

UK TRADE &
INVESTMENT

DEPARTMENTAL
REPORT 2007

2007

This document is part of a series of Departmental Reports (Cm 7091 to Cm 7117) which, along with the Main Estimates 2007-08, the document Public Expenditure Statistical Analyses 2007 and the Supplementary Budgetary Information 2007-08, present the Government's expenditure plans for 2007-08 and comparative outturn data from prior years.



UK Trade & Investment

Departmental Report 2007

Presented to Parliament by the Minister for
Trade, Investment and Foreign Affairs
by Command of Her Majesty

May 2007

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Contents

Ministerial foreword	1
The UK Trade & Investment Executive Board	3
UK Trade & Investment structure	4
Chapter 1: Introduction	5
Chapter 2: Objective, Target and Performance	7
Chapter 3: Resources	13
Chapter 4: A new Strategy for UK Trade & Investment	15
Chapter 5: Trade and inward investment services and operations	25
Chapter 6: Better evaluation	31
Chapter 7: Improving the organisation	33
Chapter 8: Efficiencies	35
Chapter 9: Lessons learned	38
Annexes A – D	
A UK Trade & Investment's economic rationale	39
B Performance against corporate indicators	41
C Financial tables	43
D Private sector sponsorship	45

Ministerial foreword

This report sets out what UK Trade & Investment (UKTI) has achieved over the last year, and the facts and figures behind the progress it is making in delivering its Public Service Agreement. It also provides an update on its progress in implementing its new Strategy. The Strategy is designed to ensure that the organisation adds maximum value for the UK economy in response to the challenges and opportunities of globalisation. It focuses the organisation on leading and joining up the marketing of the UK as place in which and with which to do business; working in partnership with business, other Government departments and regional partners; and focusing efforts on the areas where it can make the most difference.

Future economic prosperity will only come from UK companies exploiting opportunities overseas and by attracting the best companies to invest and grow here. The 2006 Budget announcement set out the case for transforming the marketing of the UK economy and tasked UKTI with taking this forward. In March 2007 it launched 'A Springboard for Global Growth', a compelling message that captures the essence of the UK economy, its energy and dynamism as well as its ability to catalyse business prosperity. This is a message for the UK as a whole – for all those engaged in promoting the UK as an investment location and as a trading partner around the world.

UKTI continues to deliver services to its business customers that add value to their activities and contribute to the UK's productivity and competitiveness. More than 3,500 companies have now passed through the 'Passport to Export' programme, and another 4,500 are currently on the programme. Over the last year nearly 5,000 companies were provided with support in specific high-value sectors and UKTI's Enquiry Unit handled over 35,000 trade and inward investment related calls. Some 8,000 business customers registered on the UKTI website.

The latest independent evaluation of UKTI's services, though its Performance and Impact Monitoring Survey, reports that over 7,500 companies achieved measurable improvements in their performance as a result of UKTI support, generating around £2.5 billion of benefits as a result. A separate independent evaluation of four UKTI trade services published in March 2006 found that £65 million of UKTI spend generated benefits of some £1.1 billion, in other words £17 of benefits for each £1 of UKTI spend. And a more recent study of the services delivered by UKTI's International Trade Teams in the English regions estimates that these produced a benefit of £25 per £1 of UKTI spend.

The UK remains the number one inward investment destination in Europe, with almost one-fifth of the total accumulated stock of foreign direct investment, and globally is second only to the United States. Total inward investment successes reported to UKTI for 2005-06 totalled 1,220, up from 1,066 the previous year. These investments resulted in over 34,000 new jobs and safeguarded a further 55,000.

Ian McCartney
Minister for Trade, Investment and Foreign Affairs

UK Trade & Investment Executive Board

March 2007

Chair

Andrew Cahn
Chief Executive
UKTI

Executive Members

Susan Haird
Deputy Chief Executive
UKTI

Ian Fletcher
Managing Director
International Group

Dominic Jermey¹
Managing Director
Sectors Group

Danny Lopez²
Managing Director
Marketing Group

Brian Shaw³
Managing Director
Business Group

Ed Quilty⁴
Director Finance
Corporate Affairs Group

Independent Board Members

Peter Hill

Claire Ighodaro
Chair, UKTI Audit Committee

Bill McGinnis, CBE

Stella Pirie, OBE

Barry Stickings, CBE

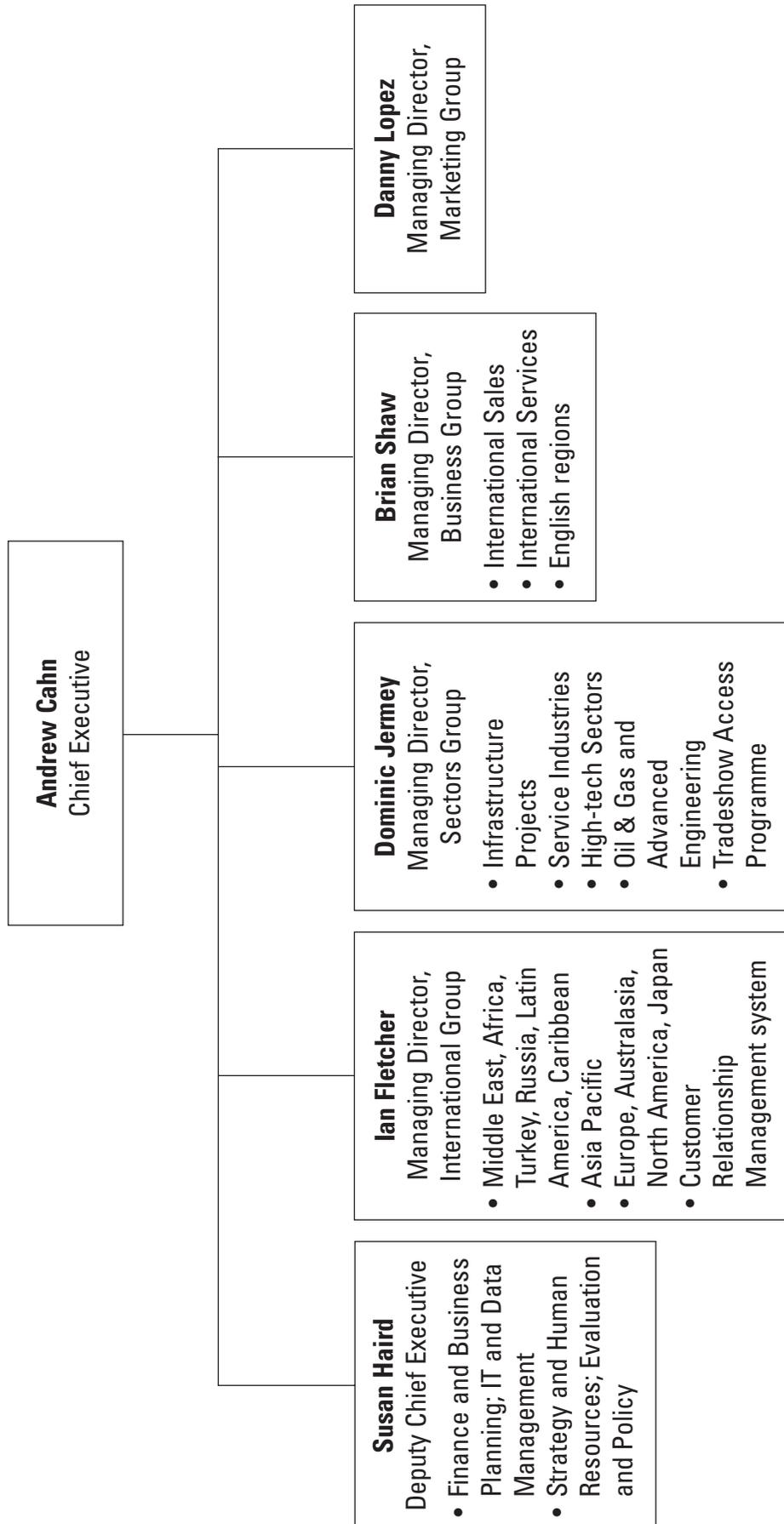
1 From February 2007; replaced Paul Madden (to December 2006).

2 From July 2006; Marketing Group formed July 2006.

3 From July 2006; replaced Steve O'Leary, Acting Group Director, Inward Investment Group which was restructured into Business Group from July 2006.

4 From November 2006.

UK Trade & Investment structure⁵



⁵ At March 2007. In April 2007 Ian Fletcher became Chief Executive at the UK Intellectual Property Office. Susan Haird assumed responsibility for International Group, in addition to Strategy and Human Resources, and a new Group headed by Ed Quilty, IT and Finance, was established.

Chapter 1: Introduction

UK Trade & Investment is the Government organisation that helps UK-based companies succeed in an increasingly global economy. Its range of expert services are tailored to the needs of individual businesses to maximise their international success. It provides companies with knowledge, advice and practical support.

UKTI also helps overseas companies bring high quality investment to the UK's vibrant economy – acknowledged as Europe's best place from which to succeed in global business. It provides support and advice to investors at all stages of their business decision-making.

UKTI offers expertise and contacts through a network of international specialists across the English regions and in British Embassies and other diplomatic Posts around the world.

1.1 UKTI has the lead role within Government for delivering trade development and inward investment services for business.⁶ It brings together the work of the Foreign & Commonwealth Office (FCO) and the Department of Trade and Industry (DTI) on international trade and investment. It works closely with the Regional Development Agencies (RDAs) in the English regions and with the trade promotion and inward investment organisations of the Devolved Administrations, and with the other Government departments and agencies and the numerous private sector bodies active in this field.

UK Trade & Investment's new Strategy

1.2 The 2006 Budget Statement announced a new five-year strategy to respond to the challenges and opportunities of globalisation. This included a step-change in the Government's drive to market internationally the strengths of the UK economy; particular focus on high growth countries of strategic importance to the UK, such as India and China; a focus on innovative and R&D intensive sectors; and through a new, Ministerially-led committee, more effective arrangements across departments for maximising the commercial value for companies of Ministers' visits overseas. UKTI was given responsibility for this new strategy, and published its plans for delivering it in *Prosperity in a Changing World*, in July 2006.^{7,8}

1.3 The UK is well placed to meet the challenges and opportunities of globalisation. It offers a solid framework within which companies prosper. It is politically and economically stable with a well-established legal framework and a flexible workforce; it is open to competition and trade; its economic strength is underpinned by large investments in public services and infrastructure; and its science base is world class. Marketing the UK economy internationally, and ensuring that the UK derives maximum economic benefit from these strengths, is vital to securing an effective UK response to globalisation.

