



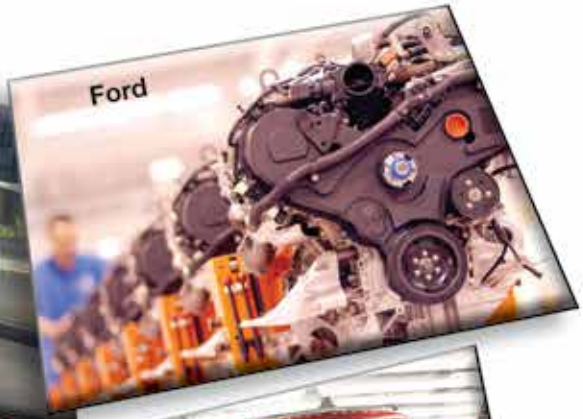
HM Government

Industrial Strategy: government and industry in partnership



Driving success – a strategy for growth and sustainability in the UK automotive sector – **Summary**

UK automotive products:
Cars and motorcycles





The UK automotive industry has been leading the charge to demonstrate to international investors that we excel at advanced manufacturing and engineering in this country. Over £6 billion of investment in the UK industry in recent years makes it clear that the message is being received.

This renaissance has been facilitated by an effective and partnership approach from the Government and the industry through the Automotive Council that we chair. Over the last four years we have worked together to establish a clear roadmap for technology and to understand the opportunities for the UK supply chain.

This strategy sets out the actions we will take collaboratively to secure the next stage in the growth of the sector. We will work together to deliver our vision for the sector – and ensure that the UK is well placed to benefit from even more investment in production and in critically important research and development activity. It also provides focus for our joint effort to bolster our domestic supply chain and ensure people with the right skills are available to support a growing and nationally important industry.

We are certain that successful implementation of this strategy will secure the future of the automotive industry in the UK and build on our recent success.

A stylized, handwritten signature in black ink, consisting of a large, sweeping 'V' shape followed by a smaller, more intricate flourish.

The Rt Hon Dr Vince Cable MP
Secretary of State for Business, Innovation and
Skills and Government Co-chairman of the
Automotive Council

A handwritten signature in black ink that reads 'R. Parry-Jones' in a cursive style. Below the signature is a long, horizontal, slightly wavy line.

Professor Richard Parry-Jones CBE
Industry Co-chairman of the Automotive Council

The UK automotive industry

Over the last few decades the automotive industry in the UK has been completely transformed. Supported now by a strong partnership with Government, it is recovering from the recession and growing.

A flexible workforce, openness to creativity and innovation and a reputation for good design has attracted £6 billion of investment in the last two years from global vehicle manufacturers.

£6 billion investment over last two years

Britain is the fourth largest vehicle producer in Europe, making 1.58 million vehicles in 2012. Every 20 seconds a car, van, bus or truck rolls off a UK production line. Over 80 per cent of these are exported, to more than 100 countries.¹

Every 20 seconds a vehicle rolls off a UK production line

The challenge is to maintain this momentum to secure the long term future of the sector by growing the UK share of the value chain and by getting ahead of the game in research and development (R&D) on ultra-low emission vehicles. This strategy sets out how this might be achieved over the next 20 to 30 years.

