

Viewpoints of the Key stakeholders in the UK Auto Industry

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VAUXHALL



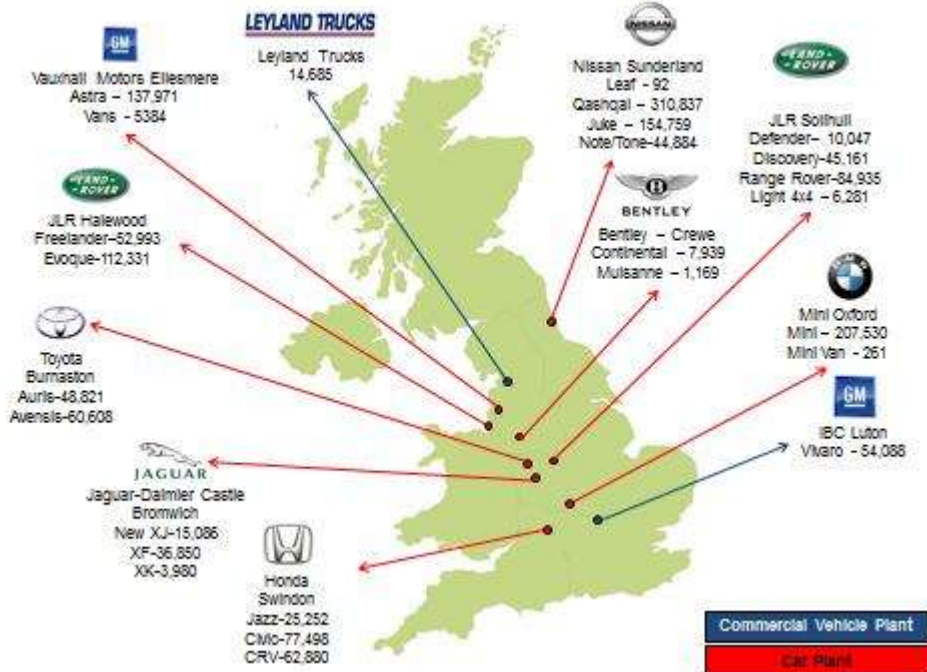
Wir leben Autos.

The UK's Competitive Landscape

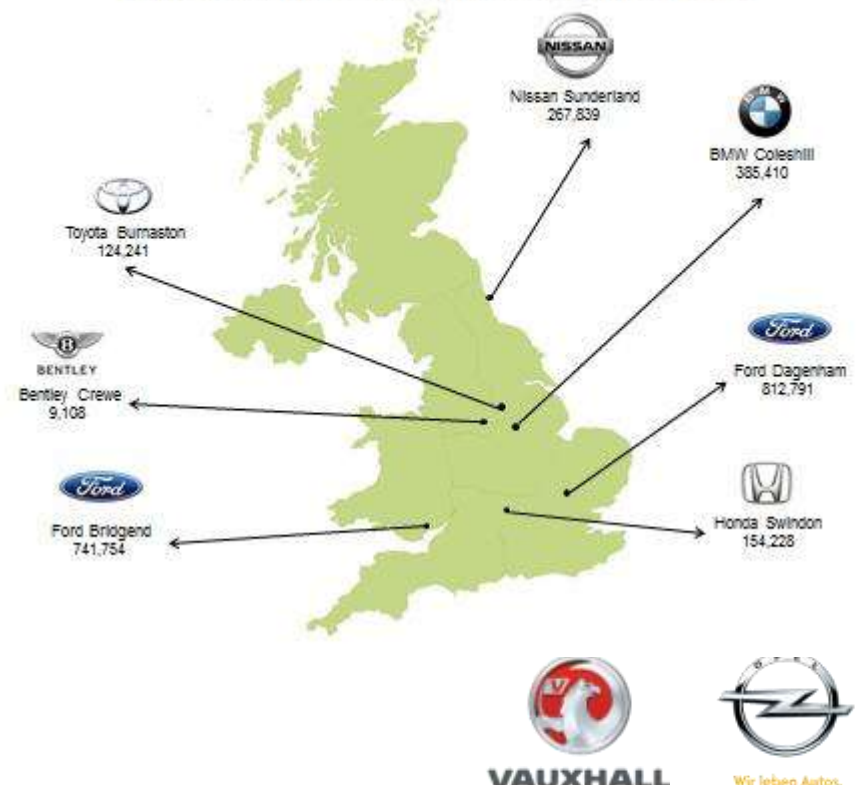
Industry Facts

- UK OEM's built 1.5m vehicles and 2.0mn engines with 80% and 70% exported respectively
- The industry is worth £50b and contributes 6.7% of GDP
- The UK is home to 7 vehicle OEM's and 7 Powertrain plants
- Labour costs are the lowest in Western Europe
- The UK dominates in the field of Formula 1 teams with 8 located in UK
- The automotive industry employs 150,000 people directly and 720,000 indirectly
- The £ to € exchange rates have offered a competitive advantage over recent years
- £1.5bn invested in R&D in 2010

