

## Minute of the Supply Chain Group, 19<sup>th</sup> Jan 2010

**BIS Conference Centre, 1 Victoria Street, London, SW1**

### **Attendees:**

Bill Parfitt, GM, Chair

Mark Adams, Toyota

David Bell, JCB

Geoff Dale, Industry Forum

James Davies, Calsonic Kansei

Lawrence Davies, GM

Simon Griffiths, MAS West Midlands

Ian Harnett, JLR

Matthias Holweg, Cambridge University

Jon King, Corus Automotive Engineering

Indro Mukerjee, CMAC MircoTechnology

Jim Rickard, Michelin

Keith Smith, Plastic Products Int.

Dermot Sterne, Stadco

Peter Stewart, TI Automotive

Engelbert Wimmer, PA Consulting

John Wingfield, Flambeau Europlast

Yung Tran, SMMT

Jane Whewell, BIS

Simon Carter, BIS

Andrew Everett, TSB

Robin Haycock, OLEV

Richard Higgins, UKTI

Paul Mullins, BIS

### **Apologies:**

Nigel Stein, GKN, Deputy Chair

Mike Carr, EMDA

### **Agenda Item 1: Chairs' Introduction**

The **Chair** opened the meeting and thanked members for their time and commitment to the Supply Chain Group. The **Chair** set out the challenges faced by the UK automotive supply chain and the task the Group has in helping to address these challenges. The **Chair** noted that many UK based manufacturers had a current mandate to increase their use of the UK supply chain and this is an opportunity the Group should seek to capitalise on.

The Chair invited **Matthias Holweg** to provide an overview of the results of the analysis he co-authored on the competitive status of the UK automotive industry.

[**ACTION 1**: Auto Council Secretariat to forward Holweg's Competitive Status of the UK Automotive Industry report to members].

### **Agenda Item 2: Supply Chain/NAIGT Report Background**

**Jane Whewell** set out the background to the establishment of the Automotive Council Supply Chain Group. **JW** noted HMG, while attaching great importance to the UK supply chain and its development and growth, had not accepted IGT supply chain recommendations. The same issues flagged by the IGT in relation to the supply chain had been raised for over 20 years. While previous interventions and initiatives had made a difference at the individual company level, the problems facing the supply chain remain unchanged and repeating previous approaches is clearly not the answer. There was however a mandate to the Group to identify new ideas and approaches to tackle the issues faced by the UK automotive supply chain, particularly where practical action could be taken quickly as much time had already been spent examining 'the problem'.

For example, a number of OEMs have indicated in private conversations they are keen to bring significant supply chain business back to the UK. This provides a significant short term opportunity and **JW** proposed that the Group consider a 'reverse trade-fair' as a potential tactical response to capitalise on this situation. The reverse trade fair can also be used to collect research on the UK supply base and concrete data on what issues prevented or encouraged OEMs/Tier 1s to choose UK suppliers on this occasion.

Another practical action being taken was the Tier 1 engagement strategy led by Richard Parry-Jones, as agreed at the first meeting of the Automotive Council on 10 December, and specifically to plans to engage with a range of Tier 1s at the Geneva Show in March. The concept of TestBed UK will be a powerful ongoing tool in making a compelling investment case for the UK. The SMMT UK automotive industry demand analysis currently being finalised should also prove an effective tool in emphasising the potential value of the UK market to investors.

### **Agenda Item 3: The Challenges Ahead**

The **Chair** invited members to set out their thoughts on the issues faced by the UK supply chain: During the discussions the following observations/points were raised by industry members:

#### **Greater Use of UK Supply Chain**

- UK based OEMs have a strong desire to keep strategic elements of their supply chain in the UK due to the risks/costs involved in sourcing outside of the UK.
- Not every purchasing manager is required to consider logistical and cost risks associated with lengthy supply chains. Recognition of these risks could have a positive impact on perceptions of the UK supply chain's relative competitiveness.
- Importance of considering total acquisition cost vs. piece cost when sourcing.
- Need to recognise that the structure of the industry in the UK can mean there is a lack of decision making authority re engineering/sourcing components. Follows that many purchasing decisions are made outside the UK.
- Japanese suppliers/manufacturers are likely to make further investments in Europe in the coming years to support the production of, for example, their hybrid models. How can the UK win the race to secure this investment?