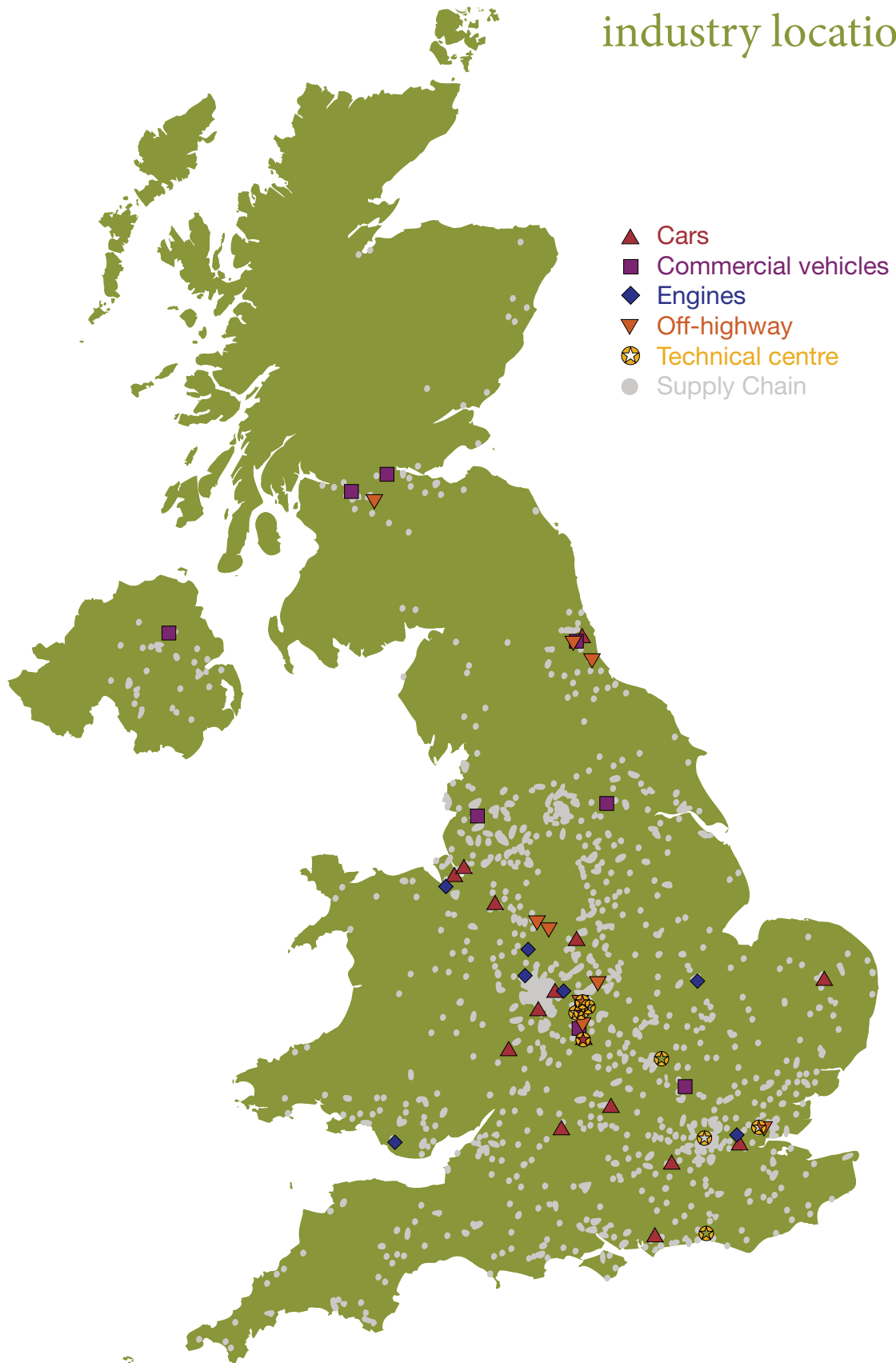
1.58 million vehicles produced in 2012

The foundations for this long-term partnership approach between industry and government were laid in 2009 with the setting up of the Automotive Council. This strategy sets out a shared vision for a UK automotive manufacturing industry that is:

- Diverse, dynamic, growing and globally competitive
- Making a large and increasing economic contribution to employment and prosperity in the UK
- Playing a decisive role in developing and manufacturing low and ultra-low emission vehicles and technologies
- Supported by a highly skilled workforce and a strong supply chain
- Inspiring young people to pursue rewarding careers in engineering and manufacturing

¹ *Motor Industry Facts 2013*, Society of Motor Manufacturers and Traders, March 2013

UK automotive industry locations



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Supply chain location data source: Bureau Van Dijk - Mint 2013

Note: Data are not comprehensive and location markers are approximate.

Challenges and opportunities

There are a number of challenges and opportunities ahead for the sector.

This strategy focuses on four key areas:

INNOVATION AND TECHNOLOGY: By 2040 almost none of Europe's new cars will be powered solely by a traditional petrol or diesel engine. This once in a lifetime technology change offers the UK an opportunity to create tomorrow's vehicles, increase its market share and create new supply chain companies. To deliver this the UK needs not only an increase in R&D investment, but also to capitalise on this – securing production in the UK. This requires innovative small and medium enterprises (SMEs) to be nurtured and investment by multinational companies

Once in a lifetime technology change

SUPPLY CHAIN: The domestic supply chain is relatively weak. On average only a third of the parts that go into vehicles manufactured here are sourced from the UK. Stepping up the amount of UK content is dependent on a stronger automotive supply chain in the UK. But UK suppliers could take a much bigger share of the market with £3 billion of opportunities identified by the Automotive Council



Only a third of parts for UK vehicles are sourced locally – £3 billion opportunity

SKILLS: The scale of these future opportunities and meeting increasing production demand has highlighted a shortage of engineers and other skilled workers. The UK needs to build up a comprehensive talent pipeline including in the supply chains, starting in schools and encouraging a career path to apprenticeships, graduates and post graduates. Failure to do this will make the UK less attractive as a place to invest and will restrict supply chain growth

Strategic partnership is key to improve the business environment

BUSINESS ENVIRONMENT: The UK faces stiff competition from other countries that strategically support advanced manufacturing. This can include significant R&D spending and tax breaks and strong incentives to encourage investment by suppliers. Strategic partnership is key to improve the business environment for the UK automotive sector.

