Automotive Industry Priorities

31 January 2019

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Chief Executive

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Business Development

To listen to a recording of this webinar click here

- During presentations (14:00 – 14:30) everyone will be muted so that only the presenters will be heard.

- Polls will be conducted throughout the webinar.

- The presentation will be followed by a Q&A session. Click on the hand symbol to show that you have a question or type in your question at any point.

- If you are experiencing any technical problems please call
020 7344 1674.

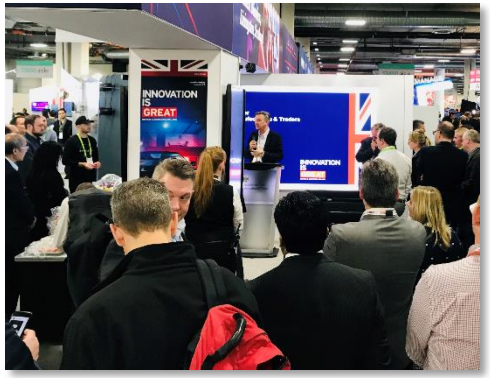
Mike Hawes, Chief Executive, SMMT

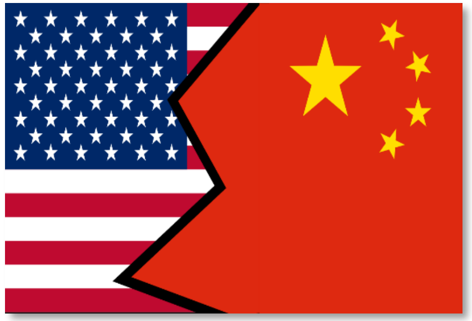
31 January 2019

2018 Review

Positives

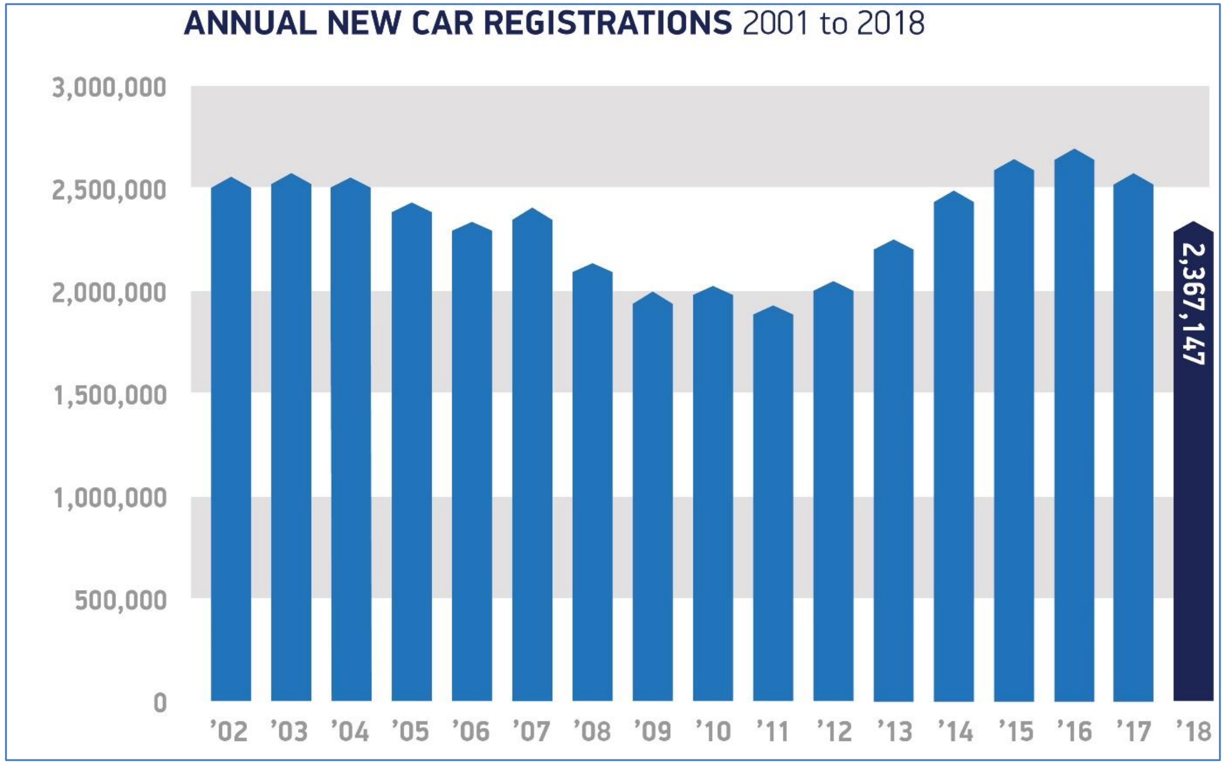
- Strong political engagement
- Strong promotion of industry's voice
- Industrial strategy
- Automechanika Birmingham
- Trade development
- Future Mobility Challenge
- NMCL
- Continued growth of SMMT membership and regional support





Registrations full year 2018

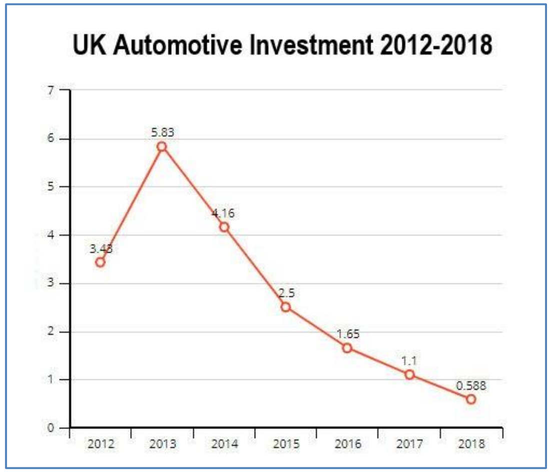
- UK new car registrations fall -6.8% in 2018 to 2.37m units, reflecting 12 months of turbulence.
- Registrations of plug-in cars reach record levels as manufacturers plan 2019 new model blitz but demand falling behind EU average as incentives are pulled.
- Industry calls for new policies to grow sales of new low and zero emission cars, as ongoing diesel decline drives second year of CO_2 rises.

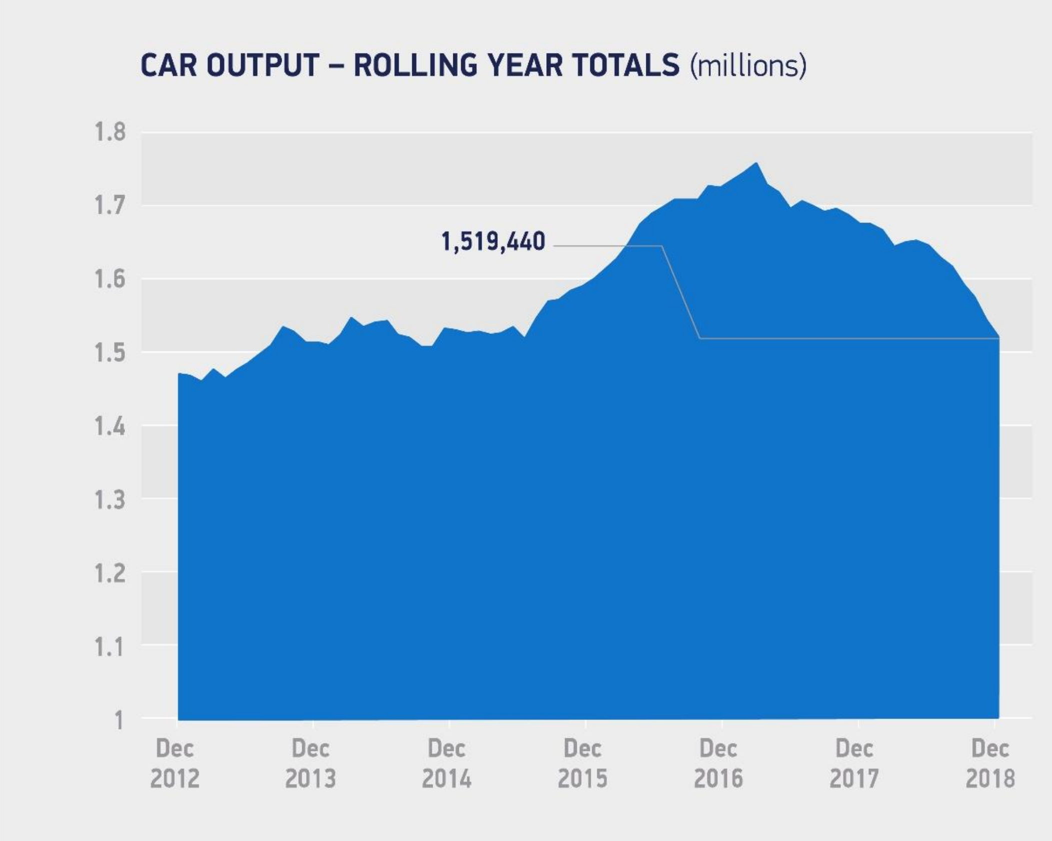


Year-to-date	Total	Diesel	Petrol	AFV	Private	Fleet	Business
2018	2,367,147	750,165	1,475,712	141,270	1,052,202	1,222,849	92,096
2017	2,540,617	1,065,942	1,357,782	116,893	1,123,860	1,319,193	97,564
% change	-6.8%	-29.6%	8.7%	20.9%	-6.4%	-7.3%	-5.6%
Mkt share '18		31.7%	62.3%	6.0%	44.5%	51.7%	3.9%
Mkt share '17		42.0%	53.4%	4.6%	44.2%	51.9%	3.8%

Manufacturing figures

- UK car production falls **-9.1%** to **1.52 million** units in 2018, a five year low for the sector.
- Output for the UK and overseas markets down **-16.3%** and **-7.3%** respectively, with 8 in 10 cars exported.
- Brexit fears see fresh investment halved in 2018, as new calculations show two thirds of UK's global car trade at risk from 'no deal'.





