

Growing the Automotive Supply Chain: The opportunity ahead

24 March 2015

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- During presentations (10:30 – 11:00) everyone will be muted so that only the presenters will be heard.
- The presentation will be followed by a Q&A session. Click on the hand symbol to show that you have a question.
- If you are experiencing any technical problems please call 020 7344 1673.

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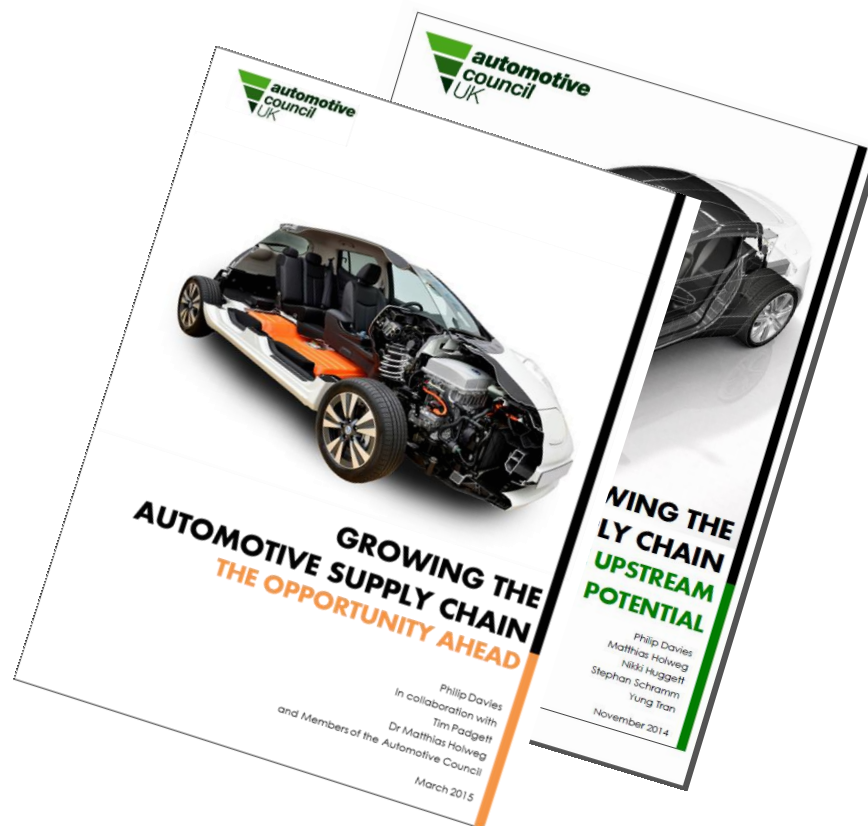
Growing the Automotive Supply Chain

