

North East Automotive Alliance Annual Review



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Vision

To support the sustainable economic growth of the sector in the region. The NEAA is industry led and membership based.

Mission

To overcome barriers to growth by providing:

- A network to benchmark, sharing best practice and tackle common issues
- Access to business excellence, skills and training
- Drive innovation and adoption of new technologies & processes
- A focal point for collaborative projects and access to funding
- A voice for the sector & interface with Government bodies
- Promote sector regionally, nationally and internationally
- Align to regional and national strategic objectives (i.e. Supply Chain Opportunity)

The priorities for the cluster were as follows:

1. Create a critical mass of member companies to form an effective network
2. Develop effective industry led working groups for Business Excellence and Skills
3. Raise awareness of the North East Automotive sector
4. Create a collaborative environment which supports and connects the sector
5. Secure public sector funding which helps deliver the cluster strategy

NEAA Membership Benefits

The benefits are wide ranging and presently include but are not limited to:

- Be a part of the network and benefit from business and collaboration opportunities, regular networking and knowledge transfer events and shared intelligence
- Publicising your business and the region's capabilities on a global level through the NEAA website, NEAA Directory, the quarterly newsletter and regular e-newsletters – worth over £3,000
- Increased profitability and cost savings through:
 - o NEAA Business Excellence programmes and sharing of best practice
 - o NEAA Insurance Scheme – guaranteed saving of at least 15%, plus enhanced policy coverage and market leading risk management advice
 - o NEAA Energy Scheme – reducing utility costs through purchasing at lower rates whilst helping companies to significantly reduce energy consumption
 - o Infiniti Fleet and Employees Scheme – up to 31% discount off a new Infiniti car
- Impacting on skills by addressing current gaps, attracting talent, apprenticeships and links to education
- Insights into latest technologies and stimulating innovation
- International Trade, New Business Opportunities & Supply Chain Connections
- Support for your regional investments with technical & funding advice

For more information please visit our website www.northeastautomotivealliance.com



Chairman's Statement

Great things are happening in the North East's automotive sector and the NEAA has hit the floor running since its launch on the 27th March 2015.

Over the past 12 months we have been able to bring together automotive companies from all aspects of the sector from across the entire North East region. Industry leadership is vital to the success of the NEAA as it ensures the focus of the cluster is on those areas which offer the greatest growth potential or address the key constraints faced by North East plants.

The working groups provide a collaborative framework to address these issues and the NEAA now offers support and strategic direction across three key strands – skills, business excellence and innovation, with trade & investment being launched in 2016.

These working groups have generated a collaborative and cohesive network that has generated a level of communication across the sector that is unparalleled. It has also attracted the attention of many key stakeholders and the North East is now starting to get the recognition and attention it deserves.

NE Automotive Key Facts:

- Sales over £9.2bn, exporting £5.1bn and a trade surplus of £2.6bn
- Employees – 30,000 direct and impacting a further 141,000
- 46 regional investments totalling more than £1.6bn in past 5 years
- NE accounts for 26% of all EV production across Europe
- The region is home to:
 - o OEMs Nissan Manufacturing UK, Komatsu, Caterpillar, Explorer and Cummins
 - o Tier 1 Suppliers - 28 Car & Commercial and 14 Off-highway
 - o 280+ automotive and related supply chain companies

The future looks bright for the UK automotive sector with over £20bn of capex spend expected by 2020, however I'm sure there will be challenges ahead. With the NEAA the North East now has a platform through which we can maximise the growth opportunities and I'm looking forward to continuing the work with the NEAA to drive the North East automotive sector forward.

Kevin Fitzpatrick / Vice President Manufacturing UK / Nissan Motor Manufacturing UK and NEAA Chairman

CEO's Report

The past 12 months have been highly successful for the NEAA and have certainly exceeded my high expectations for the cluster. It is testament to the input from our board, the ongoing support of our members and the NEAA team that we are the fastest growing cluster in the UK and one of the largest automotive cluster in Europe.

In accordance with cluster management best practice from across Europe, the NEAA is industry-led and membership based. The cluster is centred around the world renowned automotive sector in the North East of England and our membership is home to a wealth of manufacturing capability, specialist products and services. Members range from world renowned OEMs, to world class Tier 1 companies, through to innovative SMEs and sole traders, as well as professional associate members.

As a collective, the NEAA has a strong portfolio of experienced companies all working together to promote and support the sustainable economic growth of the region's automotive industry. The NEAA provides a single unified voice to key stakeholder groups and promotes the true value created by the North East Automotive sector. It provides a platform for member to member engagement and connecting the supply chain to business opportunities, as well as working together to solve skills issues and promote business excellence initiatives.

