



HM Government



Building our
#IndustrialStrategy



**Industrial Strategy
Consultation Workshop**

23rd March 2017
NAA Industrial Strategy Consultation Workshop
– shaping the future industrial strategy together

Northern Automotive Alliance Industrial Strategy Consultation Workshop

Industrial Strategy Consultation Workshop - 23rd March

Attendees: Northern Automotive Alliance (NAA) members. Over 30 companies and organisations from large OEMs, SMEs, suppliers and micro companies to Universities, BEIS and LEPs

*“In my view there has **never been a more important time for Britain to develop a modern industrial strategy** – especially in a post-Brexit world and with so much technological change upon us. The good news is that the size and diversity of the automotive industry in the Northern Powerhouse means that we can really support the strategy from every aspect. The ideas outlined in the green paper are a good start and a positive sign that the government is committing to our industry”.*

Michael Straughan, Chairman, Northern Automotive Alliance

“The NAA is keen to work with the government to define specific actions and give constructive feedback that, if implemented, will help make the industrial strategy happen and deliver significant growth across the Northern Powerhouse and within the UK”.

Carol Holden, CEO, Northern Automotive Alliance

Summary: The top three areas that emerged from the consultation are firstly around skills development as the top priority, secondly around the requirement to not only help businesses start and grow and finally translating the strategy into actions that will develop the automotive supply base and increase competitiveness of the industry.



Addressing the fundamental consultation questions about the Industrial Strategy

PRIORITIES

- 1.
- 2.
- 3.



Prioritisation is key

- The right themes and actions but can it all be delivered? Prioritisation is needed
- Can we do things quickly enough (new technologies, industry 4.0)
- Need to focus on concrete actions and targets in next version
- Delivery is critical –the delivery model needs defining what will look it like

Longevity of strategy is necessary

- This must bridge political change (i.e. more than 5 years, look at Germany's long term industrial strategy) especially in areas like energy and infrastructure

Communication around Industrial Strategy is important

- Majority don't believe it can all be delivered – confidence needs to be developed
- Need better marketing of sectors, e.g. engineering brand – education and image

Need better balance of actions to make it happen vs. broad topics & business advice

Make access to support simple and more available to smaller companies

- Reduce red tape
- Make it easier for companies to get access to funds
- Set up regional control rather than small areas (LEPs)

Addressing the fundamental consultation questions about the Industrial Strategy



“Made in Britain” – importance of manufacturing

- Manufacturing needs to be prioritised - especially important for the North
- Where is the support for new manufacturing locations e.g. Tesla in the US
- More protectionism required e.g. securing allocations in UK (where global competition exists within the same company)

UK Supply Chain needs to be central to the industrial strategy

- Any trade agreements should take into account the whole supply chain (not just the finished product) we must have an integrated supply chain in the UK

Fix missing links within the Industrial Strategy

- Fix the link between industry (e.g. OEMs and SMEs) and universities related to supply chain activities and technical innovation
- Improve links between sectors is missing e.g. automotive, energy and infrastructure
- Improve links between micro / SMEs and large companies
- **Work together to define a genuine vision for the Northern Powerhouse** in terms of making a success of the industrial strategy – what it **actually** means

Sustainability

- Not only start up and grow but **focus on sustainability** (esp. mid size to become major Tier 1 supplier's to address the lack of Tier 1 suppliers in the UK)
- **Support skills development for SMEs** to grow to larger companies e.g. business leadership skills
- **Bring back ownership to the UK (exploring opportunities for on-shoring)**



Addressing the fundamental consultation questions about the Industrial Strategy



Needs to be more focus / incentives around
Commercialisation



Productivity and competitiveness needs further emphasis

- Focus on innovation related to productivity and competitiveness in addition to R&D and scientific research
- Automotive manufacturing needs support to remain competitive e.g. can't stay still / need to progress with new technologies



Leadership is missing from the strategy

Commercial vehicles and aftermarket should be included (need life-cycle thinking) servitization

