

Automotive industry priorities for 2017

31 January 2017

Mike Hawes, Chief Executive, SMMT

Yung Tran, Head of Member Services and Business Development, SMMT

Contents

- Brexit, the political and economic landscape
- 2016 positives and challenges
- 2017 - a look to the year ahead

- 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.

Automotive industry priorities for 2017

31 January 2017

Mike Hawes, Chief Executive, SMMT

Contents

- Brexit, the political and economic landscape
- 2016 positives and challenges
- 2017 - a look to the year ahead

PM speech, 17 January 2016

The Plan for Britain



The UK will not seek to remain a member of the single market and will instead seek the greatest possible access to the EU through a free trade agreement.

“That agreement may take in elements of current single market arrangements in certain areas – on the export of cars and lorries for example...”



Government's 12 objectives:

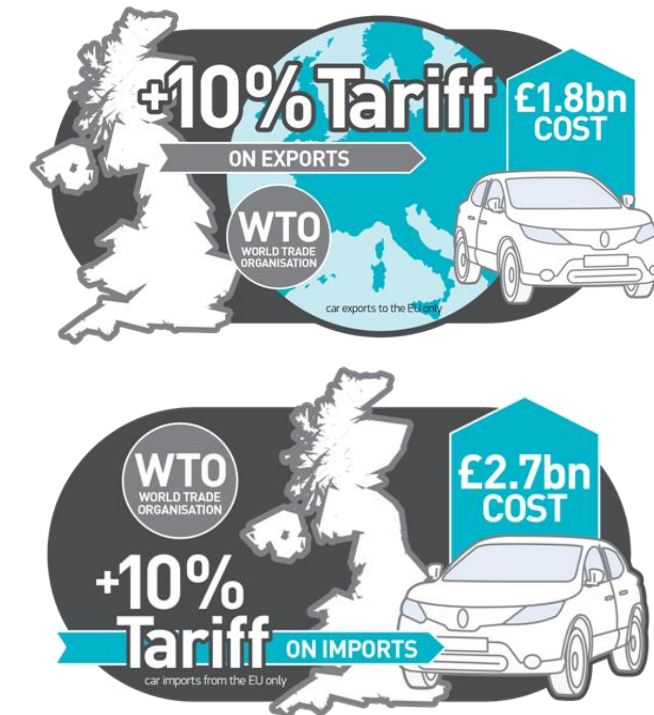
1. Provide certainty on the process
2. Control of our own laws
3. Strengthen the Union of the UK
4. Maintain the Common Travel area
5. Control of Immigration coming from the EU
6. Rights for Britain and EU nationals in the EU
7. Protect workers rights
8. EU-UK FTA
9. New trade agreements with other countries
10. UK as best place for tech and innovation
11. Cooperation on crime and security
12. Smooth, orderly Brexit

UK Automotive Brexit Priorities

Finalisation of SMMT position

- **Single Market** - Securing continued membership of the Single Market to avoid creating tariff or regulatory barriers to trade between the UK and the EU
 - **Customs Union** - Securing continued membership of the Customs Union
 - **Talent** - Guaranteeing unrestricted access to talent across Europe
 - **Regulations** – Maintaining regulatory certainty and continuity for automotive
 - **Trade** - Securing integrity and UK's position in current EU trade deals and those under negotiation
- **Transition** - Current arrangements should continue to apply should no future agreement be reached while negotiating exit terms

The global competitiveness of the European automotive industry and its highly integrated supply chain is a shared objective that European automotive businesses should work together to secure in Brexit negotiations.



Timeline for negotiations

- January 2017: Supreme Court appeal outcome; PM Brexit priorities speech
- Before end of March 2017: Preparation for triggering Article 50
- 2017 – 2019: Withdrawal negotiation with the EU – Brexit
- 2019 - ?: New UK-EU relationship or Transition period?
- WTO negotiations