The year was capped when the NEAA became the youngest cluster to undertake a cluster management excellence benchmarking activity with the European Secretariat for Cluster Analysis (ESCA). Following the evaluation ESCA have indicated that the NEAA would meet the quality indicators for the internationally recognised quality label for cluster management, the "Cluster Management Excellence Label GOLD – Proven for Cluster Excellence".

This is very high praise indeed and would put the NEAA in the top 0.5% of clusters in Europe and a remarkable achievement given the youngest cluster to attain GOLD was formed in 2008.

I believe we have a great team which brings together a unique blend of knowledge and experience that truly supports our key areas of activity and our success would not have been possible without their contribution.

The following report highlights some of our successes, however there is still much to achieve and I look forward to working with our member companies over the next twelve months to build on these great foundations.

Paul Butler / CEO / NEAA

Membership

In keeping with European cluster definitions we have 144 cluster participant companies engaged with the NEAA. This consists of 135 member companies and a further 9 companies who are part of the European Regional Development Fund (ERDF) ACE SME Programme.

To view the current membership please visit www.northeastautomotivealliance.com/about-neaa/the-network/

Industry Leadership

Industry leadership is a common trait of the top performing clusters across Europe. Industry leadership is at the centre of the NEAA and ensures that we focus and collaborate to address common constraints and develop initiatives that offer our members and the region the best growth opportunities.

Executive Board

- Kevin Fitzpatrick, Vice President Manufacturing UK, Nissan Motor Manufacturing UK and NEAA Chairman
- Mike Mathews MBE, Managing Director & European Operations Officer, Nifco UK and NEAA Vice-chair
- Paul Butler, CEO, NEAA
- Martin Porton, Operations Director, RTC North & NEAA Company Secretary
- Peter Watson, Plant Manager, R-TEK & Chair of the NEAA Business Excellence Group
- Matt Boyle, President and CEO, Sevcon, & Chair of the NEAA Skills Group
- Stephen Irish, Managing Director, Hyperdrive
- Peter Howe, Managing Director, Komatsu
- Simon Elliot
- Sonia Tognarelli, Interim Head of Paid Service & Director of Finance, Sunderland City Council

Advisory Board

- Colin Herron, Managing Director, Zero Carbon Futures
- Brian Hughes, Manager Parts Quality Engineering, NMUK
- Wayne Turnbull, Purchasing & Projects Manager, Faltec Europe
- David Brander, Plant Director, SNOP
- David Cann, General Manager UK, Mecaplast
- David Land, Director, Drive2Business
- Gerry Ingleby, Commercial Director, Unipres
- Ian Malcolm, Managing Director, Elring Klinger
- Jim Casey, Plant Manager, Lear Corporation
- John Barnett, Operations Director, Calsonic Kansei
- John Hickling, Senior Vice President, Calsonic Kansei
- Paul Blanchard, Manufacturing Director, Komatsu
- Peter Gallone, Plant Director, Gestamp Tallent
- Raymond Albert Tate, Manufacturing Director, Johnson Controls
- Robin Finley, Plant Manager, ZF-TRW

In 2015 we completed our cluster strategy. Central to the delivery of this strategy are the industry led working groups which cover Business Excellence, Skills, Innovation & Technology and Trade & Investment. To date we have 2 well established groups and further group in development:

