

Towards Sustainability

Environmental, Economic and Social Performance



The Automotive Sector
First Annual Report

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Founding Signatories of the Automotive Sector Strategy for Sustainable Development

BMW Group Ltd*

Dunlop Tyres Ltd

Ford Motor Company Ltd

GKN Automotive Ltd

Nissan Motor (GB) Ltd and Nissan Motor Manufacturing (UK) Ltd

Rolls Royce and Bentley Motor Cars Ltd

Tennex Europe Ltd

Toyota (GB) PLC and Toyota Motor Manufacturing UK Ltd

Unipart Group of Companies

Vauxhall Motors Ltd

Volex Wiring Systems

*Please note that during the 1999 calendar year BMW Group Ltd included Rover Group Ltd and Land Rover UK Ltd. Future annual reports will contain separate listings for these companies.

Chief Executive Statement

I am pleased to introduce the First Annual Report of the Automotive Sector's Sustainability Strategy. The Report demonstrates our commitment to sustainable development as we seek to balance our business goals with social and environmental needs. We recognise the importance of public accountability and are committed to report publicly, each year on our progress.



The Report highlights our objectives, demonstrates our progress and clearly acknowledges the challenges we face. It aims to provide detailed, reliable information for our stakeholders, consumers and the public through which our progress can be assessed.

We acknowledge that the concept of sustainability is complex and constantly evolving as we begin to integrate its principles further into our daily business activities. The Report therefore represents a first step in our common journey to sustainable development. We aim to develop the Report in future years to reflect new challenges, experiences and developments in international reporting guidelines.

We are committed to engage in constructive dialogue with those interested in the future of the automotive industry and the role of the motor vehicle in a sustainable integrated transport system. We would therefore welcome any feedback from readers of the Report so that we may continue to build a positive and robust relationship with our stakeholders.

A handwritten signature in dark ink, appearing to read 'C Macgowan'. The signature is fluid and cursive, with a large loop at the end.

Christopher Macgowan
Chief Executive SMMT

Introduction

The Sustainability Strategy was launched by The Society of Motor Manufacturers and Traders Limited (SMMT) in March 2000, with 11 major vehicle and component manufacturers, representing over 40 per cent of sector's annual turnover, as founding signatories. The document, entitled, Towards Sustainability: The Automotive Sector Strategy, outlines the industry's commitment to balance economic progress with environmental care and social responsibility in order to ensure continuing progress across the Triple Bottom Line.

The automotive sector makes a significant contribution to the UK economy and is the first UK sector to announce its commitment to report publicly on its progress towards long term sustainability. As the motor vehicle will continue to play a pivotal role in any integrated transport policy, the industry aims to balance its business goals with social and environmental needs in order to provide mobility while minimising its environmental impact.

Integral to the strategy is a commitment to report annually on the combined progress of signatory companies towards the environmental, economic and social commitments outlined in the strategy. To this end, each signatory has designated a representative within their company to liaise with and provide annual information to SMMT. This information has provided the basis for the Report which details progress and events during the 1999 calendar year. The Report includes aggregated data from information provided by the signatories in addition to reports on progress towards specified targets for the sector as a whole.

In areas where sustainability commitments do not provide easily quantifiable results, representative examples have been chosen as the most appropriate method of expressing progress. The report seeks to establish baseline data and agreed indicators against which commitments can be assessed and act as a benchmark for measuring future progress. It is recognised however, that the nature of the commitments and indicators may be developed in future years to reflect new issues and challenges and to accommodate the experiences and knowledge gained in measuring progress towards sustainable development.

Key Challenges for the Sector

Since the launch of the Sustainability Strategy in March 2000, the industry has encountered increasing economic pressures which have added greatly to the challenges facing the sector as it strives to make progress across the triple bottom line.

- **Strength of Sterling.** Economic stability is central to sustainable business development, as it is essential if businesses are to plan, invest and maintain long term sustainable economic growth. The appreciation of Sterling against the Euro since its economic challenges as it has sought to remain competitive in increasingly competitive global markets.
- **Climate Change Levy.** In the 2000 Budget, the Chancellor restated Government plans to introduce a Climate Change Levy on the business use of energy from April 2001 as part of the UK's Climate Change Programme. Its introduction will result in substantial increases in production costs for the UK motor industry. The sector is currently working with government to reach a negotiated agreement which would take into account the cleaner systems and production processes already introduced by the industry.
- **End of Life Vehicle Directive.** The End of Life Vehicle (ELV) Directive provides for the disposal of vehicles by the last owners free of charge and is expected to pass in to UK law in 2001. The Directive represents a major financial challenge to EU car producers. The sector is currently involved in a number of voluntary agreements to improve the level of material recovered and reused from ELVs. The industry is working to limit the environmental impact of the disposal process through a flexible co-operative approach with government which would not undermine the economic sustainability of the industry.

The motor industry operates in an increasingly complex business environment and will face new and demanding challenges every year. This first sustainability report highlights the progress that has been made and demonstrates a commitment to year on year improvements within the automotive sector.

Environmental Performance 1999

SECTOR

Commitment: To continue to improve tailpipe emissions standards.