CAR MANUFACTURING

	Dec-17	Dec-18	% change	YTD-17	YTD-18	% change
Total	100,604	78,106	-22.4%	1,671,166	1,519,440	-9.1%
Home	14,078	13,433	-4.6%	336,628	281,832	-16.3%
Export	86,526	64,673	-25.3%	1,334,538	1,237,608	-7.3%
% export	86.0%	82.8%		79.9%	81.5%	

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SMMT events

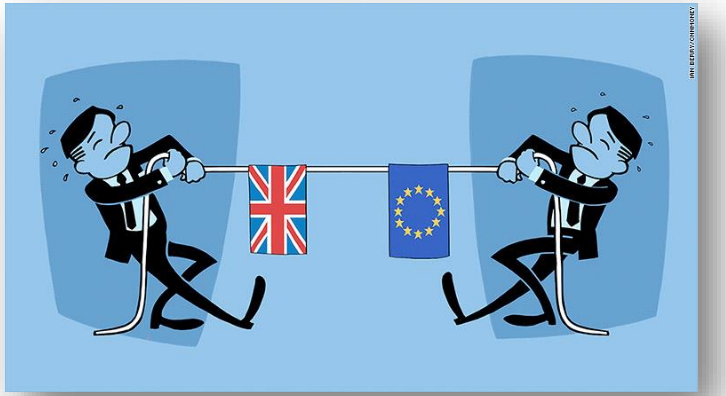
Poll 1

- How do you see UK automotive performing in 2019?

2019

Industry challenges

- **Brexit**
- **Trade**
- **Air quality**
- **Environmental**
- **Capitalising on technology**

AUTOMOTIVE PRIORITIES

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Government must agree the Withdrawal Agreement with the EU as soon as possible, rule out a 'no-deal' Brexit and secure the **transition**

Secure the benefits of **single market**, maintain regulatory harmonisation and avoid non-tariff barriers.

Remain in the **customs union** to guarantee the free flow of goods across the border.

Retain the ability to **access talent** freely and from across the EU.

Securing existing preferential trading arrangements with third country markets.

SMMT POSITION

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Mike Hawes, SMMT Chief Executive: *"The vote against the Brexit deal on the table brings us closer to the 'no deal' cliff edge that would be catastrophic for the automotive industry. All sides in parliament must work together to find a way forward and put the necessary mechanisms in place to prevent this happening and explore alternatives that protect our future.*

*"Leaving the EU, our biggest and most important trading partner, without a deal and without a transition period to cushion the blow would put this sector and jobs at immediate risk. '**No deal' must be avoided at all costs**. Business needs certainty so we now need politicians to do everything to prevent irreversible damage to this vital sector."*

15 January 2019

Atomized Parliament

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Con Brexit rebels divided

Cross-Party People's Vote campaign

Government supporters falling

Labour to vote against Government deal

Anti-Brexit parties set to vote against the deal

DUP support unclear

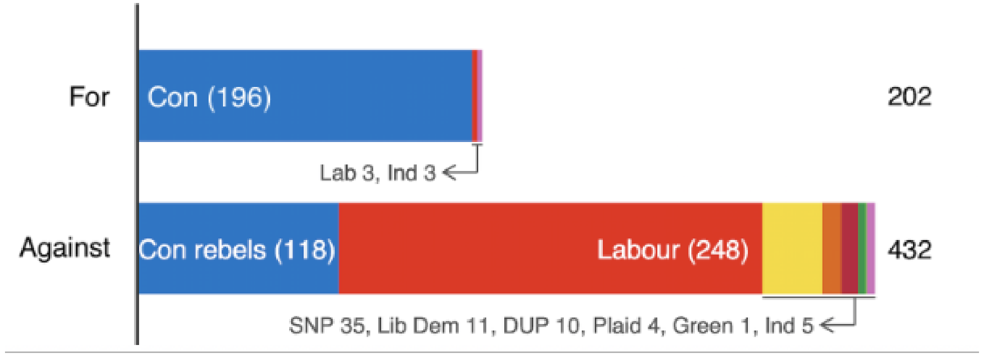
May supporters with other solutions

ERG in conflict with PM but lacking numbers

Labour internal divisions

POLITICAL AND NEGOTIATION DEVELOPMENTS

Meaningful Vote: 230 vote defeat



Confidence Vote: 19 vote victory

Cross Party Consultations

SNP, DUP, Plaid Cymru, Liberal Democrats, European Research Group

"Take no-deal off the table

Votes on Next Steps

Brady Amendment Passed – *Find alternative arrangements to the backstop*

Spelman/Dromey Amendment Passed – *Rejects the UK leaving the EU without a deal*

GOVT. PROPOSED NEXT STEPS

- Consulted with opposition parties and 6 key themes came out talks:
  1. **Widespread fear of no-deal, it should be ruled out *but*** the right way to rule out no deal is to approve a deal.
  2. **There are those that support a 2nd referendum *but*** our duty is to implement this one
  3. **Concerns with the backstop remain *but*** the Good Friday/Belfast Agreement will not be reopened
  4. **More precision required on Political Declaration *but*** the declaration is only the start of forming a negotiating mandate and Government will seek wide range of views including views in parliament, businesses and trade unions
  5. **There will be no reduction in environmental standards and works rights**
  6. **EU citizens in the UK will have right protected and** Government will waive the fee for settled status applications.

- Returning to Brussels to renegotiate the backstop following MPs approval of the Brady amendment.

- Met with Jeremy Corbyn after the Labour leader accepted a second request for talks.

POTENTIAL SCENARIOS

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1. Parliament takes control and defines new negotiating objectives for Government.

2. General Election/Change of Government

3. Second Referendum called

4. Exist deal ratified in a subsequent Parliamentary vote

5. No-deal

AVOIDING NO-DEAL

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Only three legally binding mechanisms for avoiding no-deal in March 2019 exist:

(i) Ratification of the current deal
(ii) Extension of Article 50
(iii) Revoking Article 50

Poll 2

- Do you feel your company is prepared for a no-deal Brexit?

SMMT Brexit Readiness Programme

- Five professional advisory firms working with SMMT to support UK automotive SMEs and strengthen supply chain
- Members get access to advice and support including articles, help lines, discounts and events

Please let us know how we can further support you with regards to Brexit
memberservices@smmt.co.uk

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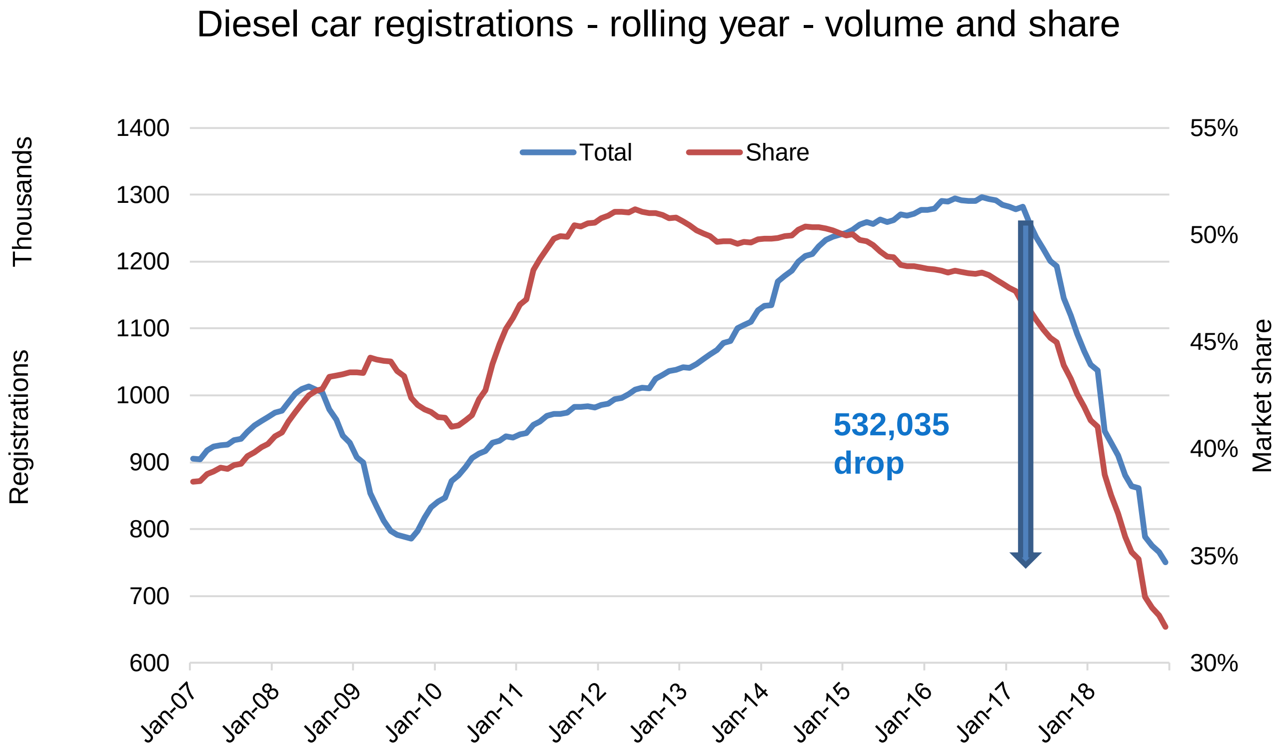
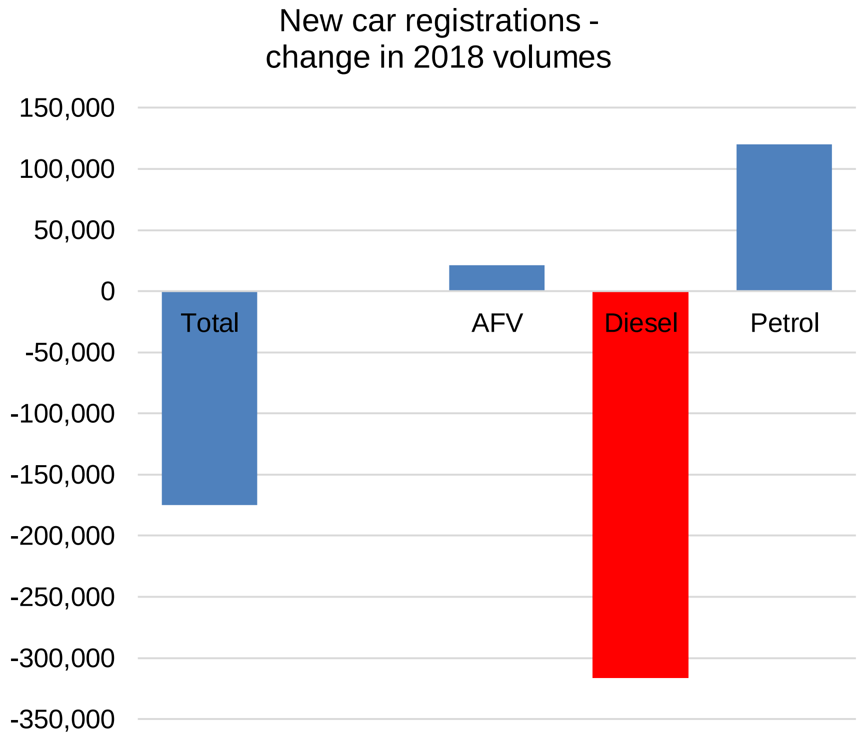
Market trends