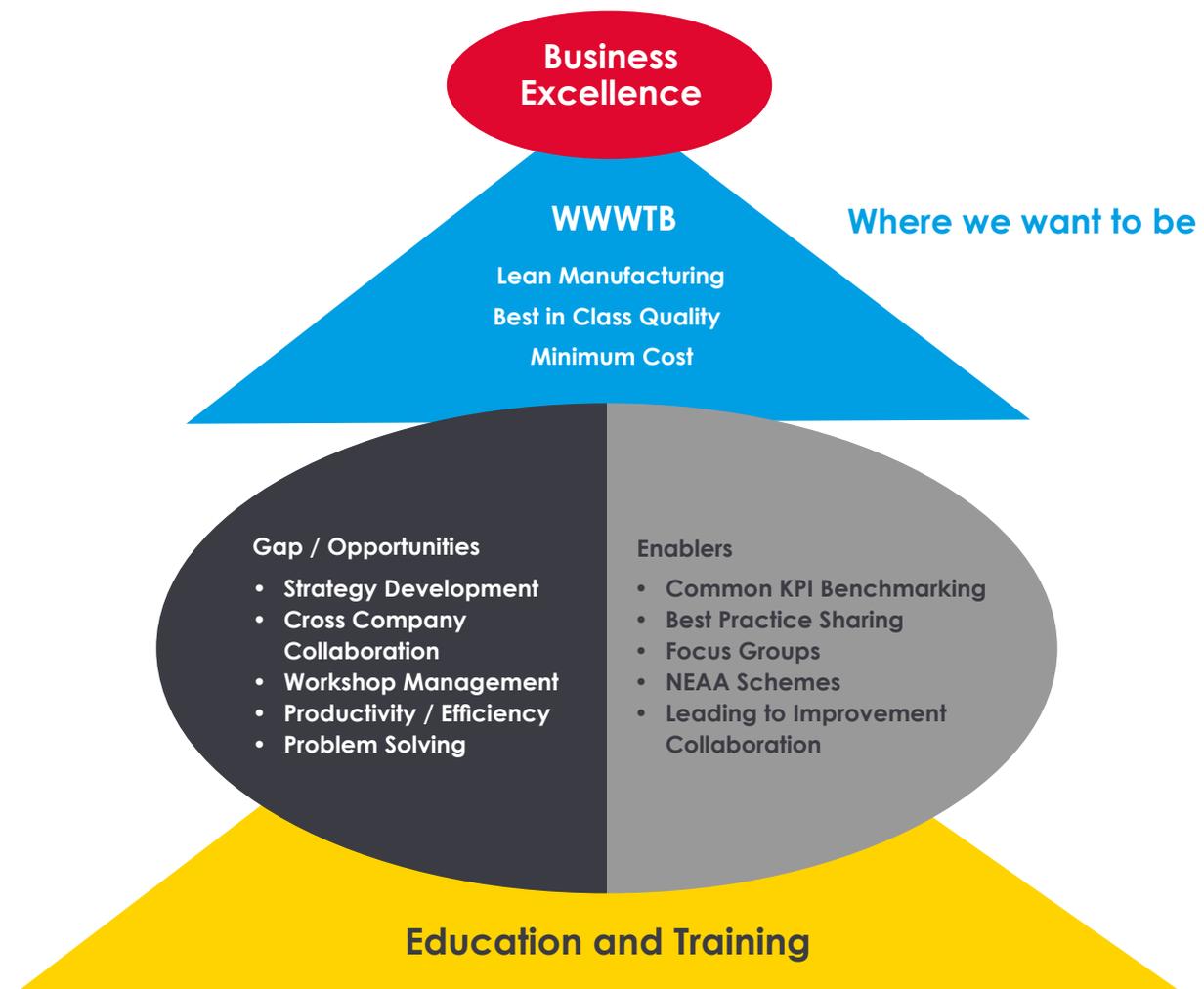
Working Groups

Business Excellence

Business Excellence Working Group

- Peter Watson, R TEK, Chair
- Stuart McGivern, NEAA
- John Short, Nifco
- Paul Blanchard, Komatsu
- Jim Casey, Lear
- Dave Cann, Mecaplast
- Stuart Wilson, Eling Klinger
- David Brander, SNOP
- Raymond Tate, JCI
- Robin Finley, ZF-TRW
- Brian Hughes, Nissan
- John Barnett, Calsonic
- John Cruddace, Unipres

Business Excellence Strategy Model



Benchmarking

Agreeing key KPI's in which to benchmark our member companies has been crucial in identifying best practice from across the sector. This data has been used to focus improvement initiatives and identify areas of potential improvements for individual companies.

KPI Description	Best Practice
Customer PPM	1.02
Internal Rejects/Defects	0.03
Right First Time	99.48
Recycling back to process	100
Stock Turns	91.25
% Local content	75%
Overall Equipment Effectiveness (OEE)	95.5
Turnover per square metre (OEE)	14295
Straight Time Achievement Ratio (STAR)	97.19
Mean Time to Repair (MTTR)	6.5
Mean Time to Failure (MTTF)	1569
Training Days	4.5
Absence Levels	0.0189
Staff Turnover	0.27
Lost Time Accidents	0

The above clearly demonstrated the world class performance that resides within the North East Automotive sector and a key role for the NEAA is to help share and implement this best practice within companies across the sector.

