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NEW INDUSTRIAL POLICIES FOR THE
AUTOMOTIVE INDUSTRY IN EUROPE

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New industrial policies for the automotive industry in Europe

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ABSTRACT: The aim of this paper is to present a comparative analysis of the Plateforme de la Filière Automobile and The British Automotive Council. The two operating structure were established respectively in France and UK to support the national automotive sectors at the dawn of the ongoing crisis. The Italian government is on the way to set up a similar structure. These operating structures can be defined as two instruments of industrial policy introduced in parallel to the classical industrial policy measures allowed by the European Union and that in some ways represent a turning point of the mode of state intervention in the real economy. The challenge is to force different actors to cooperate, not only central government and industry, but more deeply different local authorities and different automotive tiers. In so far as the roles of the different actors are balanced, dissimilar configurations of Triple Helix can be detected and, as a consequence, different evaluations can be deduced.

Keywords: automotive industry, industrial policy, Europe, crisis.

JEL Codes: L52, L62

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CONTENTS

1. Introduction.....	5
2. The crisis and the automotive industry in France, the UK, and Italy.....	6
3. An overview of the public support for automotive industry	9
4. The Plateforme de la filière automobile.....	11
5. The British automotive council.....	13
6. Towards an Italian Automotive Council.....	15
7. Preliminary evaluation of the plateforme-council cases	17
8. A Triple Helix for the automotive industry in Europe	19
9. Conclusions.....	21
References.....	23

1. INTRODUCTION

Almost simultaneously at the dawn of the ongoing crisis, in 2009 two operating structures were established in France and in UK to support their automotive supply chains: the Plateforme de la Filière Automobile (PFA) and the British Automotive Council (BAC). In 2013, the Italian government began to consider the advisability of establishing a similar structure (the Italian Automotive Council - IAC) inspired by the French and the British cases.

The PFA and the BAC can be defined as two instruments of industrial policy introduced in parallel to the classical public support allowed by the European Union and that in some ways represent a turning point of the mode of state intervention in the real economy. In many countries, particularly in France and UK, a partial transformation of the industrial policy framework is in progress: from measures mainly horizontal, which could affect the overall performance of the economy and the competitive framework in which companies operate, to measures aimed at to affect the performance of various industries or sectors of the economy. Government policy makers are now of the view that over reliance on an essentially horizontal perspective for policy design has not proved sufficient on its own to secure industrial needs (Coffey and Thornley, forthcoming).

Indeed, in France in one way or another, the bilateral approach has been preserved especially for the automotive industry (Jullienne Pardi, 2013). Accordingly, British industrial policy is moving to a system in which an existing horizontal framework is supplemented by sector-specific packages.

The general disposition of what British policy makers continue to see as a business-friendly environment will remain unchanged. But it is now thought of in terms of a starting point rather than a finishing point for policy, providing the “bedrock” upon which sector-specific effects are built via tailored policy packages targeting selected industries (Department for Business, Innovation and Skills, 2012).

In general terms, also the European Union is beginning to be more prone to the policies of the vertical type, such as the program CARS 2020 to promote competitiveness and sustainable development, but also other industry are concerned with the programs LeaderShip 2020 for shipbuilding, Global Construction 2020 for building and the Action Plan for steel industry.

This paper is made up of seven sections, in addition to this introduction and the conclusions. Section 2 reports the effect of the crisis on the automotive industry in France, UK and Italy and the third second section shows an overview of the public support for the European automotive granted for ensuring the survival of the entire supply chain. In the following two sections the main features of the PFA and the BAC will be presented and section 6 shows the possible implementations and amendments for the nascent IAC.

On the basis of a preliminary evaluation of the operating plateforme-council cases (section 7), the paper will pay attention in the section 8 on the formal and informal governance and how to balance the role of the different actors under the Triple Helix approach.

Effectively, the PFA and the BAC have two headways in common. The first is based on the fact that the new industrial policies must

come from a strategic and long-lasting collaborations between industry and government. The second derives from the fact that for pervasive sectors such as automotive, the involvement of the various levels of government must be integral, horizontally and vertically, and it requires an authoritative coordination to reduce the risk of inappropriate interventions.

2. THE CRISIS AND THE AUTOMOTIVE INDUSTRY IN FRANCE, THE UK, AND ITALY

The three countries analysed in this paper display distinctive characteristics in relation to current market trends and automotive production structure. The positive sales figures of the last few years were confirmed at the global level in 2013, despite a slight slowdown, but the European continent is the only area showing a countertrend: Europe -2.0%, NAFTA countries +7.1%, South America +1.5%, and Asia +5.8%. However, data on the first few months of 2014 hint at a turnaround.

In the last two years, a drop in sales has affected all European countries except the UK (+15.4%) and, among the major markets, the greatest difficulties are reported in Italy (-26.9%) and in France (-18.1%). Compared to 2007, the last year before the beginning of the economic downturn, the figures are negative across the board, particularly in Italy (-48.9%) and to a lesser extent in France (-16.3%), where the market has benefited from extended support measures, and in the UK (-7.3%).

