

Climate Change Levy and the Subcontract Heat Treatment Sector



The Surface Engineering Association's **Dave Elliott** reports the background of renewed attempts to have CHTA members recognised as eligible for CCL negotiated agreements.

In this year's April 9th budget, the Government confirmed that it was willing to consider alternative criteria for defining energy-intensive sectors of industry eligible for entry into negotiated agreements re CCL.

Following this, HM Customs & Excise, Environmental Taxation Division, contacted a few organisations on 6 June for their suggestions. The SEA were made aware of this "consultation" through their contacts with the Engineering Employers Federation (EEF) and ensured that we co-ordinated our responses. The closing date for responses was 18 July.

On 1 July, the SEA held a briefing lunch and discussion at the House of Lords that

was attended by representatives from DEFRA, the Cabinet Office, MPs and Peers. Representing CHTA, Chris Baumann raised the issue of the current exclusion of subcontract heat treatment from CCL negotiated agreements. As a consequence, the following question was raised in the House on 17 July and we can expect a written response shortly:

The Lord Hoyle – To ask Her Majesty's Government, further to the announcement in the budget on 9th April that the Government are willing to consider alternative criteria for defining which energy intensive sections of industry are eligible to enter into climate change agreements, and therefore pay a reduced rate of climate change levy, what consideration they have given to the heat treatment sector which pays climate change levy costs of over £5million per annum. [HMT] (HL4175)

The SEA subsequently received confirmation from HM Customs & Excise that the subcontract heat treatment sector would be given due consideration for entry into negotiated agreements.

Further information was requested early this month when all CHTA members were encouraged urgently by CHTA's Secretariat to provide vital data in an HMCE spreadsheet. A September 29 deadline was set for responses so that SEA could collate and submit information within HMCE's tight time limit.

A decision will probably be made during October or November. An amendment to the legislation would then be required during December and, if everything goes according to plan, negotiated agreements could begin from January 2004.

Inside . . .

	Page
Member news	2
Member profile	3
Nadcap – what is it?	3
A new look at outsourcing: strategic partnerships	4
Transforming DTI Business Support	6
From the DTI . . .	7
Other news	7
Market Movements	8

CHTA AT SURFACE WORLD

CHTA had a presence at the recent Surface World exhibition (NEC, 16-18 September) as part of the Surface Engineering Association stand, where CHTA Buyers Guides were available.

What do you think?

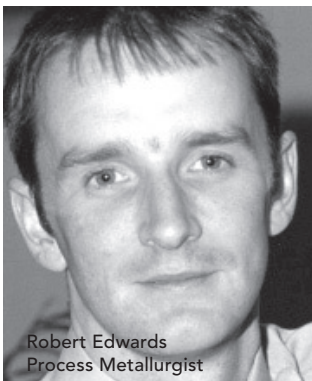
Members wishing to comment on issues raised (or not aired) in *Hotline* might care to post their thoughts on the member-area bulletin board on our website at www.chta.co.uk. It's accessed using your company's user name and password. (If you've mislaid these, contact CHTA's Secretariat).

The bulletin board's there to provide a forum for CHTA members.

Make best use of it . . .
www.chta.co.uk

NEW VENUE FOR CHTA AGM

Please note in your diary that this year's 25th CHTA Annual General Meeting will take place on Thursday **December 11th**. Breaking with tradition, the venue this year will be the Surface Engineering Association's headquarters in Birmingham. Full details will be circulated to members in November.



Robert Edwards
Process Metallurgist

AIR PRODUCTS

Ask the expert

Q. How can I reduce my costs for Al-annealing without reducing my quality?

A. Air Products have the solution to this frequently-asked question. To find out more, visit our website.

tell me more

www.airproducts.co.uk/ate3

NEW MD FOR TTI GROUP

Following his departure from TTI Group at the end of July, *Hotline* records sincere CHTA thanks to Chris Baumann for his valuable input into the Association's activities, as a member of the Management Committee, over the last ten years. He was Chairman of the Association in 1997/98.



Chris Baumann

Tony Staines

We also convey best wishes to Tony Staines, formerly Sales and Business Development Director, who succeeds Chris as Managing Director of TTI Group.

BODYCOTE GAINS BS EN ISO 9001: 2000 ACCREDITATION AT 21 UK-BASED SITES

Following presentations given by BSI on ISO 9000:2000, it became obvious that the new system demanded radical changes to ensure successful transition from the quality-based ISO 9002:1994 to the more business-orientated ISO 9001:2000. At the first formal Bodycote ISO 9001:2000 top management review meeting in November 2001, it was agreed that the best approach to the new standard was to develop common systems and procedures that could be adopted by all of Bodycote's existing ISO 9002:1994 approved sites. This resulted in the writing and issuing of a new Bodycote Metal Technology quality manual that encompassed 21 UK-based

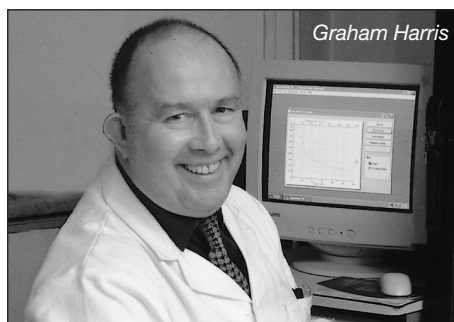
sites from Bodycote's coating, heat treatment and hipping business units.