Vehicle Plant Locations and Output 2012



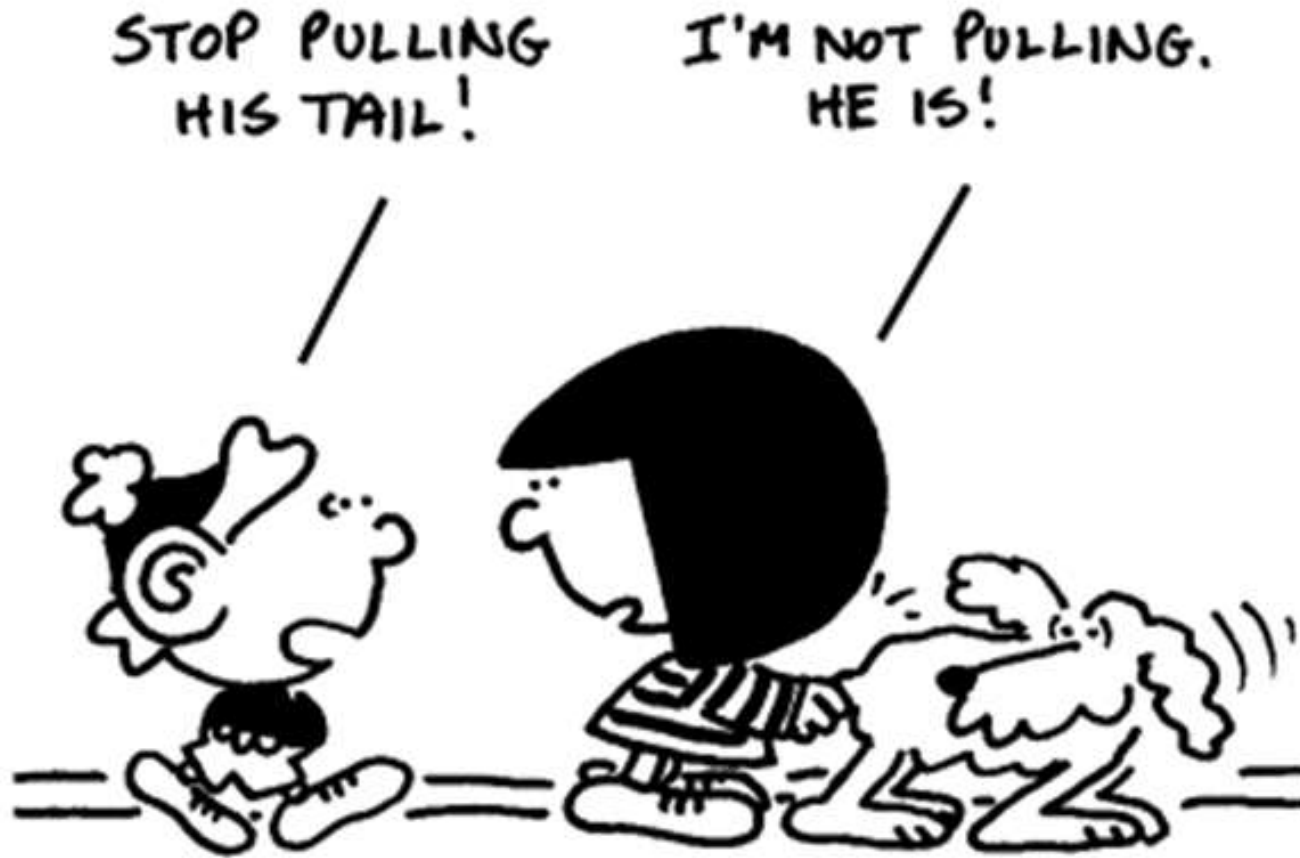
Engine Plant Locations and Output 2012



A snail's perspective on life.....



My daughter's perspective on life.....



My boss's perspective on life.....



"You see a problem, I see a challenge. Let's quit whining over knife crime and start taxing knives!"

Vehicle Manufacturer's perspective.....

