

The motor industry's most
important event of the year

SMMT INTERNATIONAL AUTOMOTIVE SUMMIT



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Post-Event Report

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OVERVIEW OF EVENT

A PACKED AGENDA BROUGHT TOGETHER ALL SECTORS OF THE AUTOMOTIVE INDUSTRY

In its sixth consecutive year, the SMMT International Automotive Summit continued to bolster its reputation as the most important event in the UK automotive calendar. The well-established event played host not only to leaders of the industry, but to relevant, high-profile speakers from beyond the sector.

An unprecedented 27 months of continual growth for new car registrations set the tone for the Summit in Canary Wharf, which was both a celebration of the industry's achievements and an examination of the challenges ahead. There was much to be happy about, said SMMT's Chief Executive, Mike Hawes: innovative new products, productive relationships with government, and landmark deals to bring more investment to the UK.

SMMT also opened the event with new research into UK exports, which revealed that the value of cars shipped abroad over the last decade has doubled, from £12bn to £24.8bn. Furthermore, UK car manufacturing is still on track to beat the all-time production record by 2017.

However, the areas of concern were discussed in equal detail by Jaguar Land Rover's Director of Purchasing, Ian Harnett. There are too few school-leavers and graduates pursuing a career in the industry, the significant gaps in our supply chain capability must be addressed and access to finance remains difficult for many businesses.

Political uncertainties were also hot topics among SMMT members, said Mike Hawes, including the 2014 Scottish Referendum, the 2015 General Election and ongoing debate about the UK's role in Europe. Industry's view on the European Union is clear, though: automotive businesses want to maintain access to markets, the single regulatory framework and the ability to move employees between countries



Mike Hawes, Chief Executive, SMMT

easily. An internal poll of SMMT members saw 92% of them say that their companies are better off staying in the EU.

Europe is not the only issue about which automotive companies are in agreement. The Automotive Council's Technology Roadmap sets out the future of propulsion technologies, and speakers from global brands came together at the Summit to share their views on next-generation powertrains.

Elsewhere, separate sessions outlined the future for car retailing and connectivity, and those at the cutting edge of new technologies addressed the challenge of turning innovation into profit. Leaders in the industry also delivered their verdicts on the skills and attributes that the future top managers in the sector would need to possess. Finally, Automotive Investment Organisation CEO, Joe Greenwell, took to the stage to close the Summit and reflect on the state of the industry.



KEYNOTE SPEECH

UK AUTOMOTIVE NEEDS MORE OVERSEAS SUPPLIERS TO BE GLOBALLY COMPETITIVE

The UK has world-leading brands and Europe's most productive car plant within its borders, but Jaguar Land Rover's Director of Purchasing, Ian Harnett, took to the stage to stress the importance of a strong automotive supplier base for our automotive economy.

Harnett said that Jaguar Land Rover uses "British-based suppliers where possible", but he also reminded his audience of the gaps in the UK's capabilities. "I don't believe we can truly claim to be a successful car manufacturing nation until we can source a large selection of components from the UK," he said.

Jaguar Land Rover sources around half of its components by value in the UK, and approximately half of that again is spent in the West Midlands. Harnett expressed the company's strong desire to boost those figures, since it is typically both cheaper and more environmentally friendly to source in the UK. However, "buying British" depends on the parts being manufactured here and, too often, that is not the case. "We have to import [engine] blocks, heads, most cranks, and all fuel injection units - there are simply no UK-based suppliers. They all come from abroad."

"We need a strong UK plc to attract quality global component suppliers to the UK."

Ian Harnett, Director of Purchasing, Jaguar Land Rover



Ian Harnett, Director of Purchasing, Jaguar Land Rover

There were, he said, laudable success stories with companies such as Bosch, Borg Warner and Johnson Controls either expanding or investing in facilities in the UK, but more needs to be done. "We need a strong active UK plc to court major components suppliers from around the world", he continued.