1.4 The UKTI Strategy sets out a programme of change designed to ensure that the organisation can meet the evolving needs of its customers in the context of globalisation, and that it delivers maximum value for the UK economy. This report sets out how UKTI is transforming itself and how it is implementing this new Strategy.

6 UKTI was established in May 1999 as British Trade International, in response to the findings of: *The Review of Export Promotion: A Report by the Secretary of the Cabinet, February 1999* (the 'Wilson Report'), DTI/FCO, March 1999. It was renamed UK Trade & Investment in October 2003.

7 *Prosperity in a Changing World* is available at www.uktradeinvest.gov.uk

8 The evidence base for an enhanced role for UKTI, and for the business case for UKTI's new Strategy, is set out in DTI Economics Paper Number 18, *International Trade and Investment – the Economic Rationale for Government Support*, available on the DTI website at www.dti.gov.uk

Special representative: HRH The Duke of York

His Royal Highness The Duke of York has been Special Representative for International Trade and Investment since October 2001.

1.5 The Duke of York continues to make a significant contribution in this role, undertaking an extensive programme of targeted engagements both in the UK and overseas to promote the interest of UK industry and the UK as a whole. His Royal Highness works closely with UKTI and the Devolved Administrations in support of their overseas trade and inward investment objectives.

Details of The Duke of York's engagements are available at <http://www.thedukeofyork.org>.

Chapter 2: Public Service Agreement (PSA) objective, target and performance

Under its 2004 Spending Review (SR2004) settlement, UK Trade & Investment is committed to the following PSA objective:

“To enhance the competitiveness of companies in the UK through overseas trade and investments; and attract a continuing high level of quality foreign direct investment.”

This objective is underpinned by a PSA target, which for the SR2004 period (2005-06 to 2007-08) is:

“By 2008, deliver a measurable improvement in the business performance of UKTI’s international trade customers, with an emphasis on new-to-export firms; and maintain the UK as the prime location in the EU for foreign direct investment.”

2.1 Both the objective and its associated PSA target are shared with the FCO (PSA 6) and the DTI (PSA 8), with UKTI delivering the target on behalf of its parent departments.

2.2 UKTI’s performance in delivering its PSA target is measured against five PSA indicators. Three of these indicators cover trade development and two cover inward investment:

- At least a 30 percentage point increase by 2007-08 in the proportion of UK Trade & Investment trade development resources focused on new-to-export firms.
- At least 40 per cent of new-to-export firms assisted by UK Trade & Investment improve their business performance within two years.
- At least 50 per cent of established exporters assisted by UK Trade & Investment improve their business performance within two years.
- Improve the UK’s ranking within Europe in terms of the GDP-adjusted stock of EU foreign direct investment based on the UNCTAD World Investment Report.
- 374 (in 2005-06), 440 (in 2006-07) and 524 (in 2007-08) successful inward investment projects secured by UK Trade & Investment in each year of the Spending Review of which 75 per cent are knowledge driven.

2.3 This chapter sets out UKTI’s progress to date against these indicators.

Performance against trade development indicators

Indicator 1 ('shift in resources to support new-to-export firms' indicator):

'At least a 30-percentage point increase by 2007-08 in the proportion of UK Trade & Investment trade development resources focused on new-to-export firms.'

Assessment of progress: ON COURSE

2.4 This indicator is an input measure, requiring UKTI to shift its trade development resources towards support for new-to-export firms.

2.5 This shift of resources is against an overall reduction in the proportion of resources UKTI dedicates to trade development as, in line with the SR2004 settlement, resources are increased in support of inward investment.

Factors affecting performance

2.6 At the start of the SR2004 period, 31 per cent of UKTI's trade development resources were deployed on new-to-export firms. At July 2006, internal management accounts showed an increase of ten percentage points from this baseline over the first year of the SR2004 settlement. Thus, at the start of the second year of the settlement, April 2006, 41 per cent of total trade development resources were being deployed on new-to-export firms.

2.7 Because this indicator is an input measure, indicative budgets set in Q4 2005-06 for the remainder of the SR2004 period – 2006-07 and 2007-08 – were on track to deliver the required shift in resources by March 2008, according to internal management accounting data.

2.8 *Prosperity in a Changing World* charts a new direction for the organisation, one that requires significant organisational change and re-distribution of resources to deliver new priorities. It also confirms that new-to-export firms will continue to be an important client group for UKTI.

Indicator 2 ('new-to-export' indicator):

'At least 40 per cent of new-to-export firms assisted by UK Trade & Investment improve their business performance within two years.'

Assessment of progress: AHEAD

2003 Annual Result	2004 Annual Result	2005 Annual Result	Q3 2006-07* (cumulative)
35%	30%	31%	52%**

* For the SR2004 period, reports have switched to financial rather than calendar years. The position at Q3 2006-07 is a provisional average for performance from Q4 2005-06 to Q3 2006-07; revised data covering Q1-Q4 2006-07 will be available in June 2007. Future reporting will be based on a rolling annual average, based on performance reports for the most recent four quarters.

** Note that this is the 2006 Annual result.

2.9 This indicator covers firms that are seeking to enter overseas markets, who have little or no experience of doing business overseas. This is defined as firms having no more than 10 per cent of turnover resulting from proactive exporting activity, or a higher proportion (no more than 25 per cent) of turnover resulting from a combination of proactive and reactive export activity, within the previous 12 months.

2.10 The proportion of new-to-export firms reporting that their business performance had improved as a result of assistance from UKTI increased from an annual result of 31 percent for 2005 to a provisional 52 per cent for 2006 (Q4 2005-06 to Q3 2006-07). This coincided with the introduction of a new approach to evaluating the impact of UKTI's services, the Performance and Impact Monitoring Survey ('PIMS') from Q4 2005-06. The change to PIMS does not appear to have affected the 'new-to-market' indicator (see below). One possible interpretation is that responses from less experienced exporters may be more sensitive to interview timing; this will be confirmed through follow-up interviews. (For more details see 'Quality of data systems used', below.)

Indicator 3 ('new-to-market' indicator):

'At least 50 per cent of established exporters assisted by UK Trade & Investment improve their business performance within two years.'

Assessment of progress: AHEAD

2003 Annual Result	2004 Annual Result	2005 Annual Result	Q3 2006-07* (cumulative)
43%	43%	54%	51%**

* For the SR2004 period, reports have switched to financial rather than calendar years. The position at Q3 2006-07 is a provisional average for performance from Q4 2005-06 to Q3 2006-07; revised data covering Q1-Q4 2006-07 will be available in June 2007. Future reporting will be based on a rolling annual average, based on performance reports for the most recent four quarters.

** Note that this is the 2006 Annual result.

2.11 This indicator covers firms that already have experience of doing business overseas and are seeking to enter new markets. For these firms, the barriers to expanding their operations into new markets, especially emerging high growth markets such as India and China, can sometimes be as significant as those facing firms which are seeking to do business overseas for the first time.

Factors affecting performance

2.12 Respondents to the monitoring surveys that provide data for both the 'new-to-export' and 'new-to-market' indicators cite the decline of the dollar against sterling as impacting on the competitiveness of UK-based firms attempting to do business in markets where they are competing against US-based firms. This loss of competitiveness of UK firms in international markets could impact on their business performance and hence undermine achievement of this target.

Quality of data systems used

'Shift in resources to support new-to-export firms' indicator

2.13 The shift in trade development resources dedicated to new-to-export firms is tracked by monitoring the resource budgets that support UKTI's trade development work.

'New to export' and 'New to market' indicators

2.14 Data for the 'new-to-export' and 'new-to-market' indicators are collected through a quarterly performance measurement survey and analysis carried out by external consultants, of a sample of companies that have used UKTI services.

2.15 For the three years ending 31 December 2005 the consultants were the Reading Business Group, Reading University, and the survey covered around 800 firms each year. From 1 January 2006, the introduction of a new extended performance measurement survey, the Performance and Impact Monitoring Survey ('PIMS' – developed in collaboration with OMB Research, who now carry out the survey on behalf of UKTI), substantially increased the survey sample size to a minimum of 2,500 firms per year.

2.16 PIMS carries out interviews with companies at two, or in some cases three, stages after receipt of support, in order to allow outcomes to be tracked over time. The results presented in this report are from the first wave of interviews only, which means that they are provisional. They may be revised when results from second and third wave interviews are available; these results are expected, for the period being reported here, in June 2007.

The Performance and Impact Monitoring Survey, PIMS

PIMS is a central monitoring survey of users of UKTI's business services. It measures the performance and impact of UKTI support.

PIMS covers all significant customer-facing trade services and provides evidence about service quality and about what difference UKTI makes to businesses. It uses a range of measures, including information on the overall performance of UKTI against its 'new-to-export' and 'new-to-market' PSA indicators.

The percentage figures in these indicators reflect those firms reporting that they have achieved sustainable (i.e. longer-term) improvements in productivity and profitability, after they have secured additional export business as a result of support from UKTI. Measures of a range of other business activities that are covered by PIMS have improved UKTI's measurement of other aspects of its impact on business capabilities.

PIMS quarterly surveys are based on telephone interviews with a sample of users of UKTI's principal services. The interviews are carried out in two or three waves, depending on the nature of the support given.

The first wave provides an initial assessment of the difference that UKTI's support has made, taking into account changes the business may have made to its products, practices or marketing strategies, or impact on other business decisions. These interviews are carried out three to six months after support has been provided.

Subsequent waves of interviews are designed to assess the longer-term impact of UKTI services. These second- and third-wave interviews are carried out 12 months and 18-24 months later respectively. The third wave will only be carried out where impact from support is expected to materialise over a longer period, for example as the result of capacity building in new-to-export companies.

