

Automotive Industry Priorities

30 January 2018

Mike Hawes
Chief Executive

Yung Tran
Head of Member Services and
Business Development

- During presentations (10:00 – 10:30) 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 9234.

Contents

- **Reflection of 2017**
 - Manufacturing figures
 - Political update
- **Priorities for 2018**
 - Brexit
 - Air quality
 - Member value
 - Engagement opportunities

2017 Review

Positives

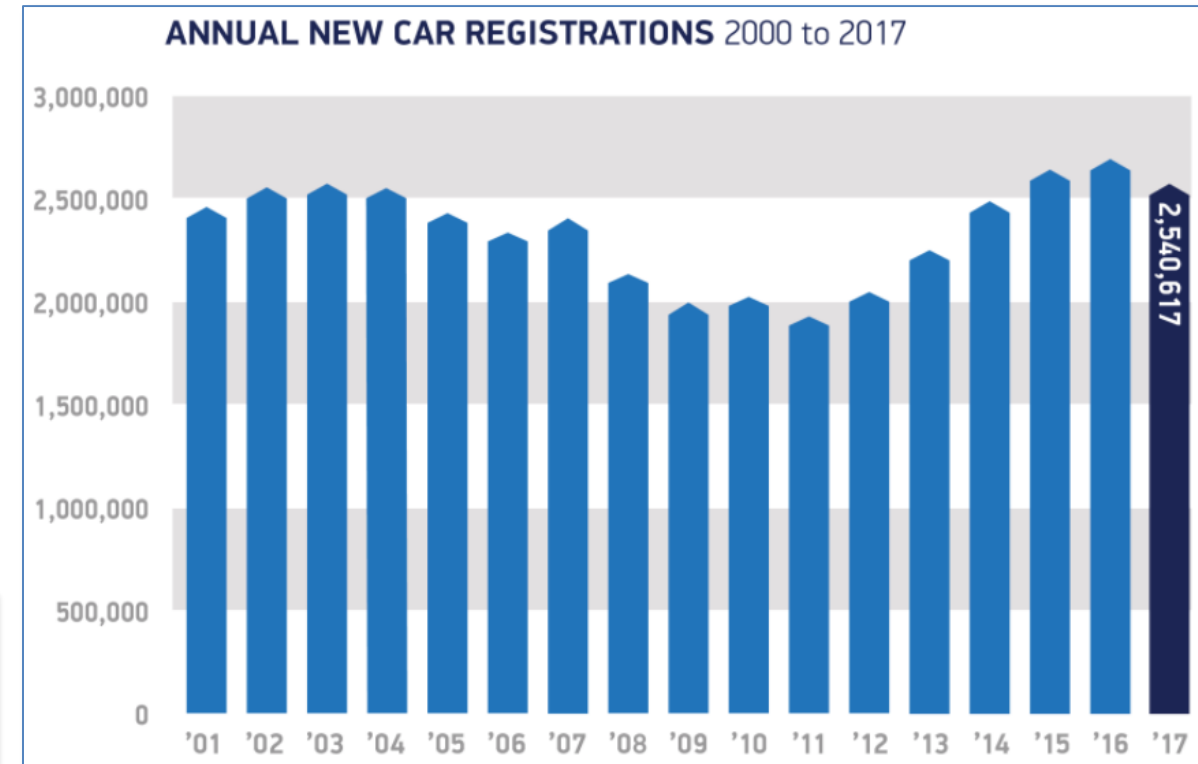
- Strong political engagement
- Strong promotion of industry's voice
- Industrial strategy
- Automechanika Birmingham
- Trade development
- SMMT Connected
- Supply chain competitiveness – LTASC
- Continued growth of SMMT membership and regional support



Registrations full year 2017

- Overall annual demand falls **-5.7%** in 2017
- New car market still third biggest in a decade at **over 2.5 million** vehicles.
- December represents the ninth consecutive month of decline
- Appetite for electrified cars reaches **record high** - 120,000 AFVs registered, a **34.8% uplift**.
- Diesel demand declines **-17.1%**, undermining progress on emissions and CO2

