



UK supply chain growth: An OEM's perspective

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Jaguar Land Rover Company Overview



10 vehicle lines – with ambitious expansion plans to extend product offerings – including **Jaguar F-TYPE**.

3 shift operation at Solihull and Halewood – **1,100 new jobs at CB** to produce F-TYPE & XF Sportbrake.

3 UK vehicle assembly plants, with 2 UK product development facilities.

New advanced engine manufacturing facility at i54, South Staffordshire.

Employs nearly 25,000 people globally – **8,000 recruited in past 2 years**.

Employs 5,000 engineers and designers – up 1,000 on the prior year.

Global sales reach, worldwide network covering **177 Markets**.



Recent Company Highlights

Finance and products



£1.5bn profit 2011/12 – **All re-invested in product**

First half 2012/13 - **£764m** PBT – **up 39%** on 2011/12

Export Revenues **£11bn** in 2011/12 – c80% of products

Announced **40 major product actions**

JLR contributes >£7bn GVA to UK economy*

New vehicles shown in 2012:

Range Rover Evoque Special Edition – Victoria Beckham

Jaguar XJ Ultimate and XF Sportbrake

F-TYPE and all-new Range Rover



*Oxford Economics' calculated figure based on 2010/2011 FY

Range Rover Evoque

Launched in July 2011



- Awarded £3bn worth of supply contracts for the UK economy
- Created 2,500 new jobs at Halewood (10,000 in the UK supply chain)
- 24 hour 3 shift production at Halewood
- Won over 120 international awards



Business Update

JLR Purchasing Activity in the UK



JLR will spend more than...

£5bn

in its UK supply chain in 2012/13FY.

