

## Minutes of the Automotive Council 01 July 2010

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

### **Attendees:**

|                              |                       |
|------------------------------|-----------------------|
| Richard Parry-Jones (Chair)  | Vince Cable, BIS      |
| Gordon Murray (Deputy Chair) | Mark Prisk, BIS       |
| Jon Carling, Aston Martin    | Geoff Dart, BIS       |
| Barry Dodd, GSM Group        | Jane Whewell, BIS     |
| Paul Everitt, SMMT           | Paul Mullins, BIS     |
| Peter Fouquet, Bosch         | Andrew Levi, UKTI     |
| Joe Greenwell, Ford          | Michael Hurwitz, OLEV |
| Jerry Hardcastle, Nissan     | Iain Gray, TSB        |
| Jürgen Hedrich, BMW          |                       |
| John Miles, ARUP             |                       |
| Dave Osborne, UNITE          |                       |
| Bill Parfitt, GM             |                       |
| Andrea Paver, Leyland Trucks |                       |
| Nikki Rooke, SMMT            |                       |
| Graham Smith, Toyota         |                       |
| Nigel Stein, GKN             |                       |

### **Apologies:**

Brian Collins, DfT/BIS  
Dave Hodgetts, Honda  
Gwenne Henricks, Caterpillar/Perkins  
David Keene, Niche Vehicles Group  
Trevor Mann, Nissan  
Franz-Josef Paefgen, Bentley

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

**Richard Parry Jones** opened the meeting and thanked members for attending. **RPJ** introduced the **Secretary of State** and welcomed him as co-Chair of the Council.

The **SoS** thanked members for their ongoing commitment to the Council and noted the new Government's wish to use the Council to develop a strong and effective partnership with the automotive industry. The **SoS** emphasised this Government would take a different approach to the last, favouring broader engagement with sectors on strategic issues facing industries, in preference to company specific interventions. The Auto Council represented an excellent model for joint Government/industry working and could be a model for HMG's relationship with other industrial sectors, particularly those with a strong low carbon focus.

The **SoS** emphasised that the Council must maintain its positive momentum, focusing on producing tangible results. If the Council became merely a talking shop this would signify failure.

### **Agenda Item 2: Supply Chain Group Update**

**RPJ** introduced this item and invited **Bill Parfitt** to present paper AC010710/01 Supply Chain Group Update and **Dr Matthias Holweg** to present paper AC010710/02 OEM Survey Findings and Initial Conclusions.

During the discussions the following points were made:

#### **Supply Chain Group Work Plan**

- The Council endorsed the Supply Chain Group work plan. Council members asked the Supply Chain Group to begin implementing the plan and report progress at the next Automotive Council.

#### **OEM Survey Results**

- Main identified advantage for UK suppliers is proximity and lower logistics costs.
- The survey has identified three main clusters of opportunity for the UK:
  1. Heavy metal: castings, forging, pressings, wheels, bearings
  2. Electric powertrain parts: batteries, motors, inverters
  3. Classic parts: trim, mouldings, struts, glass
- **[ACTION 1:** Supply Chain Group to quantify/estimate potential value to UK supply chain arising from identified opportunity areas].
- Although the OEM Purchasing Directors surveyed believe that pooled purchasing is not feasible for the majority of components, the survey has shown that there is a common list of items OEMs would like to source in the UK where they might be willing to co-operate. Similarly, while companies might not be willing to share identical products eg. seats, they could certainly agree that they would welcome a new seat-making facility in the UK capable of making a variety of seats.
- The survey has not produced detailed information on OEM product cycles. **[ACTION 2:** Dr Holweg to liaise individually with OEMs over whether further product cadence information can be provided to inform the sourcing road map]
- The survey identified that of approximately 4000 components in a typical automobile c. 80 percent can be sourced in the UK. However, this 80 percent figure does not account for the scale at which a component can be supplied. For instance, although many components are currently available in the UK, they may not be available at the level of scale needed by OEMs.
- The survey shows that currently £7.4 billion of components are sourced in the UK per annum. An earlier SMMT survey put this figure at £8 billion. However, the SMMT survey showed only approximately £3 billion of this value is added in the UK.
- The Supply Chain Group should 'sense check' the survey results by presenting the findings to all of the UK-based OEM Supply Chain Directors to ensure the data fits with their collective practical experience. **[ACTION 3:** Supply Chain Group to consider how to validate OEM survey results with Supply Chain Directors].
- The soon to be issued supplier survey will also be used further to validate the OEM survey results and determine what UK suppliers consider to be their competitive edge, why business is not awarded to UK suppliers and what are the constraints in Tiers 2 and 3 of the supply chain. The survey will also seek to determine what specific tasks suppliers undertake in the UK and how