Year-to-date	Total	Diesel	Petrol	AFV	Private	Fleet	Business
2017	2,540,617	1,065,879	1,354,917	119,821	1,123,860	1,319,193	97,564
2016	2,692,786	1,285,188	1,318,707	88,891	1,206,250	1,380,750	105,786
% change	-5.7%	-17.1%	2.7%	34.8%	-6.8%	-4.5%	-7.8%
Mkt share 2017		42.0%	53.3%	4.7%	44.2%	51.9%	3.8%
Mkt share 2016		47.7%	49.0%	3.3%	44.8%	51.3%	3.9%



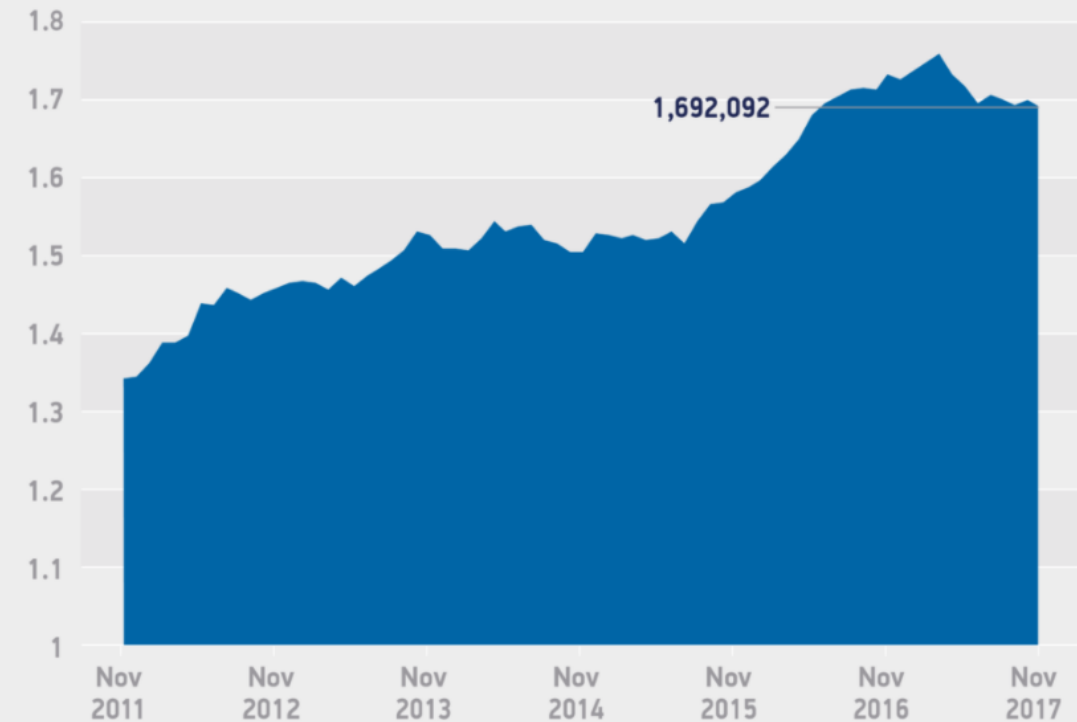
Manufacturing figures

- British car manufacturing falls **-4.6%** in November as 161,490 cars leave UK factories.
- Domestic demand declines **-28.1%** but exports rise **1.3%**.
- More than 1.5 million cars made this year-to-date, the majority for export to global markets.

CAR MANUFACTURING

	Nov-16	Nov-17	% change		YTD-16	YTD-17	% change
Total	169,247	161,490	-4.6%		1,608,722	1,577,042	-2.0%
Home	33,745	24,276	-28.1%		354,586	322,551	-9.0%
Export	135,502	137,214	1.3%		1,254,136	1,254,491	0.0%
% export	80.1%	85.0%			78.0%	79.5%	

CAR OUTPUT – ROLLING YEAR TOTALS (millions)



Poll 1

- Are you confident industry will grow in 2018?

UK Political Developments

Government Reshuffle

- Few impactful changes at Cabinet level
- Key Secretaries of State in HM Treasury, Transport, BEIS, Defra and DExEU remain the same.