Over the next 18 months, non-conformances raised against the ISO 9001:2000 requirements were resolved through a programme of standardisation, with all the sites adopting and implementing the agreed corrective actions. BSI monitored and reported on the progress of the transition programme through their routine audits of the sites. The results of individual site audits were circulated around all the participating sites to ensure everybody was made aware of the progress of the overall transition programme.

Consequently, Derek Alty, Bodycote's Group Technical Director, reports that, in June this year, BSI confirmed that Bodycote Metal Technology had successfully made the transition from ISO 9002:1994 to ISO 9001:2000 accreditation for 21 UK sites (including the 14 Bodycote Heat Treatments) under a single certification. Thirteen of the sites with an involvement in aerospace work have also completed the transition from AS 9100:1999 to AS 9100:2001.

WALLWORK STRENGTHENS AEROSPACE TEAM

Graham Harris has joined Wallwork Heat Treatment Ltd. at Bury, with responsibility, as aerospace quality manager, to ensure that all heat treatment processes conform to aerospace standards where required.



Graham Harris

He joins Wallwork from Rolls-Royce Aerospace at Barnoldswick, where he was a quality inspector and internal auditor for more than 15 years. Previously, he worked for British Aerospace at Preston, following apprenticeship and subsequent employment with Vickers at Barrow-in-Furness. Mr. Harris's main duties are to ensure that Wallwork complies with the quality standards and requirements of Tier 1 aerospace business. He also provides MVQ assessment as required, is qualified as an MVQ assessor in aerospace work to D32/D33, and supports Wallwork's internal processes covering ISO 9001:2000.

The Wallwork Group, which includes Wallwork Heat Treatment (Birmingham) and Tecvac Ltd, Cambridge, as well as the

NEW MEMBER

We welcome another new CHTA member:

Whitham Processing, Carbrook Street, Sheffield S9 2JN (tel: 01142 444242; fax: 01142 430623; e-mail: sales@whithamprocessing.com). Contacts are Garry Smith, Director, and Brian Houghton, Sales Manager.

Bury facilities, serves a substantial aerospace customer sector covering engine parts, flying control elements, hydraulic systems components and fuel-handling system parts. Now that it is again being extended at Birmingham and Bury, substantial vacuum heat treatment capacity is available for high-performance stainless steels, as well as low-alloy steels and tool steels for stress loads or tool-making.

Wallwork Heat Treatment was recently awarded SCI Part 1 approval by BAE Systems, which covers flying parts and includes heat treatment, case-hardening, and other related processes for parts made from ferrous and non-ferrous metals, including titanium and nickel superalloy components.

Wallwork director Richard Burslem said, "The appointment of Graham Harris to join our aerospace business team reinforces our commitment to all our aerospace customers. It is also underlines our growing ability to provide comprehensive support to Tier 1 aerospace businesses and their key suppliers."

BS EN ISO 9001:2000 APPROVAL FOR HAMMOND HEAT TREATMENT

Another CHTA member, Darlaston-based Hammond Heat Treatment Ltd (HHT), has also gained accreditation to BS EN ISO 9001:2000.

The certificate of registration confirms that HHT operate a quality management system complying with the requirements of the standard for:

- Heat treatment including carburising, carbonitriding, nitrocarburising, carbon restoration, direct hardening, induction hardening and austempering to national/international and customer specifications.
- Finishing operations including abrasive cleaning, oiling and straightening.

Commenting on receiving the certificate earlier this month, John Craddock, Sales and Marketing Director said: "This is another important milestone in the development of the company. It recognises HHT's proven ability to meet the demands, from an ever-increasing number of customers, for this high level of quality assurance."

CHTA Secretariat

Items for inclusion in *Hotline* and enquiries about CHTA activities should be addressed to:

Contract Heat Treatment Association

c/o WHTC, Aston University,
Aston Triangle, Birmingham B4 7ET.

Tel: 0121 359 3611, ext.5212

Fax: 0121 359 8910.

E-mail: mail@chta.co.uk

Website: www.chta.co.uk

CHTA Secretary: Alan J. Hick

The Contract Heat Treatment Association is not responsible for the statements made or opinions expressed by contributors to *Hotline*.

CHTA is affiliated to the Surface Engineering Association.

AT THE CUTTING EDGE

Sword-making is still alive and flourishing ... aided and abetted by the technology of CHTA-member Wallwork Heat Treatment. Sword-maker Rob Miller of Castle Keep, Strathaird Steading, Isle of Skye (www.castlekeep.co.uk) makes fighting swords the traditional way. However, his weapons are not mere replicas, but true examples of the swordsmith's art. His skills are highly appreciated by specialist collectors worldwide, who demand the highest standards. The hand-forged Si/Mn steel blades are hardened and tempered by Wallwork, to hardness and toughness levels that would have been unobtainable to the sword-makers of yesteryear, before final hand-grind and polish.

