STEP: Improved Definition and Profiling for Sustainable Technology Parks

Work Package Three: Survey of Automotive Companies and Sector Stakeholders

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1.0 Introduction

This report, presents primary data collected and analysed as a part of ‘Work Package 3 of the INTERREG IVC DISTRICT+ sub project ‘Improved definition and profiling for Sustainable Technology Parks STEP.’ The work package (Survey of automotive companies) has been lead by WARR in lower Silesia, Poland, with data collected through the distribution of a questionnaire online via ‘SNAP’ survey software. This was conducted on behalf of Coventry University, by the UK Manufacturing Advisory Service; to a network of 1200 firms in the West midlands automotive cluster. The questionnaire received a relatively low response of just 28 companies, perhaps unsurprising due to the length of the questionnaire. As such care needs to be taken in drawing wider inferences from the results.

The following analysis is drawn from the questionnaire survey of 28 companies focusing on the following key issues.

1. General Information
2. Business cooperation and services for automotive companies
3. Use and benefits of shared services
4. Foreign trade and Investment
5. Issues facing automotive companies
6. Educational needs

A detailed analysis of individual questions is presented in the following sections of this report. Relevant detail and subsequent comments, where possible, are provided to ensure depth and a thorough understanding of the information gathered.
2.0. General information

This section provides a background and overview of the various companies who took part in this research, including information on location, products, employment, turnover, location decision and supply chain.

2.1. The distribution of companies involved in this study within the West Midlands.

Figure 1 shows the geographical distribution of respondent companies. The map shows their approximate location in a West Midlands context. 43% of companies were based in the Birmingham area, with 64% of businesses involved located centrally within the wider urban core of the region. This is comparable with recent data obtained from the national employment statistics generated by the online database ‘NOMIS’ which showed that 60% of employment in the automotive sector is located in the central urban core of the West Midlands region.

Figure 1: The distribution of businesses used for this study within the West Midlands Region
2.2. Primary Products

Respondents were asked to indicate the primary products produced by their company. The list below shows how the majority of respondents are in the automotive supply chain as 2/3 tier suppliers:

Manufacturing products/services

- Automotive pressings and 3D laser cutting
- Bespoke gauges, fixtures and tooling
- Cast metal for Turbo Charger Bearing Housings
- Hydraulics
- Interior Trim - seats, headrests, carpet trim.
- Manufacturer of spray booths
- Manufacturing Sheet Metal
- Motorcycle Clutches
- Paint and Coatings
- Press Tools
- Sheet Metal Fabrications
- Spring Manufacture
- Steel Products
- Heat Treat Components
- Window systems for construction vehicles, sun-blinds for construction and public service vehicles, and heavy duty telescopic slides.

Non Manufacturing products/Services

- Business development, sales and marketing, project management. Automotive consultancy and interim management
- Engineering Training Equipment
- Simulation Software for Manufacturing Processes
- Trade Association Service (auto-motive aftermarket)

2.3. Number of employees

Respondents were asked to indicate the number of employees working within their organisation. The respondents were required to choose from 5 options (0-9, 10-49, 50-249, 250-1000 and >1000). The data (figure 2) indicates that 46% of companies have 10-49 staff indicating a small enterprise, 29% have 50-249 employees indicating a medium sized enterprise and 25% have 0-9 indicating a micro enterprise. No companies involved in this study employed more than 249 people. The profile evident here is consistent with that of the regional profile where the majority of companies in the automotive supply chain are SME's.
2.4. Employment Structure

Table 1: A summary table of the employment structure across all companies responding.