Ministerial level changes:

Robert Jenrick – **Exchequer Secretary**



Jo Johnson – **Minister of State, DfT & Minister for London**



Nusrat Ghani – **PUSS, DfT**



Suella Fernades – **PUSS, DExEU**



Andrew Griffiths – **PUSS, BEIS**



Graham Stuart – **PUSS, DIT**



Industrial Strategy – November 2017

We are at one of the most important, exciting and challenging times in the history of global enterprise.

Our five foundations align to our vision for a transformed economy



We will set Grand Challenges to put the United Kingdom at the forefront of the industries of the future:



AI & Data Economy

We will put the UK at the forefront of the artificial intelligence and data revolution



Clean Growth

We will maximise the advantages for UK industry from the global shift to clean growth



Future of Mobility

We will become a world leader in the way people, goods and services move



Ageing Society

We will harness the power of innovation to help meet the needs of an ageing society

Autumn Budget

Key announcements

- VED supplement to apply to new diesel cars first registered from 1 April 2018.
- Rise in Company Car Tax diesel supplement from 3-4% from 6 April 2018.
- £220m Clean Air Fund
- Continuation of PICG to 2020 with £100m for new battery electric vehicles and establishment of £400m Charging Investment Infrastructure Fund
- R&D expenditure credit to increase from 11% to 12% and an additional £2.3bn of funding for R&D.
- Freeze in fuel duty and end of fuel duty escalator for LPG.
- £3bn set aside for preparing for exiting the EU.
- £385 million to develop next generation 5G mobile and full-fibre broadband networks .



Diesel taxation

Autumn Budget

- VED supplement to apply to new diesel cars first registered from 1 April 2018, so that their First-Year Rate will be calculated as if they were in the VED band above.
- This will not apply to vehicles which are certified as meeting emissions limits in real driving conditions, known as Real Driving Emissions Step 2 (RDE2) standards.
- Announcement followed recent SMMT engagement with government.
- SMMT sent several letters to the Chancellor in response to the Budget. The final letter was responded to by Andrew Jones, the then Exchequer Secretary.



SMMT events

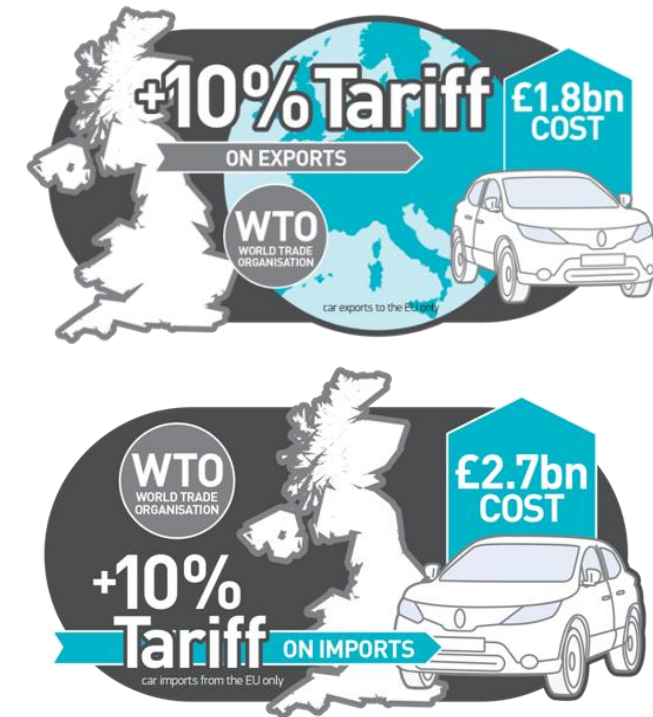


UK Automotive Brexit Priorities

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.