**MEMBER PROFILE****Site Heat-Treatment Services**

Site Heat-Treatment Services Ltd (SHS), a new member of CHTA, was established in 1982. It specialises in on-site/in-situ heat treatments, as well as furnace processing at its base in Port Talbot, South Wales.

Processes conducted encompass stress relieving, annealing, normalising, pre-heating and solution treatment (austenitic stainless steels), as well as refractory dry-out and curing. Accredited to BS 5750 Part 2 in 1990, the company now operates a quality management system complying with BS EN ISO 9002.

SHS is structured such that it responds quickly and competently to demands for large or small heat treatment projects. These may be associated with new construction, or part of shut-down maintenance, in oil refineries, petrochemical plants, off-shore equipment or power plant (fuel-fired or nuclear). SHS also provides services to fabrication, construction and engineering companies, either at its works or on-site.

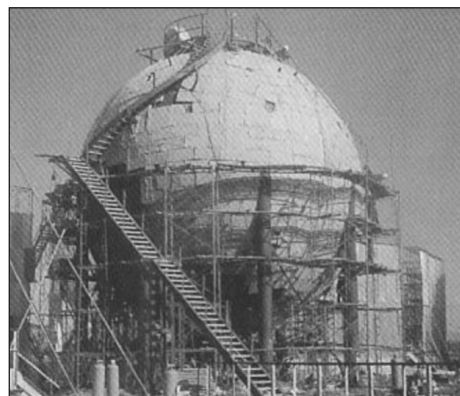
Projects are undertaken throughout the UK and overseas by a team of experienced technical and field personnel conversant with a wide range of heat treatment

techniques and their application. Each field technician is competent in the performance of preheating and post-weld heat treatment on pipework, pressure vessels and general fabricated structures.

SHS provides skilled labour and equipment to undertake on-site/in-situ heat treatment. This service typically embraces localised treatments on pipework and pressure vessels in accordance with standards such as ASME B31.3 (chemical plant and petroleum refinery piping), BS2633 (pipework), ASME section VIII and BS5500 (pressure vessels). These activities are accomplished using electrical resistance and gas-fired techniques for weld preheating and post-weld heat treatment / stress relieving.

Naturally all on-site projects are performed under the umbrella of the company quality system. As part of the system, the qualifications, experience and ability of each technician is rigorously checked and monitored, and all equipment thoroughly maintained, such that success in satisfying clients is assured, from the viewpoints of safety and performance.

In order to supplement its on-site site operations, and to provide a comprehensive service, SHS has established a heat treatment furnace division at its Port Talbot premises. Each of the company's three furnaces is designed to permit batch heat treatments at temperatures up to 850°C. They are therefore utilised on a regular basis for stress relieving, annealing and normalising of loads. The furnace internal dimensions are 2.4m x 1.2m x 1.2m, with a maximum capacity of 2 tonne. Furnace treatment often provides an economic option where an in-situ approach can be avoided.

**Nadcap – What is it?**

The **N**ational **A**erospace **D**efence **C**ontractors **A**ccreditation **P**rogramme is an America-initiated industry-managed approach to quality assessment conformity through the aerospace and defence industries.

OEMs, suppliers and government representatives worked together in the 90's to establish requirements for accreditation approval of suppliers and to define the requirements, verified against AS9000.

- This standardised process results in the removal of most aerospace routine audits of suppliers, and replaces them with one approval through the consensus of members.
- Audits are far more in-depth and thorough for special processes (of which heat treatment is just one)
- There is a significant cost-reduction driver to the OEM through standardisation.
- The system will lead to fewer audits for each supplier; 40% has been suggested.

Within the US, there are over 2000 *Nadcap*-accredited suppliers of special processes. *Nadcap* primes are: US Airforce; Defence Contract Management Agency; Boeing; Honeywell; Vought Aircraft; Cessna; Lockheed Martin; United Technologies; GE Aircraft; MTU; Raytheon; Rolls-Royce; Hamilton Sundstrand; Pratt and Whitney; Sikorsky; Fiat Avio; FAA; Northrup Grumman.

Nadcap (not the acronym NADCAP) is now a trade name as it moves globally through the consensus of major companies in the aerospace and, potentially, *automotive* industries.

With no opt-out, Rolls-Royce mandated in 2001 that all special process suppliers would come under the *Nadcap* system by the end of 2003. It was announced in August that Airbus will be contracting into *Nadcap* and BAE may follow.

The costs for accreditation amount to over £4000 per process per facility per annum. However the total costs for the process of accreditation are estimated at five times the audit fee! Therefore, unless there are significant additional business opportunities and/or long-term efficiency possibilities, it will become a further drain on the bottom line.

In the next issue of *Hotline*, Bill Hewitt, Bodycote's Group Quality Manager, will be putting together his thoughts, on the practical issues of preparing to meet the requirements of *Nadcap*, and his experiences following the first site audits in the UK.

A New Look at Outsourcing: Strategic Partnerships

John Hubbard, UK-based CEO of Bodycote International plc, addressed this month's ASM Heat Treat 2003 conference held in Indianapolis, USA. We feature the essence of his presentation here.



Outsourcing is considered in some quarters to be the answer for all the current problems stemming from lack of market demand for conventional contract heat treatment services. In this presentation, I offer some reflections on the demands, risks and rewards that outsourcing places upon the company that decides to attempt to harness the perceived opportunity.