Harnett pointed to China, Germany and the US as excellent examples of how governments have bolstered the manufacturing industries. "It's often simply too complicated for suppliers to get the support theoretically offered by the UK government and by local development agencies ... we have made big improvements, but more needs to be done."

Skills were another huge challenge for UK automotive, said Harnett. "We need to enthuse our youngsters again to the wonders of making things - of manufacturing." The problem was most evident at post-university recruitment. "We still think the UK produces about half the number of engineering graduates needed to rebalance our economy."

Harnett added that it is not just relevant skills that are desirable but an international background, which he said helps companies "to think and to act more global". He stressed the importance of "thinking as Britain, a country that should always look outwards, not inwards. This country got rich on its global trade. That is still the way to long-term success."

KEYNOTE BY GOVERNMENT ADVISOR

PROMOTING UK AUTOMOTIVE IS KEY TO ITS FUTURE SUCCESS

Rt Hon Dr Vince Cable MP was called away to a debate on the day of the Summit, but he asked Joe Greenwell, CEO of the Automotive Investment Organisation, to deliver a few of his remarks.

Greenwell said that Dr Cable was proud of the truly international nature of the UK automotive industry. The Business Secretary had also made it clear that there is a shared responsibility to promote the sector. He said that despite much success, UK automotive is still not as widely known as it should be. "Many overseas believe that our industry fell apart years ago, but that is patently untrue."

There are many achievements to celebrate in the industry. Turnover is at an all-time high; as are exports. "We have the most productive automotive workforce in the EU," said Dr Cable, adding, "There is positive momentum in the UK industry".

Greenwell said that much of this momentum was down to "game changing institutes", such as the Automotive Council, Technology Strategy Board and the new Advanced Propulsion Centre. The Automotive Council in particular has brought new opportunities and investment to the UK, including the £1 billion commitment to making the UK a world leader in low carbon vehicles.

Sustainable activity is crucial to the future of the automotive industry, and beyond development in advanced propulsion, inward investment and supply chain development are equally important. The Automotive Investment Organisation has responsibility to bring more foreign investment to the UK, in the main to take advantage of the new supply chain opportunities worth £3bn. Bringing more component manufacturing to the UK will maintain growth in the industry and help to guarantee its long-term future.



Joe Greenwell, Chief Executive Officer,
Automotive Investment Organisation

One of the most significant challenges is in tackling the skills shortage across the industry. This applies not only to engineering, but to finance, logistics and management jobs, too. As Harnett stated in his keynote address, "We must get our youngsters to want to invent, and to make things, again". Many companies are already addressing this issue: Dr Cable referenced Nissan's £6.7m programme to upskill some 3,500 of its employees.

Greenwell concluded by reflecting on the progress the sector has made so far. "Just look how far automotive has come from being a byword for industrial inefficiency to the high-tech manufacturing industry it is today." There is work still to be done, he said, but there is a strong sense of realism and of hope for the future.



INNOVATION STREAM

INNOVATION NEEDED IN PROCESS AS WELL AS PRODUCT FOR ADVANCED PROPULSION

The first plenary session at this year's SMMT Summit involved detailed presentations about advanced propulsion, covering a range of powertrain technologies. Kevin E Layden, Global Director of Powertrain Engineering, Ford Motor Company, said that the challenge to innovate wasn't just down to CO₂ reduction - local air quality was also a major global problem.

Jerry Hardcastle OBE, General Manager - Innovation and Performance Projects, Nissan Motor Manufacturing UK, went on to say that - thanks to the new £1 billion Advanced Propulsion Centre - the UK now has the opportunity to be the global centre of low carbon powertrain development.

With such impressive resources and talented engineers, the question is not whether we can innovate, but how we can turn this innovation into profit. To discuss the issue, the Advanced Propulsion Centre's technical specialist, Jon Beasley, was joined by the CEO of Productiv, Richard Bruges, and YASA Motors' CTO, Dr Tim Woolmer, in a session chaired by the FT's automotive correspondent, Henry Foy.