Servitization



SME's need to have more focus

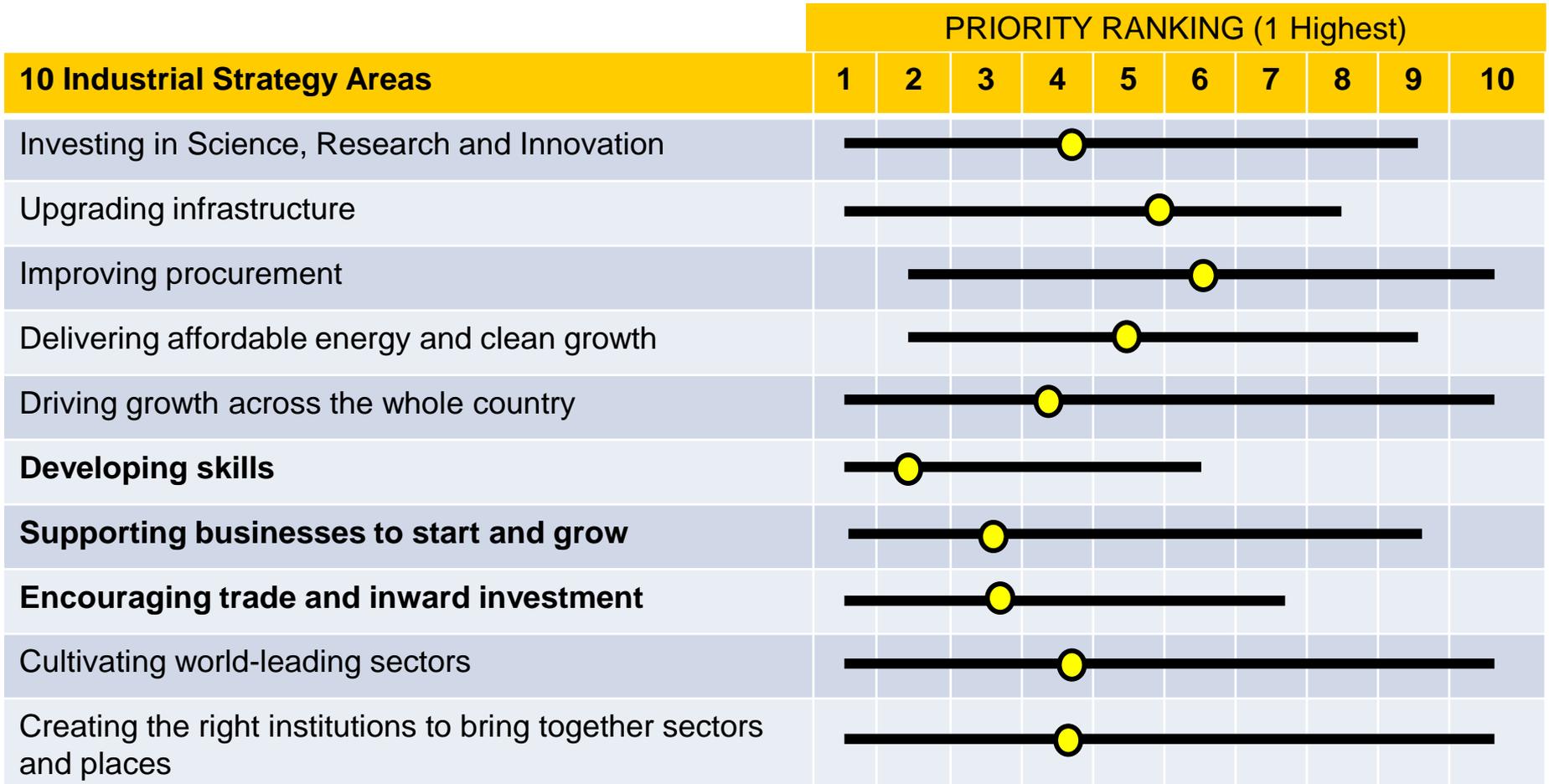
- Government should share the risk in start up move
- Need to "catapult" SMEs forward – leapfrog, see UK automotive study
- At top level right institutions but needs to translate down to SMEs

More emphasis on **working across sectors**

- Need cross-fertilisation to create / add value cross over sectors
- Opportunity for structured support for best practice sharing within / across sectors