Brexit political developments

EU/UK Negotiations

- **4 December** – attempt to agree progress from “phase 1” disrupted by intervention from DUP on NI regulatory alignment
- **8 December** – European Commission decides that “sufficient progress” has been made and recommends European Council to allow “phase 2” negotiations to proceed.
- **14-15 December** - Council agreed that phase 2 negotiations could begin in 2018 (starting with transitional arrangements and preparatory talks on future relationship)
- **10 January** - Philip Hammond and David Davis visit Germany pressing the case for a bespoke future partnership

Phase 1 agreement

- Agreed words on the priority areas of citizen’s rights, the Irish border and the financial settlement. But “**nothing is agreed until everything is agreed**”.
- **Irish border:** there will be “full alignment with those rules of the Internal Market and the Customs Union which, now or in the future, support North-South cooperation, the all-island economy and the protection of the 1998 Agreement.”
- EU stance that **UK will remain full member of Single Market and Customs Union during transition period**, but without voting rights/representation, i.e rule taker. European Council notes UK intention for transition period limited to 2 years.

Poll 2

- Do you feel your company is prepared for Brexit?

SMMT Brexit support

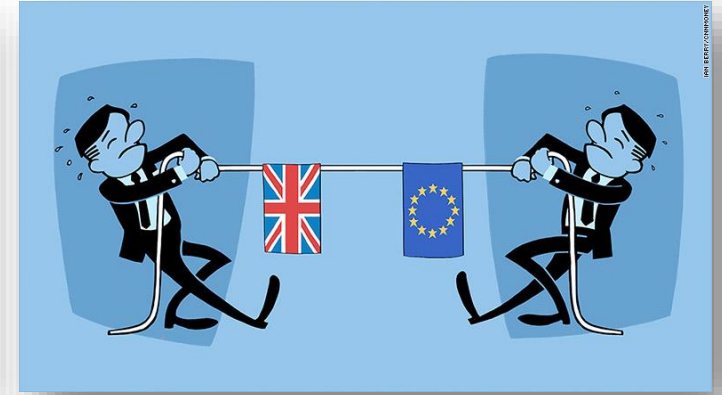
Please let us know how we can further support you with regards to Brexit

