



COMPETITIVENESS

Creating the enterprise centre of Europe

Presented to Parliament by the Deputy Prime Minister and First Secretary of State, the President of the Board of Trade and the Chancellor of the Exchequer, the Secretaries of State for Transport, Environment, Education and Employment, the Chancellor of the Duchy of Lancaster, and the Secretaries of State for Scotland, Northern Ireland and Wales by Command of Her Majesty, June 1996.

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Substantive references to Deregulation (Cutting Red Tape), and Business Links in the text are highlighted as shown. There is a Glossary at the end of the White Paper. Publications referred to in the White Paper are identified in footnotes.

For copies of the textual charts on disk please contact Steve Leighton, Competitiveness Division, Cabinet Office.
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Four complementary documents were published at the same time as the White Paper. These are:

1. Competitiveness: Creating the enterprise centre of Europe - A summary
2. Helping businesses to win: consultation on a new approach to business support

both of these are available free of charge from

Cabinet Office Publications.
Tel. 01277 262200 ext. 223
Fax 01277 262500

3. Your Business Matters: The Government's Response,
available from DTI Publications
Tel. 0171 510 0174

4. Competitiveness Occasional Paper: The Skills Audit: A Report from an Inter-Departmental Group, available
from DfEE Publications.
Tel. 0171 510 0150

This White Paper is available from The Stationery Office outlets.

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Foreword by the Prime Minister



My ambition is to double the living standard of this country in 25 years. That is a hard challenge. But with the right policies and a commitment by all of us, it is one we can achieve.

Today we have low inflation, unemployment well below the levels of our main European competitors and falling, and steady growth. This is the best set of economic conditions we have had for a generation. What we have built is a platform for future prosperity. But the prosperity itself needs to be built. Our trading partners and rivals will not wait on us. We must constantly improve our competitiveness in everything we do which can contribute to business success.

Competitiveness is not just a challenge for Government and for business. It requires a change in behaviour by all of us; an openness to new ideas and, above all, a willingness to compare ourselves with the best in the world; to face up to how well we are doing and, if the answer is not favourable, to do something about it.

Our aim is to make this country the unrivalled Enterprise Centre of Europe, with an open, flexible and dynamic economy, able to win in world markets; one which keeps social costs down for business so that prosperity can rise for all; one which promotes incentives and rewards success; one which provides the education and training we need for the world of today and tomorrow.

This is the Government's third annual report on competitiveness. It shows the progress made over the last 15 years towards reversing a century of relative decline. It shows our strengths and faces up to the advantages our competitors still have. It sets out a comprehensive agenda for taking this country into the next millennium as the Enterprise Centre of Europe. The opportunities before us are huge if we have the will to seize them.

comments

Introduction

Creating the enterprise centre of Europe: The challenge

1. The competitiveness of a nation depends on many factors, almost all of which can be tackled most effectively by partnership between Government, business and individuals. It is enhanced by a culture which encourages innovation, change and enterprise. The Government's aim is to make this country the unrivalled enterprise centre of Europe, and so achieve higher prosperity and greater security in a fast-changing world through more and better paid jobs.
2. The Government must provide a stable economy to encourage investment and risk-taking by companies and by individuals. Underlying inflation has been below 4 per cent for the longest period for almost 50 years, and is now less than 3 per cent. The Government's target is to get inflation down below 2½ per cent by the end of this Parliament.
3. The costs imposed by Government must be kept to a minimum, so that success is rewarded. This means keeping a firm grip on public spending. The Government is committed to getting spending down below 40 per cent of national income and keeping it there. The UK already spends a lower share of national income on public expenditure than other European countries, although the US, Japan and the fast-growing Asian economies have a much lower ratio. It also means keeping taxes down. Business in the UK now has the second lowest burden of tax for any of the major world economies, at only 6 per cent of GDP compared to 9 per cent in Germany and 14 per cent in France. The Government is also committed to cutting, and in due course abolishing, both capital gains tax and inheritance tax.
4. The impact of higher social costs in other countries gives us a competitive advantage. In the UK for every 100 spent on wages an employer has to add an extra 18 for non-wage costs for every employee. That same employer would have to add 32 in Germany for every employee, 34 in Spain, 41 in France and 44 in Italy. But in Japan social costs add only 16. Unemployment is falling in the UK, unlike many other European countries, and it is at lower levels here. This reflects the flexibility of our labour market and the success of the Government's reforms. The Government will preserve the UK's opt-out from the European Social Chapter; and will press, during the forthcoming Intergovernmental Conference, to limit the scope of Treaty health and safety provisions, to prevent these having a detrimental effect on UK jobs and social costs.
5. The performance of companies depends on the quality of the management and its ability to innovate successfully. Benchmarking is a crucial first step for all firms in comparing themselves with the best and in suggesting how they might improve. The White Paper sets out progress in establishing a national benchmarking network. This should help poorly performing companies in the UK to improve. Partnership between firms, higher education and other sources of expertise on science and technology is developing quickly, stimulated by Technology Foresight and its follow-up.
6. The White Paper sets out progress in addressing the issues raised by businesses, especially in making EU, central Government and local Government regulation more user-friendly. The "Your Business Matters" series of conferences arranged over the past year by organisations representing small and medium sized businesses gave clear guidance on what SMEs wanted from Government if they were to contribute better to national competitiveness. The White Paper proposes a new approach to Government support to business which will make the best use of the network of Business Links, now rapidly achieving recognition as a successful innovation, and at the same time apply Challenge methods of funding wherever this is appropriate.
7. An efficient and effective infrastructure is an essential component for a successful economy, not just in the conventional form, but also in our ability to store, process and distribute digital information in IT networks. The White Paper demonstrates progress in this area. Much of tomorrow's trade will be in knowledge, technology, software, and communications. The UK, with its extensive trading links and the advantage of the English language, is well-placed to compete effectively in these new global markets.
8. But the UK will only succeed if the nation's young people have the right skills. The Government shares responsibility with business and with individuals to ensure that education and training is equal to the best anywhere. The White Paper summarises the results of the international Skills Audit conducted over the past year. It shows where the UK compares favourably, but also that there are areas where more must be done. That is why the Government will continue to press for improvements to education and training at all levels.

9. The Government is working to increase commitment to lifetime learning. Our higher education system has seen a massive expansion in recent years: in 1979, one in eight of our young people went into higher education. Today it is almost one in three. More of our young people than ever before continue their education beyond 16, making informed choices and achieving valuable qualifications. Significant changes to these qualifications are now in train to strengthen them and enhance the competitive skills young people increasingly need. Vocational education has been reformed, Modern Apprenticeships introduced and new National Traineeships set in hand. The further education sector is increasingly dynamic and responsive. In schools, the national curriculum, tests, inspection and performance tables are shining a searchlight on where progress is being made - and where there is still further work to do to recapture the ground lost over the past century or more compared to the achievements of some of our competitors.

10. If that light shines on uncomfortable truths, so be it. It provides information needed to back the Government's determination to work with schools, colleges, universities and employers to provide the UK with the workforce needed for the global knowledge-based economy of the 21st century.

11. Alongside this emphasis on improving economic performance, the Government remains committed to a welfare state which underpins - not undermines - a competitive economy, one with high quality health and other public services and a safety net which helps people to cope with change rather than locking them into dependency. To keep these costs and the burden on the economy down poses a continuing challenge. The White Paper sets out steps that are being taken, through the Citizen's Charter, Private Finance Initiative, privatisation, improved performance by Agencies, and Challenge Funding to achieve higher quality public service for a given level of public spending.

12. Throughout, the White Paper contains examples of success - of companies and of people - in case studies that illustrate these themes and that will provide a stimulus to others to meet or better their achievements. The privatisation of airlines, telecommunications, and the energy and other sectors, together with the introduction of competition, have created thriving businesses and cut costs to both industrial and private customers. The Government also wants to see a majority of workers in the UK's large companies holding shares in those companies by the end of the decade, and has made it more attractive for firms to get their employees more fully involved in their enterprise in this way.

13. The UK is already seen by inward investors as an excellent location. We have had notable successes this year and overall in a fiercely competitive market we continue to attract two fifths of all US and Japanese investment in Europe and to get an even greater share of Korean investment. Firms based in other European countries are also increasingly attracted by the UK as a base. All this activity by world class companies strengthens our credentials as the centre for enterprise.

14. The White Paper sets out the progress that has been achieved and the further steps needed to improve our competitiveness, including commitments to draw up an agenda for action with business and other partners at local and sectoral level. We are well on the way to becoming the enterprise centre of Europe.

How to use the White Paper

15. Section 1 looks at changes in the world economy and in more detail at the Government's policies to promote competitiveness and make the UK the enterprise centre of Europe. It reviews UK performance.

16. Section 2 sets the scene in which UK business operates. It covers the national and regional economic framework and reviews UK performance in other factors of business success. It shows how the Government and other institutions are seeking to improve this environment.

17. Section 3 shows how the Government directly helps business through the sponsorship of particular business sectors, and the provision of advice and incentives. It announces consultation on a review of this assistance in response to the "Your Business Matters" Conferences.

18. Section 4 looks at competitiveness from the perspective of UK companies, with many examples of successful change.

19. Annex C reports on progress against the commitments made in previous White Papers, providing an audit of policy over the last year.

1 The World Economic Environment

Main Links with other Chapters

2 Economic Policy and Performance
10 Finance
11 Fair and Open Markets
19 Becoming World Class
21 Exporting and Outward Investment

1.1 Improving competitiveness is central to raising the underlying rate of growth of the economy and enhancing living standards. Achieving this means removing impediments to investment in machines, people and ideas and improving the efficiency with which resources are used throughout the economy, not just in those sectors directly involved in international trade. It means giving people the freedom to grasp new opportunities. It involves benchmarking all of our activities against the best of our competitors to see how well we are doing compared to them and what we can learn from them.

1.2 The need to improve our competitiveness is not imposed by Government, but by changes in the world economy. Improving competitiveness is not about driving down living standards. It is about creating a high skills, high productivity and therefore high wage economy where enterprise can flourish and where we can find opportunities rather than threats in changes we cannot avoid.

International markets are becoming ever more open and integrated . . .

1.3 Competition from Western industrialised nations and from the Asian tigers, Latin America and Eastern Europe is becoming even more fierce and the diffusion of technological advances more rapid. If present trends continue, by 2020 developing countries will have increased their share of world trade from a third to over a half. China will be the biggest economy in the world. China, India, Taiwan, Indonesia, South Korea and Thailand will together be bigger than the current G7.

1.4 World trade in goods has grown much faster than production in the post war period, and trade in services has generally grown as fast as trade in goods. Within the service sector, the growth of international telecommunications traffic has outstripped all others, underscoring its crucial new role (Chart 1.1). Capital flows have grown even faster than trade. Banks have almost doubled their foreign assets relative to world GDP since 1980, boosting the importance of traditional banking centres, such as London, and creating new centres, often in developing countries. Foreign direct investment has also expanded sharply helping firms to globalise technology, production, management and marketing skills. The stock of foreign direct investment doubled as a proportion of world GDP over the 1980s. Around two-thirds of world trade is now carried out by multinational firms.

. . . driven by changes in technology, the behaviour of firms and Government policies . . .

1.5 Improvements in transport and telecommunications have cut costs, made it easier for management to coordinate geographically dispersed activities and accelerated corporate response times. The rising costs and interdependence of many new technologies, and the rapid rate of obsolescence of products are compelling many firms to conclude strategic alliances. Governments and international institutions have played a significant role by promoting open markets, business-friendly foreign investment regimes, and common rules and standards. Skill levels and productivity have risen in many developing countries making them attractive locations for investment.

1.6 The renaissance of the market system in Central and Eastern Europe is creating new markets and sources of supply. The global labour force has grown rapidly in recent decades. In 1978 one third of the global labour force lived in centrally planned economies and another third in countries only weakly linked to international trade because of protective barriers. Today, most of the world's population lives in countries deeply integrated into the world economy or rapidly becoming so. By the millennium fewer than 10 per cent of the world's population will be cut off from the economic mainstream[1].

. . . with important implications . . .

1.7 These changes are the latest phase in the internationalisation of business and the integration of the world economy. They generate enormous opportunities for countries opening their economies to world markets. These opportunities are not confined to large companies. Small companies also benefit as larger and multinational companies concentrate on their core activities and seek new competitive sources of supply.

1.8 They are also changing the way in which the world economy operates:

- New limits to governments' influence over what were previously regarded as national issues mean that international cooperation will become more common. The integration of capital markets reinforces the need for economic policies to be responsible and credible.
- Global companies are most likely to locate in countries where barriers to entry and exit are low, and where the labour force is well educated and flexible.
- People and ideas will achieve greater prominence as a source of national competitive advantage, as labour remains less mobile than capital or technology.

. . . although the pace and pattern of change has been uneven.

1.9 Some markets - particularly financial markets - are already globalised; others remain national or regional. The protectionism of the 1920s and 1930s means that much of the growth in world trade since 1945 simply represents a recovery to former levels. However, the share of services in world trade is much higher. Despite the integration of world capital markets, saving and investment in individual countries remain closely related. There are few examples of the truly global company. A survey of 100 of the world's largest non-financial companies found that globalisation has gone furthest with respect to overseas sales, and the location of assets and employees. It has not yet infiltrated ownership or management: fewer than one quarter of the companies had even one "foreigner" on their Board of Directors and none had foreign share ownership of over 12 per cent (Chart 1.2). The OECD found that globalisation was strongest in sectors, such as pharmaceuticals, computers, semiconductors, motor vehicles and non-ferrous metals, where production was based on R&D, economies of scale or dependent on local natural resources.

The UK is well placed to benefit from these changes as a major trading nation . . .

1.10 The UK is one of the world's great trading nations. We are the fifth largest exporter and importer of goods and services. We export more per head than Japan. We have the highest ratio of inward and outward investment to GDP of any leading economy (Chart 1.3). London is one of the three major international financial centres in the world. Government policies have created a flexible and responsive economy in which enterprise is flourishing.

. . . with a broad involvement in world affairs.

1.11 We are a leading member of the European Union, the United Nations and many other international organisations. We have a long history of liberal democracy and good administration and an unsurpassed record in helping other nations achieve the same. Our historical legacy provides us with strong links with many of the world's leading nations and English is the international language. Our armed forces have been deployed to support global security. This broad involvement gives us significant economic, commercial and financial advantages.

National heritage: prosperity and prestige

London: Europe's world city

Europe as a whole must also improve its competitiveness.

1.12 Around half our trade is with Europe. The Single Market has created enormous opportunities for UK business and raised our living standards. However, Europe must reverse its relative economic decline against the US and Japan. Rules, laws and policies for the EU must encourage rather than shackle firms' efforts to succeed. A liberal, outward-looking EU is a prerequisite for securing its future prosperity. The Government is determined to ensure that Europe's competitiveness is taken fully into account at the Inter-Governmental Conference.

1.13 The European Council regularly discusses competitiveness issues and the Commission has a key role to play. The Commission's action programme focuses on the elimination of unnecessary burdens on business, the vigorous application of competition policy, the promotion of industrial cooperation, and the importance of intangible investment such as R&D. The Commission will shortly publish its first annual EU competitiveness report.

1.14 The Competitiveness Advisory Group of businessmen, academics and labour leaders under the chairmanship of Dr Ciampi has produced two reports. These emphasise: the priority of the effective completion of the Single Market, notably through the introduction of competition in the public utilities sector; the importance of SMEs, including in public purchasing; the need to stimulate SMEs to innovate; and the importance of benchmarking to the individual firm.

Biotechnology: supportive regulation in Europe

1.15 Flexible labour markets are essential if Europe is to create new jobs and surmount the challenges set by other regions of the world. Europe cannot afford to impose unnecessary additional costs on firms. In Britain, an employer has to add an extra 18 for non-wage costs for every 100 spent on wages: that same employer would have to add 32 in Germany, 41 in France, 44 in Italy but only 16 in Japan. The Government believes that it is not in the UK's interest to sign up to the Social Chapter. The flexibility of the UK labour market is one of the reasons why unemployment in the UK is well below the EU average and the UK continues to attract the lion's share of inward investment into the EU.

But we must also look beyond Europe.

1.16 Many Asian countries have grown rapidly in recent years (Chart 1.4). Most of their growth is explained by high rates of investment, financed by high rates of domestic savings and large inflows of foreign direct investment, and by increased employment, notably of workers whose skills have been enhanced by improved education systems. These have been complemented by sound macroeconomic policies and the liberalisation of markets.

1.17 The combination of rapid growth and low wages and low social costs has been seen by some as a threat to the UK. But many of these countries also have a long way to go to catch up with levels of productivity in the industrialised countries (Chart 1.5) and wages have risen rapidly in Singapore, Korea and Taiwan. Moreover, the countries of South East Asia also provide new and growing markets for our goods and services provided that we can respond to their changing needs.

The Government has an important role to play.

1.18 Improving competitiveness is largely a matter for business and for individuals. However the Government has an important role to play in encouraging a climate of enterprise by:

- providing a stable macroeconomic framework based on low inflation and sound public finances
- deregulation and lower marginal tax rates
- allowing markets to work better by liberalisation, extending markets through privatisation and reducing trade barriers, and by encouraging an innovative and affordable communications network
- helping business to help itself through the provision of high quality business support services
- ensuring that those activities - such as education - which remain within the public sector achieve higher standards and are provided cost effectively.

Note 1: Marina Wes; *Globalisation: Winners and Losers* [Commission on Public Policy and British Business] (1996)
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2 Economic Policy and Performance

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1 The World Economic Environment
9 Improving the Commercial Framework
13 World Class Public Services
18 Strengthening Partnership
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2.1 The Government promotes sustained economic growth and rising prosperity by:

- providing a stable macroeconomic framework based on permanently low inflation and sound public finances
- policies to encourage enterprise, to make markets work better and to extend market disciplines throughout the public sector.

A stable macroeconomic environment is essential for sustained growth.

2.2 Instability harms growth and jobs. It creates a climate of uncertainty and discourages investment, whether in people and ideas or in machines and buildings. High and volatile inflation makes markets work less effectively. Low inflation and sound public finances are an essential condition for the stable interest rates and exchange rates that business seeks.

2.3 Underlying inflation has averaged 2.6 per cent since the introduction of the Government's inflation target in 1992. This has been the longest period of inflation below 4 per cent for almost 50 years (Chart 2.1).

2.4 Public sector borrowing is on a downward path (Chart 2.2), in line with the Government's objective of moving back towards balance in the medium term. The OECD suggests that, with present policies, only the UK and Canada of the major economies have public finances that are sustainable in the long term in the face of pressure on public pensions and healthcare that arises from the ageing of populations. This reflects the Government's determination to meet its responsibilities to future generations by, for example, encouraging private sector funding of pensions and taking timely action to avoid an excessive build up of future state pension liabilities that would need to be met out of future taxation. It also reflects a more modest rise in the elderly dependency ratio over the first half of the next century in the UK compared with the other major economies.

Low levels of public spending give the private sector more room to create wealth.

2.5 The UK has one of lowest ratios of public spending to GDP in Europe (Table 2.1). The Government aims to reduce spending below 40 per cent of GDP whilst providing resources for priority areas. The plans in the Budget show this being achieved by 1997-98.

Table 2.1 General Government spending

	(% of GDP)			
	1979	1981	1989	1995
UK	41.0	45.7	38.6	42.5
Austria	48.8	50.3	49.7	52.7
Belgium	56.7	63.3	54.7	54.2
Denmark	51.4	58.6	58.4	59.3
Finland	39.9	40.5	43.3	57.2
France	45.6	49.2	49.9	54.1
Germany[1]	47.2	48.9	45.0	49.1
Greece	33.0	39.0	43.8	47.8
Ireland	44.5	50.4	39.6	39.8

Italy	39.7	45.8	51.3	53.5
Luxembourg	48.3	54.5	-	42.8
Netherlands	54.6	58.6	54.8	52.9
Portugal	35.8	41.7	38.6	43.1
Spain	30.1	35.2	42.3	46.7
Sweden	61.2	64.1	60.0	69.4
EU average[2]	45.5	49.0	47.1	50.7

[1] West Germany before 1990

[2] EU12 1979-89, excluding Luxembourg, EU15 1994 and 1995

Source: European Commission

2.6 The Government remains committed to a welfare state which underpins - not undermines - the economy. In a modern flexible economy individuals may change job more frequently and acquire new skills through retraining. People value high quality health-care and education and the provision of a safety net for their old age and for periods of involuntary unemployment. A strong welfare state can work with more flexible markets by reducing fear of change and opposition to change. For these reasons, the Government does not view the extremely low levels of public spending seen in some parts of Asia as models for the UK.

Revenue is raised in ways which do least harm to the economy and take account of the competitive position of UK business.

2.7 The overall tax burden in the UK is significantly below all the major EU countries. Direct taxes as a percentage of total personal income are the lowest in the G7 and taxes on business are lower than in any other G7 country except Canada. The UK has the lowest main rate of corporation tax of all the major industrialised countries and a particularly favourable taxation regime for small firms (Table 2.2). The UK also raises a relatively small proportion of revenue from social security contributions, hence helping employment.

Table 2.2 Corporation Tax regime

National corporation tax rates, ignoring surcharges and local taxes

	Main national rate, %	Small companies' corporation tax rate and profits limit
Germany**	45	No special rate
Canada	38	22 per cent up to a limit of 94,600*
Japan	37	28 per cent up to a limit of 49,200*
Italy	37	No special rate
France	33	No special rate
UK	33	24 per cent up to a limit of 300,000

* Converted using exchange rates quoted in the Financial Times, 7 February 1995.

** On non-distributed profits.

The USA has a complex series of marginal rates and profits limits with no appropriate comparator figure.

Low inflation and sound public finances have been combined with policies to promote enterprise . . .

2.8 Low inflation and sound public finances need to be accompanied by measures to encourage enterprise and ensure that markets work efficiently. These include promoting competition, deregulation, privatisation, and opening markets at home and abroad.

Extending markets and making them work better

PFI and Challenge Funding

The UK's performance continues to improve . . .

2.9 Measuring a country's competitiveness is difficult because it relates to the potential for future performance, whereas economic data only reflect past performance. Economic growth is probably the best measure of the results of competitiveness, and over time this will be reflected in a country's income per head - a key determinant of its living standards. Both need to be interpreted with caution, however, because of the wide variations that are likely to occur over the economic cycle.

2.10 However it is clear that UK economic growth was slower than that of our main competitors between 1950 and the early 1980s. As a result, our income per head was successively overtaken by West Germany, France, Italy and Japan, as well as by smaller, fast-growing economies such as Norway and Iceland.

2.11 Over the last 15 years, however, there has clearly been an improvement in the UK's relative performance and our long term relative decline has been arrested. Thus, the UK's relative rate of growth of GDP per head rose during the 1980s, whether performance is measured between the troughs (Chart 2.5) or the peaks (Chart 2.6) of the economic cycle. From a position of 5th or 6th in the G7 growth ranking, we moved up to 3rd during the 1980s, and since the last trough in 1993 our growth has been the best of the group (although this period does not represent a full cycle).

2.12 Similarly, although the UK's income per head has not yet caught up with that of other leading OECD economies, our relative income per head, which declined during the 1970s, has since stabilised. Within this group of countries, our ranking of 16th in 1995, for example, was the same as in 1980 - and, if comparable points in the economic cycle are taken, suggests a turnaround in 1984 from the trend decline (Charts 2.7, 2.8 and 2.9).

2.13 This evidence, alongside improvements in productivity and growth in inward investment, suggests that the Government's supply side reforms began to have a growing effect during the 1980s.

2.14 Over time, of course, our reference point will need increasingly to reflect the growing economic significance of the newly industrialised economies of South East Asia. Hong Kong and Singapore, for example, though not included in these comparisons because they are not members of the OECD, have grown rapidly for many years and now have incomes per head higher than all major European economies and Japan.

. . . on the back of rapid productivity growth.

2.15 Labour productivity in manufacturing has grown by 4 per cent a year since 1979, faster than in most other industrialised countries. And the OECD estimates that the productivity of both labour and capital in the business sector (which includes both manufacturing and most of the marketed services sector) has been faster in the UK than in any other major developed economy since 1979 (Chart 2.10). Indeed, the UK has been the only member of the OECD to see an increase in the productivity of capital since 1979.

2.16 Despite the sharp improvement since 1979 average levels of labour productivity manufacturing productivity in the UK are still lower than in our major competitors (Chart 2.11). Moreover, although international comparisons of service sector productivity are more difficult to make than those for manufacturing, available evidence tends to indicate that the average level of productivity in marketed services (broadly those services not produced by the public sector) may be lower in the UK than in France, Germany and the US.

Investment is up . . .

2.17 Company profitability rose sharply during the 1980s and has remained high relative to the levels achieved during most of the 1970s (Chart 2.12).

Increased productivity and higher profitability have encouraged businesses to invest. Since 1979, business investment has risen by over a third and been a higher proportion of GDP in the UK than in France, Germany, Italy and the US (Chart 2.13). The share of investment in GDP was much higher in the trough of the last recession than in 1981. Over the next few years the National Lottery will be available for further investment in both people and the infrastructure.

. . . and the labour market is now working more efficiently.

2.18 During the present economic recovery, employment started to rise at a much earlier stage than in the 1980s recovery. This has contributed to a much better unemployment performance. Unemployment peaked less than a year after the trough in GDP and at a lower level than in the 1980s. It has since fallen by more than 3/4 million without leading to inflationary pressures. Increased flexibility in the labour market means that manufacturers are able to run plants at higher levels of capacity than before[1]. However, unemployment is still higher than in the US, Japan and many of the rapidly growing Asian economies.

Other measures also show that the UK's performance is improving.

2.19 Growth also depends on many less tangible factors such as the motivation and skills of the workforce, the quality of products and the ability of producers to adapt to the changing demands of customers in markets across the world. This White Paper shows that UK performance is improving in many of these areas too. A recent survey of economic studies of the quality of UK products[2] found distinct signs of improvement in the UK's non-price competitiveness. In particular, the UK has moved away from importing expensive, high quality goods and exporting cheaper, lower quality goods. The average quality of goods produced in the UK has improved, although it does not yet match the highest standards found in countries such as Germany. Our underlying trade performance has also improved as shown by the stability of our share of world trade after decades of decline.

. . . and independent observers are optimistic about the UK's prospects.

2.20 Research at the National Institute for Economic and Social Research concluded that structural reforms - particularly those in the labour market - led to an improvement in productivity growth that offered the chance of stronger performance in the remainder of the 1990s. The London Business School believes that structural reforms mean that the British economy can grow faster over the next ten years than recent trends or long term performance suggest.

We must build on these achievements.

2.21 The UK is now firmly in Europe's premier league. We have the highest proportion of our population of working age in employment of any major EU country and our unemployment rate is well below the EU average. We have attracted almost 40 per cent of US and Japanese investment in the EU and over 25 per cent of Korean investment. We have 16 of the 25 most profitable companies in Europe.

2.22 Many of the changes made over the past decade or so will continue to fuel improvements for many years to come. But we cannot stand still. The task ahead is to continue to build on the improvements in economic performance in the 1980s and the first half of the 1990s by continuing with the Government's programme of structural reforms.

1 Andrew Sentance; *Manufacturing Capacity and Investment: Is there a Constraint?* [Foundation for Manufacturing and Industry] (1995) Back

2 Peter Swann; *Quality and Competitiveness* [mimeo, Manchester Business School] (1996) Back

3 Enterprise and Small Firms

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22 People

Enterprise matters . . .

3.1 Enterprise, like the whole of the competitiveness agenda, is about firms' ability to win. Enterprise is a quality of people: it involves individual initiative and dynamism, self reliance, the ability to mobilise resources and a willingness to take risks. It is vital in firms of all sizes, and in public administration, but it is particularly important in small firms, which develop new markets, exploit new products and services, and which exemplify the essence of enterprise and lay the foundations for many of tomorrow's medium and large companies.

3.2 An enterprise society is one that encourages and fosters this quality by removing obstacles and sharpening incentives, giving itself more of the entrepreneurial spirit and skills needed to succeed in world markets. The Government is determined to secure the UK's place as the enterprise centre of Europe - the most attractive country in Europe for investment and enterprise to flourish in.

3.3 An enterprising business will recognise and invest in the potential of its people. Success needs people of high calibre, working well as teams. But it is the personal qualities of the prime movers in an organisation that largely determine that success. This is particularly so for the small firm, where the vision and will to succeed are often in the hands of one or two people with little or none of the back-up of larger organisations.

. . . and the Government is encouraging it through its economic and other policies.

3.4 The Government aims to encourage enterprise through five main strands of its policies. First by providing the economic stability (Chapter 2) essential for business to plan and to invest with confidence. Second by providing a world class education and training system, developing skills and flexibility in the workforce (Chapter 4). Third by reducing the size and scope of the public sector (Chapter 13) thus being able to reduce the tax rates that damage incentives, as well as creating opportunities for private-sector businesses. Fourth it aims to free up markets through deregulation (Chapter 9), labour market flexibility (Chapter 5), and opening up industries to competition. Finally it aims to use its resources and influence to provide practical, pro-active assistance to business (Chapters 14-18).

Enterprising small firms are a growing part of the economy . . .

3.5 The number of small firms in the UK and their share of output and employment has been rising for the last 20 years, reflecting:

- A structural shift away from manufacturing towards service sector industries which have higher proportions of small firms.
- Technological developments in such areas as micro-electronics and computing which have spawned new products and processes particularly suited to exploitation by small firms.

The development of modern communications through personal computers, modems and fax machines which have enabled even the smallest firm to run more efficiently and more cost effectively. Information technology can give small companies access to resources and information previously the preserve of large companies (See

- Changes in the behaviour and organisation of large firms including increased sub-contracting and out-sourcing, management buy-outs and franchising, all of which provide opportunities for small firms.

3.6 There are other factors too. The promotion of an enterprise culture by the Government has shifted the risk-reward balance by allowing people to retain a greater share of their earnings and profits and created a positive image of self-employment. The steady growth in the numbers of people prepared to take the risks involved in setting up in business reflects a real change in attitude towards the small firms sector and to enterprise in general.

3.7 Small firms are important both as creators of wealth and as providers of employment. Firms with fewer than 100 staff now employ over 10 million people, over 50 per cent of non-government employment compared to 40 per cent in 1979. Small firms are the seed-bed from which medium and large firms grow, although it is only a tiny proportion of the total that grow significantly.

... with many examples of remarkable achievements ...

Enterprising small firms

Chart 3.1

Chart 3.2

Lanarkshire Development Agency's "Entrepreneurship Programme"

... with entrepreneurial strengths, but vulnerabilities too.

3.8 Small firms have many strengths. Often they have exceptional drive and determination to succeed. They can innovate quickly and respond flexibly to customer needs. They offer choice in goods and services, often in niche markets and in local areas. They will take on jobs that are too small for bigger organisations. But small firms are also vulnerable, more so than large firms, in a number of ways.

- Day-to-day pressures may lead them to plan only for the short term and to under-invest in skills and management training.
- They may be over-reliant on a small number of customers.
- They are more likely than larger firms to have problems in managing cash flow and in raising money at acceptable terms for expansion.
- The burden of complying with regulation and of dealing with tax administration and paperwork also weighs disproportionately heavily on smaller firms.

The Government has been listening to small firms' views on their priorities ...

3.9 To enable it to help small business more effectively, the Government wants to hear what small firms themselves have to say. The "Your Business Matters" series of conferences gave the opportunity for small firms to voice their concerns and for Government to listen.

Your Business Matters

... and is responding in each area, building on past initiatives but moving forward. On late payment ...

3.10 It is particularly difficult for small firms to manage their finances if debtors pay late. The 1994 Competitiveness White Paper announced a number of measures to help tackle late payment. Since then:

- Further instructions have been issued to Government Departments and their agencies requiring them to sign up to the CBI prompt payment code, and all have done so.
- A draft British Standard for prompt payment has been developed and is being revised following consultation.
- Public companies have been required to state payment policies in Annual Reports, for financial years ending after 24 March 1996.

- The value below which court cases are automatically transferred into the small claims procedure has been raised to 3,000.
- The rolling programme to streamline court debt-recovery procedures has continued.
- Legislation has been introduced to deal with particular problems on payment arrangements in the construction sector (see Chapter 16).

3.11 The Regional Conferences highlighted late payment as a continuing and important problem for small businesses. The weight of opinion amongst delegates was that a statutory right to interest was not a good solution to the late-payment problem, and that there were better options for tackling it. In line with its commitment in the 1994 White Paper, the Government has reviewed the case for statutory interest. A majority of the responses to its consultation were against a statutory right to interest, with most organisations representing small firms coming out against. Main arguments against a statutory right were that it was likely to be used against small firms rather than by them, that it could lead to longer credit periods and that it could legitimise the practice of late payment. The Government has therefore decided against legislation to introduce such a statutory right.

3.12 The Your Business Matters survey research showed that, for respondents, companies larger than themselves were by far the most significant customer category; and there was particular support at the conferences for the proposal that large firms should have to disclose details of their payment performance in their Annual Reports, with the aim of embarrassing bad payers into better performance. While central and local government formed a much smaller category of customers for small businesses, there was a strong perception that they were often amongst the worst perpetrators of late payment. They too should be required to publish their payment performance records.

Chart 3.3

3.13 On 11 March the Prime Minister announced that the Government would:

- consult again on whether companies should be required to publish their payment performance as well as payment policies
- publish each year a league table of Government Departments' payment performance, measured on a consistent and rigorous basis and against specific targets
- ensure local authorities publish similar league tables
- improve the means of enforcing commercial debt, as part of the Lord Chancellor's Department's review of civil enforcement agents such as bailiffs and sheriffs.

3.14 DTI will issue a consultation paper in June 1996 on whether public limited companies and their large subsidiaries should be required to publish their payment performance in addition to their payment policies. If the response is in favour of the requirement, DTI will introduce regulations in the autumn of 1996. The league table of Government Departments' payment performance, covering the first three months of measurement on the new basis, will be published in the autumn of 1996. The initial target is for Departments to pay at least 90 per cent of bills on time; the Government envisages raising this target in due course to ratchet up performance further. For local authorities, the Audit Commission aims to publish performance measures by the end of 1996. These will be based on voluntary returns which authorities will be asked by the Commission and local authority associations to make. The Commission will then consider whether a statutory performance indicator covering the year 1997-98 is appropriate. As part of the review of civil enforcement agents, the Government aims to improve the information provided to creditors by county courts and to reduce the administrative burden on bailiffs. In addition, it proposes to enable those with judgement debts over 1,000 (rather than 2,000 as at present) to request enforcement by the sheriffs.

... on retained profits and capital allowances ...

3.15 The Government is committed to reducing taxes. The last Budget included several measures to boost enterprise and small business, for example:

- The marginal rates of income tax and the small companies' corporation tax rate were reduced from 25 per cent to 24 per cent and income tax allowances and thresholds made more generous. This cut tax bills for 3 million self-employed taxpayers and over 300,000 small companies.

- Capital gains tax retirement relief was extended by reducing the age threshold to 50.
- All qualifying shareholdings in private trading companies were exempted from inheritance tax.

3.16 The Regional Conferences brought out the disincentives that were felt to act against small businesses, and in particular unincorporated ones, retaining profits in their business to fund future growth. It was suggested that at present the tax system actually encourages owners to take profits out of their businesses to invest in tax-favoured instruments like Personal Equity Plans and pension funds.

3.17 Proposals on tax will be reviewed in the run-up to the Budget, and the Government listens closely to suggestions put to it by small businesses and their representative bodies. But systems to track and ring-fence retained profits - which some have called for - run the risk of being regulatory and burdensome. The Government has kept the tax system focused on enterprise by cutting taxes on profits, gains and inheritance, and keeping burdens on business to a minimum. The UK has the lowest main rate of corporation tax of all the major industrialised countries, one of the most favourable regimes for small firms internationally (see Chapter 2, Table 2.2) and generous inheritance tax and capital gains tax reinvestment and retirement reliefs for profits retained in small businesses.

3.18 The conferences also made a consistent call for enhanced capital allowances. The Government's policy has been to keep allowances broadly in line with commercial depreciation, and to keep rates low. The Government does not believe it would be good for business to return to higher rates, with enhanced capital allowances. This would distort the economic basis for business decisions, including the choice between capital and labour, and could lead to uneconomic investment. Since 1984 when corporation tax was reformed the Government has cut the main rate of corporation tax from 52 per cent to 33 per cent, and from 42 per cent to 24 per cent for smaller firms. It intends to continue to reduce marginal tax rates when conditions allow.

... on Uniform Business Rates ...

3.19 Businesses, including small businesses, have benefited from the greater certainty and fairness of a centrally set rate, rather than local rates which varied widely.

3.20 However, the issue of business rates was raised frequently at the Regional Conferences and topped the list of financial concerns in the Your Business Matters survey. Problems and possible solutions were suggested at several levels:

- The possibility of replacing the present system. The Your Business Matters report suggests a system based more on ability to pay.
- Reducing the burden on small businesses or small premises. The Your Business Matters report suggests a two-tier rate.
- Making the present system work better. The Your Business Matters report suggests reducing the complexity of the rules and speeding up appeals.

On 11 March, the Prime Minister said the Government would consider whether there were ways of reducing the burden on small business, or better ways of doing things.

3.21 Having given careful consideration to the points raised:

- The Government does not think it would be right - or generally welcome to business - to do away with rates altogether, or move to a system based mainly on ability to pay, and to tax business profits much more heavily than at present.
 - The Government recognises however that smaller businesses tend to have relatively higher rating bills than larger firms. It is therefore considering whether there are ways of reducing the rates burden on small firms which would not create indefensible anomalies or lead to unacceptable increases in bills for other taxpayers.
 - The Government will discuss the workings of the rating system further with business organisations, the Royal Institution of Chartered Surveyors and others, taking particular account of the concerns expressed about complexity and about the length of the appeals process, with a view to announcing conclusions on possible improvements in the autumn of 1996.
-

comments

Main Links with other Chapters

3 Enterprise and Small Firms
5 Employment
8 Information Society
12 Science, Engineering and Technology
13 World Class Public Services
16 Sectoral Partnership
22 People

Skills are vital to competitiveness

4.1 The need to foster and improve skills, vital contributors to our economic growth and productivity, has long been recognised. Products and services traded on world markets are becoming increasingly sophisticated. Investment can easily be moved between countries, and labour markets are becoming more flexible. The quality and relevance of education and training are therefore ever more central to competitive performance. Considerable progress has been made on improving the standard of the UK's education and training. Extensive reforms from the mid-1980s on have addressed fundamental weaknesses in educational and training provision and put in place a new framework to improve performance. These have included:

- the introduction of a national curriculum, backed by rigorous testing and inspection, and the publication of performance tables
- the local management of schools, and the widening of parental choice through the introduction of Grant-maintained (GM) schools and nursery vouchers
- the expansion of further and higher education
- the establishment of Training and Enterprise Councils (TECs)
- the introduction of Modern Apprenticeships.

These are the building blocks with which the Government is creating a comprehensive improvement in standards to correct over a century's under-performance.

Adam Smith 1778 [1]

"The greater part of what is taught in schools and universities does not seem to be the most proper preparation for that which is to employ them the rest of their days."

Royal Commission on Technical Instruction 1884 [2]

"The one point in which Germany is overwhelmingly superior to England is in schools, and in the education of all classes of the people."

Schools Enquiry 1868 [3]

"Our evidence appears to show that our industrial classes have not even that basis of sound general education on which alone technical instruction can rest."

Alfred Marshall 1919 [4]

"On the whole we may say that at present England is very much behind hand as regards the provision for the commercial as well as technical education of the proprietors and principal managers of industrial works."

4.2 The objective is to ensure that our standards are the equal of the world's best and to achieve this when the rest of the world is itself seeking to drive up its own standards. The Government's continuing work with NACETT to support and promote the National Targets for Education and Training is central to this effort. In the 1995 Competitiveness White

Paper, the Government endorsed new and more challenging National Targets for Education and Training. NACETT's next report on progress towards the Targets will be published in early July.

4.3 In order to know what, if any, gaps exist between our performance and that of our principal competitors, it is necessary to measure our achievements against theirs. The Government therefore announced its intention to examine the UK's performance at the level of basic qualifications for employment, comparing it with those of our leading competitors.

4.4 Objective comparison of skills in different countries is difficult. National education and training systems evolve to meet different objectives:

- Qualifications differ in depth and breadth, and assessment methods vary.
- Some countries do not have national curricula.
- Typical school and university leaving ages differ between countries.

4.5 This is why the Government commissioned systematic research in the UK, France, Germany, the US and Singapore; conducted an opinion survey amongst multinational companies operating here; and supported an Industry Training Organisations-led project to compare skill levels internationally in six sectors. It is publishing the results as an occasional paper[5], the Skills Audit, alongside this White Paper.

4.6 It has not been possible to resolve all difficulties. Some of the comparative data available on basic skills and key skills is very limited and it has not been possible to reflect the recent improvements in education in the UK and some of the other countries compared. Another example of the difficulties involved is in the treatment of uncertificated skills. The UK has traditionally placed less reliance on formal accreditation of skills than most comparator countries. Sectoral studies undertaken as part of the Skills Audit have confirmed that it is possible to take account of such skills at the level of the individual firm. However, the difficulty of finding reliable international measures has meant that the skills of at least 6 per cent of the UK workforce who have gained their skills during an uncertificated trade apprenticeship have not been included. This is likely to lead to an understatement of our relative skill levels.

4.7 Overall, the Skills Audit shows that the skill levels of young people are improving in all the countries studied, although the balance and speed of improvements vary. The UK continues to maintain a strong position in Higher Education (HE), and its performance at A level and equivalents is similar to that of France, Singapore and the US, although the German lead at this level is striking. Our performance at lower levels is also improving but the UK is not yet amongst the leaders.

4.8 The remainder of this chapter is about Government measures to improve further our relative performance. Paragraphs 4.9-4.18 look at initial education, paragraphs 4.19-4.28 at education and training for 16-19 year olds, 4.29-4.31 look at HE, 4.32-4.44 cover key skills and partnerships, and paragraphs 4.45-4.50 look at how adults continue to improve their skills by learning and training. The chapter concludes with a report on how action is being taken forward in Scotland, Wales and Northern Ireland.

The New Department for Education and Employment (DfEE)

Initial education - the foundation for the future

Better standards of Literacy and Numeracy . . .

4.9 Competitiveness requires continuous improvement in education and training relative to our international competitors. The UK has not always achieved this in the past[10]. The National Curriculum is the cornerstone of the Government's drive to improve attainment in all subjects, focusing in particular on the basic skills of numeracy and literacy. The national tests for 7, 11 and 14 year olds emphasise grammar, spelling and punctuation, written and spoken English, reading skills, and arithmetic for young children and algebra for older ones.

4.10 It takes time for significant reforms to the education system to yield their full benefit, but it is nonetheless essential to track the progress being made. The statutory assessment results published in January 1996 found that about half of 11 year olds reached or exceeded the target standard for a child of that age in English and mathematics. To help our young people do even better, the School Curriculum and Assessment Authority (SCAA) is to introduce a calculator-free test for 11 year olds in 1996 and is looking at the possibility of mental arithmetic tests for 11 and 14 year olds in 1997. OFSTED is looking in depth at the teaching of numeracy in primary schools.

4.11 The Government has also announced a **Literacy and Numeracy Project** which will use national inspection findings of what works in the classroom to raise standards of teaching in primary schools. Local Education Authorities (LEAs) have competed for 5 million available in 1996-97, and networks of literacy and numeracy centres will be established covering 27 LEAs (focusing on under-performing areas) for five years from September 1996. The literacy centres will address in particular the deficiencies identified in OFSTED's Report on the Teaching of Reading in 45 Inner London Primary Schools, published in May 1996.

Practical experience of mathematics

. . . provide the foundation for later learning.

4.12 At GCSE/NVQ level 2, the Skills Audit[5] looked at the qualifications of people aged 19-21 so as to include the considerable number of people who return to study or take vocational qualifications (chart 4.1). It showed that the proportion of young people gaining qualifications at this level is rising in all the countries studied except the US, although the proportion in the UK[11] has not yet matched that in France, Germany and Singapore. The Government is determined to continue to improve the educational standards of young people and to speed up the rate of progress towards the challenging National Target for this level of attainment (see chart 4.2).

Photo

The Government is monitoring standards . . .

4.13 In England, performance tables will be available for primary schools in spring 1997, based on the National Curriculum assessment of 11 year olds, to complement those already in place for secondary schools and Further Education (FE) sector colleges. Together with reports from OFSTED's rolling programme of inspection of schools, these will help all involved to address any deficiencies. A White Paper later this month will set out the role LEAs should take in monitoring and improving standards in schools.

Improving individual performance

. . . helping pupils to learn . . .

- Good **pre-school education** aids children's academic, personal and social development. From April 1997, vouchers will provide this opportunity, over time, to all four year olds. A pilot scheme is already operating in four areas.
- The **Assisted Places Scheme** offers able children from low-income families the opportunity to attend our best independent schools. The number of places will be doubled, starting from September 1996.
- From September 1996 the Government is supplementing the **Truancy and Disaffected Pupils** programme, with a three year programme of pilot projects, costing 18 million, to identify and promote good practice in managing pupil behaviour.
- At the end of April 1996, the Government published a consultation document[9], seeking views on ways in which the curriculum for all young people can be enhanced by relating it to the **world of work**; on tackling demotivation and under-achievement; and on new ways of encouraging teachers and employers to work together. Conclusions from the consultation will be published in the autumn.

Giving extra help to those who need it

. . . teachers to teach . . .

4.14 The rules for initial teacher training now clearly set out the competences required by newly-qualified teachers and the Teacher Training Agency (TTA) is also working to improve teachers' continuing professional development. The Government is considering introducing performance tables for initial training providers, and OFSTED and the TTA will produce a joint report on the effectiveness of in-service training. The Government is also developing a strategy for information technology across teacher education; amongst the initiatives included is a 4 million pilot project, launched in February 1996, to give over 1,100 teachers individual access to a multimedia portable computer.

. . . and schools to manage more effectively.

4.15 The Government is also seeking to raise standards by giving schools more powers to decide how to run their own

affairs, how to spend their budgets, and how to develop to meet local needs. Grant-maintained status allows schools to obtain fuller powers of self-government. There are now over 1,100 GM schools and the sector continues to grow. The Government announced in March that the education White Paper to be published this month will set out proposals for extending self-government for schools in both the local authority and grant-maintained sectors.

Government is setting targets for improvement . . .

4.16 OFSTED is central to the Government's drive for higher standards and has carried out over 7,000 inspections. No other country has such a comprehensive programme of inspection, with published reports copied to parents. Each inspected school has to prepare and implement an action plan to improve itself, with specific targets and deadlines. For the first time this year the Chief Inspector named over 200 excellent schools identified by inspection. OFSTED's powers will now be extended to enable them to inspect LEAs as well, and the Government is considering extending OFSTED's powers to conduct tests of pupils' performance in schools.

Target setting in schools

. . . and helping to turn failing schools around.

4.17 Some schools are shown by inspection to be failing - around 150 so far. The Government is taking vigorous action over these. There is no typical failing school. They vary from the 1,700 pupil inner city comprehensive to the three teacher village primary. What all have in common is poor leadership, poor teaching, low pupil achievement and inefficient use of resources. Typically these schools recover through reinvigorated leadership (over half the head teachers at these schools have been replaced), intensive training, removal of poor staff, and help from the local education authority. The Government's target is that these schools should improve to the point of recovery within two years of inspection, or be closed. This policy of direct intervention is unique among OECD countries, and is proving highly successful.

4.18 School improvement requires a partnership - between central government and its agencies, local government, the business community and, above all, schools themselves. To achieve this the Government launched the Improving Schools programme in May 1995. It is showing all schools "what good looks like", by identifying best practice in schools, especially in the use of performance measurement. It is giving strong encouragement to the use of benchmarking to raise achievement. As a result, achievement is rising across the board, and especially in the bottom quartile of schools.

16-19 year olds: better learning for all

The performance of 16-19 year olds in the UK has improved . . .

4.19 Traditionally, most young people in the UK left school as soon as they could. Those who stayed on mainly took A levels. In recent years, however, many more young people have continued their learning post-16 at all levels; the more vocationally oriented GNVQs and work-based training leading to NVQs are increasingly popular. The Skills Audit[5] shows considerably improved performance at level 3 in the UK and France. However, the most striking finding is the very high proportion of Germans qualified to this level (chart 4.3). This proportion is growing and includes a significant number of people with vocational qualifications. The Skills Audit data on young people does not, however, fully reflect recent progress in the different countries since it necessarily focuses on 25-28 year olds. As a result, the UK data, for example, does not reflect the substantial increases in achievement at A level since 1987. The UK's current performance is shown alongside for comparison.

. . . but the aim must be a world class education and training system for 16-19 year olds.

4.20 The Government is determined that the UK should have a world class education and training system for 16-19 year olds, optimising participation and attainment and driving progress towards all the National Targets. The range of opportunities available in such a system should be shaped by informed choices made by young people and purchased at the right price and quality from a range of competing providers. The progress already made provides a firm foundation for further improvements:

- Almost 90 per cent of 16 year olds, 80 per cent of 17 year olds and 60 per cent of 18 year olds are now in education and training[13], and the number of the qualifications they gain continues to rise (charts 4.2 and 4.4).
- The Government has increased investment in the Careers Service. Careers guidance, which is crucial to young people making informed, objective and successful choices, now starts earlier, is better focused and involves parents and employers more successfully. To improve efficiency and management, almost all careers services are

now run under contract, working to revised and strengthened specifications.

- The Government has for the first time developed and published for consultation comparative data on public funding levels for similar qualifications offered by schools, colleges and training providers[14].
- Modern Apprenticeships have been launched successfully through a unique partnership involving business and government. Young people are responding positively to this new initiative - around 23,000 are now in training.

Modern apprenticeships: two examples

The Government's priorities, in liaison with its key partners, are now to strengthen choice and responsiveness . . .

4.21 Young people now have a wider range of education and training options at 16 than ever before. To help them make informed choices, the Government will drive forward its programme to improve careers education and guidance and to encourage greater flexibility and innovation in its delivery. Its proposals to strengthen young people's access to information and guidance have received strong support, and the Government is working to introduce the necessary legislation as soon as possible.

4.22 The Government's objective is to help all young people understand more clearly the opportunities available, and how to make the best possible use of their entitlement to them. In the light of work since the 1995 Competitiveness White Paper, the Government now confirms its view that a learning credits approach, evolving over time, is the best way to secure this objective. It is attracted to the idea of bringing together, into a single guaranteed entitlement to learning, its existing guarantee of training and the FEFC's duty to secure sufficient and adequate further education for young people, by issuing all young people with a Credit at the age of 16. This would build on the best of the Youth Credits arrangements already operated by TECs. Careers Services, working closely with providers, would have an important role in issuing the Credit as part of the information, advice and guidance they provide to all young people. The Government believes that this approach, taken together with the work proposed to secure greater convergence of funding arrangements (see paragraph 4.27 below), would further strengthen the choices young people make and the responsiveness of providers to them. It proposes to consult on this issue as a key part of its wider vision for 16-19 reform, with a view to the phased introduction of Credits from 1997, and introducing legislation as necessary as early as possible in the next Parliament.

. . . improve qualifications and standards . . .

4.23 In 1995 the Government invited Sir Ron Dearing to review the framework of 16-19 qualifications and advise on ways to strengthen and improve it. After a thorough and far-reaching review, Sir Ron's report[6] was published on 27 March 1996. Its findings are linked with those of the recent Beaumont[7] and Capey[15] reviews of NVQs and GNVQs. All have been widely welcomed.

4.24 The Dearing report sets out a demanding agenda for the changes necessary to create a coherent framework for rigorous and high quality qualifications. The Government accepts the challenge of that agenda and, with its partners, has already taken action on many of the key recommendations:

- SCAA and the National Council for Vocational Qualifications (NCVQ) - through their new joint committee - are taking forward Dearing's proposal to establish a clear, accessible national framework of qualifications at four levels with common quality assurance arrangements. The committee is also working up detailed proposals for the introduction of a national certificate at intermediate and advanced levels to recognise individual achievement equal to or greater than National Target standards, and a national diploma to recognise achievement in both the depth and breadth of studies, including achievement in the key skills of communication, application of number and information technology.
- SCAA and NCVQ are strengthening further the standards and rigour of NVQs, GNVQs and A levels, and developing initiatives to improve take-up and achievement in mathematics and science.
- The Government is consulting on options to merge the work of SCAA and NCVQ, and on the future regulation of post-16 qualifications.
- The Government is leading action to ensure greater emphasis is placed on the acquisition by more young people of those skills particularly relevant to work and lifetime learning, including the key skills identified above.

4.25 The Dearing Report[6] also strongly endorsed the development of a high quality vocational option. The Government proposes to build on the success of Modern Apprenticeships at NVQ level 3 through the introduction of National

Traineeships at NVQ levels 1 and 2. In addition, it proposes to put in place new entry arrangements for lower-attainers and under-achievers at age 16. The Government is already discussing with the key bodies how best to take forward National Traineeships, and will be consulting further on this, with the aim of phasing in the new arrangements from September 1997.

comments

5 Employment

Main Links with other Chapters

2 Economic Policy and Performance
3 Enterprise and Small Firms
4 Learning and Skills
13 World Class Public Services
15 Local and Regional Partnerships
22 People

Unemployment is falling and employment rising.

5.1 The performance of the UK labour market has steadily improved in recent years, and continues to compare favourably with performance elsewhere in the EU:

- Claimant unemployment has fallen by more than three-quarters of a million since its peak in December 1992[1].
- Employment[2] grew by over 700,000 between the winter of 1992-93 and the winter of 1995-96, with substantial growth in full and part-time jobs.
- At the end of 1993, the unemployment rate in the UK was one percentage point below the EU average; by the end of 1995, the UK unemployment rate was more than two points lower than the EU average.

Chart 5.1

Since 1979, the Government has acted to improve labour market performance . . .

5.2 In the UK, as in many European countries, structural unemployment rose steadily from the 1960s to the 1980s. By 1979, there was clear evidence from the economy's low level of productivity, rapid wage inflation and poor industrial relations that the labour market suffered from deep-rooted problems.

5.3 During the last 17 years, the Government has implemented many labour market reforms. It has:

- implemented a step-by-step approach to the reform of industrial relations and trade union law
- reformed employment protection legislation preserving necessary employee rights while ensuring that legislation does not act as a disincentive to recruitment
- removed or reduced regulations which impede job creation
- introduced a series of education and training reforms to help provide the skills and knowledge needed for the flexible labour market

Photo

- developed active labour market policies to help and encourage unemployed people to compete more effectively in the labour market and succeed in getting jobs
- introduced a series of reforms in the system of unemployment benefits to encourage unemployed people to make efforts to find work
- improved incentives to work
- encouraged the development of new, decentralised and more flexible pay determination arrangements.

Photo

5.4 The Government has also taken a series of steps to reduce employers' non-wage labour costs. The UK has a much lower level of statutory non-wage costs than our major competitors (Chart 5.2). This has contributed to a lower level of hourly labour costs for production workers in manufacturing than other G7 countries. However once the cost of living is taken into account, real yearly take-home pay for production workers in UK manufacturing is higher than in France or Italy.

... and there is growing evidence that the labour market is becoming more flexible.

5.5 Recent developments suggest that labour market performance has improved:

- In the post-war period, claimant unemployment tended to rise to higher peaks with each economic cycle. But in this recovery unemployment peaked - in December 1992 - at a level over 140,000 below its previous peak in July 1986.
- The number of people who were unemployed for more than six months peaked at a lower level in this recession than in the previous recession. The same is true for people unemployed for more than one, two and three years. Moreover the greatest peak to peak falls were in the longer durations of unemployment.

Chart 5.3

Photo

- Increased labour market flexibility is also converting growth in output into growth in jobs earlier in the economic cycle than before. In the recovery of the early 1980s, output began to grow again in 1981, and employment in 1983, but unemployment did not begin to fall until 1986. In the current recovery, employment was growing and unemployment falling within a year of output growth resuming in early 1992.
- The underlying growth in average earnings has not accelerated during the economic recovery, remaining during 1995 around the historically low level of 3 1/2 per cent.

OECD research confirms that the UK economy is now more flexible

In a more competitive world, individuals and firms need to be more adaptable ...

Change and flexibility - job tenure

5.6 Flexibility will bring more jobs and allow a diversity of employment patterns. More people can find a way of working that suits them. It is no coincidence that the UK, which has the most deregulated labour market in the EU, has more of its people in work than almost any other EU country.

... if employment is to grow and unemployment to fall.

5.7 Europe has seen the consequences of inflexible labour markets over the last 20 years. In the UK, there are clear signs that performance has improved. The best way to help unemployed people is to improve their chance of getting a job. UK unemployment now stands at 8.6 per cent. The more flexible labour market has helped ensure that unemployment is below that in Germany (9.1 per cent), France (11.6 per cent), Italy (12.4 per cent) and Spain (22.5 per cent).

Change and flexibility - part-time working

Change and flexibility - temporary working

The Government's objective is to achieve further improvements in labour market performance by helping to provide employers with the people they need ...

5.8 The Employment Service's national network of some 1,100 Jobcentres provides a high quality vacancy-filling service to employers without charge. In 1995-96 it helped over 1,930,000 unemployed people into jobs and found over 87,000 jobs for disabled people.

5.9 New developments will also help employers to recruit efficiently. The Employment Service has published a Statement of Service to Employers drawn up in consultation with the CBI. As well as the core vacancy-filling services to employers, the Employment Service now offers a variety of enhanced services. A new computer system - the Labour Market System - will enhance the matching of unemployed people to employers' vacancies.

. . . by reforming the benefit system . . .

5.10 The 1995 Competitiveness White paper set out the Government's priorities for further raising labour market performance, including improvements to the benefit system through the Jobseeker's Allowance (JSA). Originally planned for April 1996, the introduction of JSA has been deferred to October 1996 to ensure a smooth delivery of the new service to unemployed people. JSA will emphasise the responsibilities of unemployed people to make the most of the opportunities offered to them. As a basic condition for receipt of benefit all unemployed people will draw up an individually-tailored "Jobseeker's Agreement" together with the Employment Service. This will identify the appropriate steps to get the jobseeker back to work. It will provide the basis for further guidance and reviews of the jobseeker's efforts and will include information about other help available. Jobseekers will also benefit from more comprehensive advice and more effective services co-ordinated at Jobcentres.

5.11 In addition the Government is implementing a series of new measures designed to improve the incentives for unemployed people to return to work by:

- **Meeting the rent before the wages arrive:** since April 1996, people who have been out of work for six months or more and claiming benefit have continued to receive Housing and Council Tax Benefit at the full out-of-work rate for the first four weeks after taking a job, regardless of their earnings.
- **Meeting special expenses:** since April 1996 childcare costs of up to 60 per week have been disregarded in Family Credit and the other in-work social security benefits.
- **Increasing in-work income:** in October 1996 a three-year "Earnings Top Up" pilot scheme will start in eight areas to test whether providing in-work benefit for people without dependent children is an effective way of encouraging unemployed people to take available jobs. The pilot is expected to reach about 20,000 people.
- **Introducing a Back to Work Bonus:** from October 1996, Income Support and JSA claimants will be able to build up a fund worth 50 per cent of every pound they earn above the benefit disregard level[9] if they or their partner take part-time work whilst on benefit. This will be paid as a lump sum of up to 1,000 on return to work to encourage the transition into a full-time job.
- **Additional help for lone parents:** from April 1997, a new scheme will pilot additional ways of helping lone parents into work. The pilot is expected to provide opportunities for up to 25,000 lone parents

. . . helping more long-term unemployed people to return to work . . .

5.12 In the past, people who had been unemployed for a long time were often left behind when the economy grew and jobs were created. They have skills and talents to offer to employers, but for a variety of reasons can find it very difficult to get back into the labour market. In recent years a number of new measures have been specifically designed to help those who have been unemployed for two years or more. More are planned.

New measures to help long-term unemployed from April 1996

. . . and tackling unfair discrimination.

5.13 Unfair discrimination in employment prevents employers from using the talents and resources of those in work and those who wish to work.

5.14 The overall economic activity rate for long-term disabled people of working age is less than half that of non-disabled people whilst unemployment rates are around 2.5 times as high as those for non-disabled people. Similar patterns apply in other countries. The Disability Discrimination Act 1995 is an important landmark, giving a statutory right against discrimination on the grounds of disability in all areas of employment. It will both reduce the barriers that impede disabled people in the world of work and encourage employers to recruit, retain and develop them.

5.15 The overall unemployment rate for ethnic minorities is around twice that for the working population as a whole. In the autumn of 1995, it was just under 19 per cent. The Government has commissioned studies into two groups at a particular disadvantage: Afro-Caribbean and Bangladeshi young men.

5.16 The Race Relations Employment Advisory Service helps individual employers develop effective racial equality strategies. The Government welcomes the "Race for Opportunity" campaign, led by Business in the Community and launched in October 1995, which encourages employers to improve racial equality in employment, support ethnic

minority owned businesses, and meet the needs of ethnic minority customers. The Government has followed up its "Equality Pays" guide for small firms with published case studies[10].

5.17 Participation rates for older men in the labour market have fallen significantly over the last 20 years for a number of reasons. This is an international phenomenon; in the UK the participation rate of older men is higher than it is in France, Germany, Italy or Spain. The Government is working with employers to eliminate age discrimination in employment. The Campaign for Older Workers, targeted at employers, recruiters and older workers, has published "Age Works"[11]. This booklet is directed at recruitment agencies and employment businesses, and contains advice and guidance to promote older workers to employers.

5.18 The economic activity rate of women of working age with school-age children is over 70 per cent and the emphasis now is on encouraging women to participate more effectively in the labour market:

- Fair Play for Women, a joint Government-Equal Opportunities Commission initiative launched in England in April 1994 and based on the Chwarae Teg initiative which has been running in Wales for a number of years, was launched in Northern Ireland in February 1996 and will be launched in Scotland later this year. In England, consortia of key local interests have been established in the ten regions and are mounting programmes of research, training, projects with schools and network-building, aimed at tackling the barriers facing women in economic and social life.
- The proportion of women of working age holding a qualification has risen: from 56 per cent in 1985 to 75 per cent in 1995. The Government continues to encourage employers to adopt working practices that allow women's skills to be utilised. For example, the Office of Science and Technology, together with the business-led Opportunity 2000, has produced "Making the Most"[12], a booklet containing case studies of leading employers whose businesses have benefited from flexible working arrangements designed to retain qualified women with family commitments.

1 Claimant unemployment is the number of people claiming unemployment-related benefits Back

2 As measured by the ONS Labour Force Survey Back

9 Level of income which claimants are allowed to earn before benefits are reduced Back

10 Employment News Dec/Jan 1995/6 supplement "*Equal Opportunities For Small Employers*" Ref PL 990, available from Cambertown Ltd, Goldthorpe Industrial Estate, Goldthorpe, Rotherham S63 9BC Back

11 *Age Works* [DfEE] (January 1995) Back

12 DTI and Opportunity 2000; *Making the Most* [HMSO] (October 1995) Back

comments

6 Transport

Main Links with other Chapters

7 Environment
12 Science, Engineering and Technology

6.1 Transport policy has rarely been a topic of such widespread interest as it is today. The importance of the quality of a nation's transport infrastructure to its competitiveness is widely acknowledged. It can also help attract inward investment and tourists to the UK, sustain more remote areas of the country, and help promote regeneration. There are, however, other factors to be taken into account. The principles of sustainable development mean that the economic benefits offered by transport have to be reconciled with the impact of transport infrastructure and traffic on land use, on air quality, on climate change, on safety, and on the quality of life in towns and cities.

6.2 The challenge is to find a policy framework which meets the range of needs of users in a sustainable manner, and provides value for money for the taxpayer.

Businesses need good transport links . . .

6.3 In itself, transport accounts for on average between 5 and 15 per cent of a company's operating costs. But for all companies, transport has an importance that goes wider than its direct cost. The changing nature of business practice - through such systems as time-sensitive or "Just-in-Time" distribution - increasingly requires reliable supply systems. This imposes new demands on the speed and reliability of journeys. A recent study by the consultants Ernst & Young[1] found that congestion and the unreliability of trips add to costs, particularly for companies in the service sector and businesses principally serving urban areas. The impact of such costs has, however, at least been partly offset by improved efficiency in the haulage and distribution sector, and for many businesses real costs have actually fallen. (This is discussed further in paragraphs 6.20-6.25.) The Government wishes to build on this work, and has announced a new remit for the Standing Advisory Committee on Trunk Road Assessment to examine the links between traffic growth, transport investment, and economic growth.

. . . but the Government has to strike a balance.

6.4 The Government has sought to enhance competitiveness as a provider of infrastructure and through the promotion of competition and choice in the transport market. But it also needs to balance the competing and conflicting demands on transport and reflect increasing public concern about the environmental impact of transport, as well as to consider what is affordable. Other countries are facing the same problems and dilemmas. There can be no simple, single solution. It requires a balanced approach on the part of transport users and providers, Government, and local authorities.

The Government has set out proposals on the ways forward . . .

6.5 Against this background, the Government initiated a debate last year to help shape future national transport policy. For England, the results of this national debate are covered in a Green Paper published in April 1996[2], setting out broad principles for the future development of transport policy. A parallel Paper has been published in Northern Ireland[3]. Scotland and Wales will also be issuing in due course their own policy documents, addressing the distinctive issues facing business and road users in those countries.

. . . with a number of different elements . . .

6.6 The Green Paper outlines the key components of Government policy, in the light of responses to the debate: namely to improve the planning of infrastructure; maximise the efficiency of the existing infrastructure and the potential of each transport mode; reduce environmental impact and car dependency; manage demand; ensure that decisions are made and actions taken at the most appropriate level; draw on private sector management and expertise; and provide pricing signals as the basis for efficient choice. Reflecting strong public support, it proposes a switch in emphasis in spending from roads to public transport. Similar objectives underlie the direction of policy in Northern Ireland, coupled with measures to secure its strategic external connections.

... and recognising the importance of local approaches.

6.7 The Green Paper seeks views on a proposal to integrate more closely the regional land use planning system with the planning of trunk roads in England, to help view transport problems in the round at a more local level. It also gives added weight to the development of the "package approach" for local transport funding. The Northern Ireland report also seeks an improvement in coordination between transport and land use planning policies.

Local transport strategies

Measures need to be taken to curb the rate of growth of road traffic ...

6.8 Much of the debate has centred on the issue of the growth in road traffic, particularly in the more congested parts of the country. In 1994, 94 per cent of all passenger traffic and 65 per cent of freight moved by road (Chart 6.1 and 6.2). And it is road building and road traffic that tend to have the greatest environmental impact - particularly in urban areas. On present trends, road traffic could grow by as much as 90 per cent by the year 2025. Freight movements have, over many years, outstripped growth in manufactured output and sales. The Government believes, therefore, that much greater effort needs to be made to reduce the level of traffic intensity - which the CBI also acknowledged in a recent report[4]. The Government is discussing with industry how best to achieve this.

Private finance initiative and roads

... through selected improvements to the trunk road network ...

6.9 There remains a need to improve conditions on congested sections of the network. This does, however, need to be guided by affordability and environmental impact. A review of the roads programme in England[5] was published in November 1995. There is a complementary document for Wales[6] updated annually in the Welsh Office Departmental Report. Resources are now being devoted primarily to making more efficient use of existing roads by maintaining them, enhancing their capacity and removing bottlenecks (through, for example, provision of bypasses).

Making the most of the trunk road network

... through improvements to the efficiency of the network ...

6.10 Making the most efficient use of the existing network does not just mean the tailoring of improvements to the needs of traffic. It also means managing traffic. Road traffic management techniques are becoming increasingly sophisticated and flexible, to the benefit of both users and the environment. The Highways Agency is considering a new approach based on route strategies under which agreed service standards would be set for key routes. The Agency is also working with local authorities to help tackle particular pressure points through complementary measures on the national and local network.

... through measures to influence choice ...

6.11 Measures also need to be taken to manage demand for road traffic and encourage alternative means of travel. Tackling the problem of traffic growth will not only aid competitiveness by easing traffic flow, but will do much to improve the local environment and quality of life. The Government intends to put an increasing emphasis on economic instruments and pricing signals to help influence behaviour and balance supply and demand. Motorway tolling is one way of making motorists more aware of the costs which each of their journeys impose and encouraging them to think carefully about possible alternatives. Technology trials will take place later this year as part of the assessment of the feasibility of tolling the motorway network through electronic means. The Government has also conducted a major study into city congestion charging.

6.12 Tackling traffic growth is a particular challenge for urban areas. Concerns about noise and air quality are often most acute in our towns and cities - as are limitations on the supply of new infrastructure. At the same time, good accessibility for residents, businesses, and visitors is important for their vitality. Local authorities have a key role to play in tailoring strategies to meet local circumstances. The Government will consider with local authorities the need for further powers to help deliver these strategies.

Managing the demand for road travel

... and through encouragement of alternative means of travel.

6.13 Constraining the growth in the use of cars - particularly in urban areas - is insufficient on its own. Complementary measures are also needed to promote better public transport services, and to encourage people to walk and cycle.

6.14 The benefits of privatisation of the railways are becoming increasingly apparent, through improvements in services and facilities and plans for new investment in rolling stock. Key fares are being pegged at or below the rate of inflation for seven years. The privatisation of Railtrack also opens up opportunities for improving the quality of rail infrastructure. In addition to income from the service operators, Railtrack also now has access to wider sources of private finance than were available under public ownership. It plans to invest over 1 billion a year over the next ten years in maintaining and improving railway infrastructure. Projects will include 'Thameslink 2000' to extend rail services between the north and south of London, and the potential upgrading of the West Coast Main Line through track and signalling improvements and electrification schemes.

Promoting other alternatives to the car

6.15 Private finance will also be largely responsible for the building of the Channel Tunnel Rail Link - expected to be operational in 2003. This 3 billion project is the flagship of the Private Finance Initiative. The link will reduce international rail journey times to and from London by about 40 minutes. Links with the West Coast and East Coast Main Lines will secure even greater reductions in journey times from many other parts of the UK.

6.16 Public transport journeys can often be improved at relatively low cost by achieving better inter-connections between different stages of journey by public transport. This can involve simple things such as co-siting of facilities and provision of information. Major projects such as Heathrow Express illustrate the way that new infrastructure can also be threaded into the existing pattern of transport infrastructure to make the most of existing systems. A study of options for improving surface access links to and between the main London airports will be completed this summer. In Northern Ireland, the first planned inter modal facility there was completed in October 1995 with the opening of the Great Victoria Street Railway station in Belfast, alongside the existing Europa Bus Station and car park. Further developments along similar lines are planned.

Transport strategy for London

There is also some scope for switching movement of freight away from roads . . .

6.17 Increasing the proportion of freight carried by rail and water is often viewed as an important way of helping to address congestion and pollution on roads. Whilst there are practical limitations on the amount of traffic they might take off roads, there is scope for increasing their current share.

. . . onto the railways . . .

6.18 Privatisation of former BR freight companies has opened up new opportunities for rail to play a more important part in freight distribution by reacting more flexibly, efficiently, and innovatively to customers' needs. North and South Railways (the new private sector owner of the former BR Trainload Freight companies and Rail Express Systems) has already announced plans for substantial new investment in rolling stock. The Government and the BR Board are also considering the options for privatising the Channel Tunnel freight business 'Railfreight Distribution'. Harnessing private sector skills in this new market will enable rail to offer improved responsiveness, flexibility and speed in accessing European markets. There are also potential new developments in combined road-rail transport which could help improve the relative attractiveness of rail. The Piggyback Consortium, for example, is studying the possibility of freight services carrying road semitrailers from Scotland, the North, and the Midlands through the Channel Tunnel.

Rail freight grants

. . . and onto water.

6.19 Although shipping is not generally competitive with road haulage for distances of less than 250 miles, the Government is keen to see greater use made of waterborne freight where practicable. Freight facilities grants are available for inland waterways developments. The Government is also supporting an EU initiative aimed at improving the efficiency of short-sea shipping and related ports services. Promotion of competition and open markets are aiding the provision of low-cost, efficient and safe carriage of freight by sea. A recent benchmarking study[8] suggested that overall vessel costs in UK coastal shipping are internationally very competitive.

Use of technology

Business itself has a vital contribution to make . . .

6.20 Industry has generally managed to cope with increasing pressures on infrastructure, although the difficulties are more apparent for those operating primarily in urban areas. The UK distribution industry is highly competitive by international standards; the Ernst & Young study suggests that for many companies unit costs have actually fallen in real terms over the last five years. In part this may be attributable to intense competition in the haulage sector. But there have also been wider changes in the working of the distribution sector which benefit both competitiveness and the environment.

. . . through changes in use of equipment and changes in business practice . . .

6.21 IT, mobile communications, and computerised routeing and scheduling have helped optimise vehicle location and return load opportunities. Changes in business practice and culture have also made a material difference. Many businesses are actively developing relationships with customers and suppliers in the distribution sector. Producers, customers and hauliers are accessing the same sales and ordering systems to facilitate just-in-time production and delivery. Reductions in the levels of stocks held are reducing the need for warehousing and associated land use. Shared-use arrangements, shared warehousing facilities, and shared production sites are being developed. And changes in delivery schedules are enabling firms to minimise the impacts of congestion.

6.22 Since 1979, the average amount of freight moved annually by each Heavy Goods Vehicle has increased by over 60 per cent (Chart 6.3), while the number of vehicles has fallen by 13 per cent. Improved technology has also resulted in much lower levels of noise and pollution from the UK commercial fleet. Against that, however, there has in recent years been an exceptionally strong growth in light van traffic. And the average length of haul has been steadily rising.

6.23 The Freight Transport Association (FTA) has recently produced a series of reports which address various aspects of freight distribution, and highlight examples of changes in working practice[9]. There is, however, evidence that a significant gap remains in levels of performance between different companies. The Government will therefore be discussing with industry how best to promote good practice to help reduce the growth in freight movements on our roads.

Improving vehicle utilisation

. . . through better fuel efficiency . . .

6.24 A study initiated by the FTA and DOE has identified scope for significant savings in fuel consumption through more effective fuel management programmes for their vehicle fleets. A benchmark guide[10] has been published under the DOE's Energy Efficiency Best Practice programme to help companies maximise fuel efficiency through monitoring and driver training programmes. There is a parallel guide on improving the efficiency of company car fleets[11].

. . . and through measures to assist employee travel.

6.25 Companies can also help reduce demands on transport through measures to assist their workforce travel to and from work. The Government is talking to the CBI and others about the potential for Green Commuter Plans, which might cover, for example, companies' own parking policies, provision of changing and showering facilities for cyclists, car-sharing schemes, joining with other local employers to provide enhanced public transport, and providing assistance with public transport season tickets.

Note 1: *Transport Infrastructure, Business Costs and Business Location* [Ernst & Young] (April 1996) [Back](#)

Note 2: *Transport: The Way Forward* [HMSO] (April 1996) [Back](#)

Note 3: *Transportation in Northern Ireland: The Way Forward* [DOE (NI)] (October 1995) [Back](#)

Note 4: *Moving Forward: A Business Strategy for Transport* [CBI] (December 1995) [Back](#)

Note 5: *Managing the Trunk Road Programme* [HMSO] (9 November 1995) [Back](#)

Note 6: *Roads in Wales: 1994 Review* [Welsh Office] (1994) [Back](#)

Note 8: *Overview 1995: International Benchmarking* [Australian Government Publishing Service] (November 1995) [Back](#)

Note 9: *Freight Matters*; [Freight Transport Association] (1995) [Back](#)

Note 10: *Fuel Consumption in Freight Haulage Fleets*; [ETSU] (February 1996) [Back](#)

Note 11: *The Company, the Fleet and the Environment*; [DOT, Energy Efficiency Unit and CBI] (1995) [Back](#)

comments

7 The Environment

Main Links with other Chapters

6 Transport

12 Science, Engineering and Technology

The environment is already a mainstream business issue . . .

7.1 The environment matters to business. It provides businesses of all sizes and in all sectors with new challenges and wide-ranging opportunities. It is imposing new pressures on costs, products and finance. It is having an increasing impact on the marketplace. Managed effectively, it can enhance competitiveness by stimulating innovation and improvements in efficiency. For suppliers of environmental goods and services, it offers a vast market.

The environment industry

. . . and the environmental pressures on firms are growing.

7.2 The relationship between economic growth and the environment is complex. The public's desire for a cleaner environment tends to strengthen as incomes rise. Yet growth puts pressures on the environment through pollution and depletion of natural resources. On the other hand, economic development creates the technological and other tools to improve the use of resources and tackle pollution, as well as the wealth to pay for cleaner solutions. The Government is committed to a policy of sustainable development[3] which acknowledges that economic and environmental progress must go hand in hand.

7.3 Business has a crucial role to play. There will be pressures on it to improve environmental performance using cleaner and more resource-efficient processes; to produce competitively-priced goods and services which meet increasingly demanding environmental requirements; and to develop the technology needed to solve environmental problems. These pressures are coming from:

- **Government** meeting its commitments to protect and enhance the environment
- the **general public** demanding "greener" products and responsible environmental practice
- other **businesses**: as competitors able to offer more competitive goods and services with an environmental edge; as customers demanding higher standards throughout the supply chain; and as lenders, shareholders and insurers concerned about risks and liabilities.

7.4 Many companies have already responded to these pressures by introducing a formal environmental policy. According to a DOE survey[4] over 60 per cent of firms had such a policy in 1995, an increase of nearly 35 per cent over the past five years. A variety of factors have motivated firms (Chart 7.1).

The environmental policy framework for UK business

The Government helps business by establishing a clear policy framework . . .

7.5 The Government's role is to establish a clear policy framework, and set appropriate environmental objectives. It has made it clear[5] that its environmental policy is guided by a number of general principles: measures should be based on sound science and on a thorough assessment of costs and benefits; the polluter should pay; and where there are serious risks, precautionary action may be taken on the basis of the likely balance of costs and benefits even when scientific knowledge is not conclusive.

7.6 By their nature, many environmental issues require international action. Common action can minimise distortion of markets and the impact on businesses in different countries. The UK will continue to play its full part in discussions in international bodies - the UN, OECD, EU and others - to develop the necessary concerted approach to tackle global environmental problems.

... setting a strategy for the future direction of policy ...

7.7 Setting out a clear vision for the direction of environmental policy can help companies identify the likely impact of new measures in their sector, and formulate an appropriate business response. The Government has already published a waste strategy, and it will be publishing a consultation draft for a national air quality strategy later in 1996. "Indicative" targets, which offer a guide to the long term direction of policy, can also help business plan ahead. But setting and responding to such targets can present practical problems. The Government plans to discuss further with the business-led Advisory Committee on Business and the Environment (ACBE) issues such as targets and negotiated agreements.

Waste strategy

... balancing costs and benefits ...

7.8 There are costs to business in protecting and improving the environment. But there can also be economic as well as environmental benefits in reducing waste, avoiding pollution, and using natural resources more efficiently. Carefully chosen and implemented measures to protect the environment can also help to stimulate innovation, and increase productivity and efficiency. The costs and benefits will vary from sector to sector, from company to company, and from issue to issue.

... selecting the most appropriate policy instrument ...

7.9 The Government seeks to protect and enhance the environment in the most efficient way. The policy instrument or mix of instruments selected to meet environmental objectives need to take account of cost-effectiveness, including the cost to business, the prospects for enhancing and stimulating innovation, and administrative simplicity.

- The Government intends to make greater use of **economic instruments**, such as taxes or tradeable permits, to encourage the adoption of better environmental practice. They are non-prescriptive and allow a flexible cost-effective response.
- **Regulation** will sometimes be the best response to an environmental problem. But it should not prescribe specific technological solutions and must be based on sound scientific principles and a thorough assessment of costs and benefits.
- The Government also encourages **voluntary action** by business to improve its environmental performance. This can be a cost-effective way for firms to adopt best practice.

Economic instruments

7.10 There are well-established mechanisms for assessing the cost to business of achieving environmental objectives. It is however much harder to quantify wider environmental and economic costs and benefits; the implications of environmental policy on competitiveness are complex and inadequately understood. There is continuing debate for example on:

- "**First-early-late mover advantage**" - the circumstances in which a country may benefit from setting more demanding standards before, or alternatively after, its competitors.
- The circumstances in which a "**double dividend**" might arise from using the revenues from economic instruments to reduce other taxes, or in which regulation yields both economic and environmental benefits.
- The need for action to prevent "**free riders**" in voluntary or negotiated agreements.

7.11 The Government will keep under review the implications of these issues on competitiveness. It will seek views where appropriate from ACBE, DOE's panel of academic environmental economists, and other interested parties. It will then consider how the conclusions might help to inform the development of environmental policy.

... maintaining a close and regular dialogue with business ...

7.12 In establishing the policy framework, the Government works closely with industry. It receives advice from the CBI, trade associations and other industry bodies. ACBE makes recommendations to business and Government on strategic environmental issues. Sector dialogue initiatives, so far with the chemical and textile industries, bring together Government, industry sectors, suppliers, regulators and the research community to discuss the long term direction of environmental policy, the implications for competitiveness, and possible commercial opportunities.

... and promoting fair and even-handed enforcement at home and abroad.

7.13 Business rightly expects straightforward, effective and equitable enforcement of environmental laws, whether in the UK or the EU. Since April 1996, the Environment Agency has provided a "one stop shop" for business in England and Wales on many aspects of environmental regulation. The Agency is developing policies and procedures to provide a more coherent and integrated approach to environmental regulation. It has already published a business-friendly code of practice on enforcement.

7.14 The Scottish Environment Protection Agency (SEPA) has similarly brought together most aspects of environmental regulation in Scotland. In Northern Ireland, a new agency - the Environment and Heritage Service - has also been established to deal with a range of environmental responsibilities.

7.15 The UK plays a leading role in the EU network of national inspectors (IMPEL), which aims to improve the consistency of enforcement across Member States.

Education and training

The competitive business response to environmental pressures

Good environmental management is simply good management ...

7.16 Managing and improving environmental performance can be a key factor in business success. All companies can benefit from understanding and minimising the environmental impact of their activities. For many, formal schemes such as BS 7750 or the EU's Eco-Management and Audit Scheme (EMAS) may present the best approach.

Environmental management schemes

Photo

... which can help secure reductions in production costs ...

7.17 Improving energy, material, and process efficiency is good for business, as well as the environment. The amount of energy used by the industrial sector has decreased by 40 per cent since 1970, despite a 40 per cent increase in output (Chart 7.2). Although changes in the level and structure of industrial demand have undoubtedly been a factor, a study[7] suggests that up to 80 per cent of the decrease can be attributed to improved energy efficiency and industrial processes.

Improving business efficiency

Improving business efficiency

... and improvements in product and process design.

7.18 Incorporating environmental concerns from the outset through product or process design can encourage innovation, enhance competitiveness, and minimise exposure to future liabilities. It can also produce products with characteristics such as improved recyclability.

7.19 The Government is encouraging business to recover value from the things they make and sell at the end of their useful lives through producer responsibility, and by supporting business initiatives such as product stewardship. This should result in increased attention being paid to the recyclability and the recycled content of many products and materials, including packaging, and lead to the achievement of higher levels of recycling and energy recovery.

Designing for the environment

It can also provide a competitive edge in the green marketplace ...

7.20 Managing environmental issues effectively also allows firms to respond better to public concern about the environment. Greater openness about their environmental policies and performance can help firms build relations with the wider community and strengthen their position in the marketplace.

7.21 While demand for overtly "green" products is modest so far, many firms are increasingly having to demonstrate their environmental credentials. This will be reinforced by the development of consumer information, such as eco and energy labels. The EU's ecolabelling scheme, for example, gives consumers guidance about those products that are less damaging

to the environment than alternatives.

Photo

. . . in the supply chain . . .

7.22 As part of their own environmental management, large purchasers are increasingly seeking information on the environmental impact of the products they purchase. They are looking for reassurance on issues such as the source of products and their environmental impact during use and disposal.

. . . and in dealing with the financial sector.

7.23 The financial sector is becoming more aware of the risks to commercial performance from poor environmental management. Insurers and investors are increasingly seeking reassurance that firms are managing their environmental impacts responsibly. Companies can respond through environmental reporting, or by taking up BS 7750 or EMAS.

Helping the environment industry

The Government provides information and practical sources of help to business . . .

7.24 The Government supports a range of initiatives to help businesses respond competitively to the challenge of the environment. Key objectives are to improve awareness of the environment as a factor in competitiveness and to disseminate information on best practice.

- The **Making a Corporate Commitment Campaign** invites Board-level directors to sign a declaration of commitment to responsible energy management. Over 1900 organisations from both private and public sectors have joined.
- The network of **Regional Energy and Environment Officers** helps to raise awareness in the business community and offers practical guidance.
- The **Centre for Environment and Business in Scotland** meets the growing demand for environmental information from both firms and business advisers.
- In Wales, the Government supports the **ARENA Network** to provide advice and practical support on environmental issues. A similar initiative has been launched in Northern Ireland.

The best practice programmes

Photo

7.25 One of the main priorities identified by **Technology Foresight** was the need for a more sustainable and cleaner world. To help achieve this, a 9 million LINK programme was launched last year to develop technologies to increase the recycling and reuse of waste material.

Renewable energy

Photo

. . . particularly to SMEs.

7.26 A recent study[9] found that 68 per cent of SMEs recognised that environmental concerns would have "some" or a "significant" effect on their businesses over the next five years. However, it also revealed a "general disinterest in taking positive environmental actions", and found that most SMEs were ill-informed of the help available - 46 per cent being unaware of any support services. To help overcome this, the Government works with business support organisations to raise awareness and signpost SMEs to specialist help.

7.27 Specific initiatives include:

- supporting local, business-led, green and waste minimisation clubs to offer SMEs practical help
- helping small firms develop energy management strategies, including a Mobile Seminar Unit to offer on-site advice

- providing a helpline on environmental technology best practice, with free counselling visits to SMEs
- offering grants to help small firms establish an environment management system and register under the Eco-Management and Audit Scheme
- promoting the benefits to firms of addressing environmental issues through the "Business and Environment" campaign in Wales. This campaign includes demonstration projects, dissemination of best practice and a mentoring scheme.

7.28 At a local level, many organisations such as TECs and local authorities are active in encouraging firms to adopt environmental best practice. They also disseminate information and guidance, and support environmental education and training.

Leeds environmental business forum

1 *The UK Environmental Industry: Succeeding in the Changing Global Market* [ECOTEC for the DOE-DTI Joint Environmental Markets Unit] (1994) [Back](#)

2 *The Global Environmental Market and United States Environmental Industry Competitiveness* [Environmental Business International Inc] (1995) [Back](#)

3 Commonly defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs [Back](#)

4 The survey was undertaken for DOE as part of its "*Making a Corporate Commitment Campaign*" [Back](#)

5 *This Common Inheritance: UK Annual Report 1996* Cm 3188 [HMSO] (1996) [Back](#)

6 *Making Waste Work* Cm 3040 [HMSO] (1995) [Back](#)

7 *Energy Paper 64: Industrial Energy Markets - Energy Markets in UK Manufacturing Industry, 1973-1993* [DTI] (1994) [Back](#)

8 The "3Es" methodology examines the effect of Integrated Pollution Control on industry under the headings of emissions, efficiencies and economics [Back](#)

9 *Small Firms and the Environment* [Groundwork] (1995) [Back](#)

comments

8 The Information Society

Main Links with other Chapters

4 Learning and Skills
12 Science, Engineering and Technology
13 World Class Public Services
20 Innovation

The new revolution offers new opportunities . . .

8.1 Industry has always been profoundly affected by changes in means of communication. A new revolution is now in the making as digital technology is enabling the worlds of telecommunications, information technology, broadcasting and publishing to come together. As these markets converge, an astounding array of new applications is opening up. Every aspect of industry, commerce and government is being affected. The challenge is to build sustainable competitive advantage, using our strengths, recognising our weaknesses, and drawing on best practice on a world-wide basis.



Information Society Initiative

8.2 The Government is seeking to help develop these opportunities through liberalisation of telecommunications, better management of the radio spectrum, and expanding choice in broadcasting. It has set up a new Ministerial Committee to oversee developments, and has launched the Information Society Initiative to promote the use and development of information and communication technologies by business in the UK.

. . . for users . . .

8.3 Voice, data and video can be delivered through networks of high speed telecommunications and advanced computer systems. One such network is the newly launched "Londonlink". This offers a range of services (information, e-mail, document transfer, and video and audio conference) for public, private and voluntary sector organisations throughout the capital. As local, regional, national and global networks become interconnected, the potential for a world-wide market place is becoming a reality. The development of multiple, interconnecting Information Superhighways in the UK offers an unparalleled choice of traditional copper wire, cable, optical fibre, radio and satellite communications.

8.4 The opportunities are there for all, from the largest multinational to the smallest of businesses. Much of the technology and many applications described in this Chapter already exist. New products or new ways of delivering existing products and services are being devised. New markets are opening up. And the relationships between workforce, customer and suppliers are changing. Manufacturing companies are using technology to improve process quality, R&D, supply chain coordination, logistics and delivery. Retailers are attracting buyers on the Internet and holding videoconferences with clients. Advertisers are developing their marketing ideas for products using interactive multimedia. Businesses will soon be able to make their tax returns electronically to the Inland Revenue. Electronic commerce and Electronic Data Interchange will become faster and cheaper than traditional methods of doing business.

Photo

The Information Society in action

8.5 Working patterns are becoming more flexible and less dependent on location. We can keep in touch on the move and

telework from home. Distance is no longer a barrier to working, learning or medical diagnosis. Even in more remote or rural areas, radio can link people to national communications networks. As a result, there is scope to move some office functions away from urban centres, lowering operating costs, and improving staff retention and recruitment. Businesses can be reorganised. People at different sites can work together by computer - with both competitiveness and environmental benefits.

Working at a distance

. . . and for suppliers.

8.6 Growing awareness and use of these new technologies world-wide means that the information technology, electronics and communications industries may represent 10 per cent of global GDP by 2005. The total market in the UK alone is already estimated to be worth 48 billion a year[1]. This offers important opportunities for UK business to build on existing successes. We already have a world class communications infrastructure, and have secured major inward investment in the relevant technology and R&D. BT is a world class player in the global communications market. The UK is the fifth largest electronics producer globally; a third of all PCs manufactured in Europe are made in Scotland[2] and estimates suggest we have around a 35 per cent share of the 10 billion a year world leisure software market.

8.7 Competition to provide telecommunications infrastructure in the UK is far ahead of any other country in Europe as a result of our liberalised and stable regulatory environment. There are now nearly 150 cable franchises, six mobile networks (with over five million subscribers) (Chart 8.1), and over 20 other Public Telecommunications Operators and radio-based operators, in addition to BT and Mercury. A host of other companies provide specialist services and niche services. In 1995, cable companies alone invested more than 2 billion - 6 million a day - in building optical fibre networks which now pass more than five million homes in the UK (Chart 8.2). BT has also announced plans to upgrade its network to optical fibre.

8.8 In radiocommunications, the UK leads within Europe on the development and introduction of local area networks based on radio instead of cable links. This presents UK equipment manufacturers with substantial opportunities. Satellite communications is another growth area, and the Government is a prominent investor in international satellite organisations.

8.9 Over the last year, the UK's television **broadcasters** have directed their efforts to international enterprise. The BBC, together with the Open University, the British Council and others, is developing plans for a network delivering educational programmes outside Europe. As digital television relaxes the constraints on the number of channels, a number of broadcasters are exploring new opportunities both in the UK and overseas - in multimedia, video and audio-on-demand, and interactive television.