The evolution of global production is directly linked to sales trends by macroareas, which tend to increase worldwide, with South America returning to grow considerably in

2013 (+8.6%) and the NAFTA area performing better than in the pre-crisis period (+4.3%), while Europe is still experiencing a contraction in sales (-0.5%). Among the European countries, France stands out for its negative performance (-11.6%), while the opposite is true for Spain (+9.3%). A 2.0% drop is reported in Italy, whereas the UK displays a slight increase (+1.3%). Compared to 2007, the production of passenger and commercial vehicles has fallen by 42.3% in France, by 8.7% in the UK, and by 48.8% in Italy. Table 1 summarises the situation of the automotive sector in the three countries under investigation, using Germany as a benchmark and in comparison to 2007.

In particular, the following can be highlighted:

- France, characterised by the presence of three carmakers (Peugeot-Citroën, Renault, and Toyota), has benefited from scrapping incentives resulting in limited losses in terms of new vehicle registrations. Yet, this has not prevented a drop in production, especially in 2013, caused by the policies of delocalisation to countries with lower labour costs pursued by the national car manufacturers;
- the United Kingdom displays the best results for what concerns both new registrations and overall production and national figures seem to have returned to levels approaching those of the pre-crisis years. This positive performance is partially ascribable to greater attention paid to the segments of used cars and company fleets, which make up more than 50% of the market, as well as to the actions taken by the British Automotive Council, which has intervened in order to safeguard some domestic manufacturers. Six large-

volume carmakers operate in the UK (Nissan, Jaguar-Land Rover, BMW-Mini, Honda, Toyota, and GM-Vauxall). In addition, there are two carmakers also producing engines (Ford and BMW), along with a number of luxury car manufacturers (Aston Martin, Bentley, Lotus, McLaren, MG, Morgan, and Rolls-Royce) and companies specialising exclusively in the production of commercial vehicles;

- Italy has experienced the most considerable decrease in terms of sales and production, with trend alignments in the last few years. This sharp reduction is ascribable to a greater impact of the recession, to increases in purchase taxation and, above all, to the use of motor vehicles at the national level. A key factor

characterising the Italian market is the low ratio between car production and car sales, equal to 43.7% in 2012. This figure is much lower than in Germany and Spain (where production volumes are roughly twice as high as new vehicle registrations), and in France (with values approaching 80%). Even in the UK, despite the absence of a national carmaker, around two thirds of cars sold are produced domestically, although this is the result of substantial import and export flows. The situation in Italy is due to the presence of a single large-volume car manufacturer, which has progressively rationalised national production and has only recently planned to start increasing domestic production from 2014.

Table 1: Sales and production statistics

Sales index number	2007	2008	2009	2010	2011	2012	2013
France	100	99.5	103.4	103.0	102.2	88.7	83.7
Great Britain	100	88.8	79.4	81.9	80.3	83.4	92.7
Italy	100	87.2	84.9	77.9	70.0	55.3	51.1
Germany	100	98.4	116.3	91.8	100.8	97.5	93.6
Production index number							
France	100	85.2	67.9	73.9	74.4	65.2	57.7
Great Britain	100	94.2	62.3	79.6	83.6	90.1	91.3
Italy	100	79.7	65.7	65.3	61.5	52.3	51.2
Germany	100	97.3	83.8	95.1	101.6	90.9	92.0
Ratio production/sales							
France	114.7	98.2	75.3	82.3	83.4	84.4	79.1
Great Britain	62.5	66.4	49.0	60.7	65.0	67.5	61.5
Italy	46.2	42.2	35.8	38.7	40.7	43.7	46.4
Germany	178.4	176.5	128.7	184.7	179.9	166.4	175.5

Source: OICA

It is by no means easy to perform a comprehensive comparison among the automotive production chains of the three countries, since national trade associations carry out their surveys using different methods depending on how large they consider the overall production chain to be. For instance, the French Comité des Constructeurs Français d'Automobiles (CLIFA) refers only to the statistical classification corresponding to NACE 29, with around 60,000 workers in total in 2012. In the United Kingdom, the latest report by the Society of Motor Manufacturers and Traders (SMMT) identifies the presence of around 2,300 firms, employing a total of 82,000 people, but these data refer to 2009. As for Italy, according to the Observatory on the Italian Motor Vehicle Supply Chain of the Chamber of Commerce of Turin (2013), the number of suppliers is similar to the UK figures (2,427) but they have more than twice as many employees (166,086), while other estimates put the total number of suppliers at more than 4,000 (Enrietti and Calabrese, 2013). In comparison to the situation before the ongoing crisis, the turnover of the automotive supply chain as a whole has decreased by 16.9% in France, by in the UK, and by 22.8% in Italy. In the last twenty years, the supply chain has progressively been reorganised on the basis of tiers and this has brought to the forefront especially Tier 1 suppliers, which deal with the production of the so-called modules or systems, in cooperation and collaboration with a wide network of Tier 2 and Tier 3 suppliers (Chanaron, 2013). For what concerns Tier 1 suppliers, Calabrese and Manello (2014) highlight marked differences within the European context. Despite a limited drop, the

French supply chain carries greater weight and covers the vast majority of supply chain nodes (94%), while Italy has a similar number of firms but the number of supplies is significantly lower (around one third), although coverage along the supply chain is rather high (76%). Lastly, UK firms display a severe lack of skills along the supply chain (48%) and their relative weight compared to the French suppliers is about one quarter.

A similar assessment emerges from the list of the top 100 global suppliers compiled by Automotive News (2013). Among the top firms, there are three French automotive suppliers (Faurecia, Valeo, and Plastic Omnium) but only one firm from Italy (Magneti Marelli) and one from the UK (GKN). According to this survey, regional suppliers will progressively lose ground to large suppliers, which will be the only manufacturers with enough resources to achieve strategic positioning worldwide, make major investments in research and development, and counter the recession cyclically affecting key markets, as currently seen in Europe.

