



**Unite response to the House of Commons Business and Enterprise  
Committee Inquiry into the Motor Sport Industry.**

**This response is submitted by Unite the Union. Unite is the UK's largest trade union with almost 2 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, automotive, aerospace, financial services, print, media, construction, transport and public services.**

**Executive summary**

- The UK Motor Sports industry leads the global field and has been successful in creating both employment and revenue in UK manufacturing with £3.6 billion of exports annually.
- It is an industry centred around clusters of highly specialised small and medium sizes enterprises (SMEs), predominately based in an area known as 'Motor Sport Valley' (Midlands, Eastern and South-East England).
- The industry has traditionally had a heavy focus on research and development (R&D) which is essential to its long-term sustainability; it has however seen factors that restrict its capability to continue this commitment.
- These factors include both economic considerations and Motor Sport rules which are designed to increase competitiveness and safety but not necessarily increase innovation.
- In order to remain competitive globally it is important to improve the UK industry's capability to produce low-cost products and widen its export market potential.

- Recently there has been a concerted effort to improve ties between education, academia and the industry. Unite believes it is vital to continue to strengthen this collaborative working.
- The current economic recession has affected the sector, although perhaps not as drastically as in other manufacturing industries. The way the industry is structured and the UK's enviable position in the Motor sport world market have meant the sector has succeeded in remaining resilient.
- Unite believes it is vital not to be complacent about the ability of the industry to remain sustainable in the current economic climate and government needs to look at ways to support and invest in the sector and the workers in the sector.
- The supply chain is of vital importance to the motor sport sector and shares many SMEs with the Aerospace and Defence sectors. Government must ensure the supply chain remains in the UK.
- The sector has a highly skilled and flexible workforce. It is vital that education opportunities in STEM<sup>1</sup> subjects are supported by government to ensure the availability of a highly educated and highly skilled workforce.
- Government must acknowledge the importance of the Motor sport sector as an exemplar industry where research and development and innovation are easily transposed to other manufacturing sectors such as Aerospace and Defence.

## **1. Introduction**

1.1 The Motor Sport industry in the UK leads the global sector in terms of research and manufacture. Indeed the UK has become the centre for this particular industry. More specifically the region encompassing the Midlands, Eastern and South-East England, known as 'Motor Sports Valley', provides a base and knowledge sharing cluster for Motor Sports manufacture and research in a similar way that Silicon Valley does for the computer industry.

1.2 The industry as a whole is a success story; it turns over £6 billion annually and employs around 40,000 (of which 25,000 are highly skilled) people within the UK. As the UK is a market leader in this industry there is large demand globally for UK products and services, indeed £3.6 billion of annual turnover is exported<sup>2</sup>. UK companies benefit from opening up new export markets particularly Japan, as well the US which is the traditional export market.

1.3 The industrial workforce includes drivers, stewards, track officials and so on but it is the manufacturing and research side of the industry which is the

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<sup>1</sup> Science, Technology, Engineering and Maths (STEM)

<sup>2</sup> All statistics (turnover, employment) published by The Motor Sports Industry Association

most significant in terms of employment and revenue created for the UK economy.

1.4 Motor Sports Valley refers to a cluster of small and medium sized enterprises (SMEs) There are said to be around 4000 companies<sup>3</sup> (almost all SMEs) involved in the Motor Sports industry. It is these SMEs that predominately form the sector. It is companies employing less than 500, indeed often less than 100 workers, manufacturing specific components and services rather than more general manufacturers that are market leaders.

1.5 These companies have an opt-out of the European Working Time directive on the grounds that flexibility is required within the industry however, Unite would like to see this opt – out reversed and the sector work towards increasing jobs rather than making the existing workers work longer hours.