This accounts for

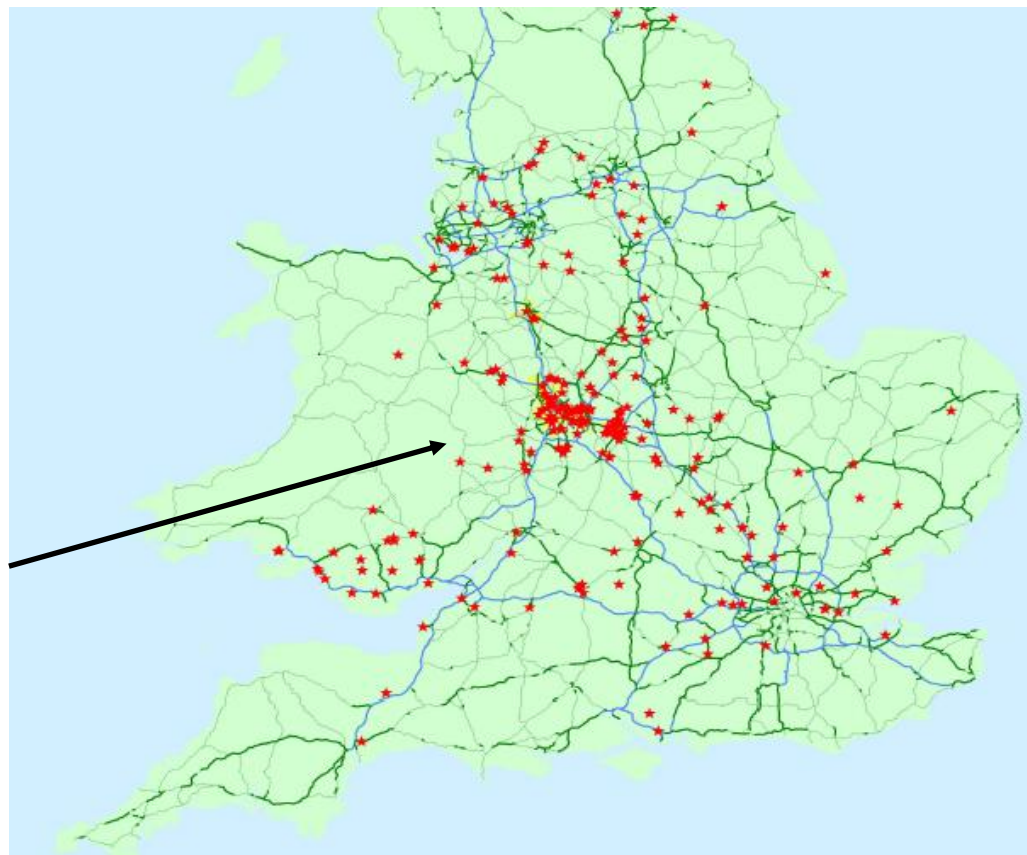
60%

of JLR's global purchasing spend.

More than

50%

of JLR's UK supply base is in the West Midlands.

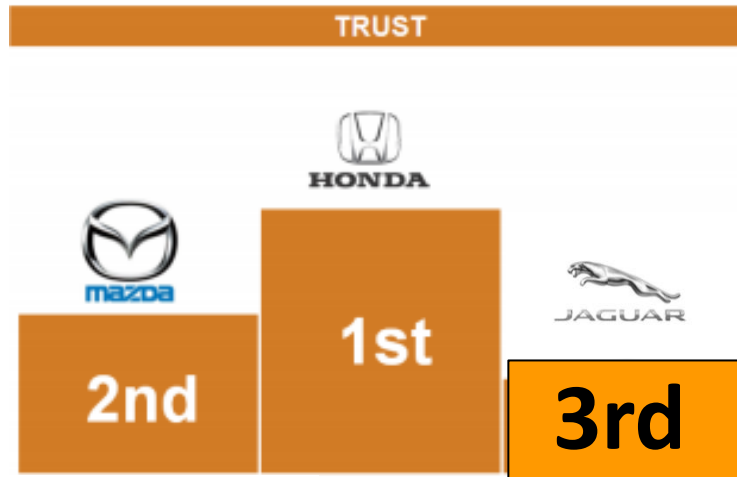


SuRe (Supplier Relationship) Index

Top three by category



JLR offers the **best profit potential** of any OEM in the ranking and is **regarded as trustworthy** by its suppliers



KPIs

1. Price reduction
2. Reward cost saving ideas
3. Management of raw material price adjustments
4. Payment of development costs
5. Tooling cost reimbursements
6. Satisfactory return on investments
7. Payment terms
8. Support in achieving cost reductions
9. Quality and stability in volume planning

1. Shift of business to cheaper supplier
2. Protection of supplier's intellectual property
3. Keeping agreements on price

Bringing it Back to Britain

UK Growth is more than just JLR



GM announced it will invest £125m in its Ellesmere Port plant and spend £1bn with UK suppliers. >3500 jobs in GM & UK supply chain.