2017 SMMT Timeline

	Q1 2017	Q2 2017	Q3 2017	Q4 2017
External events and key dates (Communications)	<ul style="list-style-type: none"> Supreme Court judgment 26 Jan: SMMT 2016 manufacturing figures 6 Mar: Geneva motor show 8 Mar: Spring Budget 9 Mar: European Council Article 50 triggering 	<ul style="list-style-type: none"> Negotiation period begins 25-27 Apr: CV Show Queen's Speech French Presidential election 20 Jun: SMMT Summit 22 Jun: European Council 	<ul style="list-style-type: none"> German general election 	<ul style="list-style-type: none"> 19 Oct: European Council Autumn Budget 28 Nov: SMMT Annual Dinner 14 Dec: European Council
UK political engagement	<ul style="list-style-type: none"> SMMT Budget submission Select Committee evidence Meetings with key advisors and MPs SMMT political dinners 	<ul style="list-style-type: none"> 20 Jun: SMMT Parliamentary Reception Meetings with key advisors and MPs 	<ul style="list-style-type: none"> Party conference events and engagement Meetings with key advisors and MPs 	<ul style="list-style-type: none"> Meetings with key advisors and MPs
EU political engagement	<ul style="list-style-type: none"> 8 Feb: ACEA reception Brussels meetings Engagement with national associations 	<ul style="list-style-type: none"> Brussels meetings Engagement with national associations 	<ul style="list-style-type: none"> Brussels meetings Engagement with national associations 	<ul style="list-style-type: none"> Brussels meetings Engagement with national associations
Member engagement	<ul style="list-style-type: none"> 24 Jan & 7 Mar: PCC 27 Jan: C&T working group 7 Feb & 14 Mar: Brexit TF 7 Mar: Int Trade WG 	<ul style="list-style-type: none"> Apr: Brexit TF C&T working group 9 May: PCC 13 Jun: Int Trade WG 	<ul style="list-style-type: none"> Brexit TF 25 Jul & 19 Sept: PCC 19 Sept: Int Trade WG 	<ul style="list-style-type: none"> Brexit TF 14 Nov: PCC 7 Dec: Int Trade WG

Challenges to the trade status quo

- Customs Union
- Rules of origins
- FTAs
- UK – USA relationship



2016 Review

Positives

- Record registrations
- Strong growth in manufacturing volumes
- New government – greater focus on industry strategy
- Strong political engagement
- Strong promotion of industry's voice
- Trade development
- Successful launch of Automechanika Birmingham
- Continued growth of SMMT membership and modernisation of operations