memberservices@smmt.co.uk

2018

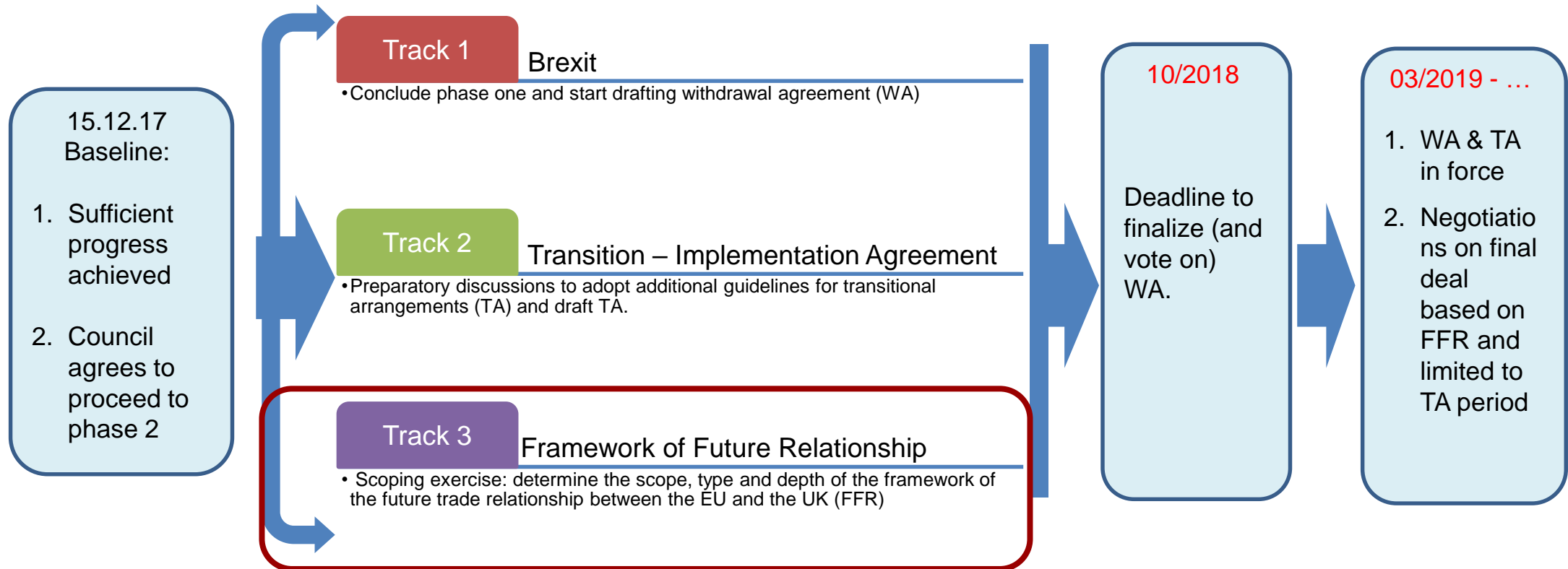
Industry challenges

- **Brexit**
- **Trade**
- **Air quality**
- **Environmental**
- **Capitalising on technology**



Phase 2 Negotiations

What will this entail?



Challenges to the trade status quo

- **Customs Union**
- **Replication of preferential agreement**
- **Rules of origins**
- **Accumulation**
- **FTAs**



Poll 3

- Do you think government recognises the importance of the industry in their Brexit priorities?

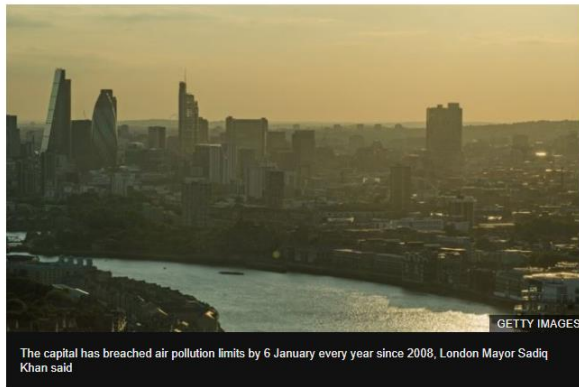
2040 Agenda and Air Quality

The good news!

London's January air quality 'best in 10 years'

15 January 2018 | 72

f t b e Share



The capital has breached air pollution limits by 6 January every year since 2008, London Mayor Sadiq Khan said

London's air quality is within legal limits in mid-January for the first time in 10 years, City Hall has said.

The capital breached limits for nitrogen dioxide (NO2) by 6 January every year for the last decade, Mayor Sadiq Khan said.

Mayor of London hails impact of air quality measures

15 01 2018

BUSES, COUNCIL, HEALTH

WILL DATE

The London Mayor's Office has claimed that the introduction of Low Emission Bus Zones in the capital has contributed to improvements in air quality at the start of 2018.

Legal limits set a maximum of 18 hours of 'very high' pollution levels – 200 ug/m3 for nitrogen dioxide – at any individual site, a target that some sites are still on course to exceed, although at a greatly reduced pace compared to previous years.

Air quality data published by the Mayor of London, Sadiq Khan today (15 January) suggest that London's NO2 hourly average limit has been exceeded in only eight hours across London so far this year: five hours at Brixton Road; two hours at Putney High Street and one hour at Park Lane, Croydon.

This represents a major improvement on 2017, when the first air quality target breach occurred on 6 January at Putney High Street.

According to City Hall, the introduction of Low Emission Bus Zones in the Putney and Brixton areas has contributed to the improvement.



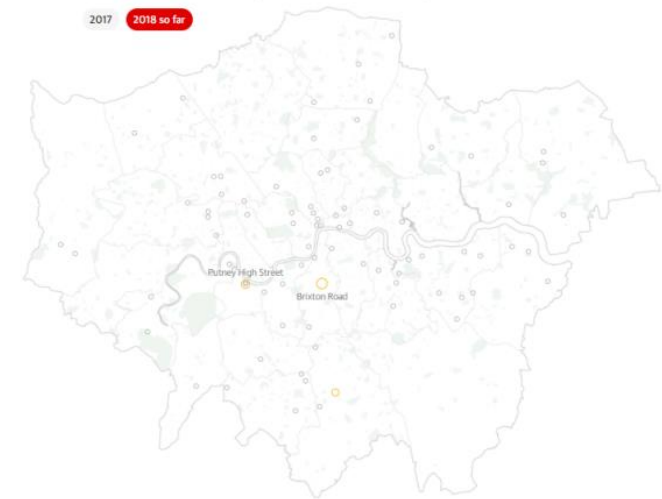
Mayor of London, Sadiq Khan

Nitrogen dioxide limits are broken across the city

Within hourly limits Hourly limit exceeded Annual limit exceeded
Circle size is proportional to the number of times the hourly limit has been exceeded