OUTSOURCING

In our definition of outsourcing, we exclude the conventional subcontracting of heat treatment services, possible via a supply chain; i.e. when no captive capacity is involved.

Outsourcing involves a strategic decision by a component manufacturer to utilise an external provider for a service, in preference to an in-house resource. This may involve closure of an in-house facility. In its scope, an outsource project may well have a value which equates to the sales and profit of several established heat treatment businesses. Outsourcing is akin to a merger or business acquisition. It is far more strategically important and complex a process than conventional subcontracting. It requires due diligence for a successful outcome.

Outsourcing is best suited to high-capital-cost treatments/services that benefit from economy of scale and which can be carried out more efficiently by the outsource provider. It is ill suited to the unusual or infrequent requirement, although it can be applied successfully in specialist niche services/markets.

Outsourcing Drivers

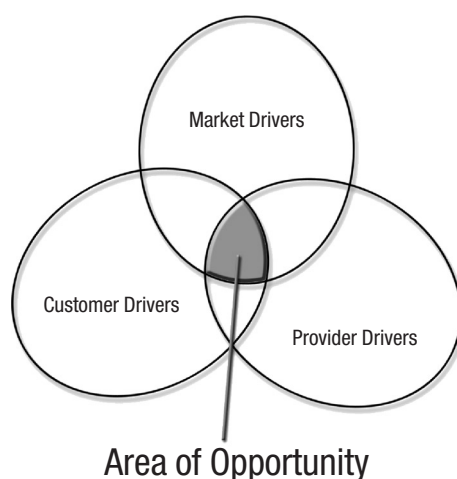
Outsourcing is not a trend setter, it is a

trend follower and is impacted by both business and market cycles. Many factors come into play, including market-related aspects, such as cost and reduced time to market, as well as increasingly rapid product change.

The potential customer may have obsolete under-utilised plant, or constraints on capital, expertise or other resources, which are preventing the company developing its mainline business. From the provider's perspective, it is vital that any offer is completely credible and adequately resourced.

Outsource opportunities occur only infrequently and, in their investigation and negotiation, these projects often require the lengthy and in-depth involvement of our senior personnel. Real opportunities tend to be a once in one or two decades decision, related to the depreciation periods for equipment and premises.

Outsourcing drivers



THE STRATEGIC PARTNERSHIP (SP)

As with all trading relationships, it is imperative that both parties to an outsource deal receive an equitable share of reward from the corresponding risks that they shoulder. The best strategic partnerships embody long-term relationships and are based upon mutual trust or, at least, mutual reliance.

A degree of exclusivity is also desirable. There are important differences between full service outsourcing (full exclusivity)

and selective outsourcing (using multiple providers), particularly affecting on-going investment and business development issues. Security of supply and potential restriction-of-trade issues may also arise.

Confidence/Capability

Before we can hope to persuade a potential outsource partner to come with us, we need to ensure that we possess, and can demonstrate that we have, the necessary strengths to carry out the investigation, planning and execution of the outsource plan and achieve the objectives. These strengths include people, technological ability, quality accreditations, financial performance and an established reputation.

Reliability, Endurance and Risk Assessment

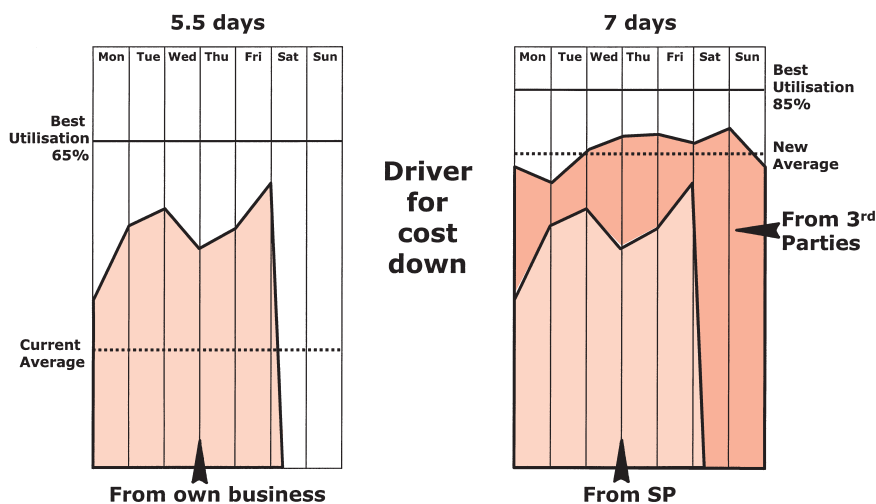
It is just as important to identify the partner's strengths and weaknesses (people, financial, business maturity and reputation). An important key to a successful outsource project is that both partners should understand their current ROCI (return on capital investment) drivers, have clear objectives and understand how the outsource project will improve ROCI for them both.

Comprehensive risk assessments are vital at every stage of the project, particularly just prior to commitment, when equipment is being scoped and specified and the business plans are being finalised.

Associated service level agreements are also important, as they are the vehicle which ensures day-by-day compliance with the methods and objectives of the outsource project.