Results of the prioritised ranking of 10 industrial strategy pillars - overall

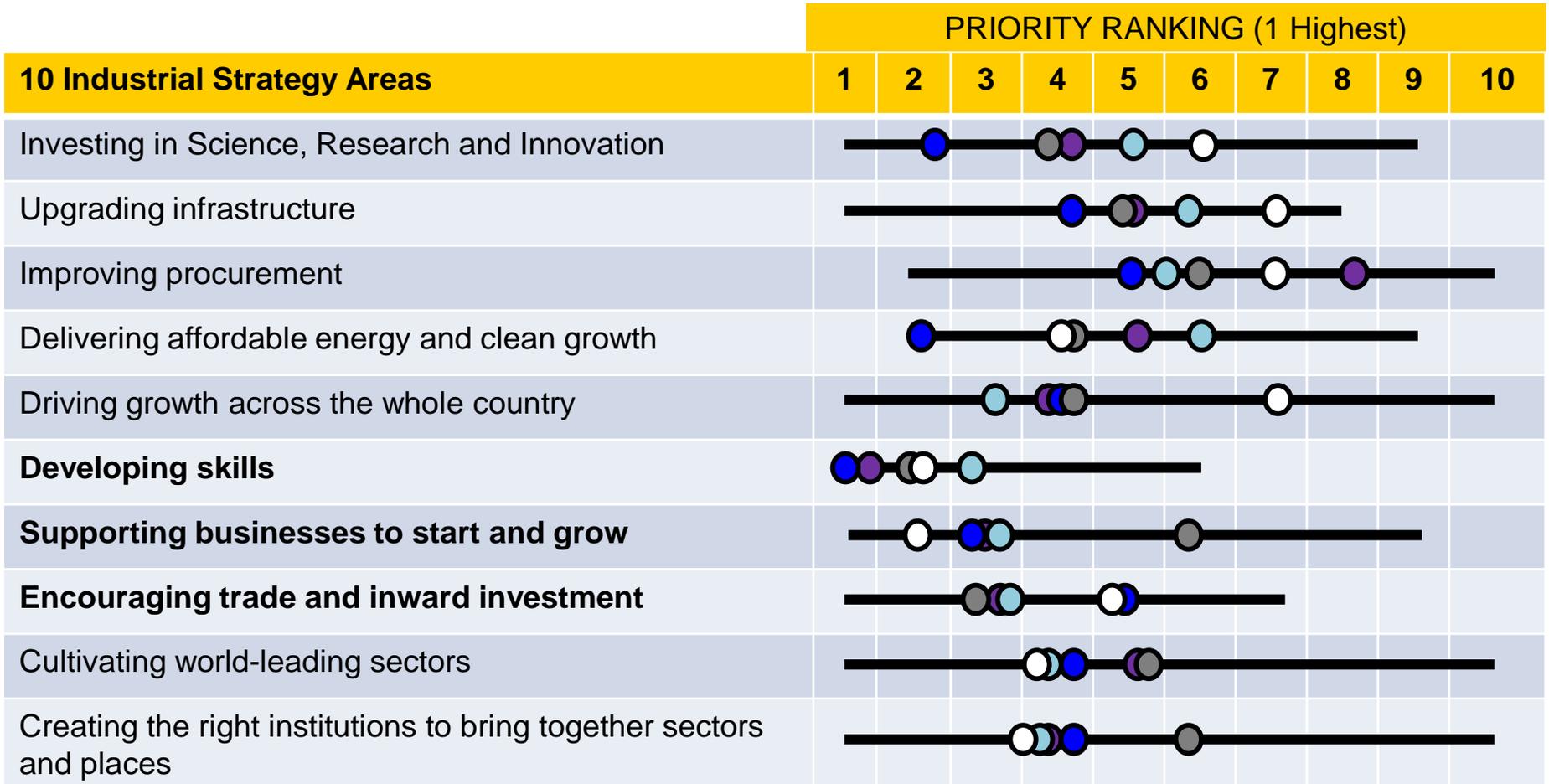


———— Range of responses between 1-10

● Average ranking of importance

Summary: broad range of priorities from NAA members. However, three key areas emerge

Results of the prioritised ranking of 10 industrial strategy pillars – per member area



● SMEs ● Academia ● Large companies

● Public Sector ○ Micro companies

—————
Range of responses between 1-10



- Needs to be more focus on **commercialisation**
- Funding should **also** be prioritised for **supply chain / manufacturing / process innovation**
- One of the key areas needs to be low carbon and low emission vehicle technologies. The NAA has more than a dozen companies active in this field
- **Focus more on SMEs**
 - Develop incentives for large companies to work more with SMEs and Micro businesses
 - Share financial risk with entrepreneurs (government dragons)
 - Catapults: still focused on large companies, support for SMEs patchy
 - Find opportunities to offer more NAA Business Excellence programmes & similar programmes (e.g. NAA 38:1 excellent payback of these programmes) – lift restriction on larger companies so we can all help each other
- **Simplify decision making processes (e.g. Innovate UK, APC)**
 - Design an expression of interest (EOI) and quick assessment process to speed up decision making process
 - APC: speed up process after submission i.e. treasury approval
- **Ideas related to universities:**
 - Encouraging cross-company collaboration
 - Funding needs to encourage academics to work in industry and engineers to work in higher education institutes
 - Link universities more to whole spectrum of businesses
 - Fund fees for STEM degrees
 - Link disciplines to commercial benefit and prioritise these areas