locations have already exceeded annual targets

2017 2018 so far



Exceeded hourly limits at least once

Site	Hourly limit breaches
Lambeth - Brixton Road	5
Wandsworth - Putney High Street	2
Croydon - Park Lane	1

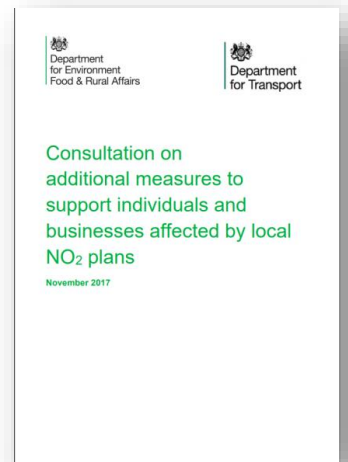
Air quality

Political developments

- ClientEarth have launched a fresh challenge to the UK Plan published on 26 July 2017.
- A consultation on mitigation measures has been published. A response was sent on 12 January
- Roundtable with Scotland Transport Minister on 22 January
- Cardiff EV event 15 February, Welsh Assembly member will give the keynote speech

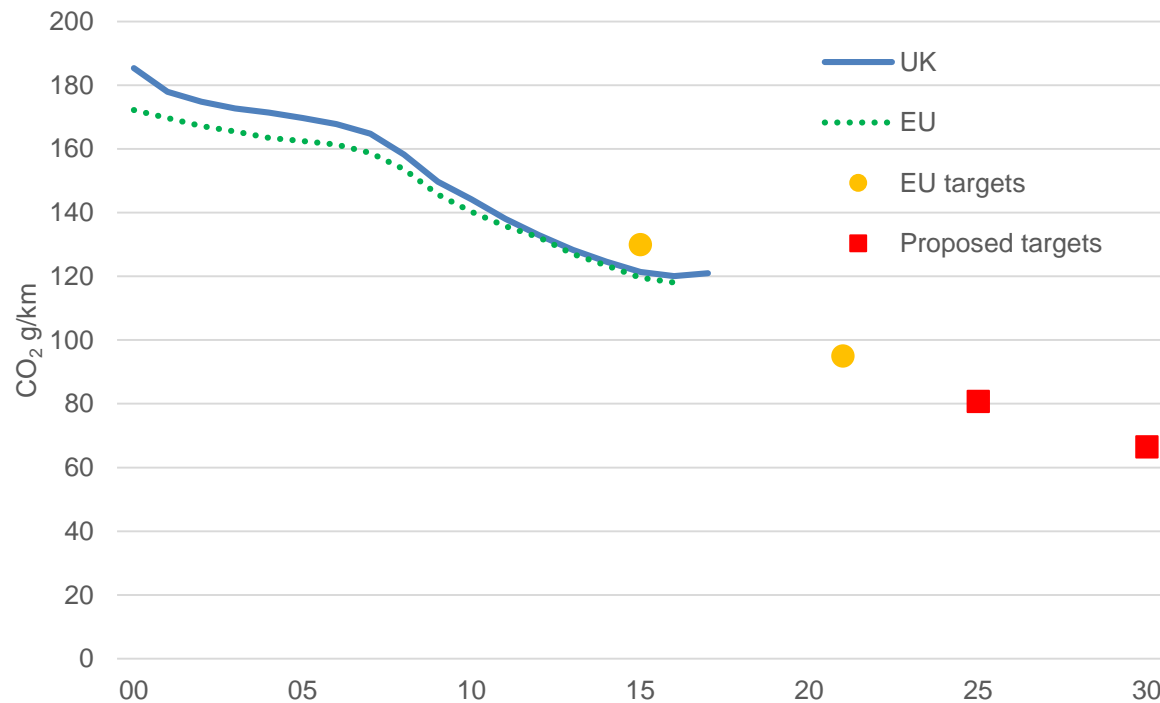
SMMT next steps

- Consult with members and prepare responses on all consultations
- Advise on individual city plans as they emerge
- Develop the air quality action plan to support CAZ cities and encourage uptake of ULEVs
- Engagement with regional Mayors
- Plan events in cities including for National Clean Air Day



EU New car CO₂ Regulation

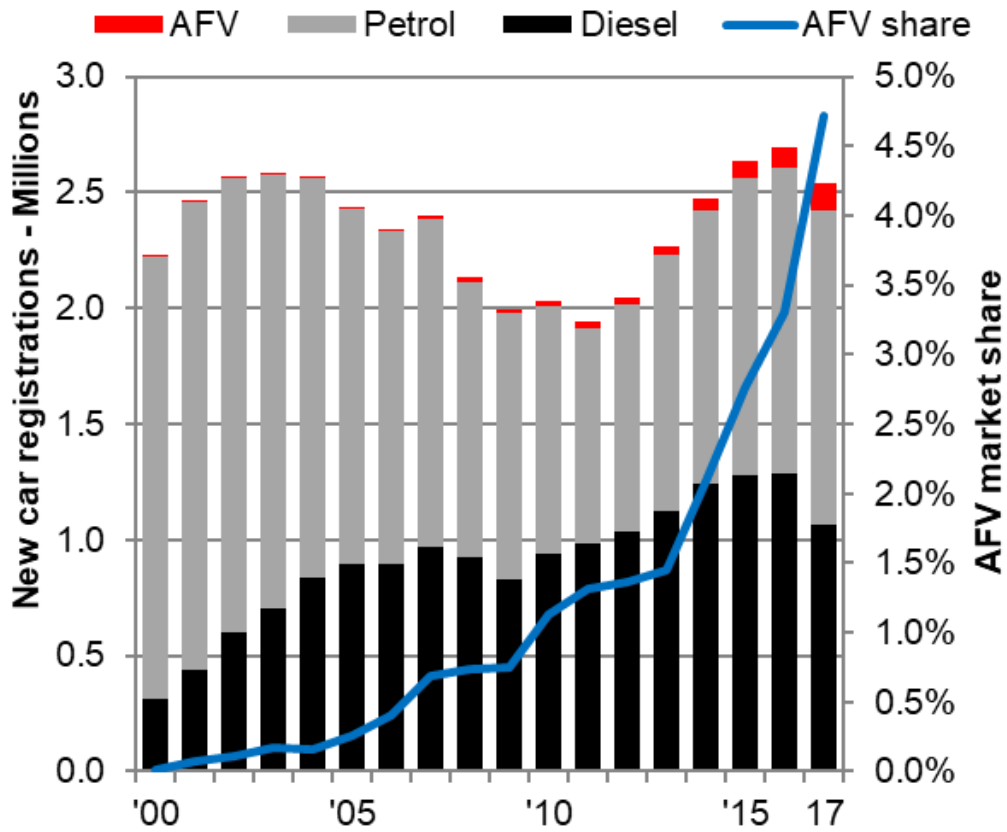
UK and EU new car CO₂ emissions and EU targets