2016 vehicle manufacturing

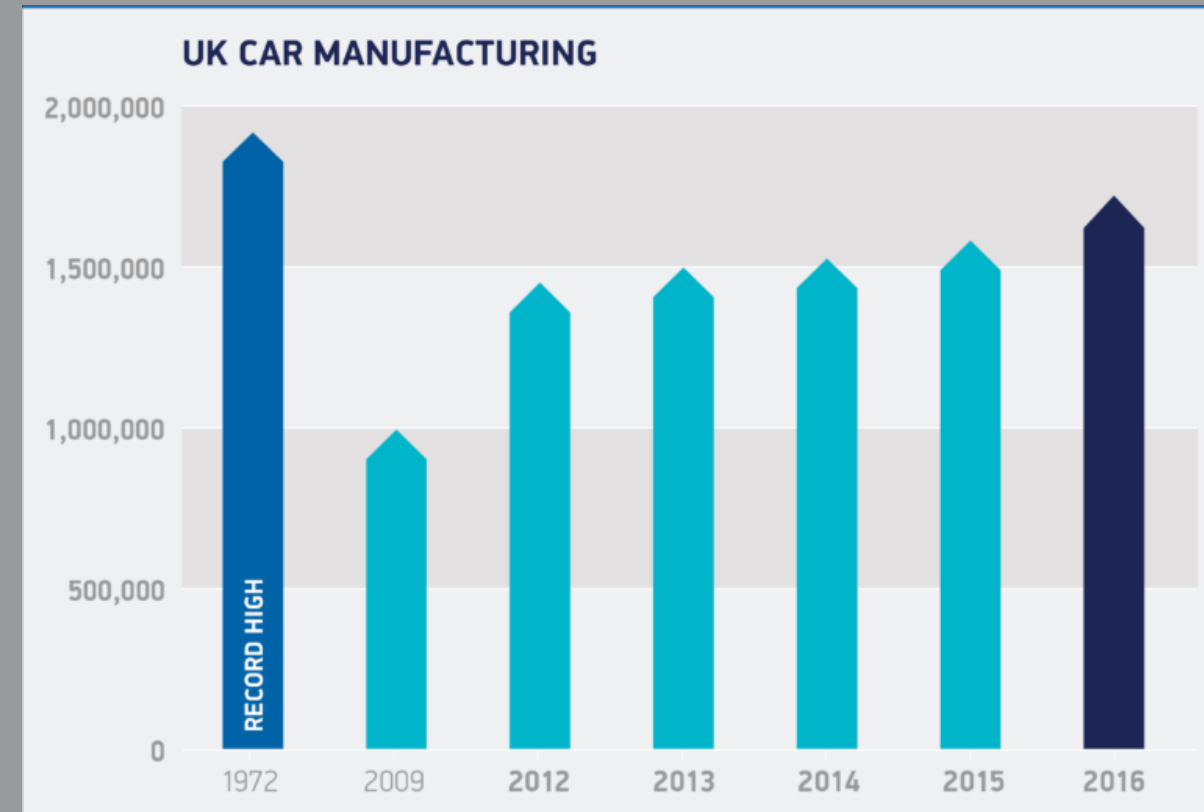
Cars

8.8% growth to 1.7m vehicles

Highest output for 17 years

CAR MANUFACTURING

	Dec-15	Dec-16	% change	YTD-15	YTD-16	% change
Total	114,842	113,976	-0.8%	1,587,677	1,722,698	8.5%
Home	19,656	18,669	-5.0%	359,796	368,482	2.4%
Export	95,186	95,307	0.1%	1,227,881	1,354,216	10.3%
% export	82.9%	83.6%		77.3%	78.8%	



2016 vehicle manufacturing

Commercial Vehicles

CV MANUFACTURING

	Dec-15	Dec-16	% change		YTD-15	YTD-16	% change
Total	6,265	5,621	-10.3%		94,479	93,924	-0.6%
Home	3,008	1,711	-43.1%		47,300	39,102	-17.3%
Export	3,257	3,910	20.0%		47,179	54,842	16.2%
% export	52.0%	69.6%			49.9%	58.4%	

- Commercial vehicle manufacturing stable in 2016, with -0.6% decline in volume.
- Production for export drives output, as demand rises 16.2%.
- Vast majority of exports destined for Europe, accounting for 94.7% of overseas demand.

2016 engine manufacturing

ENGINE MANUFACTURING

	Dec-15	Dec-16	% change		YTD-15	YTD-16	% change
Total	152,212	158,564	4.2%		2,368,477	2,545,608	7.5%
Home	56,261	67,684	20.3%		851,594	1,124,947	32.1%
Export	95,951	90,880	-5.3%		1,516,883	1,420,661	-6.3%
% export	63.0%	57.3%			64.0%	55.8%	

- UK engine manufacturing grows 7.5% in 2016, to 2,545,608 units.
- Domestic demand fuels production with 1,124,947 engines built for the home market – the largest volume on record.
- 2016 ends on a high with 4.2% rise in December.

