The UK Automotive Industry

The next 10 years

October 2007

Year-on-year UK Vehicle production

- All-time UK 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 car industry in its ‘heyday’

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.

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.

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
The UK Automotive Industry

‘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 CO₂ 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 (CO₂ 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

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