The opportunity ahead

Philip Davies
Automotive analyst, BIS

SMMT Webinar

March 2015

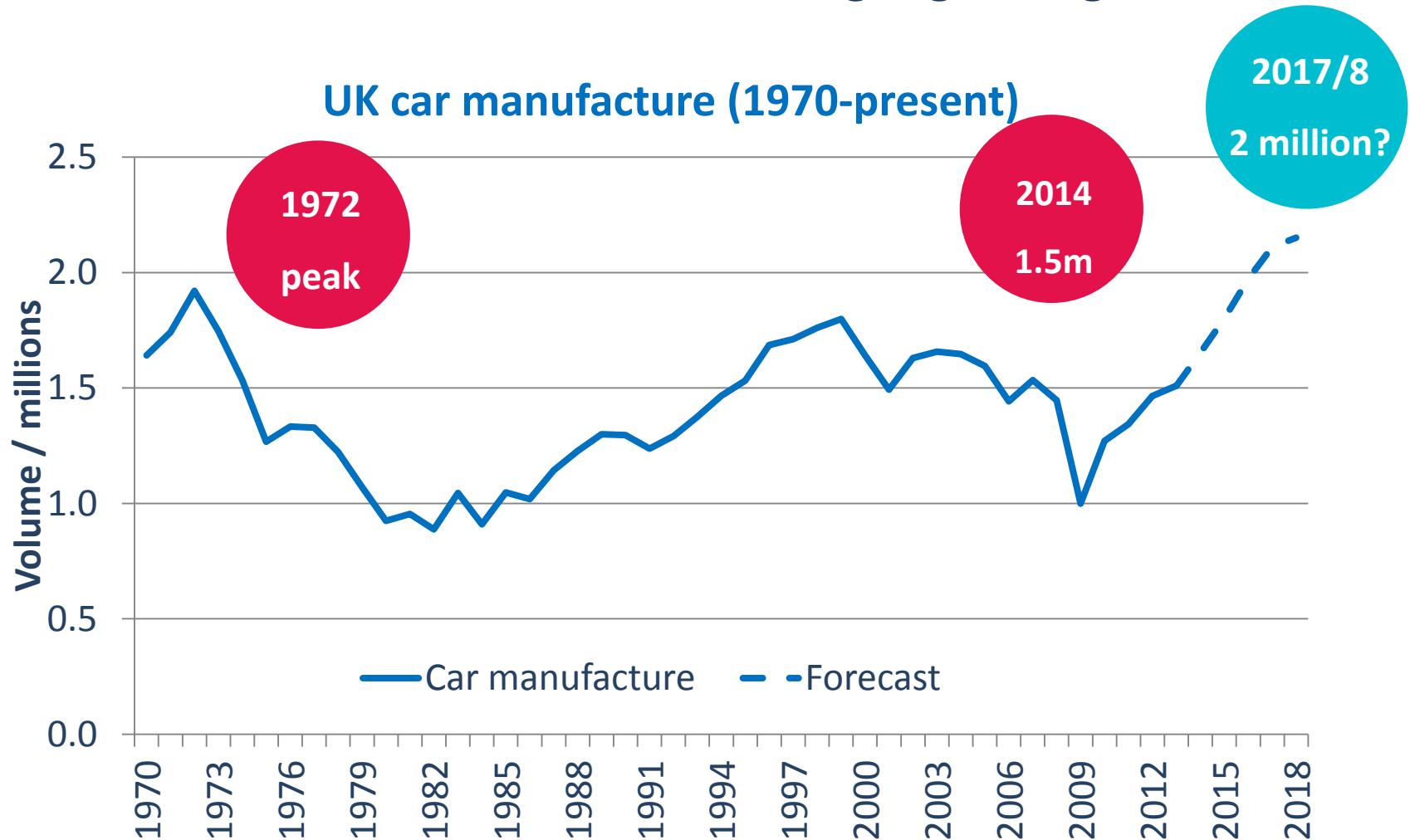


Agenda for today

- 1. UK automotive – a positive story, but hidden challenges**
- 2. Supply Chain Group overview**
- 3. New report – “Growing the Automotive Supply Chain – The Opportunity Ahead”**
 - 1. Main findings**
 - 2. Recommendations**
- 4. Action plans and next steps – what can you do?**

