SMMT DRIVING THE MOTOR INDUSTRY

WEEK IN WESTMINSTER

Week ending Friday 21 March

2014 Budget delivered

Chancellor, Rt Hon George Osborne MP, delivered his 2014 Budget to the House of Commons on 19 March. The Budget contained a number of key announcements for the automotive sector:

- **Annual Investment Allowance (AIA):** Government will double the AIA to £500,000 for all qualifying investment in plant and machinery made on or after 1 April 2014 until 31 December 2015. Government stated that the increased AIA will mean that up to 4.9 million firms – 99.8% of businesses – will receive 100% up-front relief on their qualifying investment in plant and machinery.
- **Export Finance:** Government will overhaul UK Export Finance's (UKEF) direct lending programme, doubling it to £3 billion and cutting interest rates, by a third, to the lowest permitted levels by international agreements to enable businesses to access competitive finance. Government will remove the scheme end date, relax conditions on loan sizes and do more to promote the UKEF. Government will also double UK Trade and Investment's Global Entrepreneur Programme, by providing £1.2 million in 2014-15 and again in 2015-16, and strengthen its support for export promotion.
- **Energy package:** The Chancellor announced a £7 billion package to reduce energy costs. This includes the freeze on the Carbon Floor Price which will help limit the competitive disadvantage UK automotive manufacturers and suppliers face. Companies further down the supply chain will also benefit from the exemption of metallurgical processes from climate change agreements, the energy-intensive industries support package and moves to help those with CHP plants.
- **Apprenticeships:** Government is providing an extra £85 million in both 2014-15 and 2015-16 for over 100,000 apprenticeship grants to employers. This is through the Apprenticeship Grant for Employers of 16 to 24 year olds which provides a £1,500 grant for companies who would be unable to take on an apprentice otherwise. Government will also provide £20 million over two years to support apprenticeships up to postgraduate level.
- **R&D tax credit:** Government will increase the rate of the payable credit for loss makers under the SME R&D tax credit scheme from 11% to 14.5% from April 2014. Government will also exclude R&D allowances from the anti-loss buying rules announced at Budget 2013. The change will have effect for qualifying changes occurring on or after 1 April 2014.
- **Company Car Tax (CCT):** The Chancellor announced that in 2017-18 there will be a 4 percentage point differential between the 0-50 and 51-75 g CO_2/km bands and between the 51-75 and 76-94 g CO_2/km bands. In 2018-19 this differential will reduce to 3 percentage points. The differential will reduce further to 2 percentage points in 2019-20 in line with the Budget 2013 announcement.
- **Capital allowances:** Government will extend the period in which enhanced capital allowances are available in Enterprise Zones by three years until 31 March 2020. Government will also extend the Enhanced Capital Allowance (ECA) for zero emission goods vehicles to 31 March 2018. To comply with EU state aid rules the availability of the ECA will be limited to businesses that do not claim the government's Plug-in Van Grant.

Commenting on the 2014 Budget , SMMT Chief Executive, Mike Hawes, stated: 'The Chancellor's focus on investment, exports and skills, as well as reducing energy costs for manufacturing, is welcomed by the automotive industry. In line with welcome reductions in energy costs, we ask government to look at business rates to ensure the system works for manufacturing and maintain our global competitiveness".
(Source: HM Treasury/SMMT)
https://www.gov.uk/government/topical-events/budget-2014

UK vehicle manufacturing dips in February

Car manufacturing
UK car manufacturing output remained just behind 2013 levels, slipping 2.7% in February to 133,730 units whilst the 2014-to-date production was also down 1.4% at 262,645 units. As export volumes rise (+3.5%), SMMT estimates the average car export value has risen more than 70% between 2007 and 2013, to over £20,000.

Commercial vehicle manufacturing
Commercial vehicle manufacturing output fell 22.1% in February to 6,235 units. This marked the eighth successive monthly drop and left year-to-date volumes down 18.4% as the impact of restructuring continues to be felt across home and export markets.

Engine production
February engine manufacturing was 2.4% behind 2013 levels at 220,466 units as plants wait for full-scale vehicle output. However, the output for export rose 3.9% in the month growing the export share to 64% of production.

CBI & EEF report that UK manufacturing remains robust

CBI Industrial Trends Survey
The CBI's latest Industrial Trends Survey has shown that activity in the UK manufacturing sector remained robust in March and overall demand continued to rise, with total orders improving. The survey of 368 manufacturers found that total order books improved slightly again in the three months to March. This strength was broad based, with above-average results in 14 out of 17 sectors. Export orders fell back, but remained above average in 11 out of 17 sectors.

Output growth also slipped to a five-month low, but still remained firmly above average. Growth is expected to edge up over the next three months, albeit at a slower pace than predicted in January and February.
(Source: CBI)
http://www.cbi.org.uk/media-centre/press-releases/2014/03/manufacturing-remains-robust-cbi-survey/

EEF/BDO Q1 manufacturing outlook survey
The EEF/BDO Q1 manufacturing outlook survey has shown that Britain's manufacturers are enjoying increasingly strong growth thanks to a combination of strong UK sales and a boost in overseas trade. The survey reveals a more consistent picture than in recent quarters with the strong conditions spreading to all regions and sectors, and healthy balances for both UK and overseas sales. In addition, the positive outlook is being translated into record high recruitment and investment intentions - the highest levels recorded in the survey.
(Source: EEF)
http://www.eef.org.uk/releases/uk/2014/Manufacturers-UK-recovery-well-underway-.htm

Week ahead

Commons Committees
Monday 24 March
Transport Committee (4.05pm, room tbc)
Government motoring agencies - the user perspective

Westminster Hall
No relevant activity

Lords Committees
No relevant activity

THE SOCIETY OF MANUFACTURERS AND TRADERS LIMITED
SMMT, 71 Great Peter Street, London. SW1P 2BN
T +44 (0)20 7235 7000 F +44 (0)20 7235 7112