2016 registration data

Cars

Record

2.69m registrations

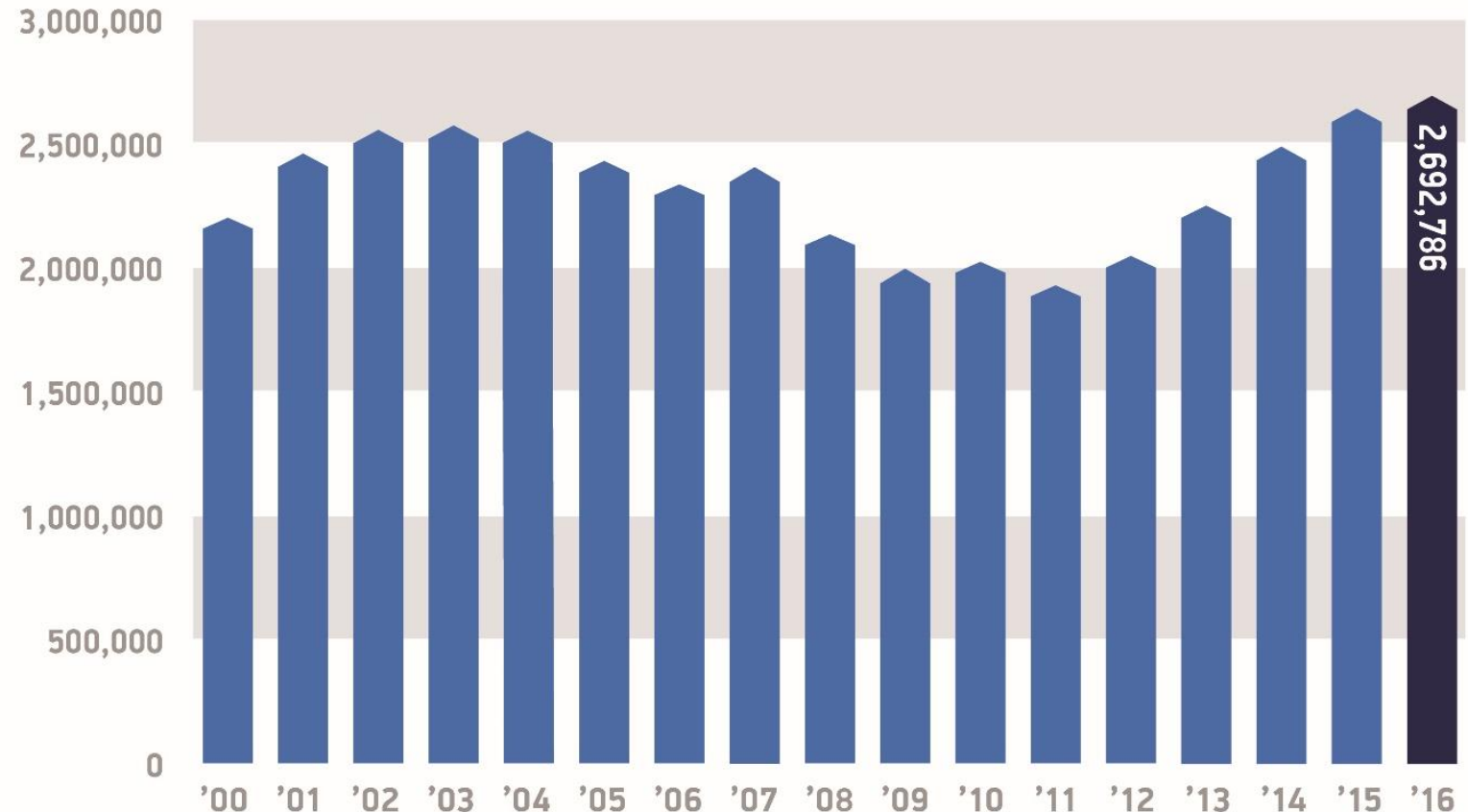
Up 2.3%

2016 on 2015

5th annual rise

Consecutively

ANNUAL NEW CAR REGISTRATIONS 2000 to 2016



2016 registration data

HGVs

UK HEAVY GOODS VEHICLE REGISTRATIONS: QUARTER 3 2016 AND % CHANGE ON 2015

	Q3 2016	Q3 2015	% change	Year-to-date 2016	Year-to-date 2015	% change
HGVs	11,242	11,660	-3.6%	32,676	30,647	6.6%

- Demand for new HGVs falls -3.6% in Q3 2016, with 11,242 units registered.
- Rigid vehicles keep market buoyant, up 5.6% compared with the same quarter last year.
- Year-to-date market remains strong, with registrations up 6.2% – the highest since 2008.

2016 registration data

Bus and Coach

UK NEW BUS AND COACH REGISTRATIONS: Q3 2016 AND % CHANGE ON 2015

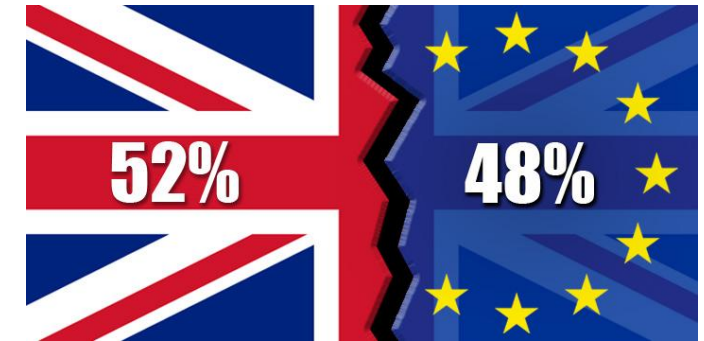
	Q3 2016	% change	Year-to-date 2016	% change
Minibus >3.5t	1,322	14.1%	3,493	11.0%
Single-deck	574	4.2%	1,966	-0.8%
Double-deck	430	31.9%	1,312	21.6%
Bus and coach Total	2,326	14.2%	6,771	9.1%

- UK bus and coach market rises 14.2% in Q3 2016, with 2,326 new vehicles registered.
- Demand for double-decks drives growth, up 31.9% against Q3 2015.
- Demand in 2016 remains positive with the overall market growing 9.1% to 6,771 units.