Indicator: Statement of progress

Figure 1: Heavy Duty Diesel Engines: Percentage Reductions Since 1986

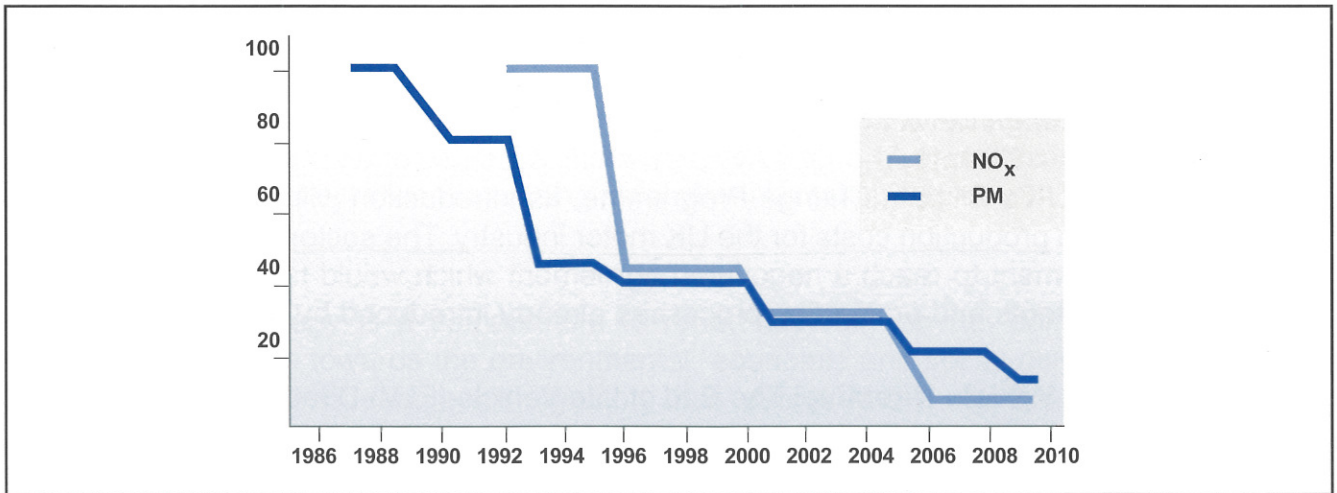
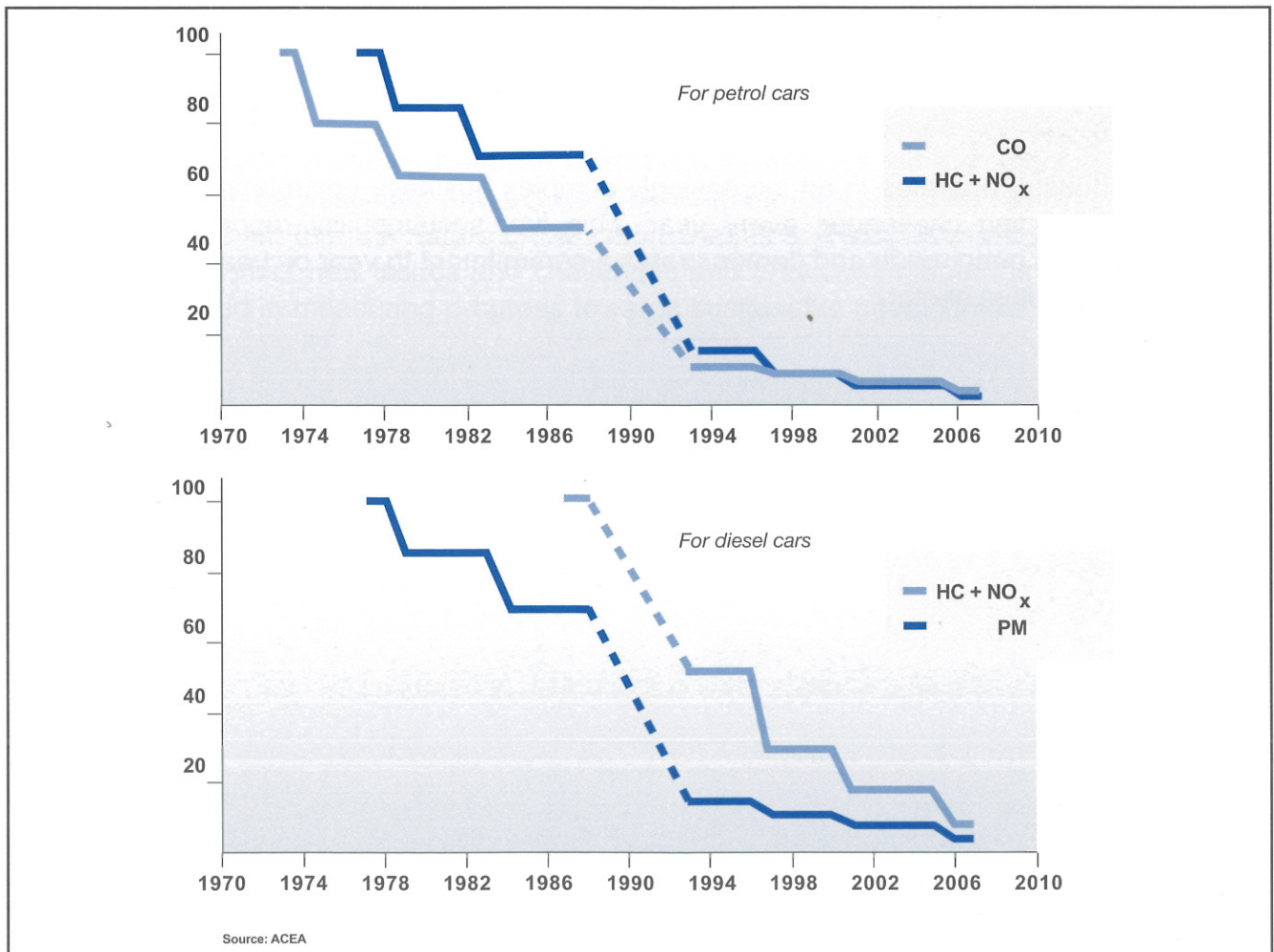