Strategic Partnership Dynamics

A strategic partnership is subject to many dynamic influences, all of which require careful consideration. Even whilst the investigation and negotiation stages are underway, these dynamics can change. Some of them, such as market demand, globalisation and personnel change, are outside the control of either partner. Others, such as supply issues, ownership change and management leadership changes, are in the control of one partner. Both partners need to be aware of the impact of such dynamics and the SP project teams must be kept informed by senior management of such developments.

Furnace utilisation: captive v strategic partnership

This diagram graphically displays the magnitude of opportunity for mutual benefit, for both parties to an outsource deal, which accrues from the 24x7 operation of a strategic partnership facility, having the freedom to in-load third-party work.

The Unknowns

Although, during the investigation stage, both partners will strive to quantify all elements of their respective SP business plans, the dynamics produce a number of unknowns. Behind the requirement to secure an equitable share of risk and reward lurk several factors which are capable of de-railing the SP. These include unexpected outcomes from significant technology change, inadequate investment and poor risk management.

Most importantly, the outsourcing partner may have left the policy change too late and the product could be close to being obsolete.

Protecting the Future of the SP

We build protection for the SP into the future by ensuring that, in addition to delivering the necessary service to the correct quality, at the agreed price and on time, vigilance and close communication is maintained between the partners.

Joint activities for business development and training help to develop and maintain the mutual trust required. They provide the basis for extension of the SP and assist in the monitoring of potential competitive factors.

The Role of the Commercial Lawyer

There is a temptation to negotiate and secure SP agreement under commercial conditions, without involving a lawyer. This is understandable, given the fact that some aspects of legal involvement can be counter-productive, such as delaying the commercial negotiations, complicating the buyer/seller relationship and increasing costs.

However, given the fact that due diligence is necessary in the development of an SP

agreement, it is often vital that lawyers are engaged by both partners.

What doesn't work?

Consideration of factors that prevent an SP from working, by means of a SWOT analysis, shows that the investigation and negotiation stages may not even be completed successfully, let alone the SP agreement signed or implemented, if some of the possible weaknesses are encountered.

Without a competitive business model and adequate SP project team personnel, training and resources, the discussions will not get past first base. A lack of trading history between the partners, as well as schedules and frequently-changing forecasts and priorities, may destroy the project during negotiation.

Inferior risk assessment and poor management skills have the potential to destroy an established SP.

Threats exist which make the establishment and operation of a secure mutually-successful SP more difficult and, again, may cause it to fail.

It is fundamental that the purchasing culture of the outsourcing company should not be adversarial in the classic dual

supply mode. The deal has to be based upon full value considerations, not price-down alone, and should be constructed using the most accurate data available.

Fair SP contract conditions, and a willingness to share the benefits of continuous improvement, are also important.

What Works?

As with all major business change initiatives, the reliability, experience and expertise of the management team are of paramount importance. The complexities of an SP require explanation and "selling" to personnel not directly involved in the discussions. If a "champion" is available within the outsource team, this greatly facilitates this most important channel for communication and influence. The greater the knowledge of the customer's business and the longer the history of reliable service, the more likely is a successful outcome.

If both parties are financially strong and have the necessary management controls, the SP format is ideal for cutting out costly duplication of effort and producing optimum added value.

A successful SP provides opportunities that are not available under alternative trading arrangements and is capable of producing quantum improvements for both partners. For the service partner, an increase in sales turnover and profitability well justifies the time and cost involved, when compared with the reducing rewards from a shrinking conventional contract market. It opens up new markets for us.

It is all about improving efficiency and returns for both partners, by concentration upon core business, reducing supply costs and removing unnecessary duplication of effort.

Seeking growth via outsourcing is not for the faint-hearted! It demands the active participation of all levels of staff, including senior executives from all business functions, at all stages from investigation to negotiation and implementation.

Substantial rewards are available for both strategic partners, although they may only be secured by hard work and dedication on both their parts.

For the best in contract heat treatment,

go to . . .

www.chta.co.uk

TRANSFORMING DTI BUSINESS SUPPORT

1. Earlier this year, DTI launched the first four new business support products. These are primarily aimed at SMEs and mostly encompass elements of current successful schemes:

- **Grant for Research and Development**, aimed at encouraging technological innovation at different stages of project development. This draws on elements of the old Smart scheme.
- **Grant for Investigating an Innovative Idea**; to enable businesses to improve their capability to innovate by buying in specialist advice to plan properly a specific innovative project idea.
- **Small Firms Loan Guarantee**; a development of the Small Firms Loan Guarantee Scheme (SFLGS) to enable lending to viable businesses that are unable to obtain conventional finance because of a lack of collateral to offer as security. This new product extends the eligibility of applicants.
- **Knowledge Transfer Partnerships**, to help businesses access knowledge, skills and expertise from the 'Knowledge base' (e.g. Higher Educational Institutions and Research & Technology Organisations) and then apply it to their business, resulting in increased productivity and profits. This draws on elements of the old TCS scheme.

Businesses can access these products via their local Business Link Organisation.

2. As well as launching four new products DTI also recently launched three more sector-specific "projects". In future, such projects are likely to be developed within the new product framework.