The three supply chains display different peculiarities in certain specialised production or supply niches, which are not necessarily characterised by the exclusive presence of small or medium-sized enterprises. For example, in France a significant number of companies focus on sustainable mobility by working above all on electric propulsion (Freyssenet, 2011), in the UK there are production clusters for racing vehicles and motorsport supplies (Coffey and Thornley, 2013), while Italy has its strength in the production of machinery and equipment (Rolfo and Vaglio, 2009) and in engineering and styling (Calabrese, 2011).

3. AN OVERVIEW OF THE PUBLIC SUPPORT FOR AUTOMOTIVE INDUSTRY

In periods of crisis vigorous and costly intervention has been usually undertaken by many governments. In the European Union today main public support must tackle the reduction of overcapacity and accelerate the substitution of the vehicles on the road (Calabrese, 2014). The effects of government economic interventionism in the automotive industry are widely disputed (Wells, 2010). The debate fluctuates between distractive effect, postponing the restructuring of the industry, and the identification of market failures to which the car industry is affected. This has induced governments to grant the largest part of public resources to the lead car manufacturers, with the intention of ensuring the survival of the entire supply chain (Sturgeon and Van Biesebroeck, 2009).

Grigolon, Leheyda and Verboden (2012) have provided a comprehensive overview of policies for the European car industry during the past decade. They identified nine major instruments granted at national level or financed through European funds but under the control of member state:

- The General Block Exemption Regulation (GBER) applies to cases of low intensity aid and it covers numerous types of aid, where the intensity is regulated by a system of aid ceilings. Automotive suppliers rather than carmakers are more likely to benefit from these aids that generally allow the creation of new establishments.
- Regional aid is the most common instrument of state aid used in the car industry, especially in the form of

investment aid to establish new car plants or to extend the existing ones in the most disadvantaged regions. Over time, regional aid has declined. Most regional aid was granted in 2001 and 2002. This aid instrument was not used extensively during the last financial and economic crisis.

- Training aid is a type of operational aid, and is often related to the production of new models or the establishment of a new plant, which requires new skills and qualifications for the workers. It has a direct impact on the level of variable cost and therefore it can distort the competition for the plant located in the concerned member state due to carmakers put their production plants in competition with one another.

- There are no cases of large individual Research and Development and Innovation (R&D&I) aid grants to carmakers in the last decade. There are several cases of R&D&I aid granted in the form of schemes targeting car companies, whereas individual projects are rather financed by the European Investment Bank. The lack of big R&D&I cases in the car industry may be attributed to the fact that the Commission favours approving aid for projects to fund radical innovation, while it disfavours granting aid for incremental innovation and developing new products, when R&D gets closer to the market and may thus become particularly distortive for competition.

- Rescue aid is a temporary assistance provided to a firm at the verge of bankruptcy to keep it afloat for the time required to develop a restructuring plan.

In the car industry, there is only one case of this aid in favour of MG Rover by the

United Kingdom in 2005, on the grounds of the limited duration of the measure, and the serious social difficulties that the immediate bankruptcy of the company would have caused (Bentley, Bailey and de Ruyter, 2010). The aid was supposed to have no negative spillover effects on other member states, due to the low market share of the company and the limited duration of the measure.

- The Temporary Community framework for State aid measures to support access to finance during the crisis was adopted at the end of 2008. Given the exceptionality of the measures, the Framework was limited in time and was to expire at the end of 2010, but was prolonged until the end of 2011. The Temporary Framework was essentially a fast-track to grant R&D&I aid and R&R aid during the period of crisis. The most common measures were the limited amounts of aid, subsidized loan guarantees and subsidized loans. Although the Temporary Framework was implemented through horizontal schemes, some member states, namely France and Germany, have in practice used it to support their automotive sector. The aim of Commission's intervention was to avoid a return to protectionism in member states.

- The EIB has financed the automotive sector with regard the three general objectives established in the Treaty, that is: regional aid, where EIB financing for automotive manufacturing is especially targeting investments located in Convergence regions in the European Union; R&D&I aid granted especially on safety grounds; R&D&I aid granted on

environmental grounds to meet the emission reduction targets.

- The European Social Fund (ESF) and the European Globalisation Adjustment Fund (EGF) are two European programs aimed at improving employment opportunities for workers and minimizing social costs of industry restructuring. Both instruments were used during the crisis to mitigate its negative social effects in the European car industry. In particular, the ESF was used to support short-term workers by financing training and a part of wage and non-wage labour costs; support company and sector restructuring; finance retraining and anticipate change requirements and match skills. Member states also applied for co-financing of active social protection measures from the EGF in order to support workers who lost their jobs as a result of the economic crisis.

- In 2009 scrapping schemes have been temporary enacted in 13 European Union member states, which together represent 85% of total vehicle sales in this region. The primary objective was to provide general economic stimulus; the secondary was renewal of the European car park and benefits for road safety. Scholars and practitioners have different opinions on the matter. According to IHS Global Insight (2010), scrapping schemes have been remarkably successful for all three targets even if scrapping incentives are seen as a measure to modify customer requirements and distort the market, leading only to limited short-term benefits, due to pull forward effects.