- much of their value chain is executed in the UK. [**ACTION 4:** Dr Matthias Holweg to finalise supplier survey and distribute to UK supply chain]
- The results of the supplier survey should be available in October. [**ACTION 5:** Bill Parfitt/Matthias Holweg to present results of supplier survey to October Auto Council meeting]. The results of both surveys will then be cross-checked and combined to build a 'UK sourcing road map'. This will be completed by January 2011.
  - **Mark Prisk** welcomed this timetable but noted that the Supply Chain Group should quickly begin to use the data set out in the OEM survey results to ensure the UK adopts strategies that will help the supply chain benefit from the opportunities identified.

### **Agenda Item 3: Technology Group Update**

**Jerry Hardcastle** presented paper AC010710/03 Technology Group Update setting out the objectives and progress to date of the five group work streams.

**Richard Parry Jones** invited **Iain Gray** to provide members with an update on the TSB/OLEV competition to promote collaborative research, development and demonstration projects for innovative low and ultra low carbon vehicles technology. **Iain Gray** noted that the call has been very successful and is now significantly oversubscribed. The level of collaboration has also been very encouraging.

### **Agenda Item 4: Communications Strategy**

**Nikki Rooke** presented paper AC010710/04 Automotive Council Communications Strategy.

During the discussions the following points were made:

- The purpose of the communications strategy is not to publicise the Council itself. Instead it is to address the often inaccurate perception of the UK automotive industry held by key audiences such as international investors, financiers, students etc.
- Council members agreed that the strategy should be initiated with the level of resourcing already committed by SMMT. After a period of time the strategy can be reviewed and then if members feel it is not achieving desired results members can consider additional resourcing.
- Later this year the joint Chairs could consider co-authoring an article on the success/progress of the Council to date.
- **Mark Prisk** welcomed the strategy but noted the importance of clearly defining the audiences and messages the Council wishes to deploy and of avoiding devaluing the Council brand by overuse. This will also ensure the strategy continues to support the Council's objectives and does not duplicate/undermine other industry/government outreach activity.

### **Agenda Item 5: Tier 1 Engagement Strategy**

**Andrew Levi** provided members with an oral update on the Tier 1 Engagement Strategy noting that Richard Parry Jones and Mark Prisk will jointly attend the Paris Motor Show in September. There they will meet with the board members of CLEPA, host a reception for major suppliers at the UK Embassy and hold a series of bi-lateral meetings with key Tier 1 targets.

During the discussions the following points were made:

- UKTI should use the three opportunity areas identified by the OEM survey to refine the target list of Tier 1s. [**ACTION 6:** UKTI to update Tier 1 target list using OEM survey findings].
- **Mark Prisk** noted he is looking forward to attending Paris

**Meeting Closed.**

**Automotive Council Secretariat  
01 July 2010**

**Summary list of actions**

| Action   | Responsibility               | Deadline         |
|--|------------------------------|------------------|
| <b>ACTION 1:</b> Supply Chain Group to quantify/estimate potential value to UK supply chain arising from 3 identified opportunity areas                      | Supply Chain Group           | <b>Sept 2010</b> |
| <b>ACTION 2:</b> Dr Holweg to liaise individually with OEMs over whether further product cadence information can be provided to inform the sourcing road map | Dr Matthias Holweg           | <b>ASAP</b>      |
| <b>ACTION 3:</b> Supply Chain Group/Auto Council Secretariat to seek an opportunity to validate OEM survey results with OEM Supply Chain Directors           | Auto Council Secretariat     | <b>ASAP</b>      |
| <b>ACTION 4:</b> Dr Matthias Holweg to finalise supplier survey and distribute to UK supply chain  | Dr Matthias Holweg           | <b>12 July</b>   |
| <b>ACTION 5:</b> Bill Parfitt/Matthias Holweg to present results of supplier survey to October Auto Council meeting  | Bill Parfitt/Matthias Holweg | <b>Oct 2010</b>  |
| <b>ACTION 6:</b> UKTI to update Tier 1 target list using OEM survey findings   | UKTI                         | <b>ASAP</b>      |