2016 Review

Challenges

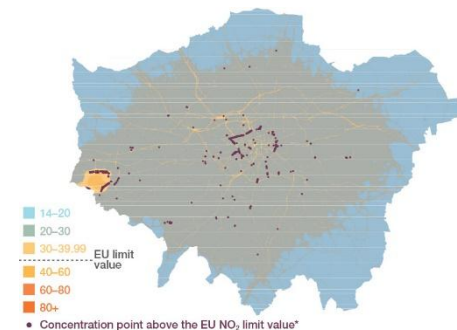
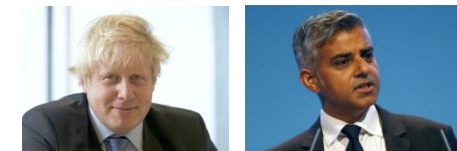
- **Brexit**
- **Air Quality**
- **Emissions testing**
- **Uncertainty**
- **Competition**
- **Skills**
- **US elections**



Air Quality and Emissions

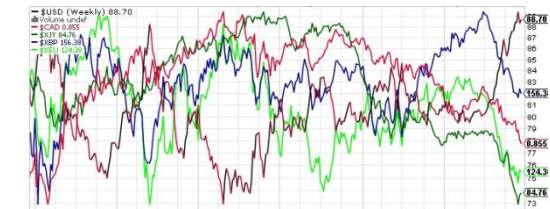
- Continuation of emissions testing issue
 - Media
 - Government
 - Public
- Ramp up of localised air quality narrative and responses
 - UK
 - EU

WORST OFFENDERS ON THE ROAD



Uncertainty

- Political and economic uncertainty
 - UK local and national
 - EU
 - USA
- Impacts of currency fluctuations
 - Profitability
 - Planning



Poll 1

- Are you confident industry will grow in 2017?

2017 – a look to the year ahead



 HM Government



Promotion of the industry

- Managing the “Brexit” message
- Raising the profile of the industry
- Managing our reputation on key issues
- Promoting the entire UK automotive industry



Industrial Strategy: renewed focus



Department for
Business, Energy
& Industrial Strategy

New government
has made
industrial strategy
a Key priority with
new Department
(BEIS)



