Speech to the Foundation of Science & Technology
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Minister, my Lords, Ladies and gentlemen, welcome once more to Dagenham - a very historic site for Ford Motor Company. This site is synonymous with Ford cars. Vehicle assembly started in 1931 and continued to attract new investment and break new production records until assembly ceased in 2002. Significantly Dagenham was the first of Ford Motor Company's plants outside of North America and today the UK continues to be Ford's most important market outside of the US. Britain is the only major automotive market where Ford has both new car and commercial vehicle leadership - accounting for 25% of European "Blue Oval" sales. In fact we have held passenger car leadership in the UK for 27 consecutive years and commercial vehicle leadership for 38. While the name Ford is obviously associated with the "Blue Oval", the Ford Motor Company now encompasses prestigious brands such as Jaguar, Land Rover, Aston Martin Lagonda and Volvo. Ford also has the controlling share of the Mazda Motor Corporation. In the UK the group employs around 37,000 people – about 45% of all Ford Motor Company employees in Europe - and the group has some 30 facilities here. A third of Ford's and two-thirds of Jaguar and Land Rover's European spending is in Britain – some £8 billion per year altogether. Ford "Blue Oval" spends £450 million on R&D in the UK annually while Jaguar and Land Rover account for £500 million. The "Blue Oval" manufactures at three locations: Transit van production at Southampton, petrol engine production at Bridgend in South Wales and here in Dagenham diesel engine, body panels, stampings and wheel production. The "Blue Oval" Technical Centre at Dunton is the largest of it's type in the UK – employing 5,000 highly skilled designers, engineers and support staff. (Incidentally Jaguar and Land Rover have some 3,000 split between Gaydon and Whitley). By 2008 Dagenham engine production will exceed 1 million units – providing 55% of Ford Motor Company global diesel engine requirements. Combined with Bridgend the UK will supply fully 25% of Ford Motor Company global engine requirements – confirming the development of the UK as a centre for engine production, the so-called "jewel in the crown" as the 2002 Automotive Growth and Innovation Team report put it. I hope you can agree Ford's interests in the UK continue to be significant in spite of the fact that our passenger vehicles are no longer manufactured here, and that we have come a very long way since the Central Motor Car Company of London began importing Model As from Detroit in 1903.

Manufacturing as a percentage of GDP has been in decline for the last 30 years. Industry is migrating to low-cost regions such as Eastern Europe, India and, more recently, China. Complacency and arrogance in the 1950s destroyed most of Britain's motor cycle industry. Five decades ago we led the world with names like Norton, BSA, Vincent, Velocette and Matchless. Our once booming textiles industry was particularly vulnerable due to the high proportion of labour costs and the relative ease of technology transfer. The bitter automotive industrial turmoil of the 60's and 70's handed the technology lead to the Japanese and we have been playing catch-up ever since. Last

year Toyota overtook Ford to become the world's 2nd largest automotive producer. Now there are new challenges from countries like China. They are very serious about business and they are very hungry for work. Last year China produced over two million vehicles. Within a year or two its vehicle output will exceed that of Germany and within the next ten years – at the current rate of progress – it will overtake Japan. The UK is under threat, but it can maintain its competitiveness by addressing its technological strengths. In order to achieve this it needs the right tools. The Government's Manufacturing Strategy outlines the seven strategic pillars to success. In the context of the automotive industry I want to talk to 4 of these pillars: Innovation, Skills, the Regulatory Environment and Stable Economic conditions.

UK Innovation

The UK has a substantial productivity gap compared to France, Germany and the US. Productivity improvements cannot be addressed through cost-cutting alone – they must be complemented by increasing the value of goods produced – creating products customers want to buy. This is the role that innovation, a core strength in the UK, must play. Without future R&D investment the UK cannot stay ahead of those that can manufacture and sell the same goods for less. There are concerns that the UK is beginning to fall behind its rivals in this respect. R&D tax credit revisions are a positive step forward.

We require research into Manufacturing Cost Reductions through:

- advanced manufacturing processes to utilize new materials and help improve profitability;
- design systems to reduce development time and raise value; and
- opportunities in using technologies from other sectors.

Looking at the auto industry in particular two initiatives are noteworthy:

- The Low Vehicle Carbon Partnership has spawned the Low Carbon & Fuel Cells Centre of Excellence. This will certainly play a key role in taking new technologies forward to commercial reality.
- The SMMT Industry Forum is a best practice example of a sector sharing best practice.