1.6 A key part of the industry is its focus on research and development. Whereas companies in other sectors on average reinvest around 2% in research and development, Motor Sports companies reinvest an average of just over 30% in R&D<sup>4</sup>. Indeed it is a sector that has been associated with innovation, with some of the technologies and techniques used and discovered within the industry gaining more general usage; for instance lightweight fishing rods and wheel chairs owe their development to technologies and materials designed by Motor Sport companies.

1.7 This heavy focus on R&D, as well as the nature of the technologies being developed has led the industry to become increasingly associated with both the Aerospace and Defence sectors. Many Motor Sport companies have manufactured and developed for these sectors. The high intensity, high performance nature of Motor Sport technologies have meant that application in these sectors has been successful; aerodynamic, lightweight materials for instance as well as less obvious examples such as the application of pit-team efficiency for engineers working on Apache helicopters.

## **2. Government Policy**

2.2 While the industry in the UK is thriving and leading its field this does not mean that it does not need government support or investment. Both as a result of the global economic down-turn and Motor Sports industries in other countries attempting to challenge the UK dominance of the market, there are significant threats to the sustainability and expansion of the industry and thus the livelihoods of those working within it. Unite believes it is of crucial importance therefore, that government policy is driven to retaining the prosperity of this industry and enabling further expansion and exploiting export opportunities.

2.3 At present at both a national and regional level there is surprisingly little in the way of specific policy regarding active support for the industry. While regional governments in areas where Motor Sport manufacture is

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<sup>3</sup> Improvement & Development Agency

<sup>4</sup> The Motor Sports Industry Association

concentrated ('Motor Sport Valley') have been active in promoting initiatives encouraging greener Motor Sport and establishing greater academic resources and ties (particularly through 'Motor Sport Academy') it has not been actively involved in economically supporting the industry.

2.4 Unite believes this could be due to complacency at both national and regional level because the industry has continued to perform successfully. There are however two key areas where government policy can focus in order to maintain the prosperity of the industry; in the manufacture and provision of low-cost products and in the export market.

2.5 While the UK remains the preferred choice for top of the range Motor Sport technology, in the lower cost market, which is a key source of revenue and opportunity, there is significant competition both from the US and in countries such as Germany and Italy where companies often receive state support in an effort to establish the industry in those countries. This state support needs to be explored and matched by the government in the UK to ensure the industry maintains its edge across the board.

2.6 Exports constitute over half of turnover in the UK Motor Sports industry. Traditionally the US has been the favoured export market for Motor Sports companies and there is significant value to this market, however it is extremely important that the industry realises its full global export potential.

2.7 Recently there has been a concerted move into the lucrative Japanese market. It is essential that UKTI provides full support in enabling companies to sell themselves abroad in all potential export opportunities. Though there has been some support provided in this area, there is certainly room for further encouragement as the UK has a significant advantage in being acknowledged globally for its excellence in this field.

### **3. The role of SMEs**

3.1 As has been stated Motor Sports is an industry in which SMEs are dominant. Almost every component of Motor Sports vehicles are manufactured separately with further SMEs concerned with bringing the various parts together. As such companies are highly specialised in their particular area of expertise but relatively small in size as their production demands are comparatively small. This also means there are very clear supply chains and symbiotic relationships, as many different companies are required to create a fully functioning Motor Sports team. This also means that Motor Sports valley can be said to have a "critical mass" meaning that there is always consistent demand for specific products so long as other companies within the supply chain are still functional.

### **4. Universities and Motor Sport**

4.1 Motor Sport like many industries has been pushing for further industry focused qualifications to be offered by universities. Due to the sector being predominantly comprised of SMEs (which are traditionally reluctant to engage with academic institutions) progress has been late in coming. However more recently there has been success in involving both the industry and academic

institutions. A large number of universities now offer specific Motor Sport qualifications with courses specifically driven toward working within the industry.

4.2 Initiatives such as 'Formula Student'<sup>5</sup> and the government funded 'Motor Sports Knowledge Exchange'<sup>6</sup> provides examples of events in which students are able to engage with people involved in the industry, showcase what they are capable of and present research. It also allows employers the opportunity to spot talented and able prospective employees. The 'Motor Sport Academy'<sup>7</sup> which is supported by regional governments is one of the best examples of how the industry is utilising academia.

