

The UK Automotive Industry

Opportunities for Growth

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The UK auto industry manufacturing sector

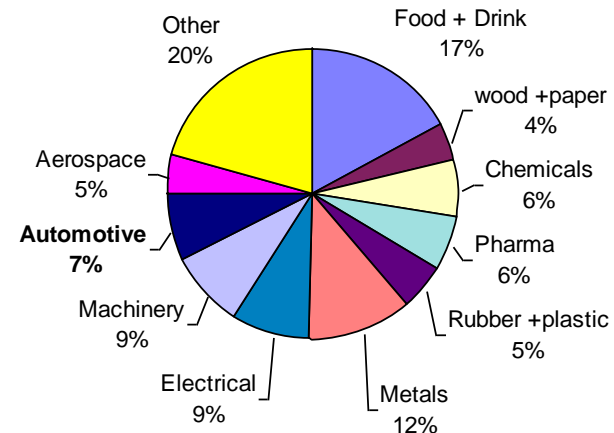
- The sector employs 138,000 people in 2,760 businesses
- Auto directly accounts for 5.5% of UK manufacturing employment
- An estimated 150,000 are employed elsewhere in the economy, supplying essential parts and services to the sector
- UK produced nearly 1.6 million vehicles in 2012
- The sector is worth £11.2 billion to the UK economy
- Automotive accounts for nearly 12% of UK manufactured exports
- In addition UK has a thriving construction equipment sector, employing 57,000 people, exporting 75% of its output, worth £3bn annually.

The UK auto industry manufacturing sector

Sector comparisons

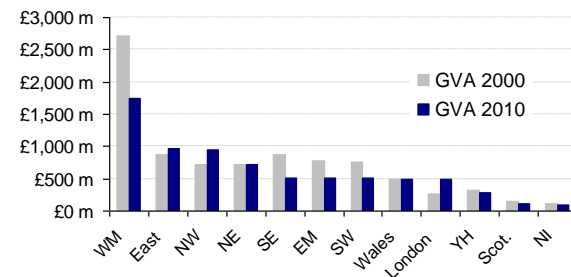
- Automotive is a significant contributor to the economy
- Generally between 5 and 10% depending on which measure is used
- Auto is 7% of UK manufacturing GVA, and 1% of total UK economy
- Auto is 1.3% of regional NW economy, and accounts for 13% of total national auto GVA
- Plus significant inputs from several materials and process codes

UK manufacturing GVA



Regional auto GVA evolution

in real terms, 2000 prices



The UK auto industry manufacturing sector

- The sector was hard hit through the recession, though recent performance has been enhanced by strong sales of UK-made vehicles in markets beyond Europe

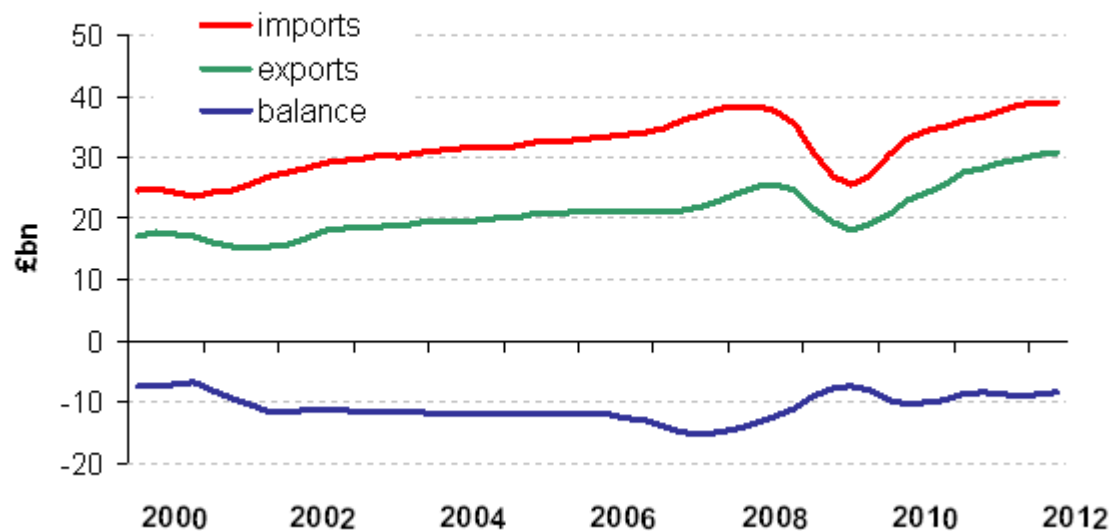
**Index of production:
Auto sector and overall UK manufacturing**



The UK auto industry manufacturing sector

- Despite a good export performance, UK has consistently run a large trade deficit in automotive products, and the Automotive Council was created to identify opportunities to grow the sector.

