and Safety**

There have been significant improvements in health and safety performance in 2004. Lost-time incidents saw a reduction in all but two signatories.

<b>Table 10.3 Reported Lost-Time Incidents</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Change 2004 on 2003</b>
Number of incidents	669	710	491	30% reduction

### **Data for 2004**

- More than 200 fewer lost-time incidents reported in 2004.
- The figure is still over 180 when the loss of MG Rover as a signatory is taken into account.

### **Targets**

Most signatories have either:

- Percentage reduction on previous rate or,
  - Target reductions of between ten and 40 per cent, these are being met.
  - Reductions of up to 60 per cent in some types of incident.
- Actual rate per day or per hour targets
  - Frequency, incident and severity actual targets, in terms of days or per 1,000 employees.

### **Rehabilitation for work**

- Occupational health facilities, for free use by employees.
- Return-to-work programmes.

### **Awareness Campaigns**

- Asthma awareness.
- Monthly bulletins, including HSE competitions.
- Site meetings on safety, and health issues.
- The 'safety challenge' - employees generating funds for local charity through accident reduction, this is an initiative by one signatory.
- Safety awards; best international practise workshops.
- Major schemes for contractors.
- Major health screening programmes.

## 10.3 Training

Training is vital to the industry and although the number of training days declined in 2004, major training programmes are a part of every day operations.

Table 10.4 Training	2003	2004	Change 2004 on 2003
Total number of training days <sup>a</sup>	241,549	128,709	-112,840
Average number of training days per employee	3.8	2.9	-0.9

<sup>a</sup> For reporting signatories.

### Automotive Academy [www.automotiveacademy.co.uk](http://www.automotiveacademy.co.uk)

- Full-time team set up in July 2004.
- Supported financially by the Department for Trade and Industry, run/owned by SMMT.
- Worldwide training for manufacturers and components suppliers.
- Regional spokes.

### NVQ

- Committed to NVQs and training for staff through this process.

### Other training developments during 2004

- Stress management training.
- Personal development reviews have been updated, tracking both formal and informal training for individuals.
- Developments in performance management training were highlighted by a number of signatories.
- Support for e-learning as a new training tool.

## 10.4 Staff Turnover

Although staff turnover has increased, at less than ten per cent it remains very low in the context of other sectors.

Table 10.5 Staff Turnover	2003	2004	Change 2004 on 2003
Per cent staff turnover <sup>a</sup>	6.1	8.7	2.6

<sup>a</sup> For reporting signatories

This data does not include MG Rover and Powertrain.

## 11. Stakeholder and Community Engagement

**STRATEGY COMMITMENT:** continue to engage positively with external stakeholders

**STRATEGY ACHIEVEMENT:** further developing success in engaging with many stakeholders

### National Stakeholder Engagement

- Low Carbon Vehicle Partnership, development of the colour coded fuel economy label.
- Transport 2000, Worldwide Fund for Nature.
- Business in the Community.
- UK Climate Impacts Programme.
- CARE – automotive recycling.
- National Society for Clean Air – Cleaner Transport Forum.

### Regional Stakeholder Engagement

- During 2004 the SMMT joined Sustainability West Midlands (SWM) to support sustainability in the region and enable engagement with a wide range of stakeholders

### Company Stakeholder and Community Engagement

- Members are directly involved in national, regional and local projects. These include hospitals and schools (with visits and engineering clubs).
- One signatory allows each employee to set aside up to 16 hours per year to spend in community projects.
- Other examples of stakeholder involvement include:
  - Business in the Community                      Hospitals and NSPCC
  - Plant tours    Princes Trust
  - Forum for the Future                              Born Free Foundation
  - Groundwork    Red Cross
  - Future Forests



## 12. Sector Issues – Sustainable Mobility

During recent years the Annual SMMT Sustainability Report has sought to address the issue of sustainable mobility.

During 2004 the Society and its members decided that more work should be undertaken on this important issue.

It was decided to focus on four key areas:

- **Air Quality**
- **Improving Road Space Utilisation**
- **Road Safety**
- **Carbon Dioxide Emissions From Road Transport.**

These four key issues are considered fundamental to the development of sustainable road transport.