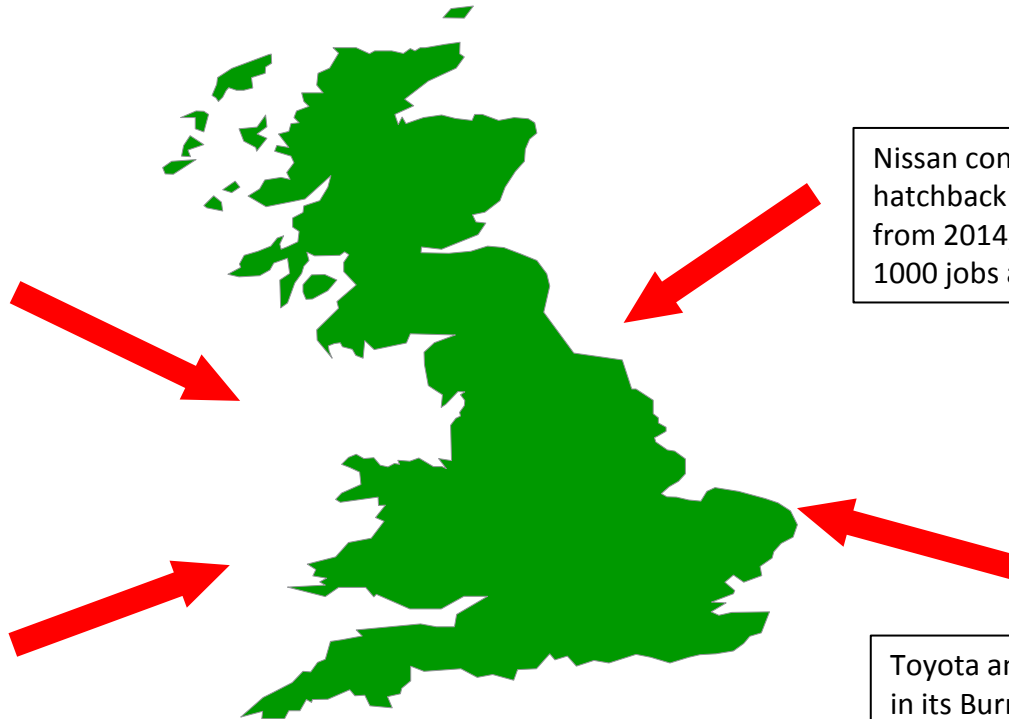
Nissan confirmed production of an all-new hatchback model at its Sunderland facility from 2014, investing £200m creating over 1000 jobs at the plant and UK supply chain.



BMW confirmed £250m investment in its UK manufacturing operations by the end of 2015 (Oxford, Swindon and Hams Hall).



Toyota announced a £100m investment in its Burnaston facility. 1500 new jobs and c£100m invested with UK suppliers.



Business Challenges

Finance



1. Since the last recession **significant supply chain capacity has been removed from the UK**, mainly to Europe.
2. **The growth of JLR and Nissan has filled remaining UK capacity** (e.g. Range Rover Evoque is incremental to the UK).
3. To support the next phase of growth, **significant extra capacity will be required in the UK supply chain.**
4. UK OEMs will require Government and bank support to further **encourage both foreign and indigenous suppliers to invest in the UK.**



Inward investment incentives and access to affordable credit are key enablers for the UK to take advantage of this opportunity

Any funding mechanism needs an efficient system to allow effective access to finance within the time constraints of the automotive sourcing process

Economic Factors



- **Macro economic factors have shifted.**
- Historic trends in UK vehicle manufacture appear to be reversing:
 - **New vehicle projects are being announced.**
- Much of the excess UK supply chain **capacity has been utilised already.**
- There has been continued **high sourcing levels to mainland Europe.**
- **Supply Chain investment is now required to support OEM growth**, this will:
 - Create **long term critical mass** in the UK Supply Chain;
 - Create much needed **UK employment opportunities**;
 - Support the UK's Growth strategy;
 - **Maximise potential from expansion plans** of the UK OEMs.

Expansion of indigenous suppliers will require access to capital

UK Automotive Supply Chain

Proximity in sourcing decisions



Natural disasters, including the Japanese earthquake have **highlighted the fragility of long distance supply chains.**



Environmentally driven legislation will **penalise sub-optimised carbon footprints.**

As methods of measuring carbon footprint become more sophisticated consumers will also become increasingly aware.



OEMs want to offer customers more variety and customisation. This increases complexity and **requires greater value added local to the OEM plant.**

Importance of taking the opportunity



Within the sourcing period suppliers need:

- To be convinced to invest;
- To find access to affordable credit.