- **Initiative to promote development in metals technology industries**. This partnership with Yorkshire Forward (RDA), private sector and EU money utilises advanced metal processing technologies to seek out new applications in high-technology areas, in order to move firms up the value chain. It is managed by the National Metals Technology Centre (www.namtec.co.uk).
- **Supply Chain Groups**. This extends UK competitiveness from first tier suppliers to others, through greater cooperation in supply practice. It is initially aimed at the automotive industry, although may be expanded to include other sectors in the future. We will circulate a more detailed note to Metals Forum and EAMA members who are likely to have the greatest interest (see page 8) but more information can be obtained from the website (www.supplychaingroups.co.uk).
- **Nanotechnology**. £90million will be spent on collaborative research and a new network of micro and nanotechnology facilities. This will help business build on the UK's excellent scientific track record in the small-scale science and win a share of this developing global market.

3. Six more new products will become available from next April¹. Together with those already released, these will form the complete package of DTI business support. They include:

- **Support for knowledge transfer networks to enable businesses to manage technological opportunities better**: This product aims to increase the breadth, depth and speed of knowledge transfer to UK-based business. The

product will offer a grant to or contract with an intermediary or intermediaries to:

- > Establish networks in technology areas of strategic importance where no suitable networks currently exist; and/or
- > Develop the capability of existing knowledge transfer networks in areas of strategic importance.

- **Support for business research and development through collaboration**: This product will provide support for collaborations between businesses, and between businesses and the research base. It will stimulate higher levels of business investment in long-term R&D through the formation of dynamic and effective partnerships. This may involve technology demonstration where appropriate. It will be used to implement the DTI's emerging technology strategy.

- **Support to disseminate new and existing best practice**: This product will lead to better dissemination of best practice techniques and processes of strategic importance through an expert forum to identify and benchmark new and emerging practices and a network of centres of excellence. It will offer:

- > DTI and partner run awareness campaigns to improve understanding and awareness of best practice techniques and processes; and
- > Grants to intermediaries to develop services supporting best practice.

- **Support to implement best practice activities**: This product will help businesses to implement best practice techniques and processes. It will offer grants to businesses to subsidise the implementation costs, to intermediaries to assist and advise and to groups of businesses to subsidise the cost of implementation by their suppliers. Specific applications of the product could include, for example:

- > Implementation of best practice to improve business processes; and
- > Company improvement programmes within members of a supply chain, plus group activity to improve communications and create a more responsive and competitive supply chain.

- **Small Business Investment Companies (SBIC)**: We are currently consulting on how to improve SME access to growth capital. One option being consulted on is a possible product, based on a variant of the US model of Small Business Investment Companies. SBICs are private sector vehicles able to borrow up to two times their privately-raised capital from Government at preferential rates. These leveraged funds are then invested in a portfolio of eligible SMEs. On making a profit, the SBIC repays the Government leverage with interest, and then repays the private investors' capital before sharing any remaining profits between the Government and investors.

- **Support for capital investment in the regions**: We are looking at a product that would provide grants for capital investment projects in the Assisted Areas with the aim of raising Gross Value Added in companies receiving support, through job creation and/or productivity growth associated with the investment.

4. These products are still in the early stages of development. Through the coming months DTI will be working up the design of each product, together with its method of delivery, administration, launch, marketing and communications. We are keen to ensure that stakeholder views are taken fully into account. Our Sector Teams will be working closely with Business Support colleagues to ensure that they understand industry needs, have clear guidance on the most suitable support and build in appropriate mechanisms to ensure that businesses can access that support with ease.

5. The timetable for developing these new products is tight. We have set up an externally-appointed Investment Committee, chaired by Fields Wicker-Miurin who has significant experience of business management and strategy, international finance, innovation and early-stage technology businesses in the USA, UK and Europe. This Committee will help drive the process forward while ensuring that the creation of new business support products is only considered where a strong business case is made, with clear objectives and measures of success, and a clear rationale for Government intervention. Indeed, the Investment Committee sits at the heart of the drive to provide well-focused support, which is focused on driving up productivity and delivering good value for taxpayers.

6. A key part of our work to restructure the Department's business support activities is about making the delivery of our business support clearer and simpler. We have made an important start with the Business Support Directory, improving the way that customers can access information. If you have not already seen the directory, you can find it at <http://www.businesslink.org>. But we also want to make sure that we make full use of our existing communications channels so that all businesses find it easy to get information about business support. To make sure they can, we have been working closely with the Business Link network, with RDAs – both on the design of our new products and the alignment of national and regional support – and with our own DTI Sector Units.

7. We will back up the more effective use of our communications channels with much more effective systems to improve the delivery of new business support products with clear service standards for our customers. The systems will include new internal mechanisms to allow us to capture and analyse data on how well our new support products are working and what impact they have on achievement of the DTI's overarching objectives. We will measure our performance using a balanced scorecard approach to evaluate the economic impact of our products and to look at the broader picture, taking into account customer satisfaction and our relationships with our delivery partners. This analysis will form an important input to the Investment Committee, providing it with the evidence base it needs to advise on the relative attractiveness of investing in each product. It will help DTI to target funding where it will have the greatest impact and minimise activity which is not making a real difference.

