



HM Government

Industrial Strategy: government and industry in partnership



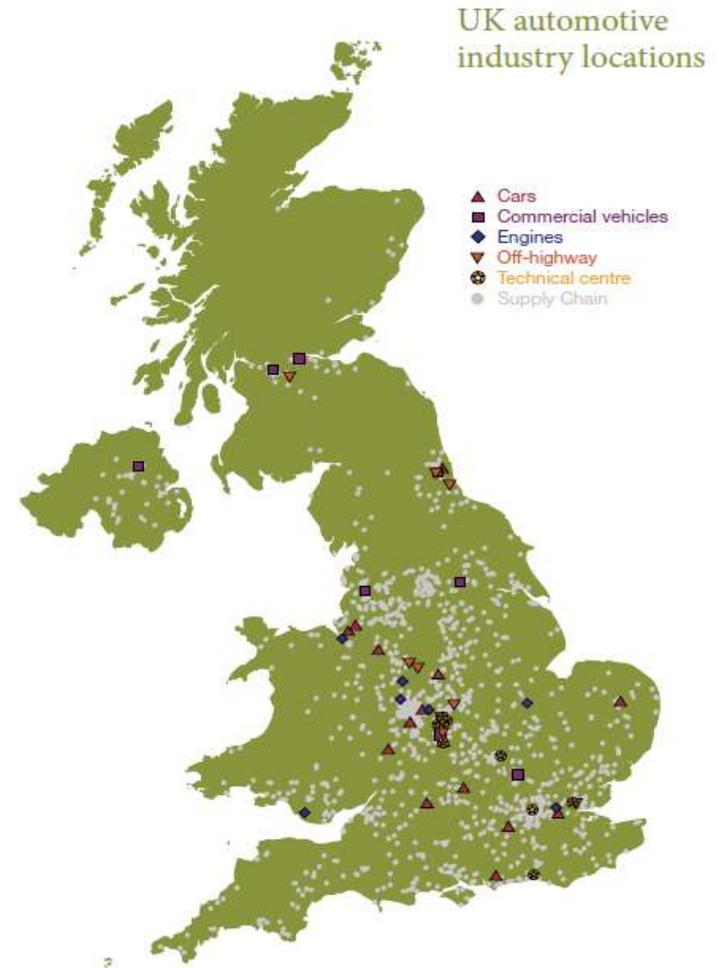
Driving success – a strategy for growth and sustainability in the UK automotive sector



The UK automotive industry

Over the last few decades the automotive industry has been completely transformed:

- £6 billion investment from global vehicle makers in the last two years
- 4th largest vehicle producer in Europe – making 1.6 million vehicles – or one every 20 seconds. Could rise to more than 2 million by 2017
- Over 80 per cent exported, to more than 100 countries
- In addition producing 2.5 million engines.



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Supply chain location data source: Bureau Van Dijk - Mkt 2013
Note: Data are not comprehensive and location markers are approximate.

The automotive sector strategy

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



Challenges and opportunities (1)



Innovation and technology

- Almost none of Europe's new cars powered solely by traditional petrol or diesel engine by 2040
- Once in a lifetime technology change – opportunity for the UK to:
 - » create tomorrow's vehicles
 - » increase market share
 - » create new supply chain companies
- To get the most from this requires increase in R&D investment and securing production in the UK.

Supply chain

- Domestic supply chain relatively weak – on average only one third of the parts that go into vehicles manufactured here are sourced from the UK
- Stepping up amount of UK content depends on a stronger automotive supply chain in the UK.
- UK suppliers could take a much bigger share of the market – £3 billion opportunity identified by the Automotive Council

Challenges and opportunities (2)



Skills

- Scale of future opportunities and meeting increasing production demand has highlighted shortage of engineers & other skilled workers.
- UK needs to build up a comprehensive talent pipeline
 - including in the supply chain, starting in schools and encouraging a career path to apprenticeships, graduates and post graduates.

Business environment

- UK faces stiff competition from other countries that strategically support advanced manufacturing
 - including 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

Investing in innovation and technology

Development & commercialisation of new automotive technologies in the UK is critical to the medium to long-term future of the sector.

Action required to secure future development and production in the UK

Investing in a new Advanced Propulsion Centre (APC)

- Government & industry will **invest around £1 billion over 10 years** in a new centre to develop, commercialise and manufacture advanced propulsion technologies
- Investment expected to **secure at least 30,000 jobs** currently linked to producing engines and could create additional jobs in new supply chains

Improving academic co-ordination and collaboration

- Automotive Council and EPSRC will **set up advisory group to align research funding with industry challenges**



Enhancing supply chain competitiveness and growth



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

Supporting inward investment

- Government has set up a **new Automotive Investment Organisation (AIO)** in UKTI
 - Led by Joe Greenwell, the former Chairman of Ford of Britain
 - Will take strategic direction from the Automotive Council.
 - 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 supply chain grow
- Tooling finance is a key issue
 - Without it supply chain cannot support vehicle manufacture growth and production is likely to go abroad
 - **Automotive industry and the banks have developed high-level framework setting out principles for how they will work together to provide supply chain finance**

Investing in people – ensuring the right skills



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

Apprentices and graduates

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

Young people

- Attracting more young people, especially women, into automotive careers by initiatives such as:
 - Lending Automotive Council **endorsement to several high-quality and effective school, graduate and post-graduate schemes**
 - **Automotive Council developing scholarship scheme for promising university students** who are sponsored through their degrees by individual companies

A business environment that enables a competitive automotive industry



Supportive business environment is critical to sustaining the competitiveness of the sector

Government and industry have identified a range of key issues

- **Flexible labour market:** Maintaining and enhancing the UK's flexible labour market as a key competitive advantage
- **Local engagement:** 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
- **European engagement:** Maintaining proactive engagement with the European Union (EU) so the UK has continued access to the Single Market and an influential voice in the development of regulations
- **Free trade:** Supporting key free trade agreements to boost exports through reciprocal access to markets
- **Support ultra-low emission vehicles:** Continuing to support early market for ultra-low emission vehicles. This has encouraged investment in the manufacture of ultra-low emission vehicles in the UK. Government will publish detailed strategy on ultra-low emission vehicles later this year

Next steps

- Detailed implementation planning underway
- Automotive Council working groups taking forward detailed work including on the Advanced Propulsion Centre
- Automotive Investment Organisation now established

automotive.strategy@bis.gsi.gov.uk

