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Some selected highlights from the 2013 Review of UK's Motorsport Valley Business Cluster

Motorsport Engineering and Services

Full Review is available to download from 3:15pm on Thursday 9th January at a cost of £50.00 for MIA members and £75.00 for non-members.

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Review of UK's Motorsport Valley® Business Cluster in 2013

The UK motorsport industry in 2013, comprising high performance engineering, R&D and technology as well as motorsport-related services, is an exemplar of a thriving world-class business cluster. The UK's internationally recognised Motorsport Valley hosts an unequalled supply chain of over 4000 specialist companies, in close proximity, capable of responding to and delivering solutions exceptionally quickly, and always on time.

The findings of this evidence update have identified a vibrant, high value-added industry, with growing exports, opening up new markets in adjacent sectors, increasing investment in R&D and innovative technologies, and confident of a bright future. It is the epitome of a knowledge-based industrial community, now more productive than ever and attracting investment to meet future demand.

In 2000, the first National Survey of Motorsport Engineering and Services, commissioned by the Motorsport Industry Association (MIA), confirmed the existence, and success, of Motorsport Valley as the premier 'production' site for global motorsport, and the focal point for international partnerships between major companies, including OEMs, sponsors and suppliers.

This 2013 Review of the Evidence Base of Motorsport Valley, again commissioned by the MIA, uses a research team with long-standing knowledge of the sector, and with welcome support from industry and government. It updates the knowledge base to better assess, explore and develop opportunities for business and employment growth in this thriving business community. It demonstrates how the sector has survived, moved forward and become even more efficient following the unprecedented difficulties encountered between 2008 and 2011.

In particular, the Review findings will be used, by the MIA, to support work on the proposed delivery of a UK Motorsport Business Development Partnership involving industry and government. This new Partnership will create a solid platform for the UK motorsport industry from which to contribute, and bring benefit, to the broader Industrial Strategy of UK government.

This unique, technologically driven, business community clearly remains a 'jewel in the crown of UK engineering'. Additionally, the expertise of its service sector, much of which is based around London, is simply unrivalled anywhere in the world. This evidence demonstrates that the UK's Motorsport Valley continues being 'the global centre for excellence' of motorsport engineering and services.

I am sure you will find many aspects of this Review fascinating, illuminating and of real value to your plans and interest in this unique sector.

Chris Aylett
Chief Executive of the Motorsport Industry Association

December 2013
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Executive Summary

During 2012, we estimate that the UK motorsport industry had a turnover of £9 billion, in contrast to £4.6 billion in 2000¹ and employed 41,000 people, in contrast to 38,500 in 2000. The sector can be segmented between 45% of businesses engaged in high performance motorsport engineering; 31% providing non-engineering services and 24% engaged in both high performance motorsport engineering and motorsport services.

The sector has enjoyed continuous sales growth from 2009 to 2012. It continues to have a strong focus on research and development (R&D) with 15% of all firms spending over 25% of their annual sales turnover on R&D. There is also a strong international focus with 87% of all firms involved in exporting.

The sector is optimistic about future growth levels, with 66% identifying 'motorsport' as a core growth area, 40% identifying mainstream automotive as their source of future growth and 18% aerospace. More than half (55%) expect export sales to increase, with the highest potential markets being USA, Germany and France. The top three markets for motorsport amongst emerging countries are China, Brazil and Russia. The majority (53%) believe low carbon technologies will drive future growth. Motorsport engineering capability has an increasing opportunity to act as a bridge between specialist prototyping capability and mainstream commercialisation of technology products.

The main constraints for growth are identified as demand levels, access to finance and quality and capacity of the supply chain. There is a significant opportunity in engaging the small and medium enterprise (SME) base in motorsport for the wider development of low-carbon technologies in other sectors. There is a further opportunity for increased engagement between the UK motorsport sector and government industrial and technology policy.

In the future, the industry will be impacted by regulatory regimes, the role of the automotive original equipment manufacturers (OEMs) and the global audience for motorsport events. On a broader level, there will be increased corporate consolidation, a greater focus on differentiating products and services, a shift of sales towards the emerging markets and further increase in the speed of change and diffusion of knowledge.

In the future, successful firms will develop a deeper understanding of emerging motorsport markets and regulatory regimes, and develop the ability to integrate multiple technologies to create and deliver low carbon solutions. The development and application of low cost technologies has the potential to grow motorsport participation. Innovation, adaptation and the ability to create effective alliances will be increasingly important. From a policy perspective, access to finance, facilitation of technology development and market intelligence will be key areas to help facilitate growth.