Multimedia in broadcasting

8.10 Interactive **multimedia** information is increasingly becoming available to domestic customers and mass markets, creating new opportunities. A number of UK companies are involved in large-scale trials of interactive services for consumers.

There are new challenges too . . .

8.11 However, global market opportunities also mean global competition. As communication throughout the world becomes easier and faster, so new competitors will appear from other countries and from other industrial sectors.

. . . and we need to benchmark ourselves against the best . . .

8.12 We need to draw on best practice and experience throughout the world. One way of doing so is through benchmarking. A forthcoming report commissioned by the DTI compared progress in developing the Information Society in a number of countries. In all these countries, adoption of new products and services is growing quickly. Use of some established services such as mobile communications is growing at rates of between 50 per cent and 100 per cent a year, while new services such as the Internet are growing at even higher rates in some markets. Chart 8.3 shows the growth in Internet connections in the UK compared to the G7 comparators in this study.

8.13 On most measures, the study found that the US is by far and away the most advanced country, with a high proportion of PCs in homes and businesses, and well-developed telecommunications and IT industries. It is a world leader in Information Society products and services. Industrial competitiveness there is linked to the use of new technologies and the associated development of a "knowledge-based economy", entailing a high level of both public and private sector

investment. US corporations spent an estimated \$1 trillion on IT in the 1980s. The Government itself has introduced and promoted a National Information Infrastructure Initiative. US companies are also prime users of the network. For example, 25 per cent of SMEs in the US make extensive or moderate use of external e-mail in business, compared to only 9 per cent in the UK.

8.14 Although behind the US, the study shows that the UK is one of the leading countries in the EU in developing the Information Society. It scores above average on most measures, with particular strengths in telecommunications, the broadcasting and publishing sectors, and lower than average telephony charges. It also has one of the highest ratios of PCs per household in comparison with other major EU countries (Chart 8.4).

The Government is creating a framework to encourage development . . .

8.15 The private sector has the primary role to play in building the superhighways, in developing new applications, and in marketing services to the consumer. But the Government also has a crucial role to play to allow maximum advantage to be taken of these new opportunities, building on the success of its privatisation and liberalisation policies.

. . . through leadership . . .

8.16 In November 1994, the Government published a Command Paper[3] setting out its vision of multiple, competing and interconnecting superhighways, financed by private sector investment and fostered by the Government's commitment to regulatory stability. The Government has also taken a lead in developing superhighways in education and health. And the Government's Technology Foresight Initiative has brought together industry and universities to identify future enterprise opportunities and help channel the UK's strong scientific base into relevant research.

8.17 More recently, the Prime Minister has announced the setting up of a new Ministerial Group to help ensure that developments in multimedia and information technology can be exploited to the full - in both the private and public sectors.

. . . through provision of an appropriate regulatory framework . . .

8.18 The liberal **telecommunications** regime developed in the UK over the last decade or so has provided the stimulus to enterprising use of Information Superhighways, and given the UK its current edge. The Government is now reviewing the remaining restrictions on telecommunications operators running international links. DTI and OFTEL are also examining the implications of the development of broadband switched systems capable of delivering video-quality images.

8.19 The Government is also promoting development of the **radio spectrum**. In February 1996 it published a strategy[4] on the allocation of radio spectrum between the four major mobile phone operators over the next decade, to provide a firmer basis for investment decisions in a growing and highly competitive market.

8.20 The Government's Broadcasting Bill - currently before Parliament - seeks to give the UK a world lead in the development of **digital broadcasting** technology and services. It allows for around 18 digital terrestrial television channels and for greater cross-media ownership to reflect converging technologies and help promote competition.

. . . through raising awareness and offering practical support . . .



Information Society Initiative

8.21 In February, the Government launched its **Information Society Initiative (ISI)**. This provides a comprehensive package of programmes and activities to help UK businesses, particularly SMEs, improve their competitiveness through use of the new technologies. Based on a close partnership with industry, the initiative aims to raise awareness and understanding by :

- publishing guidance and case studies
- providing practical and financial help - with up to 35 million of extra funding available over four years for innovative companies and projects
- setting up local support centres where business can get hands-on experience
- offering business the opportunity to take part in programmes such as the Microelectronics in Business Programme, in which small businesses can qualify for up to eight days free advice and support at nine support centres
- providing guidance on adoption of good management practice.

The ISI information line

8.22 In Scotland, the Smart Partnerships Across Networks (SPAN) programme offers a local support and advice service which complements the technical programmes available under the ISI.

8.23 The ISI also seeks to improve access to the EU's support programmes. As part of this process, DTI sponsor the UK Multimedia Special Interest Group who promote the industry in Europe and help it to take maximum advantage of opportunities for EU funding. For example, 40 per cent of participants in the EU telematics programme have been SMEs.

... working in partnership with industry ...

8.24 The Government works closely with industry in setting a framework and facilitating new developments. The ISI will provide support to trade associations, for example through the Trade Association Network Challenge which will offer up to 50,000 to winners for the most innovative uses of existing electronic communication and commerce technologies.

Working with industry

8.25 Getting the right skills is also vital. The first survey of interactive multimedia-related higher education, postgraduate and vocational courses is now underway, sponsored jointly by industry and Government. Ultimately it will contribute to a European education and training database, available as an integrated on-line resource. The Government will be setting up this year an advisory service to help employers make the best use of technology in developing people. The industry-led "Investors in Information Group" is also looking to help develop appropriate skills and help spread best management practice.

Photo

8.26 The Government has also been working with industry in the Multimedia Industry Advisory Group to examine wider issues - including the protection of intellectual property rights, and potential obstacles posed by technical standards and network interoperability. The group concluded[5] that existing copyright laws were adequate for the Internet, although some minor adjustments were needed; that standards are best fixed by the industry on a voluntary basis; and that current interoperability controls are sufficient and need not be extended. Given the difficulty in regulating access to the Internet, the Government is encouraging the industry itself to develop a voluntary code of practice to provide practical guidance and a common set of principles, to address public concerns about the content of material on the Internet.

The Government also needs to be an intelligent user ...

8.27 The Government is the biggest purchaser of IT in the country. The Information Society will bring new, more efficient, ways of delivering public services and information, shaped according to the needs of the customer. The Government cannot exhort others to change without changing itself - a theme covered in more detail in Chapter 13.

- A Central IT Unit has been established to take the lead in planning the Government's strategy for the use of information technology.
- The Government Information Service (GIS) is improving links between Government and the public. It is also expanding the amount of information available on Government Internet servers.
- DTI has networked Business Links and Overseas Posts to help bring export opportunities to UK firms and has

installed videoconferencing equipment for companies to use.

- As a pilot scheme, some Benefits Agency offices are making information about state benefits available through multimedia terminals.

. . . and other parts of the public sector are also taking up the challenge . . .

8.28 Other public services are also seeking to improve services by using the superhighways.

- A sponsorship package from Business Link Sunderland and the NatWest Bank gives tenants at the Sunderland Business and Innovation Centre the opportunity to advertise free on the Internet for six months.
- Network Wales has encouraged and actively supported small Welsh businesses in establishing an Internet presence.
- TECs have used Competitiveness Funds to establish broadband links between Further Education Colleges, and also other sites including SMEs. This is covered in more detail in Chapter 4.
- The NHS is already using its own NHSnet to make its internal administration more efficient, and is considering using it for other services like telemedicine (involving patient consultation through real-time video links), and for information dissemination.
- The Open University is using a number of multimedia and Information Superhighways applications like virtual representations of experiments and field study trips. Chapter 4 highlights the scope for the use of technology in the education sector.
- Public access terminals already exist, or may soon be provided, at Citizens' Advice Bureaux, Post Offices and public libraries.
- Museums and galleries already provide electronic information to the public and are developing new services using the superhighways, particularly in support of education.

IT and public services

1 *Introducing ISI* [DTI] (February 1996) [Back](#)

2 *Technology Foresight: Progress Through Partnership - IT and Electronics* [Office of Science and Technology] (April 1995) [Back](#)

3 *Creating the Superhighways of the Future: Developing Broadband Communications in the UK Cm 2734* [HMSO] (November 1994) [Back](#)

4 *Mobile Phone Spectrum over the Next Decade* [DTI] (February 1996) [Back](#)

5 *Multimedia Advisory Group Report* [DTI] (December 1995) [Back](#)

comments

9 Improving the Commercial Framework : 'Fewer, Better, Simpler'

Main Links with other Chapters

- 2 Economic Policy and Performance
- 3 Enterprise and Small Firms

A clear framework of law and regulation is vital for business . . .

9.1 The UK needs a lean, clear, consistent, commercially oriented framework of law and regulation - so that business can flourish. The readiness of overseas companies to invest in the UK is an encouraging sign that the UK's commercial framework broadly matches business needs.

. . . based on key principles and priorities . . .



9.2 The Government is continuing to improve the regulatory framework by:

- Promoting deregulation under the banner of **fewer, better, simpler**, in the UK and the EU:
- streamlining existing regulations
- making enforcement more business-sensitive
- ensuring that any new regulations minimise burdens.
- Improving the effectiveness of the Civil Justice system.
- Developing the legal framework, on the basis of thorough consultation, in those areas which most directly affect the operation of business, including commercial law, competition law and company law.



9.3 The Government's Deregulation Initiative has already achieved major law changes ranging from the lifting of restrictions on Sunday shopping and pub hours to revised food composition regulations that allow development of innovative products like fromage frais. The Government is now working to reduce regulatory burdens - without reducing necessary protection - in a number of key areas identified by surveys and other feedback from business:

- tax: PAYE, National Insurance contributions, VAT
- health and safety
- building and planning
- food
- labour law

- financial services
- health.

The work is overseen by the Deputy Prime Minister and the Chancellor of the Duchy of Lancaster, with independent advice from the Deregulation Task Force, and is carried forward in the Cabinet Committee on Competitiveness.

... fewer regulations ...



9.4 To get rid of regulatory requirements that unnecessarily burden business the Government has:

- Earmarked over 1000 regulations for repeal or amendment. Over 500 of these had been passed by the end of 1995 and a further 480 repeals and amendments will be completed during 1996.
- Laid over 30 Deregulation Orders to repeal or amend primary legislation under the Deregulation and Contracting Out Act 1994. During 1996 further significant measures will be laid regularly whenever Parliament is sitting. A further 21 proposed Orders are in the pipeline (eight are undergoing scrutiny and 13 have either completed or are undergoing consultation).
- Begun a review of all business licences with a view to abolishing or simplifying as many as possible. The first fruits will be announced in September.

In Northern Ireland, the Government has brought forward an Order-in-Council to replicate, where appropriate, the provisions of the Deregulation and Contracting Out Act.

Deregulation Orders under the Deregulation and Contracting Out Act

9.5 The great majority of new regulations have no effect at all on business but are concerned with issues such as school administration. Overall the flow of new regulations is down from 1467 in 1994 to 1404 in 1995. But more importantly, the number of regulations which may put new costs on business has fallen significantly. In 1995 almost three quarters of the regulations made were favourable to business or clearly had no impact on it, compared to two thirds in 1994. Chart 9.1 shows the breakdown.

... better regulations ...



9.6 The Government has adopted three principles of good regulation:

Think small first

Don't regulate without first making sure that small firms can cope.

Proportionality

Don't regulate unless the benefits really justify the costs to business and others.

Goal-based

Don't make detailed rules when you can simply specify the objective.

9.7 Recent examples of regulations that have been changed for the better include:

- Up to half a million businesses are being allowed to submit annual, instead of quarterly, VAT returns from April

1996.

- Investment restrictions on trusts and charities have been reduced, allowing benefits of up to 400 million a year from greater investment flexibility.
- 500,000 of the smallest companies no longer need to have their accounts audited.

9.8 Appropriate and well thought-out regulation can also open up market opportunities. In the financial services area, for example, proposals to establish a light touch regulatory regime for Open-Ended Investment Companies will give the UK investment industry an alternative to unit trusts, and one much more familiar to Continental investors. This will allow the UK to compete more effectively in the world-wide market for unitised investments. It has been widely welcomed.

9.9 The Government has introduced a requirement that no Department may bring forward new regulatory proposals that affect business without a Risk Assessment and a Compliance Cost Assessment. Ministers must personally certify that the cost to business of any proposal is justified by its benefits and that, if the proposal implements an EU requirement, no gold plating or double banking is included without full justification (see paragraph 9.18).

... simpler regulations ...

9.10 Businesses have said that they want rules, guidance and paperwork to be simpler. Good progress has been made in some key areas.

- A package of measures on PAYE/NICs joint working is being taken forward (see Chapter 3).
- A major streamlining of health and safety regulations is under way.
- The Government has developed a prototype IT system to present all regulatory and licensing requirements to businesses at a single computer screen. The system could also be developed to enable Government forms to be submitted on the Internet. Consultations have been carried out with business people to assess demand, and with potential providers to decide whether the project should be carried forward by the private or the public sector.
- An independent study will recommend to the Government by June ways to reduce the burden its surveys impose on industry.

Health and safety

Planning and building

... together with fair and consistent enforcement ...



9.11 The way regulations are applied and enforced is just as important as their content. The Government is determined to make implementation and enforcement more business-friendly by putting the emphasis on helping business to comply.

9.12 The Government has provided business with more systematic rights against enforcement action, including a right to be warned before action is taken, and a chance to make representations, unless immediate action is necessary. Enforcement bodies can also be required to give reasons where immediate action was taken and explain appeal mechanisms. These rights have already been applied to health and safety and, by code of practice, to the new Environment Agency; they will shortly be applied to food safety, to building regulations and to a range of consumer affairs legislation.

9.13 Under section 6 of the Deregulation and Contracting Out Act, a model appeal mechanism will shortly be set out in an Order, designed to provide a fair and independent process for resolving disputes about enforcement which is both speedy and inexpensive. This will be available for incorporation in primary legislation as appropriate.

9.14 Local Business Partnerships are set up by local authorities to provide a dialogue between their enforcement organisations and business. The number of Partnerships has been affected by local authority reorganisation but over 60 are now in operation, and there are likely to be a further 40 by the end of 1996. Over 70 enforcement agencies have signed up

to the Code of Practice for Enforcement Agencies Working with Business. In January 1996, a guide[3] was launched to help those responsible for enforcing legislation in local government to develop and improve local practice.

. . . and raising the profile of deregulation in Europe.



9.15 Over the course of the last year the Government has made significant progress in establishing its deregulatory principles and practices at the centre of the European regulatory process. The Chancellor of the Duchy of Lancaster visited the Commission and his European Ministerial counterparts, setting out UK priorities for action.

Local Business Partnerships: case study

9.16 First, the Government has advocated improved European regulatory systems, based on rigorous impact assessment, wide consultation with business and increased use of goal-based rather than prescriptive regulations. New Commission Legislative Policy Guidelines now provide for wider consultation, re-appraisal of impact assessment systems, and a "good regulation" checklist for Commission officials. A Commission report on better lawmaking[4] endorsed a broad strategy to improve European regulation which is being carried forward during 1996. A further report covering detailed actions will be presented to the June European Council in Florence.

9.17 Second, the Government has established the principle of a rolling programme of regulatory reviews. The Commission are proposing a programme of targeted reviews of Single Market legislation. Their aim is to bring specific reform proposals to the Council during the course of the year. The Government is already working closely with other Member States to simplify the form-filling requirements under Intrastat. In addition, consolidation and simplification are under way on machine standards - a key UK priority.

9.18 A checklist has been developed to help Ministers, administrators and lawyers tackle over-implementation of EU legislation. The Government will apply this checklist to minimise the burdens of gold plating and double banking. This means avoiding elaboration of EU requirements, making full use of derogations for business, keeping legislation as simple, clear and light as possible, with enforcement measures to match, and looking at whether any existing requirements can be dispensed with as a result.

Fuller consultation is helping to improve the quality of legislation.

9.19 In the 1995 Competitiveness White Paper, the Government said that it hoped to increase the number of bills published in draft for consultation. It has done so. Of the bills in the current session, five were published in advance. Experience with the Arbitration Bill (see paragraph 9.22) shows the extent to which this process can improve the quality of legislation.

9.20 The Government wishes to develop this approach further. In addition to thorough consultation on policy, it will consider advance drafting and publication for bills wherever:

- the subject matter is such that drafting and detailed content are likely to benefit from public consultation
- there are no strong counter-arguments of confidentiality or urgency and
- there is a reasonable degree of confidence that legislative time will be found in a future session.

9.21 Improving the quality of existing legislation is just as important. One major initiative is the project to rewrite most of the direct tax legislation, over about five years, in user-friendly language.

Improvements to commercial law and the civil justice system will help business . . .

9.22 Going to law can be expensive and burdensome. The Government is committed to improving the framework within which business disputes are resolved. The reform of arbitration law is a key element of this. Extensive consultation on a draft bill led to substantial revisions to make it clearer and more internally consistent. The resulting Arbitration Bill, which has been widely welcomed, had a smooth passage through the House of Lords and is making its way through the

Commons. It will provide, for the first time, a comprehensive and clear statement on the principles and practice of arbitration law in England, Wales and Northern Ireland. Firms will have available a speedy and cost-effective way of resolving disputes which maintains standards of fairness. The competitiveness benefits will be felt not only by UK firms which use arbitration but also by practitioners. The position of London as a world arbitration centre will be greatly enhanced.

9.23 In Scotland, the Scottish Advisory Committee on Arbitration Law reported to the Lord Advocate in April 1996. The Government intends to publish a draft Bill for consultation during 1996.

9.24 In the wider area of civil litigation, Lord Woolf's proposals for reducing the costs, delays and complexity in the civil justice system should reduce the pain of disputes for business generally, as well as improving the competitiveness of the legal services sector itself. Business has welcomed the proposed reforms.

Main proposals in Lord Woolf's Interim Report[5]

9.25 Implementation of some of Lord Woolf's recommendations has already begun: the small claims limit has been increased from 1000 to 3000, and the Lord Chancellor's Department has published a booklet[6] to raise public awareness of Alternative Dispute Resolution.

9.26 The Government will take forward a process of phased implementation of Lord Woolf's recommendations. It will do so as quickly as possible, though the process will be complex and take time. Some of the proposals will need to be tested or piloted. Specific aspects of implementation will depend on Lord Woolf's final report, to be published in summer 1996. This will contain more detailed thinking on the main proposals and for the fast track, and will be accompanied by a consultative unified procedural code. The Government will promote legislation at the earliest possible opportunity to give a single rule committee power to approve the simplified code.

9.27 The Civil Evidence Act 1995 (in England and Wales) will also help simplify litigation for business by making it easier to present computer-based evidence and other business documents in court.

9.28 The Law Commission's Business Law Team has identified areas where legal requirements may inhibit the use of electronic data interchange for business transactions. A Working Party of the Society for Computers and Law is considering possible reforms and will report to the Government in June 1996.

9.29 For the construction sector, legislation is being introduced to provide a right to adjudication, a particular form of dispute resolution. The measures are designed to enable disputes to be resolved quickly, so as not to delay the process of construction. The Government is also considering the law on liability for latent defects arising from construction operations, following consultation on a report on joint and several liability by the Common Law Team of the Law Commission[7].

... as will reform of competition law ...

9.30 Competition is at the heart of the Government's economic policies. Open markets, operating without distortions to competition, are the key to a competitive economy. They enhance both business efficiency and consumer choice and offer the surest route to the promotion of UK competitiveness.

9.31 The Government remains committed to reform of the law on restrictive trade practices and cartels. Under new legislation, to be introduced when Parliamentary time allows, anti-competitive agreements will be prohibited, subject to the possibility of exemption where benefits can be shown. The Government will also strengthen the powers of the Director General of Fair Trading to investigate monopolies and abuse of market power, and provide for interim relief for competitors while potential abuse of a dominant position is under investigation.

9.32 In order to take forward its commitment to legislate, the Government has undertaken a comprehensive consultation exercise[8] on the detailed implementation of policy. This focused on the best way of operating a system of prohibiting anti-competitive agreements. Alignment with the similar prohibition in Article 85 of the EU treaty will bring benefits, but certain drawbacks in the EU regime need to be avoided. The consultation also covered the nature of the Director General's enhanced investigatory powers and arrangements for interim measures to deal with abuse of market power. DTI intends to publish a draft Competition Bill for consultation during summer 1996.



9.33 The Government is encouraging the European Commission to reduce the burdens on business of complying with EU competition legislation. It is pressing the Commission to eliminate the need to examine categories of agreements which have no significant effect on competition, and to ensure that "block exemptions" are simplified as they are renewed.

... and improvements in company law and accounts ...



9.34 Improving the quality and usefulness of company accounts while reducing burdens on preparers is a high priority. Regulations were made in January 1996 simplifying various Companies Act accounting requirements[9]. Good progress is being made on re-ordering those requirements so as to show clearly which apply to small companies. A possible standard format for small company accounts is also being developed. A working party set up by the Consultative Committee of Accountancy Bodies is consulting on proposals for a small company accounting standard[10], and the Auditing Practices Board has published a consultative paper[11] on the audit of small companies. In the light of these developments, the Government will be reviewing the financial thresholds below which companies qualify as SMEs for accounting purposes and the operation of audit exemption.

9.35 The Government is considering the law on auditors' liability following consultation on the Law Commission study on Joint and Several Liability[12].

9.36 An efficient company registration system and up-to-date accessible basic data on companies are essential to the proper functioning of markets. Companies House has developed a user-focused strategy for the development of its services up to the year 2000. A central aim is the development of electronic means of information gathering and delivery, to reduce costs and improve access.

... in corporate governance ...

9.37 Sir Richard Greenbury's committee published a tough code of practice[13] on directors' remuneration in July 1995 including comprehensive recommendations on disclosure. The Stock Exchange has implemented the main changes and will consult on new pensions disclosure requirements based on recommendations made by the actuarial profession. The Government will bring forward an Order to amend the Companies Act disclosure rules to bring them into line with the Listing Rules.

9.38 Both institutional and private shareholders can make an important contribution to competitiveness. DTI continues to discuss with leading institutional shareholders their part in stimulating better company performance, and has issued a consultation document[14] on the rules on shareholder resolutions at AGMs. The new Committee on Corporate Governance chaired by Sir Ronald Hampel will also contribute in this area.

... and in insolvency law

9.39 The Government is encouraging the rescue of viable businesses. To assist those responsible for rescuing financially troubled companies, it is seeking to increase awareness of the need for early remedial action and the options available. It will legislate to introduce a moratorium into the Company Voluntary Arrangement procedure when Parliamentary time allows. In addition the British Bankers' Association has accepted the invitation to produce a binding code of practice for banks which would obviate the need for a mandatory provision requiring notice of intention to appoint an administrative receiver.

9.40 The Government understands the concerns expressed by business about those who go bankrupt, leaving a trail of debts, and immediately start up new companies ("phoenix companies"). Existing legislation contains a number of remedies to deal with misconduct where it occurs. Disqualification is being increasingly applied. In 1995, 633 directors

were disqualified compared to 355 in the previous year.

1 Regulations on: Management of Health and Safety; Work Equipment; Personal Protective Equipment; Health, Safety and Welfare Back

2 Draft Circular *Planning Appeal Procedures* [Department of the Environment] (1996) Back

3 *Regulation: A Guide to Good Practice in Local Government* [The Local Government Management Board] (1996) Back

4 *Better Lawmaking* [European Commission] (1995)Back

5 Access to Justice -Interim Report to the Lord Chancellor on the Civil Justice System in England and Wales [Internet <http://ltc.law.warwick.ac.uk/woolf/woolf.html>] (1995)

5 Access to Justice -Interim Report to the Lord Chancellor on the Civil Justice System in England and Wales [Internet <http://ltc.law.warwick.ac.uk/woolf/woolf.html>] (1995)Back

5 Access to Justice -Interim Report to the Lord Chancellor on the Civil Justice System in England and Wales [Internet <http://ltc.law.warwick.ac.uk/woolf/woolf.html>] (1995)Back

6 Resolving Disputes Without Going to Court [Lord Chancellor's Department] (1996)Back

7 *Feasibility Investigation of Joint and Several Liability* [Law Commission] (1996)Back

8 *Tackling Cartels and the Abuse of Market Power: Implementing the Government's Policy for Competition Law Reform* [Department of Trade and Industry] (1996)Back

9 *The Companies Act 1985 (Miscellaneous Accounting Amendments) Regulations 1996* SI 1996/189Back

10 *Designed to Fit - A Financial Standard for Smaller Entities* [Consultative Committee of Accountancy Bodies] (1995)Back

11 *Practice Note: The Audit of Small Businesses - A Consultative Draft* [Auditing Practices Board] (1996)Back

12 *Feasibility Investigation of Joint and Several Liability* [Law Commission] (1996)Back

13 Directors' Remuneration: Report of a Study Group Chaired by Sir Richard Greenbury [Gee Publishing Ltd] (1995)Back

14 Shareholder Communications at the Annual General Meeting [Department of Trade and Industry] (1996)Back

comments

10 Finance

Main Links with other Chapters

3 Enterprise and Small Firms

6 Transport

22 People

Access to appropriate finance is important for business.

10.1 A strong financial framework is needed to encourage investment, which is essential for the creation of wealth.

10.2 Larger companies do not generally have difficulty in raising appropriate finance. They have ready access to capital markets, both for debt and equity. London's position as a leading financial centre (see box on page 98) allows them to raise finance from international sources at competitive rates.

10.3 The cost of borrowing in the UK is at an historically low level and, allowing for inflation, is low in comparison with European competitors. Consistent with this, one of the findings of the Your Business Matters conferences (see paragraph 3.9) was that information on access to appropriate finance, rather than the cost of finance, is the major problem for some SMEs.

10.4 There is limited up-to-date, reliable data on the full range of sources from which SMEs are financed. The Bank of England, Government, and other interested parties, are working together on how best to improve this information in the future without imposing additional burdens on businesses.

The pattern of finance for business has changed over time . . .

10.5 The main source of finance for UK companies is retained profits (Chart 10.1). Bank finance is the major source of external funding. 167.6 billion of bank finance was outstanding to businesses in December 1995[1], including 35.3 billion to small businesses[2].

10.6 However, the pattern of finance has shown significant changes from year to year. In the late 1980s corporate investment surged (Chart 10.2) alongside strong growth in profits and optimism about future economic developments. Much of this investment was financed by bank borrowing at floating interest rates. In 1990, when interest rates rose and the economy went into recession, many companies found that they were overburdened with expensive borrowing. As a result, companies sought to strengthen their balance sheets and bank borrowing fell significantly. Industrial and commercial companies reduced bank borrowing in each year from 1991 to 1994. It began to increase again in 1995, rising 1.8 per cent over the previous year, as business investment and confidence grew.

. . . but bank finance remains the first choice for many firms . . .

10.7 Overdrafts are an appropriate form of finance if used for a suitable purpose, such as short-term working capital. But over-reliance on overdrafts can focus managers' attention exclusively on short-term horizons and expose firms unnecessarily to economic fluctuations.

10.8 Over the last few years there has been a shift away from overdrafts towards term loans. British Bankers' Association (BBA) figures show that, at the end of 1995, term loans accounted for 65 per cent of total bank lending to small firms. NatWest figures show that the average length of a small business term loan is seven years. Barclays report that over 70 per cent (by value) of its term lending to small firms is for periods over ten years. Nevertheless, there is evidence[3] that UK SMEs are still more reliant on short-term finance than their European counterparts.

The Scottish capped-rate loan scheme

. . . and banks are seeking to improve relationships.

10.9 A recent survey[4] indicated that 85 per cent of firms reported a consistent or improved relationship with their banks,

a higher figure than in previous years.

10.10 There is, however, room for further improvement. For example, a theme emerging from the Your Business Matters conferences was a lack of continuity in bank personnel dealing with businesses, resulting in inconsistent treatment. Banks recognise the problem and plan to leave small business managers in post longer.

Government is working in partnership with lenders to improve access to loan finance.

10.11 One of the mechanisms which the Government uses to improve access to loan finance is the Small Firms Loan Guarantee Scheme (SFLGS), which is running at record levels. In 1992-93, 2,342 loans worth 52 million were guaranteed; by 1995-96 this had risen to an estimated 7,478 loans worth 274.3 million. Changes to the Scheme were announced in March 1996 to ensure that it remains focused on the areas where it is of maximum benefit. The changes include:

- simplifying the size-eligibility criteria, enabling more firms in the service sector to participate
- more help for businesses with business angel involvement
- additional capital repayment holiday opportunities
- an increase in the maximum loan term from seven to ten years
- additional specialist lenders, particularly those with expertise in lending to high technology firms
- further exclusions in sectors where support is often at the expense of other local firms.

Businesses are seeking diverse sources of funds . . .

10.12 Although loans are the traditional form of external finance for many firms, SMEs are increasingly choosing alternative sources of finance to fit their particular needs. Asset-based finance grew by 50 per cent in the period from 1987 to 1993.

10.13 Members of the factoring and invoice discounting industry reported an increase in turnover of 25 per cent in 1995. The industry's annual turnover is now over 30 billion.

. . . but some high-tech firms still have difficulty in raising appropriate finance.

10.14 It has been suggested that small, technology-based firms face particular problems in raising finance, especially at the start-up and early development stages. The Bank of England, in cooperation with Government, has undertaken to investigate this issue. The project will be completed towards the end of 1996.

Equity markets are responding to the needs of growing firms . . .

10.15 The opportunity for small and growing companies to raise equity capital to fund growth was boosted last year with the launch by the London Stock Exchange of the Alternative Investment Market (AIM). Already more than 150 companies are listed, with a combined market capitalisation of almost 3.1 billion, and more than 277 million has been raised. AIM has attracted companies from all over the UK, and has proved especially popular among fast-growing high-technology companies.

AIM: PolyMASC Pharmaceuticals

10.16 Electronic Share Information (ESI) Ltd, based in Cambridge, is seeking Securities and Investments Board (SIB) approval to introduce an electronic stock interchange, a new market for smaller company shares. ESI's aim is to operate the first stock exchange on the Internet, permitting direct access by investors throughout the world to market information and dealing facilities in the securities to be listed. Since its real-time price information system, developed with Sharelink, went live in September 1995, more than 15,000 users have registered, 25 per cent of whom are based overseas.

10.17 EASDAQ is a European initiative aimed at providing a screen-based stock market focused on medium-sized growing companies, particularly in high-tech sectors. It is independent of the existing European exchanges and will be a pan-European cross-border trading system. It is expected to become operational in September.

. . . but equity could play an even greater role . . .

10.18 Few smaller firms seek equity finance. The Bank of England and others emphasise the role which equity can play, especially for growing firms. It can enable a growing company, particularly a high-tech firm, to exploit a new idea or opportunity without the drawback of scheduled repayments which loan finance imposes. With private equity, a company may also gain valuable experience and expertise from the investor.

. . . although there are impediments.

10.19 Institutional investors, such as pension funds and insurance companies, may be dissuaded from investment in smaller firms because the costs of appraisal and monitoring are proportionally higher than for investments in larger companies.

10.20 Many SMEs themselves are not convinced of the benefits, sometimes through a fear of loss of control of the business. In a Lloyds bank survey, 38 per cent of firms which refused to consider equity finance did so for fear of loss of control. However, business angels and venture capitalists usually invest precisely because they have confidence in the existing management of a company. Although external equity can involve some sharing of control, this has to be weighed against the positive benefits that can accrue.

The Government is encouraging equity investment.

10.21 More networks aimed at introducing informal investors (business angels) to firms seeking equity finance are being developed. The Government helped to establish five local informal investment networks on a demonstration basis. These have helped to raise awareness of informal investment among investors and businesses. Copies of an evaluation report on the five projects have been distributed to TECs, Business Links and others to spread best practice.

Informal investment: Cytocell Ltd

10.22 In Scotland, a national non-profit-making networking scheme is run by LINC (Local Investment Networking Company). It has helped to arrange 3 million of informal investment for SMEs over the past two years.

10.23 The Government will continue to encourage equity investment through the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs). EIS allows tax relief for equity investments by private investors. In its first two years, 400 companies have raised 42 million. Tax reliefs are also available for investments in VCTs, which spread risk by investing in a range of small companies. So far 12 have been launched, attracting 150 million; several others are in the pipeline.

Some banks are increasingly investing in the equity of small firms . . .

10.24 All the major banks have aimed equity-based schemes at small businesses as part of comprehensive finance packages. For example:

- Midland Bank has provided the core funding in 11 Regional Enterprise Funds. The investment range is 5,000 to 150,000. So far, 67 investments averaging 74,000 have been made. Also, Midland Growth Capital, the bank's venture capital arm, has made 30 investments averaging 500,000 each.
- NatWest Pioneer Fund was launched in January 1996. It invests between 100,000 and 750,000 in firms with turnover between 1 million and 20 million. Its Innovation and Growth Unit provides packaged funding for technology and fast growth firms. The bank's Business Angels Network was extended nationwide in January 1996.

. . . but more large companies could invest.

10.25 The Bank of England's third report on small firms[5] suggests that there is scope for expansion of corporate venturing in the UK, particularly in high-technology sectors. Corporate venturing is more strongly developed in the US than the UK. The Bank of England concludes that the major barrier in the UK may be cultural, but lack of awareness of the potential benefits may also be a reason.

10.26 Investment by large companies in the equity of small technology-based businesses can bring advantages to both parties. The small firm can gain an investor who:

- understands the technology and the market
- takes a long-term view of the investment in the light of that knowledge

- helps the business improve its performance.

Corporate venturing: British Gas

10.27 The corporate investor can gain the opportunity to:

- invest in developments, for example in a supplier, which enhance its competitiveness or which help to develop the market
- adopt a more flexible approach to its R&D activities
- tap into fresh entrepreneurial talent.

Business incubators

Effective financial management is important if firms are to thrive . . .

10.28 The main responsibility for improving financial management lies with firms (see Managing Finance in Chapter 22), although improvement is in the interests of finance providers as well. Government has a role to play in spreading best practice. It issued a consultation document on the introduction of a financial management certificate in May 1995. Respondents acknowledged that there is scope for improving financial management in small firms, but indicated a concern that certification would impose an additional regulatory burden. However, most favoured setting up a working group to consider ways to improve financial management. The group, set up by the Government in February 1996, includes members from small businesses, banks, accountancy bodies and other organisations. It will examine the effectiveness of existing initiatives and discuss new ideas. Its findings will be published in 1997.

. . . and banks are playing a part in improvement.

10.29 The banks and the Government are working with firms to introduce NVQs at levels 3 and 4 in financial management techniques for owner managers.

10.30 The Small Business Initiative, in which all the major banks have offered a reduced interest rate or reduced charges to small businesses which undertake financial skills training, has been piloted in Norfolk and Suffolk. It is now being extended to other areas to provide more information on the relationship between financial management skills and performance.

10.31 Banks are also seeking to improve the skills of their managers. The Banking Industry Training and Development Council is embarking on an international comparison of the skills required by bank managers to deal effectively with small business customers.

The Government is encouraging sources of financial advice . . .



10.32 The growing network of Business Links (Business Shops in Scotland and Business Connect in Wales) has an important role to play in providing support for smaller firms on financial management issues and in helping their customers understand the types of finance available (see annex A).

10.33 Business Link services include:

- provision of basic financial information (including the requirements of the tax authorities)
- comprehensive financial health checks
- a signposting service which points firms to local financial expertise
- a finance packaging service which provides detailed and independent advice on the range of financing products available, and assistance in obtaining sources of funds

- provision of, or access to, financial management training.

. . . and helping to improve capital investment.

10.34 The Money and Machines guide, produced jointly by DTI and business, aims to help manufacturing companies and financial institutions understand each others' needs.

Money & Machines: Deritend Precision Castings Ltd

The City of London

1 Bank of England Back

2 British Bankers' Association Back

3 Financing Enterprise in Europe [3i] (1995) Back

4 "Small Firms in Services - The 1995 Survey" [Curran, Blackburn, Kitching, North & Blizzard] (November 1995) Back

5 Finance for Small Firms - A Third Report [Bank of England] (1996) Back

comments

11 Fair and Open Markets

Main Links with other Chapters

1 The World Economic Environment
9 Improving the Commercial Framework
17 Partnership with Inward Investors
21 Exporting and Outward Investment

Open markets aid competitiveness by benefiting producers and consumers.

11.1 An open, fair and stable world trading system is fundamental to global prosperity. Trade enables countries to specialise in what they do best. All countries gain from trade, whether exporting or importing. Trade is particularly important to the UK; taking imports and exports of goods and services together, we are the world's fifth largest trading nation. Our exports represent about a quarter of GDP.

11.2 The Government promotes open markets at home, in Europe, and world-wide. Its objective is to secure global free trade by the year 2020. Despite considerable liberalisation in trade since the War, there is still a high degree of protectionism throughout the world to be overcome before that objective is reached.

Trade is growing faster than economies.

11.3 As shown in Chapter 1, countries are becoming increasingly integrated through trade and investment. World trade in goods has expanded more quickly than production, and foreign direct investment (FDI) is increasing rapidly. UK exports have grown faster than GDP since the Second World War (Chart 11.1). The stock of UK FDI (both inward and outward) has grown faster than GDP since 1970 (Chart 11.2).

11.4 Trade in services has grown as fast as trade in goods, but remains at a much lower level, partly reflecting the fact that many countries have only recently started liberalising trade in services. Indeed as our economy has specialised in services ahead of much of the rest of the world, our exports may have been disproportionately held back by the relatively slow liberalisation of this sector.

Service sector statistics

Manufactures are the largest element in UK trade.

11.5 Taking goods[1] and services[2] together, manufactures have been the largest element in UK trade over the last 25 years[3]. Their share of UK imports increased by around a half between 1970 and 1995 (Chart 11.3). Their share of UK exports in 1995 was roughly the same as in 1970, although their level more than doubled in real terms over that time (Chart 11.4).

Most of the UK's trade is with our EU partners . . .

11.6 The EU accounts for over half of the UK's trade in goods. North America is the second largest market with 14 per cent. In services, the EU accounts for 40 per cent of our trade, and North America for 23 per cent (Charts 11.5 and 11.6).

. . . and trade with the newly industrialised nations of Asia is expanding rapidly.

11.7 Trade with the rapidly growing Asian economies is becoming more important. The share of UK visible exports going to Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand doubled from around 3 per cent to almost 6 per cent between 1985 and 1995 (Chart 11.7).

Progressive liberalisation has been a key factor in this explosion of trade. The UK therefore focuses on dismantling trade barriers and stopping new ones being erected. It seeks to do this through further multilateral trade liberalisation . . .

11.8 The Government's first priority in trade liberalisation is to support the multilateral trading system based on the World

Trade Organisation (WTO). The WTO became the successor body to the General Agreement on Tariffs and Trade (GATT) following the Uruguay Round of trade negotiations. Over 120 nations are now members. It provides the framework which determines member governments' trade legislation, and a mechanism for settling trade disputes, which is now for the first time binding on its members. More than 40 disputes have been referred to the WTO since January 1995. The WTO is also the forum for negotiation to expand the multilateral trading system. Initial steps to remove trade barriers tended to focus on tariffs. While there is still progress to be made on tariffs, progressive reductions have allowed more attention to be given to non-tariff barriers, for example regulatory burdens, subsidies or government procurement rules, which continue to impede trade just as effectively as tariffs.

... regional trade liberalisation ...

11.9 Alongside the multilateral system lie a number of regional or bilateral trade agreements. As well as the EU, prominent examples include the North American Free Trade Agreement (NAFTA), and the Asia-Pacific Economic Cooperation (APEC). APEC now plans early simplification of trade procedures and has agreed to move to free trade between its members by 2020 (2010 for those with developed economies).

11.10 These regional agreements are beneficial as long as they contribute to global trade liberalisation and do not distort trade in favour of their members. The WTO therefore lays down principles governing such agreements, aimed at achieving an overall balance of advantage both to parties to the agreements and to countries outside.

... and contacts between different regional groups of countries.

11.11 The EU and North America are each others' largest trading and investment partners. They account between them for half of world trade and 75 per cent of world FDI. Cooperation between the EU and North America continues to be a powerful driver of liberalisation within the multilateral trading system. Despite this, a range of barriers remain in transatlantic trade. Resolving these is an important priority. The Government therefore welcomed the outcome of the EU/US Madrid summit in December 1995, which set in train immediate work on various areas where barriers remain, including standards, tariffs and customs cooperation, and initiated a joint study of further ways to reduce or eliminate trade barriers across the Atlantic. The UK also urged the EU to take full account of contributions from the business representatives of the Transatlantic Business Dialogue at their meeting in Seville in November 1995. They made over 70 recommendations for liberalising transatlantic trade in areas including standards, regulatory policy, public procurement, and investment.

11.12 The Government attaches similar importance to developing trade relations between Europe and Asia. Following the summit of EU and Asian countries (ASEM) in Bangkok in March 1996, it will continue to work on reducing trade barriers, furthering trade opportunities and supporting the multilateral system. The UK will host the next ASEM summit in 1998.

The Government's trade policy aims to benefit both business and consumers.

11.13 The Government consults widely with business and consumers in formulating policy. Contacts include major exporters such as the pharmaceuticals, recording and whisky industries. The trade policy consultation forum of senior representatives of business and consumers, announced in the the 1995 Competitiveness White Paper, has been established and has begun by attaching a high priority to further liberalisation in areas such as investment, intellectual property rights and public procurement.

A key activity is the trade barriers initiative ...

11.14 To bolster its participation in international efforts to liberalise trade, the Government established in 1995 a trade barriers initiative with a three-pronged strategy:

- work with trade associations across all sectors to identify barriers they encounter in their export efforts
- press for the removal of barriers which are outlawed by the WTO
- support the WTO in its efforts to reduce barriers which are not yet outlawed.

11.15 The initiative is to ensure that, together with the private sector, the Government takes every opportunity to tackle the most pressing barriers. It underpins an ongoing process in which the Government pursues action in the WTO, uses enforcement powers within the European Union, and applies pressure bilaterally with trading partners. After discussions with trade associations in 1995, DTI produced a list of the barriers UK businesses face in 20 of our most important

markets[4]. Some examples of barriers and action taken are given in the boxes on tackling trade barriers inside and outside Europe. Another formal round of discussions with trade associations will take place this summer.

... at the multilateral level ...

11.16 The Government has developed ideas and proposals for WTO action in the main problem areas. At the UK's instigation, the Commission has begun proceedings in the WTO against Japanese spirits tax discrimination, long an important barrier to our exports to Japan. The Government has also successfully encouraged the Commission to adopt a similar trade barriers strategy, described in its Market Access Communication issued in February 1996[5].

Tackling trade barriers outside Europe

Tackling trade barriers in Europe

... and within the EU.

11.17 Tackling illegal trade barriers within the EU is also important. In a survey conducted by the CBI in November 1995, 52 per cent of businesses thought that the Single Market had improved business opportunities within the EU. But 29 per cent did not, not least because of alleged infringements of the Single Market.

11.18 The Government has therefore replaced the former Single Market Compliance Unit with Action Single Market[6]. This will work more directly with industry in attacking state aids abuses in other Member States, as well as dealing with other complaints about the Single Market. Action Single Market wants to talk to firms, particularly small firms, about problems regardless of whether there is proof of difficulties or not. It will spare businesses as much paperwork as possible by dealing face to face with industry and itself undertaking the paperwork required to deal with Community complaints procedures. The Single Market Compliance Unit took forward 56 new complaints in 1994, and 66 in 1995. Action Single Market aims to increase the number to 75 this year, and to achieve a 75 per cent success rate in resolving complaints.

The UK's priorities for the multilateral agenda reflect its trade policy aims ...

11.19 The Government has identified three major steps leading to its ultimate objective of global free trade. First, the WTO Ministerial meeting in December 1996 in Singapore should establish a comprehensive work programme to carry forward liberalisation. Second, a new round of multilateral negotiations in the WTO should be launched before the end of this decade, to be concluded by 2010. Thirdly, the WTO should set itself a firm date to achieve global free trade by 2020.

11.20 The immediate focus is now on the Singapore Ministerial meeting. The UK is working to:

- Review progress on establishing the WTO (including the new dispute settlement procedures) and on completing unfinished business from the Uruguay Round, particularly in services.
- Ensure that the 27 or so new applicants to the WTO meet the requirements for membership. Among them are major economies such as China, Taiwan and Russia.
- Identify further tariff reductions and accelerate reductions already negotiated. Many developing countries have high average industrial tariffs, for example Argentina (30.9 per cent), Indonesia (36.9 per cent), Jamaica (50 per cent), and Uruguay (30.9 per cent). While industrial tariffs in developed countries are now much lower, averaging 3.8 per cent, many peaks remain; for example Australia has tariffs of 34.8 per cent in clothing.
- Establish closer co-operation between the WTO and international standards-setting bodies. Consultation with business consistently shows that standards and technical regulations are considered amongst the most important non-tariff barriers to trade.
- Extend membership and scope of the WTO Agreement on Public Procurement and extend liberalisation in larger public contracts. Given the magnitude of the potential trade flows involved, there is enormous scope for further liberalisation to increase global trade.
- Improve disciplines on subsidies and state aids which directly affect trade.
- Simplify rules of origin[7]. Compliance with different rules adds significantly to business costs. The US has six different sets of rules for preferential situations, the EU 14, Australia five and Canada six.
- Ensure that regulations do not constitute barriers to trade.

- Extend protection for intellectual property.

Intellectual property rights

11.21 As well as these non-tariff barriers, a number of trade-related issues are under consideration in various organisations including:

- Negotiations within the OECD on a Multilateral Agreement on Investment. These should be complete by mid-1997, providing a framework for international investment, open to OECD members and non-members alike, setting standards for the liberalisation of investment and for investor protection.
- Work to ensure that the multilateral trading system and measures to protect the environment are compatible and support sustainable development.
- The development of standards for national competition rules in order to keep markets open. Possible areas for developing standards include transparency, non-discrimination and mutual recognition of competition laws.
- Trade and labour standards. The UK supports eliminating unacceptable labour practices (such as forced labour and exploitative child labour) through means such as targeted development assistance. But it opposes potentially protectionist actions such as trade sanctions designed to impose particular, highly regulated, labour standards on developing countries.

Taxation

... as do its priorities for the development of the EU agenda.

11.22 In Europe, the Government wants an effective Single Market with minimum burdens on business. The prospects are encouraging; surveys show that a significant proportion of firms are doing more business in the Single Market.

11.23 Nevertheless much remains to be done:

- Preparation of standards for establishing compliance with "new approach" Council Directives is behind schedule[8].
- Although the Council has agreed a "route map" to liberalisation by 1998, further work on telecommunications is needed.
- There is no Single Market in energy.
- There is a backlog in transposing EU rules into national law (although this is being reduced).
- Several directives, particularly in the transport area, are not yet due to come into force in all Member States.

Delays in implementation

11.24 The Government has also identified a positive programme to improve the Single Market:

- **Enforcement** of regulations throughout the EU. Business frequently complains about under-enforcement, although few specific problems are raised with DTI. Action Single Market is ready to deal with specific problems. Moreover the Commission and Member States are developing a programme of cooperation between enforcement officials. The Government has also successfully encouraged the Commission to propose reviews of selected Single Market measures to ensure that they are effective whilst not overly burdensome to business.
- **State Aids.** Member States continue to give large amounts of state aid to industry. The three largest cases alone in the past two years have involved over 8 billion of aid. Each year the Commission scrutinises over 500 state aids cases. The Government is working with the Commission to improve procedures for processing state aids to establish a more transparent complaints procedure for business.
- **Mutual recognition** of national testing certification and standards. About a fifth of Single Market complaints from business concern refusals by other Member States to accept products without further testing in the importing country. Germany accounts for over 40 per cent of these complaints. The Council has now agreed to require Member States to notify the Commission where they have refused to accept such products.

11.25 As well as these actions in the EU, the UK is taking action at home against over-regulation and "gold-plating" of Single Market rules in the UK (see Chapter 9).

Conclusion

11.26 Trade and investment have created widespread prosperity since the Second World War. The UK has been at the heart of that process, pushing for free trade policies, and opening our own economy to trade and investment. The Government will continue its work for open markets to bring the benefits of free trade to more countries and to help the UK realise the benefit from our industry's increasing competitiveness in world markets.

1 Goods (or visibles) comprise food, beverages and tobacco, manufactures, basic materials, and fuels [Back](#)

2 Services provided by UK firms to non-UK residents (and vice versa), including financial and business services, tourism, sea transport and civil aviation.

The earnings of UK financial institutions are recorded net of their overseas expenses [Back](#)

3 This discussion of trade excludes earnings from overseas investments and transfers, which, together with services, make up invisibles. In 1995, investment income and transfer credits were equivalent to 49 per cent of UK exports of goods and services. For further detail, see Stephen Glover and Edward Parker; *Invisible Earnings: the UK's Hidden Strength* [HM Treasury] (1996) [Back](#)

4 Available from the DTI Press Office on 0171 215 4522 [Back](#)

5 European Commission; Market Access Communication [COM (96) 00053] (1996) [Back](#)

6 Action Single Market can be contacted at the DTI on 0171 215 4479 [Back](#)

7 These rules determine the country of origin of traded goods, necessary either when a country's goods are given preferential treatment, for example within a free trade area, or when action such as anti-dumping is being taken against them [Back](#)

8 "New approach" directives lay down essential requirements to which products must conform as a pre-condition for free circulation in the European Union [Back](#)

comments

12 Science, Engineering and Technology

Main Links with other Chapters

4 Learning and Skills
8 The Information Society
16 Sectoral Partnership
17 Partnership with Inward Investors
20 Innovation

Science, engineering and technology are fundamental for competitiveness.

12.1 Europe and North America no longer have the virtual monopoly of scientific and technological knowledge and industrial know-how which they once enjoyed. Industrial capability, skills and knowledge are far more widely spread throughout the world and new technology transfers quickly. The future competitiveness of the UK will be founded on creating new, sophisticated, often information-rich goods and services. This means that it is vital for UK businesses to get access to scientific and technical advances and to use them effectively.

12.2 The aim of this chapter is to show:

- The strength of the UK science and engineering base[1].
- The benefits firms can gain from this vital resource and, indeed, from science overseas.
- How the links between science and industry are being improved to ensure that these gains are realised.

Science, engineering and technology are amongst the UK's principal assets . . .

12.3 The UK has 1 per cent of the world's population but generates about 6 per cent of the world's research and development (R&D) (Chart 12.1). Chart 12.2 shows where the funding for the UK's R&D came from in 1994 and in which organisations it was spent. Funding for the science and engineering base is now 2.3 billion a year, up some 10 per cent in real terms over the past ten years.

12.4 Much of the UK's science is world class. This is reflected in a transfusion of academic talent from overseas in recent years (Chart 12.3).

12.5 In some sectors such as chemicals and healthcare the integral role of science is widely recognised. But the science base also underpins the performance of sectors which make less direct use of its research output. These sectors benefit from equipment and materials produced by those which directly draw on the science base, and from problem-solving and research methodologies developed within it.

12.6 The science base also contributes to competitiveness by:

- Helping to provide the highly qualified people needed to maintain a cutting edge in UK business and to exploit new discoveries.
- Providing professional networks and a source of advice to business. Over 90 universities now have industrial liaison officers and over two-thirds have 'clubs' for industry.
- Creating enterprises. Universities have spun off nearly 300 businesses from their research capabilities. From 1991 to 1994, universities generated income of over 40 million from patent and software licensing and sales[2].

People in SET

. . . but investment in R&D by UK businesses remains patchy.

12.7 Since the last recession, overall spending by UK companies on R&D has held up better than other G7 countries apart from France (Chart 12.4).

12.8 From 1987 to 1994 spending increased in pharmaceuticals, agriculture, textiles, food and some machinery and transport equipment sectors. For example, the pharmaceutical industry nearly doubled its expenditure on R&D in real terms. However, in other sectors expenditure has either decreased or remained at a constant level.[3]

Tax Relief for R&D

Benefits also come from knowing how to extract value from SET . . .

12.9 The rapidly-expanding volume of scientific and technical knowledge makes it neither feasible nor desirable for even large firms to develop in-house all the technology they require. Many firms prefer to concentrate on being excellent in core areas and to acquire other knowledge by collaboration with external sources, including universities, other firms, specialist R&D organisations and government laboratories.

12.10 At the same time, firms find they need a level of in-house understanding to recognise useful technology and apply it effectively. They also need to be 'intelligent' customers of research or new technology: spotting trends, identifying market needs, and influencing researchers and others to develop technology which is both timely and best suited to user needs.

. . . so it is vital to improve the connections between science and industry.

12.11 A broad range of Government policies have an impact on exploiting the science and engineering base. Many - including policies to improve skill levels and create a stable climate for investment - are covered elsewhere in this White Paper. A key SET objective is to foster partnership between business and science.

12.12 Such partnership has grown significantly in recent years. It brings two main benefits:

- Reinforcement of UK R&D: direct industrial funding for university research is 124 million a year, up from 59 million in 1985-86 - but there is still room for further improvement.
- Enhanced performance: the UK's best-performing sectors also tend to be those which link up closely with the science and engineering base. In these sectors, the linkage between research and its application is as good as anywhere in the world. But in others, the links are weak.

12.13 The remainder of this Chapter describes the steps being taken to enable firms to key into the resources of the science and engineering base. Innovation to introduce new products or processes demands significant investment beyond the costs of research. Chapter 20 describes how firms innovate successfully and the sources of help that are available to them.

12.14 The 1993 SET White Paper[4] stated that priorities for publicly funded science, engineering and technology would be more closely related to improving the UK's competitiveness and enhancing quality of life, to helping universities and businesses better understand each other's needs, and to encouraging more collaboration. To this end, strategic changes were made in the structure, composition and objectives of the Research Councils. The move, in 1995, of the Office of Science and Technology (OST) to DTI provides a better framework for Government to coordinate its policies and priorities for public sector SET with those of industry.

12.15 The Government has a number of specific initiatives to encourage partnerships between universities and industry. For example:

- DTI and eight other Government Departments and Research Councils fund the Teaching Company Scheme (TCS). This involves high quality graduates working in a company for two years on technology and knowledge transfer projects jointly supervised by academics and industrialists. Currently there are 600 Programmes.
- Together with the Engineering and Physical Sciences Research Council (EPSRC), DTI supports Postgraduate Training Partnerships. About 150 PhD students are undertaking industrially relevant research within five independent research and technology organisations in partnership with five universities. An additional three Partnerships will be established by DTI and EPSRC in 1996.
- The Co-operative Awards in Science and Engineering scheme (CASE) facilitates joint industrial and Research Council support of 1,000 new postgraduate students a year, all of whom spend time in industry.
- The Realising Our Potential Awards scheme operated by the Research Councils includes incentives for academic researchers who work closely with industry.

12.16 The Government also supports the LINK scheme which promotes research partnerships between industry and the science and engineering base. Fifty-two programmes, covering 650 projects and involving 820 companies and 130 science and engineering institutions, have been announced since LINK started in 1986. Government and industry support LINK on a 50:50 basis with the total value of projects under way or completed now in excess of 300 million.

12.17 TCS and LINK have fostered contacts with industry across much of the science and engineering base (Charts 12.5 and 12.6). They also demonstrate the key role of engineers in effectively exploiting research to meet industry's needs. More on engineers and engineering can be found in Chapter 16.

Technology Foresight continues to provide a strong framework for collaboration.

12.18 Since the 1993 White Paper, the most important initiative to promote collaboration between the UK's scientific community and business has been the Technology Foresight Programme. This brings together industrialists, scientists and engineers to identify future market opportunities, scientific advances and the actions needed to exploit them. Foresight aims to create wealth, improve quality of life, give the UK an edge in international markets and encourage consensus about priorities. The benefits are already being reaped.

12.19 Fifteen sector panels involving over 300 business people and academics have made long-range assessments of future opportunities for the UK spanning virtually the whole economy. A new panel is looking at the marine sector. The findings of these assessments - published by OST in a series of reports last year - are influencing the priorities of Research Councils, universities and Government departments. They also provide firms with a national and global context for planning for the future. The work of the panels continues.

12.20 In addition to the panels, Foresight networks are now in place involving over 12,000 scientists and business people. Professional bodies, learned societies and industry bodies discuss and disseminate Foresight findings amongst their members. The Engineering Employers Federation (EEF), for example, is working closely with the manufacturing panel to promote awareness amongst its members. The Institute of Materials has conducted its own Foresight assessments and introduced a new 'affiliates' scheme to link companies to the expertise available amongst its members. The Institute of Physics has promoted Foresight, particularly amongst smaller firms in physics-based industries.

12.21 All the Research Councils now have programmes which take Foresight into account and are strongly orientated towards improving the UK's wealth creation and quality of life.

- The Biotechnology and Biological Science Research Council programmes will help identify new businesses based on biological processes.
- The Economic and Social Research Council is sponsoring research into economic performance, innovation and business processes, the globalisation of markets and the human and social implications of new technology.
- The Engineering and Physical Sciences Research Council is promoting fundamental advances in computer science and information technology which will affect leisure, work and homes in the years ahead.
- The Natural Environment Research Council's programmes - using data from ships and satellites, for example - will contribute to a cleaner world and to sustainable development.
- The Particle Physics and Astronomy Research Council is developing spin-offs from space and other programmes. These include detector technologies, image processing and mathematical model-building. The latter are often in demand in financial institutions.

Altogether, 780 million of Research Council spending or 62 per cent of the total is now Foresight-related.

12.22 Foresight has also led to further initiatives to bring universities and firms together. These include:

- New LINK programmes. (See box)

- A new research equipment initiative in universities, worth some 36 million in 1996-97.
- The Foresight Challenge Competition. This attracted over 500 initial applications from joint academic and industry consortia, funding for which was announced in the 1995 Competitiveness White Paper. Sixty of these have been shortlisted for full bids involving 270 large companies, 50 small and medium-sized businesses, and 170 higher education institutions. The Government will allocate 30 million over the next 3-4 years to the winning consortia to match their own funding.

12.23 Government Departments also play their part in implementing Foresight findings and in helping industry to benefit. For example:

- DTI has allocated 2 million to promote awareness of Foresight throughout the UK, and will assist business to apply information and computing technologies through its Information Society Initiative (see Chapter 8).
- The British National Space Centre (BNSC) is taking forward the findings of the space subgroup of Foresight to improve links between industry and universities and identify further opportunities for the use of space technology. It is also encouraging wider practical applications of space technology and space data, particularly through LINK and Applications Demonstration Programmes in the Earth Observation sector. In addition, because the bulk of the UK's civil space activity is linked to European Space Agency (ESA) programmes, BNSC is working with other member countries to maximise the efficiency of ESA and focus its activities more strongly on improving the competitiveness of European industry.
- DOE is improving the awareness and adoption of new research and technologies in the construction sector, through its Whole Industry Research Strategy.
- DfEE commissioned a report on Foresight's education and training recommendations[5]. It is working with the National Council for Industry Training Organisations and the Science, Technology & Mathematics Council to fund initiatives which address these recommendations.
- DOH, with EPSRC and the Medical Research Council, has established the MedLINK programme to improve technology transfer and industrial competitiveness in the application of physical engineering sciences to medical diagnosis, treatment and rehabilitation. Implementation strategies are also being developed in four Foresight priority areas: genetics, biomaterials and implants, ageing and health information. Joint programmes with other funding partners will be developed wherever possible.
- The MOD is improving the focus of its spending on technology to the benefit of defence and industry. Developments include the establishment, together with DTI and OST, of a forum to coordinate the planning of both civil and defence SET programmes and to get new dual-use programmes off the ground; and the preparation, in consultation with industry, of a Technology Strategy reflecting Foresight recommendations.
- Foresight recommendations are also recognised in the Regional Technology Plan which the Welsh Development Agency has produced. The Plan will take forward the actions required to upgrade the technological and innovative capacity and skills of Welsh industry.
- By the summer of 1996 the Scottish Office will have an action plan to help industry, especially SMEs, to identify areas for future research, including joint projects with universities, and to examine the direction of their business activity in the light of Foresight. Implementation will be supported by a strategic forum of senior industrialists and academics set up in February 1996.
- Many Government Offices are working at regional level to improve linkages between business and others involved in science, technology and innovation. Yorkshire and Humberside has devised a strategy for benchmarking the region against the best in Europe, developing an innovation support infrastructure and improving understanding and awareness of SET in the community. There are similar initiatives in Merseyside and the West Midlands.

Photo

Competing through Foresight

FORESIGHT CONTACT NUMBERS

12.24 Further information about the Government's policy and objectives for SET, and its initiatives to support the science and engineering base and maximise the contribution that SET makes to wealth-creation and quality of life in the UK, can be found in the annual Forward Look of Government-funded SET[6].

And UK business can also learn from the world's best.

12.25 The 95 per cent of the world's R&D which takes place outside the UK represents a wealth of potential information for UK businesses. Government initiatives, spearheaded by the DTI, help businesses keep pace with developments in technology and management practices being successfully exploited overseas. Such help includes:

- Information, gathered by scientific and technical staff in our Embassies overseas, collated in a data-base and made available to firms.
- Visits for companies to see developments for themselves. Almost 100 companies took part in 1995-96.
- Secondments for key people to world class companies overseas to learn first-hand how to exploit new ideas. Thirteen took place in 1995-96.

Photo

12.26 The EUREKA programme seeks to improve European competitiveness by encouraging and facilitating collaborative near-market research and development. Over 650 UK organisations have so far been supported as participants in EUREKA projects with partners from the other 23 member countries. The UK is committed to making the most of this programme when it takes over the Chairmanship of EUREKA in June 1996.

EUREKA

In conclusion . . .

12.27 SET in the UK is a rich resource which, if used effectively by UK businesses, can help drive competitive performance. It can also help businesses tap into the science, engineering and technology that is carried out overseas. Overseas companies are using ours (see Chapter 17). Foresight and other forms of partnership are now in place to help UK businesses and universities link more effectively together. See the Foresight feature for contact points.

1 The term 'science and engineering base' covers the research and research training capability of UK universities and Research Council Institutes [Back](#)

2 University: Industry Research Cooperation Survey [DTI] (March 1996) [Back](#)

3 BERD 1994 [ONS] [Back](#)

4 Realising our Potential: a Strategy for Science, Engineering and Technology, Cm 2250 [HMSO] (1993) [Back](#)

5 B R Martin Technology Foresight - the nurturing of the UK Skills Base [DfEE] (December 1995) [Back](#)

6 Forward Look of Government-funded Science Engineering and Technology 1996 Cm 3257-I [HMSO] (1996) [Back](#)

comments

13 World Class Public Services

Main Links with other Chapters

- 4 Learning and Skills
- 8 The Information Society
- 15 Local and Regional Partnership

High quality, high value public services are vital for competitiveness . . .

13.1 Enterprise in the private sector pays for public services. Value for money is, therefore, essential to keep the burdens on enterprise to a minimum.

13.2 However, public services are not just a cost to business. Business benefits, too, from the contribution that central and local government makes to our social fabric, to the maintenance of a competitive environment for business and through the provision of services direct to companies.

. . . and this means change.

13.3 Change in the world economy and in the expectations of public service users, imposes a duty of change on those who provide services. For our public institutions to become world class, public servants need to understand how the world is changing.

- The population is ageing and family structures are changing. Welfare systems have to respond to these pressures without imposing unacceptable burdens on business. We have had more success in this than other G7 countries. For example, the UK maintains a world class National Health Service for less than 6 per cent of GDP, significantly less than our competitor countries appear to spend on health.
- Public services are taking advantage of new technology. For example, some local authorities now require suppliers to use EDI for ordering and invoicing, and the Inland Revenue, from the 1997-98 tax year, will operate a system for the electronic filing of tax returns.

Reducing bureaucracy in the National Health Service

- The Civil Service has improved productivity and now has fewer people than at any time since 1939 while maintaining, or increasing, quality of service.

13.4 The UK has been at the leading edge of world-wide change in public services, through privatisation, initiatives like the Charter programme, market testing and increased private sector investment in public services. A small unit has been set up within the Cabinet Office to help promote and export UK expertise in public sector reform and public administration. The Government intends to keep the public sector at the forefront of change by:

- promoting further competition
- increasing the involvement of the private sector
- instilling a culture of continuous improvement
- concentrating on the customer
- increasing accountability
- layering

- greater use of performance related pay and wider differentials.

Department of Social Security (DSS) Change Programme

13.5 This drive for change is reflected in the efficiency plans of Departments and Agencies. The plans incorporate the whole range of efficiency techniques including benchmarking, IT investment, competition and private sector involvement.

Vehicle Inspectorate Executive Agency (VIEA)

The Government regularly reviews what it does, involving the private sector through privatisation . . .

13.6 Where a task no longer needs to be done, it is abolished. If Government no longer needs to be responsible for an activity, that activity is privatised.

13.7 During 1995, four privatisations took place: AEA Facilities Management, UK Accreditation Services, the National Engineering Laboratory and Scottish Home Buildings Division. In 1996, privatisations which have taken place or are planned include the railways, The Stationery Office, Chessington Computer Centre, the Occupational Health and Safety Agency, the Building Research Establishment, the Natural Resources Institute, the Transport Research Laboratory, the Laboratory of the Government Chemist, the Teachers' Pensions Agency, AEA Technology, Recruitment and Assessment Services, and British Energy.

. . . through competition . . .

13.8 Where a task has to be carried out but Government does not need to carry it out, it is opened up to competition. This can result in the service being contracted out, in an in-house team providing the best value for money, or in the investment of private sector capital and management expertise. The Competing for Quality programme has encouraged private sector companies to compete for Government work. By March 1995, the programme had covered over 2.6 billion of central Government activities. Annual savings of over 0.5 billion have been produced so far, and this is expected to increase.

13.9 Compulsory competitive tendering (CCT) by local authorities delivers average savings of over 6 per cent in those services subject to competition. However, there are also savings to be had in exposing work to competition. These come through the pressure on in-house teams to reduce costs in the lead-up to CCT. Authorities now have clearly specified and costed services with established arrangements to monitor service delivery. New Government guidance on CCT gives authorities more flexibility so long as the tendering process is fair and transparent.

. . . including private sector capital investment . . .

13.10 The Private Finance Initiative (PFI) harnesses private sector finance, expertise, innovative thinking and customer focus and combines them with public accountability. The public sector specifies what it wants and challenges the private sector to compete to provide it.

PFI benefits

13.11 PFI is being extended to every Government Department. The latest public spending plans envisage deals with a capital value of at least 14 billion being agreed by 1998-99. When operating payments associated with that capital spending are taken into account, the business opportunities are worth up to three times the initial capital value over the life of the projects.

13.12 New Government guidelines ensure that the private and public sectors work effectively to make the most of PFI. These smooth the procurement process, keep bidding costs down and accelerate negotiations. Legislation will be introduced to ease the passage of health and transport projects; case studies issued to help spread best practice; and advice provided on model contract clauses.

. . . and through Challenge Funding.

13.13 The private sector does not just have money to offer. Throughout England and Wales, challenge funding is the source of all kinds of projects to regenerate our towns, cities and rural areas. Rather than projects being devised in Whitehall, local communities and authorities, and the private and voluntary sectors, are putting together imaginative bids for funding. These partnerships enhance significantly what the public sector would have been able to achieve on its own. The Government will extend the challenge funding approach by ensuring that the use of challenge funding is considered for all new programmes and for capital expenditure across the public sector.

The Government concentrates on customers while continuously improving performance . . .

13.14 The Citizen's Charter improves the standard of public services and makes them more responsive to users. Forty main charters and over 8,000 local charters set out the standards that the public expects.

13.15 Charter Mark is the Government's award for excellent public service. To win, services must satisfy a number of criteria, including user satisfaction and value for money. The 417 holders include local authorities, hospitals, schools and GPs. The public plays an important part in the scheme - more than 4,000 people nominated over 2,000 separate organisations in 1995. The 1996 campaign was launched in February.

13.16 Government is too big and diverse to be effectively managed as one unit whilst concentrating on the customer. The solution in most cases is to set up free-standing Agencies with well-defined responsibilities, clear aims and objectives and targets of key performance indicators. By the end of 1997, three-quarters of civil servants will work in Agencies.

Employment Service performance

. . . which means published targets . . .

13.17 The 1995 Competitiveness White Paper announced that the 1995 Next Steps Review[1] would include three years of trend data on Agencies' success in meeting their targets. In fact the Review went further by including details of running costs, savings achieved and, in many cases, unit costs. The results show that there has been incremental improvement but that there is scope for more challenging targets. Too often agencies set targets at a level lower than they have already shown they can deliver (Chart 13.1). Agencies are expected to deliver annual improvements to match those achieved on average by the private sector and targets will be set accordingly.

. . . effective monitoring . . .

13.18 The 1996 Next Steps Review will provide more information, enabling Agencies to compare trends in business results, levels of customer service, commitment to training and other aspects of performance, so that they can identify and adopt best practice.

13.19 In addition, the Government is working to develop models of organisational performance that will enable Agencies to benchmark against each other and with the best private sector businesses. In due course, comparisons will also be made with other international leaders in delivering public services.

13.20 The Government is also committed to improving further the efficiency, standards and responsiveness of non-departmental public bodies (NDPBs). On 1 April 1996, there were 1,227 NDPBs, 188 fewer than in 1994 and 940 fewer than in 1979. The Government is currently carrying out a study into objective setting and monitoring in executive NDPBs and will report in Summer 1996. The 1996 Public Expenditure Survey will look closely at NDPBs' administration costs.

13.21 Performance information for schools, hospitals and local authority services allows people to find out how their local services compare with others and to demand that their services match the best.

. . . first class people . . .

13.22 The public sector needs first class management and the right skills at all levels if it is to achieve world class performance.

13.23 Decisions on pay and grading have been devolved to Departments and Agencies who are best able to decide on the rewards and management structure they need to meet their objectives.

13.24 Over recent years the Civil Service has widened its search for talented people. In the top three grades in 1995, 16 posts were opened to external candidates with seven being filled by people from outside the Civil Service.

13.25 There is more to be done to open up recruitment at all levels. To achieve this the Government has embarked on new recruitment initiatives for the Civil Service aimed at boosting direct recruitment at middle-management level; and at increasing the retention of people with scientific backgrounds and a high degree of numeracy.

BP, National Westminster Bank, Civil Service joint development

13.26 A step-change is also needed in the training and development of civil servants. To this end:

- All civil servants will be employed in Departments and Agencies recognised as Investors in People by the year 2000. Fifty-eight central Government organisations, or parts of organisations, have already achieved recognition, so that one third of civil servants now work in organisations that have achieved recognition or are committed to achieving it.

Investors in People in the Inland Revenue

- A greater emphasis will be placed on professional, scientific and business qualifications. There will be more opportunities for specialists such as scientists and engineers to progress to senior management and they will be supported by appropriate training. There will be new opportunities for civil servants to improve skills in numeracy, communication, science and technology.
- Secondments to industry and commerce, which numbered over 400 in 1995 (see Table 13.1), will be increased by 10 per cent in 1996. Overall in 1995, there were 1600 outward secondments of a month or more to organisations of all kinds and 650 inward secondments. There will also be greater opportunities for civil servants to move between Departments.

Table 13.1

Department or Executive Agency	Secondments of one month or more to industry or commerce in 1995
Ministry of Defence	216
Department of Trade and Industry	62
Department for Education and Employment	28
Employment Service	16
Her Majesty's Treasury	12
Northern Ireland Civil Service	12
Department of Social Security	11
18 other organisations had between one and ten secondees	51
Total	408

Further steps and further action will be set out in a White Paper on Civil Service Training and Development to be published in Summer 1996.

... encouraging enterprise through the supply chain ...

13.27 Government uses procurement to encourage expertise, innovation and quality. It does so by seeking value for money through competition and by specifying its requirements in broad output terms in order to give private enterprise the opportunity to propose innovative solutions. By the end of 1996, the purchasing strategies of all Departments will accord with the principles laid down in 'Setting New Standards'[2] .

... and IT back-up.

13.28 The Central IT Unit (CITU) has been set up to assist Ministers to develop the Government's strategy for using IT to improve the efficiency of Government business and the efficiency and quality of Government services delivered to businesses and citizens. CITU will then help implement that strategy through projects carried out by other Government Departments. CITU will provide advice to Departments on how to make the best use of the PFI in the provision of IT based information systems.

The role of Local Government

Public services from local authorities

- Local government accounts for 25 per cent of all public spending, equivalent to 10 per cent of GDP.
- Local authorities use their powers to assist local and regional economies (see Chapter 15), and ensure that regulatory and enforcement responsibilities are understood by industry and reflect its needs.

Making comparisons

- Local authorities individually have developed benchmarking clubs, with other local authorities, with private sector partners and other parts of the public sector such as the Royal Mail Benchmarking Club. The local authority associations have also included the development of benchmarking as a priority in the Local Government Management Board's work programme.
- All authorities now publish performance indicators within a uniform national framework. In 1996, for the first time, the national comparisons from the Audit Commission give householders the opportunity to see how their local authority is performing across a range of indicators.

Challenge Funding

- Local authorities in England have responded enthusiastically to the challenge approach under City Challenge and the SRB (see Para 15.6). The Government is considering extending the challenge approach to its support for local authorities' mainstream capital spending, to concentrate spending on projects or programmes reflecting a coherent, locally-determined strategy for improving local competitiveness. It has announced a pilot scheme for a Capital Challenge Fund of 600 million over three years from 1997 which will be distributed to English local authorities through competitive bidding.

Regulatory responsibilities

- The planning system aims to facilitate the supply of land for development while reflecting the needs of local communities. Local authorities are promoting the "development team" approach, bringing together all the regulatory and licensing functions which impinge on any one development. By using this approach, Doncaster Metropolitan Borough Council has increased the proportion of all planning applications decided within the statutory timescales from 32 per cent in 1990 to 88 per cent in 1995.

The Information Society

- The Local Authorities Coordinating Body on Food and Trading Standards (LACOTS) is using EDI to exchange information on trading standards, consumer protection and law enforcement between central and local government. Four hundred and seventy-four local authorities have access to the system. Cost savings of 60 per cent have been made in the reporting of food inspections and testing. In some areas, errors have been cut from 70 per cent to zero.

Maximising private finance

- Changes to the capital finance rules is assisting local authorities to participate in joint ventures with the private sector under the PFI. Barking Reach, a new urban village being created in east London, is funded by English Partnerships together with Bellway Homes, the London Borough of Barking and Dagenham and National Power.
- The local authority associations in England and Wales are encouraging greater use of public-private partnerships in local government. A new unit will assist authorities and the private sector to identify and take advantage of investment opportunities.

The benefits of partnerships

- A number of authorities now work in partnership with the private sector to provide services. This enables the development of long-term relationships, realises the potential of local authority assets and draws on expertise of the private sector. In Devon, the County Council is acting as a facilitator in conjunction with major private sector retailers such as Boots in town centre management.

Best use of people

- Local authorities have been at the forefront in seeking Investors in People recognition. Seventy authorities have achieved Investors in People recognition for all (23) or some (47) of their departments. A further 146 are working towards it.

Quality initiatives

- In addition to Investors in People, nearly every local authority is engaged in quality initiatives of some kind. One half of authorities, in one service area or another, have ISO 9000 certification. Over one third are involved in Total Quality Management and two thirds have developed service charters.

Charter Marks

- Local authority services have won more Charter Marks than any other sector, with 84 winning in 1995. Of the 417 current Charter Marks, local authority services hold 165.

Photo

Note 1: *NEXT STEPS Agencies in Government Review 1995 (CM3164)*; [HMSO] (1995) Back

Note 2: *Setting New Standards (CM2840)*; [HMSO] (1995) Back

comments

14 Helping Business to Win

Main Links with other Chapters

3 Enterprise and Small Firms
15 Local and Regional
16 Sectoral Partnership
17 Partnership with Inward Investors
18 Strengthening Partnership
19 Becoming World Class

Working with business . . .

14.1 The previous section described how the Government works in partnership with business to create an environment within which enterprise can flourish. Section 4 describes how companies are taking advantage of that environment - in the vast majority of cases, without any further assistance from Government. But in some cases, market imperfections limit the scope which companies have to improve their competitive position. Small firms, for example, can lack the resources to move their performance beyond the level needed for day-by-day survival.

14.2 This section describes how the Government helps businesses in the following areas:

Improving skills

R Wilson (Platers) Ltd wanted in-house expertise to take forward its training and development needs. The company approached North Derbyshire TEC, who helped train Anne Otley, one of its managers, as a "training champion" within the company, and assisted in the development of a company training plan.

Photo

Promoting innovation

Two SMART awards allowed Radox Laboratories of Northern Ireland to undertake feasibility studies on its ideas for clinical and environmental diagnostic kits. Radox products are now used in hospitals around the world, and the company has expanded from two employees in 1982 to 250 today.

Photo

Improving marketing . . .

Marketing consultancy advice from Business Link Birmingham helped J Hudson (Whistles) Ltd to break into new markets, achieving sales far in excess of the 10 per cent annual increase which had been forecast.

Photo

. . . including exporting

Information on overseas markets from DTI has helped Haven Country Classics of Lincolnshire export to 12 European countries and Japan, winning the Queen's Award for Export Achievement in 1995.

Photo

Improving access to investment funding

Gripple Ltd of Sheffield needed additional funding to develop and manufacture a unique new wire joining device. Following grants from DTI, it has expanded to employ 40 people, with 90 per cent of sales going overseas to more than 40 countries.

Photo

Encouraging effective supply chains

In 1991, Source Wales helped Calsonic Llanelli Radiators, a first tier supplier to motor manufacturers, pioneer the UK's first Supplier Association - a network of Calsonic's suppliers designed to spread best practice. During the early years of this programme Calsonic achieved around 50 per cent reduction in purchased component defect rates, and over 30 per cent reduction in supply chain inventories. To date, Calsonic sales revenues have doubled, providing significant benefits to all Supplier Network members.

Photo

. . . through partnership at all levels.

14.3 The chapters in this section describe how the Government works in partnership with:

- business at the local and regional level (Chapter 15)
- individual sectors of business (Chapter 16)
- inward investors (Chapter 17).

14.4 Chapter 18 then sets out proposals for building on this partnership, by jointly developing an agenda to promote competitiveness at local and sectoral level, and by focusing Government's business support services much more closely on the needs of the customer.

comments

15 Local and Regional Partnership

Main Links with other Chapters

3 Enterprise and Small Firms
13 World Class Public Services
14 Helping Business to Win
16 Sectoral Partnership
17 Partnership with Inward Investors
18 Strengthening Partnership
19 Becoming World Class

Raising local performance . . .

15.1 The 1995 Competitiveness White Paper set out the Government's approach to promoting competitiveness at the local level:

- gaining a thorough understanding of the strengths and weaknesses of local economies
- encouraging partnership between local interests in order to extract the maximum value for the area from all available resources
- maximising the usefulness of the Government's services for companies through tailored local delivery.

15.2 This approach is secured through the Government Offices for the Regions, the enterprise networks in Scotland, the Welsh Office and its development agencies and the Department of Economic Development in Northern Ireland. Progress and next steps are set out below.

...by understanding local strengths and weaknesses . . .

15.3 The 1995 White Paper announced the launch of five key Business Competitiveness Indicators (BCIs)[1] to help Training and Enterprise Councils (TECs) base their corporate plans on a quantified analysis of local economic trends. Many local authorities are also using the BCIs to inform their economic development strategies.

15.4 Over the last year, the Government has undertaken a study of how competitive performance varies across the English Regions[2] , Scotland, Wales and Northern Ireland. Key findings are that:

Underlying levels of manufacturing productivity vary considerably between regions (Chart 15.1) . . .

...as do education participation rates and attainment levels (Charts 15.2 and 15.3) . . .

...levels of net business formation (Chart 15.4) . . .

...and commitment by employers to investing in people (Chart 15.5).

Regional performance: the business view

. . . encouraging partnership . . .

15.5 Such analysis needs to be followed by action to build on strengths and address weaknesses, by a wide range of local interests:

- **The private sector.** Local companies, and their representatives, such as Chambers of Commerce, must be involved to ensure that action reflects their needs.
- **TECs** (LECs in Scotland) are the Government's key private sector partners in improving competitiveness locally, both through their training and enterprise activities and by working with partners to agree local economic development strategies. This innovative and strategic role is proving increasingly successful in taking forward

the competitiveness agenda at local level.

- **Local authorities.** Through their responsibilities for planning, local transport infrastructure, enforcement of regulations and economic development, local authorities have a significant impact on business. A recent study showed that around three-quarters of them now give a high priority to promoting economic regeneration[3]. In Scotland and Wales, local authority input to local partnerships has been strengthened by the creation of a single tier of local government from 1 April 1996, with LEC boundaries in Scotland being adjusted to match new local authority areas.
- **Voluntary and community organisations** are also active in economic and social development, engaging the commitment of local people and communities.
- Public agencies such as **English Partnerships**, the main body responsible for regenerating land and property across England. During its first two years of operation, English Partnerships has implemented an annual regeneration programme of around 225 million, attracting some 750 million private-sector investment, to create over 32,000 jobs and reclaim 8,400 acres of derelict land.

...particularly through the challenge approach...

15.6 One approach the Government uses to encourage effective partnership between local authorities, the private sector and others is challenge funding, whereby public resources are allocated on a competitive basis to the best partnership bids. Following the success of City Challenge in the early 1990s, the Government has extended the approach:

- In 1994, the Single Regeneration Budget Challenge Fund brought together in England a wide range of regeneration resources for allocation on a competitive basis. Some 2 billion in Challenge Fund support is being allocated to the 370 successful schemes in the first two bidding rounds. These are expected to:
- create or safeguard 500,000 jobs
- support over 80,000 new businesses
- help over 400,000 people achieve qualifications
- build or improve nearly 170,000 homes
- benefit over 2.75 million pupils
- support over 20,000 voluntary and community groups.

Challenge Fund projects involve successful partnership between local authorities, which lead over half the bids and are active in over 80 per cent, and the private sector, which is forecast to invest around 5 billion in Challenge Fund projects. TECs, the key private sector partnership at local level, lead one sixth of bids and are active in 80 per cent. According to the Environment Select Committee, the Challenge Fund "has already demonstrated its potential to achieve excellent value for tax payers' money.

Analysis and action

- The recent Rural White Papers for England, Scotland and Wales[4] stressed the Government's commitment to maximising the competitiveness of rural businesses. In the first two years of Rural Challenge, successful bids have attracted over 42 million in Challenge support, leveraging in over 30 million from the private sector and other sources, and will create or preserve nearly 1,000 jobs, supporting over 80 new businesses and training 5,000 people. A Rural Challenge Fund for Scotland was launched in April 1996.

Photo

- In 1995, **Regional Challenge** extended the challenge approach to European Structural Funds grants, allocating 160 million to the most innovative local projects.

15.7 The National Lottery is also funding regeneration and redevelopment projects across the country, bringing new jobs and prosperity to depressed areas.

The Tate Gallery of Modern Art: regenerating Bankside

15.8 In Wales, the Strategic Development Scheme (SDS) supports regeneration strategies based on local public-private partnerships. From April 1997, the bulk of the SDS budget will be delegated to local authorities, with the rest put into a Challenge Fund for major schemes demonstrating innovation and strong partnership.

15.9 In Scotland, Urban Programme funding will increasingly be deployed in support of comprehensive, strategic approaches to urban regeneration, as implementation of the "Programme for Partnership" begins in 1996-97. Funding will focus on severely disadvantaged "Priority Partnership Areas", to be designated on the basis of the quality of regeneration proposals submitted to the Scottish Office, relative need and the commitment shown by local partners.

... and by giving help to individual businesses - on their doorsteps ...

15.10 The Government works closely with local companies to help them improve their performance. Businesses want support services which:

- are delivered on their doorstep, by people who understand their needs
- offer a single point of access.

15.11 The Government seeks to meet these needs through:



- **Business Link in England.** By 1 May 1996, there were 79 Business Links with 222 outlets. Business Links offer a range of services to small firms (see Annex A), but the emphasis is on helping each business identify the problems and opportunities it faces, and tailoring support to meet its needs. The influence of Business Link is growing rapidly - nearly 5,000 businesses a week are now using Business Link.
- **Business Shops in Scotland.** Launched in April 1994, a network of 40 shops was in operation by the end of March 1996. Supported and financed by partnerships of local agencies involved in economic development, these offer a first source of assistance for new and small businesses.
- **Business Connect in Wales.** Launched in January 1996, this offers new and small businesses an all-Wales telephone number giving automatic access to a range of support services from the nearest of 33 business centres in the network.
- The offices of the **Local Enterprise Development Unit** in Northern Ireland.

Business Link: local solutions for local needs

15.12 Some TECs and Chambers of Commerce have decided they can best meet local business needs by merging into a joint body known as a "Chamber of Commerce, Training and Enterprise", offering services through the Business Link. By April 1996, six TECs and Chambers had merged, with others considering merger. The Government's policy is to encourage mergers, at the wish of both partners. The partners involved in TEC/Chamber mergers to date believe that significant benefits will result. The Government has commissioned an evaluation programme to examine their impact in detail, and will be looking closely at the findings of this research.

... and through the supply chain.

15.13 As described in Chapter 19, effective links with competitive suppliers are a key part of business success. The Government works with companies at local level to help create such links, through the enterprise networks in Scotland, Source Wales and the Local Sourcing Unit of the Industrial Development Board in Northern Ireland. In England, the Regional Supply Network (RSN), announced in the 1994 Competitiveness White Paper, has been in operation since April 1995.

15.14 These organisations aim to:

- **Help purchasers find competitive sources of supply, and suppliers exploit new business opportunities**, by matching purchasers' needs with local suppliers whose ability to meet those needs has been verified. Where suitable suppliers cannot be found in the region, the opportunity is circulated around the UK. A company that approaches its local office therefore benefits from the expertise of a national network.

The ten Regional Supply Offices, staffed by experienced advisers from the private sector, together aim to win contracts worth 260 million for UK suppliers in their first three years of operation. Source Wales aims to secure business worth 60 million for Welsh companies over the next three years.

- **Help suppliers increase their competitiveness through improved performance, by:**
 - signposting suppliers to the business support services described at paragraph 15.11
 - working with sector or company-led supply-chain development initiatives
 - working with Supply Chain Network Groups, which act as cross-sectoral fora for exchange of best practice in purchasing and supply chain management. Most of the 22 groups around the UK have received Government pump-priming support in their formative stages.

Case Study: Hunt Europe

Next steps

15.15 In each of the English regions over the last year, the Government Offices have identified, with local business representatives, business support organisations, local authorities and other partners, the key competitiveness issues for their areas. By July 1996, they and local partners will publish an agenda for action, designed to address those issues in a coordinated and effective manner, including the action needed to achieve the National Targets for Education and Training. [5]

15.16 In addition, the Government will:

- strengthen business involvement in Government Offices by appointing, by the autumn of 1996, two private sector members to the Management Board which steers the work of the Government Offices
- evaluate the impact Business Link services have on business performance, publishing the results by early 1998
- improve the national infrastructure of the Regional Supply Network during 1996 by:
 - supporting the development of national sector groups to coordinate sectoral interests in different RSOs
 - exploring use of IT and communications networks to open up more opportunities for UK suppliers
 - enhancing electronic communication within the Network.

Note 1 *The Business Competitiveness Indicators are: business formation and survival rates; gross value added per employee in manufacturing industry; average wages; gross domestic product per head of population; employment levels* Back

Note 2 *Based on the boundaries of the Government Offices for the Regions* Back

Note 3 *Portrait of Change* [Local Government Management Board] (1994) Back

Note 4 *Rural England - A Nation Committed to a Living Countryside* [HMSO] (1995); *Rural Scotland: People, Prosperity and Partnership Cm 3041* [HMSO] (1995); *A Working Countryside for Wales Cm 3180* [HMSO] (1996) Back

Note 5 *In London, the Government Office for London will publish the actions it intends to promote competitiveness in the context of the first report of the London Pride Partnership in May 1996. A document setting out how competitiveness is being developed in Wales is being published in parallel with this White Paper. In Scotland, the partnership approach to promoting competitiveness will continue to be taken forward through the "Network Strategy" published by Scottish Enterprise in 1994, and in Northern Ireland through the "Growing Competitively" strategy published in 1995*

comments

16 Sectoral Partnership

Main Links with other Chapters

3 Enterprise and Small Firms
14 Helping Business to Win
15 Local and Regional Partnership
17 Partnership with Inward Investors
18 Strengthening Partnership
19 Becoming World Class

Working with all sectors of industry and commerce . . .

16.1 Many of the issues which affect competitiveness are common to all the companies in a sector. The 1995 Competitiveness White Paper set out how, through its sponsorship activities, the Government seeks to address the key factors of competitiveness and encourage enterprise in partnership with all sectors of business. It explained that sponsorship did not mean "picking winners" or directing industry according to some centrally conceived "national plan". Rather it involved:

- understanding the strengths, weaknesses and competitive position of each industry
- working with industry to improve competitiveness
- providing support to help UK companies win in world markets
- minimising regulatory burdens, cutting out needless rules and paperwork and ensuring that enforcement is business-friendly while meeting the needs of the consumer
- ensuring that the decisions of Government, the European Commission and local authorities take proper account of their impact on business.

. . . across Government . . .

16.2 While the main sponsoring Department is DTI, many other parts of Government have sponsorship responsibilities. There are over a dozen sponsoring Departments, working with all sectors, from aero-space to food processing, from pharmaceuticals to tourism.

Success through partnership

16.3 The detailed knowledge of individual sectors which the Government builds up through its sponsorship work allows it to react effectively to problems experienced by individual companies as well as to sector-wide issues.

Case Study: LDV

. . . and in partnership with business representative organisations.

16.4 Trade associations have two vital roles: helping the sectors they represent to achieve success; and ensuring that industry's voice is heard and understood in Government. The Government encourages partnerships between trade associations and Business Links, bringing together industry expertise with local delivery mechanisms. Following consultation with industry, the Government published in February 1996 a "Model Trade Association", setting out the key characteristics of a modern, best practice trade association. These include:

- representing the sector's interests at all levels of the legislative and regulatory process, whether in the UK, Europe or elsewhere
- working to improve sector competitiveness (example, by organising benchmarking clubs and spreading best

management practice)

- supplying sound information and advice to members, including on exports, training and education, innovation and technology transfer
- promoting good public relations and communications.

16.5 Of the many trade associations that currently exist, few have the resources to meet fully the standards set in the Model. The Government is committed to encouraging co-operation, or merger where possible, between existing trade associations to enable them to meet those requirements.

Case Study: Federation of Electronics Industries

16.6 The Government also works closely with the 120 Industry Training Organisations (ITOs) which businesses have formed to improve skills at sectoral level. ITOs' work includes:

- identifying sector training needs
- benchmarking skill levels in their sectors with overseas competitors
- developing sector targets to support the National Targets for Education and Training
- setting standards and monitoring the quality of training
- working with TECs to deliver Modern Apprenticeships for young people
- linking the development of people to business objectives through Investors in People.

16.7 During 1995, the Government worked with six ITOs to carry out nearly 150 visits to benchmark the skills of leading-edge companies in nine countries covering the UK, Europe, the US and the Far East, as part of the Skills Audit announced in the 1995 White Paper. The results of this are set out in Chapter 4. ITOs will be highlighting the skill gaps identified in the Skills Audit to sector employers. A further 15 benchmarking studies are planned for 1996.

16.8 The Sector Targets Challenge announced in the 1995 Competitiveness White Paper challenged industry to draw up targets to improve competitiveness by raising skill levels in individual sectors. ITOs have taken the lead in responding to this challenge, with ten sectors, together employing over a fifth of the UK workforce, now committed to:

- establishing baselines for employee attainment
- setting their own Sector Targets, with an action plan for achieving them
- establishing systems for evaluating progress.