<table>
<thead>
<tr>
<th></th>
<th>Number Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lowest</td>
</tr>
<tr>
<td>Management</td>
<td>0</td>
</tr>
<tr>
<td>Professional and Technical Occupations</td>
<td>0</td>
</tr>
<tr>
<td>Process, Plant and Machine Operatives</td>
<td>0</td>
</tr>
<tr>
<td>Administrative</td>
<td>0</td>
</tr>
<tr>
<td>Sales and Customer Services</td>
<td>0</td>
</tr>
<tr>
<td>Other Service Occupations</td>
<td>0</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>0</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 1 shows the collective employment structure across all companies taking part in this research. It shows that there are significantly more employees within practical occupations, with a noticeable lack of employment within highly skilled/technical roles. This links to the overall profile outlined in the previous ‘STEP’ regional mapping report which indicates a similar structure, showing that over 50% of employment is based in practical occupations and fewer than 20% are employed in highly skilled occupations. As stated previously, these skills deficits are a long term issue and therefore further research would be beneficial in order to establish the extent to which an increase in the proportion of people employed in highly skilled occupations would increase value to the industry within the West Midlands Region.
2.5. Turnover

Respondents were required to provide an estimate of their annual turnover from a selection of categories (figure 3). The largest proportion of businesses involved in this study, 43%, have an average turnover of between £1-5 million, with only 1 company turning over £25-50 million. These results are consistent with the company size profile shown in figure 2. After collating these results and analysing them further it emerges that of the companies taking part in this research, approximately £138.75 million is generated in turnover thus indicating the automotive cluster in the West Midlands contributes a relatively large proportion of GDP.

**Figure 3: Approximate current annual turnover (£ million)**

![Pie chart showing turnover categories](chart)

2.6. Time scale operating in the West Midlands

Figure 4 highlights the longevity of firms taking part in the survey, some 75% of businesses have been operating in the West Midlands for over 20 years, with the remainder operating in the West Midlands for <15 years.

**Figure 4: The length of time each business has been operating in the West Midlands.**

![Bar chart showing time scale](chart)
The main reasons these businesses gave for continuing to operate in the West Midlands were:

**Figure 5:** The four main reasons companies are continuing to operate in the West Midlands region.

1. Access to Customers 75%
2. Access to Suppliers 46.4%
3. Transport Infrastructure 35.7%
4. Ability to hire skilled workers 32.1%

The other reasons mentioned are listed below in the order of importance to companies in the West Midlands:

- Other: cost of relocation, established location, staff live in local area and history of company 28.6%
- Competitive labour costs 25%
- Ease of doing business 17.9%
- Access to resources 10.7%
- Quality of land and premises 7.1%
- Access to enterprise zones 7.1%
- Competitive operating costs 7.1%
- Support from local/ regional Governments and other agencies 7.1%
- Availability/ provision of technical training 3.6%
- Access to universities 3.6%
2.7. Low Carbon Vehicles Sector

71% of businesses have very low involvement in the emerging low carbon vehicles sector with 96% of respondents having a medium to low involvement (figure 6). This is perhaps not surprising given the current size of the market, but encouraging nonetheless, in a small sample that some firms are involved.

![Figure 6: The extent to which businesses are involved in the emerging low carbon vehicles sector.](image)

2.8. Supply

Table 2 shows a comparison between the proportion of products supplied to the automotive sector currently and the proportion supplied 5 years ago. Over the past 5 years 17.8% of companies have increased their supply to the automotive sector, whilst at the same time 17.8% of companies have decreased their supply to the automotive sector. This indicates that the overall profile of supply to the automotive sector in the West Midlands has remained the same and experienced little or no noticeable change.

<table>
<thead>
<tr>
<th>Change in Supply to the Automotive Sector</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in supply to the Automotive Sector</td>
<td>17.8</td>
</tr>
<tr>
<td>Decrease in supply to the Automotive Sector</td>
<td>17.8</td>
</tr>
<tr>
<td>Little or No change</td>
<td>64.4</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 3 shows the change in the proportion of products supplied to other sectors, comparing current supply with that of 5 years ago. The data shows that again there has been little or no change in this type of supply with 71.5% of companies experiencing little or no change. However as seen in table 3 the decrease in supply to other sectors outweighs that of the increase by 7.1%.

**Table 3: The change in the proportion of products supplied to other sectors**

<table>
<thead>
<tr>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in supply to Other sectors</td>
</tr>
<tr>
<td>Decrease in supply to Other sectors</td>
</tr>
<tr>
<td>Little or No change</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
3.0. Business cooperation and services for automotive companies.