Slowdown in the market – rooted in diesel sector





EU new car and van CO_2 Regulation to 2021
Emissions increasing – WLTP/market shift

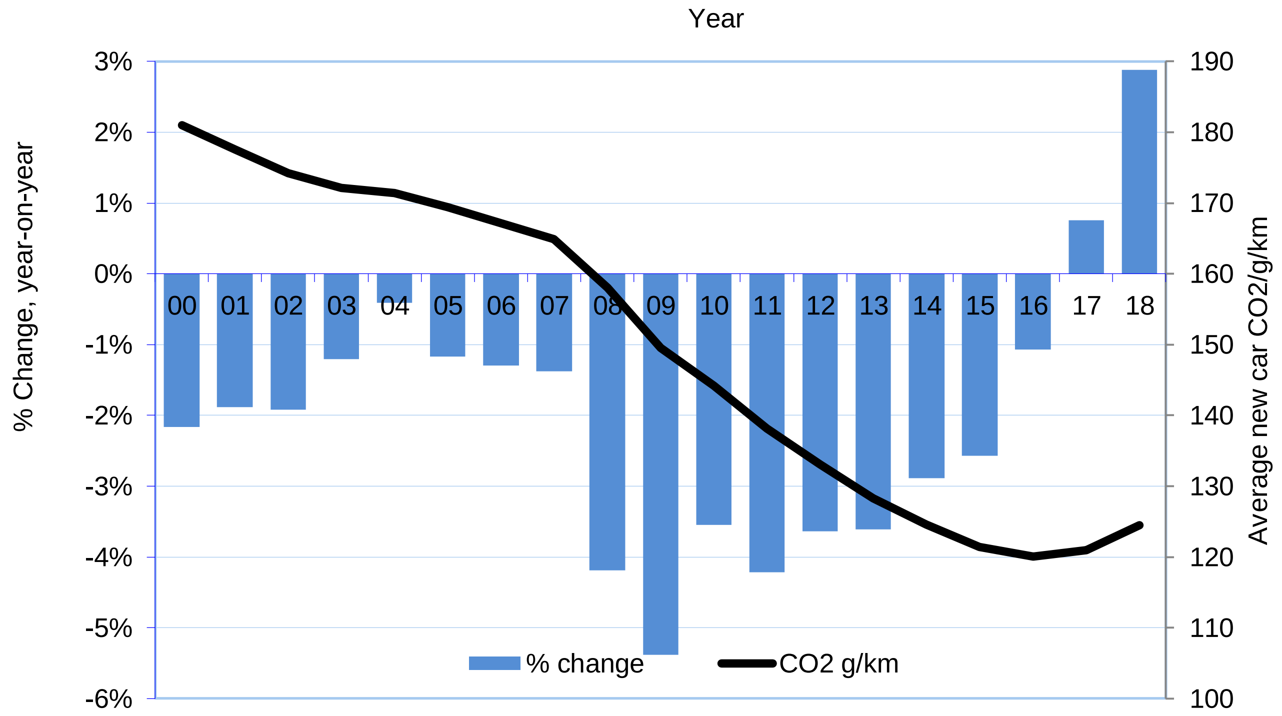
- Average new car emissions +2.9% to 124.5g/km
- **NEDCe = 4.6% above NEDC, and 6.1% on 2017 average**

- Meeting 95g/km requires 8.6% pa
- Penalty = €95 x CO_2 gap X Regs

  eg 1mn regs 5g/km gap = €475mn fine

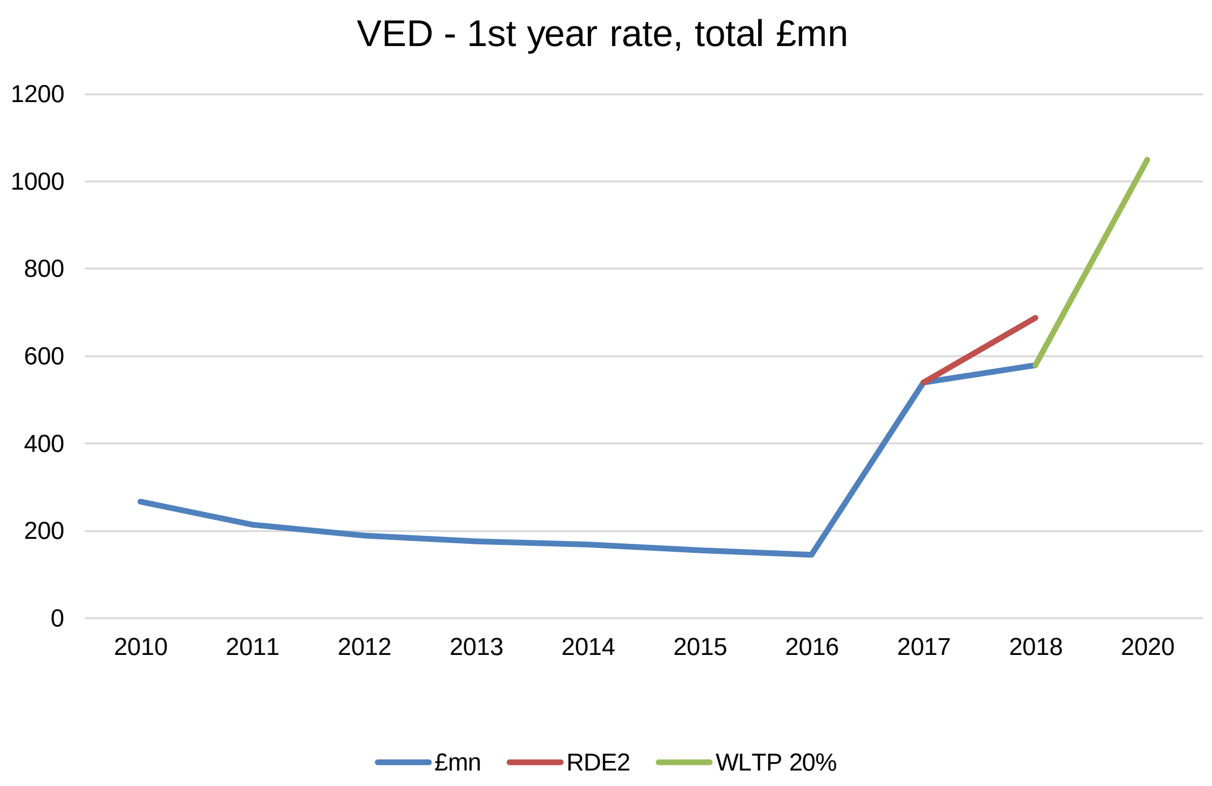
- ***IHS model – EU auto sector face €9bn fines (€624/vehicle) in 2020 and €12bn (€814/vehicle) in 2021***

Average new car CO_2 g/km



VED over time – 1st year rate

New bands in 2017, RDE2 in 2018 and WLTP 2020 – SMMT estimates



	£mn	Ave £
2016	145	54
2017	540	212
2018	579	245
2018 RDE2	688	291
2020 WLTP 20%	***1,050***	***444***
VED bands +20%	579	245

