THE INSTITUTE OF THE MOTOR INDUSTRY

Sector Skills Assessment for the Automotive Retail Sector - Wales

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Introduction

The Institute of the Motor Industry (IMI) is the Sector Skills Council (SSC) for the automotive retail industry. This sector is vital to the smooth running of the UK economy as it is concerned with the sale, rental/leasing, maintenance and repair of the 35.2[1] million vehicles on the roads in the UK and their associated parts. The businesses within the sector are diverse and include; vehicle dealerships, independent garages, car supermarkets, rental and leasing outfits, fast fit chains, roadside assistance operations, accident repair centres and wholesale and retail parts suppliers.

This paper describes the current and future skill priorities for the sector. It draws on research undertaken by the IMI and a range of secondary sources.

Key Findings

Drivers of skill demand

- The automotive retail sector in Wales employs some 23,000[2] employees, 1.8% of the workforce in Wales working across 4,015[3] business units. The majority share of business units is made up of micro-businesses (90%), though over half of all employees (56%[4]) work within small to medium enterprises.

- England accounts for the largest share of businesses (85%) and employees (83%) with Scotland the next largest at 7% of businesses and 10% of employees. Wales and Northern Ireland represent the smallest share of businesses and employees at 5% and 3% of each respectively[5].

- The maintenance and repair sub-sector (SIC 45.20) accounts for the majority share of employment (65%) and businesses (51%). Sales of light motor vehicles (45.11) is the next largest sub-sector contributing 13% of employment and 28% of all businesses[6].

- Skilled trade occupations make up a significantly larger than average share of the workforce at 44% compared with 13% for all Wales industry. Managers and leaders form the second biggest occupational group at 18% compared with 13% for Wales as a whole. The sector demonstrates larger than average proportions of self-employed workers at 26% of the whole workforce (14% Wales average)[7].

- A small minority of the workforce is female, just 17% (Wales 47%). 43% of all female sector workers in Wales are employed in administrative or secretarial roles[8].

- The average age of workers in the automotive retail sector is 39. The majority of workers are aged 25-44, accounting for just under half of the total workforce (59%)[9].

[1] Source DFT vehicle registration and licensing statistics, August 2009 downloaded from http://www.dft.gov.uk/pgr/statistics/datatablespublications/vehicles/ and Northern Ireland Transport Statistics 2008-09 table 1.1
[2] Labour Force Survey 2009 annualised average
[3] Inter Departmental Business Survey 2010
[4] Annual Business Inquiry 2008
[5] IDBR 2010, LFS 2009
[6] ibid
[7] LFS 2009
[8] ibid
[9] ibid

- In 2008 the automotive retail sector generated £146 billion or 4.7% of all UK turnover and contributed £25 billion or 2.8% of gross value added. The sales of motor vehicles subsector (SIC 50.10) generated the majority of turnover (70%) and contributed the most in value added terms (47%). In 2008 the automotive retail sector in Wales[10] contributed some £4.8bln or 5.3% to all Wales turnover and £0.7bln or 2.7% in value added terms. Wales contributed 3% to the overall sector in terms of both turnover and gross value added.

What is driving change?

- The global economy is a key factor influencing the level of consumer demand in the sector in the UK, primarily with regard to vehicle sales. UK GDP growth is inextricably linked to the performance and stability of global markets.

- The vehicle scrappage scheme, launched in May 2009, provided significant support to the new car market. An average of 17% of new car registrations have been attributed to the scheme since it began.

- Government policy can drive consumer demand and business behaviour, and therefore has a huge effect on the direction of the sector. The skills and training needs of the workforce are affected in many ways because of these influences. Examples include:

    - The vehicle scrappage scheme
    - Legislation and targets around CO_2 emissions
    - Vehicle excise duty and company car tax
    - The MoT test
    - Block exemption regulation

- Consumer preference is a key driver for the sector. Consumers make their choices on a range of factors including:

    - Price (including finance arrangements and warranties)
    - Running costs (including price of fuel)
    - Safety
    - Environmental performance (a factor which is increasingly moving up the rankings)
    - Fuel consumption

- Vehicle technology moves at an incredible pace in the automotive industry. The rate of technological change in the automotive sector is driven by competition, consumer demands and regulation/standards. New makes and models are constantly being launched into the market along with new component parts and materials. Along with the need for regular investment in new equipment etc there is a constant requirement for businesses to invest in technical training. This also has an impact on training providers who must ensure equipment used to train is reflective of the whole market.

- The threat of the National Consumer Council's super complaint has put more focus on improving the image of the sector and driving up skill levels.

- Industry standards such as PAS 125 are also contributing to improving skill levels in the sector

[10] At the country level turnover and value added data refers to division 45 only as there is no breakdown available by 4 digit SIC codes. Consequently actual contribution of the sector to the individual nations will be somewhat higher than stated here.

Current skills priorities

- The sector has a relatively low number of staff qualified at a 'high skill' level. In 2009 just 6% of the automotive retail workforce in Wales are qualified to S/NVQ level 4 and above compared with 9% for the sector as a whole and 35% of the whole UK population[11].

- Although automotive retail employers seem largely happy with the overall skill levels of their employees[12], there is general consensus that there is room for improvement in management and leadership skills in the sector. Managers and senior officials have relatively low levels of formal qualifications compared with the UK at large. Managers and senior officials account for 18% of the automotive retail workforce in Wales, slightly higher than the average for Wales of 13%. Of automotive retail sector managers and senior officials, just 13% hold S/NVQ level 4 and above qualifications, compared with 46% of all managers in the UK working population. 23% of all managers in the sector in Wales have no formal qualifications compared wit 9% for all sector managers and 4% of all UK managers.

- Apprentices form a key entry route to the sector and in 2009/10 automotive retail apprenticeships accounted for 4.6% and 4.8% of all apprenticeship starts in England and Scotland respectively[13]. In employment terms; this is high given that the sector accounts for just 1.7% of all UK employment. Most apprentices are recruited straight from school and will gain experience while working. It is common for more senior roles to be filled by individuals who have 'risen through the ranks' to management positions, or opened their own business, often with little specialist training in management and leadership skills. This has contributed to the low number of managers and leaders in the sector who are qualified to the appropriate level.

- Given the nature of the sector, there is a high demand for technical skills, and the pace of change and development in technology can make it difficult for businesses to keep up to date. This is exacerbated for smaller businesses that lack the means or access to relevant training. 85% of the sector's businesses are micro-businesses. Technical skills are the most recognised skill gap within the sector.[14]

- Due to the high proportion of skilled trade occupations, the sector experiences particularly high levels of skill shortage vacancies relative to the wider economy. The recession had reversed this shortage temporarily, but vacancy levels have started to pick up again as the sector starts to recover and technical skills remain of paramount importance.

- Survey results show that the sector demonstrates slightly higher than average levels of skill gaps within sales and customer services[15]. Vehicle sales account for 70% of the sector's turnover and this, as well as the competitive nature of the 21st century market, means that these skills remain of high importance. The launch of new models, makes and technologies creates a constant need for new sales training. Sector employers have identified a number of generic skills as being key, including customer handling (sales and customer service), problem-solving, communications, and team working.

[11] Labour Force Survey 2009
[12] IMI Employer Skills survey 2010
[13] England data is provisional to April 2010, downloaded September 2010 from http://www.thedataservice.org.uk/statistics/ Scottish data is for April 2009 – March 2010, downloaded September 2010 from http://www.skillsdevelopmentscotland.co.uk, recent data for Northern Ireland and Wales is not available.
[14] National Employer Skills Survey 2009
[15] ibid

Anticipating what lies ahead

The challenge in terms of CO_2 emission reduction targets has created the requirement for low carbon technology to provide viable alternatives to the current fossil fuel-reliant vehicle fleet. It is likely that in ten years time the motor industry will be a very different place to what it is at this point in time. The skill needs of the retail sector are likely to change greatly because of the up-coming step change in technology and through legislative changes, economic effects and consumer demands.

Working Futures 2007-17 Forecasts

- In total, by 2017, it is forecast that 224k people will be required to fill jobs in the automotive retail industry. This accounts for 35.7% of the industry. The total UK requirement for jobs is forecast to be 43.1% for the same period.
- Of the 224k, 11k (4.9%) is due to a forecast growth in the industry over the next decade.
- Replacement demand for the industry is forecast to be 213k over the next decade to replace those leaving their jobs due to retirement or other reasons.
- The occupations within the industry forecast to require the greatest number of people are; 'sales and customer service' (66,000) and 'managers and senior officials' (48,000) from 2007-2017.
- By 2017 the total employment in the UK is forecast to increase by 5.7%.

Future Scenario Planning - Future Workforce Implications

- Skills priorities for the likely future scenarios predict the following areas to be of importance:
- Generic Skills – including more specifically Customer Handling (sales and customer service), improved literacy and numeracy, problem-solving, communications, and team working.
- Management Skills – envisaged rapid changes in new technology and market structure will require a higher level of management, particularly around leadership and strategic planning.
- Sales Skills – constant release of new makes and models and technology creates a constant need for sales training.
- Technical Skills - as the diversification and pace of new forms of technology increases, so must the training and skill levels of the workforce.
- Administrative Skills around use of ICT
- Other – recycling and disposal of increasingly hazardous and complex materials and components.

Section 1 – What Drives Skills Demand?

This section first defines the automotive retail sector in terms of coverage and then goes on to describe the sector in terms of the number of businesses and size of the workforce. The implications for skills, that these issues raise, are also addressed.

Sector Definition

The IMI's footprint is the automotive retail sector in the UK. The automotive retail sector covers the activities of businesses in almost the entire downstream motor industry (i.e. all activities related to the selling, maintenance and rental/leasing of all UK vehicles). The sector is responsible for all vehicle types and their parts, including not only cars, but also motorcycles, commercial vehicles (e.g. vans and trucks) and passenger service vehicles (buses and coaches).

The automotive retail sector is defined using the Standard Industrial Classification (SIC) scheme. Defining sectors using SIC codes enables ready and consistent comparison of sectors across the UK and Europe. Most data sources have recently transferred from the SIC 2003 to the SIC 2007 scheme. Where applicable the most up to date information is reported in 2007 SIC codes, but in order to compare data with earlier years SIC 2007 has at times been consolidated back into the earlier 2003[16] scheme.

The responsibilities for the IMI with regards skills development, are defined in the SSC licence according to SIC 2007 code definitions and are set out in the table below. It should be noted that under the new classification, roadside assistance activity is no longer within 'maintenance and repair of motor vehicles'. Rather this activity now falls under 52.21/9, 'Other service activities incidental to land transportation'. The Rental and Leasing of Trucks, (SIC 77.12) which was not included under the 2003 scheme, is now included within the IMI sector footprint.

Table 1.1 The Automotive Retail Sector Footprint

4 digit SIC code (2003)	4 digit SIC code (2007)	Description 2007
50.10	45.11	Sale of light motor vehicles
50.10	45.19	Sale of other motor vehicles
50.20	45.20	Maintenance and repair of motor vehicles
50.30	45.31	Wholesale trade of motor vehicle parts & accessories
50.30	45.32	Retail trade of motor vehicle parts & accessories
50.40	45.40	Sale, maintenance and repair of motorcycles, related parts & accessories
77.10	77.11	Renting & leasing of motor vehicles
71.10	77.12	Renting & leasing of trucks

[16] LFS data – Prior to 2009 the LFS combined SIC 50.50 (the sale of automotive fuel) with some of the SIC codes that fall within the automotive retail sector footprint. Where comparison with earlier years is required it has thus been necessary to add back in SIC 50.50, now SIC 47.30 to the analysis.

Structure of the Sector

The automotive retail sector in Wales comprises of around 23,000[17] staff working across some 4,015[18] business units. The majority of these business units are micro businesses (86%[19]) employing 44%[20] of the workforce in the Welsh automotive retail sector.

The following list of industry-defined activities shows the breadth of activities undertaken by businesses in the sector:

- New and used vehicle sales
- Light vehicle maintenance and repair
- Heavy vehicle maintenance and repair
- Accident repair
- Body building
- Roadside assistance and recovery
- Fast fit operations
- Lift truck maintenance and repair
- Motorsport maintenance and repair
- Parts distribution and supply
- Motorcycle sales, maintenance and repair
- Vehicle rental and leasing

Many businesses will operate across more than one of these activities. A vehicle dealership, for example, will sell new vehicles as well as maintain them, may rent them on a daily basis, offer company car contract hire or leasing, fast fit services, MOT inspections, sell and maintain used vehicles, have a bodyshop, and so on. A great many enterprises in the footprint do not fit neatly into activity categories.

Small to medium sized enterprises (SMEs) and larger businesses, comprising franchises and chains, are an important and highly influential part of the sector. This is especially true for vehicle dealerships, fast fit outfits and roadside assistance firms. Vehicle dealerships are dominated by large dealer groups which are multi franchise and multi location operations.

In 2008 there were 5077 franchised dealerships operating in the UK. The 469 dealer groups, with multi-franchise arrangements with vehicle manufacturers, accounted for three quarters of the UK's new car sales points.[21]

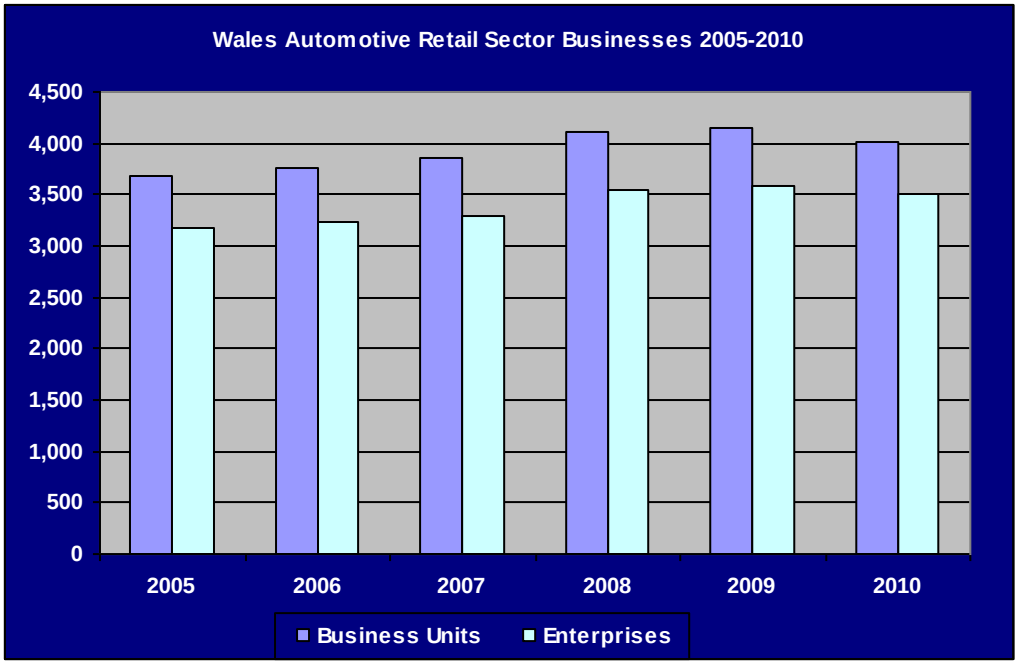
Vehicle Manufacturer Influence on Skills in the Sector

Vehicle manufacturers (VMs) have a large influence on the skills requirements of the sector. VMs are dictating the pace of change of technology as they develop and release new vehicle makes and models into the marketplace. This also influences the equipment, tools and associated parts required to maintain vehicles. The franchise arrangements they have with vehicle dealerships (from individual through to larger group organisations), afford them the opportunity to dictate standards, processes and associated staff training provision. This extends throughout the dealership for technical and non-technical staff. Because manufacturers dictate the types of vehicles released into the marketplace, VMs also influence micro, small, medium and large independent businesses as they must align with VM workshop repair processes, procedures and utilise suitable equipment to carry out maintenance and repair of a diverse array of vehicle makes and models.

[17] Labour Force Survey (LFS), 2009 annualised average. Prior to 2009 the LFS combined SIC 50.50 (the sale of automotive fuel) with some of the SIC codes that fall within the automotive retail sector footprint. SIC 50.50, now SIC 47.30 added around 32,000 people to earlier analysis.
[18] Inter Departmental Business Register 2010
[19] Inter Departmental Business Register 2010, data refers to whole UK
[20] ABI 2008, data refers to whole GB
[21] Sewells Automotive Industry Insight Report 2009

Sector Size by Business Units

Figure 1.1 Wales Automotive Retail Sector Businesses 2005 - 2010



Source: IDBR, UK Business Activity, Size & Location 2005-2010, ONS Statistics

IDBR figures for Wales in 2010 show some **4,015** local business units (-3% compared with 4,140 units in 2009) and **3,150** enterprises (-2.2% compared with 3,590 enterprises in 2009) operating within the sector. The fall in the number of local units and enterprises suggest that businesses in the sector have been hit by the recession. Between 2009 and 2010 the sector performance was different to that for all Wales which, in percentage terms, witnessed a smaller decline in the number of business units, -2.3%, but a larger decline in the number of enterprises, -2.9% over the period. Compared with the rest of the sector in terms of businesses Wales appears to have been hardest hit of the UK nations, witnessing the largest percentage decline in both the number of business units and enterprises. Overall, the number of business units in the sector declined by 1.9% between 2009 and 2010 and the number of enterprises by 1.4%. Although the automotive retail sector has, like all areas of UK and England business, been hit by the recession the scrappage scheme and activity prior to the VAT rise to be implemented in January 2011, may have helped to sustain the sector to some degree. Nevertheless, some businesses will have taken the opportunity to consolidate and streamline their operations.

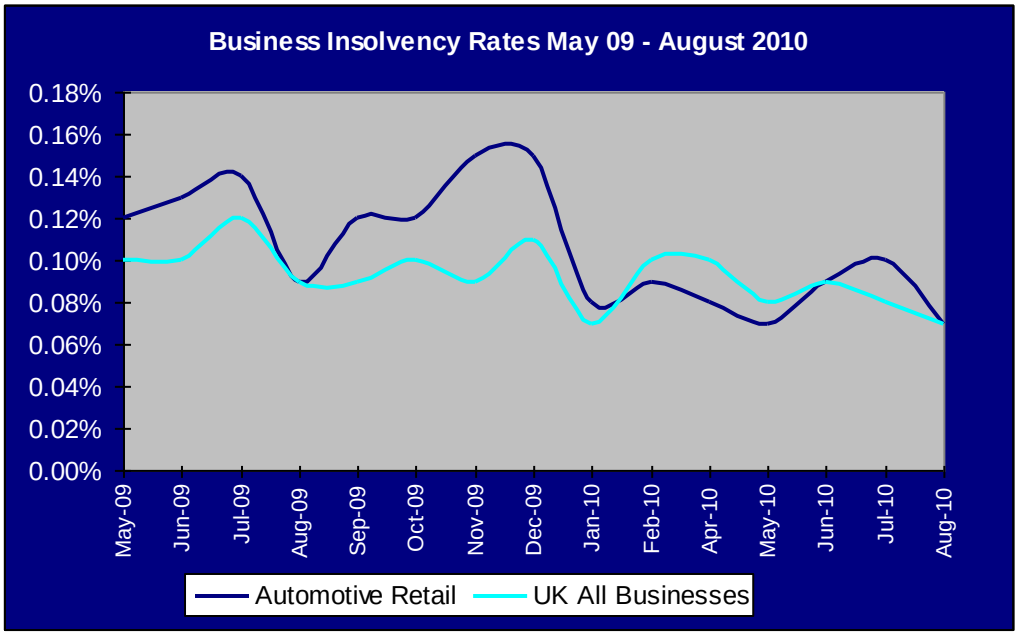
Analysis of the Top 100 Automotive Retailers[22] demonstrates mixed fortunes over the past couple of years. Some of the larger retailers have consolidated their businesses, closing less profitable outlets. Pendragon, the UK's largest automotive retail group closed 26 outlets in 2010. Others meanwhile have grown despite the recession – Arnold Clark and Vertu Motors (ranked 3 and 8 respectively in 2010) both opened 16 new outlets in 2010. Overall, the businesses that featured in the AM Top 100 in both 2009 and 2010 added a total of 85 new outlets between 2009 and 2010, suggesting that the automotive retail sector remains resilient despite the challenges posed by recession.

This is borne out in the figure below which demonstrates a decline in the rate of business insolvencies. In August 2010 the rate of business insolvencies fell to 0.07% from 0.09% in

[22] Source; AM Online, AM 100 accessed October 2010

August 2009 and from 0.10% the previous month. Data refers to the whole of the UK and is unavailable at the national level.

Figure 2.2 UK and UK Automotive Retail Business Insolvency Rates



Source: Experian Insolvency Data May 2009-Aug 2010, www.experian. co.uk

National and Regional Trends

Table 2.2 UK Automotive Retail Local Business Units by Nation and Region

	2005	2006	2007	2008	2009	2010	% 09/10
England	**64,375**	**64,790**	**65,115**	**69,755**	**70,825**	**69,390**	**-2.0%**
North East	2,295	2,385	2,415	2,650	2,730	2,680	-1.8%
North West	8,105	8,215	8,280	9,120	9,285	9,045	-2.6%
Yorkshire and The Humber	6,410	6,450	6,550	7,035	7,085	7,005	-1.1%
East Midlands	6,055	6,160	6,230	6,770	6,880	6,760	-1.7%
West Midlands	7,080	7,160	7,270	7,825	7,990	7,795	-2.4%
East	8,425	8,495	8,445	8,960	9,100	8,920	-2.0%
London	6,370	6,200	6,110	6,475	6,690	6,485	-3.1%
South East	11,760	11,785	11,845	12,460	12,605	12,345	-2.1%
South West	7,875	7,940	7,970	8,460	8,460	8,355	-1.2%
Wales	**3,690**	**3,765**	**3,860**	**4,120**	**4,140**	**4,015**	**-3.0%**
Scotland	**4,890**	**4,900**	**4,975**	**5,240**	**5,330**	**5,340**	**0.2%**
Northern Ireland	**2,230**	**2,315**	**2,405**	**2,700**	**2,730**	**2,735**	**0.2%**
Business Units	**75,185**	**75,770**	**76,355**	**81,815**	**83,025**	**81,480**	**-1.9%**

Source: IDBR, UK Business Activity, Size & Location 2005-2010, ONS Statistics

In Wales the number of local business units contracted by 2.0% between 2009 and 2010. Until 2009 the number of business units in the sector had been growing consistently. Fortunes for the other UK nations were mixed. There has been little change in either Scotland or Northern Ireland where the number of business units was up 0.2% to 5,340 and 2,735 units respectively. England meanwhile, the largest of the nations, saw a 2.0% decline in the number of local automotive retail units to 69,390.

Although data for earlier years is included in table 1.2, care should be taken in their interpretation between 2008 and later years as a result of the switch between 2003 and 2007 SIC code schemes explained earlier in the document.

Geographic Diversity of Businesses in the Sector

The geographical distribution of businesses within the automotive retail sector is broadly in line with the distribution of all UK businesses. The split is unchanged from earlier years and Wales contributes just 5% of the sector. At 85% England accounts for the largest share of the sector in 2010, while Scotland and Northern Ireland contribute 7% and 3% respectively. Variation with the UK average distribution does exist at the regional level with the London region accounting for just 8% of the sector compared with 15% of all businesses UK wide. This is a result of the relatively higher costs of operating in the London region.

Table 1.3 Distribution of Automotive Retail Business Units in Wales Compared to all UK Businesses

	Automotive Retail	UK Average	Difference
England	85.2%	84.8%	0.3%
North East	3.3%	3.0%	0.3%
North West	11.1%	9.9%	1.2%
Yorkshire and The Humber	8.6%	7.3%	1.3%
East Midlands	8.3%	6.8%	1.5%
West Midlands	9.6%	8.2%	1.4%
East	10.9%	9.8%	1.1%
London	8.0%	15.2%	-7.3%
South East	15.2%	15.3%	-0.2%
South West	10.3%	9.3%	1.0%
Wales	**4.9%**	**4.4%**	**0.5%**
Scotland	6.6%	7.5%	-1.0%
Northern Ireland	3.4%	3.3%	0.1%
Total	100%	100%	

Source: IDBR, UK Business Activity, Size & Location 2010, ONS Statistics

Distribution of Businesses in the Sector by Size and Sub-sector

Table 1.3 VAT Registered Automotive Retail Businesses (2008) in Wales by Size and SIC code

	Number of Employees				
	1-10	11-199	200+	Total	% of all businesses by SIC
45.11 Sale of new cars & light motor vehicles	1,042	159	0	1,201	2%
45.19 Sale of used motor vehicles	49	17	0	66	0%
45.20 Maintenance & repair of motor vehicles	1,910	145	0	2,055	3%
45.31 Wholesale trade of motor vehicle parts & accessories	220	69	0	289	0%
45.32 Retail trade of motor vehicle parts & accessories	246	22	0	268	0%
45.40 Sale, maintenance & repair of motorcycles, parts & acc.	109	8	0	117	0%
77.11 Renting & leasing of cars & light motor vehicles	134	16	0	150	0%
77.12 Renting & leasing of trucks	30	4	0	34	0%
Total	3,740	440	0	4,180	6%
% by firm size	89.5%	10.5%	0.00%		
All Wales % by firm size	84%	15%	0.7%		

Source: ABI 2008, NOMIS, Crown Copyright Reserved

The table above demonstrates the distribution of Welsh automotive retail businesses by size. The distribution of businesses in the sector has changed little over time and in 2008[23] the percentage share of businesses by size is little changed from findings in earlier years. Micro-business units account for the vast majority of all automotive retail businesses comprising 89.5% of the total. Small to medium businesses make up the remaining minority at 10.5%. There is a slightly higher concentration of micro-businesses within the sector than is exhibited across the whole of Welsh businesses (84%). There are less medium and large enterprises compared with the Welsh average of 15% and 0.7% respectively.

Compared with 2007 there is virtually no change in the percentage share of businesses by size.

Table 1.5 VAT Registered Automotive Retail Businesses in Wales 2009 and 2010 by SIC code

Wales Local Business Units	2009	% share	2010	% share	Change yoy	% change
45.11 Sale of new cars & light motor vehicles	1185	29%	1135	28%	-50	-4.2%
45.19 Sale of used motor vehicles	55	1%	50	1%	-5	-9.1%
45.20 Maintenance & repair of motor vehicles	2040	49%	2045	51%	5	0.2%
45.31 Wholesale trade of motor vehicle parts & accessories	335	8%	290	7%	-45	-13.4%
45.32 Retail trade of motor vehicle parts & accessories	225	5%	230	6%	5	2.2%
45.40 Sale, maintenance & repair of motorcycles, parts & acc.	110	3%	105	3%	-5	-4.5%
77.11 Renting & leasing of cars & light motor vehicles	155	4%	125	3%	-30	-19.4%
77.12 Renting & leasing of trucks	35	1%	35	1%	0	0.0%
Total	4140	100%	4015	100%	-125	-3.0%
All Wales Businesses	115520		112810		-2710	-2.3%

Source: IDBR, UK Business Activity, Size & Location 2010, ONS Statistics

Table 1.5 gives the most recent figures for the number of business units operating in the sector in Wales. The move to the SIC 2007 scheme provides greater breakdown of the sector. As at the UK level, the bulk of business units in the sector in Wales are accounted for by SIC 45.11 (Sale of new motor vehicles) and SIC 45.20 (Maintenance and Repair of Motor Vehicles) which together comprised 79% (76% all UK) of all automotive retail business units in 2010 (+1% from 78% in 2009). Overall the number of business units operating within the

[23] Data in the full UK report refers to more recent IDBR figures for 2010, but IDBR data at the country level does not allow for breakdown by business size. Differences between the IDBR and ABI data are accounted for by different sampling methods and timing frameworks.

sector fell across all sub-sectors, save 45.20, the maintenance and repair sub-sector (+5 units or 0.2%) and SIC 45.32, the retail trade of motor vehicle parts and accessories (+5 units, 2.2%). Following the trend for the sector overall, the greatest decline was in the number of businesses operating within the wholesale trade of parts and accessories (-45 units or 13.4%). In terms of market share the maintenance and repair and the retail trade of parts and accessories sub-sectors saw a 2% and 1% increase in the share of all business units in 2010 respectively. The sale of new cars, wholesale trade of parts and accessories and rental and leasing of light motor vehicles all saw a 1% decline. The distribution was otherwise little changed compared with 2009.

Table 1.6 Percentage share of Automotive Retail Sector businesses in Wales by Size and SIC 2008

	Number of Employees		
	1-10	11-199	200+
45.11 Sale of new cars & light motor vehicles	87%	13%	0%
45.19 Sale of used motor vehicles	74%	26%	0%
45.20 Maintenance & repair of motor vehicles	93%	7%	0%
45.31 Wholesale trade of motor vehicle parts & accessories	76%	24%	0%
45.32 Retail trade of motor vehicle parts & accessories	92%	8%	0%
45.40 Sale, maintenance & repair of motorcycles, parts & acc.	93%	7%	0%
77.11 Renting & leasing of cars & light motor vehciles	89%	11%	0%
77.12 Renting & leasing of trucks	88%	12%	0%
Total	89%	11%	0%

Source: ABI 2008, NOMIS, Crown Copyright Reserved

Table 1.6 demonstrates the percentage share of businesses by size operating under the individual SIC codes in Wales in 2008[24]. There is moderate variation in the split by business size compared to the overall sector distribution. The maintenance & repair of motor vehicles and the sale, maintenance and repair of motorcycles subsectors demonstrates the greatest level of micro businesses at 93%, while the sale of used motor vehicles and the wholesale trade of parts and accessories sub sectors have the highest concentration of medium sized businesses at 26% and 24% respectively.

Although micro business units account for around 89% of all business units in the sector in Wales, they account for less than half of all employees (44%). This is little changed compared with the previous year (45%). Of the individual nations however Wales demonstrates the highest proportion of workers within micro sized businesses. Despite making up only 11% of all business units, small/medium size firms account for nearly the remaining 56% of employees (55% 2007)[25]. It should be noted that the number of micro businesses and those working within them is probably underestimated by both the ABI and IDBR. The distribution of employees by business size is considerably different to that of Wales at large with just 19% of all employees working within businesses employing 1-10 people and 33% working in large businesses compared with just 0% of those in the Welsh automotive retail sector.

Table 1.7 Employees by Business Size

	England	Wales	Scotland	Total	All Wales	Difference
1-10	38%	44%	33%	38%	19%	-25%
11-199	57%	56%	64%	57%	48%	-8%
200+	6%	0%	2%	5%	33%	34%

Source: ABI 2008, NOMIS, Crown Copyright Reserved

[24] IDBR data by business size is not available at the country level
[25] Data in table 1.7 is for 2008 and refers to Great Britain only as Northern Ireland figures are unavailable.

Table 1.8 Wales Automotive Retail Sector Enterprises by SIC code 2003-2010

Enterprises	2005	2006	2007	2008	2009	2010	Change 09/10	%
50.10 Sale of motor vehicles	1,210	1,190	1,165	1,160	1,135	1,080	-55	-5%
50.20 Maintenance and repair	1,470	1,520	1,610	1,810	1,840	1,860	20	1%
50.30 Sales of motor parts	330	340	340	375	380	370	-10	-3%
50.40 Sale, Maintenance & Repair of Motorcycles	80	90	90	105	105	95	-10	-10%
71.10 Rental and leasing	80	85	85	105	130	105	-25	-19%
Total	**3,170**	**3,225**	**3,290**	**3,555**	**3,590**	**3,510**	-80	-2%
% share of total								
50.10 Sale of motor vehicles	38%	37%	35%	33%	32%	31%		
50.20 Maintenance and repair	46%	47%	49%	51%	51%	53%		
50.30 Sales of motor parts	10%	11%	10%	11%	11%	11%		
50.40 Sale, Maintenance & Repair of Motorcycles	3%	3%	3%	3%	3%	3%		
71.10 Rental and leasing	3%	3%	3%	3%	4%	3%		

Source: IDBR, UK Business Activity, Size & Location 2005 - 2010, ONS Statistics

Although data for 2009 and 2010 is available under the new SIC 2007 scheme, for comparison purposes, the figures have been consolidated back into the 2003 SIC codes. In the table above it can be seen that between 2009 and 2010 the number of enterprises operating in the sector in Wales fell by 2.2% (80 enterprises)[26]. The number of enterprises for the all UK automotive retail sector declined by 1010 enterprises between 2009 and 2010 (-1.4%) with falls in England (-1015 or -1.7%) and Wales tempered slightly by gains in Scotland (+60, 1.4%) and Northern Ireland (+25, 1.0%).

The overall decrease in the number of automotive retail sector enterprises in Wales masks some difference at the sub-sector level. The number of enterprises operating in the maintenance and repair sub-sector rose in 2010 (+ 1.0% year on year, 20 units). All other sub-sectors witnessed declines. Hardest hit was the rental and leasing sub-sector which had been growing steadily until 2009[27], but saw a contraction of 19% (-25 units) in 2010. Enterprises in the sale of motor vehicles fell by 5% (55 units) and the sales of motor parts and the maintenance and repair of motorcycles sub-sectors both contracted by 10 units, declines of 3% and 10% respectively.

The distribution of enterprises across different parts of the sector remains little changed with the sale of motor vehicles (31%, -1%) and the maintenance and repair of motor vehicles (53%, +2%) accounting for the majority of all business enterprises falling under the automotive retail footprint. The split between these two main areas of the sector has continued to widen slightly over time with the share of the maintenance and repair sector growing, while the sale of motor vehicles has shrunk. The sub-sector distribution is otherwise little changed, though the rental and leasing sub-sector share has been inflated since 2009 by the inclusion of the rental and leasing of trucks to the sectors coverage.

Employment Characteristics

Data in this section is based upon the Labour Force Survey (LFS). It should be noted that for the IMI's' footprint prior to 2009 LFS combines some SIC codes – namely 50.10, 50.30 and 50.50. Separate analysis of these sub-sectors was not possible until the release of the SIC 2007 scheme. Consequently, when comparing data with earlier years, SIC 47.30 (previously SIC 50.50, the sale of automotive fuel) has been added back in to the analysis to enable

[26] It should be noted that direct comparison between 2008 and 2009 is difficult due to changes in the coverage of SIC codes following the switch to 2007 which resulted in inclusion of the rental and leasing of trucks & removal of roadside assistance enterprises

[27] Figures suggest that the rental and leasing sub-sector 7110 grew 36% in 2009 compared with a year earlier but figures for this sub-sector will have been inflated by the inclusion of the rental and leasing of trucks which previously fell within the footprint of another SSC (+25 enterprises 2009, +20 enterprises 2010).

direct comparison. Figures of actual employment numbers for 2009 excluding SIC 47.30 are also reported.

In 2009, the UK automotive retail sector contributed 1.7% (505,000[28] employees) to overall UK employment and 1.8% to all Wales employment (23,000 employees). This figure represents a decline from 2008 when the sector contributed 1.9% to all UK employment. At the UK level this decline is explained by the fact that SIC 47.30[29], previously SIC 50.50 (the sale of automotive fuel) can now be excluded from analysis. For comparison purposes, adding SIC 47.30 back in shows that the contribution to UK employment is unchanged. Adding SIC 47.30 back in at the Wales level increases the share to 1.9%.

Over the longer term there has been modest downward trend in the sector's overall share of employment – in 1997 the automotive retail sector accounted for 2.3% of all UK employment and of all Wales employment.

At the country level the England accounts for a slightly lower 1.7% of the nation's total employment while the Scottish and Northern Irish automotive retail sectors account for slightly larger shares of their nation's total employment at 2.0% and 1.9% respectively.

Table 1.9 Welsh Automotive Retail Sector Employees – Share of all UK Employment

	Total	% share of UK
England	419,000	1.7%
North East	20,000	1.8%
North West	56,000	1.8%
Yorkshire & Humberside	52,000	2.2%
East Midlands	48,000	2.2%
West Midlands	43,000	1.8%
Eastern	51,000	1.8%
London	36,000	1.0%
South East	62,000	1.5%
South West	51,000	2.0%
Wales	**23,000**	**1.8%**
Scotland	50,000	2.0%
Northern Ireland	14,000	1.9%
Total	**505,000**	1.7%

Source: LFS 2009, Annual Average computed from individual quarters, Crown Copyright Reserved

Geographic Diversity of Employment in the Sector

The automotive retail workforce is spread throughout the UK. The distribution is broadly in line with the UK workforce as a whole. The exception to this is in London where only 7% of the sector's workforce is based, compared to 13% of all UK employment. This is unsurprising given the distribution of business units which follows a similar pattern. The Welsh automotive retail sector accounts for 4% of all employees within the sector. This is a touch lower than Wales' overall share of all UK employment at 5%.

Table 1.10 demonstrates that in 2009 the distribution of employment in the automotive retail sector broadly reflects the size of regional and national populations. For example the South East (12%), the most populated region in the UK, accounts for the largest regional share of UK automotive retail employment, while Northern Ireland (3%), the least populated area,

[28] The LFS is a survey the results of which are weighted and extrapolated to reflect the whole UK population

[29] Prior to 2009 the Labour Force Survey, under the 2003 SIC scheme combined SIC 50.10,50.30 and 50.50. Consequently although SIC 50.50 (now SIC 47.30), the sale of automotive fuel did not fall within the automotive retail sector's footprint it was impossible to remove it from analysis based upon the LFS. In order to compare 2009 with earlier years it has thus been necessary to add SIC 47.30 back in to sector analysis.

accounts for the smallest share of employment. Figures in table 1.10 refer to the automotive retail sector excluding SIC 47.30.

Table 1.10 Distribution of Automotive Retail Employment in Wales Compared to all UK Employment

	Automotive Retail	UK Average	Difference
England	83%	84%	-1.2%
North East	4%	4%	0.0%
North West	11%	11%	0.3%
Yorkshire & Humberside	10%	8%	2.1%
East Midlands	10%	7%	2.1%
West Midlands	8%	8%	0.1%
Eastern	10%	10%	0.4%
London	7%	13%	-5.6%
South East	12%	14%	-2.1%
South West	10%	9%	1.4%
Wales	**4%**	**5%**	**-0.1%**
Scotland	10%	9%	1.2%
Northern Ireland	3%	3%	0.1%
Total	100%	100%	

Source: LFS 2008 & 2009, Annual Average computed from individual quarters, Crown Copyright Reserved

Table 1.11 Distribution of Automotive Retail Employment over time in Wales compared to other UK Nations and English Regions

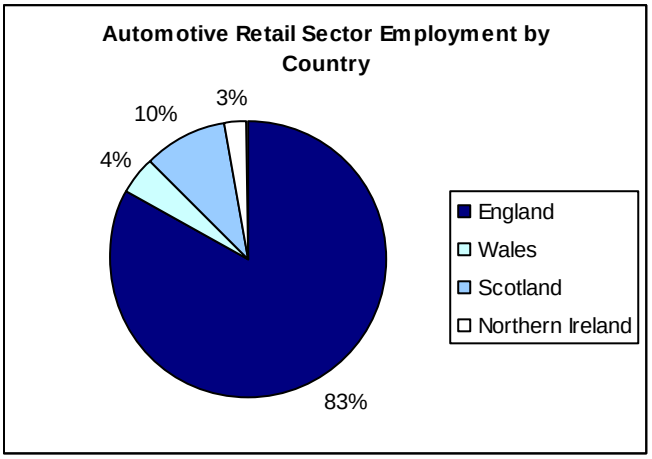
	1997	2002	2003	2004	2005	2006	2007	2008	2009	Change 08/09
England	**85%**	**86%**	**87%**	**85%**	**86%**	**85%**	**84%**	**85%**	**83%**	-2.1%
North East	4%	4%	4%	4%	4%	3%	3%	4%	4%	0.2%
North West	10%	8%	9%	9%	9%	9%	10%	10%	9%	-0.9%
Yorkshire & Humber	11%	11%	9%	8%	9%	9%	8%	9%	10%	1.2%
East Midlands	8%	7%	8%	8%	8%	8%	10%	10%	10%	0.1%
West Midlands	9%	10%	11%	9%	11%	11%	9%	10%	8%	-1.5%
Eastern	11%	13%	12%	12%	11%	11%	10%	10%	10%	0.5%
London	7%	7%	7%	7%	7%	7%	5%	7%	7%	0.2%
South East	15%	15%	15%	16%	15%	15%	17%	14%	13%	-1.7%
South West	9%	9%	11%	9%	10%	10%	11%	10%	10%	0.5%
Wales	**5%**	**4%**	**4%**	**5%**	**5%**	**4%**	**5%**	**5%**	**5%**	-0.3%
Scotland	8%	8%	8%	7%	6%	7%	8%	8%	9%	1.9%
Northern Ireland	2%	2%	2%	2%	2%	3%	3%	3%	3%	0.3%
All UK	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	

Source: LFS 1997 - 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

Table 1.11 shows that the distribution of employment within the sector is generally little changed over time, though England has seen some decrease in its share of employment between 2008 and 2009, -2% while Scotland's share increased by 2% to 9% over the same period. The employment share of Wales and Northern Ireland is virtually unchanged.

At the regional level there is on balance little change over time. Between 2008 and 2009 the greatest change was witnessed in the South East and the West Midlands which saw their share of total employment fall by 1.7% and 1.5% respectively. Yorkshire and Humberside meanwhile saw an increase in the share of employment to 10% (+1.2%) over the same period.

Figure 1.3 UK Automotive Retail Sector Employee Distribution by Country



Source: LFS 2009, Annual Average computed from individual quarters, Crown Copyright Reserved

Unsurprisingly, given the UK recession, the total number of people employed within the sector decreased in 2009. Including SIC 47.30, the total number of automotive retail sector employees fell some 5% to 543,000[30]. Of all the nations Wales witnessed the largest decline, in percentage terms, in both the number of enterprises and the number of employees working within the sector. Between 2008 and 2009 the sector workforce in Wales contracted by 11% to 25,000 (including SIC 47.30). The other UK nations saw mixed fortunes, with the number of employees in England falling (-7%) while Scotland (+20%) and Northern Ireland (+4%) experienced employment growth.

Table 1.12 Employment within Wales Automotive Retail Sector Compared to UK Nations 1997-2009

	1997	2002	2003	2004	2005	2006	2007	2008	2009	% chg 08/09
England	510,000	499,000	527,000	501,000	512,000	489,000	477,000	486,000	451,000	-7%
Wales	**28,000**	**21,000**	**22,000**	**32,000**	**29,000**	**24,000**	**26,000**	**28,000**	**25,000**	**-11%**
Scotland	50,000	46,000	46,000	43,000	37,000	42,000	45,000	43,000	51,000	20%
Northern Ireland	12,000	13,000	14,000	14,000	14,000	17,000	18,000	15,000	16,000	4%
All UK	**599,000**	**579,000**	**609,000**	**590,000**	**593,000**	**572,000**	**566,000**	**571,000**	**543,000**	**-5%**

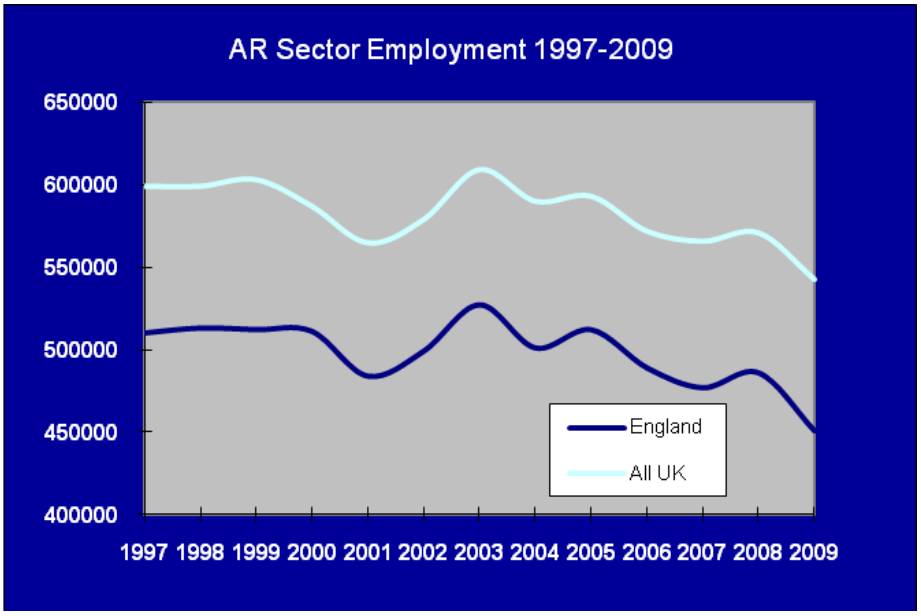
Source: LFS 1997 - 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

Table 1.12 shows how employment has changed within the sector from 1997 to 2009. Since 1997 the total number of people employed within the sector in Wales has fluctuated around 20,000 to 30,000 employees. Between 1997 and 2009 the number of employees has decreased by 10.5%.

Changes in employment in the other nations has followed no clear trend, though overall in England the total number of employees appears to have largely declined since 2005. Compared with 1997 there were around 60,000 fewer automotive retail employees in England in 2009 (-11%). In Scotland the number of employees has generally increased since 2005, but compared with 1997 there has been little change in overall employee numbers, up 1000 employees or 2.1%. Though falling back a little compared with highs of 2007, automotive retail sector employment in Northern Ireland has seen a substantial (31%) increase in the number of people employed in the sector between 1997 and 2009.

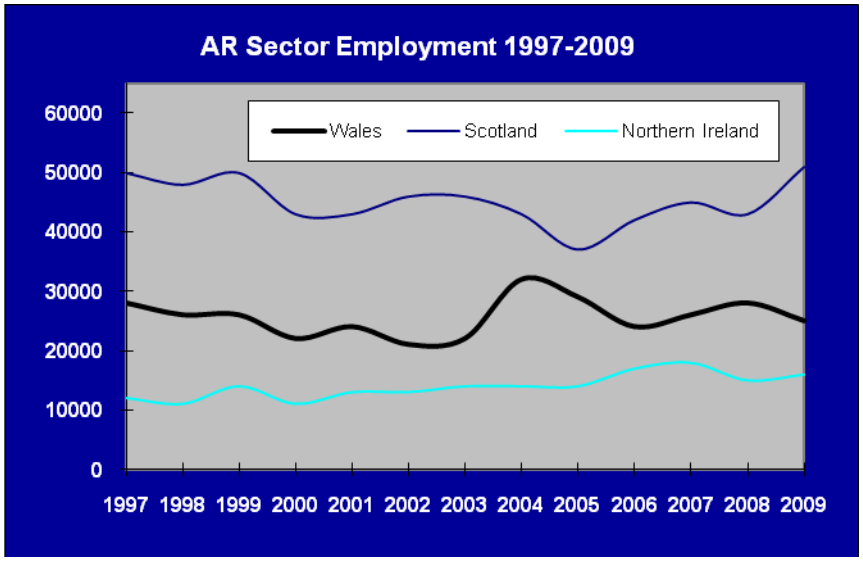
[30] 2009 and 2008 figures are not directly comparable due to changes in SIC coverage, see footnote to Table 1.10. Data are rounded to nearest 1000

Figure 1.4 UK and England AR Sector employment trend over time – 1997-2009



Source: LFS 1997 - 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

Figure 1.5 Wales, Scotland and Northern Ireland AR Sector employment trend over time – 1997-2009



Source: LFS 1997 - 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

Distribution of Employment by Sub-Sector

SIC	Description
45.11	Sale of new cars & light motor vehicles
45.19	Sale of used motor vehicles
45.20	Maintenance & repair of motor vehicles
45.31	Wholesale trade of motor vehicle parts & accessories
45.32	Retail trade of motor vehicle parts & accessories
45.40	Sale, maintenance & repair of motorcycles, parts & acc.
77.11	Renting & leasing of cars & light motor vehicles
77.12	Renting & leasing of trucks

Table 1.13 demonstrates the proportion of employees working in each sub-sector by country. Wales demonstrates higher than average proportions of workers in the maintenance and repair sub-sector, 9% higher than the sector average at 64% and lower than average levels of workers in the sale of light motor vehicles – 13%, compared with 20% for the sector on average.

The distribution of Wales based automotive retail employees by sub-sector is broadly similar to the distribution of Wales based automotive businesses by sub-sector. The maintenance and repair of motor vehicles sub-sector accounts for the largest share of automotive retail sector employees at 65.2% and of business units at 50.9%. The sale of new cars and light motor vehicles accounts for a somewhat smaller share of employees than employment units at 13% of employees and 28% of business units, while the retail trade of parts and accessories has a disproportionately large share of employees – 13% to it's 5.7% of business units.

