Overview of UK Automotive Industry

Yung Tran

Head of Member Services
THE UK AUTOMOTIVE SECTOR

• UK automotive sector makes 1.5 million cars and commercial vehicles and over 2 million engines annually

• Automotive is vital to the UK economy
  – Around £55 billion turnover
  – £12 billion value added
  – Over 700,000 jobs dependent on automotive
  – More than 11% of total UK exports
  – Invests £1.3 billion each year R&D

• UK is home to 7 volume car manufacturers, 8 commercial vehicle, 11 bus & coach, more than 10 major premium & sports vehicle manufacturers and ca. 2,350 component manufacturers
Current state of the market

UK new car registrations

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Forecast, at July '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Pre-recession: 2.4m
- 2012 results: 2.045m
- 2013 forecast: 2.015m
Current state of the market

UK automotive manufacturing

Manufacturing output: 1970-2011

- 1972 peak: 1.92m

Manufacturing forecast: 2012-2016

- 2012 results: 1.58m
- 2016 target: 2.1m

Graph showing manufacturing output over time with key data points.
Current state of the market

UK exports at all time high!

> 1.2m exported in 2012
EU Car Registrations

Overall 8.2% contraction in EU markets during 2012

Source ACEA
The economic vulnerability of key export markets is limited when compared with other EU countries

Final destination of exports, by value (Euros), 2011

Only around 45% of the UK’s exports are to EU countries as opposed to 70% to 90% for other European countries

Source: UN Comtrade data, KPMG analysis
Current state of the market

£6bn investment

- **Vauxhall:** £125m
  Ellesmere Port
  New Invitation and hatchback

- **MINI:** £250m
  Production triangle

- **Nissan:** £252m
  New Invitation and hatchback

- **Toyota:** £100m
  New hatchback

- **Jaguar Land Rover:** £355m
  New engine plant

- 14,000 direct new jobs; thousands more in supply chain
Current state of the market

Supply Chain UK investment

• TRW investment of £15m at facility in Sunderland
• Nifco plan to move to larger facility creating 170 new jobs
• GKN £12m to increase capacity at Birmingham and Telford
• IAC £3.5m investment at Solihull and Scunthorpe
• Brose £7m expansion of manufacturing site
• Futaba Industrial UK, upto 100 new jobs in Derbyshire
• Calsonic Kansei £15.3m investment in manufacturing facility
• Unipress 350 new jobs at Wearside plant
Investment in UK

KPMG Report – Sept 2012

Highlights

• Massive investment by OEMs (£6bn)
• Production forecast to increase significantly >2m by 2016
• Major Opportunities for UK suppliers (£3bn)
• Strong product mix with high % exports going outside EU
• FX, labour cost, corporation tax & govt support all supportive of UK
Supply Chain Activities

Yung Tran

Head of Member Services
THE UK SOURCING ROADMAP

CREATING AND SUSTAINING SUPPLY CHAIN CAPABILITIES IN THE UK AUTOMOTIVE INDUSTRY

Matthias Holweg
with
Yung Tran
Philip Davies
Stephan Schramm
UK Sourcing Roadmap

Survey point #1:
A. OEMs’ UK sourcing: £7.4bn
B. GVA in UK supply chain: £4.8bn

Survey point #2:
A. Increase in OEMs’ UK sourcing?
B. Increase in GVA in UK supply chain?

Medium-to-long-term potential for LCV parts
- Identify Top-10 suppliers

Short-term opportunities through matched needs
- Electrics & electronics
- Body & powertrain
- Interior & exterior

Critical support
- A. Shop-floor competitiveness
- B. Total supply chain cost modelling
- C. Finance to sustain and grow business

Support LCV demand
Support R&D at UK suppliers
Target international suppliers
Alternative powertrain parts entering full-scale production

* Interface area with Technology Group
Supply Chain Report 2012

- The confidential survey was conducted by Cambridge University, with the results analysed by BIS
- The report was published in August 2012
- Identified £3bn opportunities
Industry Engagement and Support Organisations

Working together to maximise on the opportunities

- Automotive Council
- SMMT
- UK Automotive Opportunities
- Support & Advice
  - MAS, LEP, UKTI, SEMTA
  - NAA, TSB, ESPRC, UKCES
SMMT ‘Meet the Buyer’ events