Assumes no AFV discounts etc

Based flat 20% uplift on 2018 UK new car registrations model average

Summary of SMMT position

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1. **Need change**

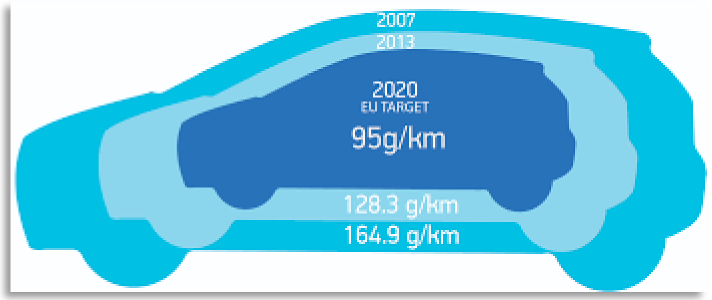
   - consumers – should not be penalised
   - industry – could see margin cut, market slowdown
   - economy – slowdown = job losses/tax reductions
   - environment – slowdown in fleet renewal slows progress

2. **Preference uplift bands** – for VED and CCT bands

3. **Is scope for further change?** – linear system with tiers

New Car CO_2 Report 2018

- Headline figure published on **7 January**
- Showed a **2.9% increase** to 124.5g/km
- Increase due to **segment shift, WLTP and the move away from diesel**
- A new or updated model emits on average **8.3% less CO_2** than the model it replaced
- SMMT plans to publish its full CO_2 Report **later this year**



Air Quality

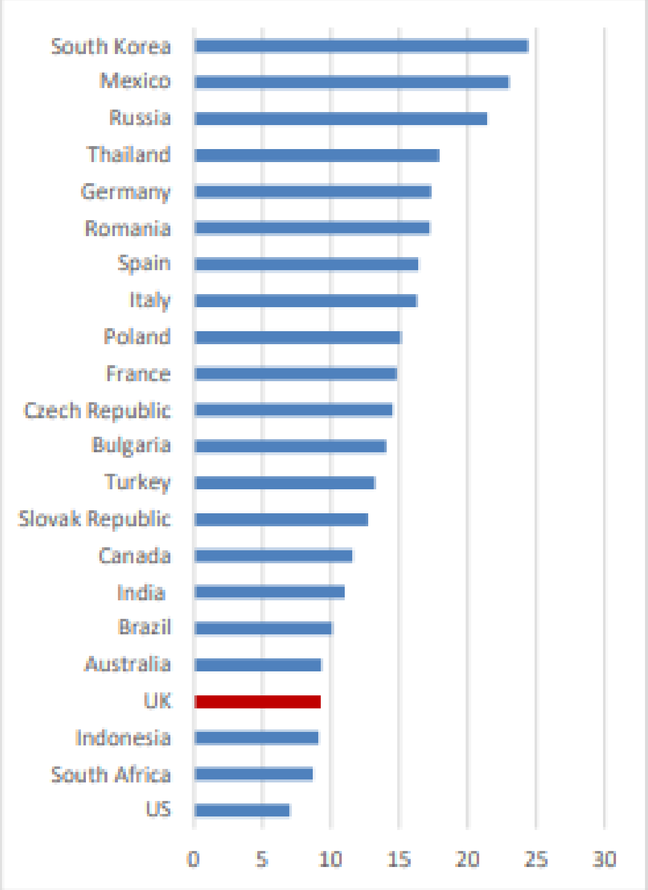
National Air Quality Plan

- Birmingham – CAZ D

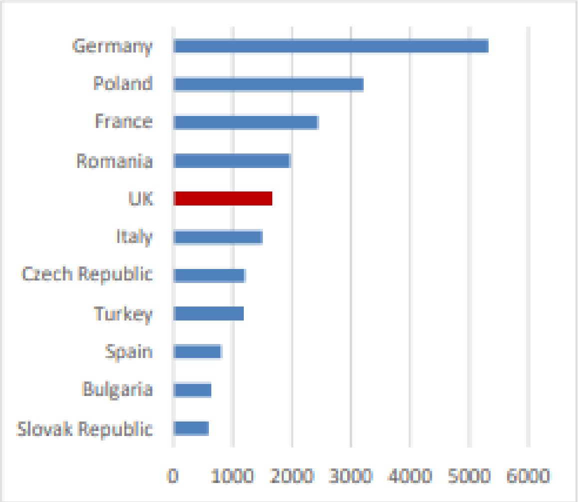
- Leeds – CAZ B

- Southampton – No Charging
- Nottingham – No charging
- Derby – No Charging
- London – ULEZ

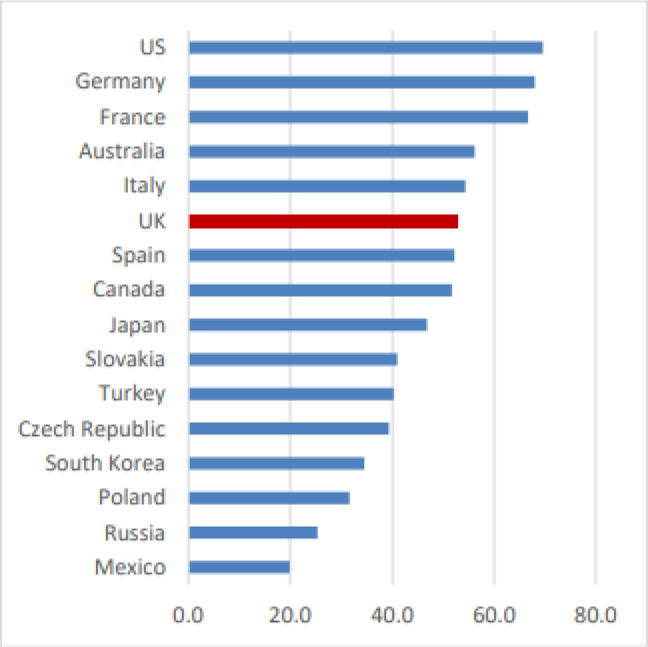
UK Competitiveness - Automotive Council Report



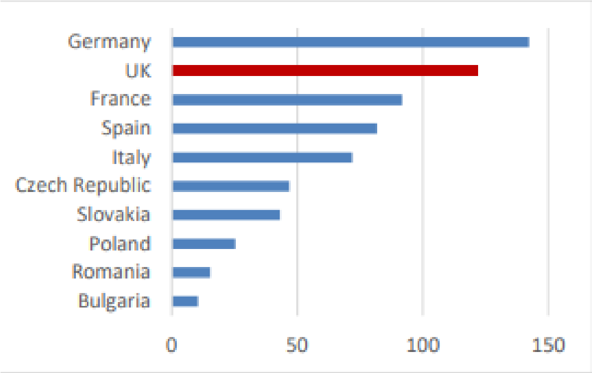
Graduates in Engineering, Manufacturing and Construction %



Skilled industrial employees with Upper Secondary education or above, 000

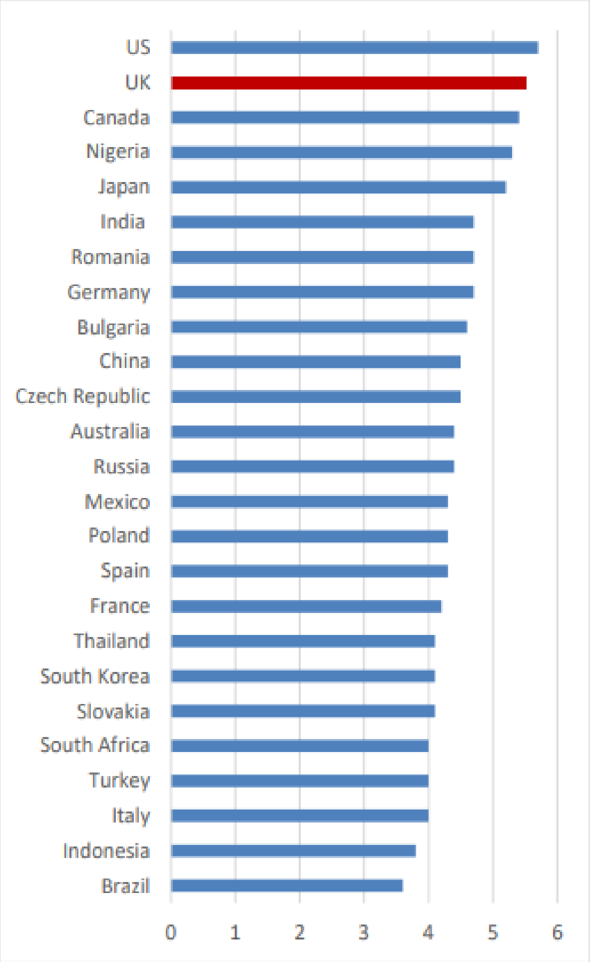


Labour productivity – World (GDP / Hour worked)

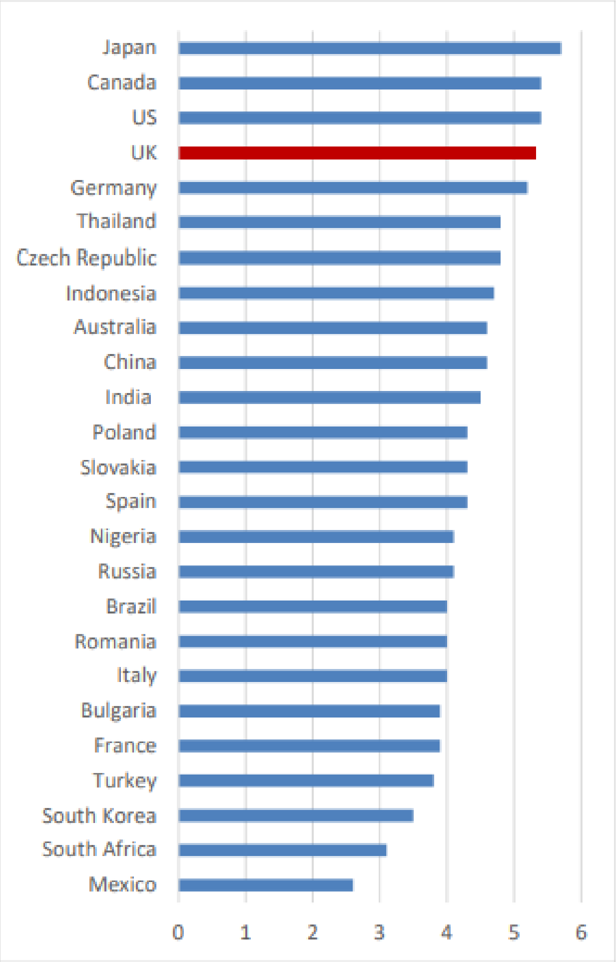


Labour productivity – Europe (Automotive: GVA / person employed)