UK Automotive trade

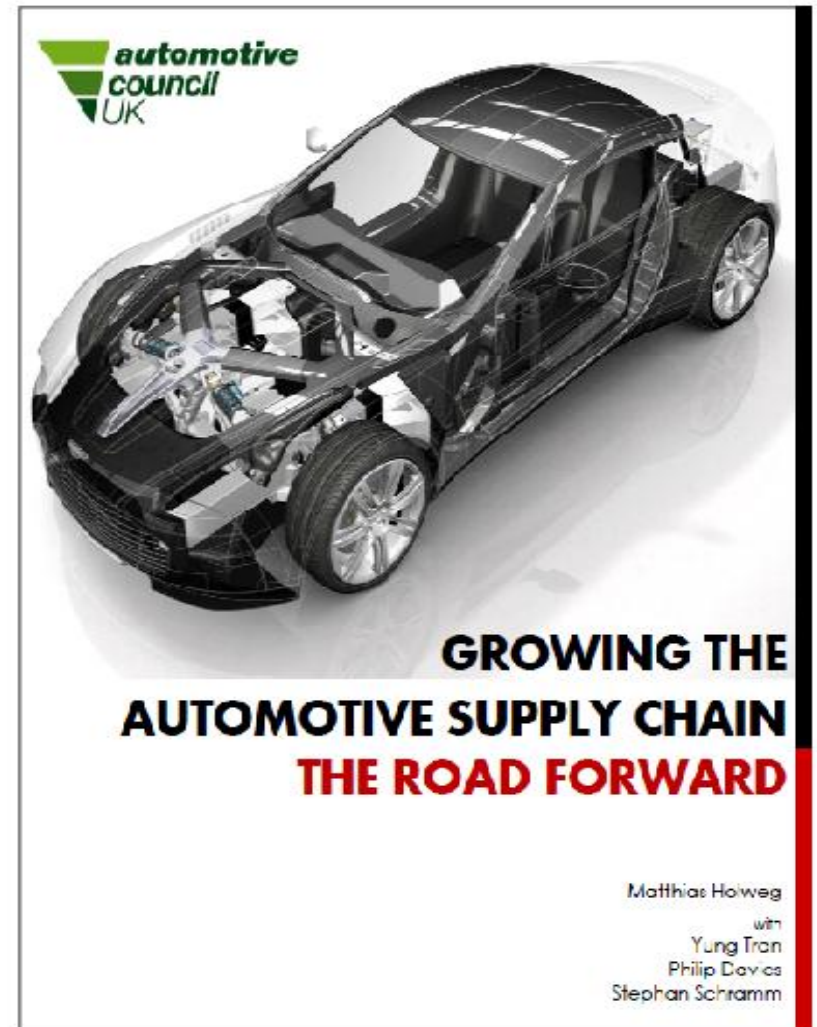


The Automotive Council

- The United Kingdom Automotive Council is a partnership between Government and Industry, and aims to:
 - Create a transformed business environment for the automotive industry in the UK to provide a more compelling investment proposition for related industries
 - Develop further the technology roadmaps for low carbon vehicles and fuels, and exploit opportunities to promote the UK as a strong candidate to develop these and other technologies
 - **Develop a stronger and more competitive automotive supply chain**
 - Provide a stronger public voice for the industry to support the value of the industry to the UK and to global partners
 - Ensure a strategic, continuous conversation between Government and the automotive industry in the UK

Automotive Council: Supply Chain Group

- Initial analysis of purchasing by UK vehicle makers suggested a significant opportunity to increase local content
- This was confirmed via a survey of the principal vehicle, engine and construction equipment makers, in 2010
- The confidential survey was conducted by Cambridge University, who also analysed the results, with contributions from BIS and SMMT
- The report was published in March 2011
- http://www.jbs.cam.ac.uk/news/items/2011/110302_holweg.html