Figure 2: New Car Regulated Emissions: Percentage Reductions Since 1970



Source: ACEA

Figure 3: Penetration of Euro Standards into the Car Park - Petrol Cars

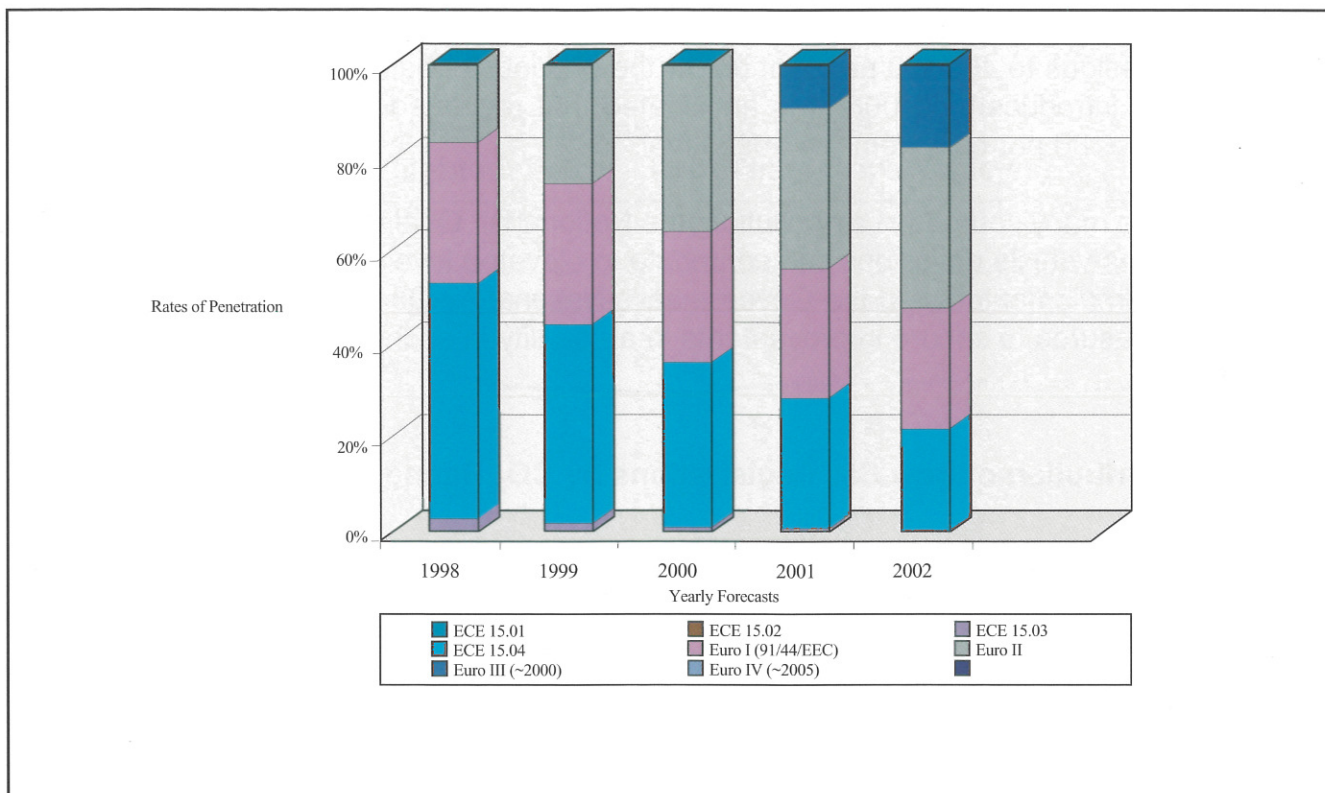
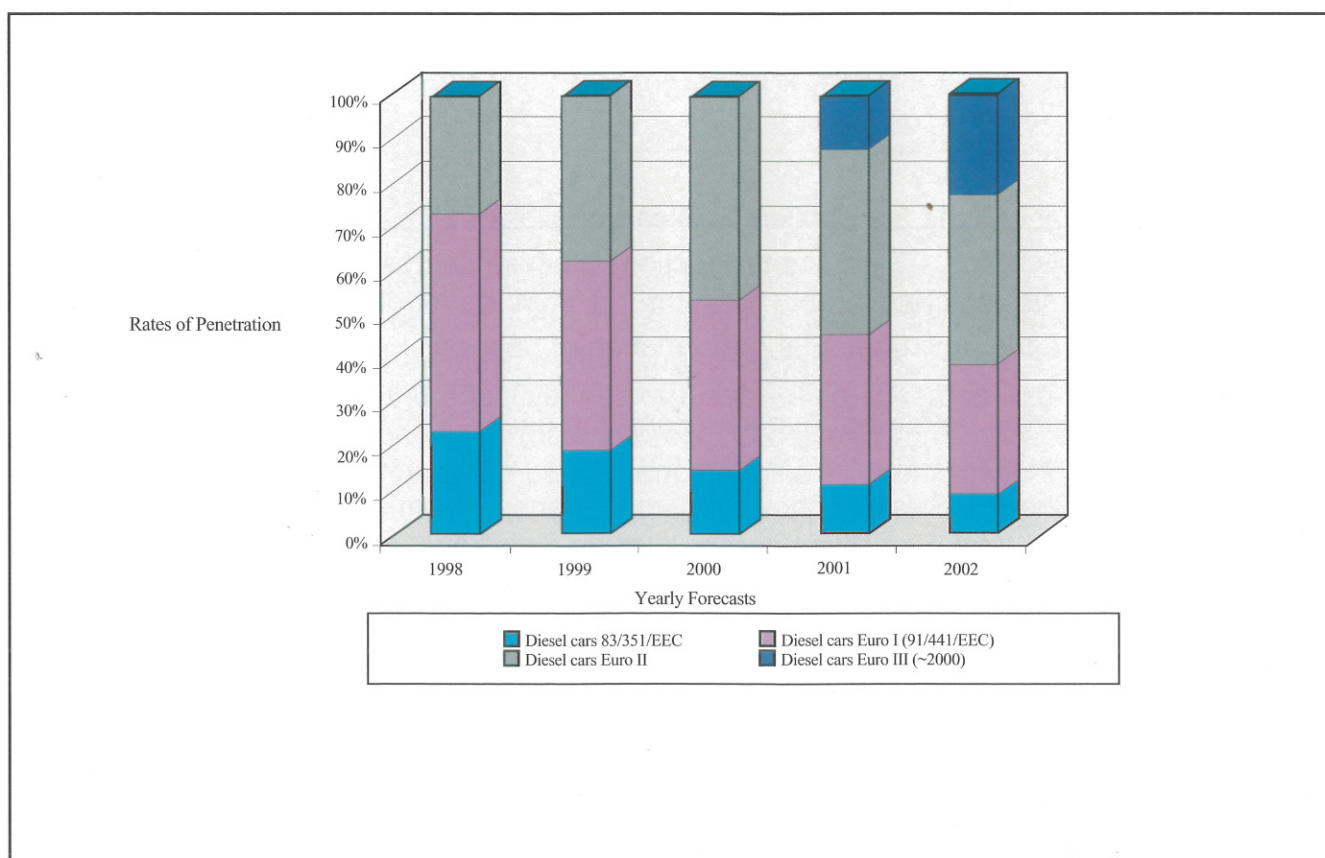


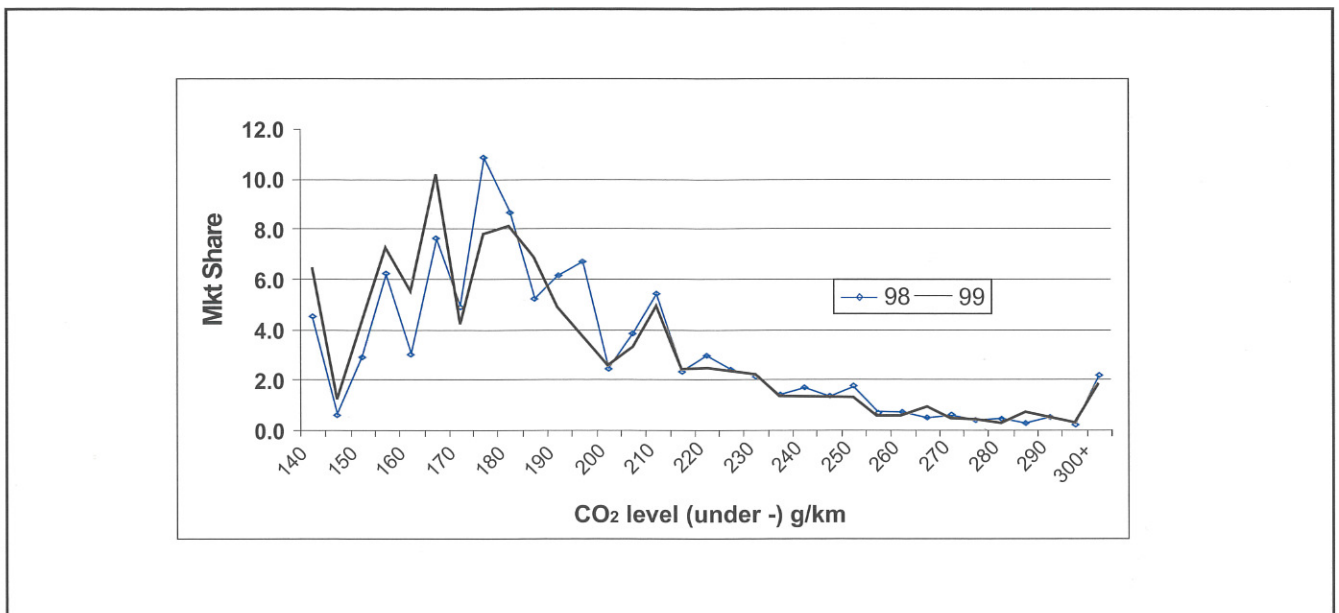
Figure 4: Penetration of Euro Standards into the Car Park - Diesel Cars