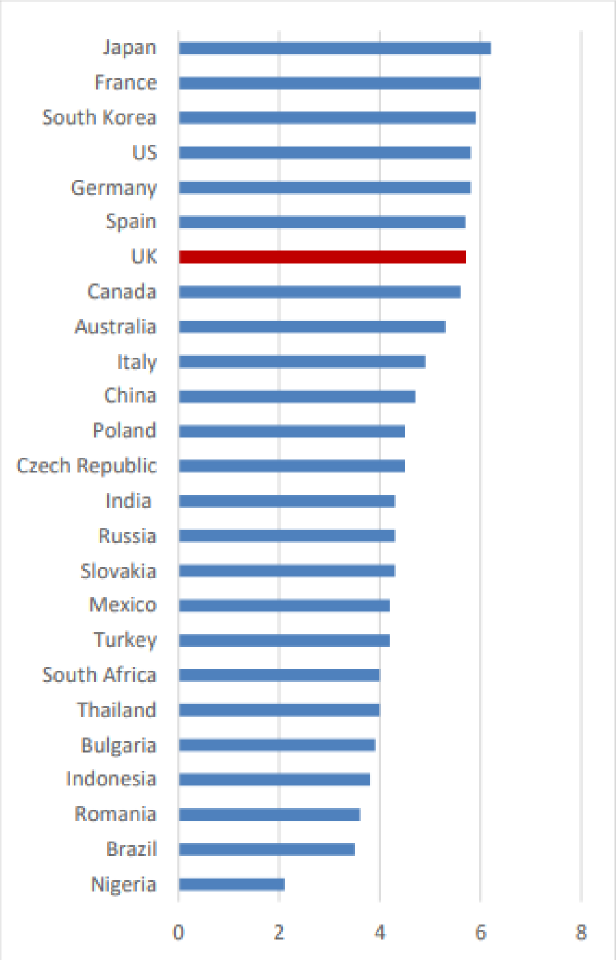
UK Competitiveness - Automotive Council Report



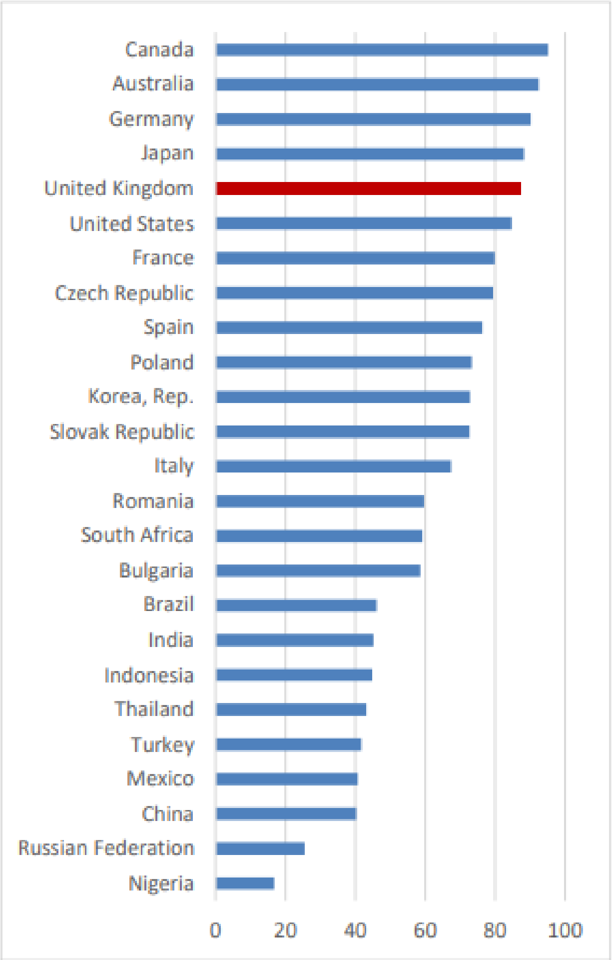
Labour Flexibility



Cooperation in labour / employee relations



Average of infrastructure ratings (Roads; Railways, Ports; Energy; IT)



Political stability

Poll 3

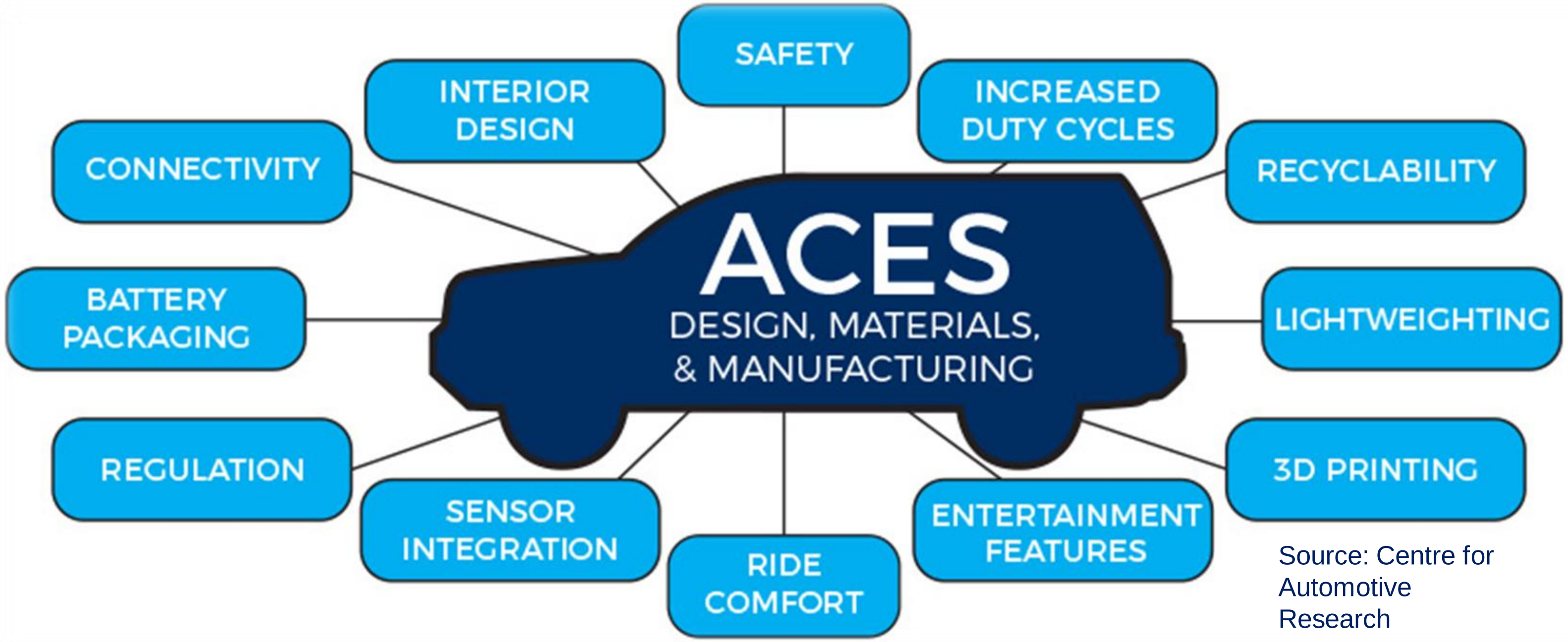
- Thinking of exports, which market do you see having the most potential in 2019?

Technology and Innovation

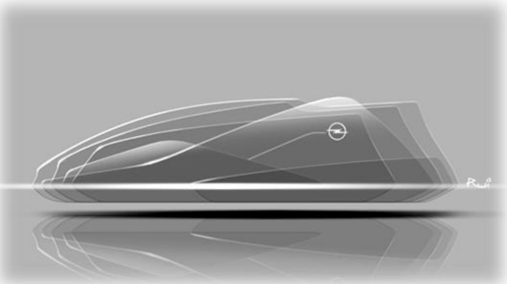
- Cyber security
- Fuel Cells
- Go Ultra Low
- Future Mobility
- Automated and Electric Vehicles Bill
- CAV roundtables
- ULEV Funding
- EV Charging infrastructure