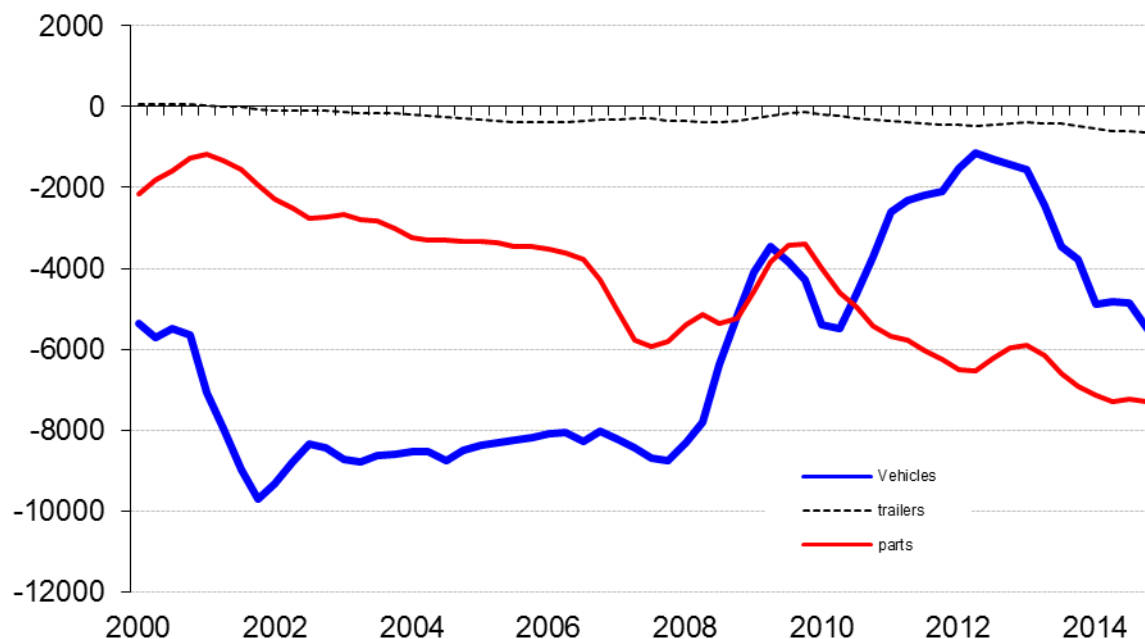
“Building consensus, addressing the challenges”

UK automotive manufacturing is growing



Source: SMMT PIE data

Automotive trade balance (£millions)



- Annualised exports growing, nearly £35 billion
- Annualised imports also growing, around £48 billion
- Strong UK car sales are driving import growth
- Despite growing UK vehicle output, parts imports appear to be stabilising



BorgWarner

Borg Warner
Bradford

£15m investment 80
jobs

LEAR
CORPORATION
Lear Corp.
Washington
300 new jobs

Nifco

Nifco UK Ltd
Teesside
170 jobs

STADCO
Stadco
Telford
£45m investment

TRW
Automotive
TRW
Sunderland
£15m investment

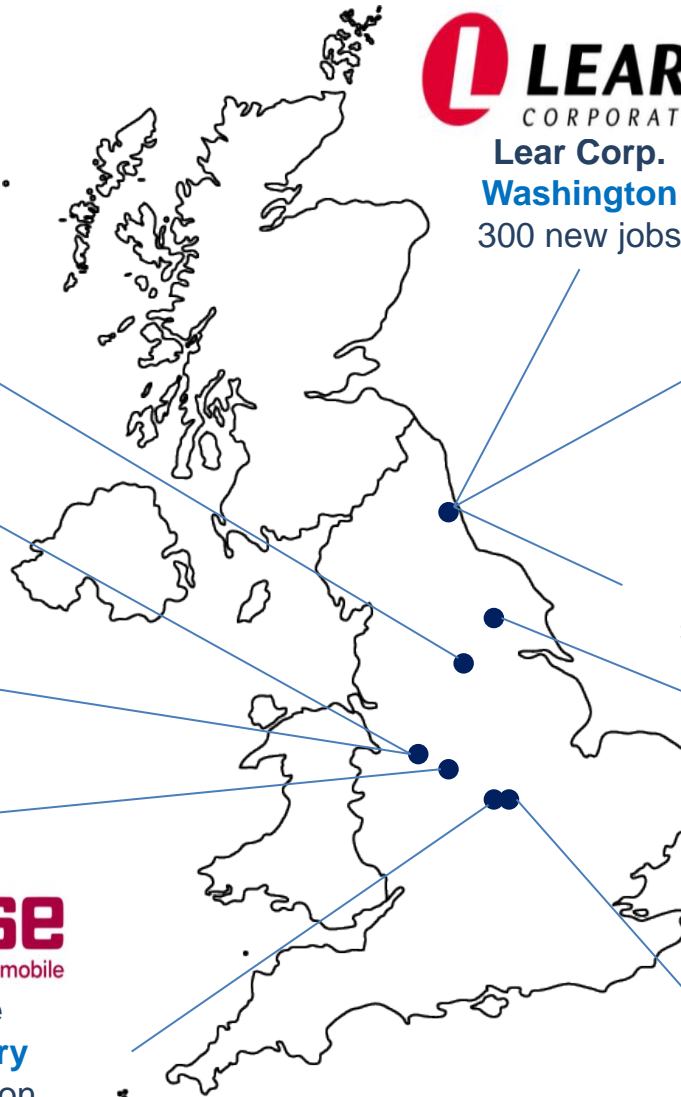
GKN
GKN Birmingham and
Telford
£12m investment