Developing Skills



- Automotive Industrial Partnership is a success – don't restart it, take it to the next level
- We are making progress! Still a top priority though to develop **proper** technical skills and **work readiness** skills (not just basic or advanced education)
- Skills issue needs to funnel people into all levels in industry (not just higher level/ university, not just bringing people to Level 2)
- Consistency through education (needs **more focus on primary** upwards)
- Avoid government short termism with consistent policy (remove red tape and focus on delivery)
- Make manufacturing / engineering sexy again – work on engineering / manufacturing brand at highest level in government
 - Education doesn't encourage people into manufacturing e.g. careers advice at school
- Improve links between university and industry
 - Improve liaison with universities, regions and industries (NAA can help lead this further)
 - Employers involved throughout – industry led e.g. Lancaster university, good proactive example of students (masters & PHD) involvement in industry
 - Industry has a role in informing and inspiring young people
 - Teachers with no industry background – bring industry people into academia
- 6th forms requirements and funding – need to review focus, encourage apprenticeship's to be viewed as just as good an option as going to University
- National focus on core subjects to be studied at degree level
- Trade clusters can lead and support skills development
- Targets need to be changed to encourage young people to start an apprenticeships instead of University



Infrastructure was discussed as being fundamental to the industrial strategy but one that members feel that they cannot influence.

The main comments were around:

- Work closely with infrastructure policy leads to make sure we can implement and enable the implementation of new technologies in automotive e.g. ultra low emission vehicles, connected vehicles etc.
- East / west connections (can this be fast tracked)
- Optimisation of rail connections (for parts as well as passengers)
- Just in time manufacturing need to ensure suppliers deliver on time (concerns around Brexit and customers) – can't delay transition of goods
- Need to move more freight from road to rail
- Availability of industrial property is becoming a key concern
 - E.g. conversion of old properties to student accommodation has impacted supply of industrial properties. Leaves the prices of remaining property extremely high

Supporting businesses to start & grow



- Government support is necessary to develop full end-to-end supply chains to create immovable anchor in UK
- Need to “catapult” SMEs forward –look at UK automotive study, critical for a buoyant industry
- Sustainability and commercial growth should be a priority not just R&D and start up phase
 - State aid to TRL7 then businesses sell-out to overseas buyers as can’t fund expansion – broken state aid and funding sector
 - Commercialisation is under funded (potential for state aid on TRL8+)
- As a nation we need to take more risks – government could underwrite more and banks need to take on more risks
 - Introduce government funding to absorb risk
 - Lower capex because of risk of failure leading to end of businesses. Government could underwrite some of that risk – look at banking for the future
 - Small – medium businesses **can’t** take risk
 - Funding should be focused on manufacturing as well
- Still highly concentrated in London and high-tech sectors – needs expanding, companies need to know more about actions in the North to support SMEs
- Innovate UK under used in North in past, but new lead for North is welcomed and should drive involvement of people in North more now. Assess steering group participation, assessor profiles
- Are we learning from successful models in other countries? e.g. Germany medium size firms
- Regional sector clusters to access direct funds in addition to LEP growth advisors (find balance)
- Availability of industrial property is becoming a key concern
 - E.g. conversion of old properties to student accommodation has impacted supply of industrial properties. Prices of remaining property extremely high. Hindering creation of new SMEs and growth of existing



Redesign funding model (Look at US funding market – much more developed)

- Fund managers too short term focused, focused on short term gains, analyst / board decisions based on 5 year focus – needs more long-term strategic view
- “Patient investors” required long term with government sharing risk
- Matching great ideas with funding to deliver. What support is there for “big ideas” in the UK e.g. Tesla in the US
- Crowdfunding only goes so far – more high net-worths needed with higher risk attitude
- Productivity grants linked to supporting smaller businesses
- Peer to peer (crowdfunding) lending for low capex businesses

Incentivise businesses to grow from smaller to mid size (NAA role for Automotive sector in the Northern Powerhouse)