The Government will work with NACETT to help a further 25 sectors set targets during 1996 and is encouraging all ITOs to set targets.

Case Study: Glass Training Ltd

16.9 The Government will assess the performance of ITOs in 1996. Those recognised as working to the standards required to raise sectoral skill levels to global excellence will form a new network of National Training Organisations.

Next steps

16.10 Over the last year, the Government has reviewed the extent to which its sponsorship activities matched up to the objectives summarised in paragraph 16.1 above. While the review revealed substantial amounts of best practice which could be transferred between Departments, it also showed that:

- Not all sectors received a sponsorship service which met the description in the 1995 White Paper.
- Closer communication was needed between Departments to ensure a coherent sponsorship response to emerging industries (such as biotechnology, which is sponsored by DTI but has applications in a range of sectors sponsored by other Departments, including food and pharmaceuticals).

16.11 The Government has therefore tasked an inter-departmental committee to facilitate exchange of best practice on sponsorship and closer links between Departments with responsibilities bearing on the same sector, and to report to Ministers.

16.12 One of the concerns expressed by business after the 1995 White Paper was that it was not always clear which Department sponsors a given sector. A full list of "who sponsors what" is shown at Annex B. This will be included in a DTI publication of contact points for business in July 1996.

16.13 In addition, over the next year, sponsoring Departments will:

- extend discussions with sectors of their competitive performance, with a view to agreeing action plans with representative bodies
- discuss the Model Trade Association with relevant representative organisations in their sectors, with a view to helping them compare themselves with the model and identify areas for improvement.

comments

17 Partnership with Inward Investors

Main Links with other Chapters

2 Economic Policy and Performance
14 Helping Business to Win
15 Local and Regional Partnership
16 Sectoral Partnership
19 Becoming World Class

The UK is first choice in Europe for inward investors.

17.1 Policies to promote enterprise have made the UK one of the world's most attractive economies for international investors (see Chapter 2). After the US, the UK is the world's largest recipient of foreign direct investment, attracting about one third of all inward investment into the EU and more US and Japanese investment than any other EU country (Chart 17.1).

17.2 In 1995, the UK's stock of inward investment stood at nearly 160 billion, over three times the level of ten years ago. Since 1979, 4,254 inward investment decisions recorded by DTI's Invest in Britain Bureau (IBB) have directly created or safeguarded over 770 thousand jobs in the UK.

Inward investment announcements over the past year

Inward investment is a key driver of local competitiveness . . .

17.3 The benefits of inward investment go much further than direct employment creation. A recent study[1] has shown:

- **Suppliers** improve their product quality and client responsiveness, with 50 per cent reporting increased profitability, productivity and employment.
- The stimulus from inward investors leads to increased product development by their **competitors**, with some reporting increased sales and employment through improved management and working practices.
- **Customers** of inward investors benefit through better quality goods and services, leading to lower prices and increased profitability, productivity and product quality.
- Inward investors increase the UK's total **exports**. On average, around half of their output is exported, and fewer than a fifth of those sales would have been taken by UK companies if the inward investors had not located in the UK.
- The **area** in which the inward investor locates experiences improvements in labour quality and quantity, an enhanced technology base and increased attention from other potential inward investors.

17.4 These benefits reflect the fact that internationally-investing companies tend to be better performers than ones confined to a domestic market - UK companies operating in the US, for example, out-perform domestic US companies. The points outlined above illustrate the benefits an area can get from attracting a major world class company.

. . . but effective local partnership is essential to secure inward investment . . .

17.5 If local areas are to attract and retain world class companies, they must be capable of meeting high standards on:

- the provision of sites and premises, with good transport links
- the quality and skills of the labour force.

17.6 This requires close partnership between a wide range of economic development bodies at local level: Government Offices; local authorities; English Partnerships; the TECs/LECs; universities; and further education colleges. The lead in developing such partnerships is taken at national level by IBB, working with Locate in Scotland, the Welsh Development

Agency, the Industrial Development Board for Northern Ireland, and the Regional Development Organisations (RDOs) in England.

Winning Siemens for North Tyneside

Photo

. . . and to maximise the impact of inward investment on the local economy.

17.7 Partnership with the investor must not stop once the investment has been made. If the local area, and the wider national economy, is to extract maximum value from an inward investment, it needs to ensure that the investor is fully linked to the economy.

Training for inward investors in Livingston

17.8 IBB's International Investor Development Programme (IIDP), launched in 1995, seeks to establish strategic dialogues with over 1,000 targeted inward investors, with the aim of encouraging them to:

- re-invest in the UK
- look to the UK for their supply requirements
- link up with local training, education and research institutions.

17.9 Inward investors already source a substantial proportion of their requirements locally and nationally (around 60 per cent of materials and components)[2], but more can be done. The Regional Supply Network, Scottish Enterprise, Source Wales and the Local Sourcing Unit in Northern Ireland have an important role to play, by helping:

- inward investors get access to the local supply base
- local suppliers reach the levels of performance specified by inward investors.

Case Study: Kanematsu

17.10 Investments in R&D and product development bring a particularly wide range of benefits. They are often linked to high value-added manufacturing activities and, being more dependent on our knowledge base, are less likely to leave the UK economy following rationalisations by the investing company.

17.11 Such investments are more difficult to secure than manufacturing and service investments, since international investors tend to retain these functions in their domestic markets[3]. The UK already does relatively well:

- Around a quarter of Japanese manufacturing investment in the UK features an element of product design or R&D[4].
- The UK attracts the greatest proportion of Japanese R&D facilities in Europe - around a third[5] - and attracts more US investment in R&D than any country except Japan[6].

17.12 But the Government is keen to attract more. By encouraging close dialogue between inward investors and local universities and FE colleges, it aims to demonstrate the benefits of following an initial manufacturing or services investment by bringing product development and research activities to the UK. And since the 1994 Competitiveness White Paper, it has placed additional emphasis on the ability of an investment project to upgrade skills and technology when allocating Regional Selective Assistance funds.

Seagate Technology

Next steps

17.13 The Government will work with local partners to attract, retain and secure maximum benefit from inward investment by:

- helping TECs find new ways to respond rapidly and effectively to the training requirements of major inward investment projects

- expanding the International Investor Development Programme (IIDP)
- drawing up plans under the IIDP, in consultation with TECs and Regional Supply Offices, for securing greater UK sourcing by their inward investors
- continuing discussions with partners in the East and South East of England with the objective of establishing investment offices mirroring the role of Regional Development Offices elsewhere in England.

17.14 The Government will intensify its efforts to attract inward investment with a design, research and development capability, by:

- discussing, with representatives from the UK's science and higher education institutions, strategies for attracting a significant increase in design, research and development investments in the UK by Japanese companies by the year 2000. It will prepare an action plan by autumn 1996 and, if successful, the approach will be extended to other markets during 1997
- strengthening links between Science & Technology and Inward Investment Officers in Overseas Posts.

1 Assessment of the wider effects of foreign direct investment in the UK [PA Cambridge Economic Consultants] (1995) Back

2 *Assessment of the wider effects of foreign direct investment in manufacturing in the UK* [PA Cambridge Economic Consultants] (1995) Back

3 Analysis of major multinational enterprises shows that they undertake only 12 per cent on average of their R&D outside their home country, compared with around 30 per cent of production. Source: John H. Dunning; *Multinational Enterprises and the Globalisation of Innovatory Capacity* [Research Policy, Volume 23, Number 1] (January 1994) Back

4 *11th Survey of European Operations of Japanese Companies in the Manufacturing Sector* [JETRO] (1995) Back

5 [MITI] (1995) Back

6 [US Department of Commerce] (1995) Back

comments

18 Strengthening Partnership

Main Links with other Chapters

- 3 Enterprise and Small Firms
- 14 Helping Business to Win
- 15 Local and Regional Partnership
- 16 Sectoral Partnership
- 17 Partnership with Inward Investors
- 19 Becoming World Class

Working with business . . .

18.1 As the previous four chapters have demonstrated, Government is pursuing competitiveness in close partnership with business - both with companies and with business organisations. The Government now wishes to deepen and extend the partnership approach.

. . . to develop competitiveness at local and sectoral level . . .

18.2 First, the Government wants to strengthen its dialogue with business on strategic approaches to improving competitiveness, at both local and sectoral levels. That is why Chapters 15 and 16 of this White Paper commit the Government to developing statements of the actions required to promote competitiveness:

- at local level, with TECs, local business representatives, business support organisations, local authorities and other partners
- at sectoral level, with relevant Trade Associations, National Training Organisations, Research and Technology Organisations and other representative bodies.

18.3 These will not be Government-imposed "industrial strategies". Rather, they will build on existing dialogue between all relevant parties, setting out a common agenda for tackling the competitiveness challenges which each region and business sector faces as it moves into the next century.

. . . and to provide help for individual businesses . . .

18.4 In addition to this enhanced strategic dialogue, the Government wants to ensure that support services to industry are better aligned to the needs of the business customer, by involving business much more closely in the design and delivery of support to individual companies.

18.5 The "Your Business Matters" conferences reported that, although business support schemes provide much of the assistance small and medium-sized companies needed, most businesses are unaware what is available and find the range of support confusing. Companies welcomed the Business Link promise - "all the help a business ever needs, in one place" - but felt that the Government needed to strengthen this effort by addressing the confusion, overlap and lack of customer focus in its schemes for small firms.

18.6 At the final "Your Business Matters" conference on 11 March, the Prime Minister announced that a wide-ranging and radical review of business support schemes would be reported in this White Paper[1]. The review's initial findings are similar to those of the "Your Business Matters" conferences:

- There are too many schemes (around 200 in England alone), and too many of these address similar problems and customer groups. Companies and those involved in the delivery of business support are therefore unable to see all that is on offer, and what they do see does not always meet their needs.
- Too many of these schemes do not take account of the new, private-sector led infrastructure of TECs and Business Links which has been created for the delivery of business support in England over recent years.
- Most of the schemes are still Whitehall-designed, and focus on particular aspects of business performance, rather

than on providing a flexible response to the needs of the individual business.

18.7 The Government's proposals for addressing these problems in England are set out in a consultation document published in parallel with this White Paper (available from Government Offices, from the Cabinet Office on 01277 262200 ext. 233 and on the Internet at <http://www.open.gov.uk/co/cdcompap.htm>)[2].

18.8 In the light of the review, the Secretaries of State for Scotland, Wales and Northern Ireland will decide how the structure of business support services might be further improved to meet the needs of business in those countries. The Secretary of State for Scotland has already begun wide consultation on a Policy and Financial Management Review of the enterprise networks in Scotland.

. . . through a new approach to business support.

18.9 The consultation document proposes a new approach to business support, building on the success of Business Link, which moves away from the traditional concept of business support being delivered through a wide range of centrally-designed "schemes". This involves:

- moving Government support much closer to the business customer, by delegating design and delivery of support wherever possible to private-sector led partnerships, primarily at local level and where necessary at sectoral level
- using challenge funding, along the lines of the Single Regeneration Budget, to ensure that the work of those partnerships addresses the most pressing problems and allows scope for innovation.

18.10 In practical terms, and subject to the results of consultation, this means:

- Bringing together relevant Government support for small and medium sized businesses into a **Local Competitiveness Budget**. The Government would guarantee sufficient resource from this budget to ensure a consistent level of high-quality business support through TECs and Business Links across the country. The rest of the budget would be made available on a challenge basis to the most effective partnership bids. In most cases, bids would be led by TECs, as the key strategic partner at local level, with delivery of support going through Business Links.
- Establishing a **Sector Challenge Budget** addressing Government support for individual sectors. Private-sector led partnerships (of Trade Associations, National Training Organisations and other sectoral bodies) would be invited to put forward programmes of support to improve sectoral competitiveness. These would need to be properly integrated with the local support infrastructure, with bids developed in conjunction with TECs and Business Links where appropriate.

18.11 Other forms of partnership, such as groups of individual businesses, may also be eligible to bid for challenge funding. Initially, much of the resource will already be committed under existing schemes, so the challenge funds will need to build up over time. However, a significant proportion would be available for challenge in the next financial year.

18.12 Some elements of the Government's support for business may not be susceptible to this approach, and would need to continue being delivered centrally. Here too, however, the Government intends to make support more accessible to the business customer by:

- significantly reducing the number of separate schemes and improving presentation and accessibility
- reducing bureaucracy and shortening response times in the schemes that remain.

18.13 In addition, the Government proposes to institute a regular review of these remaining central schemes, with a view to decentralising delivery to local level over time wherever possible.

18.14 Following consultation on these proposals, which will run until 6 September 1996, the Government will announce its conclusions in the autumn. The Government will place particular weight on the views of:

- businesses, whether or not they are existing customers for the Government's business support services
- the organisations involved in the design and delivery of those services, particularly TECs, Business Links and their partners, Trade Associations and National Training Organisations
- others involved in improving competitiveness.

1 This review is not about the amount the Government spends on supporting businesses, but about the way in which it designs and delivers support [Back](#)

2 *Helping businesses to win: consultation on a new approach to business support* [Cabinet Office] (1996) [Back](#)

comments

19 Becoming World Class

Main Links with other Chapters

1 The World Economic Environment
2 Economic Policy and Performance
15 Local and Regional Partnership
16 Sectoral Partnership
20 Innovation
21 Exporting and Outward Investment
22 People

World class companies have certain characteristics.

19.1 Enterprising, world class firms have certain characteristics in common. These characteristics are seen in small companies as well as large.

19.2 In 1994 the CBI and DTI carried out a study of 120 of the UK's most successful companies. These were selected because of their profitability, growth and recognised standing in their sector. The findings, set out in the "Winning Report" [1], were that the following characteristics distinguished the leading edge from the run-of-the mill:

- They have strong leaders, who champion change, set targets and are open with customers, staff, investors and suppliers.
- They unlock the potential of people by simplifying management, developing skills and encouraging working in teams.
- They constantly learn from others.
- They are innovative, continuously seeking to introduce new products and services by exploiting new technology and other ways of securing a competitive edge.
- They anticipate customers' requirements and consistently exceed their expectations.

19.3 Successful firms also exploit the inter-relationships between these areas: for example, by empowering and training employees they encourage innovative ideas to come forward; by fostering good design and marketing they focus on the needs of the customer.

19.4 The TEC National Council reached similar conclusions in a study[2] of 560 manufacturing companies. Indeed, they found that the less successful companies invariably lack one or more of the basic characteristics. The conclusions of both this and the Winning Report are further supported by the findings of the Royal Society of Arts' (RSA) Tomorrow's Company Inquiry[3]. This highlights the importance of an "inclusive" approach which balances the needs of all involved in the company (including customers, shareholders, suppliers and employees) in building business success.

Electronics Sector	Average performance of sample*	Top 10 per cent of sample
Manufacturing added-value per direct employee	53,000	108,000
Delivery reliability	85 per cent	99.9 per cent
Ex-stock availability	88 per cent	98 per cent
Proportion of product range introduced over last five years	7 per cent	82 per cent
Scrap rate	3.9 per cent	0.2 per cent
Number of stockturns a year	8	19
Capacity used for changeovers	4 per cent	0.6 per cent
Average component set-up time	14 minutes	1 minute

*The top 10 per cent include different plants for each variable.

19.5 Moreover, the differences between the best and worst are not marginal. Other evidence suggests the best plants in a sector out-perform the worst by a factor of ten in terms of some key indicators of efficiency. The table[4] on the previous page shows some comparisons of the best and average plants within the electronics sector which benchmark their performance.

UK companies are changing fast . . .

19.6 Many plants in the UK are changing quickly. The pace of production and the commitment to customer satisfaction in manufacturing companies improved from 1985 to 1995[5]. For example:

- Average lead times for the manufacture of components fell from six weeks to 12 days.
- Product assembly lead times fell on average from four weeks to six days.
- Average customer delivery times (including major, complex items) shrank from 11 weeks to 33 days. Of manufacturing plants which supplied against a promised delivery date in 1985, less than half achieved better than 75 per cent on time delivery performance. In 1995, 85 per cent of plants achieved this level (although one in four plants quoting delivery lead times still had no formal measures of their delivery performance).

19.7 Achieving consistent quality is still rated as the top priority for manufacturing but cost reduction has replaced delivery performance as the number two priority. As well as reducing the number of product components, product simplification and component rationalisation have increased contracting-out and reduced the average direct labour content of manufacturing costs from 20 per cent to 14 per cent.

. . . and we have world class firms but a long "tail" too . . .

19.8 But how do the best UK firms compare with the best in the world and what is the gap between excellent UK companies and those that perform less well?

19.9 The previous Competitiveness White Papers reported work showing that four UK manufacturing sites out of a sample of 204 were world class in terms of management practice and performance (see footnote[6]) and that 80 were nearly good enough to join them[7]. Overall the UK had as many leaders in these two categories as Germany but a longer tail of lagging firms.

19.10 Recent analysis[8] of a number of sectors supports these findings. Compared to other European countries, the UK has more poor performers pulling down average productivity. For example, even in the office machinery and chemicals industries, where the UK performs strongly, there is a long tail (Charts 19.1 and 19.2). The significant feature of these Charts is the wider dispersion of productivity in the UK. (The Charts should not be used to compare overall productivity between countries as they are constructed using market exchange rates rather than unit value ratios.)

19.11 Differences in performance are due to the quality of managers and the workforce but also the environment in which firms operate.

- Exposure to competition, including international trade, tends to force poorer performers to improve their performance if they are to survive, so compressing the spread between the performance of the best and the worst. Research[9] suggests that the spread in labour productivity is 40 to 50 per cent lower in UK manufacturing, which is more exposed to international competition, than in the rest of the economy.
- Industrial structure can help too by delivering greater economies of scale. In some manufacturing industries in which larger firms tend to have a productivity advantage (such as motor vehicles, paper and foundries) there is evidence that smaller firms account for a higher proportion of value-added in the UK than in Germany.[8a] This accounts for about a fifth of the difference in performance in those industries between the UK and Germany.
- Demanding customers are also a factor. There is evidence that German consumers and industrial customers are more likely to purchase higher quality products, providing a stimulus to higher quality production. One report[10] on the quality of goods in the garden equipment, women's clothing and biscuit industries in the UK and Germany found high quality producers in both countries but that German producers had taken a stronger

position in the top end of the market.

19.12 Comparisons[11] of design work in manufacturing in the UK and Germany also show an overall German lead, with German sites achieving higher performance and more of them using best practice. In particular, German firms are ahead in some aspects of applying new technology. However, the UK also has strengths. UK manufacturers have cost advantages and focus on style and ergonomics earlier in the design process.

... in services as well as manufacturing ...

19.13 The wide spread of performance in the UK is not confined to manufacturing companies. A study[12] of 115 UK service sector companies concluded that the most successful are paying greater attention to customer service, have strong leadership and are moving to best management practice in most areas. However, many organisations continue much as they always have. Such organisations frequently have hard working, loyal staff but, by not having strong management practices, they are less able to strengthen motivation and to improve the quality of service.

19.14 The study also found that within many firms there is a striking contrast of strengths and weaknesses.

- Employees are generally loyal, courteous and customer-orientated but the management of staff can be weak.
- The quality of the service is often high but quality assurance systems can still be weak. This becomes evident when the service fails to deliver what the customer wants.
- Managers pay strong attention to reducing costs but less attention to the management of the processes which determine costs.
- They also pay close attention to customer wishes but not to developing innovative services that could exceed customer expectations.

19.15 Overall, the conclusion is that service sector companies need to implement change more quickly and to put more effort into training, into developing effective processes and into recognising their weaknesses. The strengths and weaknesses of particular service sectors, as derived from the study, are set out below.

UK service sector comparisons

19.16 Early results of a further study[13] of management best practice and service performance (see definitions at footnote[6]) in the UK and US show that the US has a wider range of management practice with more excellent firms, some outdoing the UK's best, but also more with poor management practices. However, on average management practice is similar (Chart 19.3). The best firms in both countries are rapidly extending their use of information technology and telecommunications to improve service.

19.17 In general, US service performance is somewhat ahead of the UK (Chart 19.4). US firms lead in the quality and effectiveness of the services they offer and in satisfying their customers. Service quality reflects higher reliability and, because of longer opening hours, accessibility. US customers are more demanding and more prone to change their supplier than their UK counterparts. This provides a greater stimulus to higher levels of innovation and quality. US firms exploit these strengths to enter overseas markets where they can outperform domestic organisations: this may be an important factor in the US's large share of world trade in services.

19.18 Comparing service sectors between the US and UK, there appears to be a US lead in terms of best management practice and service performance in finance and insurance services, industrial services and legal services. The UK demonstrates better management practices and service performance in utilities and professional services. In public services the position is broadly similar (Chart 19.5).

Government and the service sector in partnership

Chart 19.6

... although we are catching up ...

19.19 Clearly, there is more to do. Even for firms at the leading edge, the fight to be competitive never stops. Overall our productivity lags behind our main competitors. However, UK companies are catching up, which means that they are changing faster and improving faster than their rivals around the world. For example, Japanese manufacturers hardly improved their stock turn at all between 1984 and 1994. UK manufacturers are still behind but improved their

performance by 35 per cent.

... through benchmarking ...

19.20 Throughout the UK, enterprising firms are finding many ways to win a competitive edge. Many have changed because they welcome change and look out for new ideas from management and the workforce. A high proportion have achieved this by comparing themselves with the best companies in their industry and elsewhere. Such benchmarking helps to show that change is needed and to clarify targets for improvement. Firms which benchmark most thoroughly tend to be the least complacent about their performance [16].

Benchmarking in SMEs

19.21 Most of the top UK companies now use benchmarking, but it is less common amongst smaller firms. One survey [17] found that only 21 per cent of smaller firms used benchmarking. Even if they are keen to benchmark, companies still face problems finding a source of relevant comparative data. A range of benchmarking services is available to help: these include the CBI service for larger manufacturing companies (PROBE). A benchmarking service specially tailored to the needs of smaller firms is also being established by DTI for delivery through TECs and Business Links. This small firms service will be able to benchmark at least 10,000 firms a year and will be an invaluable tool which will help smaller firms prioritise the action they take to improve their performance. Taken collectively with other services, these will provide a comprehensive National Benchmarking Network which should help many more firms to exploit this effective route to achieving world class standards. The Government is also supporting the Energy Efficiency and Environmental Technology Best Practice Programmes which benchmark efficient resource use in sectors.

A National Benchmarking Network

... management approaches ...

19.22 Successful companies improve and adapt continuously. To do so they make the most of proven ways of creating and developing a successful management culture.

- Investors in People enables the skills and competences of the business to be developed to the full to achieve the firm's objectives. By the end of March 1996, over 3,300 organisations had achieved the Investors in People Standard. They include large firms such as Rover and Hotpoint but also a growing number of smaller businesses.
- Quality management standards, including environmental management standards, are also important. The European Foundation for Quality Management provides a British Excellence Model against which leading companies can assess all their management activities. Such standards have been widely adopted regionally and sectorally. For example, in Wales, in the automotive components industry, 78 per cent of firms have attained ISO 9000 standards or higher.

The use of these approaches and others are looked at in more detail in Chapters 20 and 22.

19.23 However, many smaller firms who could benefit have not made use of managerial standards, often because it is not clear to them what the benefits are or which are the most appropriate techniques to use. That is why the organisations responsible for managerial standards are working together to identify ways in which the tools can be promoted in more coherent ways.

Advisory Group on Business Excellence

... product quality ...

19.24 Product quality is crucial to ensuring satisfied customers. Product assessment to technical and performance specifications contributes to higher quality. BSI's proposals to strengthen the Kitemark will help re-emphasise this important means of meeting customer expectations.

The Kitemark

... supply chain initiatives ...



19.25 Successful companies are also increasingly recognising the benefits of working together to improve their competitiveness. Change can often be achieved more easily through shared experience. This may involve membership of one of the many Business Clubs which operate in the UK. Information on these clubs and other business support organisations can be obtained through Business Links.

19.26 More fundamentally, companies at different levels of the supply chain are working together to obtain the best possible understanding of each others' needs and potential. Through such exchanges, they succeed in reducing costs, enhancing innovation and increasing quality throughout their industries. The network of Regional Supply Offices has been set up to help promote such activity (see Chapter 15).

19.27 Working in partnership represents a major change in business culture. But it is taking off as the benefits become more widely understood and as external pressures (such as lean manufacturing and the need to make the most of communications technologies) bring companies closer together. The proportion of companies operating in partnership with others has increased rapidly from 40 per cent in 1991 to nearly 80 per cent in 1995 [18].

... using management consultants ...

19.28 UK firms are increasingly turning to management consultancy services for advice on ways to improve their competitiveness. In 1995, organisations in the UK spent over 40 per cent more than in 1994 on some key aspects of consultancy help [19], particularly corporate strategy and organisational development, marketing and improving human resources. Those firms that are clear why they need outside help and seek value for money can secure considerable benefit from harnessing the expertise and experience of consultancy support.

Outside help

... and in a thousand other ways.

19.29 This Chapter has looked at what makes a firm succeed, how UK firms are doing and some of the ways in which they are embarking on change. The following Chapters look in more detail at specific characteristics of successful innovation, particularly through management and technological change, marketing, selling overseas, and making the most of people. They show what is being achieved in the UK and how it is being done. They provide first class examples of UK firms at their best: firms which provide an excellent benchmark for others. As Peter Smith, Chairman of Coopers and Lybrand, has said, "*only businesses which do not hide from change but which seek it out and manage it to their advantage, will be competitive in the 21st century. More and more UK companies are facing up to this challenge.*"

1 Competitiveness - *How the best UK Companies are Winning* [CBI and DTI] (1994) [Back](#)

2 Manufacturing Winners - *Creating a World Class Manufacturing Base in the UK* [TEC National Council] (1995) [Back](#)

3 Tomorrow's Company Inquiry report [RSA] (1995) [Back](#)

4 *Best Factory Awards Database* [Management Today and Cranfield School of Management] (1994) [Back](#)

5 Professor Colin New and M Szwedzewski; *Manufacturing Performance in the UK, 1985-95* [Cranfield School of Management] (1996) [Back](#)

6 Management practices are established processes which a company has put in place to run its business. Performance refers to the measurable results of a company's processes at both the operational and business level. [Back](#)

7 Made in Europe: A Four Nations Best Practice Study [IBM and London Business School] (1994) [Back](#)

8 Department of Trade and Industry research findings [Industry Economics and Statistics Unit] (1996) [Back](#)

9 N Oulton; *The Dispersion of Labour Productivity amongst UK companies: A Report to the DTI* [NIESR] (1996) [Back](#)

- 10 Valerie Jarvis and S J Prais; *The Quality of Manufactured Products in Britain and Germany* [NIESR] (1995) [Back](#)
- 11 Made in Europe 2: An Anglo-German Design Study [IBM and London Business School] (1996) [Back](#)
- 12 Service in Britain [London Business School, Severn Trent and University of Warwick] (1995) [Back](#)
- 13 International Service Study [Severn Trent, London Business School, University of North Carolina and University of Southern California] (to be published) [Back](#)
- 14 The Insurance Industry in the United Kingdom [DTI] (1995) [Back](#)
- 15 The United Kingdom Insurance Industry Building On Its Strengths [A Price Waterhouse report prepared for the Association of British Insurers] (1995) [Back](#)
- 16 Made in Britain; the true state of Britain's Manufacturing industry [IBM and LBS] (1993) [Back](#)
- 17 Small Firms Survey: Competitiveness [ABCC and Alex Lawrie] (1995) [Back](#)
- 18 Partnership Sourcing Ltd [Back](#)
- 19 Refers to spend with members of the Management Consultancies Association, President's Statement and Annual Report (1995) [Back](#)

comments

20 Innovation - the successful exploitation of new ideas

Main Links with other Chapters

3 Enterprise and Small Firms
4 Learning and Skills
8 The Information Society
12 Science, Engineering and Technology
18 Strengthening Partnership
19 Becoming World Class
21 Exporting and Outward Investment
22 People

"I define creativity as the thinking of novel and appropriate ideas. Innovation is the successful implementation of those ideas within an organisation." [1]

20.1 Innovation is a key feature of successful companies.

- The 1995 CBI NatWest Innovation Trends[2] showed that, for 83 per cent of companies surveyed, product or process innovations had produced positive results.
- Over 70 per cent achieved performance gains - higher profits, increased market share or increased market penetration - as a result of innovation within the past three years.

20.2 Innovative companies know how to put ideas into practice.[3]

- They have a clear vision for the business and outstanding market knowledge.
- They invest in people. *"Managers and executives need to supply the resources and a certain amount of direction and then get out of the way. Hire good people and then trust them."* [1]
- They make effective use of technology - and not just leading-edge developments. They often exploit the potential for small changes in design, production or services to improve profitability and customer satisfaction. *"It is not sufficient to come up with an innovative idea - to be truly innovative one needs to be constantly improving the product through product development."*[4]
- They learn from others, including their customers, competitors and even unrelated businesses around the world.
- They manage change successfully.

Innovation involves a range of strategies including . . .

20.3 Firms of all sizes are under pressure to innovate. The next section of this chapter shows through case studies and research findings what drives them to do so, the ways in which they respond and their achievements.

. . . new management approaches . . .

20.4 *"The corporate environment must promote goal sharing, unity of purpose, the sense that everyone from the CEO to the factory operator is all in the same boat."*[5] The most successful firms manage innovation from several perspectives. Recent research by IBM and the London Business School[6] shows that most of the manufacturing sites involved have technology strategies in place, but fewer show a good environment for innovation and creativity (Chart 20.1).

20.5 The study also shows that companies clearly see the need for integration and teamwork, although involvement with external partners is less strong (Chart 20.2).

20.6 Nearly half of SMEs responding to another survey,[7] by the Office of National Statistics (ONS) and DTI, frequently implement new management techniques, although one in eight never do.

Multi-disciplinary problem solving

. . . developing skills . . .

20.7 *"Our personnel is our most important asset, since no other resource is capable of long term growth and improvement."*[8] Innovation depends heavily on skilled people. (See also Chapters 4 and 22.)

Developing the workforce

...using technology effectively ...

20.8 Of the SMEs which responded to the ONS and DTI survey,[7] half introduced new technologies at least every three years.

20.9 However, introduction of new technology is not a complete solution. Of manufacturing companies which responded to another survey,[9] 75 per cent had introduced changes in the organisation of work over the previous two years. The study found that companies with an explicit competitive strategy based on new product development were more innovative in work organisation. A major reason for poor results from technological innovations may be the failure to make parallel changes in organisation of work and administration.

Using knowledge based systems to reduce lead time

Photo

...developing new products and services ...

20.10 *"We want to grow - indeed we must grow if we want to survive - and to do that we need the loyalty of our customers. To get the loyalty, we need to address their needs. And the best way to address those needs is with innovative products and technologies."* [1] One study[6] shows that half the companies surveyed perform well in the product development process, although the weakest areas are resource allocation and cost management (Chart 20.3).

20.11 Few of the companies studied, however, report exceptional levels of customer satisfaction or reduction in time to market. In terms of performance, most report market share growth and return on assets at least as high as their international competitors (Chart 20.4).

20.12 Over half the responding SMEs in the ONS and DTI survey[7] allocated up to 9 per cent of their turnover to introducing new products and processes, and a further 10 per cent allocated even more. Generally, the larger the firm, the more likely they were to allocate a proportion of their turnover in this way.

20.13 *"We owe our continuing existence to the fact that we take ideas from research and turn them into products and processes for profit on the industrial side of the fence."*[10] For many firms it is vital to keep in touch with the science base (Chapter 12).

20.14 DTI is discussing with the Chairman of the Design Council and the Millennium Commission a proposal which would use the Millennium Festival to promote 200 of the best UK products and services for the 21st century. This would emphasise that the UK is a world leader in the creation and development of new products and services, with a world-wide reputation for effective design.

Using rapid prototyping in new product development

Leapfrogging the competition by radical innovation

Marketing and advertising

Understanding markets - at home and abroad - is vital for the world class company.

Marketing helps firms identify customers and understand their needs. It is a key driver in achieving competitive edge. It generates new products and services, improves standards, and helps build the reputation of the company. Important factors are branding, innovation, and getting products and services to market quickly.

The 1995 Competitiveness White Paper announced the creation of the Marketing Council. This has now begun a programme to:

- Show the link between business success and marketing.
- Research the strengths and weaknesses of British service companies.
- Research connections between world class companies and marketing, with particular emphasis on innovation.
- Research success in marketing and customer satisfaction amongst SMEs. A self-assessment kit, based on the Chartered Institute of Marketing's report "Manufacturing - the Marketing Solution"[11] is being developed.
- Raise awareness of the international strengths of UK marketing communications services.
- Promote education and training in marketing, in conjunction with the Commercial Occupations Standards Council.

Companies may need to buy specialist services to supplement their in-house capabilities and maximise their marketing strategies. The UK excels in services in areas such as market research, advertising, public relations, direct marketing, management consultancy and exhibitions. We have 9 per cent of the world market in market research and 23 per cent of the EU market.

But not all firms recognise the contribution of marketing to competitiveness. A survey[12] of 659 businesses in central London showed that only 23 per cent regularly commissioned market research. Of those that did not, 65 per cent said it was not relevant to them. Another survey[13] indicated that the status accorded to marketing in the UK was low. Out of seven countries, UK firms accorded it the second lowest status, with only Italy valuing marketing less.

Marketing: exploiting new technology

Information technology is transforming the way that consumers choose and buy goods. Firms are also managing their supply chains increasingly by electronic means. Technology is bringing new marketing opportunities for firms, for example interactive marketing, imparting more product information in new and interesting ways, and providing greater choice.

Using technology in marketing

Using marketing in innovation

Photo

Advertising

The UK is the fourth-largest advertising market in the world behind the US, Japan and Germany. Two of the world's top five advertising organisations are UK-based. London is the European headquarters for more than half the number of international agencies.

Advertising's contribution to growth

Getting Help



The costs of researching and entering new markets loom large for SMEs. The private sector and the Government offer a wide range of services, including advice and information. The Business Link network provides support for marketing problems. (See Annex A).

... by applying design expertise ...

20.15 Most successful companies actively employ design. Research[14] shows that:

- Firms which invest significantly in design, in both traditional and new industries, are more successful than firms that pay less attention to it.
- In companies which use professional design expertise, 90 per cent of products reaching production stage are a commercial success with an average payback period of under 15 months.
- However, while 59 per cent of businesses agree that design can help produce a competitive advantage for a company, only 17 per cent regard strong design strategies as very important to a company's success.
- About two-thirds of projects developed with design expertise generate exports, though the firms in the survey were of small and medium size.

20.16 Design is also an export good in itself.

- Between 1992 and 1995, there was a 68 per cent rise in the number of companies surveyed who earn more than 40 per cent of their turnover from overseas organisations.

Customer - focused design

Using design to break into new markets

Photo

... developing the manufacturing process ...

20.17 SMEs[7] use a range of techniques and systems (Chart 20.5).

New equipment for greater responsiveness to customers

... improving quality ...

20.18 In many firms, product and process quality are driven by external factors, including international standards and customer expectation.

Profiting from constraints

Introducing best business practice

... continuous innovation ...

20.19 Successful companies make it part of their strategy to introduce improvements - of services, products or processes - ahead of market demand.

Continuous innovation over time

Photo

20.20 The most recent innovations have greatest benefits, with those dating back three to ten years giving ever-diminishing returns.[2] But even older ideas can take on a new lease of life. *"Often we find the best application of a technology 25 or 30 years after it was invented."*[1]

Keeping pace with the market

... and collaboration.

20.21 *"A company should guard against becoming a captive of its own in-house expertise. . . . The relevant sources of new ideas from outside the company may shift and vary but it is essential to tap them if a company is to remain at the sharp end of innovation."*[15] Firms which frequently collaborate say that the benefits far outweigh any difficulties.

20.22 Firms may buy in expertise and technology, or develop it themselves. Either way, embedding know-how effectively within the firm means close involvement from the start with those who will be responsible for all aspects of

implementation.

20.23 The Winning Report[3] found no difference in the things that were done well by successful large and small firms. Smaller firms often win "first-to-market" advantages by exploiting new technology and access to global markets while benefiting from shorter lines for decision-taking. Larger firms have the advantage of greater resources. On balance small firms face more problems, because managers' time is in greater demand and it is hard to track, assess and apply information.

20.24 The more innovative SMEs solve these problems by working with others (Chart 20.6). Of hypergrowth companies (those which have doubled both turnover and employees over three years) 54 per cent integrate activities with larger companies, compared with 40 per cent of lower-performing firms. Almost half of hypergrowth companies use technology transfer networks to gain access to new technology, compared with 28 per cent of slower-growing companies.[16] However, overall SMEs usually go it alone.

Working together: Business and University

Collaborating across sectors

Help is available to start now.

20.25 Many smaller firms find it a daunting task to keep abreast of the techniques and technologies which are most relevant to their activities, overseas as well as in the UK. The solution for many lies in attending trade shows, exhibitions and conferences, reading the trade press, and particularly networking with suppliers, customers, and contacts in universities and research organisations.

20.26 However, the SME survey[7] revealed that some sources are underused. Only one firm in four has ever used Business Clubs. Only 5 per cent of firms are active members in research associations.

20.27 Many SMEs[7] are involved with outside organisations such as Trade Associations, Chambers of Commerce, TECs and Research Associations. 30 per cent have already used Business Links. As the network expands this proportion should increase. For example, SMEs have discussed with Design Counsellors a range of topics including the use of IT to improve relationships between design and production, the lack of expertise in marketing and design in-house, difficulty in adopting a customer focus to design, and the reluctance of SME manufacturers to use design service companies.[17]

Using Business Links to facilitate innovation

Help from Government award

20.28 The cases in this chapter show how successful firms win through innovation. The Government supports companies, particularly smaller firms, by:

- Improving the climate for innovation
- Promoting best practice
- Helping firms get access to technology
- Supporting the development of new technology.



20.29 Business Links offer assistance in innovation, technology and design for achieving company competitiveness, as well as signposting clients to the many other sources of help (further information at Annex A). Chapter 18 sets out the Government's proposals to make this assistance more customer-focused, by increasing the flexibility of Business Links to tailor support to their clients' needs.

- 1 Dr William Coyne, Senior Vice-President, R&D, 3M: *UK Innovation Lecture* [DTI] (1996)[Back](#)
- 1 Dr William Coyne, Senior Vice-President, R&D, 3M: *UK Innovation Lecture* [DTI] (1996)[Back](#)
- 1 Dr William Coyne, Senior Vice-President, R&D, 3M: *UK Innovation Lecture* [DTI] (1996)[Back](#)
- 2 CBI/NatWest *Innovation trends survey* [CBI and NatWest Technology Unit] (1995)[Back](#)
- 2 CBI/NatWest *Innovation trends survey* [CBI and NatWest Technology Unit] (1995)[Back](#)
- 3 *Competitiveness - How the Best UK Companies are Winning* [CBI and DTI] (1994)[Back](#)
- 3 *Competitiveness - How the Best UK Companies are Winning* [CBI and DTI] (1994)[Back](#)
- 4 Hugh D. Facey, Executive Chairman, Gripple Ltd, Sheffield, winners of the Queen's Award for Export in 1995[Back](#)
- 5 Akio Morita, Chairman of the Board, Sony Corporation: *UK Innovation Lecture* [DTI] (1992)[Back](#)
- 6 *Made in Europe 2: An Anglo-German Design Study* [IBM Consulting Group and London Business School] (April 1996)[Back](#)
- 6 *Made in Europe 2: An Anglo-German Design Study* [IBM Consulting Group and London Business School] (April 1996)[Back](#)
- 7 *SME Innovation Survey* [DTI and ONS] (1996). (SMEs are defined in the survey as small and medium sized enterprises, with 20-250 employees)[Back](#)
- 7 *SME Innovation Survey* [DTI and ONS] (1996). (SMEs are defined in the survey as small and medium sized enterprises, with 20-250 employees)[Back](#)
- 7 *SME Innovation Survey* [DTI and ONS] (1996). (SMEs are defined in the survey as small and medium sized enterprises, with 20-250 employees)[Back](#)
- 7 *SME Innovation Survey* [DTI and ONS] (1996). (SMEs are defined in the survey as small and medium sized enterprises, with 20-250 employees)[Back](#)
- 7 *SME Innovation Survey* [DTI and ONS] (1996). (SMEs are defined in the survey as small and medium sized enterprises, with 20-250 employees)[Back](#)
- 7 *SME Innovation Survey* [DTI and ONS] (1996). (SMEs are defined in the survey as small and medium sized enterprises, with 20-250 employees)[Back](#)
- 8 Dr Lars Ramqvist, President and CEO, Ericsson: *UK Innovation Lecture* [DTI] (1994)[Back](#)
- 9 T. Pillinger and M. A. West *Innovation in UK Manufacturing - Findings from a survey of innovation within small and medium sized manufacturing companies* [University of Sheffield and London School of Economics and Political Sciences] (1995)[Back](#)
- 10 Dr Peter Williams CBE, Chairman and Chief Executive, Oxford Instruments plc: *UK Innovation Lecture* [DTI] (1995)[Back](#)
- 11 *Manufacturing - the marketing solution* [Chartered Institute of Marketing] (1995)[Back](#)
- 12 [CENTEC] (1995)[Back](#)
- 13 [Marketing Council] (1996)[Back](#)
- 14 Design Council commissioned research: *Design Council Evaluation* [Opinion Leader Research] (1995) *Comparative study on the effectiveness of the UK Design Industry* [Michael Evamy] (1995) *Walsh and McMeekin Developing a model for Design Effectiveness* [UMIST] (1995)[Back](#)
- 15 Sir Paul Girolami, Chairman, Glaxo Holdings plc: *UK Innovation Lecture* [DTI] (1993)[Back](#)

16 Made in the UK: Hypergrowth companies [Coopers & Lybrand] (April 1995)Back

17 A Design Council Report on the Delivery of Design Advisory Services by Business Links [Design Council and Henley Centre for Forecasting] (1995)Back

comments

21 Exporting and Outward Investment

Main Links with other Chapters

1 The World Economic Environment
11 Fair and Open Markets
19 Becoming World Class

Exporting

21.1 This Chapter shows that the best firms are thriving by winning orders overseas. It describes how they do it by marketing, meeting different cultural needs, using foreign languages and other ways of engaging customers. Finally, it shows where firms can find help to improve their performance and match the standards of the best.

21.2 In 1995 our visible exports grew 13 per cent by value to a record 153 billion. They grew 6 per cent by volume. Invisible exports grew 13 per cent by value. However, the UK's export record to markets of high growth potential was patchy (though in some cases, such as China, our performance was helped by strong outward investment). We were on a par with our European competitors in the markets of East Asia (Chart 21.1), but not in Eastern Europe (Chart 21.2).

Growth in exports

The best firms are the most active in overseas markets . . .

21.3 The sectors of UK industry that are active in overseas markets have fewer lagging firms (see Chapter 19). Small and medium sized firms account for an increasing amount of UK activity overseas, many of them exporting to and investing in all parts of the world.

. . . growing more quickly . . .

21.4 One study[1] shows that 58 per cent of middle market hypergrowth companies[2] are exporters, making almost 25 per cent of their sales overseas. They also take a more strategic approach than other middle market firms to selling overseas.

. . . taking on more staff . . .

21.5 Another study,[3] which looks at large firms in the oil and gas industries, shows that between 1991 and 1996 those companies that increased their exports increased staff by an average of 8 per cent per annum. Firms which served only the domestic market decreased staff by between 3 and 8 percent per annum.

Winners of the Export Award for Smaller Businesses

. . . and surviving longer.

21.6 A survey[4] of past winners of the Export Award for Smaller Businesses, now in its 25th year, showed that 75 per cent of them were still trading. In contrast, only 30 per cent of all VAT registered businesses survive for ten years.

Successful exporting depends on a range of factors . . .

21.7 Little research has been done to determine all the factors that make for successful exporting. DTI will be undertaking a study of winning exporters later in the year. But many exporters, such as last year's winners of the Export Award for Smaller Business, already provide pointers towards some of the ingredients of successful exporting (see box on previous page).

Many firms do not achieve their true potential in overseas markets . . .

21.8 A key ingredient of underperformance is that many firms respond passively to enquiries from customers. They do not actively seek business. UK exports could be over 10 per cent higher if passive exporters could match the average active

exporter[5] (although there would also be some increase in imports).

21.9 Another area of weakness is researching the market. Chart 21.3 suggests that more firms could benefit from researching overseas markets, and that many firms undervalue information or lack access to it.

Successful exporting through marketing research

... and they have difficulties with documentation.

21.10 Exporting is complex, and there are many pitfalls in practical aspects of export transactions. Often these lead to simple mistakes, but making them can lead to delays, non-payment or the fruitless expenditure of human and financial resources.

21.11 Hong Kong and Shanghai International Bank reports that 50 per cent of export documentation contains mistakes. This is an improvement on the 80 per cent recorded in the late 1980s, but shows there is still a long way to go.

Greater use of technology can help.

21.12 SMEs can improve the management of their trading and payment processes by using technology. The results of an export efficiency initiative by SITPRO[6] show clearly how important information and communications technology can be to firms' productivity levels. Case studies will be published later this year[7].

Freeing resources through export documentation efficiency

Firms invest overseas as an integral part of their exporting strategies ...

21.13 Apart from direct exports, companies use various methods to enter markets, including joint ventures with local companies and direct investment. These strategies help with marketing and distribution as well as production. The UK remains a leading outward investor with a stock of overseas direct investment worth 219 billion in 1995. Such investments make a substantial contribution to the UK's balance of payments. Earnings on direct investment overseas totalled 24 billion in 1995[8].

... bringing advantages to the UK ...

21.14 The KPMG study on outward investment bears out the link between overseas activity and growth, with over 90 per cent of respondents reporting a positive or neutral effect on their UK operations' sales, production and employment levels (Chart 21.4). To explore what scope there might be for further benefits to UK business from outward investment, the Government will commission a study into the factors influencing UK outward investors' choice of suppliers.

Serving markets flexibly

There remain huge opportunities for suppliers of services to sell overseas ...

21.15 Although manufacturing remains the largest traded sector of the economy, it accounts for only 20 per cent of GDP. The service sector now accounts for some 65 per cent of GDP, up from 52 per cent 25 years ago. However, this has not been matched by a similar increase in our service exports. These have grown only in line with GDP (see Chapter 11, Chart 11.1). To some extent this is because world markets for some services are only now being opened. However, it also reflects the fact that the UK's share of world trade in services has declined over the last 25 years.

... by investing abroad or exporting directly.

21.16 Many service providers invest overseas in order to reach export markets (52 per cent compared to 39 per cent of manufacturers[9]). However, this still leaves considerable scope for service providers to export directly, joining those already active in fields as diverse as financial services, software design, education, architecture and consultancy.

Exporting Services

A wide range of help for exporters is available ...

21.17 Starting or extending export activity can be daunting, especially for SMEs. To help market entry, the private sector and the Government offer a wide range of services, including planning an export strategy, training, market research, and advice and information tailored to the needs of individual firms.

... through the private sector ...

21.18 Chambers of Commerce help with export marketing, trade fairs and many other issues. Banks and credit agencies provide credit and payment risk insurances, transaction advice, and assistance with documentation. Export clubs allow exporters to meet informally to gather information and exchange ideas and experiences. Over 10,000 people are now members of an export club, and the British Overseas Trade Board's National Export Club Advisory Committee now has over 80 affiliated clubs.

... and the public sector.



21.19 The Government provides a range of services delivered through a world-wide network of over 200 FCO commercial posts overseas, supported in the UK by DTI staff (including over 100 export promoters seconded from the private sector) and export staff in other Whitehall Departments. A first point of contact is provided by staff in Business Links throughout England. Within Scotland, a network of local export partnerships has been established in line with an export strategy for Scotland. They provide companies with a package of export support and improve access to the export services provided centrally by Scottish Trade International. In Wales, Government services to exporters are provided by the Welsh Office Overseas Trade Services Branch, accessible either directly or through the Welsh Business Connect Network. In Northern Ireland, services are accessible through the Industrial Development Board.

21.20 The Export Credits Guarantee Department (ECGD) provides support for capital goods exporters, and the Defence Export Services Organisation (DESO) provides support to UK defence suppliers. DESO has recently developed with industry a strategic plan, identifying key overseas markets, and establishing sales objectives and marketing strategies.

Many firms use these services ...

21.21 In 1995:

- 3,000 companies went on outward missions or received inward missions.
- 6,000 specific information services were commissioned from overseas posts, each tailored to the customer's needs.
- 8,000 participants went on assisted trade fairs.
- 20,000 participated in market seminars.
- 85,000 British and local company visits were handled by overseas posts.
- 500,000 calls from business were handled by country desks in London.

Using support services

21.22 The Government's Overseas Trade Services already represent good value for money. A recent study[10] found that, in four South East Asian markets alone, the services introduced 520 new exporters and helped generate 345 million of additional exports at a cost of 4.5 million.

... but many more firms could do so.

21.23 The Government is further improving the services and making them more accessible. Market menus, from which firms will be able to select services, will be piloted later this year, being made available through Business Links and other outlets. Export Development Counsellors backed up by new technology will play a key role, for example posts in the top 80 markets will be linked by electronic mail to the UK and Overseas Trade Services information will be made available directly through Business Links and the Internet.

21.24 As the new chairman of the British Overseas Trade Board, Martin Laing, says: "25 per cent of GDP depends on exports, and I know that our customers world-wide appreciate the quality and innovation that our best suppliers offer. As

we approach the new millennium our challenge must be to encourage more firms to export, and to encourage exporting firms to export more. The BOTB will work to ensure that the Government's Overseas Trade Services rise to that challenge, and that our firms receive the best possible help to win in world markets."

1 *Made in the UK: Hypergrowth Companies* [Coopers & Lybrand] (April 1995)Back

2 Hypergrowth companies are those which have doubled both turnover and employees over three yearsBack

3 Oil and Gas Related Employment Survey (Part II) [Scottish Office] (forthcoming)Back

4 Survey of winners of the Export Awards for Smaller Businesses conducted for DTI. The Export Award for Smaller Businesses is currently co-sponsored by the Government's Overseas Trade Services, Kompass British Exports, Grant Thornton, TNT Express Worldwide, and HSBC Trade ServicesBack

5 Estimates based on *Competitiveness White Paper:DTI Outward Investment Study* [HMSO] (1996). This study, conducted by KPMG, was announced in the 1994 Competitiveness White PaperBack

6 SITPRO (Simpler Trade Procedures Board) is a DTI-sponsored body which promotes simpler trade documentation and other proceduresBack

7 Export Efficiency Initiative Final Report [SITPRO] (forthcoming)Back

8 For a fuller discussion of overseas investment, see Rob Carnell; *Overseas Investment and the UK* [HM Treasury] (1996)Back

9 See the study referred to in footnote 5Back

10 National Audit Office; Overseas Trade Services: Assistance to Exporters [HMSO] (April 1996)Back

comments

22 People

Main Links with other Chapters

3 Enterprise and Small Firms
4 Learning and Skills
5 Employment
8 The Information Society
10 Finance
14 Helping Business to Win
19 Becoming World Class
20 Innovation

The effective use of people is crucial to competitiveness.

22.1 The UK's overall competitiveness ultimately depends on the knowledge, motivation, ability and enterprise of its people. Chapter 4 looks at the ways in which the UK's education and training policies contribute. This chapter is about how the people in successful UK firms develop and exploit these qualities.

Leadership, teamwork and common purpose are vital for success . . .

22.2 Some of the most powerful findings of the Winning Report[1] and the TEC report[2] show that:

- Leadership is vital to a business's purpose and direction.
- But leadership depends on the motivation and commitment of every individual in the organisation.

. . . as are skills.

22.3 Successful firms develop a long-term skills strategy to meet their business needs, often through Investors in People (see the feature in this chapter). It is unrealistic to expect recruitment alone to provide firms with people who have the exact skills to match business requirements. Increasingly firms adopt a range of tactics including:

- training and development
- involving employees in the running and ownership of the business, and designing rewards to match
- hiring outside help
- working in partnership with customers, suppliers or peers
- improving management.

Individuals too have a major role in ensuring they measure up to the changing opportunities of the workplace.

Skills can be enhanced in many ways, including . . .

22.4 The next section of this chapter shows, through examples, how both organisations and individuals can take responsibility for improving their performance by developing skills and using them to their full potential. Research findings are also given to act as benchmarks. And the Chapter looks at the challenge of raising management capability to match today's and tomorrow's business needs.

. . . training and development . . .

22.5 Among larger firms, spending on training continues to rise, particularly in manufacturing[3].

22.6 Among medium-sized businesses, "people development and training" is rated second only to customer service as a key to success (Chart 22.1) and the quality and capabilities of people account for two of the top three constraints (Chart 22.2). Two in five believe it is their weakest discipline, and one in five admit doing a poor job of it themselves[4].

22.7 Most small business owners regard training of themselves and their staff as important to the success of their business. The most successful SMEs provide much more training than average. But it can be harder for small firms to develop their people, and only around a third of them carry out any training[5].

Training people to enhance growth

Investing in people as well as plant and equipment

Photo

Investors in People

Investing in skills development

A winning company in today's fiercely competitive markets knows it must harness all available resources effectively. A skilled and adaptable workforce is vital. (See Chapter 4 for the Investors track record on commitments and recognitions.)

Investors in people...

The Payoff

Employers report a number of benefits of Investors in People to business performance, including improvements in sales, exports and productivity. Among business practices, they cite better communication, more focused management and enhanced people management skills.

Honing business skills among professionals

Training and new technology

Merging cultures

... involvement and reward ...

22.8 World class firms seek to involve the workforce as far as possible in the business. Involvement can take many forms, including financial participation, quality management, individual development plans, and consultation and communication schemes. The most effective arrangements are those tailored to the needs of the organisation and its workforce.

Employee involvement in quality management

22.9 Many successful companies have a flexible approach to pay which rewards excellent performance and encourages people to acquire the right skills for the job and to contribute fully to business objectives. For instance, a recent study on profit-sharing found that the introduction of such schemes is associated with a rise in productivity[7].

22.10 The Government has introduced tax incentives to encourage profit-related pay and employee share schemes. By the third quarter of 1995, there were 10,500 registered profit-related pay schemes covering 2.6 million workers. Well over half of all establishments in the UK now use individual or group-related performance pay schemes.

... harnessing diversity ...

22.11 Many successful companies find that a mixture of age groups, races, religions, gender, educational and social backgrounds in the workplace can enhance organisational performance - if it is carefully managed[8].

22.12 The business case for harnessing diversity is that it helps a firm:

- attract better recruits
- understand the requirements of diverse markets and so develop more appropriate products and market them more

effectively

- develop a culture that is more receptive to change and more innovative
- make more effective use of networking.

. . . getting outside help . . .

22.13 Many successful companies work with specialist companies which have leading-edge technologies or services such as advertising, public relations and direct marketing (see Chapter 20), or with financial experts.

22.14 They may also hire specialists to help them manage change, particularly in developing personnel strategies.

Selecting team leaders as agents of change

Outsourcing

. . collaboration on improving skills . . .

22.15 Many successful firms work closely with their trading partners to meet the needs of the ultimate customer by improving quality of service and reducing timescales and costs.

Performance improvements in the supply chain

Profiting from experiences across the supply chain

Management

In any organisation, it is not only people entitled "manager" or "supervisor" who have management responsibilities. The Labour Force Survey[9] shows that between two and three million people in the UK are in management. By December 1995, nearly 15,000 management NVQs had been awarded and over 56,000 registrations recorded.[10] There have also been significant increases in both full and part-time post-graduate degrees such as MBAs.

Help with management development

Directors and senior managers

Managing finance . . .

. . . with help from Business Links

. . . and sustained effort by individuals.

22.16 Individuals benefit from taking responsibility for their own lifetime learning. This is not easy, even where a firm is supportive. But it is becoming more common (see Chapter 4).

Self development

Competitive performance depends on constant measurement to guide improvements.

22.17 Organisations benchmark their performance against others in order to help determine their business strategy (see Chapter 19).

22.18 Traditionally, shareholders relied on a firm's accounts. Now companies are adding measures which show:

- how their customers rate them
- which business processes add most value
- how well the firm sustains innovation, change and improvement.

This combined approach to performance measurement is known as the Balanced Scorecard[12].

22.19 Balancing performance measures helps ensure that all business objectives - financial, human, technological - remain aligned. British Airways used the approach to change the focus of the company and address the longer-term aims of sustained competitiveness and profitability. NatWest Bank use it as the basis for local performance measurement and reward, and to support decision-taking by making explicit the trade-off between conflicting priorities.

Help is at hand.



22.20 The business benefits of developing people are numerous. But the process can be tough - especially for smaller firms - and appropriate support makes all the difference. A wide range of assistance is available through Business Links and TECs to improve the strategic use of people. Further details are at Annex A.

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- 1 *Competitiveness - How the Best UK Companies are Winning* [CBI and DTI] (1994) [Back](#)
 - 2 *Manufacturing Winners: Creating a world class manufacturing base in the UK* [DTI/ED/TEC National Council] (1995) [Back](#)
 - 3 *CBI/NatWest Innovation trends survey* [CBI and NatWest Technology Unit] (1995) [Back](#)
 - 4 *The Keys to Business Success* [MORI and SGS Yarsley International Certification Services Ltd.] (1995) [Back](#)
 - 5 *Bridging the Skills Gap* [Barclays Bank plc] (1994) [Back](#)
 - 6 *National Training Awards Winners Report* [DfEE] (1995) [Back](#)
 - 6 *National Training Awards Winners Report* [DfEE] (1995) [Back](#)
 - 6 *National Training Awards Winners Report* [DfEE] (1995) [Back](#)
 - 6 *National Training Awards Winners Report* [DfEE] (1995) [Back](#)
 - 7 *Employment Outlook* [OECD] (July 1995) [Back](#)
 - 8 *P. Iles and E. Wilson The Business Benefits of Diversity* [Liverpool John Moores University] (February 1996) [Back](#)
 - 9 *Labour Force Survey* [ONS] (1996) [Back](#)
 - 10 *Labour Market Quarterly Report* [DfEE] (February 1996) [Back](#)
 - 11 *Management Training for Growth SMEs* [Segal Quince Wicksteed Ltd. and DTI] (September 1995) [Back](#)
 - 12 *Performance Measurement Workshop* [FM&I] (November 1995) [Back](#)
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comments

Next Steps

1. This is the third Competitiveness White Paper. The White Papers provide comprehensive annual reports covering the factors that influence our economic performance. They set out new policies, give an audit of past Government proposals to improve competitiveness and make comparisons with other countries. The next White Paper will do the same.
2. Amongst the determinants of national competitiveness, a stable macroeconomy is often given priority. The success of the Government's policies in curbing inflation while encouraging steady growth can be seen in the progress reported in all three White Papers.
3. All our major competitors recognise that people and their development are at the heart of a competitive and enterprising economy. This is why the White Papers have placed strong emphasis on education and training, management, science and technology and innovation. There are good grounds for optimism, with recent improvement likely to be sustained by the policies set out in successive White Papers.
4. Improving competitiveness for a nation is a long haul. What has been achieved so far has been good, but not yet enough to take us to the levels of the best.
5. There is therefore more to be done. That is why the Government remains committed to enhancing our standard of living through improved competitiveness. It will continue to analyse our performance, to disseminate the results of that analysis and to promote policies that address all the factors of competitiveness, in partnership with business. That work is increasingly done through the Government Offices in England, the Scottish, Welsh and Northern Ireland offices, and through sectoral sponsorship activities throughout Government.

comments

Welcome to Business Link

National Telephone Number: 0345 567765*

Personal Business Advisers

PBAs are at the core of Business Link services. They understand the nature of business problems; know what services are available; and can assemble a package of assistance that meets the need of the individual customer. They work with the team of specialist counsellors highlighted below, to provide and arrange services to companies with growth potential.

Information Services

- Help desk service - providing information about partnership services, other regional services, local services and contacts relevant to business.
- Business information service - offering access to desk research and business intelligence services; information on intellectual property, copyright and data protection law.
- Access to a business library.

Assisted diagnostic and consultancy

- Full diagnostic service
- Benchmarking against competitors
- Subsidised bespoke strategic consultancy

Financial Services

- Information on financial issues
- Financial advice and packages
- Financial administration skills development
- Financial healthchecks

International Trade Services

Services of an Export Development Counsellor available

Designed to enable firms to compete more effectively in both national and international markets. These services help firms develop and implement business plans and marketing strategies for the home and overseas markets, including access to commercial services in Foreign and Commonwealth Office posts overseas.

Marketing

- Help businesses to:
- understand the markets they operate in
- organise their strategic response
- implement marketing strategies and plans
- Subsidised consultancy

Innovation and Technology Services

Services of an Innovation and Technology Counsellor

- Help firms identify and take action on their technological needs
- Access to technological information
- Access to national and international centres of expertise
- Information and access to relevant grants and programmes
- Subsidised first use of appropriate technology services
- Subsidised consultancy

Business to Business Support

Facilitating:

- Peer knowledge exchange
- Business clubs
- Networks
- Inter-company visits
- Access to Regional Supply Office

Design Services

Services of a Design Counsellor

- Design audits
- Advice on design services
- Advice on the preparation of design briefs
- Subsidised first use of appropriate design services
- Subsidised consultancy and project management

Management Development and Training

- Help to improve management skills
- Human resource development
- Mentoring

Start-ups and Micro Businesses

- Subsidised consultancy and project management
- Information and access to appropriate grants
- Information
- Business Counselling
- Skills training

* For England only. Calls charged at local rate.

comments

Annex B

Sponsorship by Government Departments

This annex lists in full those sectors of industry sponsored by Government, with a contact name and telephone number for each sector.

The following broad sectors are covered:

Aerospace and defence
Agriculture and food
Broadcasting
Business and consumer services
Chemicals and biotechnology
Clothing and clothing materials
Construction
Education
Energy
Environmental
Finance
Health
Household
IT, electronics, electric and mechanical
Leisure
Marine
Metals
Minerals
Paper and publishing
Police and security
Space
Telecommunications
Tourism and the arts

Training

Transport

Vehicles

Broad sectors are arranged alphabetically, with sub-sectors also arranged alphabetically within the broad sectors.

The Departments listed here are responsible for assessing and understanding the strengths, weaknesses, and competitive position of each industry, and the other elements of sponsorship described in paragraph 16.1. The contacts listed will not normally be the first point of contact for an individual firm seeking help to improve its performance, however. Such help is available from the nearest Business Link in England on 0345 567765, Business Shops in Scotland and Business Connect in Wales.

Aerospace and Defence Industries

SECTOR	DEPT	CONTACT
Aero-engines, aerostructures and small aircraft	DTI	Peter Lambert - 0171 215 1128 or 1186
Air traffic control equipment	DTI	Bob Insley - 0171 215 1165 or 1131
Civil aircraft	DTI	Robert West - 0171 215 1166 or 1133
Competitiveness and supply chain issues	DTI	Paul Davies - 0171 215 1228
Helicopters, aviation equipment	DTI	Bob Insley - 0171 215 1165 or 1131
Market assessment of large civil aircraft, and associated aeroengines	DTI	Phil Davies - 0171 215 1114 or 1174
Market assessment of small civil aircraft, helicopters and associated engines	DTI	Robert Waters - 0171 215 1173
Military Fixed Wing Aircraft	DTI	David Masimo - 0171 215 1126
Navigational equipment	DTI	Jo Watsham - 0171 215 1902
Research and Demonstration Support for Civil Aircraft including Airframes, Helicopters, Aeroengines, Components and Avionics	DTI	Gurmukh Singh - 0171 215 1156 or 1137

Agriculture and food

SECTOR	DEPT	CONTACT
Agriculture (including horticulture and non-food products)	MAFF	Ray Alderton - 0171 270
Fishing	MAFF	Andrew Kuyk - 0171 238 5893
Food and drink manufacturing and processing	MAFF	Richard Melville - 0171 270 8519
Forest products and timber	DTI	David Yuill - 0171 215 1897
Plant breeding and seeds	MAFF	David Boreham - 01223 277151
Restaurants and catering establishments	MAFF	Richard Melville - 0171 270 8519
Veterinary services	MAFF	Fred Landeg - 0181 330 8045
Wholesale and retail distribution of food, drink, flowers and plants	MAFF	Richard Melville - 0171 270 8519

Broadcasting

SECTOR	DEPT	CONTACT
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Broadcasting equipment
Broadcasting services

DTI Beccy Cooper - 0171 215 1772
DNH Nicholas Kroll - 0171 211 6463

Business and Consumer Services

SECTOR	DEPT	CONTACT
Accountancy	DTI	Stephen Whittington - 0171 215 0217
Advertising	DTI	Max Holden - 0171 215 1781
Art and antiques trade	DTI	Andrew Adams - 0171 215 4168
Auctioneering and auction houses	DTI	Andrew Adams - 0171 215 4168
Business support services (contract cleaning etc)	DTI	John Carleton - 0171 215 1079
Design	DTI	Leslie Finch - 0171 215 3855
Distribution	DTI	Jill Osmond - 0171 215 1561
Domestic services	DTI	John Carleton - 0171 215 1079
Dry cleaning and laundrettes	DTI	Mike Smith - 0171 215 1541
Estate agents	DTI	Mike Smith - 0171 215 1541
Exhibitions industry	DTI	John Carleton - 0171 215 1079
Funeral services	DTI	Mike Smith - 0171 215 1541
Hairdressing	DTI	Mike Smith - 0171 215 1541
Legal services	LCD	Robert Wright - 0171 210 8810
Management consultancy	DTI	Tim Simons - 0171 215 1570
Market research	DTI	Max Holden - 0171 215 1781
Photographic services	DTI	Mike Smith - 0171 215 1541
Printing	DTI	David Yuill - 0171 215 1897
Private courier and postal services	DTI	Liz Santry - 0171 215 1793
Public domestic postal services	DTI	Mike Whitehead - 0171 215 1775
Public relations	DTI	Max Holden - 0171 215 1781
Removals	DTI	Jill Osmond - 0171 215 1561
Retailing	DTI	Mike Smith - 0171 215 1541
Textile services (including fabric care, rental/laundries)linen	DTI	Emrys Wilson - 0171 215 5864

Chemicals and Biotechnology

SECTOR	DEPT	CONTACT
Analytical services	DTI	Daniel Crimmen - 0171 215 1218
Biotechnology	DTI	Colin Bailey - 0171 215 2914
Chemicals	DTI	Anthony Metcalfe - 0171 215 1893
Explosives (civil)	DTI	Lynne Kilpatrick - 0171 215 1213
Food and agricultural chemicals	DTI	Ian Lawrence - 0171 215 4119
Man-made fibres (incorporating synthetic fibres)	DTI	Lynne Kilpatrick - 0171 215 1213
Materials	DTI	David Friday - 0171 215 1475
Plastics, rubber, paints and dyes	DTI	Vicky Dumsday - 0171 215 1104
Soaps and detergents	DTI	Neil Harvey - 0171 215 1894
	DTI	

Clothing and Clothing Materials

SECTOR	DEPT	CONTACT
Footwear	DTI	Robert Faull - 0171 215 2994
Leather	DTI	David Yuill - 0171 215 1897
Leather goods/luggage	DTI	Andrew Adams - 0171 215 4168
Safety clothing	DTI	Jane Hilbert - 0171 215 1296
Textiles and clothing	DTI	Emrys Wilson - 0171 215 5864

Construction

SECTOR	DEPT	CONTACT
Architectural services	DOE	Jeff Channing - 0171 276 6086
Civil engineering	DOE	Jeff Channing - 0171 276 6086
Commercial property	DOE	Martin Leigh-Pollitt - 0171 276 3880
Construction equipment	DTI	Valerie Allcock - 0171 215 1516
Construction minerals	DOE	Richard Wood - 0171 276 6734
Constructional steel - manufacture	DTI	DTI Gerry Miles - 0171 215 1474
Constructional steel - application	DOE	Richard Wood - 0171 276 6734
Demolition	DOE	Jeff Channing - 0171 276 6086
Energy efficiency services	DOE	Gill Hackman - 0171 276 0519
Engineering construction	DTI	Richard Riley - 0171 215 1616
Housebuilding	DOE	Jeff Channing - 0171 276 6086
Non-engineering building materials	DOE	Richard Wood - 0171 276 6734
Process plant construction	DTI	Richard Riley - 0171 215 1616
Quarrying (construction aggregates)	DOE	Richard Wood - 0171 276 6734
Refrigeration, air conditioning, ventilation and heating equipment	DTI	Peter Cooper - 0171 215 1545

Education

SECTOR	DEPT	CONTACT
Educational equipment	DfEE	Andrew Bidewell - 0171 273 5345
Educational services	DfEE	Andrew Bidewell - 0171 273 5345

Energy

SECTOR	DEPT	CONTACT
Coal mining	DTI	Mark Bebgie - 0171 215 5592
Electricity supply	DTI	Jill Govier - 0171 215 2766
Gas production, transmission, distribution	DTI	David Winslade - 0171 215 5164
Mining machinery and equipment	DTI	Joy Upson - 0171 215 5805
Nuclear power	DTI	Jerry Crowe - 0171 215 2738
Oil and gas supplies (up and downstream)	DTI	Jim Drummond - 0141 228 3664
Oil production	DTI	Keith Welford - 0171 215 5032

Oil refining	DTI	John Feltham - 0171 215 5119
Power generation equipment and machinery	DTI	Steve Carpenter - 0171 215 1053
Renewable energies	DTI	Neil Hornsby - 0171 215 2651

Environmental

SECTOR	DEPT	CONTACT
Recycling services, equipment and technology	DTI	Chris Tollady - 0171 215 5822
Waste management services, equipment and technology	DTI	Des Langford - 0171 215 2966
Water and sewage services (including construction and treatment)	DOE	Neil Williams - 0171 276 8617

Finance

SECTOR	DEPT	CONTACT
Baltic Exchange	DOT	Tim Wellburn - 0171 276 5935
Banks, building societies, friendly societies and industrial and provident societies	HMT	Judith Simpson - 0171 270 4750
Financial markets, including securities markets, commodity traders, money markets, independent financial advisers and derivatives	HMT	Judith Simpson - 0171 270 4750
Insurance companies	DTI	Margaret Lovett - 0171 215 0197
Insurance intermediaries	DTI	Anita Wright - 0171 215 0204
Other financial services, including fund managers, collective investment schemes, stockbrokers and independent financial advisers	HMT	Judith Simpson - 0171 270 4750
Pension funds	HMT	Judith Simpson - 0171 270 4750

Health

SECTOR	DEPT	CONTACT
Healthcare	DH	John Middleton - 0171 210 5356
Healthcare medical systems industry and services (except electronic medical equipment which is sponsored by DTI)	DH	John Middleton - 0171 210 5356
Pharmaceuticals	DH	John Middleton - 0171 210 5356

Household

SECTOR	DEPT	CONTACT
Carpets	DTI	Gemma Hawes - 0171 215 1208
China and pottery tableware	DTI	Andrew Adams - 0171 215 4168
Cosmetics and toiletries	DTI	Andrew Adams - 0171 215 4168
Cutlery and silverware	DTI	Dorothy McBeath - 0171 215 1639
Domestic electrical and gas appliances	DTI	Andrew Demosthenous - 0171 215 1898
Furniture and beds	DTI	David Yuill - 0171 215 1897

Glass tableware	DTI	Andrew Adams - 0171 215 4168
Hardware and housewares	DTI	David Yuill - 0171 215 1897

comments

Annex C

This table records progress made on the commitments and plans undertaken by the Government in the 1994 and 1995 Competitiveness White Papers. The left hand column lists the initiatives, including paragraph references to the relevant White Paper[1]. The right hand column indicates progress against these. The right hand column also shows new commitments contained in this White Paper.

CHAPTER 1 - THE WORLD ECONOMY AND THE UK POSITION

CHAPTER 2 - ECONOMIC POLICY AND PERFORMANCE

CHAPTER 3 - ENTERPRISE AND SMALL FIRMS

CHAPTER 4 - LEARNING AND SKILLS

CHAPTER 5 - EMPLOYMENT

CHAPTER 6 - TRANSPORT

CHAPTER 7 - THE ENVIRONMENT

CHAPTER 8 - THE INFORMATION SOCIETY

CHAPTER 9 - IMPROVING THE COMMERCIAL FRAMEWORK FEWER, BETTER, SIMPLER

CHAPTER 10 - FINANCE

CHAPTER 11 - FAIR AND OPEN MARKETS

CHAPTER 12 - SCIENCE, ENGINEERING AND TECHNOLOGY

CHAPTER 13 - WORLD CLASS PUBLIC SERVICES

CHAPTER 15 - LOCAL AND REGIONAL PARTNERSHIP

CHAPTER 16 - SECTORAL PARTNERSHIP

CHAPTER 17 - PARTNERSHIP WITH INWARD INVESTORS

CHAPTER 18 - STRENGTHENING PARTNERSHIP

CHAPTER 19 - BECOMING WORLD CLASS

CHAPTER 20 - INNOVATION

CHAPTER 21 - EXPORTING AND OUTWARD INVESTMENT

CHAPTER 22 - PEOPLE

CHAPTER 1 - THE WORLD ECONOMY AND THE UK POSITION

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP1 Para 11.3 - Substantial improvements to London's transport infrastructure.

PROGRESS/NEW INITIATIVES/FURTHER ACTION

Red routes being implemented; full network to be operational by year 2000.

	First rail franchises awarded December 1995; commenced operation in February 1996.
	Private Finance instrumental in Heathrow Express (for completion in June 1998), Channel Tunnel Rail Link (promoters appointed February 1996); Jubilee Line Extension (completion in the spring of 1998); Northern Line trains (first in service by end of 1996); and Docklands Light Railway (extension opening in 1999).
CWP1 Para 11.3 - Promotion of investment in London's skill-base.	PFI also being used for three London Underground projects on electricity generation, ticketing and communication systems.
CWP1 Para 11.3 - Development of plans for a pan-London Business Link.	Since September 1995, Modern Apprenticeships and Accelerated Modern Apprentice- ships have been available across London in a wide range of industrial sectors.
CWP1 Para 11.3 - Encouragement of the re-use of urban land and buildings in London.	Business Link London opened for commercial trials in July 1995. Local hub operations followed from September onwards.
	Forty-eight round one SRB Challenge Fund partnerships now underway. Forty-one successful round two bids announced in December 1995. Responses to draft Strategic Guidance for London Planning Authorities (issued in March 1995), and Strategic Planning Guidance for the River Thames published in the spring of 1996.
CWP1 Para 11.3 - Initiation of a wide range of measures to improve the quality of life in London.	Government Office for London is pursuing with partners a major exercise to promote good environmental practice.
	Government Office for London is establishing networks of city walks and cycle routes; has promoted, with London First, measures to improve air quality; completed a study into tree planting on major transport corridors - now being taken forward with the Countryside Commission and Highways Agency. Working with the Association of London, Government in development of a local Agenda 21 for London, to be launched in November.
CWP1 Para 11.3 - Publication of a London Pride Prospectus.	Prospectus launched January 1995. The London Pride partners published in May 1996 their first annual report recording progress on key objectives in the Prospectus.
	Since February 1996 London Pride meets regularly with London Ministers (Joint London Advisory Panel) to take forward strategic and competitiveness issues in London.
CWP2 Box below Para 5.35 - The Government Office for London will work with the Sports Council, local authorities and others to support and enhance London's international reputation as a sports venue.	Government Office for London has facilitated a pan-London forum for the strategic promotion of sport. Worked with London Pride to establish a successor body (London Sport) to the London Council for Sport and Recreation. Wembley Stadium was shortlisted as one of two contenders for the National Sports Stadium. 15.3 million to regenerate the area around Wembley.
CWP2 box below Para 5.35 - Action plan on manufacturing will be taken forward by manufacturers in partnership with Government and local business organisations.	Consultation with manufacturers led to a report, published in August 1995. A London Manufacturing Conference was held in February 1996 and agreed to encourage technology parks across London. Sub-regional manufacturing groups led by manufacturers are taking forward local initiatives.

CHAPTER 2 - ECONOMIC POLICY AND PERFORMANCE

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP1 Para 10.58 - More customers to be able to choose supplier of electricity.

CWP1 Para 10.61 - Consultation on changes to the electricity pool.

CWP1 Para 10.62 - Review of price controls on electricity distribution throughout Great Britain.

CWP1 Para 10.63 - Support the European Commission's efforts to increase competition in electricity supply throughout the EU.

CWP1 Para 10.63 - Support European Commission in addressing anti-competitive practices in electricity supply.

CWP2 Para 14.34 - The Government is committed to opening up the domestic market for dealing with nuclear liabilities.

CWP2 Para 14.24 - Competition in gas supply to be phased in between 1996 and 1998.

CWP1 Para 10.68 - Gas pipeline from mainland to Northern Ireland.

CWP2 Box below Para 14.25 - DTI has asked an industry-wide steering group to report on access to offshore infrastructure. DTI will consider whether the current regime needs to be amended.

PROGRESS/NEW INITIATIVES/FURTHER ACTION

The Director General of Electricity Supply has appointed project managers to assist in preparations to enable all customers to choose their supplier from 1 April 1998. Electricity companies, individually, and together through the Electricity Pool, are working on the necessary market trading systems.

Director General for Electricity Supply considers that there is no case for trading outside the pool at present. Changes are being prepared within the pool and further developments are likely to result from the introduction of full competition in 1998.

Review completed and recommendations accepted in England and Wales. Price controls tightened from April 1995, and further tightened from April 1996.

Scottish Power accepted revised price controls from April 1995 but Scottish Hydro-Electric did not. The issue was referred to the MMC, which investigated HE's price controls and reported in May 1995. Subsequently, OFFER amended HE's price controls in accordance with the MMC recommendations.

Northern Ireland - work is progressing on the initial price review which is due to come into operation in April 1997. Director General aims to publish, in mid-1996, definitive proposals for a wholesale electricity trading system.

Negotiations continue on Commission's proposal to liberalise EU electricity markets.

In March 1995, the UK intervened in cases brought by the Commission against five Member States in respect of import and export monopolies.

The latest available figures for 1995-96, 35 per cent of expenditure in DRAWMOPS (the Government-funded UKAEA decommissioning programmes) was competitive, almost double the previous year's level. Target is to achieve a level of competitive spend on DRAWMOPS of 60 per cent by 1997-98.

A pilot covering 500,000 customers is in operation in the South West region. It is planned to extend competition to 2 million customers in 1997 and the whole domestic market in 1998.

Premier Transco Ltd will complete pipeline by November 1996 when the first gas will be supplied.

A system of industry self-regulation based on an agreed Code of Practice, took effect from February 1996. It will be reviewed after three years.

CHAPTER 3 - ENTERPRISE AND SMALL FIRMS

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP2 box below Para 3.9 - The Government will invite private sector bodies representing small businesses to organise a conference on small firms.

PROGRESS/NEW INITIATIVES/FURTHER ACTION

The "Your Business Matters" conferences were launched by the Prime Minister on 26 September 1995. The outcomes of 11 regional conferences were presented to the national conference on 11 March 1996 at the QEII centre.

The conferences were organised by the IoD, the Federation of Small Businesses, the Forum of Private Business, the TEC National Council, the Association of British Chambers of Commerce and the CBI. The regional conferences were sponsored by 4 major banks - Barclays, Lloyds, Midland and NatWest.

The Government will consult the organisations involved and, in the light of their views, consider repeating such an exercise in two years' time.

CWP1 Para 9.29 - Government Departments to comply with the CBI prompt payers code; to set out payment policies in their annual reports and state whether CBI code has been observed, and to publicise their arrangements for handling complaints of late payment.

All Departments had signed up to the CBI prompt payment code by March 1996. The payment performance of Government Departments will be measured on a new consistent basis from June 1996, with the first three months' results published in the autumn of 1996.

CWP3 Para 3.14 - The Audit Commission aims to publish local authority payment performance measures by the end of 1996. These will be based on voluntary returns which authorities will be asked by the Commission and local authority associations to make. The Commission will then consider whether a statutory performance indicator covering the year 1997-98 is appropriate.

CWP1 Para 9.30 - Work with the business community to develop further proposals for a British standard for prompt payment.

A working group of business representatives chaired by the CBI has developed a draft standard. This was issued by BSI for public comment in November 1995 and comments are now being considered.

CWP1 Para 9.30 - Public companies to be required to state their payment policies in their directors' reports.

Draft regulations came into force on 2 February 1996. The requirement applies to directors' reports for financial years ending after 24 March 1996. The DTI will issue a consultation paper in June 1996 on whether PLCs should also be required to publish their payment performance.

CWP1 Para 9.30 - Streamlining of court procedures and a review of the small claims limit.

Changes being considered to court procedures. The Lord Chancellor is reviewing the role of Civil Enforcement Agents. As part of this review the Government aims to improve the information provided to creditors by county courts, to reduce the administrative burden on sheriffs, and to enable those with debts over 1,000 to request enforcement by the sheriffs. The small claims limit was raised to 3,000 from January 1996.

CWP1 Para 9.31 - Government to keep the position on late payment under review.

The Government has reviewed the case for legislation to introduce a statutory right to interest. In the light of responses to consultation, it has decided against such legislation.

CWP3 Para 3.21 - The Government is considering whether there are ways of reducing the rates burden on small firms which would not create indefensible anomalies or lead to unacceptable increases in bills for other taxpayers. The Government will also discuss the workings of the rating system further with business organisations, the Royal Institution of Chartered Surveyors and others, taking particular account of the concerns expressed about complexity and about the length of the appeals process, with a view to announcing conclusions on possible improvements in the autumn.

CWP3 Para 3.31 - The Government will apply extended rights on enforcement action to food safety, building

regulations and a range of consumer affairs legislation.

CWP3 Para 3.37 - The Government will announce by November 1996 the outcome of its review of the workings of the 1994 regulations on statutory audit, including the possibility of raising the threshold.

CWP3 box after Para 3.43 - The Government will publish for consultation in the summer of 1996 a draft Bill on Industrial Tribunal claims and procedures.

CHAPTER 4 - LEARNING AND SKILLS

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP2 Para 7.5 - The Government will continue to monitor progress against our competitors by participating in the Third International Mathematics and Science Study, participating in the International Literacy Survey, seeking agreement through OECD on further comparisons of pupils' achievements, and examining other ways to benchmark ourselves.

CWP2 Para 7.9 - The Government has endorsed NACETT's revised Targets and will work closely with NACETT to promote them, encourage local targets to underpin national ones, work with ITOs developing sector-specific targets and encourage schools, colleges and universities to set their own targets.

CWP1 Para 4.12 - Major reforms to upper secondary education to be introduced in Scotland.

CWP1 Para 4.13 - The value added by each school and college to be reported as soon as reliable measures are available.

CWP1 Para 4.13 - A copy of the updated Parents' Charter to be sent to every household in England and Wales; and to every household in Scotland on request.

CWP2 Box below Para 7.48 - Pilot "Schools on Line" initiative connecting about 50 schools to the Internet launched in March 1995.

CWP2 Box below Para 7.48 - Consultation paper issued in April 1995 seeking views on the value of the Information Superhighway in education.

CWP1 Para 4.18 - The remainder of the Careers Service to be contracted out in England, Scotland and Wales.

PROGRESS/NEW INITIATIVES/FURTHER ACTION

Pilots carried out autumn 1995; steering group (under DfEE Chair) established; main work commenced in the spring of 1996. It is expected that the results of the International Literacy Survey will be published in summer 1997.

Guidance on setting baselines and measurement for the updated Targets was sent to all TECs in October 1995.

Ten ITOs are working with NACETT to set targets under Sector Targets Challenge. Ministers have written to all secondary schools to encourage them to set targets at local level.

Draft frameworks for each specialist subject were issued in August 1995 for consultation. Further key documents will be issued in 1996. The new system will be introduced in 1998-99.

SCAA has commissioned an evaluation of different value added models as a basis of a national scheme. The interim report issued in February 1996. The second stage will report in December 1996 on field trials using volunteer schools and actual data.

Distribution completed. Research into parents' information needs continues

"Schools on Line" links 60 schools to the Internet. Eighteen companies are providing equipment and technical support. The DTI is financing project management, educational advice and evaluation of the project. It is designed to help deliver the National Curriculum, focusing on science and modern foreign languages. The schemes will be assessed by July 1996. Consideration is being given to a follow-up programme.

"Superhighways for Education: The Way Forward" was issued in November 1995. This included 23 pilot projects mainly sponsored by industry to the value of some 9.5 million.

All areas in Wales under contract from April 1995. All areas in Scotland will be contracted out from April 1996.

Careers services are being provided under contract in 42 areas of England. A further 24 came on stream in April 1996. One area in London will come under contract later this year - probably from September 1996, and one (comprising the boroughs of Barnet,

	Enfield and Haringey) will be under contract from April 1997.
CWP1 Box after 4.24 - NCVQ working with others to ensure vocational qualifications count in HE and vice versa	NCVQ-UCAS-GATE project in progress. In 1995, over 87 per cent of GNVQ candidates for HE were given offers.
CWP1 Box after 4.24 - Advanced Highers to be available in Scotland.	The new system will be introduced in 1998-99.
CWP1 Para 4.25 - Colleges and Business Links to be strengthened by involvement of TECs.	TECs and colleges now work together in identifying and responding to the needs of employers. In addition to the Competitiveness Fund, developmental funding is available in 1996-97 for TECs and colleges to improve their responsiveness to employers' and individuals' labour market needs. Funding will improve labour market intelligence, promote better links between colleges and employers and make learning and guidance more responsive to customers' needs.
	In Wales all FE colleges have agreed Memoranda of Understanding with TECs, to improve responsiveness to employers' needs.
CWP1 Para 4.27 - Funding for FE sector to be output related.	A proportion of FEFC funding is now output related. Further work on output related funding is being undertaken.
	Progress made in developing links funding and quality in Scottish FE. 1 per cent of college funding targeted on quality improvements in Scotland.
CWP1 Para 4.27 - Regular reports to be issued on the performance of each college.	Taken together with inspections undertaken previously, 208 colleges representing 46 per cent of the sector have now been inspected and reports have been published on each inspection. Five college inspection reports were published in Scotland in 1995. Five quality assessment reports issued in Wales in 1994-95.
CWP1 Para 4.28 - New National Charter for FE to be issued. Each FE college to publish its own charter.	New National Charters are due to be issued in England, Wales and Northern Ireland in 1996.
	All FE colleges in England and Wales have issued individual local charters. Thirty-two Scottish colleges have produced Charters, with the remainder of colleges working towards a Charter. Scottish colleges will be given advice on best practice to enable them to revise local charters. One Scottish college achieved Chartermark status in 1995. All FE colleges in Northern Ireland are to produce their own charters.
CWP1 Para 4.30 - Government, employers, TECs and ITOs progressing the introduction of Modern Apprenticeships.	Fifty-four sectors now have a Modern Apprenticeship Framework in place. The response from employers and young people has been encouraging. There were over 20,000 Modern Apprentices in training by end March 1996. In 1996-97 numbers are expected to be double the figure for the previous year.
CWP2 Boxes below Para 7.50 - Modern apprenticeships to be introduced in Scotland and Northern Ireland in 1995-96.	Modern Apprenticeships introduced in Scotland in 1995-96. Northern Ireland Modern Apprenticeships commenced January 1995 with full introduction in July 1996. At least 21 skill areas will be covered when they are fully introduced.
CWP1 Para 4.31 - Youth Credits to be offered to all 16 and 17 year old school leavers in England and mainland Scotland.	Skillseekers now available in most of Scotland. The Highlands and Islands Enterprise Board is actively working toward introduction in the few remaining areas very shortly.
CWP1 Para 4.34 - A new Charter for HE will be issued in 1995-96.	Charters for England and Wales to be published in the autumn of 1996.
	In Scotland, research is being undertaken on the content,

CWP2 Para 7.31 - The Government will encourage higher education institutions to make available information about the employment of new graduates, by subject.

CWP1 Box after 4.38 A new curriculum and assessment programme for pupils aged 5-14 to be introduced in Scotland.

CWP2 Box below Para 7.50 - Targets will be published in the autumn of 1995 to raise GCSE results in Wales in literacy, numeracy and scientific understanding.

CWP1 Box after 4.38 The Northern Ireland Curriculum is being introduced.

CWP1 Box after 4.40 The National Curriculum is being streamlined.

CWP1 Para 4.40 - Testing is being focused more closely on key skills.

CWP1 Para 4.41 - Development of new vocational qualifications for 14-16 year olds.

CWP1 Para 4.43 - New training scheme for new head teachers.

CWP1 Para 4.44 - Increase in in-service teaching for careers teachers.

CWP1 Para 4.44 - Policy statement and publication of

presentation and impact of local Charters.

The Higher Education Statistics Agency will publish the first sector-wide information about graduates' qualifications and employment destinations in 1996.

Full implementation is expected by 1999.

In November 1995 the Secretary of State for Wales affirmed the unique target for Secondary Schools in Wales that by the year 2000 half of all individual 15 year olds should get an A-C Grade in each GCSE Mathematics, Science, English or Welsh (First Language). He also published a follow up document "A Bright Future - The Way Ahead" which sets out a programme of action to raise school standards.

Amended curriculum to be introduced in September 1996.

Revised National Curriculum introduced in schools in August 1995.

The 1995 National Curriculum assessment results show that:

Over three-quarters of seven year olds reached or exceeded level two (the expected level for a typical pupil of this age) in English, maths and science, with the exception of spelling, where the proportion was nearer two-thirds.

About half of 11 year olds reached or exceeded level four (the level expected for typical 11 year olds) in English and mathematics, with about two-thirds reaching or exceeding this level in science.

Just over half of 14 year olds reached or exceeded level five and between a quarter and a third of pupils reached level six (a typical 14 year old is meant to be on the threshold between these two levels).

115 schools in England began piloting Part One GNVQs in September 1995 in business, health and social care and manufacturing. A further 140 schools will join and three additional subject will be made available from September 1996: art and design, information technology and leisure and tourism.

In Wales a development scheme began in September 1995 with 27 schools. This includes GNVQ Part One and the same range of titles as in England, as well as full GNVQs and GNVQ Units. A further 19 schools will be involved in the second phase of the scheme from September 1996. Evaluation is being undertaken by OHMCI.

"Headlamp" Scheme to fund training for newly promoted heads started in September 1995. Teacher Training Agency now consulting on options for a new National Professional Qualification for aspiring heads. The qualification will be piloted from September 1996.

GEST programme commenced in April 1995 and continues in 1996.