April 2011 event:
- 200 People participated
- 30 Buyers from 20 companies including Aston Martin, BMW, Ford, GM, Honda, JLR, Nissan
- Around 90 Suppliers
- Over 200 1-2-1 meetings
- 3 regional events
  31 Oct Melton Mowbray
  8 Nov Chester
  15 Nov Bridgend
Meet the Buyer event

3rd July 2012, Cranmore Park, West Midlands

Buying Organisations:
- Aston Martin
- BMW
- Ford Europe
- General Motors
- Nissan
- Tata Motors
- Bentley
- JTEKT
- Kostal UK
- Mobis Parts
- Koito Europe
- NSK Europe
- Sanoh Manufacturing
- Scorpion Automotive
- Aisin Europe
- Bosch
- CAB Automotive
- Calsonic Kansei
- Faurecia
- Futaba Tenneco
- Futaba Tenneco
- Grupo Antolin
- IAC Group
Meet the Buyer event

3rd July 2012, Cranmore Park, West Midlands

Results:

- Over 200 people participated representing 140 organisations
- Around 330 1-2-1 meetings took place on the day.
- 230 Pre-scheduled 1-2-1 meetings
- 294 additional meeting requests made on the day
- 103 were successfully fulfilled
- Approx 67% positive meeting outcomes (of known)

2013 Meet the Buyer Event confirmed for 23 May at Cranmore Park
Access To Finance

Report by Smith Institute

Published in June 2012, the report highlights:

• 5 main barriers and
• 5 corresponding recommendations:
Access To Finance
Report by Smith Institute

Barriers:
1. Relationship between banks and auto sector and lack of understanding.
2. Finance for Tooling is a particular problem for many.

Recommendations:
1. Step change in the engagement of UK finance sector with automotive sector is needed.
2. A combined finance and automotive ‘Tooling for Growth’ taskforce to identify innovative solutions.
Meet the Funder event
21 November 2012, Cranmore Park, West Midlands

Funding & Support Organisations:

- Santander
- Barclays
- RBS
- Lloyds
- HSBC
- Lombard
- NatWest
- Yorkshire Bank
- Clydesdale Bank
- Business Growth Fund
- TNUI Capital
- Pemberton Capital
- Panoramic Growth Equity
- FW Capital
- Blue Sky Corporate Finance
- MAS
- Derby City Council
- North West Auto Alliance
- Northamptonshire Enterprise Partnership
- Talent Retention Solution
Meet the Funder event

21 November 2012 July, Cranmore Park, West Midlands

Results:
- Around 150 people participated representing 90 organisations
- Over 100 1-2-1 meetings on the day
- Presentations from KPMG, JLR and BBA during the morning
- Overall the results were very positive

- **RBS** – ‘Overall I think the SMMT are doing a very good job of this…useful dialogue with both members of supply chain and OEMs’
- **CMA Metal Forming** – The presentations were well pitched with good positive messages’
- **Formula Plastics** – the opportunity to have meaningful discussions with 5 different funding providers’
- **Productiv** – ‘very good day, it exceeded my expectations’
- **NSK** – ‘No improvement necessary. This was a well organised event which proved informative and productive’.
- **Blue sky corporate finance** – the people I met had a clear view of what they needed and why…indicates that the pre event marketing was very good – well done’
- **Ludgate finance** – ‘…the chance to meet very good quality potential clients’
SMMT Open Forum

Date: 21 March 2013
Venue: Heart of England Conference Centre, West Midlands
Time: 9.30am

Agenda:

• Automotive Council Technology Group Update
• Automotive Council Supply Chain Group Update
• Industry presentations from General Motors, Nissan and Caparo

See www.smmt.co.uk for more details
SMMT International Events 2013

Export Opportunities for UK suppliers

• Mexico: New Business Opportunities Seminar
  13 Feb, SMMT London

• Automechanika Istanbul, 11-14 Apr 2013

• Autopromotec, Bologna, 22 – 26 May 2013

• Global Automotive Component Supplier Engine Expo 4 – 6 Jun 2013

• MIMS (Moscow International Motor Show 28 – 31 Aug 2013

• EVS27, Barcelona 17 – 20 Nov 2013
Thank You

Society of Motor Manufacturers and Traders Limited
71 Great Peter Street, London SW1P 2BN
www.smmt.co.uk