High-level
government-
industry
partnership
established 2009

THE SOCIETY OF
MOTOR MANUFACTURERS
AND TRADERS LIMITED

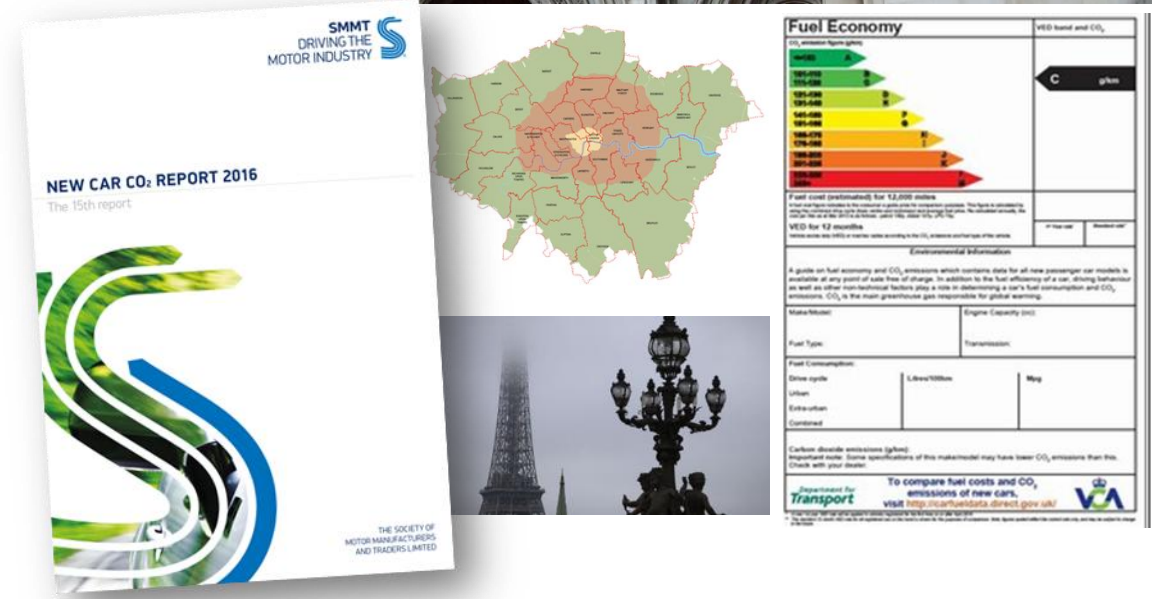


*UK industrial strategy should be for the long
term and provide direction and priority for:*

- Innovation.
- Supply chain development.
- Mechanisms to further skills development.
- Measures that enhance competitiveness of UK automotive industry

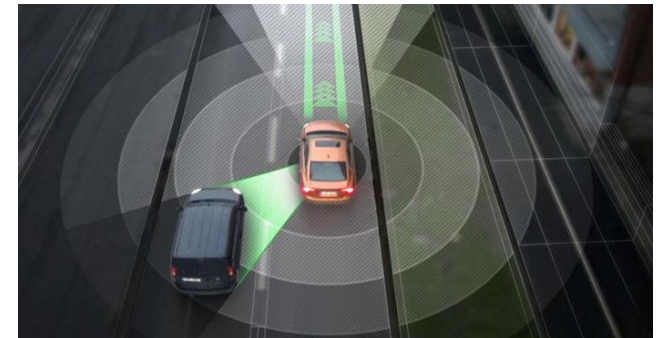
Air Quality, CO₂, Emissions testing, RDE & Type approval

- 2 November 2016: High Court ruled against UK government's air quality plans
- Consultation on new plans and measures by 24 April 2017 with new plans submitted to European Commission by July 2017
- London element
- European policy
- Introduction of WLTP & RDE in 2017
- CO₂ regulations post-2020
- SMMT CO₂ Report launch:
Thursday 2 March, 2:00 - 4:30pm



Connected and Autonomous Vehicles

- A key priority technology area for the UK industry
- SMMT coordinating industry position development
- Key issues for 2017 include:
 - Data protection, security, safety and innovation
 - Vehicle cyber security
 - Connectivity and infrastructure
 - Regulatory landscape
 - Making the UK a global centre of excellence
 - Reforming insurance



SMMT Connected 2017

30 March 2017, QEII Conference Centre, London

Following the success of the first industry-wide event, SMMT Connected 2017 will again provide an unparalleled opportunity for the UK automotive sector to showcase and discuss the latest developments and challenges around connected and autonomous vehicles (CAVs).

Keynote presenters to include:

- **Dr Ian Robertson**, Member of the Board of Management, BMW AG,
- **David Richter**, VP of Strategic Initiatives, Uber

A packed agenda with running themes including:

- Future challenges and opportunities surrounding mobility
- Assessing the current and potential social and safety benefits of connected and autonomous vehicles
- Overcoming challenges surrounding cyber security and data protection
- Review of current international initiatives and the lessons learnt from testing that are already underway



Poll 2

- Is the development of Connected and Autonomous Vehicles important to your organisation?