Department of Trade and Industry
August 2003

¹ Product titles are descriptive only and may change in the future.

From the DTI ...

Information received this month outlines changes in the Department of Trade and Industry's Business Support programme:

Dear Director

BUSINESS SUPPORT

I am writing to all the Trade Associations and other intermediaries that we deal with in the Materials & Engineering Unit to update you on the current position regarding Business Support.

In response to a clear message from businesses that our business support offerings were unfocused, DTI has started to restructure radically the way that it supports businesses. Our aim is to develop and deliver support to businesses that is easy to understand, simple to access and strongly focused on driving up productivity. We have already launched four new products. We have also put in place a new web-based Business Support Directory that allows customers for the first time to access information on all of DTI's business support, as well as selected information about support available from other Government departments. We have made significant progress and are on the way towards completing the restructuring. In developing new products, our approach has been to capture the very best from the plethora of schemes the DTI offered and to streamline the support we will offer in the future. New products are being developed, in accordance with key drivers of productivity, innovation, enterprise and best practice, and investment, to ensure that they make a real impact on the businesses which use them and on the economy as a whole.

At the same time as we are developing our new products which draw upon the best of current schemes, we are closing down all existing schemes. We have already closed down more than 20 schemes and more will be removed in the coming year as contractual and legal commitments allow. We will work to keep you in touch with this process as it develops but if you have immediate questions I would encourage you to raise them with your existing scheme contacts.

The attached note (page 6) sets out the new products that have been launched and those that are currently being developed. It also sets out some of the measures we are taking to ensure that business support is properly focussed on driving up productivity and that its delivery is clearer and simpler for customers.

The changes described in the note represent a major and forward-looking

improvement in the provision of business support, but they cannot stand alone. In September a Departmental Strategy will be launched that will sharpen our focus on key policies and set the scene for better services, more professionally delivered.

The Departmental Strategy and the Business Support Transformation process are being informed by the Innovation Review that began last November. Results of the review are due to be published in the Autumn. It will bring forward proposals to boost the nation's innovation capability and the exploitation of our creative science and engineering base, to enable businesses to compete successfully in international markets on the basis of innovative high value added goods and services, and narrow the UK's productivity gap with its major competitors. The innovation strategy will include a stronger national focus on exploiting our world-class science base, encouraging and facilitating regional innovation activity, and using other government activities – in particular public procurement – to stimulate innovation.

As we work on the new Business Support products, I will continue to keep in contact to update you on progress. You can also access information on this work via the relevant page of the DTI website (at www.dti.gov.uk/for_business_support.html).

Yours sincerely

Brian Greenwood

Assistant Director – Trade Associations
Materials & Engineering Unit
Department of Trade and Industry

OTHER NEWS

HEAT TREATER HEADS CBM

Best wishes to former CHTA Management Committee member John Houseman who has been appointed the new Director General of the West Bromwich-based Confederation of British Metalforming (CBM).

The leading trade association for UK manufacturers of fasteners, forgings, pressings and cold-rolled sections, the CBM represents over two hundred companies with a total turnover in excess of 1.7b.

In his new position, John's overall objective is to enhance the reputation of the British metalforming industry and to raise the industry's profile both at home and abroad. His key responsibilities are to ensure that the CBM continues to provide its members with a wide range of services, which enable them to improve their standards of performance, quality and competitiveness, as well as to gain new member companies for the Confederation



John Houseman, CBM Director General

by the quality of its own activities and its reputation.

Having been educated at Market Drayton Grammar School in Shropshire, John studied metallurgy at Coventry University, (previously Lanchester Polytechnic) and, after successfully completing a 4-year sandwich course, graduated in 1975.

Once qualified, he went on to work for GKN as a management trainee at the company's engineering steel manufacturing facility in Wrexham, North Wales. Whilst working for GKN, John attended many courses on industrial management and is now a full member of the British Management Institute.

In 1988, John was appointed Operations Director of the new Brasway Bright Bar mill at Darlston and, following the subsequent sale to British Steel (now Corus) in 1991, he was appointed Managing Director of Brasway Tube Ltd. 1993 saw his appointment to Operations Director at the much larger Redman Fisher Engineering factory in Tipton (now part of the Hill and Smith group), producing flooring panels for the offshore oil and gas industries.

With the imminent retirement of the owner and founder Mr Wally Hammond in 1997, the opportunity to become Managing Director and minority shareholder of Hammond Heat Treatment became available. Due to the company's well-established reputation for quality and service, under John's stewardship the company grew significantly, providing a wide range of heat treatment processes for many of the metalforming businesses in the CBM today.

HEAT TREATER HEADS BMeta

Congratulations to Stephen A. Plumb, of TTI Group's Birmingham-based Nitrotec Services, who became President of the Birmingham Metallurgical Association again this month. Steve is only the second on the illustrious list of past presidents to fill the post twice since the First World War.

SUPPLY CHAIN GROUPS

"The development of a supply chain management capability costs little, it protects customers and is a means of generating financial performance improvements that significantly outweigh any major innovation in production performance". Nick Rich, Lean Enterprise Research Council.

The DTI Automotive Unit launched the "Supply Chain Groups" programme earlier this year. It is a £15million 5-year programme initially aimed specifically at the automotive supply chain.