The future of the vehicle

EVs and CAVs are changing the way OEMs manufacture



Source: Centre for Automotive Research



Convergence: a future of ACES

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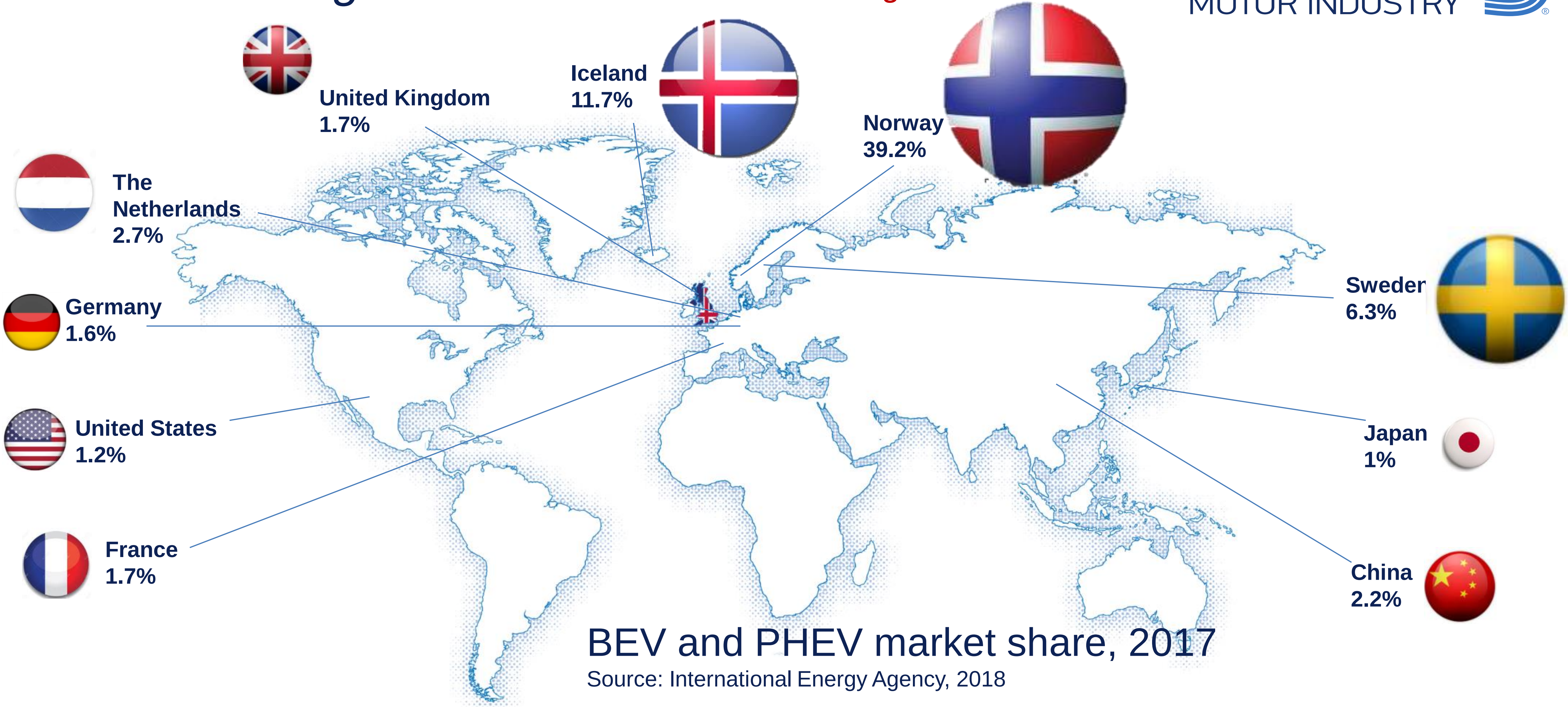
Who is leading in alternatives? – a look at global markets



BEV and PHEV market share, 2017

Source: International Energy Agency, 2018

What technology developments we need

Infrastructure – digital, physical

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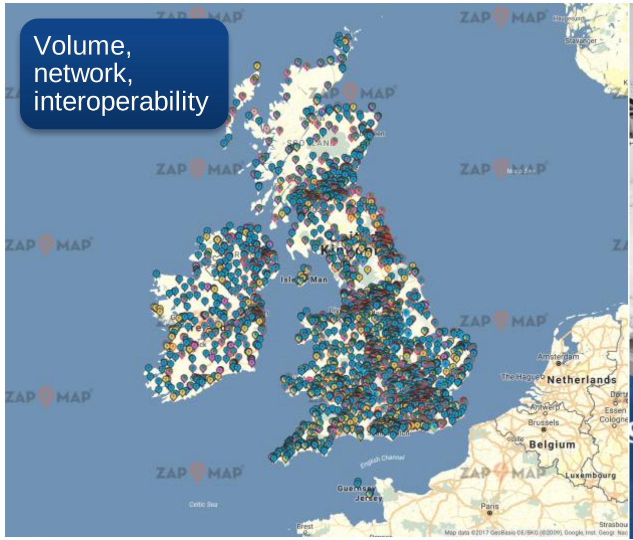
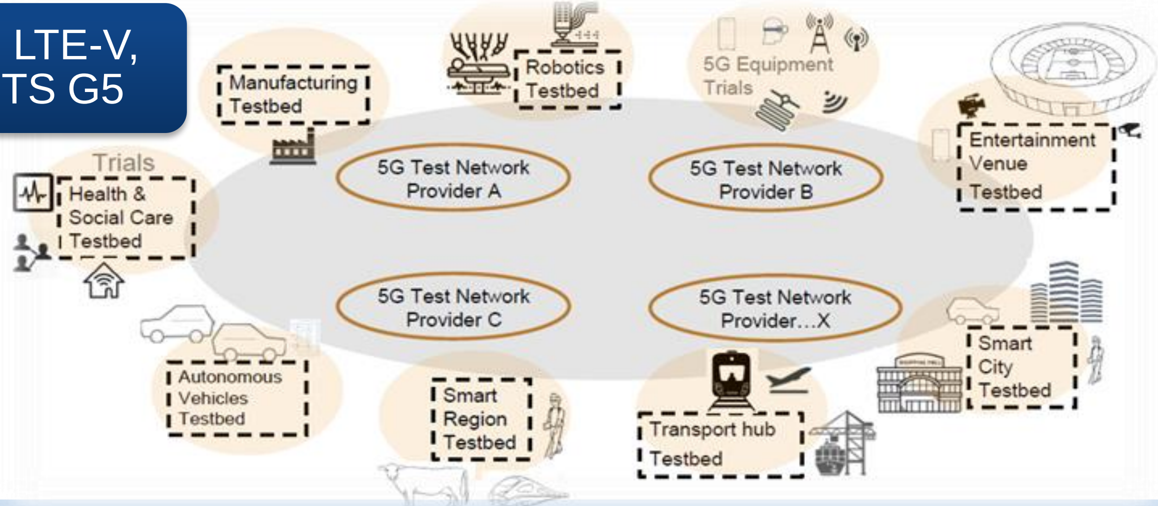
Volume, network, interoperability



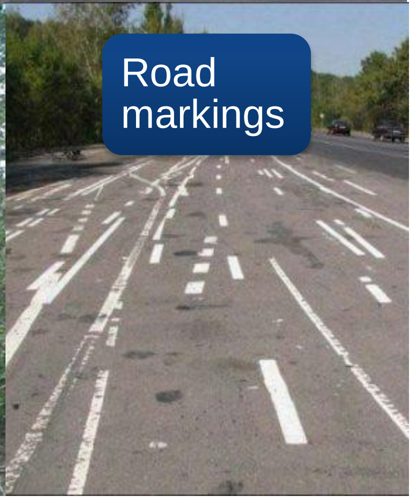
Smart charging, V2G

Volume and network

V2X: LTE-V, 5G, ITS G5

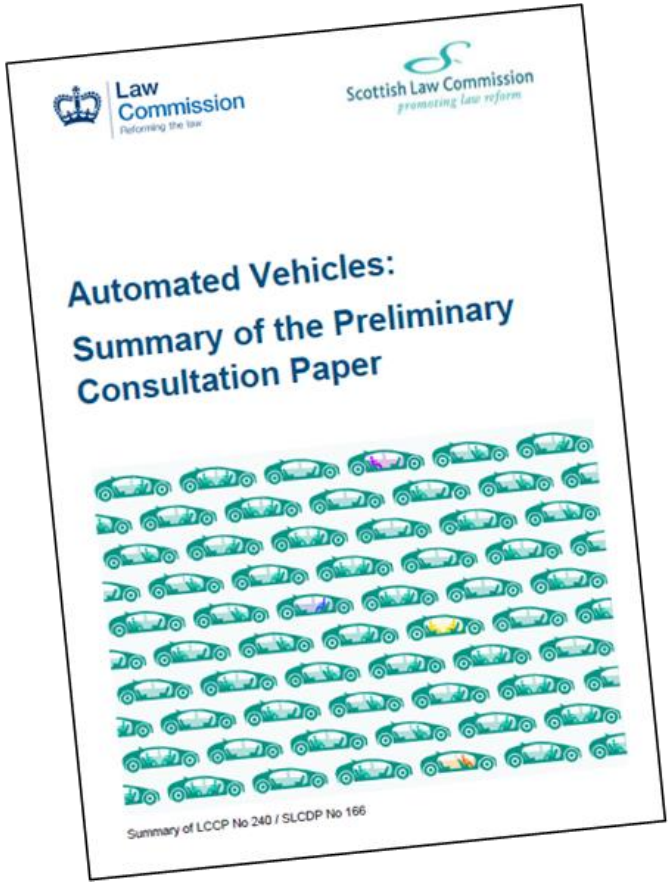


Road signs



Road markings

Law Commission



- Proposals for a new concept of “user-in-charge”
- User-in-charge’s intervention
- Secondary activities in conditional automation
- Pre-deployment: new safety assurance scheme and agency
- Post-deployment: new safety assurance agency’s wider role
- Proposals for a new concept of “automated driving system entity”
- Accident investigation
- Civil liability
- Criminal liability
- Adapting road rules for AI decision making

Faraday Battery Challenge

£246 million, the challenge addresses the productivity gap in a growing market worth an estimated £5 billion in the UK and £50 billion across Europe by 2025.