Table 1.13 Number of Employees by country and 4-digit SIC code 2009

	45.11	45.19	45.20	45.31	45.32	45.40	77.11	77.12	Total
England	**85,000**	**9,000**	**230,000**	**17,000**	**39,000**	**9,000**	**25,000**	**5,000**	**419,000**
% share employment	20.3%	2.1%	54.9%	4.1%	9.3%	2.1%	6.0%	1.2%	100.0%
% share of business	28.0%	1.2%	47.2%	8.7%	5.4%	3.1%	5.3%	1.1%	100.0%
Wales	**3,000**	**0**	**15,000**	**0**	**3,000**	**1,000**	**0**	**0**	**23,000**
% share employment	13.0%	0.0%	65.2%	0.0%	13.0%	4.3%	0.0%	0.0%	95.7%
% share of business	28.3%	1.2%	50.9%	7.2%	5.7%	2.6%	3.1%	0.9%	100.0%
Scotland	**11,000**	**0**	**28,000**	**2,000**	**5,000**	**1,000**	**2,000**	**1,000**	**50,000**
% share employment	22.0%	0.0%	56.0%	4.0%	10.0%	2.0%	4.0%	2.0%	100.0%
% share of business	23.6%	1.2%	54.0%	6.6%	5.5%	2.5%	5.2%	1.2%	100.0%
Northern Ireland	**3,000**	**1,000**	**7,000**	**0**	**2,000**	**0**	**0**	**0**	**13,000**
% share employment	21.4%	7.1%	50.0%	0.0%	14.3%	0.0%	0.0%	0.0%	92.9%
% share of business	31.8%	2.4%	41.0%	13.7%	4.9%	2.4%	2.7%	1.1%	100.0%
All UK	**102,000**	**11,000**	**280,000**	**19,000**	**49,000**	**11,000**	**27,000**	**6,000**	**505,000**
% share employment	20.2%	2.2%	55.4%	3.8%	9.7%	2.2%	5.3%	1.2%	100.0%
% share of business	27.9%	1.2%	47.6%	8.7%	5.4%	3.0%	5.1%	1.1%	100.0%

Source: LFS 2009, Annual Average computed from individual quarters, Crown Copyright Reserved
* IDBR business figures are for 2010

UK Automotive Retail Occupational Workforce Profile

Table 1.14 Automotive Retail and all Industry Employees by Occupation 2009

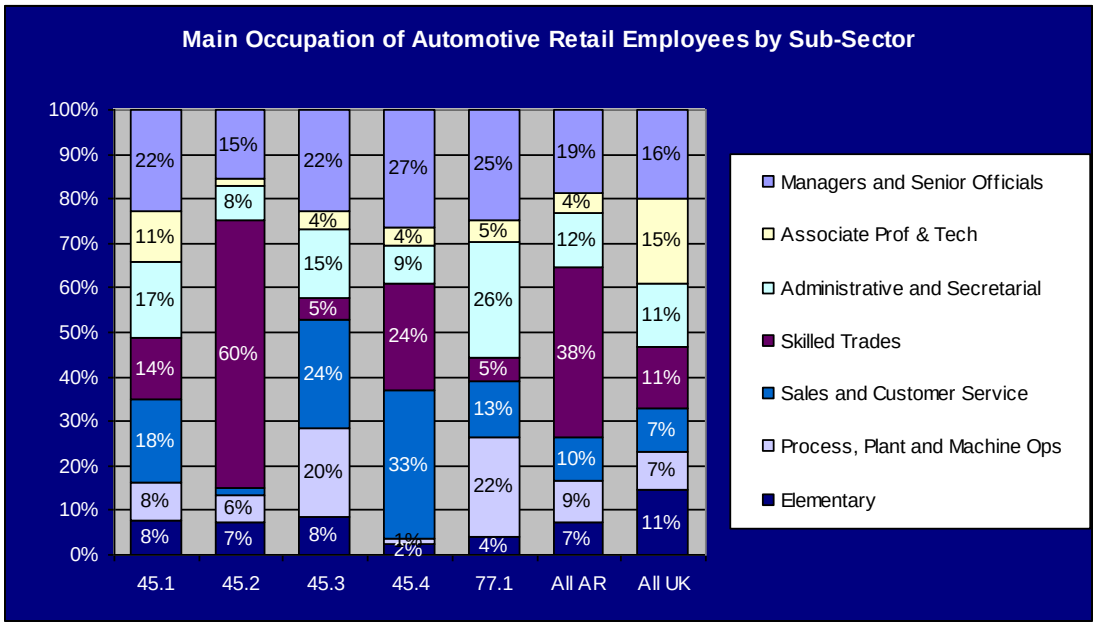
	Wales			All UK		
	Automotive Retail	All Industry	Difference	Automotive Retail	UK Industry	Difference
Managers and Senior Officials	18%	13%	5.4%	19%	16%	3.1%
Professional occupations	0%	13%	-12.7%	1%	13%	-12.6%
Associate Professional and Technical	6%	14%	-7.7%	4%	15%	-10.2%
Administrative and Secretarial	8%	11%	-2.3%	12%	11%	0.6%
Skilled Trades Occupations	44%	13%	**31.0%**	38%	11%	**26.9%**
Personal Service Occupations	0%	9%	-9.1%	0%	9%	-8.5%
Sales and Customer Service Occupations	10%	8%	2.1%	10%	7%	2.3%
Process, Plant and Machine Operatives	12%	8%	3.4%	9%	7%	2.4%
Elementary Occupations	2%	12%	-10.1%	7%	11%	-4.0%

Source: LFS 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

The overall occupational profile of the automotive retail sector workforce in Wales is outlined in table 1.14. The distribution of the automotive retail workforce is not the same as that for the Wales workforce as a whole. The greatest difference is in the proportion of people working within skilled trade occupations. They accounted for 44% of the automotive retail workforce in 2009, compared with the Wales Industry average of 13%. Managers make the next biggest contribution to individual's main automotive retail sector occupation in Wales at 18%. Sales and customer services as well as administrative roles account for 10% and 8% of all occupations respectively. Significantly fewer people within the sector are employed in professional and associate professional and technical occupations than the Wales average – 0% and 6% compared with 13% and 14% for the whole of Wales respectively. These findings are largely in line with the automotive retail sector average for the UK as a whole, though Wales exhibits slightly higher levels of skilled trades workers at 44% compared with 38% for the whole sector.

There has been some moderate change compared with 2008, the proportion of skilled trade employees for example is up 9% while those working in management roles is down 4%. Those in customer services or admin roles are down 6% and 3% respectively compared with 2008. Some of this change can be explained by the removal of SIC 47.30, the sale of automotive fuel, previously 50.50 from the analysis. Adding SIC 47.30 back into the analysis increases the proportion of managers to 21% and reduces the proportion of skilled trades to 42%. The inclusion of SIC 47.30 however makes little change to the proportion of workers employed in sales and customer service roles or in administrative roles (11% and 8% respectively). Figures reported earlier in the document suggest that all aspects of the sector pertaining to sales have seen some decline in the number of business units and this is seemingly backed up by the fall witnessed in the proportions of employees working in customer facing roles.

Figure 1.6 Occupational profile of the Automotive Retail Sector 2009, by SIC[31]



Source: LFS 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

The distribution of workers by main occupation differs somewhat between sub-sectors. The sale, maintenance and repair sub-sector, which accounts for the largest share of employees at 56% of the workforce, unsurprisingly exhibits a disproportionately high level of skilled trades occupations, 60% compared with the average of 38% for the whole sub-sector. This sub-sector also has a lower than average proportion of managers and senior officials at 15% compared with 19% for the whole sector.

The sales of motor vehicles sub-sector (45.1) is the next largest, accounting for some 22% of all automotive retail employees and as would be expected, is dominated by managers (22%), sales and customer service staff (18%) and administrators (17%). Together these three occupations account for around 60% of the sub-sectors workforce.

Excepting the maintenance and repair sub-sector, the sub-sectors exhibit significantly higher than average levels of managers – ranging between 22% and 27% of all workers compared with 16% for the whole UK working population.

[31] Data refers to the automotive retail sector as a whole. While data for Wales is available the comparatively small sample size appears to skew the results when attempting to investigate occupation at the SIC code level . UK figures have consequently been employed as the larger sample size reduces the margin of error.

Table 1.15 Automotive Retail Workforce in Wales by Occupation and Sex

Main Occupation	All Automotive Retail		AR - Wales		Wales Industry	
	Male	Female	Male	Female	Male	Female
Managers and Senior Officials	90%	10%	**75%**	**25%**	60%	40%
Associate Professional and Technical	75%	25%	**59%**	**41%**	44%	56%
Administrative and Secretarial	35%	65%	**26%**	**74%**	23%	77%
Skilled Trades Occupations	99%	1%	**99%**	**1%**	93%	7%
Sales and Customer Service	75%	25%	**67%**	**33%**	28%	72%
Process Plant and Machine Operatives	96%	4%	**100%**	**0%**	88%	12%
Elementary Occupations	87%	13%	**100%**	**0%**	50%	50%
Total	85%	15%	**82%**	**18%**	52%	48%

Source: LFS 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

The automotive retail sector exhibits a significant male bias with 85% of all employees male and only 15% female. This gender bias extends to almost all nations within the sector, though Wales demonstrates a slightly higher than average ratio of women at 18% of the workforce. This is reflected in a relatively higher proportion of women managers – 25% compared with the sector average of 10%. Nevertheless the male gender bias persists throughout all occupations save administrative and secretarial occupations where women outnumber men, 74% to 26%. This category represents 43% of Welsh females and 52% of all females working in the automotive retail sector, reflecting the general male dominance of the industry.

There has been some change compared with 2008 when men accounted for 79% of the whole Welsh automotive retail workforce, but this is largely as a result of the removal of SIC 47.30, the sale of automotive fuel. As a sales occupation, this represented a significantly more equal distribution of men and women 55:45 and previously skewed the analysis slightly in favour of women.

Table 1.16 UK Automotive Retail Employees by Employment Type (Full/Part Time)

	Full Time		Part Time		All	
	Number	%	Number	%	Number	%
England	369,000	88%	50,000	12%	419,000	100%
Scotland	20,000	87%	3,000	13%	23,000	100%
Wales	44,000	88%	6,000	12%	50,000	100%
Northern Ireland	12,000	92%	1,000	8%	13,000	100%
United Kingdom	445,000	88%	60,000	12%	505,000	100%

Source: LFS 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

Employment within the automotive retail sector is predominantly full time with these jobs accounting for some 88% of all employment within the sector in 2009 (UK, Wales and England) compared with the UK industry average of 74%. This distinction varies little between countries and regions although Northern Ireland exhibits slightly higher levels of full time staff (92%). Compared with 2008 this represents an increase of 2% for full time workers to 88%. However, this change is explained by the fact that the previously included SIC 47.30 contributed a greater share of part time employees and if included for comparison purposes the split between full time and part time is unchanged on the year.

Table 1.17 UK Automotive Retail in Self Employment 2009

	Self Employed	Total	%	UK %	Difference
England	71000	419000	17%	13%	4%
Wales	6000	23000	26%	14%	13%
Scotland	5000	50000	10%	11%	-1%
Northern Ireland	4000	14000	29%	15%	14%
Total	86000	505000	17%	13%	4%

Source: LFS 2009, Annual Averages computed from individual quarters, Crown Copyright Reserved

A slightly higher than average proportion of workers in the automotive retail sector are self employed – 17% in 2009 compared with the UK average of 13%. This is not surprising given the high level of sole proprietor and micro business units that prevail within the sector. The proportion of self employed workers varies somewhat across the nations and regions. Wales has a particularly high level of self employment, accounting for 26% of all sector workers and compared with the all sector and all Wales averages of 17% and 14% respectively. Scotland exhibits a particularly low proportion of self employment compared with the rest of the sector at 10% of all workers. This is actually lower than the UK average for Scotland at 11%. Northern Ireland like Wales has a higher proportion of self employment at 29% respectively, some 14% higher than the Northern Irish average. England unsurprisingly exhibits a similar level of self employed as the sector as a whole.

Gender Profile of the UK Automotive Retail Sector

Table 1.18 UK Automotive Retail and all UK Employees by Sex in 2009

	Automotive Retail		UK Industry		Difference	
	Male	Female	Male	Female	Male	Female
England	85%	15%	54%	46%	31%	-31%
Wales	83%	17%	53%	47%	30%	-30%
Scotland	84%	16%	53%	47%	31%	-31%
Northern Ireland	79%	21%	55%	45%	24%	-24%
ALL UK	85%	15%	54%	46%	31%	-31%

Source: LFS 2009, Annual Average. Crown Copyright Reserved

Men accounted for over four fifths of the automotive retail sector workforce in 2009 at 85%. This compares with a split of 54% males 46% females for UK employment as a whole according to LFS 2009. As mentioned previously, earlier analysis was skewed by the unavoidable inclusion of employees in the sale of automotive fuel. When added back in, the distribution of men and women is 83% male to 17% female, little changed on 2008 (82% male, 18% female).

The proportion of men/women varies little between countries, with the exception of Northern Ireland which exhibits a somewhat greater share of female workers at 21% female to 79% male.

Ethnicity Profile of the UK Automotive Retail Sector

Table 1.19 UK Automotive Retail Employees by Ethnicity in 2009

	Automotive Retail Sector					
	UK	England	Wales	Scotland	Northern Ireland	All UK
White	94.2%	93.0%	100%	100%	100%	90.2%
Mixed	0.3%	0.3%	0%	0%	0%	0.8%
Asian or Asian British	3.5%	4.2%	0%	0%	0%	4.8%
Black or Black British	0.8%	1.0%	0%	0%	0%	2.4%
Chinese	0.4%	0.5%	0%	0%	0%	0.4%
Other ethnic group	0.8%	1.0%	0%	0%	0%	1.5%

Source: LFS 2009, Annual Average. Crown Copyright Reserved

The ethnicity of the automotive retail sector workforce is not representative of the UK economically active population as a whole. The automotive retail sector exhibits a below average number of ethnic minority workers with just 5.8% of workers from an ethnic minority background compared with 9.8% of the UK workforce.

Within the automotive retail sector proportions differ somewhat between countries, with 7% of workers in England from ethnic minorities compared with 0% in Scotland, Wales and Northern Ireland. Save for Scotland where 2% of workers were from ethnic minorities in 2008 this is largely unchanged.

Migrant Workers within the UK Automotive Retail Sector

Table 1.20 UK Automotive Retail Migrant Workers

Country of Birth	% of workforce	% of UK workforce
UK	92%	87%
Other	8%	12%

Source: LFS 2009, Annual Average. Crown Copyright Reserved

A small proportion of the automotive retail sector workforce are migrant workers, that is those who were not born in the UK. In 2009 these accounted for 8% (7% 2008) of the automotive retail sector workforce. This is lower than the working population as a whole, of which 12% (11% 2008) were born outside of the United Kingdom.

Age Profile of the UK Automotive Retail Sector

The average age of workers in the automotive retail sector in Wales in 2009 was 39 years, in line with the average age the overall workforce in Wales. Those aged between 25 and 44 account for 59% of the overall workforce, while those under 24 contribute 14% and those over 45, 27%. Overall there are lower levels of workers aged over 45 in the sector compared with all Welsh workers, 27% compared with 35%.

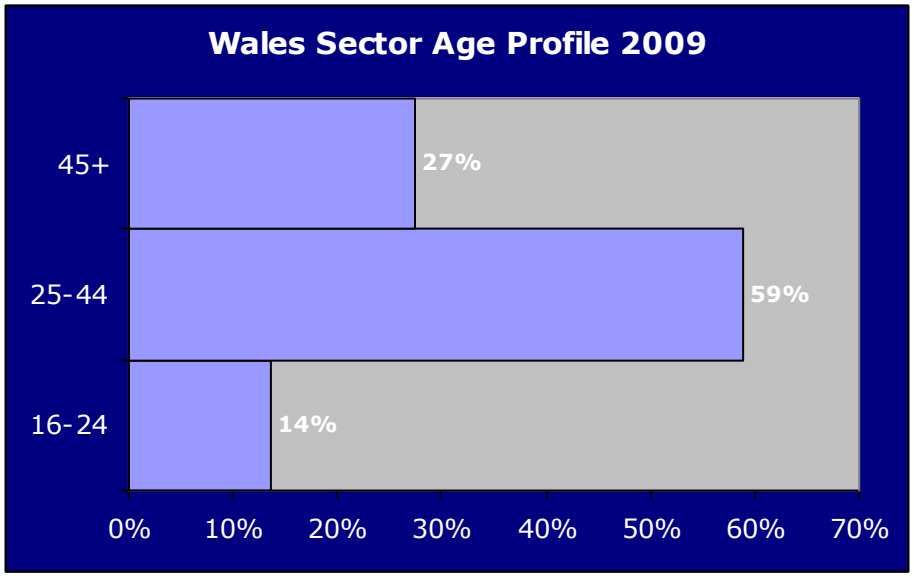
Compared with the whole automotive retail sector workforce Wales has lower levels of younger workers – 14% compared with the sector average of 17%, higher levels of workers aged between 25 and 44, 59% compared with 46% and lower levels of workers aged over 45 years of age, 27% compared with 37%.

Table 1.21 UK Automotive Retail Age Profile 2009

	England	Wales	Scotland	Northern Ireland	Total	Wales Workforce
16-24	70055	3068	10504	2924	86551	265196
25-44	193172	13338	19764	5920	232193	635864
45+	155721	6222	19387	4890	186219	492093
Total	418948	22627	49655	13733	504963	1393153
Average age	40	39	40	38	40	39
% age	England	Wales	Scotland	Northern Ireland	Total	Wales Workforce
16-24	17%	14%	21%	21%	17%	19%
25-44	46%	59%	40%	43%	46%	46%
45+	37%	27%	39%	36%	37%	35%
Total	100%	100%	100%	100%	100%	100%

Source: LFS 2009, Annual Average. Crown Copyright Reserved

Figure 1.7 Wales Automotive Retail Age Profile



Source: LFS 2009, Annual Average. Crown Copyright Reserved

In earlier years LFS statistics combined certain SIC codes, notably SIC 50.50, the sale of automotive fuel which does not fall within the automotive retail sector footprint. 50.50 was combined with SIC 50.10 & SIC 50.30. Though exclusion of SIC 50.50 (now 47.30) is possible with the 2009 release, in order to provide meaningful comparison with earlier years this data has to be added back in to the analysis. Consequently table 1.22 gives data for the sector including SIC 47.30. As noted earlier adding back in SIC 47.30 demonstrates that 2009 saw

the recession taking its toll on employment within the sector with a 5% decline overall. At the country level, the decline in Wales was somewhat higher at 11%. There was little change in the age distribution of the whole sector over time, though there was a slight rise in the share of over 45s and in those aged 16-24. At the country level there appears to have been an increase in the proportions of workers aged 25 to 44 at the expense of younger workers with the proportion of those aged 16 to 24 falling to 15% in 2009 compared with 21% previously. It should be noted however that the LFS is a survey and consequently figures reported are indicative rather than absolute.

Table 1.22 UK Automotive Retail Age Profile 2002-2009

Age Group	2002	2003	2004	2005	2006	2007	2008	2009
16-24	104,141	113,135	105,427	113,195	99,222	92,922	97,821	95,709
25-44	277,146	296,058	271,526	272,559	270,054	267,512	271,370	248,365
45+	198,199	199,598	212,927	207,132	203,209	205,802	201,799	198,740
Total	579,486	608,791	589,880	592,886	572,484	566,235	570,990	542,813
	% share of the workforce							
16-24	18%	19%	18%	19%	17%	16%	17%	18%
25-44	48%	49%	46%	46%	47%	47%	48%	46%
45+	34%	33%	36%	35%	35%	36%	35%	37%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Source: LFS 2002-2009, Annual Average. Crown Copyright Reserved

* For comparison purposes SIC 47.30 (previously 50.50, sale of automotive fuel) has been added back in as in earlier years LFS figures did not allow for the removal of this SIC).

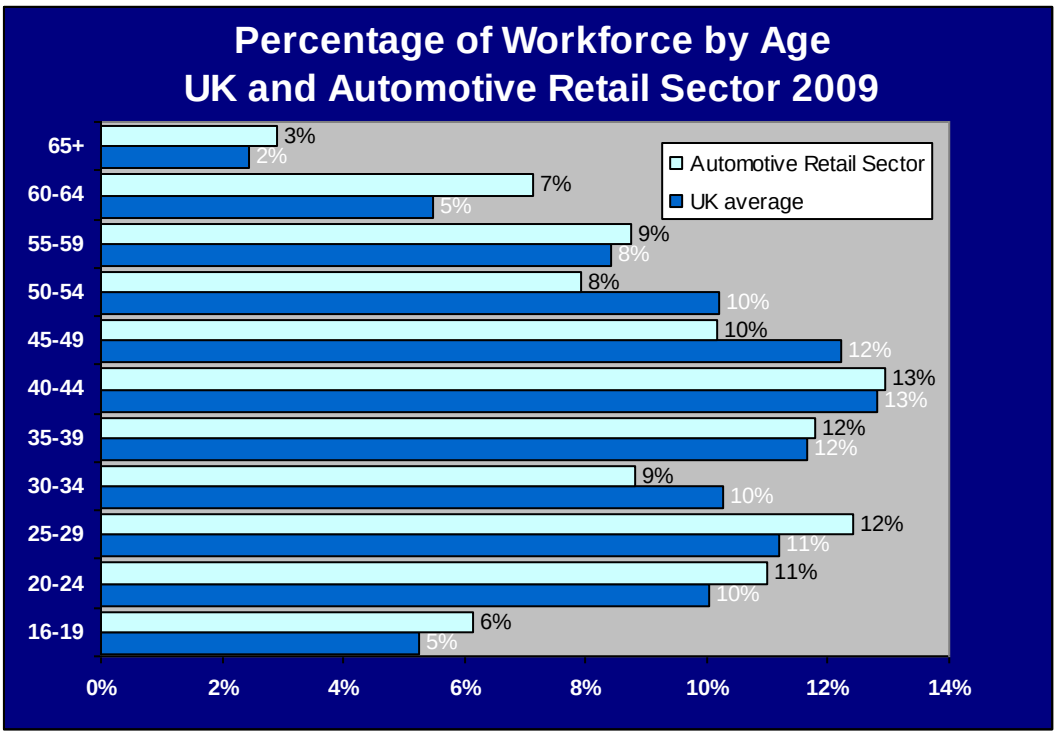
Table 1.23 Wales Automotive Retail Age Profile 2002-2009

Age Group	2002	2003	2004	2005	2006	2007	2008	2009
16-24	3,713	4,291	6,230	4,477	4,592	4,201	5,893	3,781
25-44	9,433	9,714	15,303	17,417	11,022	11,263	13,308	13,884
45+	7,929	8,116	10,252	7,339	8,538	10,899	8,573	7,048
Total	21,076	22,121	31,785	29,232	24,152	26,362	27,773	24,712
	% share of the workforce							
16-24	18%	19%	20%	15%	19%	16%	21%	15%
25-44	45%	44%	48%	60%	46%	43%	48%	56%
45+	38%	37%	32%	25%	35%	41%	31%	29%
Total	100%	100%	100%	100%	100%	100%	100%	100%

Source: LFS 2002-2009, Annual Average. Crown Copyright Reserved

* For comparison purposes SIC 47.30 (previously 50.50, sale of automotive fuel) has been added back in as in earlier years LFS figures did not allow for the removal of this SIC).

Figure 1.8 Age Spread of the UK and UK Automotive Retail Sector Workforce

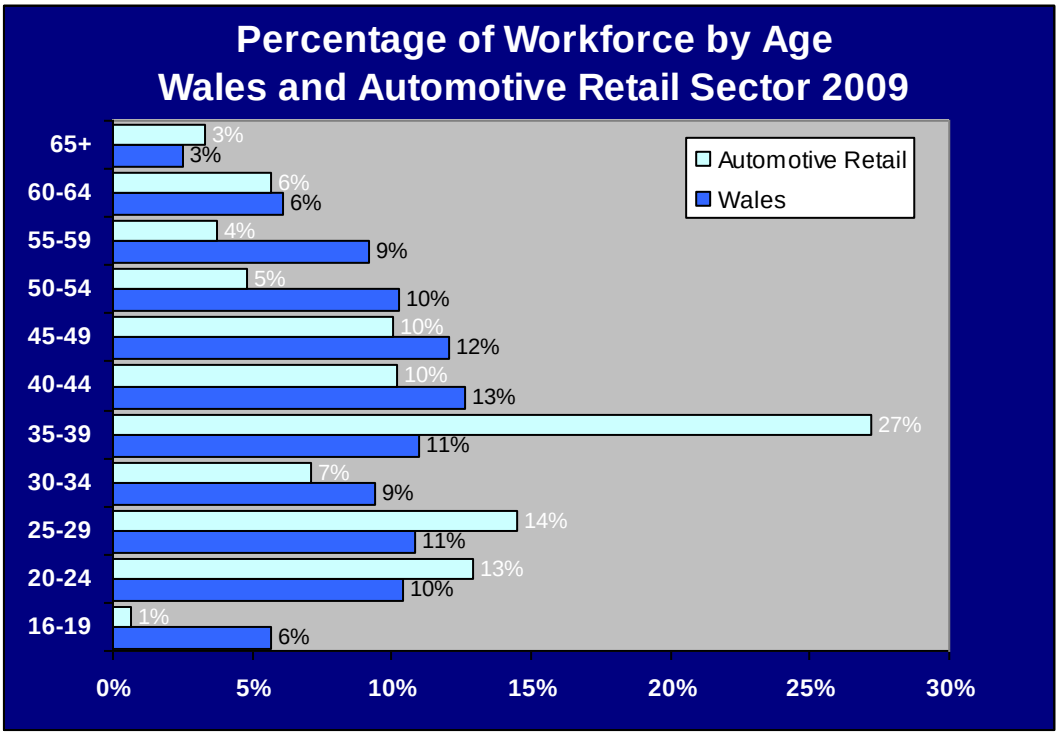


Source: LFS 2009, Annual Average. Crown Copyright Reserved

Overall the age split of the automotive retail sector is generally similar to that of the average UK workforce. There are slightly higher proportions of workers at younger ages 16-29 in the automotive retail sector, possibly reflective of higher levels of apprentices (16-19, 6% automotive retail, 5% UK average) as a means to entry into the sector. Proportions of workers in the 55 to 65+ years age bands are also moderately higher.

Examination of the age spread at the country level for Wales demonstrates a surprisingly low proportion of workers aged 16-19, and a particularly high level of workers aged 35-39. The fact that the LFS data is sample based and that the sample for the Welsh automotive retail sector will be comparatively small may have influenced the data. The proportions of the Wales based automotive retail workforce at various ages are otherwise fairly consistent with that of the Welsh workforce at large, though there are slightly smaller proportions of workers aged between 50 and 59 within the automotive retail sector.

Figure 1.9 Age Spread of Wales and the Welsh Automotive Retail Sector Workforce 2009



Source: LFS 2009, Annual Average. Crown Copyright Reserved

Key Drivers of Business Competitiveness

This section will look at those issues that affect and influence the sector and its performance. The economic contribution of the sector and its constituent parts are analysed, along with external drivers of the market.

General

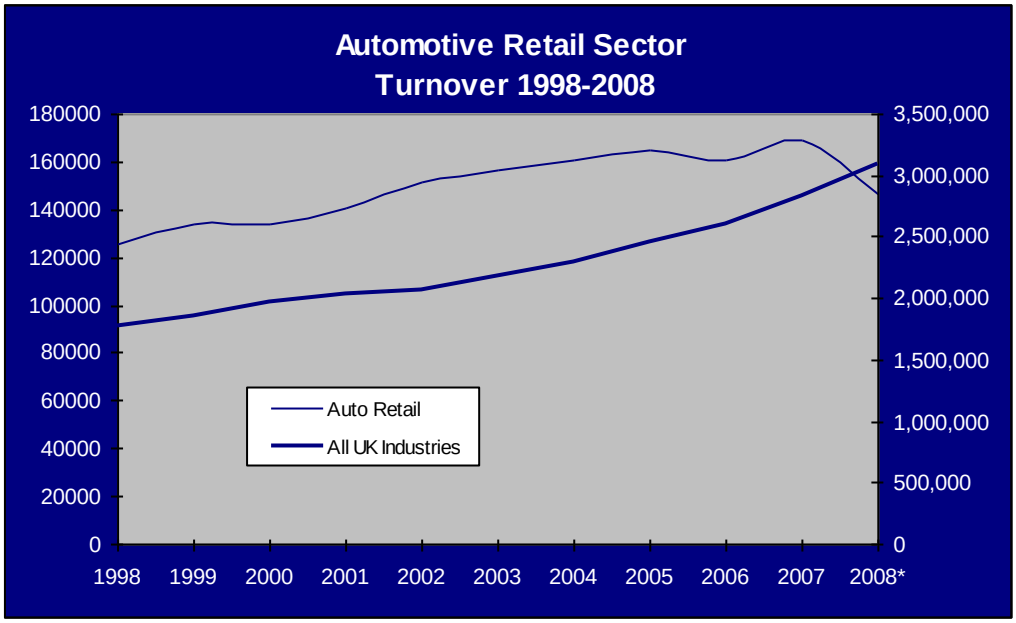
The automotive retail markets are largely domestic and have little competition from outside of the country. Most vehicle maintenance and repair is done in the UK, and isn't subject to very much competition from abroad. The trend for customers to buy vehicles abroad is also in decline. Foreign companies would find it very difficult to compete with organisations that provide roadside assistance, vehicle rental and fast fit services. Only a tiny proportion of enterprises in the footprint have any operational reach outside the UK and those are mainly involved in sourcing vehicles and parts.

However, ownership of UK retail operations is far more international, even if managed in the UK. Of the 'AM Top 100', 7 retail groups are owned by foreign vehicle manufacturers with a combined turnover of £3.7bn accounting for just over 10% of the total 'AM Top 100' turnover of £35.6bn. A number of other dealer groups are foreign owned including Sytner Group – bought in 2002 by Roger Penske's United Auto Group (UAG) of the US – which in the UK has a turnover of £1.8bn, with 105 outlets employing nearly 4,500 staff. UAG has outlets in Germany as well. In the daily rental sector, many household names are part of major multinationals.[32]

[32] AM magazine, June 2006

Economic Conditions of the Sector

Figure 1.10 UK Automotive Retail Sector & UK Industry Turnover 1998-2008



Sources: ABI 1998-2007 UK Report, Division 50 and Division 71, released 17/11/2008
ABI 2008 UK Report, Division 45 and Sector N, released 15/06/2010

The automotive retail sector is a substantial generator of wealth for the UK. In 2008 ABI figures demonstrate that the sector contributed 4.7% to overall UK turnover. Though still significant this represents a decline from earlier years. Between 1998 and 2005 the sector's contribution to total UK turnover ranged between 6.0% and 6.4%. 2006 to 2008 has however seen a steady decline, exacerbated in 2008 by the recession.

Table 1.24 UK Turnover within the Automotive Retail Sector 1998-2008

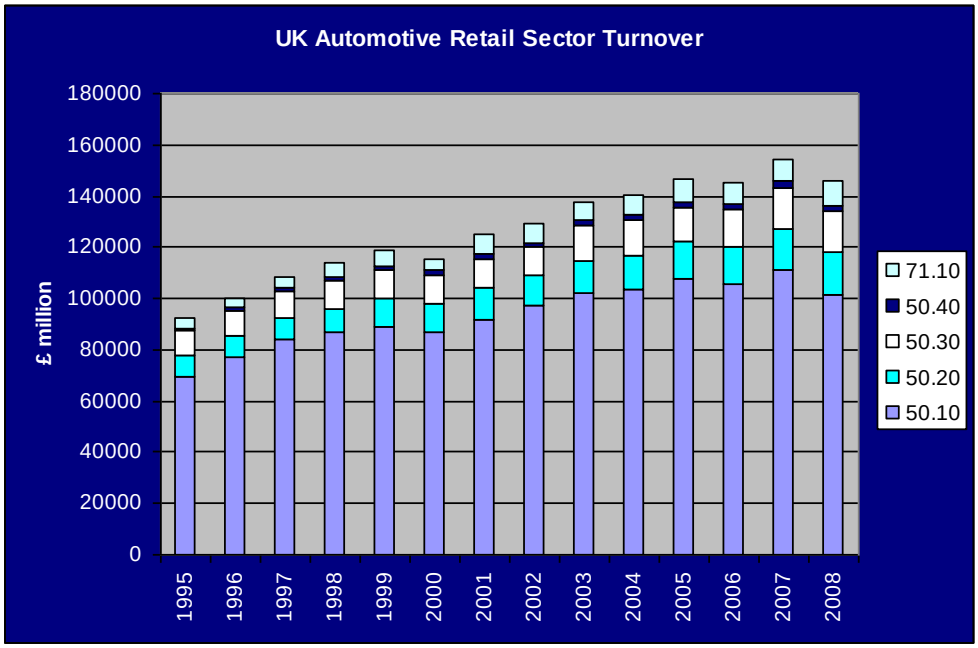
Turnover (£mln)	1998	2001	2002	2003	2004	2005	2006	2007	2008
50.10	87,035	92,063	96,968	102,242	103,594	107,586	105,943	111,442	101,649
50.20	8,975	11,890	11,964	12,542	13,337	14,445	14,261	15,912	16,618
50.30	10,962	11,752	11,068	13,801	13,694	13,659	14,428	15,926	15,734
50.40	1,274	1,722	1,812	1,955	2,116	2,211	2,182	2,485	2,241
71.10	5,434	7,935	7,325	6,892	7,684	8,583	8,780	8,780	9,934
Total	**113,680**	**125,362**	**129,137**	**137,432**	**140,425**	**146,484**	**145,594**	**154,545**	**146,176**
All UK Industries	1,775,850	2,042,949	2,070,925	2,177,124	2,295,339	2,457,073	2,597,917	2,834,528	3,096,449
% share of total	1998	2001	2002	2003	2004	2005	2006	2007	2008
50.10	77%	73%	75%	74%	74%	73%	73%	72%	70%
50.20	8%	9%	9%	9%	9%	10%	10%	10%	11%
50.30	10%	9%	9%	10%	10%	9%	10%	10%	11%
50.40	1%	1%	1%	1%	2%	2%	1%	2%	2%
71.10	5%	6%	6%	5%	5%	6%	6%	6%	7%
Contribution to UK	6.4%	6.1%	6.2%	6.3%	6.1%	6.0%	5.6%	5.5%	4.7%

Sources: ABI 1998-2007 UK Report, Division 50 and Division 71, released 17/11/2008
ABI 2008 UK Report, Division 45 and Sector N, released 15/06/2010

Table 1.24 demonstrates the size of UK automotive retail in terms of turnover. Figures for 2008 have been converted back into SIC 2003 codes in order to allow comparison with earlier years. In 2008 the sector turned over a total of £146bln, representing a decrease of 7% compared with 2007. This is hardly surprising given the recession that the UK underwent through the latter part of 2008 and we would expect figures for 2009 to similarly demonstrate some moderate decline in turnover. The past decade however has seen considerable growth in turnover within the sector and compared with 1998 turnover remains up 29%. The increase in turnover over the last ten years has outstripped growth in sector size in terms of the

number of businesses operating within it. ABI figures for 1998 to 2008 suggest the number of enterprises grew by only 6% compared with the 29% increase in turnover over the same period.

Figure 1.11 UK Automotive Retail Sector Turnover since 1995



Sources: ABI 1995-2007 UK Report, Division 50 and Division 71, released 17/11/2008
ABI 2008 UK Report, Division 45 and Sector N, released 15/06/2010

At the sub-sector level, turnover in the sale of motor vehicles was down 9% in 2008 compared with 2007 and the sale, maintenance and repair of motorcycles was down 10%. Rental and leasing meanwhile saw a 13% increase in turnover over the period. Since 1998 all sub-sectors have seen turnover growth. In percentage terms the greatest has been for the maintenance and repair sub-sector which is up 85% compared with 1998. Despite the huge increase in turnover the sub-sector accounts for only 11% of overall sector turnover compared with a 48% share of the number of enterprises. In value terms the greatest growth since 1998 continues to be within the sale of motor vehicles sub-sector which accounted for 70% of turnover in 2008 (72% 2007). Despite the recent decline overall this sub-sector has seen an increase of £14 billion in value terms since 1998.

Table 1.25 Automotive Retail Sector Turnover by Country 2008

	% share of turnover	% share of businesses
England	88%	85%
Wales	3%	5%
Scotland	6%	7%
Northern Ireland	4%	3%

Source: ABI 2008 UK Report, Division 45, released 15/06/2010

ABI turnover data by country is only available at the division level so the above table is based upon figures for division 45 only, thereby excluding turnover in the automotive rental and leasing sub sectors (77.11 & 77.12). In 2008 division 45 in Wales added generated some £4.9bln in turnover, contributing 5.3% to overall turnover in Wales and accounting for some 3% of all automotive retail sector turnover. Unsurprisingly England accounted for the majority share of the sector's turnover in 2008 at 88%. Despite its smaller share of business units, Northern Ireland accounted for a relatively larger share of the sector's turnover at 4%, while Scotland accounted for the remaining 6% of turnover.

Table 1.26 Automotive Retail Sector Turnover by Country 1998- 2008

Total Turnover (£ mln)	1998	2001	2002	2003	2004	2005	2006	2007	2008*
England	110,878	124,362	135,423	139,575	142,937	145,683	142,164	149,232	129,367
Wales	3,942	4,917	4,745	4,512	4,545	5,230	4,971	6,217	4,869
Scotland	7,530	8,690	9,057	9,173	9,878	9,760	9,522	9,724	8,414
Northern Ireland	3,460	2,745	2,680	3,215	3,688	3,867	4,502	4,283	4,270
UK	**125,810**	**140,714**	**151,905**	**156,475**	**161,048**	**164,540**	**161,159**	**169,456**	**146,920**
All UK Industries	1,775,850	2,042,949	2,070,925	2,177,124	2,295,339	2,457,073	2,597,917	2,834,528	3,096,449
% Share of UK Turnover	**1998**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008***
England	88%	88%	89%	89%	89%	89%	88%	88%	88%
Wales	3%	3%	3%	3%	3%	3%	3%	4%	3%
Scotland	6%	6%	6%	6%	6%	6%	6%	6%	6%
Northern Ireland	3%	2%	2%	2%	2%	2%	3%	3%	3%
Contribution to UK	7%	7%	7%	7%	7%	7%	6%	6%	5%

Sources: ABI 1995-2007 UK Report, Division 50, released 17/11/2008
ABI 2008 UK Report, Division 45, released 15/06/2010
* figures for 2008 exclude the sale of automotive fuel which was previously included under SIC 2003 codes

Table 1.26 demonstrates the size of UK automotive retail[33] by country in terms of turnover. Wales has consistently accounted for around 3% of all automotive retail sector turnover. Overall turnover has largely increased since 1998 across all of the nations, although, excepting Northern Ireland, 2006 and 2008 have seen contractions compared with their preceding year. ABI figures suggest that turnover of the automotive retail sector in Wales declined by 22% between 2007 and 2008. Care however should be taken in comparing 2007 figures with 2008 as prior to the release of the new SIC 2007 scheme the sale of automotive retail fuel was included within division 50. In earlier years the sale of retail fuel added in the region of £20bln to turnover in the sector overall, accounting for around 18% of all turnover. Some of the decline in turnover between 2007 and 2008 is thus explained by this factor and adjusting the figures for Wales suggests a smaller decline of around 11% between 2007 and 2008. By contrast turnover for the whole of the Welsh economy rose 2% over the period. Wales nevertheless saw the most substantial decline in terms of turnover compared with the other nations with adjusted figures suggesting that England and Scotland both experienced a decline of around 2% compared with 2008, while Northern Ireland actually saw an increase in turnover of some 13%.

Table 1.27 Automotive Retail Sector Turnover (Division 45 only) - contribution by Country 2008

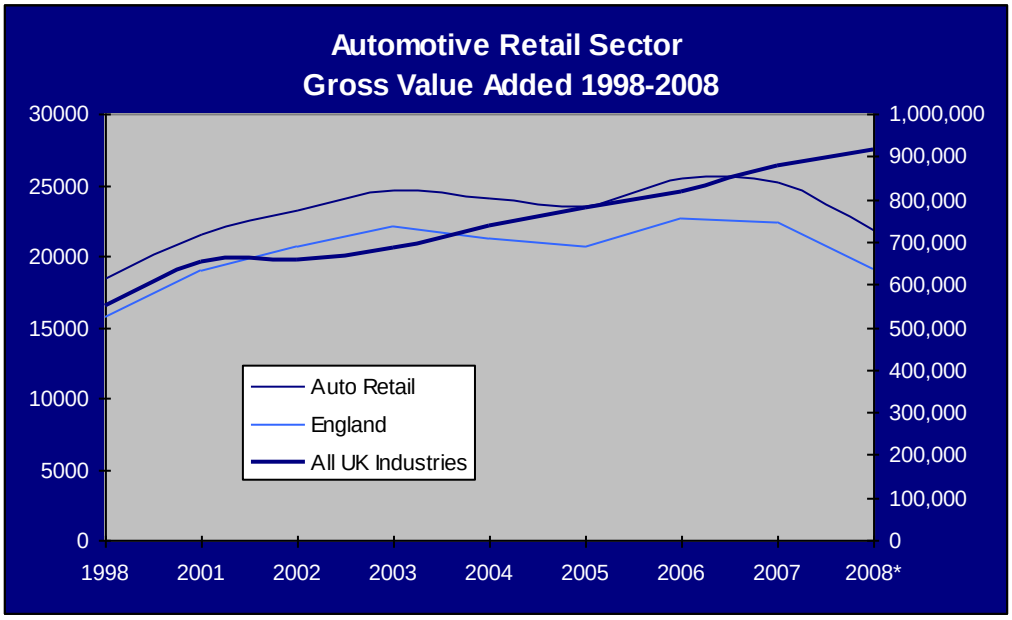
	Automotive Retail	All Industry	Contribution to region
England	129,367	2,707,845	4.8%
Wales	4,869	92,479	5.3%
Scotland	8,414	236,409	3.6%
Northern Ireland	4,270	59,715	7.2%
UK Total	**146,920**	**3,096,448**	**4.7%**

Source: ABI 2008 UK Report, Division 45, released 15/06/2010

The automotive retail sector in Wales contributed 5.3% to overall turnover in Wales in 2008, somewhat higher than the sector's contribution to all UK turnover of 4.7%. Scottish automotive retail makes the lowest contribution in terms of turnover at 3.6%, while England contributed 4.8% to national turnover. Northern Ireland sees the greatest contribution at 7.2%.

[33] Data refer only to division 50 (1998-2007) and to division 45 (2008) thereby excluding the rental and leasing of automobiles. Under SIC 2003 codes division 50 comprised the sale of automotive fuel which does not fall within division 50, SIC 2007 codes. Consequently there are difficulties with direct comparison at the country level between 2007 and 2008.

Figure 1.12 UK Automotive Retail & UK Industry Gross Value Added 1998-2008



Sources: ABI 1998-2007 UK Report, Division 50 (minus 50.5) and Division 71, Divisions A-O, released 17/11/2008
ABI 2008 UK Report, Division 45 and Sector N, Divisions A-O, released 15/06/2010

Gross value added (GVA) measures the economic contribution of industries to the whole economy. The sector's contribution to the UK economy in terms of gross value added is lower than in turnover terms. In 2008 the sector contributed 2.8% in value added terms to the UK economy. This represents a fall of 0.5% compared with the previous year. Figure 1.12 shows the contribution of the sector in gross value added (GVA) terms, alongside the UK economy. Until 2008 GVA in the automotive retail sector had been increasing, broadly in line with the general trend witnessed in the UK economy. Figures for 2008 suggest that the sector was harder hit at the start of the recession than the UK economy at large. Total GVA fell by 12% between 2007 and 2008 to £25.5 billion. Despite the decline this nevertheless represents a significant increase compared with 1998 (+31%).

Table 1.28 Automotive Retail Sector Turnover & GVA by SIC 2008

	Turnover			Gross Value Added		
	£ mln	% chg yoy	% share	£ mln	% chg yoy	% share
50.10	101,649	-9%	70%	11,947	-16%	47%
50.20	16,618	4%	11%	5,048	-15%	20%
50.30	15,734	-1%	11%	3,368	-2%	13%
50.40	2,241	-10%	2%	405	-19%	2%
71.10	9,934	13%	7%	4,717	-3%	19%
Total	146,176	-5%		25,485	-12%	

Sources: ABI 1995-2007 UK Report, Division 50 and Division 71, released 17/11/2008
ABI 2008 UK Report, Division 45 and Sector N, released 15/06/2010

Data for 2008 in table 1.28 has been consolidated back into the 2003 SIC scheme to enable comparison with earlier years. Gross value added declined across the sub-sectors in 2008, though the sale of motor parts and the rental and leasing sub-sectors appear to have fared best seeing declines in GVA of just 2% and 3% between 2007 and 2008. The sale of motor vehicle subsector saw a fall in 16% in GVA terms to just under £12 bln. This sub-sector contributes the most to both turnover and GVA in the sector, though unsurprisingly its share of GVA is less than the share of turnover. The greatest fall in GVA was witnessed in the sale, maintenance and repair of motorcycles, down 19% compared with 2007. Overall the share of GVA and turnover of the individual sub-sectors was little changed compared with the previous year.

Table 1.29 Automotive Retail Sector GVA by Country 1998- 2008

Gross Value Added (£ mln)	1998	2001	2002	2003	2004	2005	2006	2007	2008*
England	15,752	19,049	20,727	22,064	21,326	20,713	22,687	22,334	19,150
Wales	516	709	678	718	764	806	794	987	686
Scotland	1,660	1,329	1,474	1,436	1,430	1,318	1,284	1,272	1,214
Northern Ireland	546	483	379	487	567	657	740	659	787
UK	**18,474**	**21,570**	**23,258**	**24,705**	**24,087**	**23,494**	**25,505**	**25,252**	**21,837**
All UK Industries	551,151	651,173	658,253	683,840	736,899	781,485	816,697	879,010	915,267
% Share of UK GVA	**1998**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008***
England	85%	88%	89%	89%	89%	88%	89%	88%	88%
Wales	3%	3%	3%	3%	3%	3%	3%	4%	3%
Scotland	9%	6%	6%	6%	6%	6%	5%	5%	6%
Northern Ireland	3%	2%	2%	2%	2%	3%	3%	3%	4%
Contribution to UK GVA	3%	3%	4%	4%	3%	3%	3%	3%	2%

Sources: ABI 1995-2007 UK Report, Division 50, released 17/11/2008
ABI 2008 UK Report, Division 45, released 15/06/2010
* figures for 2008 exclude the sale of automotive fuel which was previously included under SIC 2003 codes

Table 1.29 demonstrates the size of UK automotive retail by country in terms of gross value added. As with turnover Wales has consistently accounted for around 3% of all automotive retail gross value added. Gross value added has generally increased over time across all nations. As with the turnover data the decline between 2007 and 2008 has been exacerbated by the fact that, prior to 2008, the sale of automotive retail fuel was included within division 50. Adjusted figures for Wales suggest a decline in the value added by division 45 of around 24%, again the greatest decline of the nations. Adjusted figures for England and Scotland suggest a decline in value added of around 6% and 4% respectively. In Northern Ireland value added actually grew by around 30% between 2007 and 2008.

Table 1.30 Automotive Retail Sector GVA (Division 45 only) - contribution by Country 2008

	Automotive Retail	All Industry	Contribution to region
England	19,150	779,880	2.5%
Wales	686	25,761	2.7%
Scotland	1,214	91,395	1.3%
Northern Ireland	787	18,232	4.3%
UK Total	21,837	915,268	2.4%

The automotive retail sector in Wales contributed some £26 bln or 2.7% to overall gross value added in Wales in 2008, marginally higher than the contribution to all UK gross value added of 2.4%. As with turnover, Scottish automotive retail makes the lowest contribution in terms of gross value added at 1.3%. while Northern Ireland sees the greatest contribution at 4.3%. England added some 2.5% to it's nations gross value added in 2008.

International Productivity Comparisons

Data in this section refers to those activities falling within SIC 50[34] (Sale, maintenance & repair of motor vehicles and motor cycles including the retail sale of automotive fuel). This data has been compiled using the OECD Structural Analysis Statistics Database (STAN). It is an industry database providing a comprehensive tool for analysing industrial performance at a comparatively detailed level of activity. STAN is primarily based on member countries' Annual National Accounts by activity tables, but employs alternative sources such as national business surveys/censuses, to estimate any missing detail. Since many of the data points in STAN are estimated they do not represent official member countries submissions. It should be noted that data used in this section has been converted by exchange rates listed within the STAN database to provide comparison in US dollar terms. All figures should be treated as indicative rather than absolute given the limitations of these country level comparisons and it should be remembered that survey and estimation techniques used within the various countries will be different.