The surveys concentrate on gathering information on business performance and processes; how these have changed over the period since service delivery; and the factors which lie behind the reported changes, such as improved knowledge and capabilities, or help with overcoming other barriers to overseas market entry. The emphasis is on factors affecting business competitiveness, and the measurement methodology aims to capture sustainable rather than unsustainable increases.

Other issues covered by the survey questions include:

- New business, both in the target market as well as any new sales in any other market, and any (positive or negative) effects on domestic sales.
- Impact on skills and on business behaviour, including improvements in products, processes or strategies, and impact on investment in research and new product development.
- Quality, relevance, and usefulness of information, advice, or contacts provided by UKTI.
- The extent to which similar benefits could have been achieved through other means, including the availability of any private sector sources of advice or information.
- Business profile characteristics, and strategic motives for exporting.

Data gathered on business profile characteristics and strategic motives for exporting are used in analysis of the survey results, to help identify characteristics of businesses most likely to benefit from UKTI support. The questions also contain crosschecks, including data about actual performance, enabling the consultant carrying out the interview to identify inconsistent responses. The follow-up interviews provide a further opportunity for crosschecks with firms' initial responses.

The results indicate how UKTI's assistance has improved firms' performance, especially productivity and profitability, and enable a judgement to be made as to whether UKTI has met the 'new-to-export' and 'new-to-market' indicators. Results from the initial wave of interviews also provide UKTI managers with early indications of how well different services are performing, so that any necessary adjustments can be made to drive up service quality.

Performance against inward investment indicators

Indicator 4:

'Improve the UK's ranking within Europe in terms of the GDP-adjusted stock of EU foreign direct investment based on the UNCTAD World Investment Report.'

Assessment of progress: ON COURSE

2.17 The most recent annual UNCTAD World Investment Report, published in October 2006, reported that the UK's GDP-adjusted ranking within Europe had increased from a revised ranking of 15th in 2004 to a provisional ranking of 10th in 2005 (these rankings may be subject to further revision).⁹

2.18 The UNCTAD Report confirmed that the UK remained the number one inward investment destination in Europe in 2005.

Indicator 5:

'374 (in 2005-06), 440 (in 2006-07) and 524 (in 2007-08) successful inward investment projects secured by UK Trade & Investment in each year of the Spending Review of which 75 per cent are knowledge driven.'¹⁰

Assessment of progress: ON COURSE

2.19 438 successes (figure revised since publication of UKTI's Inward Investment Annual Review in July 2006) were achieved in 2005-06; of these, 73 per cent were knowledge driven.

2.20 At end-March 2007, 486 successes have been reported as achieved in 2006-07 of which 77 per cent were knowledge driven.

2.21 Cumulative achievement against the PSA indicator to date (April 2005-March 2007) is 924 successes recorded/reported, 110 ahead of target, of which 75 per cent were knowledge driven.

These figures and percentages are provisional and remain to be verified.

2.22 In line with UKTI's new Strategy, from April 2007 inward investment teams overseas will adopt a new approach to securing inward investment that concentrates on high-value added projects and on where UKTI interventions can add most value to the economy.

Factors affecting performance

2.23 Macroeconomic policy and the performance of the UK economy are critical to inward investment success and hence to the achievement of these targets. These include factors such as economic growth and inflation; the tax and regulatory environment; competition policy; trade policy; infrastructure; skills and labour force. Transaction and business costs and the presence of well-developed business networks and clusters are also critical.

Quality of data systems used

2.24 Data on the UK's ranking within Europe is taken from the 2006 UNCTAD World Investment Report and online FDI database.

9 UNCTAD data is revised year-on-year. The rankings of the EU countries exclude Belgium and Luxembourg as no figures were published for these countries in the 2004 UNCTAD report – this does not directly affect performance against the PSA indicator.

10 First time direct investment or expansion by a foreign owned firm; or joint ventures and acquisitions where a foreign owned company has more than a 50 per cent stake.

2.25 Data on successful inward investment projects secured is based on an electronic project tracking system. This uses definitions of success agreed by the Committee on Overseas Promotion (COP), a joint UKTI / Regional Development Agency/Devolved Administration committee.

New high level targets

2.26 In addition to continuing to deliver on its existing Public Service Agreement indicators for the rest of the SR2004 period, UKTI is developing – in conjunction with HM Treasury – new high-level targets that show what successful implementation of its new Strategy will look like. These new targets will be independently monitored and published twice a year. They will also feed into the development of UKTI's new Public Service Agreement during the Comprehensive Spending Review in 2007. The targets will cover the following areas of activity:

- High value Foreign Direct Investment.
- R&D intensive overseas-owned companies and innovative UK firms.
- Performance of UK business as a result of overseas activity.
- The UK's reputation as the international business partner of choice.

2.27 New corporate targets are also being developed, covering professionalism (incorporating customer ratings of service quality and satisfaction); increases in revenue from charging for services; and client records (to ensure optimum operation of UKTI's Customer Relationship Management system).

Chapter 3: Resources

UK Trade & Investment is not an employer in its own right. For the majority of its civil service manpower requirements it draws on staff employed by one or other of its two parent departments. In the UK most of its staff are drawn from the DTI while overseas most of its staff are from the FCO. UKTI also draws on its parent departments for some business support functions including aspects of finance, HR and IT support systems.

Funding

3.1 UKTI has three funding streams. At the start of the 2004 Spending Review (SR2004) period in 2005-06 they were:

- Programme: £100.5 million, reducing by £11 million over the SR2004 period (to 2007-08) as part of UKTI's SR2004 settlement. These funds are voted directly by Parliament. UKTI's Chief Executive is the Accounting Officer for this funding stream.
- FCO Admin: In the region of £144 million in 2004-05, reducing by £20 million over the SR2004 period. The FCO's Accounting Officer is accountable and responsible for deployment of these resources, except for an allocated headquarters budget worth some £8 million in 2004-05, over which UKTI has direct control.
- DTI Admin: £36.7 million in 2004-05, reducing by £4 million over the SR2004 period. The DTI's Accounting Officer is accountable for these resources, but they are ring-fenced and within UKTI's control.

3.2 Progress in delivering the savings required under UKTI's SR2004 settlement as efficiencies is outlined later in this report. The reductions in admin spending have been delivered primarily by significant reductions in staffing levels.

3.3 UKTI's SR2004 settlement required a shift in resources from supporting trade development to inward investment, to a 67:33 split by the end of 2007-08. At the beginning of 2006-07 around 30 per cent of UKTI resources were allocated to inward investment. With the launch of *Prosperity in a Changing World* it was agreed that the remainder of the resources due to be shifted to inward investment activities would be dedicated instead to a new R&D programme to target innovative, R&D intensive companies both for inward investment and as potential high-value exporters.

Staffing

3.4 UKTI's SR2004 settlement required it to reduce by 200 the number of posts in its offices in London, Glasgow, Cambridge and Birmingham. This was achieved in December 2006.

3.5 The implementation of UKTI's new Strategy requires a further net reduction of some 100 posts. This includes the creation of some new posts in order to bring in new staff with the professional skills needed to drive forward the Strategy. This will result in significantly more of UKTI's resources being targeted at the front line – in direct contact with business customers in the UK and overseas – to listen to and work with client companies.

3.6 As a result of these changes, at January 2007 some 2,225 people¹¹ were working for UKTI. Of these, around 1,300 – mainly FCO – staff were working in diplomatic Posts in just over 100 countries that are the highest priority in terms of the UK's economic interests. A further 900 were working in the UK. Of these, just under 500 people, mostly DTI staff, were in London and Glasgow. These include operational, customer-facing staff as well as those in corporate support functions. Just over 400 people were based in International Trade Teams in the English regions. These are mainly International Trade Advisers, either Government Office staff or people with business experience who are under contract to deliver UKTI services.

¹¹ Expressed in terms of full-time equivalents.

3.7 As of March 2007, some 90 per cent of UKTI's staff are in the front line overseas, in the English regions, or in customer-facing service delivery in headquarters. Posts in headquarters offices in London and Glasgow have reduced by some 40 per cent since March 2004.

Consultancy spend

3.8 The outturn for UKTI's Programme Budget spend on consultancy support in 2006-07 is expected to be around £5.8 million. This includes payments to contractors for third party delivery of UKTI services, and technical and economic consultancy support.

Chapter 4: A new Strategy for UK Trade & Investment

Prosperity in a Changing World gives UK Trade & Investment an enhanced role across both trade development and inward investment, for leading and joining up active marketing of the UK economy internationally as a place to do business in and with. It commits the organisation to working in partnership across Government and with business to deliver maximum value; and focuses UKTI resources on the customers and markets with the greatest potential, and where its services add the most value.

4.1 *Prosperity in a Changing World* explains the rationale for UKTI's new Strategy and what it aims to achieve, and sets the course for UKTI for the next five years. It gives outline details of the workstreams that are being taken forward to deliver the new Strategy (these are set out in full at Annex D).

“The overhaul of UK Trade & Investment and, in particular, the increased focus on China and India, is absolutely right. UK companies need support as they seek to establish themselves and succeed in fiercely competitive markets overseas.” – Confederation of British Industry¹²

Marketing the UK economy internationally

4.2 Marketing the UK's business strengths as a world-class source of products and services, partnership and business location is central to UKTI's new Strategy.

4.3 A high level proposition to market the UK economy internationally was given strong backing and support at the first cross-Government group on marketing in December 2006. In March 2007 UKTI launched a new compelling message, promoting the UK as a “Springboard for Global Growth”. It draws on the UK's many strengths to develop an overarching message that will support the UK in competing effectively in the global marketplace, bringing together a unique combination of success, ambition, confidence, creativity and potential.

4.4 For inward investors this compelling message positions the UK as an investment multiplier, truly globalising companies and upgrading the value of their investment. For UK internationalising companies, it means the UK economy provides them with a successful launch onto the global stage, helping them become partners of choice around the world.

4.5 The new compelling message has received strong backing from the business community and is now being brought to life with marketing material that is bold and confident and captures the essence of the UK economy's offering. The accompanying hooks of *Hit the world running* and *Fast track to the world* are the first to be used to reflect the energy and dynamism of the UK economy, as well as its ability to become the catalyst that helps business prosper.

