



ALL-PARTY PARLIAMENTARY
MOTOR GROUP

Fuelling Ambition

Investment & Strategic Direction for
UK Automotive

motorappg.com



REPORT OF THE APMG 2012-2013

Chair's Message

We are undoubtedly seeing a new era of ambition in the UK automotive sector. Since 2011, over £6 billion has been invested by global vehicle manufacturers in the UK automotive industry. This represents a major focus - not only on the UK as a leading location for inward investment, but on the automotive industry itself as integral to the country's economy.

Responding to cross-party calls for action, 2012 saw the government announce the development of sector specific industrial strategies that will drive economic growth. Automotive is rightly a priority.

The imminent publication of this strategy, developed through collaboration between the government and industry, will define a new and shared ambition for the sector. In the APMG we look forward to seeing the strategy translate into action, and will be closely following progress in implementation.

The APMG this year has seen lively discussion on a broad range of topics, from future driving trends to the Budget, exports and trade. Central to all of our discussion was the clear need to support investment and strategic direction for industry, ensuring that the UK can seize opportunities for future growth.

Richard Burden MP, Chair - All Party Motor Group

DID YOU KNOW?

- UK automotive is a vital part of the UK economy and typically generates more than **£55 billion in annual turnover**, delivering around £12 million in net value-added to the economy.
- The automotive industry is the **UK's largest sector in terms of exports**.
- The UK is home to **eight Formula One teams** and the largest concentration of motorsport firms found within the Motorsport Valley, located in the centre of the UK.
- The automotive sector **employs over 700,000 people** in the UK - in jobs from design to repair.

Summary

This report outlines the findings of the All-Party Parliamentary Motor Group (APMG) through its meetings and discussions over the past 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 motor industry. It also provided an opportunity to discuss significant investment announcements made by the sector, which were welcomed by the group.

The APMG would like to highlight to the Government and members of both Houses the following automotive priorities:

1. Uniting around the automotive strategy

The work to produce a sector strategy for the automotive industry has reaffirmed the importance of the sector to the economy. This comprehensive framework for the industry now requires cross-party and long term support for implementation.

2. Leveraging new opportunities

Despite car usage figures levelling off, the car still remains a key driver of personal freedom and mobility. Changing trends and individual habits are providing new business opportunities to automotive companies that demand further analysis, investment and innovation.

3. Sustaining investment for growth

The Budget in 2013 demonstrated the need for consistent economic policy and long-term investment. Budgets, and Chancellors, in the future must build on UK industrial strengths like the automotive sector and focus particularly on areas where the UK excels - such as low carbon technology.

4. Harnessing overseas potential

Supportive trade and export policies are a major opportunity to influence future UK growth. To expand the automotive sector's presence overseas the Government should focus on securing deals with priority markets, such as the EU-US free trade deal, and reducing tariffs and other barriers to trade.

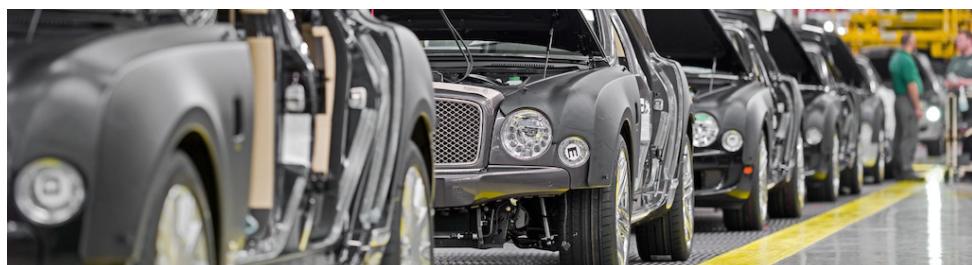
Industrial Strategy for Growth: Building on Automotive Success

The first APMG discussion of the series took place in October 2012 with MPs considering the development of the industrial strategy, and how implementation could promote growth.

John Leech, UK Head of Automotive at KPMG, gave an overview of investment in the UK automotive sector over the last two years, and near term opportunities to capture investment in the supply chain. Lord Adonis, currently leading Labour's industrial policy review, stressed the importance of securing access to finance.