Extensive progress has been made over the last two decades in improving engine technology and fuel quality, resulting in a significant reduction in tailpipe and evaporative emissions from new vehicles. The introduction of Euro I standards for new cars in 1993 reduced regulated emissions from petrol engines by up to 90 per cent. Successive Euro standards have reduced regulated emissions to 40 – 50 per cent below the previously regulated level. When Euro IV standards are introduced in 2006, it is anticipated that regulated emissions will have been reduced by 70 – 80 per cent from the 1993 level.

While there are many sources of air pollution, the National Air Quality Strategy recognises that in urban centres vehicle emissions can contribute to elevated levels of oxides of nitrogen and particles. The implementation of the Government’s National Air Quality Strategy will introduce a range of measures to secure improvements in air quality in such areas.

Figure 5: Distribution of New Car Registrations by CO₂ Rating



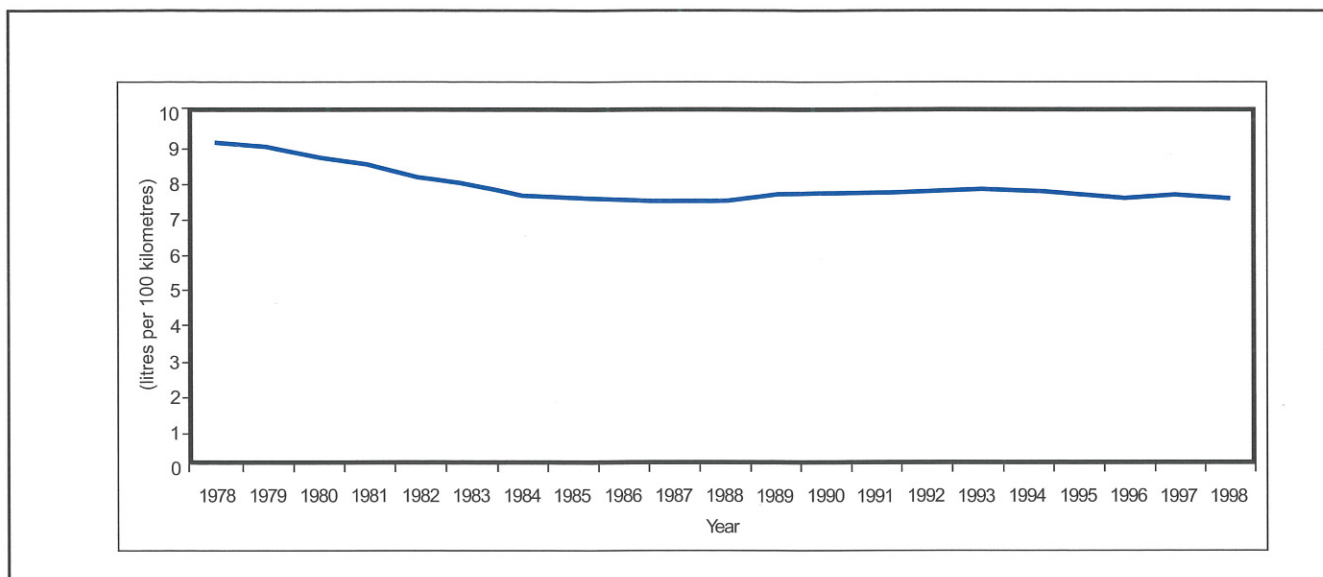
The average new car emitted 2.2 per cent less carbon dioxide (CO₂) in 1999 than in 1998 and compares favourably to the 1.7 per cent reduction witnessed across Europe as a whole. The reduction in CO₂ emissions has largely been the result of the introduction of new technology designed to improve the environmental performance of new cars.

Improved fuel efficiency, better aerodynamics and the use of lightweight materials have also contributed to the reduction in average new car levels of CO₂ emissions. According to the National Climate Change Strategy, however, road transport emissions, which account for almost one fifth of the total man-made carbon dioxide emissions within the UK, are expected to continue to rise.

Commitment: To continue to improve new vehicle fuel efficiency.

Indicator: Fleet average fuel consumption

**Figure 6: Average New Car Fuel Consumption 1978-1998
(Registration Weighted, Petrol - Two Wheel Drive Vehicles)**



The industry's commitment to improving the fuel efficiency of new cars is outlined in the ACEA Agreement. While substantial progress has been made in improving engine and powertrain efficiency since 1978, the gains have been offset by developments in safety and customer demand for utility features which have a conflicting effect on fuel efficiency. Although the Department of Transport is still compiling data for 1999, the shape of the above curve is expected to demonstrate real improvements in new car fuel efficiency by 2008.

Commitment: To continue to improve consumer environmental information at the point of sale.

Indicator: Statement of progress

As part of the work undertaken by the Cleaner Vehicles Task Force (CVTF), the SMMT and DETR have commissioned research into the variety of different vehicle environmental ratings schemes in operation across the world. The study, conducted by Napier and Oxford Universities has looked at the effectiveness of these rating schemes and at the information that consumers find most helpful in making product choices. Consumer reaction to different schemes that explicitly compare the performance of different vehicles in the same class has been tested. The project published its report in summer 2000 with recommendations as to the type of information that consumers would find most helpful. The industry is currently examining the report to determine what further action should be taken.

In October 1999, SMMT launched an industry-wide environmental label for new cars which has been on display at franchised dealers throughout the UK from 1 December 1999. Further details on the label are provided later in this report.

Commitment: To continue to research, develop and bring cleaner technologies to the market.

Indicator: Statement of progress

Developments in Engine Technology

In recent years, engine manufacturers have devoted significant resources to meeting the challenge of ever tightening exhaust emissions and fuel economy standards. This work has resulted in a number of developments which will help to ensure the environmental impact of vehicles produced from 2000 is minimized.