4.6 This message is not a UKTI message – it is for the UK as a whole, for all those engaged in promoting the UK as an investment location and a trading partner around the world. UKTI staff will promote this compelling message both in the UK and overseas, to our key stakeholders and service delivery partners as much as to business customers overseas and at home.

¹² 'Initial CBI analysis of the Spring 2006 Budget', Confederation of British Industry, 22 March 2006.

Marketing the City of London and UK financial services sector

Financial and related business services across the UK represent over 12 per cent of GDP. As financial markets become increasingly international there is increased competition from other financial centres. Following the 2006 Budget Statement, UKTI was charged (in consultation and partnership with the City) with the development, co-ordination and executive delivery of a new strategy for promoting the City of London and the UK's financial services sector, in order to give the highest profile to all of the resources and expertise that the UK can offer this sector in a global economy.

Progress has been achieved against all commitments made in the City Strategy, resulting in a step change in the UK's approach towards the promotion of the City of London overseas, especially into the high growth markets of China, India, Russia and the Gulf.

In support of the Government's initiative, leading London markets and financial sector bodies, including from the Devolved Administrations and English regions, participated in the setting up of a Financial Services Sector Advisory Board. This Board provides strategic advice to the Government and to the Chancellor's High Level Group of City practitioners, also announced in the March 2006 budget, on how best to take forward the Strategy.

Recent efforts and high profile visits, such as that by the Chancellor and Secretary of State for Trade and Industry to India in February 2007 where several commitments to financial services liberalisation were obtained, have demonstrated the value of this joined-up approach. They have also shown the value of associating market access discussions with broad and in-depth advice from the City in areas of interest to key target countries such as China and India. This in turn helps to reinforce the positioning of the UK as 'the platform for global growth' and the 'fast track to the world', for people and organisations around the world.

Working in partnership across Government and with business

4.7 To maximise impact in marketing the UK business environment, UKTI will continue to work in partnership with the nine English Regional Development Agencies (RDAs), the Devolved Administrations in Northern Ireland, Scotland and Wales, and other Government departments, as well as other national bodies including Visit Britain and the British Council, and trade associations and other business organisations. This co-ordinated approach will enable UKTI to leverage the total public funding associated with trade and investment, to increase the impact of its activity and deliver better value to the taxpayer. Examples of Strategy activities here include:

- Agreement across Whitehall to share information about overseas visits by Ministers and senior level inward visits so that these can be targeted more effectively in helping companies internationalise.
- Reviews of trade services delivery in the English regions, and of the overseas presence of the Devolved Administrations and the RDAs.

Sector marketing strategies

Through 2007, in-depth marketing strategies for specific sectors will be developed, following extensive consultation with business and private sector partners. These strategies will be supported by high quality promotional material, to target high value business sectors and individual companies with core messages about relevant UK strengths, and assist UK companies in selling themselves overseas. These sectors are:

- Creative industries.
- Life sciences.
- Information and communication technologies.
- Energy technologies.

As the Strategy moves forward we envisage that similar marketing strategies will be developed for other sectors where a co-ordinated approach to marketing the sector can add particular value.

Focusing on where we can make the most difference

High growth markets

4.8 Building strong trade and investment links with high growth markets is strategically important to the UK's future economic wellbeing. India and China are already in the top ten largest economies in the world, and are forecast to increase their shares of global output over the next ten years. These and other high growth markets present significant opportunities for UK business. There is also good economic evidence that firms secure most value if they enter high growth markets at an early stage.¹³

The Indo-British Partnership Network

The Indo-British Partnership Network (IBPN), for which UKTI has committed to provide financial support, has three main objectives: to provide a business-to-business networking forum open to all British and Indian companies, with the aim of increasing bilateral trade; to contribute to meeting the objectives of the Joint Economic Trade Committee (JETCO) arrangements between the UK and India; and to inform the Government of private sector views on Indo-British trade and investment issues, particularly perceived barriers to trade.

The China Britain Business Council

UKTI is increasing its financial support to the China Britain Business Council (CBBC). This will allow CBBC to extend its footprint in China and provide more high quality on-the-ground advice to UK business seeking to enter the market. This increased funding will allow UKTI staff to focus more of their time on marketing the UK's strengths in China; increase their engagement with the Chinese government to improve the business environment for UK companies; assist companies already established in the market to fulfil their objectives; and attract knowledge-intensive businesses to the UK.

4.9 UKTI has identified a priority list of 16 high growth markets, based on an assessment of the relative importance of different markets for UK business and the value of committing further resources in these markets. They are Brazil, China, India, Indonesia, Malaysia, Mexico, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Thailand, Turkey, United Arab Emirates and Vietnam. More than £5 million of UKTI's resources in its overseas network is being moved to these markets from more mature markets which remain vital to the UK, but where barriers to doing business are lower. The increased focus on high growth markets aims to deepen the UK's trade and economic relationships with these countries, to ensure that UK companies are best placed to make the most of the business opportunities on offer.

13 Kneller, R. (2004), *Participation in export markets and productivity in UK manufacturing*, Final Report for UKTI.

4.10 A key feature of UKTI's new Strategy is differentiation: the services for companies in China or India will be different from those in France or the United States. In high growth markets UKTI offers more support in dealing with other governments and overcoming barriers to trade, both formal and informal. In more developed markets it focuses relatively more effort in helping UK-based companies access key local contacts and sources of information, and identifying inward investment projects. For example, UKTI resources in the United States are now focused more on those States which offer real export or inward investment opportunities for the UK. This means that although there have been reductions in some parts of the US network, UKTI has strengthened its teams in others, such as Florida and California, in order to reflect their importance for British business.

High growth markets pilot project

This activity, a new initiative announced in the Strategy, aims to target companies that have the potential to succeed in doing business in high growth markets such as India, China, Brazil, Indonesia and Russia. These companies will have export experience already, but not in these markets; and their products and services will be marketable in them. A team of high growth market business advisers is being contracted through Pera Group to manage relations with these companies; making the initial offer, advising and signposting, and referring to UKTI and other services appropriate to them.

Greater focus on high value and innovative sectors

4.11 The evidence set out in the Economics Paper¹⁴ published alongside UKTI's new Strategy suggests that returns to the taxpayer from its support are likely to be higher for innovative than non-innovative companies, for two reasons:

- Successful internationalisation by innovative companies contributes to UK productivity and prosperity. The evidence shows that there are strong links between companies' innovation performance and overseas activity.
- Success in selling overseas increases investment in innovation, and can enable innovative businesses to meet growth objectives that would not be possible in the UK market alone. There is evidence that innovative UK companies tend to derive greater benefit from UKTI support across a range of measures, and that benefits to the UK from inward investment projects are greater when the project involves more R&D or other innovation activity.

¹⁴ DTI Economics Paper Number 18, *International Trade and Investment – the Economic Rationale for Government Support*, *op cit*.

Implementing an international R&D strategy

4.12 UKTI is putting greater focus on overseas-owned R&D intensive companies, innovative inward investors and foreign entrepreneurs with innovative technology. A new core of R&D specialists will work with R&D intensive overseas-owned companies to establish opportunities for doing R&D – or doing more R&D – in the UK. These specialists will then work with appropriate partners, including staff from UKTI and DTI, companies, universities and other researchers, to find the best solutions. They will also work in support of R&D intensive UK companies to help them grow their international business.

The R&D Programme

The R&D Programme was announced as part of UKTI's new Strategy. The need for the Programme was based on evidence that overseas companies view the UK positively as an R&D centre, but do not have sufficient detail of the available opportunities, or on how to enter the market.¹⁵ UKTI will work alongside companies and put together tailored propositions that will help them link to the best sources of UK R&D expertise. Private sector R&D specialists have been contracted through Pera Group, to identify where the cutting edge business research relevant to the targeted company is being done.

In addition, a proportion of the time of UKTI's International Trade Advisers in the English regions will be devoted to selecting and working with innovative UK-based companies where trade development interventions will help boost R&D output. This could, for instance, involve helping a company to understand what adaptations it has to make to a product to suit a new overseas market.

Pilot projects are currently running on both inward investment and trade development aspects of the R&D Programme. UKTI is targeting a rolling list of around 40 R&D intense companies, to encourage them to do R&D or do more R&D in the UK, through inward investment, partnership (with UK based companies or research institutions), supply chain relationships or contract research with UK universities or companies.

Global Partnerships Programme

The Global Partnerships Programme is an existing UKTI inward investment programme which has become part of the R&D Programme. It is open to innovative and technology-led companies from overseas that are willing to share new technology in order to build a business with a UK partner. During 2005-06 UKTI was involved in setting up 12 new partnerships notably in ICT & electronics, life sciences, and energy and environmental technologies.

Organisational change in UKTI

4.13 The 2006 Budget announcement also tasked UKTI with undertaking a programme of organisational change. The aim of this is to transform the way UKTI provides services to its customers, placing greater emphasis on marketing. This has involved:

- Making significant internal changes to deliver the new Strategy.
- Restructuring around key client groups.
- Focusing resources on the front line and in high growth markets.
- Operating with fewer, higher skilled staff.
- Becoming more entrepreneurial in the way UKTI works with its client companies.

¹⁵ DTI Evaluation Report Series No. 9, *2004-2005 Study of the Relative Economic Benefits of UK Trade & Investment Support for Trade & Investment*, Chapter 5, Appendix A.

4.14 To do this, UKTI is:

- Bringing in staff with specific private sector expertise or other knowledge and skills required by the Strategy. This has included the appointment of a Managing Director of Business Group and a Managing Director of Marketing, both with extensive private sector expertise. Pera Group has been contracted to deliver UKTI's new R&D and high growth market activities, using private sector specialists.
- Cutting staff working on "back office" type support activities. The new grade mix means a higher proportion of more senior staff, bringing greater credibility with business.
- Developing existing staff through a programme of training designed to meet the organisation's requirements, identified through a skills audit in spring 2007.
- Introducing new high-level targets and increased focus on rigorous performance management.
- Conducting robust measurement of all high-level targets through surveys carried out by independent researchers.