Table 2: Quantification of public support for the European car industry (€mil., 2000-2011)

Public support instrument	France	Germany	Italy	Spain	UK
General Block Exception Regulation				3.80	
Regional aid	11.60	702.96	386.67	580.82	253.04
Training aid	1.25	0.45	76.94		37.09
R&D&I aid		47.70			
Rescue & Restructuring aid					6.50
Temporary Framework	900.00	225.00			
EIB support	1,660.00	5,090.00	650.00	500.00	3,104.00
Social public support (ESF & EGF)	37.70			4.30	
Scrapping schemes	605.00	3,924.21	1,000.00	264.00	443.94

Source: Grigolon, Leheyda and Verboden (2012)

Table 2 shows these instruments by the main European automotive countries and reports state aid support as gross grant equivalent in present value, whereas EIB loans, EGF support and scrapping schemes are expressed in nominal value. For this reason the columns' sum is not possible to calculate. France and Germany were the more active countries and granted six instruments. Regional aid, EIB loans and scrapping scheme were used by all the five countries.

4. THE PLATEFORME DE LA FILIÈRE AUTOMOBILE

The Plateforme de la Filière Automobile (PFA) was established immediately after the beginning of the current economic-financial crisis. Through the Ministry for the Economy, Finance, and Industry, the Sarkozy government called a round table ("États Généraux de l'Automobile") which saw the participation of all the main actors of the French automotive supply chain.

This led the various social partners and

stakeholders to sign a Code of Conduct with the purpose of improving relations between clients and suppliers along the supply chain.

Besides laying down some rules concerning contractual frameworks, intellectual property, and business terms in client-supplier transactions, the Code of Conduct also envisaged the creation of a permanent platform for consultation and exchange between clients and suppliers within the automotive supply chain.

The PFA was set up in April 2009 and – like similar initiatives directly targeting the suppliers, such as the FMEA (Fonds de Modernisation des Equipementiers Automobiles) – it seeks to “contribute to defining, coordinating, and promoting actions needed to improve the competitiveness of and strengthen the French automotive supply chain”.

In practical terms, its aim is to readjust the balance of power between carmakers and suppliers in order to achieve greater supply chain solidarity, as stated in the Code of Conduct.

The Statute of the PFA lists as its objectives:

- Supporting economic development and change in the French automotive supply chain and increasing its professional skills;
- Promoting the sharing of a common strategic vision in the medium to long term across all levels of the automotive supply chain – final assemblers, Tier 1 suppliers, and sub-suppliers – for what concerns industrial and technological choices, the creation of skill-development hubs, and stronger orientation towards the international markets;
- Developing methodologies within the supply chain able to ensure worldwide excellence;
- Identifying strategic innovations based on professional skill and/or technological specialisation and developing strategies for competitive improvement;
- Promoting, implementing, and checking compliance with all the provisions included in the Code of Conduct;
- Encouraging dialogue across the whole automotive supply chain.

The PFA was set up by the government, but it is jointly led and financed by carmakers (Renault, Renault Trucks, and PSA) and by the suppliers' association (CLIFA). Therefore, it is a hybrid initiative combining industrial policy elements (national solidarity, public support to the supply chain, direct actions to save struggling firms) and the traditional objectives and methods used by carmakers to manage and secure supplies (consolidation and rationalisation of the supply chain through cost cutting, investment planning, and mergers and acquisitions).

The positions of President and Vice-president have systematically been given to

the representatives of Tier 1 suppliers or of their professional trade associations, while the position of Director General has always been held by a representative of the assemblers. The French government is represented only by a member of the Comité Industriel Ministère and by an observer from the DGCIS (Direction générale de la compétitivité, de l'industrie et des services) of the Ministry of Industry.

Since July 2009, the intervention measures of the PFA have been organised around four workgroups. This level too is mostly characterised by the presence of industrial representatives, while government figures may or may not be present.

- The first group works to support the spreading of Lean Manufacturing along the supply chain (300 suppliers identified as main priority);
- The second group focuses on future skills and knowledge, and its objective is to promote the supply chain to attract high-level personnel and develop said skills and knowledge;
- The third group concentrates on the management of information and communication along the supply chain, paying specific attention to the role of new information and communication technologies;
- The fourth group is tasked with elaborating a common strategy in the medium and long term in order to improve the competitive performance of the supply chain. In the medium term, the priority is to identify main development opportunities to reduce excess production capacity and make the supply chain more competitive. In the long term, the aim is to devise methods to move towards clean engines

and anticipate the features and functions of the vehicles of the “future”.

In July 2012 the Hollande government relaunched the “plan automobile”, in particular for what concerns public support to the development of sustainable mobility. Moreover, the key role of the PFA in managing the supply chain was once again emphasised in relation to research and development guidelines as well as support to and development of suppliers, still following the leading principle of national solidarity.

As can be seen, the change in political affiliation of the French government did not modify the key objective of the PFA, which was not only to respond to the crisis, particularly severe in the automotive sector, but also to demand that carmakers change their strategies and trajectories aimed at delocalising production to countries with low labour costs, which had prevailed in the 2004-2008 period.

5. THE BRITISH AUTOMOTIVE COUNCIL

The British Automotive Council (BAC) is a joint industry-government deliberative body. It was established in December 2009 by the Labour party government to introduce greater certainty into automotive industry planning while identifying opportunities for development. Support for the BAC and promotion of its role has continued under the subsequent Conservative and Liberal Democrat Coalition government. Continuity rather than change can therefore be expected.

