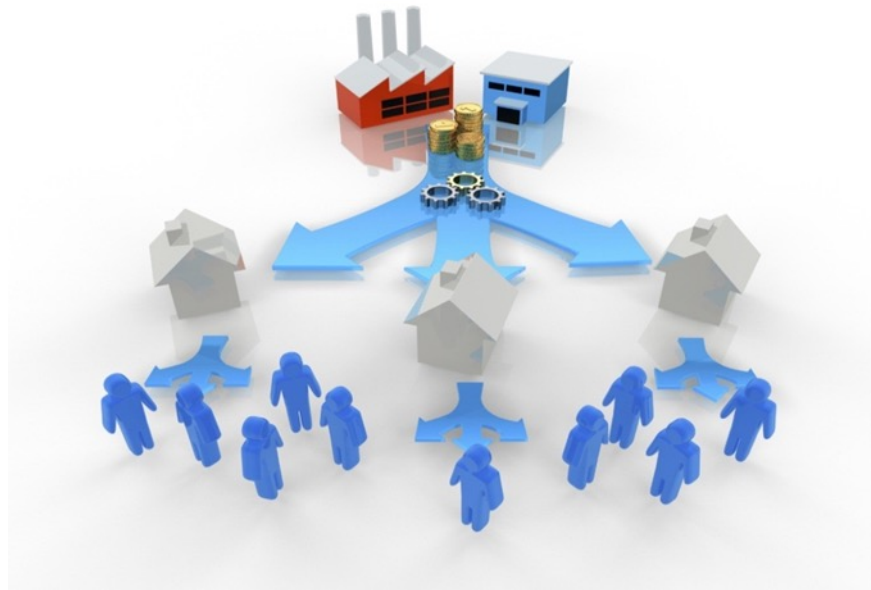


Reflections on the MG Rover and West Midlands Regional Task Forces economic shocks



David Bailey
(drawing heavily on work with others)

Shocks, resilience and regional industry policy: Brexit and the automotive sector in two Midlands regions

David Bailey , Alex de Ruyter , David Hearne   & Raquel Ortega-Argilés 

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Economic Shocks Research

A report to the Department for Business, Innovation and Skills



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4,396

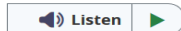
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CrossRef citations to date

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Original Article

Plant closures and taskforce responses: an analysis of the impact of and policy response to MG Rover in Birmingham

David Bailey , Gill Bentley, Alex de Ruyter & Stephen Hall

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2,754

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Policy Debates: Edited by Fiona Wishlade

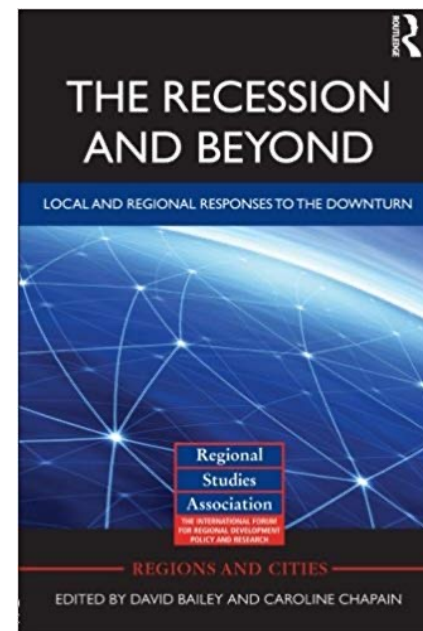
Regional Responses to Recession: The Role of the West Midlands Regional Taskforce

David Bailey  & Nigel Berkeley

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<https://doi.org/10.1080/00343404.2014.893056>



BIS Research report on dealing with shocks (2013) can be found here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206956/bis-13-856-economic-shocks-research.pdf

Some of our work on response to **MG Rover** here:

<https://www.tandfonline.com/doi/full/10.1080/21681376.2014.899477>

Work on the **West Mids Regional Task Force** here:

<https://www.tandfonline.com/doi/pdf/10.1080/00343404.2014.893056>

Our work on **Brexit impact on West Mids' Supply Chains**:

<https://www.tandfonline.com/doi/full/10.1080/00343404.2022.2071421?src=>

Issues covered 1

Types of shocks considered

- Business closures/rationalisations
- 'Natural disasters', e.g. flooding, foot and mouth disease
- Other events such as social unrest, strikes, & disasters

Causes of business closures/rationalisations

- Over-capacity in production/reduced demand, e.g. automotive, steel, defence
- Cheaper foreign competition, e.g. ceramics & other manufactures
- Drive to cut costs/improve efficiencies, e.g. automotive manufacturing
- Changing business models & rationalisation, e.g. pharma
- Over-ambitious growth, e.g. retail
- Changing consumer preferences, e.g. all

Issues covered 2

Effects/potential effects occurring:

- Business – administration, rationalisation, takeover, closure
 - Sometimes temporary (e.g. in event of disasters)
- Supply chain – sector-specific &/or supporting services
- People – jobs, loss of skills
- Place – community, sites/premises, offer, economic impact

Responses considered & how to:

- Save the business/facility/plant, otherwise mitigate
- Support supply chains
- Assist people affected
- Contribute to regenerating a place

Issues covered 3

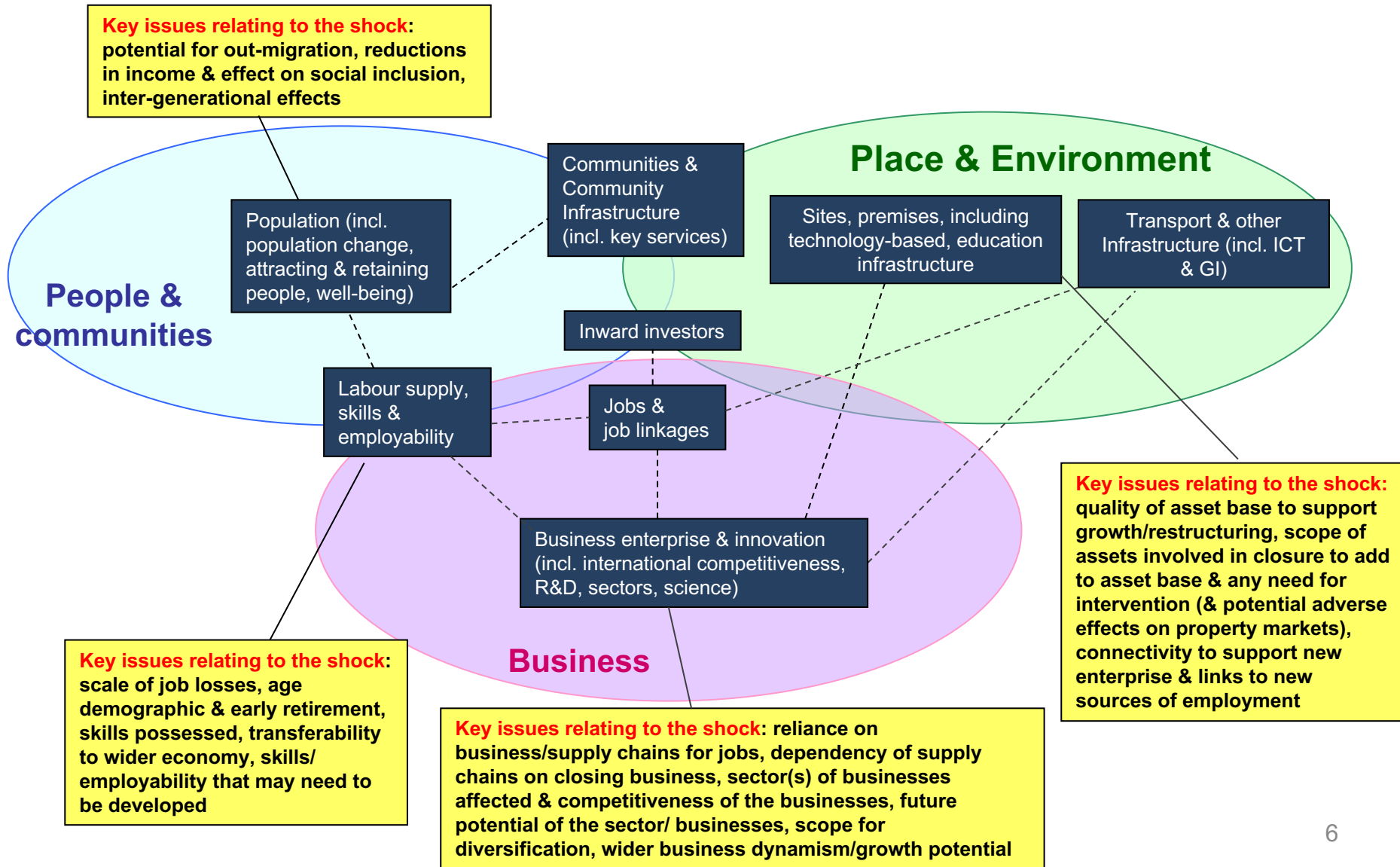
Responses can be considered in terms of:

- Rationales & actions (*response functions*)
- Models/structures (*response forms*)
 - Roles of business, layers of government, social/ community representatives
 - Partnership structures . . . & subsidiarity
 - Task Forces, Action Teams, new long-term entities & others

Time dimension to shocks

- Foreseen vs. surprising
 - The different mitigating actions?
- Slow-burn vs. immediate closure/event
- Short- & longer-term responses actions-wise (or not!)

Model of economic impact?



Some of the cases reviewed:

- MG Rover
- WM Regional Task Force (WMRTF)

Response to MG Rover

Background

- Final closure in 2005. 6,300 jobs lost at MG Rover & Powertrain, c3,000 in supply chain. £1.4bn owing to creditors. Previous threat of closure in 2000.
- Long run competitive decline of firm. Frequent changes of ownership, MGR the rump of previous firms. MGR offloaded by BMW in 2000, lacked ability/resources to develop new models, losing market share, ran out of cash. Exchange rate over-valuation impact.

Response actions

- **BUSINESS:** *Pre-closure:* diversification & modernisation programme for supply chain. *Post-closure:* Advantage Transition Fund; HMRC tax holidays; BCC rate relief; Wage Replacement Scheme (3000 workers - 3 months); supplier diversification fund.
- **PEOPLE:** tailored support for workers: support finding work; re-training.
- **PLACE:** pre-closure: AWM took part of site → technology part (corridor); St Modwens regeneration of site. BCC tried to plug gaps re counselling, debt advice & social support.

Response structures

- **Task Force Model** brought key actors to the table (LSC, JCP, colleges, BCC, Accelerate/MAS, HMRC...).
- Accelerate/MAS had already mapped supply chain. Postcodes of workers mapped so impact known.
- Used previous RTF planning: 1. intelligence; 2. response ready to go when closure hit; 3. impact minimised by longer-term diversification efforts. Fitted wider regional strategy (diversification, modernisation, spatial corridors, clusters policy).

Implications & learning from MG Rover 1

- Advance intelligence / warning & preparation critical (organisational capacity to gather & interpret intelligence)
- Partnership of key players with division of tasks:
 - Ability to deliver interventions
 - Regional coordination / strategic oversight – encourage other agencies to vire funds / steer actions
 - Organisational learning (e.g. LSC, AWM, HMRC, MAS)...
 - Acted very quickly: helped firms & workers
- More Business & People focused than Place based, though some of Place response part of wider AWM strategy
- Communication with workers could have been better
- Community engagement perhaps an afterthought
- Success re training & employment (until 08/9 downturn)

Implications & learning from MG Rover 2

- MG Rover experience → LDV → Regional Task Forces → MAS response to 2011 supply chain disruption re Japan
- Relevance today?:
 - intelligence gathering
 - coordination across geographical areas
 - flexibility of funding streams (e.g. ESF) & rules – less flexible now?
 - learning that has taken place was ‘mainstreamed’ BUT...
 - ‘permanent capacity’ ?
- ‘Place’ dimension of response, especially in relation to communities, less well developed
- Comparison with Mitsubishi Adelaide closure : little pre-closure effort; fell back on comparative advantage model rather than competitive advantage; less targeted/flexible support to workers; business interventions not local enough

WM Regional Task Force (Global Financial Crisis)