UKTI's new structure

4.15 Over the summer of 2006, UKTI created a new organisational structure that reflects the Strategy's priorities. Five Groups, each led by a member of UKTI's Executive Team and of its Executive Board, were set up:

- Business Group
- Sectors Group
- International Group
- Marketing Group
- Corporate Affairs Group

4.15 The rest of this chapter sets out some of the activities undertaken by these Groups in support of *Prosperity in a Changing World*.

Business Group

4.17 Business Group promotes the benefits of investing in, doing business with, and growing business globally from the UK in ways that benefit the UK economy. The Group's key roles include developing and nurturing relationships with individual companies, ensuring that they know how UKTI can support them. The Group also manages the network of International Trade Advisers in the English regions.

Delivering trade services in the English regions

Companies in the English regions, especially small and medium-sized enterprises (SMEs), have benefited from the strengthening in recent years of UKTI's network of locally-based International Trade Advisers. Their role is to work closely with business clients to identify their needs, and consider how trading internationally could help grow their business. The International Trade Advisers co-ordinate customers' access to UKTI services and support from UKTI's network overseas, and put them in touch with advice available from other deliverers of services from which the company may benefit. UKTI's success in the regions is enhanced by its close working relationships with a wide range of partners and stakeholders, including the Regional Development Agencies (RDAs), Chambers of Commerce, Business Link, academia, the financial services sector and others.

RDAs have the lead responsibility for economic growth in their regions. UKTI operates as the international trade arm of the RDAs, with regional delivery plans jointly agreed between them under the "Dual Key" relationship that was agreed between the RDA Chairs and Ministers in 2004. This close relationship with RDAs enables UKTI's services at regional level to reflect regional needs and priorities fully, and ensure that use of regional resources devoted to international trade is maximised and duplication avoided. At the same time the regions have benefited from UKTI's regionally-based teams being part of a global organisation, that gives companies access through their local International Trade Advisers to UKTI's network of staff based in UK diplomatic Posts around the world.

This year UKTI's regional network has continued to evolve against a backdrop of wider changes to the business support network that have taken place since the RDAs took over responsibility for, and funding of, the Business Link network in 2005. From 1 April 2007, most regions will have a single trade delivery team covering the whole of a region.

Prosperity in a Changing World announced a review of UKTI's international trade operation in the English regions. This review is being conducted in parallel with one, also announced in the Strategy, of the RDAs' and Devolved Administrations' overseas presence. Both are due to report in September 2007.

Sectors Group

4.18 Sectors Group supports UK companies across a broad range of sectors, to identify and access opportunities and ultimately win business in key markets overseas.

Sector support

UKTI focuses on the sectors and sub-sectors where it can add the most value, by providing strategic support between significant numbers of companies in key sectors. Sector Teams help groupings of companies to identify opportunities, and win business, in key markets overseas through inward and outward missions, seminars and exhibitions. They also produce and disseminate information about UK capabilities and overseas opportunities.

The selection of sectors for UKTI support takes account of the needs of the sector and the extent to which additional support is available from the regions and elsewhere. Following the merger of a small number of Sector Teams there are now 13 full headquarters Teams, based in London and Glasgow. Five of these – Financial Services, Information and Communication Technologies, Life Sciences, Creative Industries and Energy Technologies – have been selected for a more strategic marketing approach. In each of these, the Sector Team works with colleagues from UKTI's Business Group and Marketing Group to deliver a joined-up approach to the opportunities presented by globalisation, covering trade development, inward investment, joint ventures and strategic alliances.

In a further seven sectors, UKTI's International Trade Teams take the role of national focal point.

Each sector has a guiding plan agreed with its Sector Advisory Group, which determines agreed activities with Posts, Accredited Trade Organisations, the English regions and other third party delivery organisations. These Advisory Groups are made up of individuals with relevant business experience and are a good example of UKTI's partnership approach to working with business.

During 2006-07 UKTI's Sector Teams helped some 8,565 company interventions. The principal activities were:

- Providing political support in challenging markets.
- Helping to co-ordinate activities across a wide range of players at the regional and national level.
- Helping to introduce UK SMEs (small and medium sized enterprises) into the supply chains of overseas customers through group activities.
- Identifying business opportunities in specific sectors in overseas markets.
- Showcasing UK sector capabilities.
- Introducing UK companies into overseas markets.
- Introducing potential overseas customers to UK suppliers.
- Government-to-government sectoral co-operation.

International Group

4.19 International Group manages UKTI's extensive network of overseas advisers and leads on the development of new areas of work related to globalisation.

Market Directorates

In response to the UKTI Strategy, geographic Market Directorates have been restructured to achieve UKTI objectives related to:

- Policy on emerging markets, and the development of new areas of work related to globalisation.
- Management of the overseas network, including both resource management and the implementation and delivery of a new performance management framework, which is consistent with UKTI's PIMS monitoring survey.
- Supporting customers wishing to trade in developed markets by providing relevant country knowledge, support and advice.

In addition to a Developed Markets Directorate, the structure now includes two **Emerging Market Directorates**. The latter cover China, India and the other 14 high growth markets identified in the UKTI strategy. Their role is:

- To develop and support country-specific policy and Ministerial involvement in relation to China, India and Brazil, where JETCO (Joint Economic Trade Committee) arrangements are in place.
- To work with other parts of UKTI's network to provide support to UK companies and ensure they are aware of business opportunities in these markets and are properly equipped to tackle them.
- To manage UKTI resources in these markets, including management of the China British Business Council, a third party delivery organisation part-funded by UKTI, and the Indo-British Partnership Network, which also receives part-funding from UKTI.

The **Emerging Markets and Policy Team**, which is embedded in the Emerging Markets Directorates, is responsible for:

- The existing work of the Chancellor's Asia Task Force.
- The development of new work strands announced in the UKTI Strategy on research, and on setting up a pilot project to make economic reporting available to business.
- Establishing a senior Whitehall officials' group to ensure that UKTI's growing understanding of the impact of the changing global economy is embedded in policy making.

This Team also arranges business briefings and is responsible for ensuring that the experiences of companies in a globalising world are systematically collected and used to influence policy in the UK and beyond. This is achieved both through gathering views of business and through a research programme into issues in high growth markets facing UK-based companies. It also takes into account feedback from inward investors – actual and prospective – to the UK from these markets.

The **Developed Markets Directorate** is responsible for country knowledge, advice and support in developed markets and for:

- Network management for Europe, North America, Japan, the Caribbean and Australasia.
- Ministerial support in relation to these markets.
- Co-ordination of UKTI's overseas network resource issues across all three Market Directorates.
- Co-ordination across Whitehall of business support aspects of overseas visits by Ministers and other senior UK representatives.

Marketing Group

4.20 Marketing Group takes the lead role in ensuring that UKTI's efforts to promote the UK economy are world class. It leads marketing strategy implementation across the organisation and amongst partner organisations that market the UK overseas.

Corporate Affairs Group

4.21 Corporate Affairs has overall responsibility for strategy, business planning, performance management and evaluation, and corporate functions such as financial management and human resources.

4.22 A further change from April 2007 will see Corporate Affairs' responsibilities split, with a Strategy and Human Resources Group continuing to report to the Deputy Chief Executive, and an Information Technology and Finance Group reporting to UKTI's Director of Finance.

UKTI headquarters operations

UKTI has two headquarters locations, in London (Kingsgate House) and Glasgow (Tay House).

A high proportion of those working in Kingsgate and Tay Houses are front-line staff who have direct relationships with UKTI's clients and their representatives. They, along with teams in the English regions and commercial teams overseas, form UKTI's client-facing operations.

These front-line headquarters staff deliver those aspects of UKTI's services where it makes sense to operate out of a central location. This includes client relationship management of London-based companies and those with a national presence, and management of various programmes (such as the Tradeshow Access Programme, which is managed by the Glasgow office) and other corporate products.

Chapter 5: UK Trade & Investment services and operations

UK Trade & Investment, with its teams of expert advisers located in the UK and around the globe, can help UK and overseas companies fulfil their international ambitions. UKTI aims to provide solutions to companies that are seeking to internationalise their business activities, whether that means investing in the UK or doing business overseas from the UK.

5.1 UKTI's English regional and overseas networks offer services to all eligible companies seeking help in overseas markets where there is a UKTI presence. UKTI also targets the following groups of companies, which were identified in *Prosperity in a Changing World* as priorities for UKTI support:

- Overseas-owned research and development companies.
- UK-based companies where trade development work will help boost their R&D output.
- Innovative inward investors.
- Companies that UKTI can help do business in selected high growth markets.
- Small and medium-sized enterprises which need help with capacity building, to enable them to internationalise.
- FTSE 100 companies.
- Overseas-based entrepreneurs with innovative technology.

5.2 A substantial proportion of UKTI's resource goes into relationship management of targeted companies in the various areas listed above. The objective is to produce account plans for each of these companies, summarising UKTI's approach to working with them and what it is that UKTI can offer. UKTI will also learn from this process, in terms of broadening its knowledge of global business and trading conditions and practices.

FTSE 100 companies

Many of the UK's biggest companies have very significant investments overseas. Senior staff from UKTI will manage relationships directly with these companies. We will want to know about the obstacles they face in international trade, and we will follow up on company concerns and opportunities, such as market access issues and their strategic plans for internationalisation. UKTI also provides in-country support for established overseas investors, through Embassies and other diplomatic Posts.

5.3 Companies need different types of support when they are doing business in high growth markets, compared to the UK's more established trading partners in Europe, North America and the Far East. They need different levels of support when they are first starting out in international business – investing in the UK or doing business overseas – than when they are experienced in the international marketplace. UKTI provides a suite of services that can be tailored to the needs of individual companies. These services and how they are delivered are set out in more detail in this chapter.

Investors to the UK

5.4 UKTI is the UK's national inward investment promotion agency. It leads the UK inward investment network – the Regional Development Agencies (RDAs) and the Devolved Administrations – in helping firms, from hi-tech start-ups to global industry leaders, to locate in the UK. It develops co-operation between the principal bodies engaged in inward investment promotion through chairmanship of the Committee on Overseas Promotion. It also carries out research on both the hard and soft factors that influence location decisions.

