

WITH THE MOTOR INDUSTRY HIT HARD, IT'S TOUGH GOING FOR PRACTICES IN THE WEST MIDLANDS, WRITES WILF ALTMAN

GLUM IN BRUM

'The core strengths of the West Midlands' economy should enable us to face up to the global economic impacts of tighter credit and higher commodity prices,' says Mike Laverty, chief executive of Advantage West Midlands, the regional Development Agency.

Yet in the first week of January this year Martin Smith, partner at DAINS LLP, UK200Group members with six offices in the region, reports: 'We had twice as many administration and liquidity cases as in the same period last year. Banks are still difficult when clients want to renew facilities. Getting credit is really tough. Without demonstrable proof that a business is running well and can show first class management, you wouldn't have a chance.'

Smith adds: 'We've got two motor accessories clients; in one case sales have dried up in the last month or so. We hope to save at least part of the business. In the second case we have been in discussions with major customers and helped with some restructuring.'

'A lot depends on the outcome of the rescue package being worked out by the US government for GM and Ford in Europe.'

Who's doing well in Birmingham? Small shops are having a tough time: many are standing empty. Even supermarkets are struggling. The West Midlands has lost 112,000 manufacturing and engineering jobs in the last five years, largely as a result of competition from China and India. The automotive industry is the main local worry, with BMW cutting another 70 jobs at its engine making plant in Warwickshire.

More motor industry job losses will follow 600 redundancies already announced by Jaguar Land Rover, plus the loss of 850 casual staff.

Total UK car sales fell to their lowest level for 12 years in 2008. Nissan has already announced plans to cut a quarter of its workforce from its Sunderland plant and Vauxhall has offered its workers sabbaticals of up to nine months on reduced pay.

More promisingly, in June last year Tata Motors bought Jaguar Land Rover from Ford for about £1.1bn and promised to keep the company's production plants at Castle Bromwich, Birmingham, Lode Lane, Solihull and Halewood open for at least five years.

Tata is believed to be in the process of pumping hundreds of millions of pounds of new working capital into JLR, but is thought to be having problems doing so. 'It would be much more efficient if we could get that funding from the banks,' says the company.

It is believed to have recruited Citigroup to

advise on talks with the government on state assistance, and has been in talks with the government since November about its cash flow problems and a possible multi-billion bridging loan.

In an interview with the *Birmingham Post*, the Prime Minister confirmed that the government was in talks with JLR and Tata Motors, but pointed out that 'first responsibility lay with the Indian conglomerate.'

Meanwhile, the government has promised a £64m boost to help the West Midlands economy, including £61m infrastructure funds for development, £48m of which is to encourage commercial property developers into the market and £13m regional infrastructure funding.

Paul Jones, partner at JW Hinks in Edgbaston, is finding mixed reactions to the downturn among the firm's clients. A specialist engineering equipment client has had one of the best ever end-of-year order books, but another client specialising in wood products had one of the worst final quarters.

'Banks are still refusing to increase working capital. Some of our sub-contractor clients are waiting for road building programmes to

get started. On the other hand, we have a strong healthcare clientele which is largely government-funded and not too affected by the downturn.'

Lights at the end of the tunnel, according to Smith, are 'hopes that the banks can get themselves sorted out soon and start lending again, and that the weaker pound will spur the region's companies to step up exports.'

'I can see no movement by the banks, despite all the talk in London. The one bit of good news is that Jaguar Land Rover jobs are safeguarded, following cost cutting, but we don't know how many jobs are safe or the extent of cost cutting.'



Sources: Advantage West Midlands, accountancyagejobs.com, Birmingham Chamber of Commerce, Office for National Statistics

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