



ALL-PARTY PARLIAMENTARY
MOTOR GROUP

Driving growth:

Future challenges and opportunities
for UK automotive

EMBARGOED UNTIL 00:01 WEDNESDAY 13 JULY 2011



REPORT OF THE APMG 2010-2011

Introduction - from APMG Chair

Representing a seat in the West Midlands I know how important the automotive industry is to the UK. Across the country it is an essential part of the glue that binds our economy together and supports thousands of jobs.

This is not just another industry. From major manufacturers through to the thousands of components firms and suppliers – it is the cradle for much of the world class innovation that finds its way, not just into cars and trucks, but also into motorsport and performance engineering, into aerospace and into the low carbon technologies of the future.

The industry faces many challenges in the coming years – but also has many growth opportunities. We must support it to ensure a bright future.

Richard Burden MP – Chair, All-Party Parliamentary Motor Group

DID YOU KNOW?

- The UK produces over one million cars and commercial vehicles and over two million engines annually.
- Over 700,000 UK jobs rely directly on the industry.
- UK automotive is a major contributor to exports accounting for over 9% of total volumes.
- Over £1bn is invested each year in UK R&D to keep the country at the forefront of industry developments.
- The UK is home to the largest number of specialist sports car manufacturers in the world and 19 of the world's top suppliers.
- 3,500 motorsport companies (98% SMEs) are based in 'Motorsport Valley' employing over 40,000 people, of which 25,000 are engineers.
- The UK motorsport and high performance engineering industry sells more than £7bn (65% is exported). More than 30% of sales are invested in R&D.

Summary

This report outlines the findings of meetings of the All-Party Parliamentary Motor Group (APMG) in its discussions over the last year. The APMG has been a key forum in bringing together parliamentarians from across both Houses and all parties to discuss key issues facing the UK motor industry.

This has been a critical time for the motor industry. As the economy emerges from recession, the industry has been put at the heart of the debate on re-balancing the economy and sustainable low-carbon growth.

The APMG has discussed a range of issues and would like to highlight to the government and members of both Houses that:

1. The automotive industry is well-placed to invest, for example in research and development (R&D). Government should ensure the UK is an attractive place to do business and invest by showcasing the automotive industry as a forward-looking, growing and progressive sector.
2. The automotive industry has a clear roadmap for low-carbon technologies, which will contribute to long-term low-carbon growth. Government should look at the opportunities both on an economic and environmental level in supporting the sector.
3. Core to issues on skills gaps in the automotive industry is the image and attractiveness of the sector as a career option. Government should outline how it plans to work with schools and colleges to make jobs in the sector more appealing. Government should also publish an action plan to demonstrate how it intends to work with automotive companies in delivering its 75,000 additional apprenticeship places.
4. The UK motor industry is a key sector of the economy, investing in skills, technology and R&D. It also has the potential to be a significant driver of growth and can help the government achieve its objective of re-balancing the economy. Government should commit to strengthening its partnership with the motor industry.

Investing in growth

The first APMG discussion in this series took place in September 2010 and focused on investment in the automotive sector and the state of the sector following the financial crisis.

The discussion focused on the investment opportunities and challenges, particularly in relation to R&D. A presentation was made by Professor Doug McWilliams (Centre for Economics and Business Research) on economic indicators, investment trends and where there are opportunities to invest.

DISCUSSION KEY POINTS

- The automotive industry suffered significantly during the financial crisis. However, it is now ready to grow and invest.
- Making the UK an attractive place to do business for manufacturing companies should be a priority.
- The UK automotive industry is well placed to make high-value investments in R&D and contribute significantly to economic growth.
- Government support, such as R&D tax credits, need to work for all sizes and types of companies and be focused on growth sectors such as automotive.
- Financial conditions remain constrained and all political parties must continue pressing on the financial sector to support a re-balanced economy and manufacturing.

IAN LUCAS - SHADOW BIS MINISTER

“The UK automotive industry is vital to our national economy and to the future of a more re-balanced economy. Government must continue to support the industry and create the right investment climate so that the UK remains at the cutting edge of new technologies.”

Developing low-carbon technology

In December 2010 Mark Prisk, Minister for Business and Enterprise, spoke to the group about the government's perspective on the Automotive Council and low-carbon developments in the automotive sector.

The industry is investing in a range of technologies to reduce the emissions of its products. These range from the internal combustion engine to hydrogen fuel cell powered vehicles in the future. The importance of consumer support for purchasing ultra-low carbon vehicles was also debated.