5.5 UKTI can advise on the UK as a potential business location from the inception of the decision making process through to detailed exploration of location options. Targeted companies receive a range of support including, where appropriate, a client account manager. Client account managers can also help existing investors develop their business, through appropriate use of trade services including sales leads and market research.

Table 1: Inward Investment cases and effect on jobs¹⁶

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
(i) UKTI						
Number of active cases	1,228	1,103	1,147	1,464	1,761	2,103
Number of inward investment decisions in which UKTI was significantly involved	243	160	149	213	392	458
Number of new jobs created	15,857	4,296	5,468	5,603	10,629	12,570
Number of jobs safeguarded	6,624	1,144	3,048	1,728	5,369	5,953
(ii) National figures						
Number of inward investment decisions	888	844	717	818	1,078	1,229
Number of new jobs created	71,168	35,371	34,624	25,708	39,338	34,127
Number of jobs safeguarded	52,359	23,961	20,265	34,318	35,818	55,892

Global Opportunities Strategy

5.6 The Global Opportunities Strategy was launched initially in 2005 but is now, in a revised form, an integral part of the new drive under UKTI's new Strategy, to put more effort and resource into targeting high value companies for inward investment. The basic premise of the Global Opportunities Strategy is to form deep, long-term relationships with selected high-value companies from overseas, where UKTI predicts it can add value through its interventions. UKTI has identified initially a number of companies, operating in the following sectors:

- High performance engineering.
- Financial services.
- Life sciences.
- Oil and gas.
- Creative industries.
- ICT sectors.

¹⁶ These figures reflect data that has been revised and updated since previous UKTI Departmental Reports. Results for 2006-07 will be available in July 2007.

5.7 There are also targets for UKTI engagement with other good quality companies, and those companies where the RDAs and Devolved Administrations might be expected to be lead point of contact.

Investor Development – “Aftercare”

UKTI manages the UK’s investor development network. It is responsible for co-ordinating national policy for investor development and its subsequent facilitation through the provision of a professionally-delivered programme of investor support, the Investor Development (“Aftercare”) programme.

UKTI continues to develop its relationship with the Investor Development (ID) teams in the RDAs and the Devolved Administrations, with the aim of offering a more coherent investor service across the UK to existing inward investors, in order to retain and add value to inward investment in the UK.

In a highly competitive international market, Aftercare is crucial. In 2005-06, 65 per cent of all new jobs from inward investment were from existing investors.

In partnership with the DTI, UKTI continues to lobby on issues that concern investors. Its “Voice in Government” investor advocacy service gives existing investors a gateway into the UK Government, to ensure that views of business are reflected in UK regulation and policy development. This includes making sure that perceptions are taken into account that may place the UK at a disadvantage compared to competitor markets, and on company-specific issues that impede the growth and development of investors’ operations in the UK.

UKTI is working with the RDAs and the Devolved Administrations to help develop a better understanding of the investment drivers such as planning, transport infrastructure and skills availability.

Global Entrepreneurs Programme

5.8 The Global Entrepreneurs Programme targets clients – both individuals and early stage technology companies – with:

- Intellectual property of exceptional commercial potential, for which the UK would be the ideal location to realise this potential.
- Exceptional entrepreneurial management skills to act as mentors/non-executives and in other capacities for UK start-ups.
- High net-worth to invest actively in UK start-ups.

5.8 The Programme targets key knowledge-based sectors, using a team of seven successful entrepreneurs – known as dealmakers – who are able to identify and mentor clients by leveraging off their own expertise and networks to facilitate their setting up in the UK. The dealmakers are based in the US, Australia, India and the UK. During 2005-06 UKTI helped 22 new start-ups in a range of sectors including life sciences, information technology and renewable energy.

Trade development services

Trade services framework

In 2004, UKTI reviewed all the services it offered to help businesses trade internationally. The outcome was a new Trade Services Framework, which set out the services offered by UKTI under the following categories: 'Advice and Support'; 'Information and Opportunities'; and 'Making it Happen'. These categories represent the stages a company approaching UKTI might typically pass through, from seeking initial advice through to receiving active, expert support 'on the ground'. Each category has a toolkit of UKTI services that can be tailored to the needs of the customer.

UKTI will continue to monitor the impact of the Trade Services Framework, and adjust our flexible service offer in the context of UKTI's new Strategy priorities, new developments in globalisation, and feedback received from staff and customers.

Passport to Export programme

5.10 During 2005-06 UKTI implemented a number of measures to enhance the Passport to Export programme and these were further refined during 2006-07. These included the introduction of a common diagnostic for all Passport companies; a common format for firms' action plans; a market selection tool to help new exporters choose their first overseas market; and a market selection service. This last ensures that overseas Posts get the right amount of detailed information on Passport companies, in a consistent format, to enable them to advise on the suitability of a firm's product for their market. Introducing a limit of up to three markets for a company during its time on Passport has helped companies to target their efforts and resources more effectively, which is especially important for smaller companies.

5.11 The total number of companies who have signed up to Passport, at April 2007, is some 9,600. Of this number, 4,423 companies are currently proceeding through Passport and 3,675 have completed. Of the remainder, some are on hold and some have withdrawn from the programme.

Overseas Market Introduction Service (OMIS)

5.12 During 2006-07, further roll-out of the on-line Overseas Market Introduction Service (OMIS) means that, from April 2007, OMIS chargeable services will be handled electronically in all 109 markets where there is a UKTI presence. The number of OMIS orders handled online during 2006 was 2,155 (based on First Activities delivered to the customer).

Support for companies participating in overseas exhibitions – Tradeshow Access Programme

5.13 Following a review in 2005 of support for companies participating in exhibitions and seminars abroad, a revised scheme – the Tradeshow Access Programme (TAP) – was introduced from 1 April 2006. This focuses on support for less experienced exporters seeking to test the effectiveness of overseas exhibitions for market entry.

Table 2: Number of participants supported at exhibitions.

	2003-04 Outturn	2004-05 Outturn	2005-06 Outturn	2006-07 Provisional	2007-08 Plans
Numbers attending Exhibitions	7,965	8,010	6,345	4,390	3,000

(Note: Due to the substantial changes in the support offered by UKTI to support companies participating in missions and seminars, comparative data is not available after 2005-06.)

5.14 SMEs that are new-to-export are eligible for exhibition support, as are more established exporters attending events in high growth economies such as China and India. Exhibition support is integrated with the delivery of other UKTI services by involving UKTI's International Trade Teams in approving grant applications. UKTI also works with Accredited Trade Organisations (ATOs), who organise attendance of UK companies at overseas shows on UKTI's behalf and help those attending to improve their performance at these events.

5.15 In 2006-07 TAP support was available for attendance at 600 exhibitions. Of these, some 300 were identified by UKTI's Sectors Group as 'key' sectoral events due to their strategic importance to the UK, and were therefore given extra marketing support by UKTI to promote attendance by UK companies as part of an ATO-led group. Not all exhibitions earmarked for TAP support at the start of a given year go ahead (because of cancellations, insufficient numbers of companies interested in attending, etc.). Over the last year, 418 exhibitions were attended by ATO-led groups with UKTI support; of these, 266 were 'key' events.

5.16 Solo Support is available for companies attending events individually, rather than as part of an ATO-led group. In 2006-07, 561 companies were given support to attend exhibitions under the Solo scheme with some companies attending more than one show.

Table 3: TAP-Supported Exhibitions in 2006-07

TAP Exhibitions 2006/07	Number of Participants	TAP Funding
Main Scheme	3,639	£9.398m
Solo	751	£1.127m
Total for Year	4,390	£10.525m

Companies participating in outward missions and seminars overseas

5.17 From 1 April 2006, the organisation of outward seminars became the responsibility of UKTI Sector Teams. These Teams also run outward missions. Both outward seminars and outward missions are aligned with sector strategies and their organisation is generally contracted out to third parties.

5.18. Companies do not receive financial support for participating in missions, but they benefit from the profile they gain from participation in the group, research provided from Posts under OMIS, and from the general organisation of the event. Missions run by Sector Teams are 'vertical', i.e. focused on one sector.

5.19. Participants in seminars represent the UK sector as a whole, and UKTI pays 50 per cent of their costs.

Bringing buyers and decision makers to the UK

5.20 Sectors Group also arranges visits to the UK for groups of buyers and key decision makers from target markets. These visits showcase UK company strengths through events and site visits.

5.21 In 2006/7 UKTI Sector Teams:

- Organised over 300 missions and seminars in target markets to communicate and showcase UK expertise. Total audience figures for the seminars were in excess of 13,000 buyers and key decision makers. In addition, 51 outward VIP visits were facilitated by Sectors Group in support of British company interests in target markets.
- Brought over 2,000 overseas buyers and decision makers to the UK, demonstrating UK expertise through a broad range of events and site visits, plus meetings and seminars with potential British suppliers and partners. In addition, 56 inward VIP visits were facilitated by Sectors Group.

Supporting service delivery

The UKTI Enquiry Service

5.22. UKTI's Enquiry Service is the first point of contact for customers who are unfamiliar with UKTI and its services. The team handles trade and inward investment enquiries received via +44 (0) 20 7215 8000, by email through the "Contact Us" service on the www.uktradeinvest.gov.uk website, and by letter/fax. The team is also responsible for handling customer enquiries relating to use of the website, including access issues; amending customer profiles; and website navigation.

5.23 The Enquiry Service received over 35,000 trade and inward investment related telephone calls/emails in 2006-07. The Enquiry Service will answer a question where they can or, where appropriate, refer a customer to a more specialist source of information, for example an International Trade Adviser, country/sector specialist or an external organisation such as a Chamber of Commerce.

5.24 The Enquiry Service is based in UKTI's Tay House HQ building in Glasgow.

Promoting online services (<http://www.uktradeinvest.gov.uk>)

5.25 UKTI continued to develop its online presence in 2006-07.

5.26 UKTI's website content provides personalised information on export/outward investment for customers looking to do business overseas. Customers also have access to sector and country profiles, details of UKTI supported events, useful contacts and information on UKTI services. In 2006-07, over 8,100 overseas business opportunities were published and over 8,000 new UK business customers registered to receive information.