Table 1.31 Automotive Retail (SIC 50[35]) - Gross Value Added per employee[36] [37]

	2000	2001	2002	2003	2004	2005	2006	2007
Germany	34.1	35.5	41.2	49.1	55.2	56.9	57.5	58.1
France	44.4	43.2	46.1	55.7	63.8	65.6	68.1	78.1
Italy	56.2	58.9	59.4	72.6	80.3	79.0	77.8	88.8
United Kingdom	43.4	45.2	49.5	59.5	70.2	77.2	82.3	96.8
Spain	28.4	29.0	30.2	38.9	46.4	48.8	51.3	59.1
Belgium	58.5	59.9	62.7	80.4	92.2	95.9	99.0	115.4
Netherlands	45.0	46.5	52.1	61.4	68.3	67.5	69.9	78.9
Austria	42.3	37.7	39.6	49.1	59.5	58.9	59.4	67.3
Greece	49.5	68.8	65.3	86.4	106.3	97.2	106.9	118.7
Czech Republic	14.7	15.7	20.3	23.8	25.0	25.1	30.6	37.2
Denmark	37.2	38.4	41.1	50.0	61.8	63.1	61.8	62.4
Finland	42.5	45.2	47.6	62.6	72.1	74.0	70.7	78.2
Slovenia	23.7	24.3	28.1	35.7	39.5	42.3	45.3	55.8
Slovak Republic	11.5	12.9	11.7	15.8	25.0	23.5	27.2	30.2
Luxembourg	53.1	52.3	52.7	68.0	77.6	72.4	74.8	78.5
Hungary	8.6	9.8	12.9	15.2	20.1	17.8	18.8	25.3

Source: OECD STAN[38]

The figures in table 1.31 have been converted to US dollars in order to allow comparison. In US dollar terms employees falling under SIC 50 in the United Kingdom contribute USD 96.8 thousand per employee. This suggests that sector productivity per worker may be higher in the UK than in some of the other European nations, notably those that contribute the most to new car sales in Europe. It must be stressed however that the above figures provide only a comparatively crude measure of productivity as they fail to take account of different working

[34] The sale of automotive fuel does not fall within the automotive retail footprint, but the level of detail provided by OECD STAN does not allow for its exclusion in this instance. Similarly SIC 71.10 cannot be extracted from 71 and is therefore excluded.
[35] SIC 50 does not fully encompass the automotive retail sector as it includes SIC 50.50, the sale of automotive fuel and excludes SIC 71.10, the rental & leasing of motor vehicles. Consequently figures provide offer only an approximation for the sector across countries.
[36] It should be noted that the employment figures used are for total employees and consequently this does not make allowances for part time workers as they will have been counted as full employees.
[37] Figures have been calculated from OECD STAN variables EMPE (number of employees), VAFC (value added at factor costs, current prices) and EXC (exchange rates). VAFC has been adjusted by EXC to convert national currency into US dollar. This adjusted VAFC is then divided by EMPE to provide the SIC 50 value added per employee.
[38] Countries are listed in rank of their contribution to European New Car Registrations

patterns across countries. A more informative analysis would base labour productivity levels in the sector upon hours worked, but data to enable this is not readily available.

Table 1.32 Automotive Retail (SIC 50) - Percentage share of Value Added for the total economy

	2000	2001	2002	2003	2004	2005	2006	2007
Germany	1.7	1.6	1.7	1.9	1.9	1.9	1.9	1.8
France	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6
Italy	2.0	1.9	2.0	1.9	1.9	1.8	1.9	1.8
United Kingdom	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.1
Spain	1.8	1.7	1.7	1.6	1.6	1.7	1.7	1.7
Belgium	1.6	1.6	1.7	1.7	1.8	1.8	1.8	1.8
Netherlands	1.8	1.7	1.7	1.8	1.7	1.7	1.6	1.6
Austria	1.9	2.0	1.8	1.7	1.7	1.8	1.8	1.7
Poland	3.5	3.5	3.2	3.5	3.5	3.7	4.2	4.1
Sweden	1.5	1.5	1.6	1.7	1.7	1.6	1.7	1.6
Portugal	3.5	3.5	3.5	3.3	3.3	3.3	3.3	3.3
Greece	2.6	2.7	3.1	2.7	2.9	2.8	2.5	2.8
Czech Republic	1.6	1.8	1.8	1.9	1.8	1.7	1.6	1.7
Denmark	1.6	1.5	1.4	1.4	1.4	1.5	1.5	1.4
Ireland	1.3	1.2	1.2	1.4	1.2	0.9	1.0	1.2
Finland	1.7	1.5	1.5	1.6	1.7	1.8	1.8	1.8
Slovak Republic	1.0	1.0	1.3	1.1	1.1	1.4	1.3	1.4
Luxembourg	1.7	1.6	1.7	1.6	1.7	1.8	1.6	1.5
Hungary	1.5	1.5	1.7	1.7	1.7	1.6	1.5	1.5

Source: OECD STAN[39]

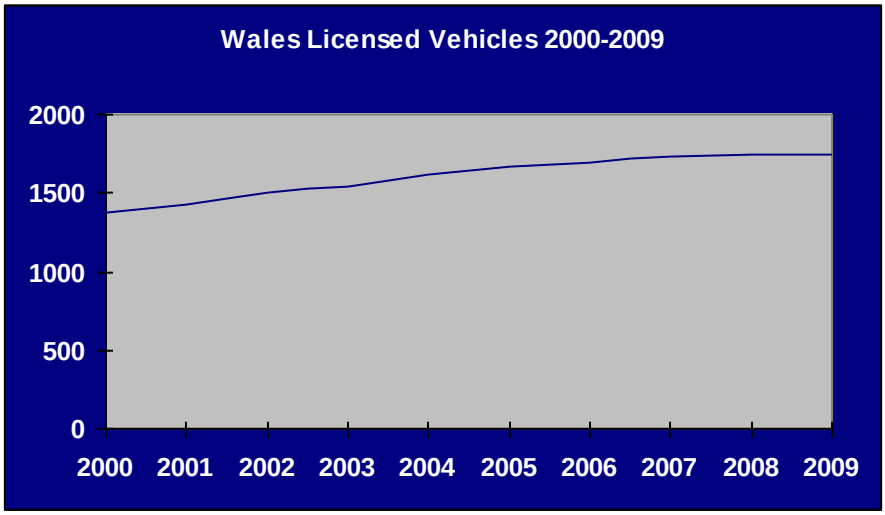
In terms of the percentage share contributed to the total value added for the economy the United Kingdom contribution from SIC 50 is similar to much of Western Europe at 2.1%[40].

[39] Countries are listed in rank of their contribution to European New Car Registrations
[40] Figures differ from those reported elsewhere in the document due to the different data source.

Vehicle Sales Market

Vehicle licensing statistics demonstrate that there were some 35.3[41] million vehicles registered in the UK at the end of 2009. This represents a modest increase from 2008, +0.2% or around 70,000 vehicles. This is the smallest rise witnessed in the number of UK registered vehicles since 1991 when the number of licensed vehicles actually fell. In 2009 Wales accounted for 5% of all UK licensed vehicles, this is little changed over time. In Wales the number of licensed vehicles rose slightly between 2008 and 2009 to 1.745 mln vehicles (-0.2% or 3,000 vehicles).

Figure 1.13 Licensed Vehicles in Wales (numbers reported in 000's) 2000-2009



Source: DFT vehicle registration and licensing statistics 2000-2009

Table 1.33 UK Motor Vehicles licensed by country 2001-2009

Year	England	Scot	Wales	NI	Total
	Numbers reported in 000's				
2000	24856	2188	1380	731	29155
2001	25532	2262	1433	767	29994
2002	26168	2330	1497	794	30789
2003	26653	2383	1547	853	31436
2004	27393	2448	1617	883	32341
2005	28022	2531	1664	917	33134
2006	28321	2587	1698	959	33565
2007	28798	2648	1729	1008	34183
2008	29114	2688	1742	1024	34568
2009	29081	2706	1745	1044	34576
	Percentage share				% change yoy
2000	85%	8%	5%	3%	
2001	85%	8%	5%	3%	2.9%
2002	85%	8%	5%	3%	2.7%
2003	85%	8%	5%	3%	2.1%
2004	85%	8%	5%	3%	2.9%
2005	85%	8%	5%	3%	2.5%
2006	84%	8%	5%	3%	1.3%
2007	84%	8%	5%	3%	1.8%
2008	84%	8%	5%	3%	1.1%
2009	84%	8%	5%	3%	0.02%

Sources: GB – DFT (Department for Transport), NI DVA (Driver & Vehicle Agency)

[41] GB - DFT vehicle registration and licensing statistics, October 2010 downloaded from http://www.dft.gov.uk/pgr/statistics/datatablespublications/vehicles/ and NI, DVA statistics downloaded from http://www.drdni.gov.uk/index/statistics/stats-catagories/ni_transport_statistics.htm

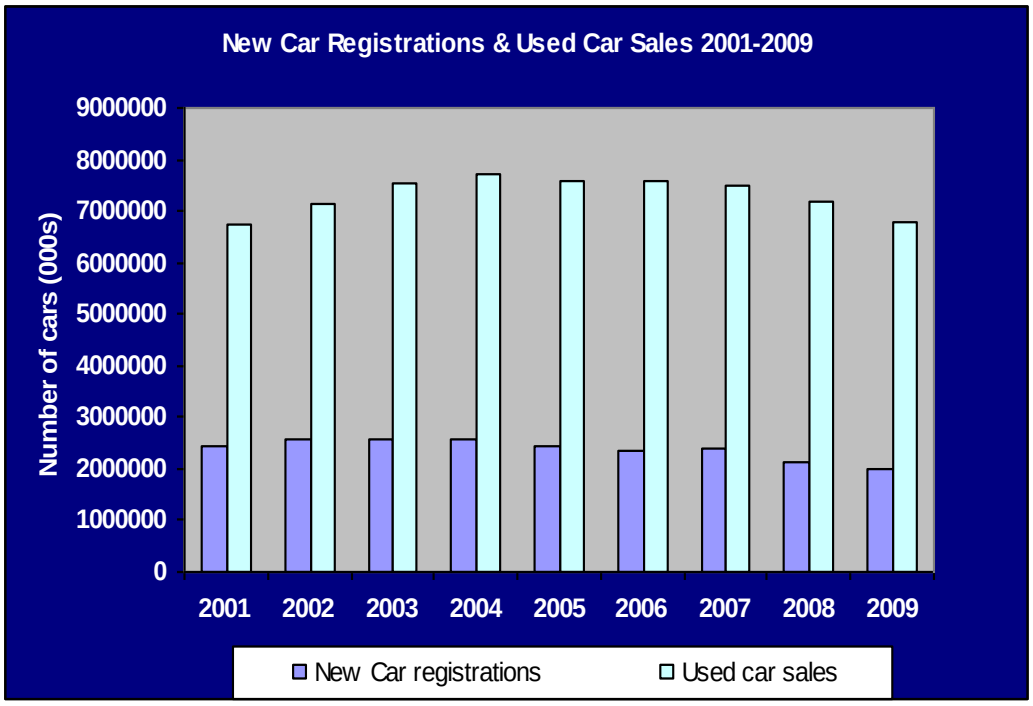
New Car Market

Looking at the European level the UK ranked 4th largest of all new car markets in Europe after Germany, France and Italy. In 2008 the UK was 3rd after Germany and Italy[42]. The UK accounted for 14.1% of all new car sales in Europe in 2009. Year to date in 2010 the UK has contributed 14.3% of all new car sales in Europe, still ranking 4th behind Germany (20.5%), France (17.5%) and Italy (14.5%).

As demonstrated earlier in the document, the sale of motor vehicles contributes nearly three quarters of the turnover of the sector and around half of the sector's GVA. New vehicle registrations provide a measure of confidence in the economy and the sector from businesses and consumers alike. As in many European countries UK new car sales were bolstered in 2009 by the introduction of the government's car scrappage scheme. The scheme which came to an end in March 2010 boosted sales of new cars by around 20%.

In 2009, a total of 1,994,999 new cars were registered in the UK, a fall of 6.42% compared with 2008 when new car sales were down 11.3% year on year at 2,131,795 units. Commercial vehicle registrations in 2009 stood at 227,543, 36% down on the previous year. Used car sales were marginally less affected falling 5.4% to 6,798,864 units compared with 2008 (7,186,286 unit sales).[43]

Figure 1.14 UK Car Sales 2001-2009



Source: SMMT new car registration figures Source: http://www.smmt.co.uk

As figure 1.14 shows, UK new car registrations rose steadily up until 2003, slowed in 2004 and have since declined with the exception of 2007, which saw a brief recovery. The sale of used cars meanwhile rose until 2004 and had been on a general downward trend ever since.

Private demand for new cars was better than expected through 2009 bolstered by the introduction of the scrappage scheme and then by an increase in buying prior to the return to 17.5% VAT in January 2010. Private sales were up 13.7% on the year to 1,014,304 and comprised just over half of all 2009 new car registrations at 50.8%, an increase of around 8% market share compared with 2008 (41.9%). The number of fleet sales fell 20.5% to 882.415 units and accounted for 44.2 % market share (52.1% 2008). Fleet sales are defined as

[42] ACEA passenger car registrations 2009
[43] SMMT

companies that operate more than 25 vehicles, while company car owners with less than 25 cars are known as business users.

In September 2010 new car registrations fell sharply compared with the same period a year earlier, down 8.9% to 335,246 units. This followed falls in both July and August. Following a strong start to the year, year to date new car registrations nevertheless remained up 7.8% in September compared with the previous year and the SMMT noted that "demand for new cars has stabilised" The SMMT forecast that new car sales will end 2010 slightly up on last year at just over 2 million units [44].

Excluding scrappage from the 2009 figures shows that September new car sales were up 16.3% compared with September 2009 – in line with demand of 2008. September is always a strong month for new registrations given the release of new number plates. Nevertheless September 2010 posted the second lowest volume of sales since twice yearly new registration plates were launched in 1999.

It is possible that sales through year end will be underpinned by the prospect of the VAT rise in January to 20% and consequently 2011 could prove tough for the new car market. Negative impact on the new car market though will not necessarily translate to other parts of the sector. Lower demand for new cars could help bolster the maintenance and repair market as people, unable or unwilling to purchase a new car, need to carry out maintenance and repair work on older vehicles. A recent employer skill survey[45] commissioned by the IMI found that some employers within the light vehicle maintenance and repair sector had felt a positive impact of the recession as a result of this.

Table 1.34 New Car Registrations by UK Nation in 2010

	Sep-10			2010 ytd		
	Count	% chg yoy	% share	Count	% chg yoy	% share
England	283493	-9%	85%	1377881	9%	85%
Northern Ireland	5589	-14%	2%	45829	8%	3%
Scotland	31944	-15%	10%	142258	2%	9%
Wales	13159	-14%	4%	60348	4%	4%
UK	**334185**	**-10%**	**100%**	**1626316**	**8%**	**100%**

Source: SMMT *Note: Channel Islands & Isle of Man New Car Registrations not included.

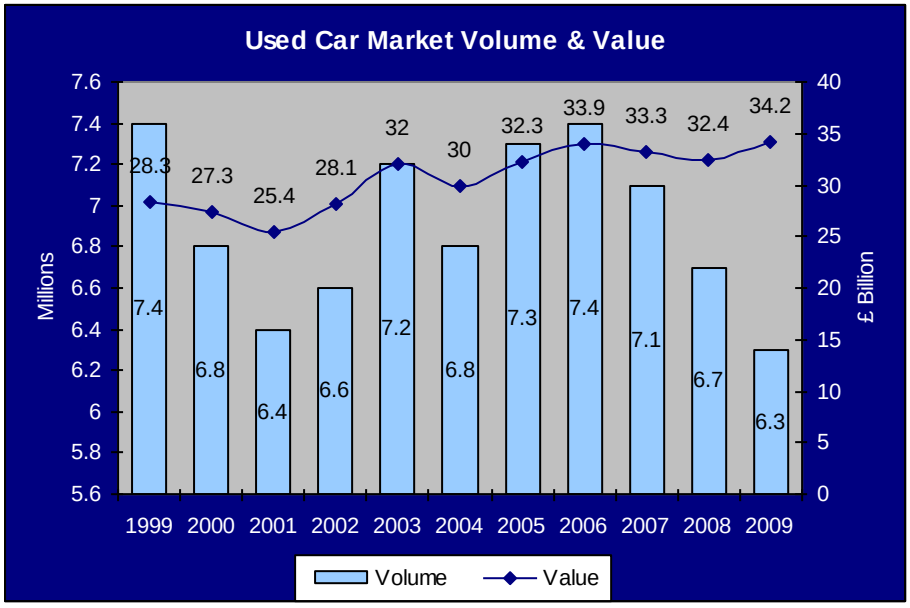
At the country level sales fell in September 2010 in all countries compared with the same period a year earlier. Scotland saw the largest decline, -15%, closely followed by Northern Ireland and Wales, both -14% while England fared best seeing a decline of 9% compared with the same period a year previously. Despite this decline sales remain higher in year to date terms compared with September 2010. Overall England unsurprisingly accounts for the largest share of new car registrations at 85% of all sales in September year to date. Scotland, Wales and Northern Ireland account for 9%, 4% and 3% respectively.

Used Car Market[46]

2009 saw a continued decline in the number of used car sales, down 5.4% to 6,798,864 units compared with 2008 (7,186,286 unit sales)[47]. This follows a decline of 5.6% in 2008 when performance in the used car market outstripped that of new car sales (-11.3% in 2008). The car scrappage scheme however gave support to the new car sales market at the expense of used cars in 2009. Despite the decline in volume however, the value of the used car market rose in 2009 to £34.2 billion, reversing the decline of the previous year. The following figure shows recent trends in both the volume of cars sold and their corresponding value.

[44] http://www.smmt.co.uk/articles/article.cfm?articleid=22535
[45] IMI Employer Skills Needs Survey 2010
[46] Sewells Automotive Industry Insight 2009, www.sewells.co.uk
[47] SMMT

Figure 1.153 Used Car Market Volume and Value



Source: BCA Used car market report[48]

Commercial Vehicle Market

Commercial vehicle (van and truck) registration fell dramatically in 2009 down 36.2% to 221,132 units, extending the decline witnessed in 2008 (-10%, 351,384 registered). Demand for vans held up slightly better than that for trucks with year end figures down 35.6% and 39.5% respectively. To date in 2010 the commercial vehicle market has seen mixed fortunes. Though volumes remain below pre-recession levels, demand for vans has improved, rising for the 8th consecutive month in September to 168,554 units year to date, up 18.4% compared with September 2009. Truck volumes were meanwhile down 15.3% year to date in September 2010 compared with the year earlier. The SMMT called for the government to act to promote economic growth as well as focusing on deficit reduction[49].

The demands of commercial vehicle customers differ somewhat from those of passenger car keepers. For CV operators, downtime is lost income, which may have a significant impact on business success. So, for example, all-hours maintenance and repair services are commonly offered combined with a “can-do” engineering-focused, problem-solving ethos in support of customer needs. Overall the dynamics of sales, maintenance and repair activities are rather different from that found in the car market.

Motorcycles

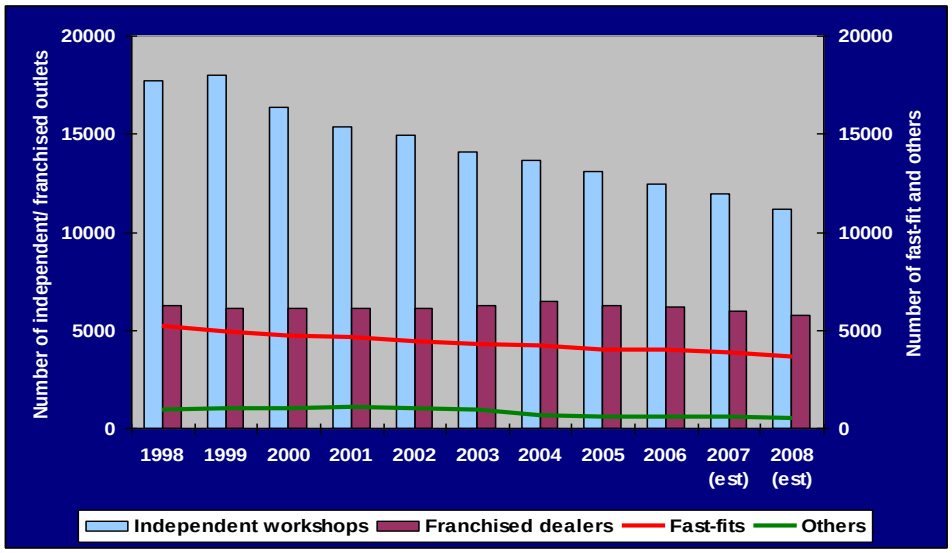
The motorcycle industry also saw a tough year in 2009 with registrations of motorcycles and mopeds down 20.2% at the end of 2009 compared with 2008. This followed a smaller decline of 3.4% in 2008[50]. To date 2010 has not seen much turnaround for the motorcycle sector, according to the Motor Cycle Industry Association (MCIA) registrations of motorcycles and mopeds declined 14.4% in the year to September 2010 compared to the previous year.

Maintenance and Repair Market[51]

The vehicle maintenance and repair market contributes 10% of the turnover of the sector and has done so consistently over the last decade. The number of non-franchised /independent garages providing maintenance and repair has declined over the past decade whereas the number of franchised dealerships operating has been more stable. Franchised dealerships are estimated to account for 35-45% of the maintenance and repair market. The remainder being supplied by independent garages or fast fit centres.

[48] http://www.british-car-auctions.co.uk/default.aspx?page=11681, accessed October 2010
[49] SMMT vehicle registration data, 2009 & 2010.
[50] Motor Cycle Industry Association (MCIA) registrations data 2008-2010
[51] Castrol professional Car Service and Repair Trend Tracker 2008

Figure 46 **Estimated Number of Outlets Providing Garage Servicing, Mechanical Repairs and Replacement Parts Fitting Services 1998-2008**

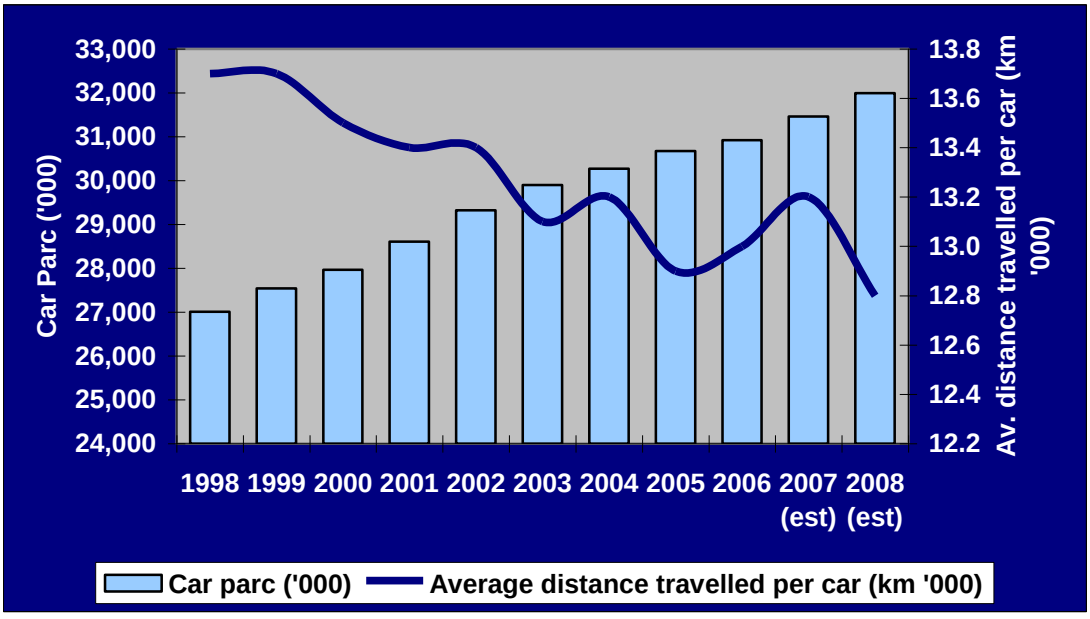


Source: Castrol professional Car Service and Repair Trend Tracker 2008

Key factors that are currently impacting the market are as follows:

Average mileages are falling and car build quality is improving. These facts have the combined effect of increasing the interval between regular services leading to a reduction in the total number of annual services from 57.9 million in 1998 to 46.7 million in 2008. This represents a decline of 19%. This has meant that the maintenance and repair market has been depleted in value terms over the past decade despite the increase in the number of vehicles registered in the UK over the same period. Latest forecasts suggest that the market will fall by a further 5% to around 45 million service or repairs per annum by 2013. To counter this decline, the average cost of a service or repair has risen by 32% from £129 in 1998 to £171 in 2008.

Figure 5.17 **Average Annual Distance Travelled Per Car vs. Size of the Car Parc Over the Past Decade**



Source: Castrol professional Car Service and Repair Trend Tracker 2008

Section 2 - What is Driving Change?

Economic Outlook

The Global Economy[52]

The global and UK economies remain uncertain following the financial crisis of 2008. The global economy is a key factor influencing the level of consumer demand in the sector in the UK, and therefore in Wales, primarily with regard to vehicle sales. This is because UK GDP growth is inextricably linked to the performance and stability of the global markets.

The current fragility of western banks and the high levels of personal and government debt mean that the cost of capital is likely to be higher, and the availability of credit more restricted than before the 2008 financial crisis. This seems likely to have an impact, namely a decrease, of the level of infrastructure investment in countries such as the UK. Unless new sources of international investment become available, attractively priced capital to support UK business investment and major capital purchases by individual consumers (eg a new vehicle) may be in relatively short supply, certainly during the early years of the coming decade.

UK Economy

Preliminary UK GDP figures for the second quarter of 2009 showed that the UK economy grew by 1.1% compared with the previous quarter. This followed growth in Q1 of 0.3% quarter on quarter. The UK slowdown was felt by all sectors of the economy and 2009 statistics from the Labour Force Survey suggest that the sector shed some 28,000 jobs, a decline of 5% compared with 2009. Although the economy is showing signs of improvement, there are undoubtedly difficult times ahead with the prospect of shrinking government spending and increases in VAT.

New car registrations are linked closely to GDP, as are the number of new home sales.[53] In fact the most promising indicator of recovery in new car registrations is likely to be a return to GDP growth.[54]

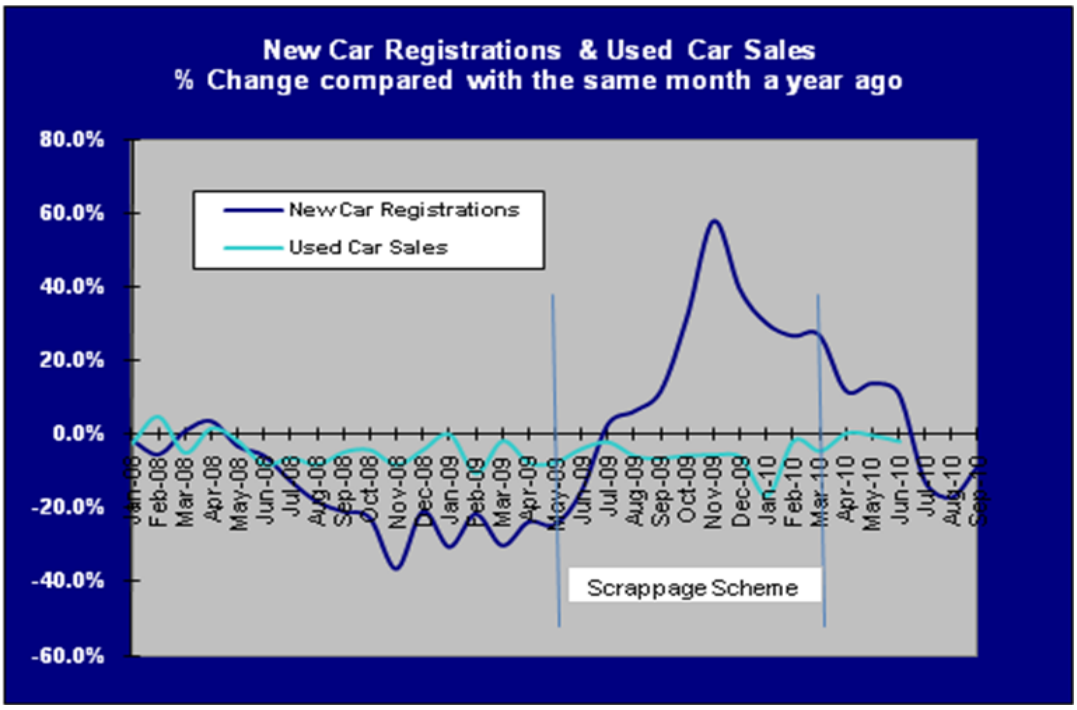
The UK scrappage scheme came to an end in March 2010. The scheme, launched in May 2009, had provided significant support to the new car market as the following figure depicts. An average of 17% of new car registrations have been attributed to the scheme since it began. In September ytd new car registrations stand at 7.8% above 2009 levels, somewhat lower than in the first half of the year when sales were supported by the scrappage scheme. A similar hangover effect of the end of scrappage schemes was previously seen in Germany, Europe's largest car market, where sales were down for the sixth successive month in May.

[52] IMI Automotive Retail Sector Scenario Analysis of Potential Skills Requirements in 2020, SAMI Consulting, July 2010

[53] The credit crunch and the outlook for the UK Retail Motor Industry, 2008 L. Glasscock and Associates

[54] *UK car dealerships: lessons from the last recession 2009*, Ernst & Young

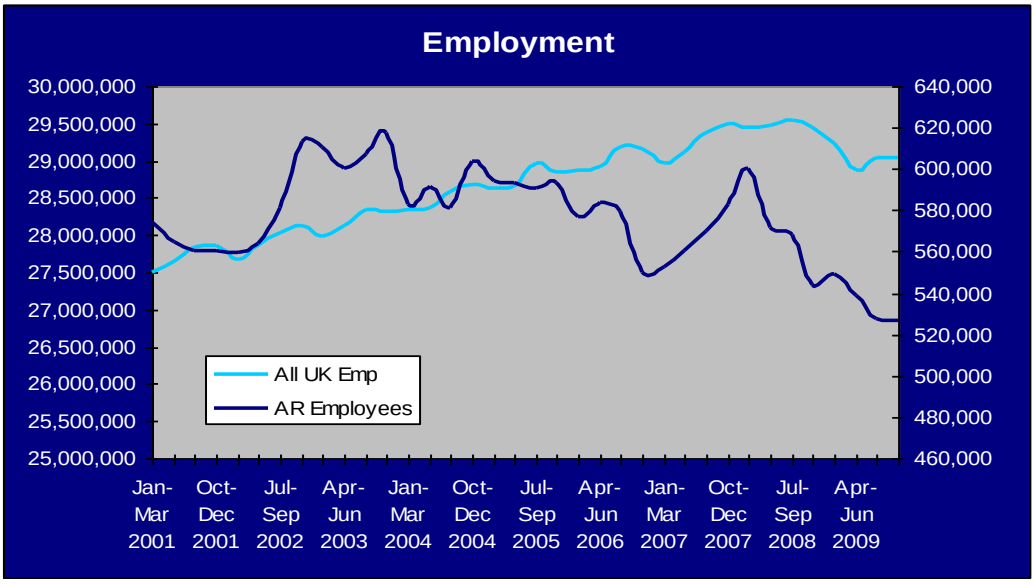
Figure 2.1 New Car Registrations and Used Car Sales % Change Compared with the Same Month in the Previous Year



Source: http://www.smmt.co.uk citing Experian and the DVLA for Used Car Sales figures

The figure below depicts the number of employees over time for the UK as a whole and for the automotive retail sector. Figures from the Labour Force Survey demonstrated that the number employed in the sector was 3.1% lower in the final quarter of 2009 than the same quarter in 2008. The number of redundancies in the sector has slowed steadily through 2009 and in the final quarter of 2009 the redundancy rate (number of redundancies per 1000 employees) stood at 4.0 for the sector, down from 15.6 in the same quarter of 2008. Another positive indicator that the sector is on a trajectory of recovery from the recession is the increase in the level of vacancies in the sector. Compared with the previous month a year earlier, vacancies have been generally higher since December 2009. In August the number of vacancies in the sector was up 17% in compared with the same period a year ago.

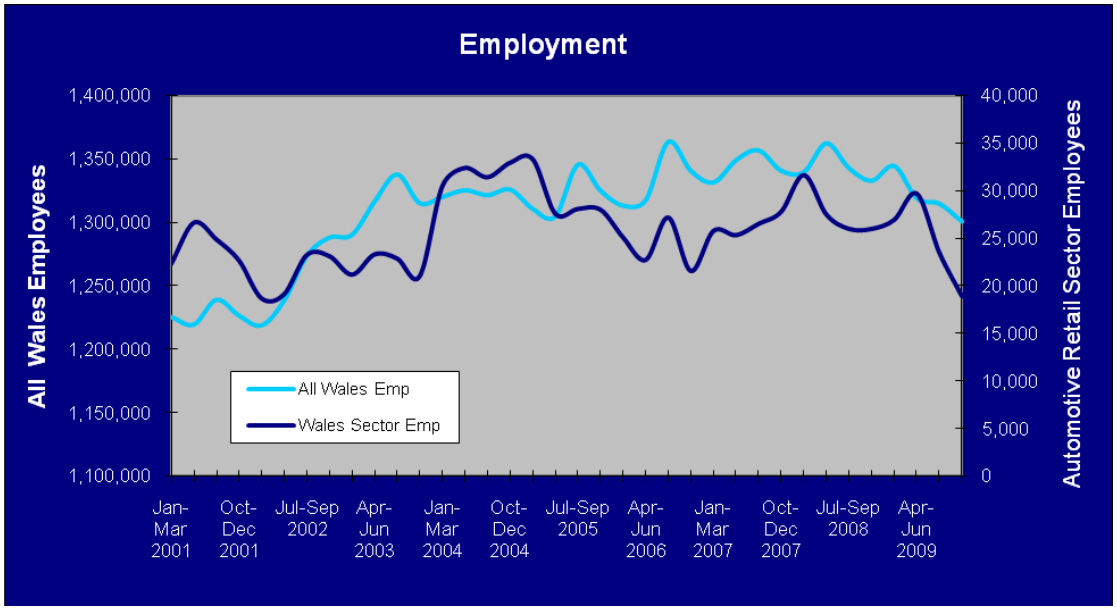
Figure 2.2 UK Total and Automotive Retail Sector Employees 2001-2009



Source: LFS quarterly figures 1997-2009. Crown Copyright Reserved

The figure below demonstrates that employment in Wales has broadly followed the UK trend as has sector employment.

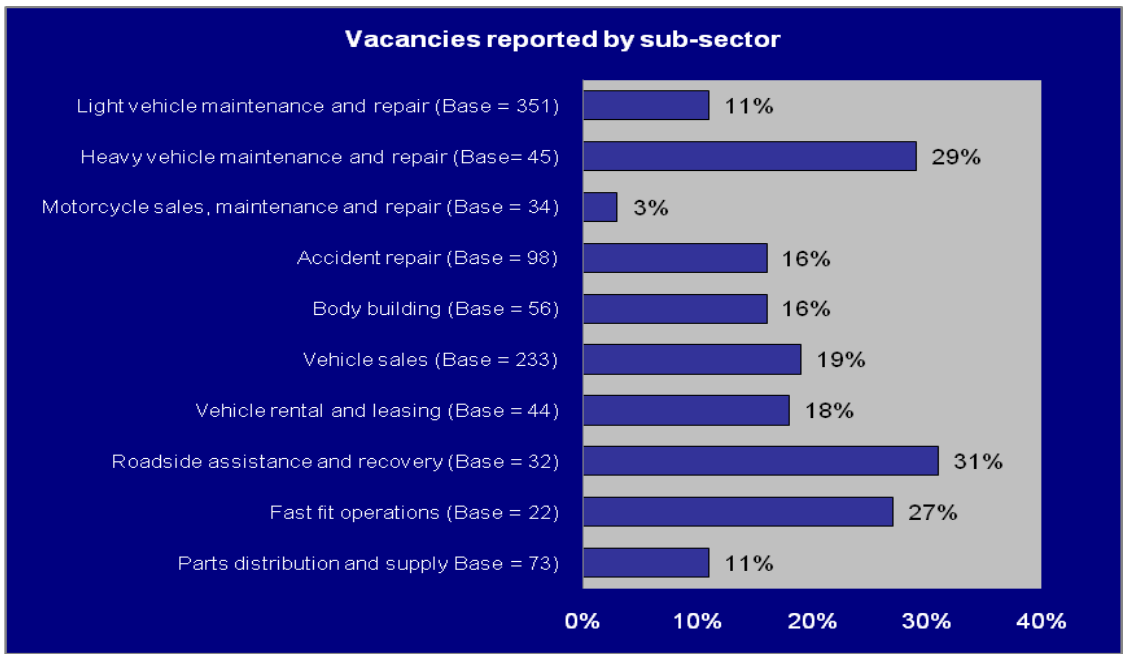
Figure 2.3 Wales Total and Automotive Retail Sector Employees 2001-2009



Source: LFS quarterly figures 1997-2009. Crown Copyright Reserved

Further evidence of sector recovery following the recession comes from a recent IMI survey of employers, there was a significant increase in the percentage of businesses that reported at least one vacancy in their establishment in July/August 2010 - 16% of all employers compared to just 6% in 2009. This can be considered a positive indicator that businesses are recruiting again following the recession.

Figure 2.4 Automotive Sector Employers' Views on Challenges Expected in the next 12 months



Source: IMI Automotive Retail Sector Employer Skills Survey September 2010

The highest incidences of vacancies by sector occurred in heavy vehicle maintenance and repair, roadside assistance and recovery. Within the two largest sub-sectors (light vehicle maintenance and repair and vehicle sales) reported vacancies were 11% and 19% respectively.[55]

Taking a look at businesses by size, medium-sized businesses were more likely to have a current vacancy when compared to other businesses; nearly twice as many organisations of this size reported a vacancy (42%) when compared to small businesses (22%); and four times as many organisations reported this, when compared to micro businesses at 11%.

A higher proportion of employers in Scotland (22%) and Wales (19%) reported having at least one vacancy across the four UK Nations. Almost a sixth (15%) of employers in England, and less than a tenth (9%) of employers in Northern Ireland, reported having vacancies. [56]

Employer Perspectives[57]

The 2010 IMI employer survey found the recession was attributed by some as contributing to the challenges facing their businesses. Overall, a very high proportion (96%) of automotive retail employers expected to face at least one challenge to their business during the next twelve months. Employers reported that the effects of the recession will be a significant challenge to their business, with 80% of employers stating 'becoming or remaining profitable', as their most significant issue.

The high incidences of 'becoming or remaining profitable' is not surprising given the overall low profitability of the sector, hindered further through the economic consequences to businesses post the end of the recession. By sub-sector, vehicle sales reported above average incidences of this challenge followed by light vehicle maintenance and repair. Research on car dealerships for example indicated that the sector has been particularly affected by the recession due to a "*rapid deterioration in new vehicle registrations leading to heavy discounting and consequently a decrease in used car residual values*".[58] For light vehicle maintenance and repair, one of the effects of the recession had been the reduction of non-essential maintenance work, for example car services, contributing to a decline in overall turnover.

Interviews found that the recession has had a negative impact on some businesses but not on others. Some employers stated that the recession had not affected their business due to the sub-sector they were in (e.g. recovery or HGV inspections) as this work still needed to be carried out. One employer stated how the recession had *'done me a favour'* (Light vehicle maintenance and repair) reflected also by another employer who explained how people were less likely to change their car, therefore more repair work was required.

Government Policy

Government policy can drive consumer demand and business behaviour, and therefore has a huge effect on the direction of the sector. The skills and training needs of the workforce are affected in many ways because of these influences. A few examples have been selected.

[55] IMI Automotive Retail Sector Employer Skills Survey, September 2010
[56] IMI Automotive Retail Sector Employer Skills Survey, September 2010
[57] IMI Automotive Retail Sector Employer Skills Survey September 2010
[58] UK car dealerships: lessons from the last recession 2009, Ernst & Young

The Vehicle Scrappage Scheme

The government introduced the scrappage scheme in May 2009 in an attempt to stimulate sales of new cars, the levels of which had been decimated by the impact of the credit crunch. Motorists buying new cars were eligible for a £2,000 discount if they traded a car aged 10 years or over to scrap. The Government and manufacturers shared the cost of the scheme which was originally set to run to the end of Feb 2010 or until the £300 million funding from the government ran out. The scheme was extended in late September 2009, at the Labour Party Conference, where Lord Mandelson confirmed that the scheme would cover a further 100,000 vehicles than had been originally planned and ended in March 2010.

The impact of the scheme was first seen in July 2009 which saw a rise in monthly new car registrations (+2.4%[59] on the same month a year earlier) which reversed the downward trend that began in April 2008. This upward trend continued until one quarter following the end of the scheme. Since July new car registration levels have tailed off to below the same period in 2009.

Around 400,000 cars were sold under the UK government's car scrappage scheme. The government estimates that 4,000 jobs with manufacturers and suppliers were supported by the scheme. Another effect of the scheme has been a reduction in harmful emissions from cars. "Cars bought through scrappage had average CO_2 emissions of 133g/km, 27% lower than the average CO_2 of scrapped cars," BIS claimed.[60]

Other effects of scrappage on the market include the shift in 2009 towards small cars, which was largely attributed to the scheme. Scrappage was also credited for the halt in the rise in diesel penetration on the market, as small cars tend to be petrol rather than diesel-powered due to higher purchase prices of diesel vehicles. A move away from diesels will curb the pace of reduction in average new car CO_2 levels[61], despite the previously mentioned impact of newer cars replacing old.

Environment and the Green Agenda

The policies adopted by government have seen great pressure on the industry to improve the environmental performance of the vehicle parc. This, along with an increasing consumer interest in the environment has seen a continued trend towards developments in green technology.

In December 2008 EU new car CO_2 regulation was introduced which set targets across Europe of average new car CO_2 emissions of 130g/km by 2015. The UK's 2008 Climate Change Act mandates a reduction in domestic CO_2 emissions of at least 26% by 2020 and of at least 80% by 2050 (from 1990 levels). Currently, 21% of total domestic green house gas emissions are produced in the transport sector. A major factor in this is the use of hydrocarbon-based fuels such as petrol and diesel, since currently almost all transport energy in the UK is provided by such fuels. Although more than 90% of transport CO_2 emissions are due to road transport, emissions from other types of transport are increasing as demand for passenger and freight transport continues to grow.[62]

In 2009 SMMT reported the UK average to be 149.5g/km. Various Government legislation and regulations have been put in place to stimulate manufacturers to research and develop low carbon technologies and consumers to choose lower emission alternatives. For consumers, these measures are largely centred around taxation, e.g. stepped cost of road tax based on engine size. In addition, more than 9 out of 10[63] consumers are also increasingly

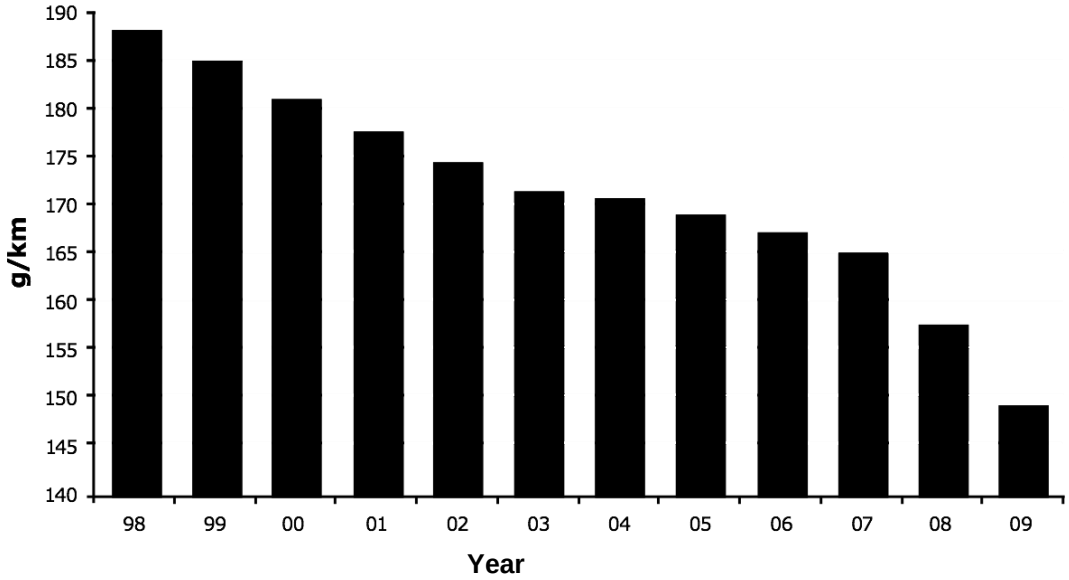
[59] Society of Motor Manufacturers and Traders
[60] http://news.bbc.co.uk/2/hi/business/8595597.stm
[61] New Car CO2 Report 2010, SMMT
[62] Transport Interim Strategic Assessment Technology Strategy Board September 2009
[63] The used car market report, 2009. BCA

willing to take steps to reduce their own carbon footprint. Whether this willingness is stimulated by saving money or a desire to save energy is arguable, however the outcome with regard to emissions is the same.

Emissions have fallen every year since 1997, and in 2009 the reduction in average new car CO_2 emissions was the steepest yet. The contributing factors towards this reduction are:

- The increase in proportion of diesel cars sold
- The growth of alternatively fuelled vehicles
- Movement of the market towards smaller cars[64]

Figure 2.5 Average new car CO_2 emissions 1998-2009



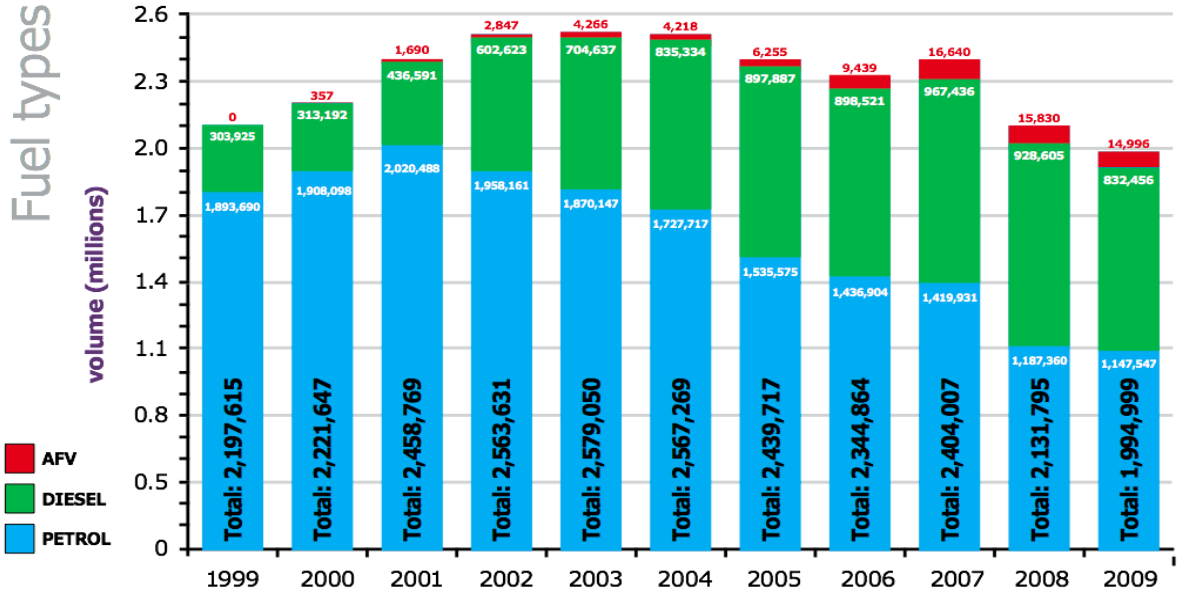
Source: SMMT Motor Industry Facts 2010

Vehicle Excise Duty and Company Car Tax

It is clear that legislation is a strong driver of the sector and taxation is one tool that has shaped the composition of the parc in terms of emissions and will continue to do so due to recent proposed changes to VED. The vehicle taxation system and company car taxation system both became CO_2 emissions-based in 2001 and 2002 respectively. The figure below demonstrates quite clearly the effect of this change on the fuel types of new car registrations. The proportion of petrol engines has declined, whilst diesel increased significantly. Alternative fuel type new registrations have also been stimulated somewhat by the change.

[64] Sewells Automotive Industry Insight 2009. www.sewells.co.uk

Figure 2.6 Annual new car registrations by fuel type 1999-2009



Source: SMMT Motor Industry Facts 2010

The November 2008 pre-budget statement included the statement that cars emitting over 225g/km and first registered between 1 March 2001 and 23 March 2006 will now go into band 'K', at least until 2010/11. Under the earlier proposals (March 2008 Budget) these cars would have moved into band 'L' or 'M' depending on official CO_2 emissions. This will further support the move towards reducing emissions of vehicles in the UK. Annex 3 shows the changes to the VED bands.

