

SMMT PARLIAMENTARY BRIEFING

March 2011



We have recently seen the UK motor industry successes at the Geneva Motor Show, showcasing the accomplishment of UK high-value manufacturing. UK success is only possible through better coordination of public and private R&D investment, with UK automotive industry investing £1.5 billion in 2010, coupled with

support for world class university-industry collaboration and product development and demonstration in the UK. SMMT will launch its 10th annual New Car CO₂ Report on 16 March. The report shows that average new car CO₂ emissions fell by 3.5% in 2010 to 144.2g/km, a reduction of over 20% since 2000. SMMT will also launch a Dealer Efficiency Guide on 29 March, intended to provide car dealers with advice on how to go about reducing energy consumption and so cutting CO₂ emissions and costs. The Commercial Vehicle Show returns after a three-year absence on 12 April at the NEC in Birmingham, showcasing the best of the UK and international CV market. Looking ahead in 2011, industry expects the coming months to be challenging with slow, but steady, economic growth. This month's Budget will be critical in determining consumer and business confidence and the ongoing stability of the market.

Paul Everitt, SMMT Chief Executive

SMMT Budget submission

Ahead of the Budget, SMMT wrote to the Chancellor calling for certainty on motoring taxes, a freeze on fuel duty and measures to support business investment and access to finance. SMMT believes that sustainable growth in the UK automotive sector is pivotal to the UK economy's recovery. SMMT has called for the UK's R&D tax credits regime to be changed to work better for automotive businesses. Industry believes government should review the distribution of tax credits given to industry sectors and support those sectors that promote a rebalancing of the UK economy. We welcome government's plans to reduce the headline rates of Corporation Tax over the course of the current parliament. This gives a clear and progressive incentive for business to grow and a private sector-led recovery and growth path. Environmental taxes and commitments on their

business operations are also high on our members' regulatory agenda. Whilst recognising and delivering on their environmental responsibilities our members are concerned that the main instruments they face may impair their competitiveness, unfairly target their operations and fail to give enough durable support to emerging and renewable energy use.

Sustaining growth for an automotive recovery

SMMT has set out a strategic vision for the automotive sector to support sustainable growth in the UK. Government could take immediate action to support automotive manufacturing and investment through better targeted and strategic use of existing policies, funding instruments and business taxation. SMMT welcomes government's commitment to the Automotive Council, which sets the strategic direction of investment priorities for UK automotive. Priority technologies need to be grown and nurtured, with policies geared to support university-industry collaboration in UK R&D. The negative image of manufacturing industries in the UK is a long-standing concern and affects the attractiveness of our sector. As part of Growth Review Framework for Advanced Manufacturing, SMMT wants to work with government in 2011 to demonstrate to students, teachers, careers advisers and parents the exciting range, nature and quality of opportunities that a career in the automotive industry can offer.



SMMT calls on government to support skills and training in the automotive industry to ensure the future growth of the industry, building expertise and strengthening competitiveness.

Trade policy for manufacturing

SMMT welcomes the publication of government's Trade and Investment White Paper. The White Paper is a significant part of government's growth strategy, and SMMT calls on government to implement a trade policy that underpins a rebalancing of the economy and supports UK manufacturing. Future economic growth will rely on increasing the value of UK exports and the automotive industry is already at the forefront of the export-driven recovery, playing a central role in supporting early economic growth. SMMT particularly welcomes government's intention to make export trade finance easier to access. SMMT had called on government to ease financial conditions on export credit to enable companies throughout the automotive supply chain to export more. Government must give greater priority to manufacturing when looking to secure European and international trade agreements. The industry supports free trade and recognises the considerable economic value that a successful conclusion to the Doha Development Agenda and other trade agreements can bring. Ambitions to rebalance the economy and promote manufacturing growth must be replicated in all areas of government policy. The UK automotive industry supports government's intention to pursue an active and ambitious trade policy, however this process needs to be fair, open, accountable and involve industry stakeholders at all stages of policy formulation.

Strengthening skills for a growing economy

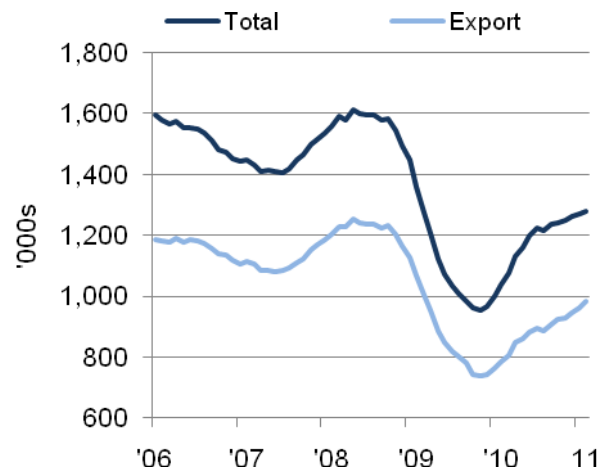
Industry is working closely with partners such as sector skills councils to ensure that skills and training provisions are fit for purpose and appropriate for dynamic automotive companies. An increased focus on low carbon technologies has prompted the industry to ensure that technicians and those working with products such as electric vehicles have the tools and skills to adapt to technological developments, which are driving our industry forward and underpinning the UK's manufacturing base. Our industry heavily invests in its employees, and looks to government skills policy which can support the future growth potential of the industry, building expertise and strengthening competitiveness. The automotive industry calls on government to outline how its 75,000 new apprenticeships will be delivered, prioritise STEM subjects, assist the industry in filling in skills gaps at all levels and provide support for investment in higher-level technical skills and vocational training. SMMT also believes Train to Gain was an effective scheme for businesses of all sizes and urges government to

ensure skills provision is aligned with industry's future needs, an example of which would be the maintenance of Design and Technology (D&T) as a subject in the national curriculum, and as an option under a baccalaureate system. The All-Party Motor Group will be holding a discussion on skills on 8 March, if you wish to attend please go to our future events section for information.

Automotive figures

UK automotive manufacturing made a solid start to 2011 despite tough economic conditions as new vehicle production grew 8.9% in January. The encouraging figures demonstrate ongoing growth in global demand for the high quality vehicles and engines manufactured in the UK at some of the world's leading sites. Commercial vehicle production also rose by 8.9% and UK engine manufacturing increased by 12% in January.

Car manufacturing – rolling year total



Future event dates

- APMG breakfast discussion on 'UK Automotive: Skills for Growth' Tuesday 8 March 2011, 08:30 – 10:00, Dining Rooms A, House of Commons.
- SMMT CO₂ Report Launch, Forbes House, Wednesday 16 March 14:00 - 16:00.
- Dealer Efficiency event, Forbes House, 29 March 2011.
- APMG seminar discussion on 'Growth a year in' 17 May 2011, Dining Room A, House of Commons.

For more information on any aspect raised in this briefing or to become a member of the APMG, contact Alex Robinson: arobinson@smm.co.uk, or 020 7344 1614.