

Making It in the Midlands

The business community's response to the West Midlands Regional Economic Strategy review – at the heart of the UK

February 2007

Contents Page	Page
Acknowledgements	4
Foreword	5
Executive Summary	6
Introduction	8
SECTION ONE – PRIORITIES FOR ACTION	
Chapter 1 Top 5 Priorities for Business	10
Chapter 2 Aims of the Regional Economic Strategy	14
SECTION TWO - INFRASTRUCTURE	
Chapter 3 Funding	17
Chapter 4 Transport	22
Chapter 5 Skills	29
Chapter 6 Energy	40
Chapter 7 Crime	49
Chapter 8 Milton Keynes South Midlands Growth Area	53
Chapter 9 Cross Regional Linkages	61
SECTION THREE – BUSINESS DEVELOPMENT	
Chapter 10 Clusters	68
Chapter 11 Regeneration and High Technology Corridors	75
Chapter 12 Business Finance	80
Chapter 13 Rural Regeneration	85
SECTION FOUR – FUTURE GROWTH	
Chapter 14 Procurement	90

Chapter 15	Inward Investment and Exports	96
Chapter 16	Research and Development	102
Chapter 17	Tourism	110
Chapter 18	Creative Industries	115
Chapter 19	Olympic and Paralympic Games	117
	Conclusion – The Way Ahead	123
	Summary of all Recommendations	124
	Notes	134

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The West Midlands Business Council would like to thank each of its member organisations for ensuring this united business community response to the Regional Economic Strategy was made possible.

Every organisation came forward with its policy input, thoughts and ideas that led the production of this document.

Yet again the business community has shown that it can and does speak with one clear voice on the issues that matter to business.

The West Midlands Business Council member organisations are:

Asian Business Forum
Association of Colleges
British Ceramic Confederation
Business in the Community
Chartered Institute of Building
Confederation of West Midlands Chambers of Commerce
Country Land and Business Association
EEF West Midlands
Federation of Small Businesses
Heart of England Tourism
Institute of Chartered Accountants in England and Wales
Institute of Chartered Secretaries and Administrators
Institute of Directors
Institution of Civil Engineers
Midland Association of Restaurants, Hotels, Caterers and Entertainment
National Farmers Union
National Federation of Retail Newsagents
Royal Institution of Chartered Surveyors
UK IT Association
West Midlands Co-operative and Mutual Council
West Midlands Higher Education Association
West Midlands Learning and Skills Councils

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Foreword

The West Midlands region has always been the natural home for business.

From the birth of the Industrial Revolution in Ironbridge to the aerospace successes of today, the cradle of British industry is still at home in the West Midlands region.

This submission – bringing together the collective wisdom of the regional business community via the many business and other representative organisations who are part of the West Midlands Business Council – has shown that it is not just manufacturing that is succeeding at the heart of Britain.

Professional services, tourism, retail and food and drink are examples of flourishing sectors.

This amply lights up the rationale for the concept of sustainable economic development being the centrepiece of this submission.

The proposals in this report, once implemented, would go a long way to meeting the needs of business and, therefore, create jobs.

Environmental issues and the challenge of global warming also can not be ignored. This report presents proposals to ensure the needs of the economy and the environment go forward together.

Making It in the Midlands shows the optimism and can-do attitude of our business community. If acted on, this roadmap to success can be a testament to the far sightedness of business today.

This submission is a credit to our business community and I warmly endorse these proposals so that the West Midlands can become the world class centre for business.

Barrie Williams
Chairman
West Midlands Business Council

Executive Summary

This submission contains a number of detailed recommendations which are summarised at the end of each chapter and all recommendations are summarised at the end of this document.

However the thrust of this report is a demand led approach to economic regeneration – recognising the needs of the economy and the environment to be addressed together.

The report highlights this approach by examining three key themes facing business today:

- Infrastructure
- Business Development
- Future Growth

In **Infrastructure** recommendations include proposals for an *integrated transport strategy for road, rail, air, bus and tram*.

We propose urgent action to address *contingency energy supplies* and we recommend a *flexible demand led approach to address the skills crisis*.

We call for *crime prevention advice to be provided by the new regional business support service*.

We propose practical recommendations for the *public sector to lever in funds from the private sector to address the economic needs of the region*.

With **Business Development** we recommend changes to the clusters strategy so that *clusters consider potential future growth as well as current commercial potential*.

We propose *engagement with the Square Mile, developments in private equity provision, a new push to lever in venture capital funds and to develop a suite of Islamic finance products*.

A new approach to *regeneration* is put forward and our *radical proposals for the provision of rural public services* could provide the boost that so many rural communities need.

With **Future Growth** we look at the need to *open up procurement opportunities*, the necessity to *build on the inward investment infrastructure* that has been established and for new proposals to bring businesses and universities together with *Research and Development*.

With the London 2012 Olympic and Paralympic Games on the horizon we look ahead to how the *Games can work for West Midlands regional businesses*.

This submission is forward looking and positive – reflecting the dynamism of our regional business community.

Business knows there is huge potential at the heart of the UK.

That is why we believe the recommendations in ***Making It in the Midlands*** can lead to the West Midlands region becoming a world class centre for business.

Introduction

The West Midlands region is in an ideal strategic location to become the world class centre for business.

That is why the West Midlands Business Council shares the ambition of Advantage West Midlands for the West Midlands to be world class.

The Regional Development Agency plays a critical role to ensure this objective is achieved and we – in the business community – are committed to genuine partnership working with the Agency – to ensure there is greater prosperity across the region.

At the heart of the UK and with the region boasting a number of Trans European Networks the region is in a good position to take advantage of opportunities from the global economy.

The region's legacy as the birthplace of the Industrial Revolution has led to the continuation of cutting edge technologies being developed in the West Midlands at the start of the 21st century.

However, the Agency and business, amongst other partners, have been obliged to tackle a series of obstacles that is holding back the economic potential of the region.

Ironically, despite the strategic position of the West Midlands, one of these problems is the limited capacity of the transport infrastructure. The skills crisis still exists in the region alongside a range of other issues that need to be addressed – from crime to finance.

This submission will examine a number of detailed issues with clear recommendations and we believe that if our proposals are included in the revised Regional Economic Strategy this would lead to real step changes in the regional economy.

Planning issues are only covered in part in this document. The views of the business community specifically on planning will be expressed in our response to the partial review of the Regional Spatial Strategy. However, this submission takes an economic development led rather than a spatial led approach to the economy – as will be made clear in this submission.

The region can drive the UK economy forward and business, with Advantage West Midlands, is determined to play its part so that this happens in reality.

Section One

Priorities for Action

Chapter One

Top Five Actions for Business

Key Messages: Business wants a demand led approach to policy making and so the issues of transport, skills, business finance, crime and research and development should be considered as top priorities for action

Business needs action.

That is the message from the business community for the West Midlands Regional Economic Strategy Review.

While this report goes into some detail as to the actions that must be taken – to guaranteeing contingency energy supplies to coping with the effects on the Midlands of the Government's decision to make Milton Keynes and its surrounding area twice the population size of Birmingham – business has its own top five priority action areas that must be faced.

The intention of this chapter is to flag up what these top five issues for business are – and subsequent chapters will go into greater detail as to the specific proposals that would make the difference to improve the lives of people and making the West Midlands the world class centre for business.

At the heart of our top five is the need to ensure the basics are in place for a demand led economy to thrive.

This report is against following the agenda of others.

Instead it squarely states what business needs. For it is the wealth creators that pay the taxes and create the jobs that make the West Midlands region such a great place to live.

This self evident fact must never be forgotten or sidelined by local, regional, national and European decision makers otherwise the life chances of hard working families who depend on a strong economy will be put in jeopardy.

Infrastructure has an essential role to play in delivering a quality environment and quality of life for the people of the region. The business community continues to press for investment in a world class infrastructure. Some of the priority projects in this document have been discussed and debated for well over fifteen years. They urgently need to be delivered and are taken as a given in the context of the Regional Economic Strategy.

We start with our top five issues in ascending order:

Number 5 Research and Development

The future for the West Midlands and the United Kingdom is the knowledge economy.

With our strong manufacturing base and our excellent universities this region should be leading the way in Research and Development (R&D) – ensuring regional firms are at the cutting edge of the global economy.

While great strides have been made – from the growth of environmental technologies in the Black Country to seed technologies in Shrewsbury – we have still not fully utilised the links between business and universities in our region.

This review gives us the opportunity to address this gap between aspiration and reality. In this report we detail clear proposals to bring businesses and universities closer together for real joint work on R&D.

If firms are to compete and win business in the global economy then the R&D challenge must be faced.

Our proposals include Government funding for R&D to move beyond its emphasis on the so-called “Golden Triangle” of top universities and for a range of mechanism, including using the clusters approach, to enable SMEs to engage more with R&D.

Number 4 – Crime

Crime does not just ruin lives – it holds up the regional economy.

According to the Home Office, business crime in the West Midlands region costs firms, the police and the courts £14,000 per hour.

This is an unacceptable state of affairs that can not be allowed to continue. For crime does not only hold back productivity but also the creation of new jobs.

This report provides detailed recommendations to crack crime – including ensuring all regeneration projects do not create alleyways and other design features that only the criminals support.

Action against crime is a must to improve the lives of Midlanders and to enable firms to truly compete in a fast paced economy.

Number 3 – Business Finance

Businesses in the West Midlands region know that they face liquidity obstacles.

The problems facing quality firms to access various forms of business finance which is appropriate for them is an issue that is harming the growth potential of too many businesses.

The Regional Development Agency has made important strides in this area and this work must be recognised. However, while successes have been gained the overall equity gap continues.

This report proposes detailed actions – from building on the country's only private sector majority funded risk capital fund for businesses in deprived areas to developing the commercial potential of the expertise in the West Midlands regarding Islamic finance.

These plans would help to plug the equity gap.

Number 2 – Skills

The low skills base is harming peoples' life chances – and it is damaging for business.

Vacancies exist right now which are not being filled because of skills gaps. With the need to cater for the knowledge economy and to face our competitors in Europe, the United States, India, the Asia-Pacific and elsewhere the problems with the region's low skills levels can not be left to fester.

This report recognises the progress that has been made by the Regional Development Agency, the Learning and Skills Councils and others to tackle the skills crisis. However the business community, in this report, propose a series of proposals that, if implemented, would go a long way to address this skills crisis.

This includes the extension of workplace training, improving careers advice, engaging more effectively with young people and ensuring mature people can improve their skills levels.

Fundamentally, business is calling for a demand led approach to training provision to address the needs of a demand led economy.

Number 1 – Transport

The congestion bottlenecks at the heart of the country has become good fodder for stand up comedians.

But, for business, the transport failures faced day in and day out are no laughing matter.

The transport network should be one of the regional business community's greatest strengths. With business at the centre of Britain and with the region boasting some Trans European Networks, the potential to commercially utilise the transport network should exist.

However, as this report demonstrates, the long list of failings in the transport network is costing – not helping – businesses.

That is why the regional business community calls for substantive and sustained action for a truly integrated transport network.

This includes extending the runway at Birmingham International Airport, major road improvements such as on the M6 between Birmingham and Manchester and substantially improving the rail network including servicing the needs of North Staffordshire and the development of Birmingham New Street Station – the rail hub for the region and the nation.

The current transport problems have knock on effects in so many areas – from ensuring just in time deliveries are on time to marketing the region as an ideal place for inward investment.

The practical proposals in this report, if implemented, should start to ensure that our transport network can serve the needs of a fast paced economy.

While we have identified these top five issues the business community is united on the other important proposals in this report – including ensuring the Regional Development Agency and other public agencies can lever in private sector funds to address these priorities and other issues outlined in the report.

The West Midlands region has a robust and strong economic base – thanks to our business community.

The proposals that business has developed can achieve the step changes needed to truly make our region a world class centre for business.

Chapter Two

Aims and Aspirations of the Regional Economic Strategy and the Evidence Base

Key Messages: The aim of the Regional Economic Strategy should be a holistic approach to developing the whole regional economy with the West Midlands Regional Observatory providing an evidence based approach to this work.

The business community considers the Regional Economic Strategy to be of paramount importance.

The statement by the Regional Development Agency that the region should be world class is an aspiration we – in business – share.

However, for the business community to respond effectively to the review of the Regional Economic Strategy, consideration is needed as to the overall aims and aspirations of this strategy.

Business is not just about economic growth. SMEs, in particular, are the glue that ties local communities together whether with the provision of jobs or the economic sustainability of an area.

In rural areas, in particular, SMEs may not necessarily be classed as part of a high GVA sector. However, the sustainability of these businesses enables the sustainability of a number of localities which contributes to a strengthening of the regional economy. Alongside this issue, is the need to strengthen and grow high GVA sectors in a fast paced global economy.

There is a need for a balanced approach towards the regional business community. This is not as a consequence of a lack of focus or trying to please all concerned parties but a recognition that in a complex regional economy there is a role for what are traditionally seen as low GVA sectors in sustaining the economic base alongside ensuring there is growth for high GVA sectors. These are two sides of the same coin in achieving economic sustainability and growth across the West Midlands region.

Therefore, the West Midlands Business Council would propose the following statement to help guide the aims and aspirations of the revised strategy:

The Regional Economic Strategy should lead to sustainable economic development for across the region.

This requires an understanding and support for all business sectors and how each business sector relates with each other to achieve, collectively, high GVA rates.

It also requires an appreciation and understanding of how businesses are the glue that ties together local communities and helps to deliver social as well as economic regeneration.

The Regional Economic Strategy should also enable the West Midlands region to be identified as the key area to undertake business leading to substantial economic growth and job creation

The Agency should be congratulated for the comprehensive evidence base that has been assembled for the review of the Regional Economic Strategy. This should not be an end in itself.

That is why we support the work of the West Midlands Regional Observatory to develop economic modelling to measure and assess future economic trends for the region and ensure the strategy develops to address the changing dynamics of the economy.

The work of the Observatory is fundamental for the effective implementation of the Regional Economic Strategy with the need for regular impact assessments. We would strongly propose that the Agency uses to the full these tools for the good of the region.

Summary of Recommendations in this Chapter:

- a) A holistic concept of the aims of the Regional Economic Strategy is adopted**
- b) The economic modelling work of the West Midlands Regional Observatory is used as part of the work of the Agency and other partners in economic development policy and practice**

Section Two

Infrastructure

Chapter Three

Funding

Key Messages: Innovative means of engaging with businesses is fundamental to lever in investment for the regional economy

The range of issues that need to be addressed across the West Midlands region are immense – from transport to skills, from rural needs to urban regeneration.

That is why consistent and adequate funding streams to ensure these issues are addressed is clear and pressing. Advantage West Midlands can not on its own deliver all the needs of the region.

Nor should the Agency be expected to deliver by itself when other public agencies – from the Environment Agency to the Highways Agency – have key roles to play and the partnership with local authorities is critical to delivering for people and businesses on the ground.

We believe that reliance on receiving funding from Government to address all these needs are not sufficient in itself for the range of needs are unlikely to be met from direct Government funding alone – though this is the fundamental basis for delivery.

That is why Advantage West Midlands is right when it states that the new Regional Economic Strategy will not just be for its own organisation. For other organisations, if they are genuinely committed to the economic regeneration and enhancement of the region, also need to literally buy in to the Regional Economic Strategy for delivery to be achieved.

However, this alone is not likely to release the funds necessary for the real and substantive implementation of the policies that the people and businesses of the West Midlands region need. An innovative relationship with business might, though, release the funds that are needed.

The remainder of this chapter examines the options to lever in funding to implement the new Regional Economic Strategy.

Bonds

The West Midlands Business Council proposes the enactment of policies, within the Regional Economic Strategy, for the issuance of regeneration bonds.

The concept of bonds to deliver public sector projects is not new. The concept was seriously considered by the Mayor of London to fund improvements to the

London Underground and respected economics commentator, Will Hutton, has urged for the issuance of bonds to fund the transformation of east London for the 2012 Olympic and Paralympic Games.

In Japan local authorities issue bonds which are treated almost like government guaranteed bonds. Japanese local authorities benefit as they can raise large amounts of finance at low rates of interest, as well as provide themselves with a source of non ear-marked capital finance, since a proportion of the relevant debt charges can be included in the coming years' total expenditure needs.

The use of bonds has a number of advantages. It enables the public sector to set the terms of debate on regeneration and renewal including setting specific requirements. This gives certainty to the markets who can consider the rate of return and the investment level that would be required.

Bonds also enable market mechanisms to enable the public and private sectors to agree on variations in bond arrangements during the lifetime of regeneration projects.

We understand that our proposal would require public bodies to consult HM Treasury on this issue.

However, in the absence of additional public revenues, bonds would seem to be a trusted, logical and accountable form of finance, meeting public sector requirements, to service economic regeneration needs.

Public Private Partnerships

Public Private Partnerships (PPPs) is a well known and tested funding stream that takes place within central Government operations to deliver on matters such as the development of new hospitals.

While the West Midlands Business Council recognises the problems that have occurred with some PPP projects, overall, it has provided funding which would not otherwise be available from the public purse. However, interestingly, PPP initiatives have so far not been considered by most of the regional public bodies to address funding gaps.

We would propose that the Agency reviews this position and considers PPPs as a model to free up funding elsewhere for other initiatives. Unlike bonds, as discussed above, issues of ownership, accountability and rate of return are more complex. However such an approach, if it freed up funds in other areas could lead to real and sustainable delivery.

We appreciate this approach would require careful study and would necessitate discussions with HM Treasury.

However, the possibility of releasing funds for elsewhere could lead to real step changes in regeneration practices for local communities.

Prudential Borrowing

Public agencies, including Advantage West Midlands, should be allowed to undertake prudential borrowing similar to the model that has been introduced for local authorities.

Under the Local Government Act 2003, local authorities can use unsupported borrowing for capital investment. The prudential capital system plays a key role in capital finance for local authorities. It helps local councils to determine their own programmes for capital investment in fixed assets that are central to the delivery of quality public services.

The key objectives of the prudential system are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Code.

The prudential borrowing powers have already led to practical developments across the West Midlands region (1). For instance:

Birmingham City Council:	£215 million to refinance existing off balance sheet borrowing for the National Exhibition Centre producing revenue savings and released resources to fund renewal of the NEC
	£15 million to improve council housing
	£10 million to improve children's homes
Solihull Metropolitan Borough Council:	Prudential borrowing to improve its customer services
Staffordshire County Council:	£20 million for a range of services including libraries, e-government and disabled access to buildings
Walsall Metropolitan Borough Council:	Prudential borrowing used for highways maintenance and to support projects that generate capital receipts to enhance the funding base of the council

In the case of Advantage West Midlands and other agencies it may be beneficial if prudential borrowing was allowed for revenue as well as capital streams.

The concept to use this form of borrowing to generate capital receipts as an additional revenue stream is also a matter that could be actively considered.

Again, we appreciate that such an approach would require discussions between HM Treasury and public bodies but we would encourage these talks for the example of local authorities in the region clearly demonstrates the added value of prudential borrowing.

Revenue and Capital Streams

HM Treasury, when calculating funding for public bodies, such as Advantage West Midlands, divide monies into two streams – revenue and capital.

This system is intended to help provide some form of accountability as to how tax payers' money is spent and also is linked to the formula that calculates the Public Sector Borrowing Requirement (PSBR).

However, for bodies charged with economic regeneration and delivery, an artificial divide between revenue and capital is not helpful as it does not enable these agencies to consider the needs of the region they are serving without taking into consideration a process that is probably more applicable to other organisations whose purposes are more defined such as the Ministry of Defence or education.

Therefore the West Midlands Business Council would encourage HM Treasury to adopt a more flexible approach to funding formulas for economic regeneration bodies.

While we accept this is unlikely to be a short term objective we are determined to start the debate as the current situation is inimical to the Government's intentions for economic development bodies to respond and be sensitive to the areas and regions they are serving.

Summary of Recommendations in this Chapter:

- a) Talks with HM Treasury for regeneration bonds to be allowed to be issued;**
- b) Talks with HM Treasury for Public Private Partnerships to be allowed**
- c) Talks with HM Treasury to allow economic development bodies to adopt prudential borrowing powers, including on revenue as well as capital matters**

- d) **HM Treasury to adopt a more flexible approach to the funding formula to economic development bodies rather than maintaining the current revenue – capital split**

Chapter Four

Transport

Key Messages: Fundamental need to ensure real improvements and co-ordinated action for air, road, rail, bus and tram. In particular there is a need to improve access to North Staffordshire conurbation, improve the capacity of the M42 box, improve capacity on the M6 between Birmingham and Manchester, runway at Birmingham International Airport being extended and improvements in rail services including development of Birmingham New Street Station.

Transport logjams – whether in road or rail – have led to serious problems for the West Midlands regional economy.

According to the British Chambers of Commerce, problems with the UK's transport infrastructure are costing each business, on average – nationally - £27,000 per year (1).

The Federation of Small Businesses state that when they surveyed their members in the West Midlands region, 8% have lost over £5,000 in revenue as a consequence of traffic congestion while 15% report losing over 100 person hours in the past year (2).

The Eddington Review, commissioned by HM Treasury, also clearly states in stark terms the linkages between economic success and a good transport network.

For firms in the West Midlands region – at the heart of the country – the transport congestion and poor infrastructure is being felt everyday by business. This is despite the fact that being located in the Midlands should provide geographical advantages - from just in time deliveries to developing the logistics and professional services sectors.

That is why the West Midlands Business Council would propose the following blue print for action. We recognise that while the Agency has a clear role in transport its remit in this area may not be the same as other bodies, such as the West Midlands Regional Assembly, the Highways Agency and Network Rail.

However, within the context of the Regional Economic Strategy, we believe inclusion of these proposals will help to bring all partners together to tackle an issue that should be a key strategic commercial advantage for our region.

Top Five Transport Priorities – The Case for Action

Thanks to the work of the Business Transport Group – which supports the work of the West Midlands Business Council – business is united on five top strategic transport priorities for action:

- Development of Birmingham International Airport – the main regional aviation hub for long haul destinations to key markets in the Asia – Pacific and North America;
- Strategic motorway investment – Tackling congestion on the overcrowded M42 box near Birmingham International Airport, the congestion on the M6 between Birmingham and Manchester and the lack of road access to key areas of the Black Country and north Staffordshire;
- Local Roads “Quick Wins” – Encouraging local authorities to make small cost effective changes to road signage and other related matters to improve traffic flow;
- Development of Birmingham New Street Station – Improving the passenger handling capacity of the station as New Street is the rail hub for the region and the nation;
- Local rail capacity – Cuts in services in Staffordshire and the West Midlands conurbation, in particular, are likely to lead to more transport congestion on the roads.

Progress has been made in all five areas:

- A master plan for the development of Birmingham International Airport has been produced;
- Active Traffic Management is being piloted on the M42 and the Government has decided to take action to unblock congestion on the M6;
- Local authorities in the West Midlands conurbation have responded to our “quick wins” local roads suggestions – but not in the shire counties and Wolverhampton;
- A business case for the physical development of Birmingham New Street Station has been presented to the Government
- The Walsall to Wolverhampton rail service has been restored .

The Case for Transport Integration

The key determinate for an effective transport infrastructure is integration between all transport modes – whether road, air, rail, tram and bus.

Survey work by the West Midlands Business Council has demonstrated, however, that transport integration is ineffective in the West Midlands region, as the following points highlight:

a) Bus Services

Bus services are not linked effectively to other transport modes. In north Staffordshire the irregular bus services means that services are not effectively tied into existing rail services.

In Worcestershire, bus services, though having recently been improved, mainly provide access into and out of urban centres. Bus services rarely operate across urban areas. For example, there is no bus service that operates across Worcester. Therefore, bus services operate in a similar pattern to rail services in providing transport in and out of urban centres – but not linking into rail services to enable passengers to leave the train and travel to different parts of an urban area by bus.

Bus services in some parts of the region start late and end early. In Shropshire, the bus services start at such a late time in the morning, that workers have to find alternative means of transport to get to work in Shrewsbury city centre.