It is likely that the change of VED - in the current economic climate – will both lower retail interest in new cars beyond the current Band D and will depress residual values of these cars when they are due for sale at 3 or 4 years old.[65]

Changes to the VAT Rate

VAT is set to rise to 20% from the current 17.5% following the coalition government's emergency budget. The rise will take effect from January 2011 and will raise the average price of a new car by around £300. Although this increase could have a negative impact upon consumer confidence and demand for new vehicles, the SMMT welcomed the delayed implementation of the rise for allowing both consumers and businesses time to plan and prepare. They also noted that the delay until January next year may give a temporary boost to demand in the short term. The SMMT praised the budget for the level of long term stability and clarity that it will give to the industry and welcomed measures to lower corporation tax from 28% in 2010 to 24% in 2014.[66]

Government Investment and Subsidies

Government is investing a lot of money in projects concerned with the development of lower carbon vehicles, most notably electric vehicles. The Office for Low Emission Vehicles (OLEV) was formed in 2009 to co-ordinate the efforts to deliver these ultra-low carbon vehicles. OLEV is a cross- Whitehall team aiming to position the UK as a world leader in the volume ultra-low carbon vehicle arena. OLEV was to oversee the £230 million scheme to help incentivise car

[65] The credit crunch and the outlook for the UK Retail Motor Industry, 2008 L. Glasscock and Associates
[66] IMI Quarterly Industry Update, July 2010

buyers to make the shift to low carbon products by offering 25% off the list price of a car up to a maximum of £5,000 for people buying an electric car from January 2011 to March 2014.[67] The £230 million pounds promised by the Labour government to fund this subsidy may however, be revoked by the new coalition government. The new government has ordered a review of all spending commitments put in place by the previous administration after January 1st 2010 and the subsidy falls into this category. However, the outlook for at least some of the funding to remain is positive as in September of this year transport secretary, Philip Hammond, confirmed the criteria for government's Plug-in Car Grant that from January 2011 will help drive the market for these new products and continue the rapid improvement in new car CO_2 emissions. From January 2011 the grant will offer motorists up to £5,000 towards the purchase of an electric, plug-in hybrid or hydrogen fuelled car. In order to be eligible, cars must meet appropriate safety standards and must have been crash tested to internationally recognised standards. They must also meet minimum range, warranty and performance criteria. Government believes that this combined support will place the UK at the forefront of low carbon automotive development and provide a vital economic boost for the UK economy, giving UK automotive a key competitive advantage in this increasingly important global market.[68]

Other investments by the government include:

- A £30 million electric vehicle infrastructure programme, called the Plugged-In Places Infrastructure Framework, was launched in November 2009 and aims to offer match-funding to a select number of locations in the UK to support an electric charging network from 2010.
- The Technology Strategy Board (TSB) has £140 million to promote technology based innovation.

- The TSB also jointly runs with Department for Transport's (DfT) Low Carbon Vehicles Innovation Platform. This is a £20 million programme to support low carbon vehicle research, development and demonstration projects.

Regulation

The automotive industry is one of the most regulated sectors in the EU due to its highly complex products and the many issues that must be considered relating to vehicle use. Issues include health and safety of the general public and the sector's workforce. Increasingly the environment and the need to reduce CO_2 emissions is driving regulation globally, at EU and UK levels.

Regulation helps set common rules and standards which ensure a level playing field and fair market conditions in the EU and abroad. However, regulation can also damage the competitive strength of an industry, so must be applied with due diligence. The regulative landscape has an impact on all businesses in the sector as, with new regulation comes new working practices and procedure and so the training requirement for the workforce is immense.

Approaching 2015, manufacturers new rules on emissions and safety will include tighter emission limits, new car CO_2 rules and complementary measures, like tyre pressure monitoring and gearshift indicators. On safety, phase 2 of legislation on pedestrian protection will come into force and electronic stability control, advanced brake assist and daytime running lamps will become standard kit. Vehicles need to remain affordable and policy makers cannot ignore the costs to consumers and the effect this may have on achieving policy goals.[69]

[67] New Car CO2 Report 2010, SMMT
[68] SMMT Update, Issue 134, SMMT September 2010
[69] Streamlining Regulation – ACEA, European Automobile Manufacturers Association, 2010 http://www.acea.be/index.php/news/news_detail/streamlining_regulation

MoT Test

Compulsory vehicle testing was introduced in Great Britain in 1960 when the Motor Vehicles (Tests) Regulations 1960 came into operation. The test was initially confined to vehicles that were ten years old or more, but the testable age was progressively reduced to three years by April 1967. Sections 45 to 48 of the Road Traffic Act 1988 provide the legislative basis for MOT testing. The purpose of the MOT test is to ensure that light vehicles over 3 years old are checked at least once a year to see that they comply with key roadworthiness and environmental requirements.

The requirement for annual testing has provided the service, maintenance and repair sector with an enormous workload with regard to the physical test itself and associated repairs highlighted by test failures. Changes around the MOT criteria and requirements also have a large impact on these businesses. Over 19,000[70] garages and workshops are authorised to perform testing and issue certificates (in Northern Ireland tests are performed exclusively at the DVA's own test centres). These businesses must keep their workforce up to date with the current regulations. In fact, in a recent employers survey conducted for IMI, 63% of those questioned stated that 'keeping up with legislative and regulatory requirements' is one of the key challenges for their business.[71]

Block Exemption Regulation

This regulatory measure concerns competition in the sector. In September 2000, the Supply of New Cars Order 2000 was introduced following the Competition Commission (CC) monopoly inquiry into the supply of new cars. The CC found that private car buyers in the UK were paying about 10% too much for the average car, taking account of discounts, trade-ins and finance deals[72]. The Block Exemption Regulation exempts the distribution, sale, maintenance, repair and other related after-sales activities associated with passenger cars from European Commission competition rules. The BER was recently extended beyond the original expiration date of May 2010 until 2013.

The BER enables car manufacturer national sales organisations to create networks of 'selective' or 'exclusive' dealership networks:

- Dealers are now able to operate in different areas and EU countries
- Sales/after-sales activities for different franchises are allowed from the same premises with fewer restrictions.
- Non-franchised dealers and brokers will be better able to compete
- Greater servicing and repair market competition
- Lower costs
- After-sales activities can be carried out by any retailer (whether franchised or not) provided the retailer abides by manufacturer-approved standards
- Independent retailers/suppliers will have access to necessary technical information, including diagnostic equipment and software.

There was also a location clause of the BER which essentially prevented dealers from expanding outside their territories. From October 2008, however, any dealer wishing to sell passenger cars and commercial vehicles and who meet the manufacturers' standards will be able to set up secondary sales and delivery outlets anywhere within the EU, Norway, Iceland and Liechtenstein.

[70] Direct Gov http://www.direct.gov.uk/en/Motoring/OwningAVehicle/Mot/DG_4022109
[71] IMI Automotive Retail Sector Employer Skills Survey, September 2010
[72] Block exemption for cars fact-sheet. The Department for Trade and Industry, 2006.

It has been argued that those with the most to gain are large dealers and multinational fleet providers, with already pronounced national variations. British franchised dealers sold an average of 502 new cars per outlet last year, reflecting the fact that the market has already consolidated. In Europe average sales per dealer is 279 with only 6 franchises exceeding an average of 400 new car sales per dealer and 22 franchises averaging less than 200 per dealer. This has led to the theory that 'British dealers are in a better position than continental counterparts to exploit the scrapping of the clause.'[73]

Evidence would suggest that the lifting of the clause has made little difference so far as profit margins in the sector are low and have been so for some time. It is therefore a risky strategy to move into the area of another dealer to compete 'head-to-head'. Many will choose to do this on the internet, which is a far more cost effective approach[74].

Super Complaint – National Consumer Council

Under Section 11 of the Enterprise Act 2002 (EA 2002) consumer bodies designated by the Secretary of State for Trade and Industry are able to submit 'super-complaints' to the Office of Fair Trading (OFT). They can do this where they consider there is 'any market feature or combination of features such as the structure of a market or the conduct of those operating within it that is or appears to be significantly harming the interests of consumers'[75]. The threat of a super-complaint was raised against the motor industry by the National Consumer Council (NCC) in March 2006, and could result in mandatory legislation to ensure quality and standards.

This complaint has been delayed, as the NCC has recognised the significant investment in skills based initiatives taking place in the sector. However, the NCC has highlighted a range of areas that it would like to see improved, and thus the super-complaint is still a real threat to the sector[76]. Any form of quality standard would have significant implications for skills and training requirements.

Self-Regulation of the Industry – Sector Response

Due to ever-moving technology, regulatory pressures, and the need for constant on the job learning, the sector has developed a number of accreditation schemes and voluntary code of conducts in an effort to improve current practice and the public perception of the sector.

ATA
Automotive Technician Accreditation (ATA) was developed by the IMI in response to the above. ATA is a voluntary assessment programme for individuals working in the retail motor industry. To become ATA registered, an individual must pass a comprehensive and rigorous series of tests of practical skills and knowledge. To ensure that they keep up-to-date with new technologies, technicians need to be re-assessed in order to maintain their accreditation. ATA aims to provide confidence to consumers that their vehicle is being maintained by a competent individual. There are currently over 20,000 technicians who hold this accreditation working in the sector.

AMA
IMI has recently launched a management and leadership solution for the sector. Automotive Management Accreditation (AMA) works on a similar basis to the Automotive Technician Accreditation scheme but addresses managerial needs specific to the sector. The scheme

[73] Abolition of location clause under block exemption regulation draws near. Pricewaterhouse- Coopers LLP, 2005.
[74] Location Clause is no more. Did the earth move for anyone? AM Online, October 2005.
[75] Super-complaints Fact Sheet, the Department for Trade and Industry, 2005.
[76] Automotive Skills will continue to promote skills - based initiatives to help ensure the industry avoids a 'Super Complaint'. Press release from Automotive Skills, March 2006.

was designed in order to measure the competence of automotive managers and signpost development needs.

Motor Codes
Motor Codes Ltd was established in order to act as the self regulatory body for the automotive sector and is a subsidiary of Society of Motor Manufacturers and Traders (SMMT). Motor Codes operates three automotive codes, the Motor Industry Code of Practice for New Cars and the Motor Industry Code of Practice for Service and Repair and the Motor Industry Code of Practice for Vehicle Warranty Products.

Code of Practice for Service and Repair
The Motor Industry Code of Practice for Service and Repair was launched in August 2008. With the support of the industry, government, Consumer Focus and Trading Standards, the Code has completed stage one of the OFT's Consumer Codes Approval Scheme and is now active in more than 6,200 garages across the country. The code is voluntary and requires members to adhere to a code of conduct.

Code of Practice for Vehicle Warranty Products
The Motor Industry Code of Practice Vehicle Warranty Products was launched in July 2009. The Code covers after sale products such as extended warranties, roadside assistance and MOT Test Insurance.

Industry Recognised Standards (BSI)

PAS 125

The PAS 125 standard was created for the accident repair industry in order to improve the quality of vehicle repairs. It sets minimum standards for accident repair centres around 'safe repair', personnel, equipment, repair methods, quality of materials etc. The majority of accident repair work is driven into the sector by insurers following claims. The industry's leading work providers (ie major insurers) are increasingly stipulating that the criteria their centres must adhere to will include the PAS 125 standard. This is helping to drive up skill levels as the standard requires accident repair centres to prove their technicians are competent to carry out work. A recent S/NVQ pass in a related subject or successful participation in an approved accreditation scheme (such as ATA) are ways that an employer proves technicians' competence.

PAS 80

The PAS 80 standard was created for the service and repair of vehicles market. PAS 80 is a voluntary scheme which specifies technical and customer service requirements for garage services (including fast-fit outlets) involving service and repair. The PAS 80 specification has been developed by BSI in conjunction with members of the automotive industry.

Consumer Behaviours and Preferences[77]

Consumer preference is a key driver for the sector. Consumers make their choices on a range of factors including:

- Price (including finance arrangements and warranties)
- Running costs (including price of fuel)
- Safety

[77] New Car CO2 Report 2010, SMMT

- Environmental performance (a factor which is increasingly moving up the rankings)
- Fuel consumption

New car registrations show the market has moved into 'smaller' cars (mini and super mini vehicles) and 'niche' products (dual purpose 4x4 and multipurpose vehicles - MPVs). The driving forces towards this trend include:

- The improvement in quality and comfort of small cars meaning they are now more comparable to larger cars.
- A growth in the number of models available to chose from.
- Dual and multi-purpose cars offering larger and perhaps more practical space for their size, plus a driving position which provides a better view and sense of safety than saloons or hatchbacks.

Helping the environment ranked second on consumers' list of priorities when purchasing a vehicle in a recent survey and 70% of UK consumers questioned were likely to cite the environment as a reason for choosing an electric vehicle.[78]

Since 2005 manufacturers have voluntarily displayed a colour-coded new car fuel efficiency label (a large appliance -style label) which provides consumers with information on the CO_2 figure of the vehicle, as well as its VED band which has helped the increasing importance of 'environment' when choosing a vehicle.

Fuel prices

Fuel prices ended 2009 25% higher for petrol and 11% higher for diesel than they started. This was due to:

- Recovery in oil prices
- Rises in the duty rate. By December 2009 51.9% of the price of petrol and 51.1% of diesel was fuel duty, with VAT that share was 64.9% and 64.2% respectively. UK motorists pay the highest duty on diesel within the EU.

High fuel costs may be expected to have a significant effect on car usage and therefore impact upon the number of car sales and the amount of associated servicing and repair. Following the rapid rise in the price of fuel, demand for vehicles in particular segments of the market, such as the 4x4 dual purpose sector, fell sharply. Recent research has indicated that for every one pence rise in fuel prices, total new car demand falls by around 7,500 units. Driver behavior is also affected by high fuel prices as many drive less if they can or more sensibly/fuel efficiently. Drivers may be compelled to switch to alternative forms of transport such as walking or public transport.[79]

A recent survey on electric cars among more than 2,300 people in the US and UK, also showed that inflated petrol prices continue to weigh on the minds of recession-weary consumers when considering the purchase of a new car. In fact, despite the global push towards choosing more fuel-efficient and environmentally-friendly cars, 78% of consumers in both the U.S. and U.K. said their main reason for wanting to buy an electric car was to "save on fuel costs."[80]

[78] Consumers Show High Interest in Buying Electric Cars, But Reluctant About Price, Nielsen Wire, October 2010, http://blog.nielsen.com/nielsenwire/consumer/consumers-show-high-interest-in-buying-electric-cars-but-reluctant-about-price/

[79] *Petrol or Diesel: The impact of high oil prices on the UK car market* - L. Glassock & Associates

[80] Consumers Show High Interest in Buying Electric Cars, But Reluctant About Price, Nielsen Wire, October 2010, http://blog.nielsen.com/nielsenwire/consumer/consumers-show-high-interest-in-buying-electric-cars-but-reluctant-about-price/

New Vehicle Technology

Vehicle technology moves at an incredible pace in the automotive industry. The rate of technological change in the automotive sector is driven by competition, consumer demands and regulation/standards. New makes and models are constantly being launched into the market along with new component parts and materials. Along with the need for regular investment in new equipment etc there is a constant requirement for businesses to invest in technical training in order to minimise skill gaps in existing staff. This also has an impact on training providers who must ensure equipment used to train is reflective of the whole market.

More and more IT hardware and software is being put into vehicles in the form of complex electrical systems this has meant that IT skills are increasingly important. High-level problem solving skills and technical diagnostic skills are also important in order to cope with the constantly changing technologies in vehicles. This is especially true for non-franchised businesses where access to manufacturer training on new makes and models is more limited and not provided as a matter of process.

The pace of technological change in the retail automotive sector is not only dependent on innovation from the manufacturing, but also on demand from consumers. These factors combined, push new vehicle types, parts and materials to enter the market and new technologies eventually become standard and commonplace..

Standards are a great force for driving change and these standards tend to be defined at European or international levels. Manufacturers of components and original equipment manufacturers (OEMs) are largely international and designs have to meet the demands of world markets, not just an individual nation's markets, hence the requirement for global standards.

Although regulation/standards are major drivers of change, change is in itself dependent on the installation of the appropriate infrastructure before the take-up of the more pronounced technological changes, such as plug-in electric cars, can make become reality in the market.

Low carbon internal combustion engine vehicles

As previously outlined in the chapter, a range of influences from government, industry and consumers along with fears over fuel shortages and rising fuel costs, are now influencing the industry to reduce carbon emissions and fuel consumption. The industry has already made considerable progress in reducing fuel consumption in traditional internal combustion engines and alternative power sources are being developed and are at various stages.

Electric and hybrid vehicles[81]

Over the last decade alternatively fuelled vehicles have grown to account for around 0.75%[82] of new UK vehicle registrations. The EU has called upon European governments and EU institutions to actively promote electric cars. It has recently issued plans that include a push for a standardised charger, seen as an important step in making electric vehicles viable as part of the strategy to encourage their take-up.

The UK government has electric vehicles as a central plank in its carbon reduction policy, and most major car manufacturers are now developing some type of electric vehicle.

The industry is currently tooling up to increase the number of hybrid and electric vehicles it will produce. Nissan and Renault are installing capacity to build 150,000 electric cars a year in Japan, 200,000 in Europe and 200,000 in the US, despite widespread views among their competitors and industry analysts that they will be little more than a niche product. As

[81] *IMI Automotive Retail Sector Scenario Analysis of Potential Skill Requirements in 2020* – SAMI Consulting, July 2010

[82] Motor Industry Facts 2010, SMMT

mentioned earlier, the previous UK government announced financial support to the tune of £230 million for the installation of recharging points in several urban areas together with grants to consumers for the purchase of electric vehicles. Under the current spending review this investment is now not assured.

The global electric and hybrid market is still currently in its infancy and early stages of technological development. As a result, there is little firm data on vehicle reliability and vehicle life, and with technology continuing to develop, there is a concern that early vehicles may quickly become obsolete. Both of these factors will affect the confidence of consumers in purchasing such vehicles and in the ability of leasing organisations to predict residual values. This will consequently increase the perceived risk of investing in such vehicles for leasing and rental purposes. A widespread roll-out and uptake of electric and hybrid vehicles over the coming decade and beyond would also thus require increased consumer confidence.

Servicing costs are lower for an electric car because the electric motor and its drive-train are simpler and have less maintenance requirements than the internal combustion engine. Even other mechanical parts such as brakes require less maintenance because the use of regenerative braking itself will reduce wear. The latter also applies to hybrids. Should service frequencies on electric and hybrid vehicles also reduce, there could be a reduction in the number of service establishments and workforce numbers as workloads fall.

There will be regional disparities in demand for maintenance skills for fully electric cars as, certainly in the short to medium term, these are likely to be confined on the most part to urban localities. Market penetration by all-electric vehicles will depend on the necessary infrastructure being available in the region, and currently only some limited trial areas are being subsidised by government for the provision of recharging stations. These areas currently include London, Milton Keynes and the North East.

Sector Response

The IMI in partnership with SMMT and Semta, have responded to the requirement for quality and up to date training for electric vehicles. An industry-wide electric vehicle (EV) qualification and accreditation scheme is currently in development. The programme will form the basis of a motor industry training scheme that will be offered to ensure consistent understanding of EVs throughout manufacturing, the aftermarket, emergency services and breakdown recovery operators.

Biofuels

Biofuels are currently in use in the UK mainly as additives to petrol, and the EU has legislated to ensure that the biofuel content in European petroleum is raised to 10%. The environmental benefit of the use of biofuels over fossil fuels is however, in dispute. The Times recently reported that ‘using fossil fuel in vehicles is better for the environment than so-called green fuels made from crops, according to a government study’ largely due to the accompanying deforestation necessary to plant biofuel crops such as palms for palm oil.[83]

The findings show that the Department for Transport’s target for raising the level of biofuel in all fuel sold in Britain will result in millions of acres of forest being logged or burnt down and converted to plantations. The study, likely to force a review of the target, concludes that some of the most commonly-used biofuel crops fail to meet the minimum sustainability standard set by the European Commission. [84]

Impact of technology on repair and maintenance[85]

[83] Green fuels cause more harm than fossil fuels, according to report – The Times 1 March 2010

[84] Green fuels cause more harm than fossil fuels, according to report – The Times 1 March 2010

[85] *IMI Automotive Retail Sector Scenario Analysis of Potential Skill Requirements in 2020* – SAMI Consulting July 2010

The build quality of cars has improved, and one of the major effects of this has been the reduction in service frequency and the increasing simplicity of services. It is likely that only the increasing size of the vehicle parc has saved the repair and maintenance sector from a more pronounced decline than already experienced. The annual number of services and mechanical repairs carried out has declined by 19% from 57.9 million in 1998 to an estimated 46.7 million in 2008. This reduction has contributed to the number of service and repair workshops going down by an estimated 30% between 1998 and 2008.[86]

Existing hybrid vehicles are claimed to have no extra maintenance requirements over internal combustion engine vehicles, and it is generally accepted that plug-in electric vehicles will need less maintenance.

The increasing level of technology in vehicles may make it more difficult for smaller independent garages who work on a range of vehicle makes and models to compete with the franchised and authorised dealerships/garages as they will not have the franchised dealers' strength of relationship with the technical departments of the manufacturers and will have the added burden of dealing with the technical departments of multiple manufacturers.

Furthermore, without proper training, electric hybrid, fuel cell and hydrogen powered vehicles could present significant dangers to motor repairers as well as potential danger and expense to their owners. It has been observed that there is already a growth in repair shops specialising in single marques, and this may well be a trend for the future.

Twenty five years ago, workshops employment structures were, on the whole, based around mechanical fitters and electricians who were separate employees. Now, however, all technicians have some knowledge of electrics. They spend as much time programming or diagnosing faults as changing parts. Hybrids and electrics vehicles will demand extra training for the existing workforce. New technologies will be more about component replacement rather than actual repair.

Access to the correct new tools is vital for a service technician, but for the independent garages they can be difficult to obtain and are expensive. This problem can only get worse unless there is a step change in the standardisation of manufacture of vehicles. The new tools including diagnostics are also not necessarily straightforward to use and technicians will need to be trained accordingly.

Information and communications technology (ICT)[87]

Internet
Increasing numbers of car buyers are carrying out the majority of their research online. The opportunity for dealerships to capture customers at an early stage in their purchase decision process has consequently been reduced.

A Which? survey, conducted in November 2009 among those who were looking at car information online, showed that the majority of people use the internet to look for reviews and car specifications rather than to make an actual vehicle purchases.

The internet and e-communications now play an increasing role in the automotive retail industry's procurement, stock control and supply chain management, as well as providing a vital conduit for access to manufacturers' technical know-how, diagnostics, maintenance manuals and the online download and update of embedded software in vehicle electronic systems. Online software platforms with daily updates providing vehicle parts cataloguing, billing services and dealer services etc (e.g. AUTHORIS) are currently available.

[86] *Car Service & Repair Trend Tracker 2008* - Trend Tracker Ltd and Castrol Professional 2008
[87] *IMI Automotive Retail Sector Scenario Analysis of Potential Skill Requirements in 2020* – SAMI Consulting July 2010

The internet is also a useful tool for customers finding local automobile services through networks such as goodgaragescheme.com. This together with online feedback should help customers assess the reliability and quality of smaller independent garages.

On-board electronics and vehicle control systems
On-board electronics in vehicles have increased hugely over the past decade and have become very sophisticated. The growth in electrical equipment for labour saving, safety or environmental reasons has increased the potential amount of wiring in vehicles.

Implication for Skills

With changes to the makeup of the vehicle fleet in the UK comes a need for the workforce to keep their skills and knowledge up to date. The rate of change is such that skill requirements are effectively a 'moving feast'. Investment in the skills of the existing workforce, as well as new entrants into the sector, is vital. The constant change means that there is huge emphasis on technical, sales and management and leadership skill training. Because access to training will not always be practical or possible, especially in smaller and micro businesses, this will effectively drive the increase in the requirement for high level problem solving skills and is also a catalyst for the predicted need for a step change in the business models of the sector.[88]

[88] *Car Futures* - Paul Neiuwenhuis And Peter Wells 2009

Section 3 - Current Skill Needs

This section first sets out the current qualification profile of automotive retail staff. It demonstrates the skills composition of the workforce by main occupation and sub-sector, outlining the skill levels within the sector compared to the UK average. The section then goes on to consider findings from the IMI Employer Skill Survey 2010, a piece of primary research commissioned by the IMI, surveying 1000 employers across the sector as well as looking at the most recent employer skill surveys conducted across all nations in the UK. Recruitment difficulties, skill gaps and skill shortages are all discussed. The current skill needs of the sector are summarised at the end of the chapter along with specific skill types.

Background

Despite the difficulties being faced by business as a result of the global and UK recession, investment in training and skills remains essential to the success of the sector. UKCES's Ambition 2020 highlights the ongoing importance of skill development if the UK is to undergo a sustained economic recovery and remain capable of competing in the highly competitive, knowledge-driven global market economy. UK employer productivity remains paramount to economic competitiveness and a key component of this is the way in which employers use and develop the skills of their employees[89].

Ambition 2020 builds on the Leitch review of skills set out in 2006 and aims to see the UK as a world leader in skills by 2020. In terms of qualification attainment the ambition sets out the following goals:

Table 3.1 Changing distribution of qualifications in the UK (%)

	Automotive Retail	UK	Ambition 2020	Gap Automotive Retail	UK
Level 4 and above	9%	35%	40%	-31%	-5%
Level 3	29%	19%	28%	1%	-9%
Level 2	27%	21%	22%	5%	-1%
Below level 2	22%	17%	6%	16%	11%
No qualifications	12%	8%	4%	8%	4%

Source: LFS 2009, Annualised average & UKCES Ambition 2020, table 2.1, page 45

The gap between the Ambition 2020 goals and the current level of qualification attainment differs between regions, and also, inevitably between industry sectors. As the table above demonstrates, the automotive retail sector exhibits a significantly lower level of employees with higher level qualifications. Although it remains important for the sector to strive to raise these levels, it should be noted that the disparity is exacerbated by the nature of the automotive retail sector where many skills are acquired on the job and through experience. Consequently the skill set required for many jobs in the sector will not solely rely on the attainment of formal qualifications.

There is some resistance in the sector to formal training with accredited qualifications not always viewed positively by employers. This is demonstrated in the findings of the IMI Employer Skills Survey 2010 which found that impressions differed with regards to formal qualifications. Findings saw some employers valuing the importance of theoretical knowledge to underpin practical experience, while others considered that employees gained far more from on the job training than through formal qualifications such as apprenticeships and NVQs.

[89] UK Commission for Employment & Skills (UKCES) Ambition 2020: World Class Skills & Jobs for the UK, published April 2009

Table 3.2 Country level distribution of highest qualification

	England	Wales	Scotland	Northern Ireland	AR All
Level 4 and above	9%	6%	7%	11%	9%
Level 3	30%	25%	32%	22%	29%
Level 2	26%	27%	34%	38%	27%
Below level 2	23%	22%	17%	14%	22%
No qualifications	12%	19%	10%	15%	12%

Source: LFS 2009, Annualised average

There is some variation in formal training levels at the country level. The proportions of employees by highest qualifications in England is largely the same as for the sector as a whole. Wales and Scotland exhibit the lowest levels of employees qualified to level 4 NVQ equivalent and above at 6% and 7% respectively compared with 9% for the whole sector.

Skills in the Automotive Retail Sector

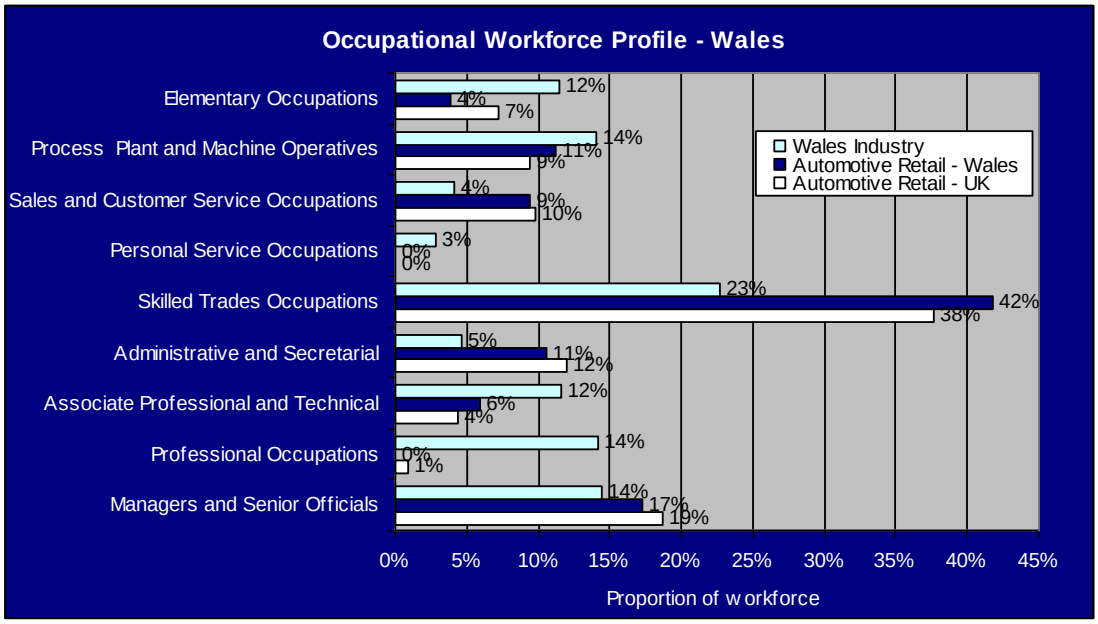
As discussed earlier, businesses and employment in the sector are generally distributed throughout the UK in proportion to all businesses. The exception to this pattern is the London region where the sector is under represented, largely due to high overheads of city premises. As the sector has a significant presence in all nations and English regions, investment in skills infrastructure is therefore required throughout the UK.

The sector is characterised by the high proportion of skilled trade staff who require specific sector-related technical skills. Because new technology is released into such a high paced environment, the market is in constant need of skilled trade staff to update their knowledge and skills. This also necessitates a need for high level problem solving skills.

The high proportion of managers and senior officials in the sector creates a high demand for management and leadership skills. The type of management skills required is largely dependent on the size and type of business. The sector has a high proportion of micro businesses and the skills requirement for an owner/manager is different to that of a manager working in a vehicle dealership for example.

The following information from the Labour Force Survey shows how employment in the sector in Wales is distributed across the standard occupational groups:

Figure 3.1 Occupational Profile of Workforce

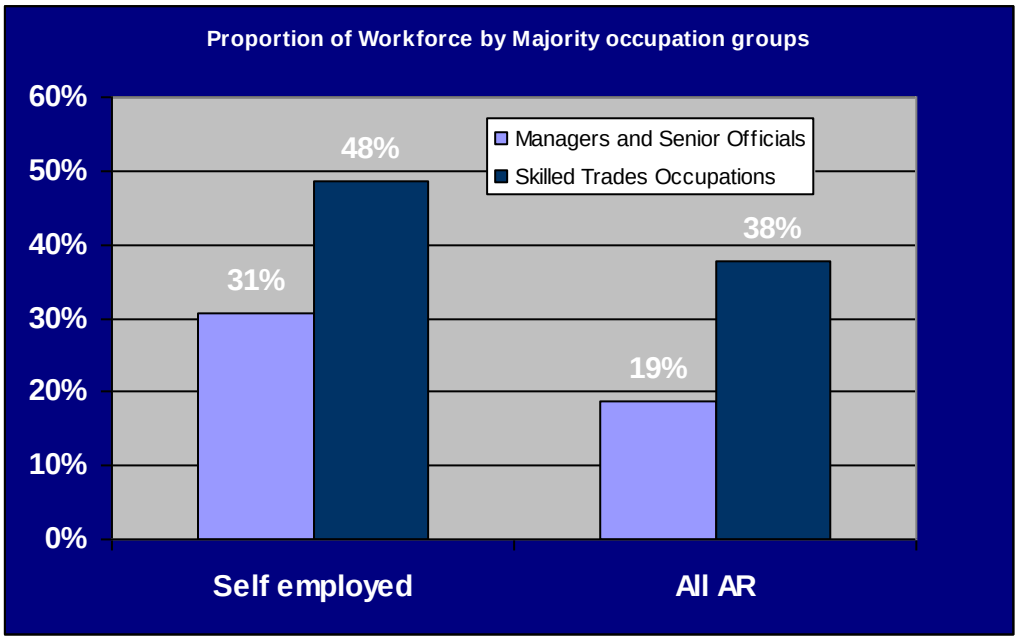


Source: LFS 2009, Annual Average computed from individual quarters, Crown Copyright Reserved

Figure 3.1 highlights the relative importance of skilled trade occupations within the sector. There is some difference in the distribution by occupation in the sector between Wales and the UK overall. In 2009 skilled trades occupations accounted for 42% of the sector in Wales and 38% of all occupations within the sector as a whole compared with 23% for the overall Wales working population (11% all UK). After skilled trades, managers and senior officials account for the next largest occupational group within the sector at 17% (UK 19%). This is higher than the Wales industry average of 14%.

As already mentioned, the automotive retail sector is characterised by a high level of micro businesses which largely explains the higher levels of managers relative to the UK & Wales as a whole. The sector also demonstrates a higher than average rate of self employment – 17% compared with the UK average of 13%. The majority of workers who are self employed work either as managers (38%) or within skilled trade occupations (48%). Together these occupations account for just under 90% of the self employed automotive retail workforce. As demonstrated in figure 3.2 these proportions are significantly higher than those exhibited within the whole workforce. From a skills perspective, the high level of micro businesses poses a challenge as sole trader and micro businesses are considerably less likely to undertake training than larger businesses[90]. Furthermore, those who are self employed have no ready check on their skill levels and are possibly less likely to note skill gaps or needs. The IMI Employer Skill Survey 2010 found that 56% of sole traders and 32% of all micro businesses had not undertaken any training in the 12 months preceding the survey, while all medium sized businesses had carried out some form of training over the period.

Figure 3.2 Occupational Profile of the Self Employed Workforce (UK)



Source: LFS 2009, Annual Average computed from individual quarters, Crown Copyright Reserved

Current Skill Levels in the Sector in Terms of Formal Qualifications Held

This section sets out the current skill level of the sector compared to that of the UK working population in terms of highest qualification held. The level of qualifications held by individuals is the most widely used indicator of skills. Using this measure may fail to capture some skills and not all qualifications will necessarily be relevant to the job for which an individual is employed. For example, in the automotive retail sector a significant amount of skill is acquired through experience and learning on the job. However, while qualification levels are perhaps

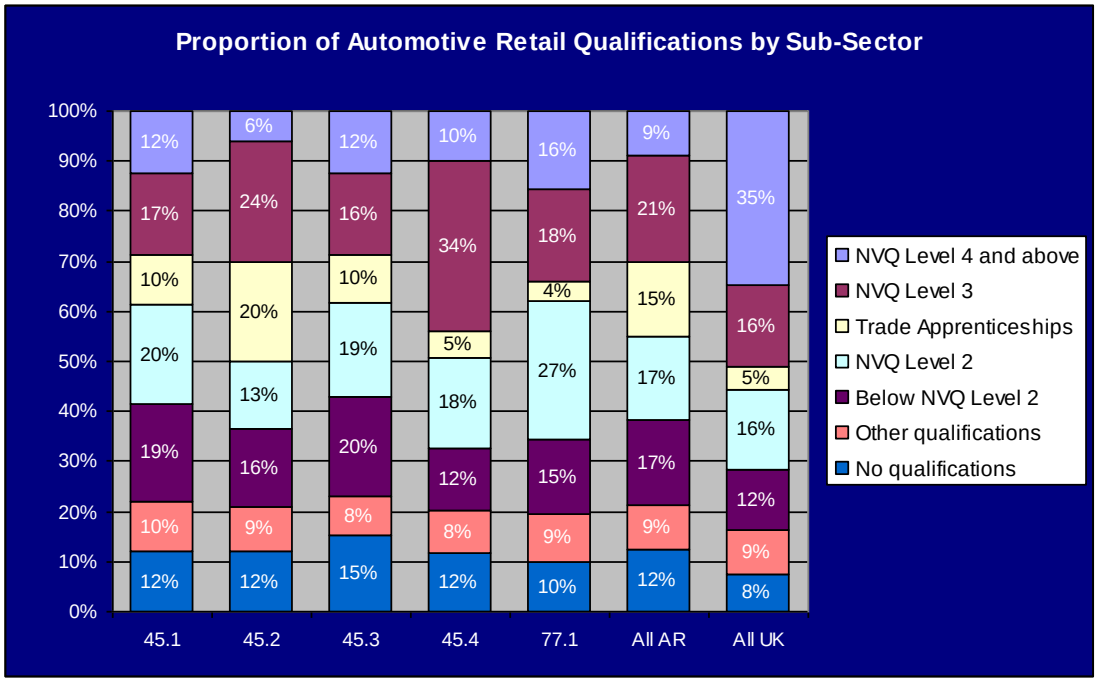
[90] IMI Employer Skills Survey 2009 & 2010

an imperfect measure, it does enable ready comparison of skills over time, and between sectors.

Overall, in terms of formal qualifications, the automotive retail sector has a somewhat lower qualified workforce compared with the UK as a whole. Figure 3.3 demonstrates the proportion of employees by highest qualification level at the whole sector and sub-sector level compared with the overall UK workforce. Just 30% of the automotive retail workforce holds S/NVQ Level 3 qualifications and above compared with 51% of the whole UK working population. This is somewhat offset by a higher level of employees holding trade apprenticeships, some of which will be considered equivalent to S/NVQ level 3, the remainder being S/NVQ level 2. The proportion of employees in the sector with no qualifications is also higher than the UK average at 12% compared with 8% for the overall UK working population.

Figure 3.3 Proportion of highest qualification held by automotive retail employees 2009 by sub-sector & comparison with all automotive retail and all UK

SIC	Description
45.11	Sale of new cars & light motor vehicles
45.19	Sale of used motor vehicles
45.20	Maintenance & repair of motor vehicles
45.31	Wholesale trade of motor vehicle parts & accessories
45.32	Retail trade of motor vehicle parts & accessories
45.40	Sale, maintenance & repair of motorcycles, parts & acc.
77.11	Renting & leasing of cars & light motor vehicles
77.12	Renting & leasing of trucks

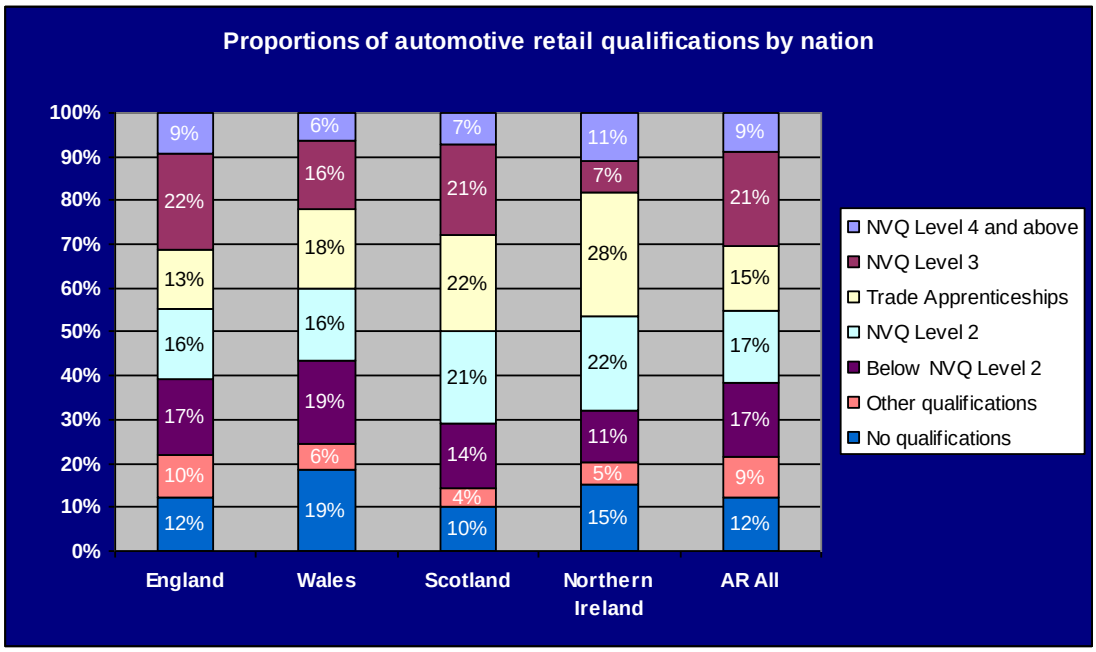


Source: LFS 2009, Annual Average computed from individual quarters, Crown Copyright Reserved

The level of formal qualifications held follows no particular pattern across the broad sub-sectors that make up the automotive retail sector footprint. 60% of workers in the maintenance and repair sub-sector work within skilled trades occupations and, as would be expected, the sub-sector demonstrates a particularly high level of employees with trade apprenticeships - 20% compared with the average 15% for the whole sector. This sub-sector has a significantly smaller proportion of mangers and senior officials relative to the rest of the sector and subsequently also exhibits the lowest proportion of employees holding S/NVQ Level 4 and above qualifications. Nevertheless, the sub-sector demonstrates the highest levels of formally held qualifications overall, with 50% of employees holding a trade apprenticeship, or S/NVQ3 and above compared with 45% for the whole sector.

There is slightly less variation between the other sub-sectors, though the sale, maintenance and repair of motorcycles sub-sector demonstrates higher than average levels of employees with S/NVQ level 3 and above, at 45% of employees compared with 30% for the whole sector. This sub-sector however accounts for just 2% of all employees. All sub-sectors, save the maintenance and repair of motor vehicles, have high levels of managers and senior officials compared with the UK as a whole (between 22% and 27% of employees compared with 16% UK). Despite this, the sector exhibits low levels of employees with formal high level skills – between just 10% and 16% of workers. This in part will be a reflection of the high level of micro-businesses within the sector. Skills required for running a small business are not the same as for those running businesses managing high numbers of staff. Nevertheless, it highlights the fact that many managers within the sector have possibly worked their way up through the ranks without necessarily acquiring the skills for management and leadership roles.

Figure 3.4 Proportions of highest qualification held by automotive retail employees 2009 by Country



Source: LFS 2009, Annual Average computed from individual quarters, Crown Copyright Reserved

At the country level there is some variation in the proportions of skills held. As would be expected, given that it accounts for the majority share of the automotive retail workforce, there is virtually no distinction in the distribution of employees by highest qualification between England and UK levels. Despite having the lowest proportion of managers (9% compared with 19% for the whole sector), Northern Ireland exhibits slightly higher than average levels of employees holding higher level qualifications at 11% compared to 9% for the sector. Scotland and Wales demonstrate somewhat lower levels at 7% and 6% respectively. The highest proportion of employees with no qualifications are found in Wales where 19% hold no formal qualifications, considerably higher than the average 12% for the sector. Northern Ireland employees are also more likely to have no formal qualifications (15%), while Scottish automotive retail employees are the least likely to have no qualifications (10%). There is no obvious explanation for the disparity in qualifications. Northern Ireland exhibits the highest proportion of staff with trade apprenticeships at 28%, some 6% higher than the next highest nation (Scotland at 22%).

High Level Skills - Level 4 qualifications and above

The sector has a relatively low number of staff qualified at a 'high skills' level. Overall in 2009 just 9% (unchanged from 2008) of the workforce are qualified to S/NVQ level 4 and above compared with 35% of the whole UK population. Of automotive retail sector managers and senior officials, 15% (18% 2008) hold S/NVQ level 4 and above qualifications, compared with 46% of all managers in the UK working population.

Table 3.3 Proportion of Automotive Retail Sector Workforce Qualified to High Skill Level Compared to the UK Working Population

	AR employees	Proportion of workforce with S/NVQ 4 and above				
		Automotive Retail			All UK	
	2009	2008	2009	Change	2009	Difference
Managers and Senior Officials	94000	18%	15%	-3%	46%	-31%
Professional occupations	4000	49%	58%	9%	83%	-26%
Associate Professional and Technical	22000	13%	10%	-3%	56%	-46%
Administrative and Secretarial	61000	10%	13%	3%	24%	-12%
Skilled Trades Occupations	190000	5%	6%	1%	10%	-4%
Personal Service Occupations	1000	13%	0%	-13%	21%	-21%
Sales and Customer Service Occupations	49000	11%	9%	-1%	13%	-4%
Process, Plant and Machine Operatives	47000	6%	4%	-1%	7%	-2%
Elementary Occupations	36000	2%	3%	1%	8%	-5%
All	505000	9%	9%	0%	35%	-26%

Source: LFS 2009 annualised average

Table 3.4 Proportion of Automotive Retail Sector Workforce Qualified to High Skill Level by Country 2009

	Proportion of workforce with S/NVQ4 equivalent and above				
	England	Wales	Scotland	Northern Ireland	Total
Managers and Senior Officials	14%	13%	12%	52%	15%
Professional occupations	58%	0%	0%	0%	58%
Associate Professional and Technical	8%	12%	18%	0%	10%
Administrative and Secretarial	14%	0%	15%	10%	13%
Skilled Trades Occupations	7%	4%	3%	8%	6%
Sales and Customer Service Occupations	10%	7%	7%	7%	9%
Process, Plant and Machine Operatives	4%	6%	3%	0%	4%
Elementary Occupations	3%	0%	0%	0%	3%
Total	9%	6%	7%	11%	9%

Source: LFS 2009 annualised average

The proportions of those qualified at high skills levels differs by country. Wales has a slightly lower than average proportion of managers qualified to a high skill level – 13% compared with the sector average of 15%. Wales also exhibits a lower rate of skilled trades workers qualified to NVA level 4 and higher at 4% compared with 6% for the whole sector. No workers employed in administrative or secretarial roles in the sector in Wales are qualified to NVQ level 4 or higher, this compares with an average of 13% for the sector as a whole.

Intermediate Level Skills - Level 3 qualifications and trade apprenticeships

The sector has a relatively high number of staff qualified to 'intermediate skill' levels when compared to the UK working population, largely a reflection of the lower level of workers with higher level qualifications. In 2009 29% of automotive retail workers were qualified to S/NVQ level 3 and equivalent – seen as the measure of intermediate skills, compared with 19% of the UK working population. Skilled trade occupations exhibit the highest levels of intermediate skills within the sector at 42% of workers within this occupational group. As would be expected, elementary occupations hold the lowest proportion of workers with S/NVQ level 3, and generally exhibit the lowest levels of formal qualifications throughout the sector.

Table 3.5 Proportion of Automotive Retail Sector Workforce Qualified to Intermediate Skill Level Compared to the UK Working Population

		Proportion of workforce with S/NVQ 3 & equivalent				
	AR employees	Automotive Retail			All UK	
	2009	2008	2009	Change	2009	Difference
Managers and Senior Officials	94000	27%	26%	-1%	19%	7%
Professional occupations	4000	26%	32%	6%	7%	25%
Associate Professional and Technical	22000	38%	33%	-5%	17%	16%
Administrative and Secretarial	61000	27%	19%	-8%	20%	-2%
Skilled Trades Occupations	190000	42%	42%	0%	34%	8%
Personal Service Occupations	1000	0%	0%	0%	28%	-28%
Sales and Customer Service Occupations	49000	20%	23%	3%	23%	0%
Process, Plant and Machine Operatives	47000	17%	18%	1%	18%	0%
Elementary Occupations	36000	12%	12%	0%	16%	-4%
All	505000	30%	29%	-1%	19%	10%

Source: LFS 2008 and 2009 annualised average[91]

Table 3.6 Proportion of Automotive Retail Sector Workforce Qualified to Intermediate Skill Level by Country

	Proportion of workforce with S/NVQ3 equivalent				
	England	Wales	Scotland	Northern Ireland	Total
Managers and Senior Officials	26%	6%	35%	21%	26%
Professional occupations	33%	0%	100%	0%	32%
Associate Professional and Technical	35%	30%	21%	0%	33%
Administrative and Secretarial	18%	14%	28%	20%	19%
Skilled Trades Occupations	43%	40%	40%	29%	42%
Sales and Customer Service Occupations	22%	34%	28%	15%	23%
Process, Plant and Machine Operatives	17%	2%	38%	13%	18%
Elementary Occupations	13%	0%	5%	0%	12%
Total	30%	25%	32%	22%	29%

Source: LFS 2008 and 2009 annualised average[92]

Higher than average levels of workers in sales and customer service occupations are qualified to an intermediate skills level in Wales – 34% compared with the average of 23% for the sector. This may in part be a reflection of the fact that slightly lower levels of these workers are educated to a high skill level – 7% compared with the sector average of 9%. There are few managers educated to an intermediate skills level in Wales, just 6% compared with the average of 26%.

[91] The table above uses an adaption of the Levqual8 variable from the Labour Force Survey. The figures for Level 2 and Level 3 incorporate elements of those with Trade Apprenticeships and Other Qualifications as per the following: = Level 3 + (Trade Apprenticeships * 0.5) + (Other Qualifications * 0.1), = Level 2 + (Trade Apprenticeships * 0.5) + (Other Qualifications * 0.35)

[92] see footnote 90

Trade Apprenticeships

Apprenticeships provide a common route into the sector and this is evidenced by the high level of staff in the sector with a trade apprenticeship when compared to the UK working population. In 2009 14% of automotive retail employees held a trade apprenticeship compared with just 5% of the UK as a whole. Unsurprisingly those employed in skilled trade occupations exhibit a particularly high level of trade apprenticeships at 27%. A higher than average level of managers - 12% hold trade apprenticeships, which supports findings that managers tend to work their way up through the ranks, often without the appropriate training/development support. The low proportion of high level skills held by managers in the sector suggests that they are not always being sufficiently up-skilled when taking up new posts or setting up their own business.

