

SMMT COVID-19

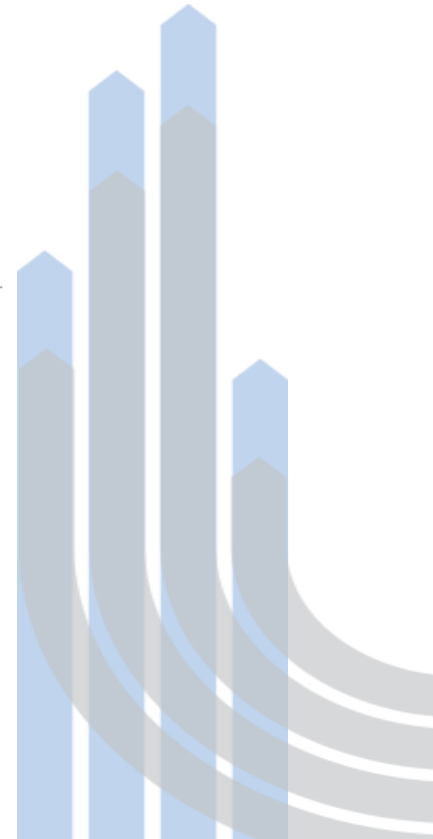
Tuesday 21 April

Mike Hawes
SMMT

Jennifer Pheasey
SMMT

James Nicholson
Ernst & Young LLP

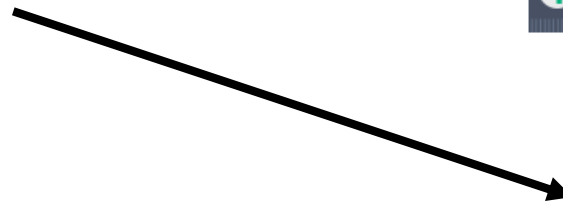
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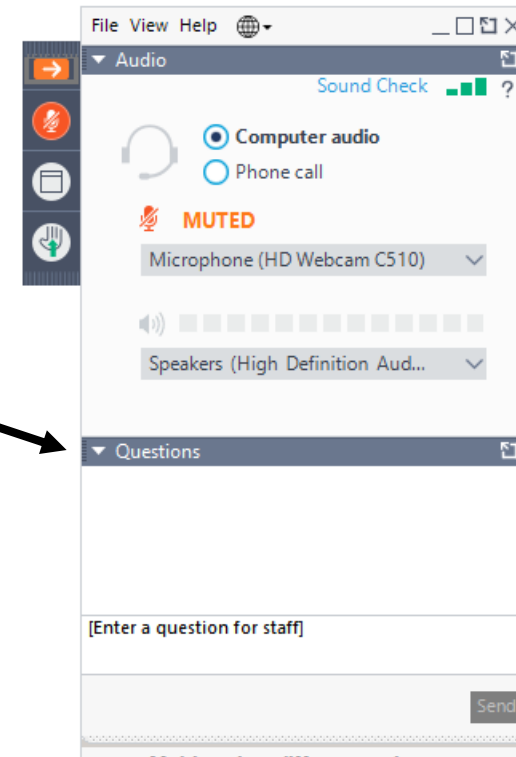
- During presentations (15:00 – 15:50) everyone will be muted so that only the presenters will be heard.
- If you are experiencing any technical problems please call 020 7344 1670, this is a popular webinar please bear with us while we try and help you.
- The presentations will be followed by a Q&A session. Please type your question into the side panel.

Questions and Answers

Please type your question in the
Question/Chat box.



Slides emailed to participants after this session.