Best Practice Visits

Members can learn industry best practice from what our members do best. Best practice visits provide unique access to understand subjects that can be transferred across companies but more importantly followed up with a cross company approach focus group methodology. Best practice visits covered a variety of topics including:

- Nissan - OEE Improvements
- R-TEK - Dynamic Planning
- Komatsu - Safety In the Workplace
- Mecaplast - Site Traffic Management
- Calsonic Kansai - World Class Quality
- Lear Corporation - Environmental Management
- Johnson Controls - Training and Visual Management

Information on each Best Practice visit is available to logged in NEAA members from www.northeastautomotivealliance.com >Members Area>Business Excellence

Focus Groups

Focus groups are a natural progression from best practice visits. These are areas in which industry have identified a need to explore further in order to gain maximum benefit for participating member companies. To date the NEAA has established three Focus Groups:

Productivity

This focus group has discussed common productivity reporting methods in order to compare areas of best practice and thus identify the areas of greatest opportunity.

Energy

This initially set out to table quarterly electricity charges, to identify areas for improvement and consider common contract / tariff's through a pooled purchasing approach. However it quickly became apparent that the biggest opportunity for this group was in the transfer energy usage best practice.

HR

The HR Forum has commenced and the objective of this group is to share best practice without compromising confidentiality.

Cross Company Teams

Using a common approach to improvement we have trained a Cross Company Team to actively support our member's problems. This is a win/win in terms of improving members (and their staffs) capability going forward.

"A level of horizontal communication is now taking place between suppliers. These communication routes have remained closed for the last 2 decades. The Business Excellence activity has definitely won the trust of suppliers based on the principle that we share "best practice" and not "trade secrets". Without the NEAA relationship this mutual transfer of best practice would not have happened."

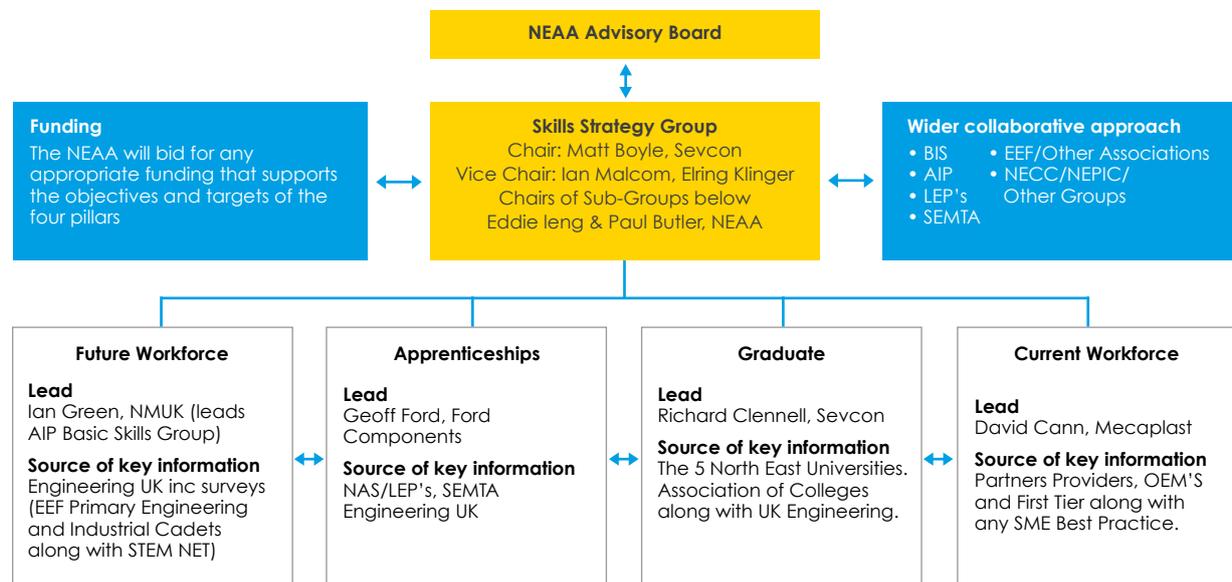
Peter Watson / Plant Manager / R-TEK and Business Excellence Chair

Skills

Skills Working Group

- Matt Boyle, Sevcon, Chair
- Geoff Ford, Ford Components
- David Cann, Mecaplast
- Ian Green, Nissan
- Eddie Leng, NEAA
- Richard Clennell, Sevcon
- Steve Pallas, Nissan
- Ian Malcolm, Eling Klinger
- Paul Butler, NEAA

Skills Group Strategy



The NEAA skills strategy group has identified four key strands of activity which are required to meet the current and future skills needs of the regions automotive sector, these are:

Future Workforce

Promoting STEM engagement and career guidance within schools in order to increase number of new entrants into the sector.