Bus services across the region, in the main, are failing to be an effective and reliable transport mode. The system of bus deregulation may have aggravated these difficulties.

b) Park and Ride

Park and Ride sites are often cited as an effective way to ease traffic congestion by enabling people to park their cars at convenient sites to a local rail station, which provides fast access to their place of work. In theory, Park and Ride sites should provide a valuable contribution to alleviating road congestion.

In reality, this policy is, in the main, not fulfilling its potential. This is often down to very fundamental reasons. For example in many of the shire counties Park and Ride sites are not considered secure after 6pm.

There is also the problem of a number of Park and Ride sites in the West Midlands conurbation – and elsewhere – that are not secure.

This leads to cars being vandalized. Without adequate security, people can not feel confident in using these sites and, again, the establishment of these sites, therefore, has a negligible effect.

Also, within the West Midlands conurbation signing to Park and Ride is inadequate and this needs to be improved for these sites to be used effectively.

In North Staffordshire the problem with park and ride sites are even worst – as no sites exist at all despite various local studies coming up with the same conclusion

that sites are good for the environment, good for transport integration and good for business - enabling a boost to local retail activity.

The sites are not adequately provided at other key urban centres, such as at Worcester while the establishment of a Park and Ride site at Brinsford on the Wolverhampton to Stafford line near to the M54 is still uncertain. Without the proper supply of Park and Ride sites, a valuable method in alleviating road congestion would be lost.

c) Rail

While progress has been made with an increase in services between London and the region problems with rail services remain.

Routes from Herefordshire via Worcester to London are currently hampered by the lack of dual tracking via Worcester and Evesham – as well as at Oxford. This restricts the ability to expand rail services on this route. Journeys from and to Herefordshire and Worcestershire are also hampered by the lack of investment in signalling between Worcester and Droitwich.

The persistent problem with inadequate signalling in this area is impairing capacity on journeys between Hereford and Birmingham.

There is also a need to improve the pace of work to enable the transport of freight by upgrading the routes between Birmingham and Nuneaton to Felixstowe and between Southampton to Birmingham. If regional integrated transport is to be taken seriously, then this must mean that there needs to be a reinstatement of rail services between Nuneaton and Coventry with through services into the East Midlands.

Rail services in Staffordshire have been severely curtailed – with cuts in local services such as the Stoke to Nottingham service. There is a growing need for the Stoke to Manchester Airport service to exist for the economic regeneration of this conurbation.

Links to regional centres are critical in driving forward economic regeneration. While such services may have led to limited custom in the recent past this was often related to the unreliability of these services. This is a matter that can be addressed with the potential of an increase in rail passengers needing to be planned for if the Government proceeds with some form of road charging programme either regionally or nationally.

Services between Stoke and London are not regular throughout the night – leading to a potential drawback for more effective communications between the capital and the Potteries.

The lack of car parking at key rail stations such as Stoke and Stafford are causing so much concern that we are aware of anecdotal reports of potential rail passengers being so frustrated at not finding a car parking space that they drive to their destination instead.

One significant improvement to improve rail traffic flows would be the introduction of the Rail Traffic Management System (RTMS). This signally style system would improve the management of services. While the introduction of RTMS would not necessarily mean that the long term need for four tracking to improve capacity by Birmingham New Street Station is not required, RTMS could go a long way to improve the reliability and performance of rail services.

d) Roads

Road congestion is clearly a major issue for business – leading to negative cost implications.

For example, the need to address congestion on the A5 in Staffordshire does not just relate to this county – but also to ensuring freight traffic gets onto the M1 and through to the east coast ports. Congestion on the A438 in Shropshire is not just a county problem but is also the key link road between Swansea to Manchester.

Now that the Government has backed the option of M6 widening through Staffordshire this work now needs to be progressed as soon as possible as the increased capacity on the newly enhanced A500 will inevitably increase traffic volumes to junction 15 of the M6 with this junction already a concern in terms of the number of road traffic accidents. That is why safety improvements to this stretch of road should be prioritised.

The use of B roads, especially in shire counties, is strategically important as a number of business parks and industrial estates are based around these roads. Despite their importance, B roads are not as well maintained as A roads. The neglect of B roads hampers regional business traffic flows.

There is a vital need to improve road capacity on the road network at some key junctions and along some link roads such as with the M40 Junction 15 (Longbridge), M1 Junction 19 (the junction of the M1, M6 and A14), A46/A45 Junction (Tollbar) and M6 Junction 1 to Junction 4.

Road capacity issues are particularly acute in the Black Country and this is having a direct impact on business. The issues of road capacity in the Black Country is vital not just for this area but for effective traffic flows throughout the region. Therefore for an integrated transport strategy, there is the need to improve road capacity especially in the western part of the Black Country.

River crossings are of key strategic importance for the region. There is a lack of river crossings across the River Severn in Worcestershire that severely limits road capacity. There are also severe limits on crossings from Herefordshire into Wales over the River Wyre. Therefore there should be active work in rectifying these problems.

The cost of parking in Staffordshire is having an effect beyond the region itself. It is now cheaper to park in Sandbach, across the Staffordshire border in Cheshire, than it is to park in the county itself. This has led to fears that this is contributing to yet another factor that has led to business difficulties in the county – which contributes to a negative knock on effect upon the regional economy as a whole.

The Way Ahead

The problems with the poor transport infrastructure are clear.

However, some progress has been made.

The West Midlands Business Council has been successful in ensuring there is an annual action plan – known as the Regional Transport Delivery Plan – which is annually updated under the aegis of the West Midlands Regional Assembly – ensuring congestion blackspots are tackled.

Progress has been made, as stated earlier in this paper, with developments with Birmingham International Airport and Birmingham New Street Station.

We would, though, urge decision makers to pursue the following points for the good of the regional economy and prosperity for all:

- Ensuring that the departmental and agency barriers for effective public sector working on transport are removed;
- Enabling the Department for Transport and Network Rail to recognise its' responsibilities for ensuring a robust local rail network that links into local, regional and national transport modes;
- For the Government to review bus deregulation policies in order for bus services to be effectively linked to other modes of transport;
- For investment to be channelled into road bottlenecks such as the M6 and the M42 box to address the pressing congestion problems;
- For investment and planning to take place as a matter of priority to fully utilise the potential of Birmingham New Street Station as the national rail hub and Birmingham International Airport as the regional long haul aviation hub;
- For all decision makers to ensure that local authorities engage with businesses on local “quick wins” solutions to improve traffic flows;
- For public agencies and the Government to engage in effective integrated transport planning for the development of effective policies such as well

used Park and Ride sites and the development of arterial rail and road routes.

Only by working with business and developing a truly integrated transport policy can the disadvantage of the transport network be turned round to become a real competitive advantage for jobs and prosperity for all people across the West Midlands region.

Further transport issues are considered in Chapter Eight – Milton Keynes South Midlands growth area, Chapter Nine – Cross Regional Linkages, Chapter Seventeen – Tourism and Chapter Nineteen – 2012 Olympic and Paralympic Games.

Summary of Recommendations in this Chapter:

Advantage West Midlands and its partners within the Regional Economic Strategy work together for the following objectives:

- **Ensuring that the departmental and agency barriers for effective public sector working on transport are removed;**
- **Enabling the Department for Transport and Network Rail to recognise its' responsibilities for ensuring a robust local rail network that links into local, regional and national transport modes;**
- **For the Government to review bus deregulation policies in order for bus services to be effectively linked to other modes of transport;**
- **For investment to be channelled into road bottlenecks such as the M6 and the M42 box to address the pressing congestion problems;**
- **For investment and planning to take place as a matter of priority to fully utilise the potential of Birmingham New Street Station as the national rail hub and Birmingham International Airport as the regional long haul aviation hub;**
- **For a clear funding and transport strategy for the key economic area of north Staffordshire;**
- **For all decision makers to ensure that local authorities engage with businesses on local “quick wins” solutions to improve traffic flows;**
- **For public agencies and the Government to engage in effective integrated transport planning for the development of effective policies such as well used Park and Ride sites and the development of arterial rail and road routes.**

Chapter Five

Skills

Key Messages: There is a need to address low skills levels to help improve business productivity. The range of policies could be adopted include an extension of workplace training, delivering the programme of leadership and management training, improving careers advice services, new ways to engage young people in training, engaging with mature people with up-skilling and further developing a demand led approach to skills training.

Public agencies has moved forward in tackling the skills crisis that bedevils our region.

The Regional Skills Partnership, which sits under the aegis of Advantage West Midlands, has ensured that there is a robust skills evidence base. The Partnership has also embarked on an ambitious leadership and management skills pilot which, if successful, would, if rolled out, enhance the business leadership capacity of the West Midlands – helping to address the need for business growth.

An analysis of the skills needs has to take into consideration the current and future trends in all business sectors.

Despite the recent negative news for manufacturing in the West Midlands, this sector is the highest earner, by GVA, in the region. 25% of total regional GVA relates to the manufacturing sector. In terms of employment, nearly 20% of the workforce is involved in manufacturing (1).

Current trends predict a continued strong presence for manufacturing alongside growth in professional services, ICT and tourism.

Despite the current – and future reliance – of the West Midlands regional economy on high knowledge based business sectors – the reality is that the region is facing, today, a skills crisis.

1.1 million adults – 35% of the working age population in the West Midlands region – experience problems reading and writing (2).

17.7% of people in the region have no qualifications – that is a higher rate than the national average – though the role of qualifications in the skills agenda will be discussed later in this chapter (3).

While business trends demonstrate the need for higher level skills, the West Midlands region is a net exporter of graduates. A significant increase in the

demand for people qualified to NVQ 4 and 5 of over 50,000 is projected over the next five years.

Despite this demand, the response is inadequate. Though there has been an increase in the proportion of the working age population with NVQ Level 4 or more qualifications from 20.2% in 2002 to 23.06% in 2005, this lags behind the respective figure for England and Wales – 24.9% (4).

With businesses needing people with basic and higher level skills, this is having an impact on companies trying to recruit skilled workers. The latest survey is that there are 21% of job vacancies in the region that is directly related to the skills crisis (5).

Response to the Skills Crisis

The business community strongly welcomes the decision of the Government to increase regional funding for NVQ Level Three training.

Nonetheless, as recent national Learning and Skills Council guidance has shown, there is still an emphasis on NVQ Levels 1 and 2 courses – though greater funding for courses for NVQ 3 now exists. .

There is a clear need, in responding to the current and emerging business trends in the regional economy, to fund courses which enable people to practically use their knowledge at work.

Without a focus on higher level workplace skills, rewarding job opportunities will be missed by many – at the expense of growing businesses.

With the expected reduction in the future number of working age people, the need to ensure up-skilling now will be critical for the future prosperity for every person in the West Midlands region.

That is why we would encourage the Government to look again at the long term funding for skills provision – otherwise the negative consequences for future growth and prosperity across the West Midlands region could be profound.

We believe the review of the Regional Economic Strategy is an opportunity for the Government, as a party to the strategy, to re-consider its skills investment while enabling public agencies to ensure there is a focus on high level skills.

Demand Led Provision

The Regional Economic Strategy needs to ensure there is a demand led approach to skills provision.

The Government's 2003 Skills Paper states:

"...our skills gaps remain stubbornly persistent. Output per hour worked is around 25% higher in the US and Germany and over 30% higher in France than in the UK. While we compare well at higher education level our percentage of the workforce qualified to intermediate skill levels i.e. apprenticeships, skilled craft and technician level is low: 28% in the UK compared with 51% in France and 65% in Germany." (6)

This is an example of how consideration of skills policy seamlessly rolls into a concern for our relatively poor performance in labour productivity through to differences in qualification rates. This leaves the inference that one must cause the other.

In essence, a concern to meet qualifications targets does not address meeting skills gaps in a whole range of business sectors– from care homes to land based businesses.

That is why, for instance, addressing the fact that, at least in 2004, 42% of firms in the region do not use a computer for business and may be interested in developing their IT skills should have this training provision linked to their needs – not to the qualifications system (7).

This does not mean that businesses themselves do not have a responsibility to assess their own skills needs for the early stages of a business cycle but that a flexible demand led system needs to be developed as a consequence.

Until there is a Government review of the system of vocational qualifications – recently indicated at in the HM Treasury commissioned Leitch Skills review- the West Midlands Business Council would encourage the Regional Skills Partnership and its partners to deliver training provision to address the skills gaps in business sectors rather than meeting qualifications requirements which may not match with the need to address skills gaps.

In line with the Leitch review, the business community welcomes the new Train to Gain service. This is clearly an important step forward in providing diagnostic skills advice to businesses, large and small. One of the issues that may have hindered this service was that it could have been provided separately from the new regional business support structure.

This potential problem was recognised and it is now part of the new support structure. The work of the Learning and Skills Councils and Advantage West Midlands to join up with these areas of work should be recognised.

The West Midlands Business Council would, as a consequence, warn against a "predict and provide" approach to skills provision. While forecasting is an

important tool in developing future training provision, market trends and changes in technology means that earlier forecasts may hinder developing skills solutions that employers and employees require in the near future. That is why we would urge for a flexible demand led approach to skills provision.

One way to undertake such a flexible approach is via an extension of workplace training.

Workplace Training

Alongside the need for a focus on higher level skills and a move away from a supply side approach to skills provision, is the need for the Regional Economic Strategy to consider the role of workplace training.

Workplace training is a key feature of the work of businesses in the West Midlands region, as demonstrated by the report from the Federation of Small Businesses West Midlands (8).

This report states that a training needs analysis is carried out by businesses and 50% of those surveyed stated they had been involved in workplace training during the last 12 months.

However, workplace training combined with some form of self accreditation, assessed by an outside body, would help employers assess the development of the skills base in their business.

For this to happen, some basic changes need to be instigated for such a system to be implemented.

EEF West Midlands has been active in developing a pilot project on workplace training. As their paper states:

“It is the responsibility of the company to ensure that the operator is competent to do the task required. It is the responsibility of the operator to say they do not consider themselves competent at the task being asked of them”. (9)

The role of public sector agencies, therefore, is not to interfere in the employer-employee relationship, but to ensure that a framework exists whereby transferability of skills and skills assessments for employers can be measured and trusted.

Self accreditation of workplace training by employers – possibly via the use of ICT – could be the way forward to ensure that potential employees and the wider business community trusts the effectiveness and reliability of self accreditation in the workplace.

Such a form of self accreditation could be assisted if the achievement of various self accredited levels counts as a level towards gaining a nationally recognised qualification such as NVQs or foundation degrees.

Not only is this an extra layer of security for employers that workplace training is achieving its' objectives, it is an encouragement for employees and helps strengthen the skills base of the region.

This can only be effective once Sector Skills Councils develop fit for purpose qualifications and accreditation systems for the business community.

In summary, effective self accreditation in the workplace could widen and strengthen the skills base in the region – and by ensuring that the qualifications system is tied into effective demand led workplace training – this would ensure trust and security in the development of workplace training.

Diversity and Young People

The need to address the skills needs of young people is a shared concern that business and public sector agencies share.

The demographic diversity of the region should also be embraced as this enhances the cultural rich mix of the West Midlands and gives greater dynamism to the economy.

However, a legacy of prejudice and other matters has led to many young people from black and minority ethnic communities not gaining the economic opportunities that other people in the Midlands take for granted. This is also a national problem for as one report has shown while the national employment rate stands at 75% the national employment rate for people of Black African origin stands at 55% and for people of Pakistani origin it stands at 47% (10).

Such a legacy can not be allowed to continue for such outcomes are not just morally shameful but it holds back the economic potential of the whole of the West Midlands region. Changing demographics also provide for new opportunities. For instance, some commentators argue Birmingham is now the youngest city, in terms of its population than any other city in Western Europe. Therefore the growth potential of the city and its surrounding area should be recognised and its diversity should be seen as a strength.

That is why the West Midlands Business Council supports the policy proposals that the *Fair Cities* programme, as developed by the Department for Education and Skills' National Employment Panel, have put forward.

The programme sets forward a strategy whereby public agencies establish a framework for employers to engage with potential new employees. For as the programme acknowledges:

Employer leadership does not mean that the full weight of running a local initiative falls on employers – employers have many competing demands on their time and their main concern is the success of their businesses. For employers to participate in a significant way, they must feel that the initiative addresses pressing human resource needs faced by their organisations. Governance structures must give them a lead role in strategic decisions, without that role becoming onerous or diffuse. And the initiative must be managed by an adequately staffed organisation (11).

The *Fair Cities* programme helps broker these relationships so that young people can taste the world of work and gain the experience, confidence and knowledge to become a skilled member of the workforce.

However, *Fair Cities* while having the right approach does not reach SMEs and its service in relation to the scale of the challenges, while positive does not mainstream this activity in the everyday work of skills bodies.

That is why the West Midlands Business Council – while welcoming there has been planning work in this area for the Birmingham, Black Country and Coventry City Region which also covers Solihull and Telford - would urge all public sector partners, via the Regional Skills Partnership, to establish a structure which can roll out this work on a much wider basis and engage with SMEs as well as larger employers.

It is this policy direction that will lead to the greater economic and social returns which businesses and the people of the West Midlands region deserve and expect.

Careers Advice

Careers advice is critical in raising young peoples' aspirations and to addressing skills gaps across the region.

However, the business community has long expressed concerns about the quality of careers advice provided to young people. In particular there are concerns that manufacturing and entrepreneurial career options need to be emphasised more when careers advice is presented.

The range of fulfilling career options in manufacturing is significant while the sector is vital for the regional economy. Presenting the option of starting up your own business and seeing it grow and support your family is also important not

just to improve peoples' life chances but also to enhance the business base of the region.

Business can also not see why such a service is not universally provided for all age groups especially as, in today's work environment, a person can change jobs on multiple occasions.

The fact that careers advice is offered around the time that young people are facing a series of examinations does not give people the space and time to consider future career options.

That is why the West Midlands Business Council would propose that the Regional Skills Partnership commissions an audit of the quality of the careers advice that is on offer and to encourage careers advice providers, such as the Connexions service, to provide advice for young people from the age of 12 so that over the years, in advance of the series of exams that have to be faced, young people and parents have time to discuss with careers advisers the options before them.

For older people, the business community considers it does not make economic sense for such advice to be withheld when changing skills needs in a fast paced global economy would dictate that such advice should always be on tap. Therefore we would propose that the Regional Skills Partnership work with careers advice providers to widen this service for all age groups.

Mature Workers

We recognise the scale and scope of the challenge for the business community with issues relating to an ageing workforce.

The West Midlands Business Council has been concerned at the lack of emphasis on the needs of mature workers and we believe the review of the Regional Economic Strategy could lead to a revision of the current policy stance in this area.

The West Midlands Business Council commissioned Harper Adams University College, via the West Midlands Higher Education Association, to examine how demographic changes in rural areas would impact on the skills agenda. Their conclusions, as demonstrated in this section, if incorporated into the Regional Economic Strategy, could lead to a direct and strategic approach in addressing the wider issue of supporting the skills development of mature workers in urban and rural areas.

Harper-Adams' work compared participation rates of the over 50s in the various regions of the UK. The West Midlands emerged as one of the better performers; however the reasons for this are not clear.

It is evident that retirement ages have fallen markedly while at the same time life span has risen.

If retirees are considered as an an untapped work force, it might be useful to classify this demographic group into five sub groups as they are not a uniform cohort and represent different skills, experience and social capital value to local businesses (12):

- The indigenous poor elderly people who lack resources in the form of employment related pensions, and who are more reliant on various transfer payments. These represent most of the rural retirees.
- The relatively well off indigenous elderly people, who have sufficient resources to hire home help or pay for privately provided assisted living or nursing homes.
- The less well off return-migrants at or near retirement age returning to a family home, to be near relatives and family who will be similar in many respects to the first group.
- The better off return-migrants, who are in many ways similar to the second group.
- The incoming retiree migrants without local connections who are generally more educated and materially better off.

Mature people would probably be unwilling to work along traditional full time lines due to travel wishes and family commitments. So flexible working and part time positions would be more likely to lure such retirees from their retirement.

On the other hand less confident elderly people or those who have not worked recently may be unaware of their skills and aptitudes and only through research will it be possible to discover the skills that are currently available but unused/ dormant in the retired population.

Many rural businesses are started by incoming older immigrants wanting to continue in work in their own enterprise and relocating or starting up in the rural location for a better life style. Such incomers create employment in the locality and hence through the income multiplier enrich the rural area.

There are programmes to support young rural entrepreneurs but we would encourage advice to be available to elder entrepreneurs, to encourage and assist them in continuing to operate beyond the statutory retirement age.

This study therefore demonstrates the potential of positively engaging mature people in rural areas – which has equal applicability in urban areas.

We would propose an audit of the retired population to find out what the mix of groups is in different areas, and more importantly what skills and experiences they have which could be utilised by West Midlands businesses and local government.

In recognition of the need to address this issue, the following recommendations in this area are:

Actions	
Survey of skills basis of senior population	Skills and attitudes, and current participation rate compared to other UK regions, and consumption patterns.
Survey of how soon to retire employees is dealt with at the end of their working lives.	Retirement procedures and attitudes towards elderly staff in WM businesses. Also resultant attitudes to work in the retiring population. Benchmark the businesses and organisations which most successfully and gradually retire employees.
Explore possible measures to prolong the working lives of employed mature people and unemployed seniors. How to retain seniors in work longer, and how to recapture both the willing and unwilling unemployed seniors in different areas.	Use survey results to develop modes of employment that are appealing and practical for different groups of seniors, to enable further benchmarking.
Explore possible measures to prolong the working lives of employed elderly and unemployed seniors. How to retain seniors in work longer, and how to recapture both the willing and unwilling unemployed seniors in different areas. Develop routes by which businesses and WM organisations can access the seniors on the register, and vice versa so that seniors wishing to work	Make it accessible to those to whom it will be useful, and decide how this resource will be managed and by whom. Possibly via business support programmes

have channels dedicated to their needs.	
Audit the levels computer literacy amongst mature people, and if necessary develop programmes to fill gaps.	Through FE colleges and the register with AWM's ICT support programmes
Market Research of market requirements and how businesses can more effectively market to segments of the senior market.	Study unsatisfied needs and wants and ways of modifying the marketing mix to better attract senior consumers. Study successful case studies.
Analyse health and care provision for mature people	Businesses consider developing products that meet the changing and growing needs of the very elderly through Chambers of Commerce or University research, or other business groups.

Summary of Recommendations in this Chapter:

- a) **We believe the review of the Regional Economic Strategy (RES) is an opportunity for the Government, as a party to the RES, to re-consider its skills investment strategy to ensure there is a focus on high level skills as well as addressing poor levels of basic skills**
- b) **The Regional Economic Strategy needs to ensure there is a demand led – rather than qualifications led – approach to skills provision.**
- c) **The West Midlands Business Council would warn against a “predict and provide” approach to skills provision. While forecasting is an important tool in developing future training provision, market trends and changes in technology means that earlier forecasts may hinder developing skills solutions that employers and employees require in the near future. That is why we would urge for a flexible demand led approach to skills provision.**
- d) **Effective self accreditation in the workplace could widen and strengthen the skills base in the region – and by ensuring that the qualifications system is tied into effective demand led workplace training – this would ensure trust and security in the development of workplace training.**

- e) **To build on the work of the *Fair Cities* programme, with the Regional Skills Partnership taking the leading role in brokering a programme to expand the work currently undertaken by *Fair Cities*.**
- f) **Careers advice to be provided from the age of 12**
- g) **Regional Skills Partnership to commission audit of the quality of the careers advice that is on offer**
- h) **Regional Skills Partnership to work with careers advice providers so that careers advice services can be provided to all age groups**
- i) **There are programmes to support young rural entrepreneurs but we would encourage advice to be available to elder entrepreneurs, to encourage and assist them in continuing to operate beyond the statutory retirement age.**
- j) **Survey of mature people to assess skills base**
- k) **Survey of how soon to retire employees is dealt with at the end of their working lives to learn from best practice**
- l) **Explore possible measures to prolong the working lives of employed elderly and unemployed seniors. How to retain seniors to work longer and how to recapture both the willing and unwilling unemployed seniors in rural areas.**
- m) **Explore the impact of the ageing workforce by geography and sector on the business community**
- n) **Develop routes by which businesses and WM organizations can access the seniors on the register, and vice versa. So that seniors wishing to work have channels dedicated to their needs.**
- o) **Audit the levels computer literacy amongst the elderly, and if necessary develop programs to fill gaps.**
- p) **Analyse the England Rural Development plan for sources of advice and funding**
- q) **Market Research of market requirements and how businesses can more effectively market to segments of the senior market.**
- r) **Analyse health and care provision for mature people to consider future business trends in the region – and the need to improve the skills base to address these trends**

Chapter Six

Energy

Key Messages : Problems over the lack of contingency energy supplies must be addressed while energy efficiency advice services to businesses can be improved. With the need to address the reduction in carbon emissions and to ensure security of energy supplies action is proposed in a range of areas – from encouraging biomass production to developing clean coal technology.