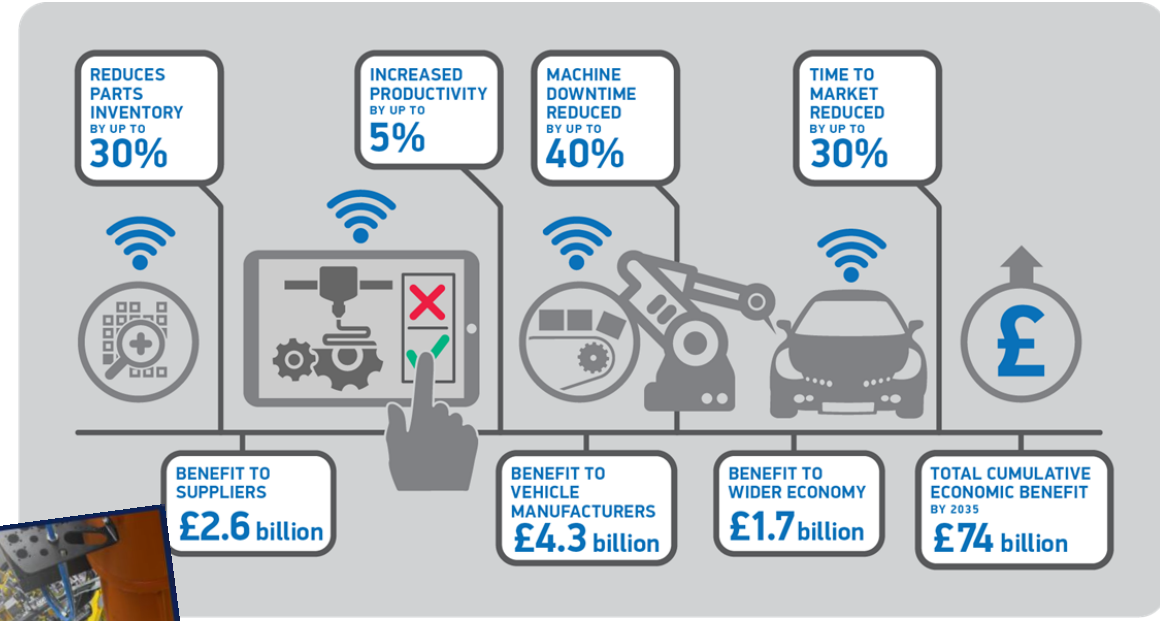
Technology and Innovation

- **Open Innovation** - Organise an Open Innovation event to source solutions from the tech sector.
- **Cyber security** - Work with DfT and MI5's Centre for Protection of National Infrastructure to build resilience in cyber security
- **Meet the Engineer** - Afford the opportunity for the supply chain to showcase their technologies.
- **Fuel Cells** - Practical solutions to a range of near-term market development issues
- **Go Ultra Low** - SMMT will continue to support the joint industry/Government funded 'Go Ultra Low' campaign (GUL)



Manufacturing

- **Automotive Council** – supporting the Council across all three WGs.
- **Skills** – Support implementation of the new Apprenticeship levy
- **Digitalisation of Manufacturing** – Support realisation of £74bn economic benefit of accelerated adoption of digitalisation in the supply chain
- **Business energy** – continued management of the industry's Climate Change Agreement



Member value

- **Regional support** – Increase our engagement and presence in the regions
- **Facilitating business opportunities** – Build on successes of Meet the Buyer
- **Small Medium Enterprises** – develop the value of the offer for SMEs in the automotive sector
- **Aftermarket** - Feeding in to connected and autonomous vehicle data access
- **Component manufacturers** - Promotion of business improvement and sourcing opportunities
- **CV / Bus and Coach** - Promotion of Euro6 benefits
- **Digital radio** - Collaboration to improve sound quality
- **Light Trailer and Trailer Equipment** - Towing limits and safe towing
- **Remanufacturing** - Improve links with and promote the benefits of this area