Aims & Objectives Via Account Management and collaborative working:

- Understanding current landscape
- Identify duplication and gaps
- Review current provision/schemes
- Identify provider(s) that best meet our needs
- Support one or two programmes and encourage companies to participate
- Newsletter case study every edition

Target

Increase the number of engagements with school children by ensuring appropriate core members participate in schools engagement activities

Apprenticeships

Promotion of apprenticeships and increasing the number of companies taking on apprentices in order meet the future skills needs of the sector.

Aims & Objectives Via Account Management and collaborative working:

- Understanding current landscape
- Identify exemplar companies & providers (key hubs)
- Identify member companies not engaged and cajole/persuade them to do so where appropriate
- Promote apprenticeships traineeships
- Provide information, advice and guidance on apprenticeship recruitment and training
- Support the Apprenticeship Matching Service

Target

Increase the number of companies taking on apprentices from the current 35% by 5% year on year across the Advanced Manufacturing Footprint until all applicable companies participate. (Apprenticeship Stats to be reviewed in line with new Trailblazer Standards and Levy impact in 2017/18).

Graduates

Building stronger relationships between universities and industry by promoting placements, internships and increasing graduate retention in the region.

Aims & Objectives Via Account Management and collaborative working:

- Understanding current landscape
- Identify exemplar companies & providers (key hubs)
- Identify member companies not engaged and cajole/persuade them to do so where appropriate
- Provide the conduit to member companies on placement/internships and jobs

Target

Increase the number of companies taking on graduates by 50% by 2020. The same with internships/placements.

Current Workforce

Identifying and sharing current best practice in training delivery, people and organisational development.

Aims & Objectives Via Account Management and collaborative working:

- Understanding current landscape
- Identify member companies not engaged in employee training/upskilling and cajole/persuade them to do so where appropriate
- Identify common training programmes
- Identify common training issues
- Review current provision-providers and in company training programmes
- Identify provider(s) or in company training that best meet our collective needs
- Deliver training courses which meet industry needs and provide economies of scale

Target

All core members to conduct Training Needs Analysis and have a working training plan that addresses Short Medium and Long Term Needs. Via SME Programme deliver best in class training for member companies.

"The NEAA is making the skills agenda a priority for the automotive sector. Developing our potential future workforce is vital in sustaining the skills capability within North East automotive companies. As well as this, we need to exploit the apprenticeship and graduate programmes that are available to the sector, along with ensuring our current workforce is aligned with future technology and systems. It is important we gain valuable industry input to our skills agenda because the alliance will always stay true to the fact that we are industry-led and this is what industry wants."

Matt Boyle / President & CEO / Sevcon and Skills Group Chair

Innovation & Technology

Innovation & Technology Working Group

As a newly formed group the industry members are yet to be confirmed, however the group will have three main areas of focus

New and Emerging Technologies

The focus of this group is to support the development of new products and technologies which support the new and emerging automotive technologies such as in advanced propulsion, driver assistance and connected and autonomous vehicles.

Process Innovation

The purpose of this group is to identify and champion the development of new technologies which support process innovation.

Developing an Innovation Pathway

The commercialisation of new ideas is often impeded by the lack of a clear pathway and effective support to take these ideas to market. The NEAA Innovation Pathway will seek to create a supportive framework to help in the development and commercialisation of innovative ideas for the automotive sector. When the NEAA was created we made it a priority that our voice was heard outside of the region.

"Since the launch of the Innovation and Technology group there has been a lot of work undertaken with key external partners. Recently we have had multiple visits from APC, BIS, Innovate UK, Knowledge Transfer Network, LowCVP, and representatives from EPSRC centres. The NEAA Board has been very pleased at the attention we have received, not only in communications, but in visits to the region which are at an unprecedented level".

Colin Herron / Managing Director / Zero Carbon Futures and Chair of the NEAA Innovation & Technology Working Group

Industry Leadership – In-Kind Support

More than 100 industrialists are working together through our leadership team and the two established working groups. To date industry has contributed £175,500 of in-kind support for activities of the NEAA. This is extremely powerful and demonstrates how the NEAA has been able to make such an impact in a very short time.

Marketing and Communications

Connecting the network

Website

In order to improve communication from the alliance and between its members, the NEAA launched its new website during 2015, with a dedicated Members Area for collaboration, profiling and information gathering. The Members Area went live in December and we will continue to build upon the information hosted on here throughout 2016.