Table 3.7 Proportion of Automotive Retail Sector Workforce with a Trade Apprenticeship Compared to the UK Working Population

	AR employees	Proportion of workforce with Trade Apprenticeship				
		Automotive Retail			All UK	
	2009	2008	2009	Change	2009	Difference
Managers and Senior Officials	94000	12%	12%	-1%	4%	8%
Professional occupations	4000	5%	0%	-5%	1%	-1%
Associate Professional and Technical	22000	15%	14%	-1%	2%	12%
Administrative and Secretarial	61000	2%	5%	3%	2%	3%
Skilled Trades Occupations	190000	27%	24%	-4%	18%	6%
Personal Service Occupations	1000	0%	0%	0%	4%	-4%
Sales and Customer Service Occupations	49000	7%	8%	0%	2%	6%
Process, Plant and Machine Operatives	47000	9%	8%	-1%	9%	-1%
Elementary Occupations	36000	8%	7%	0%	4%	4%
All	505000	15%	14%	-1%	5%	10%

Source: LFS 2009 annualised average

Table 3.8 Proportion of Automotive Retail Sector Workforce with a Trade Apprenticeship by Country

	Proportion of workforce with a trade apprenticeship				
	England	Wales	Scotland	Northern Ireland	Total
Managers and Senior Officials	12%	3%	18%	17%	12%
Professional occupations	0%	0%	0%	0%	0%
Associate Professional and Technical	11%	0%	27%	0%	14%
Administrative and Secretarial	6%	0%	6%	0%	5%
Skilled Trades Occupations	21%	40%	40%	51%	24%
Sales and Customer Service Occupations	9%	0%	7%	0%	8%
Process, Plant and Machine Operatives	7%	0%	13%	23%	8%
Elementary Occupations	8%	0%	9%	0%	7%
Total	13%	18%	22%	28%	14%

Source: LFS 2009 annualised average

Higher than average levels of skilled trades workers hold a trade apprenticeship in Wales – 40% compared with 24%. The sector average is impacted by England where lower levels of skilled trades workers hold a trade apprenticeship compared with the other nations. Few managers in the sector in Wales have a trade apprenticeship, just 3% compared with 12% for the sector as a whole.

No Qualifications Held

A higher than average proportion of automotive retail employees hold no formal qualifications. In 2009 this accounted for 12% of the workforce compared with 8% of the UK working population. 9% of all managers in the sector have no qualifications compared with 5% of the UK working population. This again highlights the reliance of on the job experience within the sector.

Table 3.9 Proportion of Automotive Retail Sector Workforce with no Qualification Compared to the UK Working Population

	AR employees	Proportion of workforce with no qualifications				
		Automotive Retail			All UK	
	2009	2008	2009	Change	2009	Difference
Managers and Senior Officials	94000	8%	9%	1%	4%	5%
Professional occupations	4000	0%	0%	0%	1%	-1%
Associate Professional and Technical	22000	0%	2%	2%	2%	0%
Administrative and Secretarial	61000	8%	8%	1%	5%	3%
Skilled Trades Occupations	190000	9%	9%	1%	11%	-1%
Sales and Customer Service Occupations	49000	15%	11%	-4%	12%	0%
Process, Plant and Machine Operatives	47000	28%	28%	1%	16%	12%
Elementary Occupations	36000	28%	30%	2%	21%	9%
All	505000	12%	12%	0%	8%	5%

Source: LFS 2009 annualised average

Table 3.10 Proportion of Automotive Retail Sector Workforce with no Qualification by Country

	Proportion of workforce with no qualifications				
	England	Wales	Scotland	Northern Ireland	Total
Managers and Senior Officials	9%	23%	15%	0%	9%
Professional occupations	0%	0%	0%	0%	0%
Associate Professional and Technical	2%	0%	5%	0%	2%
Administrative and Secretarial	7%	39%	7%	0%	8%
Skilled Trades Occupations	10%	17%	4%	11%	9%
Sales and Customer Service Occupations	13%	0%	2%	21%	11%
Process, Plant and Machine Operatives	29%	23%	11%	41%	28%
Elementary Occupations	27%	62%	47%	54%	30%
Total	12%	19%	10%	15%	12%

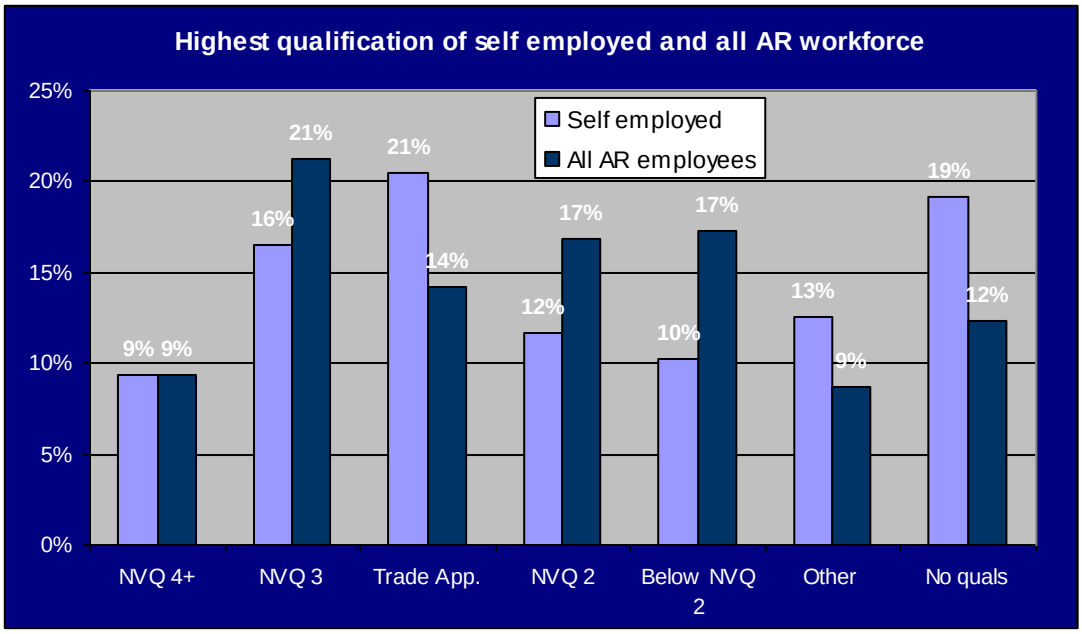
Source: LFS 2009 annualised average

In Wales there are noticeably higher levels of managers holding no formal qualifications. This is true for the Welsh workforce as a whole which exhibits the highest proportions of workers with no formal qualifications at 19% compared with England (12%), Scotland (10%) and Northern Ireland (15%).

Qualifications of the self employed

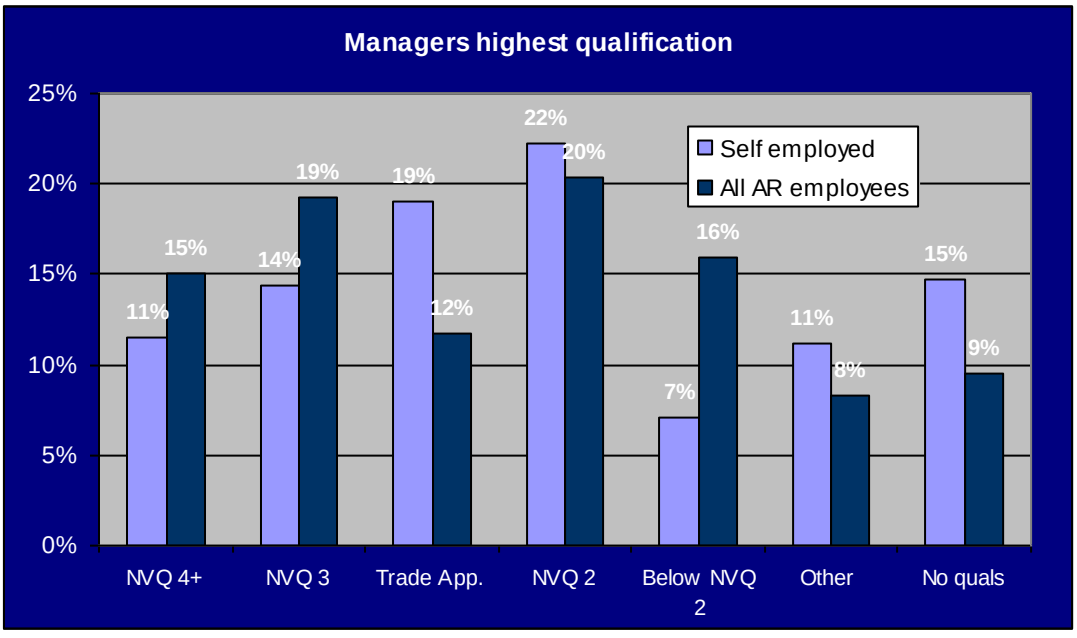
As mentioned earlier 17% of the sector's workforce is self employed. In terms of qualifications there are some differences between the self-employed and the employed in the sector. A higher than average number of self-employed workers hold trade apprenticeships, which would be as expected given the higher than average number of skilled trade workers that are self employed. A higher than average proportion of the self-employed have no formal qualifications, 19% compared with 12% for the sector.

Figure 3.5 Proportion of self employed by highest qualification level 2009 (UK)



Source: LFS 2009 annualised average

Figure 3.6 Proportion of self employed managers by highest qualification level 2009 (UK)



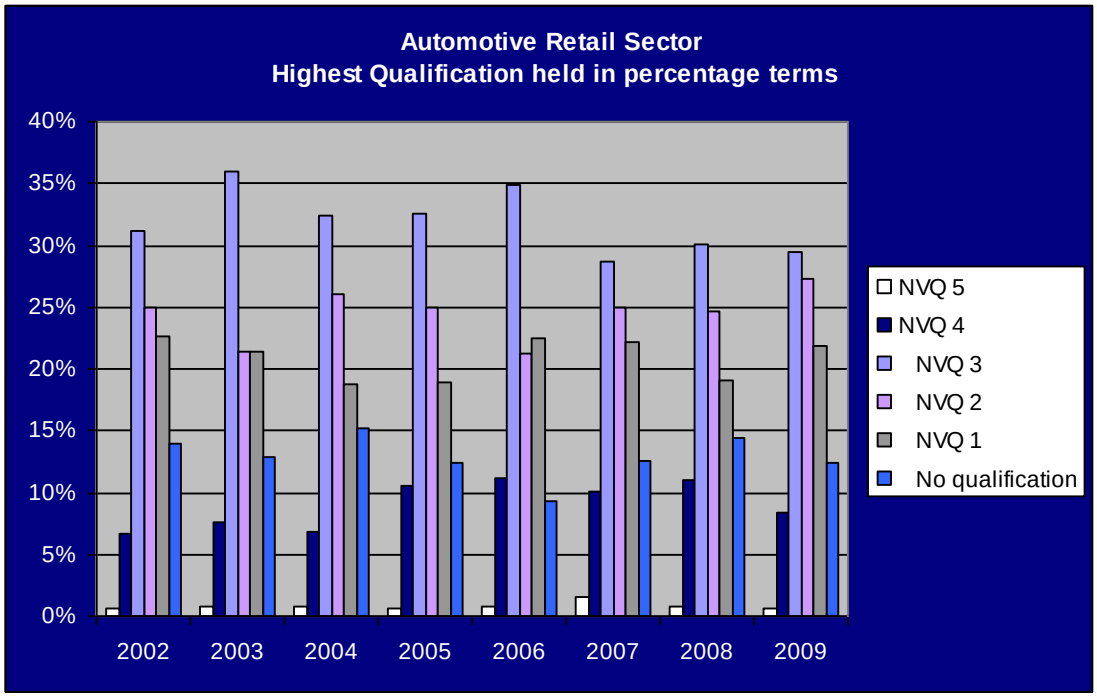
Source: LFS 2009 annualised average

31% of all self employed workers within the sector are employed in management roles. Despite this the proportion holding S/NVQ Level 4 and above qualifications is 9%, the same as for the whole sector. The skill set required as a manager of a small business is not the same as the skill set for somebody working in a large dealership and access to training is possibly more limited than that for those working within a larger company. A higher than average proportion of self-employed managers also have no formal qualifications, 15% compared with the sector average of 9%.

Highest Level of Qualification Held Over Time

Looking at qualification levels of the workforce over time, there is no clear trend. The percentage of those who hold Level 4 qualifications appears to have increased slightly since 2002. The proportion in the sector with no qualifications at all decreased to 2006 and then increased up to 2009[93].

Figure 3.7 Qualification Levels of the UK Automotive Retail Sector from 2002-2009



Sources: UKCES almanac 2009, Skills Indicator, worksheet NVQ Share in SSC, (2002-2008), LFS annualised average (2009)

[93] It should be noted that figures for 2009 are taken from the LFS and do not necessarily compare exactly with data from the UKCES almanac for which data are available only to 2008

Recruitment, Skills Shortages and Skill Gaps

General

An increase in the level of vacancies noted by employers within the automotive retail sector suggests that the sector is beginning to recover from the recent recession. The Automotive Employer Skill Needs Survey for 2010 demonstrates that 16% of all employers in the sector reported currently having at least one vacancy. This was a significant increase compared with the previous year when just 6% reported at least one vacancy.

The automotive sector is characterised by a high level of apprenticeships as this is a very important entry route into the sector, due to the large number of roles that require specific technical skills. In 2009/10 automotive retail apprenticeships accounted for 4.6% and 4.8% of all apprenticeship starts in England and Scotland respectively[94]. In employment terms; this is high given that the sector accounts for just 1.7% of all UK employment. The England national employer skills survey (NESS) 2009 also found high levels of apprenticeships, with the sector accounting for 7% of all apprenticeships and one of the highest proportion of apprentices at 19.9 per 1000 employees (compared to a 6.0/1000 England average).

Most apprentices are recruited straight from school and will gain experience while working. It is common for more senior roles to be filled by individuals who have 'risen through the ranks' to management positions, or opened their own business, often with little specialist training in management and leadership skills. There is relatively little recruitment from outside the sector for management roles because in general, sector experience is valued more highly over transferable skills and competencies. This has in part contributed to a low number of managers and leaders in the sector who are qualified to the level deemed appropriate for management roles with just 15% of all managers holding S/NVQ level 4 and above compared with 46% for the UK at large.

Certain activities within the sector, most notably sales and maintenance and repair activities, have suffered from a poor public image. This image does not represent the vast majority of the sector, which is professional, customer focused and technologically advanced, employing highly skilled staff. This poor perception is perpetuated by the press and the portrayal of the sector in popular media and has contributed to employers finding it hard to attract high calibre staff. Other challenges to attracting the right talent to the industry include the perception that pay levels are not attractive enough, lack of flexible working opportunities available, working conditions are poor and there are a lack of opportunities for graduates. Dissatisfaction from employers with new recruits' basic employability skills is common – the NESS 2009 found that on average employers in the automotive retail sector were more likely to consider those recruited straight from education to be poorly prepared. 31% of employers considered 17-18 year olds recruited from school to be poorly prepared compared with 21% for all sectors. 18% of employers considered those recruited straight from university or higher education to be underprepared for the world of work compared with the average of 12%.

The sector experiences particularly high levels of skills shortage vacancies relative to the wider economy which is largely due to the specific job-related technical skills required. The recession had reversed this shortage temporarily as lower levels of vacancies coupled with higher levels of redundancy made the talent pool for recruitment far richer than would usually be the case.

[94] England data is provisional to April 2010, downloaded September 2010 from http://www.thedataservice.org.uk/statistics/ Scottish data is for April 2009 – March 2010, downloaded September 2010 from http://www.skillsdevelopmentscotland.co.uk, recent data for Northern Ireland and Wales is not available.

Implication for Skills

Because the sector comprises of so many micro businesses there is a skills implication. The larger the business, the more likely it is that they will offer formal training. The IMI Employer Skill Survey 2010 found that smaller businesses were significantly less likely to provide training to their employees. Of all sole-trader businesses surveyed, 56% had provided no training in the 12 months prior to the survey, compared with 32% of micro businesses. 100% of medium sized establishments had provided training in the preceding 12 months[95]. Taking time out of the business to train and improve skills is more difficult when there are fewer staff to cover time away from work (as is the case in a micro business). It is also likely that these smaller businesses require staff to have a more diverse skill set. Whilst in a large-scale organisation, there will be a tendency to allow specialism in particular areas, in a micro sized business employees must be able to carry out a more diverse array of tasks.

The large proportion of managers and leaders (largely due to the high number of micro businesses in the sector) means that there is a demand for all types of management and leadership skills. Having highly skilled managers and leaders is vital to the productivity and success of the sector.

The high proportion of skilled trade staff in the sector has meant there is a heavy emphasis in the sector on technical training. This is especially important as the pace of change in technology in the sector is very high. Franchise arrangements with vehicle manufacturers (common in dealerships, fast fit operations and roadside assistance) enable those employed by these businesses to have ready and, on the whole, automatic access to training on the latest new and emerging technologies. Where businesses are independent, as almost half of vehicle dealerships and the vast majority of micro businesses are, access to this type of training on new knowledge is more difficult to obtain.

Because vehicle sales accounts for around three quarters of turnover, staff with excellent sales skills are essential for the profitability, and therefore success, of the sector. The ever changing landscape of new makes, models and technology creates a constant need for new sales training. Also, the increasing competitive environment of businesses within the sector means increased need for excellent customer service skills.

The automotive retail sector remains a male dominated environment with the latest annualised average figures from the LFS demonstrating a split of 85% men to 15% women. Much research has been done on the subject of equal opportunities in the workplace and the results suggest there are many advantages for businesses to have a more balanced male:female ratio. Men and women exhibit different traits and consequently different strengths in terms of leadership. For example research[96] [97] demonstrates that women exhibit greater emotional intelligence, being better motivators and having increased relationship awareness. This is not to say that women necessarily make better managers, but a greater balance within the workforce could make use of the strengths of both. It would be advantageous for the sector to attract more women into the sector in order to realise the benefits of a workforce that more closely reflects the population as a whole.

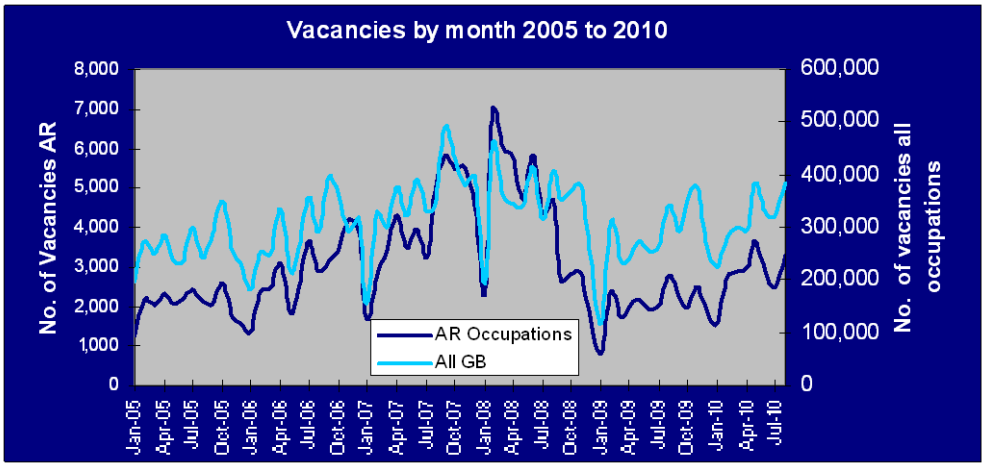
Vacancies and Recruitment difficulties

The following section uses labour market statistics and data from nations' individual employer skill surveys to demonstrate levels of vacancies, skill shortages and gaps. Skill shortages occur when companies cannot fill vacancies within the business because of a lack of candidates with the required level of skills. These vacancies are referred to as skill shortage vacancies (SSVs). Those SSVs described by employers as being hard to fill, often for skill-related issues, are deemed hard to fill vacancies (HtFVs).

[95] Automotive Retail Sector Employer Skills Survey 2010
[96] http://www.extensor.co.uk/articles/do_women/do_women.html
[97] http://www.cic.org.uk/activities/BuildingtheFuture.pdf

The number of vacancies[98] on offer in occupations pertaining to the automotive retail sector fell through much of 2008 and in to early 2009, but has been trending generally higher in recent months. In annual terms, eradicating the problems of seasonality, the level of vacancies has been mostly higher compared with a year ago since December 2009. This increase in the level of vacancies is a positive indication of recovery within the automotive retail sector following the recession and is backed up by recent findings from the IMI Employer Skill Survey 2010. In 2009 the level of vacancies had fallen as the sector felt the effects of the UK recession. The number of available vacancies was affected by the closure of some businesses, the contraction of others as employers did not replace positions vacated.

Figure 3.8 Vacancies on offer in occupations pertaining to the automotive retail sector 2005-2010



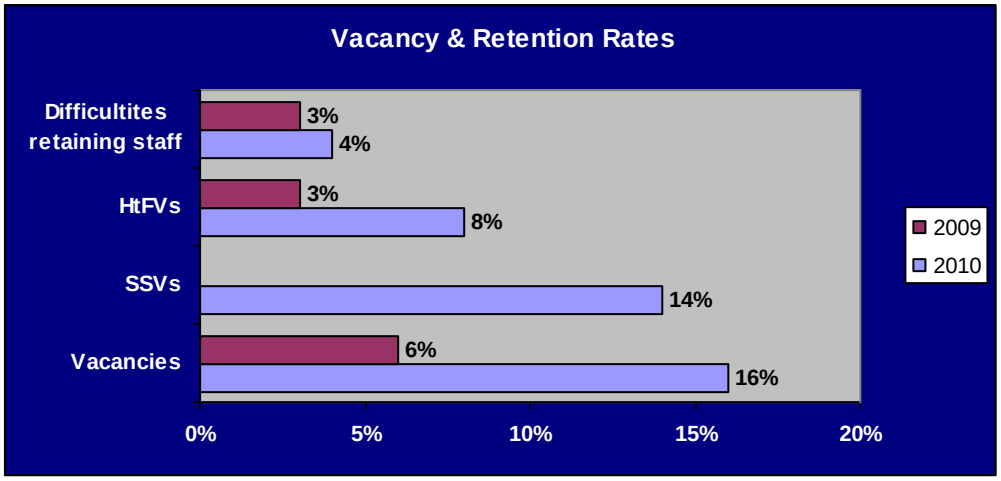
Source: Nomis Labour Market Statistics. Vacancies. Crown Copyright Reserved

The latest IMI Employer Skill Survey demonstrates an increase in the number of businesses with current vacancies. Of all employers surveyed, 16% of businesses noted having at least one vacancy at the time of survey compared with just 6% in 2009. 14% of employers reported having a skill shortage vacancy while just under a tenth of businesses reported at least one hard to fill vacancy (HtFV). A small proportion of employers, 4% noted difficulties retaining staff, a rise of 1% compared with the previous year.

As mentioned earlier, vacancy levels were lower in 2009 with the sector affected by the recession. This fall in the overall level of vacant positions had a positive impact upon the level of HtFVs with falling demand alleviating the usual short supply of skilled technicians. As expected by employers surveyed in 2009, these shortages have started to rise again as the sector begins to recover. According to the IMI Employer Skill Survey findings 60% of businesses intend to grow in the next 12 months. As some businesses are already recruiting, this will contribute to the increasing levels of current vacancies.

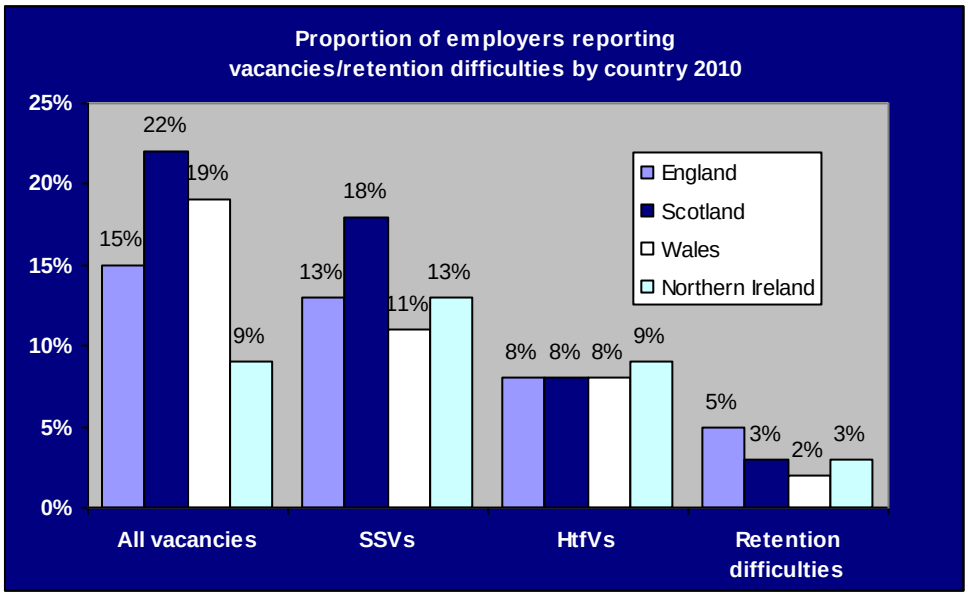
[98] Vacancy data gives a count of the number of vacancies and is broken down by SOC 2000 occupation codes. The figures should be treated as indicative for the sector as only those occupations pertaining solely to the automotive retail sector have been included in this analysis. The number of vacancies is subject to seasonal variation. It should be noted that this data excludes Northern Ireland and relates only to Great Britain.

Figure 3.9 Vacancies and retention rates – IMI Employer Skill Survey Findings 2009 & 2010



Source: IMI Employer Skill Surveys 2009 & 2010

Figure 3.10 Vacancies & retention rates by region, 2010



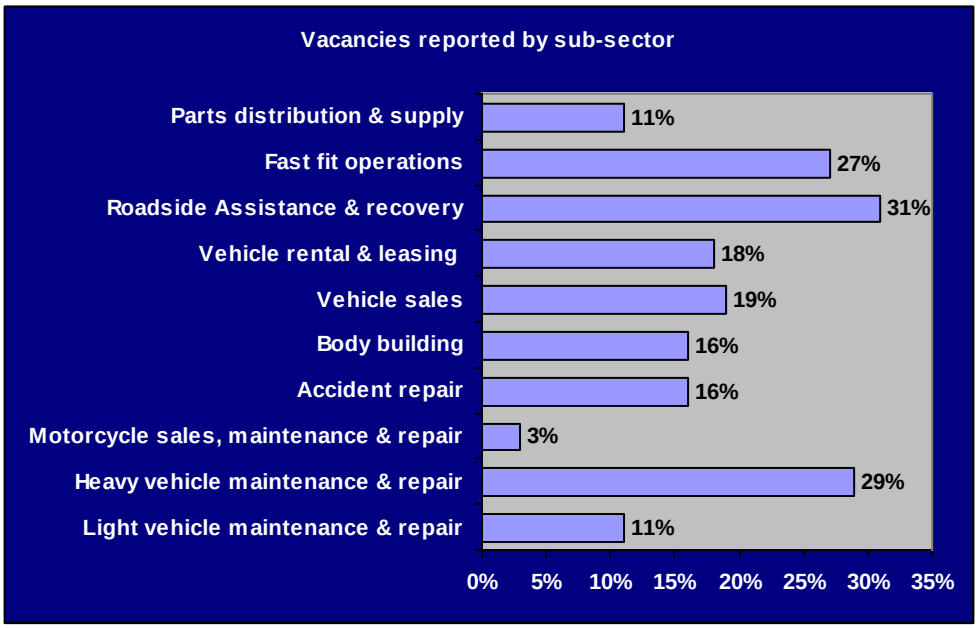
Source: IMI Employer Skill Survey 2010

At the country level, the greatest number of employers reporting at least one vacancy within their establishment was in Scotland (22%) and Wales (19%). 15% of all employers in England reported at least one vacancy while in Northern Ireland, employers were the least likely to have at least one vacancy (9%).

Scottish employers were also more likely to have report a skill shortage vacancy (18%). There was little variation between employers in the other countries. In terms of hard to fill vacancies there was little discernible difference between employers in England, Scotland and Wales with 8% of employers reporting at least one HtfV. Levels were marginally higher in Northern Ireland at 9% of employers surveyed.

A higher proportion of employers in England meanwhile, reported difficulties with retaining staff, 5% compared with 3% in both Northern Ireland and Scotland and just 2% of Welsh employers.

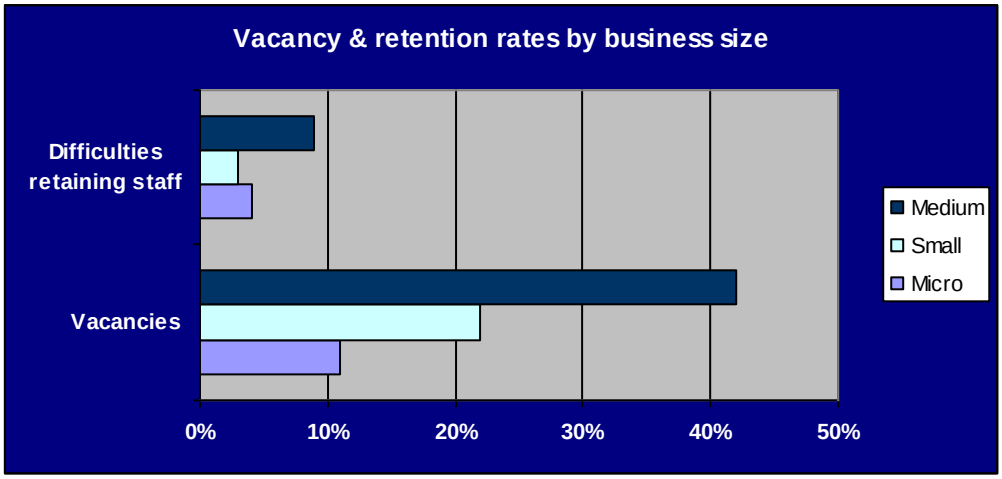
Figure 3.11 Vacancies by sub-sector, Employer Skill Survey 2010



Source: IMI Employer Skill Survey 2010

Reported vacancies varied across the sub-sectors in 2010 according to the IMI Employer Skill Survey. The greatest incidence of employers reporting at least one vacancy was found in the roadside, assistance & recovery (31%), heavy vehicle maintenance & repair (29%) and fast fit operations (27%) sub-sectors. The two largest sub-sectors light vehicle maintenance and repair and vehicle sales saw 11% and 19% of employers reporting at least one vacancy respectively. The lowest rates of employers with at least one vacancy were found in the motorcycle, sales, maintenance and repair sub-sector.

Figure 3.12 Vacancies & retention rates by business size, 2010



Source: IMI Employer Skills Survey 2010

Previous national skill surveys have found that the incidence of vacancies increases by business size, but with very small businesses having a disproportionate difficulty in this area. The latest IMI Employer Skill Survey found a similar trend. Although overall vacancies were lower within micro businesses, they demonstrated higher than average levels of SSVs compared with small and medium sized businesses[99]. Employees working within micro business units will necessarily need to have a more varied and diverse skill set than employees in larger organisations that can allow higher levels of skill specialisation. SSVs are

[99] IMI Employer Skills Survey 2010

thus of a particular issue for micro business given the difficulty posed by finding individuals with the required skill set.

National Employer Skills Surveys[100]

In order to provide a comparison with the whole UK level, data on vacancies from the most recent national employer skills surveys is set out in the tables below. The most recently available data for Wales refers to 2005 and is subsequently somewhat outdated. In 2005 however the sector in Wales exhibited similar vacancy levels to that of the sector as a whole with vacancies accounting for 3.5% of all employment. The level of skills shortage vacancies in the sector in Wales was considerably higher than the Welsh average in 2005, suggesting that employers found it difficult to recruit correctly skilled individuals.

The 2009 England employers skill survey (NESS) found the automotive retail sector exhibiting a higher rate of vacancies when compared with England as a whole. Vacancy rates were nevertheless considerably lower than in the previous survey (2007) which was carried out before the recession. In 2009 skill shortage vacancies comprised a very high share of all hard to fill vacancies at 84%, remaining higher than the average for England as whole. This is not surprising given the relatively higher requirements for skilled trade employees within the sector.

The latest Northern Ireland employer skill survey was carried out in 2008, during the recession and demonstrates low levels of vacancies in the sector compared with Northern Ireland as a whole. All hard to fill vacancies were deemed skill shortage vacancies compared with the average for the country of 61%. As mentioned earlier this is a result of the relatively higher requirements for skilled trade occupations.

At the time of writing a new employer skills survey for Scotland is due for release, but existing figures demonstrate little difference between the automotive retail sector and the wider Scottish economy.

Table 3.11 Percentage of Vacancies by Nation

Vacancies as a % of employment	N.I 2008	Wales 2005	Scotland 2008	England 2009
Automotive Retail Sector	1.0%	3.5%	3.0%	1.7%
Whole Economy	2.0%	3.5%	3.0%	1.3%
HtFVs as % of employment	**2008**	**2005**	**2008**	**2009**
Automotive Retail Sector	0.8%	1.8%	2.0%	0.4%
Whole Economy	2.4%	1.2%	2.0%	0.4%
SSVs as % of all vacancies	**2008**	**2005**	**2008**	**2009**
Automotive Retail Sector	48%	27%	n/a	26%
Whole Economy	18%	14%	24%	16%
Skills Shortages as % of HtFVs	**2008**	**2005**	**2008**	**2009**
Automotive Retail Sector	100%	54%	49%	84%
Whole Economy	61%	41%	47%	73%

Source: See Footnote 8

The reasons why employers have hard-to-fill vacancies differ between different countries. Although these reasons are not always down to skills, they are nevertheless important when thinking about the future of the sector.

The 2009 employer skill survey investigated reasons why employers experience recruitment difficulties. By far the most common reason cited was 'lack of people with the required skills or

[100] Data for England is from the *National Employer Skills Survey 2009*, the Learning and Skills Council. Data for Scotland is from the *Scottish Employer Skills Survey 2008*, Future Skills Scotland. Data for Wales is from the Welsh Employer Skills Survey, and is for 2005. Northern Irish data from the *Skills Monitoring Survey*, and is for 2008 (published 2009).

work experience'. Other common reasons were having a low number of applicants (31%), and people not being interested in this area of work (29%). It is interesting to note that low numbers of applicants continued to be an issue during the recession, when it is thought that there would be a surplus of job seekers.

Skill Gaps

Skill gaps occur when the existing workforce of a business does not have the skills required in order to be fully proficient. The extent of these gaps in the sector can be seen from the latest national survey data. The following figure shows the extent of internal skill gaps within the automotive retail industry compared to the whole of the UK.

Table 3.12 Percentage of Skills Gaps

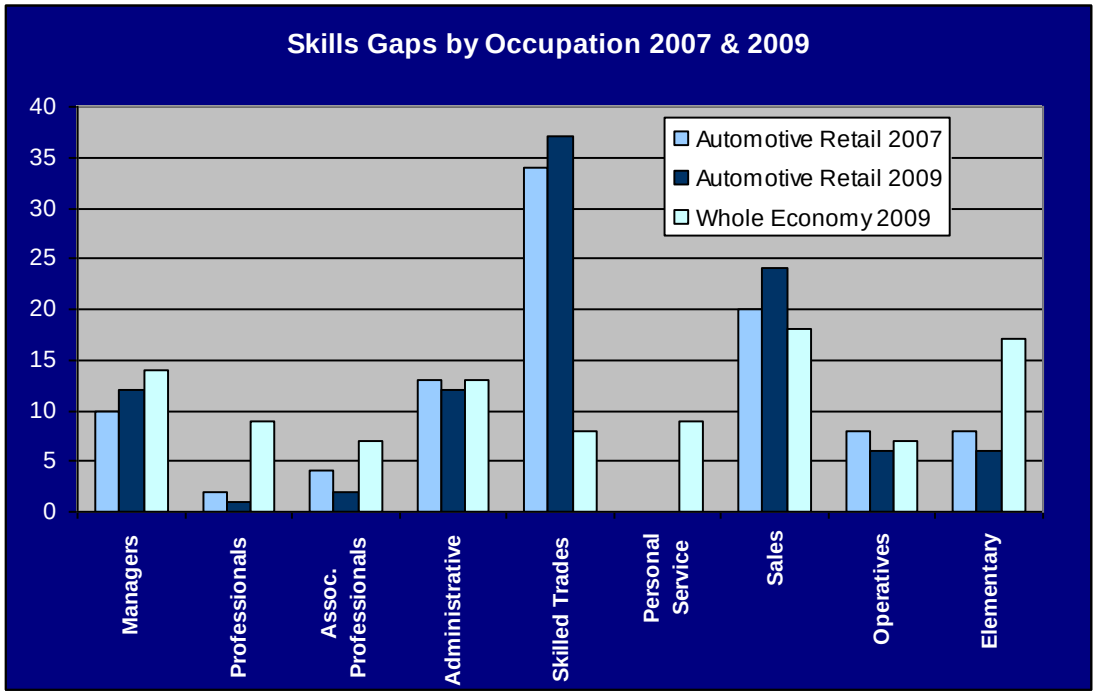
Establishments reporting skills gaps (%)	N.I 2008	Wales 2005	Scotland 2006	England 2009
IMI Automotive Skills	11%	23%	27%	20%
Whole Economy	14%	18%	22%	19%
Employees with skills gaps (%)	**2008**	**2005**	**2006**	**2007**
IMI Automotive Skills	21%	7%	12%	8%
Whole Economy	22%	6%	8%	7%

Source: See Footnote[101]

Table 3.12 demonstrates that the number of businesses reporting skill gaps varies across the four countries of the UK. In 2005 23% of Welsh automotive retail establishments reported skills gaps, second only to findings in Scotland. The proportion of employees with skills gaps in Wales was lower than in the other nations, and largely in line with the Welsh economy at large. Northern Ireland demonstrates the lowest proportion of establishments with skill gaps at 11% (compared with an average of 14% for the whole of the Northern Ireland). The figures for England are largely in line with findings for the rest of the economy with 20% of automotive retail establishments reporting skill gaps in 2009 compared with 19% of all establishments in England. This represents a slight rise compared with 2007 (17% automotive retail, 15% all England).

[101] Data for England is from the *National Employer Skills Survey 2009*, the Learning and Skills Council. Data for Scotland is from the *Scottish Employer Skills Survey 2008*, Future Skills Scotland. Data for Wales is from the Welsh Employer Skills Survey, and is for 2005. Northern Irish data from the *Skills Monitoring Survey*, and is for 2008 (published 2009).

Figure 3.13 Skill Gaps by Occupation in England in 2007 & 2009



Source: National Employer Skills Survey 2007 & 2009

Data from the English NESS provides a more detailed breakdown of skills gaps by occupation. This is set out in figure 3.13. Skilled trade occupations have considerably higher than average levels of skill gaps compared with the economy as a whole. This is largely a reflection of the relatively higher concentration of employees that work within skilled trade occupations in the automotive retail sector. In 2009 skilled trade occupations accounted for 37% of all skill gaps reported in automotive retail employees, a touch higher compared with 2007 (34%), but lower than in 2005 (41%). This is compared with just 8% in the whole economy.[102] In 2009 the automotive retail sector also demonstrates slightly higher than average levels of skill gaps within sales and customer services, 24% compared with 18% of all skill gaps in the wider economy. Professional, associate professional and elementary occupations account for particularly small proportions of skill gaps compared with England, but they also account for considerably smaller shares of employment within automotive retail than for the whole economy.

Although the causes[103] of skill gaps varies across occupations the NESS 2009 notes that a lack of experience/being recently recruited is the most common cause within all occupational groups. Secondary reasons vary – for managerial staff, companies most often noted their own failure to train employees, accounting for 34% of all managerial skill gaps. For sales and customer service staff a lack of motivation was cited as the second most likely cause of skill gaps.

[102] For an occupational breakdown of skill gaps from an employer perspective, only data for England is available.

[103] With no breakdown of causes of skills gaps by sub-sector this data refers to all England employers

Table 3.13 Skill Gaps by Occupation in England 2005, 2007 & 2009

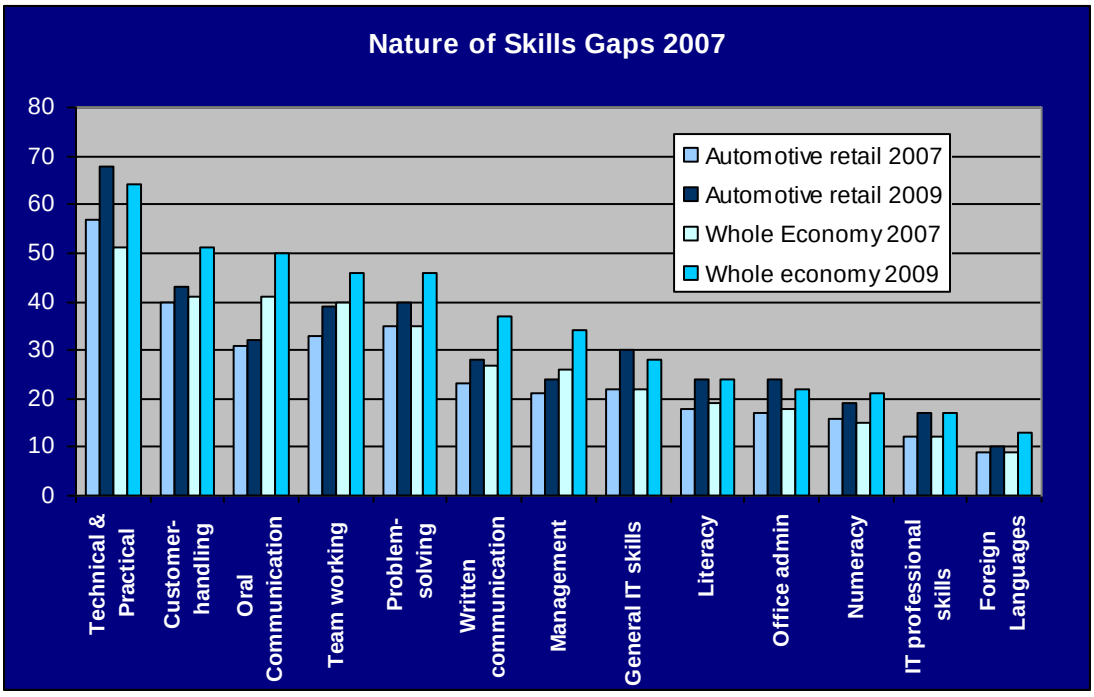
Skills Gaps by Occupation (%)	2009		2007		2005	
	Total	AS	Total	AS	Total	AS
Managers	14	12	12	10	11	8
Professionals	9	1	9	2	7	1
Assoc. Professionals	7	2	7	4	6	3
Administrative	13	12	14	13	12	12
Skilled Trades	8	37	8	34	8	41
Personal Service	9	*	7	*	9	*
Sales	18	24	19	20	19	19
Operatives	7	6	7	8	8	7
Elementary	17	6	17	8	20	8

Source: National Employer Skill Survey 2005, 2007 & 2009

The nature of skill gaps also varies across occupations. Overall in England, 75% of managers not considered fully proficient were specifically lacking in management skills. They were also likely to have gaps in team working and problem solving skills. Among skilled trade occupations, gaps were not surprisingly concentrated in technical, practical job specific skills. Customer handling skills were the most lacking among sales occupations, accounting for 70% of the occupation's skills gaps.

The 2009 NESS demonstrates an overall increase in the incidence of all skill gaps at both the nationwide and automotive retail sector level. As noted in the survey this may be attributable to the recession with employers demanding a greater range of skills as businesses seek to change focus, restructure or reorient themselves. The nature of skill gaps for England and the English automotive retail sector is set out in figure 3.14.

Figure 3.14 Nature of Skill Gaps in England in 2007 & 2009



Source: National Employer Skills Survey 2005, 2007 & 2009

As noted above, the incidence of skill gaps has risen generally since the 2007 survey. As in previous surveys the figures confirm, from an employer perspective, the relatively high significance of a lack of proficiency in technical skill occupations. In all instances, excepting technical and practical skills, skills gaps are similar to or a touch lower than for the wider economy. The figure for management skill gaps remains relatively low, but this may reflect

failure to recognise need, especially when considering the low proportion of qualified managers working in the sector.

IMI Employer skill survey 2010

Earlier automotive retail sector research has highlighted the fact that technical and management and leadership skills were the main skills challenges facing employees in the sector. The IMI Employer Skill Survey 2010 carried out detailed analysis of employers' satisfaction with employee skill levels with particular regard to these categories.

On a scale of 1 to 7, where one is not satisfied and seven is absolutely satisfied, employers were asked to rate their satisfaction with current skill levels of employees. Overall, employers were found to be generally very satisfied with employee skill levels with an average for the sector of 5.9. Management and leadership skills and general technical skills were both rated highly at 5.8 and 6.0 respectively.

In depth interviews with employers however, revealed that technical skills were frequently stated as areas with skill gaps or where employers found it difficult to keep up with ever changing technology. One employer noted that some qualifications, such as apprenticeships, could not keep up with the rapidly changing technology which meant that those had undertaken training might still have outdated skills. The depth interviews noted conflicting evidence relating to management and leadership skills with employers finding that those managers that have worked their way up through the ranks may not have the appropriate management skills. A majority of businesses surveyed believed that their concerns about skill needs were more widespread through the sector. Of employers reporting management and leadership skill gaps, just 1/5th anticipated any short term improvement and over 1/5th intimated that they would never see an improvement.

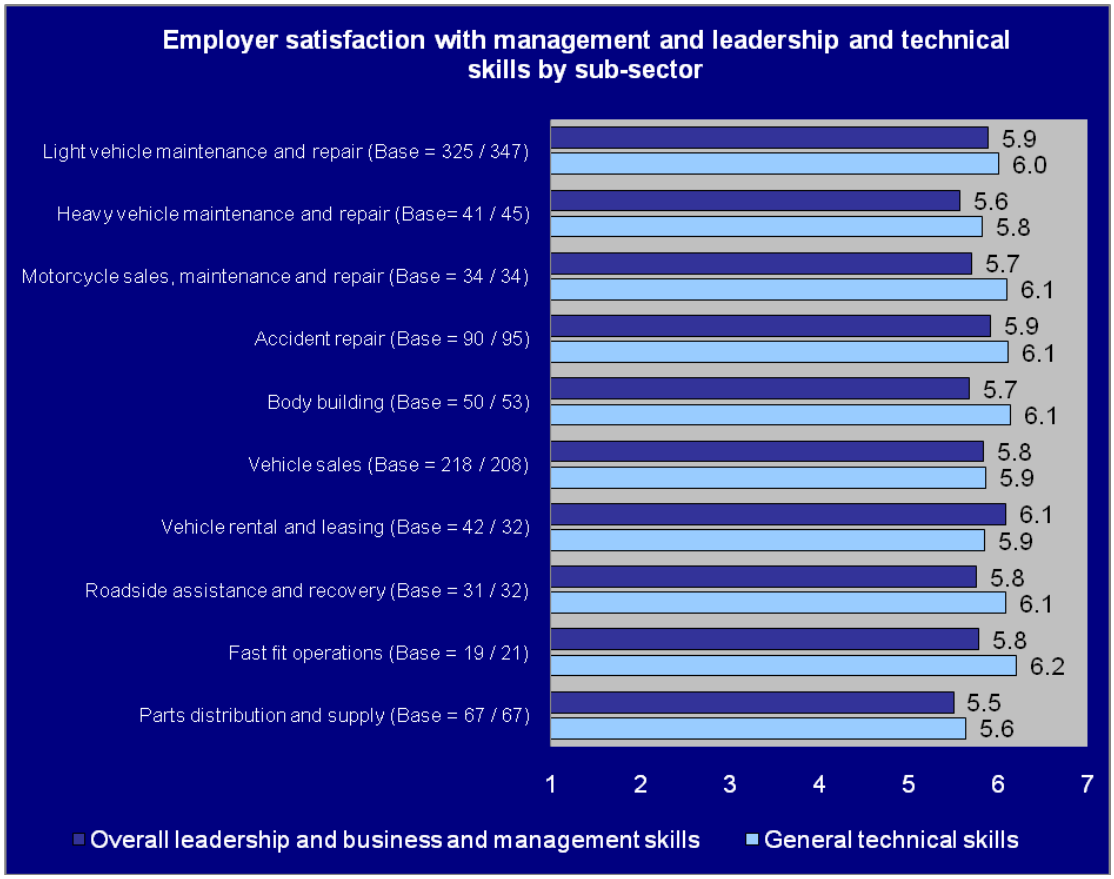
At the national level, employers were generally satisfied with their employee's skill levels. Employers in Wales were the most satisfied with both management and leadership and technical skills, while Northern Irish employers were the least satisfied. Within technical skills, employer satisfaction levels with skills focusing on 'vehicle control and diagnostic systems' and 'alternative and hybrid drives' were lower across all nations, with the drop in employer satisfaction levels significantly higher for the latter.

Figure 3.15 Employer satisfaction with skill levels by UK Nations

Source: IMI Employer Skills Survey 2010

Analysis of overall employer satisfaction with skill levels by sub-sector indicates only small differences between the industries that fall under the IMI footprint. Accident repair employers are the most satisfied with the skill levels of their employees whilst parts distribution and supply are the least satisfied. Other sub-sectors where employer satisfaction levels are lower than the average include fast fit operations, body building and vehicle sales.

