

UK AUTOMOTIVE - DRIVING GROWTH

Introduction

The Society of Motor Manufacturers and Traders (SMMT) is one of the largest and most influential trade associations in the UK. It supports the interests of the UK automotive industry at home and abroad, promoting a united position to government, stakeholders and the media. SMMT fully supports government's agenda and ambitions to rebalance the economy, stimulate low carbon, sustainable, private-sector growth and increase exports.

The UK automotive industry is well placed to drive growth and provide opportunities that rebalance the economy

- The **UK produces over one million cars and commercial vehicles** and over two million engines annually.
- The automotive sector **contributes over 10% of total UK exports**, delivering an average annual export value of more than £25bn over the last five years.
- The UK automotive sector exports to over 100 markets worldwide. In 2010 **the UK exported 75% of the vehicles it manufactured.**
- The UK has the fourth highest R&D spend in Europe and represented a fifth of core global R&D activity in 2010. **Over £1.5bn is spent annually on automotive R&D in the UK.**
- The **automotive industry employs over 700,000 people** from manufacturing to retailing, **contributing £8.5bn added value to the economy.**

SMMT is focusing on a growth-led agenda in its policy programme, pursuing objectives that will strengthen the UK automotive sector

- **Low carbon growth through investment in technology and R&D** - The motor industry in the UK has a strong future and is at the heart of the low carbon agenda, investing in R&D that will deliver ever cleaner, safer and more fuel efficient vehicles.
- **Supporting suppliers and reinvigorating the automotive supply chain** – Championing automotive companies in the supply chain will strengthen the overall industry.
- **Attracting international investment and growing business through trade** – Opportunities for growth will come from the ability to increase exports to new markets and enable further investment in the UK from overseas.
- **Increasing skills to equip a new generation** - The motor industry is investing in skills and training to ensure future needs are met.

Priorities for growth

Published alongside the Budget in March, government presented its Plan for Growth. SMMT has called on government to prioritise the following areas in implementing its growth strategy:

- Restoring economic stability
 - Setting the right conditions for growth is vital for future growth in the UK automotive sector.
 - Access to finance continues to be constrained for automotive companies across the industry; lack of credit is a critical barrier in rebuilding and growing automotive manufacturing.
 - Industry looks for consistent support by government and its agencies for advanced manufacturing in policy decisions and the regulatory and tax environment in the UK.
- Encouraging investment and exports as a route to a more balanced economy
 - Setting the right framework for investment will drive future growth, making the UK the best possible investment proposition for automotive companies.
 - Government should focus on growth markets in its export and trade policy, assessing on a fair economic basis where the UK's strengths and opportunities lie, supporting manufacturing in rebalancing the economy.
- Enhancing the UK's capabilities in low carbon technology
 - R&D support is key for innovation and low carbon growth in the UK automotive sector. It also makes the UK a more attractive location for highly mobile R&D investment by OEMs and global Tier 1s.

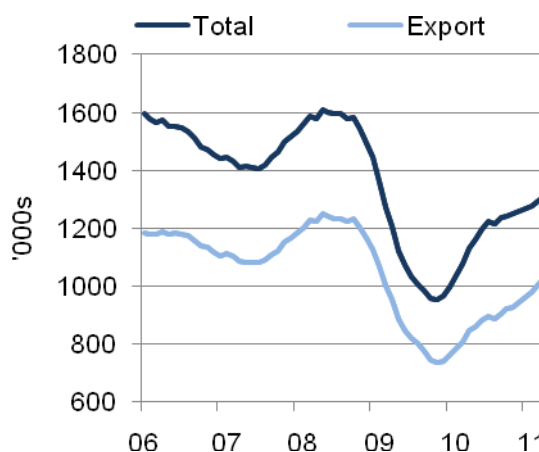
- Plans to incentivise R&D activity should take into account reform of the R&D tax credits regime to make them work better for automotive manufacturing to encourage greater investment in innovation.
- The UK is fast becoming a centre for low carbon vehicle manufacture, development, demonstration. Long-term commitments from government for continued support of new technology will enable the UK to build on this area of opportunity and strengthen the UK's leading role.
- Ensuring skills and training are central to government plans for growth
 - SMMT welcomes government commitment to strengthen its strategy for promoting science, technology, engineering and maths (STEM) skills, which are crucial in opening up employment opportunities at every level within the automotive sector.
 - Investment in higher-level technical skills and vocational training will enable the automotive workforce to compete on a level-footing internationally.

Automotive Growth

Latest figures published by SMMT shows that car output was up 13.0% over the first quarter of 2011, with commercial vehicle output down 0.8%, and UK engine production increasing by 9.4%. The industry still has a way to recover to meet pre-recession levels of manufacturing output while vehicle registrations and domestic demand remains subdued. A continuation of increased output and robust export demand will provide long-term strength and stability in the sector.

The automotive industry is working closely with government through the Automotive Council to promote policies that will encourage future growth in the sector. See Inside Manufacturing is an example of a joint initiative that looks to open up the industry during 2011 to young people, demonstrating the range of rewarding jobs available in this exciting, diverse and growing sector.

UK car production to April 2011



Supporting Growth

- Regional Growth Fund (RGF) - Jaguar Land Rover, Bentley and Nissan have been confirmed among a list of 50 companies from across the UK that will receive government support in the first round of the Regional Growth Fund allocation. General Motors in Luton has also received a conditional allocation of funding following the news that the next generation Vivaro van will be built at its plant in Luton, safeguarding around 1,500 jobs. The announcement comes following the first round of bids during which each of the companies demonstrated how they would create jobs, as well as ensure a high level of private sector-led sustainable economic growth in their local communities over the coming years.
- Technology and Innovation Centres – Government's plans to create Technology and Innovation Centres (TIC) is a welcome step in encouraging further investment in R&D. SMMT supports the Automotive Council's view that a future transport systems TIC and a low-carbon mobility TIC should be established.
- The Green Investment Bank has potentially a significant role to play in the demonstration and deployment stages of low carbon technologies and the necessary infrastructure development. SMMT has called on government to ensure that the scope of the Bank covers investments in the automotive sector and would welcome engagement with our industry as plans for the Bank are being developed.



Automotive Facts

- The UK built more cars in the last five years, than were registered in total across France, Germany and Spain in 2010.
- Over 50 models of car, bus, truck and van are manufactured in the UK by more than 30 automotive companies.
- The growing UK automotive components industry is capable of supplying around 80% of UK-based OEM demand.
- UK automotive has an unprecedented level of government support and a renewed focus on automotive careers.