**Figure 7: The extent to which businesses co-operate with each other.**

Figure 7 shows the extent to which businesses involved in this research co-operate with other companies. The results indicate that the most co-operation is experienced with companies who are supplied by, and/or that supply the companies responding to this questionnaire. However, at the same time over 40% of respondents co-operated to some extent in R&D activities and 30% through formal networks and associations. Co-operation through joint purchasing and marketing activities is very low, with over 80% of responses indicating ‘little’ or ‘no’ co-operation through these means.
3.1. Quality of relationships

**Figure 8: The quality of relationships between businesses**

Figure 8 shows that the overall quality of relationships already in place between respondents and other regional businesses, that they supply to and that supply them, is ‘very good’ or ‘good’. No relationships here are described as ‘unsatisfactory’. A similar story emerges for business relationships for the purpose of R&D.
3.2. Barriers to relationships

Respondents were asked to indicate whether they felt there were barriers preventing their business from co-operating to a greater extent than they already do, with other companies in the West Midlands. Figure 9 shows the outcome.

Figure 9: Barriers preventing businesses from co-operating to a greater extent with other businesses in the West Midlands.

If respondents answered indicating that they felt there were barriers preventing them from co-operating to a greater extent with other companies in the West Midlands, they were asked to detail reasons for this. Comments provided are listed below.

- Lack of finance/ investment / cash flow. 37.5% (of comments mentioned.)
- Lack of vision amongst management. 25% (of comments mentioned.)
- Lack of support for sales and marketing. 12.5%
- Lack of trust/ maintenance of secrecy. 12.5%
- Issues regarding competition. 12.5%
3.3. Amount of support received.

Figure 10: The AMOUNT of support businesses receive from different types of organisations and agencies

Figure 10 shows, the majority of responses indicate that they receive ‘no support’ or ‘little support’ from the sources identified in the questionnaire. The most support is received from Manufacturing Advisory Service (MAS), with 53.5% of companies receiving ‘a lot’ or ‘moderate’ support from MAS. This may be due to the fact that the Manufacturing Advisory Service was involved in the distribution process of the questionnaire and thus it was their network which was used.
The least amount of support is provided by:

1. Venture Capitals
2. Consulting Companies
3. Science and Technology Parks
4. BIS (Department of Business Innovation and Skills)

3.4. The Quality of support received

This section of the questionnaire required the respondents to indicate the quality of support that they receive from the industries listed, figure 11 shows the results of this question.

Figure 11: The QUALITY of support received from different types of organisations and agencies.
Figure 11 shows that for the majority of the organisations and agencies the perception is one of a 'satisfactory' or 'unsatisfactory' quality of service. Very little support received by respondents is described as 'Good' or 'Very good'. The best quality support appears to be provided by Manufacturing Advisory Service’s (MAS’s) and Lawyers both with approximately 20% of the responses indicating a 'very good' quality of service.

4.0. Use and benefits of shared services.

4.1. Formal and Informal shared services.

No company makes use of any formal or informal shared services. However figure 12 shows that 35.7% of companies would pay to join FORMAL regional clusters which would offer a range of different shared services in exchange for a membership fee.

Figure 12: The proportion of companies who would pay to join a FORMAL regional automotive cluster.

The respondents where then required to provide comments in relation to their answer to the first part of this question, they were asked if they responded 'yes', how much would they be willing to pay? and if 'no' why not? The results to this section of the question are detailed below.
If Yes.... how much?

- Range - £100–£1000 per annum
- Average - £570 per annum

If No....why?

- Isn’t what the chamber should be doing.
- Need to see what is on offer.
- Not yet a large enough percentage.
- Cannot see the benefits.
- Not just involved with the automotive sector.

4.2. Participation in technology or knowledge transfer.

Respondents were asked here to indicate whether they participate in technology or knowledge transfer activities involving universities inside or outside the West Midlands Region (fig 13)

**Figure 13: Participation in technology or knowledge transfer activities.**

If the business does participate in technology or knowledge transfer involving other universities inside or outside the West Midlands region they were asked to follow this with details as to what activities they were involved in, the results of this are recorded in a simple list below.
If yes.... what activities...?