Figure 3.16 Employer satisfaction with skill levels by sub-sector



Source: IMI Employer Skill Survey 2010

Overview of Skill Levels, Requirements and Gaps in the Sector

General

The high proportion of skilled trade staff and managers/business owners in the sector has created a high demand for technical and management/leadership skills. Customer handling (sales and customer service) skills are also in high demand due to the highly competitive nature of the market.

The sector has low levels of staff qualified to level 4 or above. In 2009 only 15% of managers or business owners held high-level qualifications compared to 46% of the UK working population. In contrast, high numbers of managers in the sector hold a trade apprenticeship (24% AR, compared with 18% UK), evidencing the tendency of the sector to 'promote from within' or for individuals to set up their own micro businesses without the necessary training/development support.

The following table looks at the major occupational groups within the sector and the current skill levels in terms of qualifications.

Table 414 Sector Skill Needs, Qualification Levels and Gaps by Major Occupational Group

Occupational Group	Job role examples	% of workforce in group	Skill category required	Occupational skill needs	% deemed not fully proficient [104]	Level of skill required	% of workforce qualified to the minimum skill level	Number not qualified to minimum level
Managers and Senior Officials	Dealer principal After-sales manager Fast Fit manager Fleet manager Owner manager Independent workshop owner	19%	Higher skills	Management skills (all types)	2%	Level 4	15%	81,825
Associate Professional and Technical	Master technician Engineering technician Auctioneers Workshop controller	5%	Intermediate skills Higher skills	Technical skills Customer service skills	4%	Level 3/4	43%	12,485
Administrative and Secretarial	Receptionist (dealership/rental etc) Service Administrator Warranty Administrator Personal Assistant	12%	Basic skills Employability skills	Customer service skills	5%	Level 2	64%	22,482
Skilled Trades Occupations	Service technician Diagnostic technician Fast Fit technician Auto electrician Roadside recovery technician	38%	Basic skills Intermediate skills Employability skills	Technical skills Customer service skills	4%	Level 2/3	72%	53,087

[104] National Employer Skills Survey 2007, LSC

Occupational Group	Job role examples	% of workforce in group	Skill category required	Occupational skill needs	% deemed not fully proficient [104]	Level of skill required	% of workforce qualified to the minimum skill level	Number not qualified to minimum level
Sales and Customer Service Occupations	Sales advisor Customer service advisor Parts advisor	10%	Basic skills Intermediate skills	Customer service skills	6%	Level 2	65%	17,684
Process Plant and Machine Operatives	Tyre technician Windscreen Fitter	9%	Basic skills Employability skills	Some technical knowledge	4%	Level 1/2	72%	12,919
Elementary Occupations	Vehicle valeter/cleaner	7%	Basic skills Employability skills	Job-related knowledge	5%	Level 1	70%	10,843

Sources: NESS2007, Labour Force Survey, annualised average 2009

Category of Skill Needs

The reasons for skill needs are varied but several issues have emerged; the insufficient volumes of applicants with the right skills for the vacancies on offer, inadequate training of many existing employees and the need for additional development of managers and leaders. There is widespread acceptance that the increasingly competitive and complex commercial environment, along with the recession, requires a step change in the skill set of employees at all levels. The most recent employer skill survey for England (NESS 2009) highlighted the need for skill acquisition in particular occupations in the sector. Significant proportions of employers stated that, over 12 months following the survey, employees in both skilled trade (44% of employers) and in management & leadership roles (36% of employers) would need to acquire new skills or training. Interestingly, though the IMI employer skill survey found employers to be generally satisfied with their employees skill levels, depth interviews largely backed up those findings of the NESS 2009, particularly with regard to technical skills.

The IMI Employer Skill Survey 2010 identified three types of employers within the sector – the 'training adverse' employer, the 'evolving employer' and the 'strategic employer'. The former tend to be skill adverse for appropriate reasons – such as their smaller size or the fact that technical skills for their business were unchanged over time.

Management and Leadership Skills

It has been well documented throughout this report that there are low levels of correctly skilled business owners and managers within the sector, highlighting the need for a continued drive to improve management and leadership skills. Employers have argued that management and leadership is key to achieving success in this sector, and that this category is in many ways the most important set of skills to improve. This is especially true as the sector emerges from recession and businesses need to reposition themselves in an ever more competitive environment.

With a much lower than average proportion of managers in the sector formally qualified to the S/NVQ 4+ (or equivalent) there is clearly room to raise the number of managers with higher skills levels. Nevertheless, it is important to remember that the generally higher rate of managers within the sector is bolstered by high proportions of micro businesses where the skill set for managers will be different.

Challenges to making significant improvements in this area include:

- High numbers of micro businesses in the sector with little time to invest in their own training.
- Though managers largely agree that improvement in management and leadership skills is needed, a low number recognise/admit they have a skill gap themselves.

All levels of management training from first line management upwards have a demand for improved skills. Leadership, strategic planning and 'running a business' in particular are areas in need of development in order for the sector to be successful post recession. Of all components of management and leaderships skills the IMI Employer Skill Survey 2010 highlighted relatively lower levels of satisfaction with regard to 'strategic planning' and 'providing learning opportunities for employees'. High proportions of employers planned to grow their business and improving these skills will be a key component of this.

Technical Skills

The dramatic pace of technical change in the products sold, serviced, and repaired by the sector demands a corresponding increase in the technical capabilities of those carrying out the work. There is a considerable and constant need for new training and up-skilling as a result of these manufacturer-driven changes, which are set to continue. The 2009 NESS found that 55% of all employers in the automotive retail sector saw the introduction of new technology or equipment as the prime reason for up-skilling[105].

According to the NESS 2009 skilled trade occupations accounted for 37% of all skill gaps reported in automotive retail employees.[106] Meanwhile the IMI Employer Skill Survey 2010 identified lower levels of satisfaction with employee's skills with 'alternative engine types'. This will be an area of particular concern going forward with the release of new engine types into the market place.

Though apprenticeships form a crucial part of technical skill acquisition, some employers noted concerns that technology moved on so quickly that skills learned as part of formal training were obsolete on completion. Tighter government controls on funding may have a negative implication in terms of apprenticeships and any reduction as a result of spending reviews will likely lead to declines in the availability of new vehicle technicians.

Basic and Employability Skills

Employer satisfaction with basic skills is one of the lowest rated among employers according to the 2010 IMI Employer Skill Survey. Findings showed ongoing concerns, particularly surrounding the level of skills demonstrated by new entrants to the sector. Employers and training providers alike queried the effectiveness of the education system in garnering school leavers with the appropriate skill set to enter work. A lack of effective career guidance was also noted.

The NESS 2009 also found that dissatisfaction from employers with new recruits' basic employability skills is common. On average employers in the automotive retail sector were more likely to consider those recruited straight from education to be poorly prepared. 31% of employers considered 17-18 year olds recruited from school to be poorly prepared compared with 21% for all sectors, while 18% of employers considered those recruited straight from university or higher education to be underprepared compared with the average of 12%.

[105] National employer skills survey 2009, LSC
[106] National employer skills survey 2009, LSC

Generic Skills

The competitive nature of the 21st century market means that these skills are increasingly essential to business. Sector employers have identified a number of generic skills as being key, including customer handling (sales and customer service), problem-solving, communications, and team working.

The latest IMI Employers Skill Survey 2010 found satisfaction with customer service skills to be the highest of all investigated. Exploratory research with training providers however highlighted the fact that this is still a key issue in the sector, particularly with regard for the need to professionalise key elements of customer service provision such as complaint handling.

Section 4 – Future Skill Priorities, Anticipating What Lies Ahead

The purpose of this chapter is to understand the future skill priorities of the automotive retail sector. This is done by first giving an overview of the future for the industry and then by looking at and understanding the future size and shape of employment within the automotive retail sector as forecast by the Working Futures 2007-2017 research. Finally the chapter will outline the development of likely future scenarios in order to anticipate the future skill needs of the sector. It is essential to have an understanding of the likely future size and skill requirements so that in the long term the sector can ensure it has a workforce that have the correct skills in the right numbers.

Transformation of the Market

Over time the skill needs of the retail sector are likely to change greatly through a combination of technological developments, legislative changes, economic effects and consumer demands. It is likely that in five to ten years time the motor industry will be in a very different place to what it is at this point in time.

It appears likely that the future will see both advanced internal combustion engines and the development of new vehicle technologies over the decade to 2020, with the possibility of more rapid growth of the latter and possibly a significant shift to electrification over the longer term.[107]

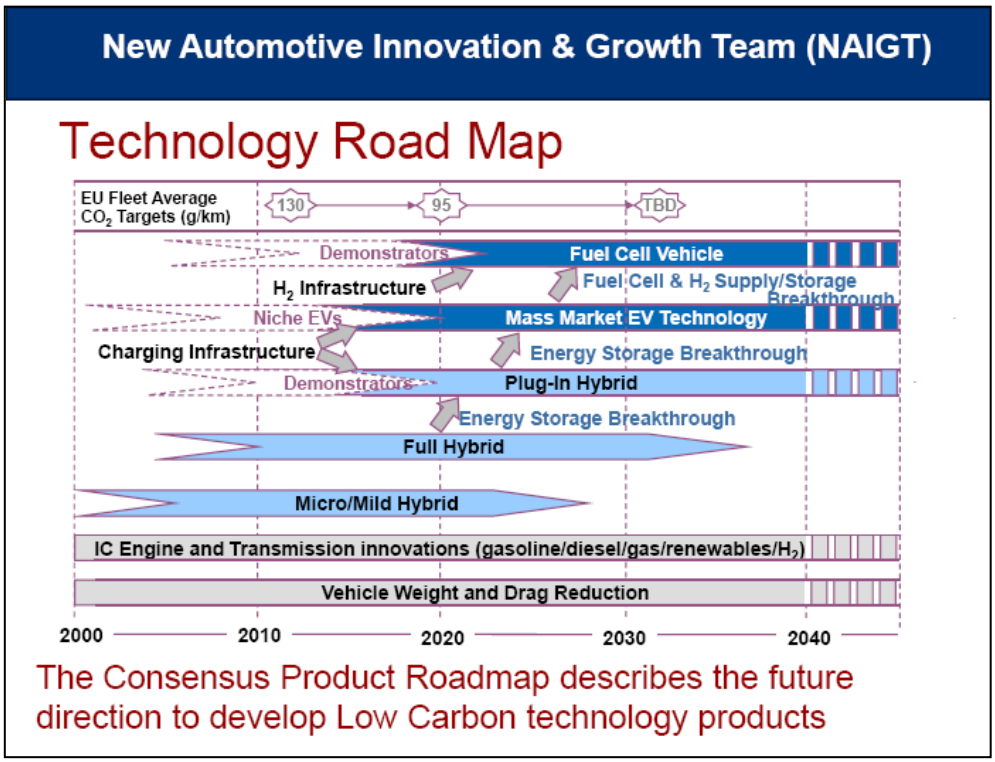
The profitability of the sector is general relatively low. On average in 2009 vehicle dealerships made a 1.3% profit (net profit as % of turnover), this follows a 0.2% loss on average in 2008 and only a 0.6% profit in both the previous 2 years.[108] Making money in the sector has always been a challenge and the recession exacerbated this issue. The business models of the future will need to dramatically change in order to make/increase profit and therefore sustain the market. The recession accelerated the need for business transformation and it is predicted that radically new business models will emerge within the next 10 to 20 years.[109] Strong visionary and strategic leaders and managers will be crucial to make this happen.

Transformation of the Current Personal Transportation Fleet

At the present time, cars provide 90% of all passenger transport needs and commercial vehicles, over 90% of freight transportation needs.[110] This is largely driven by consumer demands and preferences and is unlikely to change dramatically in the foreseeable future. This presents a challenge in terms of CO_2 emission reduction targets both nationally and globally. The challenge is well known and well documented; namely to reduce emissions not by reducing number of vehicles on the roads, but by changing the fuel type and consequently the technology of vehicles. This has created the requirement for low carbon technology to provide viable alternatives to the current fossil fuel-reliant vehicle fleet. The following slide; produced by the New Automotive Innovation and Growth Team (NAIGT) illustrates the medium and long-term forecast of the emergence of the different types of alternative fuelled vehicles.

[107] IMI Automotive Retail Sector, Scenario Analysis of Potential Skills Requirements in 2020, SAMI Consulting, 2010
[108] Driving Force, Issue 21
[109] Car Futures, 2009 P aul Nieuwenhius and Peter Wellsk
[110] An independent report on the future of the automotive industry in the UK, New Automotive Innovation and Growth Team (NAIGT) 2009

Figure 4.1 New Automotive Innovation & Growth Team (NAIGT)



According to the New Automotive Innovation and Growth Team (NAIGT) this transition will happen over time and through a variety of alternative fuels. For example electric, various hybrid options and hydrogen fuel cell powered vehicles are all likely to figure in the parc in the medium term (to 2020), effectively creating a 'mixed fleet'.

This mixed fleet will result in diversification of service and maintenance requirements which will bring with it huge scale skill needs. Any one business or individual is unlikely to have the breadth of skills and knowledge to service/repair a full hybrid, an electric and an internal combustion powered vehicle all at the same time. This will no doubt lead to necessary specialisation of most, if not all, maintenance and sales businesses of all sizes in the sector. It will also increase the requirement for high level problem solving skills.

Where the impact of these emerging technologies will be most acutely felt, will be in micro and small businesses that have less resource to enable specialisation within the workforce. This is likely to mean these businesses must limit/reduce their product offering as a result. This will ultimately mean less choice for the consumer as to where they can take their alternatively-fuelled vehicles for routine servicing and repair.

It is likely to affect all areas of sales, parts, maintenance and repair as well as arguably the rental and leasing subsectors on a massive scale. The structure of businesses operating in these markets will need to respond to the changing landscape. Specialisation of the workforce and in all likelihood whole businesses is the most probable outcome.

What is not clear at this time is what the service and associated labour requirements will be for these alternative fuelled vehicles. At this time the theory is that electric vehicles have fewer moving parts so will have less to go wrong and therefore may require less maintenance over the life of the vehicle. If vehicles of the future have lower maintenance needs, this may lead to a requirement for fewer technicians working in the sector or vice versa if the reverse is true.

What is clear from the technology roadmap is that those currently working in the sector, who will be of working age in 2015/2020 (some 70-80% of the current workforce), will have to be correctly skilled to supply and maintain these new vehicles.

Other Advancements in Vehicle Technology

SMMT forecasts that in the next 10-20 years, the following developments could be fostered into vehicle production[111]:

- Zero failure electronics with self-monitoring circuits and active intervention
- Switches that do not have to be pressed but respond to finger pointing
- Sleep/drowsiness monitoring
- On-board computers that predict vehicle and pedestrian movements and automatically trigger the car to respond to an emergency
- Real conversation voice control

Again, any technological developments in vehicle manufacture will result in a skills need for the maintenance and repair sector.

Employment Forecasts for the Sector[112]

Despite the recent recession, the Working Futures 2007-17 forecasts predict total UK employment will rise by just under 2 million, from an estimated 28.5 million to 30.25 million. This accounts for a forecast increase in employment of 5.7% over the next decade.

The number of jobs in the automotive retail sector has fallen since the recession hit according to analysis of the latest available Labour Force Survey statistics for 2009. It is important that the sector continues to invest in skills training to ensure its workforce is competent and up to date with regard to skills. New car registrations are expected to pick up once more in 2010 and Working Futures III projections for 2007-2017 suggest that the jobs in the sector will increase by 2% over the next decade. Moreover, retirement, migration and occupational mobility will see significant additional replacement demand over the same period. Overall this will mean some 224,000 jobs will need to be filled over the next decade.

It should be acknowledged that the baseline macroeconomic forecast that fed into the data for Working Futures 2007-17 projections was developed in the first half of 2008; a time when economic conditions looked set to deteriorate but the depth and intensity of the recession was far from clear. As a result, the projections almost certainly underestimate the impact of the current downturn, at least in the short-term. Its trends in the demand for goods and services could be overly optimistic. However, history tells us that long-term trends in the demand for skills are likely to be restored once recovery is secure.

Automotive Retail Sector Employment Projections – UK

Workforce Projection

Overall, according to working futures 2007-17 projections, the number of jobs in the UK automotive retail sector is forecast to increase by 2017. Between 2007 and 2017 a net increase of 11,000 jobs was forecast, an increase of 2% on 2007 levels. In addition to this

[111] *Britain's Automotive Industry Leads the World.* Carsource, 2006.
[112] Working Futures 2007-17, Warwick Institute for Employment Research

change there will also be a replacement demand (due to retirement, migration and occupational mobility) of 213,000 jobs. The total net requirement will be some 224,000 jobs, accounting for just over a third of all employment in 2017.

Table 4.1 UK Automotive Retail Sector Employment Requirements by Major Occupation Group

	2007 - 2017 Employment, 000s		
Major Occupation Group	Net Change	Replacement Demand	Total Requirement
Managers and Senior Officials	3	45	48
Professional Occupations	0	9	8
Associate Professional & Technical Occ.	2	17	19
Administrative, Clerical & Secretarial Occ.	-3	14	11
Skilled Trade Occupations	-11	27	15
Personal Service Occupations	6	10	15
Sales and Customer Service Occupations	14	52	66
Transport and Machine Operatives	-2	19	17
Elementary Occupations	3	21	24
Total	11	213	224

Source: Working Futures 2007-17, SSCUK

The forecast net requirement of jobs in 2017 shows that 'sales and customer service occupations' and 'managers and senior officials' together account for half of the job requirement between 2007 and 2017 at 29% and 21% respectively. In order that the sector is prepared for this demand, focus on training in these skills areas is required.

Automotive Retail Sector Employment Forecasts – Nations

UK Nations Comparison

Table 4.2 shows the total number of employees needed by nation and by major occupation group from 2007-2017. Figures are listed by thousands of employees and by the percentage that each occupation category contributes to the overall national/UK requirement.

Table 4.2 UK Nations Automotive Retail Sector Employment Total Requirement by Major Occupation Group 2007-2017

	UK		Scotland		Wales		Northern Ireland		England	
	000s	%	000s	%	000s	%	000s	%	000s	%
Managers and Senior Officials	47.7	21%	3.6	19%	3.1	32%	1.7	18%	39.2	21%
Professional Occupations	8.5	4%	0.9	5%	0.3	3%	0.3	3%	7.0	4%
Associate Professional and Technical	19.3	9%	1.6	9%	0.9	9%	0.8	8%	16.1	9%
Administrative, Clerical and Secretarial	11.2	5%	1.1	6%	0.4	5%	0.7	7%	9.0	5%
Skilled Trades Occupations	15.2	7%	1.1	6%	1.2	13%	0.7	8%	12.2	7%
Personal Service Occupations	15.1	7%	0.7	4%	0.6	7%	0.7	8%	13.1	7%
Sales and Customer Service	65.9	29%	5.8	31%	0.1	1%	3.1	33%	56.9	31%
Transport and Machine Operatives	17.2	8%	1.4	8%	1.4	15%	0.5	5%	13.9	7%
Elementary Occupations	24.1	11%	2.5	14%	1.5	16%	1.0	11%	19.0	10%
	224		19		10		10		186	

Source: Working Futures 2007-17, SSCUK

By and large the nations follow a similar pattern to that of the UK as a whole. The greatest forecast job requirement in England, Scotland and Northern Ireland is predicted to be in sales and customer service (31%, 31% and 33% respectively). The second greatest requirement is for managers and senior officials – 21%, 19% and 18% for the three nations respectively. These two job groups are predicted to account for around 50% of the overall requirement.

The one exception is Wales where a forecast contraction in the number of jobs in sales and customer service between 2007 and 2017 is only just outweighed by replacement demand seeing a comparatively small requirement in this job category. The greatest job requirement in Wales will be for managers and senior officials who account for 32% of the overall requirement to 2017, with elementary occupations and transport and machine operatives contributing 16% and 15% respectively to the total requirement.

Table 4.3 Percentage Contribution to Overall UK Requirement by Nation and by Occupation Group

As % of all UK by occupation	Scotland	Wales	Northern Ireland	England
Managers and Senior Officials	8%	7%	4%	82%
Professional Occupations	11%	3%	3%	83%
Associate Professional and Technical	8%	5%	4%	83%
Administrative, Clerical and Secretarial	10%	4%	6%	80%
Skilled Trades Occupations	7%	8%	5%	80%
Personal Service Occupations	4%	4%	5%	87%
Sales and Customer Service	9%	0%	5%	86%
Transport and Machine Operatives	8%	8%	3%	81%
Elementary Occupations	11%	6%	4%	79%
All Employees	8%	4%	4%	83%

Source: Working Futures 2007-17, SSCUK

England makes up the majority share of the overall sector requirement for the UK at 83% of all employees. This distinction holds for all the individual job categories, with England accounting for between 79% and 87% of jobs in the various occupation groups. Scotland has the next largest share of jobs at 8% overall and between 4% and 11% within the various categories. Wales and Northern Ireland each account for 4% of the UK total requirement.

Perspectives on Future Labour Requirements in Wales

Wales accounts for 4% of the total job requirement up to 2017. National forecasts suggest that sector employment will see a slight contraction in Wales of 500 jobs between 2007 and 2017; a decrease of 1.7%. This overall decline is driven by a forecast fall of 2,200 jobs in sales and customer service occupations while the number of jobs for managers and senior officials is set to rise by 1,000. Combining the overall net change with replacement demand sees a total requirement of 9,700 employees in Wales over the period to 2017.

Table 4.4 Wales Automotive Retail Sector Employment Requirements by Major Occupation Group

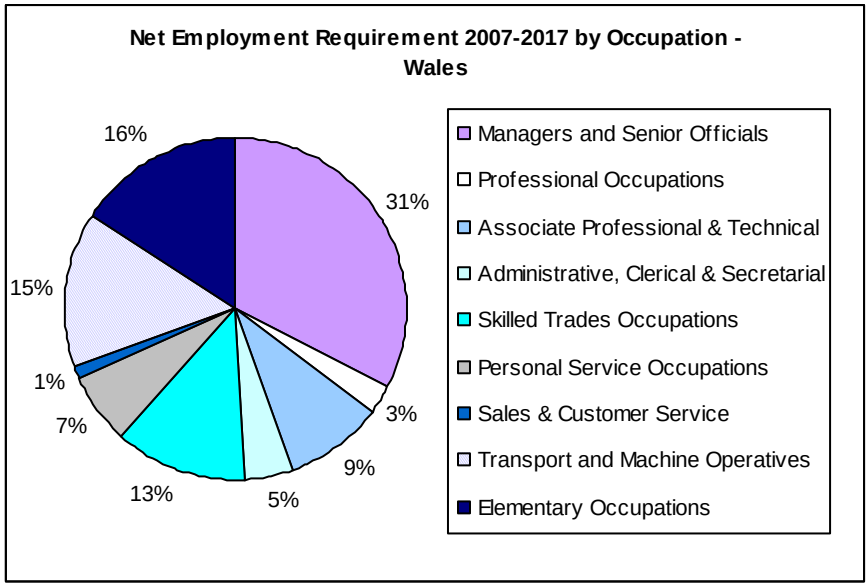
	2007 - 2017 Employment, 000s		
Major Occupations Groups	Net Change	Replacement Demand	Total Requirement
Managers and Senior Officials	1.0	2.2	3.1
Professional Occupations	0.0	0.3	0.3
Associate Professional & Technical Occ.	0.2	0.7	0.9
Administrative, Clerical & Secretarial Occ.	-0.2	0.7	0.4
Skilled Trades Occupations	-0.1	1.3	1.2
Personal Service Occupations	0.2	0.5	0.6
Sales and Customer Service Occupations	-2.2	2.3	0.1
Transport and Machine Operatives	0.3	1.1	1.4
Elementary Occupations	0.4	1.1	1.5
Total	-0.5	10.2	9.7

Source: Working Futures 2007-17, SSCUK

The overall occupational split in Wales is slightly different to the rest of the UK with sales and customer service accounting for a declining share of all jobs; 24% in 2007 and falling to 16%

in 2017. Of the total requirement from 2007-2017, managers and senior officials make up around a third of all jobs at 31%, followed by elementary occupations at 16% and transport and machine operatives at 15%.

Figure 4.2 Net Employment Requirement 2007-17 by Occupation



Source: Working Futures 2007-17, SSCUK

Scenarios for the Automotive Retail Industry 2020[113]

The following section is taken from primary research undertaken of likely future scenarios for the automotive retail sector specially commissioned by IMI for the 2010 SSA, The research is the 'IMI Automotive Retail Sector, Scenario Analysis of Potential Skills Requirements in 2020' by SAMI Consulting. The scenarios investigate the future and provide a context within which to explore the implications of possible future events.

The Foresight Futures 2020 scenarios[114] were used as an initial basis for providing alternative visions of how the international and UK economic and political environments might have evolved by 2020, in order to assess the potential implications of different futures for the long-term UK automotive retail industry's skill requirements. The scenario names adopted in the report are consequently similar to those used in the Foresight Futures 2020 report.

Several changes have been made to the scenarios as originally presented in the Foresight Futures 2020 report. These changes reflect factors picked up in the horizon scan and interviews undertaken in the research and will be especially relevant in shaping future automotive retail industry skill requirements. In part, they reflect key global developments since the original Foresight Future 2020 scenario storylines were created and the way in which events may consequently evolve over the coming decade. The detailed methodology of this primary piece of research can be found in annex 7, whilst the economic and political context behind each scenario, both global and UK, can be found in annex 8.

Scenario One – World Markets in 2020

The *World Markets* scenario can be summarised as reflecting a world which is driven by aspirations of personal independence, wealth and mobility to the exclusion of wider social goals; a belief in the efficacy of integrated global markets; and internationally co-ordinated policy, light regulation and a philosophy of minimal government.

The UK Automotive Retail Industry in 2020 under World Markets

Under *World Markets,* renewed and reasonably robust economic growth has meant that new vehicle sales have recovered. New car sales in 2020 at around 2.5m a year are now some 10% above their 2007 pre-recession levels while the total car parc is some 15% larger; the average parc age is little changed.

The effect of higher fuel and other vehicle taxes related to engine capacity in various national markets has sustained a steady shift towards the production and purchase of more fuel efficient vehicles. This has been achieved by improvements in the fuel efficiency of conventional vehicle designs, smaller engines and increases in the market share of diesel, hybrid and electric vehicles.

Conventional petrol engines now account for around 40% of new vehicle sales, diesel 40%, hybrids 15% and electric vehicles 5%. The increase in market penetration by the latter has been constrained by limited investment in the required supporting infrastructure, while the higher cost of hybrids has held back their sales growth. Take-up of electric vehicles in particular has largely been confined to a few localities within the major conurbations, where they are frequently a household's second or third car, purchased for convenience for short city journeys. Cars have generally become better equipped and appointed, even the smaller models.

[113] IMI Automotive Retail Sector, Scenario Analysis of Potential Skills Requirements in 2020, SAMI Consulting, 2010
[114] Intelligent Infrastructure Futures; The Scenarios – Towards 2055
http://www.bis.gov.uk/assets/bispartners/foresight/docs/intelligent-infrastructure-systems/the_scenarios_2055.pdf

As a percentage of the total vehicle parc, hybrid and electric vehicles still only account for some 4% and 1% respectively.

Under the open global trading environment that prevails in the *World Markets* scenario, competition between vehicle manufacturers remains intense. Asian producers, including those from India and China, are making greater inroads into western car markets, and some further consolidation has taken place within the global vehicle manufacturing sector as economic forces have proved to be stronger than nationalistic tendencies. In the UK, the number of manufacturers has reduced as production facilities have been relocated overseas to lower cost locations. UK centres of expertise remain, particularly in areas such as in research, technology and design.

Strong global competition and cross-border investment have stimulated the spread of international best practice in the automotive manufacturing industry. Manufacturers have, where possible, standardised components and vehicle platforms across their model ranges. To increase the consumer appeal of their models they have added extras, such as entertainment and navigation systems, to the basic specification, as well as increasing optional extras. This, together with additional safety equipment such as collision warning systems, has further increased the electronic content of vehicles.

The real competition, however, is in customer service. Wherever possible, the stronger manufacturers have imposed stricter franchising conditions on their dealers to ensure a consistent brand image and a high level of service delivery. Manufacturers' direct sales to fleet owners have increased. An increase in the number of authorised service garages permits closer manufacturer control over after-sales service, particularly during the earlier years of the vehicle's life, a move reinforced by inclusion of service packages and extended warranties with the sale of the new vehicle. Self regulation is also successfully used to differentiate strong brands.

Sales by manufacturers with weaker brands, often from the emerging economies, increasingly go through efficient, but cheap, car supermarkets, with after-sales activities being undertaken by independents. New budget-priced electric cars are sold in car supermarkets with specialist repair garages springing up to service them, albeit a limited market at present. Hybrids are largely the preserve of authorised garages when it comes to servicing.

Servicing intervals on new vehicles have grown slightly while the length of warranty has also increased. With respect to vehicle maintenance, the trend towards greater emphasis on replacement rather than repair of components (and body parts in the event of collision damage) has continued.

The spread and application of ICT have moved forward apace, driven by the roll-out of superfast broadband and an increasingly computer literate population for whom on-line purchase of major durables as well as consumables has become commonplace. A growing number of younger car-buyers are now making all but their final selection of new vehicle on-line. The final step is the test drive, an increasing proportion of which are delivered to the customer's front door.

These changes, together with the competitive pressures that exist in the vehicle manufacturing sector and the greater emphasis being placed by manufacturers on quality of service, have resulted in some further decline in the total number of both franchised vehicle sales outlets and other sales dealerships which in total now stand 20% below their pre-recession level. The main casualties have primarily comprised the smaller dealerships and those in the areas of lower new car demand density. A greater proportion of the total are authorised and supported by the main manufacturers in return for high quality standards.

Business travel has increased with economic recovery. The corporate vehicle fleet has consequently expanded, although less than proportionately. Demand for vehicle leasing has also grown as companies have directed available capital towards core business activities. The desire for cost certainty and reduced residual value risk has also attracted more companies to adopt leasing solutions. A greater number of busy entrepreneurs and wealthier

individuals also use the simplicity and efficiency of both leasing and rental, the latter particularly for specialist vehicles required for holidays or style. There is strong growth in the number of car clubs based in cities, thereby providing easy access to convenient small cars.

Progressively greater use is made of ICT in managing traffic flows and volumes on major arterial road routes.

The success of the M6 toll motorway has led to some further private development of the motorway network and of tolled de-bottlenecking schemes with national telematic toll cards allowing uninterrupted access. More schemes are in the pipeline.

Congestion has grown, particularly on smaller roads, the secondary network, and in urban areas. This has lead to differential road pricing in some cities with expensive access at peak periods where the market will bear it. Construction of some urban expressways is in the development pipeline, although planning issues have slowed their progress. Public investment in major new transport schemes has been limited over the past decade and despite a recent pick-up in rail investment, the car remains the preferred mode of travel.

The number of vans has increased to cope with economic growth, the rapidly expanding level of internet shopping and the resulting growth in home deliveries. However, the number of HGVs has only increased slightly as larger vehicles are now permitted on UK roads.

Scenario Two – National Enterprise in 2020

Under *National Enterprise*, people aspire to personal independence and material wealth, embracing liberalised markets as an effective means by which they can achieve their personal goals within a nationally-rooted cultural identity and with a high degree of self-reliance and security. Political and cultural institutions are strengthened to buttress national autonomy in what is a more fragmented and regionally unstable world.

The UK Automotive Retail Industry in 2020 under National Enterprise

Under *National Enterprise*, by 2020 new vehicle sales have recovered somewhat, but new car sales at around 2.2m are still nearly 10% below their 2007 pre-recession level. The total car parc, however, is nearly 10% above its pre-recession level, its average age having increased a little as vehicle owners have deferred expenditure on replacement vehicles.

Purchasers of new vehicles place greater emphasis on fuel efficiency and price, and smaller-engine petrol vehicles have been the main beneficiaries of this trend. Despite running cost advantages, sales of hybrids have been constrained by their higher capital cost, electric vehicles both by their cost and lack of investment in supporting infrastructure.

By 2020, conventional petrol engines account for around 47% of total new car sales, diesels 40%, hybrids 10% and electric vehicles 3%. Hybrid and electric vehicles still only account for some 3% and 1% respectively of the total vehicle parc.

The relatively modest recovery in the global economy and in demand for new vehicles, coupled with competition from newer manufacturers in the BRIC economies, has perpetuated excess global vehicle production capacity. Further consolidation and plant closures have been held back as nations fight to retain indigenous car manufacturing in the face of economic reason. In the UK, nationalistic ideals are helping to support some of the “British” brands, and UK-based manufacturers are producing “British styled” cars, although this is only superficial dressing of internationally standard components.

Pressure on manufacturers’ margins and capital constraints have slowed the pace of new model launches. Manufacturers have instead tended to focus on facelifts and on incorporating additional equipment in ageing models in an attempt to remain competitive. Manufacturers have also modestly extended warranties and service mileage intervals on many new vehicles.

The level of new vehicle sales coupled with less frequent exchange of vehicles by owners has reduced second-hand sales. The resulting pressures on dealer margins have led to a further decline in the number of dealerships. Closures have affected large, medium and small dealerships, franchised outlets and independents alike. Cutbacks have been sharper in northerly and rural areas of the country than in the south where economic growth has been stronger. Staff levels have been cut among dealers that remain in business, and there is a distinct differentiation in service received by the buyers of expensive and budget cars, the latter being significantly in the majority. Car supermarkets for new and second-hand vehicles are found in every major town.

Consumer attempts to reduce motoring costs by extending service intervals, or by omitting non-essential service and repair work altogether, has led to some reduction in the number of service transactions to their pre-recession level, despite growth in the car parc and an increase in its average age. The “informal” sector and DIY activities have increased their market share, causing an increase in the number of MoT re-tests, thus giving some small respite to MoT registered garages. Regulation of garages is relatively lax. With repair charges having been driven down, there is little enthusiasm for self regulation, particularly at the bottom end of the market.

A number of entrepreneurial garages specialise in the hybrid and electric sector, independent of the main manufacturers, in part to meet the needs of small specialist electric car manufacturers which have emerged in an attempt to seize what is still seen as a niche in the market.

In a drive to cut costs, businesses have cut back on their company car fleets and non-essential travel. However, pressure on capital has led to more corporate owners favouring leasing rather than direct ownership. Consequently, the size of the vehicle leasing market is little changed from that which prevailed prior to the recession.

Vehicle rental levels have also stayed static as reduced company fleets are supplemented by renting.

Slow economic growth and higher fuel and other costs have constrained overall demand for travel. Households have retained their vehicles but have reduced average mileages driven.

Freight has increased broadly in line with the growth in GDP, as have HGV and light van fleets, there having been only a very limited shift towards larger HGVs.

The very limited investment in new transport infrastructure has resulted in increased levels of congestion. Pressure on the domestic purse and the higher fuel prices facing the motorist have also increased the market for bus and coach operators within and between cities.

Scenario Three – Global Sustainability in 2020

Under *Global Sustainability* in 2020, people aspire to greater equality and high levels of welfare within communities with shared values. There is much greater emphasis on sustainability.

The UK Automotive Retail Industry in 2020 under Global Sustainability

Under *Global Sustainability*, despite renewed growth in the overall economy, new vehicle sales have only recovered to their 2007 pre-recession level, constrained by taxes and legislation designed to reduce energy consumption and encourage greener transport of individuals and businesses. The vehicle parc is now slightly smaller than it was pre-recession, also with a reduction in average age, reflecting incentives and regulations to scrap older cars

earlier so as to remove high emission vehicles from the parc and maintain high levels of safety. Legislation and regulations covering environmental and health and safety issues linked to vehicle scrappage and recycling and disposal of materials and fluids have also been tightened.

An increase in vehicle fuel efficiency has been achieved through improvements in the fuel efficiency of conventional vehicles, smaller engine sizes and increases in the market share of diesels, hybrid and electric vehicles. Hybrid and electric vehicles now account for some 7% and 3% respectively of the total vehicle parc. The number of plug-in hybrids is increasing rapidly as a standardised recharging infrastructure develops.

Conventional petrol engines now account for around 30% of new vehicle sales, diesels 35%, hybrids 25% and electric vehicles 10%. Sales of electric vehicles have received a boost from public investment in supporting infrastructure in a number of major towns and conurbations, although the purchase subsidy on electric vehicles is now being reduced as costs and purchase prices have started to fall. Petrol companies are calling for taxation on transport electricity.

In several conurbations, a number of public transport service and freight delivery companies have introduced experimental hydrogen powered fleets, while similar experiments are being conducted on selected national arterial routes. Manufacturers are closely involved in these trials, closely supervising necessary servicing. Servicing of fuel cells and hydrogen tanks is strictly regulated.

Global competition between vehicle manufacturers remains intense. This, coupled with co-ordination of government policies and accompanying tax and legislative changes designed to achieve greater sustainability, has led to increased research and technological innovation by vehicle manufacturers, accelerating the introduction of new low carbon emission models, many of which incorporate enhanced safety features and systems including collision avoidance technology. Standardised components and vehicle platforms are being increasingly shared across model ranges. To increase the consumer appeal of smaller models, popular on account of their fuel efficiency, manufacturers have added more extras to the specification, such as comfort, entertainment and navigation systems, thus providing a greater sense of luxury and appeal for higher income purchasers. These developments have substantially increased the electronic content of vehicles. As a result, specialist companies have grown up to service, repair and replace the many different electronic components, along the lines of tyre of auto-glass specialists.

Servicing intervals and warranties on new vehicles have been further extended. Service packages offered with new vehicles have also increased as consumers and manufacturers focus increasingly on the lifetime cost of vehicles and as potential owners seek greater operational cost certainty. Electric vehicle running costs are setting new standards for the rest of the industry.

There have also been significant changes in vehicle sales channels. The spread of ICT has moved forward apace, driven by superfast broadband and an increasingly computer literate population. An increasing proportion of younger car-buyers are now making all but their final selection of new vehicle on-line, such has become the sophistication of computer graphics and richness of customer information systems.

New budget electric cars are sold in car supermarkets with specialist repair garages springing up to service them. Manufacturers are also establishing their own branded supermarkets, like IKEA, taking the opportunity offered by the new market in electric cars to establish closer customer contact and squeezing traditional dealers in this sector. Hybrids are still serviced by franchised dealerships or authorised repairers due the vehicles' higher complexity.

The result has been a substantial decline in the total number of dealership outlets. The reduction has been particularly pronounced in the less densely populated areas of the country where purchasers wishing to visit sales dealerships to view alternative models have to travel further than has historically been the case. It has also affected the independent and smaller

dealerships which have been less able to adapt and have only a small number of outlets across which to spread overhead costs.

The high proportion and quality of new vehicles, the decreasing car parc and the growth in specialised repairers have squeezed the market for general service and repair garages, despite regulations effectively banning DIY. The trend towards greater replacement rather than repair of components (and body parts in the event of collision damage) has accelerated. This has encouraged and supported the expansion of manufacturer-franchised vehicle service and bodywork repair outlets as well that of fast-fit chains covering a greater range of service and repair activities including electric vehicle battery maintenance and replacement. Garages servicing all but the older vehicles in the parc have had to invest in new technologies to survive.

Business travel has increased with renewed economic growth, although less than proportionately due to government tax and legislation. While capital has become more readily available, its cost has increased somewhat from the levels that prevailed during the previous decade. Together with competitive pressures and a desire for greater cost certainty on the part of businesses, this has led to the development of a variety of leasing options, aimed primarily at fleet owners.

The rental market is strong because the cost of vehicle ownership is high, and infrequent vehicle users find it advantageous to rent rather than incur high standing costs. Congestion charging policy has provided a significant impetus towards rental, car clubs and other similar schemes.

Regulation on the design and operation of HGVs is strict.

Scenario Four – Local Stewardship in 2020

In the world of *Local Stewardship*, individuals seek sustainable levels of welfare within federal and networked communities. Social and other regulation ensures more equally distributed opportunities within a high quality local environment. Public policy promotes small-scale regionally based economic activity rather than large-scale business and technologies.

The UK Automotive Retail Industry in 2020 under Local Stewardship

Under *Local Stewardship,* new vehicle sales have declined further due to tight household budgets, higher taxes and increased fuel costs, and they are now 30% below their 2007 pre-recession level. The average age of the parc has increased.

Where new vehicles are being purchased, consumers place great emphasis on fuel efficiency in making their choice. Smaller engine vehicles and diesels have been the main beneficiaries. Sales of hybrids have been constrained by their relative capital cost, electric vehicles by the lack of investment in supporting infrastructure. Pressure on household budgets has also led consumers to favour more utilitarian models with basic equipment specifications.

Conventional petrol engines account for around 43% of new vehicle sales, diesels 43%, hybrids 12% and electric vehicles 2%. In terms of the total vehicle parc, hybrid and electric vehicles still only account for some 3% and 1% respectively.

The difficult global economic environment, coupled with the continued growth of national motor manufacturing industries within the Asian region, have led to further consolidation, plant closures and rationalisation of product ranges among western manufacturers, although this has proved insufficient to resolve the financial problems of the latter. Nationalistic tendencies have conspired to retain a small manufacturing base in the UK although there have still been plant closures.

Many owners are now changing their vehicles much less frequently, reducing mileages travelled and scrapping vehicles at a later age than hitherto. Vehicle manufacturers have extended service intervals on new vehicles together with the length of warranty offered, in an attempt to contain the lifetime cost of new vehicles to the consumer; while in a further effort to contain motoring costs, vehicle owners, notably those with older vehicles, are frequently choosing to extend service intervals beyond those recommended by manufacturers, in part due to the lower mileages being driven, or even omit non-essential body and other repair work altogether.

Coupled with reduced levels of new and second-hand vehicle sales and the associated pressure on dealer margins, this has led to a further substantial decline in the total number of dealerships. Closures have affected large, medium and small dealerships and independents alike.

The number of vehicle service and repair outlets has changed little, largely due to an ageing car parc. Small low-cost independents have benefitted at the expense of the larger organisations with their higher overhead costs and charges, particularly in the more rural areas and with respect to maintenance of older vehicles.

The relatively slow rate of adoption of new technology by manufacturers has helped smaller workshops to survive. The economic situation has also encouraged many mechanics, which might otherwise have left the sector, to stay on, particularly as the technical demands of the job are getting lighter, with limited need to cope with a proliferation of new technology.

The very slow growth in electric vehicles has meant that a small niche sector of specialist repairers has grown in certain, usually congested, cities where local authorities have chosen to invest in limited recharging infrastructure and where the size of electric vehicles gives them an advantage. Other garages tend to ignore electric vehicles.

With greater emphasis on local self-sufficiency, local sourcing, shorter supply chains and a lower level of international trade, freight transport mileages have shown a significant decline on pre-recession levels. Coupled with pressure to reduce costs, this has led businesses to cut back on their company car and freight transport vehicle fleets and on non-essential travel costs in general. The average tonnage of freight transport vehicles has reduced, and with it the number of HGVs, as the demand for longer distance haulage has reduced relative to that for more local distribution and delivery. The average age of commercial vehicles has increased.

Vehicle rental has decreased as the demand for mobility is not so high, and there is a large car parc to satisfy most users. The cost of rental is also high relative to the cost of keeping an old, little used vehicle.

Transport infrastructure is poor due to a lack of investment. Despite lower traffic volumes, there is congestion in some towns, and on bank holiday weekends the motorway network comes to a standstill as everyone gets out their little used vehicles. Roadside repair services are kept busy.

Congestion charging has been introduced in a number of larger towns, both for environmental reasons and as a tax raising measure to help fund road maintenance and minor improvements.

Bus usage in towns and cities has increased due to increased parking costs, traffic regulation and other charges, but in rural areas, the lack of sufficient demand coupled with lack of public subsidy have led to a decline in bus services. In many rural and urban areas alike, the preponderant personal travel pattern has become one of short local journeys which have favoured use of minicars, motorcycles and cycles.

Comparisons and Contrasts between Scenarios

There are certain similarities across all scenarios, but there are also some significant differences, both in terms of substance and degree of impact:

- All four scenarios assume that by 2020, real UK GDP will be at a higher level than in 2007 before the recent recession struck. However, the cumulative increase varies and by 2020, there is a significant difference between the scenarios in assumed underlying annual growth rates which range between 1% and 2.5%, the latter being close to the rate of growth which prevailed in the UK in the decade which preceded the recession.

- During the 2010 decade, the path of GDP growth has varied under the scenarios, being more volatile and fitful under *National Enterprise* and *Local Stewardship* than under *World Markets* and *Global Sustainability*. Unemployment is highest under *National Enterprise,* with DIY and black market activity being particularly pronounced under this scenario.

- Under all scenarios, real oil prices are assumed to increase, less so under *World Markets* and *Global Sustainability* than under *National Enterprise* and *Local Stewardship* where prices have also been much more volatile. The real cost of fuel at the pump has also been driven higher particularly under *the National Enterprise*, *Global Sustainability* and *Local Stewardship* scenarios, primarily due to fears over security of energy supplies under *National Enterprise*, to mounting concern over the environment and issues of sustainability under *Global Sustainability*, and as a result of both these factors under *Local Stewardship*.

- Government is relatively light touch under *World Markets* and *National Enterprise* when it comes to regulation and direct provision of services to the public. It is much more interventionist and takes a more proactive and tougher line with respect to regulation under the *Global Sustainability* and *Local Stewardship* scenarios, especially at the local level under the latter.

- The technology of vehicles continues to advance under all scenarios, but change is most rapid under the higher economic growth and innovation scenarios of *World Markets* and *Global Sustainability*. This is reflected in the extended length of warranties offered with new vehicles.

- In all scenarios there is a continuing tendency towards smaller internal combustion engines on grounds of cost or increased environmental awareness. People are much more aware of lifetime costs under the *Global Sustainability* and *Local Stewardship* scenarios

- The use of the internet in car purchase increases in all scenarios, but is particularly marked under *World Markets* and *Global Sustainability* where dealers are participating in development of the internet as a sales channel of growing importance.

- Under *National Enterprise* and *Local Stewardship*, the use of the internet is central to the increase in private sales of second hand cars as a greater number of people seek the less expensive motoring option of buying older vehicles through private rather than trade channels.

- Health and safety regulation continues in all scenarios but is much more marked under *Global Sustainability* and, particularly at the local level, under *Local Stewardship*. The impetus for most new regulation under *World Markets* comes from the EU.

- In both *World Markets* and *Global Sustainability*, there is an increase in the use of leased and rental vehicles and car clubs of all types, whereas the more traditional model of car ownership by the individual prevails to a greater degree under *National*

Enterprise and *World Markets*, particularly with respect to older cheaper vehicles.

- Relative demand for private mobility is higher in *World Markets* and *National Enterprise* where much less emphasis is placed by government and the community as a whole on environmental considerations and investment in public transport infrastructure. In comparison, demand for private mobility is significantly constrained by government policy and a greater public conscience with respect to environmental issues under *Global Sustainability* and *Local Stewardship,* affordability issues also being much more acute under the latter.

- *Global Sustainability* has substantial levels of investment in transport infrastructure, both public and private, in comparison with the other scenarios. The emphasis under *Global Sustainability* is on developing smart, sustainable transport networks.

- *World Markets, Global Sustainability* and *National Enterprise* all point to greater penetration of the new car market by new sales channels, particularly on-line and, for budget vehicles, car supermarkets. The exception is *Local Stewardship* where markets remain local.

- Other key changes in sales networks and methods include under *World Markets,* the increased focus placed by many dealers on enhanced customer service as a competitive means of differentiation; under *National Enterprise*, the marked difference in levels of customer service and support offered on the luxury and budget models; and under *Global Sustainability*, the selling of electric vehicles by manufacturers direct to the individual customer.

Implications for Skills and Training

Introduction

This section considers the principal implications of the four scenarios for the future size of the automotive retail sector's overall workforce; the potential changes in the level and mix of skills required; and the key training and recruitment issues.

Overall Workforce Requirements

The size of the industry's future workforce will predominantly depend on a combination of changes in the volume of new and used vehicle sales; the size, age and composition of the vehicle parc; mileages driven; the resulting levels of repair, maintenance and servicing required; and changes in workforce productivity.

Vehicle Sales Activity

The four scenarios presented earlier contain different assumptions regarding the rate of recovery in *new* car sales post the 2008/2009 recession and their subsequent growth over the remainder of the decade. Reflecting a combination of underlying assumptions regarding factors such as economic growth rates, cost of fuel and government policy and regulation, only one scenario, *World Markets*, shows an annual level of new sales in 2020 higher than that prevailing in 2007 prior to the recession. One scenario, *Global Sustainability*, shows a level broadly similar to that of 2007, while under *National Enterprise* and *Local Stewardship*, new vehicle sales never regain their annual pre-recession levels, being 10% and 30% lower respectively by 2020. These changes will clearly have significant impact on the numbers of sales staff required under different scenarios.

The level of *second hand* sales is dependent on a number of variables, primarily economic activity and the size of the parc. Dealers (franchised and independent) sold 54% of second-hand cars in 2008; private individuals 49%; while other routes, including auctions, accounted for 6%.

The assumed changes in sales' levels built into the four scenarios are summarised in Table 4.5 below.