- **Hybrid Vehicles.** Hybrid vehicles are those with more than one power source, combining for example, an engine and an electric battery, or an engine and a fly wheel for energy storage. These, plus the purely electric battery powered vehicles that are currently available to consumers have the potential to make a significant contribution to the reduction of air pollution. Their ultimate success however will depend on the development of more efficient batteries, control systems and motors to provide an acceptable range at an economic cost.
- **Gas Powered Vehicles.** Engines designed to run on natural gas and liquid petroleum gas are able to offer a number of benefits compared with those running on conventional fuel. These gaseous fuels produce fewer harmful emissions, which helps to improve local air quality. Noise pollution and emissions of carbon dioxide and other gases thought to contribute to climate change are also reduced.
- **Fuel Cell Technology.** The fuel cell, which generates electricity through an electro-chemical process, is potentially the best alternative to conventional, fossil-fuel burning engines as it offers prospects for high efficiency and low environmental impact. Although fuel cell technology had been previously considered too cumbersome for automotive application, the environmental advantages are such that further research and development will almost certainly result in wide spread availability of economically produced fuel cells within five years.

Commitment: To continue to improve the level of material recovery from End of Life Vehicles.

Indicator: Material recovery percentage

During 1999, the motor vehicle manufacturers continued their efforts, together with the other industry sectors in the Automotive Consortium on Recycling and Disposal (ACORD), to improve the level of material recovery and recycling from End of Life Vehicles (ELVs). Several new R&D programmes were launched through the manufacturer-funded CARE group. Most notable are: a project with Brighton University to separate recyclable plastics from shredder residue; and the development with the British Plastics Federation (BPF) of new generic specifications for recycled plastics.

Detailed data for 1999 achievements in recycled tonnage are not yet available, but it is expected that there will be little, if any, improvement over the average 1997/1998 level of 75 per cent by weight. This is because most current work is aimed at the medium to long term, rather than short-term improvements, and the immediate markets for recycled materials have remained weak due to global conditions.

All manufacturers are developing design improvements to aid recycling in the future, although these benefits will not be realised until new generation vehicles start to be scrapped in significant numbers beyond 2010. Meanwhile, considerable effort is being devoted to the development of workable implementation plans for the European End of Life Vehicle Directive, which will require tangible improvements in recycling percentages as early as 2006, irrespective of the market conditions.

SIGNATORY COMPANIES

The results detailed below are based on aggregated data produced from company data returns. One signatory company, Tennex Europe Ltd was unable to provide data for 1999 and so has not been included in this Report.

Commitment: To continue to control and reduce the environmental impact of company operations.

Indicator: Number of signatories with environmental management systems (EMS) at over 50 per cent of their sites.

Number of reporting signatories with environmental management systems (EMS) at over 50 per cent of their sites.	9
Number of manufacturing sites covered by EMS	26

Indicator: Number of signatories producing corporate environmental reports.

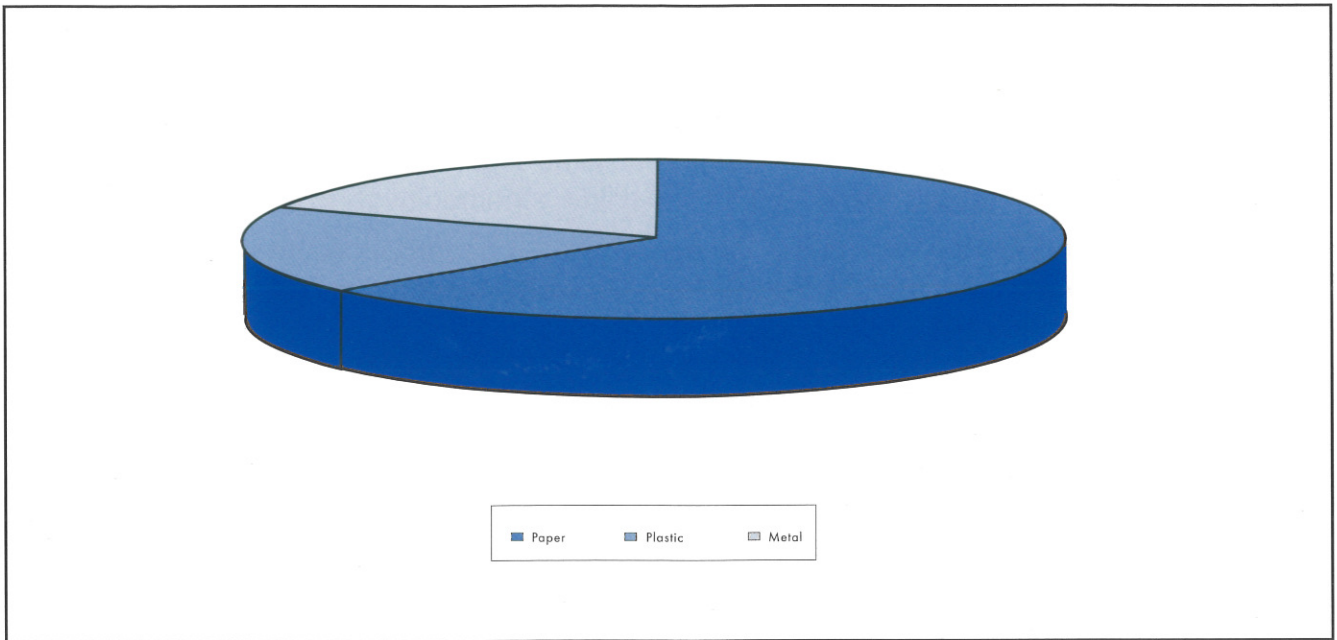
Number of reporting signatories producing corporate environmental reports	6
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Indicator: Resource usage and emissions.

Resource usage & emissions	Total	Per Employee	Per £1million of turnover
Energy (kw/h)	6110369203	64175.11	303828.57
Water (Cubic Metres)	217729357	2286.74	10826.25
CO ₂ (Tonnes)	1821585.89	19.13	90.57
VOCs (kg) (Volatile Organic Compounds)	4018951	42.21	199.84
*Total waste to landfill (Tonnes)	54953.5	0.58	2.73

* Data for 9 signatories only

Figure 7: Distribution of Packaging Materials for Recycling



Packaging waste: recovery and recycling

Total tonnes for recovery	Tonnes for recovery per employee	Tonnes for recovery per £1 million turnover
10,900	0.11	0.54

Total tonnes for recycling	Tonnes for recycling per employee	Tonnes for recycling per £1 million turnover
1,802	0.19	0.90

Economic Performance 1999

SECTOR

Commitment: To continue to seek economic growth and secure competitiveness in the global environment.

