**SMMT Annual Dinner, President’s Speech**

**22 November 2011**

**Nigel Stein, SMMT President and Chief Executive, GKN Automotive, GKN plc**

Minister, ladies and gentlemen.

Welcome to the SMMT Annual Dinner.

I am particularly pleased to welcome tonight the Transport Minister, Norman Baker.

When it was first suggested that we should have a keynote speaker and a comedian tonight, I wondered for a moment which I was meant to be. [PAUSE] You will no doubt be as pleased as I was to hear that we have Dara O Briain speaking later this evening, leaving me, the much simpler task of extending a warm welcome to Dara and providing an overview of the SMMT and the automotive industry’s year.

Also tonight, we are presenting two awards.

The Autocar Courland Next Generation Award, which seeks to attract the brightest young talent into our sector, and SMMT’s second Award for Automotive Innovation, which I am delighted that GKN are sponsoring.

Both these awards will showcase our industry better than any words from me, so I will be brief.

Let me begin by thanking my predecessor, Joe Greenwell, my Vice Presidents and the Executive Board for the hard work, advice and enthusiasm that has shaped and strengthened SMMT over the past few years. Their continued commitment to the Society and the broader industry is driving real change in the way our industry is perceived. I would like to thank them personally, and on behalf of you, SMMT’s members and friends.

The SMMT has taken significant steps this year to assure its future and its effectiveness. Through the sale of Forbes House, we have generated a sizeable investment portfolio that will be ring-fenced from the day-to-day operating costs of the Society and will secure its financial health for the long-term. The move to Great Peter Street has also brought renewed vigour to the Society and a head office that truly reflects the modern motor industry.

At Industry Forum, the restructuring of the team and the appointment of a new Chief Executive, Chris Owen, has brought new energy to the business. It has a promising order book and is set for growth in 2012.

At Motor Codes, the Service and Repair Code has today achieved full approval from the OFT. This formal endorsement, offered to only a handful of codes across the country, officially recognises our industry’s commitment to delivering the highest standard of service to our customers.

And importantly Paul and his team, have done an excellent job in promoting a greater understanding of our sector’s economic contribution to the UK and in developing an active and supportive relationship with government.

We have worked through the Automotive Council, helping develop a long-term strategy for our sector’s success. The Council is committed to improving the attractiveness of the UK for investors and securing our place in the global industry, promoting our skills in manufacturing, design engineering and technology development.

We have been pleased to see the continued shift in government attitude towards our industry and manufacturing generally. Policy makers now recognise the economic importance of a strong manufacturing base and are working with us to make sure the UK can successfully compete on a global basis.

Earlier this year SMMT hosted the annual ACEA board meeting. The senior leaders of Europe’s car makers, with Paul and myself, met the Prime Minister at Number 10, underlining the significance of the partnership between government and our industry.

And the strength of this relationship has certainly made us the envy of many other UK industries.

Of course, like the rest of the economy, we continue to face challenges – stalled economic growth, high inflation and the on-going debt crisis, which are inevitably impacting consumer spending.

So while our manufacturing output has continued to grow, UK vehicle sales remain weak, heading to 1.9 million units this year with little improvement expected next year.

The outlook for vans, heavy trucks and buses, is slightly better with some confidence returning to the order books, but once again, the outlook remains uncertain for 2012.

But I remain quietly optimistic about our future, and this is why.

First – This year our sector attracted more than £3.9 billion of international investment in UK plants and facilities. This will lead to the creation of around 7,500 new jobs and the safeguarding of over 12,000 more. Nine new models and three next-generation models are to be built in the UK.

Second – Earlier today, SMMT launched the industry’s 12th annual Sustainability Report. All the economic indicators – production, turnover, and R&D investment improved. For each vehicle we produced, we used less energy, produced less CO2, sent less waste to landfill and importantly, began to increase the number of jobs both in, and dependent on, our industry. This again demonstrates that the automotive industry really is a fantastic technology innovator and driver of continuous improvement, for the benefit of society as a whole.

Third - British skills, in manufacturing, engineering and design are recognised globally as being world-class, but in the UK these jobs have not always been given the attention they deserve.