Without this the OEM will:

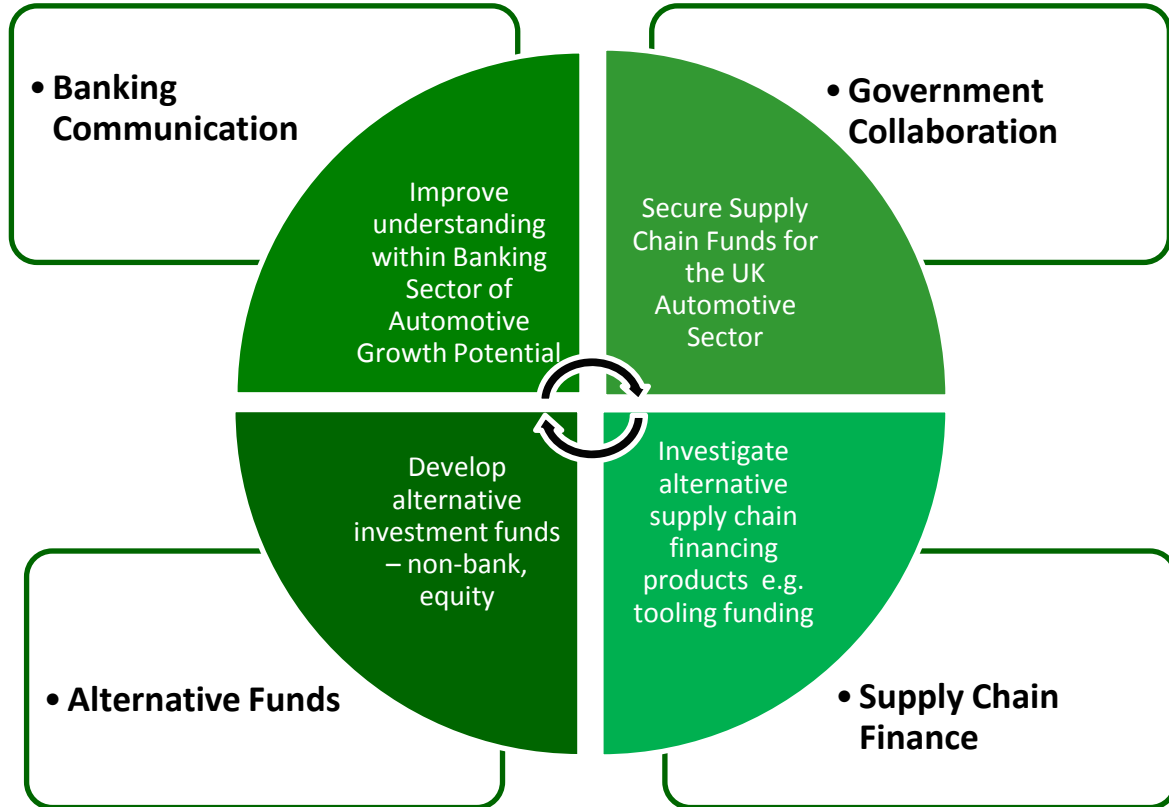
- Receive uncompetitive quotes;
- Receive no quote at all!

This:

1. Will restrict the number of UK suppliers who can expand;
2. Leads to a missed opportunity for growth and job creation in the UK;
3. Does not secure the long term competitiveness of the UK supply chain.

Need targeted Incentives delivered by an efficient system to allow successful access to funding within the time constraints of the automotive sourcing process.

Access to Finance



Automotive Sector Finance Issues



- **Compatible Solution mechanisms** aligned to the automotive sourcing process and time lines.
- **Credit availability has been reduced** due to the present economic situation, however the **automotive sector is a successful growth area** driven by growth market demand.
- **Affordable credit is vital to attracting automotive supply chain investments.**
- Supply Chain Finance can improve working capital availability:
 - **Not linked to existing OEM credit lines - risk of reducing further product investment;**
 - **Must be easily accessible to suppliers below Tier 1,** where it is needed.
- **Tooling Funding Solution is considered a potential quick win** for the industry:
 - The solution has to provide **credit terms aligned to the tooling investment period.**

Conclusions



- The UK manufacturing industry, despite its setbacks is strong – but it could be stronger!
- There are a number of factors, controllable and uncontrollable, which could support the UK supply chains continued growth.
- There is a will amongst OEMs to achieve greater levels of local sourcing.



Questions