DISCUSSION KEY POINTS

- Automotive as a key sector of the UK economy should be underpinned by a **long-term and comprehensive industrial strategy** which is supported by all parties in Parliament.
- The positive engagement which has started between the **automotive and banking sectors** is welcome. Access to finance for tooling is an important issue for automotive and efforts should be made to ensure that barriers to investment and growth are removed, particularly in the supply chain.
- Skills development lies at the heart of future success of the UK automotive industry, and there is pressing need to **increase the talent pipeline** which is critical for growth. Employers have a vital role and opportunity to take ownership of training provision, and the government must ensure flexibility and continuity of skills funding.



Future Driving Trends - Where Now?

On 11 December 2012, the APMG discussed the RAC Foundation's 'On The Move' report into car and travel trends in Britain.

Professor Stephen Glaister, Director of the RAC Foundation, outlined the report's key findings and analysed the 'peak car' phenomenon - the point at which car use stops growing. Jason Reakes at BMW Group (UK) also highlighted areas in which automotive companies such are responding to changing driving trends.

DISCUSSION KEY POINTS

- **Driving represents personal freedom** and enhances mobility and access to employment, services and activities. While trends may show that car usage is levelling off, it is important to note that for many in society the ability to use a car is a critical factor in quality of life.
- Action is needed to ensure **young people are not priced out of driving**, with the insurance sector identified as one area where innovative reforms could tackle cost barriers.
- The Government should ensure that it continues to provide timely, accurate and **robust driving and traffic data** to enable strategic road planning. A solid evidence based is vital to inform and guide future decisions on investment in infrastructure.
- **London represents a unique picture** in terms of car use, where there was a larger fall in use compared to the rest of the UK. This reflects public transport infrastructure and the fall in company car mileage.



Budget 2013: Automotive Priorities

The APMG held a Budget-day breakfast in March to discuss automotive priorities ahead of the Chancellor's Budget 2013 statement.

The group was joined by Professor David Bailey from Coventry University, who outlined how intelligent industrial policy can unite stakeholders from across sectors to exploit investment opportunities.

DISCUSSION KEY POINTS

- APMG members affirmed the fundamental importance of **consistent and stable long-term economic policy** in relation to Budget announcements.
- It was seen as important that schemes to **increasing availability of funding to SMEs** are fully aligned with wider policy priorities for industrial strategy and export-led growth.
- **Low carbon technology** is an area where the UK automotive sector is excelling and has opportunity to go even further. Supportive policies, that will increase the potential of UK companies to further invest and innovative in areas such as R&D is a clear priority.
- Enhancing the UK's **business competitiveness** is essential for attracting inward investment supporting manufacturing. Energy efficiency regimes were highlighted as a particular example of where the government needs to tackle complexity and administrative burdens to increase competitive advantage.



Trade, Exports and UK Automotive

David Frost CMG, Director for Europe, Trade and International Affairs at the Department for Business, Innovation and Skills joined the APMG in May to look at the government's trade priorities and discuss how supportive trade and export policy can support growth in the automotive sector.

DISCUSSION KEY POINTS

- Trade and exports are a critical part of cross-government policies such as industrial strategy. **Scaling up access to priority markets** will unlock major opportunities for growth in the automotive industry.
- The **US-EU free trade deal** is of enormous potential for the automotive industry. The US is the second largest market for UK automotive industry outside Europe, accounting for almost 10% of all UK car exports. Action will be needed in regulatory convergence and technical standardisation to dismantle current barriers to trade.
- **Support for SMEs** looking to export is crucial as government aims to drive export-led growth. Announced after the breakfast discussion, the Automotive Investment Organisation is a welcome initiative for attracting inward investment to the UK, particularly in the supply chain.
- Reducing tariffs and non-tariff barriers on an equal and symmetrical basis is crucial when establishing trade agreements. The government and European Commission need to support **free and fair access to markets** as a central principle in trade and export policy.



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
Edward Timpson MP

Treasurer: Heather Wheeler MP

Secretary: Gavin Shuker 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 Hawkins
jhawkins@smmt.co.uk
020 7344 9217

RAC Foundation: Philip Gomm
philip.gomm@racfoundation.org
020 7747 3445

MIA: Jayne Thomas
jayne.thomas@the-mia.com
024 7669 2600

APMG Chair: Richard Burden MP
richard.burden.mp@parliament.uk
020 7219 2318