The BAC has since assumed a key place in government policy thinking and policy delivery. It has taken forward a ‘road-map’ for the industry with respect to a move towards

low carbon auto-mobility. Its two main working sub-groups deal with the supply chain (Supply Group) and automotive technologies (Technology Group). It has played a significant role in the design of a new British automotive strategy, drawing together a series of policy themes organized around the twin planks of sustainability and inward investment.

The BAC followed the recommendations of a report produced that same year by the New Automotive Innovation and Growth Team (NAIGT), an industry-led policy review team sponsored by the then Minister for Business at the Department for Business Enterprise and Regulatory Reform (BERR). This report concluded a one year project, launched in April 2008, to identify a 20 year developmental vision for the automotive sector.

Establishing a permanent and joint industry-government Automotive Council was the principal recommendation of the NAIGT report, which argued that it should be tasked with developing, guiding and implementing a ‘strategic framework’ for the industry. The continuities between the NAIGT’s own overview and the BAC’s subsequent perspective on the difficulties and opportunities facing the industry are also quite considerable.

It was envisaged that the new body would work to make the UK a comparatively attractive business environment for international automotive industry investment, including encouraging policies to strengthen the UK automotive industry supply base. In this last respect, improving skills provision and enhancing collaborative scale in research and development, components, and facilities were identified as key goals. It was also

proposed that the BAC should take on a leadership role in driving forward new low carbon vehicle technologies and fuels, helping Britain take advantage of commercial opportunities to make it a centre of technology development in these as in other fields.

The BAC is Co-Chaired by a Government Chair and an Industry Chair. The first position is currently occupied by the Secretary of State, or Minister, for the Department for Business, Innovation and Skills. The fact that a Cabinet level member of the UK government sits at the apex of the BAC signals both the degree of political support which it enjoys and its positioning as a body of influence in a complex industrial area involving multiple parties both inside and outside of government.

As well as the Co-Chairs and CEO, there are currently 24 other BAC members. Business members on the BAC account for 22 positions. These include representatives of all the major car groups operating in the UK, as well as specialist car makers. Original Equipment Manufacturers (OEMs) in trucks and other automotive products are also represented, as are major component groups, and professional services. One bank also supplies a BAC member.

There is one representative from a trade union, Unite. and there is a representative too for Britain's main relevant research funding agency, the Engineering and Physical Sciences Research Council (EPSRC). It disburses state-grants to university engineering and science projects, favouring collaborative projects.

The objectives which were established for the BAC are:

- Create a transformed business environment for the automotive industry in the UK to provide a more compelling investment proposition for related industries;
- Develop further the technology roadmaps for low carbon vehicles and fuels, and exploit opportunities to promote the UK as a strong candidate to develop these and other technologies;
- Develop a stronger and more competitive automotive supply chain;
- Provide a stronger public voice for the industry to support the value of the industry to the UK and to global partners;
- Ensure a strategic, continuous conversation between Government and the automotive industry in the UK.

The central position of the Department for Business, Innovation and Skills is strategic in the relationship between the BAC and the government.

Another key government unit is the Office for Low Emission Vehicles (OLEV), which is based within the Department for Transport (DfT). This Office has responsibility for low or ultra-low carbon vehicle technologies, and works closely with the Technology Strategy Board (TSB), a 'business-led' government innovation agency that supports businesses and plays a key role in directing competitive funding towards innovative projects.

A fourth main partner on the government side is UK Trade and Investment (UKTI), which provides support and advice for businesses based in Britain and operating in international markets.

The BAC engages multiple stake-holders while drawing on previously existing institutional relationships including the

industry's main trade association in Britain – the Society of Motor Manufacturers and Traders (SMMT).

The BAC has been responsible for taking forward an industry 'road map' for the transition to low carbon auto-mobility and sustainability, while its two working subgroups deliver policy relevant studies and reports.

The Technology Group inherited the technology road map compiled by NAIGT and has organised its activities via five main working units: Technology road maps and test bed UK; Low carbon vehicle infrastructure development; OEM and supplier research and development (R&D) inward investment; Funding and Academic Partnerships; Intelligent Transport Systems Development.

In addition to liaising closely with the Technology Group, the Supply Group approach is to work on a communication plan linking suppliers to sourcing opportunities, while keeping them apprised of its own activities. These include: sourcing roadmap, setting out sourcing priorities for Tier 1 products as well as equipment; promoting and seeking support for existing suppliers through Tiers 1, 2 and 3; investigating transition capabilities and readiness for the move to low carbon automobility; and after identifying gaps in preparedness, assisting the industry to formulate proposals vis-à-vis government.

Finally, the BAC has helped launch a new British automotive strategy, albeit one which is in line with previously existing policy themes for automotive industry and it enjoys stable political support and a substantial cross-party political consensus exists for the broad thrust of current policy trajectories – it is now viewed by senior British government policy makers as a 'flagship partnership' with

industry. It is advertised within Britain as an example to be followed by other industrial sectors as part of a major current reorientation of British industrial policy – moving from sole reliance on horizontal policy measures towards sector-specific targeting.

6. TOWARDS AN ITALIAN AUTOMOTIVE COUNCIL

In 2013, the Italian government began to consider the advisability of establishing a structure (the Italian Automotive Council - IAC) resembling the PFA and the BAC.

