

# The UK Automotive Industry

The next 10 years

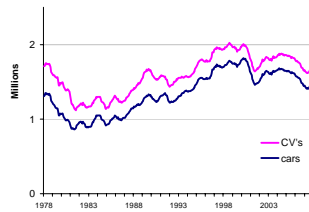
October 2007

# The UK car industry in its 'heyday'



# Year-on-year UK Vehicle production

- All-time UK car production high was in 1972: 1,921,311 cars
- By 1982, this had fallen to 887,679
- Arrival of the Japanese generated significant growth: 1999 peaked at just under 1.8 million cars and 190,000 CV's
- The cumulative loss of Dagenham, Luton, Longbridge and Ryton saw 2006 out-turn at 1.4 million cars and 207,000 CV's



# The UK automotive industry Where are we now?

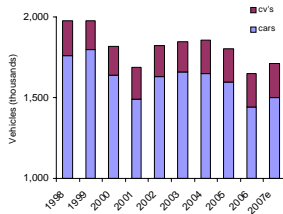
## Auto industry output

Output fell sharply from 1999 to 2001 with the closure of Dagenham and Luton

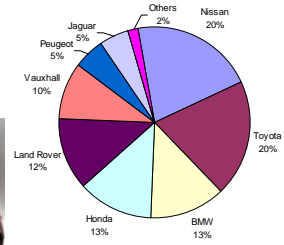
New investments recovered much of the lost ground

Since the loss of MG Rover and Peugeot, output is heading back up with rises expected this year at most UK plants

2007 will see car output back above 1.5 million, and CV output over 200,000 units



## Current UK car output



## Auto industry regional spread

The West Midlands remains the largest auto concentration, with Jaguar, Land Rover, LDV, MG and others, and a wide range of suppliers

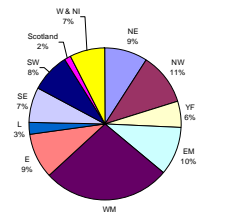
East Midlands is growing: Toyota and their suppliers

NE steady: dominated by Nissan

NW has Jaguar, Vauxhall and now Land Rover, and a strong supply chain

SW up: Honda expanding

UK auto regional GVA 2005



## Automotive Industry Outlook

Most vehicle plants appear to have a secure future

Output is likely to be fairly stable, with a modest increase more likely than a decline

Reliance on export markets seems set to continue, with the UK car market dominated by imported vehicles

Industry employment is likely to fall around 5% per annum, as productivity improves in response to the 'low cost' challenge

Profitability will remain very tight due to overcapacity and low cost competition

Capex may decline, due to efficiency in the investment process

Long term, 'low cost' competitors' advantage will erode

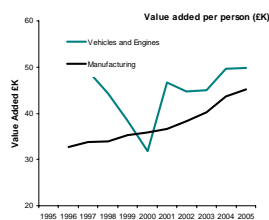
The challenge for UK is to maintain a sufficiently competitive position, building on strengths; flexibility, capability, proximity to market

## Productivity (VAPP)

There is a clear productivity gain from 2000 onwards, up 41% in five years.

Vehicle makers are outperforming UK manufacturing

Suppliers are below the UK manufacturing average, but achieving good productivity growth



## Future UK models



## 'Future' UK models available now!



## UK Automotive Industry Long-term Outlook Can UK succeed on the global stage?

UK has a strong technology base: global companies already invest here

- Ford, Nissan, NAC, SAIC are here now, others on the way

The best UK manufacturing companies are world class, and can offer competitive pricing coupled with good quality products

The UK business environment is fully competitive

Manufacturing close to market is efficient and cost-effective: Europe accounts for 33% of global car sales

**In short, yes!**

## UK Automotive Industry Long-term Outlook

The CO<sub>2</sub> agenda will drive towards lower-emission vehicles

UK is at the forefront of emission-reducing technologies, including efficient engines and low weight structures

Also, much UK effort on alternative fuels, and longer-term alternative powerplants including fuel cells and electric vehicles

The challenge for UK is to offer high-quality technology capability to the global vehicle makers, and a good business environment in which to make their products

## What is Government doing?

Through the Technology Strategy Board, bringing companies together to research the technologies of tomorrow

Working collectively between Departments, and with Europe, to formulate policies that encourage reductions in carbon emissions that are stretching but achievable (CO<sub>2</sub> targets, fiscal policies)

Providing financial assistance towards capital investment costs for new projects, where companies are located in assisted areas (and subject to meeting value-for-money criteria)

Managing the UK economy to ensure a business-friendly environment, so as to make the UK an attractive place to invest