Energy is a key West Midlands issue. With energy intensive users in manufacturing needing reliable energy supplies and the profitable potential for biofuels to help to revitalise the rural economy, energy needs are high up on the business agenda.

The most pressing energy issue is the consistency of supply. For the land locked West Midlands – with the region widely seen as the centre for UK manufacturing – any disruption in energy supplies is detrimental not just to the regional economy but also to the national economy.

Contingency Energy Supplies

The need for adequate contingency energy supplies is also complicated by concerns as to future power sources for the region. As the Institution of Civil Engineers report, referring specifically to the West Midlands region, states of the Regional Energy Strategy:

Another is its failure to tackle the issue of how West Midlands' coal fired power stations should be replaced. The bulk of the region's energy needs will have to be met by either carbon fuelled power stations or nuclear facilities. This needs to be acknowledged by both national and regional government if they are to develop a clear strategy for securing future power supplies (1)

The West Midlands regional business community is concerned at the threat to power supplies for energy intensive manufacturing businesses and that is why the business community would welcome the opportunity to work closely with regional bodies and Government to explore how the lack of adequate contingency energy supplies could be addressed.

In particular we would encourage regional agencies to undertake an analysis of the geological features of the region to ascertain whether there are any features that could act as storage for contingency energy supplies.

Emissions Trading and Energy Efficiency

The economic argument for the adoption of a sustainable energy policy by users in the Midlands is a difficult one to make apart from the directly applicable arguments associated with increasing efficiency and reducing consumption. However, the step change that is required in the use of carbon based fuels and their resulting emissions will not be delivered by this method alone. Furthermore, there will come a point where the investment required for the next increment of reduction will not be tenable within the commercial constraints of the business itself. Indeed, the argument for a low carbon economy based upon purely mitigation strategies will omit, from the economic equation, the very real costs that will already be necessarily incurred if businesses are to adapt to the effects of climate change that have already been instigated by the level of emissions to date.

Therefore, it is essential that an economic environment is created that supports both the revenue benefits of energy efficiency and the mitigation effects that come from this, as well as supporting a longer term capital investment program for the future.

Indeed, given that the system possesses a considerable degree of inertia, the potential costs not investing in future adaptation strategies will form the justification for longer term investment starting now. Whilst, there will come a point whereby an SME will no longer see a purely economic benefit from continued energy conservation, there will be a considerable and obvious cost associated with building reinforcement, flood protection and insurance costs in the future.

The larger Midlands energy users may well already be in a position to make use of this argument but the current levels of investment in adaptation strategies would suggest that there is a considerable way to go before they will be seen to be leading by example. This is clearly, an area where National and Local Government can have a key influence by creating a policy and taxation framework that encourages this behaviour in the early stages.

Our approach links into the Government's recently published Energy Review highlighted the ambition of the carbon emissions trading scheme. The review conclusions including the following statement:

“Consider whether more sectors – and more greenhouse gases – should be included (in the carbon emissions trading scheme) in order to maximise opportunities for significant cost effective carbon savings. Such consideration should take into account, among other factors, the technical potential to reduce emissions, the costs of abatement, the regulatory burden on industry and the impact on sectors already in the Scheme”. (2)

This could prove to be a positive outcome for the regional business community, especially for SMEs. Instead of fears of yet another tax on businesses this could be a profitable new market for all firms.

However, too many businesses across the region have not been given technical or even introductory advice as to how carbon emissions trading can assist their businesses.

In addition growth can be assisted by the carbon emissions scheme. Exports can be assisted if it is shown in the carbon trading scheme that a reduction in greenhouse emissions in a developing country can off-set against the emissions emitted in the UK.

We would encourage the regional business support structure, including UK Trade and Investment, to advise clients of these possibilities.

Further discussion of exports issues can be found in Chapter Fifteen – Inward Investment and Exports.

This lack of knowledge is combined with widespread business concerns that the Carbon Trust is not fully meeting the needs of businesses in terms of energy efficiency advice.

The Trust's limited resources can only go so far to meet the demands of the regional business community when, with rising energy prices, the demand for practical advice on energy efficiency measures are greater than ever.

We do not believe this is an insuperable problem.

We would encourage Advantage West Midlands to take a lead in this area in establishing a regional plan for providing energy efficiency advice. Such a plan would combine the resources of the Carbon Trust, the Energy Savings Trust and the many other organisations involved in energy efficiency advice so that there could, in effect, be a significant co-ordinated sales force of energy efficiency advisers on hand to assist businesses.

We are also aware that the quality of the advice provided needs to meet a quality standard. That is why we believe this regional plan should be linked into the new regional business support structure where some form of Service Level Agreement would enable quality standards to be met.

In the medium term, once this objective was achieved we believe that the needs of SMEs that would like to incorporate new technical methods to improve energy efficiency and use new fuels, such as biofuels, would need to be considered. This could include ensuring that a database of project engineers could be set up

so that when a firm seeks assistance there is the expertise on hand to help that business.

However, emissions trading is clearly a major commercial opportunity for all businesses. That is why the West Midlands Business Council would encourage Advantage West Midlands to ensure business support services provide advice and support on carbon emissions trading.

Not only would this assist with the productivity of businesses but it would also address the environmental needs of the region in reducing reliance on carbon based energy which contributes to climate change.

Environmental Technologies

Environmental technologies are becoming a growth area in the region – and its relevance to alternative forms of energy generation is proving to be very important. Over the years, the Black Country has become a centre of expertise in environmental technologies. Thanks to public agencies, such as Advantage West Midlands, as well as the innovation of Black Country businesses, this sector is helping to address many of the industrial legacies that the West Midlands region – as a whole – are living with now.

Whether its' contaminated land, the need to turn waste into energy, recycling goods or a host of other environmental technologies, the Black Country has been at the forefront of this developing sector.

The Black Country also has the basis for expertise in developing manufacturing components for the energy market as a whole – including the nuclear energy sector.

The seeds of growth for the environmental technologies sector already exist – that is why the needs of the sector must be catered for in any future planning of the Black Country to ensure that we do not miss the opportunity to fully regenerate the area.

Through the work of the Advantage West Midlands' environmental technologies cluster opportunity group, a number of projects are currently in either the planning or the building phase.

Also, in consultation with the Black Country councils, a detailed planning paper on an integrated waste strategy has been produced, covering the joint needs for the area, for the next thirty years. Much work has been completed in detailing the opportunities presented by existing and proposed legislation. What emerges clearly is the capabilities of West Midlands based companies to take forward such opportunities in areas such as Renewable Energy, Waste to Energy, Waste

reclamation and remediation, innovative uses for recyclates into many different markets.

Through the use of demonstration projects, some of these abilities will be showcased to inform the market of the possibilities. We are, however, missing many opportunities for other showcasing, or worse still, allowing such opportunities to fall outside the region.

In the Black Country, there are plans for the provision of a hot pressing facility, which will enable locally grown rape seed to be pressed to produce a viable supply of oil for the local production of bio-diesel. This will supplement the ever increasing supply of bio-diesel being produced throughout the West Midlands from used vegetable oil.

Environmental technologies can utilise the established businesses in the area – and meet the cutting edge and environmental needs of today’s global economy.

That is why the recommendations developed by the Black Country Study, which has developed a 30 year vision for the regeneration of the Black Country for the consideration of the Government, ensure that spatial and economic policies – in all areas of the Study’s work – integrates the role of environmental technology businesses in to the future direction, vision and infrastructure of the area. This also enables other areas to be able to explore the potential of environmental technologies.

Not only does this make sense for the Black Country – but it is critical for the wider West Midlands regional economy whose strength in environmental technologies can only be enhanced if the Black Country can play in its full part in ensuring the success of this sector for the future prosperity of the people of the West Midlands region.

The West Midlands Business Council actively supports implementation of these recommendations.

Bio-energy

Bio-energy is an energy source that could be ideally suited to the West Midlands region – with 80% of the land mass of the region devoted to the rural economy.

The Institution of Civil Engineers (ICE), for instance, sees biomass as a potential energy source for West Midlands’ regional businesses. In their *State of the Region* report (2005), ICE West Midlands states (3):

The region does offer 50,000 hectares of set aside land that could be converted to biomass production.

The Food and Farming Team of Advantage West Midlands – based in Worcester – with Marches Energy Agency – has produced a highly recommended report in June 2005 which clearly lay out the potentially large biomass opportunities for business.

That is why we support and welcome the England Rural Development Programme's Energy Crop Scheme and the Renewable Transport Fuel Obligation in developing this market.

However, the potential for a long term sustainable biomass sector in the West Midlands is considerable. That is why we believe that regional agencies could consider capital grants to establish the infrastructure development for the growth and sustainable development of the sector.

We welcome the work of the Agency in engaging with some of the large motor manufacturers, such as Ford, to consider the potential for biofuels usage. We would encourage the development of this strategy with the Agency bringing manufacturers and farmers together to consider the commercial opportunities for all concerned in developing this market.

We believe this form of round table forum would help all business sectors to work co-operatively together and, thereby, develop realistic commercial proposals. This approach could include major firms based just outside of the region, such as Toyota in Derbyshire, who could benefit from a development of biomass capacity in the West Midlands region.

Waste

Waste is an important energy source. In the Institution of Civil Engineers' State of the Region report, they state:

One major failing of the West Midlands Regional Energy Strategy is that it does not address waste to energy, which could make a vital contribution if planning objections can be overcome.

The West Midlands Regional Assembly is currently developing a Regional Waste Strategy.

However, to assist the development of a comprehensive waste generated energy source, we would propose that the definition of waste is amended. We are concerned that waste, as defined by statute, such as the Environmental Protection Act, defines waste in such a way that wood, for instance, could be viewed as "hazardous". Such a definition leads to market concerns and such market signals increases the industry cost to utilising waste for energy purposes.

We believe that a more pragmatic approach to the definition of waste is needed – to ease the regulatory pressures on businesses – and to encourage a more sustainable waste sector for energy generation.

We believe regional institutions could take a lead in this respect.

Coal

The Staffordshire and Warwickshire coal fields are one of this region's greatest natural resources. However, the industry has declined significantly in recent decades. The industry has gone through a steep decline but the pressing energy needs of the country provide new opportunities for coal. The Staffordshire coal field can be seen in three divisions – the Cheadle, Cannock and Tamworth coalfields.

The commercial requirements for coal production relate to the calorific value of the coal and its chemical characteristics particularly in relation to chlorine and sulphur contents. The markets seek to reduce the contents of both chemicals to minimise corrosion of heating systems and carbon emissions levels. This normally leads to a process where coal from different sources is blended to meet the quality criteria and avoid unnecessary waste of high quality minerals.

Therefore from a commercial potential perspective there are real opportunities to be gained from the coal fields. This is especially so as a result of concerns regarding energy shortages.

That is why the decision of the Government to convene a Coal Forum – bringing together electricity suppliers and coal producers to help find solutions to secure the long term future of domestic coal production could be a significant step forward for the commercial viability of the Staffordshire coal field. This development followed the 2006 Comprehensive Energy Review where the Government stated the importance of the long term contribution of coal fired energy generation.

However, concerns have been expressed about coal due to carbon emissions causing climate change. However, clean coal technology now exists to address these issues and in November 2006 plans for a new clean coal fired power plant in Norway was announced which, it was claimed, would capture 95% of all greenhouse gases that are emitted.

In the light of these developments we would encourage Advantage West Midlands and other regional public bodies with the business community to positively engage with the new Coal Forum to see if there is any actions – whether from the point of view of capital infrastructure or general business support – from the regional perspective to help fulfil the potential of the Staffordshire coal field which would help meet the country's energy needs.

However, there are commercial opportunities for the Staffordshire coalfield for coal seams that are unminable.

In an attempt to address the issue of carbon emissions, the concept of carbon sequestration has been developed. This means that carbon dioxide is injected into deep, unminable coal seams. A particular advantage of coal seam sequestration is that coal seams can store several times more carbon dioxide than the equivalent volume of a conventional gas reservoir because coal has a large surface area. Another advantage is that as this process displaces methane this can be recovered as an energy source and sold to offset costs.

We would therefore encourage Advantage West Midlands to explore with the business community how we could develop this market which would help with the wider regional economy and help reduce carbon emissions.

Nuclear

The Government's Energy Review clearly stated that nuclear energy needed to be developed for the future viability of the country. It stated:

"Investment in new nuclear capacity would help to sustain a diverse electricity generation mix, by reducing the level of total UK gas consumption and gas imports".

The operation of nuclear build was analysed in a paper for the House of Commons which stated:

"In the current nuclear market, fixed price construction contracts are offered by power station construction companies, and with performance contracts. This is a major advance, transferring the risk to shareholders. Given this development, there is no reason for the Government or customers to underwrite these costs, and no case therefore for any form of a general nuclear obligation. These are private sector risks". (4)

It is already known, at the time of the production of this submission, that EDF will seek a licence in 2007 to build a new nuclear power station. Eon and RWE have expressed in principle an interest to build nuclear power stations in Britain.

Nuclear build designs that could be developed in the UK include the European Pressurised Reactor (EPR), Westinghouse's AP1000, GE's Advanced Boiling Water Reactor and the Candu reactor, developed in Canada.

Therefore, in such a scenario the need for reliability of maintenance and development of nuclear build facilities will be at a premium and because of the high need for secure and reliable energy supplies, the construction, servicing and

development of nuclear power stations will need to be undertaken, to a large extent, within the UK with easy and quick access to the facilities themselves.

That is why this provides a unique opportunity for manufacturing industry here in the West Midlands. With the region at the heart of UK manufacturing, it can become a centre for construction, servicing and development for nuclear new build facilities. This development could lead to significant developments for West Midlands manufacturing.

That is why the West Midlands Business Council would encourage regional agencies and the Government to engage with potential providers of nuclear energy technology to develop new contractual opportunities for manufacturers. We would also encourage the Regional Development Agency, the Manufacturing Advisory Service and the Learning and Skills Council to develop – with business – a strategy to address upgrading of facilities and skills to prepare for these new opportunities.

Summary of Recommendations:

- a) Contingency energy supply issues to be tackled as a matter of urgency including an analysis of geological features in the region which could hold contingency energy supplies**
- b) Business support structure and UK Trade and Investment to advise clients on the opportunities around emissions trading**
- c) Energy efficiency advice to be improved with the development of a regional energy advice plan bringing together all relevant bodies involved in this work and directly linked to the new regional business support structure**
- d) Environmental technologies recommendations of the Black Country Study should be implemented**
- e) Capital grants for the development of the bio-energy sector**
- f) Development of an open forum between manufacturers and growers to develop the bio-energy market**
- g) Redefine definition of waste to allow new opportunities in energy generation**
- h) Viability of the Staffordshire and Warwickshire coal fields to be addressed by Advantage West Midlands and others actively engaging with the Government's Coal Forum**
- i) Advantage West Midlands and the business community to explore whether carbon sequestration in unminable coal seams can be developed as a new market**
- j) Develop of skills and business support and links to firms to enable nuclear build and maintenance in the region**

Chapter Seven

Crime

Key Messages: Crime costs business time, money and jobs. Proposals include integrating crime prevention advice in the new regional business support structure and ensuring all newbuild incorporates 'design out crime' features.

Crime does not just blight lives – it holds up the regional economy itself.

According to the Government Office for the West Midlands, business crime costs business and the criminal justice sector in the West Midlands region £123 million per annum. The Government Office states that this equates to £10.3 million per month or £2.4 million per week or over £335,000 per day or £14,000 per hour (1).

In response, the West Midlands Business Council formed the West Midlands Regional Business Crime Forum with the Association of Chief Police Officers, Government Office for the West Midlands, Trading Standards, West Midlands Local Government Association and Advantage West Midlands.

We welcome the role of the Agency in the Forum and the decision of the Agency to consider capital funding for anti business crime initiatives in regeneration zones. This is a positive step forward and we would encourage this role and commitment to be clearly communicated in the Regional Economic Strategy.

The Forum has adopted a clear and unambiguous position on business crime. This is that the definition of business crime should be defined as any crime against a business or business premises – the definition as developed by Warwickshire Police. We believe that this definition should lead to Government setting key performance indicators (KPIs) to address business crime. We are pleased that three of the four police forces in the region have set business crime as a key target to be addressed.

This stance is not an endorsement of the system of KPIs but a recognition that until this system changes a KPI for business crime would help lead to the delivery of resources to the police to combat a form of crime that literally has a cost in jobs.

We accept the concerns that the police already have too many targets to meet – but the business community has suffered from frustration and concern as to how much attention can be devoted to business crime for too long to not recognise the value of KPIs to address business crime.

However, we welcome the fact that three of the four regional police forces have set business crime as a target to be addressed and we would support any

funding system for the police that would help officers to target business crime as well relieve the pressure of the targets system upon the police.

We accept that, within the context of the Regional Economic Strategy, the Agency itself has a role, amongst other partners, in this area. This could include the Regional Economic Strategy supporting and promoting the stance of the Forum in position to business crime with key decision makers.

Advantage West Midlands could consider funding anti business crime initiatives beyond regeneration zones. We appreciate the funding restraints that the Agency is experiencing and in Chapter Two we proposed various funding methodologies to release funds for elsewhere, which can include addressing business crime.

In the context of other work within the strategy, the use of design in buildings is key with crime prevention. The Agency and its partners have an impressive record of transforming the physical infrastructure of the region. We believe that in any capital led regeneration initiative 'design out crime' principles can be adopted for building design so that regeneration projects can not be hijacked by criminals with the use, for instance, of dark alleys.

That is why we would propose that the Agency and its partners adopt the code of practice developed by Association of Chief Police Officers to effectively 'design out crime' across the region. We would also recommend that lessons are learned from the design out crime planning guidance produced by Dudley Metropolitan Borough Council.

This submission also addresses procurement policy to diversify the supply chain. We would also propose that procurement practices can be used to cut out cowboy operations and lead to a domino effect on good procurement policies throughout the supply chain.

Central England Trading Standards Authorities (CENTSA) have developed for the Forum a guide to accessing security suppliers.

We would propose that Advantage West Midlands work with CENTSA so that the Agency and its partners adopt procurement practices that favour quality businesses rather than cowboy or criminal operations.

However, one key policy could lead to a disproportionate impact in tackling business crime. The new regional business support structure provides a real opportunity to include effective crime prevention advice to businesses.

Too often, though, some businesses consider advice on skills, crime or other matters is provided in a "silo" approach. The new business support structure is effectively trying to address this concern and we believe crime prevention advice should not be provided as an issue in its own right but as part of the general

advice given to businesses as to how to undertake the risk assessment process when preparing its business plan and rolling out its future business planning processes.

In that way, crime prevention advice can be incorporated in everyday business practices rather than in a format which is unhelpful to firms who have to do so much to move forward in a wide range of areas.

There is one area of criminal activity that has led to widespread public concern – terrorism.

Birmingham has tragically been a victim of terrorism in the past and the evacuation of Birmingham city centre in summer 2005 was yet another reminder of the need to be alert. However, emergencies of all types need to be addressed such as the concerns in the spring of 2006 of a potential bird flu outbreak.

That is why we would encourage Advantage West Midlands and other partners, such as local authorities, to prepare together economic recovery programmes for a range of scenarios that may occur in the event of any serious incident occurring.

We would recommend that the Agency and other partners develop these plans with resilience specialists so that plans are in place to recover against a range of emergencies - which we all hope will never occur.

Summary of Recommendations in this Chapter:

- a) That the Regional Economic Strategy supports the Warwickshire Police definition of business crime as any crime against a business or a business premises**
- b) That Advantage West Midlands and its partners support and communicate with key decision makers the need for the development of key performance indicators to assist the police in addressing business crime**
- c) Advantage West Midlands fund anti business crime initiatives outside and inside Regeneration Zones**
- d) That Advantage West Midlands and its partners accept the code of practice developed by the Association of Chief Police Officers to “design out crime” in new infrastructure developments and learn from best practice from Dudley Metropolitan Borough Council**

- e) **Advantage West Midlands and its partners work with Central England Trading Standards Authorities to ensure public procurement practices favour quality businesses not cowboy firms**

- f) **New regional business support structure to include crime prevention advice as part of the risk assessment advice for when business plans and future business planning processes are being developed**

- g) **Preparing economic recovery programmes for potential emergency incidents**

Chapter Eight

Milton Keynes South Midlands Growth Area

Key Messages: With the Milton Keynes South Midlands growth area inevitably impacting on the regional economy Government and public agencies should adopt a range of policies that would make this development work for the people and businesses of the West Midlands region – not against it.

The Milton Keynes South Midlands (MKSM) growth area will inevitably impact on the West Midlands regional economy.

The Government's *Sustainable Communities Plan* addressed the issue of the under supply of affordable homes in south east England. The Plan proposed to increase the number of houses in the South East region by an additional 200,000 on top of the planned 900,000 homes planned between 1996 to 2016 for the South East region.

The Government stated that four areas had been identified for the housing to be built. They are Ashford, Milton Keynes, Thames Gateway and the London – Stansted – Cambridge corridor. For the West Midlands region, concerns have been expressed by businesses, local authorities and other organisations regarding the implications for West Midlands' jobs and the regional economy with the Milton Keynes development.

Milton Keynes – The Concerns

Milton Keynes – Northamptonshire growth area is just a short distance from the Warwickshire border and from Coventry.

With some estimates that the Milton Keynes-Northamptonshire development could become at least twice the size of Birmingham (1), fears have been expressed that resources could be diverted away from the West Midlands region to address the growing Milton Keynes area.

There is also a fear that infrastructure developments could be skewed to address the growing Milton Keynes – Northamptonshire housing led development and that this could lead to further pressures on the groaning transport infrastructure within the West Midlands region.

On top of this there are worries that there may be a potential migration of skilled workers. Workers could relocate to be within easy reach of the West Midlands region and the Milton Keynes area. This migration could upset the existing regeneration plans of Coventry and other parts of the southern West Midlands area and could have a knock on effect upon the economic development of the whole of the region.

The thrust of the Regional Spatial Strategy is the renaissance of the major urban areas of the West Midlands through a 'step change' to counter decades of decentralisation of population and investment. On the other hand, the MKSM strategy is simply to accommodate large scale growth as the inevitable consequence of a long term policy of concentrating the national economy in London and the south eastern quadrant of England. The unanswered question is whether these two strategies are complementary or contradictory. The answer appears to have been left to those of us 'on the front line' to find .

Jobs

Currently there are high rates of unemployment across the region:

Area

Birmingham	6.0%
Sandwell	5.1%
Wolverhampton	5.5%
Coventry	3.7%
Stoke	3.7%

(2)

The Regional Economic Strategy and the Regional Spatial Strategy (RSS) – as developed by the West Midlands Regional Assembly – are designed to address these high levels and related deprivation problems with a range of economic development measures. The RES and RSS do not, though, currently take into full consideration the implications of the Milton Keynes developments.

The development of Milton Keynes could create an alternative investment opportunity that would lead to business opportunities – and therefore potential new jobs – being lost to the West Midlands region.

In July 2006, the West Midlands Business Council, which was charged by the West Midlands Regional Assembly's Planning Partnership to consider the implications of the MKSM development, published an action plan to ensure this development works for the region. The proposals, which we believe should be included in the Regional Economic Strategy, are as follows:

Midlands Way

The former Office of the Deputy Prime Minister had offered to consider integrating the conclusions of the Regional Planning Partnership's work with MKSM into the emerging Midlands Way strategy and that this has been noted by consultants developing the Midlands Way consultation document.