Table 4.5 Percentage Changes in Car Sales under Each Scenario 2020 compared with 2007

Scenario Assumption	World Markets	National Enterprise	Global Sustainability	Local Stewardship
Total new car sales	+10%	-10%	No change	-30%
Total second hand sales	+13%	No change	-12%	-13%
All car sales	+12%	-4%	-9%	-17%
Dealer sales (new and second hand) relative to 2007	+12%	-12%	-4%	-30%

It is assumed that under National Enterprise and Local Stewardship that there is a resurgence in private second-hand sales (reducing the overall sales share of dealers), while under Global Sustainability, government attitudes and the structure of the market weigh against private sales so that the level of dealers' sales suffers less erosion.

Compared with their 2007 level, overall sales volumes for new and second–hand cars combined in 2020 range from an increase of 12% under *World Markets* to a fall of 17% under *Local Stewardship*. As noted, the line for dealer sales shows the number going through dealerships (including car supermarkets); it excludes auction and private used car sales. The percentage of *second hand* sales by the dealers, and hence the changes in dealers' second hand sales volumes relative to 2007, varies under the various scenarios according to their relative strength in the market and the number of private sales.

Rental and Leasing Activity

A significant proportion of new vehicle sales comprise fleet sales for leasing and rental. Two scenarios point to the potential for substantial increases in leasing and rental activity, as new business models based on the sale of mobility rather than car ownership take hold: *Global Sustainability*, under the influence of government measures to increase the cost of motoring, and *World Markets*, through consumer demand for new vehicle experiences, cost certainty and convenience.

The increase in leasing and rental activity under these two scenarios seems likely to have a minimal impact on the overall market for maintenance and repair, but there will be a shift in sales style and associated skill requirements with any move from the car ownership model to the mobility model being accompanied by substantially different management and marketing styles. However, even with respect to sales and marketing, the changes seem only likely to apply to a relatively small percentage of sales personnel; nevertheless, those that remain in the traditional model will need to be aware of the growth in competition from the mobility model.

The Vehicle Parc, and the Demand for Servicing and Repairs

The *size* of the vehicle parc will clearly have a major bearing on the total demand for servicing and repairs and hence on the overall requirement for technicians, master technicians, service managers, parts distributors and fast-fit operatives.

The *age* of the parc and its *composition* will also have substantial impact on the amount of maintenance needed. As the park ages, the need for repairs and the proportion of cars taking and failing the MoT test will increase, thus boosting demand. However, there is likely to be some compensating reduction in the number and frequency of services and repairs actually undertaken, particularly under the *National Enterprise* and *Local Stewardship* scenarios, as vehicles come out of warranty and ownership moves to a less affluent part of society. The number of electric and hybrid cars in use will affect the average frequency of servicing and the length of warranties, as well as demanding new skills.

The assumed size, age and composition and shape of the vehicle parc under the four scenarios take into account a range of variables including:

- changes in GDP, personal disposable income, fuel prices and other motoring costs, and hence in the demand for road travel and vehicles;

- government policies, particularly with respect to imposition of regulations and provision of subsidies and other incentives to switch to low-carbon vehicles and scrap older high-emission vehicles.

The resulting parc sizes and average vehicle ages under each of the four scenarios are summarised in Table 4.6 together with estimated changes in the volume of transactions such as servicing, repairs and MoT tests. The figures also include an allowance for a progressive reduction in the recommended service frequency in new cars. It must be emphasised that the figures are not forecasts, and should be regarded indicative of the possible scale and direction of changes under different scenarios.

Table 4.6 Parc Size and Service Transactions in 2020 as a Percentage of those in prevailing in 2007 under Each Scenario

Scenario Assumption	World Markets	National Enterprise	Global Sustainability	Local Stewardship
Change in size of parc	+15%	+5%	-5%	No change
Change in average age of parc	No change	+6%	-3%	+10%
Percentage of electric or hybrid in parc	5%	3%	10%	4%
Change in number of transactions	-8%	-15%	-23%	-16%

It is significant that all four scenarios point to a reduction in the number of service and repair transactions. The reduction is greatest under *Global Sustainability* followed by *Local Stewardship*. The impact of the reduction in transactions on the number of technicians and hence training requirements depends on a number of other variables, most notably changes in productivity. These are discussed below.

Changes in Workforce Productivity and Numbers

Potential changes in productivity are considered under four main occupational categories: management, sales, technical and administrative.

Management

The number of managers has been assumed to be primarily a function of the total number of staff employed with a reduction if the average size of organisation grows. Thus, under *Local Stewardship* where the number of workshops and small dealerships is expected to increase, there has been a relative increase in the number of managers. However, caution needs to be exercised in linking such numbers with demand for training as the quality of managers, their skill requirements and their inclination to undergo training is probably inversely correlated to their numbers.

Nevertheless, the scenario assumptions suggest that there will be a small increase in the number of managers and proprietors under *Local Stewardship*, a small fall in numbers under *World Markets* (although training demand may be higher) and a significant fall in numbers under both *National Enterprise* and *Global Sustainability*.

Sales Staff

Sales productivity, in terms of the volume and value of vehicles sold per employee, can be improved by the use of efficient management, staff rosters and training; by greater use of technology, mostly ICT; or by increases or reductions in the level of service provided to the customer. The assumed outworking of these factors under each of the scenarios is shown in the table below as "Net Productivity". In each scenario, the productivity increase due to technology is offset by an increase in sales effort. The result is that the number of sales staff is primarily driven by the level of new and second-hand sales by dealers.

Only under *World Markets* is there an increase in the number of sales people between 2007 and 2020. The decline under the other scenarios, which ranges from around 15% to nearly 25%, reflects their weaker vehicle sales markets.

Table 4.7 Assumed Annual Changes in Productivity of Sales Staff and Numbers of Sales Staff in 2020 relative to the Levels prevailing in 2007

Scenario Assumption	World Markets	National Enterprise	Global Sustainability	Local Stewardship
Net productivity: assumed annual increase	-1.0%	no change	no change	-0.5%
Number of sales personnel relative to 2007 levels	+15%	-19%	-15%	-26%

Technical Staff

Alongside changes in vehicle drive trains, many other technological changes are possible. Some of these technological changes will add to complexity of vehicles and that of their repair and maintenance; some will remove or reduce maintenance complexity.

Electronics and modular components, whose use is expected to increase under all scenarios, albeit at varying rates, are likely to reduce the time spent on servicing and repair. It is therefore, generally assumed under the various scenarios that the general increase in technology will at least be matched by increases in productivity of technicians, thereby reducing the average time taken to service a vehicle, as has occurred over the past two decades. The impact of electric vehicles, which have lower service requirements, will accelerate this change, albeit probably on only a very small percentage of the parc over the time horizon under review. The scenarios have assumed a range of productivity

improvements varying from a maximum annual 2% under *Global Sustainability* down to one of 0.5% under *Local Stewardship*, assumptions which compare with the average annual increase of around 2.5% achieved over the past two decades. Over a ten year period, a 2% annual productivity improvement will reduce required technician hours by nearly 20%; while an annual productivity improvement of 0.5% will reduce them by some 5%. Productivity increases under *Global Stewardship* are driven by the push towards a rapid take-up of newer low emission vehicles which incorporate the newer technologies, while the low rate of productivity growth under *Local Stewardship* reflects low rates of growth and vehicle replacement and the ageing vehicle parc.

The net effect of changes in the volume of transactions coupled with the varying rates of productivity increase under the four scenarios leads to significantly different outturns with respect to the future number of technicians required by the automotive retail industry. However, under all scenarios the number of technicians required declines between 2007 and 2020 as shown in Table 4.8, ranging from a reduction of around 20% under *Local Stewardship* to one of 40% under *Global Leadership*.

Table 4.8 Assumed Annual Changes in Productivity of Technicians and Numbers of Technicians required in 2020 relative to the levels prevailing in 2007s

Scenario Assumption	World Markets	National Enterprise	Global Sustainability	Local Stewardship
Technical productivity: assumed annual increase	2.0%	1.0%	2.0%	0.5%
Number of technicians relative to 2007 level	-27%	-27%	-40%	-20%
Number of master technicians relative to 2007 level	+5%	-10%	-14%	-11%
Number of fast-fit fitters relative to 2007 level	+17%	-3%	-4%	-3%

The decline in master technicians is likely to be less marked, particularly under the two higher innovation/technology scenarios of *World Markets* and *Global Leadership*, and could actually show a small increase under *World Markets* reflecting an increase in average skill requirements.

Administrative staff

Demand for administrative staff has been assumed to be largely dependent upon the number of other staff employed, a measure of activity. Productivity has been assumed to change little. The net effect on the number of administrative staff consequently shows a reduction under all four scenarios. Under such assumptions, the percentage decline by 2020 compared with 2007 levels would range from just over 10% under *World Markets* to one of nearly 30% under *Global Sustainability*.

Table 4.9 Numbers of Administrative Personnel required in 2020 relative to the levels prevailing in 2007

Scenario Assumption	World Markets	National Enterprise	Global Sustainability	Local Stewardship
Number of administrative personnel relative to 2007 level	-11%	-21%	-28%	-18%

Overall Size of Workforce

Overall, the total number of employees working in the automotive retail industry in 2020 would range between an estimated 464,000 under Global Sustainability up to a figure of 573,000 under both *World Markets* and *Local Stewardship*. Under *Local Stewardship* compared with *World Markets*, the effect of lower underlying levels of vehicle sales and a smaller vehicle parc on total employment are offset by lower rates of productivity growth and an older average parc age. (See Table 4.10).

The range in total employment of up to 573,000 in 2020 compares with an automotive retail industry workforce of 644,000 in 2007 (as quoted in the UKCES Working Futures 2007 report). The cumulative percentage declines range from just over 10% to nearly 30%.

It should also be noted that the mix of occupations varies between scenarios, and although the 2020 total employment level under *World Markets* and *Local Stewardship* is similar, the occupational mix is rather different, with the number of sales employees increasing under *World Markets* while the number of technicians falls, and with sales employees declining more rapidly than technicians under *Local Stewardship.*

Table 4.10 Numbers of Total Employees directly dependent upon the Automotive Retail Industry in 2020 compared to the Levels prevailing in 2007

Scenario Assumption	World Markets	National Enterprise	Global Sustainability	Local Stewardship
Total Number of Employees in 2020 ('000's)	573,000	502,000	464,000	573,000
Percentage Change 2007-2020	-11%	-22%	-28%	-11%

Finally, it must again be stressed that the preceding figures are not forecasts. They are intended to be purely indicative of what may occur under each of the four scenarios as a consequence of the chosen scenario storylines and their underlying assumptions.

Changing Skill Requirements

The following analysis has examined the nature of changes that may occur under each of the scenarios in terms of industry employment levels and broad occupational mix.

Within broad occupational categories, there are likely to be changes within and between sub-occupations and in the particular skills required by a given occupational category. These changes are discussed in the following sections of the report.

As previously discussed, there are a number of key factors or forces that can be expected to drive change in the industry and in its future skill and training requirements. Three factors in particular are likely to have a significant and varying impact on skill and training requirements under the four scenarios: information, communication and other technologies; health and safety; and regulation and certification. Each are described briefly before examining their implications, and those of other change, on the specific future skill needs of particular occupational groups.

Technology

Two points in particular should be considered with respect to technological change.

First, there is a significant lead time between the initial research and development of a new innovation or technology and its widespread take-up and application to standard vehicle production models. Most of the technological advances and innovations that are likely to

achieve significant levels of up-take and market penetration over the coming decade are already well-known within the industry, particularly by the parts manufacturers and vehicle assemblers. It is only in the latter part of the coming decade and beyond that as yet emerging technologies, may have a significant impact on the automotive retail industry. However, the impact of the new technologies already available, but not yet widely applied, may still surprise. There may also be ideas not yet recognised that will have a big impact by 2020.

With respect to the new technologies identified, the rate of take-up and degree of impact on the industry can be expected to be greatest under the two high innovation scenarios, *World Markets* and *Global Sustainability*.

Secondly, ICT, and in particular the internet, are likely to have a large influence on vehicle specification and electronic equipment levels, on marketing and sales channels, on customer service and relationship management, on service and repair information, diagnostics support, and on supply chain and general business management within the automotive retail sector.

The benefits which greater use of ICT can offer in each of these areas are generally recognised and they are already being exploited to varying degrees by many industry participants. However, there is the potential for the application of these technologies to accelerate and become much more widespread and pervasive. The extent to which this is likely to happen is once again likely to be greatest under, but by no means limited to, the two high innovation scenarios, *World Markets* and *Global Sustainability*.

Health and Safety

It is probable that the drive to reduce the level of both road accidents and accidents in the workplace will continue to some degree under all four scenarios as a result of pressure from government, insurance companies and the public.

Safety on the road will involve increased complexity of vehicle design, parts, materials and systems. This in turn will require new skills on the part of those selling, servicing and repairing the vehicles in question, especially in the case of the maintenance of safety or hands-off driving components of vehicles where high levels of competence will be required to ensure that the necessary work is responsibly and safely completed. Maintenance of active safety devices could be a growing part of car maintenance schedules. Under certain scenarios, the possibility of regulation, certification and the associated training of technicians working on these new technologies seems likely and indeed desirable.

Within workshops, safety will continue to be an issue. Apart from pressure to reduce existing mechanical and chemical risks, there will be an increase in electrical and chemical risk from the growing percentage of high voltage battery packs in hybrid and electric vehicles (EVs). Other components are also likely to present new risks, possibly as yet unidentified, but the risks that air bags present to technicians are an example of how a new safety technology can pose dangers as well. Again greater health and safety regulation and training is a distinct a possibility, particularly under certain scenarios and should any serious road traffic or workplace accidents occur as a result of poorly handled, serviced or maintained new vehicle technologies and equipment.

Training will also be vital in increasing the understanding and competence of technicians in dealing with ever changing safety issues. With regulation, better access to training for the smaller independents will be necessary, and should probably be improved under all scenarios.

Regulation and certification

The likelihood and extent of further certification and regulation varies significantly across the four scenarios. However, the perceived benefits and impact of certification appear more closely aligned across the scenarios than perhaps is the case with outright regulation.

There are widely held views that the industry currently needs more regulation or at least self certification to improve the image of the industry in the eyes of customers, government and potential employees, let alone insurance companies.

The scenarios point to the potential additional value to be derived from further certification, particularly with respect to improving the image of vehicle servicing and second hand car sales activities. The advent of EVs and hybrids with 400v battery packs and accompanying toxic materials provides scope for significant problems if technicians are not properly trained. It is significant that the scenario in which the opportunity to accelerate regulatory change appears most likely, *Global Sustainability* which embodies high levels of government intervention, is the one with the highest penetration of hybrids and EVs. Should it appear that the UK is going down that route, action should be taken to lobby government for help in promoting certification.

Certification will increase demand for training, but it is likely that the first targets will be the "new" specialist skills for working on the dangerous components of EVs and hybrids, and later, possibly, hydrogen. To be allowed to work on certain components in vehicles, technicians might have to be certificated to an agreed national standard.

Other pressure for certification could arise in the event of more drive-by-wire and semi autonomous driving products, such as cars designed for road trains, where an electronic failure could be fatal. The public is generally likely to support certification for technicians in such circumstances, and given that manufacturers are constrained by law in defining who may service their cars, government intervention seems plausible in all but the lightest government touch scenarios.

Implications for Skills

Generic Skills

Generic skills are increasingly essential for any successful business in the twenty-first century. Sector employers have identified customer handling (sales and customer service), improved literacy and numeracy, problem-solving, communications, and team working as key. Many in the sector consider that current cohorts show failings in this area. These failings are likely to be accentuated under at least two of the scenarios, *World Markets* and *Global Sustainability,* as technology moves forward, competition in the labour market intensifies and demands for improved customer service increase.

Management skills

The two highest growth scenarios, *World Markets* and *Global Sustainability*, involve rapid changes in technology and probably market structure as new entrants to the sector emerge providing specialist services, selling cars supermarket style, or using high-powered marketing to sell mobility without vehicle ownership, for example through rental, leasing, car clubs or other routes. Dealing with these changes effectively will require a generally higher quality of management, particularly with respect to leadership and strategic planning. Increased competitive pressures under all four scenarios seem likely to place a growing premium on competent business management, since those organisations most able to anticipate and respond to change, and secure meaningful efficiency and productivity gains across their operations, can also be expected to be among those most likely to survive and prosper over the coming decade and beyond.

The balance of strength between the manufacturers and the dealers and independents will throw up new challenges for all sectors. The significant difference in size and style of market across the four scenarios also underlines the need for successful companies to be observant and proactive.

However, it is generally recognised that high quality management skills are in short supply in the industry. This is probably largely due to lack of relevant training, especially in smaller

businesses where managers have often moved from technical roles to management with no formal training. The benefits now to be derived from enhanced management skills consequently need to be “sold” to businesses in the industry. Training in leadership, strategic planning and just 'running a business effectively’ needs to be seen as commercially advantageous, desirable, available and accessible to busy managers

Sales skills

Vehicle sales currently account for around three quarters of industry turnover. The ever changing landscape of new makes, models and technology currently creates a constant need for new sales training. The wider penetration and acceptability of EVs and hybrids will impose the need for salespeople to understand and sell the advantages of the different systems and types of vehicle. Scenarios such as *Global Sustainability* and *Local Stewardship* are likely to place far greater emphasis in customers’ minds on lifetime vehicle costs, and salespeople will require a much greater understanding of the corresponding merits of particular vehicle types and models with respect to different customer lifestyles and vehicle usage patterns.

Opportunities for specialised marketing and sales will also occur in developing sectors such as car clubs, car rental and mass selling supermarket style.

The internet will offer new opportunities and challenges to sales people in all fields. Selling vehicles to the ICT savvy Generation Y will require different skills, attitudes and products to those needed to sell to the growing grey market. Indeed it seems likely that differentiation of sub-sector markets may become increasingly important in all scenarios, and each scenario will have different sub-sectors with their own size, shape and characteristics.

Finally, in a highly regulated society such as that prevailing under *Global Sustainability*, there is greater probability of regulation requiring certification of employees involved with financial services, including insurance. This could be particularly significant for the training commitments of rental companies, leasing companies and car clubs.

Technical skills

Technical skills will be in constant demand under all four scenarios and are perhaps the most widely recognised current industry skills gap, largely due to the pace at which new technology is being launched. IT hardware and software is being put into vehicles in the form of complex electrical systems, and high-level problem solving and technical diagnostic skills are becoming increasingly important and indeed essential in servicing the latest generation of models. Alongside the rapid changes in technology, vehicle types, vehicle models and model updates, has come an increasingly extensive and perhaps bewildering array of vehicle parts, requiring increased levels of care in ensuring choice of the correct replacement.

Much greater use of bio-fuels could have significant impacts on the servicing of older cars.

Keeping abreast of technological advances will become even more important when the significantly new technologies of EVs and hybrids penetrate further into the market.

All these changes can again be expected to lead progressively to an industry requirement for higher levels of literacy, numeracy and IT skills among its workforce. In turn, when it comes to employee recruitment and retention, this will have implications with respect to the industry’s image and employment terms and conditions. This seems likely to be especially important under the *World Markets* and *Global Sustainability* scenarios where competition for skilled employees is likely to intensify across the economy as a whole.

As technology further removes the ‘greasy’ side of technician’s skills, such employees too may need to develop more customer-facing skills. Technicians’ administrative skills must also improve to ensure that access codes and passwords used in electronic systems are safely and properly stored. Proper storage and retrieval of the wide range of software could also be an issue.

In some other industries where technology has advanced rapidly, an hourglass effect has been observed with respect to workforce skill requirements as a growing demand for certain high-level skills, such as master technicians, and an increase in the demand for more routine skills, such as fast-fit operatives, has been accompanied by a decline in demand for middle range skills such as basic technicians.

It is possible that such an effect could occur in the vehicle repair industry, given the greater use of electronic diagnosis, more plug-in electronics, replacement rather than repair of defective components, and reduced service intervals, which results in certain service and repair work becoming more routine while some faults could become more difficult to diagnose and harder to repair, requiring proportionately greater demand for the skills held by master technicians. A significant outcome of such changes may be that demand for master technician levels increases at a time when the number of technicians in the industry capable of making the move from technician to master technician is falling. The growth of fast–fit will be instrumental in this shift. Again, it seems most likely to become apparent under the *World Markets* and *Global Sustainability* scenarios.

Administrative Skills

One key impact on administrative skills will be enhanced ICT and the use of the internet for more communication. In the high growth scenarios, customer service skills will be important as all parts of the organisation will need to have the right customer attitudes and provide good customer service.

There also appears to be greater opportunity to use ICT and the internet in parts identification, sourcing and supply.

In the scenarios where increased numbers of car clubs and specialist rental companies are expected to emerge, more participants can be expected to follow the current leaders in the market and use internet and all forms of mobile communication to allow the easiest possible access to rental vehicles. The overall administration of rental schemes (renting, maintenance, vehicle locating and retrieval) is likely to be highly automated for speed and security, but the human backup will need to match the level of ICT with expertise and customer concern.

Other skills

Only under *Global Sustainability* does the rate of scrappage increase noticeably, so that little additional training in scrappage is likely to be needed under certain conditions.

However the recycling of increasingly complex materials and components, some of which may contain more hazardous materials and fluids, will require continual retraining to ensure accurate and complete recycling as well as the safety of the environment and the operators involved. Tighter controls can be expected particularly under the *Global Sustainability* and *Local Stewardship* scenarios where government intervention and regulation is expected to be greater and where there is a much increased emphasis on environmental protection and sustainability.

Under all scenarios, however, recycling can be expected to grow to some degree in importance, and workshop technicians in general will need to keep up to date with respect to current requirements for recycling materials, replaced components and packaging.

Key Training Implications

Speed of innovation and up-skilling

The speed of innovation will have an impact on required levels of training, how it is delivered, by whom and to whom.

It seems likely that a significant rate of change in vehicle technology will continue over the next ten years. It is likely to be particularly marked in the high growth, high innovation scenarios of *World Markets* and *Global Sustainability*. It will consequently be important for trainers and training courses to keep in touch with new developments and stay ahead of the game in order to ensure that students are not taught out-of-date technology.

Indeed the speed of change may be such that frequent retraining will be needed by those dealing with the newest technologies. This will not necessarily apply to the majority of technicians, and much of the initial training is likely be provided by manufacturers or their agents. However, specific up-skilling training modules will need to be made available at a sensible cost, not just for the larger dealerships but for the independents as the vehicles with the latest technology get older and move from being serviced by manufacturers or their dealers to the independents.

The penetration of new drive trains into vehicles, EV or hybrid, will be progressive under all scenarios. It seems likely that under all four scenarios, training will be required for a limited number of experienced technicians to deal with the new technology, although there will be no economic reason to train all technicians to meet a limited market. There may even be a period of interim growth in small independents that specialise in the new technologies, much as occurred with ABS when it was first introduced. However, whether the demand is met by separate specialist organisations or by small teams or individuals within an organisation, the net effect will be a steady demand for up-skilling in the new drive trains, probably faster than actual demand requires as most workshops will eventually want to have the ability to undertake the work as it arrives, even if the new skills are not used to full capacity.

Careful employee selection will be required on the part of employers to choose those most suitable for up-skilling and re-training.

Delivery of training

The rate of change of technology will require better methods of training delivery. Given the likely increase in average levels of training per employee, particularly under the scenarios involving rapid change, cheaper methods of training delivery are likely to be required to persuade employers to provide levels of training adequate to meet demand. Technology should be able to provide solutions to assist in this need. Modularised training online, at the learner's own speed, with suitable personal support has been frequently proposed, but it can be expected to become much more commonplace, particularly under the *World Markets* and *Global Sustainability* scenarios, as the applications of ICT increase.

Trainers will need to maintain close liaison with their customers to ensure that the training content is kept abreast of technological and other change, and that training methods are acceptable both to employers and employees and meet the needs of individuals and the industry as a whole. As already noted, it has been suggested that this is often currently not the case and that a number of organisations which currently offer technical training and other courses are failing to keep in touch with developments in the industry and its future skill needs. This can lead to frustration and disillusion, not only on the part of the individuals who have undergone training but also by their employers, especially if they have sponsored the training in question. A proliferation of training organisations and courses can also make it difficult for those seeking the training to identify the relevant and distinguish the good from the bad.

The UK automotive retail sector is by no means alone among UK industries in needing to address this issue. In particular, more thought needs to be given as to how trainers themselves can be kept up-to-date, not only with respect to the industry's immediate skills needs but how may evolve over the medium to longer-term. Success in this respect should hopefully aid the development of a continuous training and development culture in the industry with associated linked programmes of initial training and refresher courses, and rather than what have perhaps in the past been attempts to deliver a one-off fix.

There are also likely to be issues over the cost of training the trainers and providing the equipment and other resources needed for training, and how this cost is met, especially under the less economically prosperous scenarios of *National Enterprise* and *Local Stewardship*.

Apprenticeships

The apprenticeship route has served the technical side of the industry relatively well for decades. Historically, key issues have included those of attracting the best applicants for training and in funding that training.

The difficulties with respect to recruitment in general appear to result from the industry's image problems noted above, but pay, conditions and career prospects have also been mentioned.

An additional factor facing the automotive retail industry, and indeed all other industries, over the coming decade will be the declining number of school leavers. Future school leavers may also have different expectations compared with those of previous decades, as well as greater familiarity with, and use of, the new ICT technologies.

Even though the total industry workforce requirement is expected to decline at least to some degree under all four scenarios, an ageing workforce coupled with step changes between particular age cohorts, may well result in a significant loss of employees with technical expertise and experience due to retirement and other factors. Even under the scenarios of lower total workforce demand, recruitment of new employees with good basic skills will be required, and this will be from a diminishing pool of school leavers in what may be an increasingly competitive national marketplace for such people.

Given the rapid rate of change of technology anticipated in most scenarios, the question of what and how to teach new entrants to the sector will be a continuing issue. The question of what *not* to teach new entrants as old technologies wane will also be an issue.

Given that new technologies are likely to be arriving continuously, courses will need to be modular, flexible and up to date. Ideally, they should be tailored to each individual's needs. All stages should be certificated as evidence of competence as one way of improving the industry's image.

Identification of the best new entrants, both at recruitment and thereafter, will be important as levels of technology increase and higher skill levels are demanded. The less competent in the industry will also still need continual training to keep up with technological change. Indeed, there perhaps needs to be greater recognition that many skills in a technology-based industry are transient.

Recruitment and Staff Retention

Issues of recruitment and retention are likely to have future significance for the industry.

Recruitment of the best and most suitable new entrants has historically been an issue. This has been partly due to the poor public image of the industry, most notably that of the sales and maintenance and repair activities. This poor image, however, is by no means representative of the entire sector, but it has been perpetuated by the popular media and has certainly contributed to the problems faced by many employers in attracting high calibre staff. Other challenges to recruitment include the perception that pay levels are unattractive, that there is a lack of flexible working opportunities, that working conditions are poor and that there is a lack of opportunities for graduates.

The future offers particular challenges and opportunities with respect to technicians. In the *World Markets* and *Global Sustainability* scenarios which bring a high level of technological, probably largely electronic, change, the industry will not be able to attract good recruits in what is likely to be a booming market for skilled labour unless it changes its image from one of “greasy hands” to high tech. However, the technological changes that are occurring should be capable of helping the industry to improve its image in this respect.

New technology will demand a new type of recruit, comfortable with electronics, and new selection criteria will be needed. However, even in the high technology scenarios, it seems likely that most recruits will need to be technicians with electronic capabilities rather than electronic experts, as the rate of integration of technology and the relatively simple diagnosis and replacement of components, excepting a few difficult problems, will not justify having a purely electronics specialist sitting around in any but the very largest workshops. Indeed, the cost of having expensive skills under-utilised may stimulate demand for online semi-automated diagnostic help lines, manned by experts and specialists. Some of these experts could be ICT specialists rather than technicians expert in ICT

In the less technically advanced scenarios, demand for electronic skills will not be so extreme, and the general availability of jobs in the overall labour market will be lower, so that employers may have an easier task in finding and recruiting suitable staff.

Overall, however, the general picture under all four scenarios is one of a decade and beyond where new recruits with higher levels of basic generic skills are required and where the importance of training will shift from that of training new entrants for a lifetime in the industry to continuous retraining of employees throughout their working life in order to maintain and increase their expertise as technology changes. Flexibility of both employment and training, individualised training methods and careful selection of recruits all seem likely to be central to success.

Regional Considerations

A number of general observations have been made concerning possible differences in levels and patterns of regional development and their potential implications for the automotive retail sector under each of the four scenarios.

Key points to note include the following.

- Under *World Markets* and *National Enterprise*, economic growth is likely to be skewed towards London and the South East which are likely to attract a significant proportion of new business investment and jobs. The more northerly and western areas of the country are likely to experience slower employment growth and more persistent levels

of high unemployment, particularly in those areas that were excessively dependent upon high levels of public sector employment prior to the 2008/2009 recession.

- Under *Global Sustainability*, supported by active government policy measures and investment, economic growth and new business investment is likely to be more evenly distributed than under *World Markets* and *National Enterprise*, although there is still expected to be a bias towards the South East.

- Under Local Stewardship, the relative importance of London and the South East can be expected to show at least some decline, although it will still remain an important centre of economic activity. In contrast, regional towns and centres of specialist economic expertise are likely to grow in importance with the growing emphasis on sustainability, and the greater preponderance of small and medium-sized enterprises in providing a greater degree of regional and local self-sufficiency.

- To varying degrees, a combination of rising fuel and other motoring costs coupled with government policy towards, and available funds for investment in, transport infrastructure and public transport services are likely to work to the disadvantage of rural areas, particularly those in the more peripheral parts of the country.

Changes in the national political, social, economic and technical environment and technical and other developments in the automotive industry seem unlikely to result in significant differences in the fundamental nature of future skills required by the automotive retail industry between England, Wales Northern Ireland and Scotland.

The actual mix of skills required will, of course, vary between countries, regions and localities and scenarios. For example:

- Electric vehicles are likely to achieve a higher market penetration in the larger urban areas where congestion is greater and space more limited, and where the nature of vehicle usage and length of journey is more likely to justify their higher capital cost and investment in supporting infrastructure. Certainly, initially, there will be concentration of need for EV capable technicians in the areas in which government is currently supporting the installation of EV infrastructure.

- Hybrids and higher specification more conventional luxury cars embodying greater levels of advanced technology are likely to make greater market inroads in the more affluent parts of the country and hence engender a greater demand in these areas for the associated sales and maintenance skills.

- The poorer and more rural areas of the country seem likely to rely to a proportionately greater degree on older second-hand vehicles on account of issues of affordability, and hence the pace at which local service and repair workshops have to upgrade their skill base to cope with the new vehicle technologies may be somewhat slower than is the case in the major cities.

- Finally, under all scenarios, competitive pressures seem likely to lead to a further reduction in sales dealerships, and it is possible that the greatest fall and hence in required levels of sales personnel will be in the rural and other areas of lower population density.

In so far as it is possible to generalise within the scope of scenario work, it seems most likely, taking into account the different demographic and economic characteristics of the major regions of the UK, that:

- the greatest impact of new technologies and other factors driving change on the automotive industry's skill requirements over the coming decade will be in the southern and eastern regions of the UK and in the other major conurbations and cities of England, Wales, Northern Ireland and Scotland; and that

- the least impact on future skill requirements will be in the rural and other thinly populated areas of the four countries.

Early Warning Indicators of Future Change

While there are clearly some common strands across all scenarios with respect to future workforce skill requirements and training needs, there are also some differences, particularly in terms of degree. It will therefore be advantageous in evaluating and planning future automotive retail industry skill and training needs if the industry monitors evolving changes in the wider economic, political, and social environment in general and in the automotive industry in particular, in order to identify the early warning indicators that may signal a particular future direction of change and increased likelihood that a given scenario or important elements of a scenario may occur.

Clearly, it is likely to be possible to gauge an indication of the general direction of change by tracking actual movements, and underlying trends, in a number of the key variables flagged in the individual scenario storylines, including:

- the rate and stability of UK GDP growth;
- the rate of change in real crude oil prices and the degree of volatility in the latter;
- changes in annual and underlying trend levels of new car sales;
- the rate of UK market penetration by hybrid and electric cars;
- the rate of increase in fuel and other taxes and charges imposed by the UK government on the UK motorist.

There are also a number of scenario specific policy and other developments that may act as useful pointers. While by no means exhaustive, Table 4.11 provides some examples of the headline events that may occur under each scenario and provide advance warning of other associated developments.

Table 4.11 Some Possible Early Warning Indicators

World Markets	National Enterprise	Global Sustainability	Local Stewardship
Significant progress on international trade agreements and co-ordinated G20 reform of international financial system	Heightened global security concerns Increased incidence of regional conflicts	Open global trading environment Major and binding global treaties on combating climate change	Growth in UK international trade stagnates Government and individuals struggle to reduce their indebtedness Deflationary pressures constrain economic recovery
	Trade wars and protectionism, particularly between the US/EU and China Euro crisis leading to two speed Europe		EU evolves into a loose association of European regions Much greater local democracy with devolution of power and decision making from national to local level
Slow international progress made in curbing carbon emissions Increases in international energy supplies moderate real increases in oil and gas prices	Highly volatile energy prices, and disruption to fuel supplies	EU co-ordinates action by individual member states to impose heavy taxation and carbon pricing aimed at slashing carbon emissions, action which is reinforced by appropriate legislation Success in developing low carbon industries and processes	Heavy taxation on energy consumption and carbon emissions, reinforced by legislation

Early start on substantial programme of investment in new UK nuclear power stations	Government struggles to attract private investment for new nuclear power stations Carbon and fuel taxes are increased in an attempt to reduce energy demand Power cuts become increasingly common	Heavy investment in new low carbon manufacturing and other activities, with UK government support and incentives	Emphasis on developing smaller-scale local UK energy sources, particularly with respect to low-carbon alternatives, supported by a combination of taxation, incentives and legislation
Major inward investment into UK by multinationals	Many multinationals relocate headquarters out of UK Marked decline in UK manufacturing with major plant closures. Government moves to protect key national interests and industries.	Development of new green industries flourishes with significant government support and incentives. UK continues to be seen as an attractive investment location by international companies.	Decline in share of big industry and business SMEs grow in importance
		Renewed, substantial UK government investment in public transport and rail infrastructure	
Chinese and Indian car manufacturers start to achieve significant penetration of western car markets	Substantial and growing excess global auto manufacturing capacity leads to consolidation and plant closures in Europe	EU Certification requirements for technicians working on hybrid and EVs	

Key Themes

General

The challenge in terms of CO_2 emission reduction targets has created the requirement for low carbon technology to provide viable alternatives to the current fossil fuel-reliant vehicle fleet. It is likely that in five to ten years time the motor industry will be a very different place to what it is at this point in time. The skill needs of the retail sector are likely to change greatly because of the up-coming step change in technology and through legislative changes, economic effects and consumer demands.

Working Futures 2007-17 Forecasts

- In total, by 2017, it is forecast that 224k people will be required to fill jobs in the automotive retail industry. This accounts for 35.7% of the industry. The total UK requirement for jobs is forecast to be 43.1% for the same period.
- Of the 224k, 11k (4.9%) is due to a forecast growth in the industry over the next decade.
- Replacement demand for the industry is forecast to be 213k over the next decade to replace those leaving their jobs due to retirement or other reasons.
- The occupations within the industry forecast to require the greatest number of people are; 'sales and customer service' (66,000) and 'managers and senior officials' (48,000) from 2007-2017.
- By 2017 the total employment in the UK is forecast to increase by 5.7%.

Future Scenario Planning - Future Workforce Implications

- Skills priorities for the likely future scenarios predict the following areas to be of importance:
- Generic Skills – including more specifically Customer Handling (sales and customer service), improved literacy and numeracy, problem-solving, communications, and team working.
- Management Skills – envisaged rapid changes in new technology and market structure will require a higher level of management, particularly around leadership and strategic planning.
- Sales Skills – constant release of new makes and models and technology creates a constant need for sales training.
- Technical Skills - as the diversification and pace of new forms of technology increases, so must the training and skill levels of the workforce.
- Administrative Skills around use of ICT
- Other – recycling and disposal of increasingly hazardous and complex materials and components.

Regional Considerations

The greatest impact of new technologies and other factors driving change on the automotive retail sector's skill requirements over the coming decade will be in southern and eastern regions of the UK and other major conurbations and cities across the nations. The least impact is likely to be in rural and other thinly populated areas of the nation.

Annexes

Annex 1 - AM100: The largest 100 UK automotive retail groups by turnover

Rank 2010	Company	Turnover (£,000) 2010	Rank 2009	Outlets 2009	Outlets 2010
1	Pendragon	£3,172,700.00	1	280	254
2	Sytner Group	£2,200,000.00	3	138	137
3	Arnold Clark Automobiles	£2,139,467.00	4	122	138
4	Inchcape Retail	£2,055,700.00	2	130	127
5	Lookers	£1,749,000.00	5	114	117
6	Mercedes-Benz Retail Group	£1,172,494.00	6	40	39
7	Ford Retail	£1,150,942.00	7	63	62
8	Vertu Motors	£826,922.00	9	39	55
9	Jardine Motors Group	£815,200.00	8	52	54
10	Listers Group	£624,000.00	10	32	38
11	Greenhouse Group	£617,412.00	11	11	9
12	JCT 600	£541,000.00	12	38	42
13	Marshall Motor Holdings	£535,000.00	17	45	53
14	Camden Ventures	£496,173.00	18	18	15
15	Robins & Day	£485,000.00	13	38	40
16	Perrys Group	£424,466.00	15	38	46
17	Renault Retail Group U.K.	£366,000.00	14	20	22
18	Benfield Motor Group	£336,000.00	26	25	31
19	Parks Motor Group	£335,000.00	22	24	28
20	Cambria Automobiles	£325,466.00	31	27	37
21	Reeve (Derby)	£322,600.00	16	15	17
22	Wayside Group	£320,613.00	41	10	15
23	Agnew Group	£317,000.00	19	16	14
24	RRG Group and Norton Way Motors	£313,350.00	20	21	24
25	Rybrook Holdings	£300,000.00	34	17	16
26	Eastern Western Motor Group	£297,263.00	23	30	26
27	Ridgeway Group	£280,469.00	25	22	20
28	Citroen Retail Group	£279,100.00	27	12	12
29	Helston Garages Group	£278,000.00	24	33	36
30	John Clark Motor Group	£258,155.00	28	13	13
31	Hartwell Plc	£251,792.00	21	28	32
32	Mon Motors	£232,323.00	38	10	10
33	Dick Lovett	£224,456.00	32	14	15
34	Williams Motor Co	£223,060.00	29	9	9
35	Hendy Group	£221,000.00	30	22	17
36	Harwoods	£219,689.00	35	15	15
37	Donnelly Bros Garages Dungannon	£211,000.00	48	28	26
38	Vindis Group	£210,000.00	39	14	14
39	Johnsons Cars	£207,549.00	70	17	24
40	Group 1 Automotive UK T/A Barons Group and Chandlers Group	£200,000.00			10
41	Co-Operative Group Motors	£197,744.00	33		22

42	Lloyd Motors	£194,000.00	**43**	**15**	**16**
43	Drive Motor Retail	£190,740.00	**42**	**12**	**13**
44	T.C. Harrison Group	£190,517.00	**37**	**14**	**9**
45	G K Group	£190,000.00	**36**	**21**	**14**
46	Gilder Group	£179,026.00	**40**	**9**	**7**
47	Sinclair Motors Holdings	£176,473.00	**51**	**19**	**18**
48	Halliwell Jones Group	£176,139.00	**46**	**8**	**8**
49	Toomeys	£174,189.00	**52**	**13**	**15**
50	Swansway	£172,161.00	**59**	**8**	**10**
51	Stoneacre Motor Group	£166,107.00	**55**	**34**	**40**
52	Sandicliffe Motor Group	£165,000.00	**56**		**18**
53	T.G. Holdcroft	£160,968.00	**60**	**13**	**14**
54	Caffyns Plc	£160,000.00	**45**	**25**	**28**
55	C.E.M. Day	£160,000.00	**58**	**9**	**11**
56	Hodgson Automotive	£159,088.00	**65**	**7**	**7**
57	Lomond Motor Group	£158,243.00	**57**	**4**	**4**
58	Motorline	£157,300.00			**19**
59	Vospers	£156,398.00	**47**	**22**	**27**
60	Aprite	£155,800.00	**85**	**11**	**12**
61	Westover Group	£152,488.00	**68**	**19**	**19**
62	The Harratts Group	£151,800.00	**71**	**10**	**12**
63	Brindley Garages	£150,000.00	**63**	**19**	**18**
64	John Martin Group	£146,891.00	**49**	**24**	**27**
65	S Jennings	£146,735.00	**75**		**10**
66	Currie Motors UK	£144,600.00	**53**	**8**	**4**
67	Beadles Group	£144,044.00	**72**	**11**	**11**
68	Glyn Hopkin	£143,456.00	**78**	**20**	**20**
69	Peter Vardy	£139,468.00			**7**
70	Robinson Motor Group	£139,417.00	**54**	**15**	**15**
71	Stephen James	£137,290.00	**62**	**9**	**8**
72	Meteor Group Plc	£137,158.00	**61**	**10**	**14**
73	Phoenix Car Company	£136,791.00	**69**	**16**	**16**
74	Jemca	£136,673.00	**73**	**10**	**10**
75	Porsche Retail Group	£134,742.00	**44**	**5**	**5**
76	Peoples	£132,910.00	**66**	**7**	**6**
77	Macrae & Dick	£129,448.00	**77**	**10**	**10**
78	H R Owen Plc	£125,406.00	**67**	**10**	**10**
79	Yeomans	£123,715.00	**83**	**14**	**14**
80	Vines Group	£121,659.00	**74**	**6**	**6**
81	Colborne Garages	£119,168.00	**76**	**7**	**8**
82	Lifestyle Europe	£117,753.00	**89**	**12**	**17**
83	Spire Audi	£117,166.00	**87**	**4**	**4**
84	Colebrook and Burgess	£112,092.00	**80**	**4**	**4**
85	Barretts of Canterbury	£111,635.00	**97**	**11**	**11**
86	John Grose Group	£108,862.00	**82**	**8**	**10**
87	Specialist Car Group	£107,900.00			**6**
88	WJ King Garages	£106,898.00	**90**	**17**	**17**
89	Verve	£105,000.00			**18**
90	Bestodeck	£102,200.00			**17**
91	Wood Group	£101,506.00	**88**	**8**	**9**

92	FRF Motors	£100,000.00	**94**	**8**	**12**
93	S G Smith Group	£99,500.00	**79**	**11**	**12**
94	Blue Bell BMW	£98,000.00	**99**	**4**	**4**
95	Snows Motor Group	£97,453.00	**93**	**13**	**13**
96	Clare James Automotive	£96,240.00			**10**
97	Essex Auto Group	£95,000.00	**98**	**11**	**16**
98	F G Barnes & Sons	£95,000.00	**95**	**16**	**12**
99	Foray Motor Group	£90,984.00			**7**
100	Silver Street Automotive	£90,277.00			**12**

Source: http://www.am-online.com/AM100/ (Accessed October 2010)

Annex 2 - Franchised Dealer Outlets

Franchise	Total Sales Outlets	Main Dealers	Satellite Outlets *	Retail Sub Dealers	Sales Only	Auth. Service Repairer	Manfr. Owned Dealers	Total Sales **	Sales Per Outlet ***	Open Points
Alfa Romeo	47	46			1	25		5,950	127	13
Audi	117	117				18		100,845	862	
BMW	149	148			1	6	1	113,132	759	
Chevrolet****	100	97			3	26		18,372	184	
Chrysler/Jeep	54	54				26		13,260	246	
Citreon	197					63	12	102,202	519	
Daihatsu	100	99			1	22	1	4,841	48	14
Fiat	159	158			1	42	1	64,664	407	42
Ford	550	342	208			79	55	403,249	1,179	
Honda	189	189				12		83,782	443	
Hyundai	131	131				14	2	28,034	214	45
Jaguar	92	92				8		20,379	222	
Kia	132	132				14	1	31,373	238	
Land Rover	125	125				18		37,021	296	2
Lexus	50	50				5		10,147	203	
Mazda	158	158				17		50,402	319	9
Mercedes Benz	133	133				25	19	99,461	563	
MINI	149	148			1	6	1	40,736	273	
Mitsubishi	118	117			1	13	10	23,172	196	38
Nissan	181	181				11	12	76,296	422	13
Peugeot	280	280				32	37	134,345	480	
Porsche	34	33			1	1	4	5,918	174	
Proton	76	76				21		1,467	19	30
Renault	219	148	34	37		19	20	106,532	720	
Saab	86	86				30		16,074	187	
SEAT	109	109				13		29,397	270	
Skoda	128	127			1	20		37,100	290	
Smart ****	47	47				23	6	7,525	160	
Ssangyong	32	32			1	16		629	20	
Subaru	76	76				19	1	4,668	61	
Suzuki	146	141	4		1	13		26,094	179	
Toyota	187	187				20		114,262	611	
Vauxhall	400	275	125			84		348,326	1,267	
Volkswagon ***	220	219			1	33		179,189	814	
Volvo	106	103			3	7		33,358	315	
Total	5,077	**4,456**	371	37	17	801	183	2,372,202	502	206

Source: Sewells Franchise Networks 2009

Annex 3

Car tax bands and 12 months Car tax rate for cars first registered on or after 1 March 2010[115]

VED band	CO2 Emissions (g/km)	2008/9[1] standard rate	CO2 Emissions (g/km)	2009/10 standard rate[4]	2010/11 first year rate[5]	2010/11 standard rate
A	Up to 100	0	Up to 100	**0**	0	0
B	101 - 120	£35	101 - 110	**£35**	0	£20
C	121 - 150	£120	111 - 120	**£35**	0	£30
D	151 - 165	£145	121 - 130	**£120**	0	£90
E	166 - 185	£170	131 - 140	**£120**	£110	£110
F	over 186[2]	£210	141 - 150	**£125**	£125	£125
G	over 225[3]	£400	151 - 165	**£150**	£155	£155
H			166 - 175	**£175**	£250	£180
I			176 - 185	**£175**	£300	£200
J			186 - 200	**£215**	£425	£235
K[6]			201 - 225	**£215**	£550	£245
L			226 - 255	**£405**	£750	£425
M			over 255	**£405**	£950	£435

[1]2008/09 rates took effect from 13 March 2008
[2]Includes cars emitting over 225g/km and first registered between 1 March 2001 and 23 March 2006.
[3]Cars registered on or after 23 March 2006
[4]Alternative fuel car discounts: 2009/10 £20 bands A - I, £15 bands J - M; 2010/11 £10 all cars
[5]First year rate or 'showroom tax' applies to new car purchases only. Rate reverts to 'standard rate' in subsequent years. (see also 'important changes' box above)
[6]Includes cars emitting over 225g/km and first registered between 1 March 2001 and 23 March 2006.

[115] http://www.theaa.com/motoring_advice/car-buyers-guide/cbg_roadtax.html

Annex 4 – Data Sources

Inter-departmental Business Register (IDBR)

The IDBR covers businesses in all parts of the economy throughout the UK, missing some very small businesses operating without VAT or PAYE schemes (self employed and those with low turnover and without employees) and some non-profit organisations. The Department for Business, Enterprises and Regulatory Reform makes an estimate of the total number of businesses in the UK at 4.4 million, of these the IDBR holds records of 2.1 million units representing nearly 99 per cent of UK economic activity.

The two main sources of input are the Value Added Tax (VAT) system from Customs & Excise and Pay As You Earn (PAYE) from Inland Revenue. Additional input comes from Companies House, Dun and Bradstreet and the ONS business surveys.

The IDBR provides information at both the enterprise and the local unit level. The Office of National Statistics (ONS) uses the term 'enterprise' and 'local unit' to describe the different parts of a business. Local units are sites or work places while enterprises are whole businesses under common ownership. A single site business, such as a shop which is not part of a chain would thus be classified as a single site enterprise with only one local unit while a multi site enterprise refers to a chain of shops/units that are under common ownership.

Annual Business Inquiry (ABI)

The Annual Business Inquiry is based upon the ONS Inter-Departmental Business Register (see above) and records both financial and employment data for businesses in England, Scotland and Wales.

Detailed ABI data is available predominately at the local unit level, though the main annual report, released at the UK level only, issues figures in terms of enterprises. Though detailed ABI information is not currently available for Northern Ireland, the main report lists information for the UK as a whole and does include Northern Ireland.

ABI information is available for all the individual SIC codes covered within the Automotive Skills footprint.

Discrepancies between overall ABI and IDBR figures arise due to sampling methods and time frames used by each data source. The IDBR is sampled continuously throughout the year while the ABI is sampled at one point in time.

It is recommended that where possible IDBR data should be used for counts of business units and enterprises as it is a snapshot taken at a given point in time and is considered the most reliable evaluation of the number of UK businesses. For turnover data however the ABI is considered to be the more reliable source of information.

LFS (Labour Force Survey)

The Labour Force Survey is a quarterly sample survey of households living at private addresses in Great Britain and Northern Ireland and is compiled in order to provide information about the UK labour market. In Great Britain the survey in managed by the Social and Vital Statistics division of the ONS and in Northern Ireland by the Central Survey Unit of the Department of Finance and Personnel in Northern Ireland. Postcode addresses on which the survey is based are compiled and provided by the post office.