The strategy adopted for further work was to 'mind map' all the factors that can contribute to improvements in each of these four key areas by all stakeholders. The maps therefore highlight:

### **Key objectives for improvement in the four sustainable mobility issues**

A summary of these key objectives is based on :

- Managing demand
- Driver performance
- Vehicle choice
- Vehicle and fuel technology
- Infrastructure technology and management
- Use controls

### **Strategy and Strategy Enablers have then been linked to these objectives**

#### **Process**

The process was to develop the maps, initially internally, and then where appropriate to introduce them to stakeholders for early discussion and reaction during the development stage where amendments were incorporated.

#### **Complexity and Areas of Responsibility**

The concept behind the maps is to illustrate the complexity of these four key issues and to illustrate areas of responsibility. The next stage will be to understand the correctness of this approach and the ability of groups and organisations to accept this.

#### **Levers and Effectiveness and Quantification**

The maps lend themselves to further in-depth work. It is the intention of SMMT to look at leverage, 'which strategies have the greatest impact'.

This may include work to account for quantified policy and strategy success.

#### **Feedback**

The maps are in a developmental stage and we would welcome any feedback on the maps themselves or on the processes to develop them.

## 12.1 Air Quality

The mind maps are intended to address not only the issue of new vehicles, but also the wider issue of the 'parc', - all the vehicles on the road.

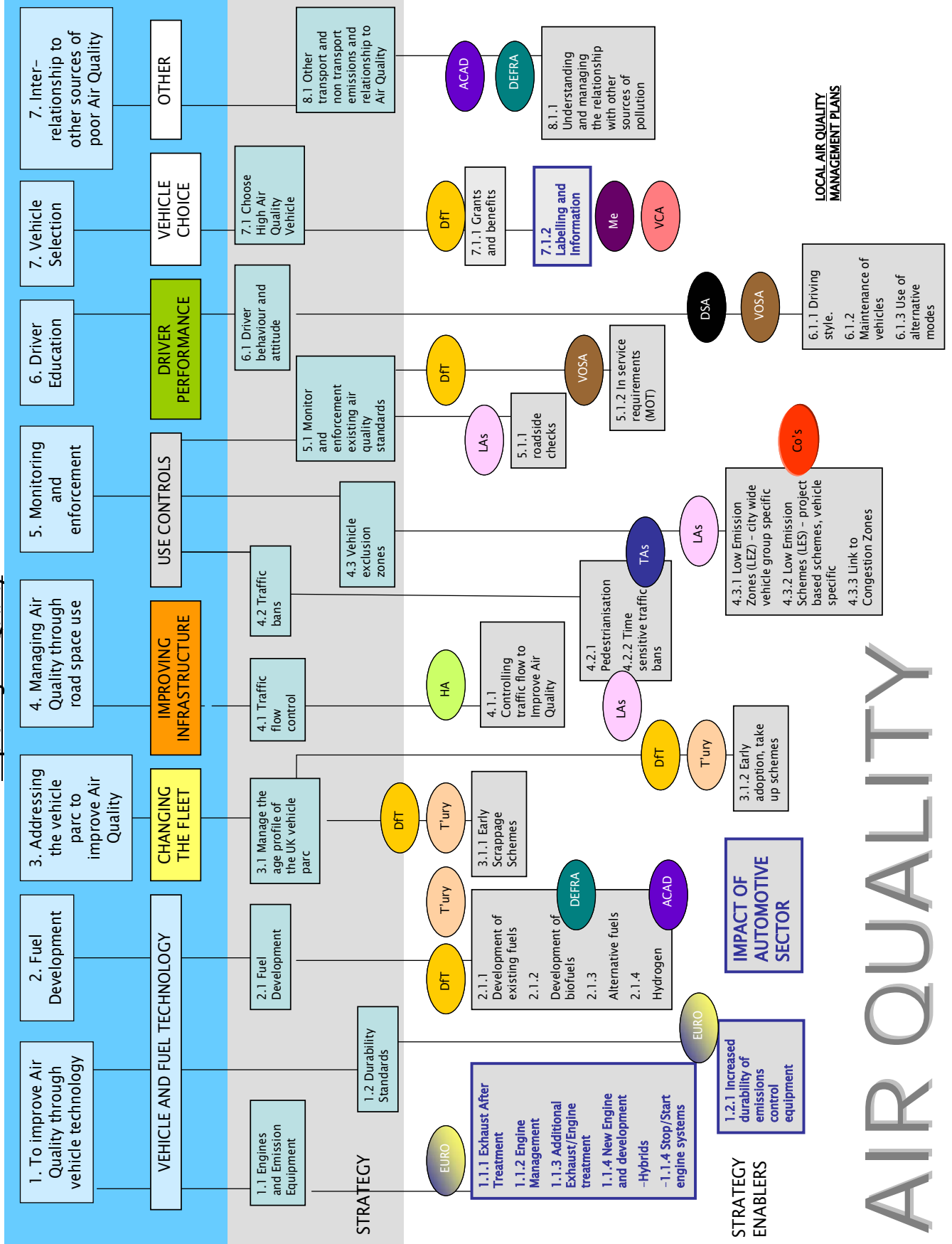
Hence durability of emissions equipment is a strategy enabler for improvement in air quality.