We would urge the practical implementation of this approach in the final Midlands Way strategy. Further consideration of the Midlands Way is discussed in Chapter Eight – Cross Regional Linkages.

Economic Analysis

The work of the MKSM Working Group has been hampered by the lack of an economic analysis of the impact of the MKSM growth area upon the West Midlands region.

However, in June 2006, the MKSM Working Group received a verbal report from the Regional Planning Partnership Secretariat and Advantage West Midlands stated that joint working will be undertaken in this area.

We welcome the decision of the Agency to undertake this work and believe it must adopt a holistic approach to this issue.

Cross public agency and departmental co-operation

Despite the written statement of the then Secretary of State for Transport, the Rt Hon Alistair Darling MP, for active co-operation across regional borders between public agencies, this has operated on a very limited basis. Therefore we would urge the Department for Communities and Local Government, as a party to the Regional Economic Strategy, for a clear mechanism, as part of its existing MKSM structures, for an effective mechanism for cross public sector co-operation.

West Midlands Representation

West Midlands regional public agencies and the business community are not included on the Inter Regional Board and other planning bodies of the Department for Communities and Local Government with the development of the MKSM growth area – despite the linkages between the region and the growth area. We would urge the Department for Communities and Local Government for this omission to be rectified.

Monitoring

The West Midlands Regional Assembly's Planning Partnership has agreed to establish a monitoring mechanism with other regional assemblies to measure and assess the inter-regional implications of the MKSM development. We welcome this decision and propose that Advantage West Midlands and the business community are involved with this work.

Rail Services to and from Birmingham International Airport

We propose that Network Rail and the Department for Transport agree to an increase in the regularity of services between the region and Milton Keynes to take into consideration the population implications of the development.

An increase in the regularity of services would also enable Birmingham International Airport to be the aviation hub for long haul destinations to the Milton Keynes South Midlands growth area.

Rail Freight Services to Felixstowe and Southampton

Local government, public agencies and businesses in the growth area and the region both state that the long expected development of a rail freight lines to Felixstowe and Southampton would be effective in terms of freight removed from the road, time saved and linkages to logistics access points in the region and the growth area.

We would urge Network Rail and the Department for Transport to progress this matter.

Birmingham International Airport – Through Ticketing

We would encourage Birmingham International Airport and Network Rail to enable rail through ticketing to be provided at the airport for easy access to the region and the growth area as a consequence of Birmingham International Airport being seen as the aviation hub for long haul journeys for the growth area.

Birmingham International Airport – Freight

The region does not contain an airport with a sufficiently large freight capacity. For businesses in the West Midlands region, the nearest airport that can provide such a service is Nottingham East Midlands while for much of the growth area, the nearest airport with a large freight holding capacity is Stansted.

However, Birmingham International Airport does contain limited freight capacity, known as belly hold.

Therefore we would encourage Birmingham International Airport (BIA) and businesses and public agencies in the growth area to plan for the potential development of belly hold capacity at BIA.

Road Capacity

The implications of the MKSM growth area upon the road network are still unclear. Therefore we would propose to the Highways Agency and the Department for

Transport that a feasibility study into this matter is undertaken to inform future decision making.

It should be noted that the MKSM Working Group had raised the need to improve Junction 19 of the M1 near Rugby – the interchange for the A14 – and the Department for Transport has responded positively. There is a need for the strategic role of the A14 to be recognised in the context of linkages between the growth area and the region.

Further transport issues are considered in Chapter Four – Transport.

Environmental Impacts

While the environmental impacts upon the West Midlands region from the MKSM development are likely to be substantial, there are particular concerns relating to the impact of the development upon the water table.

We would therefore urge the Environment Agency to undertake an urgent appraisal of the water supply needs and the impact on the water table of the MKSM development upon the West Midlands region.

Energy infrastructure issues in the West Midlands region could be affected by the development of the MKSM growth. Therefore we would urge the Department for Trade and Industry to urgently investigate this issue.

High Technologies

We would propose that Advantage West Midlands with the Department for Trade and Industry and the Department for Communities and Local Government develop an evidence base to consider how high technologies work within the MKSM growth area, with their links to the Oxford 2 Cambridge Arc (a high technologies economic development project) can be linked to the work within the Regional Economic Strategy.

Higher Education

We would propose to the Regional Skills Partnership to consider representations to the Higher Education Funding Council (HEFCE) and the Department for Education and Skills to broker potential linkages between West Midlands regional universities and the body, Universities for Milton Keynes so that the development of a higher education facility in this town is helped by links with West Midlands universities. In turn this would assist the commercial capacity of West Midlands higher education institutions.

Logistics

We would encourage the West Midlands Regional Assembly to involve Advantage West Midlands and the business community with the development of its work in respect of logistics especially as the growth area, like our region, is developing its own logistics sector. We believe that the logistics sectors in the West Midlands region and the growth area could be complementary to each other and this should be explored.

Automotive

We would propose that Advantage West Midlands with the Manufacturing Advisory Services in the West Midlands region and MKSM growth area work together for the development of joint ventures between automotive firms in both areas.

We would also propose to Advantage West Midlands that the automotive cluster opportunity group, under the aegis of Advantage West Midlands, and the South East England Development Agency, the East of England Development Agency and East Midlands Development Agency could be part of this work in recognition of the automotive R&D base in Milton Keynes and the automotive firms in the West Midlands region.

Construction

We would propose that the Department of Trade and Industry ensure that all MKSM related construction projects are advertised on the Supply 2 Gov portal at a rate which is either free or not at a prohibitive rate for Small and Medium sized enterprises (SMEs) across the West Midlands region.

Tourism

The tourism potential for the region, with an increased population near tourist areas in Stratford upon Avon and relatively short travelling times to other attractions such as Alton Towers, could be significant.

With the canal network also linking the growth area with the region, there could be a range of tourism options in the region for the increased population in the growth area.

Therefore, we would propose that Heart of England Tourism, Tourism West Midlands and English Waterways develop a tourism strategy in partnership with Birmingham International Airport, South East Regional Development Agency (SEEDA), East Midlands Development Agency (EMDA) and Invest Milton Keynes.

We believe these proposals are critical if the MKSM development is to work for the regional business community in the West Midlands region. However, more work will be undertaken by the West Midlands Business Council to examine the

implications of the Northamptonshire aspects of this development upon the region.

In partnership with Advantage West Midlands and the West Midlands Regional Assembly we can ensure that the MKSM growth area boosts the West Midlands regional economy – but the engagement of central Government in this process is fundamental for this objective to be achieved.

Summary of Recommendations in this Chapter:

- a) For the implications of the MKSM growth region upon the West Midlands region to be incorporated into the Midlands Way final document**
- b) For the business community to be involved in the Advantage West Midlands work examining the economic impact of the growth area upon the region**
- c) A mechanism for effective cross departmental and public agency working on issues pertaining to MKSM in the interests of the people and businesses of the West Midlands region**
- d) For West Midlands regional business community and West Midlands regional public agencies to be represented on the MKSM Inter Regional Board**
- e) For Advantage West Midlands and the business community to be involved in the West Midlands Regional Assembly's cross regional monitoring work in respect of MKSM**
- f) For an increase in rail services between Birmingham International and Milton Keynes Central to take place**
- g) For a rail freight services between the West Midlands to Felixstowe and Southampton to be introduced**
- h) For through ticketing to be introduced at Birmingham International Airport for different modes of transport**
- i) For a feasibility study to be established to examine the impact of the growth area upon the road network and for the strategic role of the A14 to be taken into consideration**
- j) For the Environment Agency to assess the impact of the growth area upon the water table and for the Department of Trade and**

Industry to assess the impact of the growth area upon the national grid

- k) For Advantage West Midlands to work with neighbouring regional bodies on linkages with the MKSM and Cambridge 2 Oxford Arc high technology work**
- l) For work to be undertaken to assess how logistics sites in the West Midlands region can be planned to be complementary to logistics sites in the MKSM growth area**
- m) For Advantage West Midlands to work with neighbouring regional bodies to link automotive firms in the West Midlands and the MKSM area together**
- n) For the Department of Trade and Industry to ensure that all MKSM construction projects are advertised on the Supply 2 Gov website**
- o) For a tourism strategy to be established to attract tourists from the growing population in the MKSM growth area**
- p) For higher education links to be developed between West Midlands universities and the body, Universities for Milton Keynes**

Chapter Nine

Cross Regional Linkages

Key Messages: Develop closer links with all regional agencies on the borders of the region to drive up the economic performance of the West Midlands.

A regular theme running throughout this submission is how cross regional and international working is fundamental in ensuring our regional economy develops.

With the West Midlands region at the heart of the UK it would be a retrograde step for the people and businesses of our region if we only concentrate on policy changes within the region without considering how our place in the UK can be utilised to boost our economic performance.

Wales

The long regional border with Wales is potentially one of the greatest opportunities to generate co-operation – due to the significant powers and relative financial freedom that devolution has provided to the National Assembly of Wales.

Currently the institutional relationship between the Welsh Assembly and West Midlands institutions is very poor with occasional complaints from Welsh MPs and the Welsh Assembly when the West Midlands Regional Assembly takes transport decisions which are seen to be against the interests of Wales. This is despite the efforts of the Rural Affairs Forum, which meets under the aegis of the Government Office for the West Midlands, to develop a concordat to establish a working relationship between Welsh and English public agencies.

However the opportunities that close working could deliver for the West Midlands economy is significant. In 2006, a new Government of Wales Act entered the statute book providing the Welsh Assembly with stronger powers to set secondary legislation.

The Welsh Assembly also has greater financial freedom in how it allocates public funds than is the case in the English regions where Government targets prevail.

How, then, could Welsh devolution work for the West Midlands economy?

There needs to be a recognition that there are areas in the region that act as the main economic centres for a number of Welsh border areas. Shrewsbury is a good example of a town that, essentially, is an economic centre for much of Powys. However, Welsh Assembly funds are not directed to support these English based economic centres.

Alternatively there may be centres in Wales that help support economic activity in the West Midlands region. Therefore we would encourage the Welsh Assembly and West Midlands based agencies to consider a system of financial burden sharing that would be to the benefit of people living in Wales and the West Midlands region.

There are four specific areas that could benefit by close co-operation. These are:

- Transport
- One Stop Shop for Rural Public Services
- Biomass
- Tourism

As we have seen in Chapter Four on Transport there is a significant lack of bridge crossings between England and Wales. There is also a need to improve some road connections while rail connections require substantial improvement.

These developments would not just be positive for the West Midlands regional economy. For Wales does not contain a rail service that runs north to south without travelling via England.

Therefore it is in the interests of the people and businesses of Wales and the West Midlands region that the West Midlands regional institutions, including Advantage West Midlands and the West Midlands Regional Assembly, work closely to develop practical proposals to improve transport links.

As referred to earlier in this report the lack of direct Government funds to address all the economic needs of the West Midlands region is a pressing concern. That is why in Chapter Three, proposals to lever in new funding are proposed.

By linking in and agreeing transport actions with the Welsh Assembly this can mean that both sets of institutions could share the financial burden of improving transport links – thereby reducing the financial burden for public agencies that address West Midlands' matters.

As discussed in Chapter Thirteen, the one stop shop facility for rural public services needs to be developed in the West Midlands region. Such a development, if planned in the right way, could also benefit Welsh rural border areas.

Therefore, while there may be difficulties in funding such a service on a West Midlands regional basis, joint working with the Welsh Assembly could help to release new funds for such a service to progress.

Wood biomass production is an area that could benefit from co-operation with the Welsh Assembly. As stated in Chapter Six, the opportunities from biomass production in the West Midlands region are immense. For the Welsh Assembly this is also an interesting area especially as it has decided that Wales will be a genetically modified (GM) free zone – despite the unhappiness with this policy from the UK's Department for the Environment, Food and Rural Affairs.

So, wood biomass production could be, for some Welsh farmers, a step forward which could reach new markets in industrial areas of the West Midlands. For West Midlands farmers, co-operative working across a larger area may make the production of biomass far more competitive and enable it to effectively bid to supply new markets. Further discussions would be required to explore this specific area.

Finally, the potential to co-operate on cross border tourism marketing should be explored.

South East and London

Links with London 2012, the City of London and the Milton Keynes South Midlands growth area has been extensively explored in this submission. This demonstrates the very significant pull of the London and South East economy.

It is critical that close contacts are maintained with relevant South East bodies as policies developed in the West Midlands region which is divorced from the economic engine of London which drives the British economy, would prove to be counter productive.

North West

Economic links with the North West are critical for the long term sustainability of the West Midlands economy. In 2005 the Confederation of West Midlands Chambers of Commerce led in brokering a meeting between leading business figures from both regions at Sandbach in Cheshire in recognition that co-operation on transport issues could prove to be beneficial to the business communities in both regions.

Since then the Northern Way concept, which would lead to business developments around the M62 and is led by three northern Regional Development Agencies, is moving ahead.

The impact of the Northern Way upon the West Midlands regional economy, especially on North Staffordshire, has to be considered as a pressing concern. Some of the issues surrounding the Northern Way are similar in nature to those matters encountered with the Milton Keynes South Midlands growth area. They are:

- West Midlands regional institutions and businesses are not involved in the planning for the Northern Way – despite the impact on north Staffordshire and the wider region;
- There has been no economic analysis of the potential impact of the Northern Way on the West Midlands regional economy.

The West Midlands Business Council would strongly urge that such an economic assessment takes place and that regional institutions and businesses are invited to be involved in the planning of the Northern Way.

The opportunities for close working exists on transport, including with the need to move forward with improvements to the M6 and links between Birmingham International Airport and Manchester Airport combined with improved rail services between North Staffordshire and the North West.

Unlike in Wales, North West public agencies operate under the same HM Treasury constraints as with West Midlands public agencies. However discussions between both sets of regional institutions on financial burden sharing on transport improvements could prove to be beneficial.

South West

There is no doubt that the Gloucestershire economy is closely tied to the West Midlands regional economy.

One of the ways to identify a concept such as the West Midlands regional economy is the ability to track economic flows. But when it comes to Gloucestershire – in economic terms – these same economic flows means that this county can be seen as an important component of the West Midlands regional economy. A brief look at the housing market demonstrates this.

An Ecotec report for the West Midlands Regional Assembly clearly demonstrates that the Gloucester and Cheltenham housing market is intricately linked to the other housing markets that operate in the West Midlands region (1).

Another example is in the field of tourism. When visitors travel to Herefordshire, Worcestershire, Shropshire and Warwickshire, tourists can take the opportunity to visit the Cotswolds. That is why marketing tourism opportunities in the region should also include the attractions of the Cotswolds.

While we are aware that some progress has been made in this area we would encourage Advantage West Midlands including Tourism West Midlands and Heart of England Tourism to work closely with the South West Regional Development Agency so that a marketing strategy can be further developed that

brings all tourism attractions, in Gloucestershire and the West Midlands region, together.

Due to the significance of the Gloucestershire economy to the basic economic importance of the wider West Midlands economy, we would propose regular links are maintained between both sets of regional institutions and Gloucestershire County Council. These talks could also consider financial burden sharing in respect of transport improvements.

East Midlands

The economic links between Leicester, Nottingham and Derby with the West Midlands regional economy are strong with the links between West Midlands firms and the Rolls Royce plant in Derby being one such example. Part of the Milton Keynes South Midlands growth area, as discussed in the last chapter, also lie in the East Midlands region.

In an attempt to discover if there was any merit in finding whether aspects of the economic development plans from each region would benefit from joint working plans for the Midlands Way strategy were developed.

Therefore the West Midlands Business Council will provide a more detailed response to the Midlands Ways developing plans .

City Regions

The Local Government White Paper published in November 2006 stated that the prospective policy of City Regions was under review. Until the Government's intentions on City Regions are clearer it is difficult for the business community to come to a considered view on this matter.

Summary of Recommendations in this Chapter:

- a) **Talks should commence between regional institutions and the Welsh Assembly to seek co-operation on financial burden sharing, transport, rural public services provision, wood biomass production and tourism**
- b) **Regional institutions should instigate talks with all neighbouring regional agencies to consider financial burden sharing to improve the transport infrastructure**
- c) **Regional institutions and regional businesses should be involved with the planning of the Northern Way**
- d) **An economic assessment of the impact of the Northern Way upon the regional economy should take place**

- e) **There should be an enhanced marketing campaign to link with the attractions of the Cotswolds with tourist facilities in the West Midlands region**
- f) **Links with Gloucestershire County Council should be established to monitor the impact of the county's economic activity upon the West Midlands region**

Section Three

Business Development

Chapter Ten

Clusters

Key Messages: Improving the delivery of the clusters programmes to enhance the business base across the region

Introduction – What are Clusters?

The concept of clusters is well known in the West Midland region with the Regional Development Agency – Advantage West Midlands – championing this policy.

The concept originally came from Michael E Porter of Harvard Business School in the United States:

“Open global markets, rapid transportation and high speed communications should allow any company to source anything from any place at any time. But in practice, location remains central to competition. Today’s economic map of the world is characterised by what Porter calls clusters: critical masses in one place of linked industries and institutions – from suppliers to universities to government agencies – that enjoy unusual competitive success in a particular field”. (1)

Porter elaborates on this in an article when he stated (2):

“Even as old reasons for clustering have diminished in importance with globalisation, new influences of clusters on competition have taken on growing importance in an increasingly complex, knowledge based and dynamic economy. Clusters represent a new way of thinking about national, state and local economies and they necessitate new roles for companies, government and other institutions in enhancing competitiveness”.

Advantage West Midlands’ strategy of clusters is one of the mainstays of the Regional Economic Strategy (RES). The Agency has stated that clusters:

“work towards modifying the underlying shape of the regional economy. Working with businesses and building on existing regional strengths it will create sustainable competitive advantage”. (3)

In the West Midlands region, some clusters have shown success rates. However, there are three key issues that need to be addressed for a successful clusters strategy.

These are:

- Overall aims of clusters

- Communications
- Clusters and manufacturing

Overall Aims of the Clusters Strategy

We accept that Agency funding for Cluster Opportunity Groups (COGs) is pump priming to develop a co-operative approach, particularly amongst SMEs, in accessing market opportunities. The marketing and development of COGs action plans should, therefore, address directly the specific funding role of the Agency to avoid any possible misconceptions in the business community.

However, the wider issue is the objective of the clusters strategy. As stated above, Porter never envisaged clusters as just improving high GVA sectors though that is a critical consideration. As Porter states:

“Clusters represent a new way of thinking about national, state and local economies and they necessitate new roles for companies, government and other institutions in enhancing competitiveness”.

Therefore the clusters strategy could consider sectors that are important for the general sustainability of the regional economy as well as a focus on the high GVA performers. For such an approach will give the regional economy a sound economic and employment base to enable high GVA sectors to flourish.

Clusters strategy can then build on this strategic approach to develop cross sectoral linkages – realising the objectives that Porter has outlined. One report has shown that:

“In the last 10 – 15 years businesses are focusing on core competencies and outsource non core functions. Collaboration is being driven by a desire to find new ways of gaining competitive advantage” (4)

One such example of where a clusters strategy could assist the economic and employment base of the region, but not assisting a current high GVA sector, is clothing.

According to one report there are 700 clothing manufacturing companies, employing about 10,000 people, with an annual turnover of £500 million (5). This report states there is a clear future for the textiles industry – but only if there is support given to help the industry diversify.

Another survey of apparel, footwear textiles and related businesses in the West Midlands stated that the sector, in Birmingham and Solihull, employs 21,585 people as detailed below (6):

Manufacture of Textiles	7,176
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Manufacture of apparel	5,470
Manufacture of Leather, footwear	1,315
Agents: sale of textiles clothing etc	507
Wholesale of Textiles	748
Wholesale of clothing and footwear	2,324
Repair of boots/shoes	219
Washing/dry cleaning of textiles etc	3,826

According to this report the turnover is £452 million, manufacturing output in the region fell by a quarter between 1998 and 2001, employment in the sector fell by over a third between 1998 and 2002.

The latest report on the sector states that a conservative estimate is that the clothing manufacturing sector contains 700 firms and 10,000 employees. If, however, home workers are included then the number of people employed in the sector increases to 20,000 to 30,000 people (7).

The reports demonstrate that the pressing problem for this sector – which is mainly an SME and micro businesses led sector – is that businesses engaged in the textiles industry need support for diversification.

This is especially the case in advance of the European Union tariffs on textile imports coming down.

If, diversification assistance is delayed until after tariffs come down then it could be too late to adapt the sector for the competitive global economy with a high value added approach being adopted for textiles production in the West Midlands region.

Therefore clothing is an example of an industry where clustering would secure the regional economic base and could lead to sectors becoming, in time, high GVA performers.

Public and corporate procurement activity and clustering could be a combined strategy to ensure that business development serves the needs of the regional economy. Public procurement activity is discussed in more detail in chapter thirteen. However if cluster managers can co-ordinate SMEs' activity to bid for work then this would strengthen the economic base of the region.

The dilemma for public agencies has to be the prioritisation of public resources and, therefore, an approach on high GVA sectors can be seen as appropriate. Putting aside the issue that market dynamics can change a sector from a low performer to a high performance sector – and vice versa – this approach could neglect the need to ensure the firm economic base that high GVA firms need to flourish.

In Chapter Three on Funding, we proposed a number of policies which could release funds for elsewhere. This would assist with the development of the clusters strategy.

With the involvement of business representative organisations, Agency pump priming could be used to ensure a greater commitment from the wider business community – helping this policy go further in terms of communications, finance and delivery.

Communications

Clusters and their respective COGs, which operate within the Agency, have a relatively low profile. Therefore the potential reach of COGs is limited.

The West Midlands Business Council would propose a clear and direct step change in COGs marketing. Clusters, if it is to deliver its potential, should be broadly advertised via the Agency's Regional Marketing Strategy. The marketing of clusters could be mainstreamed in the overall marketing budget to reach the widest possible audience.

Business representative organisations need to be more closely involved in the development and implementation of clusters strategies for it is these organisations that are an effective and cost efficient approach to reach the widest possible business market. The West Midlands Business Council is willing to be an effective conduit for information to business representative organisations, if necessary.

This information flow should consist of practical commercial opportunities for the participation of firms in various initiatives operated by the COGs.

Manufacturing and COGs

There are thirteen clusters as established by Advantage West Midlands. Of these COGs, the following are related to manufacturing:

- High Value Added Consumer Products (HVACP)
- Environmental Technologies
- Building Technologies
- Aerospace
- Automotive
- Rail
- Manufacturing
- Medical Technologies

However the business plan for Manufacturing states:

“Unlike other business clusters, there is no Manufacturing Cluster Opportunity Group (COG). Regional manufacturing policy is supported through the Beacon Manufacturing Group (BMG) which was established to nurture and support manufacturing in the West Midlands. It was set up with the joint remit of identifying and addressing the strategic needs of manufacturers as well as promoting the West Midlands as the leading manufacturing region in the UK. It is comprised primarily of the region’s public sector partners rather than the industry focus of the COG’s. In addition, there is the independent Manufacturing Foundation which researches into the key manufacturing issues facing regional manufacturers and provides policy advice to National and Regional Government”. (8)

However, the Manufacturing Business Plan does contain various action points.

The West Midlands Business Council has considered that when it comes to manufacturing and clusters the first issue that was identified was the methodology used to identify high GVA sectors.

That is why we propose a sophisticated methodology could be developed to help predict, as much as is possible, future as well as current trends for sectors which could become high GVA industries.

The basis for such a methodology could emerge from the West Midlands Regional Observatory who has considered various theories of economic analysis for a possible economic impact assessment of the Regional Economic Strategy. This work could be developed in this area to assist the development of the RES – ensuring that a wide range of data sources and clear baseline criteria could be used.

Advantage West Midlands has allocated a substantial figure to its’ clusters programme - £51 million – for the period 2005 to 2008 – which is divided into £38 million revenue stream and £13 million capital stream.

On an analysis of the figures provided in the business plans it seemed that £12 million had been allocated to manufacturing.