Rosti
Rosti McKechnie
Yorkshire
200 new jobs

Cabauto
CAB Automotive Ltd
Cab Automotive
Tipton
£1.7m investment

brose
Technik für Automobile
Brose
Coventry
£15 million

ai
Automotive Insulations
Warwickshire
200 new jobs



Supply chain issues.... we've been here before



**1906 Royal Commission noted a shortage of UK
suppliers, including wheels**



By mid 1970's, UK content was probably at its peak, around 90%.
This probably included OEM GVA: we'll come back to this point later

How do we compare?

	2013 Production	Domestic sourcing to SMEs	Average SME size (people)
UK	1,5m	30%	30
Germany	5,4m	60%	180
Factor	x3.5	x2	x6

Conclusions

- German SMEs are more stable and capable, with stronger export opportunity

What should we do?

- Increase UK production
- Source more in the UK
- Nurture and grow UK SMEs

**This is the focus of the
Supply Chain Group**

About the Supply Chain Group

Chaired by Dave Allen, JLR

39 members from across the UK automotive spectrum

5 workstreams:

1. Quantifying and capitalising on business opportunities for the UK supply chain
Phil Davies, BIS
2. Improving supply chain long-term competitiveness
Chris Owen, SMMT IF
3. Satisfying supply chain demand
Lawrence Davies, AIO
4. Improving access to finance for the supply chain
Mike Mychajluk, JLR and Richard Hill, RBS
5. Improving innovation and premium product manufacturing in the supply chain
Chris Owen, SMMT IF

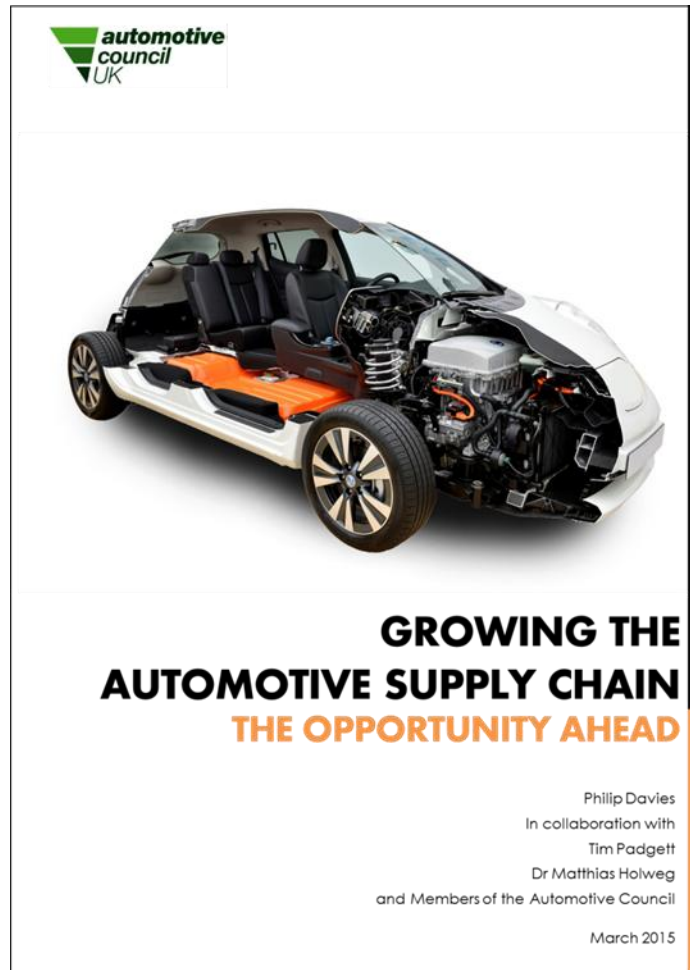
“Building consensus, addressing the challenges”