- Knowledge Transfer Partnership (KTP) with Wolverhampton University.
- Student Exchange
- R & D Projects
- Metals research
- Sponsor B Engineering and Mechanical Engineering
- Host students from Birmingham City University.

4.3. Innovation

Respondents were provided with a selection of options from which they were required to indicate the principle source of innovation used by their organisation (fig 14).

**Figure 14: Principal sources of innovation used by companies**

For 77% of companies the principal source of innovation used is their 'own internal Research and Development' processes; customers emerge as the second most used source of innovation with 50% of companies using this method.
5.0. Foreign trade and investment.

5.1. Imports and Exports

Figures 15 and 16 indicate that no company involved in this study operating in the West midlands import or export 100% of their products or components. Approximately ¼ of companies do not engage in international trade through imports or exports. The majority of companies import and export between 1-25% of inputs/products thus, tipping the balance towards domestic trade as opposed to international trade.

5.2. Proportions of inputs to production that are imported from the following markets:

Figure 17: Proportions of product inputs imported from various world markets.
Figure 17 shows the proportions of product inputs imported from various world markets. The data shows that no inputs are imported from Africa or Australia with very few imported from Asia. The majority of inputs are sourced from the West Midlands Region, the rest of the UK and Mainland Europe.

5.3. Proportions of the products produced which are exported to the following markets:

Figure 18: The proportions of products produced which are destined for various world markets.

Figure 18 shows the proportions of products, produced by the companies taking part in this research, which are destined for various world markets. The data reveals that again the least trade is undertaken with Africa, Australia, America and Asia. The majority of trade is undertaken within the West Midlands and the rest of the UK along with trade from the rest of Mainland Europe. This data therefore indicates a low level of global trade is undertaken within this sample of companies within the automotive cluster of the West Midlands.
5.4. Investment

Respondents were asked to indicate whether they felt investment by overseas companies had a significant influence on the development of the automotive sector in the West Midlands. The results shown in figure 19 indicate 60.7% of companies agree with this statement.

Figure 19: Benefit from investment by overseas companies

5.5. Involvement in international marketing activities.

Respondents were asked whether they are currently involved in, or have any plans to engage in the following international marketing activities: Trade missions, Trade shows, Knowledge transfer workshops, Exhibitions, Brokerage meetings or others.

Figure 20: Involvement in international marketing activities.
The results in figure 20 show that the majority of companies are not currently or have no intention to engage in any of the specified international market activities. The most common involvement is with exhibitions and trade shows, with 21.4% of companies planning future involvement in Trade Missions.

5.6. Plans to expand

Figure 21: Plans to expand the business

Figure 21 illustrates that most respondents are looking to expand: 67.9% of respondents plan to expand their business within the West Midlands region, a further 21.4% plan to expand outside the region.
6.0. Issues facing automotive companies.

Respondents were required to list the top three issues affecting the automotive sector in the West Midlands at the moment. The responses were coded and collated to create a summary chart of the most cited issues arising from West Midlands automotive component companies (figure 22).

Figure 22: Issues affecting the automotive sector in the West Midlands.
Capital, funding and investment include issues such as:

- Availability of capital
- Funding for capital investment
- Lack of investment
- Credit issues (Bank lending)
- Financial Support.

Comments relating to the economy are largely focused around UK and World economies with reference to the recent economic crisis and thus the subsequent slowing down of the market and economies.

*A selection of comments mentioned as issues facing the automotive sector in the West Midlands are listed below:*

‘Economy - i.e., recession, euro zone concerns’

‘Lack of skilled labour’

‘Strength on the GBP currency, weakness of the Euro= euro zone crisis’

‘Skills Shortage - Recruitment of Engineers’

‘Funding for capital investment’

‘Availability of capital for plant investment’

‘Stability of the supply chain’

‘Energy prices’
7.0 **Educational needs**

7.1. **Skills shortages.**

Respondents were required to indicate where skills shortages lay in relation to their industry. Figure 23 shows the results of this question, revealing the most severe shortages lay within ‘Professional and Technical occupations’ where 44% of companies experience shortages. There are fewer shortages in: Administrative roles, Sales and Customer service, other service occupations (no shortages here), elementary occupations.