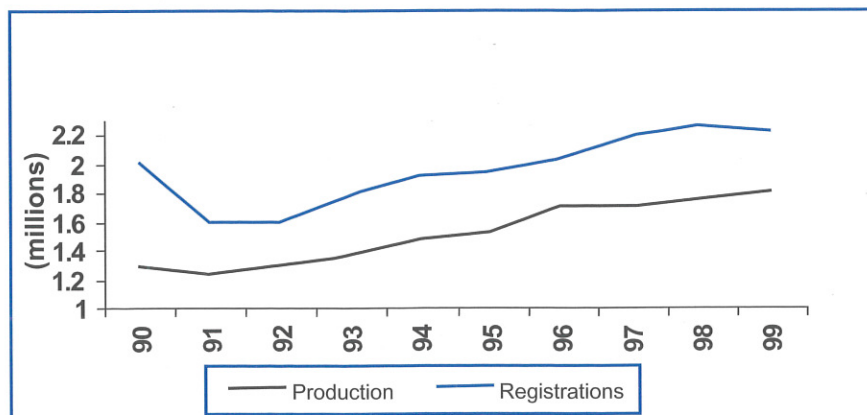
Indicator: Total new registrations and production for cars and CVs

- The turnover of the UK automotive industry was approximately £46 billion, which is equivalent to 5.5 per cent of Gross Domestic Product
- Some 800,000 jobs were dependent on the industry with 300,000 employees directly employed in vehicle and component manufacturing and the aftermarket
- UK motor industry exports totalled £20 billion in 1999, exceeding the export value of any other manufacturing sector in the UK
- There were more than 60 inward investment projects into the UK automotive sector. These resulted in the creation of some 7,000 new jobs and safeguarded a further 12,000

Car Production and Registrations

In 1999, car registrations totalled 1,786,626. This represents a decrease of 2.2 per cent from 1998. The market remained comparatively buoyant as although car registrations slightly decreased in 1999, this was from historically high levels and the overall performance of the sector remained strong. Forecasters predict that the market will hold fast at this level for the next two years. Since 1992 production has steadily risen, reaching 1.8 million units in 1999. The increase in production has been largely the result of improvements in productivity and increases in exports.

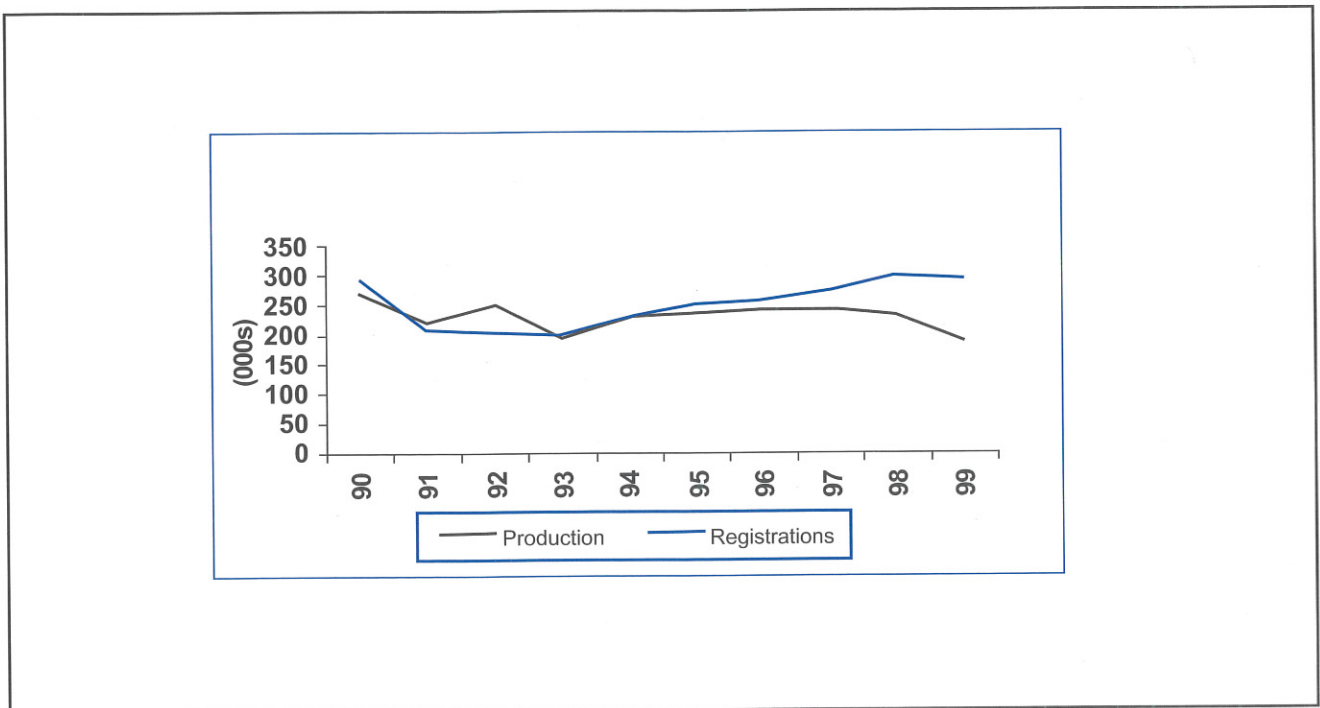
Figure 8: New Car Registrations and Production 1990 - Present



Commercial Vehicle (CV) Registrations and Production

Commercial vehicle production has fallen in each of the past three years. In 1999 it stood at 185923 units, which was the lowest level since 1948. Such a fall in production is mostly due to the increase in imports and a decline in exports. By 1999, import penetration had risen to 59.9 per cent while export production had fallen from 47.2 per cent of production in 1996 to just 40.3 per cent.

Figure 8: New CV Registrations and Production 1990 - Present



Industry Initiatives to Improve Competitiveness

In the fiercely competitive global automotive industry, UK firms recognise the need to benchmark themselves against the best in the world if they are to remain economically sustainable. As a result, a number of initiatives have been developed through partnerships and industry-led programmes, collaborative projects and further development in workforce practices. SMMT Industry Forum, for example, was launched jointly with DTI in 1994 to drive and support the achievement of sustainable world leading competitiveness in the UK vehicle and components industries.

The Forum continued its activity aimed at improving manufacturing processes throughout 1999, with over 50 companies benefiting from its programmes. As part of the industry's efforts to improve quality standards, a new global automotive standard ISO/TS 16949, was published by the International Organisation for Standardisation (ISO) and the International Automotive Task Force (IATF) in March 1999. All original equipment manufacturers are encouraged to promote ISO/TS 16949 as a step beyond previous standards and ISO 9001/2. Initial signs are that this will become a requirement for any company involved in supplying the automotive industry by 2002.

SIGNATORY COMPANIES

Commitment: To support Industry Forum and its work to enhance supply chain efficiency where appropriate.