KPMG's UK Head of Automotive, John Leech, was also on hand in the session to give the finance industry's point of view. He said that while there were issues with access to finance, particularly for smaller companies, a number of alternatives exist. Angel investors, inward investment and peer-to-peer finance each play a part, with the latter particularly successful for many SMEs.



Leech and the panel of experts agreed that more collaboration is required between the automotive and finance industries, in order to change the process in which the production of new technologies is funded.

This collaboration needs to happen quickly. CEO of Productiv, Richard Bruges, claimed that there are 150 new technologies in the UK currently waiting to be put into high-volume production, yet none are being developed for high-volume production with a Tier 1 supplier.

Dr Tim Woolmer, inventor of the compact yet powerful YASA motor, attributed Bruges' observation to the level of risk that a Tier 1 supplier would have to agree to in order to make a new technology production-ready.

However, specialists at the Advanced Propulsion Centre (APC) are confident that the new institute can bridge the gap between innovation and mass production, by helping to bring new UK-developed technologies to market.

The APC, which has access to a £1 billion stream of funding over the next decade, launched a second competition in May, with a pot of £75 million to be split to the winning candidates in September. Jon Beasley, APC's competitions specialist, explained that winners of a £130 million funding round earlier in the year would launch innovations to reduce CO₂ output by 250,000 tonnes per year.



OUR CONSUMERS STREAM

CONNECTIVITY TRANSFORMING CULTURE OF BUYING CARS
SAY RETAIL INDUSTRY EXPERTS

How will the relationship between consumers and the car industry change over the next decade? In a connected age where young people see the touch-screen before they see the steering wheel, manufacturers were keen to stress what they were doing to engage with the next generation of car buyers.

Directors from mainstream and niche brands introduced their audience to enhanced reality in dealerships, and the concept of a direct - rather than franchised - sales model. Audi's Head of Marketing, Nick Ratcliffe, presented the Audi City concept; a global pilot to investigate changing customer behaviour and engage them with products that aren't physically in the showroom.

Cutting-edge technology is used in this inner-city London location to present products in ways never seen before. Customers can see, hear and touch elements of a new car without it being in front of them. Ratcliffe suggested that the results of their pilot - compared to other sites in the same group - speak for themselves: 78% higher sales, a 29% higher average selling price, and a gross profit per unit 34% bigger. Audi found that customers were more likely to discover features in the cars, and more likely to care about the brand at the end of the process. In many ways, the 'virtual' showroom is more engaging than a traditional dealership.

Tesla's UK and Ireland Country Director, Georg Ell, said that there would be a digital element to every customer interaction with the electric car brand. The company's unique direct sales store concept is designed to inform and educate consumers. Ell said, "We want people with no intention of buying a car to visit us and come out inspired to tell all their friends about it".



With 12 million hours spent on automotive websites in the UK every month, customers are increasingly qualifying themselves for purchase before they even reach a dealer. Microsoft's Head of Automotive, Ian Webber, said that the approach to selling a car should involve "convenient experiences", which "shouldn't be any different to the retail or technology sectors".

The British Screen Advisory Council's Chairman, Adam Singer, challenged car companies to exploit the technology in modern cars, which he referred to as "the internet on wheels". He explained that technology is a tool for generating new revenues, "Connected data loves subscription models. The automotive sector has spent 100 years trying to lock in its customers - the connected car is an opportunity to do just that".

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OUR CONSUMERS STREAM

CONTINUED...

Chief Executive of Digital Radio UK, Ford Ennals, said that we are living in a “golden age for content and media”. He said that car companies could build relationships with customers by providing help and advice when the digital radio switchover is announced.

Mark Selby, Visiting Professor at the University of Surrey, reminded his audience of the high spending power of millennials, who also have high expectations of in-car technology and connectivity.

Car buyers’ needs will continue to change, and the overriding message was that the industry must constantly adapt to meet and exceed their requirements.