DISCUSSION KEY POINTS

- The UK automotive sector is well placed to lead on low-carbon growth.
- Investment in and the development of low-carbon technology takes place not just in the production of passenger cars, but also across the industry in sectors such as motor sport and commercial vehicles.
- The Automotive Council's consensus technology roadmap clearly identifies the readiness for investment in the sector and outlines the range of technologies the industry is investing in to reduce the emissions of its products.
- All political parties support a partnership approach to identifying and supporting low-carbon technology development and ensuring consumer awareness of their low-carbon options.

MARK PRISK - BIS MINISTER

"The UK automotive sector is a global leader in low carbon technology. It is vital for the UK economy that the motor industry retains leadership and momentum in areas of particular expertise that support growth and in turn sustain and revitalise the supply chain."

Skills for growth

The issue of skills has been raised at every APMG meeting, and the discussion in March 2011 looked specifically at the skills needs of industry, government skills policy and, crucially, the need for the motor industry to be an attractive career choice.

The discussion focused on the range of opportunities in the automotive sector, the current focus on apprenticeships, private-sector job creation and the image of manufacturing.

DISCUSSION KEY POINTS

- An appropriately skilled workforce is critical to long-term sustainable growth.
- The image of the automotive industry and wider manufacturing remains a barrier to attracting people into the sector. All parties support activities to promote the image of the industry.
- There are skills gaps at all levels, including management and leadership, and government policy must reflect this range of needs.
- A lack of appropriate skills in the workforce is experienced in SMEs and large companies alike.
- Recent announcements of more apprenticeship places are welcome and must be targeted to ensure they support ambitions to re-balance the economy.

ADRIAN BAILEY - BUSINESS SELECT COMMITTEE

“The APMG has provided a valuable forum for discussing how the excitement of manufacturing can be communicated to young people. These discussions on motivating young people and providing them with the right skills will inform my committee and contribute to its input into government policy.”

A strategy for growth

Economic Secretary to the Treasury Justine Greening and Adrian Bailey, Chair of the Business Select Committee, discussed the growth review and the role of manufacturing in the economy with the group at their meeting in May 2011.

Questions covered a range of issues, touching on skills and the image of industry, as well as specific concerns over the current R&D tax credits scheme and its ability to ensure it meets the needs of large global companies.

- DISCUSSION KEY POINTS**
- Automotive manufacturing has an important role in a re-balanced economy; motoring and the motor industry are vital parts of manufacturing and the growth agenda.
 - R&D tax credits need to be refocused to ensure they meet the needs of companies of all sizes and types throughout the manufacturing supply chain.
 - There are real challenges facing the automotive supply-chain, both now and in the longer-term. It is important that policy-makers address these issues.
 - There is huge potential for the automotive industry to grow, particularly in the field of low-carbon technologies and vehicles. The government has a role in ensuring these opportunities are enhanced and supported.

JUSTINE GREENING - TREASURY MINISTER

“This government wants to encourage growth in British advanced manufacturing, and the automotive sector is a fundamental part of this. We’re determined to help the industry succeed. That’s why we’re reducing corporate tax, making R&D tax credits more effective, setting up technology and innovation centres and expanding apprenticeships.”

ALL-PARTY PARLIAMENTARY MOTOR GROUP

The purpose of the group is to debate and address issues of strategic importance to the UK automotive industry, the motorsport industry and vehicle users; to focus on the role of the motor vehicle, including the environmental impact; and to promote dialogue between politicians, industry, vehicle users and other stakeholders.

APMG Officers

Chair:	Richard Burden MP	Vice-chairs:	Lorely Burt MP
Treasurer:	Heather Wheeler MP		Lord Corbett
Secretary:	Gavin Shuker MP		Edward Timpson MP

The APMG is very grateful to the Society of Motor Manufacturers and Traders (SMMT), Motorsport Industry Association (MIA) and RAC Foundation for providing the secretariat to the group. SMMT met the associated printing costs of this report.

Seminars, receptions, events and activities take place inside and outside of Parliament throughout the year. For more information on joining the group or its forthcoming programme, please do not hesitate to contact the officers or the secretariat on the details below.

Contact details

SMMT: Jonathan Hawkings

jhawkings@smmt.co.uk
020 7344 9217

RAC Foundation: Philip Gomm

philip.gomm@racfoundation.org
020 7473 486

MIA: Jayne Thomas

jayne.thomas@the-mia.com
024 7669 2600

APMG Chair: Richard Burden MP

richard.burden.mp@parliament.uk
020 7219 2318