Indicator: Number of participants in SMMT Industry Forum programmes

Number of reporting signatories involved in SMMT Industry Forum programmes	4
Number of reporting signatories operating supplier development networks *	8

*These are in addition to participation in SMMT Industry Forum Programmes. Some signatory companies, for example, are involved in Supply Chain Groups under the Accelerate Initiative and the CLEPA Benchmarking project for information transfer between first tier suppliers.

Commitment: To continue to seek economic growth and secure competitiveness in the global environment.

Indicator: Total annual turnover

Combined Annual Turnover of reporting signatories	£20111.24 million
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Commitment: To secure and enhance employment opportunities where appropriate.

Indicator: Total number of employees

Combined total number of employees of reporting signatories	95214
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Social Performance 1999

SECTOR

Commitment: To continue to engage positively with external stakeholders.

Indicator: Statement of progress

During 1999, the automotive sector, as represented by SMMT, has continued to engage with its external stakeholders and participate in the integrated transport debate at national level.

- **Cleaner Vehicles Task Force (CVTF).** Automotive manufacturers participated in dialogue with government representatives and consumer groups such as Friends of the Earth, National Society of Clean Air and the National Consumer Council on the Cleaner Vehicles Task Force (CVTF). The Task Force was inaugurated in 1997 with the aim of providing analysis and advice on actions that could be taken to encourage motorists to buy and drive vehicles with improved environmental performance. As such it provides an opportunity to influence beyond the point-of-sale and encourage responsible use of motor vehicles. Expert working groups have focused on the following areas; forecourt emissions testing, guidance for fleet purchasers, alternative fuels, information and labelling, and technology and testing. The CVTF published its final report in July 2000 and SMMT is continuing to work with the group to implement its recommendations.
- **DETR.** In December 1998, DETR, published proposals for fighting traffic congestion and pollution through road user and workplace parking charges. SMMT, on behalf of the UK motor industry, responded fully to the consultation document with a written submission. Industry also engaged in a consultation process with DETR on the subject of the National Air Quality Strategy following the publication in January 1999, its first review.
- **Commission for Integrated Transport.** A representative from the automotive sector participates in the work of the Commission together with organisations such as DETR, Highways Agency and the Institute for European Environmental Policy. The Commission's role is to help achieve the objectives of the Integrated Transport White Paper and deliver a transport system, embracing the car and alternative modes of transport which will help to support sustainable development. It is also tasked with helping to address the problems of road congestion and pollution. During 1999, the Commission issued reports on Local Transport Plans, Tackling Pollution from Older Vehicles, National Road Traffic Forecasts, and the use of 44 tonne lorries in the UK.
- **The Motorist's Forum.** The Motorist's forum works within the framework of the Integrated Transport White paper and the government's Sustainable Development Strategy to seek to ensure that the use of the car continues to develop in a manner which takes account of concerns for the environment, safety and social inclusion.
- **Road Safety and Pedestrian Protection.** The motor industry is committed to improving road safety as it recognises its responsibility to help improve the way its products are used. There has been a steady improvement in the safety performance of motor vehicles in recent years. The development and introduction of dual-circuit braking systems, anti-lock braking (ABS), traction control, safety cells, side impact protection, collapsible steering columns and airbags, are just a few of the systems contributing to these improvements. The benefit of these systems is increasingly demonstrated by the NCAP crash tests with new vehicles consistently achieving the

four star rating. In addition, individual manufacturers have initiated a number of schemes aimed at promoting responsible car use among the young and those convicted of car related crimes.

Responsible Stewardship

During 1999, the automotive industry was involved with a number of innovative programmes and campaigns aimed at improving the environmental performance of its products and consumer choice and awareness among its customers.

- **The Foresight Vehicle Programme.** This was created to develop technology for road vehicles and promote quality of life and wealth creation in the UK. From this brief, a Steering Group devised a programme to develop lighter and more fuel efficient vehicle bodies, new sources of motive power to reduce emissions and CO₂, and telematics and communications technologies to combat congestion and increase safety.
- **Innovative Manufacturing Initiative (IMI) Road Transport Sector R & D link programmes.** The Innovative Manufacturing Initiative is an Engineering and Physical Sciences Research Council (EPSRC) programme to develop and deploy new understanding of the business process. The Road Transport Sector was launched in 1995 and has sponsored collaborative work in design, manufacturing and marketing operations.
- **Stop Fuming! Campaign.** In September 1999, SMMT, as part of its Stop Fuming! Campaign, in partnership with vehicle manufacturers, DETR and a diverse range of businesses, organised a free nationwide emissions checking programme. During the 1999 campaign, a total of almost 4,000 private passenger cars were inspected. The average failure rate for cars tested was approximately 14 per cent. The failure rate was higher for cars which had not been serviced in the last 12 months. Age was found to be the most significant vehicle related factor affecting the failure rate.
- **Environmental Label.** In October 1999, SMMT launched an industry-wide environmental label for new cars which has been on display at franchised dealerships throughout the UK from 1 December 1999. The labelling scheme is a unique and voluntary initiative to provide better and more consistent information for customers on the environmental performance of new cars. Labels are tailored for each model and list environmental data for new cars including CO₂ emissions and noise levels, regulated emissions standards and fuel consumption figures. The use of a standard label format ensures that the information is easy to understand and that comparisons between models are simple and accurate. The label has the full support of the UK government and carries the DETR logo as its official endorsement.
- **MSc in Sustainable Competitiveness.** The automotive industry has also taken a number of steps to improve the quality of education, training and development of the workforce. One such initiative is a new MSc in Sustainable Competitiveness which is to be launched at Liverpool John Moores University in September 2000. The taught Masters degree is aimed at companies in the automotive industry that are employing recent graduates and have middle and senior managers who would benefit from the learning and assist their company meet its aim of achieving sustainable competitiveness.

SIGNATORY COMPANIES

Commitment: To continue to improve the skills, facilities and opportunities available for employees.

Indicator: Training programmes, investment in employment facilities, internal communications process

Employee centred initiatives	Number of reporting signatories implementing such initiatives
Improvements in on-site facilities, such as restaurant facilities, creche, social areas	*6
Improvements in training opportunities, either job related or non-job related	8
Encouraging employee consultation in the decision making process	9
Encouraging responsible car use for work related travel	6
Investors in People Status	7

*A further 2 reporting signatories had planned such improvements

Examples of Responsible Car Usage

- Promotion of car sharing – lift sharing advertised on company notice boards, lift share database
- On site facilities for cyclists including safe cycle sheds, showers and wet weather gear drying areas. Green Commuter Plans for company sites
- Bus transfer service from local car parks
- Staggered starting times to avoid congestion
- Company provided bus service
- Re-routing of local bus services to stop at sites
- Support for city car clubs

Commitment: To continue to engage positively with external stakeholders.