5.27 The website's inward investment content continues to draw praise from a growing global audience for its dynamic news and detailed sectoral content. Business Information Management (BIM), a new searchable database for sharing a range of information around the UKTI network, was launched in early 2007. BIM allows UKTI staff and stakeholders to view key selling messages, sectoral and UK economy news, facts and statistics, comparative data, UKTI publications and fact sheets, and case studies. Registration is quick and easy, and early feedback has been positive.

Customer Relationship Management (CRM)

5.28 UKTI's implementation of a web-based customer relationship management (CRM) system was further progressed in 2006. The aims of the system are to:

- Provide UKTI staff worldwide with a single view into customer history.
- Share relevant customer information across the organisation.
- Avoid duplication of effort.
- Enhance the quality and professionalism of the service provided to customers.

5.29 CRM will therefore help customers by enabling UKTI staff to respond to them more quickly and efficiently, and with a greater understanding of their needs.

5.30 Following the successful completion of a series of pilots involving both the investment and trade sides of the organisation, the UKTI Executive Board endorsed the full deployment of CRM. The system is being deployed in a phased manner between December 2006 and Autumn 2007, initially to 48 overseas markets with parallel rollout to the English regions and to service delivery staff in UKTI's London and Glasgow offices.

Charging

UKTI will continue to broaden progressively its charging regime for trade support services.

Charging acts as a test of economic value, enabling customers to make informed choices about which services they value and how frequently they use them. Charging also helps to drive up UKTI's professionalism, improving the quality and consistency of delivery to customers and ensuring they receive value for money. It also deters less serious enquiries and informs resource allocations.

UKTI introduced greater pricing flexibility by introducing new price bands for the Overseas Market Introduction Service (OMIS) in 2006, accompanied by an annual review of prices. Posts are being encouraged to charge more realistically for bespoke work done for business. As a result, income from OMIS has risen by 50 per cent in 2006-07 compared to the same period in the previous year.

Chapter 6: Better evaluation

UK Trade & Investment places strong emphasis on evidence from high quality, independent evaluation of its activities. Good, independent evaluation is an essential component of sound policy and business planning decisions. Evaluation monitors the organisation's performance and demonstrates that UKTI is making a difference.

6.1 Through the work of its Economics and Evaluation Team, UKTI has in recent years taken a number of steps to strengthen the monitoring and evaluation of its activities. The arrangements that have been put in place aim to meet a number of distinct organisational needs, and to do so in a cost effective way that does not place undue burdens on either customers or staff. These needs are:

- To measure impact and value for money.
- To track progress against PSA indicators.
- To identify which types of activity generate greatest impact.
- To inform and drive continuous improvement.
- To understand the needs of different groups of customers, and thus inform targeting and service development.
- To inform resource allocation.

6.2 The approach UKTI has taken builds on work the DTI has done to upgrade its business support monitoring and evaluation systems. The objective is to ensure independent rigour and consistency, as well as comparability with relevant DTI performance measures.

6.3 There are four main elements:

- *Universal capture of data on businesses helped by UKTI.* The essential underpinning to all evaluation of what difference UKTI makes is keeping good records of who was helped and what form of help they received.
- *The Performance and Impact Monitoring Survey (PIMS).* PIMS is UKTI's central monitoring survey of users of its business services. This has already been described, in Chapter two, in the context of measuring UKTI's performance against its PSA target and indicators. PIMS also provides a wealth of other data, including the profile of supported firms and customer perceptions of individual services, which provide qualitative as well as quantitative measurement of UKTI's performance.
- *Point of delivery performance assessment based on quick and simple customer feedback.* The Economics and Evaluation Team has developed a set of short feedback forms, consistent with the PIMS survey, which are available for use at local level by UKTI teams where appropriate. The forms will not substitute for the survey interviews, but can be given by delivery teams to customers at an earlier stage, for example, to obtain quick feedback on the quality of events or other services.
- *An annual programme of independent economic impact evaluations.* This is a rolling programme of studies of particular areas of UKTI's work which looks in depth at the economic rationale for the work UKTI does and seeks to assess the value for money for the taxpayer. In 2006 SQW, a firm of independent consultants, looked at the work of UKTI's International Trade Advisers in the English regions. Their findings, published in December 2006, estimate that the services provided by UKTI's International Trade Teams in the English regions produce a benefit to cost ratio of 25:1.¹⁷ This represents good value for money and compares favourably with the findings of the 2006 Relative Benefits Study, which showed that an investment of £65 million in four trade development services generated more than £1.1 billion additional benefit for users of these services – a benefit to cost ratio of almost 17:1.¹⁸

¹⁷ SQW (2006), *UK Trade & Investment Impact Evaluation of International Trade Teams: A final Stage 2 report to UK Trade & Investment.*

¹⁸ DTI Evaluation Report Series No. 9, *2004-2005 Study of the Relative Economic Benefits of UK Trade & Investment Support for Trade & Investment*, Chapter 5, Appendix A, op cit.

6.4 Impact evaluation in UKTI is supported by a programme of wider research on issues related to strengthening the economic rationale for government roles in supporting trade and investment.¹⁹ Activities are focused on two key areas; economic evaluation and economic research.²⁰ They show that there are economic benefits to the UK from international trade and investment in terms of direct and indirect productivity effects, strengthening competition and increases in returns to business investment in innovation. The most recent addition to this body of evidence suggests that over the period 1996 – 2004 some 60 per cent of UK productivity growth was attributable to UK exporting firms, both established and new exporters, despite these being a minority of UK firms overall.²¹ This is consistent with the findings of previous research commissioned by UKTI, which showed new exporters experienced a productivity gain from entering and staying in export markets, with firms with a high share of total sales coming from exports gaining the highest benefit.²² This indicates that the economy as a whole will benefit if more companies do business internationally.

19 DTI Economics Paper Number 18 op cit: The economic rationale for UKTI is set out in more detail at Annex A.

20 Research commissioned during 2005: Harris, R. and Q. Cher Li, (2005a), *Review of the Literature: the Role of International Trade and Investment in Business Growth and Development*; Harris, R. and Q. Cher Li (2005b), *Establishment Level Empirical Study of Links Between Exporting, Innovation and Productivity*; SQW (2005), *Review of the Evaluation Evidence on Trade Promotion: Final Report to UK Trade & Investment*.

21 Harris, R. and Q. Cher Li (2007), *Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth*.

22 Kneller R. (2004), *Participation in export markets and productivity in UK manufacturing*, Final Report for UKTI.

Chapter 7: Improving the organisation

In delivering its new Strategy, UK Trade & Investment is placing greater emphasis on professionalism and a more highly skilled workforce.

Professionalism

7.1 The UKTI Strategy included a commitment to ensuring that its people are best placed to meet the needs of its clients, through recruitment, learning and development. More widely, the process of change which is underway will ensure that productivity is driven by clear targets, performance is monitored and staff are accountable for their results. It will also support staff in adopting a more marketing-led, client-focused and entrepreneurial approach.

7.2 During 2006 UKTI continued to deliver programmes for staff focused on improving capability in line with business needs, Professional Skills for Government aims and also in partnership with its parent departments.

7.3 From April 2006 to March 2007 UKTI's Professional Development Unit ran around 170 courses for over 1,500 delegates. Feedback showed that more than 95 per cent of staff were either "satisfied" or "very satisfied" with the training they received. Over 110 staff used the online e-learning programme in the first six months following its launch.

7.4 UKTI's postgraduate Diploma Programme in Management, Trade & Investment, delivered in partnership with the Open University Business School (OUBS), has attracted 90 participants since its inception in 2005. UKTI's pass rate in 2006-07 exceeded the OUBS national average for postgraduate management diploma students.

7.5 A skills audit was undertaken between August 2006 and March 2007 across the whole organisation, including its English regional and overseas networks. The outcome will inform a new learning and development plan for delivery from April 2007 onwards.

Interchange Programme/private sector expertise

7.6 Interchange is a key element of UKTI's professional development strategy. Through a programme of two-way secondments and attachments with the private sector, UKTI aims to spread skills, develop best practice and boost UKTI's professionalism, offering a more business-focused service to its customers.

7.7 In 2006-07, over 30 UKTI staff were on secondment to the private sector. Over the same period 25 business specialists from the private sector worked in UKTI on secondment. Almost half of these were brought in as part of the Short Term Business Attachment scheme to undertake sector-based projects, usually lasting from three to six months.

7.8 The Interchange programme also allows staff in the UK to spend short periods of time at overseas Posts, and locally engaged overseas staff to do the same in the UK. In 2006-07, 16 staff from HQ and the regions had the opportunity to work overseas for a period of weeks or months, and more than 50 locally engaged overseas staff came to the UK as part of the Local Staff Attachment Scheme.

7.9 Outside the formal Interchange schemes, UKTI staff are increasingly being encouraged to explore opportunities for undertaking weeks in business and ad-hoc cross-team networking to further enhance communication across the network and increase the understanding of each other's roles.

Diversity

7.10 With staff in London, Glasgow, the English regions and more than 100 countries around the world, UKTI is by its nature a very diverse organisation. To ensure that it can benefit fully from the talents of its workforce, UKTI works closely with its parent departments to ensure that diversity is embedded in all aspects of its work, both internally and externally. It is supported in this by its 'Bringing on Talent' Working Group, where staff meet periodically on a voluntary basis to discuss diversity issues. UKTI has also participated in the Cabinet Office's Summer Development Programme for Ethnic Minority Students.

7.11 UKTI monitoring of performance against PSA targets and other performance measures through its Performance and Impact Monitoring Survey (PIMS) includes data relating to the ethnicity and gender of company directors UKTI has assisted. These results were first available in June 2006 and they will be reported on an annual basis. This will allow UKTI to monitor the extent to which there is an increase in the number of under-represented groups accessing its services. This, in turn, will provide a robust evidence base to inform future policy direction.

UKTI Board Awards

7.12 The 'Awards for Outstanding Achievement' scheme, introduced in 2003, recognises and celebrates achievement by staff.