- Export of UK manufactured product unprecedented
- UK Plc now highly regarded as a place to do business within our respective HQs
- Japanese OEMs reducing extended supply chains due to natural disasters
- OEMs looking to maximise production at their UK facilities
- Sterling depreciation great news
- Increased demand/volume driving cost down opportunities

- Struggling to find the necessary UK suppliers to satisfy demand
- OEMs need compelling reason to meet and send RFQs to new suppliers
- Sterling depreciation's a headache
- Some OEMs ostracised as suppliers seek to sell their capacity more profitably
- Why do the banks still perceive a risk with the automotive sector?



First Tier Supplier's perspective.....

- Many reaping the rewards for high production volumes with JLR and Nissan
- Not sufficient 2nd and 3rd tier suppliers to avoid significant import element of product
- Many struggling with capacity uplift to satisfy demand
- Their banking/lending partners do not seem to understand this phenomenon
- Strategic influence from the respective HQs - are they on board?
- Not enough hours in the day to explore other opportunities
- Contacted OEM without a response
- Government grants resource intensive
- Some suppliers wondering why they do not have more work



Bank's perspective.....

- Pressure from government to lend more
- Legislative pressure to strengthen balance sheets (stricter lending...)
- Downgrade of certain country's credit worthiness
- Interest rates historically low
- Pressure to ring-fence investment from retail business
- Retail sector in severe distress
- European markets weakening
- Capping of bonuses
- Automotive sector was in distress a few short years ago
- Still a perceived risk on lending into automotive
- The Bank of England is not a division of the Church of England
- Significant hesitance about PR reaction and policy



My perspective.....

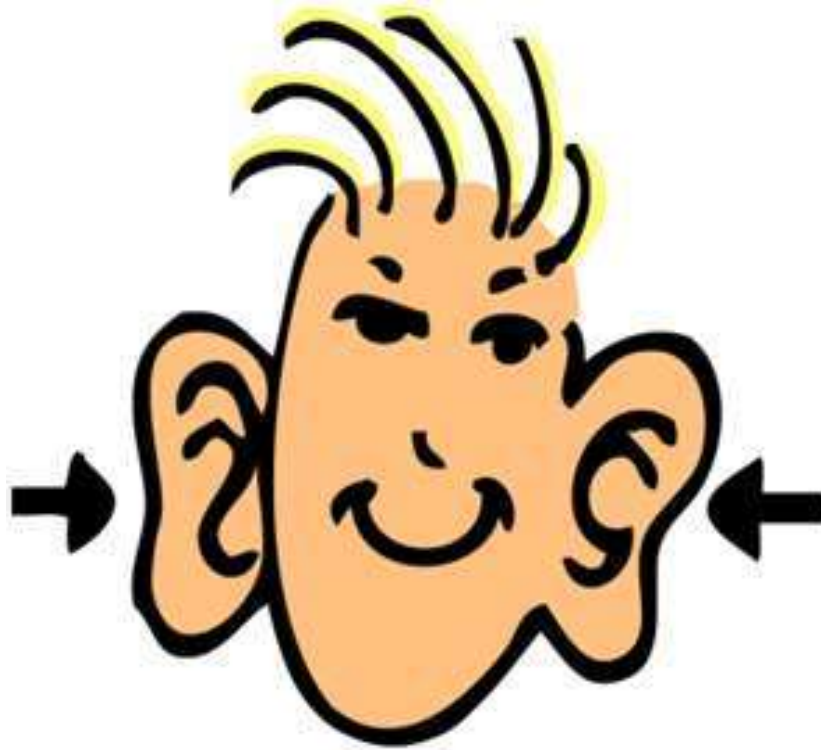
- European recovery some years away
- Still significant European overcapacity in market
- Indian economy and market is softening
- China will soften.....when.....?
- Increase of “Zombie” companies a potential forgotten problem
- High volumes with some UK suppliers masking operational issues
- Suppliers need to seize the total opportunity
- UK PLC is competing with the RoW
- Suppliers need to not think just UK for their customer base
- Need to become key decision/influence makers rather than rely on direction from HQ
- UK Suppliers should prepare and diligently execute a 5-10yr business plan
- UK manufacturing not yet “embedded” through all the tiers
- Perfect opportunity for “**US**” to capitalise on locating more 1st and 2nd tier in UK



How do we align these different perspectives...?



How do we align these different perspectives...?



In Summary

- Communication is paramount
- We can and should do more
- We can find reasons why we can't exploit further opportunities or find every reason as to "How" we will embed UK manufacturing into this country
- We in this room are the industry
- We need creativity coupled with laser like discipline to execute
- Think about how you can do things differently



Vauxhall's latest product offering.....

Cascada



Vauxhall's latest product offering.....

Mokka



Vauxhall's latest product offering.....

ADAM



SMMTs perspective

- Why did we ask this guy to present and he puts up a picture of a SNAIL????!!

Thank-you and Good Luck.....



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