"Better Choices: Putting Principles into Practice", which

revised "Working Together" good practice guidance for careers education and guidance.	illustrates good practice, was published in July 1995.
CWP1 Para 4.45 - All schools to enter into agreements with local career service.	Most schools now have formal service level agreements. The Government is conducting a performance assessment survey to examine quality and look at good practice.
CWP1 Para 4.46 - Government to provide 87 million to improve careers guidance.	The extra resource is coming on stream and is helping to improve careers education and guidance provision. Fifteen year olds are now better prepared for careers interviews, while for 17 year olds there are more individual interviews and group sessions.
	In Wales, funding for the Careers Service was increased by a third in 1995-96 and is to be maintained at that level in 1996-97. This will enable all young people in the 13-14 age group to benefit from three group sessions over the two year period, with 20 per cent of both cohorts having access to individual guidance interviews. Those aged 15 will have a minimum of two group sessions and will be offered an individual interview leading to the production of an action plan. Young people in the first two years of post-compulsory education (in school or college) will receive a guidance interview, leading to an action plan where appropriate, and one group session per year.
CWP2 Box below Para 7.50 - The Scottish Office expects to spend an extra 8.5 million over the next three years on enhanced careers guidance and training.	During 1995-96, increased funding for the careers service led to enhanced staff training. 750,000 is to be made available for the training of careers teachers over the next three years.
CWP2 Box below Para 7.50 - By the summer of 1995, 15 out of 17 areas of Scotland will have new careers service companies.	Careers services in Scotland now deliver business to their client groups under direct contracts between The Scottish Office and careers service companies jointly formed between education authorities and LECs.
CWP1 Para 4.48 - Increase resources for spreading best practice identified through TVEI.	Funding of 2.85 million available for 1996-97 in England. The Scottish Office has allocated additional resources to ensure the assimilation of best TVEI practice. Welsh TECs are building on the work of TVEI using their enhanced education - business funds to sustain links between education and employers.
CWP1 Para 4.48 - TECs to ensure school leavers could have had at least one week's work experience; Government to provide 23 million in period to 1997-98.	5 million was allocated to TECs in 1995-96 covering over 300,000 students; a further 6.5 million was allocated for 1996-97 when 500,000 students are expecting to undertake placements. Guidance has been issued to TECs, GOs and others on planning and organisation of work experience.

Note 1 Commitments reported as completed in the second Competitiveness White Paper have been removed from the table Back

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comments

Glossary

ABCC	Association of British Chambers of Commerce
ACBE	Advisory Committee on Business and the Environment
ADAS	formerly known as Agriculture Development and Advisory Service
AEA	Atomic Energy Authority
AIM	Alternative Investment Market
AIRTO	Association of Independent Research and Technology Organisations
APEC	Asia-Pacific Economic Co-operation
AS	Advanced Supplementary level
ASEM	Asia Europe Meeting
Basic skills	Basic skills are the abilities to read and write, to listen and speak and to undertake simple calculations and measurements
Basic Skills Agency (formerly ALBSU)	This Government-funded agency is the central development agency for basic skills in England and Wales
BBA	British Bankers' Association
BBC	British Broadcasting Corporation
BOTB	British Overseas Trade Board
BSI	British Standards Institution
Business in the Community	A charity established in 1982 to promote business partnerships with local and central Government and match business resources to community needs. It has over 400 member companies and a network of ten regional offices
Business Links	A network of independent local business information and advice centres offering a wide range of services to business, designed to enhance the competitiveness of local companies. They are run by partnerships which include Chambers of Commerce, TECs, Local Authorities, Enterprise Agencies and DTI
CA	Contributions Agency
CAA	Civil Aviation Authority
CAP	Common Agricultural Policy
CASE	Co-operative Awards in Science and Technology Scheme
CBI	Confederation of British Industry
CCAB	Consultative Committee of Accounting Bodies
CCT	Compulsory Competitive Tendering
CCTA	Central Computing and Telecommunications Agency
CCTV	Close circuit television
Career Development Loan	private sector loans to individuals (with Government funded interest 'holiday') to fund training
CNC	Computer Numerical Control
CONTACT	Consortium for Advanced Continuing Education and Training
Core skills	see Key skills
CREST	CREST is a new, paperless settlement system for shares and other securities. It is due to begin in July 1996.
CREST	Scientific and Technical Research Committee (French committee)
CSO	Central Statistical Office (see ONS)
DBFO	Design Build Finance Operate

DERA	(formerly DRA) Defence Evaluation and Research Agency
DENI	Department of Education Northern Ireland
DESO	Defence Exports Services Organisation
DFE	Department for Education (see DfEE)
DfEE	Department for Education and Employment
DGXXIII	Directorate General XXIII of the European Commission, responsible for telecommunications, information market and exploitation of research
DH	Department of Health
DNH	Department of National Heritage
DOE	Department of the Environment
DOT	Department of Transport
Drawmops	Decommissioning and Radioactive Waste Management Programmes
DTI	Department of Trade and Industry
EASDAQ	European Association of Share Dealers - Automated Quotation
ECGD	Export Credits Guarantee Department
ED	Employment Department (see DfEE)
EDI	Electronic Data Interchange
EEA	European Economic Area - a free trade zone covering the countries of the European Union, Iceland, Norway and Liechtenstein
EEF	Engineering Employers' Federation
EFTA	European Free Trade Area - a grouping composed of Iceland, Switzerland, Norway and Liechtenstein
Enterprise Networks	Scottish Enterprise, Highlands and Islands Enterprise (H&IE) and their networks of LECs
ERDF	European Regional Development Fund - an EU Structural Fund which co-finances activities such as infrastructure investment and business support measures
ESI	Electronic Share Information
ESRC	Economic and Social Research Council
EU	European Union, formerly European Community, composed of Austria, Belgium, Denmark, Germany, Greece, Spain, Finland, France, the Republic of Ireland, Italy, Luxembourg, the Netherlands, Portugal, Sweden and the United Kingdom (in the charts, unless otherwise stated, figures for the EU include figures for the UK)
EUREKA	An initiative to encourage and assist market-driven collaborative research and development projects by organisations across Europe. Members include the EU countries, Hungary, Iceland, Norway, Russia, Slovenia, Switzerland, Turkey and the European Commission
Eurostat	Statistical Office of the European Commission
FAS	Funding Agency for Schools
FCO	Foreign and Commonwealth Office
FDI	Foreign direct investment
FE	Further Education (provided mainly by FE, sixth form and some specialist colleges)
FEDA	Further Education Development Agency
FEFC	Further Education Funding Council
FEI	Federation of Electronic Industries
G7 countries	Canada, France, Germany, Italy, Japan, the UK and the United States
GATE	Guaranteed Accommodation and Training for Employment
GATS	General Agreement on Trade in Services

GATT	General Agreement on Tariffs and Trade. Now succeeded by the World Trade Organisation (WTO)
GCE	General Certificate of Education
GCSE	General Certificate of Secondary Education
GDP	Gross Domestic Product - the total value of goods and services produced during a period of time
Germany	Unless stated otherwise, figures in the charts for Germany refer to the territory of the former West Germany before 1990
GEST	Grants for Education, Support and Training
GNVQ	General National Vocational Qualifications (see box below)
Grant maintained (GM) schools	GM schools are self-governing state schools independent of local education authorities and funded through the Funding Agency for Schools (FAS)
GSVQ	General Scottish Vocational Qualifications (see box below)
HE	Higher Education (provided by universities and in some FE colleges)
HEFCs	Higher Education Funding Councils
HEI	Higher Education Institute
HSC	Health and Safety Commission
HMIP	Her Majesty's Inspectorate of Pollution
HMT	Her Majesty's Treasury
IBB	Invest in Britain Bureau
ICCs	Industrial and commercial companies
IIDP	International Investor Development Programme. An Invest In Britain Bureau programme, launched in 1995, which seeks to encourage 1,000 targeted inward investors to expand and develop their investment in the UK
IMF	International Monetary Fund
Information Superhighways	Broadband communication networks capable of transferring large amounts of information quickly, usually in both directions
Initial Education	Compulsory education from nursery provision to age 16
IR	Inland Revenue
ISO 9000	an internationally recognised standard for quality assurance which is a set of requirements for an organisation's critical processes
Internet	A collection of networks linked by a common set of technical protocols which make it possible for users of any one of the networks to communicate with or use the services located on any of the other networks
Intrastat	EU-wide collection of trade statistics
Investors in People	The national quality standard for investment in training and development to achieve business goals
IoD	Institute of Directors
IPC	Integrated Pollution Control
IRTU	Industrial Research and Technology Unit (Northern Ireland)
IT	Information Technology
ITCs	Innovation and Technology Counsellors
ITOs	Industrial Training Organisations. Business-led organisations aiming to improve skills at sectoral level
ITU	International Telecommunications Union
JSA	Job Seeker's Allowance
Key skills	These are applied skills - e.g. in communication, number, information technology,

	working with others, improving own learning, problem solving - which underpin effective performance in work and life. Formerly known as 'core skills'
LCD	Lord Chancellor' s Department
LECs	Local enterprise companies in Scotland which combine business development and training responsibilities and have some functions in common with TECs in England and Wales
LINC	Local Investment Networking Company
LINK	A Government-sponsored scheme that encourages collaboration between industry and the science base in over 30 priority areas of research
MAFF	Ministry of Agriculture, Fisheries and Food
MBA	Master of Business Administration
MCI	Management Charter Initiative - an employer-led organisation which promotes the development of managers and has lead responsibility for developing national standards of performance for managers and supervisors within the NVQ framework
MMC	Monopolies and Mergers Commission
MOD	Ministry of Defence
Modern Apprenticeships	Combining the best features of the apprenticeship tradition with modern learning methods, these are aimed at significantly increasing the number of young people trained to technician, supervisory and equivalent level skills
MTTA	Machine Tool Technologies Association
Multimedia	Multimedia denotes the combination of the different media of voice, text, still and moving pictures. It is also commonly used to describe the convergence between the telecommunication, broadcasting and publishing sectors
NACETT	National Advisory Council for Education and Training Targets
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organisation
National Curriculum	The framework for teaching and learning across a range of subjects and the associated assessment arrangements, laid down by statute for all pupils of compulsory school age (5-16) attending state schools
National Record of Achievement	a summary record of an individual' s achievements, both formal and informal throughout education, training and employment
National Targets	The National Targets for Education and Training set standards for achievement within both foundation and lifelong learning (see box below)
National Training Awards	an annual competition which identifies excellent training leading to business success - winners are publicised as role models for others
NCVQ	National Council for Vocational Qualifications
NEARNET	Networks of local contacts across the UK to enable local sources of innovation support to be brought together in a coherent way
NHS	National Health Service
NICs	National Insurance contributions
NIDevR	Northern Ireland Development Research
NIESR	National Institute for Economic and Social Research
NIHEC	Northern Ireland Higher Education Council
NVQ	National Vocational Qualifications (see box below)
ODA	Overseas Development Administration
OECD	Organisation for Economic Co-operation and Development
OFSTED	Office for Standards in Education
OFFER	Office of Electricity Regulation

OHMCI	Office of HM Chief Inspector of schools
ONS	Office for National Statistics (see CSO)
OPS	Office of Public Service
OST	Office of Science and Technology (now DTI)
OSTEMS	Overseas Science and Technology Expert Mission Scheme
OTIS	Overseas Technology Information Service
OTS	Overseas Trade Services - a joint operation of the DTI and the FCO and the Government' s main deliverer of export promotion services
PFI	Private Finance Initiative - it is designed to encourage private-sector involvement and finance in capital projects
PPP	Purchasing Power Parity - modified exchange rates which adjust for differences in price levels between countries
PSBR	Public Sector Borrowing Requirement
PTP	Postgraduate Training Partnership scheme
PURSUIT	Purchasing and Supply Unified Information Technology
RAE	Research Assessment Exercise
R&D	Research and Development
RDOs	Regional Development Organisations - local authority and private sector partnership bodies that promote inward investment in the English regions
ROPA	Realising our Potential Award scheme
RPI	Retail Prices Index
RSA	Regional Selective Assistance in the assisted areas. A job-related assistance scheme operated under Section 7 of the Industrial Development Act 1982
RSN	Regional Supply Network. Ten offices in England and Wales which have been in operation since April 1995, aiming to put companies in touch with local suppliers. It provides a link between the Government and companies at local level
RTOs	Research and Technology Organisations - private companies that provide research and associated services on behalf of particular groups of companies which use similar technologies or are in the same sector
SAGE	Scottish Action Group for Engineering
SET	Science, Engineering and Technology
SBAC	Society of British Aerospace Companies
SCAA	School Curriculum Assessment Authority
SCOTVEC	Scottish Vocational Education Council
SFLGS	Small Firms Loan Guarantee Scheme
SHEFC	Scottish Higher Education Funding Council
SIC	Standard Industrial Classification
SITPRO	Simpler Trade Procedures Board - a DTI sponsored body which promotes simpler procedures and processes for exporters, e.g. in the area of documentation
SRB	Single Regeneration Budget. Created in 1994, the SRB brought together 20 of the existing regeneration programmes into a single, flexible budget to regenerate local areas in England
SMART	Small Firms Merit Award for Research and Technology: a scheme to support firms with up to 50 employees in highly innovative areas of technology
SMEs	Small and medium-sized enterprises
SMMT	Society of Motor Manufacturers and Traders Ltd
SPUR	Support for Products Under Research: a scheme to help firms with up to 250 employees

	improve product and process development
STEP	The Shell Technology Enterprise Programme
Structural Funds	EU Funds which make grants to a range of economic regeneration measures and projects particularly in specially designated geographical areas
SUPERNET	Services from centres of technological excellence
SVQ	Scottish Vocational Qualifications
TCS	Teaching Company Scheme - places high quality recent graduates with companies to carry out supervised projects to encourage technology transfer
TECs	Training and Enterprise Councils - industry-led bodies that set local strategies for training and economic development in England and Wales
TTA	Teacher Training Agency
TVEI	Technical And Vocational Education Initiative
TWI	The Welding Institute
UCAS	University and Colleges Admissions System
UKAEA	United Kingdom Atomic Energy Authority
UNICE	Union of Industrial and Employers' Confederations of Europe
USBoL	US Bureau of Labor
VAT	Value Added Tax
World Wide Web	A search technique for the Internet which links related information
WTO	World Trade Organisation - inter-governmental body set up as part of the Uruguay Round to administer multi-lateral trade agreements, including GATT
Youth Credits	These have a financial value which can be presented by young people to an employer or training provider in exchange for training

VOCATIONAL QUALIFICATIONS AND THEIR EQUIVALENTS

NATIONAL TARGETS FOR EDUCATION AND TRAINING

"Developing skills for a successful future"

AIM

To improve the UK's international competitiveness by raising standards and attainment levels in education and training to world class levels through ensuring that:

1. All employers invest in employee development to achieve business success.
2. All individuals have access to education and training opportunities, leading to recognised qualifications, which meet their needs and aspirations.
3. All education and training develops self-reliance, flexibility and breadth, in particular through fostering competence in core skills.

Targets for 2000

Foundation Learning

1. By age 19, **85%** of young people to achieve 5 GCSEs at grade C or above, an Intermediate GNVQ or an NVQ level 2.
2. **75%** of young people to achieve level 2 competence in communication, numeracy and IT by age 19; and **35%** to achieve level 3 competence in these core skills by age 21.
3. By age 21, **60%** of young people to achieve 2 GCE A levels, an Advanced GNVQ or an NVQ level 3.

Lifetime Learning

1. **60%** of the workforce to be qualified to NVQ level 3, Advanced GNVQ or 2 GCE A level standard.
 2. **30%** of the workforce to have a vocational, professional, management or academic qualification at NVQ level 4 or above.
 3. **70%** of all organisations employing 200 or more employees, and 35% of those employing 50 or more, to be recognised as Investors in People.
-

Education and Training targets for a competitive scotland

Vision

To make Scotland more competitive through creating and maintaining a world class skills base.

Purpose

Moving towards this vision, through achieving the Targets, will enhance the capability and contribution of all the people of Scotland to improve their living standards and quality of life.

Learning Targets

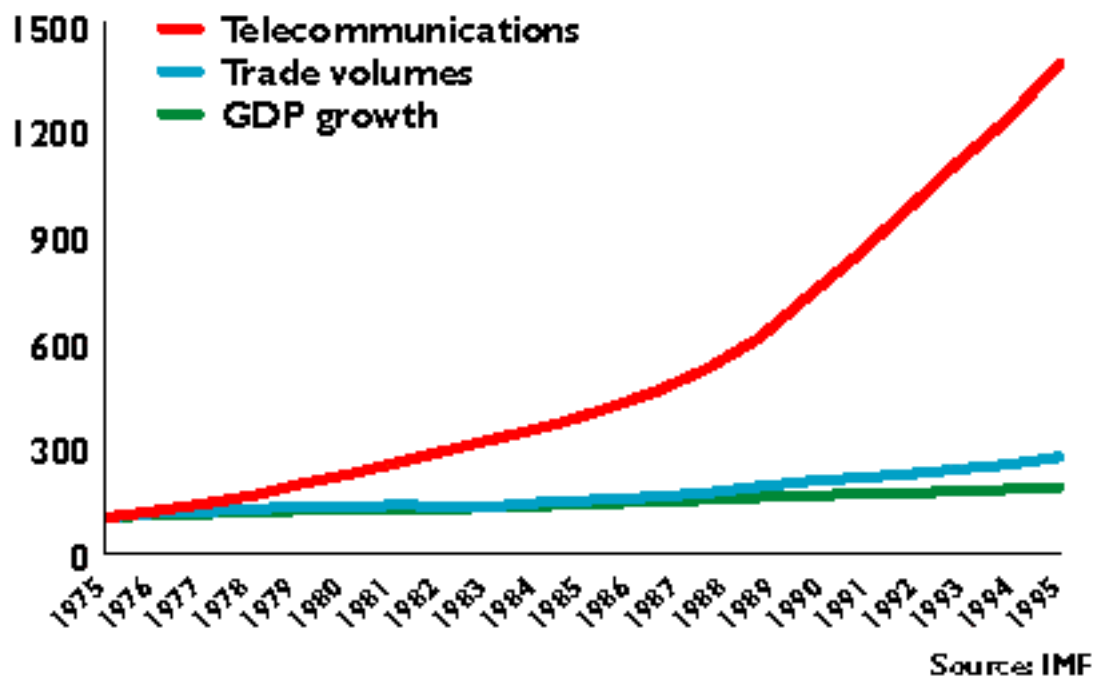
1. All employers to invest in employee training and development to achieve business success.
2. All individuals to have access to education and training opportunities, leading to recognised qualifications, which meet their needs and aspirations.
3. All education and training to develop self reliance, flexibility and breadth, in particular through encouraging citizenship and fostering competence in core skills, and creativity and enterprise.

Targets for 2000

1. By age 19, **85%** of young people to attain SVQ Level II/GSVQ Level II/5 Standard Grades (1-3) or equivalent.
 2. By age 21, **70%** of young people to attain SVQ Level III/GSVQ Level III/3 Highers (A-C) or equivalent.
 3. **60%** of the workforce to be qualified to at least SVQ Level III/GSVQ Level III/3 Highers (A-C) or equivalent.
 4. **30%** of the workforce to have a vocational, professional, management or academic qualification to at least SVQ Level IV or equivalent
 5. **70%** of all organisations employing 200 or more employees, **35%** of those employing 50 or more, and 15% of those employing under 50, to be recognised as Investors in People.
-

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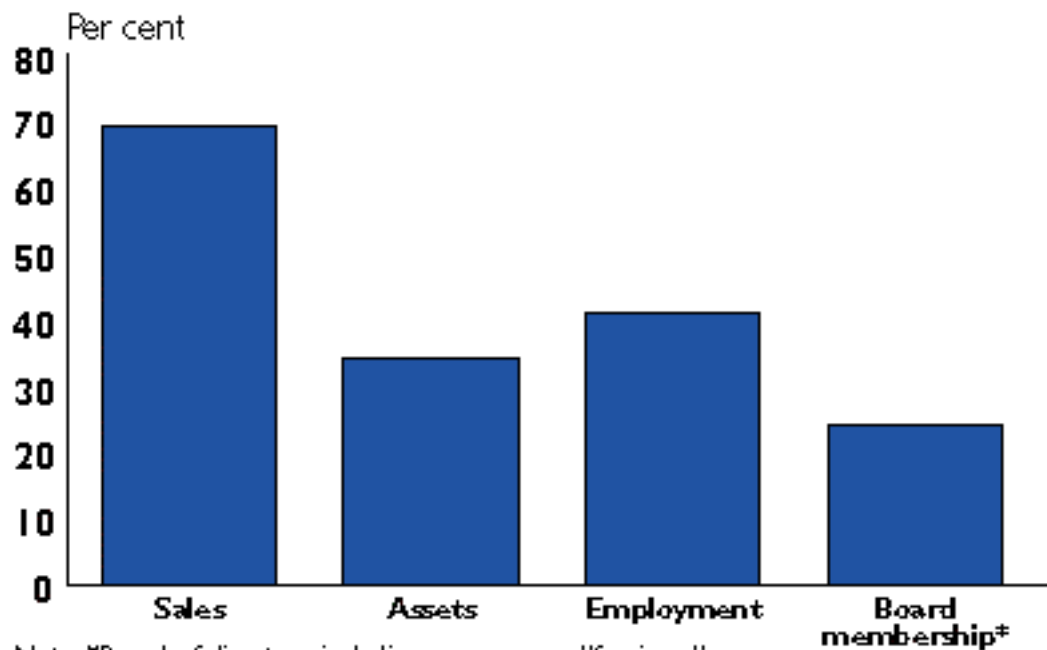
Chart 1.1 Growth of world trade, output and international telecommunications traffic (1975=100)



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Chart 1.2 Proportion of 100 largest non-financial companies in 1990 having one third or more foreign contribution to:

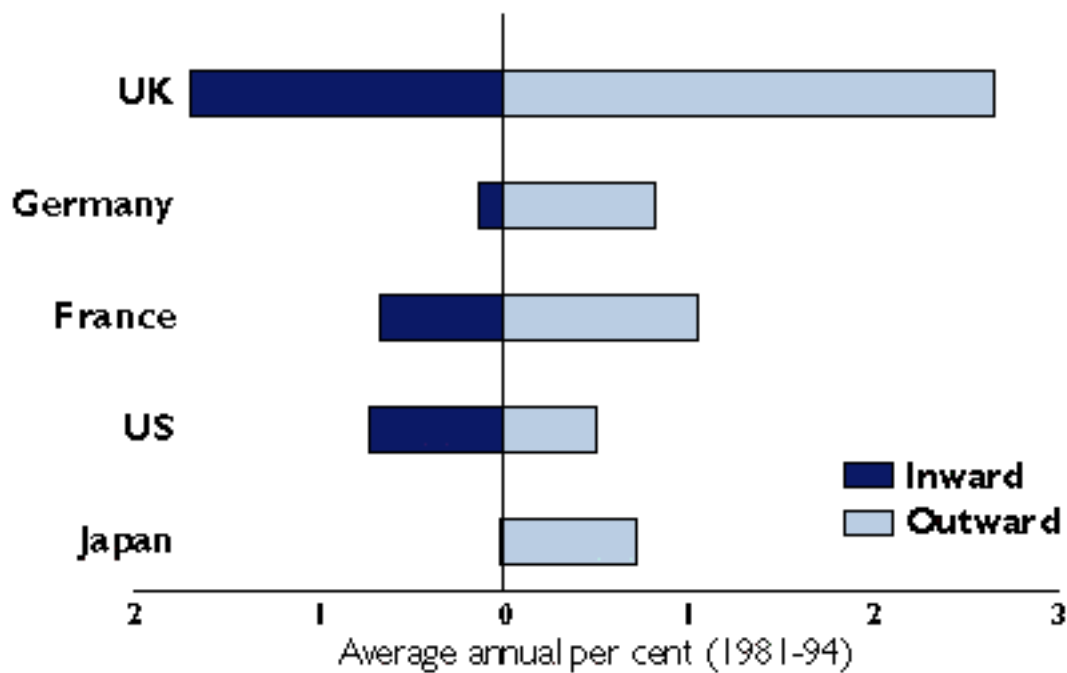


Sources: Ruijsroek & van Tulder, *The Logic of International Restructuring*

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Chart 1.3 Foreign direct investment flows as a proportion of GDP



Note: Unless otherwise specified, figures for Germany refer to the former West Germany up to 1990 and to unified Germany from 1991.

Source: OECD

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National heritage: prosperity and prestige

The UK boasts an extraordinarily rich cultural heritage in its historic buildings, museums and galleries, libraries, the living arts, film, broadcasting and sport. Each makes an important contribution to the quality of life in this country. They provide enjoyment, relaxation and stimulation. They help to create a well-educated and well-informed society with a rich and varied cultural life.

Our artists and sportspeople give a positive image of the UK and promote a sense of national identity and pride which helps sustain an image of the UK which is invaluable in promoting exports. National Lottery awards are helping the arts, sport, heritage, film and tourist industries. The Millennium Fund will enhance the UK's international reputation by delivering great monuments for the future and increasing our stock of world class assets.

Cultural facilities are a direct attraction for visitors to this country and help provide a recognisable focus for our 35 billion tourist industry. They are also influential in attracting inward investment. Businesses are drawn to areas where historic buildings and museums lend a sense of the past, where their employees can go to first class concerts, plays and exhibitions, and where they have access to good sports facilities.

Photo

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London: Europe's world city

London's economy is larger than that of many countries and contributes about 15 per cent of UK GDP. London is a leading international financial and business services centre. Its broad skills base - a sixth of the population are graduates - is underpinned by 22 universities and colleges of higher education. London is a major tourist centre, attracting 20 million visitors a year, including 11 million from abroad. The London economy is very flexible, having diversified rapidly away from manufacturing and into services. Nonetheless, it is still also an important manufacturing centre employing over 300,000 people. London has one of the largest concentrations of scientific and technical personnel in Europe and 46 of the top 50 pharmaceutical companies in the world have a base in London or the South East.

A recent survey of 500 European company executives once again showed London to be the best city in which to locate. Strengths included easy access to markets, the cost and availability of staff, the number of languages spoken, the best telecommunications and availability of office space and the best external transport links. London has over 135 daily direct flights to the world's major economies. 108 of Europe's 500 leading companies are headquartered in London, as are 64 companies in the Fortune 500, second only to Tokyo.

Despite its many strengths, London faces increasing challenges to its position. A competitiveness agenda for London has been proposed in London Pride's Partnership Prospectus. Published in January 1995, this sets out action to promote business growth, raise skills, and improve transport, housing and the environment. The Government is taking forward these proposals with the Partnership.

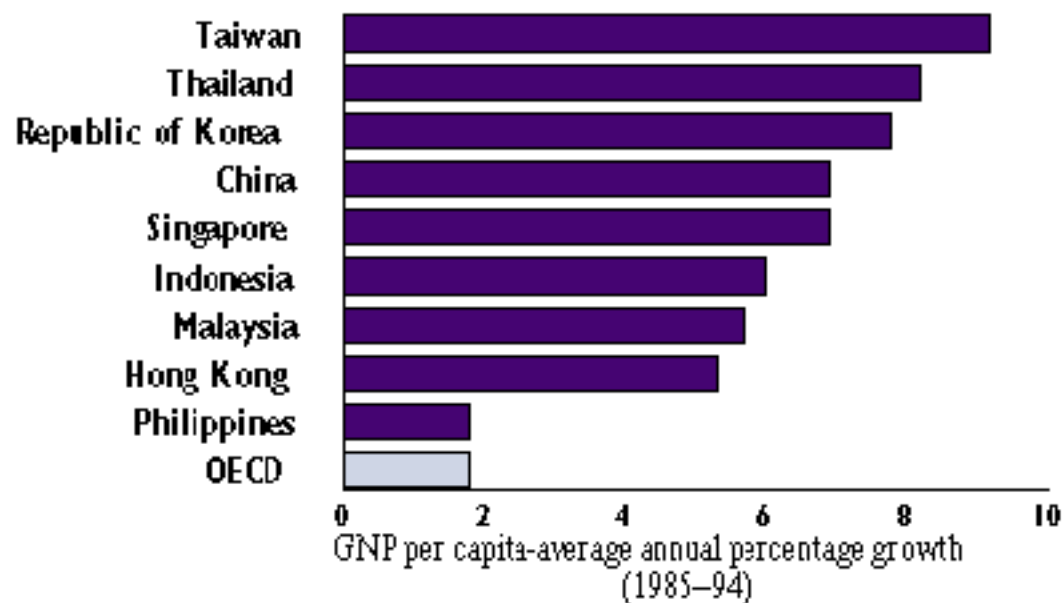
Other steps are being taken to address London's competitiveness:

- Through the new Joint London Advisory Panel, which first met in February, Ministers and leaders from local government, business and the voluntary sector are taking forward strategic issues and competitiveness in London.
- The Government has published a transport strategy for London setting out its plans for the next ten years.
- Through the London First Centre, London is competing more effectively than ever to attract inward investment, particularly corporate HQs and modern service and manufacturing industries. Recent successes include the European headquarters of Samsung and Delta Airlines' European call centre.
- The Department of National Heritage, the British Tourist Authority and the London Tourist Board launched the "London Marque" in January 1996 to improve overseas marketing.
- The Chancellor's City Promotion Panel has been established (see Chapter 10).

Biotechnology: supportive regulation in Europe

World markets for biotechnology products could exceed 70 billion by the year 2000, with excellent prospects for investment and jobs. The sectors with the highest potential for applying biotechnology include some of the UK's most vigorous and successful, including pharmaceuticals and chemicals. Yet Europe as a whole lags well behind the US in the level of biotechnology activity. European regulatory controls have been criticised by some in the industry as being overly bureaucratic and not sufficiently risk-based. The Government is working hard to secure a supportive regulatory framework which safeguards health, safety and the environment, while at the same time allowing the European biotechnology industry to compete with its rivals in North America and the Far East. These efforts have recently borne fruit in the shape of a European Commission proposal to amend the Directive on contained use of genetically modified micro-organisms. The proposal goes a long way towards addressing UK concerns about unnecessary burdens on industry under the existing Directive.

**Chart 1.4 Output growth compared:
East Asia and OECD**

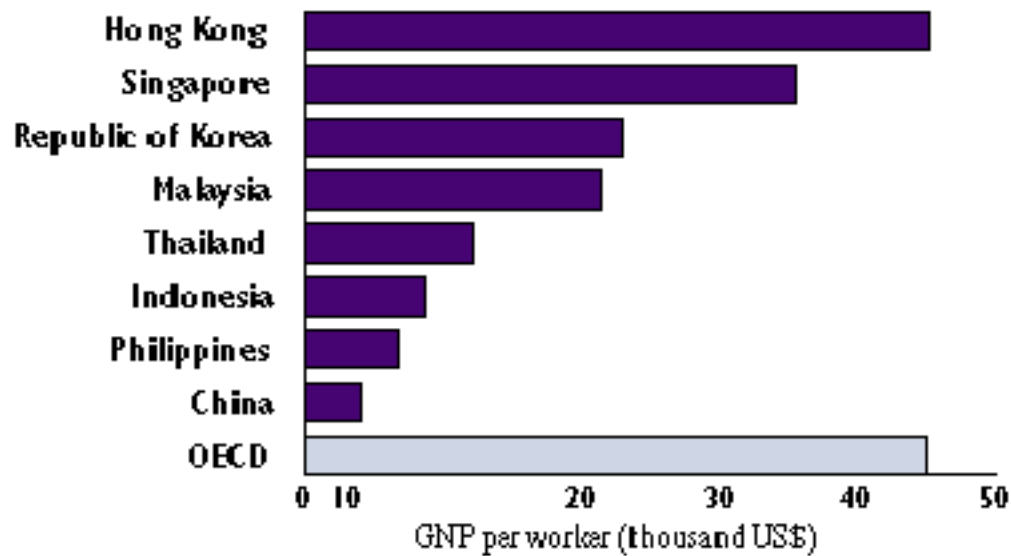


Source: Asian Development Bank, IMF, OECD

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Chart 1.5 Productivity compared: East Asia and OECD (1994)



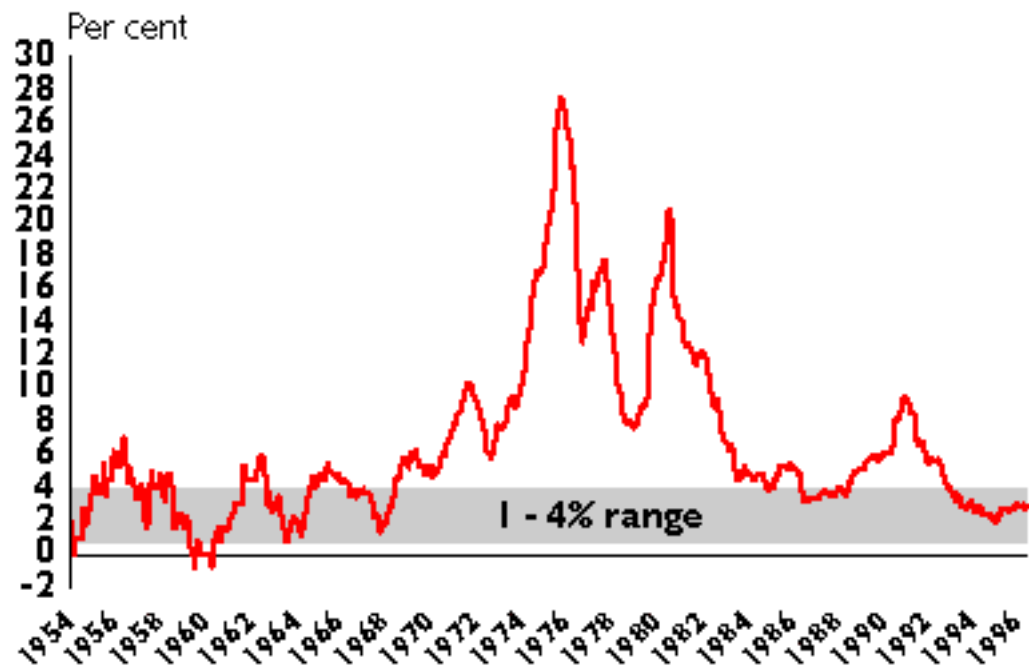
Note: At purchasing power parities.

Source: Asian Development Bank, IMF, OECD

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Chart 2.1 Underlying inflation rate



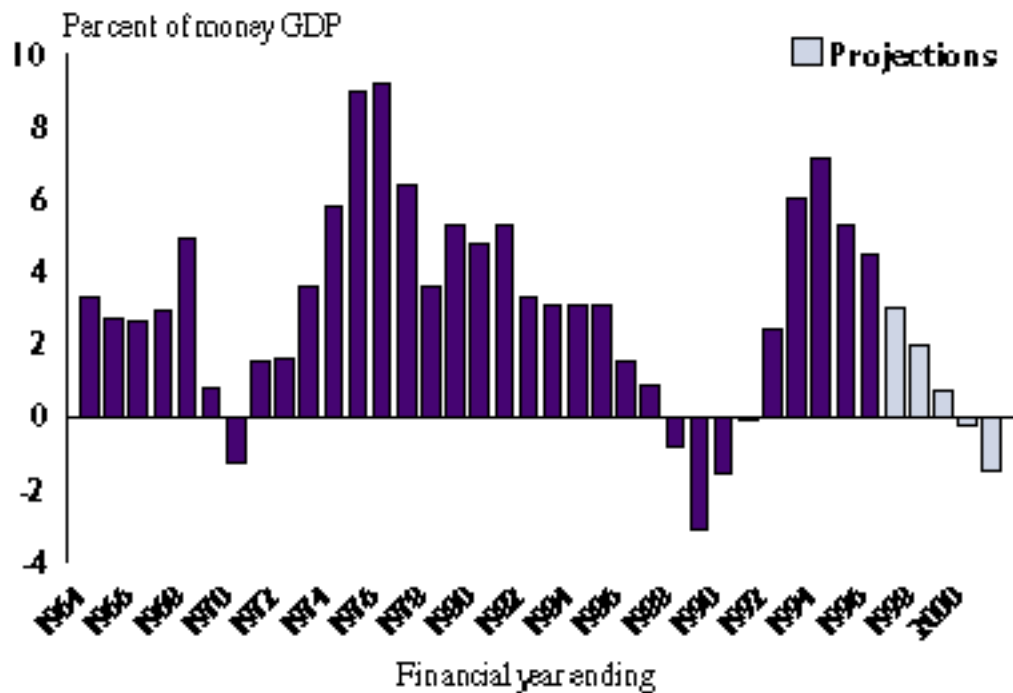
Note: Underlying inflation defined as annual change in RPI excluding mortgage interest payments.

Sources ONS

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Chart 2.2 Public sector borrowing requirement



Note: Negative values indicate a public sector debt repayment.

Source: HM Treasury

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Extending markets and making them work better

Open and competitive markets enhance business efficiency and consumer choice.

Privatisation has transferred 48 major businesses and nearly a million jobs to the private sector, providing huge benefits for consumers in lower prices and better services. Taxpayers have also gained. The nationalised industries cost the taxpayer 50 million a week in 1978-79. Privatised industries now pay around 55 million a week in taxes. The privatisation of nuclear generation will be completed in 1996 and a substantial part of the railways will be transferred into the private sector during the year.

The privatised utilities have secured major improvements in efficiency, prices and quality of service. British Telecom, National Power and PowerGen have doubled or more than doubled their labour productivity since privatisation, helping to bring down prices (Chart 2.3). Price increases have been necessary to finance investment by the water companies, which has more than doubled in real terms. The quality of services is up: over 95 per cent of BT's pay phones work and there are half as many again as at privatisation. Lower prices for gas and electricity have helped UK industry in general compete overseas. Partly driven by liberalisation and privatisation, the UK provides a wide range of internationally tradeable energy products and services, from consultancy and equipment through to engineering development and operations.

Competition and regulation have been vital in this process. Independent regulators for each sector have duties and powers to promote competition where practicable, to ensure the efficient operation of natural monopoly elements, and to protect the interests of consumers. Competition is already in place in telecoms and for medium and large users of gas and electricity. It will be introduced for smaller gas and electricity customers from 1998, with some pilot schemes for smaller gas customers starting in 1996. The Government has published a consultative paper on extending competition in the supply of water and waste water services, in the first instance to larger users.

The flexibility of the UK regulatory system is a major strength:

- Regulators may and do make changes to utilities' licences. For example, they have tightened price caps in periodic reviews (Chart 2.4).
- The structure of industries can be changed following action under the monopoly or merger provisions of general competition law.
- Procedures can also be changed. For example, regulators are improving transparency by increasing public consultation and explaining the basis of their decisions. The involvement of interested parties raises the quality and integrity of decision making.

The fundamental characteristics of the regulatory system - independent regulation, the promotion of competition and incentives to efficiency - are the key to securing continued benefits. Within this, the Government will continue to keep the operation of the system under review.

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PFI and Challenge Funding

The Government is transferring as many functions as are appropriate to the private sector and bringing private sector disciplines to bear on what remains in the public sector, so improving value for money.

Under the Private Finance Initiative (PFI) the public sector contracts to buy services, not assets. The private sector decides how best to deliver these services and has a strong incentive to do so efficiently and to high standards. By the end of 1998-99, Departments expect to have agreed PFI contracts involving capital expenditure worth at least 14 billion. The Private Finance Panel has identified over 1,000 potential projects worth 25 billion overall. Total publicly sponsored capital spending is over a quarter higher than in 1990-91. More details of the PFI are provided in Chapters 6 and 13.

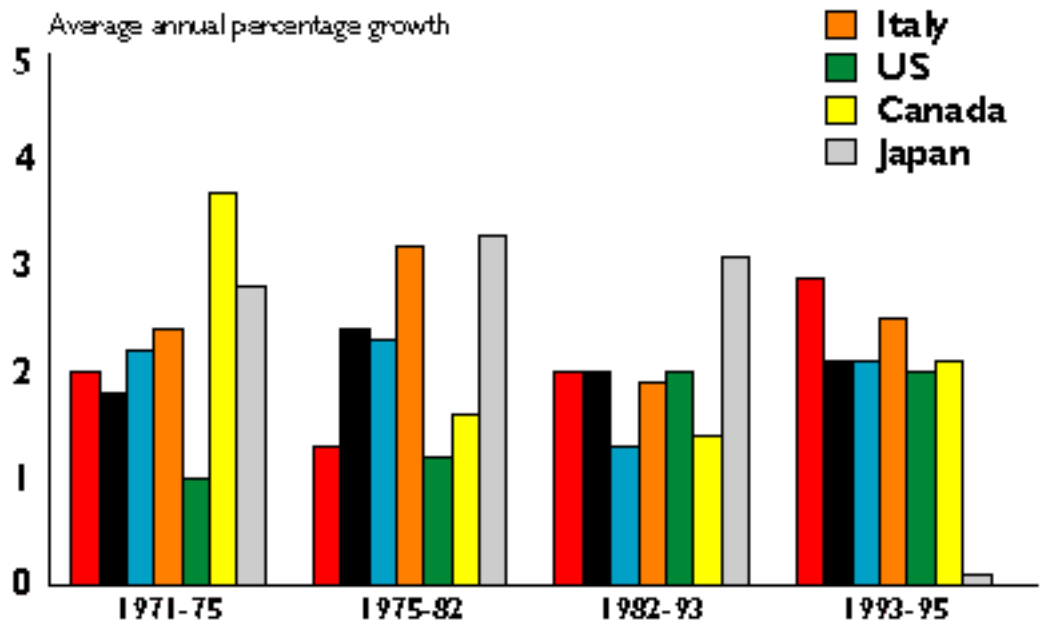
Challenge funding also achieves better results at lower cost to the taxpayer by allocating public finance through competition. It fosters partnership between the public and private sectors, gearing private money and expertise into public services. And in many cases projects benefit from the involvement and commitment of local communities, helping to ensure spending is well targeted. The 1 billion City Challenge initiative is on course to deliver more than 3 billion of

private sector investment over its lifetime, and the SRB Challenge Fund is making similar progress. The Government is now seeking to apply the challenge funding approach across a far wider range of activities, including to support for companies (see Chapter 18).

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**Chart 2.5 Growth of GDP per head
(trough to trough)**



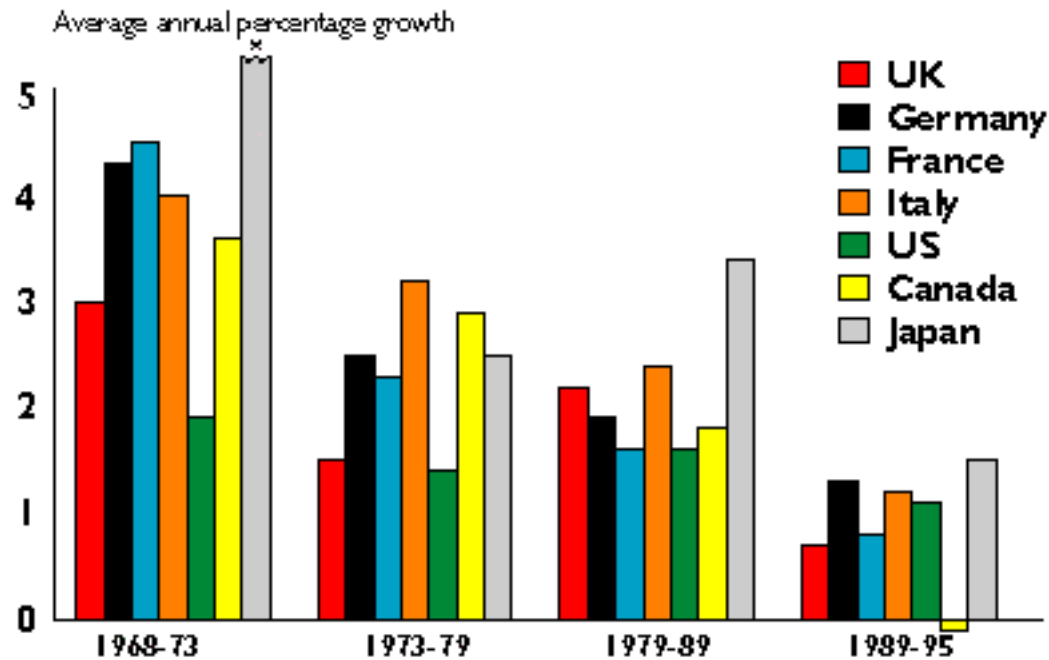
Note: Last period is not a complete economic cycle.

Source: OECD

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**Chart 2.6 Growth of GDP per head
(peak to peak)**



*GDP per head in Japan grew by 7.1 per cent a year between 1968 and 1973.

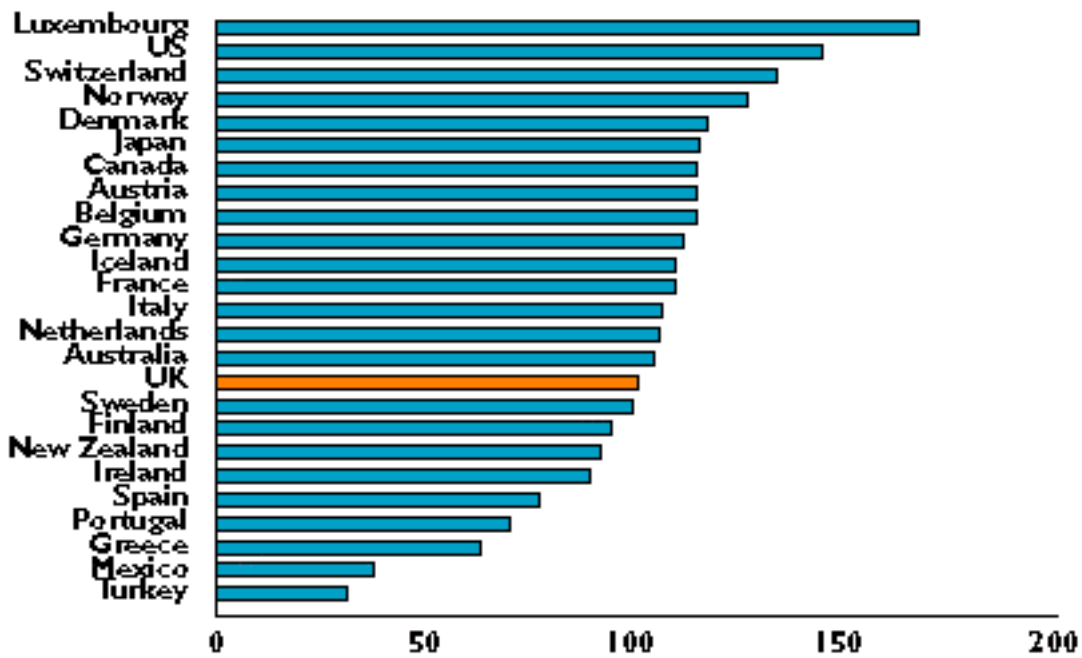
Note: Last period is not a complete economic cycle.

Source: OECD

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Chart 2.7 GDP per head at purchasing power parities in 1995 (UK=100)

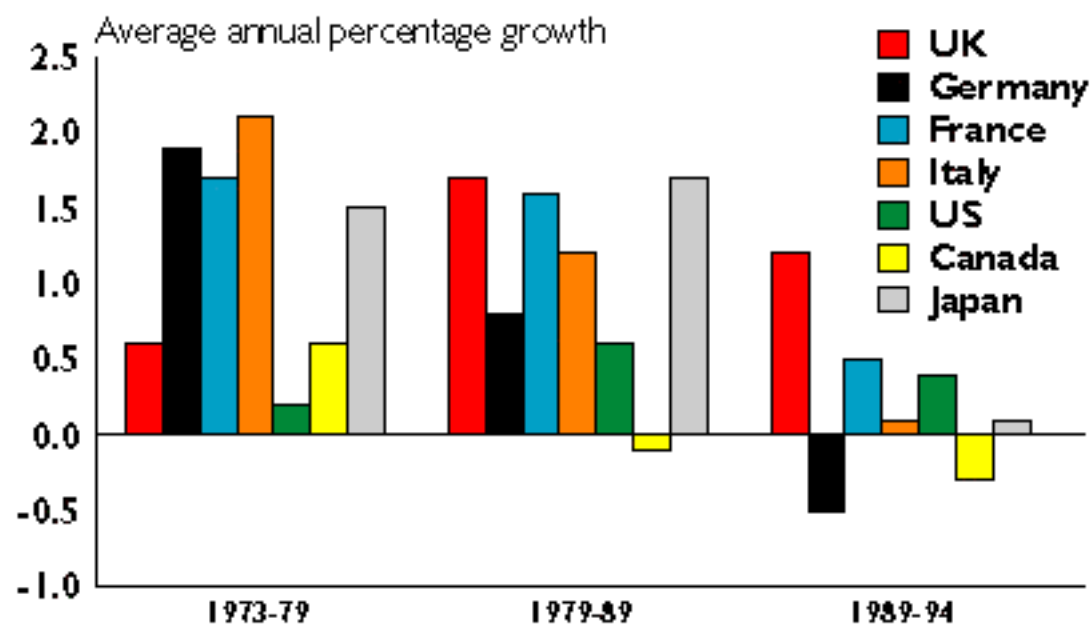


Source: OECD

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Chart 2.8 Growth of joint factor productivity in the business sector



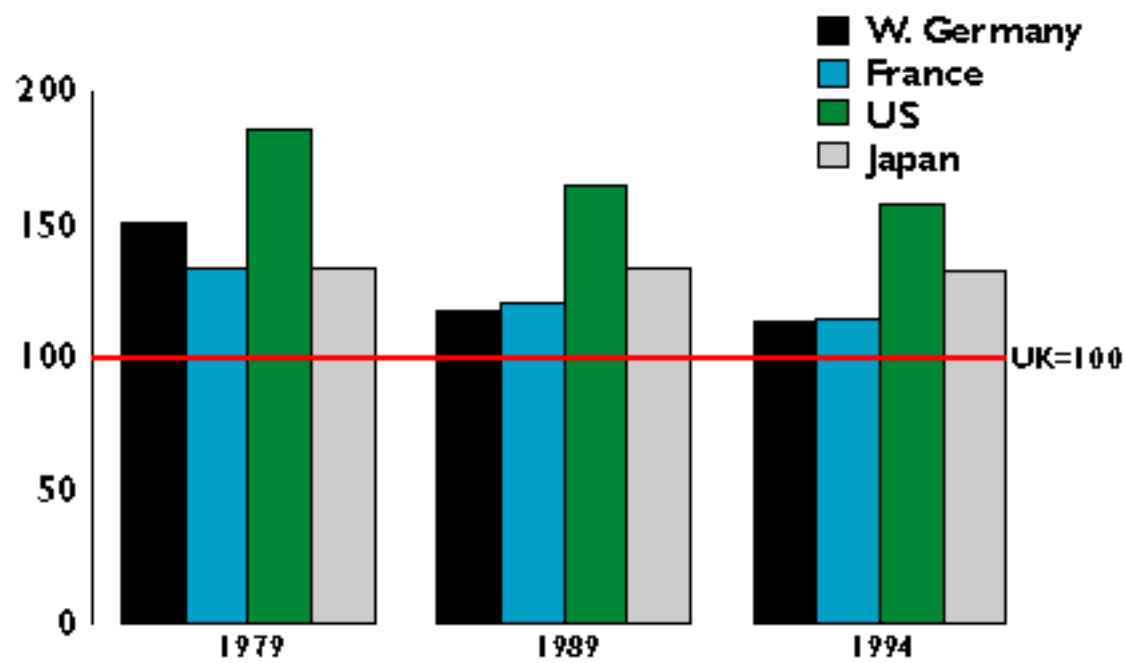
Note: Joint factor productivity is a weighted average of labour and capital productivity. Data for Germany and Italy for last period are for 1989-93. Last period is not a complete economic cycle.

Source: OECD

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Chart 2.9 Manufacturing productivity



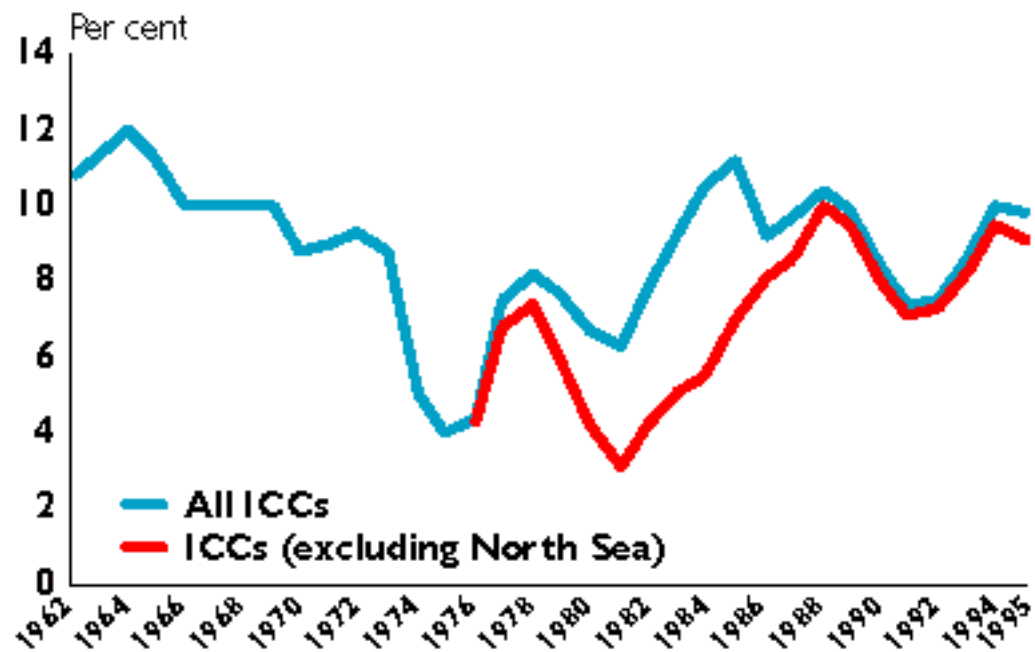
Note: Productivity is measured by output per hour worked.

Sources vanArk; 1994 figures extrapolated using IMF data

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Chart 2.10 Real rate of return of UK industrial and commercial companies (ICCs)

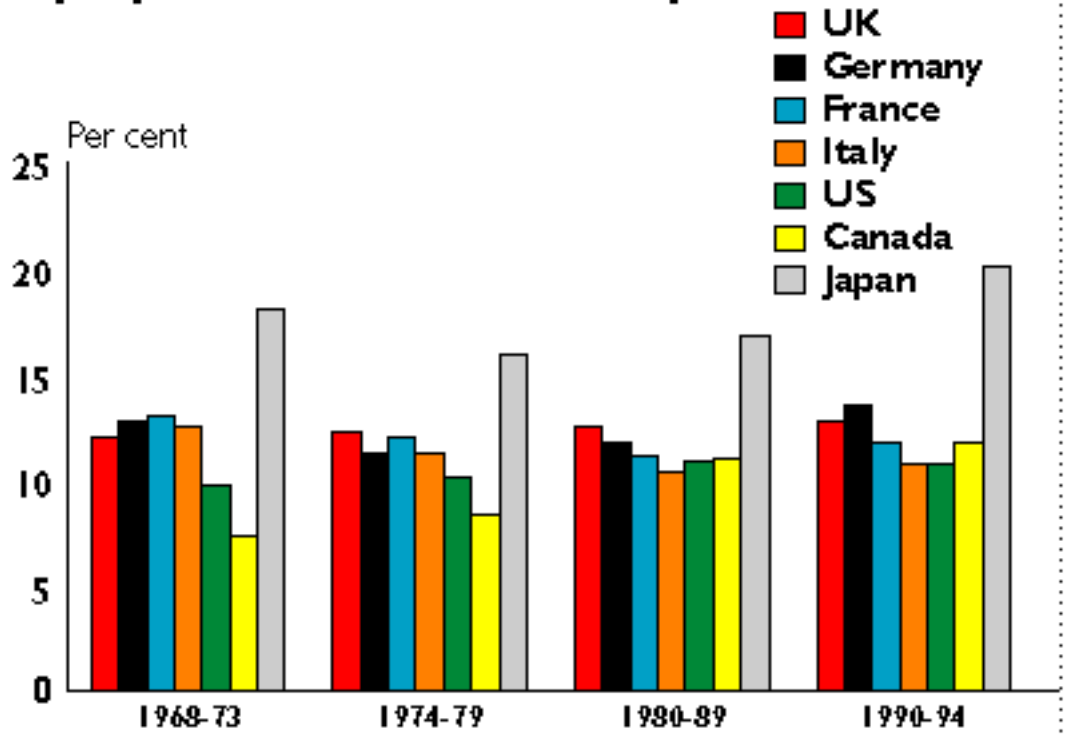


Sources: ONS, HM Treasury

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Chart 2.11 Business sector investment as a proportion of GDP at 1990 prices



Note: Last period is not a complete economic cycle.

Source: OECD

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Enterprising small firms

The following are examples of highly successful small firms.

- **Toby Churchill Limited, Cambridge.** Toby Churchill is Managing Director of this small company. Trading since 1973, it employs 18 people and produces communication aids for people with speech disabilities. It designs and manufactures Lightwriters - compact communication aids which are used extensively by people suffering speech disorders from conditions such as stroke, cerebral palsy or motor neurone disease. In software collaboration with Digital Equipment Corporation the firm has incorporated the advanced DECtalk speech synthesiser into Lightwriters, boosting sales into English-speaking markets. A range of foreign languages has also been incorporated. The company exports to the US, Europe, Scandinavia, Australasia and South Africa: exports, which account for half of the 2 million turnover, have increased five-fold in just four years.
- **Nikwax Waterproofing, Wadhurst, East Sussex.** This firm, owned by Nicholas Brown, commenced trading in 1977. It has 26 employees double the number four years ago - and manufactures a range of consumer and industrial products for waterproofing clothing, outdoor equipment and footwear. Turnover and exports have trebled in the past four years and it now exports over 50 per cent of production. Half its exports go to the US, and other main markets are in Western Europe, the Pacific Rim area, Eastern Europe and more recently South Africa, South America and the Caribbean. Reasons for Nikwax's success include its water-based product range that has performance and environmental advantages, R&D investment and commitment to product improvement, and local-language labelling in all export markets.
- **Lombard Risk Systems, London.** This company was founded in 1988 by John Wisbey who remains Chairman and Managing Director as well as the majority shareholder. It produces software, particularly a system for the banking and financial sector, with the trade name Oberon, which is mainly for interest rate swaps, options, futures and other derivatives. Demand for this type of software has grown since the Baring's collapse and since the introduction of the European Capital Adequacy directive. In a rapidly expanding global market, Oberon is now installed at over 140 sites in 24 countries worldwide, with main markets in North America, Europe and the Far East. In the past five years, turnover has multiplied 20 times and there are now over 100 employees compared to a handful five years ago.

All have won 1996 Queen's Awards. The Queen's Awards recognise and encourage outstanding achievement in the crucially important fields of exports, technology and innovation, and environmental products and process development. Enterprising small firms figure large alongside household names when the Award winners are announced each year. This year there were 107 Export winners, 16 Technology winners and six Environment winners. Out of the total, 36 had fewer than 50 employees. Applications for the 1997 Awards will be accepted up to 31 October 1996.

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Lanarkshire Development Agency's "Entrepreneurship Programme"

The Lanarkshire Development Agency (LDA) introduced the "Entrepreneurship Programme" in 1991 to create new team-managed high-growth businesses in manufacturing, or in services supporting manufacturing. The Programme is run by the Euroventure Group and funded by LDA, East Kilbride District Council and the EU.

Through tutorials, residential weekends, consultancy sessions and networking opportunities, teams are given practical advice and assistance on setting up and sustaining new business. Securing finance, preparing business plans, regulatory requirements and product-business ideas are just some of the areas of advice available.

The Programme has been effective in helping to create companies like Caledonian Compressors. With the support of the Programme, Caledonian Compressors became a successful company with orders at over 1.8 million in their third year.

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Your Business Matters

In the 1995 Competitiveness White Paper, the Government announced its intention to invite small firms representatives to arrange a series of conferences "so as to involve the small business sector in generating policies to help them".

The Institute of Directors, together with the British Chambers of Commerce, the CBI, the Federation of Small Businesses, the Forum of Private Business and the TEC National Council, has held 11 regional conferences at which small firms have told Government about their concerns. Some 1,500 delegates, more than half of them small business people, attended the conferences.

On 11 March, the Prime Minister and other Cabinet Ministers participated in a national conference which received feedback from the earlier conferences and focused on the main issues of concern to small firms.

The report of the regional conferences[1],[2], set out (but not in an order of ranking) the top ten areas that were regarded as priorities for Government action:

- late payment, slow payment and bad debts
- retained profits
- Uniform Business Rates
- the quality of business support services such as TECs and Business Links
- Government grants
- the inconsistent application of regulations - particularly EU regulations ("gold plating")
- the inflexible and unhelpful attitude of government inspectors ("enforcement")
- the burden of administering taxes such as VAT and PAYE/NI
- quality standards the skills gap.

Each of these issues is picked up below. A detailed response is contained in a companion publication[3].

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Developing the quality of Business Link services



The new Personal Business Adviser (PBA) service is at the heart of each Business Link, providing long-term support and ensuring that specialist services are tailored to the specific needs of their clients. As such, demanding standards have been developed for the recruitment and professional development of PBAs to ensure that these key people are credible with the owners and managers of smaller firms. A recent census shows that of the 500 so far recruited, 87 per cent have prior experience of running a small business, while 93 per cent have a degree or equivalent professional qualification.

New high-quality services are also being developed. The 1995 White Paper announced a commitment of around 100 million for this purpose. Substantial progress has been made over the past year. For example, approval has been given in Manchester to an ambitious and imaginative project "Made in Manchester - Fit for the World". This project will provide through Business Link Manchester a range of new services specifically designed to help improve the competitiveness of manufacturing, software and information technology companies. Over 1.2 million will be provided over a three year period, with funding linked directly to the outputs achieved.

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Review of business support

The conclusions of this review are set out in Chapter 18. It endorsed the views from the conferences in finding that:

- There are too many schemes (nearly 200 in England alone), a number of which overlap.
- Many schemes are too specific and inflexible, and do not take advantage of the local infrastructure of TECs and Business Links.
- Individual schemes provide value for money but the Government's overall business support system could be made more effective.

The Government's proposals are set out in a consultation paper[5] published at the same time as this White Paper. They involve:

- Reducing bureaucracy in the Government's business support services.
- Greater delegation of the design and delivery of support services to local level.
- Applying challenge funding to a proportion of the support to be delivered at local level (though the great majority of existing funding would remain as core funding for TECs and Business Links to ensure a consistent level of high-quality business support across the country).
- Extending challenge funding to most sectoral support through creation of an inter-departmental Sector Challenge Budget.

These recommendations relate to business support in England. The Secretaries of State for Scotland, Wales and Northern Ireland are considering how simplification can be taken forward in those countries.

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Deregulation and small firms



The Government is committed to reducing regulatory burdens on business, particularly small businesses. "Think small first" has been adopted as a key principle of good regulation. The "small business litmus test", which requires Departments to assess the impact on small business of any new regulatory proposal, is an essential part of the strengthened Compliance Cost Assessment procedure for new regulation. This chapter contains brief responses to the priority issues on regulation from the Your Business Matters report. The Government's wider approach to achieving fewer, better, simpler regulations is set out more fully in Chapter 9.

Central to the Government's deregulation initiative is a range of approaches for finding out what small business wants. These include:

- assessing regular surveys by the British Chambers of Commerce and the Federation of Small Businesses of their members
- the Chancellor of the Duchy of Lancaster's challenge which inspired over 500 companies to write in with examples of regulatory problems
- seminars on regulatory issues for particular sectors. Seminars for the tourism & hospitality and food & drink sectors have taken place recently; seminars are arranged covering engineering & electronics, chemicals, financial services, and serving the elderly .

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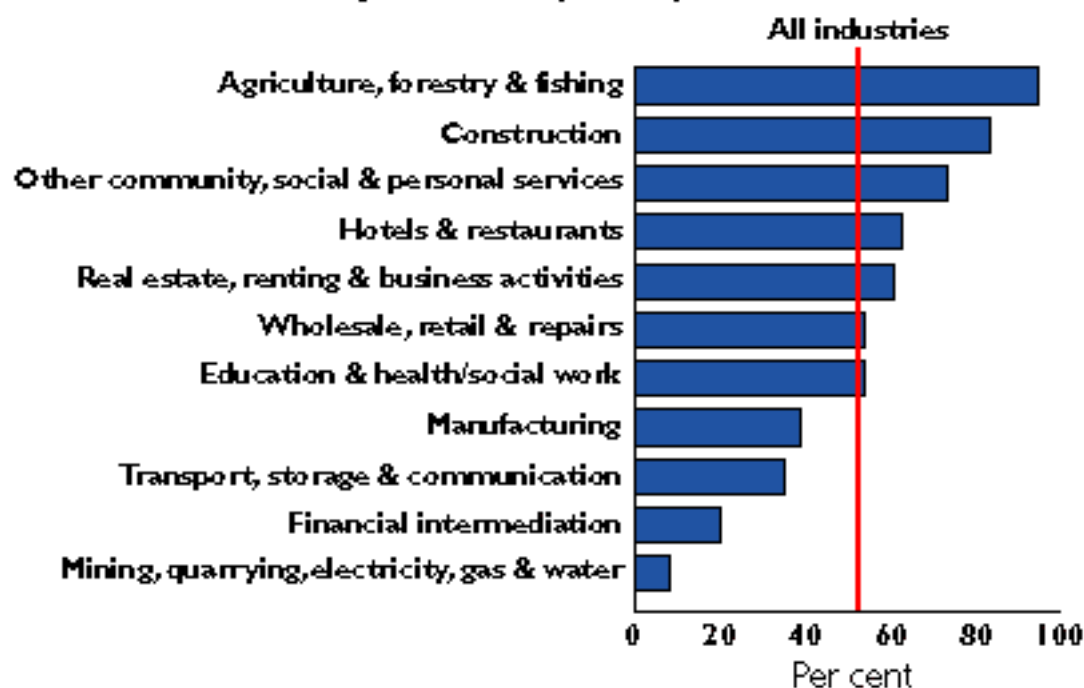
Industrial Tribunals

Dealing with Industrial Tribunal claims can sometimes be costly for employers, particularly for small firms. Following earlier consultation on proposals aimed at increasing the number of cases settled in-house, through conciliation or arbitration, and at streamlining tribunal procedures, the President of the Board of Trade has announced that the Government will publish a draft Bill in the summer of 1996.

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Chart 3.1 Proportion of UK employment in small firms by sector (1994)



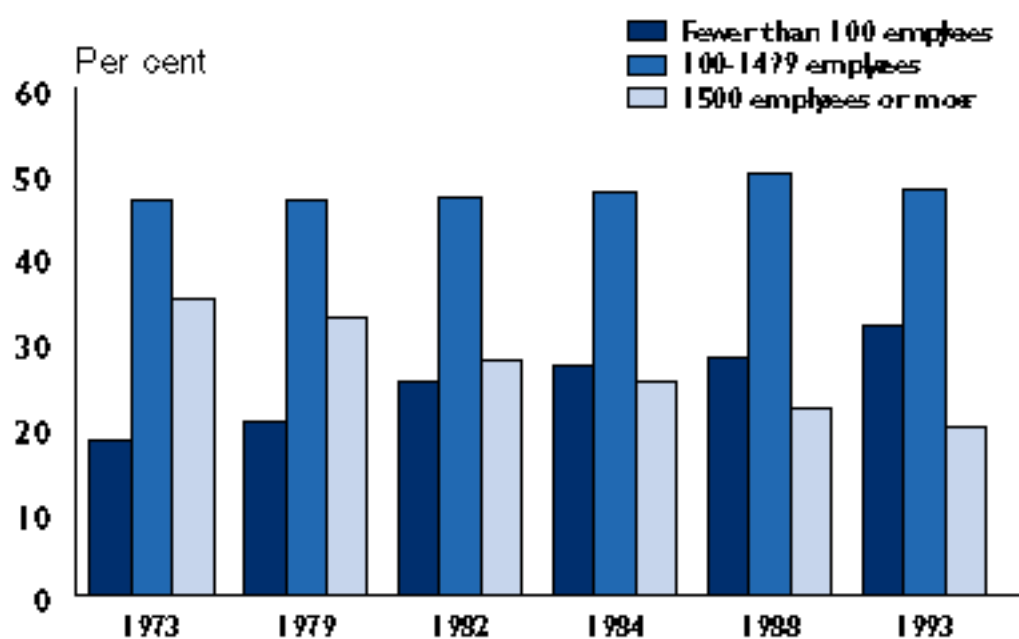
Note: Small firms defined as those with fewer than 100 employees
Provisional figures.

Source: DTI

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Chart 3.2 Share of manufacturing employment by size of business

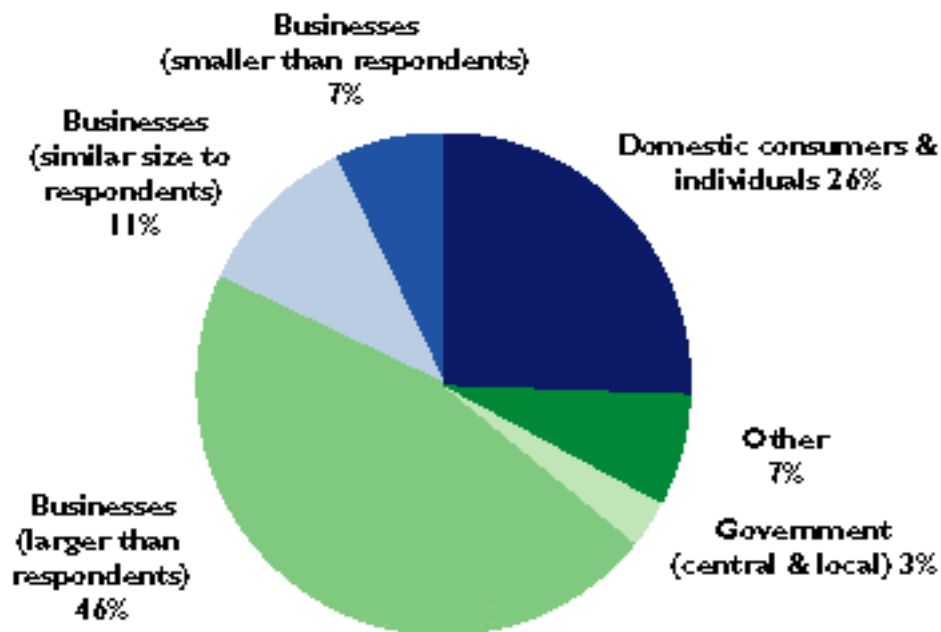


Source ONS

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Chart 3.3 “Your Business Matters” survey: majority of customers



Note: Proportion of respondents to the YBM survey who had the majority of their customers in each category.

Source: “Your Business Matters” survey 1996

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... on the quality of business support services ...



3.22 The development of the new network of Business Links provides the necessary framework for the radical improvement of services to smaller firms to support them in improving competitiveness. Working closely with TECs, which are the key strategic body in the local business community, Business Links will offer a range of services to all businesses, but particularly to those which have the potential for growth (see Chapter 15). The network will be complete later this year, but already 90 per cent of firms have access to the Business Link service and there is clear evidence of a dramatic increase in usage (in Birmingham, for example, there has been a five-fold increase).

Developing the quality of Business Link services

3.23 The one-stop shop approach to delivery of advice and information, offered by Business Links in England, Business Connect in Wales and Business Shops in Scotland, has helped reduce overlap and confusion in the provision of services, but more remains to be done. The Regional Conferences indicated that there were too many schemes, too much untargeted information, inadequate awareness of Business Links, and varied service from TECs and Business Links. The report of the conferences called on the Government to ensure that its services were marketed more effectively and made more accessible to the business customer.

3.24 On 11 March the Prime Minister announced a thorough and radical review of all the Government's schemes for the support of businesses.

Review of business support



3.25 The Government is committed to improving the standards of performance of Business Links. In order to achieve accreditation and continue to be part of the Business Link network, Business Links must achieve demanding service quality standards which will be raised over time. Accreditation is based on the independently assessed standards Investors in People and an enhanced ISO 9000. Three year licensing arrangements have also been introduced to support, ensure and demonstrate continuous improvement in TECs' performance, value for money and accountability. By April 1996, 64 TECs had been awarded licences after meeting rigorous criteria for performance and capability.

3.26 In developing the network of Business Links, continuing support has been given to ensure that they have a modern and flexible infrastructure of information technology, including advanced technologies such as multi-media and video-conferencing facilities, e-mail gateways and Internet access. This means that the network of Business Links now provides a firm base for developing effective local delivery of a simplified national range of services.

... on Government grants ...

3.27 The Regional Conferences showed that small firms think that job creation style grants such as Regional Selective Assistance tend to go to large firms or foreign companies and upset the level playing field. On the other hand, grant schemes for innovation, such as SMART and SPUR, are well regarded. Small firms would like to see a shift of emphasis, with more support for areas like R&D and product innovation and less for employment-driven schemes. They would like better information on grants, particularly a single unbiased source of information and advice, and easier, simpler, quicker application procedures.

3.28 The Government recognises the importance of encouraging innovation in small firms. But it also recognises the need to assist areas facing above-average levels of unemployment and other structural problems, through RSA, and the benefits that can accrue to the economy and business generally from inward investments. In fact large numbers of RSA offers do go to small firms (in 1994-95, 76 per cent of all offers accepted were for grants of less than 100,000) and to domestic

firms (in 1994-95, 89 per cent of offers accepted). New, simplified, rules for approving and administering RSA grants came into effect on 1 April 1996. At the same time, the upper limit for grants qualifying for simplified procedures was raised from 25,000 to 100,000. Business Links already provide a single impartial source of information and advice.

3.29 The conference report highlighted the popularity of the Small Firms Loan Guarantee Scheme. Use of the scheme has grown. In March, the Government announced a refocusing of the scheme, with simplified rules, to take effect from September 1996. The changes include extending the size range of firms supported in the service sector, supporting more firms which have received investment from "business angels", bringing in specialist lenders with expertise in high technology areas, and extending the maximum length of loan from seven to ten years. The Government's objective is to maximise the benefit to the economy and this does mean excluding retail and catering sectors where support would often be at the expense of other local businesses.

... on gold plating ...

Deregulation and small firms

3.30 There was a strong feeling at the Regional Conferences that the UK has tended to add to EU regulations when it implements them. The Government agrees that over-implementation must be avoided. It has introduced a "gold plating" checklist to help Ministers and officials ensure extra detail is not tacked on to European directives.

... on enforcement ...



3.31 The Government agrees that fair, consistent and business-friendly enforcement is vital. It is determined to shift the emphasis of enforcement towards helping business to comply with regulations. The Local Business Partnership initiative (see Chapter 9) aims to promote dialogue between business and local authority enforcement organisations. But Government has also provided business with more systematic rights:

- to make representations before formal enforcement action is taken
- to receive an explanation of the reasons for any action required.

These extended rights are aimed at resolving disputes wherever possible without the need for a formal appeal. They have already been applied to health and safety and, by code of practice, to the new Environment Agency. They will shortly be applied to food safety and building regulations, and the Government will be consulting in the summer of 1996 on application to consumer affairs legislation. For new regulation, they will be complemented by a new model appeal mechanism, to make formal appeals quicker, simpler and more accessible.

... on VAT, PAYE and NICs administration ...

3.32 The Your Business Matters report notes that "perhaps surprisingly it is the administrative rather than the financial onus of paying taxes that really seems to be the core of the problem for most small firms". PAYE, NI contributions (NICs) and VAT were all seen as time-consuming and costly to administer, with small firms feeling that they were the unpaid collectors of government tax. There was particular resentment at unnecessary separation and duplication on PAYE and NICs, and at inflexibilities and penalties on VAT.



3.33 The Government has been taking steps to reduce the burden of collection:

- Up to half a million businesses have been able to elect for annual instead of quarterly VAT returns, from April 1996.

- Budget changes to the PAYE system are, wherever possible, being mirrored in the NICs system.
- Increases in the VAT threshold over the past three years have allowed 75,000 small businesses the chance to opt out.
- Dispensations from the Inland Revenue for expenses to be paid tax-free now also count for NICs.
- NICs procedures for the self-employed have been simplified. Instead of being paid weekly with stamps, NICs can now be paid quarterly.

3.34 These measures are being extended:

- A single form for all new businesses to notify for PAYE and NICs, and to request details about VAT registration, has been operating since April 1996.
- A single telephone helpline for advice on PAYE, NICs and simple VAT registration queries is being piloted in Scotland and will be introduced throughout the UK by the end of 1996.
- Joint integrated guidance on PAYE and NICs is to be issued to all employers next year in place of separate packs.
- Improved arrangements for audits on PAYE and NICs will reduce duplication of visits.
- All new employers are to be offered an explanatory discussion on their premises before their first pay day.
- A joint Inland Revenue, Customs and Excise, and Contributions Agency Internet page went live in January 1996.

3.35 In addition the Government will:

- Bring forward legislation, as Parliamentary time permits, so that employers can save work by settling NICs on employees' expenses payments in a lump sum as they can with PAYE.
- Seek ways to give further support to small employers in operating the PAYE and National Insurance systems.

3.36 The Government has significantly relaxed VAT penalties in recent years:

- A de minimis level of 200 has been introduced at the two lower rates of default surcharge.
- The misdeclaration penalty has been reduced by 50 per cent and now only applies to larger errors.
- Mitigation has been introduced on a number of penalties.

3.37 The Regional Conferences also highlighted statutory audit as a significant burden on small businesses and proposed an increase in the threshold for exemption, set at 90,000 in August 1994. The DTI is currently reviewing the workings of the 1994 regulations and considering what further changes are justified, including the possibility of increasing the threshold. The outcome of the review will be announced by the end of November 1996 and, if there are to be changes, they will be introduced by the end of March 1997.

... on quality standards ...

3.38 The Your Business Matters report indicates that, while small firms support the idea of quality standards, they believe ISO 9000 has been designed for large firms and is far too bureaucratic and costly for most small businesses. There was particular concern at reports that what were seen as inappropriate standards had been made a condition for bidding for some Government contracts.

3.39 While the principles of ISO 9000 are applicable to companies of all sizes, the Government has recognised that certification to the standard may be burdensome for small firms. It has therefore encouraged certification bodies and purchasers to be responsive to small firms' circumstances. Several small firms certification schemes, which minimise bureaucracy and cost, are now available. Guidance has been published for small firms[6], purchasers[7] and assessors[8] on the use of ISO 9000, including advice on working with suppliers who do not apply ISO 9000. The Advisory Group on Business Excellence (see Chapter 19) has addressed the need for a flexible and pragmatic approach to quality in smaller firms. These measures will help to make ISO 9000 more accessible to small firms and help ensure that it is only specified where it is needed.

3.40 Guidance to Government Departments on ISO 9000 is contained in a joint DTI-Treasury (CUP) booklet^[9] which was relaunched in March 1996. This makes clear that ISO accreditation can benefit small firms but also emphasises that to insist on third-party certification may preclude some excellent firms and the opportunity for delivering better value for money.

... and on closing the skills gap.

3.41 The Regional Conferences raised many key issues concerned with closing the skills gap. A number of the underlying issues are of just as much relevance to larger firms. The Government has already done much to raise standards of achievement in education and training and is doing more. Its overall approach to improving skill levels is set out in the next Chapter, and how companies can help themselves in Chapter 22.

3.42 The Government believes that both sides would benefit from more small and medium-sized businesses becoming involved in the activities of the education and training sector:

- School governing bodies include co-opted representatives from the local business community. Many of these governing bodies are due to be reconstituted in September 1996 for a further four years. This provides an ideal opportunity for more people from small businesses to put themselves forward.
- If properly planned, small businesses can gain directly from teacher and student placements. Guidance and advice is available from the local TEC or Education Business Partnership (EBP).
- Other opportunities which need not absorb too much time include work observation, work shadowing, mock interviews, visits to and by schools, mentoring and one-off curriculum-development projects. Again the TEC or EBP can help or advise.
- Employer involvement in the Enterprise in Higher Education (EHE) initiative gives employers the opportunity to influence higher education to deliver the type of graduate who is able to make a more effective contribution to the world of work. A substantial proportion of the 20,000 employers involved in the EHE projects have been small and medium-size enterprises.
- Many TECs have a number of sub-Board working groups to take forward practical aspects of local strategy for training. By joining these, small businesses can play a significant part in ensuring that training for skills is appropriate, addressing local business needs.

3.43 Substantial progress has been made with the drive to develop a strong spirit of enterprise amongst young people. Government programmes to encourage enterprise have included the highly regarded Technical and Vocational Education Initiative in secondary schools and Enterprise in Higher Education in universities. They are helping to ensure that young people have the determination and flexibility to succeed in all businesses, large and small, as well as in self-employment. The new vocational options coming on stream support this and Young Enterprise continues to go from strength to strength, giving young people a real chance to learn about running a business as part of deepening links between business and education. The Government will ask Industry Training Organisations to review the frameworks developed for Modern Apprenticeships to make sure they cover the full range of employment opportunities including small businesses and self-employment, and will work with the Further Education Funding Council to make sure college programmes are geared to the needs of small businesses and promote enterprising attitudes amongst students. It has asked TECs to give greater priority to the use of the self-employment option in Training for Work, and it will provide further support for the work of the Prince's Youth Business Trust, helping young people to create up to 5,000 businesses over the next five years.

Follow-up

3.44 The Your Business Matters conferences and the response outlined above have demonstrated the Government's commitment to further improving the climate for small firms in the UK. The Government will consult the organisations involved and, in the light of their views, consider repeating a major programme of consultation and discussion with small business in two years' time.

Industrial Tribunals

- 2 *Your Business Matters: Executive Summary - Key Problems and Policy Solutions* [Institute of Directors] (1996) [Back](#)
- 3 *Your Business Matters: The Government's Response* [Department of Trade and Industry] (1996) [Back](#)
- 4 Survey of small business issues, led by the Forum of Private Business, conducted in conjunction with the Your Business Matters conferences. Reported in the *Report from the Regional Conferences*. [Back](#)
- 5 *Helping businesses to win: consultation on a new approach to business support* [Cabinet Office] (1996) [Back](#)
- 6 *Implementing BS EN ISO 9000 - A Guide for Small Firms* [Department of Trade and Industry] (1995) [Back](#)
- 7 *Purchasers and BS EN ISO 9000* [Department of Trade and Industry] (1995) [Back](#)
- 8 *Quality Systems in the Small Firm* [Institute of Quality Assurance] (1995) [Back](#)
- 9 *Think Big . . . Buy Small* [Department of Trade and Industry] (1996) [Back](#)

comments

4.26 The Government is committed to securing the establishment of rigorous regimes of quality assurance across all 16-19 education and training. Those bodies responsible for quality assurance have already strengthened their links, and are working together increasingly effectively. The Government believes that regimes should combine three key elements across all sectors: inspection, self-assessment by providers and clear published information on performance. The Government is working with the agencies involved to:

- establish a common core of criteria for both self assessment and external quality assurance, and secure greater mutual recognition of external assessments by much more extensive collaboration between the various agencies.
- strengthen the external inspection of training providers, and secure more effective links between internal and external assessment in schools, colleges and training providers
- give recognition for quality assurance purposes to achievement by providers of external standards such as Investors in People and ISO 9000
- develop and publish comparative information about learner achievement and institutional performance as key elements in the quality assurance process.

Photo

... and get the organisation and framework right.

4.27 The Government will also work with its key partners to:

- produce and consult annually, drawing on this year's experience, on information comparing public funding levels for similar qualifications achieved in the different 16-19 sectors, and take such information into account when making resource allocation decisions.
- secure greater convergence of funding arrangements for school sixth forms, FE sector colleges and work-based training, including the introduction of an element of output-related funding for school sixth forms
- remove undue barriers to private and voluntary sector providers accessing FEFC funds
- continue to develop partnerships with employers in productive collaborations such as Modern Apprenticeships.

There will be separate consideration of these issues in Wales and Scotland as appropriate.

4.28 These reforms build on the considerable achievements of recent years. Taken together, they will secure responsive, cost-effective, high quality and successful education and training for young people.

Higher education in the UK is strong and growing

4.29 The UK's Higher Education system is already making a powerful contribution to national competitiveness through its range and diversity, and its emphasis on quality and access. The Skills Audit[5] confirms the UK's relative strength (chart 4.5) and indeed may understate it because of the recent and dramatic expansion of HE in the UK. Participation in the sector has been transformed in recent years. Since 1988, the proportion of young people enrolling for HE has doubled. Furthermore, 37 per cent of graduates at first degree and sub-degree level have followed science-related courses [16] and over 15 per cent leave with specific professional qualifications[17].

4.30 The Skills Audit shows that, in 1994, 23 per cent of our 25-28 year olds and 19 per cent of the total population were qualified to at least this level. These figures, because they necessarily focus on 25-28 year olds, do not take full account of the increases in achievement at first degree level since 1990. The percentage of young people in the UK labour market with degrees has risen considerably: in 1995, the number of newly qualified first degree graduates in the UK had risen by 50 per cent above the 1992 level[18].

Photo

4.31 However, the Skills Audit also shows that our competitors are not standing still either. More young people in France are gaining degree level qualifications and France, with Singapore, has also seen a rise in the proportion of sub-degree higher level qualifications gained. Future success requires UK universities and colleges to continue to develop, whilst preserving quality and standards. The Government has therefore set up a National Committee of Inquiry into Higher

Education under Sir Ron Dearing. This has been asked to make recommendations by summer 1997 on how the purpose, shape, structure, size and funding of higher education should develop to meet the needs of the UK over the next 20 years.

Using Graduate Skills seeks to increase graduate recruitment by SMEs

Key skills [19]

4.32 Employers' demands for key skills are clear and consistent. The multinational companies surveyed for the Skills Audit[5] also stressed the increasing need for employees with good written and oral communication, numeracy, IT skills and personal effectiveness. The information they provided suggests that the IT skills of our young recruits are amongst the best of the countries surveyed. On teamworking, the UK holds its own within Europe, although Europe lags behind the US and Japan. Neither France nor the UK scored well on communication skills and the UK was rated as relatively weak on numeracy.

4.33 The Government endorsed the new focus on key skills in the revised National Targets in the 1995 Competitiveness White Paper. There have been further responses over the past year, including the Dearing[6] and Beaumont[7] reports. Individuals' key skills are being developed and improved in schools, colleges, universities and the workplace. Employers are encouraging key skills through Modern Apprenticeships and other training programmes.

4.34 The Government has already put in place the foundation for improved performance in key skills through the revised National Curriculum, the continuing expansion of GNVQs including the pilot introduction of GNVQ Part One, and the requirement for breadth in Modern Apprenticeships.

4.35 The Beaumont Review of 100 NVQ/SVQs further recommended that employers should identify the key skills relevant to their sector and specify these in work-based qualifications (NVQs and SVQs). This is being taken forward through the review of all NVQ/SVQs.

4.36 The Dearing Report made comprehensive recommendations for the inclusion of key skills in school and college-based qualifications:

- A new AS level in key skills will be developed and key skills will be built into existing A level syllabuses wherever possible.
- The award of the new National Certificate and Diploma will be dependent upon achievement of key skills.
- The new Entry level awards will focus on key skills as the basis of progression into higher levels of qualifications framework.
- Education and training institutions will be monitored by inspection bodies on their key skills provision - including the skills of teamworking, improving own learning and problem-solving.

4.37 The Dearing Report also recommended greater prominence for key skills in training programmes and the National Record of Achievement (NRA):

- The new National Traineeships will include the three skills of communication, application of number and information technology. This will aid progression into Modern Apprenticeships, other qualification routes or employment.
- The NRA will be revised, and its role as a tool for lifetime learning enhanced, to include an explicit focus on the key skill of improving one's own learning.

These and other recommendations of the Dearing Report are being taken forward by the NCVQ/SCAA Joint Committee.

4.38 In HE, the place of key skills is now explicitly recognised within the university admissions system administered by UCAS. Building upon development work under the Enterprise in Higher Education programme, a number of universities are addressing the extent to which key skills can be developed and assessed within their programmes.

4.39 Action has not been limited to advances in qualifications design. Government has collaborated with employers, TECs and training providers to improve the quality of key skills learning and development. Guidance has been provided to TECs, ITOs and others on the effective identification and delivery of key skills through Modern Apprenticeships and other programmes.

Working together

To increase understanding . . .

4.40 The UK is a world leader in partnerships between **education and business**[20] and was praised in the Skills Audit[5] survey of multinationals for strengthening links between business and education which help young people understand about business and enterprise. A sustained and active commitment from everyone involved in business, education and training is required if progress is to be made towards the demanding National Targets. Already 92 per cent of secondary schools and 58 per cent of primary schools have links with business and nearly all 16 year olds have had work experience. Over 30,000 teachers a year go on business placements, and employers more than match the 20 million Government contribution to FE Competitiveness Fund projects and the 60 million given to Enterprise in Higher Education.

Enterprise and education

. . . private sector finance . . .

4.41 Universities and colleges already have an impressive record in public-private partnerships. Building on this, the HEFCE and the FEFC have recently announced 17 pathfinder projects with an estimated capital value of over 200 million, which will help demonstrate how PFI can work in further and higher education. The HEFCE has also commissioned a database containing nominations of over 90 potential PFI projects with an estimated total value of close to 1 billion. Similarly, the FEFC's PFI register currently includes nominations for over 800 million of potential new PFI schemes. With around 24,000 institutions and a total capital stock of around 45 billion, the schools sector also offers considerable potential for PFI approaches, and a number of schools and LEAs are exploring opportunities.

Photo

4.42 The Government has also launched two new challenge funds which will maximise private sector finance to complement public funding - the TEC Discretionary Fund and the Schools Renewal Challenge. Like the existing Grants for Education Support and Training and Specialist Schools programmes, which are also run on Challenge lines, these are intended to stimulate innovative packages and partnerships. For example, the Schools Renewal Fund supports projects across LEA, voluntary-aided and grant-maintained sectors to renew, repair or improve school capital stock in partnership with the local community and the private sector.

. . . and quality.

4.43 Many organisations are active across the education system maintaining standards, improving performance and enhancing quality.

Maintaining standards and improving performance

Working together is important to make the best use of IT.

4.44 Harnessing new technology is central to maintaining competitiveness. Education and training can benefit greatly from new learning techniques opened up by information and communications technologies. In March 1996, the Prime Minister announced the creation of a new Ministerial group which will drive forward the current programme to equip schools with multimedia services and link them to superhighways by the year 2000 with the support of industry.

Public libraries

Harnessing technology

Learning through life is increasingly important.

4.45 Initial education and training must be continuously developed and added to by individuals and their employers to keep abreast of change and meet the needs of the flexible labour market. Progress towards the lifetime learning National Targets is shown in charts 4.6 and 4.7. Sector studies that formed part of the Skills Audit[5] showed that our leading companies can equal or better the skill levels of their competitors in some areas (Chart 4.8).

4.46 Those in work can benefit from training provided by their employers to increase competitiveness. In April 1996, 88 per cent of manufacturing firms said they planned to increase or maintain their investment in training over the next year[23]. The Government is helping this process:

- The **Investors in People Standard** provides the framework for employers to make a direct link between their investment in training and development and the achievement of business outcomes. At a local level, Investors is being driven forward by TECs, working with large and small organisations alike in the public and private sectors. Charts 4.9 and 4.10 show progress against the National Targets for achievement of the Standard. Chapter 22 gives more details and shows how firms have made tangible gains through its use. Chapter 13 looks at its take-up in the public sector.
- The **National Training Awards** identify excellent training which produces bottom line benefits.
- **Skills for Small Businesses** (Small Firms Training Initiative in Wales), available through TECs, helps companies employing under 50 with training linked to business objectives. Key workers lead the development and implementation of company training plans.
- The **Skills Challenge** announced in the 1995 Competitiveness White Paper has awarded funding to 74 projects. Over 1,000 small firms will meet training needs through networking and shared resources. The results will be widely disseminated.

4.47 Many people now fund some of their own training, up from 9 per cent of those receiving training in 1986 to 15 per cent in 1993[24]. Mature students, most of them part-time, constitute the majority of those in FE and HE. The incentives for further learning have never been greater; unemployment rates are lower for those with higher qualifications and occupational earnings differentials have widened. (Charts 4.11 & 4.12).