If the UK is going to build on the recent success of the automotive sector, it is vital that these opportunities are seized and the challenges tackled. To achieve this, the Government and industry have worked together to develop a strategy which identifies the actions that need to be taken collectively



Investing in innovation and technology

The development and commercialisation of new automotive technologies in the UK is critical to the medium to long-term future of the sector. Action is required now to secure future development and production in the UK.

Government and industry have agreed the following:

- **INVESTING IN A NEW ADVANCED PROPULSION CENTRE (APC):** The Government and industry will invest around £1 billion over 10 years in a new centre to develop, commercialise and manufacture advanced propulsion technologies in the UK. This investment is expected to secure at least 30,000 jobs currently linked to producing engines and could create additional jobs in new supply chains

£1 billion joint investment in advanced propulsion over 10 years

Secure 30,000 jobs and create more

- **IMPROVING CO-ORDINATION AND COLLABORATION WITH ACADEMIC RESEARCH:** The Automotive Council and Engineering and Physical Sciences Research Council (EPSRC) will set up an advisory group to help align research funding with industry challenges where relevant. This will ensure the UK remains at the forefront of R&D work
- In addition, the industry will set out its view of the key technologies for the UK, how it can access more EU R&D funding and look at identifying future technologies such as intelligent networking of cars



Industry commitment to the Advanced Propulsion Centre

These companies fully support the vision for the APC and will actively explore potential for investment in the Centre.



Enhancing supply chain competitiveness and growth

It is important to understand the barriers to growth for home grown firms and further investment in the UK and have an action plan to tackle these.

The Government and industry is committed to:

SUPPORTING INWARD INVESTMENT: The Government has set up a new Automotive Investment Organisation (AIO) within UK Trade & Investment (UKTI) funded by up to £3 million over the next two years.

Led by Joe Greenwell, the former Chairman of Ford of Britain, it will take strategic direction from the Automotive Council. The AIO's aim is to improve the image of the UK as a place for automotive suppliers to invest and provide first contact to key potential investors.





IMPROVING ACCESS TO FINANCE: Access to finance is vital to help the UK supply chain grow. A key issue is access to tooling finance. Without it the UK supply chain, including SMEs, cannot support vehicle manufacture growth and production is likely to go abroad.

The automotive industry and the banks have developed a high-level framework that sets out principles for how they will work together to provide supply chain finance. The next stage will be to put this work into practice.

In addition, the industry is prioritising action, including a development programme, to enhance supplier capacity and capability.

£3 million for the new Automotive Investment Organisation

How the supply chain is structured

Vehicle and engine makers (original equipment manufacturers)
Design and assemble vehicles and engines

Tier-one suppliers
Supply assembled components/systems – to vehicle/engine makers
e.g. dashboards, seats, drive train units, front end of car

Tier-two suppliers
Supply individual parts for assembly by Tier 1
e.g. electronics, seat frame, cushions, tyres, brakes

Tier-three to Tier-n suppliers
Supply engineering materials, specialist services, raw materials, sub-components, tools
e.g. sheet metal, wire, bars, specialist finishing/treatments

Investing in people – ensuring the right skills

The industry has agreed a collective road map setting out a common view of what skills and training are needed to address the skills gaps. This will underpin how the industry and government work together to address the skills shortage.

Early outcomes of this work include:

Working together to improve the quality and quantity of apprentices, graduates and postgraduates in the automotive industry. The industry members of the Automotive Council expect to take on more than 7,600 apprentices and 1,700 graduates over the next five years.

Industry expects to take on more than 7,600 apprentices and 1,700 graduates over the next 5 years





Attracting more young people, especially women, into automotive careers by initiatives such as:

- Lending the Automotive Council's endorsement to several high-quality and effective school, graduate and post-graduate schemes
- The Automotive Council developing a scholarship scheme for promising university students who are sponsored through their degrees by individual companies



A business environment that enables a competitive automotive industry

A supportive business environment in the UK is critical to sustaining the competitiveness of the sector and as the first choice for investment.

Government and industry have identified the following issues as key to the attractiveness of the UK.

- Maintaining and enhancing the UK's flexible labour market as a key competitive advantage
- Regular and strategic engagement between the Automotive Council, local enterprise partnerships (LEPs), devolved partners and other local decision makers in areas with a strong automotive link
- Maintaining proactive engagement with the European Union (EU) so that the UK has continued access to the Single Market and an influential voice in the development of regulations
- Supporting key free trade agreements to boost exports through reciprocal access to markets
- Continuing to support the early market for ultra-low emission vehicles. This has encouraged investment in the manufacture of ultra-low emission vehicles in the UK. The Government will publish a detailed strategy on ultra-low emission vehicles later this year



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