Supply Chain Groups bring firms involved in the production of a particular component together to improve their efficiency. This approach has been developed by SMMT Industry Forum and successfully delivered as part of the *Accelerate* programme in the West Midlands.

The Supply Chain Groups programme is managed by PERA and is based on structured development activities led by a host company working with, typically, 8-10 suppliers and a provider of the expertise required for the development. The duration of an activity is between 18 months and three years.

Topics covered are those that benefit the whole supply chain, not just the host, and can include: logistics, product development, manufacturing process improvement, purchasing performance, company strategy, project management. Grant funding is 50% of external provider costs and the salary costs of a 'Supply Chain Champion' employed by the host company. Results show that this person is key to the success of Supply Chain Groups, particularly in ensuring sustainability once the intervention by the external provider is complete. Maximum funding for the activity is £120k-£200k, depending on duration.

Proposals are assessed by a panel of purchasing executives from vehicle manufacturers and global tier 1 suppliers. Evaluation of the results is continuous, with periodic reports to the assessment panel to review the improvements achieved.

The host company can be a vehicle manufacturer, a tier 1 or a tier 2 supplier that has identified competitiveness issues in its supply chain. The host company is responsible for the submission of the programme application and for meeting the conditions of any grant offer.

Any UK-based company will be able to apply to act as the host, provided it manufactures a product that forms part of a vehicle. Supplier companies are suppliers to the host in the supply chain improvement activity and their suppliers.

Market Movements

ANALYSIS OF QUESTIONNAIRE REPLIES RELATING TO 32 CHTA MEMBER SITES

"THIS QUARTER" =

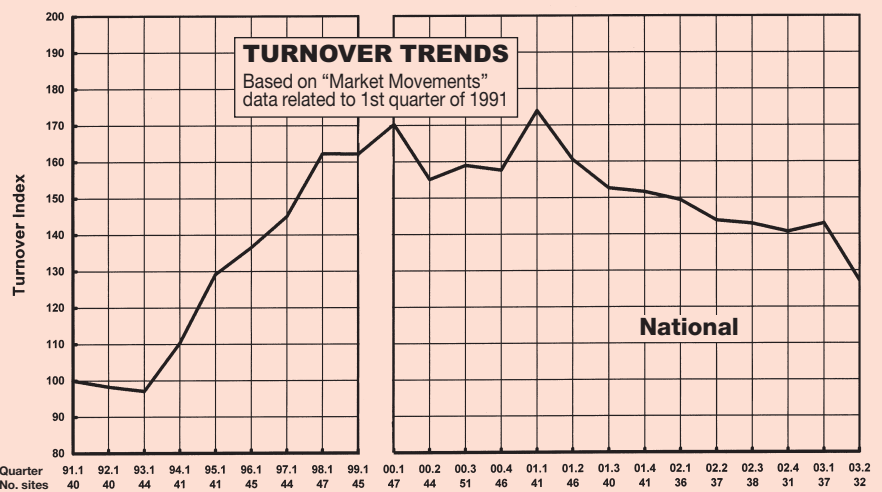
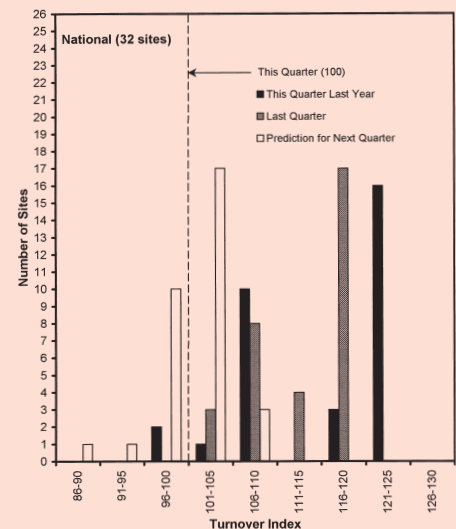
**1 APRIL –
30 JUNE
2003**

= TURNOVER INDEX 100

National

OVERALL ANALYSIS
(32 SITES)

	Mean index
This quarter last year	116.1
Last quarter	112.5
Predicted next quarter	102.2



Any company may form part of the supplier group (including service providers) provided they contribute directly to the product in question.

For details: helpline: 01664 501300; e-mail: enquiries@supplychaingroups.co.uk; website: www.supplychaingroups.co.uk.

STATESIDE STATS

NORTH AMERICAN HEAT TREAT SALES STILL SLUGGISH

At the conclusion of the second quarter of 2003, the North American commercial heat treatment sector posted a decline of 0.9% in sales compared with last year. Returns from participating members of the Metal Treating Institute indicated that billings in the first six months of the year were \$431.0million, compared with \$435.1million for the first half of 2002. June sales, at \$71.4million, grew 1.6% against June 2002's \$70.2million.

**CHTA has been
using this logo
since 1990...**



...how about you?

**Please help us to "spread the word"
– proclaim your CHTA membership**

All members are urged to feature CHTA's logo on company letterheads, literature, websites and advertisements.

For this purpose, the logo is now downloadable from the CHTA's website at www.chta.co.uk. Go to the "Members Area" and click on "Using CHTA's logo".