The results from the quarterly survey are weighted to make them representative of the UK population as a whole. The data used has been obtained through surveys and as such the numbers are estimates. Like all survey results these are subject to sampling error**.** The figures given may vary from the 'true' picture throughout the UK but are the best reflection and should be considered indicative rather than absolute.

Since 1992 the survey has been carried out on a quarterly basis and detailed information about the labour market and individuals are available for most SIC codes. It should be noted that until the release of survey data under the new 2007 SIC code scheme (data from 2009) the LFS combined some SIC codes – namely 50.10, 50.30 and 50.50. Separate analysis of these sub-sectors was therefore not possible. SIC 50.50 represents the sale of automotive fuel which does not fall within IMI Automotive Skills' footprint, but had to be included in any analysis based on the pre-2009 LFS as separate data is not available. Where necessary for comparison with data from earlier years, SIC 50.50 (now 47.30) has been added back in to 2009 figures.

Working Futures 2007-17

The Working Futures 2007-17 data series has been created on behalf of the Learning and Skills Council and its partners by the Warwick Institute for Employment Research in collaboration with Cambridge Econometrics. The information used has been taken from the nations and regions workbooks, downloaded in February 2009 from the Learning and Skills Councils site at https:// partnerteams.lsc.gov.uk/workingfutures. The worksheets used are for the sector skills councils and provide information specific to the IMI's footprint based upon SIC 50.10, 50.20, 50.30, 50.40 and 71.10.

The working futures projections should be seen as indicative of likely trends rather than precise forecasts. The forecasts were produced prior to the emergence of the recession and present a view of medium to long term trends based on the assumption that the economy recovers relatively quickly and that the employment patterns revert to longer term trends[116].

[116] Working Futures 2007-2017 Technical Report, preface and acknowledgements, available at http://www.ukces.org.uk/pdf/WF%20III%20Technical%20Report.pdf

Annex 5 - Mapping of 2003-2007 SIC Codes

SIC 2003	Description	SIC 2007	Description	Comments
50.10/1	Sales of new motor vehicles	**45.11/1**	Sale of new cars and light motor vehicles	Wholesale and retail sale of new vehicles: - passenger motor vehicles, including specialised passenger motor vehicles such as ambulances and minibuses, etc. - wholesale and retail sale of off-road motor vehicles like jeeps (less than 3.5 tons)
50.10/1	Sale of new motor vehicles	**45.19/0**	Sale of other new motor vehicles	Wholesale and retail sale of new vehicles: - lorries, trailers and semi-trailers - camping vehicles such as caravans and motor homes - wholesale and retail sale of off-road motor vehicles (more than 3.5 tons)
50.10/2	Sale of used motor vehicles	**45.11/2**	Sale of used cars and light motor vehicles	Wholesale and retail sale of used vehicles: - passenger motor vehicles, including specialised passenger motor vehicles such as ambulances and minibuses, etc. - wholesale and retail sale of off-road motor vehicles like jeeps (less than 3.5 tons)
50.10/2	Sale of used motor vehicles	**45.19/0**	Sale of other used motor vehicles	Wholesale and retail sale of used vehicles: - lorries, trailers and semi-trailers - camping vehicles such as caravans and motor homes - wholesale and retail sale of off-road motor vehicles (more than 3.5 tons)
50.20/0	Maintenance and repair of motor vehicles	**45.20/0**	Maintenance and repair of motor vehicles	Maintenance and repair of motor vehicles: mechanical, electrical, etc. Tyre and tube repair, fitting or replacement Antirust treatment Installation of parts and accessories, not part of the manufacturing process
50.20/0	Maintenance and repair of motor vehicles	**52.21/9***	Other service activities incidental to land transportation	Towing Roadside assistance
50.30/0	Sale of motor vehicle parts and accessories	**45.31/0**	Wholesale trade of motor vehicle parts and accessories	Wholesale trade of motor vehicles parts and accessories
50.30/0	Sale of motor vehicle parts and accessories	**45.32/0**	Retail trade of motor vehicle parts and accessories	Retail trade of motor vehicles parts and accessories

50.40/0	Sale, maintenance and repair of motorcycles and related parts and accessories	**45.40/0**	Sale, maintenance and repair of motorcycles and related parts and accessories	
71.10/0	Renting of automobiles	**77.11/0**	Renting and leasing of cars and light motor vehicles	
		77.12/0**	Renting and leasing of trucks (not previously contracted as part of footprint)	Renting and operational leasing of land-transport equipment without drivers, except automobiles: - trucks, haulage tractors, trailers and semi-trailers - recreational vehicles

* part of Go Skills footprint under new 2007 SIC classification

** not previously included in IMI's footprint

Annex 6 - Full List of Activities Included in SIC 2007 Classification

45 Wholesale and retail trade of and repair of motor vehicles and motorcycles		
	45.1	Sale of motor vehicles
	45.11	Sale of cars and light motor vehicles
	45.11/1	Sale of new cars and light motor vehicles
SIC 2003	SIC 2007	
50101	45111	ambulances with a weight not exceeding 3.5 tonnes (new) (retail)
50101	45111	ambulances with a weight not exceeding 3.5 tonnes (new) (wholesale)
50101	45111	four wheel drive vehicles with a weight not exceeding 3.5 tonnes (new) (retail)
50101	45111	four wheel drive vehicles with a weight not exceeding 3.5 tonnes (new) (wholesale)
50101	45111	minibuses with a weight not exceeding 3.5 tonnes (new) (retail)
50101	45111	minibuses with a weight not exceeding 3.5 tonnes (new) (wholesale)
50101	45111	motor vehicle with a weight not exceeding 3.5 tonnes (new) exporter
50101	45111	motor vehicle with a weight not exceeding 3.5 tonnes (new) importer
50101	45111	motor vehicles with a weight not exceeding 3.5 tonnes (new) (retail)
50101	45111	motor vehicles with a weight not exceeding 3.5 tonnes (new) (wholesale)
50101	45111	off-road motor vehicles with a weight not exceeding 3.5 tonnes (new) (retail)
50101	45111	off-road motor vehicles with a weight not exceeding 3.5 tonnes (new) (wholesale)
	45.11/2	Sale of used cars and light motor vehicles
50102	45112	ambulances with a weight not exceeding 3.5 tonnes (used) (retail)
50102	45112	ambulances with a weight not exceeding 3.5 tonnes (used) (wholesale)
50102	45112	car auctions
50102	45112	four wheel drive vehicles with a weight not exceeding 3.5 tonnes (used) (retail)
50102	45112	four wheel drive vehicles with a weight not exceeding 3.5 tonnes (used) (wholesale)
50102	45112	garage selling used motor vehicles (retail)
50102	45112	internet car auctions
50102	45112	minibuses with a weight not exceeding 3.5 tonnes (used) (retail)
50102	45112	minibuses with a weight not exceeding 3.5 tonnes (used) (wholesale)
50102	45112	motor vehicle with a weight not exceeding 3.5 tonnes (used) importer
50102	45112	motor vehicles with a weight not exceeding 3.5 tonnes (used) (retail)
50102	45112	motor vehicles with a weight not exceeding 3.5 tonnes (used) (wholesale)
50102	45112	off-road motor vehicles with a weight not exceeding 3.5 tonnes (used) (retail)
50102	45112	off-road motor vehicles with a weight not exceeding 3.5 tonnes (used) (wholesale)
	45.19	Sale of other motor vehicles
50101	45190	camping vehicles (retail)
50102	45190	camping vehicles (used) (retail)
50102	45190	camping vehicles (used) (wholesale)
50101	45190	camping vehicles (wholesale)
50102	45190	caravan (used) (retail)
50102	45190	caravan (used) (wholesale)
50101	45190	caravans (retail)
50101	45190	caravans (wholesale)
50101	45190	lorries (retail)
50102	45190	lorries (used) (retail)
50102	45190	lorries (used) (wholesale)
50101	45190	lorries (wholesale)
50102	45190	motor homes (used) (retail)
50102	45190	motor homes (used) (wholesale)
50102	45190	motor vehicle (used) exporter

50101	45190	motorhomes (retail)
50101	45190	motorhomes (wholesale)
50101	45190	off-road motor vehicles with a weight exceeding 3.5 tonnes (new) (retail)
50101	45190	off-road motor vehicles with a weight exceeding 3.5 tonnes (new) (wholesale)
50102	45190	off-road motor vehicles with a weight exceeding 3.5 tonnes (used) (retail)
50102	45190	off-road motor vehicles with a weight exceeding 3.5 tonnes (used) (wholesale)
50101	45190	semi-trailers (retail)
50102	45190	semi-trailers (used) (retail)
50102	45190	semi-trailers (used) (wholesale)
50101	45190	semi-trailers (wholesale)
50101	45190	trailers (new) (wholesale)
50101	45190	trailers (retail)
50102	45190	trailers (used) (retail)
50102	45190	trailers (used) (wholesale)
	45.2	**Maintenance and repair of motor vehicles**
	45.20	**Maintenance and repair of motor vehicles**
50200	45200	anti-rust treatment of motor vehicles
50200	45200	automobile association service centres
50200	45200	car valeting
50200	45200	car wash
50200	45200	installation of motor vehicle parts and accessories (not as part of production process)
50200	45200	installation of motor vehicle parts and accessories, not part of the manufacturing process
50200	45200	maintenance of motor vehicles
50200	45200	motor repair depot
50200	45200	motor vehicle painting and body repairing
50200	45200	motor vehicle servicing
50200	45200	motor vehicle spraying
50200	45200	omnibus repair depot
50200	45200	painting of motor vehicles
50200	45200	panel beating services
50200	45200	reme workshop
50200	45200	repair and maintenance of auto electricals
50200	45200	repair and maintenance of commercial vehicles
50200	45200	repair and maintenance of trailers and semi-trailers
50200	45200	repair and servicing in garages of motor vehicles
50200	45200	repair of car bodies
50200	45200	repair of car electrical systems
50200	45200	repair of car electronics
50200	45200	repair of fuel injection systems for motor vehicles
50200	45200	repair of motor cars (except roadside assistance)
50200	45200	repair of motor vehicle parts
50200	45200	repair of motor vehicle seats
50200	45200	repair of motor vehicle windscreens
50200	45200	repair of motor vehicles (except roadside assistance)
50200	45200	repair of tyres and tubes (fitting or replacement)
50200	45200	repair of motor vehicle windows
50200	45200	repair to bodywork of motor vehicles
50200	45200	servicing of motor vehicles
50200	45200	windscreen replacement services
	45.3	**Sale of motor vechicle parts and accessories**
	45.31	**Wholesale trade of motor vehicles parts and accessories**
50300	45310	motor accessories dealer (wholesale)

50300	45310	motor vehicle parts and accessories (wholesale)
	45.32	**Retail trade of motor vehicle parts and accessories**
50300	45320	car batteries (retail)
50300	45320	exhaust sales and fitting centre (retail)
50300	45320	mail order sales of motor vehicle parts and accessories (retail)
50300	45320	motor accessories dealer (retail)
50300	45320	motor vehicle parts and accessories (retail)
50300	45320	tyre dealer (retail)
	45.4	**Sale, maintenance and repair of motorcycles and related parts and accessories**
50400	45400	moped sales (retail)
50400	45400	moped sales (wholesale)
50400	45400	motorcycle exporter (wholesale)
50400	45400	motorcycle importer (wholesale)
50400	45400	motorcycle parts and accessories (retail)
50400	45400	motorcycle parts and accessories (wholesale)
50400	45400	motorcycle sales (retail)
50400	45400	motorcycle sales (wholesale)
50400	45400	repair and maintenance of motor cycles
	77.1	**Renting and leasing of motor vehicles**
	77.11	**Renting and leasing of motor vehicles**
71100	77110	automobile rental (self drive)
71100	77110	car hire (self drive)
71100	77110	car leasing
71100	77110	car rental (self drive)
71100	77110	contract car hire (self drive)
71100	77110	light motor vehicle (not exceeding 3.5 tonnes) renting or leasing
71100	77110	van rental (self drive not exceeding 3.5 tonnes)
	77.12	**Renting and leasing of trucks**
71219	77120	commercial vehicle (light) hire (without driver)
71219	77120	commercial vehicle (medium and heavy type) contract hire (without driver)
71219	77120	commercial vehicle (medium and heavy type) hire (without driver)
71219	77120	freight container hire
71219	77120	haulage tractors rental (without driver)
71219	77120	recreational vehicles renting and leasing
71219	77120	road trailer hire
71219	77120	trailers and semi-trailers rental
71219	77120	truck rental (without driver)
71219	77120	trucks and other heavy vehicles exceeding 3.5 tonnes renting and leasing
71219	77120	van hire (exceeding 3.5 tonnes without driver)

Now under Go Skills in the 2007 SIC Classification

	52.21/9	**Other service activities incidental to land transportation**
50200	**52219**	**automobile association road patrols**
63210	52219	bicycle parking operations
63210	52219	bridge operation
63210	52219	bus station operation
63210	52219	car park
63210	52219	caravan winter storage
63210	52219	clamping and towing away of vehicles
63210	52219	commercial vehicle park

63210	52219	garage (parking)
11100	52219	gas liquefaction for land transportation purposes
63210	52219	goods handling station operation
63210	52219	lessee of tolls
63210	52219	local authority car parks
63210	52219	motive power depot (railway)
50200	**52219**	**motorists' organisation (road patrol)**
63210	52219	motorway maintenance unit
63210	52219	parking lot operation
63210	52219	parking meter services
63210	52219	radio despatch offices for taxis, bicycle couriers etc.
63210	52219	railway running shed
63210	52219	railway station operation
63210	52219	repair and maintenance of rolling stock (minor)
63210	52219	roads operation
50200	**52219**	**roadside assistance for motor vehicles**
50200	**52219**	**royal automobile club road patrols**
60101	52219	switching and shunting on railways
60109	52219	switching and shunting
63210	52219	toll bridge, road or tunnel
50200	**52219**	**towing and road side assistance**
63210	52219	towing away of vehicles
63210	52219	tunnels operation
63210	52219	weighbridge services

Annex 7 – IMI Automotive Retail Sector, Scenario Analysis of Potential Skill Requirements – Approach and Methodology

As a sector skills council, The Institute of the Motor Industry (IMI) is required by the UK Commission for Employment and Skills (UKCES) to adhere to a common framework of labour market intelligence (LMI). As part of this framework, the IMI is required to produce an annual sector skills assessment which includes, as one of its key elements, an *"anticipation of what lies ahead"*.

Using a scenario-based approach seeks to:

- identify the key issues, drivers and changes which the UK automotive retail industry may encounter over the longer-term;

- assess their potential implications for the industry's employment, skill and training requirements.

The focus is firmly on future skill requirements, i.e. the demand side of the equation. Its remit does not include an investigation into the current and future supply availability of particular skills.

Furthermore, due to the limited availability of data on historic employment:output ratios for individual occupational sub-groups, the analysis of future skill requirements in the report is primarily qualitative.

The year 2020 has been chosen as an appropriate time line for analysis. 2020 is considered to be sufficiently far ahead in time to explore some potentially significant changes which could occur within the overall environment in which the UK automotive retail industry operates and in the industry's technology, products, services, processes and skill-base, yet not too far ahead to result in purely blue-sky thinking.

The Overall Framework for the Vision 2020 Scenarios

While the emphasis is firmly on the future of the UK automotive retail industry, the wider political, economic and social environment, both internationally and within the UK, was considered. This is due to a number of the key forces driving change in the industry lie within, the broader environment.

Due to availability of resources it was decided to adopt the Foresight Futures Vision 2020 scenarios, with some updating amendments, as the macro framework. This has the added advantage of aligning the current sector skills analysis with the scenarios adopted in the broader future skills requirements analysis recently undertaken and published by the UK Commission for Skills and Employment (UKCES) as part of its 2010 National Strategic Skills Audit for England.

The original Foresight Futures Vision 2020 scenarios were developed for the then Department of Trade & Industry by a team of researchers at SPRU - Science and Technology Policy Research, University of Sussex, in consultation with stakeholders from business, government and academia. The Vision 2020 scenarios built on an extensive review of other national and global futures scenarios, and have the advantage of being widely used. They incorporate a broad spread and combination of key, macro drivers of change. The scenario storylines draw on an analysis of socio-economic trends, but also introduce elements of novelty and change.

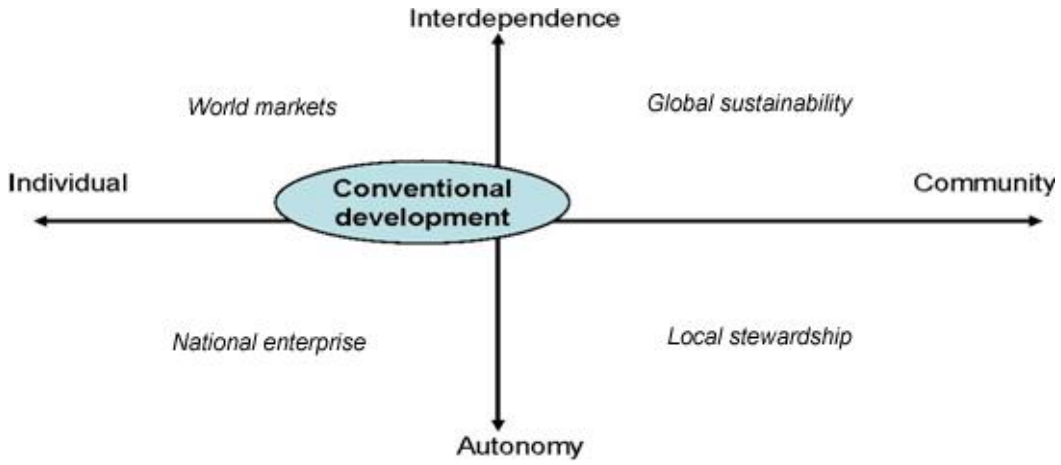
The scenarios are framed within the context of two key variables - social values and systems of governance - the direction of which is uncertain yet likely to have a major impact on shaping the future course of events. Social values (horizontal axis in Figure 1 below) range

from individualistic values to more community orientated values. Systems of governance (vertical axis in Figure 1 below) deal with the structure of government and the decision making process, ranging from autonomy where power remains at a national level or becomes more regional, to interdependence where power increasingly moves to other institutions, such as up to the EU or other international bodies, or to multi-national corporations.

The original Foresight Futures scenario storylines have been updated to reflect global developments since the scenarios were originally produced, and indicate the possible paths of economic development over the coming decade.

The resulting scenarios describe what the UK could be like in 2020. The accompanying chart (Figure 1) positions each of the scenarios, named here as *World Markets, Global Sustainability, National Enterprise and Local Stewardship*. The scenario 'space' in relation to the two axes labelled in Figure 1 as 'conventional development' represents a common view of the general environment which prevailed during the latter half of the 1990s and early years of the current millennium.

Figure 1 Foresight Futures Vision 2020 Scenarios



The Approach to Developing the Detailed Automotive Retail Industry Scenarios

Based on each of the four scenarios, a more detailed sector picture of how the automotive retail industry might look in 2020 - with respect to its size, structure and composition – was then developed.

This particular part of the scenario building process involved several steps including desk research, horizon scanning, interviews and a skills workshop.

Horizon Scanning

The first key task was to carry out an horizon scan in order to identify the issues, trends and forces for change that may potentially affect the long-term employment and skill requirements of the automotive retail industry. This involved a comprehensive scan of both global and national PEST (Political, Economic, Social, and Technological) as well as legal, regulatory and environmental factors, using a wide variety of published reports and other information sources. Information obtained during the accompanying interview programme was used to inform and expand the horizon scanning process.

The scan included search and identification of issues that will stretch thinking about the future. The scan looked for issues that may have an impact over the coming two decades, significantly beyond the chosen 2020 time-line adopted for the development of the scenarios.

Industry Interviews

In addition, a number of structured interviews were undertaken with a cross section of automotive industry experts in order to gain further insight into areas for scanning and analysis. The interviews were conducted around the focal question of: *"what will be the drivers and impact of change on the automotive retail industry's employment and skills landscape in the UK by 2020 and what will be the challenges and opportunities facing the industry?"* The interviews also sought to elicit relevant detail on specific areas such as the direction and pace of take-up of new technologies and their potential impact on skill requirements and workforce productivity.

Project Workshop

A workshop was held at which the resulting scenarios were presented to a group of industry participants with the aim of stimulating structured debate around the opportunities and challenges for the industry and the potential impact on its long-term skill and training requirements. In particular, attention was given to exploring delegates' views and reactions towards alternative future outcomes, together with the actions that may advantageously be taken under all scenarios to ensure that the industry is best placed to meet its potential long-term skill needs.

Probability of Alternative Scenario Outcomes

In conclusion, it must be stressed that the alternative scenario outcomes generated as one of the key outcomes do not necessarily represent all possible outcomes and are not equally likely or exclusive. The eventual outcome may comprise of a combination of events from the various scenarios, or be completely different. This is not of great consequence since the key benefit of the scenario approach is that uncertainty inherent in the future is made more explicit when considering that future.

Annex 8 – IMI Automotive Retail Sector, Scenario Analysis of Potential Skill Requirements – Approach and Methodology

Context for Scenario One – World Markets in 2020

Economic and Political Framework

Following the financial crisis and recession in 2008/2009, massive international fiscal and monetary stimuli eventually succeeded in stabilising the global economy.

While the economic and financial environment of the first few years of the 2010 decade remained somewhat volatile and uncertain, growth remained more or less in positive territory, subsequently gathering momentum in the latter half of the decade. This in turn led to increased demand and upward price pressure on commodities, many of which had suffered from reduced investment in new supply capacity in the wake of the 2008 financial crisis. The out-workings of the latter also included a shift in relative GDP growth rates and economic and political influence away from heavily indebted economies such as the US and UK towards the Asian continent, and in particular China.

Immediately following the financial crisis, there was the threat of a retreat from unfettered capitalism, and greater government intervention and regulation of markets, but this receded somewhat as growth resumed. However, the need for better global policy co-ordination and regulation, notably with respect to financial markets, was generally acknowledged and acted upon.

Developments in the UK

During the early 2010s, the growth of the UK economy remained sluggish and uneven under the impact of increases in taxation and cuts in public spending, as the government of the day grappled with the need to reduce the public sector budget deficit and maintain the confidence of financial markets. While tax increases inevitably figured in the equation, public expenditure cuts bore the brunt of the burden.

UK GDP, however, has since recovered to an underlying trend rate of around 2½%, close to its earlier historic norm. GDP now stands some 20% up on its 2007 pre-recession level. Real household disposable income has increased broadly in line with GDP.

The Role of the State and the Individual

Looking back to what are seen as better times, individuals wish to improve their own lives and are less concerned about equality and the effects that inequality may have on society as a whole. Economic and income growth eventually strengthen as stability and balance is progressively restored to the economy. However, the gap between rich and poor countries, and between rich and poor individuals within the UK, continues to widen.

In the UK, public expenditure cuts enacted to tackle the level of public indebtedness and poor state of public finances, coupled with pressure to limit the burden of personal and corporate taxation, have resulted in a sharp pull-back in the activities of the state, including provision of welfare payments and services where charitable and voluntary organisations have been increasingly been relied upon to take up some of the slack. Despite their best endeavours, inequality and social tensions have increased.

Various aspects of economic and financial management, commerce and trade pass to, and are co-ordinated by, global institutions, while nationally there is some further devolution of

power to regions. Following the ratification of the Lisbon Treaty by all EU member states in 2009, Europe has assumed a greater role in defence and economic and social policy.

While in certain respects, the influence of Europe becomes stronger, there has also been recognition of the costs of excessive bureaucracy and its negative consequences for European competitiveness. Consequently, self-regulation has asserted its importance in a number of market areas, with a belief that corporate social responsibility can be relied upon to deliver desirable outcomes.

Consumerism is to the fore; business is focussed on developing global markets; global competition intensifies; fewer firms and brands, many multinational, come to dominate many sectors. Global standards emerge for many products and services.

Business and Consumer Services

In the UK, the main engine of growth is the business and consumer services sector, particularly healthcare, leisure and travel, financial services, media and entertainment, education and information services.

Growing national and personal income inequalities; an increase in social tensions; the increased intensity of international competition; and the increased prevalence of the digital economy and potential for cyber-crime all combine to heighten personal, business and government security concerns, thereby spawning growth of related products and services.

Manufacturing

UK manufacturing is further marginalised as traditional activities in primary industries decline, a result of business failures stemming from the 2008/2009 recession, increased competition from the BRICs, most notably China, in higher value-added manufacturing activities, and more generally from other lower cost centres of production in Europe, Asia and Latin America.

Driven by the growth of global competition and multinationals, centres of world-class specialisation expand, linked into interconnected clusters of expertise in areas such as science and engineering. A number of UK high-tech manufacturing centres, notably in the area of ICT and biotechnology, experience continued growth on the back of strong established clusters of expertise and technologically driven change. However, this is insufficient to offset decline in weaker centres of activity and more traditional manufacturing. The successful assembly industries that remain tend to be linked to complex global supply chains. They are generally small scale, agile and innovative, refashioned in part by developments in ICT and other advanced manufacturing techniques.

Construction

After a depressed period following the recession and public sector cutbacks, demand for construction has recovered, driven by innovation in technologies for the built-environment and the need for infrastructure renewal. Planning controls have been relaxed.

Agriculture

Agriculture becomes increasingly concentrated, industrialised and global in scale.

The Provision of Public Services

A much smaller public sector is mirrored in a reduced level of direct government involvement in the delivery of healthcare, education and other social services. More public services are privatised or become privately managed. There is greater focus of public resources on the poor and disadvantaged accompanied by more widespread user charges and fees on those who are deemed to have the ability to pay.

In education, individuals and their employers have assumed a greater level of responsibility for financing tertiary education and vocational training.

Innovation and Technological Change

Driven by international competitive forces and the spread of best practice, UK productivity improves strongly and accelerates structural change.

New technologies are adopted rapidly. Much technical change is consumer-focussed and dominated by the wide use of information and communication technology (ICT). This has a profound effect on how products and services are developed, produced and delivered. ICT also plays a key role in establishing strong consumer relationships, for example through new methods of online market research, customised marketing and design on demand. The application of biotechnology increases and nanotechnology starts to have an increasing effect in a number of sectors.

Labour Markets

The labour force is highly mobile, reflecting increased globalisation, economic growth, a weakening of labour market regulation, and heightened international competition for skilled workers. Tele-working and flexible employment arrangements become more commonplace. Individuals with professional and other marketable skills flourish.

There continues to be some growth in low skill, low pay service jobs in local markets. However, the long-term unemployed and unskilled workers tend to be further marginalised as benefit systems are squeezed. The digitalisation of the economy and society also acts to deepen social exclusion as internet access is required to use many public and private services and as many low-skilled, low-income workers lack the requisite internet and computing skills.

The potential impact of an ageing UK population has continued to be mitigated through immigration. However, unfettered in-migration of unskilled labour has increasingly been viewed as a threat by many in the more developed countries resulting in greater political pressure and action to stem the flow and pursue selective immigration policies.

Regional Development

Most UK regions are now benefitting from renewed economic growth, but London and the Greater South East, with their financial and service base and clusters of high tech industry, have attracted the bulk of new business investment, and areas of high unemployment persist elsewhere in the UK.

Environment and Sustainability

Energy prices, although increasing somewhat in real terms, have remained relatively stable due to greater international collaboration to develop available oil and gas reserves and lack of supply disruptions. This has acted to moderate concerns over the longer-term cost and security of energy supplies.

Difficulties in achieving an international consensus over how the cost of reducing carbon emissions is to be met and shared between developed and developing nations, has resulted in only modest progress towards reaching legally binding international accords on climate change. Minimum standards of social and environmental policy are achieved through the international legal framework and further enhanced through using a market-based approach of pricing, traded permits and incentives.

Such action has proved insufficient to cut greenhouse gas emissions, although there has been some limited success in constraining their overall rate of growth. However, increased consumer awareness and focus on corporate social responsibility, coupled with business

recognition of the competitive and cost benefits of reduced energy consumption and carbon emissions, is driving international research and innovation in carbon efficient technologies, design, production, products and services.

Energy and Transport Infrastructure

Within the UK, the electricity market continues to be dominated by fossil fuels, increasingly natural gas from Russia and Central Asia. European shale gas is also making a significant contribution. A new programme of UK nuclear power station construction has been initiated to replace ageing stations and increase the future share of nuclear. Planning and technological constraints coupled with their relative cost have so far limited the contribution made by alternative generation technologies such wind and tidal power. Other emerging energy generation and fuel technologies remain largely at the research and development stage.

High levels of mobility, increased leisure and business travel, further residential and urban development into the green-belt and continued growth in international trade together create a demand for additional investment in UK transport systems including road, rail, air and ports.

With the aid of private finance, the road network is enhanced; the inter-city rail network is modernised, with more routes being electrified; and in the latter half of the decade, a start is made on construction of new high speed rail links.

Context for Scenario Two – National Enterprise in 2020

The Economic and Political Framework

The international financial crisis and recession of 2008/2009 left serious scars on the global economy, and particularly on the most heavily indebted developed nations. The resulting government fiscal and monetary policy response temporarily succeeded in stabilising activity and engineering a weak global upturn in activity, in part reinforced by restocking. However, growth stalled, as the initial and substantial monetary and fiscal stimuli faded and as the scale of public sector deficits and pressure from financial markets forced a combination of tighter monetary policy, tax increases and public expenditure cuts.

The longer-term global economic recovery proved to be modest, highly uneven and sluggish, oscillating between short periods of upturn and downturn with a relatively anaemic underlying upward trend, particularly among the major developed economies.

The loss of jobs and level of unemployment in the heavily indebted developed economies resulted in an upsurge in international and domestic tensions, culminating in a series of protectionist moves, both between individual countries and regional trading blocks. As a result, global trade is now at a lower level and more regionally focussed; while the level of international competition and spread of best practice has also reduced.

Belief in the efficacy of international institutions has waned, marginalising their role and influence. Growing disparities between rich and poor, leading to greater social and political instability in certain of the less prosperous areas of the world, coupled with competition between countries to secure scarce natural resources, have all acted to heighten global and regional security concerns, leading to a greater focus on achieving national self-sufficiency.

Developments in the UK

Burdened with excessive personal and public sector indebtedness and against a continued background of tight credit and a sluggish global economy, the UK has experienced a decade of low and fitful economic growth accompanied by only a very modest increase in real disposable incomes. Investment is low, constrained by the availability and cost of capital.

Achieved rates of managerial and technical innovation and productivity growth are also consequently lower.

Real UK GDP is now increasing at around 1.5% a year, below its previous long-term historic trend and is only some 5% above its 2007 pre-recession peak. Real household disposable income has increased broadly in line with GDP.

Cutbacks in public expenditure have been swingeing, with the state withdrawing from, or reducing to a minimum, direct provision of various services to the public. Whilst recognising the need for cuts in public spending, public dissatisfaction with the intervention and efficacy of both international and national government and state institutions has increased.

The Role of the State and the Individual

People consequently value the freedom to do as they choose with the minimum of government interference, within the context of a more independent United Kingdom, less fettered by regulation emanating from the EU. Political power now resides primarily at national level, while further regional devolution within the UK has been limited. However, reflecting past inefficient and wasteful expenditure by big government, the view has also taken hold that government should set overall policy objectives, strategy and basic minimum standards in areas such as health and safety and consumer protectionism, and that execution and delivery of services should occur through smaller, more locally accountable units.

National interests and identities within Europe came more to the fore in the wake of the tensions created in the wake the 2008 financial crisis, the problems of the southern euro member countries, and a growing realisation that one policy does not fit all. The UK's relationship with the EU has become arm's length, with a range of selective opt-outs as the EU has divided into a 'two-speed' club.

More widely, international collaboration has become mainly limited to traditional areas such as security and defence, trade and immigration; but even here progress on reaching agreements is difficult because of many and varied vested interests that prevail within a difficult economic and political climate.

While market values still dominate, issues of national interest result in greater government protectionism and support for key national industries (such as utilities, infrastructure, pharmaceuticals, aerospace, finance, media), thereby constraining the full force of international competition.

UK-based business focuses predominantly on UK and European markets against a background of greater instability and barriers in various other parts of the world. Reflecting international barriers, security concerns and heightened awareness of transport costs and CO_2 emissions, many hitherto international supply chains become more regionally structured and focussed.

Business and Consumer Services

The service sector grows moderately, particularly in the areas of finance, healthcare, tourism, and retailing. New markets develop for specialised personal services for high-income groups, while services for low-income consumers tend to decline. Technology becomes a less important driver of growth in the service sector. The informal service economy flourishes, providing work for the increasing numbers of people excluded from the mainstream job market.

Manufacturing

Manufacturing is less exposed to international competition, moderating the pace of decline in more traditional and lower-skilled areas of activity. However, levels of innovation and investment in the higher tech sub-sectors are also correspondingly lower as is outward and inward foreign direct investment, despite government attempts to attract the latter. Innovative

and fleet-footed small and medium-sized enterprises serving niche domestic markets fare relatively well.

Construction

The construction sector struggles under a low rate of economic growth, cuts in public expenditure and a low level of investment in both housing and infrastructure.

Agriculture

Demand and climatic pressures on global food supplies result in the growing importance of UK agriculture in contributing towards long-term security of national food supplies.

The Provision of Public Services

The overwhelming need to reduce the public sector budget deficit, a desire for lower taxation, a belief in private enterprise as a means of revitalising the UK economy, and a relatively low level of public concern about social inequality and exclusion have lead to swingeing cuts in public expenditure.

Greater private sector delivery of publicly financed health and education services is consequently encouraged. Public provision of welfare services has declined and the role of the third sector has become increasingly important.

Innovation and Technological Developments

The pace of innovation and technological change has moderated due to constraints on availability of capital, the reduced intensity of international competition and the consequentially lower rate of spread of international best practice.

The application of developments in ICT continues to flourish, particularly in areas such home entertainment and logistics; but its impact is less pervasive and does not provide the same overall impetus to innovation and structural change. Biotechnology is the other main driver of technological innovation.

Labour Markets

Labour markets have been further deregulated, in part in an effort to attract inward investment and discourage international relocation of exiting activities. However, the positive effects on job creation, in terms of improved labour flexibility and cost, are insufficient to offset areas of decline.

Pay differentials between skilled and unskilled workers increase with the latter turning increasingly to the informal economy to supplement their incomes. There is consequently higher unemployment, increased wealth disparities, longer working hours, particularly for the lower-skilled, and an increase in social tensions. Government has taken steps to limit immigration, particularly with respect to unskilled workers.

Regional Development

Current regional disparities continue, with such growth as there is being strongest in London and the South East. Other regions rely predominantly upon existing economic activities, with an absence of investment in new industries. Those areas that have historically relied upon international trade in traditional sectors of industry or where public sector employment has been comparatively high are particularly disadvantaged, resulting in some further weakening of national social cohesion.

Environment and Sustainability

Regulation of the environment resides at national, rather than international, level with relatively little institutional or policy change. Policy implementation is largely market driven, aimed primarily at maintaining energy and environmental security. The focus is on adaptation rather than on mitigation.

Energy and Transport Infrastructure

Cost and security of energy supplies are primary concerns. There is consequently a drive by government to encourage energy efficiency and exploit domestic sources of energy including coal, gas, nuclear power and renewables, but progress with respect to developing nuclear power and renewables is slow. Market mechanisms, including pricing, are primarily relied upon to achieve a desired increase in energy efficiency.

The transport and communications sectors suffer from low levels of investment, reflecting the cost and availability of capital and a lower rate of growth in demand.

There is continuing reliance on privately-financed transport with little additional provision of public transport services. Sluggish GDP growth limits the growth in car ownership. Nevertheless, many roads operate at full capacity and congestion increases. Investment in the rail network stagnates, with the result that freight continues to move primarily by road. Slower growth in international trade and business coupled with limited growth in real disposable incomes reduces the pressure for additional airport and harbour facilities.

Context for Scenario Three – Global Sustainability in 2020

The International Economic and Political Backdrop

International action to shore up the global economy following the 2008 financial crisis proved to be successful in stabilising activity, and in securing a recovery in business and consumer confidence. Robust and credible plans to reduce public sector deficits to sustainable levels over an acceptable time-frame instilled confidence in financial markets and allowed a phased, rather than precipitate, withdrawal of monetary and fiscal stimuli. Underlying inflation has remained subdued and capital constraints have eased. Government policy action in China and certain other Asian countries, aimed at rebalancing their economies away from reliance on export driven growth through supporting expansion in domestic consumer demand, has helped to underpin the global economic recovery.

The policy and regulatory failures of the early years of the current millennium have been recognised and accepted. A consensus has emerged on the need for greater international collaboration and co-ordination of policies aimed at avoiding past excesses and ensuring a greater degree of economic and financial stability. Despite a greater degree of international regulation and policy intervention, stable economic conditions coupled with a commitment to open markets, trade and international competition in most sectors, results in the resumption of a fairly robust rate of global economic growth, albeit one that does not fully return to pre-recession levels. Investment has picked up strongly.

Substantial progress is made internationally in agreeing targets and other actions to reduce carbon emissions. The need to achieve a more sustainable approach to using finite natural resources in general is recognised, and eco-efficiency is placed high on the international agenda. Although the overall rate of inflation remains subdued, carbon pricing and taxation result in a shift in relative prices in favour of energy-efficient processes, products and services.

Despite a recovery in growth in the previously indebted developed nations such as the US and UK, it has continued to lag that of the BRICs and a number of other less indebted nations. The global balance of economic power has consequently shifted further towards the

east. Some of the greatest commercial opportunities arise in fast-growing developing countries experiencing catch-up.

Developments in the UK

In the wake of debt reduction and shifting public attitudes towards the type of society in which people wish to live, the UK economy experiences fairly rapid structural change. While energy and resource-intensive sectors decline, there is strong growth of services and high-tech industries offering low environmental impact and high social value.

By 2020, UK GDP is growing steadily at around 2% a year and is some 15% up on its 2007 pre-recession peak. Increased personal taxation, imposed to sustain public services and fund investment in economic renewal and a sustainable environment, has however meant that the increase in real household disposable income over the past decade has been about half that of GDP.

The Role of the State and the Individual

People wish to be part of a wider national and international community. Reflecting public attitudes, business strives to balance the pursuit of profit with social responsibilities, working where possible in partnership with government and consumers.

The level of bureaucracy has been significantly reduced as part of the earlier drive to cut the public sector deficit, and the structure of government has been streamlined. However, government still plays a prominent role in the provision of education, healthcare and other social services. The welfare state functions increasingly at an international level where governments co-operate to make business and the rest of society work together to achieve social improvement.

Following the financial crises encountered around the turn of the decade, a revitalised and more accountable EU takes on a greater co-ordinating role across many areas of policy, providing a comprehensive health, education and welfare safety net for disadvantaged groups. Across the EU, regional government gains greater power at the expense of government at national level.

International collaboration and co-ordination cover areas such as security, economic development, trade, resource management and environmental protection, and involve networks of governmental, non-governmental and private sector organisations. Global communications systems drive cultural and political systems closer together. Equal access to high quality public education reinforces social and environmental values. There is North-South collaboration, helping a catch-up by many developing countries.

Business and Consumer Services

Intangible goods and services together generate the largest element in UK national economic value. The service sector becomes increasingly integrated with other areas of the economy as more goods are supplied as part of wider service packages, many aimed at ensuring whole-life thinking, efficient resource utilisation and recycling. Service sectors experiencing rapid growth include software and ICT support, communications and media, education, leisure and finance. The development and widespread application of ICT also heavily influences the design, shape and delivery of many other goods and services.

Manufacturing

UK manufacturing, and its processes and products, are transformed by high levels of investment and a drive towards the global provision of resource efficient goods and services. Heavy industry tends to migrate abroad, while new high tech manufacturing sectors requiring a strong knowledge base establish themselves successfully in the UK. The strength of the UK professional, scientific and engineering skill-base is internationally recognised, leading to greater investment by multinationals in UK research, design and development centres. New

clusters of activity are built around internationally recognised UK universities and other centres of scientific and engineering expertise, with a particular focus on exploiting newly emerging eco-markets at home and abroad.

Construction

The built environment is transformed through substantial investment in the rapid replacement of old and low-quality buildings and infrastructure. Due to strict planning controls, development is primarily concentrated in existing urban centres.

Agriculture

In agriculture, the focus is on achieving high agricultural yields and sustainable economically healthy farming communities with high levels of biodiversity and low environmental impact. Policy is driven by an approach that values the services provided by ecosystems.

The Provision of Public Services

Increasingly, Europeanised education, welfare and health care systems provide a comprehensive safety net for disadvantaged groups, financed by higher taxes. Equality of access to high quality public education reinforces social and environmental values throughout the curriculum.

Innovation and Technological Change

Relatively strong growth, open international markets and structural change support innovation and technological development. Technology is driven by user needs and geared towards eco-efficiency including further research and development of biotechnologies and nano-technologies. The development of ICT continues to accelerate and its application becomes widely pervasive.

Labour Markets

The demands of the economy for a dynamic labour force are limited to a degree by regulation, for example on working hours, conditions and fixed-term contracts, although a streamlined bureaucracy limits any negative impacts. There is a relatively high level of managed global mobility of labour, both nationally and internationally.

Systems of education and training are increasingly internationalised, particularly at a European level, with growing international recognition of professional qualifications. Education and training policy aims to encourage equal opportunities in a job market with rapidly changing qualification requirements. ICT plays a prominent role in the provision of education and training.

In the UK, the return of stable economic conditions combine with UK training and labour market policies to support a regulated high-skill, high wage labour force accompanied by greater income and social equality.

Resource and labour productivity both show significant improvements, and unemployment and working hours decline. Public sector employment is significant and recognised for the services it provides.

Regional Development

While London and the South East remains a major centre of growth, regional development is more evenly distributed under this scenario as a result of planning controls and transfer payments. These recognise the environmental consequences of environmental sprawl in the South East; the social consequences of under-employment elsewhere; quality of life issues; and the capability of advanced communication and transport infrastructure to support extended knowledge and supply networks and clusters. Nevertheless, in regions heavily

dependant upon traditional manufacturing, the management of the economic transition remains a challenge for both national and regional policy.

Environment and Sustainability

Reconciling growth and sustainability is one of the guiding principles of this scenario. Ideological concerns about the environment are translated into practical action. Sustainability is seen from a global perspective, including fair access to environmental resources. Policy is increasingly co-ordinated at EU and international levels.

Energy and Transport Infrastructure

Public and private sectors together produce high levels of investment in areas such as public transport, new and renewable energy, water and information infrastructures.

Under mounting pressure to replace existing ageing generating capacity and reduce carbon emissions, work has commenced on a new generation of UK nuclear power stations. This programme is mirrored elsewhere around the globe.

Research, development and investment in renewable energy sources and in carbon capture and storage technologies accelerate. By 2020, dominant renewable sources include onshore and offshore wind, second generation biomass and solar, together with an emerging contribution from tidal energy.

Encouraged by regulatory incentives, energy suppliers also move towards the provision of integrated energy services. Together with smart infrastructure and high energy prices, these greatly enhance the take-up of energy efficiency measures.

The cost of private car transport and air travel rises substantially through a combination of pricing, tax and regulatory measures. Their use is consequently constrained. Modernisation and restructuring of freight and passenger transport infrastructure occurs with the long-term goal of building an eco-efficient, integrated system. There is an increasing use of heavily subsidised public transport.

Context for Scenario Four – Local Stewardship in 2020

The Economic and Political Framework

The international financial crisis and recession of 2008/2009, coupled with the recurrent financial turbulence of the early years of the 2010 decade, have left serious scars on the global economy, particularly with respect to the most heavily indebted developed nations which have progressively lost ground to the major economies of Asia.

Rising unemployment in the heavily indebted developed economies and increased competition with emerging economies for available raw materials has culminated in a series of protectionist moves as well as heightened global and regional security concerns.

The goal of international co-operation is now to secure local and regional economic and political autonomy. This is mainly through international coalitions of regions and “city states” with mutual interests. Some of these alliances prove to be stable and persistent, while others become undermined by conflict and tension. There is much greater focus on achieving national self-sufficiency, a trend reinforced by growing ethical considerations and global concerns over sustainability.

Global trade is consequently at a lower level and much more regionally focussed; while international competition, spread of best practice and the pace of technological innovation are all reduced.

Within Europe, the EU evolves into a loose association of European regions, with financial, economic and political strains having led to a progressive devolution of powers back to national and then sub-national levels.

Developments in the UK

A continued background of tight credit, a high cost of capital, sluggish global growth and international political and trade tensions have resulted in a decade of minimal and fitful UK economic growth as public and private sectors have struggled to pay down debt.

Real UK GDP growth, while now increasing at a trend rate of around 1%, is only some 5% up on its pre-recession peak. Real household disposable income has shown a small percentage decline, squeezed by increases in taxation and a reduction in public services and welfare benefits.

Indeed, cutbacks in public expenditure have been substantial, with the state withdrawing from, or reducing to a minimum, direct provision of many services to the public.

Investment by both public and private sectors has been limited, constrained by the limited availability and high cost of capital. Achieved rates of managerial and technical innovation are low as are productivity improvements.

The Role of the State and the Individual

Decision-making powers within the UK have been further devolved to regional government, and people identify strongly with their local community. This has encouraged development of business infrastructure and services which are focussed primarily upon serving local and regional needs and, where possible, utilise local resources. In turn this has resulted in fragmentation of many business sectors. Being small, local and agile becomes a competitive asset, but in general companies face less competitive pressures than in the other three scenarios. Reflecting differing local priorities and characteristics, regional outcomes across the UK vary significantly.

Protection of the environment and resource conservation are key political and popular objectives, reinforced by tight local regulation. Although economic growth is low, in certain respects quality of life is improved.

Business and Consumer Services

Services are the most important sector of economic activity, but with constrained household incomes and a less materialistic society, demand is primarily for services which meet basic needs. Services targeted towards high income earners and the business sector tend to suffer, while personal services such as healthcare, retailing, catering, leisure and tourism become increasingly localised.

Manufacturing

There are generally low rates of investment and innovation in manufacturing. Major changes occur in industrial structure. High tech sectors and international services decline, becoming increasingly located in limited UK regional clusters. There is a relative decline in very large multinational companies, with small and medium-sized enterprises and technologies adapted to small-scale sustainable production being favoured. There is emphasis on eco-efficiency, quality and durability in consumer and other manufactured goods with long-term service support and locally-based maintenance and recycling systems.

Construction

The construction industry continues to be dominated by small firms focussed increasingly on refurbishing, adapting and upgrading the existing building stock to meet current needs and improve its environmental footprint, rather than on building new.

Agriculture

The downward trend in agricultural production is reversed, and farming continues to receive subsidies in order to protect food security and local communities. Agricultural and food supply chains become much more local.

The Provision of Public Services

Health, education and social services, although reduced in scope, are publicly funded through high levels of taxation, with emphasis on more basic levels of provision and fairness and access for all, again with more regionalised control and accountability. The reduced scope of public sector service provision is partially compensated for by families, members of local communities and charities who all take a more active role in providing mutual social self-support in their local area.

Innovation and Technological Change

Economic and technological developments are constrained by limitations on available levels of local resources (knowledge, capital and materials) as well as the size of local markets, density of demand and level of transportation costs which together inhibit capital investment in large-scale production facilities. Overall levels of private investment decrease, and rates of innovation and technical change decline.

Labour Markets

Despite low income growth, the relative increase in labour-intensive activities, coupled with an increase in informal employment and publicly-funded employment schemes, limits the level of unemployment. Working hours stabilise but do not fall due to low levels of productivity growth. Income differentials narrow. There is strong emphasis on education and training to preserve heritage and other traditional skills. International migration of labour becomes limited primarily to those with specialist professional skills.

Regional Development

The demand for new housing declines as lower incomes and the revival of more collective social values lead to larger household sizes. Reflecting changing economic development patterns and job creation, the population drift to the south of the country slows. There is migration away from the larger cities and a corresponding growth of small and medium-sized towns. The urbanisation of the countryside comes to a halt as planning controls are tightened and development primarily takes place within existing urban boundaries.

Environment and Sustainability

Sustainable development is an underlying objective of this scenario, which profoundly shapes changes in economic activity, social behaviour and institutional development. Social values and political processes encourage individuals and organisations to integrate environmental concerns into all their activities. A key focus is on using technology and ingenuity to maximise the use of local and regional resources.

Energy and Transport Infrastructure

Energy supply becomes diverse, being restructured around local energy resources. A wide range of energy efficient and small-scale renewable energy technologies is exploited, in many

cases subsidised through funds raised by substantial energy taxes. Coupled with low growth, the latter constrain overall demand for energy.

Demand for transport is adversely affected by the major slowdown in growth of trade, reduced labour mobility and the effect of environmental taxes and high energy prices on the cost of transport. These factors are reinforced by political and social pressure to reduce unnecessary travel. Passenger transport is still dominated by the private car, but public bus and rail services are extended particularly in urban areas. Alternatives such as car sharing, cycling and walking become more commonplace.

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