**Figure 23: Occupational areas experiencing skills shortages.**

7.2. **Causes of skills shortages**

Respondents were asked to comment on causes of skills shortages in an open question, therefore responses were coded, these codes were followed by collating the data and subsequently running frequencies to establish the greatest cause of skills shortages. The results are shown in figure 24.
Inadequate training has emerged as the leading cause of skills shortages in the West Midlands, comments made in relation to training are provided below to gain a deeper understanding of this issue.

- ‘Poor education.'
- ‘Schools do not know how to educate and engage engineers.'
- ‘Lack of investment into apprenticeship schemes.'
- ‘Poor apprenticeships.'
- ‘No City and Guilds for 25 years.'
- ‘Staff needs training as they progress.'
- ‘No training or experience in this type of production.'
- ‘Bad education at all levels.'
7.3. Importance of individual capabilities.

Respondents here were required to scale the relative importance to their business of individual capabilities, on a scale from ‘Very important’ to ‘not important’. The results from this question are displayed in figure 25. The graph shows that the most important capabilities to businesses are:

- Industry experience
- Technical skills
- Personal skills
- Manual skills
- Willingness to learn

Figure 25: The importance of individual capabilities.

7.4. Capabilities of typical applicants.

Respondents here were required to describe the capabilities of typical applicants for employment within their business. The scale was set from Very Good, Good, Satisfactory, and Unsatisfactory. The results to this question are detailed below in figure 26.
The data shows that overall the capabilities of applicants are unsatisfactory or satisfactory. The data also shows a low percentage of applicants have a ‘good’ to ‘very good’ level of skills required for this industry. The highest capabilities lie within:

- Willingness to learn
- Manual skills
- Communication Skills
- Personal skills

Comparing this data to that displayed in section 7.3, shows that of the skills deemed important by employers, typical applicants are perceived to not meet these to a ‘very good’ standard, with no more than 10% reaching a very good standard across all important skills.
8.0 Stakeholder Perspectives

This final section of the report is based on interviews with stakeholders from key automotive sector support agencies operating in the West Midlands region, specifically:

- **Coventry City Council’s Economy and Jobs team**
  Coventry City Council is the local government authority for the city of Coventry. Alongside a range of statutory services, the Council also plays an important strategic role in supporting the local economy through provision of land and premises, brokering inward investment and encouraging entrepreneurship and enterprise.

- **Coventry University Enterprises Ltd.**
  Coventry University Enterprises (CUE Ltd), a subsidiary of Coventry University Higher Education Corporation, focuses on innovation, design, high performance automotive engineering, health, environment and ICT as areas of expertise. Through this activity it has to date supported thousands of Small-to-Medium-sized Enterprises (SMEs) through specific projects and support programmes. More than 200 SMEs have been established with the support of CUE and many more have benefited from one-to-one involvement.

- **The Royal Bank of Scotland (RBS)**
  The Royal Bank of Scotland Group plc (also known as RBS Group) is a British banking and insurance holding company in which the UK Government (HM Treasury) holds an 82% stake. RBS’ commercial and institutional banking division includes a dedicated automotive sector team.

- **The Sector Skills Council for Engineering trades (SEMTA)**
  SEMTA is the UK Sector Skills Council for the Advanced Manufacturing and Engineering sectors, addressing the sectors’ skills needs, and providing expert support to improve performance and growth. SEMTA do this by working with employers, partners and training providers to shape skills and training solutions that meet employers’ needs.

- **The UK Manufacturing Advisory Service (MAS)**
  MAS is funded by the UK government Department for Business, Innovation and Skills and provides manufacturing business support for companies based in England, helping them to improve and grow.
Interviews were conducted by telephone and were designed to capture a range of information about the perceived needs of automotive sector firms in the West Midlands and the services being provided. Key findings from the five interview completed are synthesised below.

Four of the five support organisations questioned have operated in the region for over twenty years. The exception to this is MAS, who have been in existence for approximately ten years. Nevertheless, the length of establishment of these organisations is indicative of long-standing support for the automotive sector in the region.