In their recent history, France and the United Kingdom have not experienced broad government coalitions, which has instead been the case in Germany in the past few years and in Italy since 2011. Nevertheless, as highlighted in the above sections, different political parties seem to have a common and enduring vision regarding the policies aimed at the automotive sector. A similar situation occurred in the United States where, at the end of his mandate in 2008 and despite his aversion to rescuing enterprises through public financing, President Bush approved a 17.4 billion dollar bailout for General Motors and Chrysler, demanding in return the definition of restructuring plans to be implemented during the Obama administration.

The Italian situation is radically different and, in a sense, the IAC might represent the first crucial step towards implementing industrial policies expressly based on a bottom-up approach. It will be indispensable for all the actors to contribute, both those involved directly, such as employers' associations and various government levels, and those involved indirectly, such as

consumer associations and the university. Effective policies for the automotive sector are becoming increasingly important at present, since the FIAT-Chrysler alliance is turning into a single enterprise, with global development plans which might concern Italy only if the national economic system and, in particular, the automotive system succeed in becoming competitive.

Automotive policies ought to be characterised by a precise industrial strategy capable, on the one hand, of highlighting the points of excellence of the supply chain – specifically in relation to engine design, high-end and niche production, engineering services, and concept design – and, on the other hand, of attracting financial capital and new investments, while also addressing the credit system and local autonomy.

As shown by the cases of the PFA and the BAC, the way in which the various actors operating in the automotive sector are involved in the Council is paramount in order to ensure its success.

As already emphasised above, the two organisations share two common factors:

- “new” policies for the sector must stem from the strategic and enduring collaboration between firms and the government;
- involving the various actors requires strong coordination in order to reduce the risk of inappropriate actions.

The number of actors to involve depends on the types of objectives outlined. If the ultimate goal is solely to strengthen the supply chain, the actors involved in the Council can be, as in the French case, the Government and the trade associations, supported by regional organisations promoted by the Chambers of Commerce (ARIA). In the United Kingdom,

the BAC also monitors technological development, thus involving a greater number of actors. As for Italy, in view of the numerous issues concerning the organisational structure of the market and the need to rebalance taxation, the involvement of several actors called upon to deal with specific topics should be envisaged.

A crucial aspect concerns the involvement of representatives from different government levels, in particular the Central Government. In the PFA and, to a greater extent, in the BAC, government representation is substantial and heavily structured. In Italy, various government subjects have an interest in the automotive sector for a wide range of reasons. It will undoubtedly be necessary to find a common approach to be adopted by all the ministries to achieve coordination with government agencies and subsidiaries in order to interact with one, unambiguous voice with the entrepreneurial and local counterparties.

Generally speaking, the PFA and the BAC have been tasked with pursuing very similar objectives, i.e. strengthening the supply chain and identifying a feasible course of action to achieve sustainable mobility.

In France, the issues regarding the development of eco-friendly vehicles are actually addressed through a specific national plan and they are sub-objectives of the PFA’s strategy to develop the supply chain. In fact, the PFA was essentially established by state intervention in order to create local champions for each individual sector, clustered around a Tier 1 supplier.

Conversely, the BAC was established with the more generic purpose of providing a favourable environment for business planning and better communication with the government, besides identifying opportunities

for the commercial development of sustainable technologies and for internal investments.

In addition, the case of Italy requires a thorough assessment of market dynamics, which are affected by a series of factors such as: rules and regulations on business and taxation, the reorganisation of the distribution network, relations between sales of new and used cars, and the breakdown of the clientele between private and commercial customers.

7. PRELIMINARY EVALUATION OF THE PLATEFORME-COUNCIL CASES

Since they have now been operating for four years, it is possible to perform an initial assessment of the PFA and the BAC, which undoubtedly represent a starting point for the forthcoming establishment of the IAC in Italy.

The emulation of these operating structures in Italy must carefully distinguish between their nationally specific contexts and features, in particular the role of dominant industry players and the prior evolution of consultative industry mechanisms and institutions, and their usefully replicable ambitions and functions as deliberative bodies advising and directing policy.

Regarding the strengths of the PFA, it is important to draw attention, first of all, to its hybrid model of governance, which has made it possible to integrate the French carmakers and the main Tier 1 suppliers directly into the organisation, thus avoiding any form of institutional blockage by the industrial actors and, as a consequence, supporting the development of policies focusing on the sector's best interests.

Secondly, the integration of local bodies promoted by the Chambers of Commerce

(ARIA - Associations Régionales des Industriels de l'Automobile) has ensured territorial representation and, at least partially, contributed to protect the interests of Tier 2 suppliers.

As for the weaknesses of the PFA, it clearly emerges that, after having exhausted its initial drive triggered by the economic crisis and by pressure from the government, the French organisation has slowly ground to a halt.

Generally speaking, the evident slowdown in the activities of the PFA workgroups in 2010 and 2011 mirrors the partial recovery experienced by the automotive market during that period. Once the immediate urgency of the situation was over, both carmakers and Tier 1 suppliers started to desert the workgroups. The workgroups which managed to continue operating did so only because their sub-supply chains were already organised before the crisis and, thus, they succeeded in benefiting from the institutions of the PFA in order to consolidate their action. As for the other groups, the voluntary basis on which the PFA was set up was not enough to catalyse and consolidate the work begun in 2009. The more positive economic situation in 2010, and even more in 2011, quickly caused the PFA to fall into an evident state of lethargy.