- Enable more SMEs to look ahead at future needs / opportunities / strategy
- Fast track **sector specific** growth advisors should be subsidised / free of charge
- Offer support on how to grow a business (skills (leadership, management), knowledge, process creation, lean systems, finance)
- Encourage the development of SME leaders to develop from autocratic and pragmatic to democratic and systematic (Delegation of knowledge and ability)
- Incentivise large companies with UK headquarters to grow / improve as well as SME size multinationals
- Pool business leaders that have taken start ups to larger companies – create more advisory groups / non exec roles, Smaller companies need to understand advisory board benefits
- “Business Assist” needs to be more than 12 hours to make a real impact on a company
- Encourage diversity: China has nearly 50% women CEOs



- Strategic procurement to be set up to support UK interests & “Made in Britain”
- Create more transparency of public sector contracts
- Process should be more flexible to allow best value and collaboration **after the initial submission** to get the best outcome. Tendering competition doesn’t always deliver best results for value for money for the funder nor best value for the recipient.
- Further procurement initiatives for low carbon and low emission vehicles are needed. e.g. government vehicles, post office, airports, buses, taxis
- Ensure contracts are carried out to completion with renegotiation/optimisation during term, rather than cutting contracts mid-way through

Help smaller companies

- Help SMEs understand contracts more (reduce pages, provide summaries, make more concise, provide advice like APC do)
- More flexibility in contractual terms required in contracts from government. Deeper understanding of how businesses operate on the ground.
- Simplify the process to win business – to encourage SMEs to quote/engage
- Encourage collaboration between smaller businesses
- Finance Birmingham a good example of use of an intermediary financial authority who understand industry needs (AMSCI programme and tooling fund programme)
- Look at continuous improvement of contracts in favour of businesses rather than starting again



- Any trade agreements going forward should take into account the **whole supply chain and aftermarket (not just the finished product)**
- Incentivise investment in UK supply chain
- Need to attract big suppliers to the UK and to have a presence in the UK
- Keep the OEMs we currently have – protect them and incentivise them
- In post-Brexit world – government will have to negotiate good trade agreements and focus on attracting investment
- Business environment – ensure movement of people
- Chinese imports: need tax incentives for all exports
- The UK needs to prioritise and invest in trade deals with the EAGLE countries (China, India, Brazil, Russia, South Korea, Indonesia, Mexico, Turkey, Egypt, Taiwan, South Africa).
- Automotive manufacturing and production of low carbon and low emission vehicles can reverse the UK trade deficit since the 1990s.
- Inward investment from Japanese automotive manufacturers has been particularly successful and this model could be broadened
- APC should have a fixed % of SME involvement in large projects as a minimum
- APC should have a UK content element as part of the condition with large projects



- Answers to questions on more affordable energy: produce own energy, set targets for energy efficiency, diversify (multiple sources)
- Need to develop a robust long term strategy to limit energy costs over the long term
- To supply energy with no on-going subsidy we have to stimulate new low carbon technologies and this needs targeted encouragement to get started
- Innovate UK are working to develop competitive opportunities from innovation in energy. There needs to be joined up thinking and inter-departmental thinking. For example with OFGEM innovation funding – consistency is needed
- We should have an ideas competition around energy
- To realise cost savings the government needs to incentivise businesses to become more energy efficient – use benchmarking
- More needs to happen with low carbon energy in the North / Northwest
- Need to communicate better what is happening
- Big opportunity for EVs etc. the North needs to be more involved: infrastructure, modular energy generation and local energy management
- Electricity infrastructure needs to be a priority

Some overlap with other topics

- World leading means competitive (look at section “supporting businesses to start and grow” and the drivers of competitiveness within businesses)
- Make the regions big enough to consolidate the funds together – **drive cross LEP collaboration for strategic deployment**
- Make UK attractive for inward investment (esp. when it brings technology)
- Continue targeted support for research in Universities
 - Need to create innovation in technology and Universities are critical
 - Bring together the right university with right business / industry and the right ideas – unlock technology
- APC good example of joined up thinking
- Link motorsport success into the industry (UK is the place to do business)
- The UK automotive sector can be a world leader in low carbon and low emission vehicle technologies.
- Need to get supply chain much more anchored in the UK
- Need to find the right balance of messages related to the environment (e.g. cars and pollution) and the continuation of the engine industry



Some overlap with other topics

Northern Powerhouse is a great anchor for businesses across all areas

Drive delivery and coordination of strategic national programmes e.g. Ultra low emission vehicles

Collaboration of LEPs into regional groups to engage with industry through regional trade cluster groups on:

- Skills
- Business excellence
- Funding guidance
- University engagement
- R&D project commercialisation