While the West Midlands Business Council recognised that the funds were to be used for pump priming and leveraging in other sources of funding, it proposes that, if possible, active consideration is given to collating larger sums for supporting manufacturing in the light of the series of economic shocks to the sector in the region and its’ primary importance in the regional economy.

Concerns have been expressed in the business community that – upon a preliminary analysis of the COGs’ Business Plans SMEs and micro businesses did not seem to be the main beneficiaries of direct funding – though it was acknowledged that benefits could accrue to SMEs and micro businesses in the

supply chain. Therefore the division of funding to help the growth of micro and SME businesses needs to be considered.

The separation of the Manufacturing Business Plan from the other sectoral manufacturing COGs is clear with the description of the Beacon Manufacturing Group as being “comprised primarily of the region’s public sector partners rather than the industry focus of the COG’s”.

However a more inclusive approach with a clearer structure as to how the clusters operated could assist the strategy being more effective in delivering clear economic outputs for the region.

Therefore the West Midlands Business Council proposes a Manufacturing COG could be established which would act as a Manufacturing Forum – bringing together the business community, public sector bodies including the West Midlands Learning and Skills Councils and business support structures.

This Forum could be the main mechanism for developing various policy approaches to manufacturing while the individual manufacturing sectoral COGs could report to the Manufacturing Forum and be accountable to it.

Such a mechanism would provide a clear accountability structure, would ensure buy-in from all stakeholder partners and would provide a coherent management structure to monitor the effectiveness of manufacturing policies.

In short, such a structure would provide a more holistic approach to manufacturing policy while ensuring that ultimate accountability for the direction of manufacturing policy rests with the Board of Advantage West Midlands.

We consider the role of a design cluster in Chapter Eighteen – Creative Industries, the relationship between clusters and R&D in Chapter Sixteen – Research and Development and the role of clusters in connection with a major housing led development in Chapter Eight – Milton Keynes South Midlands Growth Area.

Summary of Recommendation in this Chapter:

- a) Clusters strategy could consider sectors that are important for the general sustainability of the regional economy as well as a focus on the high GVA performers.**
- b) Cluster managers co-ordinate SMEs to bid for work then this would strengthen the economic base of the region.**

- c) Agency pump priming could be used to ensure a greater commitment from the wider business community – helping this policy go further in terms of communications, finance and delivery.**

- d) Clusters, if it is to deliver its potential, should be broadly advertised via the Agency’s Regional Marketing Strategy. The marketing of clusters could be mainstreamed in the overall marketing budget to reach the widest possible audience.**

- e) Business representative organisations need to be more closely involved in the development and implementation of clusters strategies for it is these organisations that are an effective and cost efficient approach to reach the widest possible business market. The West Midlands Business Council is willing to be an effective conduit for information to business representative organisations.**

- f) This information flow should consist of practical commercial opportunities for the participation of firms in various initiatives operated by the COGs**

- g) A sophisticated methodology could be developed to help predict, as much as is possible, future as well as current trends for sectors which could become high GVA industries. The basis for such a methodology could emerge from the West Midlands Regional Observatory.**

- h) If possible, active consideration is given to collating larger sums for supporting manufacturing in the light of the series of economic shocks to the sector in the region and its’ primary importance in the regional economy.**

- i) Therefore the division of funding to help the growth of micro and SME businesses needs to be considered.**

- j) Manufacturing COG could be established which would act as a Manufacturing Forum – bringing together the business community, public sector bodies including the West Midlands Learning and Skills Councils and business support structures.**

Chapter Eleven

Regeneration and High Technology Corridors

Key Messages: Improving the delivery of regeneration policies to address problems in deprived areas.

Regeneration

The West Midlands Business Council is committed to effective regeneration practices across the region to ensure a truly balanced regional economy – delivering economic prosperity to every person across the West Midlands region.

Business is willing to be a strong partner in regeneration but duplication of efforts and confusion regarding lines of accountability and a lack of open communication can impair the much needed work that needs to take place on the ground.

This chapter proposes key principles which, if applied, can help deliver new hope and new opportunities for all communities.

Regeneration – Current Structures

Advantage West Midlands has established six regeneration zones. These zones are:

- North Staffordshire Regeneration Zone
- North Black Country and South Staffordshire Regeneration Zone
- South Black Country and West Birmingham Regeneration Zone
- East Birmingham and North Solihull Regeneration Zone
- Coventry and Nuneaton Regeneration Zone
- Rural Regeneration Zone

The Regeneration Zones encompass areas of concentrated deprivation and high unemployment.

The concept is that targeting activities can take place within each Zone over an extended period of time to ensure there is sustainable economic regeneration.

Advantage West Midlands has also established the Market Towns Initiative. Action plans are developed for a three to four year period to economically rejuvenate the region's market towns.

Alongside the work of the Regional Development Agency, seven Local Strategic Partnerships in the region gains assistance from the Government's Neighbourhood Renewal Fund. The areas that receive assistance are:

- Birmingham
- Coventry
- Sandwell
- Wolverhampton
- Walsall
- Dudley
- Stoke on Trent

The Government's New Deal for Communities programme are also long term regeneration initiatives aimed at the following areas in the region:

- Wolverhampton
- Sandwell
- Coventry
- Aston area of Birmingham
- Kings Norton area of Birmingham
- Walsall

Finally, the Government's Neighbourhood Management Initiative aims to improve public service delivery by the use of a neighbourhood manager. The areas served by this scheme are:

- Solihull
- Wyre Forest
- East Staffordshire
- Newcastle under Lyme

The Government's Single Regeneration Budget process is also helping a number of deprived areas across the West Midlands region.

Role of Business – Critical for Prosperity

While these schemes are to be welcomed, sustainable economic regeneration can not be achieved without the full contribution of the private sector.

Business in the West Midlands region needs a balanced regional economy. Sustainable business growth can not be achieved if some areas prosper while others are in decline. These impacts on potential new markets being generated, on overall levels of business growth and on the West Midlands region being seen as an attractive area for inward investment.

The work of some organisations such as Business in the Community also demonstrates the strong spirit of Corporate Social Responsibility in the region dedicated to all people prospering from the current positive UK macro-economic environment.

In recent times concerns have arisen from the business community that more needs to be done to ensure that the business contribution will have full weight in the desired outcomes in regeneration that the public and private sectors share.

The West Midlands Regional Assembly inquiry into regeneration in 2004 recommended key principles that should be part and parcel of all regeneration programmes to ensure effective business engagement, value for public money invested in the programmes and the deprived areas eventually becoming prosperous areas.

These principles are discussed further in the next section.

Principles for Action

The West Midlands Regional Assembly's recommendations for improved regeneration principles, made in 2004, were backed by the West Midlands Business Council.

The relevant recommendations are:

- The aim of regeneration programmes should be clarified to ascertain whether the role of the programmes are holistic or focus specifically on economic regeneration;
- There needs to be a joined up approach between all regeneration programmes to tackle the perception of duplication;
- A clear and transparent methodology for all regeneration programmes needs to be established to ensure confidence in advance of greater business engagement
- Communications between business and other stakeholders must be open, clear and transparent
- All regeneration programmes need a medium term strategy over a three year period to ensure a stable framework for business engagement
- Common indicators should be established for the independent analysis of the effectiveness of regeneration programmes – enabling confidence in the business community to be improved in the transparency of these processes.

We believe that these principles once uniformly accepted could potentially lead to a sea change in the positive impact of business engagement in regeneration for local communities. We would encourage the Agency to take this approach to regeneration and to encourage its Governmental partners to do likewise to ensure an effective and joined up approach to regeneration.

High Technology Corridors

The concept of high technology corridors, as developed by Advantage West Midlands, aims to develop the growth of high technology businesses in specific geographical areas.

The West Midlands Regional Assembly, in October 2005, produced a report on the operation of this concept. The report's findings were generally favourable towards the concept but recommended a series of changes such as clarifying exactly what high technology means in the concept of these corridors, improve communications between the corridor management structures with relevant sections of Advantage West Midlands and steps to be made to improve the appraisal process of projects that are considered under this concept.

In response, Advantage West Midlands stated that it was taking steps to improve the operation of high technology corridors and added that many of the issues raised in the report would be considered as part of the Regional Economic Strategy review.

The West Midlands Business Council supports the report recommendations and believe its implementation can help the development of the high technology corridors.

Streamlined management processes and effective communications are key to the full utilisation of this concept. To this end, we endorse the approach adopted by the West Midlands Regional Assembly.

Summary of Recommendation from this Chapter:

a) That Advantage West Midlands and its Governmental partners adopt the following principles for all regeneration work:

- **The aim of regeneration programmes should be clarified to ascertain whether the role of the programmes are holistic or focus specifically on economic regeneration;**
- **There needs to be a joined up approach between all regeneration programmes to tackle the perception of duplication;**
- **A clear and transparency methodology for all regeneration programmes needs to be established to ensure confidence in advance of greater business engagement**
- **Communications between business and other stakeholders must be open, clear and transparent**
- **All regeneration programmes need a medium term strategy over a three year period to ensure a stable framework for business engagement**

- **Common indicators should be established for the independent analysis of the effective of regeneration programmes – enabling confidence in the business community to be improved in the transparency of these processes.**

- b) **Advantage West Midlands to implement the recommendations of the October 2005 West Midlands Regional Assembly inquiry into high technology corridors**

Chapter Twelve

Business Finance

Key Messages: Developing a suite of business finance products, from mezzanine funding to Islamic finance, to help the growth of SMEs

One of the key success stories of the Agency is its excellent access to finance programme. With its easy to use website – www.westmidlandsfinance.com – businesses can easily state their requirements and find out what financial instruments are available for them.

There is an issue of communicating this quality service to the wider business community and the West Midlands Business Council will play its part in advertising this service. We would propose that the Agency considers further whether this service should be advertised via its Regional Marketing Strategy.

Equity Finance

However, public sector sources of finance will not be enough to ensure there is a sustainable business base in the region. Measurements of the SME equity gap in the West Midlands vary but there is no doubt that this gap exists.

That is why the example of North Staffordshire Risk Capital Fund plc is so impressive. Thanks to Advantage West Midlands initial funding amongst others, this fund is the only one of its kind in the UK where the majority of its funds is from the private sector and where risk capital is provided to firms at rates which are not onerous to potential high growth firms who may not have received a positive reception from high street banks.

The Fund does not make a profit for its returns are immediately ploughed back into the Fund itself to drive forward the North Staffordshire economy. The fund was formed in recognition that too many firms were constrained by the lack of access to modest amounts of risk capital.

This is an excellent example of the kind of fund that is needed to drive forward entrepreneurial businesses. We would encourage Advantage West Midlands and other partners, such as local authorities, to build on this good work for across the West Midlands region.

Venture Capital

Venture capital (VC) is one source of finance which is not easily available to businesses in the region. The potential for investment in the business base has not been fully utilised. According to the latest statistics from the British Venture Capital Association, in terms of investment by region, 56% of Venture Capital

funds were invested in businesses in the London area while only 6% were invested in firms in the West Midlands.

Advantage West Midlands, and a number of Midlands based private sector VC funds have identified the opportunities – but the potential still exists.

There is an acknowledged 'equity gap' at the lower end of the market. The Government's intervention is designed to be the minimum necessary to stimulate private sector investors to provide small-scale risk finance for SMEs with growth potential.

The short term objective has been to establish at least one viable, commercial fund in each of the nine English regions – which increase the amount of equity gap venture capital available to the SME market and which does not displace any existing fund activity in this segment of the market.

The long term objective is to increase the amount of equity-based risk finance available to growing SMEs to enable them to realise their full growth potential and ensure that each region in England has access to a viable, regionally based venture capital fund, making equity based investments in smaller amounts in SMEs.

The aim is also to demonstrate to potential investors that commercial returns can be made by funds investing in the SME equity gap thus promoting the private sector venture capital industry, while increasing the supply of quality fund managers operating in the equity gap

In each RVCF, the Government is investing for its own account. In addition, the Government has secured funding from the European Investment Fund (EIF), the equity arm of the European Investment Bank, such that in most cases, approximately 50 per cent of the funding will be from these two sources. Each fund manager then has to secure the remaining percentage from other private sector investors.

If another institutional venture capitalist has already invested, then the cost of that investment is deducted from the £250,000 ceiling to arrive at the amount the RVCF can invest.

Potential for the Future

There has clearly been much change in the venture capital environment in the UK – such as the introduction of venture capital trusts in 1995 and the current consultation process by DG Enterprise of the European Commission examining the European policy dimension to the Venture Capital industry.

The West Midlands Business Council has engaged directly in dialogue with DG Enterprise and has been involved in intensive talks with the European Investment Fund (EIF) to consider the possibility of JEREMIE funding to help lever in further venture capital funds for the regional business community. We would propose that the Agency continues its positive work in this area so that JEREMIE funding can be used to lever in new sources of finance for SMEs.

This is critical as the track record of EIF has shown that it has been successful in encouraging venture capital flows into regions directly benefiting SMEs including with the creation of jobs.

We would encourage the Agency to work further with the private sector to help lever in VC funds. One way forward could be via links with the international markets.

International Markets

With Birmingham being a key UK financial centre – with the clear leadership of the City of London – there may be opportunities where the issue of venture capital funds can be explored beyond consideration of the role of public sector backed venture capital funds. The West Midlands Business Council has begun its dialogue with the Square Mile and we would support the involvement of the Agency in this work.

However, it is not just the City of London that the region is close to. Thanks to the twinning arrangement between Birmingham City Council and Chicago City Council, there are opportunities to develop links with the Chicago Mercantile Exchange.

This exchange is the premier global market place for sources of finance for some forms of SMEs and we would encourage the Agency to actively pursue this link with Birmingham City Council for the good of SMEs across the region.

Further consideration of the role of bourses is considered in Chapter Fifteen – Inward Investment and Exports.

Mezzanine Funding

However, links with international exchanges and venture capital will not be enough on its own to develop a sustainable private sector based financial support structure for the regional economy, though they are critical and vital components of an overall strategy.

We would propose that consideration is given to addressing other forms of equity finance, in particular mezzanine funding for firms in transition. With the global economy leading to fast paced changes in businesses of all sizes in this region, there will be a growing demand for mezzanine funding to enable firms to diversify and grow.

Thanks to the MG Rover Task Force and the Institute of Chartered Accountants in England and Wales, the Advantage Bridge Fund was established to help firms in the MG Rover supply chain to diversify. This was an excellent initiative which

had a practical impact on the ground. We would encourage the Agency to consider mainstreaming this programme into its work as well as considering further options in providing mezzanine forms of finance.

Islamic Forms of Finance

As part of the Access to Finance package, as prepared by the Agency, we would urge Advantage West Midlands to consider supplying Islamic forms of finance.

Under sharia principles, interest can not be accepted as part of any financial agreement. The West Midlands region is leading the field in Europe on Islamic banking, with the headquarters of the Islamic Bank of Britain plc being located in Birmingham being one such example.

As part of the access to finance package that the Agency has managed, we would recommend that the needs of SMEs in the Muslim community in the region is addressed.

Islamic finance models involve some form of profit share between the supplier of finance and the customer. Therefore such an approach may not necessarily lead to new financial commitments for the Agency but could be a more effective use of resources in accessing and supporting a market which is playing a key role in community cohesion and economic development for the region as a whole.

Such an approach can also enhance the standing of the West Midlands region in the eyes of the City of London. From the discussions the West Midlands Business Council has had with Square Mile figures, the region's expertise in Islamic finance has helped to bring the City and the regional business community closer together.

The Agency is rightly committed to ensuring that there is growth and equality of opportunity for businesses across the region. A recognition of Muslim based SMEs and their needs as part of the access to finance programme would help to meet this objective.

Summary of Recommendations in this Chapter:

- a) For Advantage West Midlands, local authorities and others to follow the excellent example of the North Staffordshire Risk Capital Fund plc and establish similar models across the region which lead to a mainly private sector led funding streams for firms to access modest amounts of risk capital;**
- b) For the Agency to work with the European Investment Fund to lever in JEREMIE funding that is designed to bring in additional venture capital funds to the regional business community;**
- c) For the Agency to help lever in venture capital and other forms of finance for the regional business community via links with the City of London, the Chicago Mercantile Exchange and other international bourses;**

- d) For the Agency to develop mezzanine funding opportunities building on the good example of the Advantage Bridge Fund;**
- e) For the Agency to develop Islamic forms of access to finance.**

Chapter Thirteen

Rural Regeneration

Key Messages: One stop shops to be established for the provision of public services to rural communities.

Eighty percent of the land mass of the West Midlands region is devoted to the rural economy and with Government transferring rural economic development powers to regional agencies, it is key that this process enhances the economic opportunities of the region.

Throughout this submission we have highlighted rural concerns – from skills to energy.

The West Midlands Business Council has already put forward detailed recommendations for rural regeneration in relation to two Government established projects – the Shropshire Pathfinder and the Peak District Pathfinder.

Pathfinders, according to the then Environment, Food and Rural Affairs Secretary, Margaret Beckett MP, in 2004 had a clear aim:

“Local authorities have a vital role as community leaders in joining up and delivering quality services. I therefore intend to look at innovative mechanisms for devolving delivery even closer to rural communities.

Over the course of this year we will set up a pathfinder in each region to explore more joined up and flexible approaches at local level in rural areas, including to join up services and funding at the point of delivery”.

The Department of Environment, Food and Rural Affairs (DEFRA) has described Pathfinders in the following way:

“They will investigate how to improve co-ordination of rural delivery at local level, how to get more value out of the wide range of funding streams available and how to bring strong local leadership to bear in tackling rural disadvantage”.

As indicated in these statements, the aims of the Pathfinders has equal applicability across all rural areas as the rural economy has particular needs which is distinct from the urban economy – in particular the diverse nature of rural areas where public services need to be delivered.

Therefore the majority of this chapter contains recommendations which have equal applicability in Pathfinder and non Pathfinder areas.

In particular this Chapter calls for the establishment of one stop shop processes in localities across the rural West Midlands – possibly based on a county basis. Such endeavours could be the basis of a partnership between local authorities and Advantage West Midlands and, in some areas, with the Welsh Assembly.

The issue of links with the Welsh Assembly is examined in more detail in Chapter Nine – Cross Regional Linkages.

Simplifying the service provision available to businesses and ensuring that business can play its' full role in the community is fundamental.

Businesses in rural communities are not just the wealth creators for local prosperity and local jobs – fundamental though that is. It is the rural business community that provides the social glue that tie disparate rural communities together.

Therefore any consideration of the work of rural public services delivery must have the role of the rural business community at the forefront of its consideration.

The West Midlands Business Council would therefore propose that the following issues should be included in the one stop shop concept – which would be linked to the regional business support structure:

- Public Procurement Opportunities
- Skills
- One Stop Shop for Services

Public Procurement

Rural businesses are often the best source for fulfilling local public procurement contracts. The businesses are ideally suited to meet orders in areas which – for larger urban based businesses – may be considered as hard to reach localities. The knowledge of the local area means that value added services and products are provided to the public sector. Finally, the business produced by sourcing public procurement contracts locally can help produce local prosperity and jobs in rural communities.

That is why a one stop shop service is needed to provide an easy to use access point to gain knowledge of available public procurement contracts.

Wider issues relating to procurement are discussed in Chapter Thirteen – Procurement

Skills

Poor skills levels are holding back the rural economy – whether in land management, agri-business, tourism or a range of other business sectors.

Recent research undertaken by Harper Adams University College for the West Midlands Business Council, as stated in Chapter Five, also reveals that this skills gap is being accentuated by demographic changes in rural areas with a proportional increase in the number of older people in rural areas.

The West Midlands Business Council has already stated its belief that actions need to be adopted by the public sector and business to utilise the experience and skills base of older workers.

A one stop shop service could bring the Learning and Skills Councils and training providers – including from business representative organisations and higher and further education institutions – to come together to offer an easy to use access point for gaining skills training provision.

Such a one stop shop service will help develop skills programmes that meet the needs of the demand side in the regional rural economy.

This approach would enable skills training opportunities to be advertised to young people – informing them of the potential high value jobs in the rural economy.

With the continuing trend for young people to leave rural areas, such a one stop shop service can also advertise the training courses that would lead to high value jobs in the rural economy.

One Stop Shop for Services

The business community would call for business support services to be an integral part of the facility providing access to public services.

Marketing is critical to ensure the success of such a service and business representative organisations could be an ideal and cost effective vehicle to publicise this service to the rural business community.

Summary of Recommendations

- a) **One Stop Shop for Rural Public Services established in rural localities –possibly at a county level**

- b) One Stop Shop for Rural Services could be a partnership between Advantage West Midlands and local authorities**
- c) One Stop Shop for Rural Services could ensure that skills, procurement and business support services needs are met**

Section Four

Future Growth

Chapter Fourteen

Procurement

Key Messages: Enabling easier access for SMEs to access procurement opportunities from corporates and the public sector.

Procurement is a critical issue for the regional business community and it is in the Midlands – as a whole – where a number of key initiatives in this area have taken place.

The first policy that the West Midlands Business Council adopted when it entered its operational phase from September 2003 was the need to diversify the supply chain for public sector procurement opportunities. The original Business Council policy stated:

Too often in public administration circles the synergy between Government funding for public services and the need for business growth is not recognised except in the narrow context of business taxes helping to fund the public services.

In reality, though, the recent increases in public expenditure could help provide an added impetus to business growth. The need for a business supply chain to help provide the services that the public services require is an identifiable aim (1).

Established patterns of procurement activity can mean unfair competition practices and delay innovative solutions being presented to a wider market.

Supply chain diversity also enables SMEs to successfully bid for work – and as many SMEs are embedded in local communities this can be a key aid to local regeneration. In the recent past, some public bodies stated that SMEs can not compete on cost so they – the procurers – were obliged to focus on the bids from large companies. The work of HM Treasury has successfully disputed this perception.

Local and Regional Public Sector Bodies and Procurement

Not all West Midlands regional bodies use locally or regionally sourced goods and services and this can impact negatively on the growth potential of the region. For the public aims of public bodies to achieve economic regeneration to be realised then procurement policies have to fit within this overall policy construct.

That is why the West Midlands Business Council would urge all local and regional public bodies to consider sourcing work within the region in the first instance so that the collective aim of regeneration is achieved.

Public Sector Initiatives and Public Procurement

Following a Treasury commissioned review in 1999 by the then Chief Operating Officer of BAe Systems, Peter Gershon, the Treasury established the Office of Government Commerce (OGC). The purpose of OGC is to improve the potential for cost savings with procurement while also ensuring a greater role for a wider range of businesses in the procurement process. As a result, OGC have introduced procedures to greatly simplify the process for companies to access Government opportunities.

Following this remit, OGC introduced a pilot project in the West Midlands region that created, in effect, a single process for a range of procurement processes with different Government departments. This work continued, thanks to Advantage West Midlands, with the continuation of the Regional Procurement Portal under the auspices of the Birmingham Chamber of Commerce and Industry.

Regrettably, in 2006, the Department of Trade and Industry's Small Business Service (SBS), without full consultation with regional bodies, decided to establish a national public procurement portal – Supply 2 Gov – which introduces charges to access this service rather than the free service that existed regionally. The regional procurement portal is now being wound down as a consequence.

The decision to introduce charges could be a retrograde step when the need to diversify the supply chain is so pressing. However, the current charges are manageable and the West Midlands Business Council with Advantage West Midlands could continue to work together to ensure that the fees regime on Supply 2 Gov do not reach such a stage that it deters SMEs from registering onto the site.

Another matter that needs to be addressed is to ensure that the West Midlands local authority centre of excellence, which covers procurement issues, is sufficiently tied into Supply 2 Gov so that there is one clear portal and avoid a plethora of access points to the public sector procurement bodies. The Centre of Excellence was established by the then Office of the Deputy Prime Minister – now the Department for Communities and Local Government – to improve local authority procurement practices, amongst other matters. This is an issue that the West Midlands Local Government Association, Advantage West Midlands and West Midlands Business Council could work together to address.

Ethnic Minority Businesses and Corporate Public Procurement Practices

The East Midlands Regional Development Agency (EMDA) has played a very significant role in diversifying the supply chain. It helped to finance the body known as Supplier Development East Midlands (SDEM) managed by the Centre

for Research in Ethnic Minority Entrepreneurship (CREME) of De Montfort University, Leicester.