#### **Tier 1 Engagement**

- Need to incentivise Tier 1s with an existing UK presence to expand their operations
- The use of UKTI's global network to promote the UK.
- Tier 1 engagement with Tier 2 and 3 suppliers.

#### **Support Available for UK Supply Chain**

- Need further consideration of responses to business failures in the supply chain
- Need for suppliers to understand from an OEM perspective what their requirements are and how UK suppliers can better meet them
- How to encourage more top-down supply chain initiatives led by OEMs. How do you establish routes for new suppliers to engage with OEMs?
- Need to continue to address UK skills base, including in relation to shop floor technology expertise.

#### **Developing New Capabilities/Supply Chains**

- How the UK can develop its competitive position by focusing on low carbon vehicle technology (development of a new USP)

- The TSB/Ricardo UK Capability Study should be a useful tool to help focus resources on areas where the UK has, or potentially can have, a competitive advantage [**ACTION 2**: Auto Council Secretariat to distribute UK Capability Study to Supply Chain Group members when publicly available]
- The potential to formulate a sales package targeted at encouraging electronics manufacturers to invest in the UK

#### **Other Observations Made**

- The wish for the automotive industry to develop an enhanced communications strategy. The industry is perceived to undersell its value and capabilities to the public and potential investors. Poor reputation leads to difficulties in attracting new talent and gaining support from banks.
- Whether displaying the carbon footprint of the components used in each vehicle at the point of sale would be effective in incentivising greater use of the UK supply chain
- Weaknesses in the UK industry's informal networking structure

The **Chair** then opened a discussion on ways of working for the Supply Chain Group. The **Chair** indicated his wish for a Supply Chain Group work plan to be drafted and subsequently agreed. This should include a stakeholder map and he would also welcome more facts and figures on the UK supplier base. Issues should also be grouped into short, medium and long term issues. [**ACTION 3**: Supply Chain Group Members to volunteer to participate in Supply Chain Group work-plan drafting meetings]. [**ACTION 4**: Auto Council Secretariat to arrange an informal Supply Chain Group meeting to consider a draft Group work plan]. [**ACTION 5**: Auto Council Secretariat to forward a member contact database to all members]

The **Chair** proposed a draft plan should be completed by March 20 and the next formal meeting of the group convene shortly afterwards. [**ACTION 6**: Auto Council Secretariat to arrange next meeting of the Supply Chain Group].

The meeting closed at 12.00pm

**Automotive Council Secretariat**  
**19 January 2010**

### **Summary list of actions**

<b>Action</b>	<b>Responsibility</b>	<b>Date Action Created</b>	<b>Deadline</b>
<b>ACTION 1:</b> Auto Council Secretariat to forward Holweg's Competitive Status of the UK Automotive Industry report to members	Auto Council Secretariat	<b>19 Jan</b>	<b>01 Feb</b>
<b>ACTION 2:</b> Auto Council Secretariat to distribute UK Capability Study to Supply Chain Group members when publicly available	Auto Council Secretariat	<b>19 Jan</b>	<b>When available</b>
<b>ACTION 3:</b> Supply Chain Group Members to volunteer to participate in Supply Chain Group work-plan drafting meetings	Supply Chain Group Members	<b>19 Jan</b>	<b>05 Feb</b>
<b>ACTION 4:</b> Auto Council Secretariat to arrange an informal Supply Chain Group meeting to draft the Group work plan	Auto Council Secretariat	<b>19 Jan</b>	<b>01 Feb</b>
<b>ACTION 5:</b> Auto Council Secretariat to forward member contact database to all members	Auto Council Secretariat	<b>19 Jan</b>	<b>01 Feb</b>
<b>ACTION 6:</b> Auto Council Secretariat to arrange next meeting of the Supply Chain Group	Auto Council Secretariat	<b>19 Jan</b>	<b>05 Feb</b>