TECs are using the 20 million Competitiveness Fund to help colleges meet skills gaps

4.48 FE colleges help those not able to make the significant first step by offering free provision on basic skills courses. In 1996-97, Training for Work pilot programmes will help 10,000 unemployed people tackle basic skills problems that prevent them from benefiting from training or competing for jobs.

4.49 In December 1995, the Government published a consultative document on lifetime learning⁸. Over 480 organisations and individuals responded. There was widespread agreement on the value of lifetime learning to the economy, competitiveness and to our quality of life and that responsibilities should be shared between employers, individuals, providers and Government.

Photo

4.50 The Government will publish shortly a policy framework for lifetime learning as an initial response to the consultation document together with a summary of the replies. The Government considers that the key areas for future development should be:

- **Basic skills.** The Government will carry out a fundamental review of its policies for basic skills across all sectors and stages of education. The review will examine the effectiveness of its various programmes (for example, the literacy and numeracy project, the family literacy initiatives and Training for Work, described elsewhere in the Chapter) and consider whether there are significant gaps to meet.
- **Promoting the role of employers,** in particular the adoption of Investors in People, and encouraging a greater use of employee development schemes.
- **Supporting the individual.** Improving individual motivation and participation is at the heart of policy. However, the Government is not convinced that individual learning accounts, linked to employer tax relief or incentives, are likely to broaden participation. In practice, they would be over-complex and more likely to subsidise existing activity. Progress would be better made through the further promotion and take-up of Career Development Loans and the current tax relief for vocational training. Over 20 million was repaid in basic tax relief in 1995-96 supporting some 85 million worth of training. The Government is also considering pilots under the Jobseekers Act to test the effectiveness of different arrangements for part-time study on benefit in helping unemployed people back to work.
- **Effective adult information, advice and guidance.** The Government is supporting a number of projects to develop the market for adult guidance and information, including charging for some services. It will consider further how it can develop coherence, and national standards for objective information and guidance, building on the work already being done by a wide range of organisations.

- **Improving Awareness.** The Government is supporting the European Year of Lifelong Learning, Adult Learners' Week, run by the National Institute of Adult Continuing Education, and the recently launched five year Campaign for Learning, led by the Royal Society of Arts in alliance with many other organisations.
- **Effective local partnerships.** Over 40 TECs and five selected Industry Training Organisations have already been funded to develop more effective approaches to lifetime learning. Further help will be available in 1996-97.
- **Developing the use of new technology.** The potential and power of new technology is not only important in initial education (see paragraph 4.44), but can also enhance and extend learning throughout life. The Government will establish a national service to stimulate the supply of information and advice to employers and suppliers; and mount a programme to help TECs promote and make better use of innovative learning methods.

Lifetime learning

Scotland

Scotland

Wales

Northern Ireland

1 Adam Smith; *The Wealth of Nations 1778*, [Everyman] vol 2 (1910) p257 [Back](#)

2 *Second Report of the Royal Commissioners on Technical Instruction* Cm 3981 vol I: Report (1884) p337 [Back](#)

3 *Report of the Endowed Schools (Schools Enquiry) Commission* Cm 3966 vol 1 (1867-8) p80 [Back](#)

4 Alfred Marshall; *Industry and Trade* [Macmillan] (1919) p131 [Back](#)

5 The Skills Audit: Report from an interdepartmental group [DfEE and Cabinet Office] (1996) [Back](#)

5 *The Skills Audit: Report from an interdepartmental group* [DfEE and Cabinet Office] (1996) [Back](#)

5 *The Skills Audit: Report from an interdepartmental group* [DfEE and Cabinet Office] (1996) [Back](#)

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5 *The Skills Audit: Report from an interdepartmental group* [DfEE and Cabinet Office] (1996) [Back](#)

5 *The Skills Audit: Report from an interdepartmental group* [DfEE and Cabinet Office] (1996) [Back](#)

6 Sir Ron Dearing; *Review of Qualifications for 16-19 Year Olds* (March 1996) [Back](#)

6 Sir Ron Dearing; *Review of Qualifications for 16-19 Year Olds* (March 1996) [Back](#)

6 Sir Ron Dearing; *Review of Qualifications for 16-19 Year Olds* (March 1996)

6 Sir Ron Dearing; *Review of Qualifications for 16-19 Year Olds* (March 1996) [Back](#)

7 Gordon Beaumont; *Review of 100 NVQs and SVQs. A Report Submitted to the Department for Education and Employment.* (January 1996) [Back](#)

7 Gordon Beaumont; *Review of 100 NVQs and SVQs. A Report Submitted to the Department for Education and Employment.* (January 1996) [Back](#)

7 Gordon Beaumont; *Review of 100 NVQs and SVQs. A Report Submitted to the Department for Education and Employment.* (January 1996) [Back](#)

8 *Lifetime Learning - a consultation document* [DfEE] (1995) [Back](#)

- 9 *Equipping Young People for Working Life - A consultative document on improving employability through the 14-16 curriculum* [DfEE] (1996) [Back](#)
- 9 *Equipping Young People for Working Life - A consultative document on improving employability through the 14-16 curriculum* [DfEE] (1996) [Back](#)
- 10 In 1980, our mathematics students were shown to be even further behind their counterparts overseas than they had been in 1964. Sig Prais *Economic Performance and Education: the Nature of Britain's Deficiencies* [National Institute for Economic and Social Research] (1993) p28 [Back](#)
- 11 To provide a rigorous comparison, UK GCSE figures use an A-C grade for Maths, English and one other subject. At both this level and level 3, French and German vocational qualifications include a significant amount of general education, similar to that found in General National Vocational Qualifications (GNVQs) in the UK. [Back](#)
- 12 *Setting Targets to Raise Standards: a survey of good practice* [OFSTED] (1996)[Back](#)
- 13 This covers full-time education, Government supported training, part-time education and employer-funded and other training
- 13 This covers full-time education, Government supported training, part-time education and employer-funded and other training [Back](#)
- 14 *The Public Funding Costs of 16-19 Provision* [DfEE] (1995)
- 14 *The Public Funding Costs of 16-19 Provision* [DfEE] (1995) [Back](#)
- 15 GNVQ Assessment Review. *Final Report of the Review Group chaired by John Capey* [NCVQ] (November 1995) [Back](#)
- 16 Higher Education Statistics Agency [Back](#)
- 17 *Education Statistics for the United Kingdom* [DfEE] (1995) [Back](#)
- 18 Higher Education Statistics Agency/Government Statistical Service [Back](#)
- 19 see Glossary for a definition of key skills [Back](#)
- 20 *Schools and Business: A New Partnership* [OECD - Paris] (1992) [Back](#)
- 21 *Benchmarking School Budgets - sharing good practice* [DfEE] (1995) [Back](#)
- 22 *Superhighways for Education - the way forward* [HMSO] (1995) [Back](#)
- 23 *CBI Quarterly Industrial Trends Survey* (April 1996) [Back](#)
- 24 Alison Park; *Individual Commitment to Learning: Individuals' Attitudes. Report on the quantitative survey* [ED/SCPR] (1994) [Back](#)
- 25 *Training for the Future* [Scottish Office] (1994) [Back](#)
- 26 *People and Prosperity: an agenda for action in Wales* [Welsh Office] (1995) [Back](#)
- 27 A Bright Future: getting the best for every pupil in school in Wales [Welsh Office] (April 1995)
A Bright Future: the way ahead [Welsh Office] (November 1995) [Back](#)
- 28 A Joint Education and Training Strategy [DENI & T&EA] (1995)
-

The New Department for Education and Employment (DfEE)

The increasing pace of change in modern society leads to the demand for lifelong learning. Bringing together education, training and employment in one Department allows Government to help improve competitiveness by integrating policy in these areas. Already this is paying dividends. DfEE, which has the National Targets at the heart of its objectives, has looked afresh at the importance of literacy and numeracy in helping the unemployed back to work, and at the importance of key skills at all ages. And it will be able to take forward, at all levels of education and training, the implementation of the findings of a wide range of policy reviews such as Sir Ron Dearing's review of the qualifications framework for 16-19 year olds[6], the Beaumont review of National Vocational Qualifications (NVQs)[7] and consultations on lifetime learning[8] and work-based learning[9].

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Practical experience of mathematics

Through Sheffield Education Business Partnership's Partners Programme, Arbourthorne Junior School has been working with ASDA and the DfEE on a project to create a supermarket within the school as a practical learning environment.

The pupils involved have already gained practical mathematical experiences by measuring the area to be used, drawing up plans and thinking about the best use of space. After contacting many companies for assistance and advice, the local ASDA store agreed to put a supermarket in place, and work on this is now underway. The supermarket will be a permanent shopping area which will be used by all the school. It will give the pupils practical, and work-related, experience of many curriculum areas, one of the most important of these being mathematics. Pupils will be able to gain experience of the addition and subtraction of money, the pricing of goods, budgeting, and weight and capacity comparisons.

The partners will continue to work together, and it is hoped that it may also be possible to set up a bank within the school in future.

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Improving individual performance

Homework Clubs are being set up in all the comprehensive schools in Mid Glamorgan, with the help of funding from a local company, Just Rentals. These enable pupils to study in a quiet environment with teacher support. Up to 800 under-achieving pupils were also given the opportunity to participate in a GCSE "Study Week" at the University of Glamorgan during April 1996 through the Just Rentals Challenge, aiming to raise individuals' performance, contributing to wider improvements in the County, and to progress towards the National Targets for Education and Training.

The London Borough of Southwark is investing 28,000 in a network of homework clubs in local libraries to help secondary school pupils with their projects and homework after school and at weekends.

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Giving extra help to those who need it

Some young people have special learning needs, and require extra help if they are to fulfil their potential. The Disability Discrimination Act will amend existing education legislation to ensure that students and parents are kept better informed by schools, colleges, universities and LEAs about their provision for people with disabilities. OFSTED will identify and disseminate good practice to help them obtain the careers education and guidance they need.

The Government also wants to widen participation in post-16 education for students with learning difficulties and disabilities. The Further Education Funding Council (FEFC) demonstrated its commitment to these students by establishing a committee to advise on how best the Council might meet its responsibilities in the future (a report is due

later this year). A 1995 Higher Education Funding Council for England (HEFCE) report dealt with widening participation in HE.

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Target setting in schools

In March 1996 the Government published an OFSTED survey of excellent practice in setting **local targets** in over 40 schools[12]. These schools have seen dramatic improvements in pupil performance as a result of using these techniques. The Government will continue to encourage schools to set their own targets.

Easington Lane Primary School in Sunderland which began setting targets for reading two years ago has seen the numbers of seven year olds attaining the target standard for a child of that age more than double in that period.

The Belvidere Secondary School in Shropshire set targets for raising examination achievements. Over eight years the targets have helped to raise the proportion of pupils gaining five or more higher grade GCSEs from 11 per cent to 65 per cent last year - well above the national average.

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Modern apprenticeships: two examples

The Ellesmere Port-based SHS Group is a major exporter of machinery to make corrugated cardboard boxes for the packaging industry world-wide. As part of its expansion plans, the company implemented a Modern Apprenticeship programme supported financially by the Cheshire, Ellesmere Port and Wirral TEC.

Both employers and trainees are benefiting from the structured programme which offers training towards nationally recognised qualifications. Training manager Phil Bramhall says: "Modern Apprenticeships enable us to tailor the training of young people to meet our future skill needs and business objectives. Work-based training combined with NVQs provides a focus that former training schemes have lacked."

[Photo](#)

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Using Graduate Skills seeks to increase graduate recruitment by SMEs

The Merseyside Innovation Centre and the universities in Liverpool are helping small companies to use **graduate skills**. Six hundred unemployed graduates per year are trained in career development and business skills before being placed with small companies for business improvement projects. 85 per cent get jobs subsequently, 70 per cent in Merseyside.

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Enterprise and education

A scheme in west Lancashire aims to increase the interest of young people in **engineering careers** by involving employers, training providers and education institutions in "hands-on" promotional activities. Now in its fourth year, the scheme develops links between schools, engineering companies and providers in the area. The aim is to involve a minimum of 5,000 secondary and 2,500 primary pupils every year. The 100,000 per annum scheme is funded by cash and in-kind contributions from the partners - LAWTEC, Lancashire County Council and education and business organisations.

Wigan Education Business Partnership and Wigan LEA, with funding from the SRB, are helping Westleigh High School to raise standards. Local businesses like PPG Industries (UK) and Leigh Centurions Rugby League Football Club have provided a range of help such as curriculum development activity to support class projects, and an adventure week, jointly

sponsored with Keighley Cougars and the police, to help social development.

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Maintaining standards and improving performance

A pilot with 37 London primary schools in the spring of 1995 showed **benchmarking** to be a practical method of improving resource management. Details[21] have now been sent to all schools. The schools are now using benchmarked information on financial, academic and inspection data to improve performance.

FEFC college **inspection reports**, and the college's response, are available for prospective students to consult, either from schools or the colleges themselves, or at local libraries and careers offices in the area served by the college. Of the 208 reports issued up to December 1995, the majority of colleges received grades 2 or 3 (satisfactory or better) for quality assurance mechanisms, and eight received a grade 1 (outstanding). The HE Funding Councils and the HE sector are developing plans for a new single agency embracing the quality **assurance** activities of the HEFCE and HE Quality Council, to start work in January 1997. The UK system is already the most comprehensive in Europe, with nearly 1,000 reports on teaching quality completed by November 1995.

Following two national workshops on **customer feedback** in February and March 1996, 68 TECs have chosen to benchmark performance in this area against their colleagues.

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Public libraries

Libraries have always played an important role in education and learning, and are increasingly involved with training. Existing **open and distance learning** will be enhanced by distance tutorials and video-conferencing, and research is examining the role of libraries in this area. Information about courses and subsequent job opportunities are also provided, and often details of specific jobs.

Chelmsley Wood Library in Solihull provides PCs with **Internet and electronic mail** access for public use, along with TV and video equipment and software packages, including word processing, graphics and desktop publishing. It is linked with the Open Learning Centre in the same building and provides IT-related training guides and packages, advice and support to users and runs Internet courses. The centre has 1,200 registered members.

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Harnessing technology

In November 1995 the **Superhighways Initiative** mapped out action to be taken by Government, industry and the education service throughout the UK[22]. A key element is a 10 million programme for 23 projects, sponsored by industry and others, to pilot faster speed networking technologies in education. They will be evaluated in spring 1997, and will include projects focusing on developing and supporting the curriculum in primary and secondary schools, on teachers' professional development, and on links between schools, homes and the wider community.

The Government is also financing the project management, educational advice and evaluation of **Schools Online**, which links 60 schools to the Internet. Eighteen companies are providing equipment and technical support.

Twenty-four university and college sites across London will be linked in "the London Metropolitan Area Network" through a partnership between the public and private sector. This is part of one of the largest fibre optic networks for education and research in Europe - **SuperJanet**, Europe's first true broadband educational network, which enables remote access to expert teaching and information sources, and sophisticated research collaboration within HE.

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TECs are using the 20 million Competitiveness Fund to help colleges meet skills gaps

Matthew Boulton College, a member of the Birmingham and West Midlands Print Initiative, which brings together the Industry Training Organisation, Birmingham TEC, the City Council, the trade unions and key employers in the region, made a successful **Competitiveness Fund** bid to establish a regional Centre of Excellence. This uses a range of new technologies, including computer simulation, to train in a range of modern print technologies.

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Lifetime learning

The real proof of lifetime learning is in actual experiences. The case studies presented below give an idea of the vast variety of approaches and levels of attainment that are possible.

Mandy, a 26-year-old mother of two, left school at 16 with three CSEs. She joined the Norfolk **family literacy programme**, run by the Basic Skills Agency. She liked the offer of a place in the early years group for her elder child, and a free crèche place for her younger child. Mandy gained a City and Guilds communication certificate (Wordpower) and her daughter made considerable progress with early reading. Mandy has continued her studies, while working part-time.

When Charles and Joyce Willoughby took over their take-away food shop in a small fishing port in Northumberland, the turnover was less than 20,000. Today, it is in the region of 200,000. They attribute their success to well-trained and highly motivated staff. Their efforts have been recognised by a **National Training Award**. The training has brought new skills for several members of the staff - Elsie Stewart, the senior manageress, can now run the business in the partners' absence. Elizabeth Garret, the shift manager, with skills as a trainer, is now working towards assessor qualifications.

The University of Stirling, Falkirk College of Technology, Clackmannan College and Forth Valley Enterprise's programme "**Learning in Small Companies**" enabled staff at the Taylor Engineering Group to gain credits for SVQs. Some senior managers studied for the Post-experience University Certificate in SME Management.

The British Polymer Training Association has identified problems SMEs encounter when **introducing NVQs** and the Government is supporting a pilot exercise to address these. Six approved training centres will each support a network of ten small companies. A key part of the evaluation will be to monitor improvements in competitiveness.

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Scotland

The last year has seen the creation of the Scottish Office Education and Industry Department which provides the opportunity for a closer integration of education and training policies.

National Targets

Targets for Scottish education and training attainment are set and monitored by the Advisory Scottish Council for Education and Training Targets. Although Scotland leads the UK in many of the measures, improvements are still needed, particularly at Scottish Vocational Qualification (SVQ) level 3 (see Charts 4.13, 4.14, 4.15, 4.16)

Better Teaching and Learning

In November 1995, the Scottish Initiative on Attendance and Absence was launched to share good practice, and pilot schemes for the introduction of pre-school education vouchers will be launched in Scotland in August 1996.

Significant progress continues to be made towards implementation of the integrated system of post-16 learning and qualifications - the Higher Still programme announced in 1994. The implementation date has been revised to 1998-99 to allow an extra year for development and preparation in schools and colleges.

A new Scottish Qualifications Authority is being set up to take over the functions of the Scottish Examination Board and the Scottish Vocational Educational Council (SCOTVEC) and to award the new Higher Still qualifications.

Rural communities have shown particular interest in the Government's initiative on Superhighways for Education. Two Scottish projects selected for evaluation, in Argyll and Bute, and Grampian, are exploring the potential of this new technology for remote areas.

Effective Education Business Partnerships are in place throughout Scotland. Careers services in Scotland have recently been constituted as companies, providing a partnership between education and enterprise.

Higher Education

Student numbers are at record levels. In 1994-95 there were over 140,000 students in full-time HE courses in Scotland - nearly twice as many as in 1980-81.

Partnerships between Scottish HEIs and business are growing steadily. The Scottish Higher Education Funding Council is actively promoting Technology Foresight as a means of strengthening them.

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Scotland

Lifetime Learning

Over 60 additional Investors in People advisers have been appointed as a direct result of funding announced under 'Training for the Future'[25]. Progress on Investors has been encouraging with 1,295 commitments and 268 recognitions in Scotland to date.

A strong emphasis is being placed on ensuring that SVQs are relevant to the needs of employers. Key initiatives will be a SVQ action plan in the light of the Beaumont Report⁷; the wider national review of all SVQs (and NVQs); an SVQ marketing strategy through SCOTVEC; and a Key Partner Action Group which will provide a focus for a co-ordinated approach to implementation of the strategy. The Scottish Skills Forum is examining practical measures to improve the contribution made by vocational education, training and skills development to the competitiveness of business, and will report to Ministers later in 1996.

Participation levels in FE colleges continue to expand. A new funding formula will be fully implemented in 1996-97. The level of student activity rose by 6 per cent between 1993-94 and 1994-95.

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Wales

National Targets

Having started from a lower base than the rest of the UK, Wales is beginning to catch up. But faster progress needs to be made on Foundation Target 1 (the proportion of young people achieving five GCSEs at grades A-C or vocational equivalent). "People and Prosperity"[26], published in March 1995, set out the action that will be taken by schools, FE and HE institutions, TECs and others to achieve the National Targets in ways which deliver the skills important to the Welsh economy. The Welsh Office is working with all these to take action forward.

Under the "Bright Future"[27] programme, all Welsh schools are now expected to set their own targets for improvement to beat their previous best year by year. Grants to support this programme amount to 20 million.

Primary schools will give particular attention to raising achievement in literacy and numeracy, supported by 3 million from the Welsh Office to provide over 1,600 primary schools with multimedia computer hardware and software.

Every secondary school will be setting and announcing targets to improve achievement at GCSE, A level, and in vocational qualifications.

Action plans following inspections will include reviews of these targets. Where they are insufficiently challenging, the Inspectorate will expect schools to set new, more testing targets.

In Wales, the key Bright Future target is that by 2000, half of all individual 15 year olds should achieve a GCSE A-C

grade in maths, science, English or Welsh (first language) in combination.

Business and education links

Links between education and business are a high priority. 10 per cent of Welsh teachers and FE lecturers and 5 per cent of HE lecturers now undertake a placement with an employer each year.

New careers service companies have been established which are extending the availability of advice.

Manufacturing Skills

In line with the strategy in "People and Prosperity", TECs are giving top priority to manufacturing skills:

- Numbers starting Modern Apprenticeships in manufacturing in Wales are rising, from 500 in 1994-95 to an estimated 1,600 in 1996-97. To support this, colleges have been re-equipped with modern engineering facilities.
- Welsh TECs are helping manufacturing employers train adults to technician level. 1,200 people will start training in 1995-96 and 1996-97.
- TECs are focusing their work on education-business links to support the delivery of GCSE Technology and relevant GNVQs, and to attract talented young people to careers in manufacturing. In 1996, 29 schools will offer 14-16 year olds the chance to study GNVQs in Manufacturing as part of the Wales GNVQ Key Stage 4 Development Scheme.

Lifetime Learning

"People and Prosperity" includes a programme of action to promote lifetime learning. As part of this, the Welsh Office is making 2 million available in 1996-97 as the second year of a developing programme to bring information, advice and guidance for adults on education, training and careers options up to an effective standard throughout Wales.

TECs are using their Local Initiative Funds to promote lifetime learning, and further and higher education institutions are improving adult access to learning. The number of full-time students attending further education in Wales has risen by 89 per cent since 1987-88. Over the same period, the number of full-time students over 25 on HE courses in Wales increased by 119 per cent.

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Northern Ireland

National Targets

The Department of Education for Northern Ireland (DENI), and the Training and Employment Agency (T&EA) are working together to raise the standards of education and training towards the levels set in the National Targets. On current levels of attainment, Northern Ireland is ahead of England and Wales on Foundation Target 1, but trails on the Lifetime Learning Targets 1 and 2.

Education and Training Strategy

In October 1995, DENI and the T&EA published a joint education and training strategy for 14-19 year olds[28]. It aims to ensure coherence in the system of education and training for this age group through the promotion of a common broad curricular framework consisting of Main Studies (GCE A and AS Levels; GNVQs; NVQs), Additional Studies, Key Skills and Careers Guidance.

The Pre-school Education Voucher Scheme will be introduced to Northern Ireland in 1997.

"Raising School Standards" is a three year programme, starting in 1996-97 targeted at the 34 secondary schools where pupil achievement has been found to be lowest, together with their feeder primary schools. This involves intensive support for each school resulting in the development and implementation of an action plan for improvement.

During the 1996-97 school year, schools will receive guidance on developing and delivering an effective careers programme as well as advice on criteria for evaluation.

Lifetime Learning

The Government has announced its intention to proceed with the Incorporation of FE Colleges. This will provide colleges

with more independence, encourage greater diversity of approach and provision, increase responsiveness to the needs of local industry, commerce and communities and create a more unified planning and funding system.

The Jobskills programme provides work-based training, leading to NVQs and is delivered through a network of training organisations. The programme already features pre-entry careers guidance for young people and unemployed adults plus support for those with difficulties in basic skills. To improve provision further, a pilot project is being run to incorporate key skills units in Jobskills training.

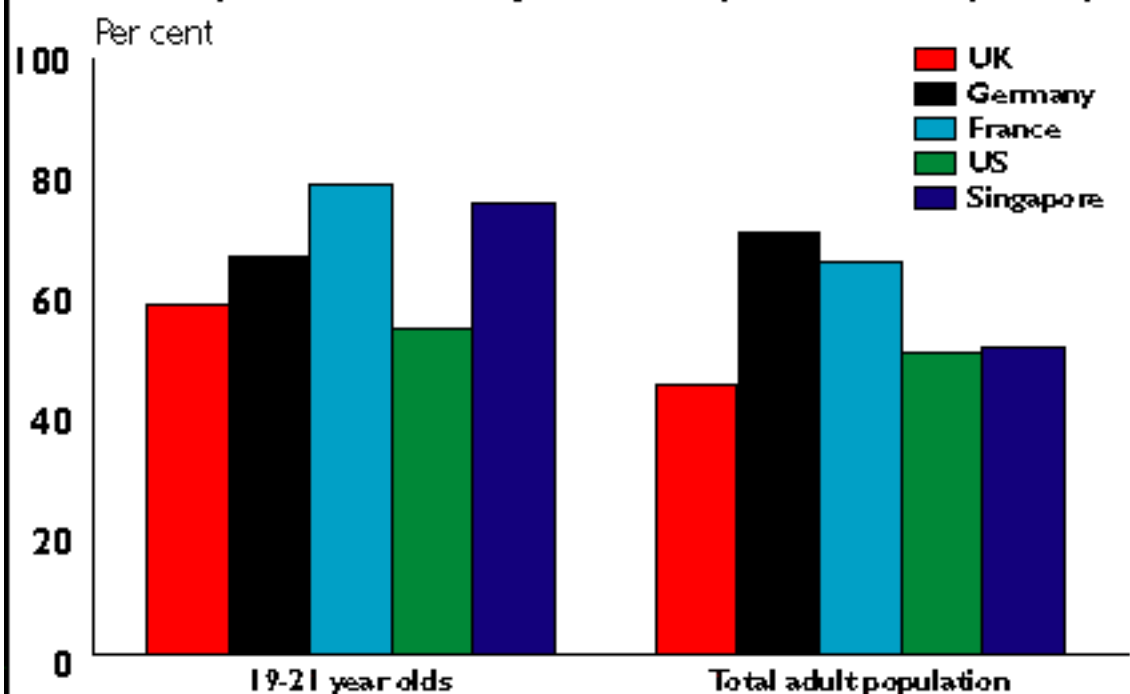
Development work on Northern Ireland Modern Apprenticeships commenced in January 1995. At least 21 skill areas will be covered when the scheme is fully introduced in July 1996.

The use of structured training and development plans to increase competence in the workforce and increase competitive advantage is promoted through the Company Development Programme (CDP) and the Sectoral Development Programme. Companies participating in these schemes are actively encouraged to use NVQs and to become recognised as Investors in People. The number of CDP client companies using NVQ training showed a marked increase over the last year, rising from 35 per cent to 56 per cent at the end of March 1996.

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Chart 4.1 Proportion of population qualified to level 2 (GCSE and equivalents) or above (1994)



Note: German data refer to 1993.

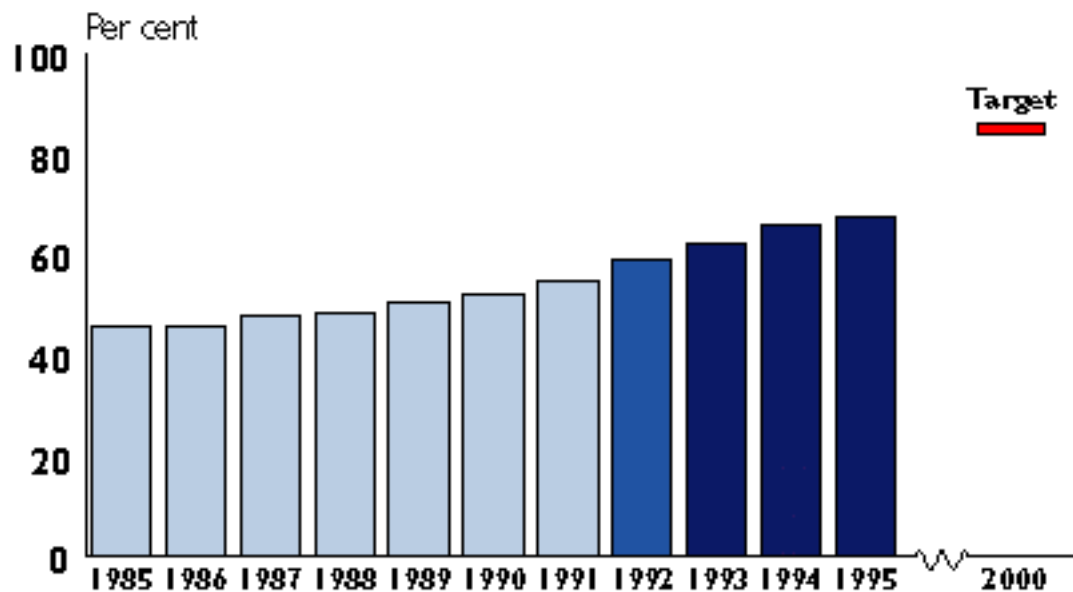
Younger age group for the US and Singapore is 20-24 year olds.

Sources: SkillsAudit

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Chart 4.2 Foundation target 1: achievement in the UK



Note: Target is for 85 per cent of young people to achieve five GCSEs at grade C or above, an intermediate GNVQ or an NVQ level 2 by age 19. Changes in the survey mean that figures for 1993 onwards are not directly comparable with earlier years and figures for 1992 are not directly comparable with earlier or later years.

Sources: ONS Labour Force Survey (Spring)

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comments

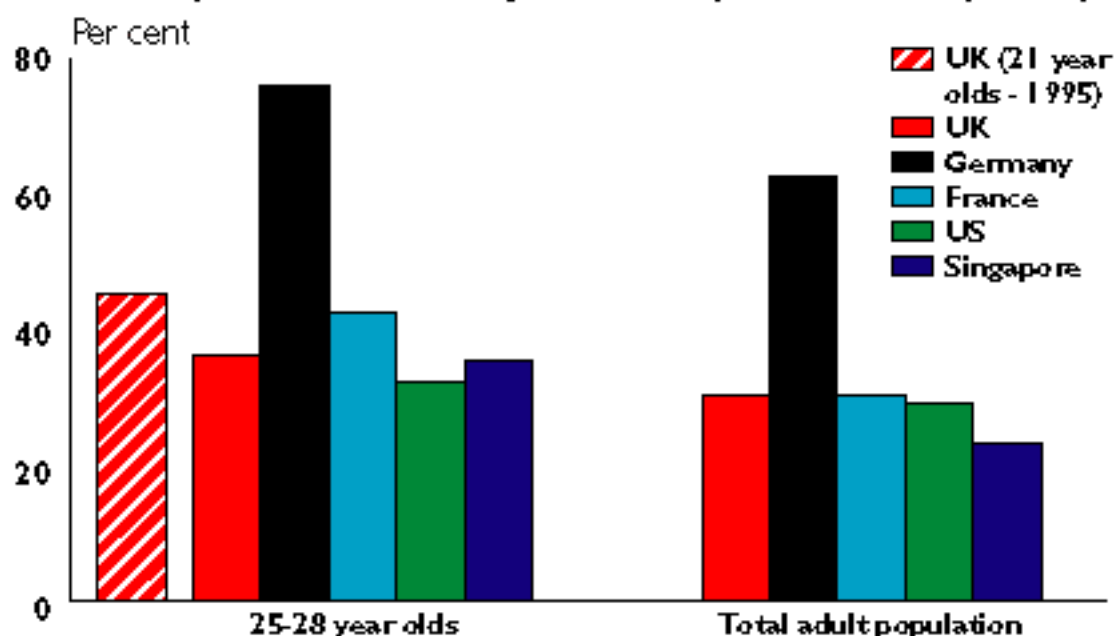


Children at Thomas Jones Primary School learn about design using materials funded by the Design Council.

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Chart 4.3 Proportion of population qualified to level 3 (A level and equivalents) or above (1994)



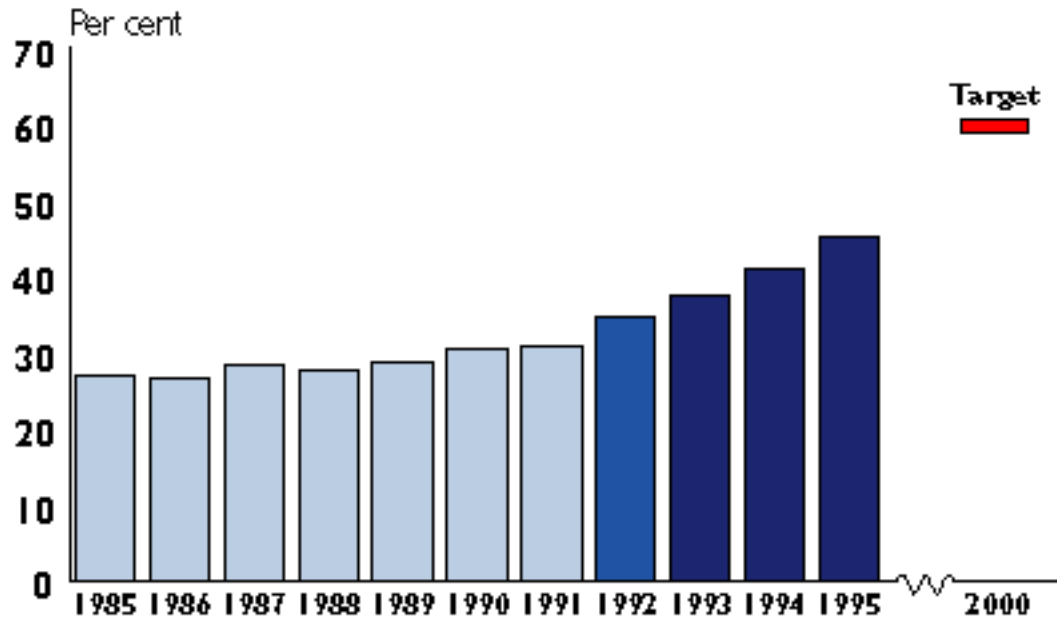
Note: German data refer to 1993. Younger age group for the US and Singapore is 25-29 year olds. 1995 figures for 21 year olds in the UK included to show most recent position.

Sources: Skills Audit, ONS Labour Force Survey (Spring)

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Chart 4.4 Foundation target 3: achievement in the UK

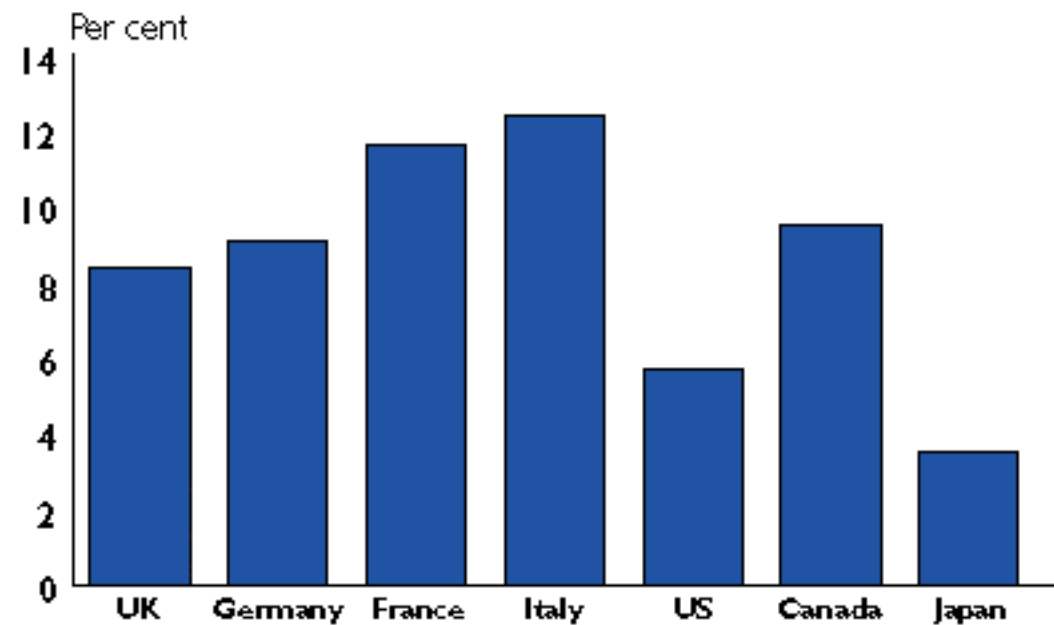


Note: Target is for 60 per cent of young people to achieve two GCE A levels, an Advanced GNVQ or NVQ level 3 by age 21. Changes in the survey mean that figures for 1993 onwards are not directly comparable with earlier years and figures for 1992 are not directly comparable with earlier or later years. Sources: **ONS Labour Force Survey (Spring)**

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**Chart 5.1 Standardised unemployment rates
(March 1996)**



Note: Data for Italy, US, Canada and Japan refer to January 1996.

Sources: Eurostat, OECD

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Melissa is an engineering Modern Apprentice with inward investor Kawasaki Precision Machinery (UK) Ltd.

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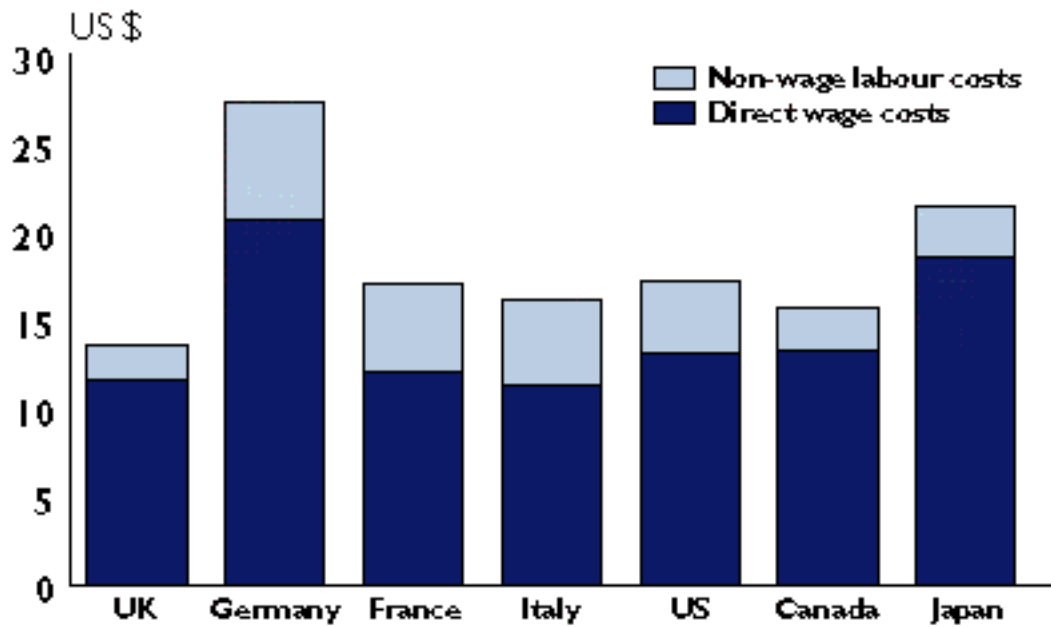


A pay and conditions strategy, backed up by extensive training and development programmes, is playing a major role in

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Chart 5.2 Hourly labour costs for production workers in manufacturing (1994)



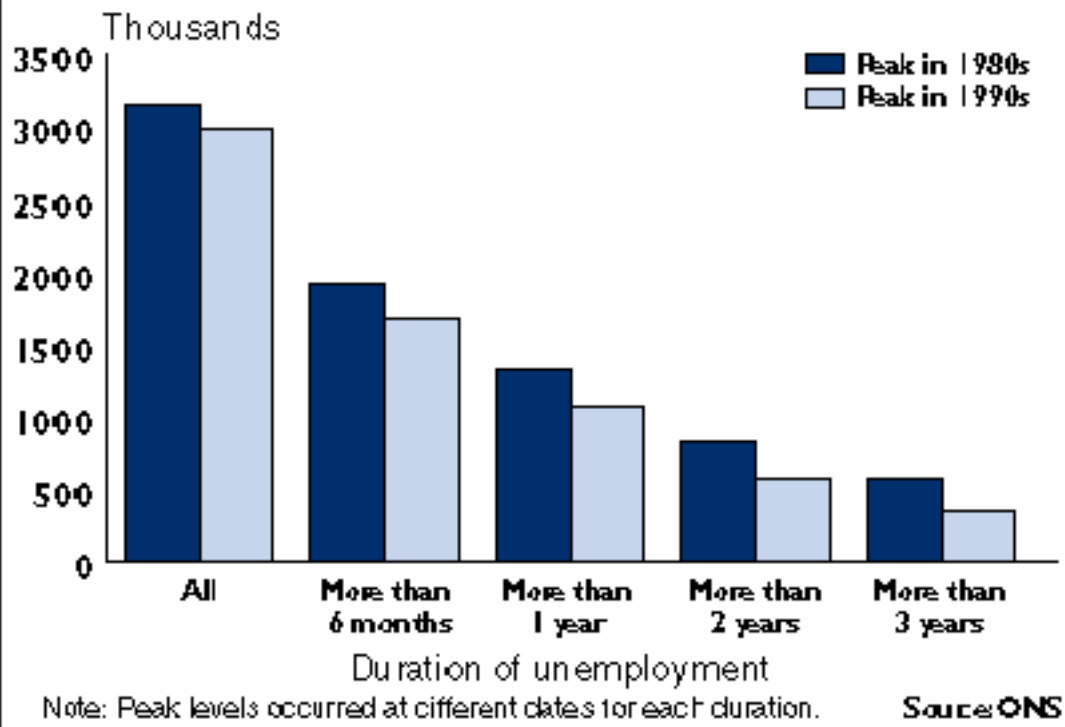
Note: Measured at 1994 market exchange rates.

Sources: US BoL

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Chart 5.3 Peak levels of unemployment by duration



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Bass has introduced a Reward Strategy designed to recognise and reward talent and to foster entrepreneurial spirit.

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OECD research confirms that the UK economy is now more flexible.

In July 1995, the OECD[3] observed that greater labour market flexibility in the UK is reflected in the wide distribution employers are able to increase and reduce their workforces, greater decentralisation of pay determination, and wider wage flexibility: the level of unemployment consistent with stable inflation has fallen significantly since the late 1980s but stable wage inflation - are consistent with further modest falls.

Other studies have[4] highlighted aspects of increased flexibility in the UK labour market.

Wage determination has become increasingly decentralised. By 1990, fewer than half of employees were covered by collective agreements. Taking all the evidence together it can reasonably be concluded that the UK labour market has become more flexible.

Much of the explanation for improvements in productivity derives from the Government's reform of industrial relations in 1980, which made it very difficult to introduce changes in working methods. **Oulton (1995)**

Recent years have seen a fall in the rate of unemployment consistent with stable prices. This reflects an improvement in shift towards more active labour market policies and the reduction in marginal tax rates. **Sentance (1995)**

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Change and flexibility - job tenure

In recent years there has been much talk of a shift to "virtual jobs" or "the end of the job as we know it", and delayering have increased the perceived impact of job losses in the recent recession, and perhaps led to a perception that jobs are now lower and the average duration of unemployment shorter than at the equivalent stage of the previous economic recession. However, supported by the evidence, either here or in the US[5]. A high proportion of the employed labour force are in long-term employment with their current employer for five years or more and 29 per cent had been in their present employment for more than 10 years. Available evidence also suggests that, in contrast to popular perceptions, job tenure has not fallen dramatically over the last decade. For men - one study suggests from 10.5 years in 1975 to 9.4 years in 1991[7] - with unskilled and older men the most affected. Unchanged for women.

Whatever has happened recently, change is an intrinsic part of a dynamic economy and the structure of employment will intensification of competition in the world economy. But change and competition present opportunities as well as challenges. The downward trend for over three years. Labour market performance has improved.

Building on that improvement - fostering wealth and job creation in an environment of continued change - inevitably may not be enough to sustain employment for a whole working life in the future. To sustain their employability, individuals will need to invest through their working lives. Employers may find that increased investment in the personal development and transferable skills of their workforce as an attraction to recruit and motivate a high quality workforce.

For its part, the Government's education, training and employment policies are geared to improving the individual's ability to cope with change, the welfare system and the operation of the labour market underpin and do not undermine the economy's ability to generate employment.

- attach high priority to raising skill levels (see Chapter 4)
- provide financial support to those whose jobs have disappeared while they search for new work
- develop active labour market policies to help unemployed people to get jobs as quickly as possible
- discourage unfair discrimination in employment against older workers and other groups.

However, consumers are constantly seeking new products and services. Those same consumers at work cannot be protected from change. Leisure activities. The Government will not seek artificially to slow the pace of change in the structure of employment. Its ability to generate new jobs and ultimately lead to higher unemployment.

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Change and flexibility - part-time working

The UK has a high incidence of part-time work: 24 per cent of employment compared to an EU average of 15 per cent (Chart 5.5).

The growth of part-time jobs largely reflects individual choice. Only 14 per cent of those who work part-time do so because of a lack of a permanent job (Chart 5.5).

The vast majority - over 85 per cent - of part-time workers in the UK are in permanent jobs. Over 80 per cent of part-time women in part-time work had been with the same employer for more than two years, and two-fifths had been with the same employer for more than five years.

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Change and flexibility - temporary working

There are far fewer temporary workers in the UK than in most other European countries - in 1994 temporary workers accounted for 1.5 per cent of the UK workforce, compared with 10 per cent in France and 15 per cent in Germany.

In some countries, "permanent" full time or part time employment is regulated more heavily than temporary work, which discourages employers from taking on permanent staff. Fewer temporary workers in the UK are in temporary employment because of a lack of a permanent job - twice the proportion in the UK as in Spain were in temporary work because of a lack of a permanent job - twice the proportion in the UK as in Spain.

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New measures to help the long-term unemployed from April 1996

Project Work

A new approach - Project Work - is being tested in the contrasting labour markets of Hull, and Medway and Maidstone. Under this initiative Employment Service advisers provide jobseekers with in-depth advice and guidance. In 1996-97, all jobseekers on a period of 13 weeks, be given structured help to find a job. People who do not get a job in this period will be required to provide an up-to-date reference whilst they look for work. People who fail to attend without good cause will be required to provide an up-to-date reference whilst they look for work.

1-2-1

The successful 1-2-1 initiative, originally aimed at young adults, is being more than doubled and its scope extended to all jobseekers. Under this initiative Employment Service advisers provide jobseekers with in-depth advice and guidance. In 1996-97, all jobseekers on a period of 13 weeks, be given structured help to find a job.

NIC holiday

Employers who take on the very long-term unemployed now benefit from a one year's holiday from employer National Insurance contributions.

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3 *OECD Economic Survey of the United Kingdom 1994-1995*, [OECD] (July 1995) [Back](#)

4 The research referred to is: M. Beatson; *Labour Market Flexibility* [Employment Department Research Paper No. 48] (November 1995); A. Sentance; *Are we entering a new era of flexibility?* [National Institute Economic Review] (November 1995); A. Sentance; *Are we entering a new era of flexibility?* [National Institute Economic Review] (November 1995) [Back](#)

5 See for the UK, P. Gregg and J. Wadsworth; *A short history of labour turnover, job tenure and job security 1975-93* [Oxford Bulletin of Economics and Statistics] (March 1996). For evidence from the US see F. L. Rees (1994) and H. Farber; *Are lifetime jobs disappearing: Job duration in the United States 1973-93* [Princeton University Press] (1994).

6 P. Gregg and J. Wadsworth op cit [Back](#)

7 See S. Burgess and H. Rees op, cit [Back](#)

8 P. Robinson; *Evolution not revolution* [New Economy, Volume 2 No. 3] (Autumn 1995) [Back](#)

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Local transport strategies

In England, the Government launched the "package approach" for local transport funding in 1993. Under this policy, local authorities develop a cross-modal transport strategy. There has been a 43 per cent increase in the number of packages accepted for funding in 1997-98.

- Leeds was among the first to design a package along these lines. The City Council's strategy is based on a system of public transport combined with a largely car-free environment within a city centre road-loop. Major works include the Scott Hall regeneration scheme.
- In Exeter, Devon County Council's transport strategy - developed in partnership with the City Council - provides for improved bus schemes, and improved rail facilities. This has resulted in increased bus and rail use and stabilisation of traffic in the city centre.

In Wales, the Government similarly encourages an integrated approach to local transport planning through the new unitary authorities.

In Scotland, the Secretary of State has announced a challenge fund for transport projects in 1997-98. Scottish local authorities are encouraged to develop projects linked to the Private Finance Initiative.

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Private finance initiative and roads

Transport infrastructure is being increasingly provided by the private sector under the Private Finance Initiative (PFI). This provides the basis of a longer-term investment strategy. The national roads programme, in particular, is being significantly expanded.

- The Skye Road Bridge and river crossings at Dartford and across the Severn have been built by the private sector.
- Photo
- A number of roads are being constructed under **Design Build Finance and Operate** (DBFO) arrangements under which the private sector is managing and maintaining sections of the trunk road network over 30 years. The DBFO programme in England includes 10 construction schemes and with a capital value of over 1 billion. There are a further three DBFO schemes in Scotland and Ireland. (The DBFO approach involves budgetary consequences over time, since the Government remunerates the private sector through "tolls"). These payments are expenditure commitments which the Government takes into account in determining the overall budget.

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Making the most of the trunk road network

- **Traffic management systems** are being installed to give variable message signs at strategic points to provide dynamic traffic management.
 - **Controlled motorway operations** - entailing variable compulsory speed limits to reduce speed as traffic builds up.
- Photo
- **Highway engineering techniques**, such as the construction of new lanes, help maintain and improve levels of service.
 - **Ramp metering** to regulate the flow of traffic entering a motorway helps reduce the incidence of flow breakdowns.
 - **Technology** will have an increasing part to play in providing drivers with a range of travel and route planning information to improve the efficiency, safety and management of the trunk road network.

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Managing the demand for road travel

The majority of car journeys are for relatively short distances; 60 per cent are under five miles, and 25 per cent are under two miles. Short distance travel, can therefore have a potentially significant impact on the level of traffic on our roads. A number of measures are listed below:

- Government planning guidance aims to reduce car reliance through the location of new development, particularly in areas with good public transport.
- Regulation of the availability of parking and financial disincentives to parking, with greater emphasis on short distance travel.
- Restrictions on vehicular access to particular roads or areas.
- Many local authorities are operating schemes to raise public awareness of the impacts of travel, and encourage the use of public transport.

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Promoting other alternatives to the car

- A Bus Working Group has been established to look at ways of improving the quality and usage of **bus services** in London. Local authorities are developing their local transport strategies, such as bus lanes or guided busways and associated bus priority measures.
- There has been major public investment in **light rail** systems in Sheffield and Manchester, at a combined cost of £1.2 billion. Construction and negotiations with a preferred bidder are under way for a scheme at Croydon.
- The 1.9 million **Cycle Challenge** initiative is supporting over 60 projects demonstrating new ways of encouraging cycling. The Government is supporting the development of a National Cycle Network promoted by Sustrans, backed by a £42 million grant.
- **Park and ride schemes** can be used to promote the use of public transport and the Government will continue to encourage their development.
- **Walking** can offer a practical alternative for short trips. The Government is encouraging local authorities to give priority to pedestrians in their transport plans.

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Transport strategy for London

The Government has also published a transport strategy for London[7]. The quality of the capital's international and inter-city transport links is a key priority.

The strategy considers in depth how London's transport systems should be developed in an integrated way in furtherance of the Government's transport policy. It identifies five key areas for improvement: enhancing the quality of commuter services by rail and Underground; promoting less private car use; improving the quality of movement within them; plugging the major gaps in the road and rail networks; and maintaining and enhancing international and inter-city links.

Particular features include :

- Continued investment in the core underground network. Investment in **London Underground** is currently planned for the completion of the Jubilee Line extension, modernisation of the Central Line, and refurbishment of rolling stock including a new train service for the Northern Line.
- To help support the development of **bus services**, there is a commitment to fund the 315-mile network of red routes. The Government is committed to support the London Boroughs in implementing a 500-mile bus priority network.
- The **London Airports Surface Access Study** is looking to improve access to London's airports by public transport.
- Investment in new rail and road infrastructure through a number of public-private sector projects. Priorities include:

Jubilee Line extension to Docklands, due for completion in 1998

Heathrow Express, with services expected to start by mid-1998

Road improvements to the North Circular, M25, A13, and A40

CTRL, expected to be operational by 2003

Thameslink 2000, extending rail services between the north and south of London

Docklands Light Railway extension to Lewisham expected to open in 1999

Croydon Tramlink

and, for the longer term, **Crossrail** and the **Chelsea-Hackney** line.

A package of new **cross-river transport links** in East London is also under consideration to help reinforce regeneration crossings. Potential public-private components of this package include :

- an additional road crossing at Blackwall
- a rail tunnel connecting the North London and North Kent Lines at Woolwich
- a multi-modal local crossing between Beckton and Thamesmead at Gallions Reach

The Government has also been piloting a scheme in five London Boroughs to wheelclamp cars which do not have a valid MOT. This is estimated to cost £170 million a year in lost revenue. As these vehicles are often uninsured, there is also a loss of insurance revenue, and the Government is currently evaluating the results of this pilot.

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Rail freight grants

To assist the use of rail for freight carriage, the Government is continuing to provide grants to encourage development of rail freight. Since 1979 146 grants have been awarded, with a total value of around 100 million at today's prices, securing rail traffic

- Ryan Mining Ltd (now NSM Mining Ltd) was awarded a Freight Facilities Grant of nearly 4 million in 1992 to develop a new coal loading station in the Valley. This was intended to handle some 500,000 tonnes of coal a year, thus removing some 52,000 lorry trips above that level.

[Photo](#)

- In 1995 Buxton Lime Industries Ltd opened a new limestone flask loading station - with associated rail infrastructure worth £1 million. This facility is removing 125 lorry movements a day through the town of Buxton and the surrounding area.

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Use of technology

As reported in the 1995 Technology Foresight initiative, evolving technology can help to deliver a more efficient transport system to meet demand for travel.

- **Information to travellers** is being improved through integrated travel information, ticketing, booking and payment systems.
- Developments in **vehicle design and operation** are meeting higher environmental and safety standards.
- In-car and highway **telematics** can help traffic flow in a number of ways - including computer control of traffic lights, the provision of information to drivers inside their vehicles.
- For the longer term, the Technology Foresight Transport Panel has proposed development of the **Clear Zones** concept for low-emission transport systems, alongside effective air quality management and control.
- **Information Technology** also has a part to play in helping to reduce the demand for travel through use of, for example, teleconferencing.

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Improving vehicle utilisation

Since introducing a computerised vehicle routeing and scheduling system, the brewery company Scottish Courage Ltd h

- reduced annual vehicle mileage by 8 per cent
- improved vehicle utilisation by 11 per cent
- reduced the man hours needed for routeing and scheduling at depots from 8 to 2.

P&O European Transport Services maximise vehicle use and improve customer service by tracking and communicating hardware beam their location via the EUTELSAT. Equipment in the cab allows drivers to transmit and receive informati available and vehicles can be rapidly deployed for the collection of loads at customers' request.

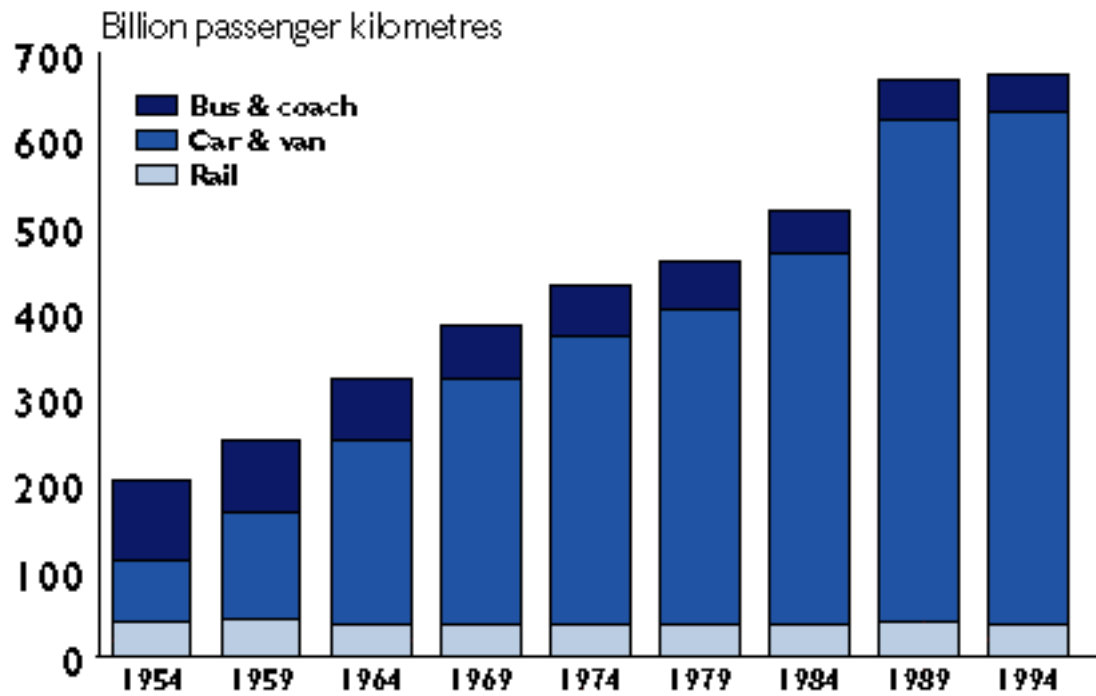
By return-loading 80,000 tonnes of recyclable packaging on its vehicles, Safeway plc has reduced the number of journey

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Note 7: *A Transport Strategy for London* [HMSO] (April 1996) Back

comments

**Chart 6.1 Passenger traffic by mode
(Great Britain)**



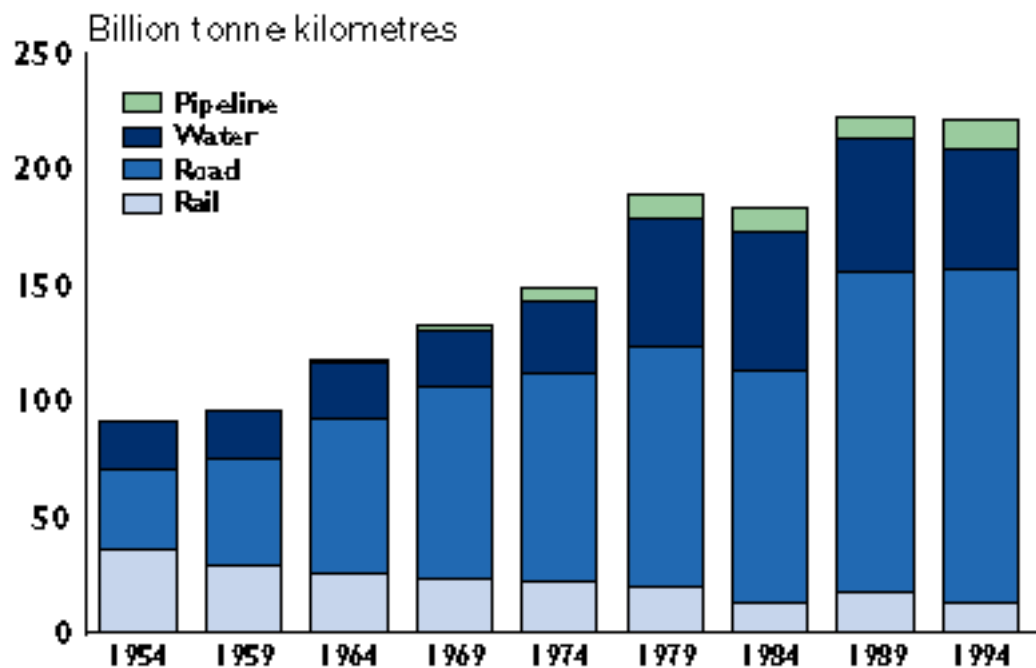
Note: Excluding air transport

Sources: DOT

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**Chart 6.2 Freight traffic by mode
(Great Britain)**



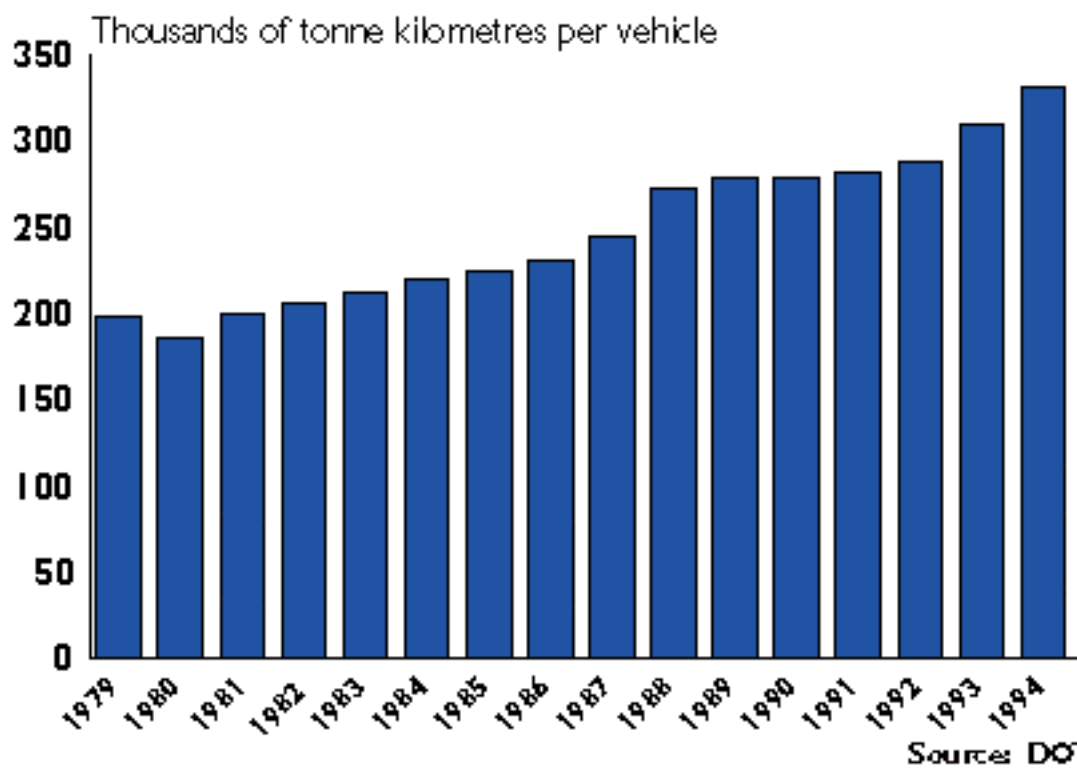
Note: Excluding air transport.

Source: DOT

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Chart 6.3 Average goods moved per Heavy Goods Vehicle (Great Britain)



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The environment industry

On the most conservative estimates available, the global market for environmental goods and services was worth 120 billion in 1990. The same estimates project growth of 50 per cent to 180 billion by 2000, and to 325 billion by 2010. Other estimates are more optimistic.

The UK environment industry has the strengths to take advantage of these opportunities. We have internationally-competitive firms.

- Biwater Supply Ltd has won a 25 year concession to manage and operate the water supply and distribution network in Batam with World Health Organisation standards and expand the system to cope with Batam's growing population.

In 1992, UK firms had just under 4 per cent of the world market; by the year 2000 their share is forecast to grow to around 10 per cent.

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Waste strategy

The strategy for sustainable waste management^[6] in England and Wales:

- provides a clear policy framework for industry and other waste producers, regulators and Government
- sets targets, including a reduction in the amount of controlled waste going to landfill from 70 per cent to 60 per cent by 2000.

It also provides a framework for the Government to set objectives to reduce the amount of waste produced, make the best use of resources and represent the best practical environmental option.

The Scottish Environment Protection Agency and the Northern Ireland Environment Department are preparing corresponding strategies.

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Economic instruments

From October 1996, waste going to landfill will be charged at a rate of 2 per tonne for inactive waste and 7 per tonne for active waste. This will be added to employers' National Insurance Contributions.

The 1995 Budget renewed the commitment to increase **road fuel duties** by an average of at least 5 per cent a year in real terms. The duty on natural gas - was reduced by 15 per cent.

The Government is also examining:

- the case for using vehicle excise duty to encourage the use of low emission vehicles
- the scope for using charges or tradeable permits for effluent discharges and water abstraction.

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Education and training

As environmental issues become part of the business mainstream, high quality education and training becomes critical. The Government is:

- has developed a strategy for environmental education
- is promoting good practice in delivering environmental information through the school curriculum
- is supporting the development of vocational qualifications in environmental and energy management.

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Environmental management schemes

The UK is playing a leading part in developing, implementing, and promoting environmental management schemes:

- over 100 firms have been certified to BS 7750 - the world's first standard for an environmental management system
- EMAS became operational in April 1995 - the first five sites registered in Europe under the scheme were in the

EMAS provides formal recognition across Europe to firms which manage their environmental impact - the use of BS 7750 environmental performance.

Preparations for BS 7750 and EMAS have brought clear benefits to companies of all sizes through financial savings, improved

- Loudwater, a printing company, was the first small firm to register under EMAS in February 1996. In the run up to EMAS and income from recycling by-products and unavoidable waste. It is convinced EMAS will help it commercially

To help smaller firms benefit, the **Small Company Environmental and Energy Management Assistance Scheme** (SCCEMAS) provides 50 per cent support towards the cost of hiring experts to advise on establishing an environmental management system and registering

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Improving business efficiency

Energy Efficiency

J W Arrowsmith Ltd, a printing company, invested in new space heating and decentralised domestic hot water systems in 1995

- 47 per cent reduction in energy costs, worth about 24,000 a year
- 49 per cent reduction in CO2 emissions
- maintenance costs reduced from 3000 to 700 a year.

Waste Minimisation

A review of operations at Walkers Snack Foods Ltd's Peterlee site revealed unnecessary processing, frying and packaging waste minimisation culture involving all staff. The benefits included:

- cost savings of over 960,000 in the first year
- a payback on investment of ten months
- reduced water use and less production waste going to effluent or landfill.

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Improving business efficiency

Process Optimisation

The Pollution Inspectorate has developed a "3Es" methodology[8] to demonstrate that environmental improvements can be achieved. Colloids Group plc, a chemical company, has identified potential savings of around 4.5 million a year. A "3Es" guide for

In Scotland, SEPA is working with the Chemical Industries Association to carry out a demonstration of "3Es" methodology.

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Designing for the environment

Rank Xerox Ltd is committed to the goal of "waste-free products from waste-free factories". Programmes on product and packaging have reduced the environmental impact of its products throughout their life. As a result, its products are designed to:

- use the smallest amount of energy and supplies possible
- be delivered in returnable and reusable packaging
- allow remanufacturing and reprocessing.

As well as benefiting the environment, the company estimates it has saved 3 million on packaging since 1993. It has also:

- 50 million on raw materials
- 300,000 on reduced landfill costs.

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Helping the environment industry

UK companies are among the leaders in the world environment market. But the industry as a whole is relatively new and the **Joint Environmental Markets Unit (JEMU)** assists the industry to develop by:

- working with it to help identify competitive strengths and weaknesses, and develop a strategy to improve its performance
- stimulating a dialogue with companies and trade associations to improve export performance, and raise the profile of the industry
- developing the findings of Technology Foresight and helping firms derive maximum benefit from European research and development

JEMU also keeps firms informed of global market opportunities and provides practical assistance to help them win business.

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The best practice programmes

Last year, UK business used about 12 billion worth of energy. The **Energy Efficiency Best Practice (EEBPP)** programme aims to achieve 10% savings in energy use by 2000, with a further 10% savings still to come, and a target of 600 million a year by 2000:

- A 12 million collaborative project between Brook Hansen of BTR, European Electrical Steels and teams from Crompton Greaves and Siemens to develop a new design of electric motors which could save industry 120 million a year, and reduce CO2 emissions from power stations.

Launched in 1994 with a budget of 16 million over five years, the **Environmental Technology Best Practice Programme** provides a free environmental helpline. It aims to stimulate savings for UK business rising to 160 million a year by 2010:

- MBC Precision Castings achieved savings of almost 98,000 a year by installing a water-based system for production of engine components and has eliminated the need for equipment to abate the release of volatile organic compounds. The payback on investment was less than 12 months.

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Renewable energy

The Government is helping to develop the new and renewable energy sector in the UK. In 1995-96, its support for new and renewable energy projects included:

- "energy from waste" plants, particularly landfill gas
- the gasification technology needed to process energy crops

- generation of electricity from wind.

The world market for renewable technologies was estimated by the EU to be worth 30 billion a year in 1992, and forecast to grow to 100 billion a year in 2010. The world market for renewable technologies was estimated by the EU to be worth 30 billion a year in 1992, and forecast to grow to 100 billion a year in 2010. The world market for renewable technologies was estimated by the EU to be worth 30 billion a year in 1992, and forecast to grow to 100 billion a year in 2010.

- Aerolaminates Ltd have been successfully selling wind turbine blades to customers around the world. Its export sales are worth 10 million a year.

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Leeds environmental business forum

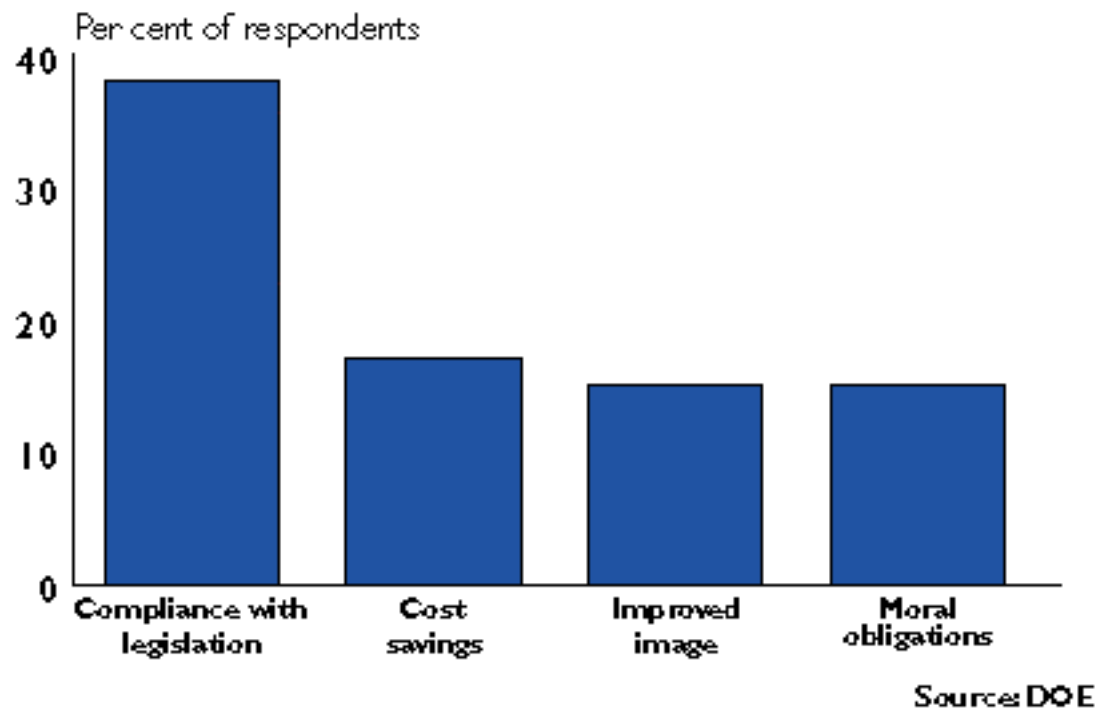
The Leeds Environmental Business Forum was developed with public and private sector support, and the City Council's support. It is run as a limited company, its activities include:

- providing local firms with advice on environmental reviews and management systems
- publishing a best practice manual and guides on waste and energy management
- organising seminars which focus on "bottom line" business issues.

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Chart 7.1 Factors motivating companies to adopt an environmental policy (1995)



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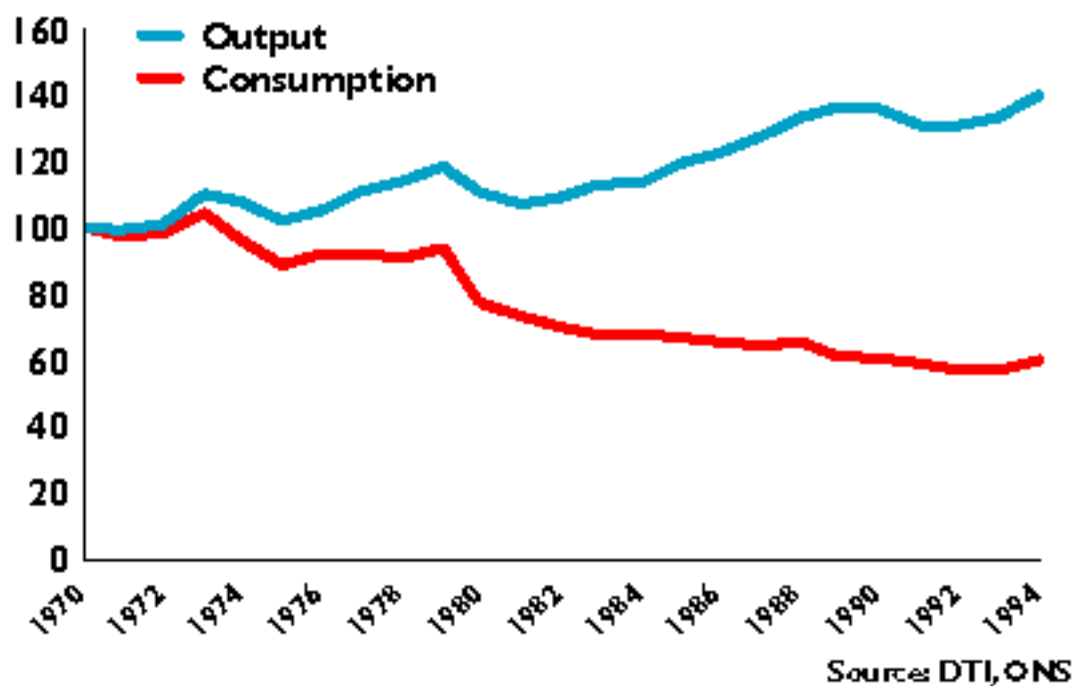


The Secretary of State for the Environment, the Rt Hon John Gummer MP, presents the EMAS Certificate to Loudwater

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Chart 7.2 UK industrial output and energy consumption by industry (1970=100)



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The first EU ecolabels were awarded by the UK to Hoover Ltd for its "New Wave" range of washing machines and to F

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Investment casting at MBC Precision Castings, Redditch.

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Wind turbine blades being prepared for export at Aerolaminates' production site in Southampton.

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Advanced engineering design and virtual prototyping in Virtual Reality

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The Information Society in action

- Aardman Animations Ltd, best known for the Wallace and Gromit films, have reduced editing and production time (LAN). They also use Integrated Services Digital Network (ISDN) and e-mail to communicate with US clients using these methods.
- Peritas Ltd provide training on their courses and on Microsoft products with learning support to users on-line throughout Australia. Training costs are substantially reduced. One ten-day course held on the premises would, for example, cost £10,000.
- E Botham and Sons, a bakery business in Whitby, used the Internet to advertise. In six months over 12,000 potential customers every week from abroad as well as the UK.
- Use of mobile communications by one of the main motoring breakdown services has saved many millions of pounds. It has provided estimated annual savings of between 300 and 500 per mobile over cellular alternatives.

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Working at a distance

- The Hoskyns Group plc has set up a business process outsourcing centre at Forres near Inverness. This uses a wide range of administrative functions for clients.
- In Aberdeen, RGIT Ltd is collaborating with Robert Gordon University and local hospitals on research for high quality medical support for merchant shipping, off-shore and Highland communities. The University is extending this collaboration.

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Multimedia in broadcasting

- The BBC and Anglia, among others, have produced CD-ROMs covering subjects such as current affairs, nature and science.
- BT is involved in a pilot interactive services system in East Anglia.
- Two Way Television have agreements with a number of broadcasters to pilot an interactive TV system.
- Audio Processing Technology Ltd of Belfast has developed data compression techniques to allow transmission of high quality audio systems and in cinema (where it was first used in "Jurassic Park").

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The ISI information line

Looking for something close to home?

There are special schemes available in Scotland, Wales and Northern Ireland

Have you got a project - or a proposal for a project - which really brings out the exciting capabilities of multimedia?
You should consider our multimedia demonstrator programme, a competition offering 3m - right now - for business companies.

Do you feel ready to join a European project?

Substantial funding is available - and we can help you apply.

Do you have a bright idea for a digital money-spinner?

You could be in the running for an Information Society Creativity Award.

Have you considered working from home?

We offer guidance on teleworking and a programme of support.

Ever wondered about using the Internet for exporting?

Several of the companies featured in *Multimedia@work: the business case* show how it can be done.

Ring the ISI information line:

0345 15 2000

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Working with industry

- The DTI's Radiocommunications Agency was instrumental in securing international agreement to allocate radio cellular networks. This allowed more companies to compete for a share of the mobile communications market. secure a Europe-wide allocation for PCN services.
- The National Information Infrastructure Task Force, led by industry and supported by DTI, has taken forward a Industry OnLine projects.

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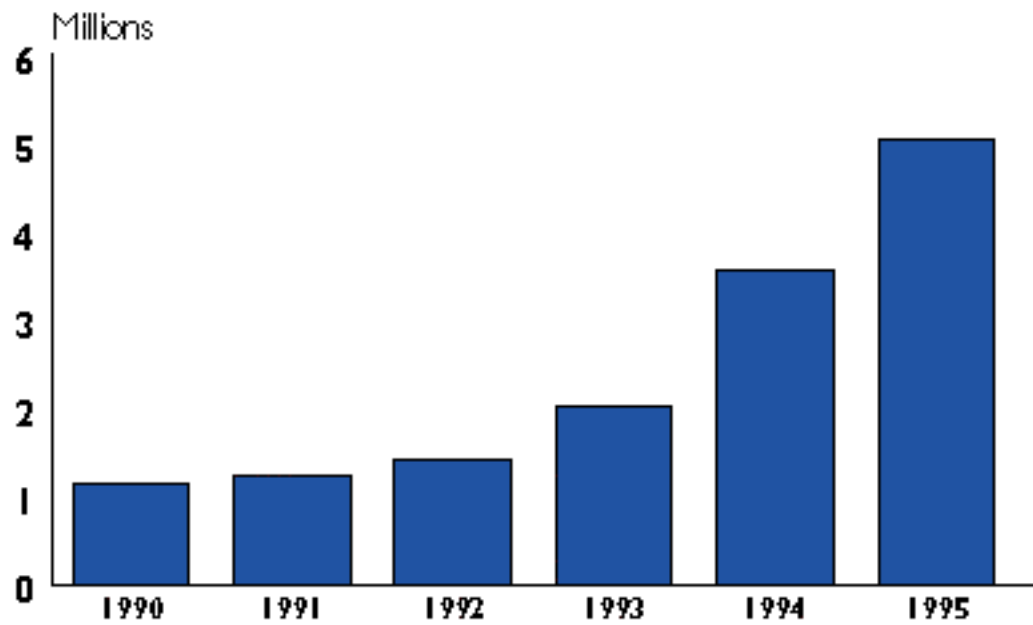
IT and public services

- **The National Gallery** has a "MicroGallery" computer information room and also provides public access to the
- **Croydon Libraries** are making available on the Internet a business register of several thousand companies in the facility for businesses to promote themselves worldwide through a free Internet presence.
- **The National Museums of Scotland** are developing a visionary programme: "Scottish Cultural Resources Access Scotland.
- **Newark and Sherwood Council** has created a One Stop Shop system based at 29 sites which provides a range of applications.

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Chart 8.1 UK mobile telephone subscribers

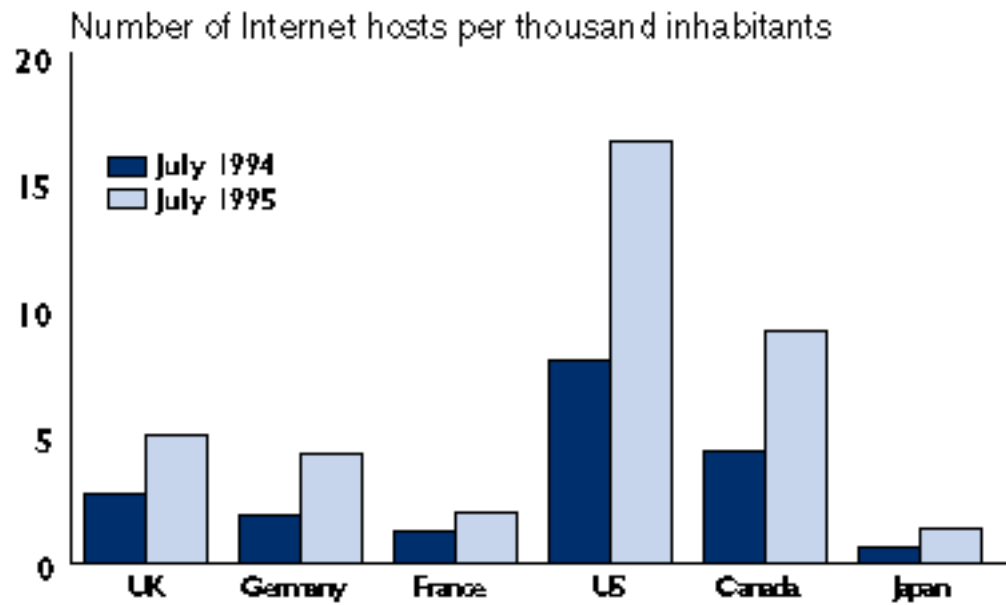


Source: FT Mobile Communications Newsletter – Spring 1996

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Chart 8.3 Use of the Internet



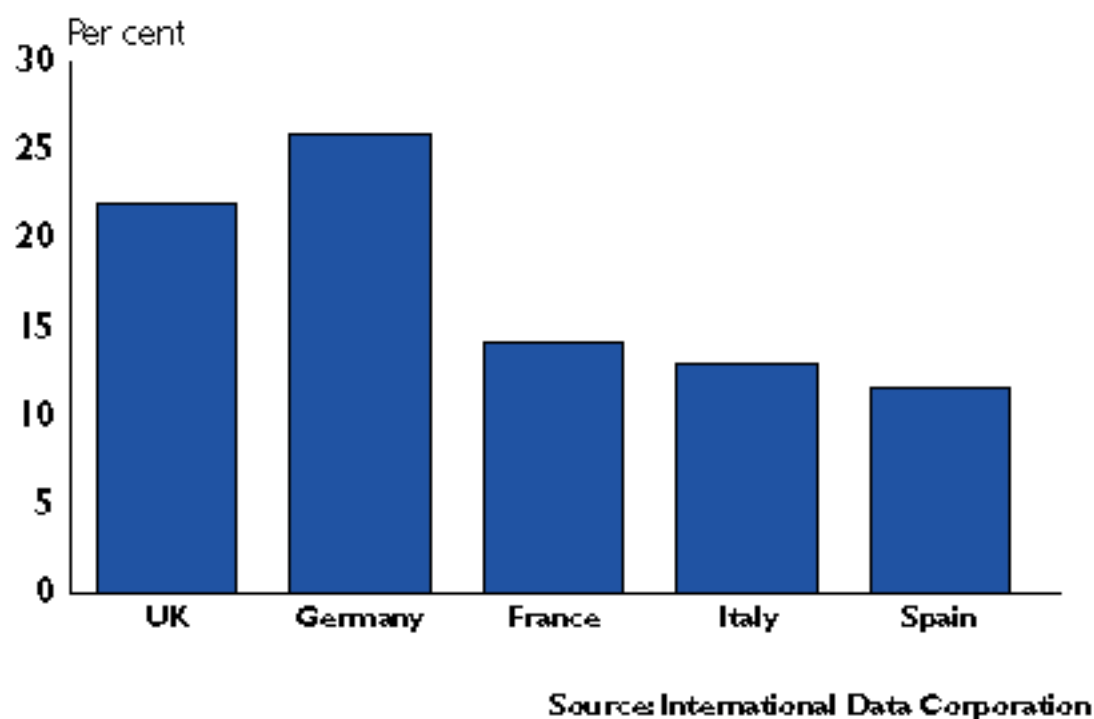
Note: An Internet host is a computer which provides the Internet services used by other terminals.

Source: ITU, Network Wizards, OECD

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Chart 8.4 Proportion of households owning a personal computer (1995)



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Videoconferencing can save businesses both time and money.

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Deregulation Orders under the Deregulation and Contracting Out Act



Examples of orders already laid or pending:

- Electronic clearance of cheques, saving the banking industry some 30 million a year.
- Self-verification and pre-stamping of weights and measures equipment, saving industry up to 6 million a year.
- Increased limits on building societies' non-retail funds.
- Lifting a nineteenth century ban on possession and sale of salmon roe and thus opening new markets worth 12 million a year.
- Increased audit thresholds for industrial and provident societies, which will save societies 3 million a year.
- Inter-track betting on greyhound racing, providing greater choice for the punter and increasing turnover for the

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Health and safety



The Government has:

- Identified, with the Health and Safety Commission, 100 sets of health and safety regulations and seven pieces of protection. This will reduce the rulebook of health and safety regulations applying to the generality of business consultation for the removal of a further 31 sets of regulations is in progress.
- Abolished 53 requirements to display posters and notices.
- Legislated to allow telephone reporting of injuries.
- Scrapped 200 sets of unnecessary guidance.
- Introduced new rights for business on enforcement action.
- Begun considering the Health and Safety Commission's review of the Display Screen Equipment Regulations and Regulations (concerning the risk of workplace injuries from moving heavy loads) and reviews of remaining legislation will start soon.

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Planning and building



In England and Wales, the Government will:

- Remove overburdensome building controls.
- Propose changes to the legal status of Approved Documents to facilitate alternative methods of compliance.
- Ask local authorities to give people a firm date for deciding a planning application where this will take longer than 8 weeks.
- Improve the "league table" which measures how promptly each local authority decides planning applications by the end of the financial year.
- Set up pilots to explore the effectiveness of local authorities offering a one-stop shop to provide a single point of contact for all planning and building control applications, developing joint working between all the different enforcers.
- Review the Transport and Works Act 1992 Order-making procedures for approving non-road transport schemes.

And it has:

- Started scrapping local Acts that contradict or duplicate national controls.
- Issued proposals to shorten planning appeal inquiries[2].
- Proposed that trunk roads be brought into the Regional Planning Guidance system in order to achieve closer integration of transport and infrastructure.

In Scotland, the Government has responded to the Review of the Town and Country Planning System and will be consulting on:

- Streamlining the development planning process, including local plan inquiry procedures, to improve the efficiency of the process.
- Simplifying development control procedures, including changes to neighbour notification procedures and the appeals process.
- Streamlining planning appeal inquiry procedures.

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Local Business Partnerships: case study



In 1993, Barnsley Metropolitan Borough Council set up the Barnsley Partnership which brings together 26 key business partners including the police, fire and rescue, environmental health, planning, social services and fire and rescue. There are regular Partnership meetings to ensure all partners understand their responsibilities under regulations by providing clear advice and guidance on how to comply.

Benefits of the Partnership include faster turn round times for planning applications, a simple filofax leaflet giving contact details for all partners and complaints procedures.

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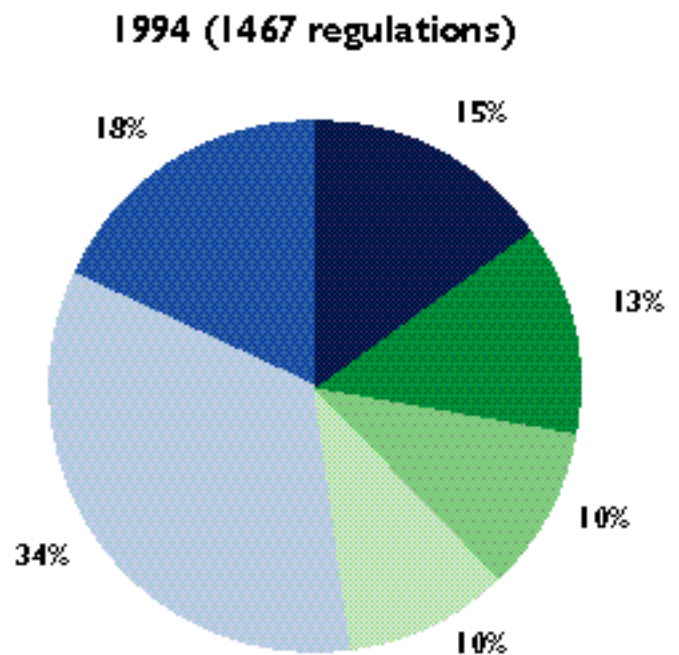
Main proposals in Lord Woolf's Interim Report [5]

- Case management by the courts with cases allocated to one of three tracks: small claims, fast track (standardise
- Increased limit for small claims procedure.
- Active consideration of Alternative Dispute Resolution.
- Cost penalties for unreasonable behaviour of litigants.
- Use of information technology in case-management and conduct of litigation.
- Changes to streamline procedure, covering statements of case, disclosure of documents, and use of expert witne

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Chart 9.1 Regulations made

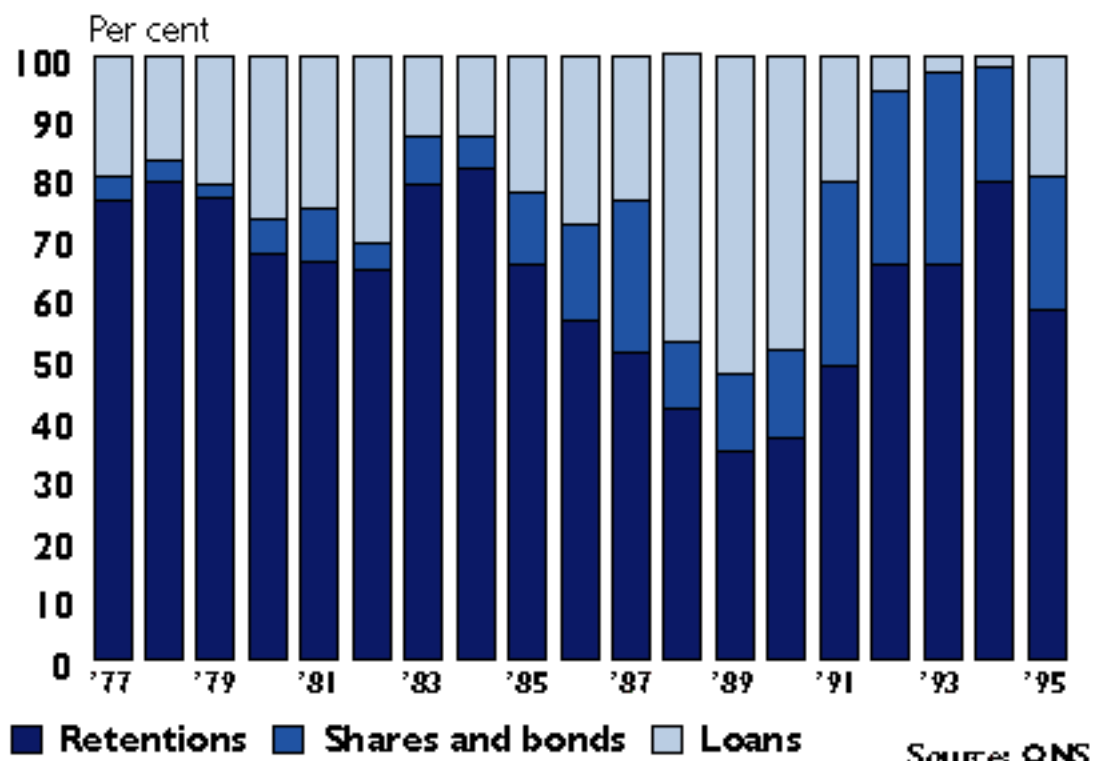


Note: Excludes commencement orders, Orders in Council and orders not subject to Parliamentary procedures.