Running order

- **Mike Hawes, SMMT:** SMMT update, general update
- **Jennifer Pheasey, SMMT:** SMMT Policy support
- **James Nicholson, Ernst & Young LLP:** Now, next and beyond
- **Q&A**

Mike Hawes, SMMT

Tuesday 21 April

COVID-19: SMMT approach

External



- New ACEA & CLEPA TF
- Daily CBI Covid-19 call
- Umbrella coordination for govt for automotive Trade Bodies
- Ministerial roundtables
- Frequent bilateral engagement

Member

(New) SMMT Covid-19 Taskforce: weekly meeting; daily updates, ad hoc updates and calls as required

Member inquiries:
covid19@smmt.co.uk

Member webinars:
<http://www.smmt.co.uk/covid-19>

Member support and engagement through existing mechanisms incl. committees etc

Restart support

Communications

Ongoing media engagement and responses

Website:
<http://www.smmt.co.uk/covid-19>

Incl. FAQs

Regular member briefing newsletters

Support for government communications

Internal

All staff working-from-home and supported by HR & IT

Daily Senior Management meeting on Covid-19

Internal Covid-19 working group

Jennifer Pheasey, SMMT

Tuesday 21 April

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Government Interventions overview (18 April)

Finance/ liquidity



Bank of England
record rates
cuts 0.1%/QE

**Covid-19
Corporate
Financing
Facility
(CCFF)**

**Coronavirus
Large
Business
Interruption
Loan Scheme
(CLBILS)**

**Coronavirus
Business
Interruption
Loan Scheme
(CBILS)**

VAT deferment
Time-to-Pay

Retail Business
Rates holiday

SME grants

Employment/ employee

**Coronavirus
Job Retention
Scheme**

**Self-
employment
Income
Support
Scheme**

**Statutory Sick
Pay/new
support
mechanisms
for SMEs**

**PHE advice
for workplace/
work settings**

Advice/guidance/ communication

**Daily No10
briefing**

**PHE advice
for workplace/
work place
opening**

**BEIS SOS
letters on 'can
remain open'
Manufacturing
& Retail**

**Call for business
support on
PPE/ventilator/ot
her support –
new PPE plan**

**BEIS outreach/
intelligence**

**Business Support
website**

Regulatory/ deadline/ other

State aid law
Insolvency Law changed
Companies House
deadlines moved

Bus support
scheme
Driver CPC
Tachographs

MOT delay
Other relaxations
COP 26 delay
LEZ delay

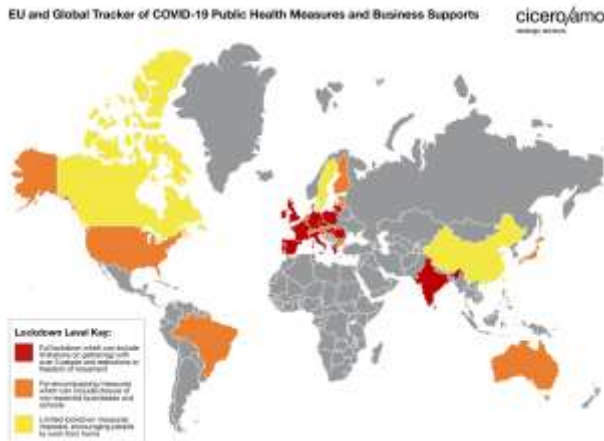
Export licence
advice
Many other
amendments/
relaxations

Industry Asks

- Need support across the breadth of sector
- Urgency of support delivery, flexibility & accessibility
- Finance/fund schemes that can deliver for automotive – CCFF ratings issue addressed
- CJRS flexibility
- Communication on essential workers/business opening
- Delay NICs, PAYE & extend business rates
- IVA 'temporary special scheme'
-energy costs, apprenticeship levy suspension, R&D tax credits
- Future asks: coordinated reopening, market stimulus, regulatory or UK target challenges i.e. CO2? 2035?

Latest Developments (as at 18 April)

Global Lockdowns



Recent UK Government announcements:

- *UK lock down to continue until at least 10 May.*
- *Business Secretary letters to manufacturing & retail (8 April)*
- *HMRC Coronavirus Job Retention Scheme: applications open on 20 April (4-6 day processing time), guidance updated 9 April; eligible employee start date moved from 28 Feb to 19 March; scheme extended to end-June.*
- *Updated Coronavirus Large Business Interruption Loan Scheme : government guarantees of 80% to enable banks to make loans of up to £50m, offered to firms with a turnover of over £45m and have been impacted by Covid-19 and have cash flow difficulties.*
- Other developments: FCA 3-month motor finance forbearance (17 Apr), PPE guidance/plans, export license update, LEZ delays