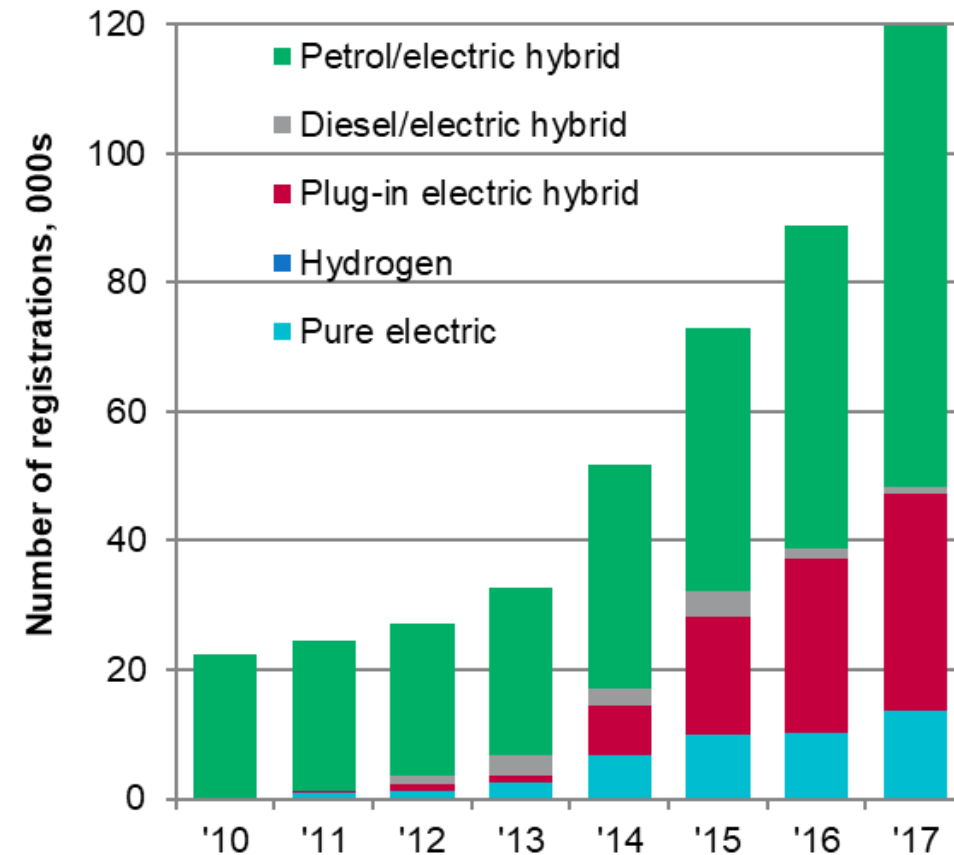
- UK average 121.0g/km in 2017 – first increase on record (+0.8%)
- UK and EU performance close
- 2015 target had been met, but recent market shift makes 2020/2021 target more challenging
- New proposals look for 15% by 2025 and 30% by 2030
- Similar Regulation for vans
- SMMT to lobby officials on Regulation issues, including through CO₂ Report and launch event.

Market trends and rise of alternatively fueled vehicles

New car registrations



New AFV registrations



Automotive Sector Deal

Launch at SMMT - 8 January 2018

- Autodeal among first **four sector deals** under Industrial Strategy
- First in a 'rolling series of intended deals' with the sector
- **£246m** Faraday Battery Challenge over four years
- **£250m** CAV funding - R&D and testing infrastructure
- **£16m** Supplier Competitiveness Improvement programme - match funded by industry



Technology and Innovation

- Cyber security
- Fuel Cells
- Go Ultra Low
- Future Mobility
- Automated and Electric Vehicles Bill
- CAV roundtables
- ULEV Funding
- EV Charging infrastructure



Member value

- **Aftermarket** - Feeding in to connected and autonomous vehicle data access.
- **Component manufacturers** - Promotion of business improvement and sourcing opportunities.
- **Facilitating business opportunities** – Build on successes of Meet the Buyer.
- **CV / Bus and Coach** - Promotion of Euro6 benefits.
- **Light Trailer and Trailer Equipment** – Collaborate with a safer towing.
- **Regional support** – Increase our engagement and presence in the regions with Regional Forum and Regional Networking.



Engagement Opportunities

- Regional Forum & Networking – Q1/2 and Q3/4
- CV Show – 24 – 26 April
- Automechanika Birmingham – 5 – 7 June
- Open Forum – 5 June
- Meet the Buyer – 6 June
- International Automotive Summit – 26 June
- Annual Dinner – November
- International Events – year round
- Innovation event – Q3/4



Poll 4

- 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@smmt.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.smmt.co.uk

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