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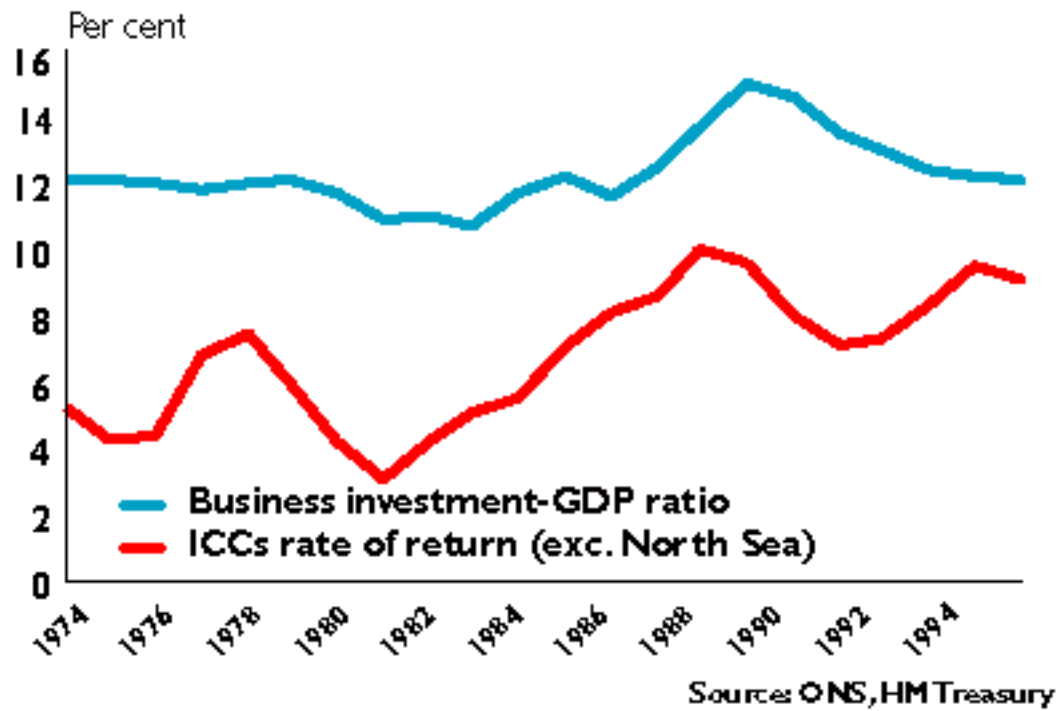
Chart 10.1 Sources of funds for UK non-financial companies



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Chart 10.2 Profitability of industrial and commercial companies (ICCs) and ratio of business investment to GDP



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The Scottish capped-rate loan scheme

In Scotland, the Small Business Loan Scheme was launched in November 1994 to help small businesses get term finance from clearing banks.

Up to the end of January 1996, 142 loans, totalling 21.3 million, had been drawn down. A further 60 loans, totalling 7.8 million, had been drawn down. 140 of the loans have been made to businesses employing fewer than 50 people.

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AIM: PolyMASC Pharmaceuticals

Formed in 1995 by a team of scientists from the Royal Free Hospital School of Medicine, PolyMASC Pharmaceuticals is a biotechnology company.

As a biotechnology company with a limited track record, AIM provided the best option when it needed capital.

Floated in December 1995, the offer was ten times over-subscribed, raising 5 million gross.

AIM helped the company to improve its market profile and status, and raised awareness of its products and services.

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Informal investment: Cytocell Ltd

Cytocell Ltd, an Oxfordshire-based biotechnology company involved in the development of quick and convenient tests for HIV, was a member of the Oxfordshire Investment Opportunity Network. The company worked with the investor to attract additional funding and to develop its products. This has enabled it to take on additional staff and has had a significant impact on its development. The initial investor played a key role in the company's development.

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Corporate venturing: British Gas

British Gas (BG) has been investing in small companies for seven years. One of its earliest investments was in Cogsys Ltd, a company specialising in real-time expert system software. The product has been successfully used on a number of BG process plants. BG has also commercialised other software products developed in BG's own research divisions.

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Business incubators

Business incubators provide a common location and continuing advice and support to companies. They have had some success in the US[6].

An Enterprise Panel, led by the private sector with Government representatives, is evaluating the prospects for incubators in the UK.

- technology transfer in science parks
- methods of financing incubators and their client companies
- how to encourage corporate venturing.

The Panel will report in July 1996.

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Money & Machines: Deritend Precision Castings Ltd

Deritend Precision Castings Ltd, an investment casting foundry, recently invested 7.5 million in plant. The company now produces components for land-based gas turbines. This has led to strong sales growth in export markets, recognised by the Queen's Award for Export Achievement.

Paul Farrow, Managing Director, commented: "'Money & Machines' is a great help to us in preparing capital investment proposals. It provides a very clear coverage of all the important issues".

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The City of London

Photo

London is the largest international centre in the world for international bank lending, foreign exchange, marine and aviation insurance. It is also the centre of UK financial services, the sector with the largest spread between lending and deposit rates in Europe. Although London is the centre of UK financial services, the sector is not the only one in Europe.

There have been several significant developments recently which are leading to improvements in efficiency and in the development of the City of London.

- CREST, the UK's new paperless settlement system for shares and other securities, will start in July 1996: it will bring about improvements in the reduction of settlement risk
- changes to the Gilts market, including the introduction of the Repo market
- the planned merger of the LIFFE, London's futures exchange, and the London Commodities Exchange
- LIFFE links with TIFFE (Tokyo International Financial Futures Exchange) and the Chicago Board of Trade
- the establishment in London of the world's first foreign exchange clearing house (ECHO)

Also, the Chancellor's City Promotion Panel has been set up to bring together Government and practitioners in a dialogue to identify medium-term opportunities and challenges.

In a survey of 500 senior European executives^[7], London came top as the city which is likely to be the most important financial centre in the world by the year 2000.

The City's key strengths are its ability to adapt; its willingness to innovate; and its openness to competition. It needs to remain flexible in order to meet the challenges of the 21st century.

But the City must rise to the challenges which it faces:

- there is increasing competition in Europe, particularly in insurance and in equity markets
- it must adapt to the changing environment that EMU may bring, whether or not the UK decides to participate
- it should address weaknesses exposed by the Myners and Greenbury reports
- it should work with Government and regulators to ensure an appropriate level of regulation.

Transport also has an important part to play in the City's well-being. London is well served through the quality of its existing infrastructure and services. The Government published a transport strategy in 1995.

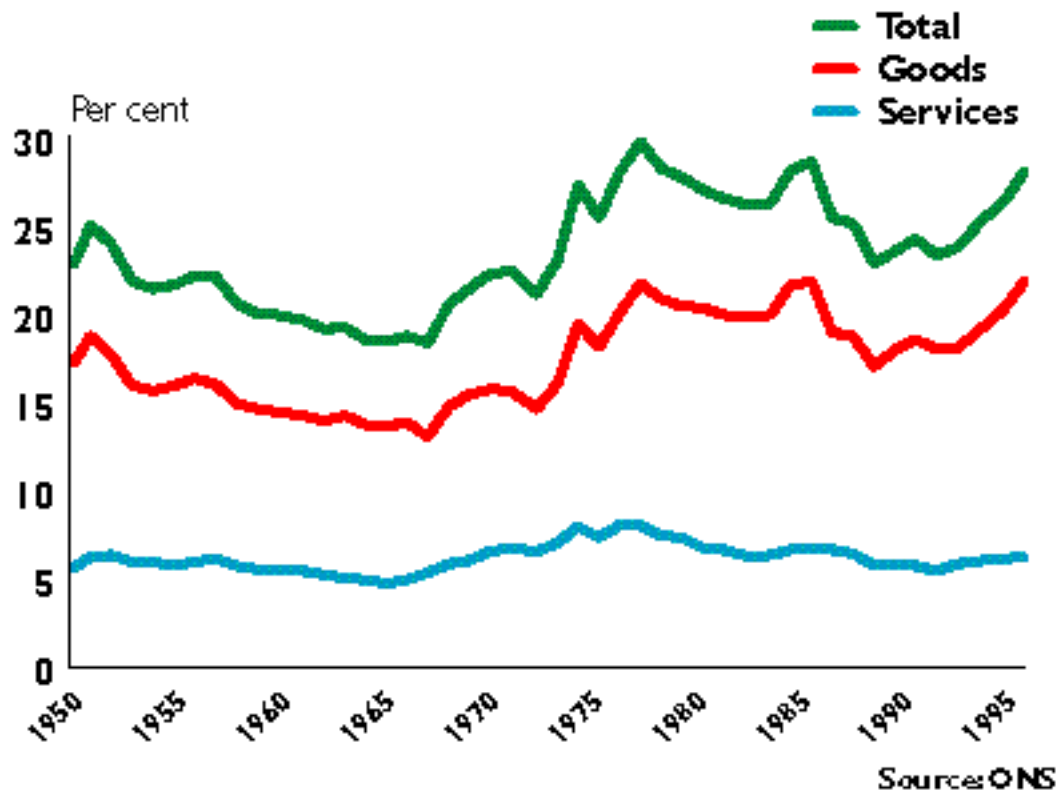
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6 The Evaluation of Business Incubation Projects [Peter Bearse NBIA] [Back](#)

7 European Cities Monitor [Healey & Baker] (1995) [Back](#)

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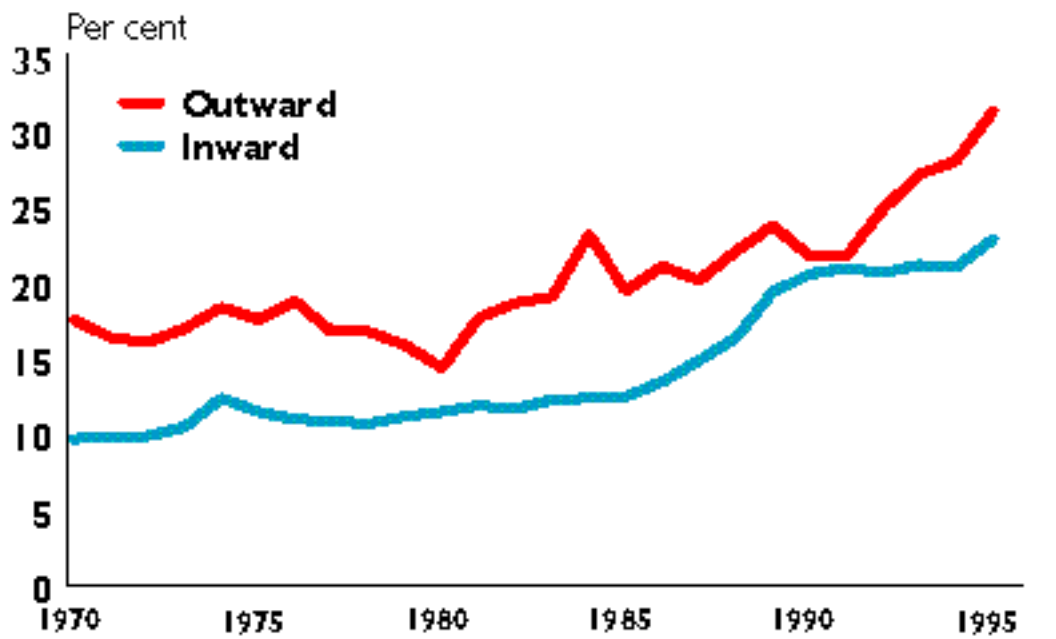
Chart 11.1 UK exports as a proportion of GDP



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Chart 11.2 Stock of UK inward and outward direct investment as a proportion of GDP



Source: ONS

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Service sector statistics

The 1995 Competitiveness White Paper reported on the difficulties of gathering data on services, and announced a programme on productivity, prices and trade.

Over the past year, a task force on service sector statistics has developed a number of recommendations. As a result, better data will be available from 1996, and the Office for National Statistics aims to publish monthly trade statistics for goods and services together from the end of 1996, helping to measure real output in those sectors and giving a better idea of price pressures in the service sector statistics, including those on productivity.

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Tackling trade barriers outside Europe

- The US maintains barriers in public procurement, including "Buy America" legislation and set-asides for US security which are in reality protectionist. The UK will continue to challenge this legislation in future bilateral negotiations. This represents an important impediment, with over 2,700 state and municipal regulatory authorities. Proposed US standards are also likely to be a problem for the UK. The UK supports EU negotiations with the US on the mutual recognition of standards, which is instrumental in persuading the US to amend proposed regulations on imports of wooden packaging which would be a problem for the UK.
- Canada controls the sale of alcoholic drinks through provincial liquor boards. They are responsible for the import mark-ups, distribution systems that favour domestic producers, and minimum sales thresholds for imports. The EU/Canada Action Plan, due to come into effect in June, will provide further opportunities to challenge trade barriers.
- Despite Korea's considerable steps in recent years to liberalise its economy, limits remain on foreign ownership in many sectors. Market access problems also remain throughout the economy. For example, there are lengthy approval procedures for EU so far has succeeded in raising the ceiling imposed on foreign shareholdings, and further liberalisation is due.
- A number of Australian states continue to give price preferences of up to 20 per cent to domestic bidders for public works. The Australian Government bilaterally and with EU partners to change these practices and to sign up to the WTO.
- The Government has for many years been pressing Japan to liberalise its financial services sector. A new insurance market. Brokers will be allowed to operate on behalf of clients, and Lloyd's of London will be able to compete. The Japanese government is progressively lifting restrictions on the range of investments that asset management companies can make.
- In June 1995, Brazil introduced quotas for vehicle imports as a temporary measure for balance of payment reasons. Analysis of Brazil's economic situation by the WTO and IMF drew no conclusions. In the face of united opposition, Brazil has agreed to review the quotas.
- Israel introduced new import duties on sauces on 1 January 1996, which led to complaints from UK companies. The European Commission, Israel announced that the duties had been levied in error and were being withdrawn.

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Tackling trade barriers in Europe

- British electric fence energisers, although certified to European standards, were not accepted in the Netherlands. The DTT's Action Single Market raised the issue with the Dutch and helped Rutland Electric Fencing Co Ltd make a successful appeal. The Dutch accepted previous test results.
- Complaints were received about Spanish approval procedures for some gas fires and telecommunications equipment. The UK authorities and registered a formal UK complaint to the European Commission. Spain now accepts UK standards for the telecommunications equipment.
- Greece was imposing restrictions on importing electronic cash registers. Following a complaint by the UK to the Commission, Greece has since amended its national legislation.

- Italy failed to implement a directive restricting the use of environmentally damaging substances in some paints association to Action Single Market, the UK took up the concern with the Commission, which immediately started the directive.
- Germany effectively blocked imports of traffic cones from a UK manufacturer while it upgraded its testing requirements. Eventually, the German authorities refused to test the cones further, declined to publish a final standard and refused to finally brought about the publication of a standard, and the cones are now selling successfully in Germany.

Photo

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Intellectual property rights

Adequate protection of intellectual property rights is a pre-requisite for free trade. An important advance was made in the area of intellectual property rights in WTO member states (the TRIPS agreement).

A recent dispute with Japan illustrates the impact of these rules in the area of copyright: owners of rights in recordings must receive the commercial benefits in Japan that they are entitled to under the rules. Encouraged by the UK, the EU joined the dispute. As a result of this, Japan has agreed to amend its legislation to provide protection from 1946.

More remains to be done at a multilateral level to improve action against piracy and to develop a secure electronic trading environment. It is also necessary to widen the scope and reduce the cost of obtaining patent protection worldwide.

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Taxation

Preferential or discriminatory tax regimes can distort business decisions and create barriers to trade. The UK therefore supports the principles of international taxation. The UK also presses for the removal of discriminatory tax or other measures against UK investors. It opposes tax arrangements designed to attract inward investment.

The UK also continues to expand and modernise its network of double taxation treaties with other countries. Over the past few years, several protocols have been approved, aimed particularly at reinforcing links with the world's fastest growing economies.

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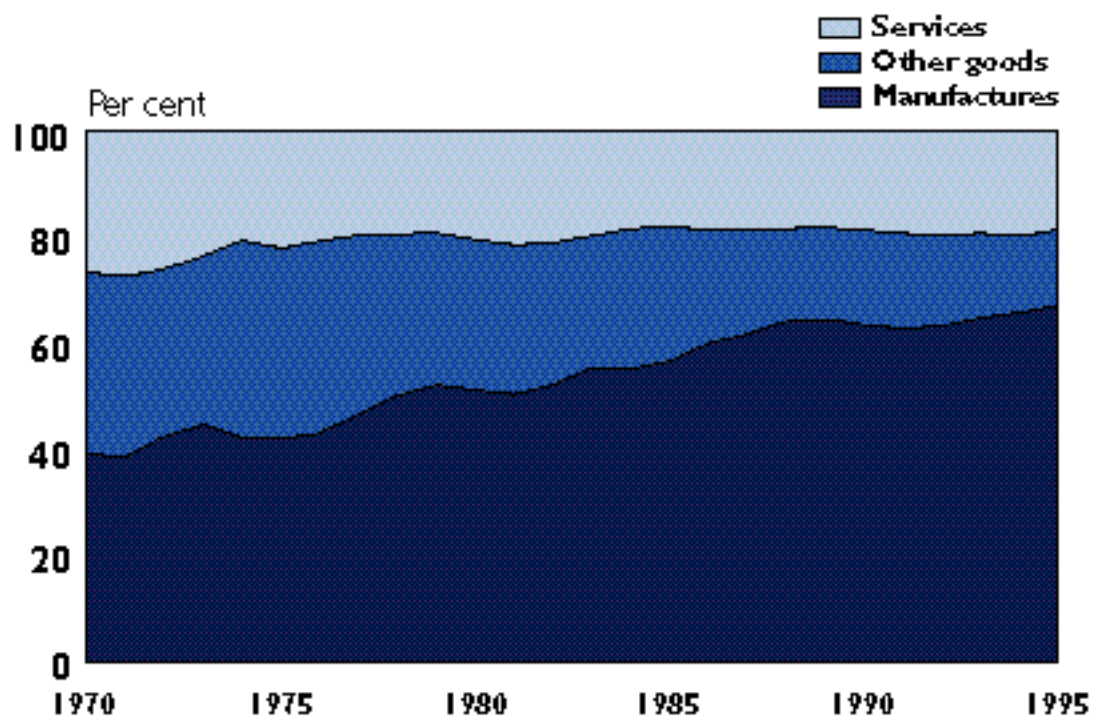
Delays in implementation

Germany has failed to implement the Investment Services and Capital Adequacy Directives - two major elements in the Single Market - expected until early 1997. This delay complicates access for UK financial services providers into a key European market and has caused considerable friction against Germany.

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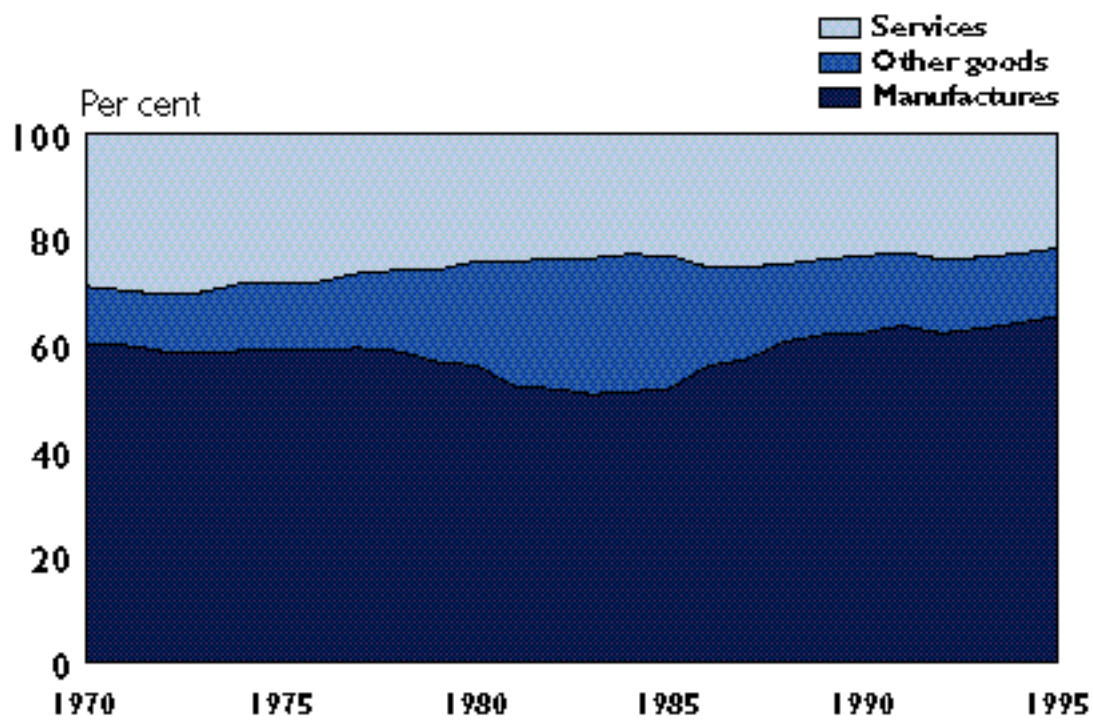
Chart 11.3 UK imports of goods and services



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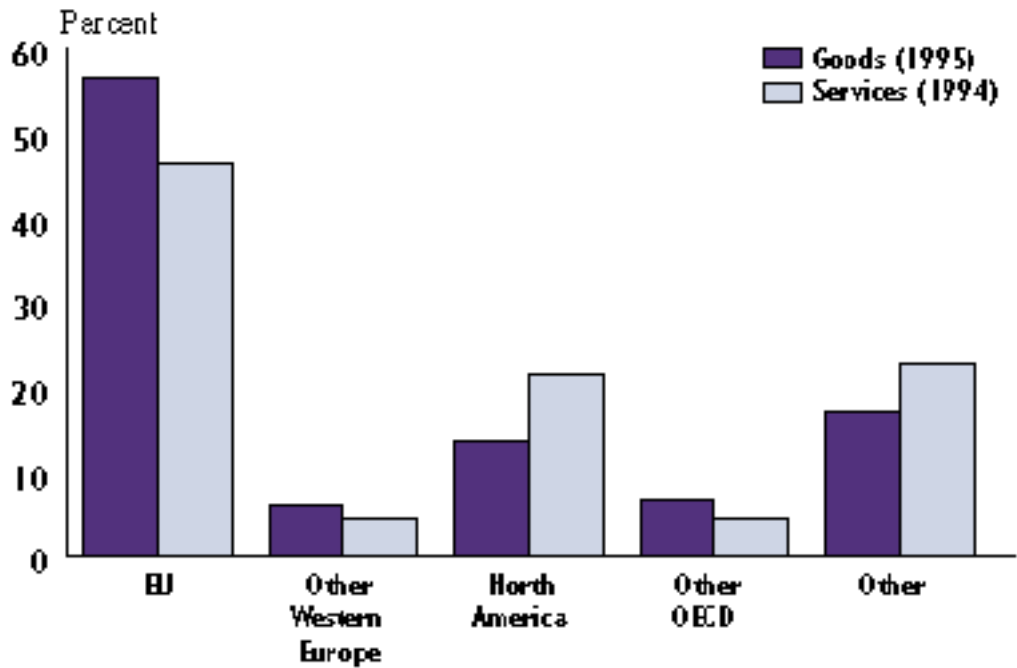
Chart 11.4 UK exports of goods and services.



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**Chart 11.5 UK imports of goods and services
by trading partner**



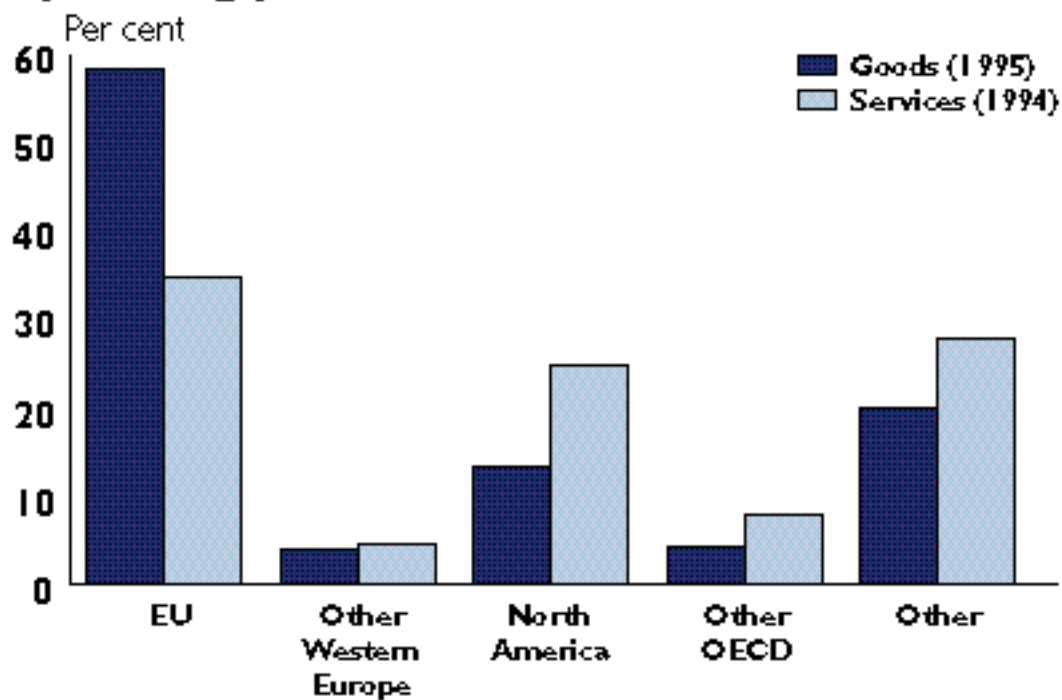
Note: Definitions of trading partners differ slightly for goods and services.

Source: OHS

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**Chart 11.6 UK exports of goods and services
by trading partner**



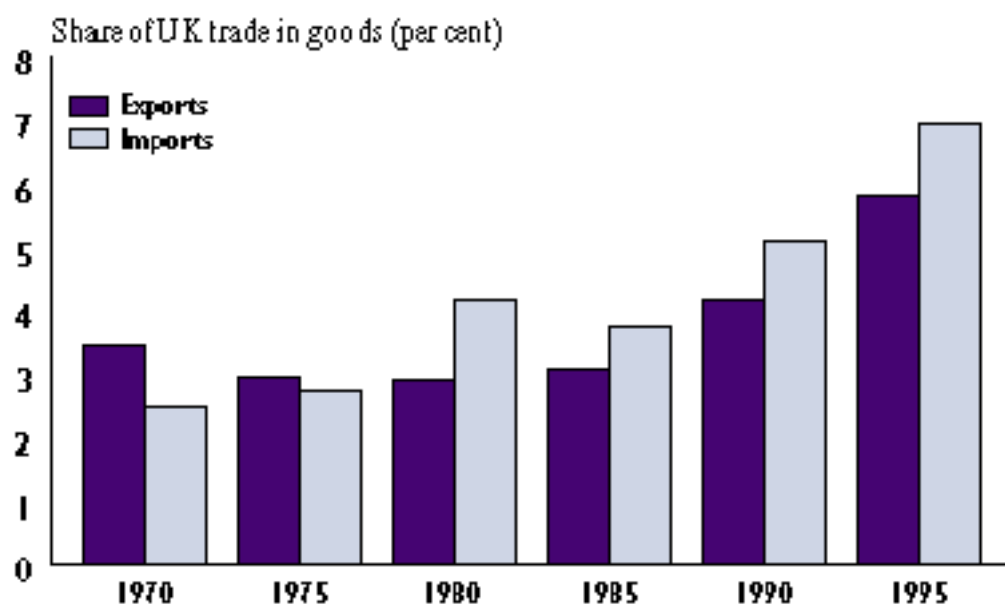
Note: Definitions of trading partners differ slightly for goods and services.

Source: ONS

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Chart 11.7 UK trade in goods with newly industrialised Asia



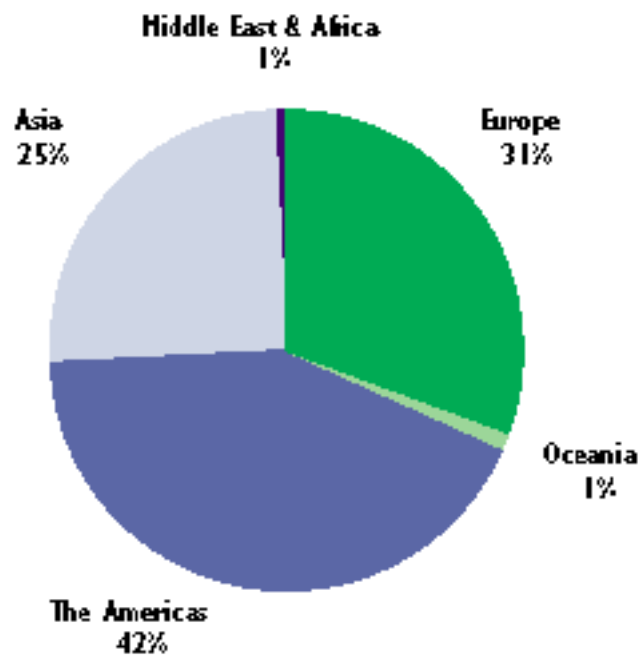
Note: Newly industrialised Asia comprises Hong Kong, Malaysia, Singapore, Republic of Korea, Taiwan and Thailand

Source: OHS

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Chart 12.1 Proportion of total world gross expenditure on R&D (1993)

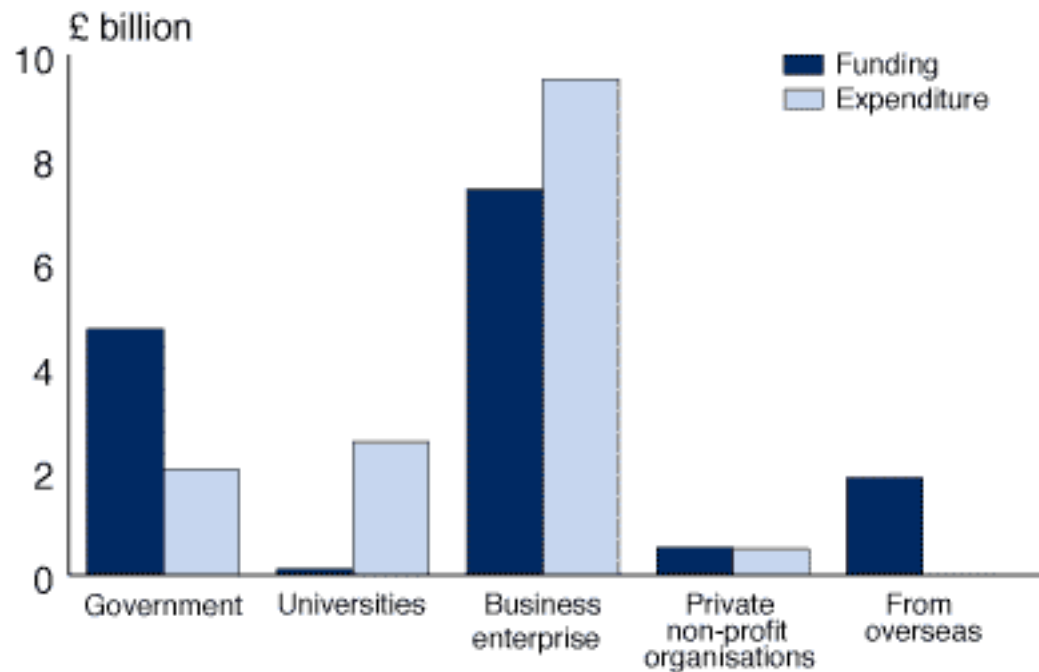


Source: European Report on Science & Technology Indicators 1994

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comments

Chart 12.2 Funding of UK R&D (1994)

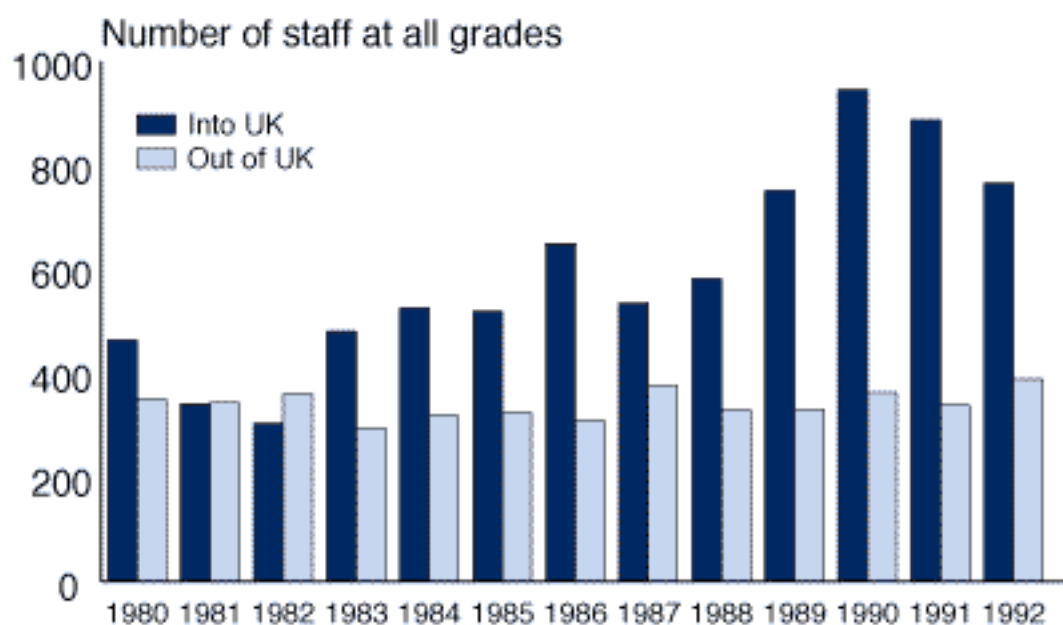


Source: Forward Look Statistical Supplement 1996

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Chart 12.3 Migration of full-time non-clinical science and engineering academic staff



Source: University Statistical Record

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People in SET

Excellence in science, engineering and technology (SET) depends on the quality of the people involved. In 1994 there were 10,000 studying full-time, over 47,000 studying part-time, and 23,000 more from overseas. Overseas students bring both income and expertise home.

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Tax relief for R&D

The Government recognises the value of R&D, and the problems faced by firms. As a result, generous tax reliefs are available. In particular Scientific Research Allowances (SRAs) give 100 per cent relief on such trade-related R&D spending - including buildings - that falls within the internationally accepted definitions of R&D (except for research in the field of agriculture, horticulture, aquaculture, fishing and forestry).

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Winning by innovation

Firm

James Gilbert (Rugby Footballs) Ltd, Rugby, Warwickshire, employing 30 people.

Driver

Demand for an all-weather rugby ball with predictable flight and a good grip in all conditions without picking up mud.

Action

Using a TCS programme in collaboration with De Montfort University, Leicester, the company developed computer modelled carbon fibre and cotton laminates to improve the structure and production of the ball.

Results

- Used in the 1995 World Cup Finals and 1996 Five Nations Championship, the new ball has improved the firm's sales.
- The company used to sell to 35 of the 75 rugby-playing nations; it now sells to 58.
- A small company has established itself as a major player in a highly competitive market.

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Collaboration through Link

- Innovative Technologies, Harefield Hospital, Brunel University and the University of Leeds undertook a LINK project to develop a new type of artificial heart (ventricular assist devices) that costs much less than those previously available, allowing wider application of the technology and the development of new products.
- London Underground Ltd, nine other industrial partners led by the Construction Industry Research and Information Association (CIRIA), and the London Underground, through LINK, are monitoring building movements during construction of the Jubilee Line extension.
- With the benefit of advances made following participation in LINK projects with the University of Surrey and the University of Manchester, the company has developed advanced composite bridge technologies which have applications worldwide. The opening of the world's first all-composite bridge has generated considerable interest in this technology, particularly from the USA.

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Foresight and Link

Since March 1995, 13 new LINK programmes have been announced. These respond to Foresight priorities. They have a

New LINK Programmes

- Applied Biocatalysis
- Waste Minimisation through Recycling, Re-use and Recovery in Industry
- Integrated Approaches to Healthy Ageing
- Genetic and Environmental Interactions in Health
- Earth Observation
- Aquaculture
- Horticulture
- Analytical Biotechnology
- Inland Surface Transport
- Advanced Sensors for Ocean Applications (SeaSense)
- Competitive Industrial Materials from Non-Food Crops
- Sustainable Livestock Production
- Sensors and Sensor Systems for Industrial Applications
- In addition, extra funding has been provided for four existing LINK programmes in recognition of Foresight priorities
- Hydrocarbon Reservoirs
- Surface Engineering
- MedLINK
- Agro Food Quality

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Competing through Foresight

The Foresight programme embraces the dual themes of partnership and wealth creation. It brings together industrialists and scientists to identify the opportunities which will emerge during the next 10-20 years, and the investments and actions which will be needed to exploit them.

The results of Foresight - drawing on contributions from a wide spectrum of skills and experience - will inform decision making.

Assessing Opportunities for the future

In Chemicals & Materials; Defence & Civil Aerospace; Construction; Energy; Agriculture & the Environment; Financial Services; Communications; Leisure & Learning; Retailing & Distribution; Transport; Manufacturing; Marine Markets.

Influencing Research Priorities

Eg: Communications & Computing; Genetic Processes & Products; New Materials; Precision & Control in Manufacturing; Nanotechnology.

Addressing Infrastructure Issues

Eg: Skills & Training; Financial Climate; Regulation.

16 Foresight Panels

Disseminating Foresight findings; Networking sector communities; Brokering partnerships; Assessing the future.

Key Participants

Businesses; Universities, Research Councils; Professional Institutions; Research & Technology Organisations; Trade Associations.

Implementation Progress

New initiatives to implement recommendations, including:

- Shared visions of the future through Foresight networks involving some 12,000 scientists and business people.
- More firms working together and with universities through a Foresight Challenge Competition 60 million over 3 years.
- More state of the art equipment in universities through joint initiatives with business (36 million 1996-97).
- New Foresight relevant programmes in Research Councils (44 million 1996-97, with plans to increase further in 1998-99).

- Foresight findings influencing content of next EU Framework Programme.
- More for civil industry from defence technologies.
- Improving skills and training through new forward strategy for NVQs and Modern Apprenticeships and Foresight

Goals

To extend & embed the Foresight process

To use Science & Technology to increase UK competitiveness

To improve the supporting infrastructure for innovation and R&D investment in the UK

To develop global collaboration

Get in on the action!

Businesses can get involved in the Foresight Programme by contacting:

Foresight Panels; Research & Technology Organisations; University Industrial Liaison Officers; Professional or Trade Associations; Government Departments (see contact points). Back

Foresight Contact Numbers

Foresight Panels Telephone Number

Agriculture, Forestry and Horticulture 0171-271-2092
 Chemicals 0171-271-2093
 Construction 0171-271-2117
 Defence & Aerospace 0171-271-2121
 Energy 0171-271-2117
 Financial Services 0171-271-2048
 Food & Drink 0171-271-2092
 Health & Life Sciences 0171-271-2115
 IT, Electronics & Communications 0171-271-2118
 Leisure & Learning 0171-271-2102
 Manufacturing Production and Business Processes 0171-271-2116
 Marine 0171-271-2116
 Materials 0171-271-2115
 Natural Resources and Environment 0171-271-2108
 Retail & Distribution 0171-271-2146
 Transport 0171-271-2108
 Fax number for all Panels 0171-976-7527

Research & Technology Organisations

AIRTO - Association of Independent Research & Technology Organisations 01223-467831 Fax: 01223-462051

University Industrial Liaison Officers

AURIL - The Association for University Research and Industry Links 01403-823108

Professional or Trade Associations

ABPI - The Association of the British Pharmaceutical Industry 0171-930-3477 Fax: 0171-747-1411

CIA - Chemical Industries Association 0171-834-3399 Fax 0171-834-4469

Engineering Council 0171-240-7891 Fax: 0171-240-7517

ICHEME - The Institution of Chemical Engineers 01788-578214 Fax: 01788-560833

IEE - The Institution of Electrical Engineers 0171-240-2872 Fax: 0171-240-7735

IoM - The Institute of Materials 0171-839-4071 Fax: 0171-834-4534
The Institution of Civil Engineers 0171-222-7722 Fax: 0171-222-7500
IoP - The Institute of Physics 0171-470-4800 Fax: 0171-470-4848
The Royal Academy of Engineering 0171-222-2688 Fax: 0171-233-0054
IMechE - Institution of Mechanical Engineers 0171-222-7899 Fax: 0171-222-4557
The Royal Society 0171-839-5561 Fax: 0171-930-2170
The Royal Society of Edinburgh 0131-225-6057 Fax: 0131-220-6889
The Royal Society of Chemistry 0171-437-8656 Fax: 0171-437-8883

CBI Telephone Number

Confederation of British Industry 0171-379-7400

Research Councils

Biotechnology and Biological Sciences Research Council 01793-413-200 Fax: 01793-413-201
Council for the Central Laboratory of the Research Councils 01235-821-900 Fax: 01235-445-808
Economic and Social Research Council 01793-413-000 Fax: 01793-413-001
Engineering and Physical Sciences Research Council 01793-444-000 Fax: 01793-444-010
Medical Research Council 0171-636-5422 Fax: 0171-436-8112
Natural Environment Research Council 01793-411-500 Fax: 01793-411-501
Particle Physics and Astronomy Research Council 01793-442-000 Fax: 01793-442-106

Government Regional Offices

East Midlands (GO-EM) 0115-971-2629 Fax: 0115-971-2664
Eastern (GO-ER) 01223-346744 Fax: 01223-461941
London (GO-L) 0171-217-3456 Fax: 0171-217-3450
Merseyside (GO-ME) 0151-224-6343 Fax: 0151-236-1140
North East (GO-NE) 0191-202-3835 Fax: 0191-203-3892
North West (GO-NW) 0161-952-4482 Fax: 0161-952-4169
South East (GO-SE) 01483-882381 Fax: 01483-882259
South West (GO-SW) 0117-900-1766 Fax: 0117-900-1900
West Midlands (GO-WM) 0121-212-5169 Fax: 0121-212-1010
Yorkshire and Humberside (GO-YH) 01132-338217 Fax: 01132-338301

Northern Ireland

Industrial Research and Technology Unit 01232-529507 Fax: 01232-529548

Scotland

Scottish Office Education & Industry Department (Glasgow) 0141-242-5577 Fax: 0141-242-5404 or 5589
Scottish Office Education & Industry Department (Edinburgh) 0131-244-0414 Fax: 0131-244-0427

Wales

Welsh Office Industry Department 01222-823543 Fax: 01222-823661

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EUREKA

Firm

Geest plc, one of the UK's largest fresh food companies.

Driver

Expansion into prepared chilled and frozen fruit and vegetable products.

Action

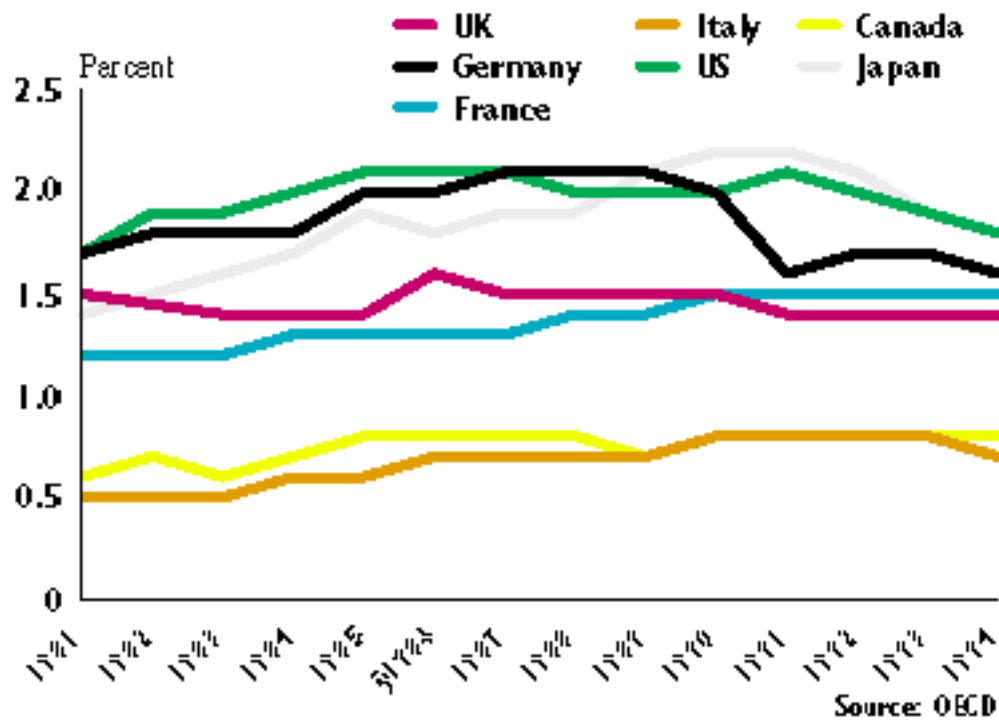
The EUREKA project Microfreeze aimed to pioneer and exploit commercially techniques for producing high-quality frozen fruit and vegetables. The project was led by Foreign Trade plc and Arvit Frozen Foods plc - and Asymptote Ltd (Cambridge), specialists in the development of new

Results

Successful consumer trials have demonstrated that the new technique gives better results than conventional commercial freezing. The project has identified the products which are most suitable for the new process. Back

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Chart 12.4 Business enterprise expenditure on R&D as a proportion of GDP



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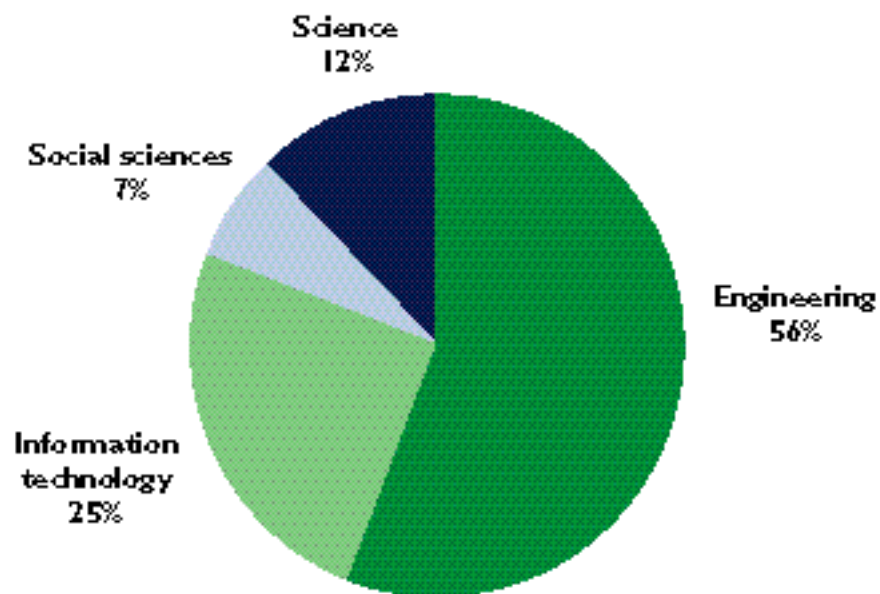


TCS gets results: Jonah Lomu (NZ) scores a try in the 1995 Rugby World Cup using the James Gilbert ball.

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**Chart 12.5 Teaching Company Scheme
activity by main subject area (1995)**

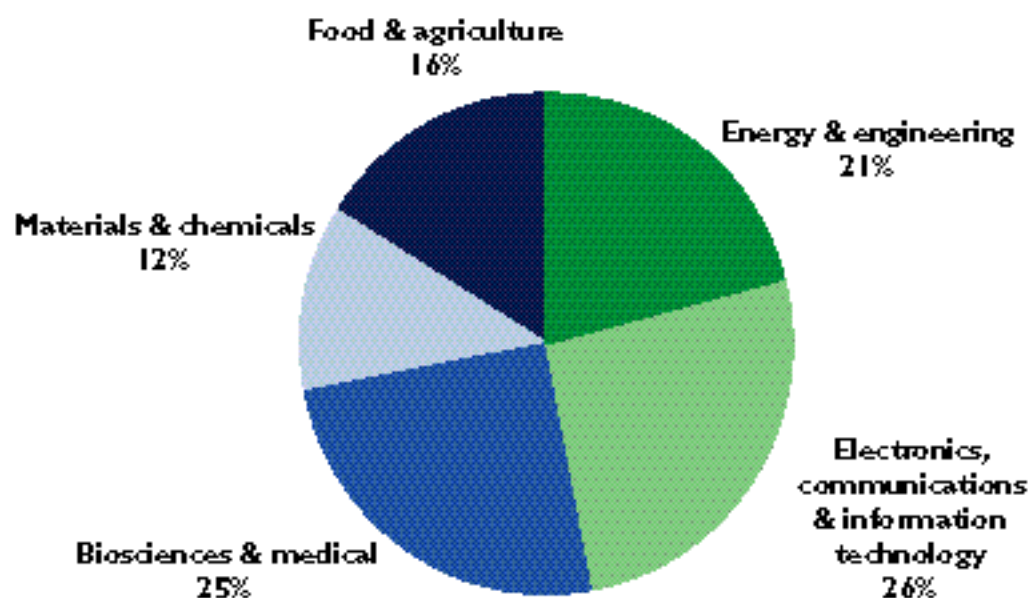


Source: TCS Annual Report

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Chart 12.6 LINK programmes by value (1995)



Source: DTI

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Pupils at a Wiltshire secondary school testing the global resources of the Internet. (Photograph courtesy of BT).

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A Jones & Shipman CNC high speed CBN Cylindrical Grinding Machine, designed and built in the UK, undergoing grinding machine was developed and partly funded under an EU collaborative research and development programme.

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Reducing bureaucracy in the National Health Service

'**Patients Not Paper**', reported in 1995 the outcome of a scrutiny into bureaucracy in general practice. The recommendation was that individual claim forms completed by GPs and their staff by 7 million a year. Further savings of 10 million forms are expected. Electronic links between Family Health Services Authorities and practices will also be encouraged, so that paper-based systems are reduced.

A scrutiny, 'Seeing the Wood, Sparing the Trees', into the burden of paperwork in health authorities and NHS trusts reported savings. Trusts and health authorities should receive from the Department of Health 11,000 fewer requests for information administration to patient care.

Source: NHS Executive (June 1995 and May 1996)

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Department of Social Security (DSS) Change Programme

Since 1989-90, DSS has made savings of over 650 million through improved work practices, Competing for Quality initiative and Marks which reflects its success in providing a quality, customer oriented service.

The DSS is now committed to a Change Programme, launched in February 1996, to redesign fundamentally its business administration costs. The Programme includes:

- removing unnecessary procedures and processes
- reducing double handling of information and maximising the use of IT
- specifying and funding outputs rather than processes
- the wider involvement of the private sector.

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Vehicle Inspectorate Executive Agency (VIEA)

The VIEA tests over 555,000 Heavy Goods Vehicles (HGV) a year as well as 86,000 Public Service Vehicles (PSV) and

Working with a private sector partner, VIEA has undertaken a Business Process Re-engineering programme to reduce time. Every ten minutes saved in average testing time will result in a saving to industry as a whole of approximately 5 million from efficiency savings from within the Agency.

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PFI benefits

Consumer benefit

PFI is now being examined in the health sector in projects worth 2.9 billion enabling schemes to go ahead more quickly. Norwich will enable it to be built at least five years earlier than using traditional public sector finance methods.

Taxpayer benefit

New prisons at Bridgend and Fazakerley and water and sewerage projects in North Scotland will be designed, constructed and transferred from the taxpayer to the private sector supplier.

Industrial benefit

Contracts with a capital value of around 5 billion were agreed in 1995-96. These offer business opportunities of about 14

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Challenge Funding examples

- A challenge fund, the estates renewal fund, worth over 300 million over three years to speed the transfer of dep
- 15 million for each of the next three years towards a challenge fund for 10,000 new closed circuit cameras.
- 10 million initiative to encourage health authorities to make specific improvements to mental health services an

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Employment Service performance

- 93 per cent of employers who were Jobcentre users said they were dealt with quickly.
- 89 per cent said that they were dealt with efficiently.
- 86 per cent said they were dealt with professionally.
- 72 per cent of users agreed that Jobcentres produced candidates quickly.
- 67 per cent of employer users considered that Jobcentre staff had a good knowledge of the local labour market.

Source: CBI and Employment Service

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BP, National Westminster Bank, Civil Service joint development

In January 1996, the Deputy Prime Minister announced a joint scheme between the Civil Service, BP and the National V organisations for recently recruited graduates. The Government hopes to extend the pilot scheme, which begins in Autur sectors early in people's careers

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Investors in People in the Inland Revenue

Andrew Geddes, the Controller of the Inland Revenue Accounts Office, Cumbernauld, told an Investors in People Work: business results had shown a consistent improvement with tangible quality enhancements since achieving Investors in P we had to do something. What we did turned out to be a complete culture change. We moved away from a regime based involvement and ownership of the business process. As a result we unleashed a reservoir of talent and enthusiasm. Gaini best in the private sector."

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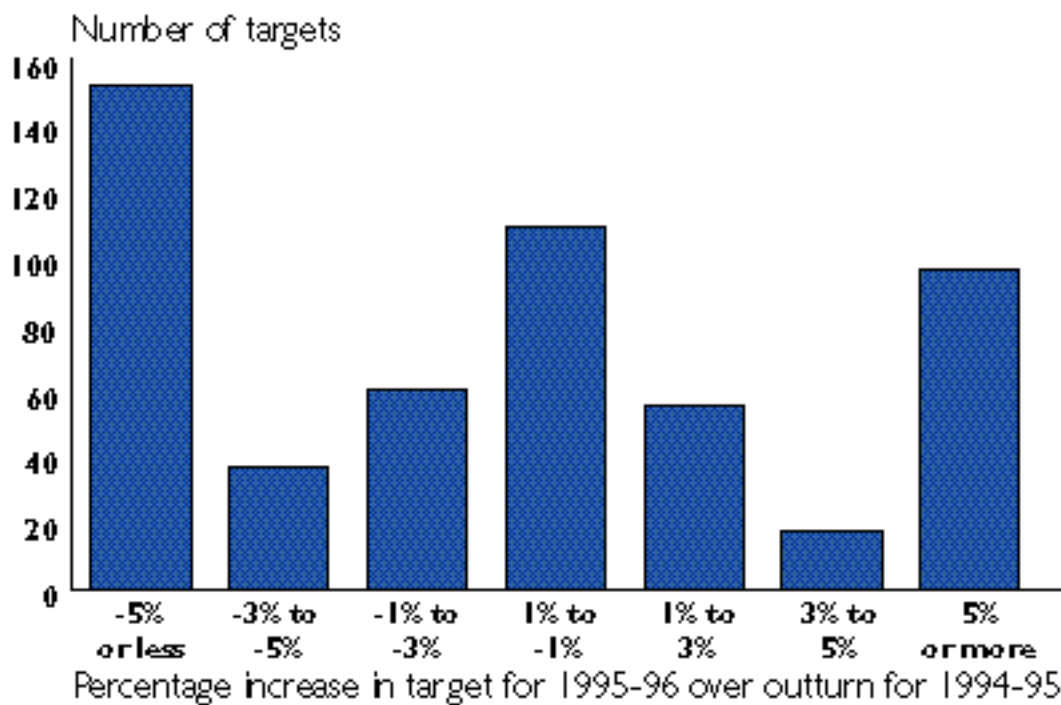
Government and the World Wide Web

In less than two years the public service pages on the World Wide Web have been visited more than 10 million times. Th service organisations. Information about Acts of Parliament, Statutory Instruments and consultation documents are routi (this one and the second Competitiveness White Paper can be found at <http://www.open.gov.uk/co/cdcompap.htm>).

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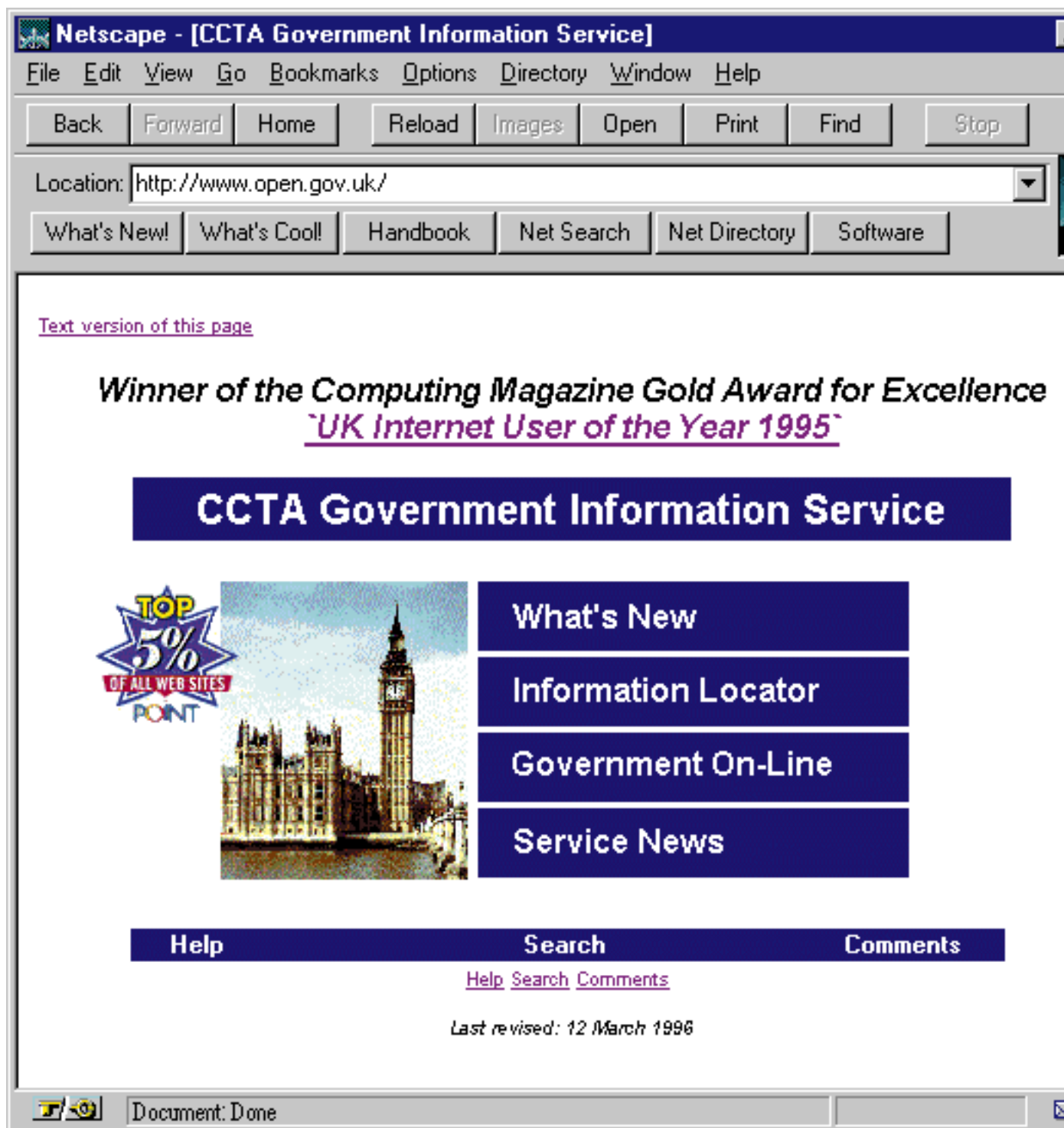
Chart 13.1 Next Steps Agencies: 1995-96 targets compared to 1994-95 outturn



Source: Next Steps Review 1995

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CCTA Web site.

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Brighton Borough Council won a Charter Mark for helping Brighton to become one of the UK's top performers in waste management.

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Eastbourne Borough Council's Telephone Section became the first public sector telephone service to win a Charter Mark

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"When I arrived here the department was less than efficient, and losing money. I knew that to get things moving the staff North Derbyshire TEC helped me to multiskill them, making sure that everyone could do any job. Now already we are t

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"We've tended to grow at almost 60 per cent year-on-year: without SMART, that figure might have been around 30 per cent."

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"The consultancy work identified a whole range of improvements we could make to our existing marketing strategy. I was given a practical overview of their business and is open to suggestions of change within their organisation."

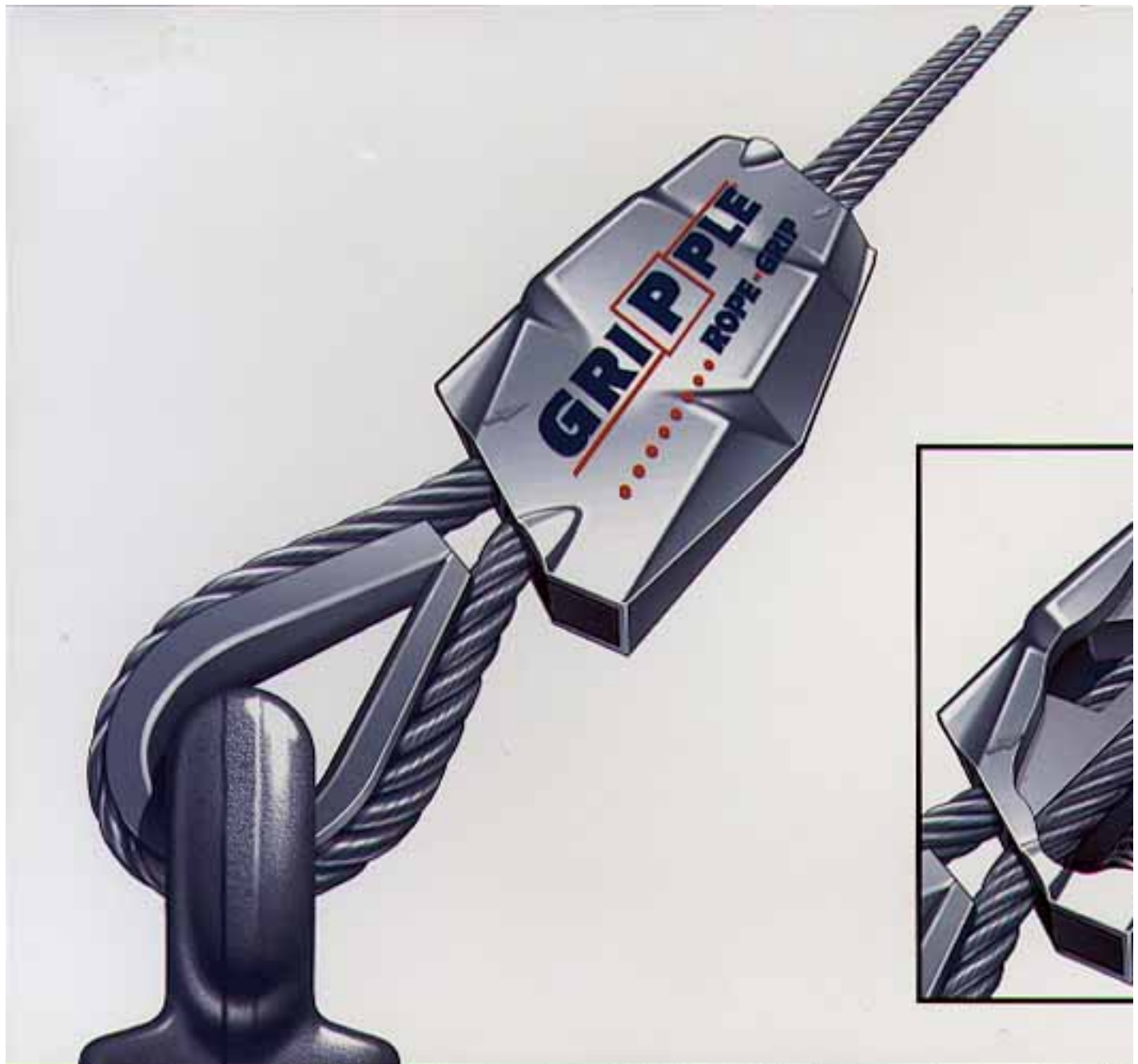
comments



"The reports we have had from DTI have been a valuable source of information, complementing our own direct efforts.

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"It is not sufficient to come up with an innovative idea - to be truly innovative one needs to be constantly improving the Gripple, which was originally designed for fencing with a load of 400 kilos, so that it can now work on wire ropes with :

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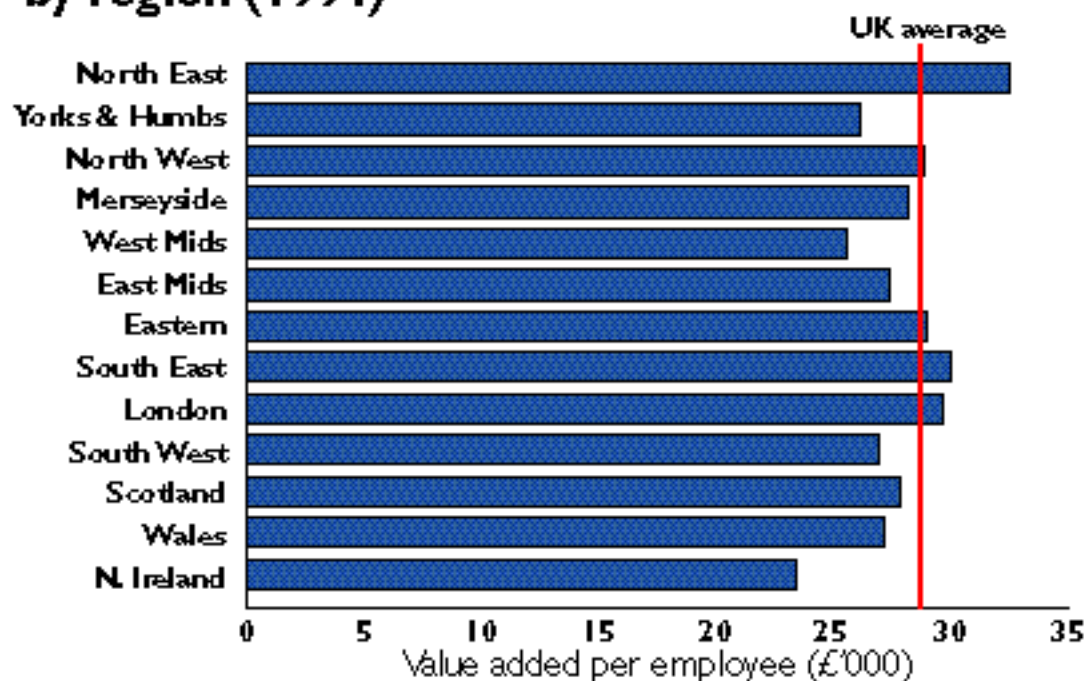
comments



"The Supplier Association programme has now become an integral part of our Lean Supply Chain Development progr
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**Chart 15.1 Manufacturing productivity
by region (1994)**



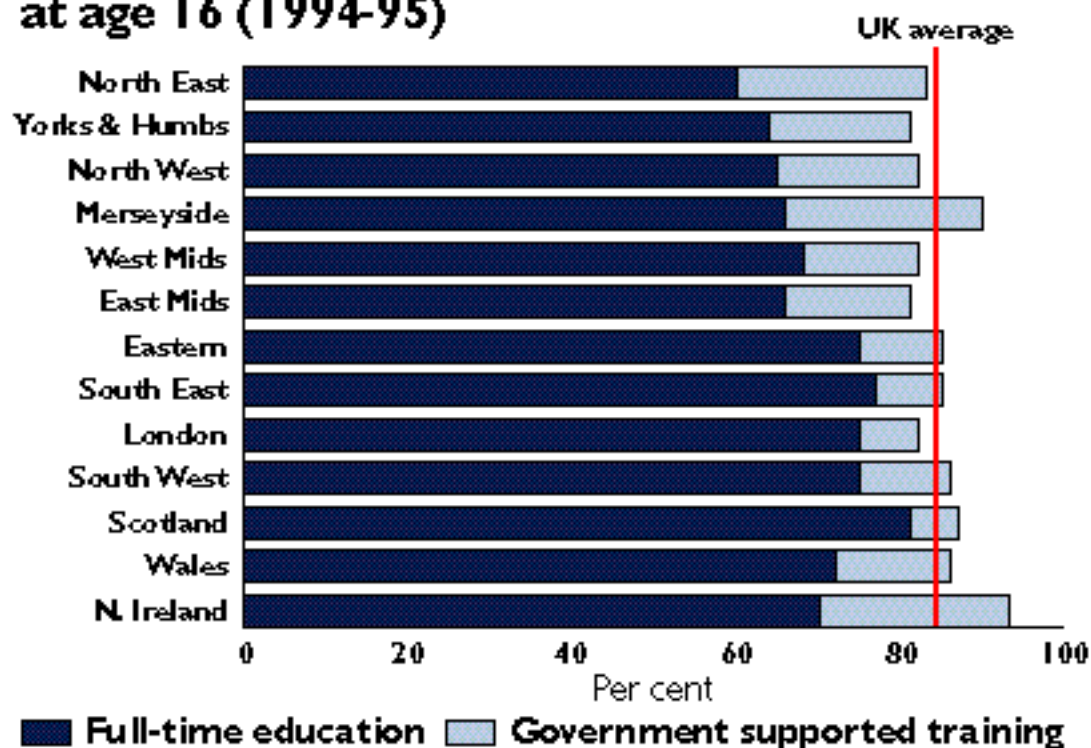
Note: Provisional figures. Figures are adjusted to correct for differences in regional sectoral composition.

Sources DTI, ONS

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Chart 15.2 Participation in full-time education and Government supported training at age 16 (1994-95)



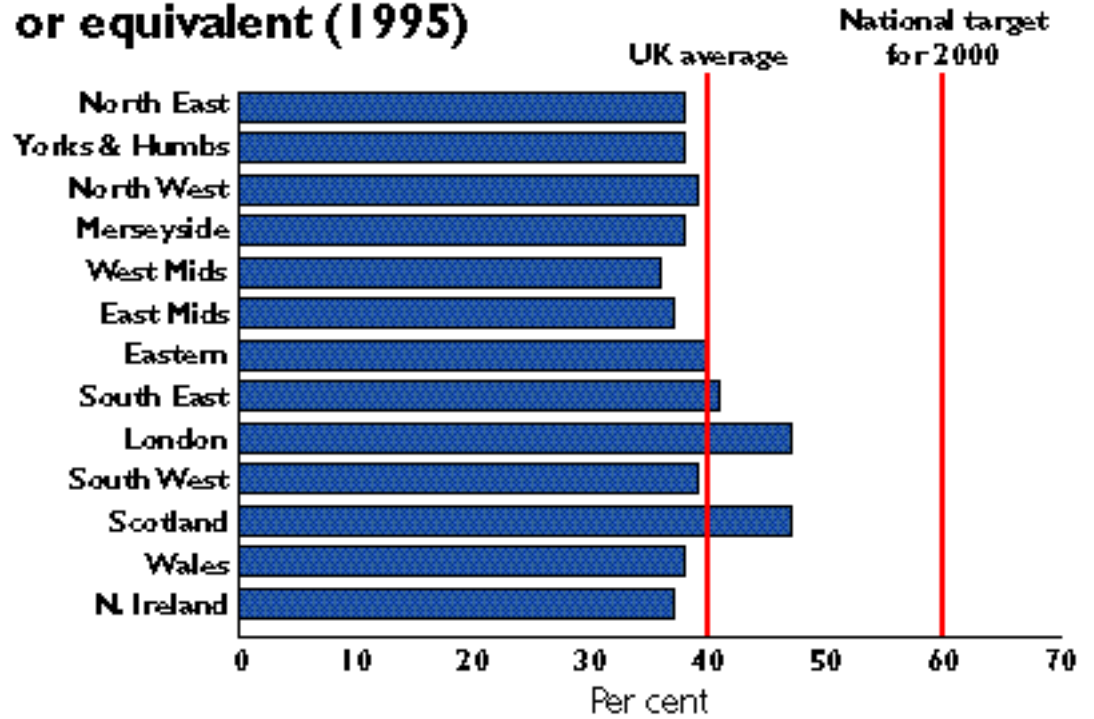
Note: Government supported training figures are not available for Scotland; part-time participation is shown as a substitute.

Sources: DfEE, Scottish Office, Welsh Office, Northern Ireland Office

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Chart 15.3 Proportion of the employed workforce qualified to at least NVQ level 3 or equivalent (1995)

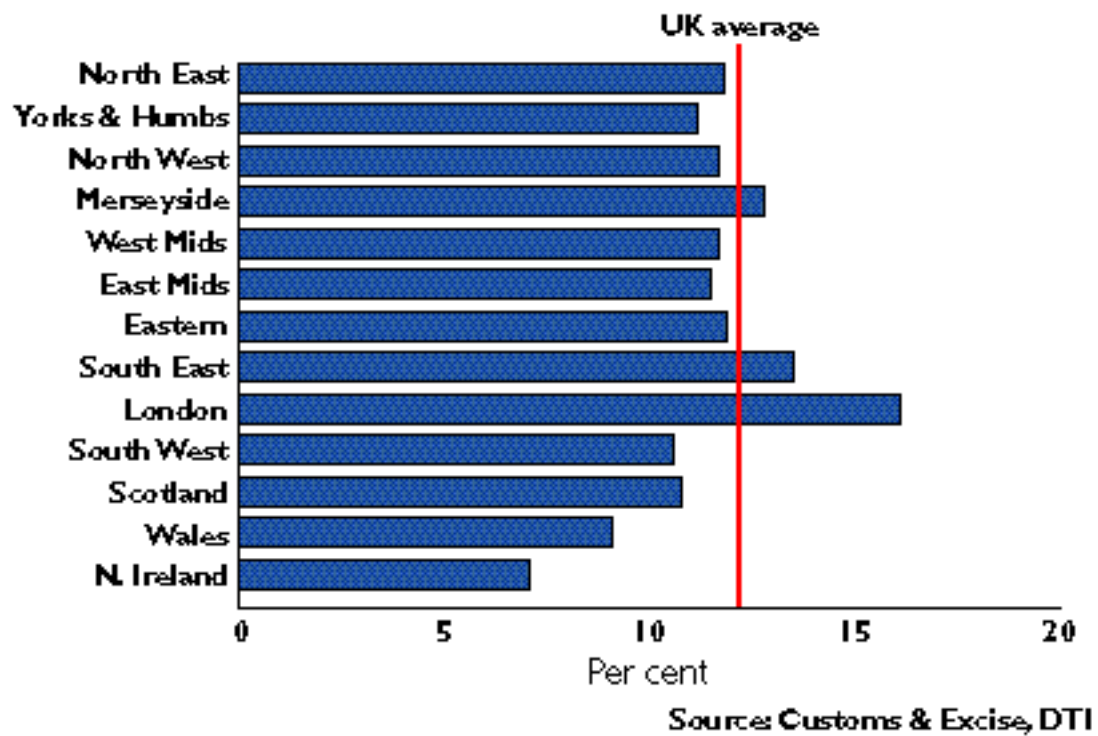


Source: ONS Labour Force Survey (Spring)

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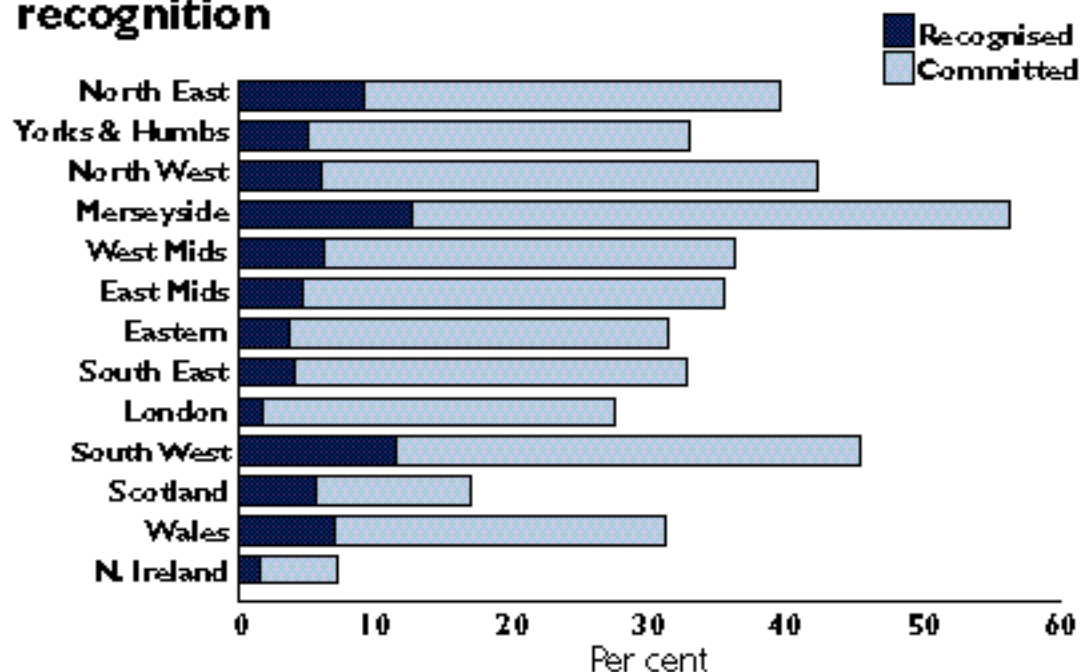
Chart 15.4 VAT Registrations as a proportion of the stock of businesses (1995)



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Chart 15.5 Investors in People: proportion of organisations (with 50 or more employees) which have achieved or are committed to recognition



Note: IIP data refer to end January 1996.
 Data for total organisations refer to end 1993. The National
 Target is 35 per cent of organisations employing 50 or more people to
 be recognised as Investors in People by the year 2000.

Sources:
 Investors in
 People UK,
 ONS

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Regional performance: the business view

Last year, the CBI surveyed businesses in England and Wales, asking them to identify whether each of 22 factors of competitiveness was a strength or weakness. The strongest overall ratings went to telecommunications infrastructure, quality of life and business advice. Among the 10 most cited weaknesses were:

- performance of technology transfer networks
- skills among school leavers and at vocational/technician level
- road and rail communications
- availability of development sites.

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Chambers of Commerce, TECs, local authorities and other partners have come together in England to pool the delivery of business advice (see paragraphs 15.11 to 15.12)

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Analysis and action

The Government's approach is to encourage all local partners to agree on the main competitiveness weaknesses of their area and to develop a programme of action to address them.

- In the North-East, local educational institutions, TECs local education authorities and the Government Office agreed a programme of action working towards the National Targets for Education and Training for the year 2000.
- In the West Midlands, manufacturing productivity is lower than in any other English region, and the variation in productivity between large industrialists, working with the Government Office and the regional CBI, are therefore developing Manufacturing Excellence practices into SMEs through a network of mentors.
- London has seen a particular decline in its manufacturing base. The private-sector led London Manufacturing Initiative has been set up to support manufacturers to grow in size. A major conference in February 1996 agreed a programme of action to support manufacturers.
- In Wales, technology audits of SMEs revealed unfocused use of technology. The Welsh Development Agency is working with the private sector to secure more relevant and efficient investment in innovation and technology by both the private and public sectors.
- In Northern Ireland, the private sector launched Growth Challenge in 1995, with the aim of becoming the fastest growing region in Europe. This has resulted in key sectors such as food processing, health technologies and tourism being identified for development.
- To address Scotland's relatively low levels of new firm formation, Scottish Enterprise launched in 1994 a "Business Start-up" initiative - including a network of Business Shops (see paragraph 15.11), a new 25 million venture capital fund and a new 25 million business development fund - the Strategy aims to create an additional 25,000 businesses in Scotland by the year 2000. Over 6,000 were created in 1995.

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The Tate Gallery of Modern Art: regenerating Bankside

The Millennium Commission has given 50 million from National Lottery funds to create a new national art gallery on the south bank of the River Thames, near the Tate Gallery.

collection to be established on a permanent basis, creating a national and international attraction.

The regeneration of Bankside will create a new focus south of the Thames and revitalise the surrounding area, creating a whole.

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Business Link: local solutions for local needs



The 1995 White Paper announced that an extra 100 million would be made available to support bids from Business Link tailored to the particular needs of local companies.

Business Links are using this money to help local companies reach the best practice standards described in Section 4, in technology transfer and benchmarking - many of which have a sectoral focus, where Business Links and trade associati

- Business Links in the South West, for example, are employing "business networking brokers" to identify oppor networks have already been created, involving 120 companies.

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Case Study: Hunt Europe

Hunt Europe, based in Basildon, Essex, is a subsidiary of Hunt Manufacturing, a US company involved in the manufact

In 1995, the company decided to introduce machine assembly to their production capability at Basildon, starting with the

The Regional Supply East Office worked with Hunt to set up a local sourcing project, putting them in touch with a range

"The RSN gave us practical hands-on support and advice in setting up the Image 400 Project, and valuable input for local supply chain data - we will continue to use the RSN resource."

Photo

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comments



The Woodland Enterprise Centre in the High Weald won 1 million to regenerate the timber manufacturing businesses of woodland produce and bringing the woodlands back into effective management. Up to 20 new businesses will be created.

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Success through partnership

Sponsorship involves Government working with industry to address every factor of competitiveness at sectoral level:

- **Improving *infrastructure* for the Chemicals Industry**

After a series of studies highlighted Teesside's potential as the leading UK centre for specialist chemicals and petro-chemicals, the Government launched the Teesside Chemicals Initiative in June 1995. Bringing together key players from the public and private sectors, the initiative aims to attract internationally-mobile investment to the area.

A key issue identified at an early stage was the need to improve local infrastructure. The partnership therefore contribute among other benefits will lower waste treatment costs for chemical companies in the area. Since the initiative's launch, 3 industry, creating more than 100 new jobs.

Photo

- **Promoting *management best practice* in the Construction Industry**

The construction industry accounts for about a tenth of GDP, half of all gross fixed capital formation, and is equivalent to 10% of GDP in Europe. Following a comprehensive analysis of its strengths and weaknesses (the Latham review), the industry has set out a strategy for 2000. The Department of the Environment is working with a new representative forum, the Construction Industry Board

- Legislation to reform contracts, including rights to adjudication, to payment by instalment in longer contracts, to "pay when paid clauses" in all but the most exceptional circumstances.
- Good practice. The industry has identified the need for more benchmarking and partnering. One benchmarking consumption during the construction process could make the difference between profit and loss on a contract. A
- A Quality Liaison Group representing the industry has produced a strategy to improve quality throughout the construction industry. The Centre for Construction, which is now being investigated.
- Partners in Technology, a challenge fund which pays half the cost of selected research and innovation projects in the industry.

- **Helping vegetable growers to *export***

The standards demanded by supermarkets in the UK have led to high performance among UK vegetable growers. But few of the products are exported. 90 per cent of horticultural production exported.

As a result of a MAFF campaign organised by an export promoter seconded from the industry, awareness of export opportunities has increased. Through the Processed Vegetable Growers Association they are now setting up a bureau to provide export assistance, with a view to increasing the proportion of production exported.

- **Reducing the impact of *crime* on the retail industry**

The British Retail Consortium estimates that crimes against retailers cost the industry 1.5 billion in 1994-95, more than 1% of GDP. The industry is working to reduce this threat to profitability and competitiveness, by:

- accelerating introduction of Closed Circuit Television to town and city centres and business areas across the country
- providing companies with advice through Crime Prevention Officers and a range of advice booklets
- encouraging local partnerships between retailers and police forces. Initiatives include radio links between shops and police, and collaboration between police architectural liaison officers and shop designers.

- **Reducing the burden of *regulation* in the oil and gas industries**

DTI is an active partner in the Cost Reduction Initiative for the New Era (CRINE), a sector-wide best practice programme to reduce the cost of oil and gas developments by 30 per cent and more, and becoming more competitive in overseas markets.

As part of its contribution to the initiative, DTI reviewed its procedures for licensing development and production of oil and gas. It has set the typical cost of exploiting a North Sea field by 200,000 to 300,000 at the development plan phase, and allow further savings to be made.

DTI is working with industry to apply the lessons of CRINE to other areas of process engineering.

- **Improving *skills* in the Engineering Industry**

The UK's engineering industries contribute over 5 per cent of UK GDP, around 30 per cent of manufacturing employment, and a turnover of several billions of pounds and many tens of thousands of employees, but also huge numbers of smaller companies.

example, are dominated by companies employing under 250 people, yet virtually all of them export 70 to 90 per cent of

In response to the first Competitiveness White Paper, the engineering community launched **Action for Engineering** in C industries and to increase the influence and involvement of professional engineers and technicians in UK industry as a unified structure for the profession. In addition, some 40 projects are being developed or have been implemented, includ

- creation of a Joint Venture Company bringing together industry, teachers, charities and Government to extend e into engineering
- a National Engineering Forum which, with initial part-funding from DTI, brings together engineering academic the present and future needs of employers
- a pilot project on continuous professional development of engineers after they have graduated, for national imp
- a campaign in conjunction with the Investors in People initiative, being launched by the Engineering Employer the use and development of engineers in engineering companies
- a campaign led by the Engineering Training Authority to address the lack of world class skills at technician and and case studies
- a new Masters Degree in Engineering Business Management to train engineers for boardroom success.

Action for Engineering has now handed most of its projects on to permanent bodies in the engineering community to ir **Engineering Success (YES)**, with national and regional events aiming to attract talented people and financial investmen

On 1 April 1996, DTI created the Engineering, Automotive and Metals Directorate, bringing together sponsorship of all

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Case Study: LDV

In February 1993, LDV's parent company, DAF Holland, went into receivership. Following a Management Buy-Out tha established as an independent company. Since then, it has achieved strong profitability, created 500 new jobs and financ

[Photo](#)

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Case Study: Federation of Electronics Industries

In 1993, the Electronic Components Industry Federation and the Electronic Engineering Association merged to form the unified voice for the IT, electronics and communications industries.

David Charlesworth, Managing Director of Phillips Semiconductors: "Membership of the FEI gives us an opportunity to competitors and customers to make our company, and in turn our industry, world class in every aspect. The merged asso representation."

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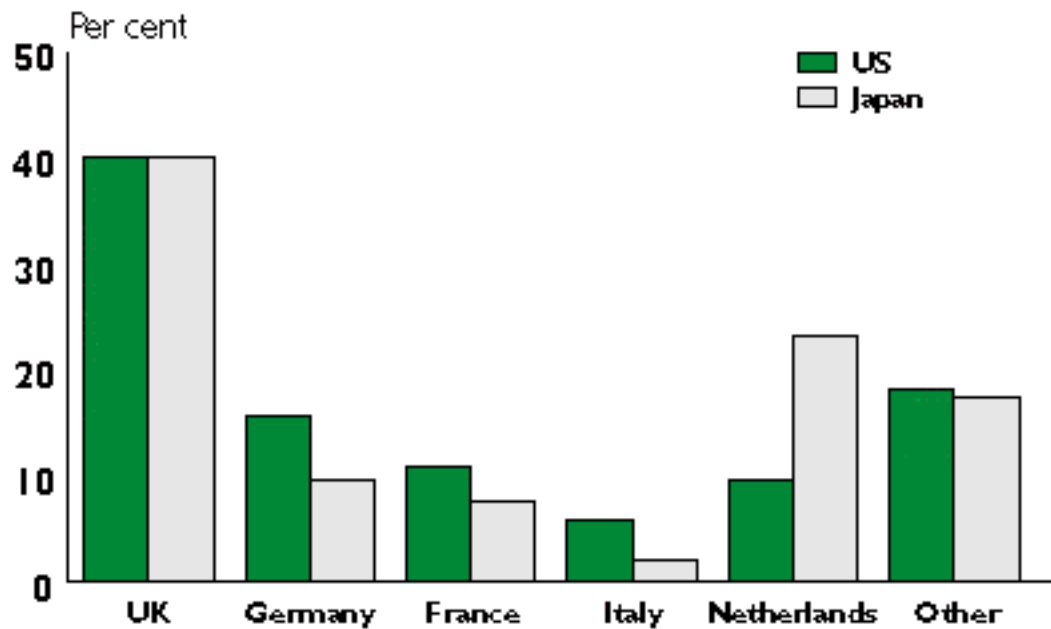
Case Study: Glass Training Ltd.

Glass Training Ltd, the ITO for the glass industry, has gained the support of some 80 per cent of the industry's employer Anglian Windows, Bibby Sterilin, Auto Windscreens, United Glass and Royal Doulton Crystal - have agreed to act as "S sector.

[Photo](#)

comments

Chart 17.1 Main recipients of US and Japanese investment in the EU



Note: US figures show stock at end of 1994.
Japanese figures show cumulative flows 1950-94.

Sources: US Survey of
Current Business, MITI

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Inward investment announcements over the past year

- Siemens - 1.1 billion semiconductors investment in the North East, 1500 jobs
- Chunghwa Picture Tubes - 260 million investment in computer monitor and TV tubes in Scotland, with 3300 jobs
- QVC - 14 million call-centre on Merseyside, 1100 jobs
- Fujitsu - 800 million semiconductors investment in the North East, 1020 jobs
- Ford Motor Company - 340 million investment in Zetec engines in Wales, 1780 jobs
- Samsung - 35 million European headquarters investment in London, 400 jobs
- Montupet - 142 million investment in automotive components in Northern Ireland, 1360 jobs.

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Winning Siemens for North Tyneside

When Siemens was deciding where to locate its new semiconductor fabrication plant last year, a local partnership led by the North East of England rather than in other locations under consideration such as Austria and the Republic of Ireland.

A package was quickly put together:

- The Tyne and Wear Development Company identified suitable land.
- English Partnerships developed that land into a low-vibration site, with access to essential infrastructure, of the
- Tyneside TEC and Employment Services provided tailored recruitment and training support to meet Siemens' needs
- Representatives of the region's universities visited Siemens in Germany to demonstrate the strength of the region's technicians and engineers.
- North Tyneside Council and the Government Office for the North East worked together to offer a rapid response
- DTI, North Tyneside City Challenge and North Tyneside Council put together financial support worth over 30 million

The package, together with the warm welcome offered to Siemens by Government centrally, was successful. In August 1999, Siemens announced its investment in a new semiconductor fabrication facility in North Tyneside, creating up to 1500 new jobs.

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Training for inward investors in Livingston

A number of major inward investors in the Livingston area (including NEC, Seagate and Motorola) have formed a consortium to ensure an adequate supply of equipment technicians in the area.

The consortium has put together an HNC course in Mechatronics. This has proved highly successful and the range of courses available is now the skilled technicians we need. It has also strengthened Livingston's ability to attract further investment in the electronics sector.

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Case Study: Kanematsu

Kanematsu, a Japanese manufacturer of clutch assemblies, has established a plant in Milton Keynes, aiming to start production in 2000.

Midlands Development Agency, is helping the company find high quality local suppliers.

Mr Kodo, Manager of Machinery and Electronics, Kanematsu: "We visited several potential suppliers recommended to us by the Midlands Development Agency. We have found this service to be essential and believe that anyone investing in the West Midlands will find it invaluable."

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Seagate Technology

In 1992, Seagate Technology, the world's largest independent maker of hard disc drives, decided to locate manufacturing facilities in Northern Ireland.