Considerable work has been undertaken on air quality and cost and cost benefit analysis. The mind map will focus such work.

One of the objectives of the mind map is to provide an easily understood reference point to which industry, government and stakeholders can relate.

DfT	Department for Transport
EURO	European Regulation Directive
Co's	Companies
LAs	Local Authorities
T'ury	Treasury
DEFRA	Department for Food Environment and Rural Affairs
DTI	Department for Trade and Industry
Media	Media and Press
HA	Highways Agency
Police	Police
Con	Consultants
Me	Individuals
ACAD	Automobile Club of Germany
NGO	Non-Governmental Organisations
TAs	Traffic Authorities
RDA	Regional Development Agency
VOSA	Vehicle and Operator Services Agency
DSA	Driving Standards Agency
VCA	Vehicle Certification Agency
ODPM	Office of the Deputy Prime Minister
BWB	British Waterways Board
EST	Energy Savings Trust

# Improving Air Quality



## 12.2 Road Space Utilisation

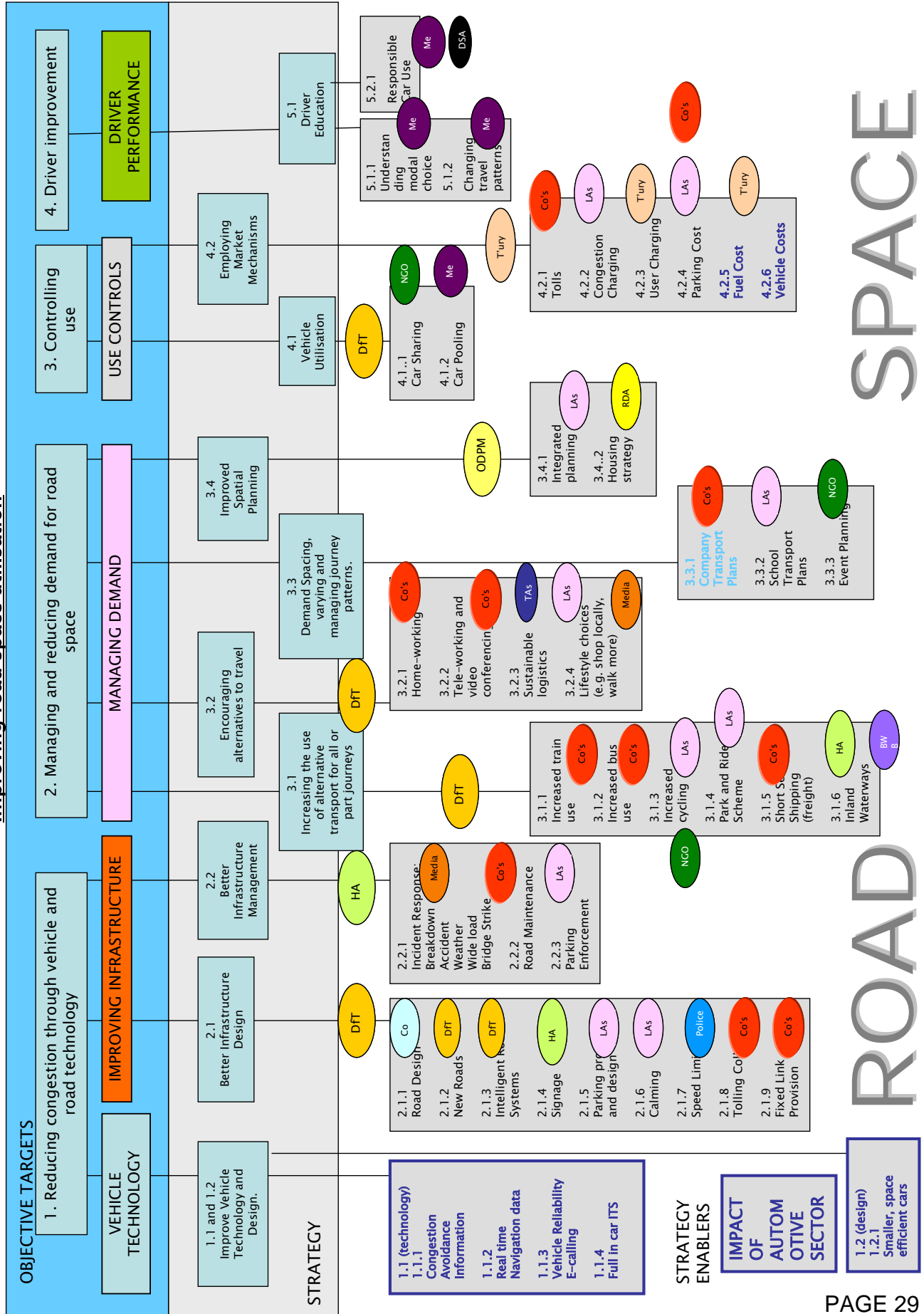
Congestion is created by the demand for road space exceeding supply. The supply of road space can be improved by technology; in vehicle and at the roadside and through information to the driver.

Demand for travel is a complex formula of value cost and opportunity.

The Department for Transport (DfT) 'Making Smarter Choices Work' report and publication in 2004 highlights a number of strategies to inform and change the way we understand the need and way in which we travel.

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BWB	British Waterways Board
EST	Energy Savings Trust

# Improving road space utilisation



## 12.3 Safety

The trend for reduction in road traffic accidents continues for some types of incidents, but not for others. As the level of traffic increases, managing road safety is an important issue. Driver performance and technology, and technology linked to infrastructure are becoming increasingly important.

DfT	Department for Transport
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VCA	Vehicle Certification Agency
ODPM	Office of the Deputy Prime Minister
BWB	British Waterways Board
EST	Energy Savings Trust