The number of staff employed by the five organisations reflects their wider remits, with both Coventry City Council and RBS employing thousands of staff across their respective businesses. The more specialist organisations questioned (SEMTA and MAS) have between 10 and 49 employees. Interestingly, the number of specialist staff working on economic and sector support issues within Coventry City Council is also in this range.

The range of different types of services provided by these organisations is presented in the table below. This shows a good representation of organisations providing general advice to businesses, but less support is evident in relation to more specialist areas of business activity such as legal advice and the internet. The extent to which these organisation are duplicating activity is not obvious, though the potential for confusion amongst firms in terms of what different support organisations are offering and why is clear.

<table>
<thead>
<tr>
<th>Service</th>
<th>Organisations Offering the Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Planning</td>
<td>5</td>
</tr>
<tr>
<td>Business Advice and Support</td>
<td>5</td>
</tr>
<tr>
<td>Financial Support/Advice</td>
<td>5</td>
</tr>
<tr>
<td>Marketing and Strategy Support</td>
<td>4</td>
</tr>
<tr>
<td>Legal Services</td>
<td>1</td>
</tr>
<tr>
<td>Market Intelligence</td>
<td>4</td>
</tr>
<tr>
<td>Supply-chain Services</td>
<td>5</td>
</tr>
<tr>
<td>Trade Fairs</td>
<td>3</td>
</tr>
<tr>
<td>Business Seminars</td>
<td>4</td>
</tr>
<tr>
<td>Training/Education</td>
<td>4</td>
</tr>
<tr>
<td>Internet Platform</td>
<td>2</td>
</tr>
</tbody>
</table>

The extent to which firms within the automotive sector engage with the services offered, and the effectiveness of these services in meeting the needs of firms, was also captured through the interviews. These data are presented in the table below where 1 is ‘not at all’ and 5 is ‘to a great extent’. On the basis of evidence provided, automotive firms are most likely to
engage with business planning, advice and support, financial support and information services such as seminars and market intelligence. Training and education support also scores relatively highly. Automotive firms are less likely to draw on these support organisations for legal services, trade fairs and internet support. On the basis of self-assessment by the delivery organisations, the services judged to be most effective in meeting the needs of automotive firms correspond to those most used. Within their general portfolio of business support services, four of the organisations interviewed claim to offer tailored support for the sector. For example, in relation to grant applications and electric vehicle supply-chain and infrastructure support.

<table>
<thead>
<tr>
<th>Service</th>
<th>Degree of engagement by Auto firms with services offered</th>
<th>Effectiveness of services in meeting the needs of Auto firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Planning</td>
<td>3.75</td>
<td>4.5</td>
</tr>
<tr>
<td>Business Advice and Support</td>
<td>4</td>
<td>4.2</td>
</tr>
<tr>
<td>Financial Support/Advice</td>
<td>4</td>
<td>4.25</td>
</tr>
<tr>
<td>Marketing and Strategy Support</td>
<td>3.3</td>
<td>3</td>
</tr>
<tr>
<td>Legal Services</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Market Intelligence</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Supply-chain Services</td>
<td>3</td>
<td>3.5</td>
</tr>
<tr>
<td>Trade Fairs</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Business Seminars</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Training/Education</td>
<td>3.5</td>
<td>1</td>
</tr>
<tr>
<td>Internet Platform</td>
<td>2</td>
<td>3.75</td>
</tr>
</tbody>
</table>

Organisations were also asked to consider the advantages of FDI within the West Midlands region. The average response against a range of possible advantages are summarised in the table below, where 1 is very unimportant and 5 very important. These highlight the perceived beneficial role of FDI in creating new jobs, enhancing the skills of the regional workforce and in stimulating the development of new plant and infrastructure.

