



Supplementary evidence to DBERR Committee inquiry into creating a higher added-value economy - Sale of Jaguar/Land Rover

1. Introduction

- 1.1. Over 12 months ago Ford's senior management team were considering a sales package of Land Rover and Jaguar as part of a shake up of the company's portfolio of upmarket British brands. Those considerations came closer to reality when UK politicians were briefed in June this year of its intentions and Ford appointed investment bankers to investigate the prospects for a sale. Now the company has moved to the final stages of sale through its discussions with three shortlisted bidders, - Tata, Mahindra & Mahindra and One Equity.
- 1.2. Unite is the major union recognised by Ford Jaguar/Land Rover and has been involved in detailed discussions throughout this process.

2. Factors leading to the decision to sell

- 2.1. Last year Ford Motor Company worldwide recorded losses of \$12.7 billion. It has mortgaged its remaining assets, (excluding Jaguar/Land Rover and Volvo, its Premier Automotive Group, PAG), for \$24 billion against which it is able to finance losses in to 2009. The cost of borrowing on this credit is enormous.
- 2.2. This situation has arisen primarily through the collapse of the US Market where Ford has been experiencing a decline in its market share over the last 10 years. Ford has taken a decision to restructure its global operations to match market share and this has already resulted in the closure of 14 plants in the US with the loss in excess of 50,000 jobs.
- 2.3. Competition from the Japanese car makers has led to a strategic decision for Ford to focus on its core products and remove itself from the premium car business. Ford has also previously enjoyed the benefits from the US truck market which has now been seriously damaged as a result of rising oil prices and the consequential impact on US fuel prices driving the business to switch to smaller cars.

Earlier this year Ford disposed of Aston Martin and has also sold its Hertz Business. Whilst the company has stated that Volvo is not for sale at this moment, Unite believes that this will depend on the success of Ford's recovery plan in the global market.

2.4. The Committee should also note that Land Rover will this year record its largest profits ever of \$1 billion and the forecasted aggregate profits for Jaguar/Land Rover by 2010/11 is \$3.3 billion. Given these positive projections it is apparent how desperate the current cash position of Ford Motor Company must be for them to proceed with this sale.

3. The likely future of Jaguar/Land Rover

3.1. Unite has made clear that its preferred option would be for Jaguar/Land Rover to remain as part of Ford in a major global manufacturer in the industry. However, Unite believes that the future of the UK plants will depend heavily upon the ultimate purchaser if Ford decides to proceed with the sale.

3.2. Tata has indicated strongly its intention to stick with the existing Jaguar/Land Rover long term business plan with additional investment going into new products and models. It has given assurances to the union that it has no intention of exporting jobs to India or elsewhere or doing anything that could undermine the integrity of the brands. It has stated that it would run Jaguar/Land Rover as an independent company and Tata's record in similar ventures into Europe and the UK has suggested that its approach would be a hands off one.

3.3. Mahindra & Mahindra, with financial backing from Apollo (Private Equity firm), is potentially the weakest of the three bidders in that the size of Mahindra is smaller than Jaguar/Land Rover and its previous interest has been focussed wholly on the Utility Vehicle market in India. Unite would have concerns that this might have for the future of Jaguar.

3.4. OneEquity, whilst led by former CEO of Ford, Jac Nasser, has made clear that its approach is that of a transitional owner with a view to taking an independent company to the stock market for flotation. Unite would have concerns that this could lead to job losses in preparing the company for a public flotation.

4. The impact on R&D and innovation in the premium car market

4.1. Jaguar/Land Rover has two R&D sites at Whitley near Coventry and Gaydon in Warwickshire. All three bidders have said that they would retain these facilities and have no plans to move R&D elsewhere. Tata has specifically recognised that the technology and skills employed in the UK is significantly superior to anything they have in their own organisation. The UK has a No. 2 world ranking for premium car production and the retention of Jaguar/Land Rover R&D and design

facilities is crucial to the success of this end of the automotive market in the UK.

4.2. Unite is concerned that the initiatives taken by the Advantage West Midlands (AWM) Premium Automotive R&D (PARD) Programme aimed at enhancing the manufacturing and design capabilities of automotive supplier companies particularly in the Midlands, could be undermined were the area to lose key R&D sites such as Whitley and Gaydon. It is therefore vital that the sale of Jaguar/Land Rover does not lead to the loss of these facilities.

5. The impact of public procurement decisions on Land Rover

5.1. Current procurement policy with regard to Land Rover ensures a significant sales outlet in terms of Range Rovers to the Police and Defenders to MoD and Red Cross. Whilst the volumes are not massive the high profit margin of these vehicles means that any negative change in policy would impact heavily upon company production and profitability. The consequence of such a move would inevitably be a loss of jobs.

5.2. Unite has publicised recently the results of its own research into public procurement in the automotive industry which demonstrated that government could do much more through intelligent procurement policies to secure jobs in the UK car vehicle industry.

6. Impact of climate change agenda on the premium car market

6.1. Unite is clear that the climate change agenda has already had an impact on this market and that this impact is likely to grow significantly in the future. Currently the average CO² emissions of Jaguar/Land Rover is 174 grams per km. The EU Commission is seeking to introduce a limit of 130 grams per km in the future. Ford Motor Company is assessed on its average emissions for the whole range of products and so the lower emissions of its main products help offset the high levels of premium models.

6.2. Once Jaguar/Land Rover becomes a stand alone company this offset protection is lost and there is no way that it could ever meet the new target being demanded by the EU Commission. Unless governments are prepared to recognise this and negotiate a different tariff, with built in targets for gradual reduction, for the premium car market, Unite believes that this segment of the automotive industry will be killed off completely.

7. What can government do to ensure that high value added manufacturing such as Land Rover/Jaguar remains UK based

7.1. 19,000 UK jobs are directly at stake with the sale of Jaguar/Land Rover, with a further 40,000 jobs dependent on the company. Unite expects the government, in line with its own manufacturing strategy, to

recognise the strategic importance of such a company to the UK economy both in terms of the high skilled jobs it provides and also by virtue of the contribution it makes to the R&D and innovation base of UK manufacturing.

7.2. In the short term, government should protect taxpayers' money that has been rightly ploughed into the company over the years and consider taking an equity share in the company. Jaguar/Land Rover is without doubt a manufacturing champion within the UK Automotive industry and the UK government should ensure that its recently announced manufacturing review addresses the long term strategic needs of the UK manufacturing base.

7.3. Government did not shirk its responsibilities when it invested £24 billion in Northern Rock to ensure its survival, Unite believes that it would be money well spent if similar action was taken to underpin the future of Jaguar/Land Rover.

7.4. The Committee is also reminded of the original evidence submitted by Unite on the key factors that must be addressed to ensure the retention of higher added-value jobs such as those at Jaguar and Land Rover.

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