When the crisis re-emerged in more recent years (2012-2013), the situation appeared once again to be particularly difficult and, in some cases, even desperate. Furthermore, the strategies pursued by PSA and Renault – whose boards of directors have continued to insist on the lack of competitiveness of the national supply chain in order to defend the choice of delocalising production to countries with lower labour costs – have pushed the PFA into a gridlock, essentially confirming

the limits of such an organisation in implementing profitable industrial policies.

On the one hand, the PFA has proven to be an extremely effective tool to intervene rapidly and in a way that matches the common interests of the carmakers and of the main Tier 1 suppliers, for instance to promote the adoption of lean manufacturing by Tier 2 suppliers (Workgroup 1 of the PFA) or to assist and consolidate the position of struggling strategic suppliers through the Fonds de Modernisation des Equipementiers Automobiles (FMEA). On the other hand, it has been extremely hard for the PFA to pursue the long-term objectives indicated as the key priorities of Workgroup 4, which should have led, in practice, to the modernisation and strengthening of the supply chain.

Without a doubt, the main issue is linked to the fact that steering and implementing industrial policies targeting the supply chain is a task which cannot be entirely delegated to the actors of the supply chain itself, especially when its core actors are largely responsible for weakening it. The potential of the tools available to the PFA has been greatly reduced by several factors such as: insufficient presence of the government and of its representatives within the PFA's governance structure, lack of direct coordination between industrial policy objectives and the tools of the PFA, the power of veto granted to the carmakers in relation to various strategic matters, and, crucially, the inability of the government to develop suitable skills to assess and steer the activities of the PFA on a more normative and less voluntary basis.

Therefore, the PFA is an innovative and, at times, effective tool to manage the crisis of the French automotive sector and to encourage common and shared reflection on

the state of the supply chain and on the measures to be taken in order to ensure its survival. However, in the absence of institutionalised and organised integration with (national and regional) industrial policies, this tool runs the risk of being used very little or badly, above all when the issue at hand is the definition of common interests going beyond company-specific strategies and the protection of individual interests.

As a result, the key problem remains the rebalancing of the power relation between car manufacturers and suppliers, which could be achieved only through more direct government intervention. By way of example, it would probably be appropriate to establish independent institutions for carmakers and large Tier 1 suppliers, in order to steer and support the consolidation and development strategies of Tier 2 suppliers and promote the adoption of the Code of Conduct through an independent system of supervision, with exemplary penalties for the enterprises which do not comply with it.

Until such measures are put in place, the economic situation and the performance of the markets are likely to intermittently "turn on" and "turn off" the actions of the PFA, which will therefore work in a reactive rather than proactive way. This mode of operation will undoubtedly make it possible to manage the decline of the supply chain, so as to meet most of the (short-term) needs of carmakers, but it will hardly be able to promote the "change" and "modernisation" hoped for by the government for the purpose of curbing the still ongoing delocalisation of the supply chain.

The BAC is a joint industry-government deliberative body to provide a more certain environment for business planning and

improved communications with government while identifying opportunities for commercial development vis-à-vis sustainable technologies and inward investment. The BAC has been responsible for taking forward an industry road map for the transition to low carbon auto-mobility and sustainability.

The difficulties that the BAC is called to deal with are not linked to the low participation of industrial partners or to the lack of government support or political, but rather to do with the weaknesses of the current structure of the sector, including the entire supply chain.

A full assessment of the role played by the BAC also requires understanding of the broader trajectories of British industrial policy.

Britain is currently in the process of reorienting its general stance on industrial policy, because of concerns that its shrunken manufacturing base has unbalanced the economy. It is moving from reliance upon what are usually called horizontal policy measures, in which policies are intended to apply equally across all industrial sectors, to an approach also incorporating sector-specific policy measures targeting pre-selected industries. In this connection, the BAC is seen as a model institution to be emulated and benefit of a stable policy environment for the automotive industry.

The BAC is intendedly industry-led with a strong government presence. However, while giving voice to workers due to the presence of a union representation, neither consumer groups nor environmental groups are incorporated into the body of the BAC, an absence that may become more significant over time given the degree of change expected in the industry over coming decades with the

transition towards low carbon forms of automobility.

Moreover, the BAC itself has now recognised that its own membership is drawn from a section of the sector that is less likely to encounter the problems facing small and medium sized enterprises (SMEs) in areas such as recruitment, training, and retention of workers.

Similarly, on the policy design front, although over the longer term the technology roadmaps for the future do envisage a possible reorganisation in fundamental ways of markets for automobility and related services, this is not yet considered an important enough dimension of change to merit a dedicated working group. This again may prove to be an oversight, especially if existing market structures impede change.

8. A TRIPLE HELIX FOR THE AUTOMOTIVE INDUSTRY IN EUROPE

As reported in the previous section, the critical feature of an operating structure (such as the PFA and the BAC) in supporting an industrial sector is its relative formal and informal governance.

As a matter of fact, the PFA and the BAC follow the Triple Helix model, but the role of the university as a promoter of innovation in a knowledge-based society – and the automotive sector is a good example of this – turns out to be marginal when compared to the role of the industry and of the government. Nevertheless, the other two fundamental elements of the Triple Helix remain valid and, from a neo-institutionalist perspective, this implies increased collaboration among institutions – so that innovation and industrial

policies are the result of stronger interactions among the actors rather than mere regulations imposed by the government – as well as the taking on of shared roles that integrate and strengthen the way in which the traditional functions of the various actors are performed.