Automotive Council: Supply Chain Group

- The survey found that £7 billion-worth of parts were procured from UK suppliers
- This was 36% of total procurement
- A further study was needed to identify which components offered the best potential to grow the UK supply chain
- The confidential survey was conducted by Cambridge University, with the results analysed by BIS
- The report was published in August 2012
- <http://www.bis.gov.uk/assets/biscore/business-sectors/docs/g12-1010-growing-uk-automotive-supply-chain-2012-update>



GROWING THE UK AUTOMOTIVE SUPPLY CHAIN

THE ROAD FORWARD – 2012 UPDATE

Compiled and produced by the
Department for Business, Innovation & Skills in collaboration with:
Stephan Schramm and Dr Matthias Holweg, University of Cambridge,
and the Industry Members of the Automotive Council

Vehicle Maker commodity survey

Summary of findings

- At a headline level, the opportunity is estimated to be at least £3 billion-worth of tier 1 parts sales per annum, at current vehicle output rates
- This is likely to be an under-estimate, and is based on cautious value estimates
- The estimate only includes opportunities regarded as viable by respondents, does not include planned output growth, and has not been factored to account for vehicle makers outside the survey. Also, it does not include aftermarket demand
- This is however not necessarily an immediate requirement, but should emerge as contracts come up for renegotiation or renewal
- Breakdown by commodity follows, but first, some context....

Vehicle Maker commodity survey

The £3 billion opportunity in context

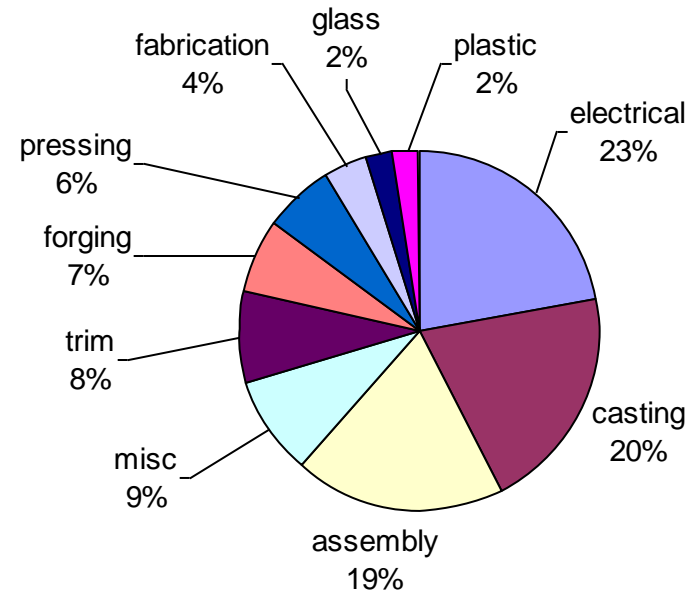
- Current UK trade deficit in vehicles is currently around £1 billion annually
- Current UK trade deficit in parts is just over £6 billion annually
- Parts deficit has been widening whilst deficit in vehicles is narrowing
- The value opportunity, if captured, would make a significant impact on UK auto sector trade balance
- This is all quite apart from the export opportunity
- UK accounts for 10% of Europe's vehicle output
- UK wins just 2.5% of the total European tier 1 sales opportunity
- UK vehicle output was up 7% last year. Were your unit volumes up 7%?

Vehicle Maker commodity survey

Summary of findings

- Opportunities exist in a wide range of commodities
- In value terms, the leading areas are electrical & electronics, then castings
- Assemblies are a significant area, indicating the need to understand whether this suggests need for development of lower tier manufacturing infrastructure

Value opportunity by commodity



The supply chain opportunity

SME's supplying to the tier 1's

- We believe that UK tier 'n' companies are capturing around one third of UK Tier 1 purchase contracts. The growth opportunity is huge
- Contacting VM's so they are aware of your product can be helpful, though they may prefer not to purchase directly
- Support and advice is available from a range of partners
 - BIS Local, Local Enterprise Partnerships (signposting)
 - SEMTA (skills)
 - MAS (operational issues)
 - SMMT (meet the buyer)

The supply chain opportunity

Going forward

- The key first step is to identify your potential customers
- Use every opportunity to network: events such as today's are ideal
- Read the report, and cite it when contacting potential customers
- Engage with trade associations, and especially SMMT's 'meet the buyer'

Questions?