The new report

Survey of UK OEM's for the Supply Chain Group by

- Philip Davies
- Matthias Holweg
- Tim Padgett
- And others

To update the '£3 billion' report



Key findings – overview

- as UK vehicle output increases, the supply chain re-shoring opportunity will grow to at least £4 billion-worth of business a year
- Around one third of UK OEM purchasing is from UK suppliers
- The majority of imported goods are sourced from countries that are not regarded as 'low cost', such as Germany, France and Japan
- The highest value opportunities are for
 - Castings and forgings
 - Steering systems
 - Trim
 - Pressings and hot stampings
 - Seating
 - Alloy wheels

The opportunity in more detail

- Values are indicative, to illustrate the scale of the opportunity and should not be regarded as a precise forecast
- In some cases, UK already has a strong position, with current investors running close to capacity. Here, expansion is one possible way forward
- In others UK has limited current investment, and UK will need new investments

Commodity	The future opportunity
Engine castings	£550 million
Steering systems	£330 million
Trim	£255 million
Engine forgings	£255 million
Pressings and hot stampings	£240 million
Seat components	£225 million
Alloy wheels	£210 million
Lighting	£210 million
Electronics	£170 million
Plastic mouldings	£150 million
Entertainment & navigation	£135 million
Bearings	£120 million
Instrument Clusters	£120 million
Glass	£110 million
Hinges	£105 million
12V Lead/Acid Battery	£ 90 million
Other commodities	£725 million
Total	£4 billion

Recommendations

1. 'Meet the Buyer': the events could be widened to include lower tier buyers, commodity-specific and regional events
2. The Automotive Investment Organisation is demonstrably effective, and this work should continue
3. More work is needed to fully understand purchasing criteria, in order to inform the offer to investors
4. Promoting the capabilities of UK suppliers to UK buyers might include signposting and possibly a showcase event
5. Commodity workshops would help to understand the unique characteristics of specific commodity supply chains, and their potential to be re-shored

Status and actions

1. 'Meet the Buyer': the events could be widened to include lower tier buyers, commodity-specific and regional events

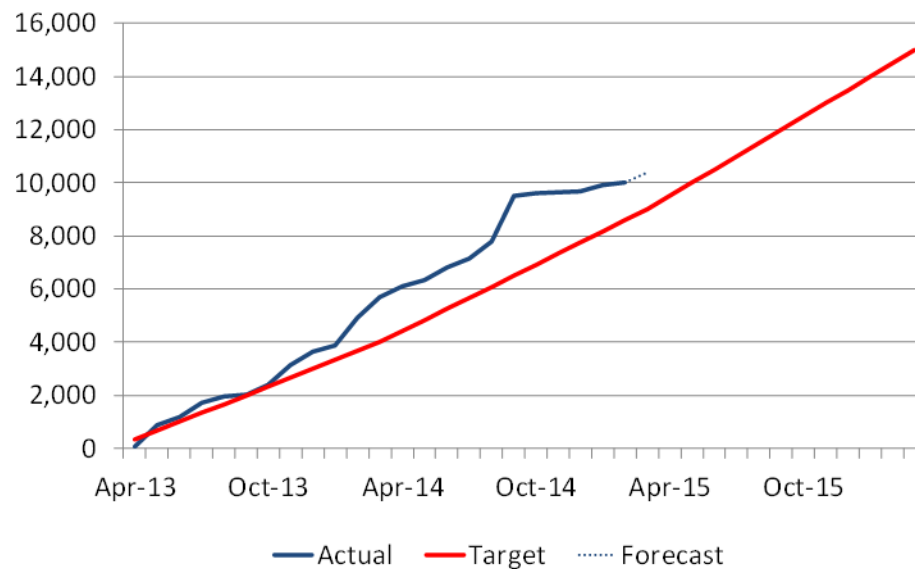
Ongoing through SMMT Supply Chain and Automotive Components Section