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Average rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generating new employment</td>
<td>5</td>
</tr>
<tr>
<td>Safeguarding existing jobs</td>
<td>4</td>
</tr>
<tr>
<td>Developing / enhancing skills</td>
<td>4.25</td>
</tr>
<tr>
<td>Technical / knowledge transfer to indigenous firms</td>
<td>4</td>
</tr>
<tr>
<td>Development of export markets</td>
<td>4</td>
</tr>
<tr>
<td>Promotion of the region</td>
<td>3.3</td>
</tr>
<tr>
<td>Investment in new plant and infrastructure</td>
<td>4.5</td>
</tr>
<tr>
<td>Stimulating public investment in infrastructure</td>
<td>3.5</td>
</tr>
<tr>
<td>Intensification of business co-operation in the region</td>
<td>4</td>
</tr>
</tbody>
</table>
At the same time, organisations were asked to consider possible disadvantages arising from FDI. Scores are summarised in the table below. These responses show clearly that the only disadvantages of FDI recognised by the support organisations interviewed are the potential for disinvestment by overseas firms and the dangers of an over-reliance on FDI for regional economic growth.

<table>
<thead>
<tr>
<th>Disadvantage</th>
<th>Average rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher unemployment due to intensified competition</td>
<td>1.3</td>
</tr>
<tr>
<td>Potential use of older and less environmentally friendly technologies by investing firms</td>
<td>1.3</td>
</tr>
<tr>
<td>Crowding out of domestic business</td>
<td>1.3</td>
</tr>
<tr>
<td>Too much emphasis on low-value manufacturing at the expense of higher value economic activity</td>
<td>1.3</td>
</tr>
<tr>
<td>Too great a dependence of the regional economy on FDI</td>
<td>3.3</td>
</tr>
<tr>
<td>The threat of disinvestment by overseas investors</td>
<td>2.7</td>
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Asked to consider the principal reasons why automotive forms would want to invest in the West Midlands region, respondents highlighted access to customers and suppliers, access to skilled labour and the presence of an established automotive cluster as key. At the same time, the availability and quality of land and premises in the West Midlands was thought to be a potential deterrent to overseas investors.

The main issue affecting the automotive sector identified by responding organisations was access to finance. This was highlighted as particularly significant because of the highly capital intensive nature and volatility of the industry. Skills shortages, lack of supportive government policy and hollowing out of the automotive supply chain were also cited as significant issues facing the sector. All of these issues are congruent with the views of firms themselves noted earlier in this report. In tackling such issues there is an apparent disconnect between support organisations and the automotive sector. On the one hand, there is a lack of knowledge amongst firms about the types of support available and a perception, especially amongst SMEs, that financial institutions are not supportive of their needs. On the other hand, however, there is a lack of understanding amongst support organisations themselves about the full depth of the automotive sector in the region. This itself is linked to the transnational structure of the industry operating across global supply networks.

In looking to the future, all respondents highlighted the importance of emerging low carbon technologies as an important opportunity for the West Midlands automotive sector moving forward. In particular, it was felt that this provides a means of moving the sector up the
technology spectrum and establishing higher value added activity, including in niche markets such as luxury and sports vehicles where the region already has strong expertise across the triple helix. Other opportunities emerging are intelligent transport systems linked to future and smart cities agendas, and the promotion of local sourcing.

These future opportunities accord strongly with the views of the UK Society of Motor Manufacturers and Traders (SMMT) who, in September 2012, set out six key areas that will drive economic growth and make the UK a highly competitive global business location for automotive investment:

- Build a globally competitive business environment through a generous above the line R&D tax credit and incentives that will attract organisations to the country for the long-term.
- Establish a Low Carbon Vehicle Catapult that encourages public and private investment in R&D and the development of key technology areas.
- Reaffirm government’s commitment to growing the low and ultra-low carbon vehicle market in the UK through the adoption of sustained consumer incentives through to 2020.
- Establish a permanent supply chain fund to support and strengthen the UK supply base.
- Increase the impact of funding for apprenticeships and training throughout working careers through simplified access and greater funding flexibility.
- Strengthen the UK’s voice in Europe to support a quick return to economic stability in the eurozone and deliver policy outcomes that support UK domestic industrial priorities.

1 See: https://www.smmt.co.uk/2012/09/auto-industry-gives-government-steer-on-industrial-strategy/