Following that decision, the Industrial Development Board for Northern Ireland worked closely with the company to show it was impressed to add a research and development centre to its original manufacturing investment.

Recently Seagate announced yet another expansion of its Londonderry operation. Its investment in Northern Ireland, initially valued at £10 million, is now worth over £100 million. It is now the centrepiece of the corporation's global needs of wafers for recording heads.

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The Deputy Prime Minister being welcomed by Dr Heinrich von Pierer, President and Chief Executive Officer, Siemens North Tyneside on 15 December 1995.

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UK service sector comparisons

Professional services

Flexible, empowered, customer oriented . . . but unsystematic quality management.

Retail

Strong service culture, above average customer satisfaction and value . . . but below average in training and teamwork.

Finance

Strong emphasis on IT and business process redesign . . . but at the expense of developing employees and a service orientation.

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Government and the service sector in partnership

The Government is working with service industries to identify areas where improvements can be made.

DTI published [14] an analysis of the strengths and weaknesses of the insurance industry in August 1995. The industry partnership with the Government. DTI has also launched two benchmarking initiatives with the industry to help individual firms assess their performance. Insurers launched the insurance industry benchmarking challenge. Over 40 companies have participated. In February 1996, the Insurance Brokers Association. As a result of these initiatives, three industry groups have been set up to examine how insurers can reinforce private provision (for example, for old age). In addition, benchmarking clubs have been set up to bring about improvements in the industry.

The Department of National Heritage (DNH) is working with the Tourist Boards and the **tourism and hospitality industry** included a series of initiatives to help managers improve the performance of their businesses:

- Research by DNH and the English Tourist Board into what customers want and expect from tourist accommodation. This has led to 32,000 hoteliers (Chart 19.6).
- A benchmarking study, in partnership with the CBI, to identify how hoteliers can better meet those expectations. This study compared B&Bs in England, and comparing three and four star hotels with their German and French counterparts.
- The results of this study have also been disseminated to 32,000 hotels, with a self-assessment test to allow them to assess their performance. This was followed up with local "best-practice" meetings and events organised by trade bodies.

The second stage will be launched in the autumn. It will set out an agenda for tourism as we approach the Millennium. This will be supported by the heritage provided by the National Lottery. Working closely with industry leaders, DNH and the tourist boards will establish a framework for the industry.

- identify action to improve further the quality of what is on offer to visitors from both abroad and this country
- recommend action following a major study on the industry's use of human resources which is already underway
- prepare a strategy to increase domestic holiday taking in the light of a major study of the domestic holiday market
- ensure that the industry is well prepared for the expansion of travel as we approach the Millennium and beyond

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Benchmarking in SMEs

Firm

Autobar Polyfilm Ltd., Crynant, near Swansea, employing 60, and with a turnover of 5 million. Extrusion, printing and conversion of film.

Action

The company used the benchmarking programme run by the Welsh Development Agency's Source Wales operation. The programme involved a consultancy-facilitated site visit, assessment, workshop and report.

Results

- The introduction of a system to enable the company to identify the profitability of individual customer orders or
- The development of a performance measurement strategy, enabling performance data to be used for management
- Health and safety improvements.

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A National Benchmarking Network



A number of benchmarking service providers have agreed to work towards establishing a network of services to promote business improvement. The National Benchmarking Network will initially consist of benchmarking services from the University and the Society of Motor Manufacturers and Traders-Bywater partnership. Services within the Network are based between services as appropriate. Members of the Network are also committed to working towards sharing benchmarking Business Links as well as directly from benchmarking service providers. Sector initiatives will be available through trade services is available to all sectors and sizes of business.

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Advisory Group on Business Excellence



This Group (which brings together the BSI, Investors in People UK, the Institute of Directors, the CBI, the Management Quality Infrastructure Task Force and Government) was set up to take forward a commitment made by the Government to improve quality through Business Links. It has developed material which Business Links can use to help companies to achieve a improvement in UK quality and business performance.

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The Kitemark

BSI grants licences to use the Kitemark, its registered certification trademark, to manufacturers whose products have been found to meet ISO 9000 criteria. In discussion with DTI, the United Kingdom Accreditation Service and other certification bodies, providing a wider range of services covering more sectors, involving other appropriate accredited testing and certification bodies, providing a wider range of mutual recognition agreements, providing UK companies with access to voluntary quality marks in other countries.

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Outside help

Firm

Royce Thompson Ltd, a market leader in the manufacture of street lighting controls.

Action

Initial consultancy work centred on the manufacturing process, with the development of a system of self-contained units. The consultancy initiative looked at the systems of the entire company and the introduction of world class inventory techniques.

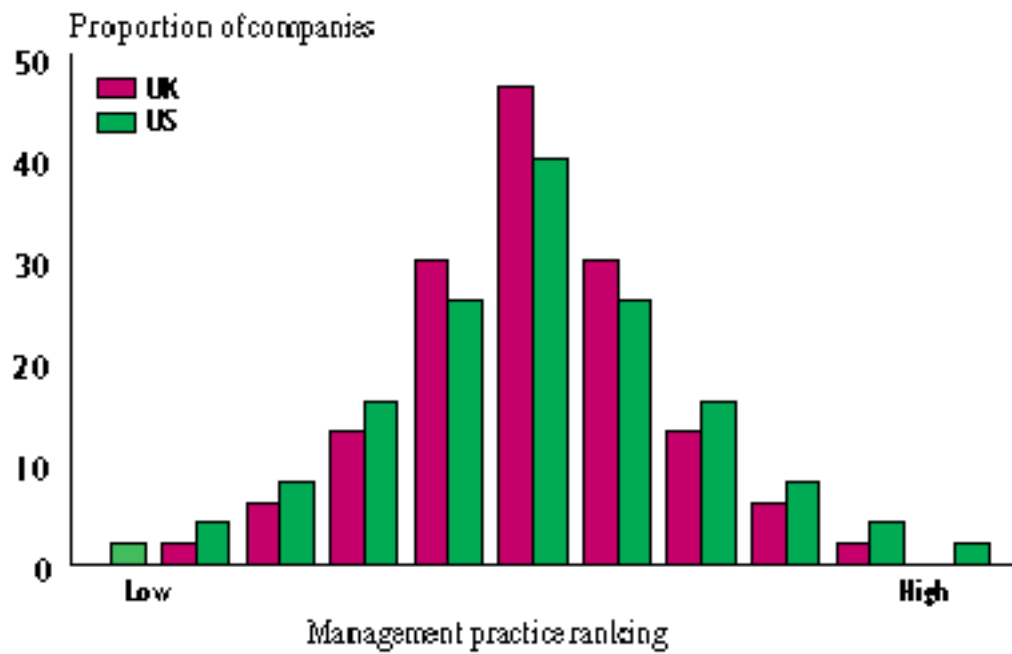
Benefits

Lead times for meeting production orders have been cut from as much as six weeks to between five and six days.

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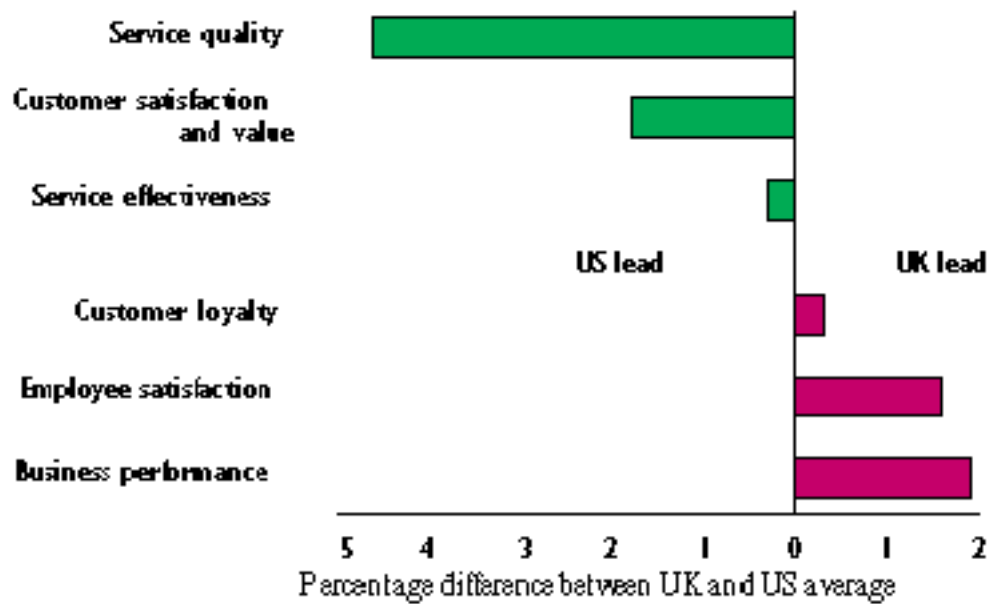
Chart 19.3 Management practice in UK and US service companies



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Chart 19.4 UK and US service performance compared

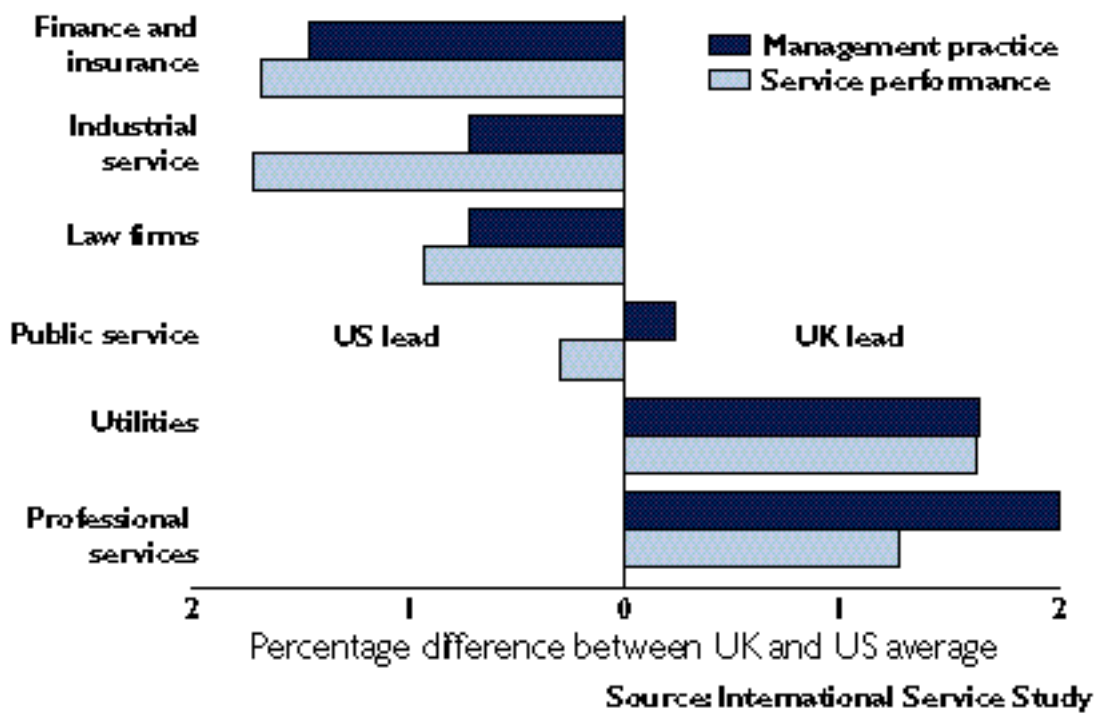


Source: International Service Study

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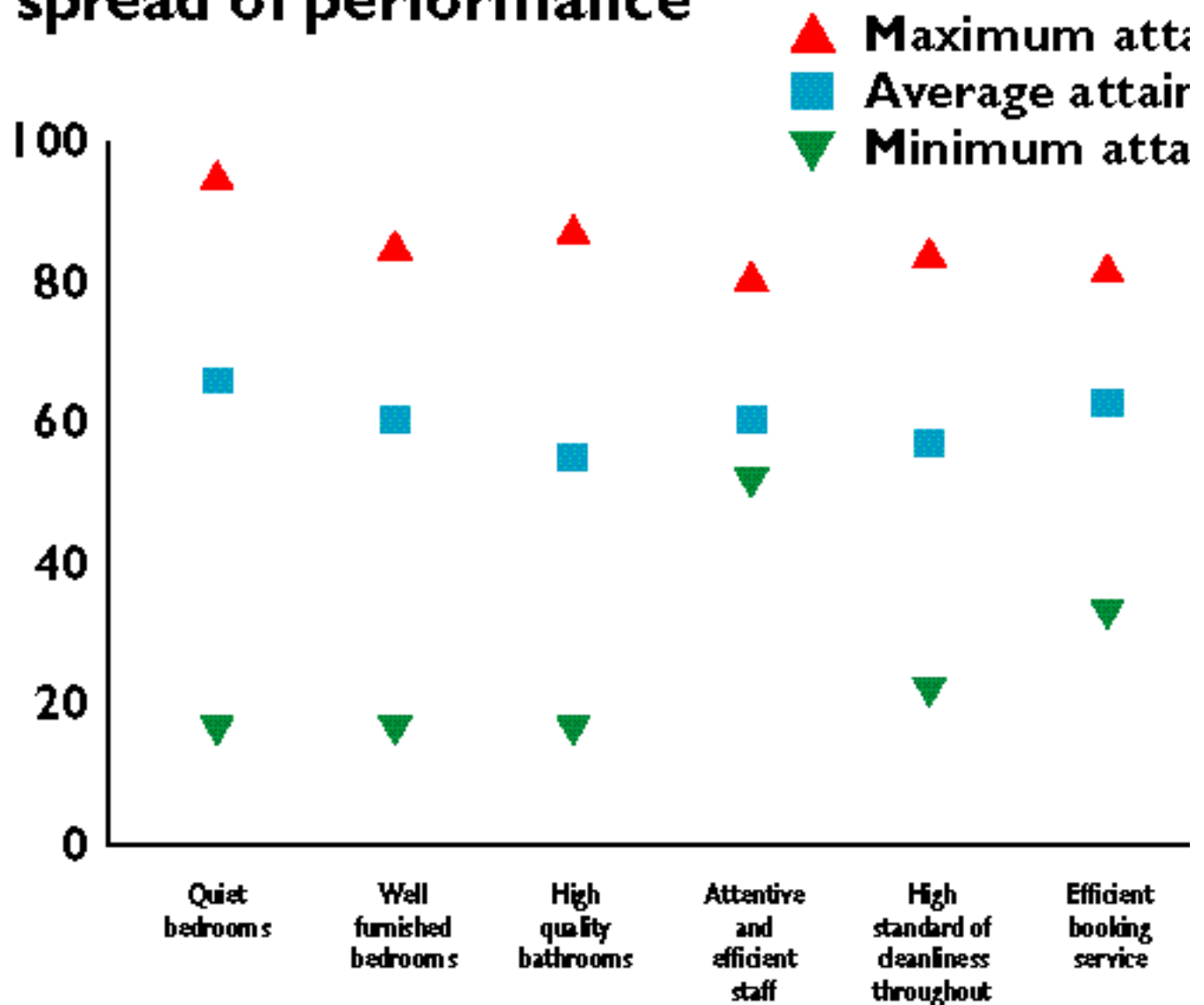
Chart 19.5 UK and US service sectors compared



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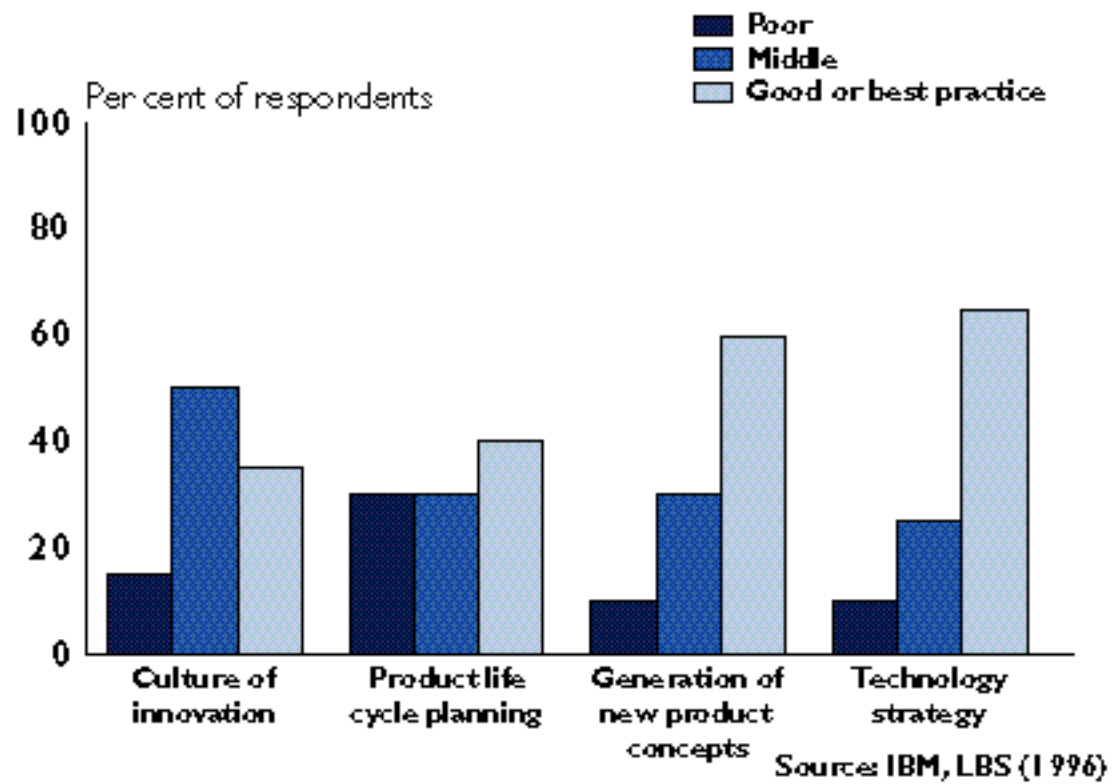
Chart 19.6 Hotels service to customers: spread of performance



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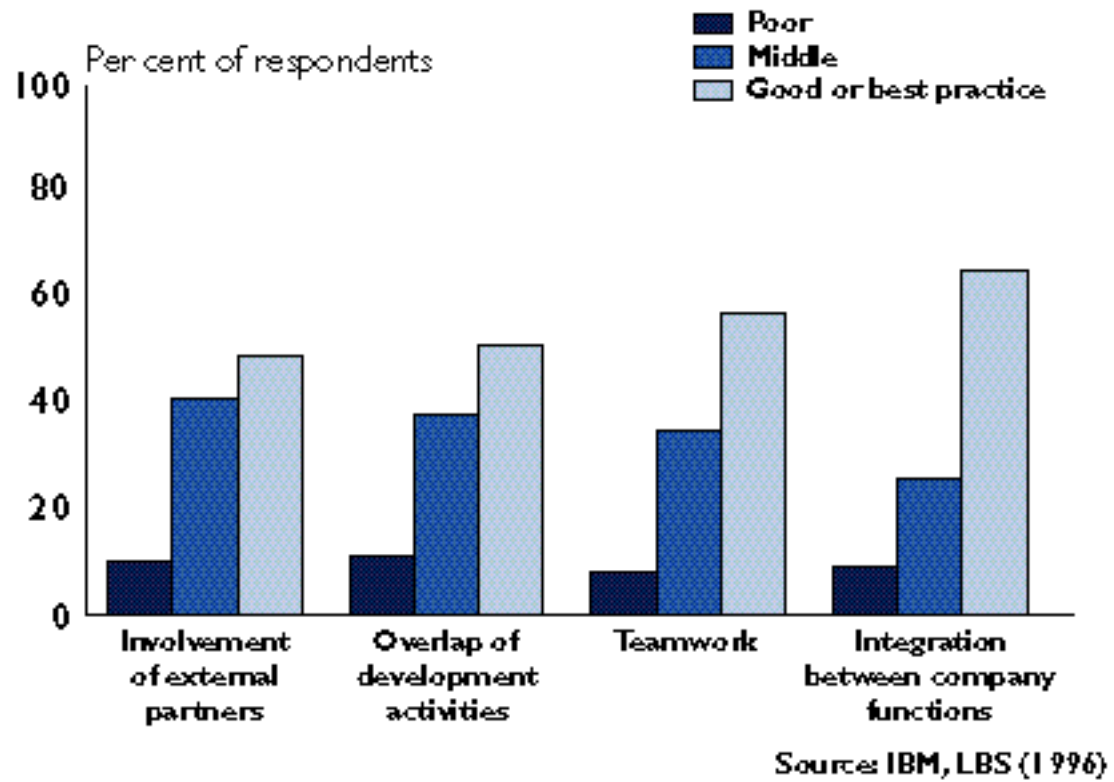
Chart 20.1 Managing innovation



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Chart 20.2 Managing integration



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Multi-disciplinary problem-solving

Firm

Phi Group Ltd, Cheltenham, with 30-40 people, and a turnover of 8 million. Design and construction of retaining walls for superstores and housing developments.

Driver

Year-on-year growth of 35 per cent generated a need for more cash and better cash management.

Action

The firm used the "Profit from Innovation"* programme to involve its workforce in identifying needs and solving problems. Project management was tightened up to ensure timely payment by customers.

Results

- Payment times were shortened and outstanding debtors reduced by a third.
- Freight operations were rationalised, saving at least 35,000 per year.
- Stockholdings were reduced, saving 50,000 a year.
- In two years turnover doubled to 8 million.
- Growth was supported by existing resources rather than additional outside funding.

* Profit From Innovation (sponsored by Gloucester TEC) aims to improve the competitiveness of SMEs by creating a culture of innovation.

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Developing the workforce

Firm

Graham and Heslip Ltd, colour printers of Belfast, with just over 100 people.

Driver

Moving from the outdated lithographic printing process to the latest desktop publishing technology.

Action

An innovative training programme took operatives new to computers through to advanced AppleMac technology skills. This was done without disturbing the work of trainees.

Results

- 23 per cent increase in sales over 18 months.
- Direct production savings of 95,000.

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Using knowledge based systems to reduce lead time

Firm

Art Glass (NI) Ltd, Londonderry, employing 18 people in the design and manufacture of decorative and stained-glass windows.

Driver

Market demand for shorter lead times.

Action

With assistance under the Teaching Company Scheme (TCS)*, the company moved from a completely manual system to and knowledge-based systems for its design, costing and production functions.

Results

- Design lead time was reduced from two weeks to two days.
- Orders can be completed in under three days from design to delivery.
- Market share has increased by 40 per cent.
- Greater worker flexibility - designers can work independently or as a team.

* TCS aims to stimulate innovation in industry through collaborative partnerships between business people and academic and company staff.

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Using rapid prototyping in new product development

Firm

Brook Hansen, with 1900 people engaged in the manufacture of electric motors.

Driver

Saving costs and staying ahead of the competition.

Action

The company generated a computer-aided design. This was passed successively to three small firms whose specialist expertise was used for casting for testing.

Results

- The conventional development route would have taken 30 weeks and cost 103,900.
- The rapid prototyping route took 24 days and cost 6,720.

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Leapfrogging the competition by radical innovation

Firm

Dyson Products, Malmesbury, Wiltshire, employing 400 people in manufacturing domestic appliances.

Driver

Getting a revolutionary cyclone-based vacuum cleaner to market.

Action

James Dyson had to raise 4.5 million before a single product was sold, the majority from royalties accrued from previous products. The radical styling of the product and the revolutionary internal engineering supported by the marketing, engineering, production and design and service functions together to operate as a seamless team.

Results

- Dyson now produces 3,000 cleaners every day from a start-up in 1993.
- The new product became the best-selling upright cleaner on the market in 1995 with 20,000 units a month, representing 50% of the market.
- UK sales this year are expected to top 55 million (up from 10 million in 1994).

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Using technology in marketing

- Guinness raised its profile on the World Wide Web by providing a screen saver using animation and sound. In the Web, and was downloaded for personal use by 17,000 users.
- Vauxhall marketed its Frontera and Vectra models using the Internet, CD-ROM, touch screen kiosks and interactive

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Using marketing in innovation

- Phileas Fogg was set up as a new company to produce premium snack foods specifically for adults. It set out to sophisticated packaging and international recipes. The company built up brand awareness progressively over 12 County Durham, before being sold by its founders for 24 million in 1993.
- K Shoes moved into the trainer market during the recession, launching a washable product for women over 35. through their own stores alone. Building on the success of this campaign the company expanded the range into
- Argos has grown in 20 years to become the largest catalogue retailer in Europe. A major factor in its success is generally. Argos maintains an extensive market research programme, collaborating closely with a single research effectiveness of marketing activity, global and product-specific image and attitude measures, fast reporting of results

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Advertising's contribution to growth

- Operating in the highly competitive luxury fitness sector during the recession, the Edinburgh Club undertook a membership by 330 per cent, turnover by 113 per cent and profit by 174 per cent.
- Following a market research study, Harveys of Bristol employed advertisers and packaging specialists to relaunch were up by 46 per cent on the previous year.
- Jardines Pet Insurance Services spent 20,000 on an advertising campaign on Midlands radio station 100.7 Hear per cent to 35 per cent among young pet owners.
- In just over ten years, the Carphone Warehouse was built into a 40 million brand leader, almost exclusively through within a few weeks.

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Customer-focused design

Firm

Flymo, Co Durham, employing 700 people in the manufacture of garden care products.

Driver

Need to convert consumers who thought hover-mowers were noisy and clumsy.

Action

In collaboration with Renfrew Associates, industrial designers, Flymo reworked the configuration of engine, blade and c mower. The most important factor was the integration of concept, design and engineering functions within the company

Results

- Within its first year Flymo's new model exceeded its sales target by 212 per cent.
- The company increased turnover by 102 per cent and achieved a customer satisfaction rating of 87 per cent.
- Development payback time was just seven months.

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Using design to break into new markets

Firm

EEV Ltd, Chelmsford, with 1850 people, of whom 200 are involved in producing Thermal Imaging Cameras, which protect the seat of fires.

Driver

To develop the civilian market.

Action

Researched needs of civilian fire-fighters for a camera operated quickly and effectively with minimum training. Produce

Results

- Sales were running at 14 times previous levels after four months.
- EEV export 65 per cent of production, with Japan the largest export market.

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New equipment for greater responsiveness to customers

Firm

Burall Plastec, Wisbech split off in 1992 from a 100-year-old business. Its 74 employees produce labels for horticulture,

Driver

Steady loss of market share.

Action

Market analysis showed need for quicker response and better product designs. External consultants carried out strategic archiving equipment.

Results

- Greater flexibility to respond to orders.
- Enhanced product range.
- Improved designs.
- Reduced production costs by between 5 and 10 per cent.
- Employees up from 44 in 1992 to 74.
- Turnover at 18 per cent above plan for 1995-1996.

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Profiting from constraints

Firm

Thomas Morel Foods, Redditch, with 60 people, produce high-quality convenience foods.

Driver

New environmental health legislation.

Action

Firm reassessed quality assurance, and linked up with the food research group at Leeds Metropolitan University in a TCS programme protecting against food spoilage during production.

Results

- The firm is now at the forefront of food safety, has secured its customers' confidence and maintained its position.
- The extra added-value per employee as a result of the TCS Programme was 1,660.

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Introducing best business practice

Firm

Walker Precision Engineering Ltd, Glasgow, employing 94 people to supply mainly multi-national electronic assembly products.

Driver Customer demand for improved response time and accuracy of delivery information.

Action

The company developed and implemented procedures in every aspect of production and customer interface. Production lead times. This six-month project received support from the GBSTRIDE (Science and Technology for Regional Innovation Management) at Heriot-Watt University, Edinburgh and carried out by an industrial adviser formerly employed by a large manufacturing company.

Results

- Turnover doubled over a two-year period.
- The number of employees increased from 70 to 94.
- Customer satisfaction improved, directly leading to increased orders.
- The factory is about to be relocated to cope with increased business.

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Continuous innovation over time

Firm

Cosworth (Northampton and Detroit) with 1250 people manufacturing engines for road and racing cars.

Driver

Famous for making Formula One and Indy Car racing engines since 1967, Cosworth found itself limited by lack of high-pressure sand-casting technology.

Action

The racing engineers set up a research facility. They developed and patented a revolutionary low pressure sand-casting process for intricate shaping. Designers could exploit the benefits of precision cooling. All this got more power out of racing engines so that the technology available to racing engineer designers could be passed to the mass market.

Results

- By the early 1990s, the Cosworth process was being used under licence by Ford of North America in a new plant.

- Cosworth itself invested 25 million in a new foundry at Worcester allowing the company to diversify into new markets. General Motors. The first deliveries start in 1996 and capacity should rise to one million by the end of the decade.

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Keeping pace with the market

Firm

Molynx Ltd., Newport, South Wales, employing 130 people to manufacture CCTV surveillance systems.

Driver

The need to increase profit margins substantially to provide capital for sustainable future growth.

Action

Recognising that its largely electro-mechanical manufacturing activities were outdated, Molynx decided in 1989 to move to a modular system which could be adapted for many security uses.

Results

- The company rose from the bottom of the ladder to European market leader in their sector.
- They are one of the fastest-growing firms in South Wales, growing by 25 per cent in 1995 with even greater resources.
- They market many profitable spin-off products.

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Working together: Business and University

Firm

British Hydrodynamics Research (BHR Group Ltd), Cranfield, with 130 people.

Driver

Need to cut accurately hard or difficult materials (such as ceramics, metal-matrix composites or reinforced concrete).

Action

BHR, based at Cranfield University, has developed a direct injection abrasive jetting system which students from Cranfield University use to produce composites. By a mixture of water and abrasive, materials can be cut as though by lasers.

Results

A machine is now in use off the coast of Brazil decommissioning an oil rig. It delivers enough power, down a hose one kilometre.

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Collaborating across sectors

Firm

VR Solutions Ltd, a subsidiary of Insys (a company which grew from DTI's Advanced Robotics Initiative).

Driver

Quicker and more effective solutions to a wide range of business challenges in many sectors.

Action

In 1993 VR Solutions launched the Virtual Reality and Simulation Initiative - the first and still the only collaborative virtual reality initiative.

Results

A number of the companies involved are implementing technology emerging from the collaboration. Some have already headsets can now be used to explore a VR supermarket and make real-time changes to its structure. The UK's international Industrial Centre for Virtual Environments, part of Salford's Lowry Centre Millennium project.

Organisations involved

Airline Services Ltd

BNFL

Co-operative Wholesale Society

Fluor Daniel

Hunting

ICI

J Sainsbury

Multi-Design Consultants

Nortel Technology

NW Water

Rolls Royce plc

Rolls Royce Assoc.

UK Nirex Ltd.

VSEL

Westlakes Research Institute

The Health & Safety Executive

North West Regional Health Authority

University of Salford

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Using Business Links to facilitate innovation

Firm

Quatroserve Limited, Dudley was started by four men experienced in the water industry.

Driver

The need for finance to develop and market the founders' new ideas for collecting debris from water and effluent.

Action

George Foster, the Innovation and Technology Counsellor at Business Link Dudley, helped the company win a SMART price of a new machine.

Results

- Quatroserve now employ seven people.
- In two days they manufacture twice a previous week's production.

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Help from a Government award

Firm

Willett International Ltd, Corby, Northampton, with 215 people manufacturing product identification equipment.

Driver

Need to incorporate state-of-the-art technology into products.

Action

Through heavy investment in R&D, with support from a SPUR award, the company developed inkjet printers which can

at ambient temperature (for instance, sell-by dates on cans). Willett also implemented company-wide quality programme

Results

Increase in turnover from 40 million in 1992 to 70 million in 1995, with more than 90 per cent of sales overseas.

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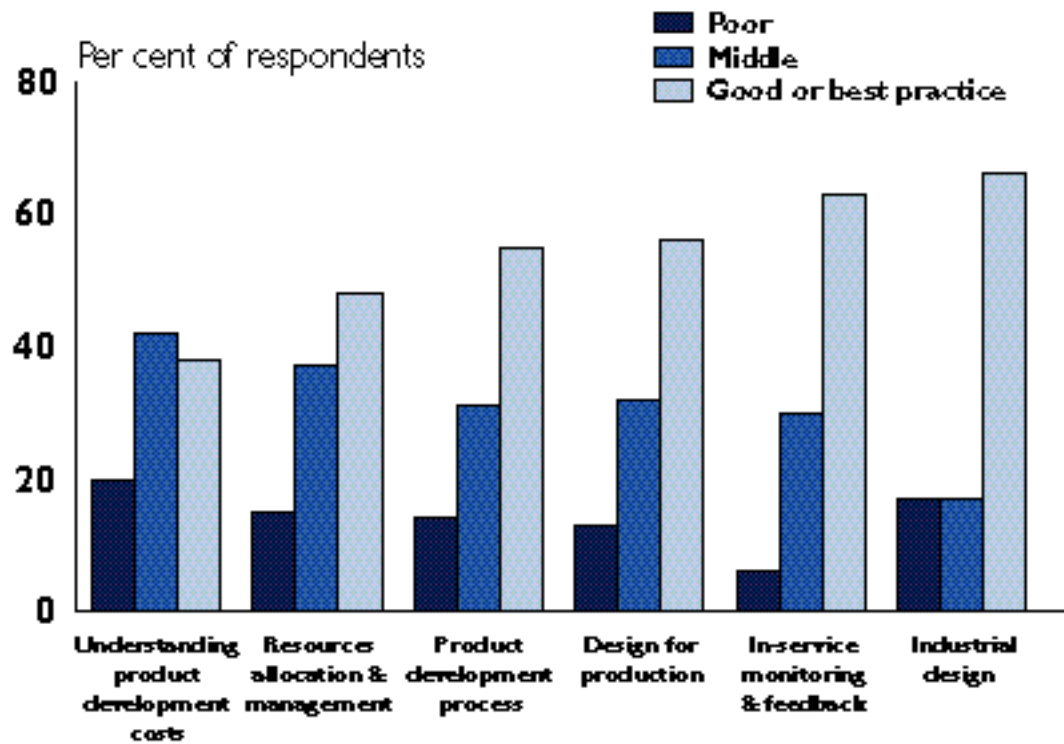


Thomas Moore, TCS Associate at Art Glass (NI) Ltd

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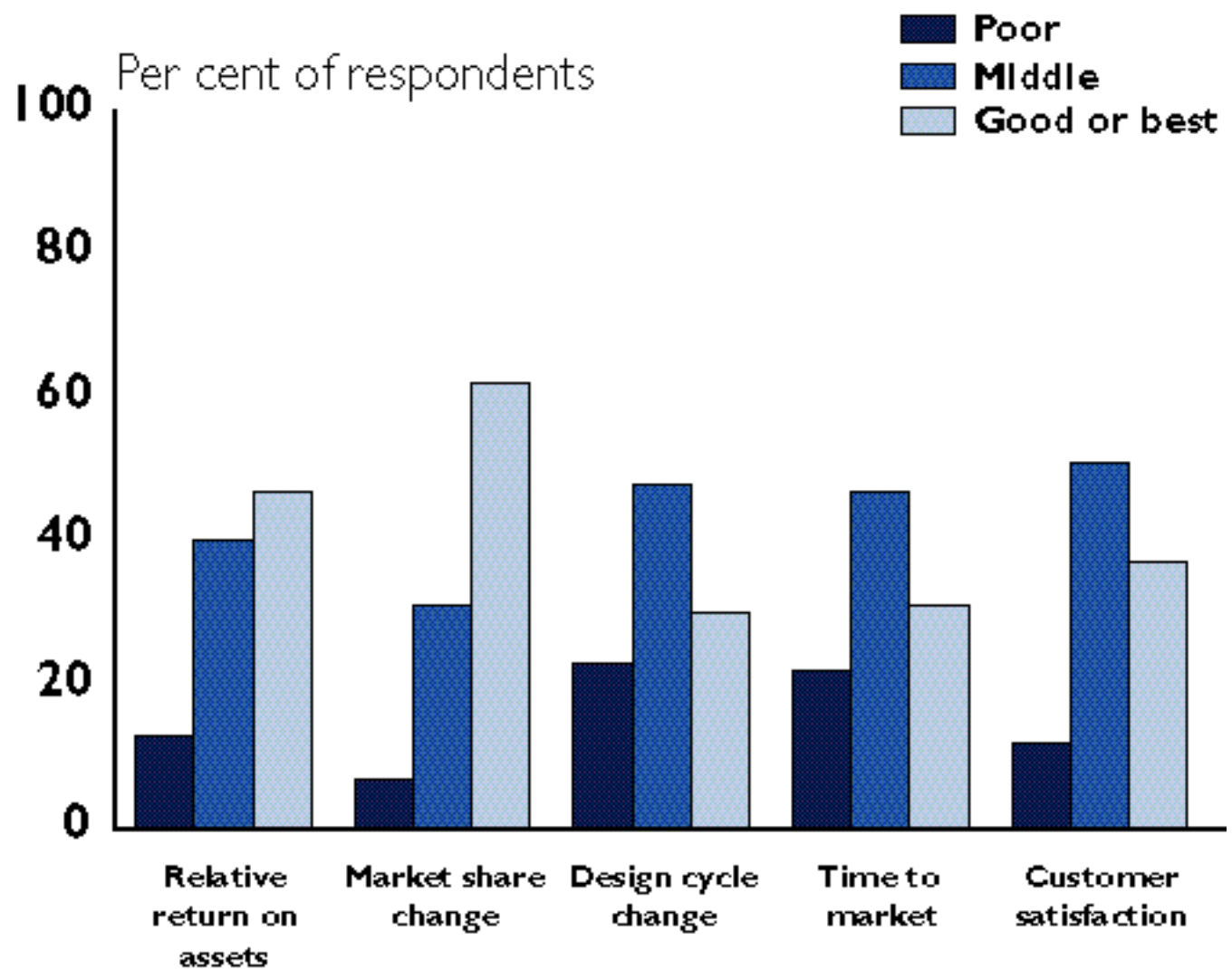
Chart 20.3 Product development process



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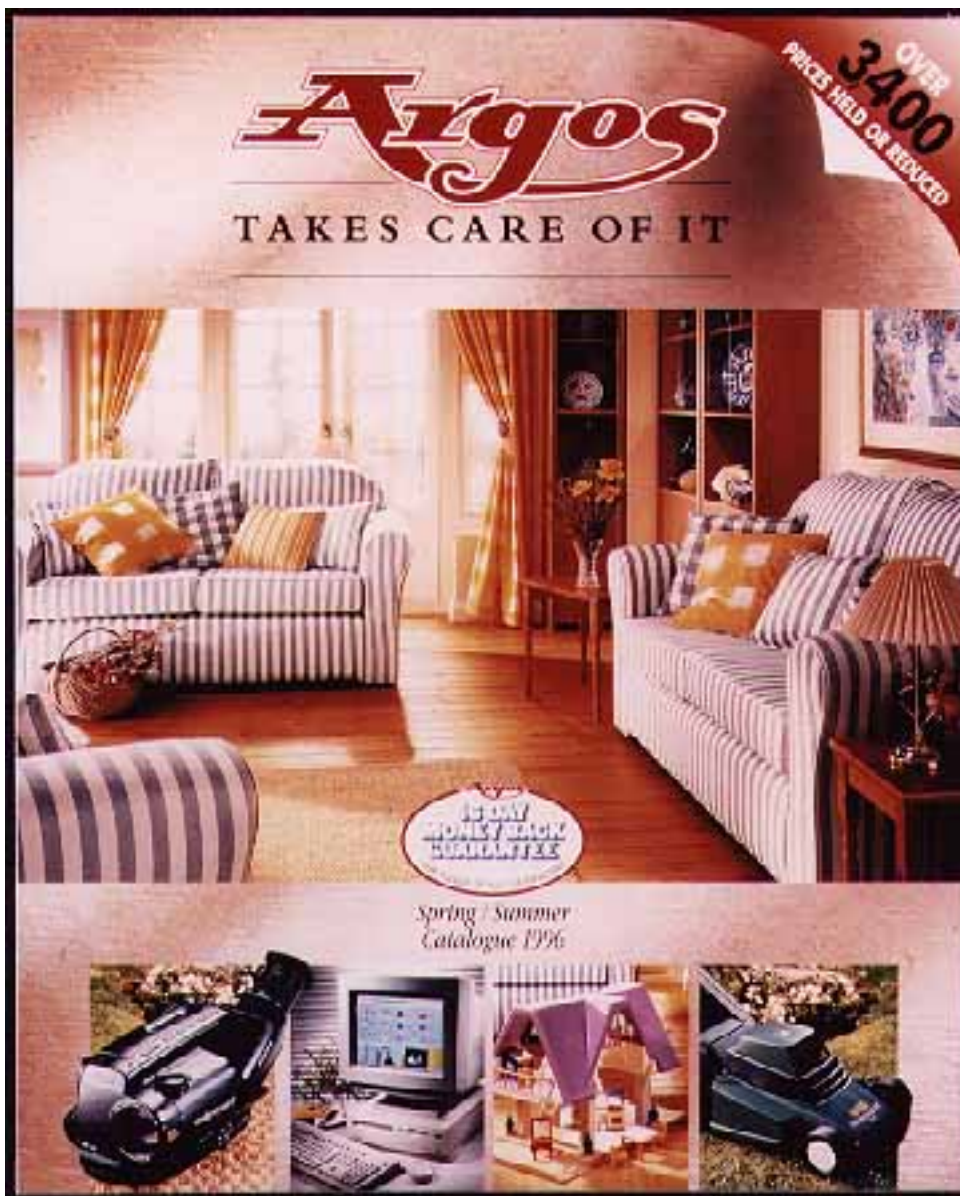
Chart 20.4 Product development perfor



Source: IBM

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Argos is a household name thanks to its extensive marketing programme

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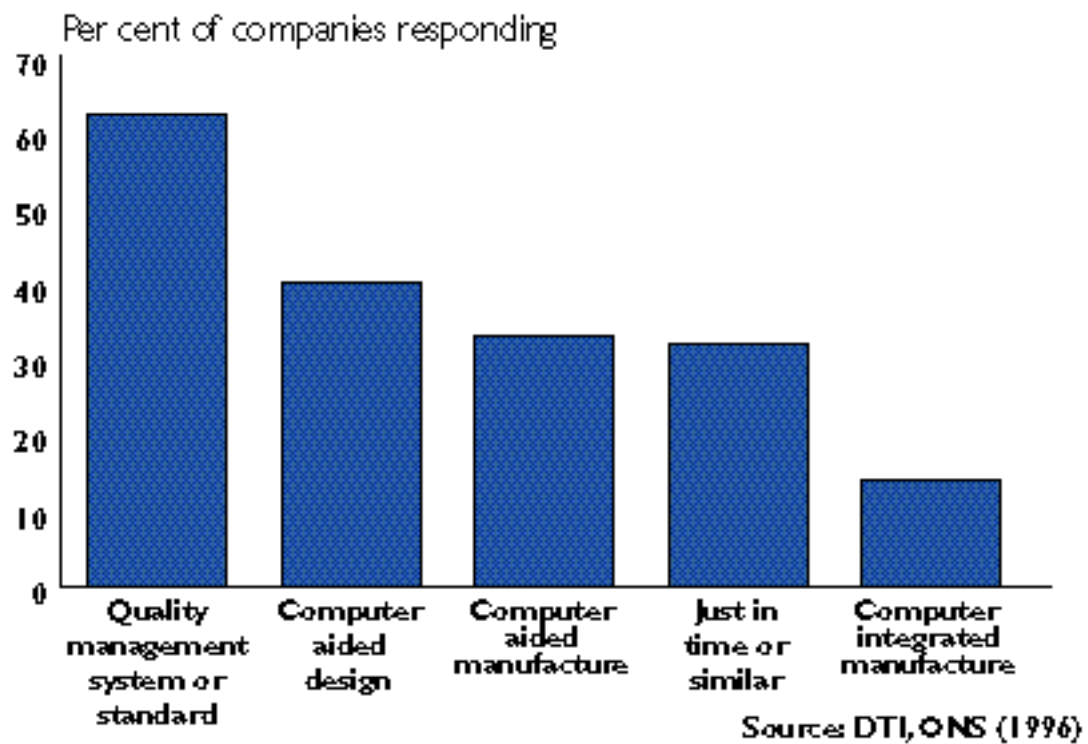


The EEV thermal imaging camera in action.

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Chart 20.5 Company use of technology and management techniques



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The 1995 Sauber-Ford Formula One Racing Car, powered by the Cosworth-developed engine.

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Growth in exports

- UK exports of computer hardware and software increased by 27 per cent in 1995.
- UK exports of telecommunications and sound equipment increased by 33 per cent in 1995.
- UK defence export orders increased by 10 per cent during 1995, despite the continuing downturn in the market world market.

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Winners of the Export Award for Smaller Businesses

Serving different cultures . . .

- Midland Cosmetics Sales plc, set up 26 years ago, has increased its export earnings dramatically over the last five years. It produces a range of cosmetics for occasions such as Chinese New Year, or Ladies Day in Russia and Poland, and produces special packaging for each market.

. . . in different languages . . .

- Canford Audio plc is a North East mail order company manufacturing and distributing audio equipment for the last 20 years. It has increased its exports to the rest of Europe by 30 per cent in 1995. Its catalogue is available in 12 languages.

[Photo](#)

. . . through effective local representation . . .

- Chase Research plc designs, manufactures and markets computer networking products. Exports account for 85 per cent of turnover. It also has subsidiaries in the US and Germany along with a world-wide network of distributors. A sales conference is held for sales teams as far afield as Canada and the Republic of Korea.
- DMM International Ltd of Llanberis in North Wales markets and distributes specialised mountaineering and indoor climbing equipment. It exports over 60 per cent of turnover, through partnerships in the US and France and a network of distributors in 15 countries.

[Photo](#)

. . . and innovative design.

- Edwin Trisk Systems Ltd is a world leader in infra-red paint curing and drying equipment for vehicle body shops. Its product range is continually improved. Joint development programmes are organised with major automotive manufacturers to develop new products.

[Photo](#)

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Successful exporting through marketing research

Water Weights Ltd of Aberdeen manufactures load testing systems. After eight years of operations serving the UK and the US market. The US imposes different requirements and legislation for load testing in various States, and the construction of bridges with different frequencies, and to different standards. To make sense of this, and to learn the attitudes and opinions of potential customers, the company set up a Marketing Research Scheme. According to sales director Jim Simmers, "Conducting the export marketing research exercise was vital to our success in the US market. The report gave me a great deal of confidence as to the way forward. We have now opened up an office in the US."

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Freeing resources through export documentation efficiency

Western Board of Pontypridd experienced a rapid growth in exports in 1994. It knew that to cope it needed radical change.

The firm had little experience of computers, operating only one PC for word processing and two machines dedicated to statistical analysis. Within a few months had installed software to handle all export documentation. It also started to submit EU statistical returns.

The staff estimate that shipment preparation times have reduced by up to 75 per cent and their errors in letters of credit handling the EU statistical returns is now a simple 30 minute job.

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Serving markets flexibly

Possi Ltd is a family-run greetings cards business based in Somerset. A world-wide export strategy has given Possi an in-depth knowledge of each market, choosing the best route of entry for each. It sells directly to Switzerland and Saudi Arabia, and uses distributors in the US and Japan. For the Australian market, Possi has established a distribution subsidiary.

According to managing director Paula Kenevan, "The key is knowing the market and exploiting the opportunities offered. The situation can be very different, even between apparently similar countries such as Germany and Switzerland, or the US and Japan."

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Exporting services

- Unived Technologies Ltd. is the commercial arm of Edinburgh University. It provides development, consultancy and training services to overseas purchasers. It has arranged contracts with European countries covering information technology, science and engineering. Unived has negotiated major healthcare contracts with the US and Japan. Unived Technologies' export earnings have doubled in the last three years.
- Following an initiative by DTI and the Chairman of the Overseas Project Board's Education and Training sector, British University in Thailand offering UK-accredited degrees across a range of disciplines. Finance is being provided by the British University in Thailand. The project was handed to the Ministry of University Affairs by the President of the Board of Trade, Ian Lang, during his visit to Thailand.

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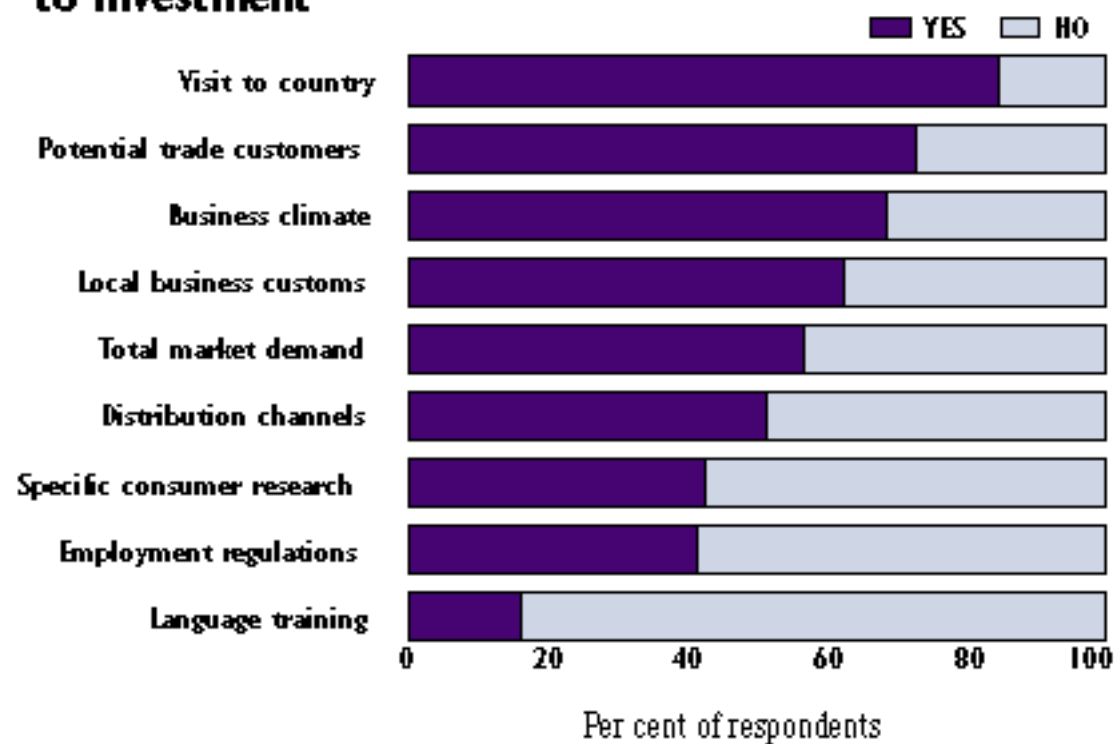
Using support services

Garrad Hassan, a wind energy consultancy in Bristol, joined a DTI trade mission to New Zealand in March 1995. The mission was to help him follow up the most promising contacts and find a joint venture partner. Once he had a partner, the Consulate helped him secure 150,000 worth of work. Says Mr Garrad, "Not bad for two months' work. If that Government help hadn't existed, we would not have been able to do it."

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Chart 21.3 Activities undertaken prior to investment

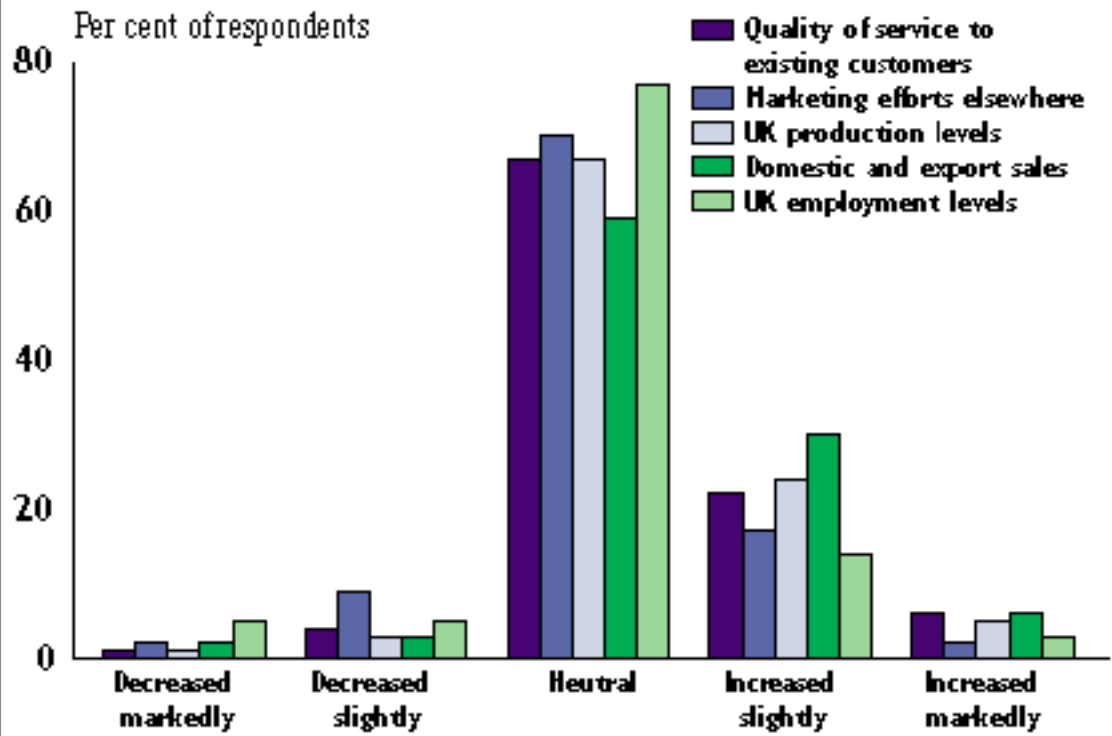


Source: DTVKPHG Outward Investment Study (1996)

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Chart 21.4 Effects of last investment

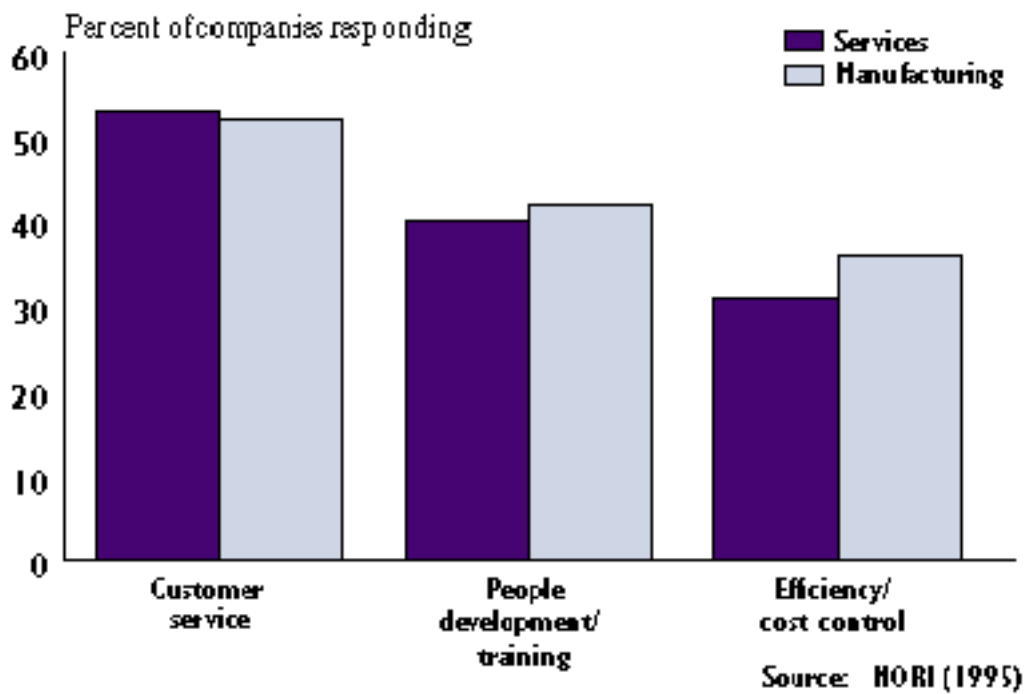


Source: DTUKPM6 Outward Investment Study (1996)

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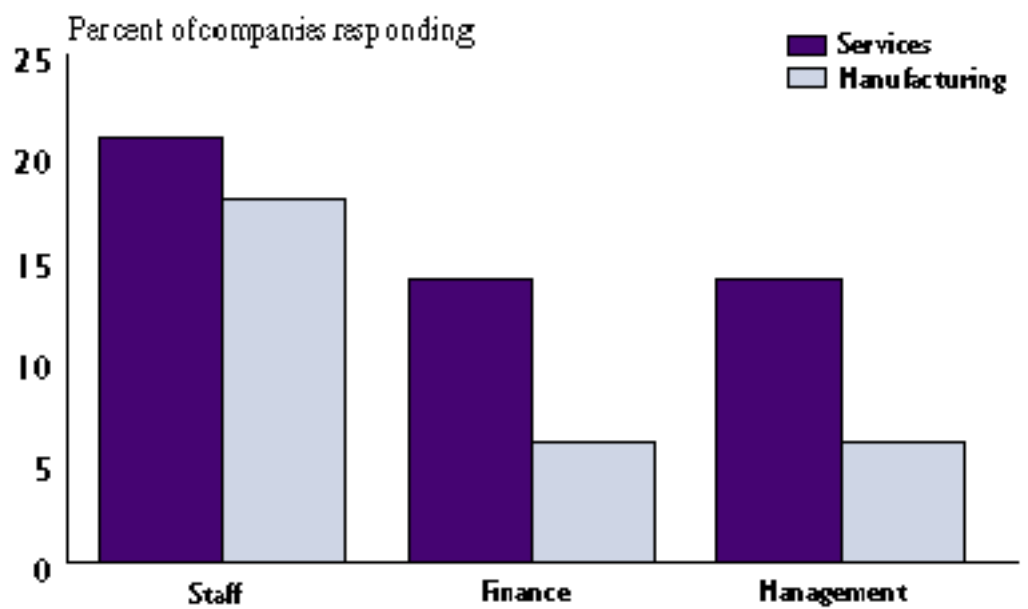
Chart 22.1 Principal attributes for development and success



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Chart 22.2 Principal internal constraints to greater business success



Source: HORI (1995)

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comments

Training people to enhance growth

Firm

Perfecseal Ltd, Londonderry, with 130 people, manufacturing specialist medical packaging.

Driver

Customer satisfaction during a period of rapid growth.

Action

In late 1990, the company started a structured training programme. Training and development linked to key business objectives: technology, sales team development, quality and customer service, and management development. NVQs are being implemented.

Results

- Sales have increased from 4.6 million in 1991 to 11.5 million in 1995.
- Sales per employee are up 43 per cent.
- Over 77 per cent of products are exported to 25 countries including South Africa, India, Eastern Europe and the USA.

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Investing in people as well as plant and equipment

Firm

LGG Charlesworth of Malvern, with 73 people, which makes components in engineering plastics.

Driver

While the firm continued to invest in machinery, technology and quality management, this was no longer enough to hold its competitive edge.

Action

An appraisal showed the need to develop people. The company:

- Assessed management style company-wide.
- Generated learning partnerships with local schools and colleges.
- Introduced individual development plans, with NVQs to mark personal achievements.
- Adopted Investors in People (see feature) as a framework for these systems.
- Added project management skills to its repertoire.

Results

- Output per person increased by a fifth over 48 months.
- Unit costs decreased by 14 per cent.
- People became committed to the growth of the company.

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Investors in People . . .

- tie training and development activity directly to business objectives so that it is relevant, targeted and leads to results.
- ensure resources committed to training and development are put to the most effective use.

- provide a clear benchmark of good practice in training and development against which their organisation, large

By the year 2000 one of the National Education and Training Targets is for 70 per cent of all organisations employing 20 or more people to be recognised as Investors in People.

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Honing business skills among professionals

"There were further aims to . . . turn our professionals into business people and create frameworks that motivated them to improve their performance."

Firm

Chartwell Land plc, London, a retail property investment and development company with 55 people including chartered surveyors.

Driver

The company needed to strengthen its property portfolio as it emerged from recession.

Action

In 1991 a training and development strategy was devised on Investors in People lines to cover five fronts - professional, including professional studies, MBAs, financial and negotiation skills, and management development. Objective-setting and action plans.

Results

- Professional skills have been updated and developed.
- The company almost doubled its profits between 1993-94 and 1994-95.
- Three employees made 600,000 for the company using skills learned on their negotiation course.
- Morale is higher, absenteeism lower, and the company finds it easier to recruit.[6]

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Training and new technology

"This training culture has created a new awareness in individuals of the importance of training, resulting in applications for new technology."

Firm

Keystone (UK) Ltd, Glasgow, manufacturers of valves and actuators for industry, with 139 people.

Driver

In late 1991, they realised they needed to replace their ageing equipment - but that the company had only limited awareness of new technology.

Action

They set up a programme to provide training in the new technology, and a task force to evaluate alternative proposals for new technology specifically for Keystone, and 32 people from the shop floor, supervisory, technical and operational management attended. The task force made its recommendations and in 1994 the new system was installed and in production within 12 months.

Results

The company has:

- Eliminated set-up times, changeover times and sub-contract machining.
- Reduced work-in-progress from 14 to three weeks.
- Reduced lead time to under five days when required.
- Secured a pay-back for the new machinery of only two-and-a-half years.

- Developed a skilled and committed workforce.[6]

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Merging cultures

"The speed and effectiveness of the training programme has enabled the company to write a significant level of additional income into its accounts."

Firm

Independent Insurance Company Ltd, London with 1200 people.

Driver

In 1994 Independent took over Aegon UK, with its more hierarchical culture and limited staff involvement.

Action

Independent was already a recognised Investor in People. The 230 Aegon staff were briefed about Independent's financial quality improvement programme. Each individual received a personal development log book. Training co-ordinators were introduced including systems, commercial underwriting, presentation, leadership, negotiation, time management, health and safety.

Results

The company has generated substantial additional income from Aegon's former products, and is benefiting from the skill transfer and are now fully integrated into the new company.[6]

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Employee involvement in quality management

Firm

Perkins Group Ltd, Peterborough, with 4,400 people manufacturing and distributing diesel engines.

Driver

Strengths (reputation, international network, loyal and respected employees) were offset by poor product and service quality and the high cost of achieving quality eroding profit.

Action

Key business goals were defined and cascaded to employees, of whom 3,850 were trained by 72 facilitators in 18 months. A way of life, and challenging annual targets were set. The company gained BS EN ISO9000 accreditation and became ISO 9000 certified.

Results

- Sales per employee have increased by 19 per cent since 1990.
- Stockturn is up by 56 per cent.
- New project cycle times have halved.
- Lead times are now 30 per cent of 1990 levels.
- The company's customer satisfaction surveys show that UK customers rank Perkins amongst their best supplier.

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Selecting team leaders as agents of change

Firm

BICC Cables at Blackley, a 100-year-old site in North Manchester with 360 people, manufactures metallic telephone cables.

Driver

Optical cables were squeezing the market, and in 1992 Blackley found BT reducing by half its orders for the next two years.

Action

A review of the business concluded that costs needed to be cut and productivity improved through a new team-working ; comprehensive selection process, including a Gallup structured interview, was designed, piloted and then rolled out, even commitment, helped team members to resolve issues, improved the processes and systems needed for change, and supported

Results

- Output increased by 60 per cent with 25 per cent fewer people.
- Scrap levels were halved.
- On-time deliveries improved to 98 per cent.
- BICC captured 40 per cent of BT's available business for metallic cable over the next five years.

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Outsourcing

Current trends show outsourcing of IT services, recruitment, legal, financial and transport services and other business support. But firms have additionally gained benefits from enhanced specialist expertise and operational flexibility.

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Performance improvements in the supply chain

Firm

TR Fastenings Ltd, Uckfield, Sussex, with 500 people manufacturing and distributing industrial fastenings.

Driver

TR Fastenings was one of several suppliers to IBM Havant who wanted Just In Time production for a new line.

Action

Although the performance of TR Fastenings at that time was no better than average, they were approached by IBM because of development at TR Fastenings, starting with the Managing Director and progressing through the whole team. Staff from eighteen months were spent developing TR Fastenings' systems to achieve a radical performance improvement.

Results

- IBM benefited from a reduction in indirect costs and non-value-added activity.
- TR Fastenings learned an approach they could promote to others. Over 100 of their customers have now adopted it.
- They are now actively expanding in Asia and the US.

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Profiting from experiences across the supply chain

Organisation

Mid-Wales Manufacturing Group, an initiative by local companies to pool resources, providing a self-help facility and a

Driver

The Group saw that many smaller manufacturing companies were missing the advantages of the Modern Apprenticeship

and disciplines necessary to develop a rounded engineer.

Action

The Group joined with Coleg Powys and Powys TEC to develop a model for a shared apprenticeship scheme where train complementary experiences.

Results

Development is under way and the first ten apprentices will begin training in September 1996.

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Help with management development

In a recent survey[11], many small firms identified either or both of the following benefits from management developme

- Immediate financial gains ranging from one-off cost savings (from 3,000 to 600,000) to annual revenue increas
- Other improvements in areas such as customer satisfaction, repeat business, accuracy of management informati

Many organisations are working to help develop management skills (see Chapter 19).

- The Management Standards, developed by the Management Charter Initiative (MCI), help to improve manager development can improve both individual and business performance, especially when the management develop
- The Small Firms Lead Body has developed occupational standards and NVQs/SVQs in business planning and l information and counselling to the SME sector. The standards aim to increase competitiveness, enhance profits. make a case for funding from banks and others).
- Employers and their representative organisations have an important role to play in promoting good managemen bring greater coherence to their work and to ensure a more effective employer-led voice.
- The Institute of Directors (IoD) has developed standards of good practice for Boards of Directors, with support provide a benchmark for all. The IoD identifies areas of knowledge and personal qualities most needed in the b understanding, communication, interacting with others, Board management and achieving results.
- Keeping management skills up to date is an on-going process. Many specialist professionals also need to acqui groups, competence-based approaches to continuing professional development are being created. The Governm develop and pilot a competence-based professional development system for managers. The main partners are th of Accounting Technicians and the Institute of Administrative Management. A further eight professional bodies half a million professionals.
- TECs have a strategic role at local level in management development (see Chapter 4).

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Directors and senior managers

An initial study, called "Check-a-Board", led by the Institute of Management, has identified a framework for self-assessm and Personal Competences. The framework will be piloted and, if successful, help Boards of Directors, Governing Coun following questions:

- Am I director material?
- What distinguishes excellent from average or poor directors and top managers?
- How can I improve?
- Do we have the right balance of skills and influence in the top team?

- How can we improve our performance to benefit the organisation?

SMEs would be able to identify skill shortages and recognise the need for external support and advice in areas not cover

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Managing finance . . .

Groups representing small businesses have consistently urged their members to improve financial management skills. The finance providers, although Government has a role to play in spreading best practice (see Chapter 10).

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. . . with help from Business Links

Mansell Mason Ltd, a printing firm in Gloucestershire, had opportunities for expansion. Nick Weaver, Personal Business, prepared a comprehensive business plan and financial forecasts so that they could estimate their requirements for working

The company's management systems became more effective. It won a substantial bank loan to assist expansion. Turnover and the workforce has increased from eight to 13.

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Self development

Raising management skills

Bruce Pittingale ran a ten-person small insulation and renovation business which got into severe difficulties. He realised

He moved to a smaller site and devised a training plan. With help from Norwich Small Business Initiative, run by Norwich

His business recovered and achieved BS EN ISO 9002 (formerly BS5750). Better financial management cut overheads. 'A similar route to self development, using his training in NVQ assessment.

Changing direction

Darryl Senior left school with three O-Levels. He joined Kalon Group plc in 1987 as a costing clerk, and planned a career making significant contributions to the company.

He took advantage of opportunities at Kalon to develop his general business skills, obtaining a BTEC ONC in Business and Finance. He was promoted to production controller and then to export planner/coordinator. A year later, Darryl enrolled in Business Studies.

Darryl is now project manager in charge of integrating production and distribution at Kalon Group sites in the UK.

Breaking the pattern

For many years Judith Billington was a finance officer at ICE Ergonomics. She realised that a step up in her career would

She undertook a three-year part-time MBA course, partly financed by her employer, and other studies leading to the Chartered

She is now the business manager of her company. She says: "I have proved to myself that determination, along with the support of others, opens up many possibilities."

Passing on expertise

Sandra Seed left school at 15 with no qualifications. After bringing up her family, in 1987 she became a care assistant at a pilot NVQ scheme at the home gave her the opportunity to gain formal qualifications.

She achieved NVQs in Assisting Clients in Care and Direct Personal Care. Then, having become a training assistant at the Education and Continuing Professional Development (Special Needs).

She is now taking a one-year Certificate in Education at Brunel University, and is NVQ Coordinator at West Lambeth College levels 2 and 3[6].

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comments



Employees at Eurotherm Recorders Ltd., Worthing.

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comments

IT, Electronics, Electric and Mechanical

SECTOR	DEPT	CONTRACTOR
Agricultural machinery	DTI	Richie
Amusement machines	DTI	Piotr F
Cables and wiring accessories	DTI	Steve C
Card technologies and automatic ID	DTI	Piotr F
Clocks, watches and timing devices	DTI	Piotr F
Consumer electronic equipment	DTI	Piotr F
Electric motors and drives	DTI	Andre
Electrical transmission and distribution equipment	DTI	Steve C
Electronic components and instrumentation	DTI	Adrian
Electronic medical equipment	DTI	Paul H
Gears and bearings	DTI	Debbie
IT hardware and software	DTI	Helen
Lighting equipment	DTI	Steve C
Machine tools	DTI	Valerie
Mechanical handling and lifting equipment	DTI	Eric G
Office machinery	DTI	Piotr F
Optical instrumentation	DTI	Piotr F
Photographic equipment	DTI	Piotr F
Process plant contractors	DTI	Richar
Process plant equipment	DTI	Richar
Production machinery	DTI	Debbie
Railway equipment	DTI	Peter C
Security equipment (see also "Police and Security")	DTI	Piotr F
Springs	DTI	Eric G

Leisure

SECTOR	DEPT	CONTRACTOR
Consumer goods (other than clothing)	DTI	David
Giftware/Crafts	DTI	Andre
Jewellery/Cosmetics/Perfumery	DTI	Doroth
Music/recording industries	DTI	Paul A
Musical instruments	DTI	Andre
Sports	DNH	Simon
Sports goods and services	DTI	Andre
Tobacco products	DTI	Andre
Toys, games and hobbies	DTI	Doroth

Marine

SECTOR	DEPT	CONTRACTOR
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Marine equipment	DTI	Hugh I
Military ships	DTI	Bob Ir
Naval and military equipment	DTI	Jo Wat
Ship and boat-building	DTI	Norma

Metals

SECTOR	DEPT	CON
Fasteners	DTI	Vernon
Ferrous metals (steels)	DTI	Gerry
Forging industry	DTI	Vernon
Foundry industry	DTI	Maria
Metal-finishing industry	DTI	John F
Metal recycling	DTI	Gerry
Metal stockholding	DTI	Gerry
Non-ferrous (aluminium, lead, copper, etc)	DTI	Gerry
Other metal-forming industries	DTI	John F
Sheet metal-working industries	DTI	Maria
Surface-engineering industries	DTI	John F
Steelwork fabrication	DTI	Gerry

Minerals

SECTOR	DEPT	CON
Industrial minerals, refractories and industrial ceramics	DTI	Nick F

Paper and Publishing

SECTOR	DEPT	CON
Publishing (including electronic) and printing industries	DTI	Susan
Stationery, paper, board and paper products	DTI	David

Police and Security

SECTOR	DEPT	CON
Policing and security equipment & services	Home Office	Charle

Space

SECTOR	DEPT	CON
Civil space industries	British National Space Centre	Andi

Telecommunications and Radiocommunications

SECTOR	DEPT	CONTACT
Multimedia	DTI	Stuart
Telecommunications and radiocommunications manufacturing and software	DTI	Arup I
Telecommunications and radiocommunications services	DTI	Micha

Tourism and Arts

SECTOR	DEPT	CONTACT
Arts	DNH	Melan
Built heritage	DNH	Hugh
Film industry	DNH	Jon Te
Museums and galleries	DNH	Roger
Tourism, including hotels and travel agents	DNH	Alan S

Training

SECTOR	DEPT	CONTACT
Industry training organisations	DfEE	Euin F
Training and Enterprise Councils	DfEE	Paul F

Transport

SECTOR	DEPT	CONTACT
Airports	DOT	Phil C
Air services	DOT	Andre
Bus and coach operating industries and services	DOT	Geoff
Freight forwarders	DOT	Pat Ki
Light rail and tram operating industries and services	DOT	Philip
Ports	DOT	Dave S
Railway industry (railway equipment is sponsored by DTI, and infrastructure maintenance by DOE)	DOT	Roger
Road haulage	DOT	James
Shipping services	DOT	Tim W
Taxi and private hire services	DOT	John I

Vehicles

SECTOR	DEPT	CONTACT
Armoured vehicles	DTI	Debbie
Commercial vehicles including bus and coach manufacturers	DTI	Paul M
Motorcycle and bicycle manufacturing	DTI	Domir
Motor car manufacturing	DTI	Chris J (Europe)
		Jeremy (Japan)
Vehicle components	DTI	Chris J

NOTES

1. In Scotland, Wales and Northern Ireland, specific sponsorship responsibilities are complemented by the Scottish Enterprise, Highlands and Islands Enterprise, the Welsh Development Agency and departments.
2. In many of the areas listed, several Departments may have an interest. The Departments listed here are
3. For the commercial property sector, DOE has legislative and policy responsibility. It has responsibility
4. On water and sewerage, DOE works with OFWAT and the Environmental Agency in sponsoring the in

comments

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on this site.

on this site.

CHAPTER 12 - SCIENCE, ENGINEERING AND TECHNOLOGY

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP1 Para 7.29 - Six sectoral working groups to produce practical guidelines and develop a common understanding of the nature of risks and reward involved in innovation amongst company managers, analysts and investors.

CWP1 Para 7.28 - Promoting technology use and adaptation, including Research and Technology Organisation work.

CWP2 Para 11.20 - Technology-based business support organisations will be developed into a network directing innovation and technology services to smaller firms.

CWP1 Para 7.33 - The next Research Assessment Exercise by the HEFCs to include full recognition of high quality research undertaken in partnership with industry.

CWP1 Para 7.13 - Research Councils and HEFCs to give appropriate recognition to the relevance as well as the excellence of proposed research when setting priorities and allocating resources.

CWP1 Para 7.33 - Higher Education Institutions increasingly to receive financial recognition from the

PROGRESS/NEW INITIATIVES/FURTHER ACTION

An independent study of these sector dialogues has suggested that, with the possibility of an altered format, they can make a valuable contribution to mutual understanding among companies, managers, analysts and investors. DTI will follow this up with a further dialogue proposed for 1996 to explore the whole area of "Intellectual Capital".

A workshop on follow up to the Myners Report, hosted by the CBI and facilitated by the DTI was held in November 1995. The findings of the workshop, together with revisions reflecting current best practice, have been incorporated in a revision of the report which will be published in June 1996.

The original intention of the sector dialogue initiative was that the private sector should assume responsibility for any follow up. A second engineering dialogue took place in 1995 under private sector auspices.

Following consultations with AIRTO and the completion of a number of pilot projects, a new 6.5 million programme - Focus Technical - was launched in 1995. It is designed to assist RTOs and HEIs to extend their technological products and services to better meet the needs of SMEs. It is planned to extend this programme in 1996 to cover Professional Institutions and Research Establishments. A 15 million "Materials Joining" programme, run by TWI, is now into its second year of operation and is attracting wide attention from SMEs.

The new "Focus Technical" programme, launched in 1995, works closely with RTOs and HEIs to help them improve their networking capabilities with other business support organisations, including Business Links. It is planned to extend this in 1996 to cover Professional Institutions and Research Establishments.

Individual panels' criteria for assessment (HEFCs circular November 1995) confirm equal weight for applied and basic research. Many panels contain industry representatives. Next RAE taking place this year.

All the HEFCs and DENI have incentives within their funding formulae to encourage higher education institutions to develop links with industry and other external funders.

Research Councils have established machinery for improving their contacts with users in order to improve their assessment of relevance.

HEFCs to take account of user-related research in next Research Assessment Exercise.

All Funding Councils have asked institutions for their response to Technology Foresight and the Forward Look in their strategic plans.

England: Research equipment funds to match contributions from users of research (including industry) in 1996-97. Worth some 9

HEFCs for research conducted in partnership with industry. This will amount to a significant proportion of the relevant income from industry.

CWP1 Para 7.33 - The proportion of the HEFCs' agreed total budgets used for the purpose outlined above to increase.

CWP1 Para 7.30 - Extension of the Teaching Company Scheme (TCS).

CWP2 Para 11.21 - Eleven new Teaching Company Centres opened to help smaller firms benefit from the skills of graduates. By the end of 1995, this will increase to 19 and cover the whole of the UK.

CWP1 Para 7.30 - Government to consider options for a scheme, similar to the TCS, to promote the transfer of people of technician level from Further Education Institutions to local companies.

CWP1 Para 7.22 - Government and Research Councils to promote a greater interchange between industry and universities.

CWP1 Para 7.33 - Individual academics will be rewarded for undertaking collaborative work with industry through "Realising Our Potential" Awards.

CWP1 Para 7.10 - Technology Foresight Programme will help to identify opportunities by examining both market developments and technological capabilities within the UK over the next two decades.

CWP2 Para 11.14 - The Government will disseminate Foresight findings widely.

CWP2 Para 11.5 - The Government intends to launch a competitive Foresight Challenge, providing 40 million over the next three years, to be matched by

per cent of annual contract income from industry in 1994-95.

Scotland: 5 per cent of SHEFC research funds allocated by this method for 1994-95. SHEFC decided to make allocations on basis of external funds for 1995-96 and 1996-97.

Wales: 3 per cent of HEFCW research funds allocated in this way in 1994-95. In addition, 9per cent is aimed at raising quality of research, with priority given to research which supports economic development.

In England funding to reward collaborative research and joint equipment funding to increase to 31.5 million in 1996-97.

DTI and other sponsors have agreed a five year strategic plan for TCS, targeting new fields of activity. Strategic Plan in place.

All 19 Teaching Company Centres have now been selected and announced.

A new College-business Scheme was announced on 25 January 1996.

The research Masters pilot was launched in October 1995 to test the effectiveness of a one year research Masters as a direct route into employment and as a preparation for a PhD. The participating Research Councils are supporting 265 students on 35 courses running within 34 university departments.

The number of industrial quota CASE awards funded by the Research Councils is expected to increase to around 500 in 1996-97.

The Royal Academy of Engineering has established new schemes for seconding academic engineers into industry and increased the number of visiting industrial chairs of engineering design in universities.

Realising our Potential Award Scheme was launched in February 1994 and a total of 71 million has been committed to date. Expenditure of ROPAs in 1996-97 is expected to be 32 million.

Reports of the 15 sector panels were published in March and April 1995. The main Technology Foresight report was published on 22 May 1995. First Government Progress Report published on 6 March 1996.

Dissemination work of Technology Foresight Sector Panels is being actively complemented by professional and trade bodies, learned societies, DTI sector divisions and Government Regional Offices. Government Progress Report on Technology Foresight published by OST in March 1996. Dissemination into industry training organisations and networks being taken forward by DfEE, working through the National Council of Industry Training Organisations and the Science, Technology and Mathematics Council.

Foresight Challenge Competition launched in September 1995. 30 million now available over four years for first round projects; second round of competition to be announced later in 1996.

industry.

CWP2 Para 11.28 - The Government will use Foresight reports to identify areas where European collaboration would be fruitful.

CWP1 Para 7.33 -HEFCs to take full account of results of Technology Foresight Programme in allocating funds between subjects.

CWP2 Para 11.15 -The Government intends to develop new LINK programmes in areas of promise identified by Foresight.

CWP2 Box below Para 11.14 - Departments will take the results of Foresight into account in developing their science and technology (S&T) programmes.

CWP1 Para 7.11 - Departments with significant S&T expenditure to take account of wealth creation in pursuit of their objectives.

CWP1 Para 7.19 - Government Departments are promoting the public understanding of science, engineering and technology (SET).

CWP2 Para 11.35 - The Ministry of Defence will later in 1995 present its longer term technology strategy to

Following presentation to CREST in July 1995 and forthcoming bilateral meetings during 1996, findings from UK Technology Foresight Programme are being used to influence bilateral and multilateral collaboration in Europe and the content of the EU's Fifth Framework Programme.

Technology Foresight priorities to be used to allocate funding for research equipment in 1996-97. HEFCs reviewing funding methodology with Technology Foresight outcomes in mind.

Foresight priorities being taken forward through nine new LINK programmes and financial boosts to a further four programmes in 1995. Expect to see continuation of new programme development.

Thirteen new or reinforced LINK programmes relevant to Foresight findings announced, involving seven Departments.

Progress against this commitment continues to be reported in the annual Forward Look reports (the latest of which was published in May 1996).

In addition, the progress report on the Technology Foresight programme published on 6 March 1996 contains information about wealth-creating science and technology initiatives in Departments and Research Councils.

Northern Ireland: DENI allocates research funding to universities on the basis of HEFCE methodologies and NI Higher Education Council advice. In addition, NIHEC advises on NIDevR which specifically takes account of the industrial relevance of universities' work.

SET 95, the second annual National Week of Science, Engineering and Technology, took place in March 1995. SET 96 ran from 18 to 25 March 1996.

New initiatives have included Action for Engineering: its extensive programme includes the promotion of the public understanding of engineering in schools, the media, industry etc.

The DTI have co-sponsored "Making Sense of Science" - a major TV series on Channel 4 aimed at improving the quality of primary school science teaching.

The ad hoc committee under the chairmanship of Sir Arnold Wolfendale has submitted its final report with recommendations for improving the contribution to public understanding of science and engineering by professional scientists, engineers and research students.

The final report on the Scottish Office's consultation "Turning the Light on Science" will be published in 1996.

In Northern Ireland a sustained marketing campaign is proceeding to promote innovation - with particular emphasis on the role of women, middle managers and the importance of industrial design.

The presentation to industry took place in July 1995 and the Department aims to publish full details in 1996.

industry to encourage further collaboration in research.

CWP2 Para 11.35 - The Government will set up a new working forum between MOD, OPSS, DTI and the Research Councils to improve coordinated planning of civil and defence science and technology.

CWP2 Para 11.24 - The Government plans to create a pilot network of technology promoters to cover Japan, the US, Germany, France, and later, South East Asia.

CWP2 Para 11.24 - The Government plans to develop the Engineers to Japan scheme, applying it to other markets and disciplines, involving secondments to and from the UK.

CWP1 Para 7.31 - Pilot schemes to be established to enable firms to have prompt and more direct access to the latest ideas and developments overseas.

CWP1 Para 7.14 - Government to contribute on average 360 million a year to the EU R&D Framework Programme.

CWP1 Para 7.28 - Access to EU programmes.

Joint MOD and DTI forum set up in June 1995; developing new mechanisms for better coordination between military and civil S&T portfolios and for new dual use programmes.

Six International Technology Promoters being recruited to cover France, Germany, US and Japan.

New scheme covering East Asia, Europe, North America and all areas of expertise was launched on 7 May 1996 with a target of 40 secondments to start in this financial year.

OTIS service being completely overhauled late 1996-97 to reach more UK firms and intermediaries and to incorporate a wider range of overseas technology-related information.

The 17 specific R&D programmes making up the Fourth Framework Programme are progressively being implemented, with a good level of UK participation in most areas.

Further promotional events have been held, aimed particularly at SMEs, to improve awareness of the EU-R&D Fourth Framework Programme and to encourage UK participation.

A new guide to EU R&D was published early in 1996.

comments

CHAPTER 17 - PARTNERSHIP WITH INWARD INVESTORS

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP1 Para 8.59 - Identification of overseas companies with potential to invest in the UK.

CWP1 Para 11.3 - Vigorous promotion of inward investment opportunities in London.

CWP2 Para 12.44 - Additional IBB and FCO resources to be allocated to the US, Japan, Korea and Taiwan.

CWP2 Para 12.45 - The Government will examine with existing companies the prospects for an action plan to encourage inward investments in the food industry.

CWP1 Para 8.59 - More effective help to investors to find sources of components.

CWP1 Para 8.59 - Private sector secondees being recruited and greater interchange between IBB and FCO staff.

CWP1 Para 8.59 - Encouragement to RDOs to benchmark the 'product' they offer the investor.

CWP1 Para 8.59 - Government will concentrate on the needs of investors, including infrastructure provision, and overcoming planning delays. This will include encouraging and assisting all regional interests to work together to ensure that the investor is presented with a single approach.

CWP1 Para 8.59 - Establishment of a national regional strategic site bank with English Partnerships.

CWP2 Para 12.44 - The Government will increase the Invest in Britain Bureau's staff by over 20 per cent.

PROGRESS/NEW INITIATIVES/FURTHER ACTION

US, Japan, Korea and Taiwan identified as key markets. Investor identification on-going. Improved data bases developed.

London First Centre opened in April 1994. In receipt of 0.68 million DTI funding 1994-95. London "brand" launched in the spring of 1995; Ambassadors for London programme initiated.

IBB Director appointed for Asia Pacific markets, with additional staff member agreed. FCO Post opened in Nagoya.

MAFF and DTI have opened a dialogue with existing large food companies about future strategy and investment.

First phase of International Investor Development Programme in place. Regional Supply Network in place in the spring of 1995.

Director Asia Pacific appointed in January 1995. Discussions on IBB-FCO interchange to continue.

RDOs benchmarking through performance measures. Benchmarking best-practice consultants appointed. Report due July 1996.

Service Level Agreement between Government Offices and IBB emphasises importance of wider investor support. Government Offices part of International Investor Development Programme. Number of RDOs increased to eight. **CWP3 Para 17.13 - The Government will continue discussions with partners in the East and South East of England with the objective of establishing investment offices mirroring the role of RDOs.**

Design study complete. Pilot phase started in February 1996.

Additional staff in place or being recruited.

CWP3 Para 17.13 - The Government will help TECs find new ways to respond rapidly and effectively to the training requirements of major inward investment projects.

CWP3 Para 17.13 - The Government will expand the International Investor Development Programme.

CWP3 Para 17.13 - The Government will draw up plans, in consultation with TECs and Regional Supply Offices, for securing greater UK sourcing by inward investors.

CWP3 Para 17.14 - The Government will prepare an action plan by the autumn of 1996 to increase design, research and development investments in the UK by Japanese companies. If successful, the approach will be extended to other markets during 1997.

CWP3 Para 17.14 - The Government will strengthen links between Science and Technology and inward investment officers in overseas posts.

CHAPTER 18 - STRENGTHENING PARTNERSHIP

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

PROGRESS/NEW INITIATIVES/FURTHER ACTION

CWP3 Para 18.14 - The Government will announce the results of its review of business support services in the autumn of 1996.

CHAPTER 19 - BECOMING WORLD CLASS

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

PROGRESS/NEW INITIATIVES/FURTHER ACTION

CWP2 Para 9.9 - The TEC network is extending the "Winning" report approach to over 500 smaller companies.

The TEC "Manufacturing Winners" report was published in July 1995.

CWP2 Para 9.19 - Working with CBI and others, DTI is introducing a national benchmarking database. From the autumn of 1995, firms will be able to obtain comparisons of their performance against national and sectoral benchmarks.

Providers of benchmarking services are coming together in a Network to help companies benchmark. This Network will include a special service available through Business Links for smaller firms. A pilot scheme began in November 1995 and is now being evaluated.

WP2 Para 9.28 - Through Business Links, DTI will promote a more coherent approach to quality by encouraging industry to use a combination of ISO 9000, benchmarking, IIP, Quality Awards and quality-related NVQs and SVQs to improve business performance.

An Advisory Group on Business Excellence was set up in July 1995. The Group has developed material which Business Links can use to help companies to achieve a coherent approach to improving management.

CHAPTER 20 - INNOVATION

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

PROGRESS/NEW INITIATIVES/FURTHER ACTION

CWP1 Box 6.10 - Guidance to be issued to help small businesses seeking BS ISO 9000 (formerly BS 5750) certification.

Issued in September 1995.

CWP2 Para 9.28 - DTI is working to ensure that the merger of the National Measurement Accreditation Service and the National Accreditation Council for Certification Bodies enhances the benefits of accredited certification under ISO 9000.

Merger complete on 1 August 1995. New body (the UK Accreditation Service) is developing its corporate and strategic plans.

CWP1 Para 6.25 - DTI and BSI working with industry to develop BS 5750 and product certification standards further to promote continuous improvement.

The revision of ISO 9000 (formerly BS 5750) is firmly underway and BSI is making a significant contribution to it. Draft design specifications, incorporating continuous improvement, are already publicly available. The need to secure international consensus means that the revised standard will not be published until 2000.

Certification bodies continue to develop product certification schemes and the United Kingdom Accreditation Service (created in August 1995 following the privatisation of NAMAS) is developing plans to give product certification greater emphasis. In addition, the BSI plans to re-position and re-launch its Kitemark scheme in late 1996 which will make it more widely accessible.

CWP2 Box below Para 9.22 - DTI will encourage companies to use advertising successfully by publishing a best practice guide in the summer of 1995, holding regional seminars, and supporting a pilot Business Link event in the autumn of 1995.

CWP2 Box below Para 9.22 - The Government is encouraging other EU states to adopt a regulatory environment towards advertising that minimises restrictions on freedom to advertise.

CWP1 Box 6.10 - Design Council to act at national level and encourage design expertise to be made available through Business Links and Scottish Design Ltd.

CWP1 Para 7.31 - Networks of local contacts (NEARNET) established across the UK to enable local providers of innovation support to be brought together in a coherent way.

CWP1 Para 7.31 - National centres of expertise linked through an actively managed network (SUPERNET).

CWP2 Para 11.21 - The Postgraduate Training Partnership scheme for collaborative partnerships between universities and RTOs will be extended to about 200 industrially relevant projects.

CWP2 Para 11.21 - The Shell Technology Enterprise Programme will be extended for three more years to enable it to cover the whole country.

CWP2 Para 11.30 - The Government is improving its SMART and SPUR schemes by combining them, and providing a budget of 76 million over the next three years.

Development of guide is continuing.

Regional seminars held in Leicester and Belfast.

Business Link promotional guidelines produced in late 1995. These guidelines were given to Business Links on 18 January 1996 and are now being evaluated.

Council of Ministers on 9 November 1995 reached political agreement on a directive which will liberalise regulation of comparative advertising in other Member States. No other action taken pending receipt of and action of the commercial communications Green Paper.

Design Counsellors being appointed by Business Links. Design Council re-launched as a strategic body in December 1994. The Design Council is active as a national body and strongly supporting the Design Counsellors in Business Links.

Northern Ireland: New Design Directorate established in February 1995.

Wales: Welsh Design Advisory Service launched in December 1994. Directory of Design Expertise now in preparation.

Scotland: Design expertise is available through Scottish Design Ltd.

Technology Counsellors are now using local providers of innovation support to satisfy the majority of client needs.

NEARNET concept now widely used and is being incorporated in Business Link information systems.

SUPERNET launched on 5 November 1994. Fifty-four business support organisations were full members by the end of first year of operation. Around 100 members expected by mid 1996.

SUPERNET is in place and working. Over 600 enquiries have been handled.

The scheme has been extended.

DTI has continued to be a sponsor of the Shell STEP programme.

New combined SMART and SPUR programme commenced in April 1995. 1995 SMART competition completed with a record 223 awards made.

CHAPTER 21 - EXPORTING AND OUTWARD INVESTMENT

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP1 Box 8.29 - Strengthening of Scottish Trade International.