I was delighted that the automotive sector led government’s first ‘See Inside Manufacturing’ initiative last month. Nothing is more motivating than seeing images of young, enthusiastic students visiting our facilities and seeing first-hand what we really do.

This is a long road, but encouragingly, last year we took on nearly 10% more apprentices. Attracting bright, young talent to our sector is fundamental to our long term future and is something I am absolutely passionate about.

[PAUSE]

So we have a bright future but there are areas where we can improve and make the UK more competitive. An export-led industry such as ours can drive economic growth, but we must have the right environment in which to prosper.

Government has been hugely supportive, for which we remain grateful, but support is not a switch that can be flicked on and off. It must be consistent. We’re working on long-term programmes which don’t produce instant results.

We understand the pressures on budgets and are certainly not looking for handouts. But we are looking for the incentives and tax changes that encourage private sector investment. So we urge the Chancellor to use next week’s Autumn Statement to make changes that help deliver real growth.

There are three areas where that investment must be encouraged.

The first is R&D. Automotive is Europe’s biggest investor in research and development. But the UK’s current R&D tax credit regime could be better. Reform would generate more investment, make the incentive more visible and allow the UK to compete more effectively with overseas rivals.

The second is plant and equipment. Allowances for capital spending in the UK are now among the lowest in the G20. To grow and develop our supply chain we must help SMEs to invest in plant, machinery and retooling.

Finally, and crucially, we must invest in people. Skills are vital for a productive and globally competitive business and government focus on skills development, up-skilling the existing workforce and advanced apprenticeships must be supported.

We must remember, the UK is competing for its share of global spend. It is our responsibility to ensure the UK is attractive to global investors and competitive, not just against the rest of Europe, but worldwide.

And there are other areas where we need to be careful – and balanced. Our sector is tightly regulated and is working hard to meet demanding environmental targets. We want to be clean and green. We **should** be leaders in developing low carbon innovations and we should be working towards tough and stringent goals.

But in our enthusiasm to foster the green agenda, we must be careful not to disadvantage UK companies or facilities in the design, development and manufacturing of vehicles. The Chancellor and government are right when they say we must not go further or faster than our competitors.

Just now it is Europe, or more accurately the Eurozone, which is dominating the news. Across the EU, the automotive industry accounts for 10% of all manufacturing output and 2.3 million direct jobs. The automotive industry is important to Europe and what happens in Europe is important to us.

The SMMT is lobbying hard on your behalf in Europe as it is in Brussels that many of the decisions that affect our industry are taken. These are EU standards and regulations. It is therefore important that we ensure the UK voice is heard; ensure we have a positive influence on regulations; ensure the right decisions are taken for us; and ensure that our competitiveness is not undermined by poor regulation, extra costs or poor trade deals.

So the SMMT has had a busy year and has a very clear agenda for the year ahead. An agenda set for the challenging times we face. As well as continuing to promote the image and profile of the industry and leading major policy campaigns, the Society will specifically address a number of key issues.

* We will focus on supply chain opportunities – we must get as much of the added value associated with the wave of new investment, actually generated here in the UK.
* We will seek to build more positive relationships with the investment and finance community. Some, such as Lombard who are kindly sponsoring tonight’s event, have recognised the growth potential of our sector but there is still work to be done to ensure good companies get access to affordable finance.
* We will continue to focus on low and ultra-low carbon technologies. But will seek to promote a greater understanding of the full range of technologies available, as we seek to secure incentives, infrastructure and legislation that allows the market to choose the most appropriate powertrain configuration.

And we must manage expectations with regards to timing. This is an emerging market. The shift will happen, indeed is happening, but it will not be by tomorrow.

* Finally, we will work to make the motor industry the career of choice for the best talent emerging from schools and universities across the country. Despite all the difficulties, this is a vibrant period for our industry and we need to attract the right people in order to sustain our success.

As we go into the New Year, our Society is in good shape and our industry has a bright future. We have made significant progress throughout 2011 and have set a challenging agenda for 2012. So tonight, let’s celebrate those achievements and at the same time take the opportunity to catch up with friends and colleagues across the industry.

Minister, ladies and gentleman, thank you for your time and I hope you enjoy the rest of the evening.