This work recognised that current procurement activity – whether from the public sector or corporates – did not seem to recognise the role of minority ethnic businesses in providing goods and services.

Birmingham Chamber of Commerce of Industry has also noted that minority ethnic communities do not receive, overall, good economic opportunities. The Chamber has stated:

Although the working population of the city is predicted to rise between now and 2028, an increasing part of the Birmingham labour force will consist of young, non white and older, white British individuals – both demographic groups which currently demonstrate proportionally lower average rates of economic activity. (2)

Diversification of the supply chain can help to address such issues and SDEM demonstrated a significant success rate with 250 minority ethnic businesses benefiting and contracts gained worth around £2.5 million.

Large businesses recognised the need to engage with SMEs partly due to skills shortages in some sectors and because of the Government driven agenda to encourage corporates to engage with SMEs.

SDEM identified two reasons why SMEs were having difficulty accessing corporates – the difficulties in identifying relevant contacts and the need to effectively market to these large businesses.

As a consequence SDEM has transformed into a new body – Minority Supplier Development UK – led by corporate businesses. This body is building on the legacy of SDEM with workshops and other activities.

Therefore Advantage West Midlands and the West Midlands Business Council could work with this body and incorporate its work into the regional procurement activity as well as seeking the engagement of Supply 2 Gov in this body's work – maintaining the one easy access point for tenders.

Services Directive

In 2007 the European Union's Services Directive will be implemented. Thanks to the West Midlands Member of the European Parliament, Malcolm Harbour, amongst others, there will be a genuine single market across the European Union for the first time for most professional services.

The opportunities for regional businesses, as a consequence, are immense, including in procurement matters. However, the lack of awareness of these

opportunities across the regional business community is a drawback to growth that needs to be addressed.

That is why we would encourage Advantage West Midlands and business representative organisations to hold events across the region to highlight these opportunities. We would also encourage written materials, possibly produced by the West Midlands in Europe office, so that a wide range of firms becomes aware of the new internal market. West Midlands Business Council would be willing to play its role in this work.

European Public Procurement Practices

Concerns about European Public Procurement procedures were highlighted in a 2004 report commissioned by the Chancellor of the Exchequer, Gordon Brown MP and written by Alan Woods of EEF and Siemens. The report catalogued a series of problems for British firms to access public procurement contracts.

The European Union has tried to address these concerns with a series of new directives that were enforced from 31 January 2006. The aim of the directives is to simplify procedures but, according to Prof. Christopher Bovis of the University of London, the following questions have not been answered by these new directives:

- The exceptional nature of the competitive dialogue - the new procedure to award complex contracts more effectively – and its hierarchy with other award procedures (the wording of the public sector Directive puts the procedure on a par with the negotiated procedures with prior advertisement)
- The discretion of contracting authorities to initiate the procedure (who is to determine the nature of a particularly complex contract and the inability of the contracting authorities to draw precise specifications and the contract's financial and legal make-up)
- The internal structure and conduct of the procedure (the confusion surrounding the different stages pre-tender and post tender)
- The response of the private sector (the predictably very high costs in participating)
- The degree of competition achieved (there is great potential for post tender negotiations), and
- The overall value for money results (in many instances the competitive dialogue is less flexible than the negotiated procedures)

The West Midlands Business Council would urge the European Commission to adopt the following principles in any proposed legislation to enable SMEs to gain public procurement contracts:

1. Freely available information about where tenders are advertised and when. Freely available information about the purchasing process, future needs and the renewal/re-advertising of 'framework' tenders.
2. Tenders should be broken down into small units so that small businesses are capable of undertaking the volume of work.
3. Pre tender qualification should be fit for purpose in that it is appropriate to the type of work to be undertaken or goods to be supplied, and proportionate to any risk to the public sector
4. Tender documents should be written in plain English – one of the main European Union languages – only using technical terms where this is necessary for accurate specification.
5. Tender documents should include a decision timetable and payment schedule
6. Tender documents should include a clear explanation of the criteria on which the contract is to be awarded.
7. Certification such as EMAS and ISO 9000 should only be used where there is clear business need **and** where the service or good required can only be supplied by a large firm.

We would encourage regional institutions, including the West Midlands in Europe office, and regional MEPs to champion these recommendations with the Government and the European Commission

Rural procurement issues are considered in Chapter Twelve – Rural Regeneration and Olympic procurement issues are considered in Chapter Nineteen – 2012 Olympic and Paralympic Games.

Summary of Recommendations in this Chapter:

- a) **Urge all local and regional public bodies to consider sourcing work within the region in the first instance so that the collective aim of regeneration is achieved.**
- b) **West Midlands Business Council with Advantage West Midlands could continue to work together to ensure that the fees regime on Supply 2 Gov do not reach such a stage that it deters SMEs from registering onto the site.**
- c) **Ensure that the West Midlands local authority centre of excellence, which covers procurement issues, is sufficiently tied into Supply 2 Gov so that there is one clear portal and avoid a plethora of access points to the public sector procurement bodies**
- d) **Advantage West Midlands and the West Midlands Business Council could work with Minority Supplier Development UK and**

incorporate its work into the regional procurement activity as well as seeking the engagement of Supply 2 Gov in this body's work – maintaining the one easy access point for tenders

- e) For the London 2012 tenders web link to include all Olympic related tenders from all public bodies**

- f) For the London 2012 tenders web link to advertise successful tenders so that SMEs can bid for supply chain work**

- g) Encourage Advantage West Midlands and business representative organisations to hold events across the region to highlight opportunities from the implementation of the Services Directive. We would also encourage written materials, possibly produced by the West Midlands in Europe office, so that a wide range of firms becomes aware of the new internal market. West Midlands Business Council would be willing to play its role in this work.**

- h) The West Midlands Business Council would urge the European Commission to adopt the following principles in any proposed legislation to enable SMEs to gain public procurement contracts:**
 - Freely available information about where tenders are advertised**
 - Freely available information about the purchasing process, future needs and the renewal/re-advertising of 'framework' tenders.**
 - Tenders should be broken down into small units so that small businesses are capable of undertaking the volume of work.**
 - Pre tender qualification should be fit for purpose in that it is appropriate to the type of work to be done or goods to be supplied, and proportionate to any risk to the public sector**
 - Tender documents should be written in plain English – one of the main European Union languages – only using technical terms where this is necessary for accurate specification.**
 - Tender documents should include a decision timetable and payment schedule**
 - Tender documents should include a clear explanation of the criteria on which the contract is to be awarded.**
 - Certification such as EMAS, ISO 9000 should only be used where there is clear business need and where the service or good required can only be supplied by a large firm.**

The West Midlands Business Council would encourage regional bodies and regional MEPs to press these issues with the Government and the European Commission

Chapter Fifteen

Inward Investment and Exports

Key Messages: New methods to lever in inward investment and to start a new exports drive

In a global economy, successful levels of inward investment to the region are critical to help diversify and strengthen the business base.

Statistics, produced by Advantage West Midlands, demonstrate progress in this area with 36 investments in foreign owned companies into the region in 2005/06 which the Agency estimates has created or safeguarded more than 6,000 jobs.

The Regional Development Agency has also ensured that regional business interests are represented around the globe at offices in Japan, Australia, India, Germany, France, Sweden, Belgium and across the United States in the cities of Chicago, Boston, Washington DC and San Jose.

Specifically in respect of the European Union, organisations such as the Agency, the West Midlands Higher Education Association, the Confederation of West Midlands Chambers of Commerce and – to a lesser extent – West Midlands Business Council, contribute financially to the West Midlands in Europe office in Brussels.

Therefore the infrastructure for a successful inward investment strategy is present and Advantage West Midlands – the leading regional body for international links – should be congratulated for this work.

Financial Markets

In Chapter Eleven, there was a discussion on attracting inward investment geared specifically for business finance aimed at SMEs.

In this chapter, we note the plans by UK Trade and Investment (UKTI) to develop a marketing strategy to promote the City of London. While supporting this aim we would add that the holder of the post of Lord Mayor of the City of London, when abroad, represents not just the City but all UK financial centres which include Birmingham. We would therefore encourage UKTI, Advantage West Midlands and other partners, alongside West Midlands Business Council, to engage positively with the City so that opportunities can be levered in for the region.

Engaging in international markets is a complex area. However, we would recommend steady and patient work in this area as the operation of the global economy and the impact on day to day operations in the region relies on good links with the key bourses.

At the time of the preparation of this submission there was an expectation of the formation of a Europe wide bourse. With offices across Europe, the Agency and other bodies should actively consider how to engage with this potential new exchange which will rival London and New York. If this development does not occur consideration of engagement with European exchanges would be beneficial to ascertain the opportunity for the potential of further liquidity in the regional economy.

We note, at the time of production of this submission, continued speculation regarding NASDAQ's commercial interest with the London Stock Exchange. Whatever happens in this area, this does demonstrate that if the region is marketed to demonstrate how complex back office functions for the City in professional services can be carried out in the West Midlands region, which has the second largest professional services population in the UK, this could benefit the Square Mile with our lower cost base compared to the South East.

West Midlands in Europe office

The concept of a West Midlands representative office at the heart of the European Union, in Brussels, is valid.

The opportunity to influence European Union policy for the benefit of the region is important as are the links that can be made with other European regions for potential profitable activity with the West Midlands.

For instance, in October 2006, the West Midlands Business Council – with the Midlands World Trade Forum – pitched to representatives of European regions that if firms in their areas worked with firms in the West Midlands not only could this be good in terms of commercial collaboration but it could help to access South Asian markets.

Another positive example of the work of the West Midlands in Europe office was in 2005 when, further to the MG Rover collapse, West Midlands in Europe immediately made representations to the European Commission that led to assistance from the EU towards the work of the MG Rover Task Force.

These examples show the merit of establishing the West Midlands in Europe office and, with a greater focus, it can achieve so much more for the people and businesses of the region.

That is why we would propose that the West Midlands in Europe office concentrate on:

- Providing tailor made information to clients rather than general information;

- Work with representatives of other European regions to bid for EU funding with joint collaborative measures;
- Work with representatives of other European regions for cross regional commercial links;
- Focus on gaining EU funding for the region including enterprise funding for SMEs.

While the West Midlands in Europe office should be recognised for its hard work in ensuring opportunities for FP7 funds are widely advertised, recent research by the West Midlands Business Council – facilitated by West Midlands in Europe – demonstrate the difficulties for SMEs, in particular, to access these funds. Such activity, therefore, should not be at the expense of considering other funding routes.

Further consideration of the FP7 programme is discussed in Chapter Fifteen – Research and Development.

In terms of influencing EU policy it is fair to state that if WMiE is to adopt this role, which would be beneficial for the region, then the office needs a greater steer. Therefore regional partners could come together to decide on a top ten list of achievable legislative aims – which could be decided in partnership with regional MEPs.

Business Engagement and International Offices

The network of global offices promoting the West Midlands is an impressive achievement. The new challenge, therefore, is how to make this network work more effectively.

One way is to link these offices directly with the business community, in particular with business representative organisations. Many business representative organisations which are represented in the region are also represented with international arms overseas. Therefore links could be made with these structures so that business representative organisations can be seen as an added extension to these offices – promoting the region and improving communications with the business community.

Communications with the business community is a critical issue. While knowledge of the existence of these offices is recognised their performance and record are not known. To engage the business community as partners with the Agency and others in inward investment, then this relationship could be strengthened.

Members of business representative organisations and other organisations linked to the West Midlands Business Council could be encouraged, when on overseas

visits, if they have the time, to link up with one of the offices to promote the region.

The strategic approach to full utilisation of these offices will be discussed in the next section of this chapter.

Links with Global Regions

Regional bodies have, rightly, been striving to agree criteria to decide which regions in which key markets should be developed for future relationships.

This is an important area of work and the West Midlands Business Council would contribute to this debate by proposing that the criteria set by UK Trade and Investment (UKTI) is the most appropriate for this region.

In its latest strategy document, *Prosperity in a Changing World*, (July 2006), it identifies emerging markets where relations would prove profitable to British businesses. This criteria, while set for the UK as a whole, is particularly apposite for the West Midlands region.

With the region covering virtually every business sector, with some exceptions such as pharmaceuticals, and with the region at the crossroads of the UK, the markets criteria as set out in the UKTI strategy would be ideal for regional businesses – while, for other UK regions, this may not be the case.

The next issue that would need to be addressed is how to focus on specific regions in these key countries. The West Midlands Business Council is aware of the debate that a more refined approach is needed in this area. While we are sympathetic to this approach we would propose that a market opportunities tack is taken to this issue.

Once the key countries are identified it will be dynamics within the country identified as well as short term opportunities that will avail itself to regional bodies from time to time that often dictate how such relationships develop. This does not rule out a conscious effort to develop a link with a specific region – but it also does not decry how relationships, which emerge, can prove to be profitable for the region. For instance, Japan is a key market for the West Midlands and the current ad hoc development of the relationship with Shizuoka Prefecture – which happens to share many common characteristics with the West Midlands – could lead to real and profitable opportunities.

Finally, we would propose that regional bodies develop a closer relationship with local authority economic development officers as links to local authority twinning arrangements can provide easier access to market opportunities for the region. We would encourage the West Midlands Local Government Association (WMLGA) to assist in this area.

The WMLGA's Regional Economic Development Officers Group (REDOG) could also prove to be a vital link between regional and local efforts for inward investment. We would encourage dialogue in this area with an aim for joint working.

The relatively low level of exports from the region is a matter of concern. In the West Midlands Business Council's successful work – with the leading role of the Confederation of West Midlands Chambers of Commerce and Midlands World Trade Forum President, Peter Mathews CMG - and in partnership with UK Trade and Investment, one in seven firms who were contacted who had not exported before indicated an interest to do so.

However, this statistic means that six out of seven firms were not interested in exporting and this relates to a similar finding in the *Birmingham Post* business survey of October 2006 which found that nine out of ten firms would not consider exporting.

We applaud the work of the chambers of commerce and the Midlands World Trade Forum to address this issue and clearly businesses need support and advice to enter into new markets. We would therefore encourage UK Trade and Investment and Advantage West Midlands to step up its marketing across the region and to engage with local authority economic development officers to help increase the number of Midlands' exporters.

We consider how emissions trading can assist exporting in Chapter Five – Energy.

Recommendations in this Chapter:

- a) UKTI, Advantage West Midlands and other partners, alongside West Midlands Business Council, to engage positively with the City of London so that opportunities can be levered in for the region.**
- b) Steady and patient work in engaging with international markets as the operation of the global economy and the impact on day to day operations in the region relies on good links with the key bourses.**
- c) Use network of inward investment offices in Europe to engage with potential new Europe wide exchange. If this development does not occur consideration of engagement with European exchanges would be beneficial to ascertain the opportunity for the potential of further liquidity in the regional economy.**

d) The West Midlands in Europe office should:

- Provide tailor made information to clients rather than general information;**
- Work with representatives of other European regions to bid for EU funding with joint collaborative measures;**
- Work with representatives of other European regions for cross regional commercial links;**
- Focus on gaining EU funding for the region including enterprise funding for SMEs. To date this latter area of work has, it seems, not taken place.**

e) Regional partners could come together to decide on a top ten list of achievable legislative aims for the West Midlands in Europe office to work on – which could be decided in partnership with regional MEPs.

- d) International inward investment offices develop links with business representative organisations to help with the promotion of the region and improving communications with the business community.**
- e) For the region to be marketing so that the back office functions for the City of London can be serviced in the West Midlands region**

g) Members of business representative organisations and other organisations linked to the West Midlands Business Council could be encouraged, when on overseas visits, if they have the time, to link up with one of the inward investment offices to promote the region.

h) For regional bodies to adopt the UKTI strategy in targeting emerging markets for future relationships with the region

i) To follow a market opportunities approach in developing links with key regions

j) For the West Midlands Local Government Association and its body – the Regional Economic Development Officers Group – to work with other regional bodies to develop international economic links.

k) For UK Trade and Investment, Advantage West Midlands and local authority economic development officer to step up its marketing of the exports opportunities to Midlands firms.

Chapter Sixteen

Research and Development

Key Messages: R&D is fundamental to economic growth and new methods are proposed to fully utilise the potential links between universities and businesses.

The knowledge economy is not an abstract concept for West Midlands regional businesses. With sectors ranging from aerospace to automotive, nanotechnology to energy technologies, the need to develop the knowledge economy for economic growth is key.

With the West Midlands region having a greater number of so-called “traditional” industries, the need to rapidly develop our knowledge economy via an enhanced R&D base is critical.

An improvement in skills levels can help deliver this objective, as made clear in Chapter Five – but the flip side of improving skills levels is the need to strengthen the Research and Development (R&D) base in the region.

That is why we stated earlier in this submission that there must be a demand led approach to skills provision which would help drive forward R&D by encouraging a greater number of people to consider science and technology as career options.

For the purposes of this chapter we are considering two definitions of the term R&D – developing new concepts and products and the transfer of existing technology and, thereby, for firms on the ground to undertake their own R&D as to how new technology could improve their business processes.

There are already a number of schemes that attempt to bring businesses and universities together on R&D. These schemes are:

- Knowledge Transfer Partnerships (KTP)

The aim of KTPs is to strengthen the competitiveness and wealth creation of the UK by the stimulation of innovation in industry through collaborative partnerships between the knowledge base and business.

- Shell Technology and Enterprise Programme (STEP)

STEP places penultimate year undergraduates for 8 weeks during the summer vacation to work on science, engineering or technology based projects identified by SMEs. STEP aims to encourage SMEs to consider employing graduates and to encourage undergraduates to take up careers in smaller enterprises.

- Year in Industry

The Year in Industry is the largest provider of gap year placements and an acknowledged leader in the field. YII is a not-for-profit organisation working nation-wide to provide companies with access to the brightest young talent available. It is involved with skills and R&D matters.

- Industry Fellowship Schemes

Opportunities are provided for scientists and engineers from academic institutions to spend a period of time working in an industrial environment and for industrial employees to undertake research in an institute of higher education.

The scheme reimburses the fellow's employer for his/her salary only while the fellowship proceeds.

- Knowledge Innovation Technology Scheme (KITTS)

KITTS, the Knowledge Innovation Technology Transfer Scheme, is a regional programme co-ordinated by the West Midlands higher education institutions to provide small and medium-sized businesses in the private sector with access to talented graduates, from a broad range of disciplines. to tackle short-term projects.

KITTS+ is intended to help tackle more technically demanding projects by ensuring that formal supervision is provided by both academic and business partners.

- INDEX

On 30 November 2006 a new scheme was introduced that indicated much promise in effectively developing R&D links between universities and businesses. Administered by Aston University and, in part, financed by Advantage West Midlands the two year pilot project – INnovation Delivers Expansion (INDEX) will enable 80 high growth West Midlands SMEs to apply for and use vouchers to help state their requirements which will be matched to leading edge academic expertise. The West Midlands Business Council will monitor this new development with interest.

Communications and Skills

The lack of knowledge of these schemes is a matter that Advantage West Midlands and business representative organisations could play a part in addressing. The West Midlands Business Council is willing to play its role in this matter.

Regrettably, though, this is not enough to ensure the R&D base in the region is improved for the good of the economy. The link between R&D and skills provision needs to be fully recognised. Therefore the schemes, as mentioned above, could be integrated in the training provision provided via the Learning and Skills Councils, amongst others. By this measure, without the need for new funding, added value links between R&D and skills provision could be achieved.

However, again, this in itself would not be enough to improve the R&D capacity of the region. Most businesses in the region are SMEs and many of these firms do not consider that they have the same opportunity - as compared to corporates - when they present their R&D concepts to universities. Some universities, operating within funding constraints, could be more attracted, in some instances, to R&D bids from corporates rather than from SMEs based on the issue of financial value and return.

Services provided by Contact – which links universities and businesses together on potential R&D work – is a good step forward and the West Midlands Business Council would support the active development of this service – integrated into the regional business support structure.

R&D Spend

The core of the issue, however, is the comparable levels of R&D spend provided by different sizes of businesses. The Government commissioned Lambert Review stated there was a need to encourage business interest in university R&D opportunities. We believe, in the West Midlands region, this interest is already there and it is the logistical issues that need to be addressed.

One way forward could be by the use of clusters. As stated in Chapter Ten, Advantage West Midlands' policy of clusters could lead to a step change in the regional economy. In recognition of this potential, cluster groups could advertise its services and – possibly combined via the regional business support structure including the Contact service – bring SMEs together so that R&D collective bids to universities can be viewed more positively as the collective value would be greater.

This, in itself, would only be part of the answer. For an SME may have an idea that required R&D where, if the clustering process was used, could mean the competitive edge of that firm would be lost as competitors would be aware of a potentially lucrative concept. However, a university may not consider such an approach because of the lack of monetary value in the immediate R&D work.

In such eventualities, the Agency's Access to Finance programme may be able to help. It may be able to highlight to the particular SME how Business Angels, venture capital funds or other investors could assist in providing greater value to

the R&D work in return for an equity stake in the business or other commercial arrangements.

Developments in a range of sectors, such as environmental technologies, can also be addressed by regional agencies and Government taking a more flexible approach to R&D tendering procedures.

Current public procurement tendering processes for energy R&D projects focus on costs criteria to an extent that excludes – to any significant degree – consideration of other factors such as the potential convenience and reliability of local sourcing and innovative practices from potential bidders.

That is why we would support the approach of single source justification for the tendering of public sector R&D projects. Such an approach enables the procurer to focus specifically on the technical ramifications of the bid – while meeting the overall criteria of meeting value for money. We believe that such an approach would not just continue to serve the needs of taxpayers but would assist in the diversification of manufacturing industry across the West Midlands region.

Another aspect related to R&D support pertains to the allocation of public funds. There is a need to help strengthen the R&D capability of larger businesses; however, public funds are understandably focused on the needs of SMEs.

We would propose, however, that as it is the larger businesses – especially via supply chain dynamics – that can have a disproportionate impact upon the regional economy, that a loan system – which is more suitable than grants for larger businesses – could be established.

This would meet European rules on State Aid and ensure that the investment in innovative R&D would alleviate short term cash flow pressures. For the tax payer, this approach would provide a return in the repayment of the loan and in further diversifying the manufacturing base.

Ideally universities should be able to consider R&D projects without automatic consideration to its initial monetary value. However, the system of university funding prohibits such a scenario from emerging.

That is why we would urge the Government to review its system of university funding and, in particular, consider whether R&D tax credits can also apply to universities as well as to businesses so that the value of an SME bid for R&D work is enhanced.

We also call on the Government to look again at where it allocates its R&D spend. While a focus on the so-called “Golden Triangle” of top universities has

obvious advantages to helping to guarantee some form of return for the Government's investment the lower Government R&D spend for other universities can only be seen as detrimental to developing an enhanced R&D base for the business community across the United Kingdom, including the West Midlands.

Therefore we call on the Government to invest more in R&D in West Midlands universities if growth at the heart of the UK is to be developed.

Lessons can also be learnt from the Milk Development Council (MDC) as to how R&D can be more effectively delivered to businesses on the ground. The MDC – an arms length Government body – has a number of “extension officers” – who meet with dairy farmers to demonstrate how the latest advances in R&D can assist their business. This is an excellent example of practical working to enhance an important business sector and we would urge Advantage West Midlands, the universities and other partners to consider how such a model could be implemented for a range of business sectors.

The level of business expertise in gaining from R&D developments is also significant and opportunities, possibly via an enhanced and effective Contact service, could enable firms considering R&D issues to access advice from businesses who have successfully gained from R&D.

The European Commission has a vision that in 2010 the European Union will be seen as a premier global Higher Education Area. For this vision to be realised in the West Midlands region, more innovative thinking along the lines in this chapter are required if the critical issue of R&D is to help transform the regional economy for the better.

R&D and the EU

The European Union has set itself the target that it will be a top global competitive region by 2010. A mid term review of these economic reform plans, known as the Lisbon Agenda, by the former Dutch Prime Minister, Wim Kok, shows in stark terms that the EU has some way to go to meet this target.