Events



International Automotive Summit

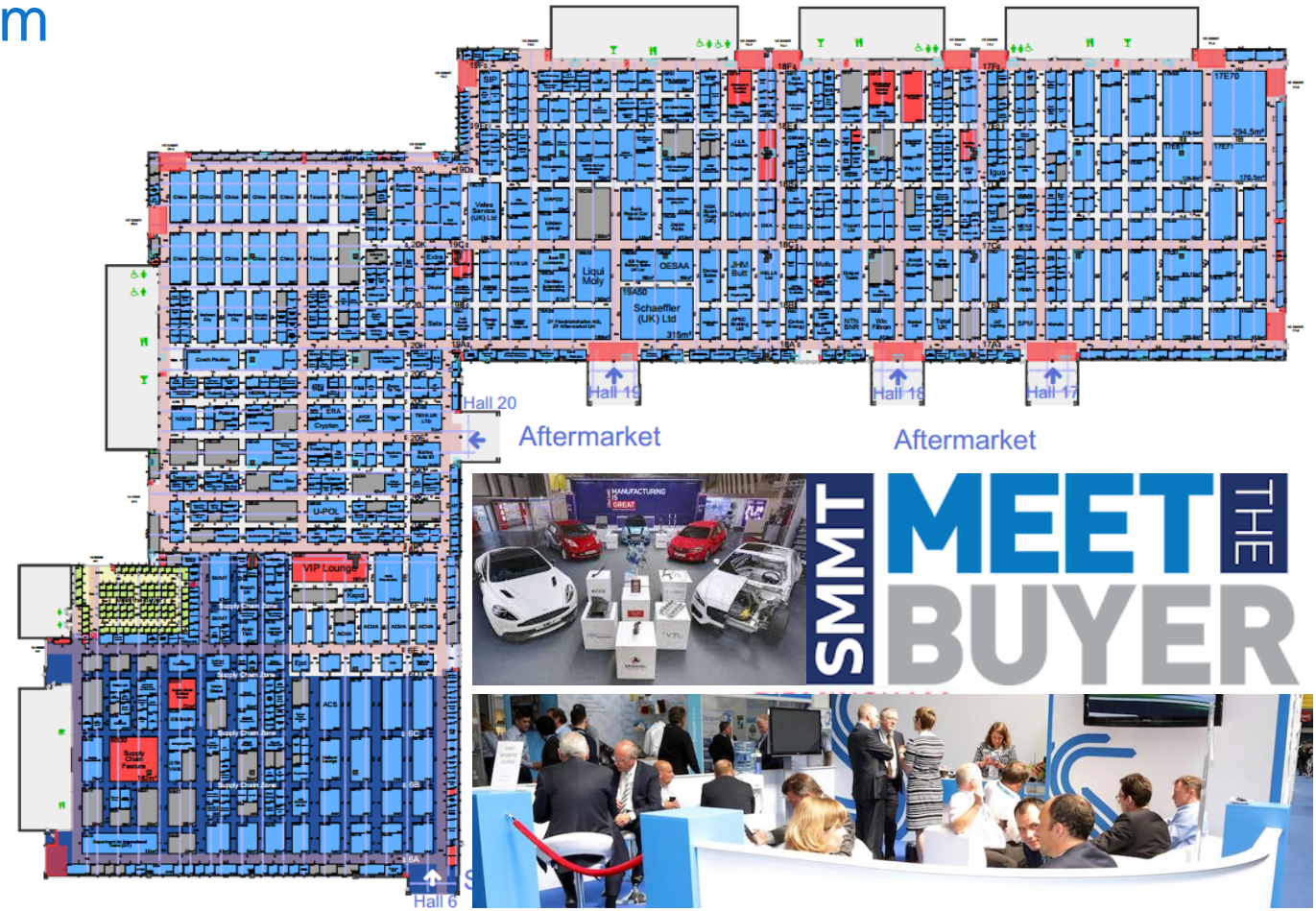
- A key highlight on the UK automotive calendar
- Provides an excellent opportunity for the industry to come together and discuss the key issues facing the sector.
- +300 strong senior delegates
- 2017 will host the launch of the SMMT's 18th Sustainability report



Automechanika Birmingham

6-8 June 2017, NEC, Birmingham

- Halls 6 + 17-20
- 750 exhibitors expected
- 70% bigger than 2016
- New zoning separating supply chain and aftermarket
- SMMT's Open Forum & **Meet the Buyer**
- Technology showcase, comprehensive seminar programme, live demonstrations
- Last few exhibitor spaces available



International opportunities

- SIAT Symposium on International Automotive Technology, **India** (Pune), 19-21 January 2017
- ACMA Automechanika New Delhi, **India**, 21-24 March 2017
- SAE World Congress and Exhibition, Detroit, Michigan **USA**, April 4-6, 2017
- INA PAACE Automechanika Mexico City, **Mexico** 14-16 June 2017
- Supply Chain mission to **Bulgaria and Romania**, July 3-6
- EVS30 The 30th International Electric Vehicle Symposium & Exhibition, Stuttgart **Germany**, 9 - 11 October 2017
- The 11th Auto Parts International Fair **Iran**, Tehran 2017 (15 - 18 November TBC)
- Automechanika Shanghai, **China**, 30 November - 3 December 2017 (TBC)



Poll 3

- Do you feel SMMT is doing a good job supporting the industry?

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@smtt.co.uk** with your questions after this session.

Slides emailed to participants after this session.

Thank you

The Society of Motor Manufacturers and Traders Limited

71 Great Peter Street, London SW1P 2BN

www.smmmt.co.uk

SMMT, the 'S' symbol and the 'Driving the motor industry' brandline are registered trademarks of SMMT Ltd.

THE SOCIETY OF MOTOR MANUFACTURERS AND TRADERS LIMITED