But what use is innovation in isolation? Unless we have the right people to turn ideas into commercial reality then we are no further forward…

Skills

The UK desperately needs a high skills base. We are widely recognised for our world-class science base - unfortunately its full potential cannot be realised because Manufacturing suffers both from a skills deficit and an image problem. A recent survey by EEF West Midlands showed that 15 per cent of boys identified engineering and manufacturing as the most liked job, second only to the sports and leisure. However only 1 per cent of girls expressed a similar interest, putting it in their bottom three vocations. Even more worrying was the finding that parents working in the sector would not necessarily recommend it to their child. The UK automotive industry shares these frustrations. Ford's response has been to address the skills issue at all levels:

- Ford schools liaison activities – initiatives aimed at raising awareness of engineering as a career choice with local schools
    - 263 Ford SEAS Ambassadors (Science and Engineering Ambassadors for Schools scheme is to support teachers in delivering the school technical curriculum and increase the number of people with qualifications in engineering, science, design & technology and mathematics)
    - Small Piece Trust workshops
    - Arkwright scholarships
    - GETSET (Girls Entering Tomorrow's Science Engineering and Technology) practical workshops
    - 2005 Green Power regional finals and the Lego Challenge national finals will be held at our Dunton R&D facility

- The Centre for Engineering and Manufacturing Excellence (CEME) is a £37 million not-for-profit partnership dedicated to providing a world-leading and exciting learning environment. Its aim is to encourage a diverse, socially inclusive, innovative range of learning activities that build engineering, manufacturing and business capability in the Thames Gateway area. CEMEs key objectives are to improve:
    - availability of key skills/competence to support a world class diesel business > from apprentices to MBAs
    - access to affordable quality learning and provide a catalyst for regeneration, innovation and SME development
    - engagement of East London in the (Higher) Education agenda

- Ford has also established our Loughborough College in order to train our dealer technicians

- Ford is a strong supporter of the Automotive Academy - a unique organisation designed to enhance the skills of Britain’s motor industry, its productivity and competitiveness. Benefiting from Government backing to the tune of £15 million the Academy promotes skills at all levels, from shop floor to the boardroom.

Regulation & the role of Government

Many industries are "under attack" from legislators, although probably none more so than automotive. We are already the most regulated industry in the world (some 100 Directives with an additional 200 amendments to these). Future legislation looks certain to add €5,000 to the cost of a motor car – a cost that the consumer will not shoulder. We need "smarter" regulation. For example, legislation aimed at improving safety requires manufacturers to add more metal to the vehicle's structure, thus increasing weight which is detrimental to CO2 emissions and directly conflicting with other policy areas. We need to reduce the bureaucratic burden, eliminate non value-add legislation and to stamp out the practice of gold-plating. It is reassuring that the Government recognises these issues, but it is not clear that this message has been understood by those initiating new legislation in Brussels or

implementing it in Whitehall. The concept of regulatory impact assessments as outlined by the Chancellor in his pre-Budget Statement last year is very promising. Ford has been greatly encouraged at the European level with the creation of the new Barroso Commission and the renewed focus on the EU's competitiveness. We welcome also the recently announced formation of a new high-level group for a "Competitive Automotive Regulatory System for the 21st Century" (CARS 21). Members include Commissioners Verheugen, Barrot, Dimas, our very own Secretary of State for Environment Margaret Beckett and Lewis Booth, chairman and chief executive officer, Ford of Europe. The group's objectives will be to develop an integrated strategy for the sustainable development of the industry; to define the best possible regulatory approaches; and to set out the necessary conditions to ensure that innovation efforts give the European industry a first mover advantage. We thank the Government for their support in getting this initiative off the ground. Finally we applaud the work of VIPER or to give it its full title the Vehicle Industry Policy & European Regulation group, which has been identified as best practice in addressing policy and regulatory issues. These have all been very positive developments and we look forward to some equally positive outcomes.

Stable Economy

For manufacturers dealing only in Sterling the Economy appears to be running smoothly. However, many manufacturers have suppliers and customers outside the UK – this is even more pronounced for the automotive industry as we are mainly all global players. The lack of currency stability – Sterling/Euro and Sterling/Dollar - is hitting us hard when one considers that some 80% of Jaguar and Land Rover production is exported. Moreover commodity prices are proving increasingly difficult to manage; the price of steel rose 30% in 2004 and is expected to rise another 10% this year. Furthermore energy prices are on the rise. I mentioned previously the looming spectre of an additional €5,000 to meet upcoming legislative requirements. All these costs impact upon our business - throwing currency fluctuation into the mix creates a very difficult challenge indeed.

Conclusions

In conclusion I would like to leave you with these key messages:

- Ford passenger car assembly may have left the UK but Dagenham remains a cornerstone of our UK manufacturing presence, with a long future ahead of it.
- The future for UK manufacturing must be high-end, high-tech and high value-add – and Dagenham is a benchmark example of that
- All stakeholders must redouble their efforts to address certain key strategic issues if we are to sustain manufacturing in the UK and continue to attract future investment. The key issues are: innovation leadership, a higher skills base, a lighter regulatory environment and a stable economy.

Thank you for your attention.

I look forward to a stimulating debate around some of these issues.