The NEAA launched its new website during 2015, with a dedicated Members Area for collaboration



The NEAA has introduced a monthly e-newsletter and a quarterly newsletter 'NETwork'



NETwork newsletter and e-newsletter

A key role of a cluster is the dissemination of relevant information to its members. The NEAA has introduced a monthly e-newsletter and a quarterly newsletter 'NETwork'. The feedback has been extremely positive from our members and is well reflected by the open rates and click throughs we are seeing. These are essential tools in promoting member successes not only within the network but to wider stakeholders so we would appeal to you to ensure the NEAA is included in your press release circulation list and that members keep us abreast of any member to member collaborations that your company is involved in, plus any key successes or landmarks.

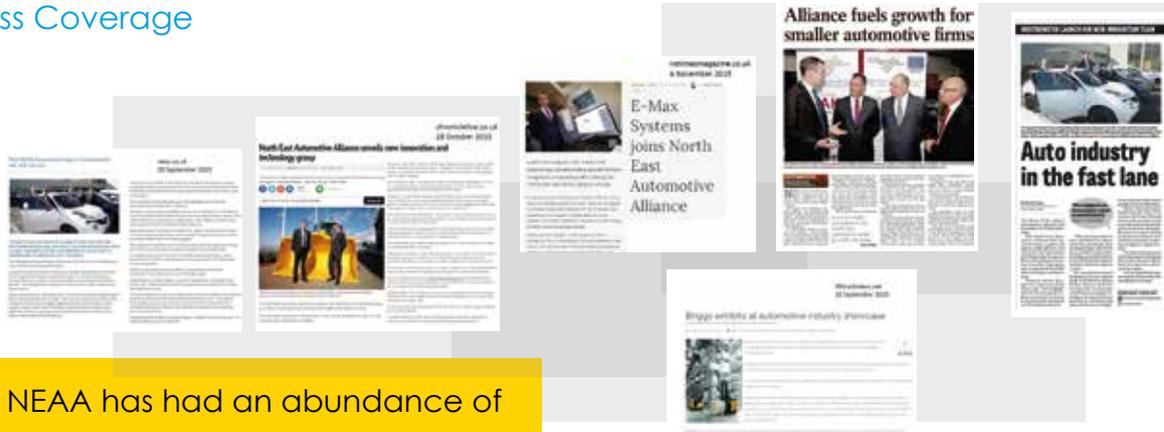
Events

The NEAA aims to promote business and collaboration opportunities within the membership network. There has been major success in this area and a level of horizontal communication is now taking place between suppliers, which had remained closed for the last two decades. A large factor in this was the first North East Automotive Expo, which took place on 24th September 2015. The Expo attracted over 320 delegates, with 70 exhibiting companies across three exhibition halls and offered up 140 one-to-one buyer meetings from nine automotive companies – many companies have reported the generation of new business as a result of attending this event.

Raising the profile of the NE automotive sector:

The formation of the NEAA has certainly raised the profile of the North East automotive sector. We have established working relationships with many of the regional and national key stakeholders and have seats on numerous boards in order that the North East has a stronger voice. This will also enable the NEAA to become the conduit through which we focus national support for the NE automotive sector.

Press Coverage



The NEAA has had an abundance of press coverage in 2015

Representing the North East's interests on key stakeholder groups

The NEAA has a presence on the following working groups/boards to ensure the region has input into key stakeholder groups.

- Automation Advisory Board
- Automotive Intergroup
- Automotive Council Supply Chain Group
- Automotive Council Skills Group
- European Secretariat for Cluster Analysis – UK Cluster Benchmarking Expert
- Northern Business Forum
- North East Apprenticeship Ambassador Network
- North East LEP Innovation Board
- North East LEP Innovation Design Group (Supernetwork)
- SMMT Automotive Components Section
- SMMT LEP Leadership Forum

ERDF SME Supply Chain Development Programmes

Growing the SME supply chain in the North East has been a major focus of the NEAA. The initial ERDF funded SME programme, which ran for five months and ended 30th September 2015, surpassed its original targets by up to 200% and provided support for 27 SMEs, securing 30 jobs and creating 11 more.

The NEAA will build upon this success during 2016 with the launch of its ACE SME programme. The programme will receive £1.3 million over three years of ERDF funding and aims to work with 160 SMEs to improve their competitiveness and productivity.

Cluster Benchmarking Results

It is important to the NEAA that we are organised and managed as efficiently and effectively as possible. As such the NEAA recently underwent a cluster management excellence benchmarking activity with the European Secretariat for Cluster Analysis (ESCA). ESCA are mandated by the European Commission to promote cluster management excellence and to date have benchmarked over 800 clusters across Europe.