Trade clusters should be industry led not government led

- Trade clusters to lead, skills, funding, sign post, business excellence
- In Germany it's essential to be a member of a trade cluster
- Northern Powerhouse needs to be focused on region not just Manchester (automotive industry not based in city centres)

East – west, north- south links are grid lock in Northern powerhouse – spend on road links and rail (overlap with Infrastructure topic)



Some overlap with other topics

- NAA is important to link the voice at national level and the voice at very local level
- We need translational capacity OEM – SMEs and GOVT – OEMs (deeper understanding of each others requirements and ways of working)
- Encourage commercialisation groups within universities to engage with industry – feed directly to industry or through trade clusters
- Assess how technical universities e.g. in Germany work to encourage less siloed thinking and link to local / regional clusters
- Existing regional trade clusters (industry led) need funding and government support to survive
- Develop new industry clusters for regional industries that are strong
- Avoid risk of city focus but the LEPs need to work on a larger regional scale with regional funding e.g. Northern Powerhouse LEP – need collective action
- Place and sector linked together
- Initiatives such as the UK Advanced Propulsion Centre and networks such as the Northern Automotive Alliance need further government investment.



Northern

automotive
Alliance

What is the NAA

- The NAA is a not-for-profit, independent, membership-based company.
- 80+ paid members, 120 cluster members and 860 communicating members
- 4 Directors & 15 Board members



Industry

The NAA

provides a community for all automotive-related businesses in the North West, Yorkshire & Humber. It purely focuses on the automotive sector, with a wealth of contacts and knowledge.

- 5 major vehicle manufacturers
- Over 20 Top 100 Auto T1's
- Specialist SMEs linked to CV, engine & textile legacy

Board Members

NAA Directors



Michael Straughan
Manufacturing Member of Board
Bentley Motors



Peter Hammond
Managing Director
Auto Marine Cables



Steve Williams
Managing Director
Force Technology Ltd



Carol Holden
CEO
NAA

Vehicle Manufacturers



Paul Croxford
Financial Controller
GM Ellesmere Port



Denis Culloty
Chief Engineer
Leyland Trucks



Mark Stein
Technology Manager
Quality & Launch, JLR



Wes Jacklin
Plant Manager
Magna Transmissions



Allan Wilson
Engineering
Manager – Pirelli



Paul Wilkinson
Managing Director
CSA

Tier 1 / Large Companies



Clare Farnworth
Director
Xemptor Ltd



Peter Carter
Managing Director
Camcoat Performance Coatings



John Ellis
Managing Director
MWS Ltd



Scott Tolson
Managing Director
Sigmatex



Mike Dickinson
Automotive Manager
SMMT IF



Liz Towns-Andrews
3M Prof. of Innovation
Univ. of Huddersfield

SMEs

Other

SME supply base company investments in the Northern Automotive Alliance area in 2015: **£22 million and the creation of 341 new jobs**



1  ADM ADM Precision Tools Ltd £480,000	2  Culimeta-Saveguard Limited £3,000,000	15  Ionix Advanced Technologies £2,000,000	22  Movetech UK £1,600	29  Sigmatex £534,438
2  Assembly Solutions £50,000	3  Erlson Precision Components Ltd £1,700,000	14  K & M Precision Engineering Ltd £20,000	23  Norlec Sheet Metal Limited £40,000	30  Surface Transforms PLC £83,000
3  Auto Marine Cables £250,000	10  Finch electronics Limited £10,000	17  KDAB UK Ltd £123,000	24  Optis Northern Europe £240,000	31  The Meltech Company £400,000
4  Bryken Limited £560,000	11  Force Technology Ltd £1,100,000	16  Keighley Laboratories Limited £110,000	25  Pendle Polymer Engineering Ltd £800,000	32  Tilsetec £50,000
5  Camcoat Performance Coating Ltd £20,000	12  Fylde CNC Specialists Ltd £750,000	18  Libralato Ltd £200,000	26  Product Release Europe Ltd £140,000	33  Torotrak Group £1,200,000
6  Colloids Limited £1,500,000	13  Gencoa Ltd £2,300,000	19  MES (NW) Ltd £50,000	27  Reva Engineering Limited £150,000	34  ULEMCo Ltd £450,000
7  Colourhouse Masterbatch Limited £22,000	14  Helical Technology £956,000	21  Mini Gears (Stockport) Ltd £300,000	28  Scorpion Automotive Ltd £300,000	35  Woodall Nicholson Group £2,300,000