THE FARADAY INSTITUTION

INDUSTRIAL STRATEGY

UK Research and Innovation

EPSRC Engineering and Physical Sciences Research Council

Faraday Institution
£78 million

Research and Innovation
£88 million

UK Battery Industrialisation Centre
£80 million

The Stephenson Challenge

Cross-Sectoral coordination of UK Power Electronics, Electric Machines and Drives (PEMD)

Research & Development

£52 million existing

AEROSPACE TECHNOLOGY INSTITUTE

UK Research and Innovation

ADVANCED PROPULSION CENTRE UK
NEWCASTLE UNIVERSITY
Electric Machines Spoke

Scale up and Supply Chain

£53 million centres for prototyping
£43 million dedicated programmes to support high and low volume SC development

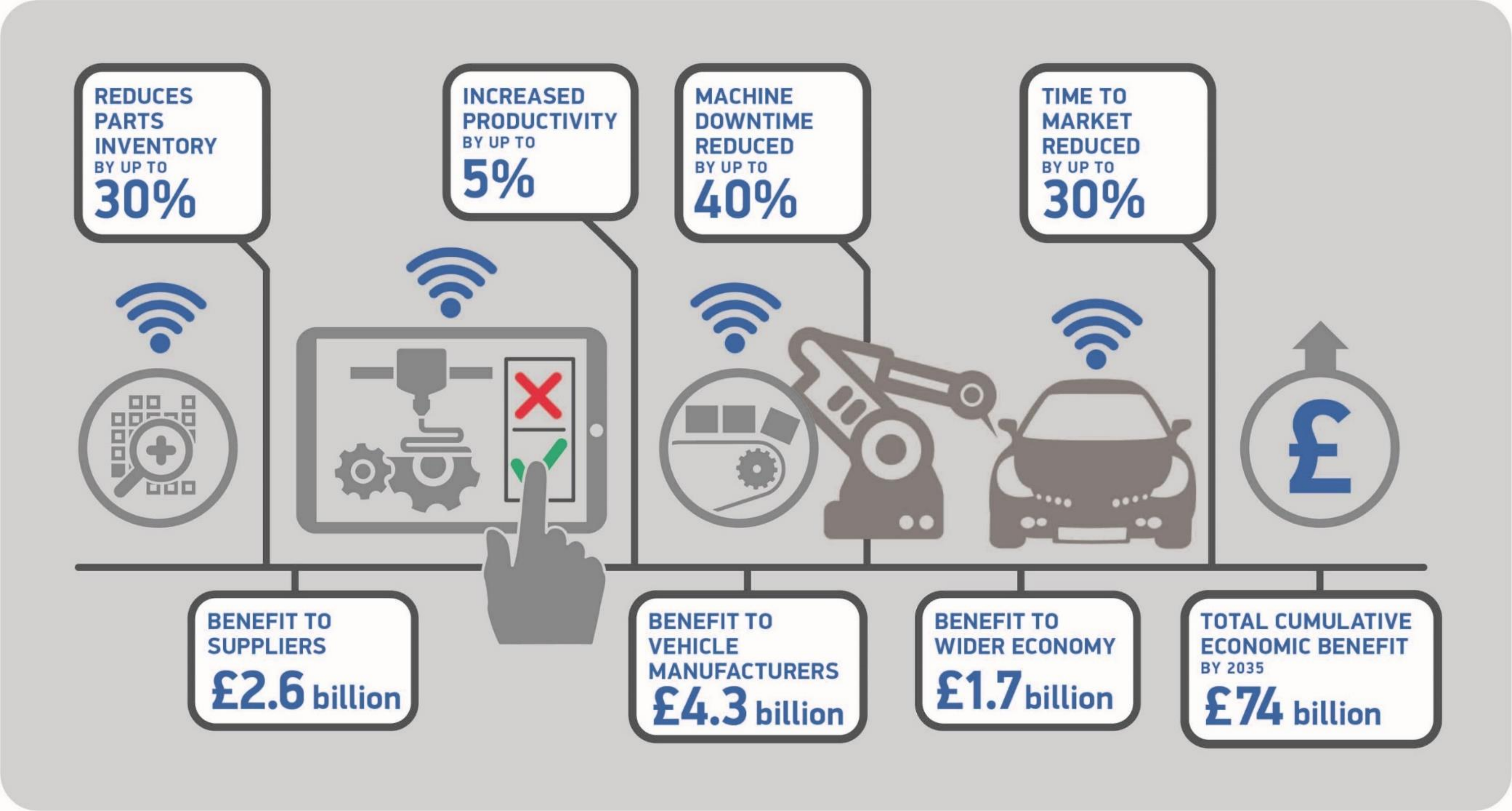
INDUSTRIAL STRATEGY
Delivering growth, prosperity, opportunity

Industrialisation

£125 million dedicated 'patient loan' mechanisms for SC Growth

BRITISH BUSINESS BANK

Wider benefits of digitalisation



A challenge-led open innovation initiative

SMMT FUTURE MOBILITY CHALLENGE

- Not a hackathon, not another start-up competition, but an initiative to help spawn new partnerships, investments and/or acquisitions.
- SMMT members articulate several key mobility challenges.
- Start-ups and scale-ups pitch solutions to address the articulated challenges.
- A solution could be an idea, a proof-of-concept, a prototype, MVP, or an early stage product/service.
- 94 applications. 47 start-ups and scale-ups from 7 countries. 73 pitching sessions. 5 automotive heavyweights with 42 representatives.

Vehicle Security - Crime Statistics

Office for National Statistics. Figures for year ending December 2017	
Burglary	9% increase in police recorded offences
Homicide	9% increase in police recorded offences
Robbery	33% increase in police recorded offences
Vehicle-related theft	17% increase in offences estimated by the CSEW
Violence	22% increase in police recorded knife or sharp instrument offences
	11% increase in police recorded firearms offences

CSEW- Crime Survey England & Wales

Vehicle Theft Figures 1990-2017

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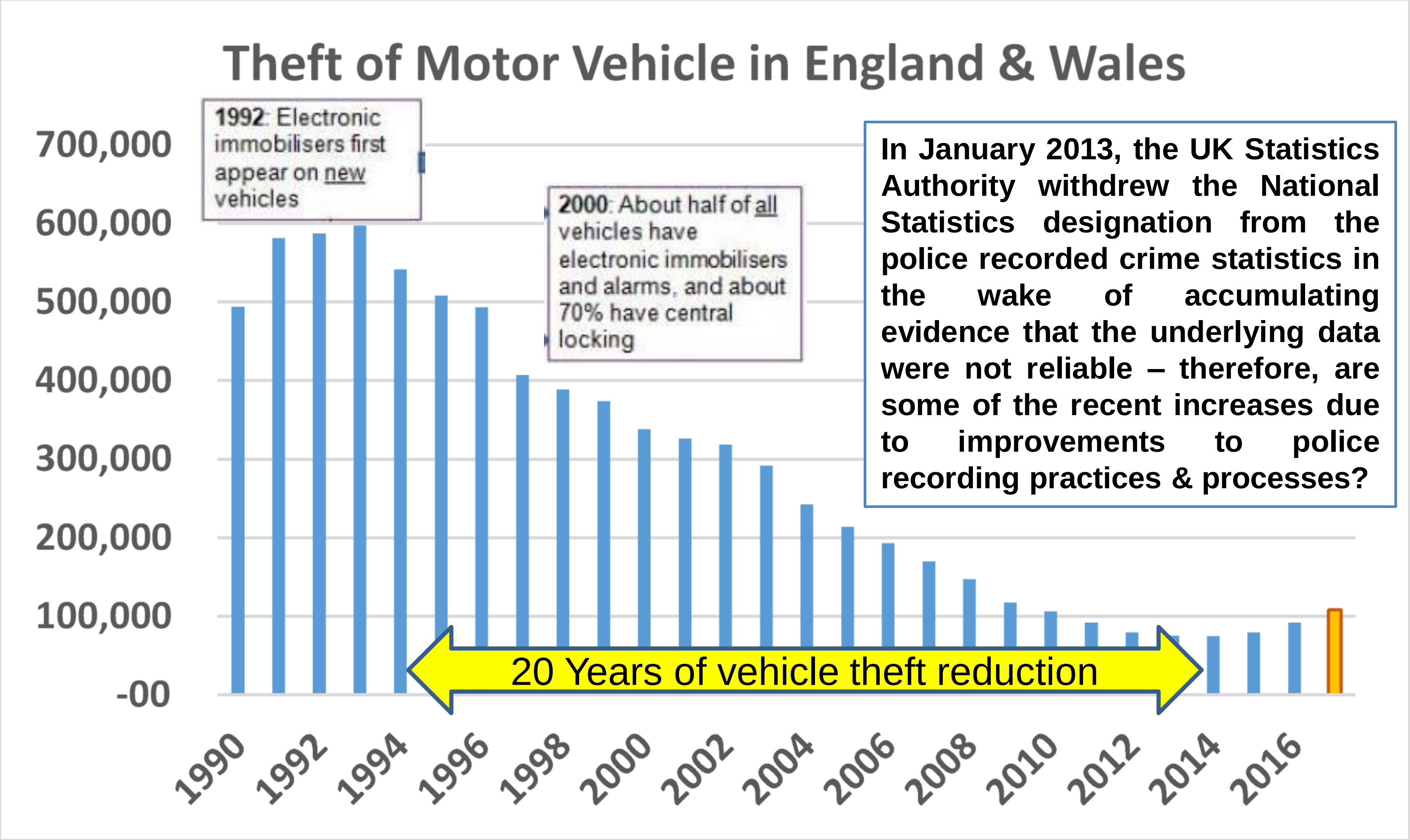