A critical element of the Lisbon Agenda is the decision to increase funds for R&D. For the West Midlands region, this means that while European Structural funds are being phased out to focus resources on the new Eastern European member states, there will be a continuation of European funding in the West Midlands for R&D.

The issue, then, is not the need for public funds to exist to support the research capability of the private sector. Rather the issue is the need to make it easier for business to access these funds.

For a small business to obtain R&D funding, it can not simply request funding with a clear business case supporting its application.

Instead, the small business, before completing an application form, need to find a company or academic institution to team up with that would be able to undertake the research work.

As the European Commission states under its FP6 programme:

“The core research work of the Framework Programmes is undertaken by projects that are structured as a collaboration between a group of partners who share tasks and responsibilities”.

The drawbacks with this procedure are, therefore, two fold. It does not allow for investment in a company’s existing R&D capability and it is a time consuming process for a small business that can not spare much time and may not wish to go down this path if, after much effort, there is a possibility its funding application could be refused.

Advantage West Midlands should be congratulated for trying to take some of the pain out of this process. It has commissioned a private company, Beta Technology, to provide a match making service between the potential applicant for funds and a research partner.

Nonetheless, the hurdles that a small business has to overcome are unnecessarily onerous and could deter some companies from accessing available funds – which is counter productive if the EU is to reach its goal of the European Union being a top class global competitive region.

As described above, the current procedures to access European funds for R&D are unnecessarily onerous.

Instead it is proposed that the European Commission reverses its procedures and allows a business to make an application for funding– in principle.

This application would have to present a clear business case for accessing public funds and each application would be judged on its own merits. If the application was agreed in principle then the applicant could seek a research partner before resources are released.

It has to be recognised that it would be impractical and unrealistic for the European Commission to process such applications at such an early stage. Therefore a body based in each member state – possibly at a regional level – could process applications on behalf of the European Commission.

This is a far more efficient way to ensure that public money is spent wisely, while not wasting the valuable time and resources of an SME in what could be a fruitless application.

If we are to ensure that there is a bigger take up of R&D grants then it is critical that the process to access these funds are improved – while ensuring public money is spent wisely.

We would urge Advantage West Midlands and other partners to urge change from the European Commission via the West Midlands in Europe office, in discussions with regional Members of the European Parliament and in direct dialogue with the Department of Trade and Industry.

Summary of Recommendations

- a) The lack of knowledge of university – business dialogue schemes is a matter that Advantage West Midlands and business representative organisations could play a part in addressing. The West Midlands Business Council is willing to play its role in this matter.**
- b) University – business dialogue schemes could be integrated in the training provision provided via the Learning and Skills Councils, amongst others.**
- c) Services provided by Contact – which links universities and businesses together on potential R&D work – is a good step forward and the West Midlands Business Council would support the active development of this service – integrated into the regional business support structure**
- d) Advantage West Midlands' cluster groups could advertise its services and – possibly combined via the regional business support structure including the Contact service – bring SMEs together so that R&D collective bids to universities can be viewed more positively as the collective value would be greater.**
- e) Advantage West Midlands' Access to Finance programme may be able to highlight to the particular SME with an innovative R&D concept how Business Angels, venture capital fund managers or other investors could assist in providing greater value to the R&D work in return for an equity stake in the business or other commercial arrangements.**

- f) **The Government should review its system of university funding and, in particular, consider whether R&D tax credits can also apply to universities as well as to businesses so that the value of an SME bid for R&D work is enhanced.**
- g) **Follow the example of the Milk Development Council whereby officers are appointed to visit businesses to demonstrate how R&D concepts can help with productivity**
- h) **Single source justification for R&D project tenders**
- i) **Loans to larger firms for energy R&D work**
- j) **The European Commission reverses its procedures and allows a business to make an application for funding – in principle. This application would have to present a clear business case for accessing public funds and each application would be judged on its own merits. If the application was agreed in principle then the applicant could seek a research partner before resources are released. A regional and national body could vet the applications before being successful applications are forwarded to the European Commission.**
- k) **Businesses who have gained from R&D to advise firms interested in this area, possibly via an enhanced Contact service**
 - l) **More Government investment in R&D to move beyond emphasis of the “Golden Triangle” of universities**

Chapter Seventeen

Tourism

Key Messages: Effective marketing of the tourism opportunities

Tourism is a key money earner for the West Midlands region. In 2001 there were approximately 124 million visits to the region earning £4.8 billion and supporting 305,000 jobs across 28,000 businesses (1).

With Alton Towers being the country's most visited theme park, the international appeal of the Shakespeare heritage in Stratford upon Avon, the birth of the Industrial Revolution in Ironbridge with business tourism to the National Exhibition Centre and International Convention Centre in Birmingham there is no doubt that the region has a lot to offer in the tourism market.

However, Advantage West Midlands has identified that, despite this huge potential, the West Midlands tourism sector is not performing well against the national average. The Agency has found that:

- The average spend per trip is relatively low
- The average number of nights per trip is low (2)

Structures

Advantage West Midlands now has key responsibilities to help to improve the productivity of this sector as a consequence of the devolution of powers from Whitehall.

In 2003, the Department for Culture, Media and Sport devolved responsibility for the strategic direction of tourism policies to the Regional Development Agencies while nationally Visit Britain – the marketing agency for tourism – was formed.

In response to gaining these new responsibilities Advantage West Midlands changed the regional institutional structure for tourism.

It established the Regional Centre for Tourism Business Support which advises tourism businesses on how they could develop their firms. Heart of England Tourism was charged with practically delivering regional tourism strategies while Tourism West Midlands was set up to lead on developing regional tourism policies.

Tourism West Midlands is also identified as one of the Agency's Cluster Opportunity Groups (COGs). An analysis and description of the role of COGs can be found in Chapter Nine.

Alongside these national and regional activities is the work of local authorities who deliver front line services to tourists in destinations independently of activities taken on a regional basis.

Therefore while synergies exist between national and regional activities there is a need to firmly link these structures with local authority activities. This is an essential process for as Advantage West Midlands acknowledges:

“The Agency has neither responsibility nor resources for the implementation of all tourism activities and all tourism marketing – these are for individual operators in the private and not for profit sectors” (3)

With 38 councils across the region we would propose that the best way to engage with these local authority activities is via the West Midlands Local Government Association. We appreciate links have been made and would encourage the development of this process for a truly regional approach to tourism.

Tourism Marketing

The marketing of the region to lever in greater tourism opportunities is a key challenge. In October 2004, Advantage West Midlands launched the Regional Marketing Strategy which marketed the region around the governing idea of “Genius, Centred, Connected”.

While this strategy is critical to portraying to decision makers and others outside of the region how the heart of the country should be recognised for its assets and to counter negative perceptions of the West Midlands that could harm potential inward investment levels, its relationship to tourism marketing needs to be carefully considered.

For instance, the attractions of Herefordshire – from the Mappa Mundi to the Hay on Wye Literary Festival – may not be assisted by an over emphasis of the link between the Regional Marketing Strategy and destinations tourism marketing. This is because the audience that is being targeted with the Regional Marketing Strategy is not the same audience that is considering a relaxing weekend break in Herefordshire.

The exact boundaries of the West Midlands region is not that well known within the region itself yet alone outside and while the Regional Marketing Strategy is an important step forward we would propose that regional tourism marketing should emphasise the destinations that potential visitors can relate to more than emphasising a regional identity.

The Regional Marketing Strategy, as a consequence, can adopt a supporting role to destinations branding.

This could include highlighting destinations in a regional context as part of establishing a destination trail.

With the birth of the Industrial Revolution in Ironbridge to the birthplace of Charles Darwin in Shrewsbury to the home of Matthew Boulton in Birmingham to the motor museum in Coventry the scientific and business heritage of the West Midlands region could be highlighted with the marketing of the heritage trail.

Such an approach would build on the region's strengths and would be a very effective mechanism to tackle the negative perceptions of the West Midlands region.

Tourism Business Needs

Tourism businesses require particular support to develop this sector and the Midland Association of Restaurants, Hotels, Caterers and Entertainment and Heart of England Tourism are leading the way in this work.

In 2000, the then English Tourism Council highlighted seven areas that, if addressed, would improve the performance of the sector (4).

These seven areas have particular relevance today and we would propose further development of these themes. These are:

- SMEs and micro businesses: Tourism businesses require particular business support which is markedly different from manufacturing and other service sectors. We therefore welcome the establishment of the Regional Centre for Tourism Business Support.
- Rural Development: Support for rural businesses to diversify into tourism activities is important especially as a consequence of changes to the Common Agricultural Policy regime. We believe the Regional Centre for Tourism Business Support has a key role to play in this area.
- Skills: Skills development is key to developing the professionalism of this sector and in Chapter Five we proposed an extension of workplace training which, due to the disparate nature of tourism businesses, would prove to be particularly useful for this sector
- Regulation: Reducing red tape on small tourism businesses is a key concern. This is primarily a national matter and is outside of the remit of the Regional Economic Strategy. However it is an objective that we support

- E-Commerce: An Advantage West Midlands survey found that in 2004 42% of all regional businesses did not use a computer (4). An analysis of these figures indicates that within this 42% figure a significant number of these firms are in the tourism sector. Advantage West Midlands is already working on this issue with the development of ICT support services. This is a welcome development which we support.
- Transport: Congestion and poor transport links are holding back the potential of the region. In Chapter Four we outlined a series of proposals to tackle this problem. There are also specific transport concerns in relation to tourism that will be covered later on in this chapter.
- Sustainability: International tourism trends have shown a gradual rise in interest in “green tourism” – tourist activities that emphasise the importance of the environment. We do believe, for the West Midlands region, that consideration of “green tourism” opportunities should take place.

Tourism Road Signs

Brown and white road signs – deliberately designed to help guide visitors to tourism venues – are widely recognised to be key to literally driving up tourist numbers.

This is why the continued problems and confusion regarding the siting of brown and white signs has gone on for too long. For people outside the industry the concept of establishing such signs may seem like a matter for common sense.

However, different practices from local authorities and the complex decision making process within the Highways Agency makes this matter far from straightforward. This does not have to be so. For surveys of tourism businesses and visitors have shown the same result – an end to this confusion would help this sector.

From 2003 new criteria was introduced by the Highways Agency regarding the erection of these signs. It stated that signs could be erected if there was :

“a permanently established destination or facility of recognised quality and/or importance that attracts or is used by visitors from outside the local area and which is open to the public without prior booking during its normal opening hours”.

This criterion should have simplified the process for tourism businesses to apply for the erection of brown and white signs – which are paid for by businesses. However concerns by councils and the Highways Agency that too many signs will

clutter the highways and not focus drivers' attention upon the key signs for good driving means disparate policies exist across the West Midlands region.

That is why we would propose that Advantage West Midlands and the Highways Agency, working with the local authorities via the West Midlands Regional Assembly's Transport Partnership should develop uniform policies that will help with the perception of the region.

This should not be too difficult a task. Gloucestershire County Council has produced *Brown and White Signs – Guidance Notes*. Aimed at businesses it clearly states what signs can and can not be erected. More specifically, instead of a business ploughing through documents with obtuse language, the County Council offers the help of a Divisional Manager to work on the application process with a business.

Therefore best practice is on offer to learn from and delays in addressing this issue are no longer acceptable.

Summary of Recommendations in this Chapter:

- a) Develop the relationship between regional tourism structures and the West Midlands Local Government Association to develop a closer alignment of tourism policies**
- b) For the Regional Marketing Strategy to support tourism destinations marketing**
- c) For an industrial and scientific tourist heritage trail to be established across the region**
- d) Tourism businesses should gain support in developing their capacity, helping with the diversification of rural firms, developing skills levels, reducing red tape, developing e-commerce abilities, improving transport links and consideration of "green tourism" developments**
- e) Uniform region wide tourism road signs policy to be developed by the West Midlands Regional Assembly's Transport Partnership based on the model of best practice from Gloucestershire County Council**

Chapter Eighteen

Creative Industries

Key Messages: Promoting design to develop the creative industries base.
Creative industries are essential to the well-being of the West Midlands regional economy.

Whether with fashion, design, new media or crafts, creative industries are key to delivering the high value added contribution to the regional economy. According to one study, there are 15,000 sites in the West Midlands region which employ 103,000 people in creative industries and contribute 3.7% of total regional GVA (1)

Creative industries are rightly seen as a growing and high value sector and the West Midlands Regional Cultural Strategy recognises the need to ensure the sector becomes stronger when it states:

The knowledge economy and the markets for leisure, learning and tourism are growing rapidly, and the cultural sectors will need to adapt by developing the skills and capacity to make the most of these new opportunities (2).

It was because of the economic importance of the cultural sector that the governing body of the West Midlands Business Council decided, in September 2006, to formally develop an action plan with Culture West Midlands – the regional cultural consortium that brings together cultural agencies – to ensure the needs of cultural businesses are addressed.

So far, the two organisations have agreed to develop a series of activities relating to the 2012 London Olympic and Paralympic Games as well as promoting the creative industries in the regional press.

However, more needs to be achieved to release the full potential of this sector. In particular, we would encourage Advantage West Midlands to develop a cluster – as part of its clusters strategy – specifically designed to address creative businesses.

While various creative industries are covered in various cluster groups, we believe a creative industries cluster could bring firms together on the specific issue of design. Whether from new media to jewellery, clothing to ceramics and onto carpets, design is critical to achieving a clear USP in the market place and, thereby enhancing the GVA capacity of the sector. Such a cluster could bring together educational institutions and other bodies to achieve a value added contribution to the sector.

The need to broker links between businesses in the design field was recently highlighted in a study where, despite the plethora of business support programmes for creative industries there was a lack of support for design and very little support for fashion (3).

In the clusters chapter we examined how a change in the clusters approach could help the clothing sector, that employ at least 10,000 people, to develop into a high value sector.

We would also propose that such an approach would also help the ceramics industry in north Staffordshire and the carpets industry in and around Kidderminster. For though creative industries are often considered in the context of sectors such as ICT it is, in fact, the so called traditional industries that can be assisted to diversify and gain a place in the higher value added market.

That is why our final recommendation in this chapter would be that the design cluster should be integrated into the new regional business support model, including the Manufacturing Advisory Service, so that businesses do not lose out on developing the design capacity of their firms by a mismatch in providing information to businesses.

Summary of Recommendations:

- a) Design cluster established for all creative industries**
- b) So called traditional industries such as ceramics, carpets and clothing are incorporated in the services provided by the design cluster**
- c) The work of the design cluster is incorporated into the new regional business support structure**

Chapter Nineteen

Olympic and Paralympic Games

Key Messages: Using the 2012 Games to create new business opportunities in the Midlands.

Tourism

The West Midlands region is in an ideal position to commercially gain from the 2012 Olympic and Paralympic Games to be held in London.

The decision of the International Olympic Committee in July 2005 for the Games to be held in London should be good news for the Midlands.

With travel time to London being just 90 minutes from many areas of the region, the tourism opportunities are significant – from Ironbridge in Shropshire to the Royal Shakespeare Company in Stratford upon Avon.

International visitors coming to London for the Games will have the opportunity to discover more about the heritage of Britain and the tourism potential in this respect is, therefore immense – including some visitors to the Games basing themselves in Midlands hotels as this will be at lower rates than staying in London hotels.

The legacy of 2012 could lead to tourists travelling to Britain long after the Games are over as more and more people across the world become more aware of the tourism potential of the country following world wide coverage of the Games. The West Midlands region would be in an ideal position to share in this tourism potential.

There is one Olympic asset that could prove to be particularly useful for the Games – and that is to be found in the Shropshire town of Much Wenlock. This picturesque area is the home to the modern Olympic movement and the Games being held in London should encourage visitors to travel to the town where it all began.

That is why the business community and regional agencies should ensure that the Olympic torch relay procession passes through the region – including via Much Wenlock – an event that could prove commercially beneficial for tourism firms.

The West Midlands Business Council also supports the plans that have been put in place by Advantage West Midlands to prepare tourism firms for the Games. We support implementation of these proposals to businesses on the ground.

Impact on the UK and Regional Economy

The impact on the UK and regional economy of the 2012 Olympic and Paralympic Games in London will be significant.

An analysis of the impact of the 2006 football World Cup in Germany and the European Football Championships in England demonstrate a short term rise in consumer goods that has knock on effects in the rest of the national and regional economy.

With the Olympic and Paralympic Games dubbed as the “greatest show on earth”, price rises in consumer goods combined with various Olympic related activities around the Games as well as the commercial activities directly linked with the Games is likely to lead to new business opportunities – and short term inflationary pressures.

With various spin off business activities likely to affect everyday commercial costs – from printing to advertising quotes through to home rental rates in the south of the region – within easy travelling distance of London - there will be an impact on the national and regional economy.

Therefore, whether or not West Midlands regional businesses are involved directly with the Games, all firms are likely to feel a short term rise in costs nearer to the year of 2012 itself.

As a consequence, for business planning purposes, all firms need to be cognisant of the impact of the Games upon day to day operations including for businesses who have decided to have no involvement with the Olympics.

That is why we would encourage the new regional business support structure, when advising clients on business planning processes, to factor in an increase in costs which, we estimate, will be most significant from 2010 to 2012. This basic business planning would be critical to avoid any potential business failures due to high costs during this period.

Procurement

However, the commercial opportunities for businesses in the West Midlands region from the Games are significant for a wide range of business sectors and all sizes of firms – especially as the West Midlands regional business community are within easy travelling distance to London.

For instance during the Games, 75,000 litres of milk will be consumed and 15,000 km of toilet paper will be needed. High quality facilities such as the Olympic Stadium will need to be provided. Then the basic infrastructure will need to be improved such as 3,000 metres of river needing to be dredged and 10 km

of new roads will need to be laid.

The sums involved in preparing for the Games - £5 billion from London 2012 bodies responsible for the Games and £17 billion to ensure the transport system can cope. Then there are the sums of money from the local authorities hosting the Games plus the establishment of the Cultural Festival that will accompany the Games. All this excludes the private sector developments that will accompany the Games such as the decision of Ballymore Properties to develop leisure, retail and housing facilities near the east London site of the Games.

That is why the West Midlands Business Council – with the leadership of the Confederation of West Midlands Chambers of Commerce – alongside Advantage West Midlands – are undertaking an active business support programme to make firms aware of these opportunities.

One of the issues that our work has highlighted is that while the two Olympic bodies that are directly responsible for the Games – London Organising Committee for the Olympic Games (LOCOG) and the Olympic Delivery Authority (ODA) – have arranged for a free web link to their procurement tenders on the London 2012 website – other 2012 related tenders – such as from Transport for London, the Millennium Commission and the London local authorities – are not on this site.

West Midlands Business Council – with the leadership of the Confederation of West Midlands Chambers of Commerce - with Advantage West Midlands could continue to address this issue with London 2012 and the lead Government department for the Games – the Department for Culture, Media and Sport.

Another related issue is for the companies that are successful in bidding for tenders to be stated on the London 2012 site so that SMEs, in particular, can bid for supply chain work. It should be made clear to all bidders to the Games that, if successful, their contact details will be advertised.

There is always the concern with such large scale procurement activities that the assessment criteria adopted for bidders will be too burdensome and bureaucratic, especially for SMEs. So far the draft ODA Procurement Policy does not suggest that such a direction will be followed and Advantage West Midlands and the West Midlands Business Council – with the leadership of the Confederation of West Midlands Chambers of Commerce – could work together to ensure that dialogue with London 2012, the Department of Culture, Media and Sport and other parties helps to maintain this position.

Progress has been made in this area with the Agency funded West Midlands Commerce Collaborative Marketplace (WMCCM) administered by the National B2B Centre at the University of Warwick.

WMCCM has established www.readyforbusiness-wm-london2012.com – This portal contains all tenders related to the Games and enables SMEs, free of charge, to establish consortia to bid for 2012 work.

While there are national plans to develop a business support service for the Games – unless it meets all the services provided by this portal – we propose this link is widely advertised via the regional business support structure.

Training Camps

Training Camps for Olympic and Paralympic teams could provide a valuable boost to the regional economy. The construction sector and a range of service related industries could benefit from the location of training camps at the heart of the UK within good travelling distance to London. Firms in the Midlands will be able to benefit from the fact that some football games will be held at Villa Park and we would encourage businesses to work with Birmingham City Council, Advantage West Midlands and others to prepare for these opportunities.

However, the prize of training camps in the region could prove to be particularly significant in terms of the commercial opportunities as some training camps could be operational for two years prior to the Games itself. A report from Reddenhill Consulting for the West Midlands Regional Assembly went into some detail as to where training camps could be located.

We would propose that local authorities, the business community and public agencies such as Advantage West Midlands need to come together to publish a brochure aimed at national Olympic and Paralympic teams to attract them to locate in the West Midlands region.

Health

The West Midlands Regional Assembly – thanks to a concept developed by Gary Saunders from the Confederation of West Midlands Chambers of Commerce – are seeking Lottery funding for a major regional project.

This project would use the inspiration of the Games to bring in a healthy workplace programme that would include exercise – including competition between local firms in a local form of the Olympics. This is an important project as levels of workplace absenteeism due to ill health are harmful for employees and detrimental to the productivity of the regional business base.

We would encourage the National Lottery funding bodies to agree to this project and for it to be incorporated into the new business support structure that is being introduced.

Alongside the need to develop healthy living – as a result of the inspiration of the Games – is the need to recognise that many local authorities will be considering developing their leisure facilities as more and more people are inspired by the Games to follow a healthy lifestyle. For instance during the Stoke on Trent and Staffordshire Olympics summit, held in Stoke in November 2006, it was agreed to consider how leisure facilities could be developed in that area.

Leisure Facilities

We would urge the West Midlands Regional Assembly, when considering regional planning policies for leisure facilities as part of the Phase 3 partial review of the Regional Spatial Strategy to consider the need for expanded leisure facilities across the region. We would also encourage all local authorities to advertise their requirements for leisure centres on Supply 2 Gov – the new national public procurement portal so that SMEs have a chance to be aware of the opportunities and bid for work

Transport

The impact of the Games upon the transport network is likely to be significant and the congestion on the network is likely to be compounded by the development of the Milton Keynes South Midlands growth area. In Chapters Three and Seven the West Midlands Business Council presented proposals to improve the transport network between the region, the growth area and the wider South East and we would encourage the Department for Transport, the Highways Agency and Network Rail to also consider the implications of the Games so that road and rail improvements can be addressed.

Summary of Recommendations:

- a) Implementation of Advantage West Midlands 2012 tourism plans**
- b) The Olympic torch relay to go via the region, including via Much Wenlock**
- c) Business support structure to advise clients of likely short term rise in everyday business costs from 2010 to 2012**
- d) All Olympic related tenders to be advertised on London 2012 website**
- e) Successful bidders to be advertised on London 2012 website to enable SMEs to bid for supply chain work**
- f) Assessment criteria for Olympic related work should not be burdensome for SMEs**
- g) Brochure should be produced to attract national Olympic teams to locate their training camps in the West Midlands region**
- h) Birmingham businesses to work with Birmingham City Council and Advantage West Midlands to prepare for the commercial opportunities when Olympic football games are held at Villa Park**

- i) Urge the National Lottery funding bodies to back the workplace healthy living project and for it to be incorporated in the new regional business support structure**
- j) The West Midlands Regional Assembly to allow – via regional planning policy – an expansion of leisure facilities further to Phase Three partial review of the Regional Spatial Strategy**
- k) The Department for Transport, Highways Agency and Network Rail to study the impact of London 2012 traffic upon the regional transport network for practical policies to be developed**
- l) Advertising www.readyforbusiness-wm-london2012.com via the regional business support structure**

Conclusion - The Way Ahead

The recommendations in this report, when taken together, are a clear blueprint for action.

Progress has already been made across the West Midlands region to strengthen the economic base of the region.

However, so much more needs to be achieved and this can only happen if business works in partnership with Advantage West Midlands and other bodies to ensure that action is taken.

The West Midlands Business Council does not plan to be a bystander in this work.

Our hands on approach have already led to a range of successes including:

- The UK's first action plan to tackle congestion black spots
- Development of management training provision
- More exporters from the region
- New crops to be grown in the Midlands

However the issues identified in this report demonstrate the scale of the challenge – and the commercial opportunities that exist at the heart of the UK.