The sector remains healthy and is enjoying the highest levels of sales turnover in its history. Following a recessionary dip around 2008, it has bounced back to new high levels of performance. Employment growth has been restrained and has not matched turnover growth in recent years, suggesting an increase in productivity.

The sector has both broadened its core motorsport activity (in particular through the integration of engineering and services) and expanded into other technology intensive industries. R&D expenditure and high levels of export activity remain defining characteristics of the sector. Low-carbon technologies are seen as the most important growth technology, although uncertainty as to which will emerge as dominant technologies remains a potential barrier to growth.

¹ Figures not inflation adjusted

Highlights from the 2013 Review of UK Motorsport Valley Business Cluster

A 'jewel in the crown' of UK engineering...

Growing, investing in R&D, exporting, and attracting investment

- In 2012, the UK motorsport engineering and services industry had a turnover of £9 billion, nearly doubling sales from £4.6 billion in 2000². Some 4300 businesses employed 41,000 people, compared to 38,500 in 2000.
- The UK motorsport industry remains healthy. Following a recessionary dip, motorsport companies have enjoyed continuous sales growth between 2009 and 2012, reaching the highest level of sales in its history. Whilst employment growth has been modest, growing sales turnover has delivered an increase in productivity.
- The industry has strong focus on research and development (R&D) with 15% of all firms surveyed spending more than 25% of their annual sales on R&D.
- The industry has a strong international flavour: 87% of firms export their products or services, and 55% are confident exports will increase during the next five years. Amongst companies who declared that motorsport accounted for over 50% of their sales, exports grew from 25% of sales in 2006 to 34% in 2012.
- Nearly 90% of the total £9 billion of sales is earned by companies who generate more than 50% of their sales from 'motorsport'.
- High-spending international Formula One teams continue to locate within the Motorsport Valley® community (in 2013, 8 of the 11 teams - 73%). When linked to other F1-related UK businesses, sales turnover of this important sub-set of the industry was over £2 billion in 2012, nearly 25% of the entire sector sales value, and employed some 5200 highly skilled, well-rewarded people (12% of the total employed) .

At the forefront of UK industrial futures

- During the period of this review, 2006-12, this UK business community has:
 - broadened its core motorsport activity and expanded sales to other adjacent technology and R&D intensive industries – especially automotive and defence (e.g. in 2012, 31% of businesses made sales into the automotive sector)
 - seen growing integration of engineering with services - 45% being engaged in high-performance motorsport engineering, 31% in non-engineering services and 24% in both high-performance motorsport engineering and non-engineering services
 - expanded activity in energy efficient, low carbon technologies
 - increased its global geography of exports, including the BRIC economies
 - expanded apprenticeship employment

² Figures not inflation adjusted

Optimistic about the future

- These UK businesses are optimistic about future growth. 66% said that 'global motorsport' remains a key growth area, whilst 40% identified mainstream automotive as a source of future growth, and 18% included aerospace and defence.
- Most motorsport engineering firms (53%) believe energy-efficient, low-carbon technologies will be at the heart of future growth. Many indicate an increasing opportunity, to exploit their motorsport engineering capabilities, to efficiently bridge the gap between rapid response, specialist prototyping and mainstream commercialisation of low-carbon technologies by the automotive, defence and aerospace industries.
- SME development will gain further benefits from recently increased engagement between the UK motorsport community and government industrial and technology policies, typified by links to Automotive Council UK and the Defence Growth Partnership.
- Export markets with the most potential for increased sales over the next five years are the USA, Germany and France. Amongst 'emerging economies', those with the best potential for increased motorsport sales, over a longer period, are China, Brazil and Russia.

Barriers to growth

- Main constraints on growth come from a continued wariness about demand levels, access to finance for investment and the quality and capacity of the supply chain to meet demand.
- During the summer of 2013, 36% of motorsport engineering firms had an unfilled vacancy and the recruitment of engineers and technicians remains difficult.
- Future growth in the industry will be impacted by a variety of significant influences – sporting and governmental regulatory regimes, engagement with automotive original equipment manufacturers (OEMs) and the changing global audience for motorsport activities.
- On a broad level, there is likely to be increased corporate consolidation, a greater focus on differentiating between products and services offered, a shift in sales towards emerging economies, and further increases in the speed of change and diffusion of knowledge.

These highlights were prepared by the Motorsport Industry Association (MIA) and were taken from the “*Review of the Evidence Base of Britain’s Motorsport Valley 2013*” produced by Motorsport Research Associates, published January 2014, available from www.the-mia.com

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