I am pleased to report that the finding of the benchmarking report exceeded our expectations, indeed the report commented that the NEAA could undergo the GOLD label cluster management excellence assessment if we so desired as the NEAA met the basic criteria to achieve the standard. This is high commendation indeed as it would put the NEAA in the top 1% of clusters in Europe and given the age of the NEAA it is a remarkable achievement.

The chart below summarises the key areas of assessment and the NEAA's achievements against the respective targets.

	GREEN Quality Level	Yellow Quality Level	RED Quality Level
STRUCTURE OF THE CLUSTER			
Committed cluster participation	X		
Committed of the cluster participants	X		
Committed of the cluster participants in total	X		
Geographical concentration of the clusters participants	X		
TYPOLGY, GOVERNANCE, COOPERATION			
Maturity of the cluster management			X
Human resources available for cluster management	X		
Lifelong learning aspects for the cluster management team			X
Stability and continuity of human resources of the cluster management team	X		
Stability of cluster participation	X		
Clarity of roles - involvement of stakeholders in decision making processes	X		
Direct personal contacts between the cluster management team and the cluster participants		X	
Degree of cooperation within the cluster participants		X	
Integration of the cluster organisation in the innovation system		X	
FINANCING			
Prospects of the financial resources of the cluster organisation		X	
Share of financial resources from private sources	X		
STRATEGY, OBJECTIVES, SERVICES			
Documentation of the cluster strategy			X
Reveiw of the cluster strategy and implementation plan	X		
Degree of fulfilment of the implementation plan	X		
Financial controlling system	X		
Activities and services of the cluster management		X	
Working groups	X		
Cluster organisation's web presence	X		
ACHIEVEMENTS, RECOGNITION			
Recognition of the cluster in publications, press, media	X		
Success stories		X	
Cluster participants' satisfaction surveys		X	

Testimonials

"Great things are happening in the North East's automotive sector and the NEAA has hit the floor running since its launch in March. The launch of its Innovation and Technology Group means it now offers support and strategic direction across three key strands – skills, business excellence and innovation."

Kevin Fitzpatrick / VP Manufacturing, UK Operations / Nissan

"The NEAA's business excellence activity is proving to be of great benefit to Komatsu UK. It creates shop floor visits to members' plants involved in similar manufacturing techniques, to help us all see the advantages of the application of new technology to improve efficiency. This can only strengthen the performance of the region's automotive and manufacturing sectors, and it is being driven by NEAA."

Paul Blanchard / Manufacturing Director / Komatsu UK

"A level of horizontal communication is now taking place between suppliers which has remained closed for the last 2 decades. The Business Excellence activity has definitely won the trust of suppliers based on the principle that we share "best practice" and not "trade secrets". Again, without the NEAA relationship this mutual transfer of best practice would not have happened."

Peter Watson / Plant Manager / R-TEK

"Many thanks for a great event and for your Northern hospitality. The presentations were excellent, especially those from the 2 suppliers as they provided strong success stories. Some very good supplier discussions were held in the Meet the Buyer slot."

Michael Mychajluk / Supply Chain & External Engagement Manager / Government Programmes, Jaguar Land Rover

"The NEAA offering has exceeded my expectations. Through the diagnostic and best practice visits we have been able to make improvements that are beneficial to the company and build our automotive way of thinking."

Nick Morton / Managing Director / MICC

"The NEAA's networking facilities are fantastic and the opportunities are really good. Since joining, we've been contacted by three blue chip companies we wouldn't have had access to otherwise. I think it's excellent for ongoing business and we see a great future for the Alliance."

Alan Harold / Managing Director / Active Composites

"The NEAA Expo was a very good event with a high level of management and directors, and other exhibitors relevant to what we do. We have already had a couple of opportunities from Meet the Buyer. It worked as an opportunity to refresh our capabilities with the buyers."

Lee Kerswell / Business Development Manager / Altec Engineering

"The Expo was very, very good and well organised. There were good opportunities to network with other people in the automotive sector in the North and further afield, to showcase the business and what we can do. After the event, a couple of people picked up that we'd been there and some potential customers got in touch. We did Meet the Buyer with some big vehicle manufacturers and we're following up on that."

Ryan Maughan / Managing Director / AVID Technology

"Meet the Buyer was an excellent event where we met a number of potential clients and received enquiries the following day, who we've quoted and engaged with. From an exhibitor's point of view, it was a very good set up with impressive footfall."

Chris Hutchinson / General Manager / Bignall Group

"A brilliant first event, with really good keynote speakers. The delegate list was first class and it truly was a great networking showcase. On the back of the event we have received a number of positive enquiries which have been followed up. The event also allowed us to showcase our products services to a niche North East marketplace."