That is why the West Midlands Business Council will be working to encourage these recommendations to be implemented in the Regional Economic Strategy.

The West Midlands Business Council – together in partnership with its member organisations – will work together to achieve a vision that is realisable – the West Midlands region becoming a world class centre for home, work, leisure – and business.

Summary of Recommendations from each Chapter

SECTION ONE – PRIORTIES FOR ACTION

Chapter Two – Aims of the Regional Economic Strategy

- 1 A holistic concept of the aims of the Regional Economic Strategy is adopted
- 2 The economic modelling work of the West Midlands Regional Observatory is used as part of the work of the Agency and other partners in economic development policy and practice

SECTION TWO - INFRASTRUCTURE

Chapter Three - Funding

- 3 Talks with HM Treasury for regeneration bonds to be allowed to be issued;
- 4 Talks with HM Treasury for Public Private Partnerships to be allowed with regeneration work
- 5 Talks with HM Treasury to allow economic development bodies to adopt prudential borrowing powers, including on revenue as well as capital matters
- 6 HM Treasury to adopt a more flexible approach to the funding formula to economic development bodies rather than maintaining the current revenue – capital split

Chapter Four – Transport

Advantage West Midlands and its partners within the Regional Economic Strategy work together for the following objectives:

- 7 Ensuring that the departmental and agency barriers for effective public sector working on transport are removed;
- 8 Enabling Department Transport and Network Rail to recognise its' responsibilities for ensuring a robust local rail network that links into local, regional and national transport modes;
- 9 Government to review bus deregulation policies in order for bus services to be effectively linked to other modes of transport;
- 10 Investment to be channelled into road bottlenecks such as the M6 and the M42 box to address the pressing congestion problems;
- 11 For investment and planning to take place as a matter of priority to fully utilise the potential of Birmingham New Street Station as the national rail hub and Birmingham International Airport as the regional long haul aviation hub;
- 12 For a clear funding and transport strategy for the key economic area of north Staffordshire;
- 13 For all decision makers to ensure that local authorities engage with businesses on local “quick wins” solutions to improve traffic flows;
- 14 For public agencies and the Government to engage in effective integrated transport planning for the development of effective policies such as well used Park and Ride sites and the development of arterial rail and road routes.

Chapter Five - Skills

- 15 We believe the review of the Regional Economic Strategy (RES) is an opportunity for the Government, as a party to the RES, to re-consider its skills investment to ensure there is a focus on high level skills as well as addressing the poor levels of basic skills
- 16 The Regional Economic Strategy needs to ensure there is a demand led approach to skills provision.

- 17 The West Midlands Business Council would warn against a “predict and provide” approach to skills provision. While forecasting is an important tool in developing future training provision, market trends and changes in technology means that earlier forecasts may hinder developing skills solutions that employers and employees require in the near future. That is why we would urge for a flexible demand led approach to skills provision.
- 18 Effective self accreditation in the workplace could widen and strengthen the skills base in the region – and by ensuring that the qualifications system is tied into effective demand led workplace training – this would ensure trust and security in the development of workplace training.
- 19 To build on the work of the *Fair Cities* programme, with the Regional Skills Partnership taking the leading role in brokering a programme to expand the work currently undertaken by *Fair Cities*.
- 20 Careers advice to be provided from the age of 12
- 21 Regional Skills Partnership to commission audit of the quality of the careers advice that is on offer
- 22 Regional Skills Partnership to work with careers advice providers so that careers advice services can be provided to all age groups
- 23 There are programmes to support young rural entrepreneurs but we would encourage advice to be available to elder entrepreneurs, to encourage and assist them in continuing to operate beyond the statutory retirement age.
- 24 Survey of mature people to assess skills basis in the region
- 25 Survey of how soon to retire employees is dealt with at the end of their working lives to learn from best practice
- 26 Explore possible measures to prolong the working lives of employed elderly and unemployed seniors. How to retain seniors in work longer, and how to recapture both the willing and unwilling unemployed seniors in rural areas.
- 27 Explore impact of ageing workforce upon the business community
- 28 Develop routes by which businesses and WM organisations can access the seniors on the register, and vice versa so that seniors wishing to work have channels dedicated to their needs.
- 29 Audit the levels computer literacy amongst the elderly, and if necessary develop programs to fill gaps.
- 30 Analyse the England Rural Development plan for sources of advice and funding
- 31 Market Research of market requirements and how businesses can more effectively market to segments of the senior market.
- 32 Analyse health and care provision for mature people to consider future business trends in the region – and the need to improve the skills base to address these trends

Chapter Six - Energy

- 33 Contingency energy supply issues to be tackled as a matter of urgency
- 34 Business support structure and UK Trade and Investment to advise clients on the opportunities around emissions trading
- 35 Energy Efficiency advice agencies brought together in a regional plan and directly linked to the new regional business support structure
- 36 Environmental technologies recommendations of the Black Country Study should be implemented with potential for this sector to be explored in other areas of the region
- 37 Capital grants for the development of the bio-energy sector
- 38 Open forum approach bringing together manufacturers and growers to consider the development of the biomass market
- 39 Redefine definition of waste to allow new opportunities in energy generation
- 40 Viability of the Staffordshire and Warwickshire coal fields to be addressed by Advantage West Midlands and others actively engaging with the Government's Coal Forum
- 41 Advantage West Midlands and the business community to explore whether carbon sequestration in unminable Staffordshire coal seams can be developed as a new market
- 42 Develop of skills and business support and links to firms to enable nuclear build and maintenance in the region

Chapter Seven – Crime

- 43 That the Regional Economic Strategy supports the Warwickshire Police definition of business crime as any crime against a business or a business premises
- 44 That Advantage West Midlands and its partners support and communicate with key decision makers the need for the development of key performance indicators to assist the police in addressing business crime
- 45 Advantage West Midlands fund anti business crime initiatives outside and inside Regeneration Zones
- 46 That Advantage West Midlands and its partners accept the code of practice developed by the Association of Chief Police Officers to "design out crime" in new infrastructure developments
- 47 Advantage West Midlands and its partners work with Central England Trading Standards Authorities to ensure public procurement practices favour quality businesses not cowboy firms
- 48 New regional business support structure to include crime prevention advice as part of the risk assessment advice for when business plans and future business planning processes are being developed
- 49 Preparing economic recovery programmes if an emergency incident occurs

Chapter Eight – Milton Keynes South Midlands Growth Area

- 50 For the implications of the MKSM growth region upon the West Midlands region to be incorporated into the Midlands Way final document
- 51 For the economic impact study of the impact of the growth area upon the region to take a holistic approach

- 52 A mechanism for effective cross departmental and public agency working on issues pertaining to MKSM in the interests of the people and businesses of the West Midlands region
- 53 For West Midlands regional business community and West Midlands regional public agencies to be represented on the MKSM Inter Regional Board
- 54 For Advantage West Midlands and the business community to be involved in the West Midlands Regional Assembly's cross regional monitoring work in respect of MKSM
- 55 For an increase in rail services between Birmingham International and Milton Keynes Central to take place
- 56 For a rail freight services between the West Midlands to Felixstowe and Southampton to be introduced
- 57 For through ticketing to be introduced at Birmingham International Airport for different modes of transport
- 58 For a feasibility study to be established to examine the impact of the growth area upon the road network and for the strategic role of the A14 to be taken into consideration
- 59 For the Environment Agency to assess the impact of the growth area upon the water table and for the Department of Trade and Industry to assess the impact of the growth area upon the national grid
- 60 For Advantage West Midlands to work with neighbouring regional bodies on linkages with the MKSM and Cambridge 2 Oxford Arc high technology work and for links between West Midlands universities and the body, Universities for Milton Keynes
- 61 For work to be undertaken to assess how logistics sites in the West Midlands region can be planned to be complementary to logistics sites in the MKSM growth area
- 62 For Advantage West Midlands to work with neighbouring regional bodies to link automotive firms in the West Midlands and the MKSM area together
- 63 For the Department of Trade and Industry to ensure that all MKSM construction projects are advertised on the Supply 2 Gov website
- 64 For a tourism strategy to be established to attract tourists from the growing population in the MKSM growth area

Chapter Nine – Cross Regional Linkages

- 65 Talks should commence between regional institutions and the Welsh Assembly to seek co-operation on transport, rural public services provision, tourism and biomass production
- 66 Regional institutions should instigate talks with all neighbouring regional agencies to consider financial burden sharing to improve the transport infrastructure
- 67 Regional institutions and regional businesses should be involved with the planning of the Northern Way
- 68 An economic assessment of the impact of the Northern Way upon the regional economy should take place

- 69 There should be an enhanced marketing campaign to link with the attractions of the Cotswolds with tourist facilities in the West Midlands region
- 70 Links with Gloucestershire County Council should be established to monitor the impact of the county's economic activity upon the West Midlands region

SECTION THREE – BUSINESS DEVELOPMENT

Chapter Ten – Clusters

- 71 Clusters strategy could consider sectors that are important for the general sustainability of the regional economy as well as a focus on the high GVA performers.
- 72 Cluster managers co-ordinate SMEs to bid for work then this would strengthen the economic base of the region.
- 73 Agency pump priming could be used to ensure a greater commitment from the wider business community – helping this policy go further in terms of communications, finance and delivery.
- 75 Clusters, if it is to deliver its potential, should be broadly advertised via the Agency's Regional Marketing Strategy. The marketing of clusters could be mainstreamed in the overall marketing budget to reach the widest possible audience.
- 76 Business representative organisations need to be more closely involved in the development and implementation of clusters strategies for it is these organisations that are an effective and cost efficient approach to reach the widest possible business market. The West Midlands Business Council is willing to be an effective conduit for information to business representative organisations.
- 77 This information flow should consist of practical commercial opportunities for the participation of firms in various initiatives operated by the COGs
- 78 A sophisticated methodology could be developed to help predict, as much as is possible, future as well as current trends for sectors which could become high GVA industries. The basis for such a methodology could emerge from the West Midlands Regional Observatory.
- 79 If possible, active consideration is given to collating larger sums for supporting manufacturing in the light of the series of economic shocks to the sector in the region and its' primary importance in the regional economy.
- 80 Therefore the division of funding to help the growth of micro and SME businesses needs to be considered.
- 81 Manufacturing COG could be established which would act as a Manufacturing Forum - bringing together the business community, public sector bodies including the West Midlands Learning and Skills Councils and business support structures.

Chapter Eleven – Regeneration and High Technology Corridors

- 82 That Advantage West Midlands and its Governmental partners adopt the following principles for all regeneration work: ant recommendations are:
- 83 The aim of regeneration programmes should be clarified to ascertain whether the role of the programmes are holistic or focus specifically on economic regeneration;

- 84 here needs to be a joined up approach between all regeneration programmes to tackle the perception of duplication;
 - 85 A clear and transparency methodology for all regeneration programmes needs to be established to ensure confidence in advance of greater business engagement
 - 86 Communications between business and other stakeholders must be open, clear and transparent
 - 87 All regeneration programmes need a medium term strategy over a three year period to ensure a stable framework for business engagement
 - 88 Common indicators should be established for the independent analysis of the effective of regeneration programmes – enabling confidence in the business community to be improved in the transparency of these processes.
- 89 Advantage West Midlands to implement the recommendations of the October 2005 West Midlands Regional Assembly inquiry into high technology corridors

Chapter Twelve – Business Finance

- 90 For Advantage West Midlands, local authorities and others to follow the excellent example of the North Staffordshire Risk Capital Fund plc and establish similar models across the region which lead to a mainly private sector led funding streams for firms to access modest amounts of risk capital;
- 91 For the Agency to work with the European Investment Fund to lever in JEREMIE funding that is designed to bring in additional venture capital funds to the regional business community;
- 92 For the Agency to help lever in venture capital and other forms of finance for the regional business community via links with the City of London, the Chicago Mercantile Exchange and other international bourses;
- 93 For the Agency to develop mezzanine funding opportunities and building on the good example of the Advantage Bridge Fund;
- 94 For the Agency to develop Islamic forms of access to finance.

Chapter Thirteen – Rural Regeneration

- 95 One Stop Shop for Rural Public Services established in rural localities –possibly at a county level
- 96 One Stop Shop for Rural Services could be a partnership between Advantage West Midlands and local authorities
- 97 One Stop Shop for Rural Services could ensure that skills, procurement and business support services needs are met

SECTION FOUR – FUTURE GROWTH

Chapter Fourteen - Procurement

- 98 Urge all local and regional public bodies to consider sourcing work within the region in the first instance so that the collective aim of regeneration is achieved.
- 99 West Midlands Business Council with Advantage West Midlands could continue to work together to ensure that the fees regime on Supply 2 Gov do not reach such a stage that it deters SMEs from registering onto the site.

- 100 Ensure that the West Midlands local authority centre of excellence, which covers procurement issues, is sufficiently tied into Supply 2 Gov so that there is one clear portal and avoid a plethora of access points to the public sector procurement bodies
- 101 Advantage West Midlands and the West Midlands Business Council could work with Minority Supplier Development UK and incorporate its work into the regional procurement activity as well as seeking the engagement of Supply 2 Gov in this body's work – maintaining the one easy access point for tenders
- 102 Encourage Advantage West Midlands and business representative organisations to hold events across the region to highlight opportunities from the implementation of the Services Directive. We would also encourage written materials, possibly produced by the West Midlands in Europe office, so that a wide range of firms becomes aware of the new internal market. West Midlands Business Council would be willing to play its role in this work.
- 103 The West Midlands Business Council would urge the European Commission to adopt the following principles in any proposed legislation to enable SMEs to gain public procurement contracts:
- 104 Freely available information about where tenders are advertised
- 105 Freely available information about the purchasing process, future needs and the renewal/re-advertising of 'framework' tenders.
- 106 Tenders should be broken down into small units so that small businesses are capable of undertaking the volume of work.
- 107 Pre tender qualification should be fit for purpose in that it is appropriate to the type of work to be done or goods to be supplied, and proportionate to any risk to the public sector
- 108 Tender documents should be written in plain English - one of the main European Union languages - only using technical terms where this is necessary for accurate specification.
- 109 Tender documents should include a decision timetable and payment schedule
- 110 Tender documents should include a clear explanation of the criteria on which the contract is to be awarded.
- 112 Certification such as EMAS, ISO 9000 should only be used where there is clear business need and where the service or good required can only be supplied by a large firm.
- 113 The West Midlands Business Council would encourage regional bodies and regional MEPs to press these issues with the Government and the European Commission

Chapter Fifteen – Inward Investment and Exports

- 114 UKTI, Advantage West Midlands and other partners, alongside West Midlands Business Council, to engage positively with the City of London so that opportunities can be levered in for the region
- 115 Steady and patient work in engaging with international markets as the operation of the global economy and the impact on day to day operations in the region relies on good links with the key bourses.
- 116 Use network of inward investment offices in Europe to engage with potential new Europe wide exchange. If this development does not occur consideration of engagement with European exchanges would be beneficial to ascertain the opportunity for the potential of further liquidity in the regional economy.

The West Midlands in Europe office should:

- 117 - Provide tailor made information to clients rather than general information;
- 118 Work with representatives of other European regions to bid for EU funding with joint collaborative measures;
- 119 Work with representatives of other European regions for cross regional commercial links;
- 120 Focus on gaining EU funding for the region including enterprise funding for SMEs.
- 121 Regional partners could come together to decide on a top ten list of achievable legislative aims for the West Midlands in Europe office to work on which could be decided in partnership with regional MEPs.
- 122 International inward investment offices develop links with business representative organisations to help with the promotion of the region and improving communications with the business community.
- 123 For the region to be marketing so that the back office functions for the City of London can be serviced in the West Midlands region
- 124 Members of business representative organisations and other organisations linked to the West Midlands Business Council could be encouraged, when on overseas visits, if they have the time, to link up with one of the inward investment offices to promote the region.
- 125 For regional bodies to adopt the UKTI strategy in targeting emerging markets for future relationships with the region
- 126 To follow a market opportunities approach in developing links with key regions
- 127 For the West Midlands Local Government Association and its body – the Regional Economic Development Officers Group – to work with other regional bodies to develop international economic links.
- 128 For UK Trade and Investment, Advantage West Midlands and local authority economic development officer to step up its marketing of the exports opportunities to Midlands firms.

Chapter Sixteen – Research and Development

- 129 The lack of knowledge of university – business dialogue schemes is a matter that Advantage West Midlands and business representative organisations could play a part in addressing. The West Midlands Business Council is willing to play its role in this matter.
- 130 The university – business dialogue schemes could be integrated in the training provision provided via the Learning and Skills Councils, amongst others.
- 131 Services provided by Contact – which links universities and businesses together on potential R&D work – is a good step forward and the West Midlands Business Council would support the active development of this service – integrated into the regional business support structure
- 132 Advantage West Midlands' cluster groups could advertise its services and – possibly combined via the regional business support structure including the Contact service – bring SMEs together so that R&D collective bids to universities can be viewed more positively as the collective value would be greater.
- 133 Advantage West Midlands' Access to Finance programme may be able to highlight to the particular SME with an innovative R&D concept how Business Angels, venture capital

fund managers or other investors could assist in providing greater value to the R&D work in return for an equity stake in the business or other commercial arrangements.

- 134 The Government should review its system of university funding and, in particular, consider whether R&D tax credits can also apply to universities as well as to businesses so that the value of an SME bid for R&D work is enhanced.
- 135 Follow the example of the Milk Development Council whereby officers are appointed to visit businesses to demonstrate how R&D concepts can help with productivity
- 136 The European Commission reverses its procedures and allows a business to make an application for funding – in principle. This application would have to present a clear business case for accessing public funds and each application would be judged on its own merits. If the application was agreed in principle then the applicant could seek a research partner before resources are released. A regional and national body could vet the applications before being successful applications are forwarded to the European Commission.
- 137 Single source justification for energy R&D project tenders
- 138 Loans to larger firms for energy R&D work
- 139 Businesses who have gained from R&D developments to be on hand to advise SMEs on this issue, possibly via an enhanced Contact service
- 140 The Government to invest more in R&D spend in universities outside of the so-called “Golden Triangle” of top south east universities

Chapter Seventeen – Tourism

- 141 Develop the relationship between regional tourism structures and the West Midlands Local Government Association to develop a closer alignment of tourism policies
- 142 For the Regional Marketing Strategy to support tourism destinations marketing
- 143 For an industrial and scientific tourist heritage trail to be established across the region
- 144 Tourism businesses should gain support in developing their capacity, helping with the diversification of rural firms, developing skills levels, reducing red tape, developing e-commerce abilities, improving transport links and consideration of “green tourism” developments
- 145 Uniform region wide tourism road signs policy to be developed by the West Midlands Regional Assembly’s Transport Partnership based on the model of best practice from Gloucestershire County Council

Chapter Eighteen -Creative Industries

- 146 Design cluster established for all creative industries
- 147 So called traditional industries such as ceramics, carpets and clothing are incorporated in the services provided by the design cluster
- 144 The work of the design cluster is incorporated into the new regional business support structure

Chapter Nineteen – 2012 Olympic and Paralympic Games

- 145 Business support structure to advise clients of likely short term rise In everyday business costs from 2010 to 2012
- 146 All Olympic related tenders to be advertised on London 2012 website
- 147 Successful bidders to be advertised on London 2012 website to enable SMEs to bid for supply chain work
- 148 Assessment criteria for Olympic related work should not be burdensome for SMEs
- 149 Brochure should be produced to attract national Olympic teams to locate their training camps in the West Midlands region
- 150 Birmingham businesses to work with Birmingham City Council and Advantage West Midlands to prepare for the commercial opportunities when Olympic football games are held at Villa Park
- 151 Urge the National Lottery funding bodies to back the workplace healthy living project and for it to be incorporated in the new regional business support structure
- 152 The West Midlands Regional Assembly to allow – via regional planning policy – an expansion of leisure facilities further to Phase Three partial review of the Regional Spatial Strategy
- 153 The Department for Transport, Highways Agency and Network Rail to study the impact of London 2012 traffic upon the regional transport network for practical policies to be developed.
- 154 For the West Midlands 2012 portal – www.readyforbusiness-wm-london2012.com to be advertised via the regional business support service

Notes

Chapter Three – Funding

- a. *Using Prudential Borrowing: One Year On* (Local Government Association – 2005)

Chapter Four – Transport

- (1) *Getting Business Moving* (British Chambers of Commerce, February 2004)
- (2) *Lifting the Barriers* (Federation of Small Businesses, April 2006)

Chapter Five – Skills

- (1) *Regional Skills Partnership Baseline* (West Midlands Regional Observatory, Spring 2005)
- (2) Ibid
- (3) West Midlands Learning and Skills Councils Briefing Note to West Midlands Business Council – December 2006
- (4) Ibid
- (5) ibid
- (6) *21st Century Skills – Reaching our Potential* (Department for Education and Skills, 2003)
- (7) *SME e-Adoption 2004* (BMG Research commissioned by Business Links Herefordshire and Worcestershire and Advantage West Midlands)
- (8) *Training and Skills Survey 2005* (Federation of Small Businesses)
- (9) *Exemplo – 4th Trans National Meeting: Pilot Study* (EEF West Midlands)
- (10) *Fair Cities: Employer Led Efforts that Produce Results for Ethnic Minorities* (National Employment Panel, Department for Work and Pensions, March 2004)
- (11) Ibid
- (12) John M Bryden, University of Missouri (2003)

Chapter Six - Energy

- (1) *State of the Region* (Institution of Civil Engineers, 2005)
- (2) *Comprehensive Energy Review* (Department of Trade and Industry, 2006)
- (3) *State of the Region* (Institution of Civil Engineers, 2005)
- (4) Paper by Dieter Helm, New College, Oxford for the House of Commons Trade and Industry Select Committee (2 June 2006)

Chapter Seven – Crime

- (1) *Business Crime in the West Midlands Region* (Government Office for the West Midlands, 2004)

Chapter Eight – Milton Keynes South Midlands Growth Area

- (1) Based on an assessment of the figures from the 2004 documentation produced for Milton Keynes and South Midlands Sub Regional Spatial Strategy (Exam 59 paper) produced by the East of England Regional Assembly, East Midlands Regional Assembly and South East of England Regional Assembly and on figures contained in the report *Milton Keynes and South Midlands Study* (September 2002) as prepared by Roger Tym and Partners/Halcrow/Three Dragons and compared with current census data on the number of households in the Birmingham area.

- (2) *Assessment of the Regional Economic Strategy* (West Midlands Regional Assembly, 2006)

Chapter Nine – Cross Regional Linkages

- (1) *Study into the identification and use of local housing market areas for the development of the RSS* (Ecotec, commissioned by the West Midlands Regional Assembly, 2006)

Chapter Ten - Clusters

- (1) Harvard Business Review, November/December 1998
- (2) Harvard Economic Quarterly, February 2000
- (3) *Clusters Business Plans 2005 – 2008 – Executive Summary* (Advantage West Midlands, 2005)
- (4) *Companies without borders: collaborating to compete* (Economist Intelligence Unit, 2006)
- (5) *A stitch in time – Working in partnership to support the clothing sector in West Midlands region of UK* (Nigel Berkley, Centre for Local Economic Development, Coventry Business School, August 2004)
- (6) Skillsfast-UK, survey (commissioned by Birmingham and Solihull Learning and Skills Council, May 2004)
- (7) *Entrepreneurship in the West Midlands* (Jonathan and Stephen Roper, Aston Business School, February 2005)
- (8) *Manufacturing Cluster Opportunity Group Business Plan* (Advantage West Midlands, 2005)

Chapter Fourteen – Procurement

- (1) *Procurement Policy* (West Midlands Business Council, September 2003)
- (2) *Demographic Situation in Birmingham* (Birmingham Chamber of Commerce and Industry, 2006)

Chapter Eighteen – Creative Industries

- (1) Fred Brookes Research and Strategy (commissioned by Culture West Midlands, September 2004)
- (2) *Regional Cultural Strategy* (Culture West Midlands, 2005)
- (3) *Scoping Study: Support Structures for the Creative Industries in the West Midlands* (Research House UK, commissioned by Culture West Midlands and Advantage West Midlands, May 2006)