4.3 A greater understanding and relationship has thus been established between universities and the industry as a whole allowing both talent and research to be focused within the academic community on Motor Sport and Motor Sport related issues. Both the industry and those looking to work in it are thus benefiting greatly from an improved affiliation between academic and industry institutions.

## **5. The Recession**

5.1 The industry has certainly not been immune to the recession. The sector has seen sales in general fall by around 10-15% and sponsorship which is an important revenue stream for the Motor Sport teams has been less forthcoming in the financial climate. Indeed there have been several high profile teams at the top level of Motor Sport that have been forced to withdraw (Honda in F1, Suzuki and Subaru in World Rally for example) which obviously has a negative effect across the supply chain.

5.2 However, there has not been the drastic impact on grass-roots and recreational Motor Sport that had been anticipated. Indeed comparative to other sectors of the economy Motor Sport remains comparatively strong during the economic downturn. This is certainly aided by the inter-dependency of Motor Sport Valley meaning the closure of individual companies does not necessarily mean significant damage to the sector as demand remains consistent and thus new companies (and jobs) can be created in place.

## **6. Restrictions on innovation**

6.1 As has been mentioned previously, innovation, research and development are key aspects of the industry and it has a proud record of promoting and sustaining this kind of activity. However, there are certain factors, both traditional and more recent, that can limit the capability of many companies to retain a commitment to innovation. There has always been the fear at the very highest level that attempting radical innovation would lead to significant damage both financially and to prestige if it were to fail. There is also a more general fear for intellectual property that can lead to more conservative philosophies. Added to this many companies have bemoaned the lack of dedicated resources that are required for future development and innovation.

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<sup>5</sup> <http://www.formulastudent.com/>

<sup>6</sup> <http://www.mediatodayonline.co.uk/pdf/supplements/LAT%20CV%20SHOW/P6LAT.PDF>

<sup>7</sup> <http://www.pera.com/default.asp?id=774>

6.2 Motor Sport as a sport is of course subject to regulation and in Formula One, the pinnacle of the sport, the Federation Internationale de l'Automobile (FIA) imposes regulations designed to increase competitiveness and safety and to restrict spending that limits the scope for innovation. Indeed the most recent budget caps the FIA has imposed have been seen by many as significantly restricting the capability of teams to innovate and have also threatened jobs.

6.3 Restrictions show a financial climate in which big spending is no longer unquestioned and indeed many companies have threatened to cut back on reinvestment in R&D as a response to the recession, this of course is only a short term solution as innovation is such a key part of giving Motor Sport companies their competitive edge in the market.

**This submission should be read in conjunction with the Unite submission for the Aerospace sector.**

### **Unite Recommendations**

- Unite believes the UK Motor Sport sector presents an ideal business case for government support through policy driven initiatives
- The sector is thriving but Unite would like to see strategic regional and national government policy to enable the sector to achieve further export contracts which will secure current jobs and create future jobs for the workers in the sector
- Unite feels it is imperative that government acknowledges the crucial role SMEs play in the supply chain for this sector. Government must ensure that the supply chain remains in the UK
- Unite believes it is vital that the sector is given support to explore and innovate further for the establishment of products in the lower cost market. This will enable the sector to diversify and increase exports further.
- The UK is acknowledged as a world leader in the Motor Sport industry and UK Trade and Investment (UKTI) needs to provide full support to the industry to enable SMEs the opportunity to compete effectively in a global market and achieve their full export potential.
- Government needs to work with the sector and other interested agencies to ensure the resources and the economic environment are created to enable companies to innovate successfully.
- Government must acknowledge the sector has been very successful in creating highly skilled jobs and export revenue for the UK economy and do all they can to ensure these highly skilled jobs remain in the UK.

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