Pandemic Data

- 108,692 confirmed UK cases.
- 14,576 confirmed hospital deaths.
- > 2 million cases globally
- > 147,337 deaths globally

SMMT engagement and actions (as at 18 April)



Direct



18 March, 3 April



(almost) daily calls



TA Groups



Cabinet Office



Actions (over the last week)

- Responses to key announcements & continuous input or Qs to govt
- Ministerial meetings
- Department of International Trade (DIT) SoS roundtable – global supply chains
- Meeting with new Labour Shadow Chancellor (Dodds) & Shadow Business (Miliband)
- SMMT coordinated Sister Associations mtg
- Daily BEIS engagement, weekly DfT calls
- Member support: CTF, new bulletin, briefings/circulars, dedicated email/direct engagement, webinars, SMMT COVID-19 Webpages, Member Survey, Production & Registration Releases
- Media Qs

Restart challenges - overview

- Uncertainty over supply and lack of visibility across value chain
- Ongoing social distancing, movement and other lockdown mechanisms
- Erratic demand with fundamental weakening of the market
- Limited liquidity
- Vulnerability to fraud and security threats
- Regulatory challenges which could undermine ability to recover quickly
- Reputational damage and societal challenge if not mitigated




**ACEA/CLEPA joint
guidance – 15 April**

- 3 staged approach – exit – restart – rebound
- Support members – needs in key areas: production, supply-chain, regulation and retail, finance & demand stimulus