PROGRESS/NEW INITIATIVES/FURTHER ACTION

Export development strategy launched September 1995. Twelve local export partnerships to be established by the summer of 1996

CWP2 Para 12.20 - Scotland-wide Export Development Strategy in preparation.	to provide coherent package of export support.
CWP1 Box 8.32 - Series of sector based events as part of the Indo-British partnership.	Exports to India reached 1.7 billion, up 85 per cent since the formation of the Indo-British Partnership (IBP) in 1993. In 1994-95 IBP led 15 outward and eight inward missions, and attended eight Indian Trade Fairs. Nine Technology Exchange seminars and 15 UK seminars were held.
CWP2 Para 12.30 - Pilot video-conferencing and electronic mail systems to link Posts with Business Links and their clients	Video conferencing facilities installed in 16 posts and corresponding DTI market Branches. Six posts running a pilot e-mail network.
CWP1 Para 8.33 - Export Promoter scheme being extended.	Scheme running consistently at around 100 Export Promoters. Companies still offering good secondees.
CWP1 Para 8.35 - Trade associations, chambers of commerce and other business support groups should give priority to the development of high quality export advice and support.	Being achieved through Business Links and through the trade association export challenge.
CWP2 Box 12.30 - Government to introduce "Export Challenge" to part-fund innovative projects with Trade Associations.	Seventy Trade Associations applied. Fifteen winners announced March 1996.
CWP1 Para 8.36 - A package of promotional services, training and support for exporters to encourage and help many more companies to become exporters.	Training of Business Links' Personal Business Advisers in export services and training of newly recruited Business Link Export Development Counsellors. Over 600 people trained by end 1995-96.
CWP2 Para 12.24 - The Government will aim, together with Business Links, to introduce at least 30,000 new exporters to foreign markets by year 2000.	Business Links and other business support organisations across the UK have been asked to look at how their operations can help contribute to the national target. National progress towards target to be measured through Customs data.
CWP2 Para 12.25 - The Government will raise the level of professionalism of civil servants doing trade promotion work.	Professional qualification to be launched in the summer of 1996. Interchange of DTI and FCO staff engaged in trade promotion increased to 31 (16 DTI, 15 FCO) by March 1996. Trade promotion secondments to private sector arranged for ten DTI staff by March 1996.
CWP2 Para 12.27 - The Government will increase the provision of export services and training through Business Links, and by the end of 1995 bring in a package of financial and other incentives to help SMEs.	Export Vouchers were launched through Business Link Export Development Counsellors in December 1995.
CWP2 Para 12.28 - The Government will increase support for Trade Fairs and for Inward and Outward Missions by nearly 30 million over the next four years.	18 million of extra funds has been agreed, an increase of nearly 25 per cent.
CWP2 Para 12.29 - The Government will mount a rolling programme of major all-British exhibitions on the lines of the recent Partners in Progress fair in Jeddah.	Three events being held in 1995-96. Events being planned for 1996-97 and 1997-98.
CWP2 Para 12.30 - The FCO will strengthen its support for exporters during 1995, creating new posts, increasing staff and deploying staff swiftly to meet temporary surges in demand.	FCO strengthened support for exporters in 1995. Fifteen new posts opened, more than 100 extra commercial staff overseas are in place. Rapid response mechanism established to ensure swift deployment of staff to meet temporary surges of demand.
CWP2 Para 12.20 - Export development counsellors in about 70 of the larger Business Links by end 1995.	Business Links control the pace at which they recruit Export Development Counsellors. Over 30 are now in post. Another 20 are being recruited.
CWP1 Para 8.36 - Sectoral and locally based export	President of the Board of Trade launched "Industry 96" on 15

promotion initiatives as part of the "Celebration of Industry" programmes being piloted in the West Midlands, Kent and elsewhere.

CWP1 Para 8.36 - Pilot system for referring companies from the banks to Overseas Trade Services.

CWP1 Para 8.36 - The Language for Export Initiative will be followed up by developing a strategy to encourage businesses to take into account foreign languages and cultural issues in their export plans.

CWP2 Para 12.21 - Export help being introduced for UK education and training providers.

CWP2 Para 12.21 - Assistance for companies pursuing major contracts to develop associated training initiatives.

CWP2 Box below Para 12.21 - An enhanced export promotion programme for the construction and water industries is planned for 1995-96.

CWP2 Box below Para 12.21 - The Treasury will promote exports of UK expertise in privatisation through a new dedicated unit.

CWP2 Box below Para 12.21 - The Welsh Office will extend until 1999 a programme of taking SMEs to new markets.

CWP1 Para 8.60 - Export promoters to look for investment opportunities in the markets for which they are responsible.

CWP1 Para 8.60 - Country Market Plans to highlight the potential for investment, and draw relevant opportunities (and risks) to the attention of potential investors.

CWP1 Para 8.60 -Review of ECGD's overseas investment insurance scheme.

CWP1 Para 8.60 - Evaluation of the Overseas Investment Enquiries Service and Strategic Alliance Service, to see if there are lessons for other markets.

CWP1 Para 8.60 -Study of outward investment to consider what further support the Government might offer UK overseas investors.

CWP2 Para 12.48 - The Government will by September 1995 launch a pilot initiative to promote networking and joint marketing between UK companies overseas.

October 1995. Over 100 major events and 90 school links planned through to 31 December 1996.

Pilots set up and operation now being reviewed. Local arrangements are being developed with Business Links.

DTI subsidised pilot "Languages in Export Advisory Scheme" was launched in October 1995. A third National Activity Week of language and export related regional and national events took place from 22-27 April 1996.

Plans for three key markets, India, Malaysia and Argentina, being developed by the Education and Training Sector Group. Education and Training are priority sectors of many DTI market desks. Quarterly newsletter sent to over 3,000 recipients. Series of regional seminars held to promote local cooperation almost completed.

Being developed on a challenge-funded basis.

In 1995 DOE Ministers led ten construction and water sector trade missions to 16 different markets.

Since June 1995 Ministers have led trade missions of privatisation experts to India, Latin America, Canada and Southern Africa.

Eight trade missions planned for 1996-97 to all parts of the world.

Overseas Trade Services encourage the most effective form of market entry. Instructions issued to all Export Promoters and Heads of DTI Market Branches.

Dealt with as appropriate for each market.

Review led to a 30 per cent cut in average premium rates. Levels of control now more linked to risk.

Revised Strategic Alliance Service progressing, but likely to be long-term. Overseas Investment Enquiry Service will be subsumed in wider information service later this year and be available in all appropriate overseas markets.

Study published in May 1996. Showed investors were seeking entry to new markets, and that overall effect on UK jobs and investment was positive.

Initiative launched. Several pilot projects underway or under consideration, including Outward Investment office in Ankara; support for study of the scope for UK Centres in Singapore and Japan; and support for bilateral Chambers in Eastern Europe.

CWP3 Para 21.7 - The Government will publish a study of export winners later in 1996.

CWP3 Para 21.12 - Case studies arising from SITPRO's Export Efficiency Initiative will be published.

CWP3 Para 21.14 - The Government will commission a study

into the factors influencing UK outward investors' choice of suppliers.

CWP3 Para 21.23 - Menus describing export services will be piloted later this year and made available through Business Links and other outlets.

CHAPTER 22 - PEOPLE

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP1 Para 6.27 - Government to offer funding to ensure management NVQs are up to date and widely used by employers.

CWP1 Box 6.27 - Review of the management content of NVQs, exploring a flexible "core and options" approach

CWP1 Box 6.27 - TECs to be encouraged to promote improvements in management training amongst smaller companies.

CWP1 Box 6.27 - Case for targets for management development to be considered.

CWP1 Box 6.27 - Identification and publicity of examples of good practice in management training in smaller firms.

CWP1 Box 6.27 - Government to look to business schools and others to contribute to improving the skill base by continued improvement in the relevance of quality of courses.

CWP1 Para 6.28 - Five previous commitments to be taken into account in the Welsh Strategy on Skills and Enterprise and in the current review of Scottish training policy.

PROGRESS/NEW INITIATIVES/FURTHER ACTION

MCI's review of the Management Standards will be completed on 30 June 1996 and will lead to revised Management NVQs being available from 31 December 1996. MCI will promote benefits of the Standards through its work with intermediaries and employers.

The review conducted by MCI of the Management Standards at all levels is nearing completion. Revised Standards will be available for accreditation in Q3 of 1996-97.

MCI is working actively with TECs - through support for their planning processes and improving the capability of their staff - to ensure that management development has a higher operational priority.

Separate targets for management were not accepted by NACETT; however, MCI will develop separate measures of the quality of UK management.

MCI's collection of case studies will be published in 1996. MCI is also managing a number of projects involving more than 12 TECs and some of their SMEs and provider organisations. These projects will illustrate a range of applications of the management standards in the context of organisational development.

DfEE has contracted with nine business schools and three allied organisations to develop courses that forge stronger links between competence-based and more academic approaches, or that are new programmes based on MCI's senior management standards.

Development of Innovation Masters degrees. Introduction of Innovation modules to Masters Degrees.

Support of modular Masters programme in Technology Management. Twenty bursaries allocated to candidates from applicant companies in 1995.

Encouragement of dialogue between industry and business schools to ensure courses maximise benefit to UK industry.

Continued support for the modular Masters programme, including sponsorship of a conference attended by 120 employers and academics in October 1995, ensuring coverage in national and specialist press.

See also progress alongside CWP2 Para 9.25.

"People and Prosperity" action plan for Wales published in March 1995.

Scotland: Response to "Training for the Future" consultation

CWP1 Para 6.28 - In Northern Ireland a high priority to continue to be placed on management development and training.

CWP2 Para 9.17 - The Government will continue to support the training of key staff within TECs to enable them to provide effective advice on management development.

CWP2 Para 9.25 - The Government will encourage all TECs to develop strategies for improving the skills of local management.

CWP2 Para 9.19 - DTI's Managing in the '90s programme will be relaunched in the summer of 1995. It aims to involve more than 200,000 people over the next three years and to increase by 25 per cent per year the number of companies participating in inter-company visits (5,000 in 1995-96).

CWP2 Para 9.24 - Management Charter Initiative members will market standards for senior managers, including leadership.

CWP2 Para 9.25 - The Government will ask MCI to generate learning materials to support Business Link activities, develop standards for management consultants, and explore competence - based approaches to continuing professional development of managers.

CWP2 Para 9.24 - Employment Department will encourage the Institute of Directors to adapt for public sector boards such as those within the NHS their standards of good practice for boards of directors.

CWP2 Para 9.25 - Employment Department is promoting wider adoption of competence-based qualifications in business schools, with the aim that 50 per cent will offer them within two years.

exercise announced measures to support training in small businesses.

The Northern Ireland Training and Employment Agency's corporate plan, 1995-98, commits it to provide a range of programmes aimed at developing management skills. Due emphasis will be placed on introducing managers to international best practice in business techniques.

MCI has now developed and delivered some training courses for TEC staff.

Planning guidance was issued to TECs before December 1995 explicitly stating that management development issues should be contained in TEC business plans. Officials at regional level, the TEC National Council and a small TEC advisory group have been consulted. A special one day conference for TEC CEOs was held in November 1995. MCI's CEO has undertaken a programme of visits to TECs which will continue into the next financial year.

DTI's Managing in the '90s programme was relaunched in the summer of 1995. The programme catalogue was sent to 82,340 individuals as part of a distribution of over a quarter of a million information booklets.

Approximately 3,200 companies participated in inter-company visits and the figure is expected to reach 5,000 in 1997-98. The Flagship event had approximately 5,000 visitors.

MCI has been strongly promoting the use of Senior Management Standards through its own membership and more generally, and assisting Business Schools in the development of qualifications based on the management standards.

This commitment is aimed at helping Business Links develop their expertise in advising on management development. Consultations continue with a selection of Business Link Chief Executives. MCI is continuing with further work to identify the precise training needs of staff in Business Links. Traditional training courses for Business Link staff commenced in January 1996 and distance learning materials will follow later in the year.

Further investigative work to identify and develop existing standards for Management Consultants continued until May 1996, following which a decision will be made as to whether to develop a comprehensive set of standards.

Consultations with interested parties have been completed and MCI has embarked on a full development project, due for completion late in 1996.

The standards of good practice were funded by the Department and were aimed primarily at private sector boards. IoD has now developed a set of standards for use by boards within the National Health Service.

DfEE has developed new programmes based on MCI's senior management standards. In addition, MCI will forge closer links with the business school community, and during the 1996-97 operating year will run a series of projects to take forward the commitment. Progress on business school adoption of

competence-based qualifications will be checked by survey in Q3 of 1996-97.

comments

CHAPTER 4 - LEARNING AND SKILLS contd..

COMMITMENTS AND PLANS IN FIRST AND SECOND WHITE PAPERS

CWP1 Para 4.48 - New objectives to improve the focus and quality of links between schools and the business world.

CWP1 Para 4.49 - Introduction of a code of practice to ensure consistent GCE assessment.

CWP1 Para 4.49 - Recognition of exceptional achievement by pupils.

CWP1 Para 4.49 - Action to make AS levels more attractive to young people.

CWP1 Para 4.49 - Greater emphasis on the practical in GCE syllabuses.

CWP1 Para 4.50 - Review of GNVQ assessment and grading.

CWP1 Para 4.50 - Clarification of GNVQ knowledge requirements.

CWP2 Para 7.26 - NCVQ to act with SCAA on GNVQs.

CWP1 Para 4.51 - Continued introduction of GNVQs in schools and colleges.

CWP1 Para 4.51 - Teacher training to aid the continued introduction of GNVQs in schools and colleges.

CWP2 Para 7.17 - A survey of the top 100 NVQs and SVQs will be carried out this year, and all NVQs and SVQs will be reviewed by March 1998.

PROGRESS/NEW INITIATIVES/FURTHER ACTION

ED-DfE-ESSO guide for employers on good practice in education-business links "Making Education Our Business" was published in March 1995. Programme of workshops to disseminate findings was completed by mid-March 1996 and a project to develop models for business placements in schools is underway.

The Education Industry Links' "Framework for Action" launched by the Scottish Consultative Council on the Curriculum in March 1995 has been taken forward by a series of conferences and events arranged by the Scottish Office and EBPs. A research project has been commissioned by The Scottish Office to gauge employers' reactions to the document.

Code fully operational.

Post-Dearing action plan now in hand. See para 4.23 and following in this White Paper.

Post-Dearing action plan now in hand. See para 4.23 and following in this White Paper.

Post-Dearing action plan now in hand. See para 4.23 and following in this White Paper.

Major changes in arrangements were successfully introduced in September 1995 subject to independent review by Dr John Capey. Sir Ron Dearing endorsed all 19 Capey recommendations which are being taken forward by NCVQ, FEDA and the Joint Council of GNVQ Awarding Bodies as part of the recently announced 10 million 1996-97 GNVQ Support Programme.

New format specifications are being phased in.

The Part One GNVQ pilot is being thoroughly evaluated by OFSTED to ensure that the new qualifications are of high quality, manageable for teachers and rewarding for pupils, with clear routes to further education and work-based training opportunities. OFSTED plan to publish an interim report early in the autumn this year.

GNVQ now widely available in over 2,000 schools and colleges.

15 million GEST funding available in 1996-97 on top of 14 million in 1995-96. Relevant organisations taking forward work to develop coherent strategy to improve GNVQ staff development.

The Beaumont Report on the Review of 100 NVQs and SVQs was published on 10 January 1996.

A report on the findings of the Review was published by NCVQ and SCOTVEC in February 1996.

A Government Action Plan to implement the agreed recommendations for NVQs and SVQs from the Review was announced on 27 March 1996. A programme of reviews of all

	NVQs and SVQs commenced in April 1996 and will ensure improvements to each NVQ and SVQ take full account of the action plan.
CWP1 Para 4.52 - Improved marketing of NVQs and SVQs to employers.	NCVQ's three year marketing strategy was published in "Establishing the Benchmark" in February 1995. This set out the themes that NCVQ are implementing with support from DfEE and the involvement of other key players. SCOTVEC has produced an SVQ marketing strategy within which a Key Partner Action Group has been established to provide a focus for a coordinated approach using key partner networks. There will also be a focus on improving understanding of the SVQ system. The Scottish Skills Forum will report to Ministers in 1994.
CWP1 Para 4.52 - Local quality assurance schemes for NVQs and SVQs.	NCVQ's field force of local quality advisers is now operational. The 17 advisers are located at the six new regionally based offices in England and Wales. Advisers are currently carrying out quality audit visits to gather information about awarding body systems.
CWP1 Para 4.53 - Closer co-operation between TECs and FE colleges in identifying and meeting employers' and individuals' labour market needs.	TECs and the FE sector continue to share and analyse demand for and supply of key skills. They advise FEFC on local provision and use the Competitiveness Fund to fill gaps. During 1996-97 work will continue to improve the labour market information available.
CWP1 Para 4.53 - TECs to approve FE college plans.	English TECs work closely with colleges on the production of their strategic plans and approved all plans in 1995-96.
	Good collaboration has developed between LECs and FE colleges in Scotland in Development Planning.
CWP1 Para 4.53 - TEC Competitiveness Fund to be established.	A directory of all 82 English projects was published by DfEE in 1995-96. Promised matching funding from colleges and employers is estimated at 30 million (in addition to 20 million Government funding).
CWP1 Para 4.55 - Industry to develop accelerated Modern Apprenticeships for 18-19 olds.	The merger of accelerated Modern Apprenticeships and Modern Apprenticeships was announced by the Secretary of State for Education and Employment on 7 February 1996 in response to employers' wishes and the merger took effect on 1 April 1996.
CWP1 Para 4.58 - Consultation on the practicalities of learning credits, and consideration of establishing pilot schemes for learning credits to be based on local partnerships.	Consultation exercise following publication of Coopers & Lybrand report in May 1995 was completed in September. The Government is attracted to the idea of bringing the existing guarantee of training and the FEFC's duty to secure sufficient and adequate further education for young people into a single entitlement, expressed as a credit. It proposes to consult on this issue. See paras 4.21 and 4.22 in this White Paper.
CWP2 Para 7.28 - The Government has commissioned Sir Ron Dearing to undertake a review of 16-19 qualifications. It will take about one year, with an initial report in July 1995.	Sir Ron Dearing produced an interim report in July 1995. His final report was published on 27 March 1996. See para 4.23 and following in this White Paper.
CWP2 Para 7.36 - The Government will legislate at an early opportunity (following consultation) to improve careers education and guidance in maintained schools and colleges.	The consultation showed support for the legislation, which will be taken forward as quickly as possible.
CWP2 Para 7.36 - The Government will work with the School Curriculum and Assessment Authority to develop guidance on coaching, case studies and project work, to improve pupils' negotiating and decision making skills.	SCAA are expecting to publish a good practice guide in October 1996.

CWP2 Para 7.36 - The Government will develop and publish data on achievement and career routes from schools, colleges and work-based learning options to provide pupils with more informed choices at age 16.

CWP2 Para 7.37 - The Government will improve the links between the various bodies responsible for quality assurance (OFSTED, the Further Education Inspectorate and the Employment Department's Quality Assurance operation).

CWP2 Para 7.37 - The Government will require schools to demonstrate their awareness of the needs of labour markets and higher education through schools development plans.

CWP2 Para 7.37 - The Government will strengthen the OFSTED Framework of Inspection to ensure that inspectors seek evidence that schools have provided good careers education and impartial guidance.

CWP2 Para 7.37 - The Government will develop closer team working on careers education inspections, between the three inspectorates responsible, once the current round of OFSTED primary schools inspections is largely complete.

CWP2 Para 7.38 - The Government will investigate whether there is a case for encouraging a more consistent approach to funding methodologies across the sectors and to funding levels for similar qualifications in different sectors.

CWP2 Para 7.38 - The Government will legislate to remove the requirement that potential new further education providers must gain the sponsorship of an existing college before being able to receive FEFC funding.

CWP2 Para 7.38 - The Government will consider relaxing the detailed central Government controls over the opening and closing of sixth forms.

CWP2 Para 7.38 - The Government will consider further the case for introducing capital charging for schools and further education sector colleges, to put them on the same financial basis.

CWP2 Para 7.38 - The Government will legislate to remove borrowing restrictions on grant maintained schools, thus placing them on the same basis as further education sector colleges.

CWP2 Para 7.24 - The Government is committed to providing over time a pre-school place for all four year olds whose parents wish to take it up. Details of the new programme will be announced soon.

CWP1 Para 4.59 - Government funding to train 24,000 key staff in firms with less than 50 employees.

The destinations of the school leavers will be collected in October 1996 and the collated statistics will be published by the end of February 1997.

Links have been strengthened and all bodies responsible for quality assurance are working increasingly effectively.

The DFEE is considering how to take this forward with OFSTED.

OFSTED have revised their Framework of Inspection to increase emphasis on careers education and guidance. A strengthened framework has been issued and applied from April 1996.

Meetings have taken place between the three inspectorates. Some joint working has already taken place, and there is agreement to extend it.

Initial work covering the costs of education and training options for 16-19 year olds was made available in December 1995 and has been refined after consultation with key partners. The Government intends to produce and consult annually on information comparing funding levels for similar qualifications in the different 16-19 sectors and to take such information into account when making resource allocation decisions. The Government will also work with its partners to secure greater convergence of funding systems across 16-19 learning.

The Government will work with the Further Education Funding Council to remove undue barriers to private and voluntary sector providers accessing FEFC funding.

The Government is considering this.

The Government is considering this.

The legislation is before Parliament.

The first phase of the nursery education voucher scheme began in Kensington and Chelsea, Westminster, Wandsworth and Norfolk in April 1996. Subject to Parliamentary approval of the Nursery Education and Grant-Maintained Schools Bill, the scheme will be available in England and Wales from April 1997.

Skills for Small Businesses initiative started in April 1995. To date over 3,000 companies are being funded.

<p>CWP1 Para 4.59 and CWP2 Para 7.14 - TECs to work with Business Links and other networks serving small firms to provide companies with means of sharing ways to meet training needs. The Government will hold a new Small Firm Training challenge with a fund of 5 million.</p>	<p>The Small Firm Training Challenge fulfilled the commitment in CWP1. Two rounds have been held and over 350 bids representing around 4,000 companies received. 74 projects with a total of 3.5 million and involving more than 1,000 companies have been approved by the Secretary of State for Education and Employment and the President of the Board of Trade. Six Special Merit Awards have also been made.</p>
<p>CWP1 Para 4.60 - Investors in People promotion to be given more resources.</p>	<p>Investors in People UK are contracted to spend up to 1 million this year (1995-96) to sustain and build the national profile of the Investors Standard through fully integrated marketing and advertising, promotions and media campaigns.</p>
<p>CWP1 Para 4.60 - All Government Departments to proceed towards attaining Investors in People status, if they have not already.</p>	<p>By the end of March 1996, 54 Central Government organisations, or parts of organisations, had gained accreditation. Good progress is being made in Departments and Agencies, and over 30 per cent of all Civil Servants work in organisations that are either accredited or formally committed to achieving the IIP Standard.</p>
<p>CWP1 Para 4.61 - Government to encourage improved vocational information and advice at local level by TECs and others.</p>	<p>For 1996-97, TECs may spend up to 1 per cent of Training for Work budgets on vocational information and guidance, subject to TECs matching contributions.</p>
<p>CWP1 Para 4.62 - Career Development Loan Scheme to be made more accessible.</p>	<p>Discussions with other lending institutions to give greater access to applicants are continuing.</p>
<p>CWP2 Para 7.17 - From September 1995 the Government will pilot in one region a scheme to allow borrowers who have completed training funded through Career Development Loans to delay the start of their repayments by up to 18 months in certain circumstances. The Government will also seek ways of increasing the use of CDLs in further and higher education for students who are not eligible for mandatory awards.</p>	<p>The CDL pilot schemes (named CDL Plus) commenced operation on 18 September 1995. Research into the use of CDLs by students who are not eligible for mandatory awards and how this can be increased commenced in March 1996 and will report in summer 1996.</p>
<p>CWP2 Para 7.16 - The Government will examine the UK's performance at the level of basic qualifications for employment and compare it with those of our leading competitors. The Government will work with ITOs and NACETT to benchmark companies' training efforts and output for the workforce in work. The Government will report the outcome of this work in its next national survey of the UK's competitiveness.</p>	<p>"The Skills Audit" is to be published in parallel with this White Paper.</p>
<p>CWP2 Para 7.17 - Government is supporting around 30 TECs and up to five ITOs to develop and implement local and sectoral strategies for lifetime learning.</p>	<p>Forty-eight contracts have been signed with TECs (including consortia of TECs) to deliver local lifetime learning strategies. Funding has been provided for 58 TECs and five ITOs to work in this area. Further help will be available in 1996-97.</p>
<p>CWP2 Para 7.17 - The Government is continuing to provide training for unemployed people through Training for Work, and maintaining at 1994-95 levels the number of places for people with disabilities, those needing literacy or numeracy training, those for whom English is a second language, and those under 25 unemployed for over two years.</p>	<p>Training for Work will continue to provide training for unemployed people in 1996-97. This includes action to provide specified numbers of opportunities for people with disabilities, those needing foundation level training including English for speakers of other languages, and those under 25 unemployed for over two years. In 1996-97 a programme of pre-vocational training will be piloted so that more unemployed people with underlying basic skills needs can get jobs benefit from vocational education and training.</p>
<p>CWP2 Para 7.17 - The Government will maintain the number of unemployed people allowed to study part-time while on benefit, provided that they remain available for work and continue to seek it actively.</p>	<p>The rules under which unemployed people study part time while claiming benefit will change when the Jobseekers Allowance is introduced in October 1996. The new rules have been designed to allow the same number of people to study part time and claim</p>

CWP2 Para 7.18 - The Government intends to publish a consultation document on individual responsibility for lifelong vocational learning, seeking views on a wide range of issues.

CWP2 - Para 7.30 - The Government will fund a small number of TECs to investigate how training opportunities can be designed and delivered to best meet the needs of all young people.

CWP1 Para 4.63 - Government to promote education expertise via EU programmes and press that EU educational programmes be geared to competitiveness.

CWP2 Box below Para 7.50 - Accelerated apprenticeships to be introduced in Scotland in 1995-96.

CWP2 Box below Para 7.50 - Following responses to consultation paper "Training for the Future", Secretary of State for Scotland has announced plans to spend 25.5 million over the next three years on a range of training initiatives.

CWP2 Para 9.25 - The Government will continue to encourage institutions of higher education to develop courses which meet industry's needs.

benefits as do now. The Government will monitor the effect of the new rules.

The formal consultation period ended on 26 February 1996. Over 450 responses were received from the full range of recipients. All have welcomed the Government's interest in lifetime learning and the chance to debate the issues. There is support for the various existing initiatives (HMG-led and others) but also ideas on how these might be improved or expanded. The Government's response is included in paragraphs 4.49 and following in this White Paper.

Contracts were agreed with five TECs (Birmingham, CEWTEC, Manchester, Walsall and West London) and all are now making good progress. Two of the projects focus on pupils who have been excluded, or are in danger of being excluded, from school; the others address the needs of 16-17 year olds through enhanced preparatory training and community or multi-agency approaches. Experience from these projects will be helpful in taking forward the recommendations for the re-structuring of Youth Training from Sir Ron Dearing's Review of 16-19 Qualifications. The Department for Education and Employment intends to disseminate the outcomes from the projects, primarily through a national conference towards the end of 1996.

Awaits proposals for new EU education action programmes.

Decision made not to introduce accelerated modern apprenticeships in view of capacity of Skillseekers to deal with 18 plus age group. Modern Apprenticeships introduced within the Skillseekers programme.

Over 60 new Investors in People advisers appointed - number of IIP commitments and recognitions continue to rise. Scheme set up for training of key workers in small businesses. Grants awarded to colleges after competition for provision of expensive equipment in areas of skill need.

The Department is supporting a number of development projects under 3 themes: 1) to assist universities and colleges of Higher Education to develop students' career management skills; 2) to assist SMEs to make better use of graduate level skills; and 3) to promote Higher Education-Business (HEB) partnerships.

CWP3 Para 4.10 - SCAA will introduce a calculator-free mathematics test for 11 year olds in 1996.

CWP3 Para 4.10 - SCAA will examine the possibility of introducing mental arithmetic tests for 11 and 14 year olds in 1997.

CWP3 Para 4.11 - Networks of literacy and numeracy will be established in 27 LEAs, focusing on under-performing areas, for five years from September 1996.

CWP3 Para 4.13 - Performance tables will be available for primary schools in England in spring 1997, based on the National Curriculum assessment of 11 year olds.

CWP3 Para 4.13 - A White Paper will be issued in June 1996 setting out the role LEAs should take in monitoring and improving standards in schools.

CWP3 Para 4.13 - From April 1997, vouchers will provide the opportunity for pre-school education, over time, to all four year olds.

CWP3 Para 4.13 - The number of places on the Assisted Places Scheme will be doubled, starting from September 1996.

CWP3 Para 4.13 - From September 1996, the Government will supplement the Truancy and Disaffected Pupils programme, with a three year programme of pilot projects, costing 18 million.

CWP3 Para 4.13 - Conclusions from the consultation document "Equipping Young People for Working Life" will be published.

CWP3 Box after Para 4.13 - OFSTED will identify and disseminate good practice to help people with disabilities obtain the careers education and guidance they need.

CWP3 Box after Para 4.13 - The FEFC will report in 1996 on how best it might meet its responsibilities towards students with learning difficulties and disabilities.

CWP3 Para 4.14 - The Government will consider introducing performance tables for teacher training providers.

CWP3 Para 4.14 - OFSTED and the TTA will produce a joint report on the effectiveness of in-service training.

CWP3 Para 4.15 - A White Paper will be published in June setting out proposals for further extending self- government for schools in both the local authority and grant maintained sectors.

CWP3 Box after Para 4.16 - The Government will continue to encourage schools to set their own targets.

CWP3 Para 4.22 - The Government proposes to consult on the introduction of a Credit approach as a key part of its wider vision for 16-19 reform, with a view to the phased introduction of Credits in 1997 and introducing legislation as necessary as early as possible in the next Parliament.

CWP3 Para 4.24 - SCAA and NCVQ will establish a clear, accessible national framework of qualifications at four levels with quality assurance arrangements.

CWP3 Para 4.24 - SCAA and NCVQ will introduce a national certificate at intermediate and advanced levels to recognise individual achievement equal to or greater than National Target standards and a national diploma to recognise achievement in both the depth and breadth of studies including achievement in the key skills of communication, application of number and information technology.

CWP3 Para 4.24 - SCAA and NCVQ will develop initiatives to improve take-up and achievement in mathematics and science.

CWP3 Para 4.25 - The Government will consult on the introduction of National Traineeships at NVQ levels 1 and 2, incorporating key skills, with the aim of phasing in the new arrangements from September 1997.

CWP3 Para 4.26 - The Government is working with agencies to establish a common core of criteria for both self assessment

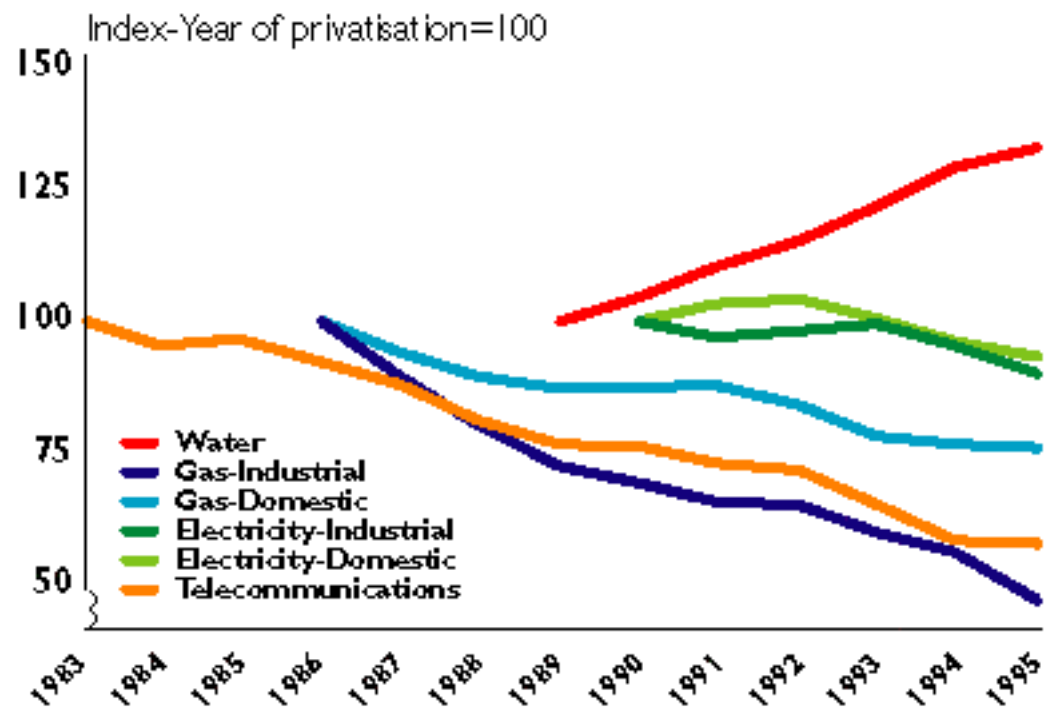
and external quality assurance across all 16-19 year old education and training and to secure greater mutual recognition of external assessments by much more extensive collaboration between the various agencies.

CWP3 Para 4.26 - The Government is working with the agencies involved to strengthen the external inspection of training providers.

CWP3 Para 4.26 - The Government is working with the agencies involved to give recognition for quality assurance purposes to achievement by providers of external standards such as Investors in People and ISO9000.

comments

Chart 2.3 Trends in real prices since privatisation



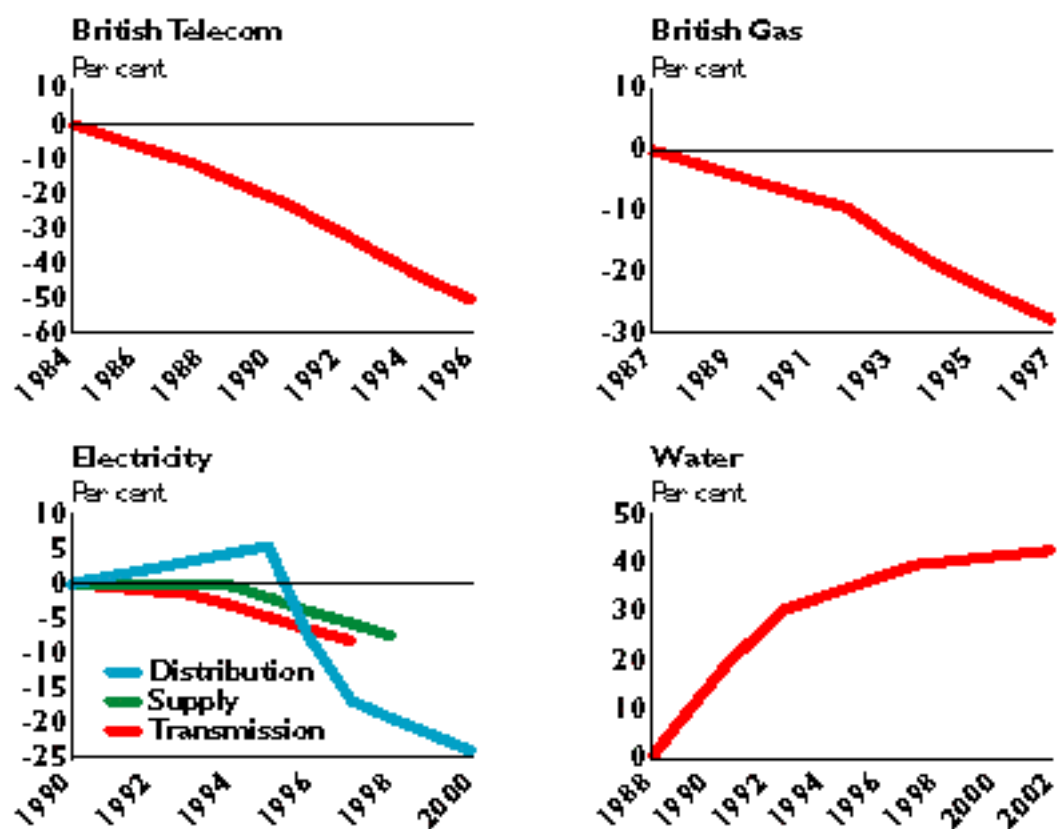
Note: Data for telecommunications and water are for financial years beginning in the given year. Prices of domestic electricity and gas exclude VAT.

Sources: DTI, OFTEL, DoE

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Chart 2.4 Price caps in privatised utilities



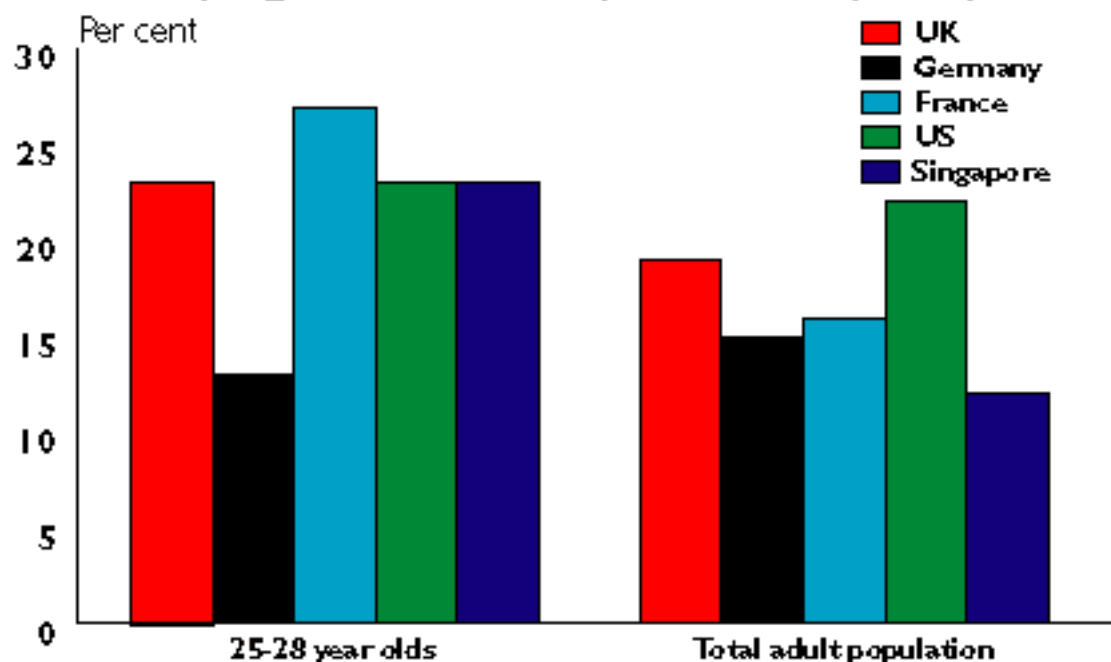
Note: Shows cumulative change in real prices as a result of price controls.

Sources: OFTEL, OFFER, OFGAS, OFWAT

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Chart 4.5 Proportion of population qualified to level 4 (Higher Education) or above (1994)



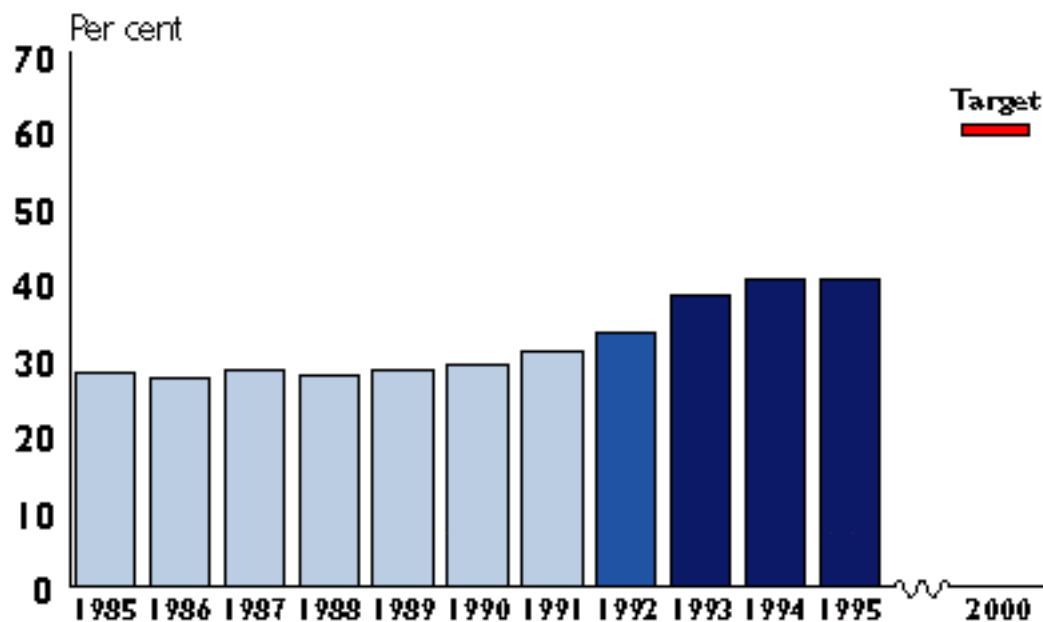
Note: German data refer to 1993. The length of German HE courses means that graduates are underrepresented in the 25-28 age group. Younger age group for the US and Singapore is 25-29 year olds.

Sources SkillsAudit

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Chart 4.6 Lifetime target 1: achievement in the UK

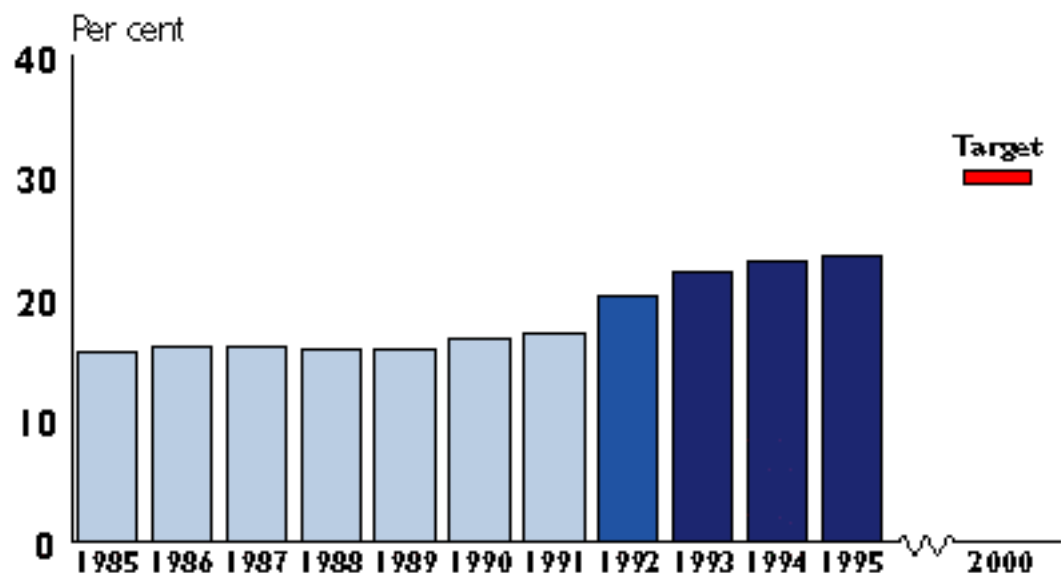


Note: Target is for 60 per cent of the workforce to be qualified to NVQ level 3, Advanced GNVQ or 2 OCEA level standard. Changes in the survey mean that figures for 1993 onwards are not directly comparable with earlier years and figures for 1992 are not directly comparable with earlier or later years. Source: ONS Labour Force Survey (Spring)

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Chart 4.7 Lifetime target 2: achievement in the UK



Note: Target is for 30 per cent of the workforce to have a vocational, professional, management or academic qualification at NVQ level 4 or above. Changes in the survey mean that figures for 1993 onwards are not directly comparable with earlier years and figures for 1992 are not directly comparable with earlier or later years.

Source: ONS Labour Force Survey (Spring)

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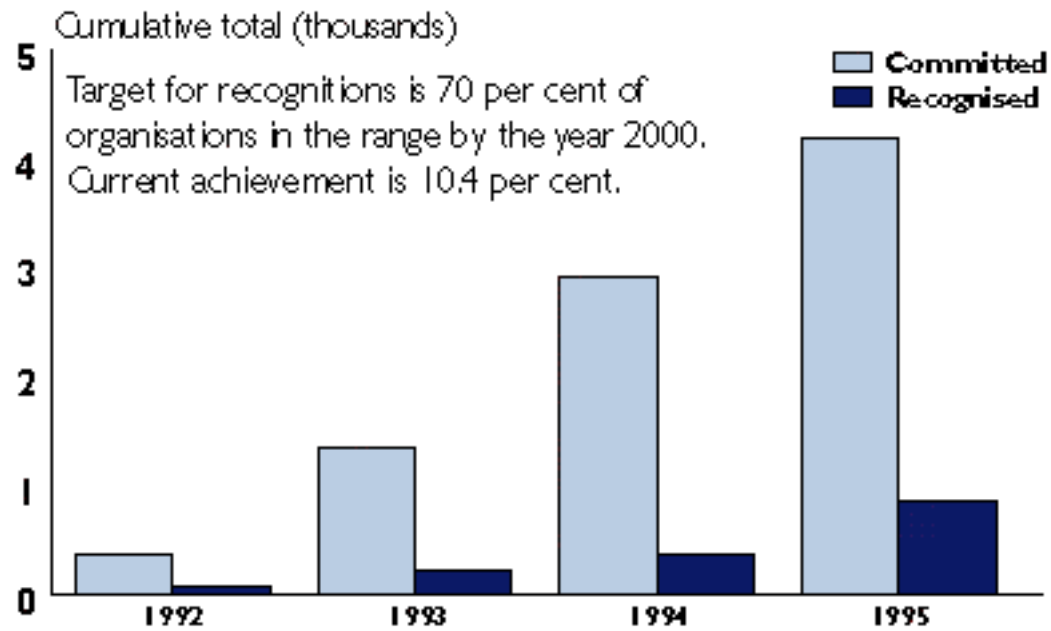
Chart 4.8 Skills benchmarking by sector

Sector	Processes		Skills	Skill level	Countries
		NVQs		UK ahead?	
Biscuits	Manufacture	2	Operations	Yes (Europe)	UK
Chocolate	Maintenance	3	Diagnosis & repair	No (Japan)	Germany
Confectionery	Management	3	Supervisors		Netherlands Japan
Clothing	Manufacturing	2	Operations	No	UK, Germany
	Product development	3	Production design	No	France
	Plant maintenance	3	Diagnosis & repair	No	Italy
Engineering (microprocessor fabrication)	Manufacturing	2	Operations	Equal	UK, Germany
	Technical support	3	Manufacturing support	No	France, Ireland
	Engineering	4	Diagnosis & repair	No	Italy, Japan, US
Hotels	Reception	1/4	Customer service	Yes	UK, Germany
	Housekeeping	1/4	Room servicing	Yes	France, Sweden
	Food prep & cooking	1/4	Catering	Yes	Ireland, US
	Food & drink service	1/4	Customer service	No	
Insurance	Claims processing	2	Claims processing	Yes	UK
		3	Claims processing	Equal	France
		4	Management	Equal	Netherlands
Polymers	Injection moulding	1	Machine operating	Yes	UK
		2	Machine setting	Yes	Germany
		3	Supervision	No	US Malaysia

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Chart 4.9 Investors in People: organisations (with more than 200 employees) which have achieved or are committed to recognition

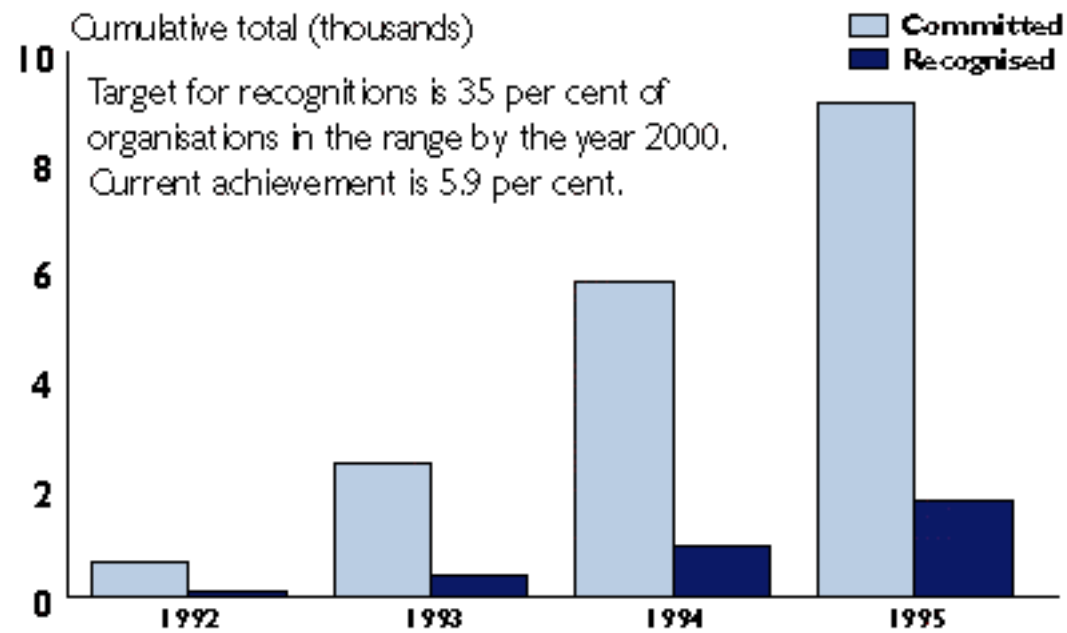


Sources: Investors in People UK

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Chart 4.10 Investors in People: organisations (with more than 50 employees) which have achieved or are committed to recognition

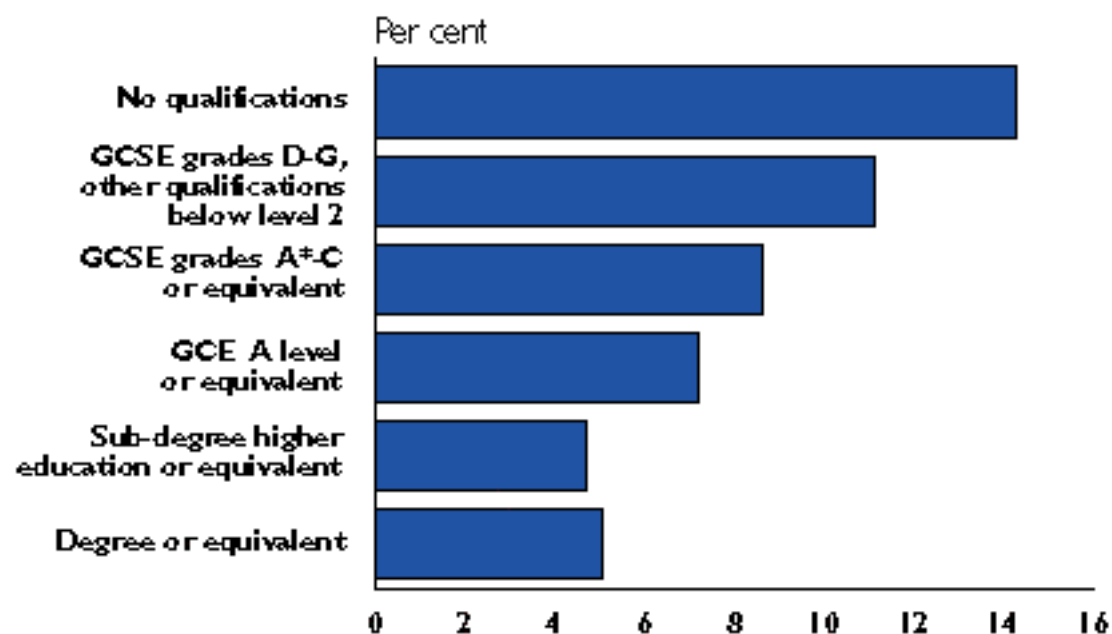


Sources: Investors in People UK

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Chart 4.11 Unemployment rates by highest qualification (1995)



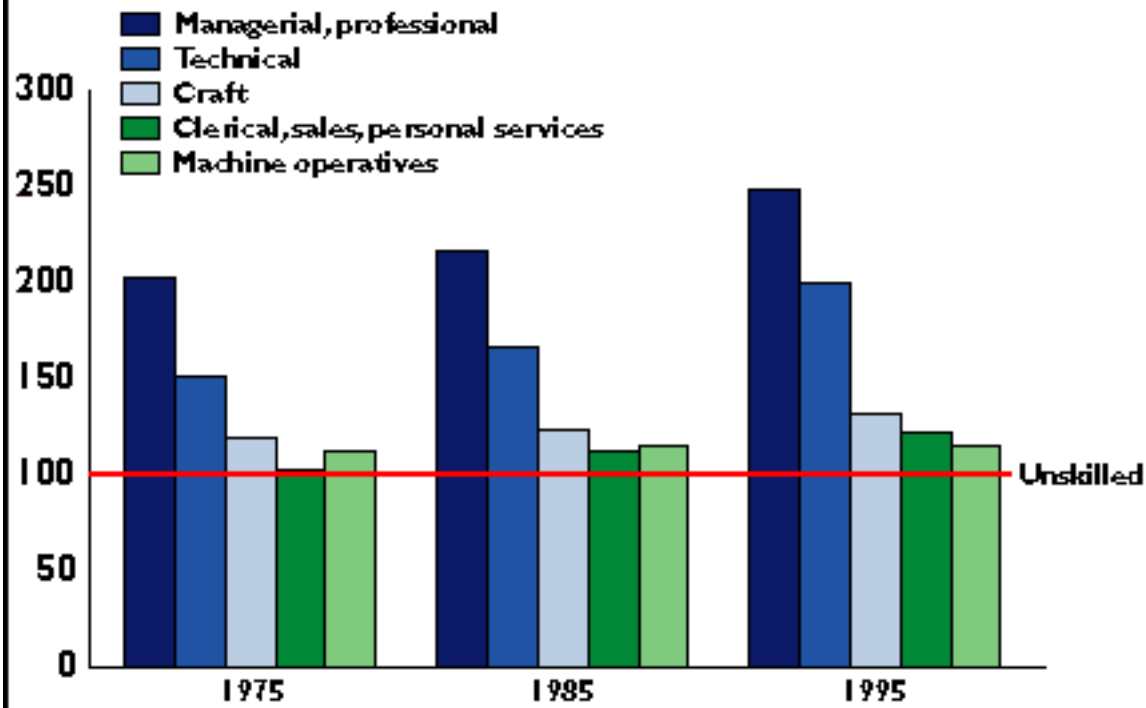
Note: Level 2 vocational qualifications are treated as equivalent to GCSE grades A*-C; level 3 vocational qualifications are treated as equivalent to GCE A levels.

Sources: ONS Labour Force Survey (Autumn)

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Chart 4.12 Average earnings of full-time workers by occupation (unskilled=100)



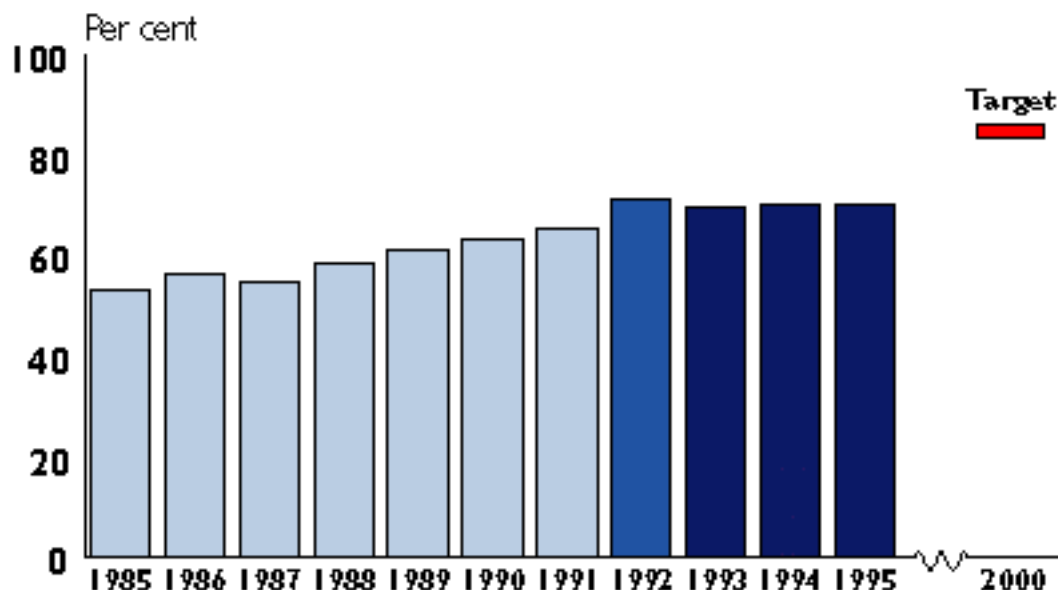
Note: Gross hourly earnings excluding overtime of full-time workers.

Source: ONS

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Chart 4.13 Foundation target: achievement in Scotland at SVQ level 2



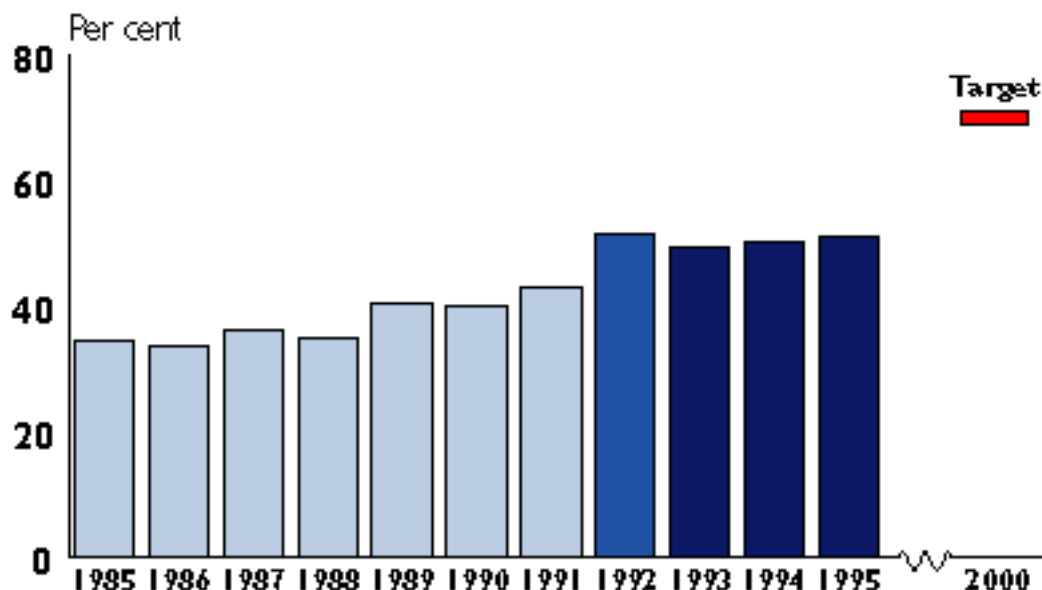
Note: The target is for 85 per cent of young people to attain SVQ level 2 (5 Standard Grades or equivalent) by age 18. Changes in the survey mean that figures for 1993 onwards are not directly comparable with earlier years and figures for 1992 are not directly comparable with earlier or later years.

Sources: **ONS Labour Force Survey (Spring)**

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Chart 4.14 Foundation target: achievement in Scotland at SVQ level 3



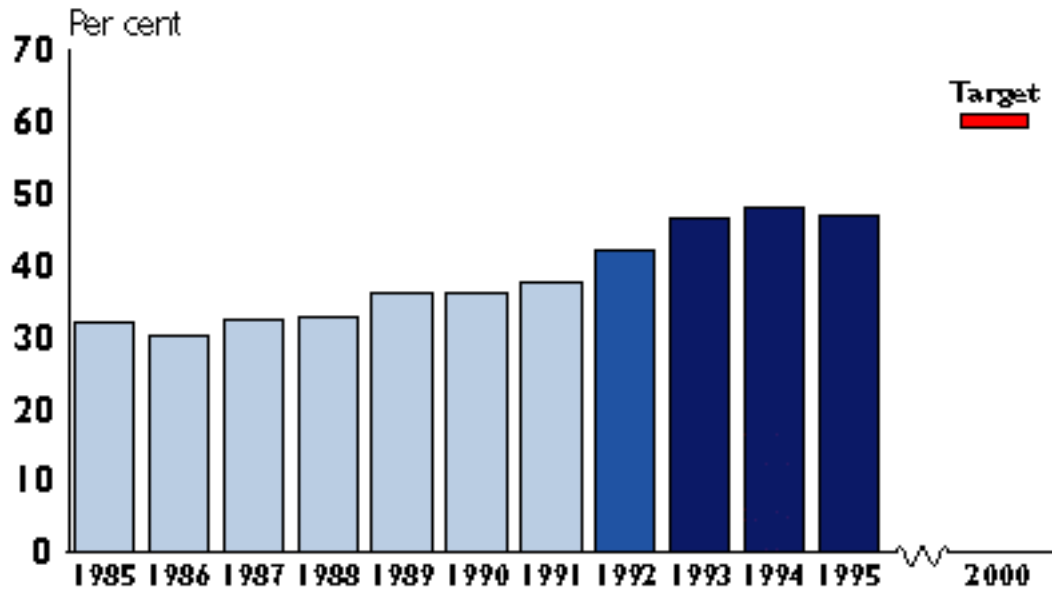
Note: The target is for 70 per cent of young people to attain SVQ level 3 (3 Higher Grades or equivalent) by age 19. Changes in the survey mean that figures for 1993 onwards are not directly comparable with earlier years and figures for 1992 are not directly comparable with earlier or later years.

Source: **ONS Labour Force Survey (Spring)**

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Chart 4.15 Lifelong target: achievement in Scotland at SVQ level 3

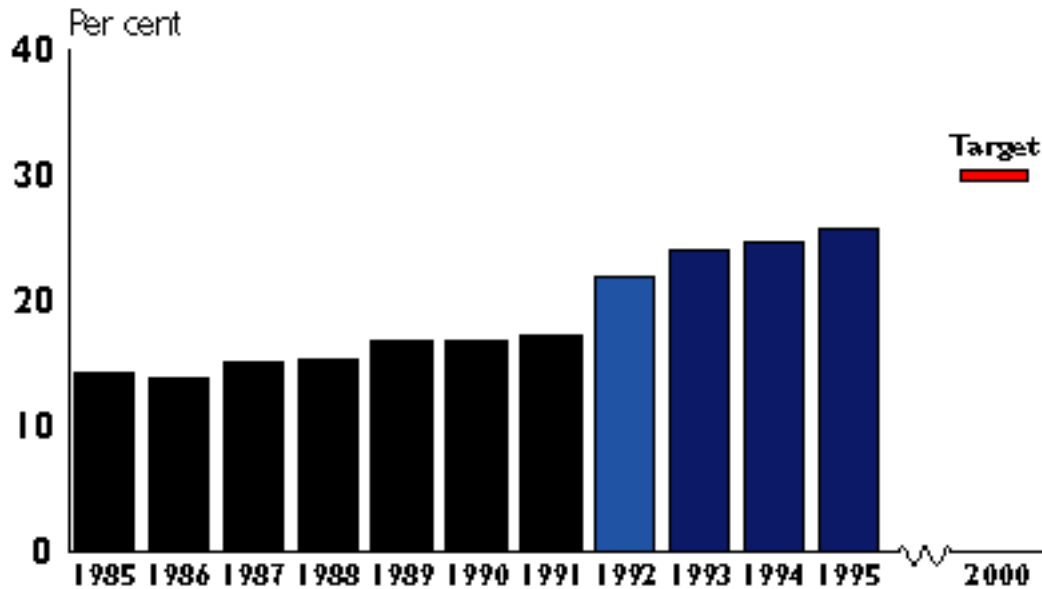


Note: The target is for 60 per cent of the workforce to be qualified to at least SVQ level 3 (3 Higher Grades or equivalent). Changes in the survey mean that figures for 1993 onwards are not directly comparable with earlier years and figures for 1992 are not directly comparable with earlier or later years. **Source: ONS Labour Force Survey (Spring)**

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Chart 4.16 Lifelong target: achievement in Scotland at SVQ level 4



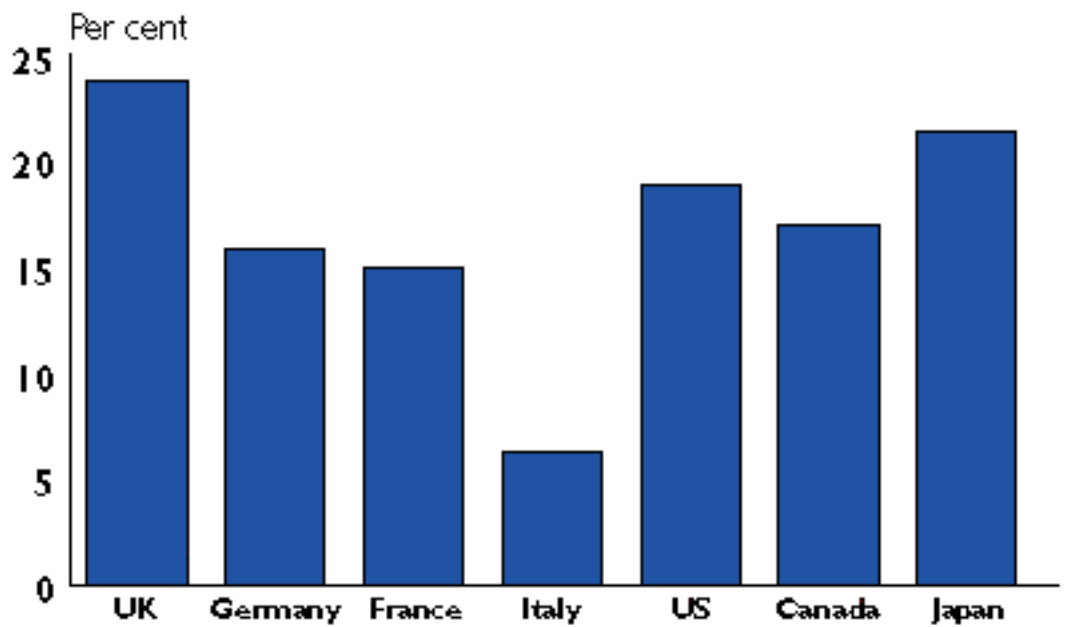
Note: The target is for 30 per cent of the workforce to have a vocational professional management or academic qualification to at least SVQ level 4 or equivalent. Changes in the survey mean that figures for 1993 onwards are not directly comparable with earlier years and figures for 1992 are not directly comparable with earlier or later years.

Source: ONS Labour Force Survey (Spring)

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Chart 5.4 Part-time employment as a proportion of total employment (1994)

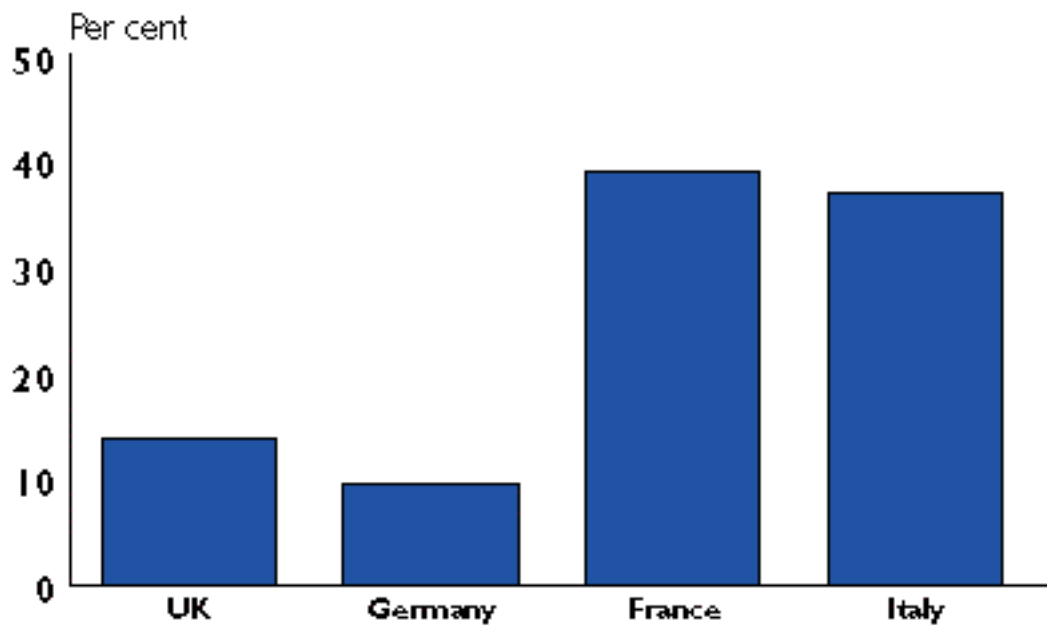


Sources Eurostat, OECD

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Chart 5.5 Proportion of part-time workers working part-time because they could not find a full-time job (1994)



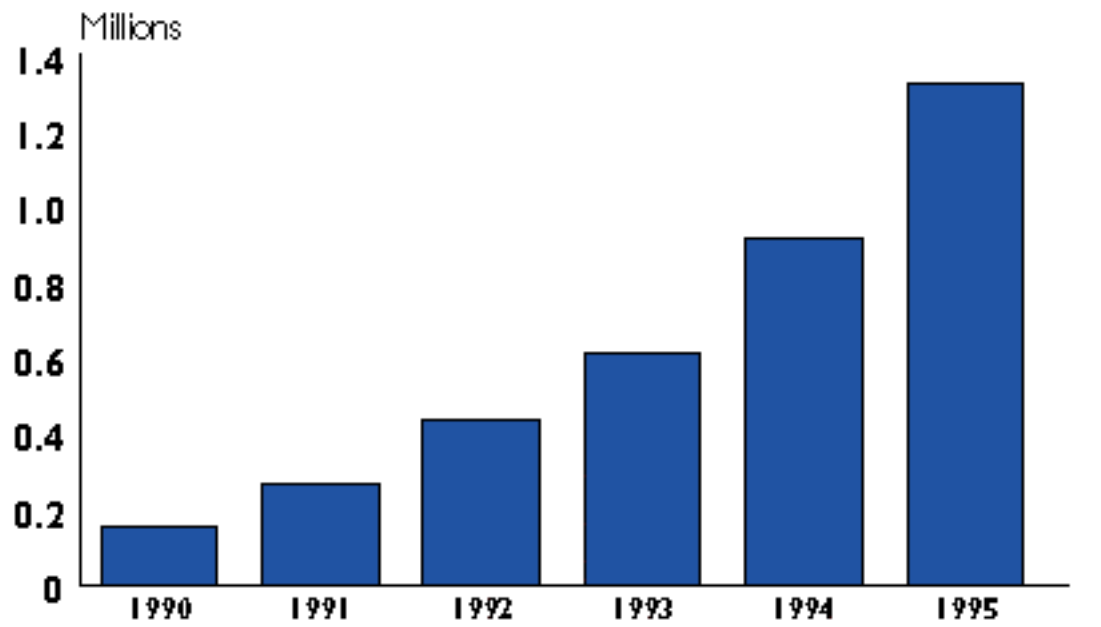
Note: No data available for the US, Canada or Japan.

Sources: Eurostat

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Chart 8.2 UK cable television subscribers

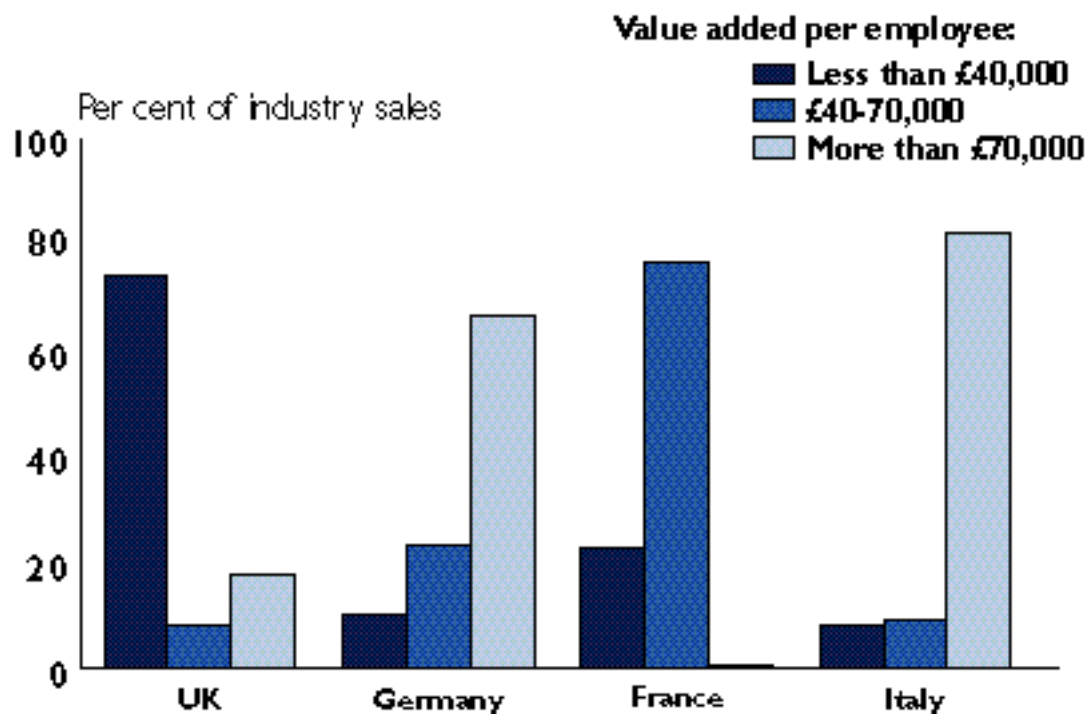


Sources: ITU, Eurostat, OECD

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Chart 19.1 Productivity in the office machinery and computer industries (1993)



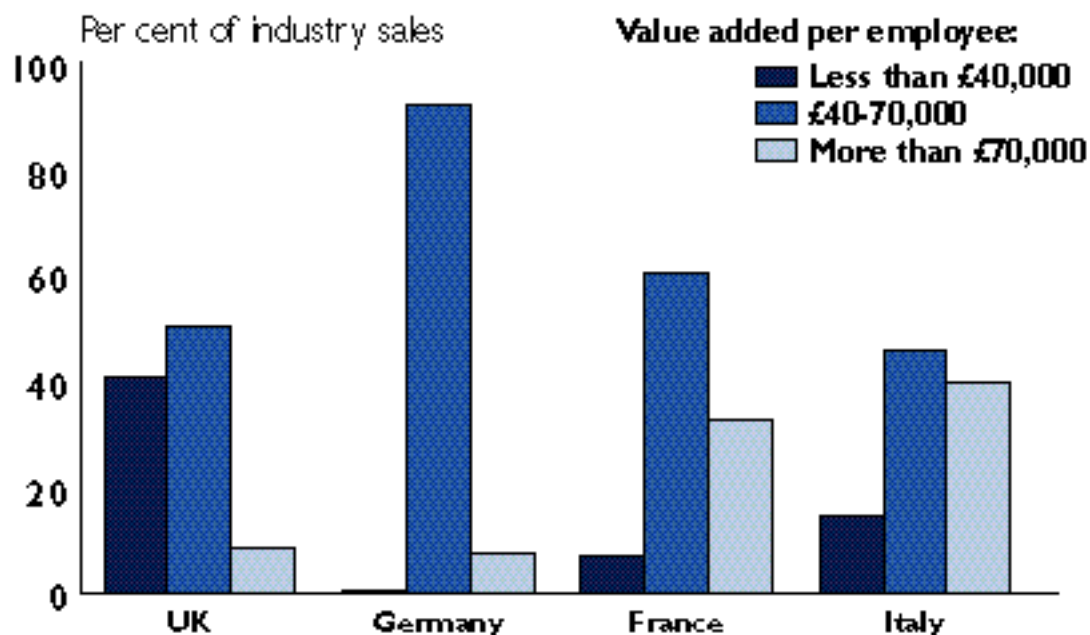
Note: Data refer to companies classified to SIC3301 and 3302 on Bureau van Dijk's company database. Productivity converted to common currency using market exchange rates rather than unit ratios.

Sources: DTI

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Chart 19.2 Productivity in the chemical industry (1993)



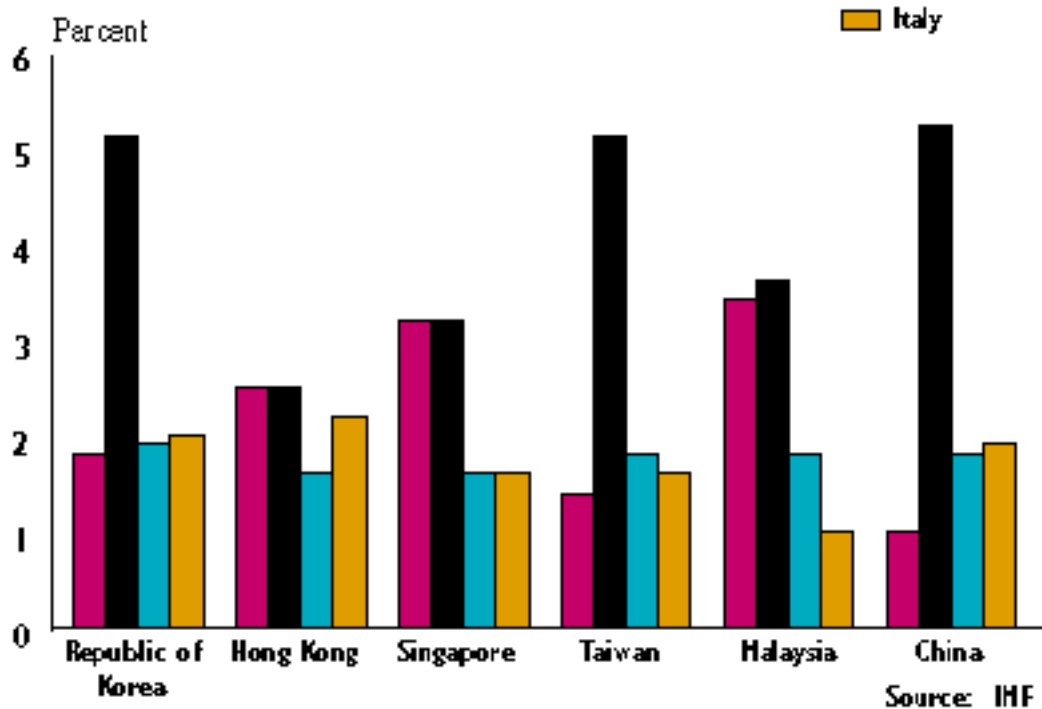
Note: Data refer to companies classified to SIC251 and 256 on Bureau van Dijk's company database. Productivity converted to common currency using market exchange rates rather than unit ratios.

Sources: DTI

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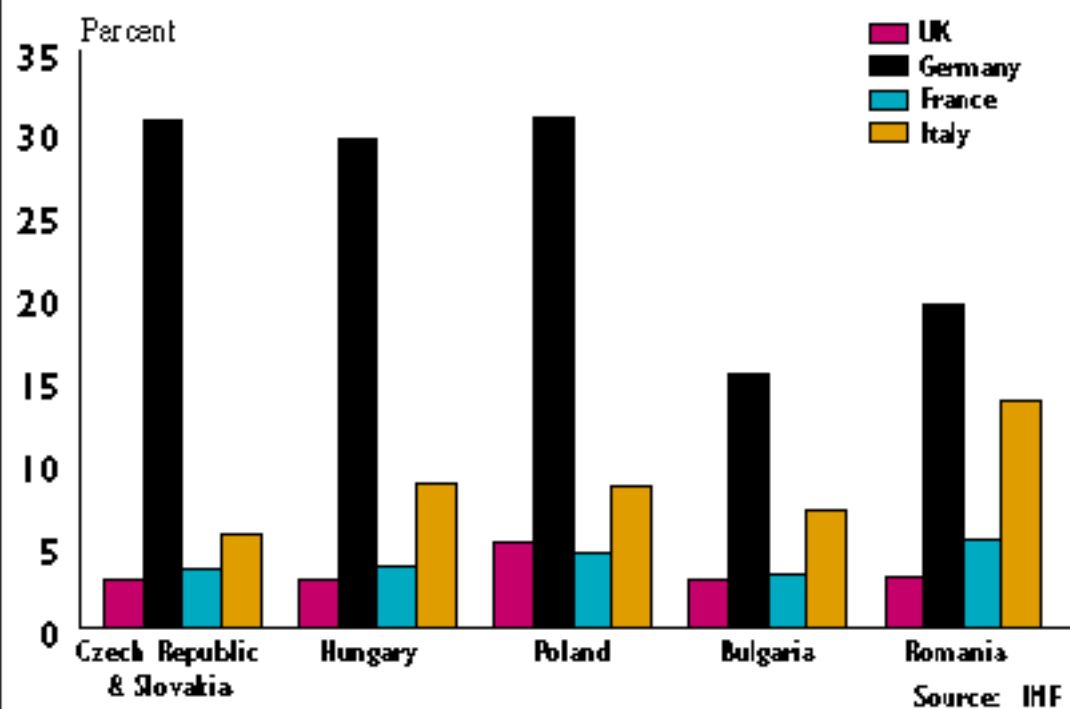
Chart 21.1 Share of world visible exports to East Asia (1994)



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Chart 21.2 Share of world visible exports to Eastern Europe (1994)



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Approximate description in Employers' terms	Vocational qualifications		Academic qualifications
	NVQ/SVQ	GNVQ/GSVQ	
Professional Qualifications Middle/Senior Managers	5	-	Higher Education
Higher Technician/Junior Manager	4	-	
Technician	3	Advanced	2 A Levels or 3 Highers
Craftsman	2	Intermediate	5 GCSEs (A-C) or SCE Standard Grade
Pre-vocation	1	Foundation	4 GCSEs (D-G) - no equivalent in Scotland

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40 million from the National Millenium Fund will help realise this artist's impression of Portsmouth Harbour following a renewal project.

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Catering skills being taught at Beverley College in East Yorkshire, one of a growing number of educational institutions achieving the Investors in People National Standard.

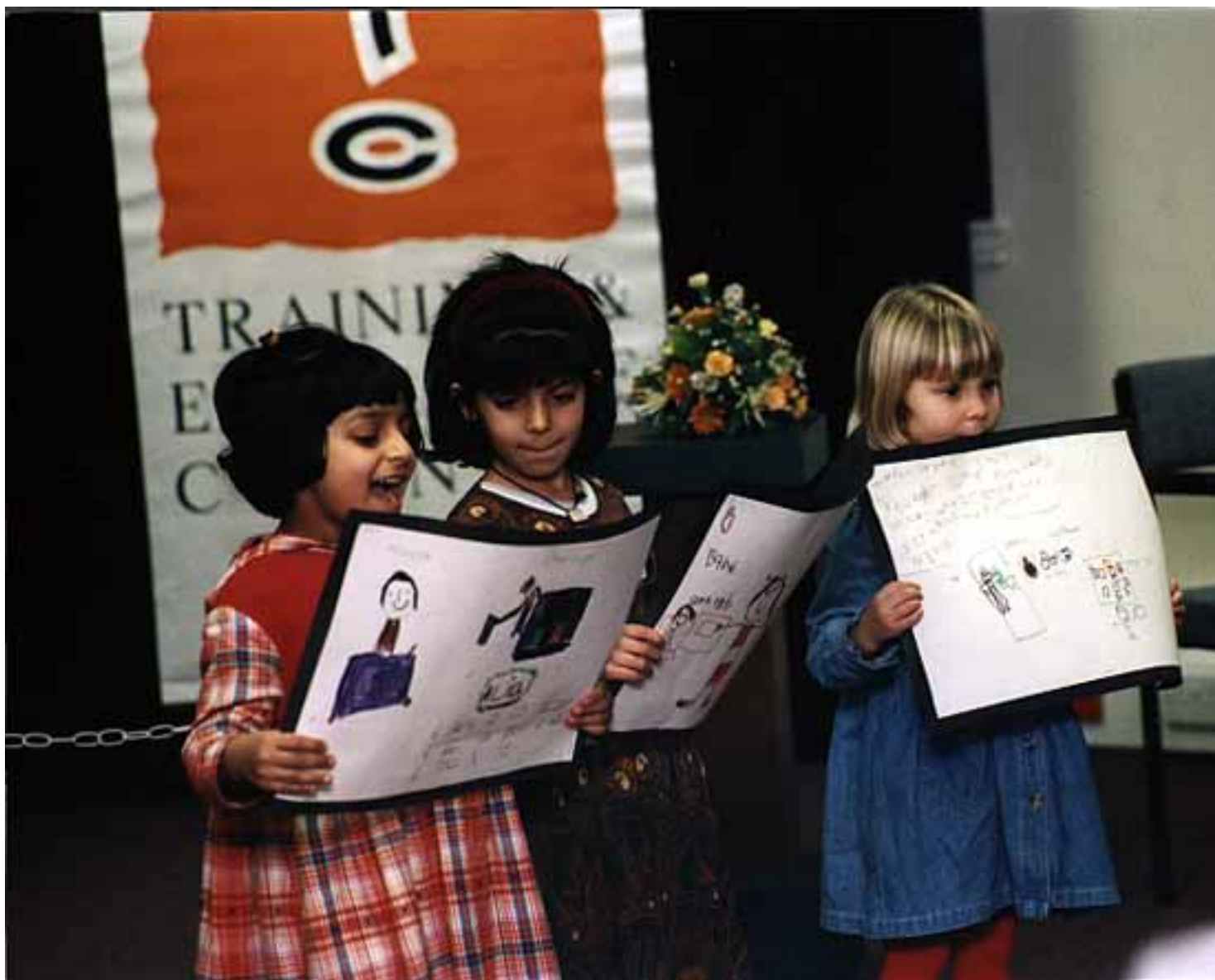
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Environmental Sciences students from the University of Hertfordshire on a field trip in the Italian Alps. The Environmental Sciences Division's field course programme won particular praise in 1995 from the HEFCE for its quality.[Back](#)

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Starting young . . . pupils from Eastwood First School talk about what they learnt about work from a day spent behind the scene at the Bradford and District TEC's Stepping Out programme.

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The UK medalist in stonemasonry in action at the 1995 Skill Olympics. UK SKILLS, supported by Government and industry people to compete in skill competitions. Last year a team of 26 competed in the International Youth Skill Olympics in Lyon i The team won an impressive haul of awards, including gold medals in information technology, plastering and cookery; the cc the highest mark awarded in any discipline.

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Modern Apprentice Anwara is working towards a NVQ Level 3 in Information Technology in Rochdale

"When I got my GCSE results I had to choose between staying to do A levels or finding training that suited me. Doing a Modern Apprenticeship looked like an ideal way to gain experience and getting a qualification at the same time. I'm convinced that I made the right choice."

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New Severn crossing, opening June 1996

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Variable compulsory speed limit trials on the M25

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Loading coal at NSM Mining's railfreight terminal.

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Road cones manufactured by Swintex of Bury now selling successfully in Germany.

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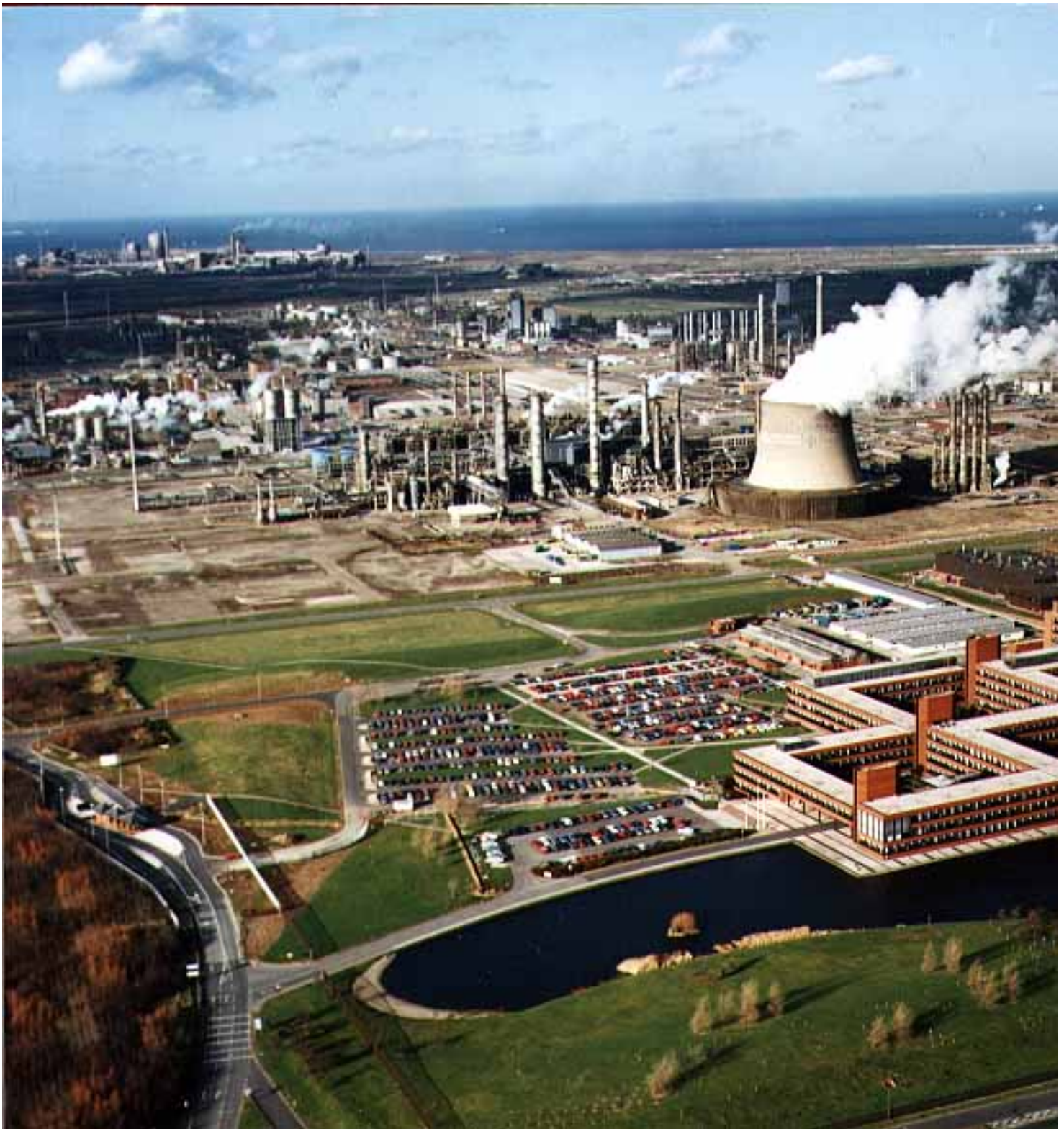
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A selection of the locally-sourced components which now make up 91 per cent of Hunt Europe's Image 400 Laminator.

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"The advice and support we got from DTI's Vehicles Division was invaluable. Their understanding of the industry and the problems we faced played a significant role in the success of the new company".

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Modern apprentices at work in Auto Windscreens' Training Centre at Chesterfield.

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