In addition to acknowledging the reduced role of the university, the neo-institutionalist perspective distinguishes between three main configurations in the positioning of the university, industry and government institutional spheres relative to each other (Etzkowitz e Leydesdorff, 2000):

- a statist configuration, where government plays the lead role, driving academia and industry, but also limiting their capacity to initiate and develop innovative transformations;
- a laissez-faire configuration, characterised by a limited state intervention in the economy, with industry as the driving force and the other two spheres acting as ancillary support structures and having limited roles in innovation: university acting mainly as a provider of skilled human capital, and government mainly as a regulator of social and economic mechanisms;
- a balanced configuration, specific to the transition to a knowledge society, where university and other knowledge institutions act in partnership with industry and government and even take the lead in joint initiatives.

For instance, the PFA might be defined on the basis of the liberist framework, since it stems from a government initiative but is jointly led and financed exclusively by French carmakers (Renault, Renault Trucks, and PSA) – as Toyota was not taken into account – and by the suppliers' association (CLIFA).

Therefore, the PFA is a hybrid tool combining industrial policy elements with the traditional objectives and methods used by carmakers to manage and secure supplies. The organisational chart of the PFA is formally structured so as to ensure equal representation of all the actors but, in practice, Tier 2 suppliers are completely excluded.

The informal governance of the PFA highlights an incomplete view of the sector, which almost exclusively mirrors the standpoint of the French carmakers and of their main suppliers. The weak presence of the government is clearly detectable in the structure of the PFA. The French government did actually provide the PFA with a set of rules and institutions, such as the Code of Conduct and the participative nature of the sub-supply chain workgroups, but it has then left its entire management to the major actors of the supply chain.

Conversely, the BAC might be seen as a good example of balanced organisation, even though it shares its premises with the UK association of manufacturers and traders (SMMT). The BAC is intendedly industry-led but government presence is significant at all levels of its operating structure and not only in its managing committee, as seen instead in the PFA. Indeed, for what concerns the reorientation of national policy, the BAC has played a crucial role, has been hailed as one of the best examples of industry-government collaboration, and has implemented a series of practices from which other sectors can learn much.

For example, in July 2013 the Department for Business, Innovation and Skills, in collaboration with the automotive industry via the BAC, produced a new British Automotive Strategy. The involvement of the industry in

helping produce these documents nicely illustrates the deliberative function of the BAC and the role it is now actively playing in policy formulation. A frequent example given to illustrate this is that a dialogue between the government and General Motors helped it decide to build its next generation Astra at the Vauxhall Ellesmere Port site rather than in Germany, thus securing production, jobs and investment.

As confirmed by key assessments regarding the application of the Triple Helix (Leydesdorff and Etzkowitz, 1996), the best results are achieved thanks to a balanced setup, like that of the BAC. This is the frame of reference to which the forthcoming IAC should refer, possibly with stronger integration of the third helix, i.e. greater participation by the whole Italian research system, which is lacking in the PFA and underutilised in the BAC. During the initial phase of the IAC, the university could be tasked with a role similar to that of mirror groups, i.e. consulting and evaluating how target objectives can be achieved. In particular, the university should certainly be involved in identifying technological and training programmes with strong innovative content, which might also be run alongside traditional university courses.

In any case, as seen for the PFA and the BAC, the operating structure of such an organisation must necessarily be stable and long-lasting, while also being provided with steering power and a set of specific responsibilities. It follows that honours and obligations must go hand in hand in order to avoid a situation in which, once the initial enthusiasm subsides or the urgency of the crisis is over, the various actors lose interest in the changes to be pursued.

9. CONCLUSIONS

The purpose of the Plateforme de la Filière Automobile and of the Britain Automotive Council is a deliberative one, combined with research and policy recommendations undertaken by the main working subgroups, dealing mainly with technology and supply chains. This means that in addition to industry government partnership, the two structures benefit from significant empirical insights and support based on the activities of working groups that draw directly on expertise from businesses as well as government officials.

The paper explains the history of the two operating structures, the organisation both of it and its subgroups, and the changing contours of industrial policy which contextualise its actions. Likewise, in 2013, the Italian government began to consider the advisability of establishing a similar structure inspired by the French and the British cases. The paper shows the possible implementations and amendments.

In describing an operating structure to support the automotive industry a distinction can be made between goals and policies that are generalizable and replicable, and goals and policies that are of interest as an insight into specific problems and responses but which do not necessarily translate into being directly applicable to other national contexts. It is necessary therefore to draw a distinction between the principles entailed in organising a similar structure, and the value of its central mission in driving forward new technologies as a means of pursuing twin objectives of sustainability and commercial advantages, and the particular obstacles and difficulties faced in delivering these given extant national supply chain capabilities.

But in the last place, the main question is how the role of the different actors involved in these structures is balanced.

The main risk is linked to the fact that the orientation and implementation of an industrial policy for the automotive supply chain may not be completely delegated on the companies, in particular when its dominant players could be largely responsible for its weakening. The inadequate presence of the government and its representatives in the structure of governance, the lack of a direct coordination between industrial policy objectives and tools, the right of veto left to the carmakers and, more fundamentally, the inability of the government to develop the required skills is likely to reduce the potential of these operating structures.

For this reason, also in the automotive industry the balanced configuration of the Triple Helix offers the most important insights for the development of a sector, as the most favourable environments for innovation are created at the intersections of the actors.

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