James Nicholson, Ernst & Young LLP

Tuesday 21 April



Restarting automotive

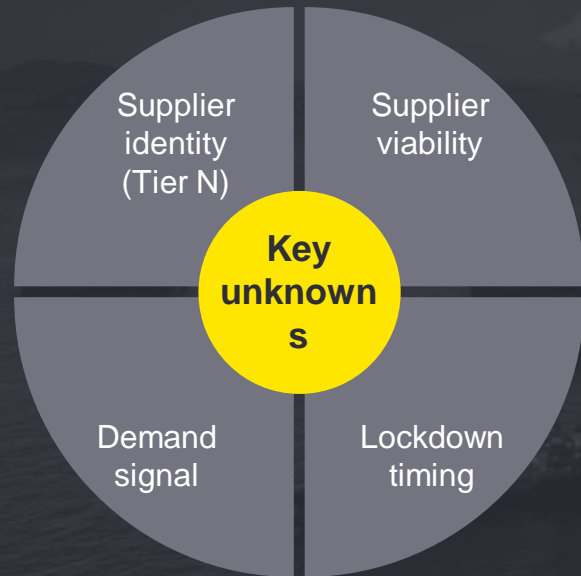
Now, next and beyond

James Nicholson
EY UK&I Strategy Lead

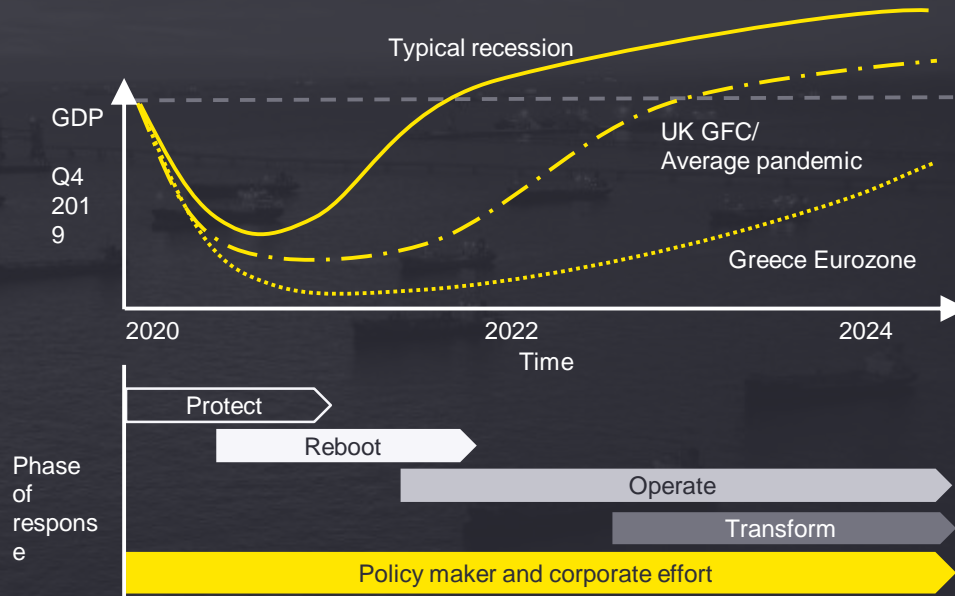
21 April 2020

Our starting point — acknowledging the unknown

Sources of uncertainty



Path to recovery¹



¹Sources: Financial Times, Oxford Economics, Capital Economics, EY analysis

Learning from experience — insights from restarting operations in China and Italy

China: An early indicator of the challenge

Wave 1 (early February): Keeping dealers afloat

- ▶ Chinese New Year holiday extended
- ▶ Largest ever year-over-year production decline
- ▶ Dealer support implemented

Wave 2 (late February): Plan the restart

- ▶ Workforce in home towns
- ▶ Domestic parts shortages
- ▶ Dealers still closed

Wave 3 (early Apr): Manage the restart

- ▶ Imported parts shortages
- ▶ Ongoing challenge: 6-7 week parts cycles
- ▶ Freight capacity constraints: air, sea

Lessons learned:

- ▶ Original equipment manufacturers (OEMs) & Tier 1s have a plan and support role
- ▶ Consumer confidence may constrain demand
- ▶ International trade flow issues continue

Italy: Initial steps of a restart

Supply-side restart

- ▶ Government support for smaller suppliers
- ▶ Similar starting point to UK
- ▶ Workforce protocols developed, agreed with unions

Demand-side restart

- ▶ March sales hit lowest level for 59 years
- ▶ New sales models: video chat, leasing through e-commerce
- ▶ Demand impacted by confidence and by regional lockdowns

Lessons learned:

- ▶ Stimulation efforts driving new sales models
- ▶ Impacts can be regional not just international



Auto supply chains

Auto supply chains are tuned for cost and speed but they are also brittle and now need protecting, restarting and even rethinking

Now

Build visibility & protect supply

- ▶ How do you identify potential points of failure in the supply chain?
- ▶ How do you ensure that critical suppliers are able to survive the lockdown?
- ▶ What are the options for suppliers who require support?

- ▶ Maximise supplier visibility
- ▶ Identify points of stress
- ▶ Protect critical suppliers
- ▶ Run ramp-up scenarios
- ▶ Develop workforce protocols

Next

Restart targeted operations

- ▶ How do you restart a complex, multi-tiered, just in time/just in sequence supply chain when key elements, from labour to entire companies, are missing?
- ▶ Which products should you build and for which markets?

- ▶ Prioritise production
- ▶ Adapt and rerun scenarios
- ▶ Build control towers and digital twins of your supply chain
- ▶ Implement safety protocols

Beyond

Rethink and build resilience

- ▶ How do you embed resilience in the supply chain to ensure you are better able to manage further lockdowns or future shocks?
- ▶ What changes might be needed to footprint, integration and supplier networks?

- ▶ Re-examine supply chain design — increase resilience
- ▶ Adapt crisis management frameworks
- ▶ Reprioritise complexity rationalisation

Immediate supply chain actions to take in response to COVID-19

Illustrative Sample

Dynamic network optimisation

- ▶ Identify **critical parts** and associated **first- to third-tier supplier locations** required to maintain operations and anticipated production plans
- ▶ Consider **alternative transportation methods and trade routes** throughout the supply chain based on facts and hypotheses. Develop activation plans accordingly
- ▶ Determine **production, transportation and storage constraints** and capacity
- ▶ Assess impact of transportation and production **labour shortages** driven by policy and travel restrictions
- ▶ Evaluate channel signals, i.e., increase in retail, decrease in restaurant
- ▶ Plan for potential disruption due to **third party logistics (3PL) shortage of refrigerated trucks**