Indicator: Statement of progress

Number of reporting signatory companies engaging with external stakeholders	6
Number of reporting signatory companies participating in local community development programmes	7

As an example, one signatory company operates a business leadership initiative programme through which its employees undertake projects in their local community. The total number of hours in 1999 for this one scheme was in excess of 20,000, which equates to approximately 2,500 working days.

Examples of External Stakeholder Engagement

- Local and national government eg. DTI, DETR, MPs, MEPs
- NGOs
- Media (all levels)
- Government agencies eg. Environment Agency
- Customers and potential customers
- Trade and industry associations eg SMMT, CLEPA, CBI
- Trade Unions
- Suppliers
- Universities
- Green Business Clubs
- Analysts

Examples of Community Involvement

- On-site schools partnership centre with full time employee to arrange work experience placements and host school groups
- A Science & Technology Fund to encourage interest in science and technology in junior and secondary schools as part of the National Curriculum
- Child Safety Education Campaign using interactive theatre in schools to reduce the number of accidents that kill or seriously injure children
- Provision of environmental educational training materials for teachers and students free of charge at National Trust properties
- Car donations for curricular activity and donations to support other specific school projects
- Provision of cars, materials and testing equipment to help with the training of young offenders
- Courses in night driving
- Provision of play equipment for local nursery
- Company wide fundraising for national and international charities

Assessment of Overall Performance

ENVIRONMENTAL PERFORMANCE

Throughout the year, the motor industry continued to invest heavily in research to develop pioneering cleaner technologies that will improve motor vehicle fuel efficiency and tailpipe emissions. These research programmes represent a long term financial commitment, although some benefits are already entering the market place. In 1999, for example, 22 passenger car models meeting stringent Euro III tailpipe emission standards were available in the market one full year ahead of the legislated introduction date. Furthermore, it now takes as many as 50 new compact cars to generate the same level of regulated emissions that just one 1976 equivalent model did when new.

The introduction of cleaner technologies in future years is, in part, dependent upon the availability of cleaner fuels. The automotive industry is pressing Government and the petroleum industry for fuels with lower sulphur and aromatic levels. Improvements are needed in the re-fuelling infrastructure to facilitate the wider uptake of natural gas and liquified petroleum gas vehicles.

The development of innovative approaches to provide for improvements in safety, regulated emissions and utility, while continuing to improve fuel efficiency represent a continual challenge for the industry. This is demonstrated by the flat trend in average new car fuel efficiencies during the past decade.

While detailed data for 1999 achievements in recycled material tonnages from End of Life Vehicles were not available, it is expected that there will be little, if any, improvement over the 1997 and 1998 average levels. This is more a reflection of the weaknesses of immediate markets for recycled materials than a lack of investment and research by manufacturers. Most of the current work in developing design improvements to aid recycling is aimed at the medium to longer term. The benefits of this work are expected to begin to be realised from 2006.

Signatory companies made progress in controlling and reducing the environmental impact of their company operations. The majority (67 per cent) of manufacturing sites have implemented a recognised environmental management system, and produce corporate environmental reports for public scrutiny. Most of the signatory companies have supplier development programmes to promote the implementation of environmental management systems down the supply chain, and a number of them have implemented, or are developing, Green Commuter Plans for their employees.

For resource use and emissions, the aggregate data presented in this report will form a baseline against which performance can be measured in future years. It is expected that investment in energy efficiency will secure reductions in energy consumption rates and CO₂ emissions in future years. Similarly, cleaner coating techniques are expected to bring reductions in VOC emission rates, although the effects of variations in annual production volumes will need to be discounted so that discernible trends can be clearly identified.

ECONOMIC PERFORMANCE

In 1999, the car market remained comparatively buoyant as although car registrations slightly decreased, this was from historically high levels and the overall performance of the sector remained strong. Registrations are forecast to remain at high levels and increase by just under two per cent in 2000. Car production has steadily increased since 1992, reaching 1.8 million units in 1999. This increase has been largely the result of improvements in productivity and increases in exports. Although it increased by over two per cent in 1999 it is forecast to decline by six per cent in 2000 as a result of restructuring in the industry. Commercial vehicle production has fallen in each of the past three years. In 1999 it stood at 185,923 units, which was the lowest level since 1948.

Employment in motor vehicle manufacturing declined in 1999 from 228,800 to 216,600, a decrease of 5.6 per cent. The fall in employment in the industry looks set to continue into 2000/2001 and is a reflection of a fall in employment in the UK manufacturing sector as a whole. The relative strength of Sterling against the Euro has added significantly to the economic pressures faced by the industry with the result that manufacturers are increasingly seeking to source component parts from outside the UK. This may also impact upon further job losses.

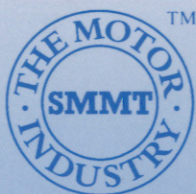
SOCIAL PERFORMANCE

The sector has continued to play an active role in the integrated transport debate at national level. It has provided extensive evidence as part of the consultation process with a number of government departments. It continues to liaise with external stakeholders to improve the safety and environmental performance of its products. Through its stewardship of a number of special projects designed to promote responsible car use, the industry has demonstrated its commitment to sustainable mobility and it is likely that such involvement will continue next year and expand to include the involvement of a more diverse range of external stakeholders.

Signatory companies have demonstrated a high degree of involvement with the local communities in which they operate. This involvement has manifested itself in a diverse range of schemes and programmes directed at improving the environmental, economic and social sustainability of those communities. Particular emphasis has been placed on the improvement of educational facilities and resources and the development of educational opportunities, as companies recognise their importance to the sustainable development both of business and the local community. Companies have made significant improvements in the provision of facilities for employees, while those not reporting improvements in 1999, have stated that such facilities already exist. Signatory companies have acknowledged their responsibility for the local environment by adopting Green Commuter plans and improving the access to local public transport. As relationships with local communities develop, it is expected that signatory companies will further develop their activities in this field, while some companies have already made long term financial commitments to community projects.

Next Steps

- To promote the Strategy in the automotive sector, and develop the level of understanding of the principles of sustainability within member companies.
- To add new signatories to the Sustainability Strategy, and provide more comprehensive data and analysis of the sector's progress towards sustainable development.
- To develop our techniques for stakeholder engagement, improve dialogue processes and build a more inclusive approach to commitment, indicator and target setting.
- To build upon the experience and knowledge gained in producing the First Annual Report, and develop the reporting structure and methodology in line with the principles outlined in the Global Reporting Initiative.
- To develop more formalised systems for the collection and validation of data presented in the sustainability annual reports.
- To continue to review and develop the sustainability indicators in order to provide a more accurate picture of the sector's performance in environmental, economic and social terms, and identify suitable targets.
- To work with stakeholders to develop a clearer vision and understanding of the role of the motor vehicle in sustainable mobility.



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