## 12.4 CO<sub>2</sub>

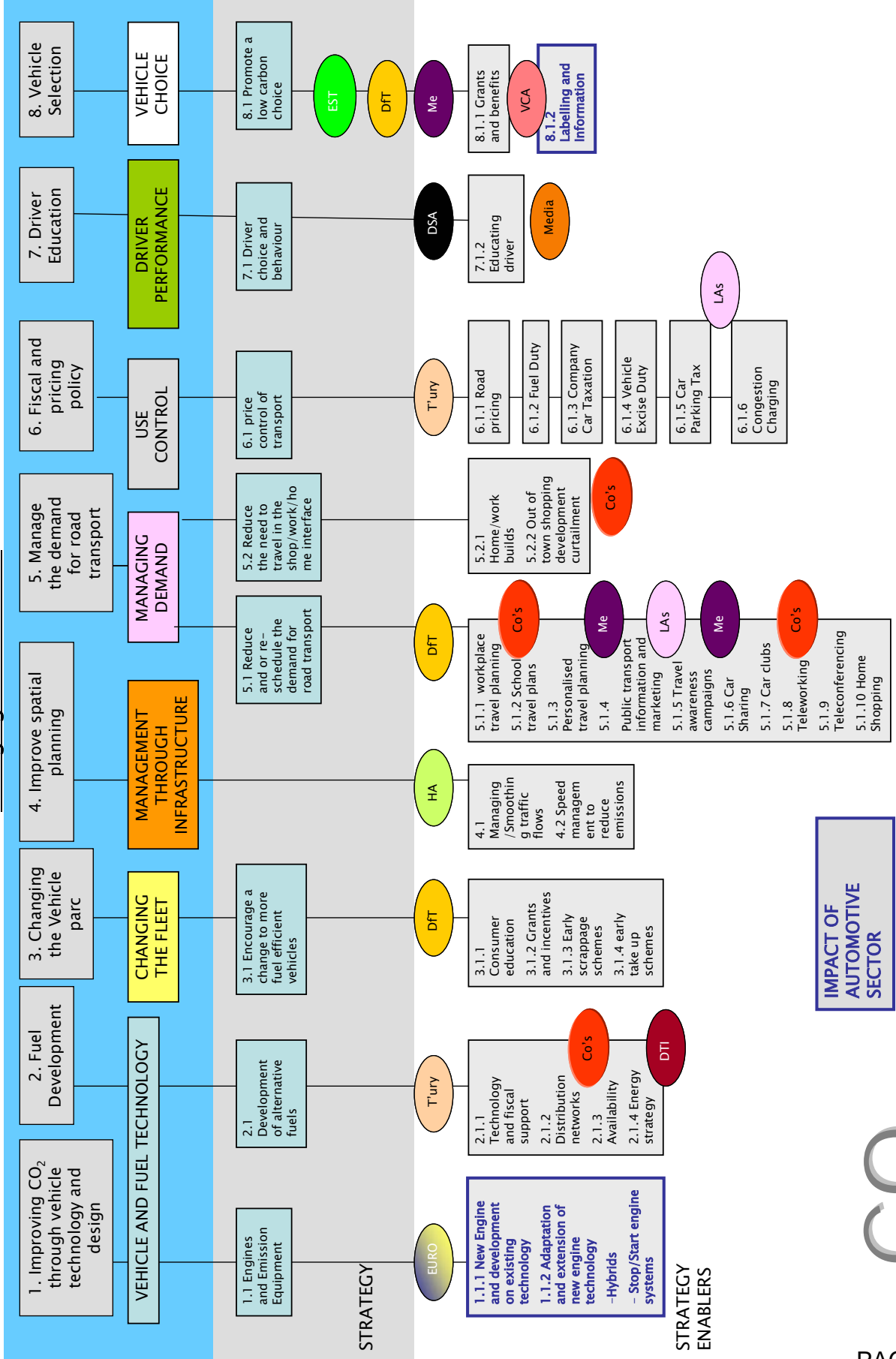
For passenger cars, through voluntary agreements with industry the focus on CO<sub>2</sub> emission reduction is on new vehicle technology. For wider road transport, including cars demand management and use controls also offer opportunities to reduce the absolute levels of CO<sub>2</sub> emissions generated by road transport.

A greater understanding of the levers impacting on this scenario are particularly important in this context.