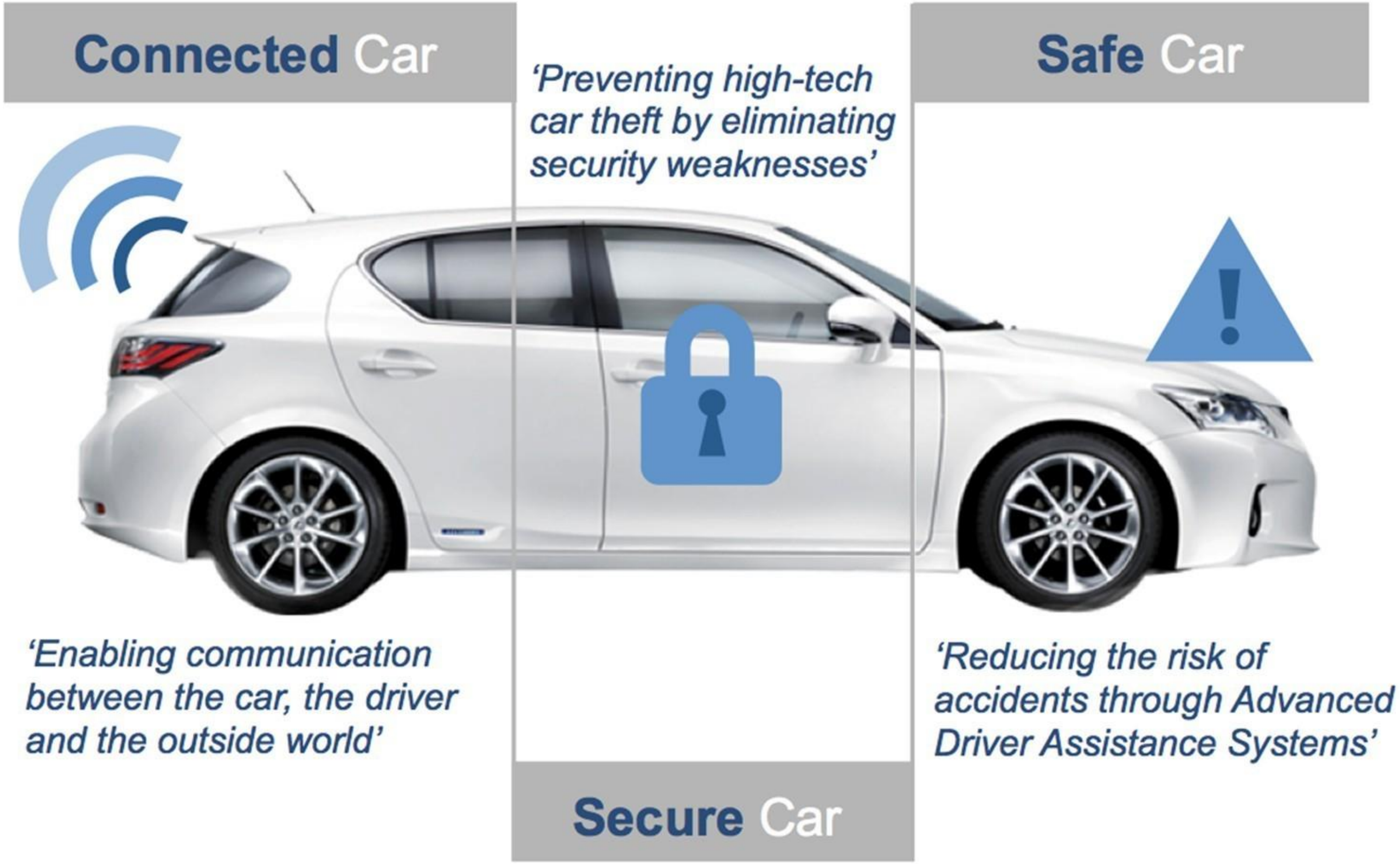
In January 2013, the UK Statistics Authority withdrew the National Statistics designation from the police recorded crime statistics in the wake of accumulating evidence that the underlying data were not reliable – therefore, are some of the recent increases due to improvements to police recording practices & processes?

All vehicle types

1971: Steering column locks mandated on all new vehicles

1985: Central locking and car alarms first appear on new vehicles

Challenges


Connected Car
'Preventing high-tech car theft by eliminating security weaknesses'
Safe Car
'Enabling communication between the car, the driver and the outside world'
Secure Car
'Reducing the risk of accidents through Advanced Driver Assistance Systems'

Member Services

Automotive Component – Study of Rules of Origin, Reshoring opportunities and launch National Manufacturing Competitiveness Levels.

Logistics Forum – Potential of Ports Assessment project to be revisited and Supplier Assessment Group to focus on the tactical operational management of suppliers.

Aftermarket - Explore and define MOT developments, connected car and access to repair and technical information.

Commercial Vehicle and Bus and Coach – Seek national framework of regulation around Clean Air Zones, Smart Tachographs and a Platooning Trial.

Light Trailer and Trailer Equipment - Participate in the National Towing Working Group, support DfT, DVLA on registration and whether to broaden the scope.

Remanufacturing - Bolster public and policy profile through work with BSI, DEFRA and other stakeholders.

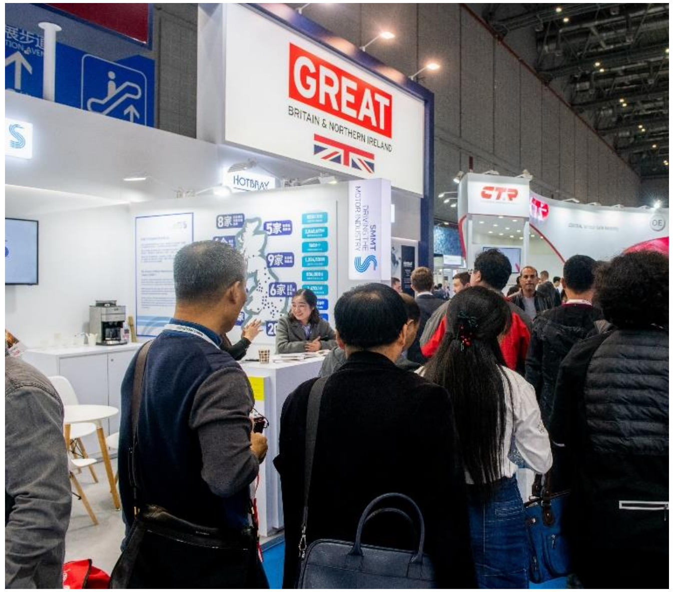
Specialist Vehicle Builders Group – Topics include multi-stage build approvals, WLTP, RDE, licensing issues, N1 enhancement scheme.

Engagement Opportunities

- Regional Forum & Networking – Q3/4 and Q1-4
- SMMT Connected – 4 April
- CV Show – 30 April-2 May
- Automechanika Birmingham – 4-6 June
- Open Forum – 4 June
- Meet the Buyer – 5 June
- International Automotive Summit – 25 June
- Annual Dinner – 26 November
- International Events – Year round
- Future Mobility Challenge – October

SMMT International 2019

- ACMA Automechanika, New Delhi, **India** | 14 – 17 Feb
- Vietnam scoping visit and Automechanika Ho Chi Minh City, Ho Chi Minh City, **Vietnam** | 26 February – 2 March
- Electric Vehicle Symposium (EVS32), Lyon, **France** | 20 – 22 May
- SIAT Conference, New Delhi, **India** | September
- Supply chain technology mission and Electric & Hybrid Vehicle Technology Expo, Michigan, **USA |** September (Supply chain technology)
- Automechanika Shanghai, **China** | 27 Nov– Dec



Poll 4

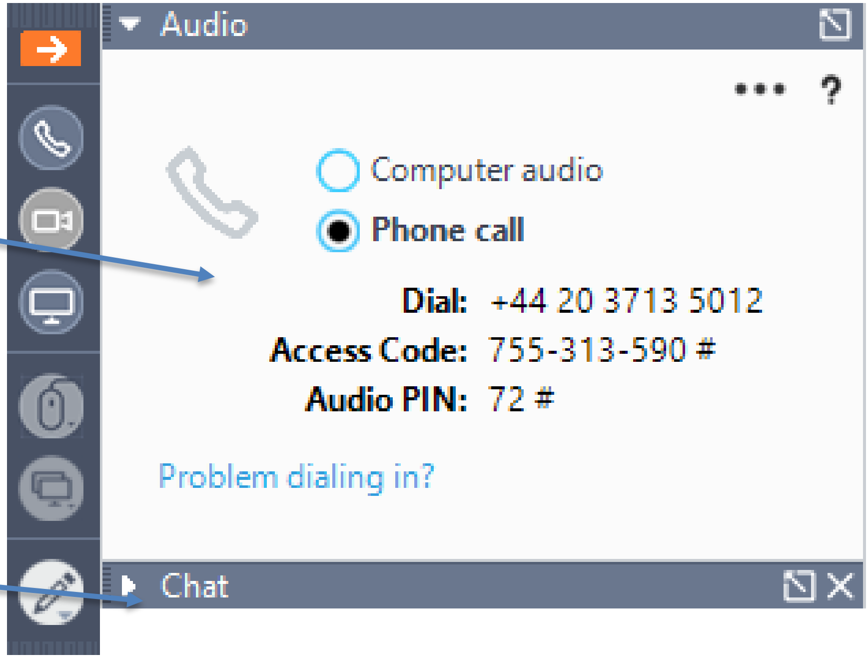
- Do you feel SMMT is doing a good job supporting the industry?

Questions and Answers

Please click on the hand symbol to raise your hand if you have a question.

Please ensure that you are connected to a microphone to ask a question.

Alternatively, you can type your question.



Email: **memberservices@smmt.co.uk** with your questions after this session.

Slides emailed to participants after this session.

Thank you

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