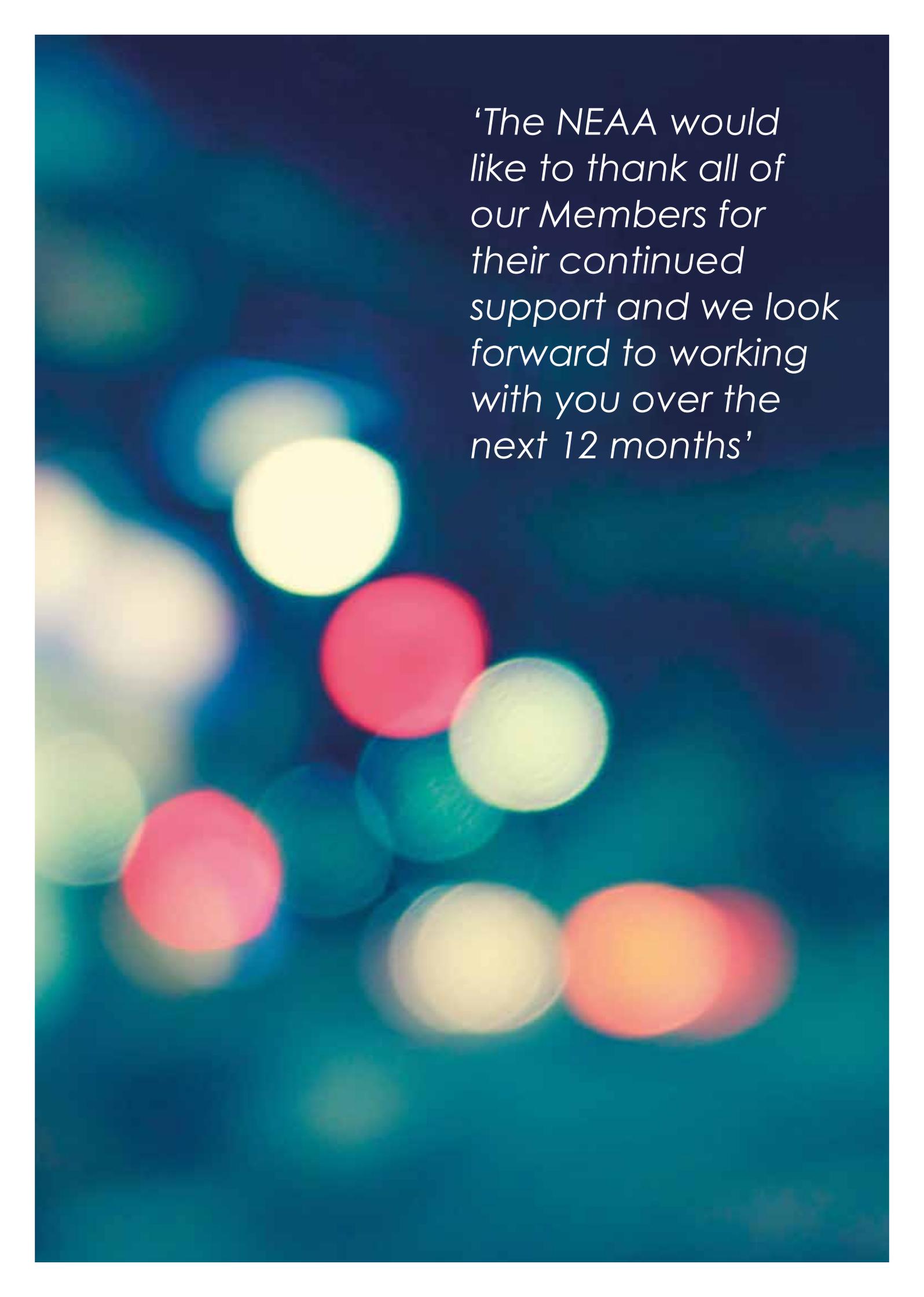
Dave Bartell / Operations Director / Expert Tooling

"For Ford Engineering Group, the North East Automotive Expo was an excellent event for meeting with key buyers in the automotive supply chain. Some of our meetings have led to possible new opportunities. Excellent venue, the event was well attended, allowing for some positive discussions and making new contacts."

Mike Saunders / Business Development Manager / Ford Component Manufacturing

"The Expo was a good show that was well executed and showed what's on offer in the North East. There's nothing like it in the North East, and I caught up with contacts I hadn't seen for a long time and made new contacts."

Clare Head / Commercial Director / FS Design



'The NEAA would like to thank all of our Members for their continued support and we look forward to working with you over the next 12 months'



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