Integrated planning and sales and operations planning

- ▶ Reassess **demand** based on outbreak-driven market adjustments, e.g., increased demand from grocery stores, reduced demand from restaurants and fast food
- ▶ Review **inventory levels** to evaluate emergency inventory management strategies, e.g., pooling
- ▶ Adjust and **optimise production plan** focus to accommodate anticipated disruptions
- ▶ **Synchronise** supply, manufacturing, logistics and fulfillment to meet demand in short to mid terms
- ▶ Plan **allocation strategy** for future shifts in demand, e.g., supermarket rush ends or restaurants open again

Supplier and commercial management

- ▶ Identify **supplier options** and associated supplier locations required to maintain operations and anticipated production plans
- ▶ Collaborate immediately with customers and suppliers to respond collectively from demand to supply
- ▶ Identify and qualify **alternative sources** of supply and other key products
- ▶ Monitor **lead times** to gauge performance
- ▶ Build long-term implications and issue tracker to de-risk impact to business as usual after crisis
- ▶ Support **suppliers** with contract compliance and update where possible
- ▶ Assess **contract financial obligations** and actions

Manufacturing

- ▶ Develop **risk assessment checklist** for all sites to perform and action
- ▶ Implement **social distancing standards** for site meetings, visitation, breaks/lunches, and interactions where applicable
- ▶ Implement **remote work plans and adjust operating patterns** and leadership support to optimise production and minimise risk
- ▶ Develop **"disinfect/restart" standard** and obtain critical personal protection equipment
- ▶ Understand cultural impacts and **ways to support the workforce**
- ▶ Determine **workforce planning** for minimum staffing levels and risk mitigation
- ▶ Governance and dissemination of **regulations impacting manufacturing sites**

Financial and risk impact mitigation

- ▶ Execute risk response strategy for **at-risk suppliers** and/or their respective Tier N suppliers
- ▶ Prepare responses to supplier invocation of **force majeure** clauses
- ▶ Anticipate **delayed payment requests** from customers and plan procedure for handling these requests
- ▶ Suppliers and vendors may potentially request **accelerated payment terms**
- ▶ Continue **risk and controls assurance** as processes and operations shift globally
- ▶ Identify current and future **contract exposure**
- ▶ Identify any cash constraints and liquidity/working capital opportunities

Supply Chain Intelligence and Analytics

- ▶ Highlight immediate gaps in current supply chain (**manufacturing, suppliers, inventory, planning, logistics**)
- ▶ Quantify **cost** of current and potential issues driven by supply disruptions and changes in demand
- ▶ Develop additional hypotheses on most likely courses of action and worst-case scenario planning
- ▶ Initiate **communications** protocols and reporting cadence
- ▶ Validate **current-state impact** and understanding of COVID-19
- ▶ Overlay current supply chain to COVID-19 World Health Organization (WHO) tracker for future identification of challenge

Workforce Planning, Governance & Communications

- ▶ Command and decision-making delegation
- ▶ Corporate and supply chain reporting
- ▶ Workforce replanning
- ▶ Crisis playbook development
- ▶ Define supply chain resiliency opportunities for long term
- ▶ Assess readiness by function (people, process, technology)

Thank you



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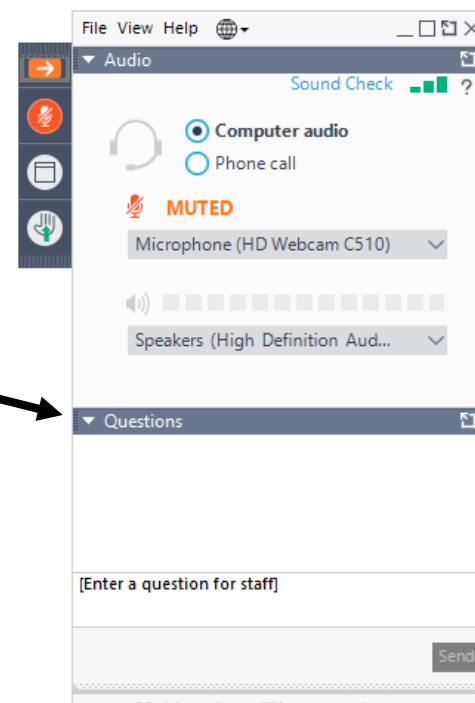


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Thank you

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