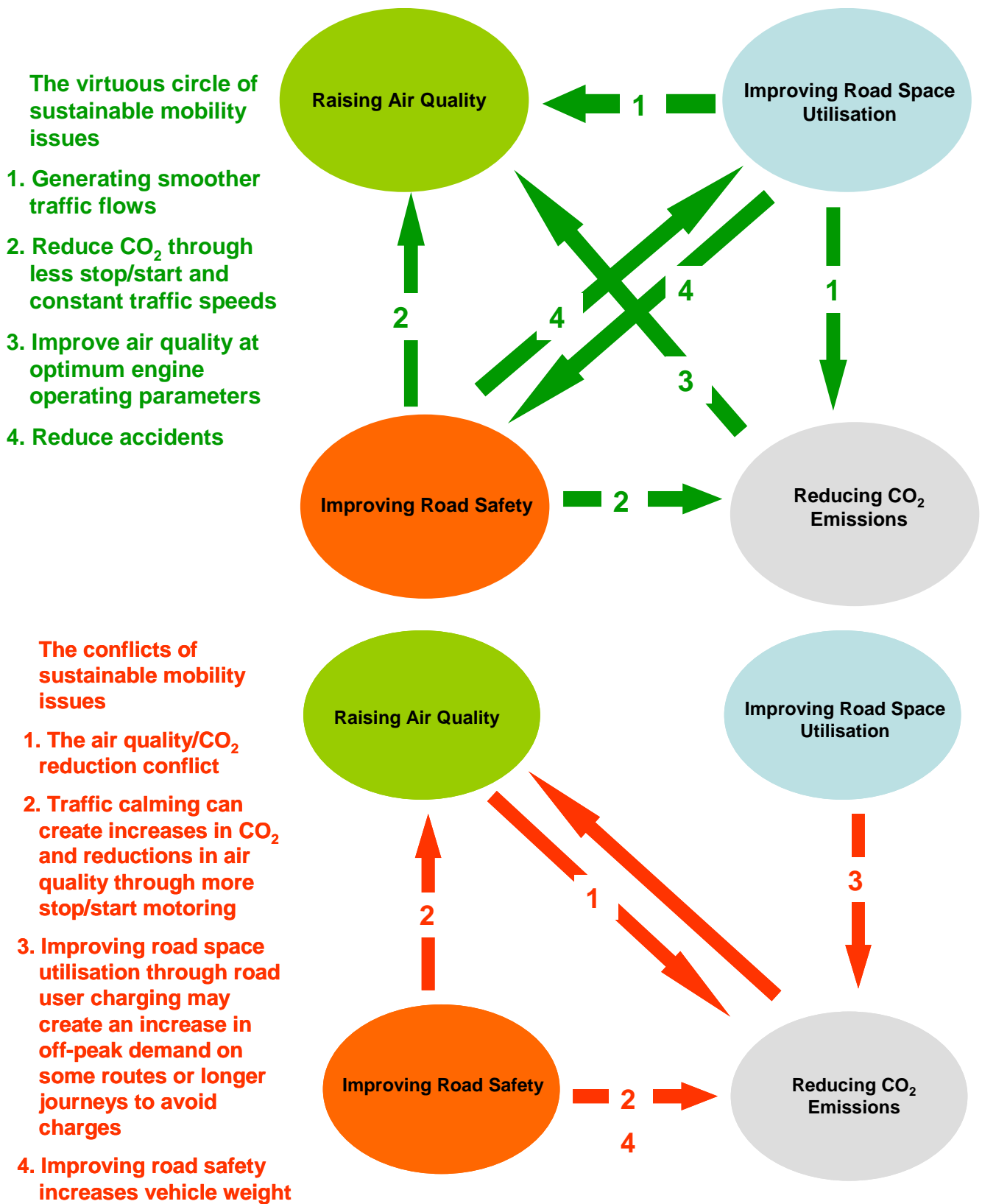
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ODPM	Office of the Deputy Prime Minister
BWB	British Waterways Board
EST	Energy Savings Trust



## Managing CO<sub>2</sub> Emissions



## 12.5 Sustainable Mobility – Virtuous and Conflict



#### Further Contacts

Signatory Name	Web site
Audi	<a href="http://www.volkswagen-environment.de">www.volkswagen-environment.de</a>
Bentley Motors	<a href="http://www.bentleymotors.com">www.bentleymotors.com</a>
BMW Group	<a href="http://www.bmwgroup.com">www.bmwgroup.com</a>
Ford Motor Company	<a href="http://www.ford.com">www.ford.com</a>
GKN Driveline	<a href="http://www.gknplc.com">www.gknplc.com</a>
Honda UK Manufacturing	<a href="http://www.mfg.honda.co.uk">www.mfg.honda.co.uk</a>
Jaguar Cars	<a href="http://www.jaguar.com">www.jaguar.com</a>
Land Rover UK	<a href="http://www.landrover.com">www.landrover.com</a>
LDV	<a href="http://www.ldv.com">www.ldv.com</a>
Nissan	<a href="http://www.nissan.co.uk">www.nissan.co.uk</a> and <a href="http://www.nissan-global.com">www.nissan-global.com</a>
Perkins Engines	<a href="http://www.caterpillar.com">www.caterpillar.com</a>
PSA Peugeot Citroën Automobiles	<a href="http://www.sustainability.psa-peugeot-citroen.com">www.sustainability.psa-peugeot-citroen.com</a>
Rolls-Royce Motor Cars	<a href="http://www.rolls-roycemotorcars.com">www.rolls-roycemotorcars.com</a>
SEAT	<a href="http://www.volkswagen-environment.de">www.volkswagen-environment.de</a>
Skoda Auto	<a href="http://www.volkswagen-environment.de">www.volkswagen-environment.de</a>
Toyota	<a href="http://www.toyotauk.com">www.toyotauk.com</a> and <a href="http://www.toyota.co.jp">www.toyota.co.jp</a>
Vauxhall Motors	<a href="http://www.vauxhall.co.uk">www.vauxhall.co.uk</a>
Volvo Car UK	<a href="http://www.volvocars.co.uk">www.volvocars.co.uk</a>
Volkswagen Group	<a href="http://www.volkswagen-environment.de">www.volkswagen-environment.de</a>
Volkswagen Commercial Vehicles	<a href="http://www.volkswagen-environment.de">www.volkswagen-environment.de</a>