- **Business**

- **Advantage Transition Bridge fund**
- Enterprise Finance Guarantee Scheme
- Accelerate programme
- **MAS Automotive Response Programme (ARP)**
- Construction Action Plan
- Credit Crunch hotline / Business Link Healthcheck
- Gateway to Global Growth

- **People**

- LSC pre-redundancy activity
- Train to Gain uptake
- LEP starts

- **Community**

- Kickstart
- Business, Individuals & the Community
- Supportwm.co.uk

WMRTF MAS / Accelerate Automotive Response Programme

- Spend of £4.5 million:
 - 2930 jobs safeguarded
 - 410 jobs created
 - 3340 jobs s/c = cost per job safeguarded / created of **£1350**
- Sales Safeguarded: £53 million / Sales Created: £36 million
- *“Overall, this was a rapid and cost effective intervention which prevented a further hollowing out of jobs and capacity in the automotive sector”*

WM-RTF Lessons...

- Significantly more resources would have helped in several areas, e.g. the Advantage Transition Bridge Fund.
- 'Off-the-Shelf' packages could be made available in the future
- More regional flexibility would have been helpful in the circumstances.
- Need to maintain much improved data and intelligence base
- Need to retain institutional 'memory' and lessons so that a future body can 'hit the ground running'.
- Key actions of the Task force 'mainstreamed' BUT there remains the need to 'join it up'.
- Role of the Regional Minister: pivotal communication role (?)

Diagnosis of the shock – intelligence

Domain & issues	Assessment
<p>Business</p> <ul style="list-style-type: none"> • Extent of forewarning & influence over decision • Causes of the shock & implications for business's future • National significance, e.g. security, sector, skills, technologies • Other issues, e.g. is there a need for disaster recovery 	<p><i>Is there any case for assisting the business?</i></p>
<p>Supply chains</p> <ul style="list-style-type: none"> • Extent of reliance on direct business, i.e. % of revenue • Extent of forewarning & existing mitigating actions • Business opportunities going forward & businesses' viability • Barriers to taking advantage of opportunities 	<p><i>How critical is the shock to supply chains?</i></p>
<p>People</p> <ul style="list-style-type: none"> • Scale of jobs affected in business & supply chains • Nature of skills - levels, specificity, transferability, 'mothball-ability' • Geography of workers – culture, residence, mobility • Wider issues: age, gender, pay, duration of employment 	<p><i>Will people be able to find alternative positive destinations?</i></p>
<p>Place</p> <ul style="list-style-type: none"> • 'Location quotient' of 'activity' affected • Land/property assets & issues, e.g. contamination legacies • Economic context – SWOT, job creation 	<p><i>How far can the place 'self-heal'?</i></p>

Range of options to consider

- **1st tier business**
 - Grant, loan, state ownership, other incentives (e.g. around training, R&D)
- **Supply chain/wider businesses**
 - Support, e.g. diversification, modernisation/productivity, innovation & technology (HOW?)
 - Financial assistance, e.g. loans, grants, wage support
 - Financial relief, e.g. tax relief, business rates holidays
- **People**
 - Bespoke support, e.g. taster sessions, (re-)training/top-up courses, self-employment/start-up support (e.g. as part of business support below)
 - Coordination with other employers recruiting
 - Incentives, e.g. employment subsidies
- **Place**
 - Incentives, e.g. tax relief, Enterprise Zone
 - Business creation/growth & job creation, e.g. loans/grants, support schemes
 - Asset development, e.g. remediation, investment in infrastructure including technology assets, grants for property development
 - Wider local strategy & actions

West Mids Supply Chains: Actions to think about today? (Brexit, EV transition...)

- Training/retraining for workers
- Diversification support
- Temporary wage subsidies
- Loan fund, loan guarantee fund (auto?)
- MAS II, AMSCI
- Tooling up support
- Tax/rate holidays
- Enterprise Zone/Freeport?
- BUT: where funding from?
- FORM: Coordination? Via WMCA/WMGC Task Force? Led by Mayor?
- Broader industrial strategy issues (eg re auto industry)

- **Thanks for listening!**
- **Comments and questions welcome.**

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