Status and actions

2: The Automotive Investment Organisation is demonstrably effective, and this work should continue

More than 10,000 jobs-worth of investments captured



Status and actions

3: More work is needed to fully understand purchasing criteria, in order to inform the offer to investors

Potential study being considered

4: Promoting the capabilities of UK suppliers to UK buyers might include signposting and possibly a showcase event

SMMT canvassing views to see if this is viable

5: Commodity workshops would help to understand the unique characteristics of specific commodity supply chains, and their potential to be re-shored

Metals workshop held late 2014, more in the pipeline

Conclusions

The Automotive sector is providing unprecedented opportunity for SMEs:

- **Organic growth as production increases from 1.5 to 2 million units over the next few years**
- **The new report clearly identifies the opportunities for increasing tier-1 business – £4bn opportunity!**
- **This will amplify the £2 billion upstream opportunity**

We should be aiming to increase the number of commodity groups with UK market shares above 50%, both at tier-1 and upstream

A strong supply chain will encourage OEM and Tier-1 investment in production and R&D in the UK

Growing the Automotive Supply Chain

Thank You!

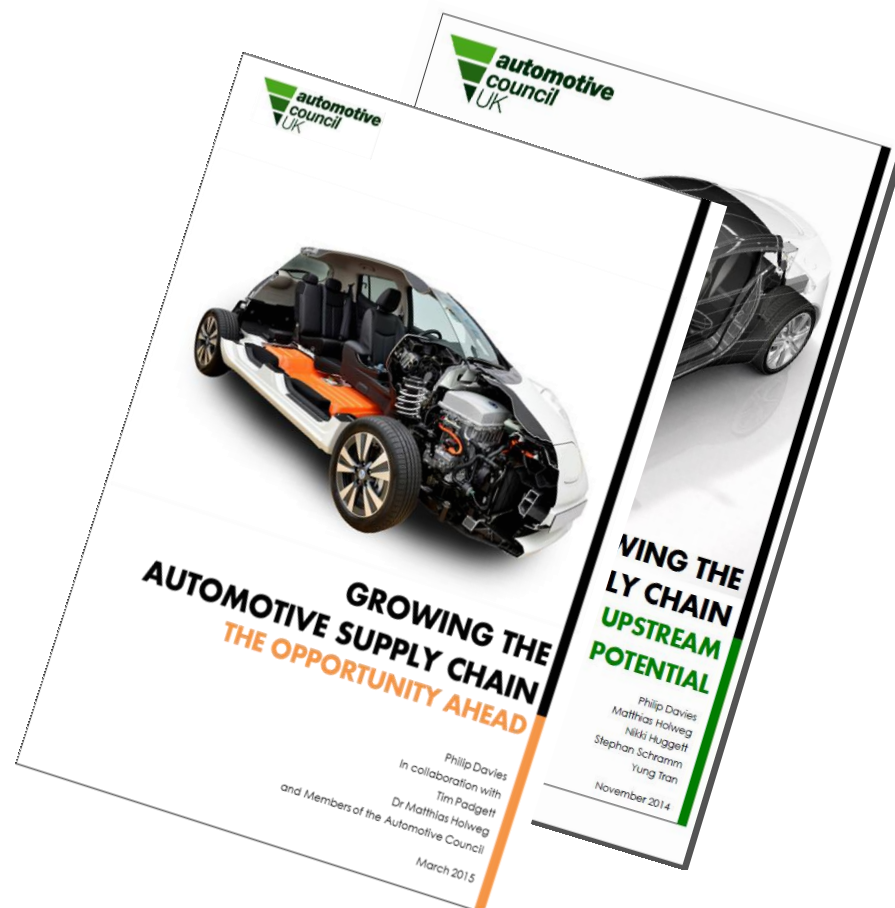
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SMMT Webinar

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Questions and Answers

Please click on the hand symbol to raise your hand if you have a question.

Please ensure that you are connected to the audio to ask a question.

Alternatively, you can type your question.



Email: **memberservices@smt.co.uk** with your questions after this session.

Slides emailed to participants after this session.

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