Look for links to 'about us' or 'company' to be directed to sustainability and environmental information.

Organisation	Web site
Auto Industry	<a href="http://www.autoindustry.co.uk">www.autoindustry.co.uk</a>
Automotive Academy	<a href="http://www.automotiveacademy.co.uk">www.automotiveacademy.co.uk</a>
Department for Food Environment and Rural Affairs (DEFRA)	<a href="http://www.defra.gov.uk/environment/sustainable">www.defra.gov.uk/environment/sustainable</a>
Department for Transport (DfT)	<a href="http://www.dft.gov.uk">www.dft.gov.uk</a>
Department of Trade and Industry (DTI)	<a href="http://www.dti.gov.uk/sustainability/">www.dti.gov.uk/sustainability/</a>
EC Sustainable Development	<a href="http://www.europa.eu.int/comm/sustainable">www.europa.eu.int/comm/sustainable</a>
Energy Savings Trust	<a href="http://www.transportenergy.org.uk">www.transportenergy.org.uk</a>
Environment Agency	<a href="http://www.environment-agency.gov.uk">www.environment-agency.gov.uk</a>
European Environment Agency	<a href="http://www.eea.eu.int">www.eea.eu.int</a>
Foresight Vehicle Programme	<a href="http://www.foresightvehicle.org.uk">www.foresightvehicle.org.uk</a>
LowCVP	<a href="http://www.lowcvp.org.uk">www.lowcvp.org.uk</a>
Royal Society for the Prevention of Accidents	<a href="http://www.rospra.org.uk">www.rospra.org.uk</a>
Sector Skills Council for the Automotive Sector	<a href="http://www.automotive-skills.org.uk">www.automotive-skills.org.uk</a>
SMMT	<a href="http://www.smmt.co.uk">www.smmt.co.uk</a>
Sustainable Development Research Network	<a href="http://www.sd-research.org.uk">www.sd-research.org.uk</a>
The Carbon Trust	<a href="http://www.thecarbontrust.co.uk">www.thecarbontrust.co.uk</a>
The Sustainable Development Commission	<a href="http://www.sd-commission.org.uk">www.sd-commission.org.uk</a>
The World Business Council for Sustainable Development (WBCSD)	<a href="http://www.wbcasd.org">www.wbcasd.org</a>
UK Climate Change Impact Programme	<a href="http://www.ukcip.org.uk">www.ukcip.org.uk</a>
UK Commission for Integrated Transport	<a href="http://www.cfit.gov.uk">www.cfit.gov.uk</a>
UK GOV SITE	<a href="http://www.sustainable-development.gov.uk">www.sustainable-development.gov.uk</a>
UN Division for Sustainable Development	<a href="http://www.un.org/esa/sustdev">www.un.org/esa/sustdev</a>
United Kingdom Petroleum Industries Association (UKPIA)	<a href="http://www.ukpia.com">www.ukpia.com</a>
Vehicle Certification Agency (VCA)	<a href="http://www.vca.gov.uk">www.vca.gov.uk</a>

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