7.13 In 2006, the scheme recognised achievement in five categories: Outstanding Achievement by an Individual; by a Team; in Marketing; in Continuous Professional Development (the UKTI postgraduate Diploma Programme in Management, Trade and Investment) and Outstanding Manager. In October 2006, Andrew Cahn presented 28 awards to individuals and representatives of teams representing 109 winners across the global network.

Investors in People (IiP)

7.14 UKTI received recognition as an Investor in People worldwide in December 2005. This represents a considerable achievement by UKTI staff across the network. The recognition is valid until December 2008. The process to gain re-validation will be put in hand during 2007-08.

Chapter 8: Progress against Efficiency Targets

UK Trade & Investment's 2004 Spending Review settlement committed the organisation to achieving the following efficiency savings against its 2004-05 baseline figures:

- A cumulative reduction of £35 million on programme and admin spend.
- A reduction of 200 full-time equivalent DTI staff.

8.1 The details in this chapter are drawn from UKTI's Efficiency Technical Note, which can be accessed via www.uktradeinvest.gov.uk, and the most recent (November 2006) Office of Government Commerce (OGC) assessment of the organisations' progress in delivering efficiency savings.

Headline efficiency savings

8.2 The table below shows the cumulative savings required by HM Treasury under the SR2004 settlement for the three years of the SR2004 period, across the three funding streams.²³

Table 4: Efficiency savings for the SR2004 period

Funding stream	Efficiency Savings for 2005-06 £m	Cumulative Efficiency Savings for 2006-07 £m	Cumulative Efficiency Savings for 2007-08 £m
	Resource	Resource	Resource
Programme	2.1	5.0	11.0
FCO Admin	2.1	10.0	20.0
DTI Admin	1.6	3.0	4.0
Total	5.8	18.0	35.0

Key efficiency delivery issues for UKTI

8.3 A substantial proportion of UKTI's efficiency savings targets require the removal of cost from the organisation, by reductions in the numbers of staff from its parent departments – FCO and DTI – engaged on its work. As noted at the beginning of this report, UKTI is not an employer in its own right; in implementing the SR2004 settlement it therefore has to work with FCO and DTI to determine the shape of its restructuring operations. Its planning includes taking into account the capacity of parent departments – within the context of their own SR2004 obligations to the Treasury – to reabsorb released staff and redeploy them. This process has required ongoing negotiations with both parents, and the planning work within UKTI has had to take these considerations into account.

²³ Note that re. savings on FCO Admin, the benefit of the savings will accrue in the first instance to the FCO, and may be used by them to offset savings made elsewhere by the FCO, or surrendered as cashable. They will become cashable, in Treasury's terms, to the extent that the FCO chooses to use them directly to offset its own savings obligations.

Efficiency savings achieved to date

8.4 The following table summarises efficiency gains achieved to the end of March 2006.

Table 5: Efficiency savings achieved to date

Activity	Reported	Actual@	Forecast	Target
	09/2006	03/2007	03/2008	
Efficiency Gains	£25.6m	£28.7m	£18.0m	£35m
Headcount Reduction	185	200	200	200

8.5 Progress is currently ahead of schedule; savings on FCO Admin were delivered by end-Q3 2006-07, and the reduction in headcount achieved by end-December 2006.

Initiatives to deliver efficiency savings

8.6 The following table summarises the main initiatives through which UKTI is delivering its efficiency savings.

Table 6: Main initiatives for achieving efficiency savings for the SR2004 period

Funding stream	Initiative
Programme	<ul style="list-style-type: none"> • Investment in web-based e-delivery of services to customers. • Procurement savings. • Prioritisation of trade services. • Cost recovery for services from business.
FCO Admin	<ul style="list-style-type: none"> • Reduction of UKTI's overseas presence, yielding £20m to be handed back to FCO for re-deployment on FCO priorities.
DTI Admin	<ul style="list-style-type: none"> • Delivery of £4m savings in DTI admin through reduction in DTI workforce, together with corresponding reductions in non-salary staff costs.

Quality measures

8.7 UKTI is committed to achieving efficiencies by reducing input costs whilst delivering the same or improved customer services, and by re-focusing priorities to deliver the same or better quality outputs.

8.8 UKTI has a programme of external evaluation of the quality of its services. PIMS (the Performance and Impact Monitoring Survey) provides quantitative and qualitative measures of UKTI's performance in delivering its PSA target, including data on customer satisfaction with service outputs and quality. Monitoring by PIMS is used to base decisions on further improving the quality of service delivery and achieve further productivity gains, backed up by improved staff capabilities and professionalism, and refining headquarters' business processes.

Plans and prospects for delivering efficiencies over the next six months

8.9 Delivering UKTI's Strategy is bringing new opportunities for delivering efficiencies:

- The Strategy requires a net cut of around 100 posts which will mean that, by March 2007, posts in headquarters offices in London and Glasgow will have reduced by some 40 per cent since March 2004. (Due to the re-focusing of UKTI it is doubtful that all of these strategy-related reductions can count towards efficiencies as they represent cuts in activities as well.)
- UKTI's trade development and inward investment sector teams are joining forces to deliver advice and support to companies in key sectors on doing business in a global marketplace.

8.10 Over the next six months UKTI anticipates the following activities will further enhance its capacity to deliver its efficiency commitments:

- Further increases in revenue from its Overseas Market Introduction Service (OMIS). Income for this financial year has increased by 50 per cent compared with 2005-06.
- Full deployment of the Customer Relationship Management (CRM) system by Autumn 2007. This will deliver better and more efficient handling of customers.

Chapter 9: Lessons learned from implementing UK Trade & Investment's new Strategy

UK Trade & Investment used a structured programme management approach to implementing *Prosperity in a Changing World*. This chapter looks at some of the lessons learned from this.

9.1 UKTI developed a programme management approach to the implementation of its 2004 Spending Review settlement and this formed the basis for a similar approach to developing and implementing its new Strategy.

9.2 A small project team was put in place to develop the Strategy, including a senior member of staff dedicated to engaging with key external stakeholders. When the Strategy was published in July 2006, a significant internal restructuring was carried out at the same time. Over the summer the processes were put in place to implement and deliver the new Strategy – both the 28 workstreams set out in *Prosperity in a Changing World*, and the organisational and cultural changes in UKTI that will support the Strategy. In October a team from the Office of Government Commerce were invited in to review these processes and they made a number of helpful recommendations which were taken on board.

9.3 A Strategy Implementation Programme Board, chaired by Susan Haird (UKTI's Deputy Chief Executive) and including representatives from the FCO, DTI and HM Treasury, met monthly from September 2006 to March 2007 to oversee progress. From May 2007, this will develop into a new performance management group that will monitor operational performance and oversee Strategy implementation.

9.4 In April 2007 the Strategy Implementation Secretariat gathered to consider the lessons they had learned from implementing the new UKTI Strategy. The highlights from this include:

- The importance of stakeholder management and consultation from the earliest stage of the formation of the Strategy was crucial to its eventual success and acceptance.
- The programme management process was designed to be light touch. This allowed for flexibility rather than rigid adherence to a process and this helped to create a good team dynamic. However, 'light touch' does not mean 'lack of rigour'; it means ensuring that degree of process is appropriate to the activity (in other words, some workstreams required more intensive support than others). Using a familiar approach – building on the programme management approach developed for implementing UKTI's SR2004 settlement – was also a good idea.
- Risks were identified early in the process (a Strategy Development risk workshop was held in April 2006) and actively managed throughout the process. The Secretariat developed an approach of maintaining risk registers and updating them based on discussion with workstream leaders. The Strategy Board focused on key high level risks to the implementation as a whole – notably resources.
- Defining clear accountabilities is very powerful as is a clear, easy-to-use reporting system for tracking delivery. Engagement with workstream leaders, as well as the senior managers with overall responsibility for delivery of the workstreams, helped to encourage behaviours that supported effective programme management.

Annex A

UK Trade & Investment's economic rationale

International trade and investment bring benefits by enabling countries to concentrate their resources on the things they do best – specialising in their areas of ‘comparative advantage’. Greater internationalisation can strengthen competition and innovation, and increase access to new ideas and technologies. The opportunity to sell on world markets raises the return to innovation, gives learning benefits, and enables businesses to achieve growth and economies of scale, which domestic markets alone would not allow.

UKTI intervention addresses market failures which would otherwise reduce the ability of UK business to achieve full potential benefits from international markets, and which would provide barriers to international investors who might otherwise locate in the UK. Where Government can address these problems effectively, it can increase the income generating power of market forces, and make an important contribution to UK productivity and prosperity that more than covers the costs to the taxpayer.

The DTI Economics paper No. 18 sets out the economic evidence base for government support for international trade and investment.²⁴ The paper suggests the rationale for government support rests on the following:

- Evidence of potential benefits to UK prosperity from increased trade and investment, for example the direct and indirect productivity effects of international trade and investment, competition and innovation effects.
- Evidence of barriers to international trade and investment arising from market failures which, if not addressed, would prevent the benefits from being fully recognised.
- Evidence that government can intervene cost effectively to address these market failures, enabling businesses to generate sufficient additional benefit to justify the cost of intervention and increase national prosperity.

Benefits from trade and investment

The benefits of government support emerge through a number of channels:

- *Direct and indirect productivity effects on UK firms:*
 - UK firms improve productivity as a result of exporting (‘learning from exporting’). Firms gain increased access to new ideas and technologies, and exposure to better organisational skills which in turn improves financial performance (by increasing revenues). Recent evidence suggests that over the period 1996 – 2004 some 60 per cent of UK productivity growth was attributable to UK exporting firms, both established and new exporters, despite these being a minority of UK firms overall.²⁵
 - Exporters (and multinationals) tend to have higher than average productivity, so when they expand their share in UK output, the average UK productivity rises (‘batting average effect’).
- *Competition effects:* Competition is stimulated by the opportunity for young innovative and high productivity firms to grow and strengthen their performance, hence presenting stronger competitive challenges to incumbents (existing firms) in the market.
- *Innovation effects:* The opportunity to sell overseas promotes incentives for firms to invest in innovation (including R&D) because the rewards from innovation will be potentially greater when firms are able to sell into larger markets.

²⁴ DTI Economics Paper No. 18: *International Trade & Investment – the Economic Rationale for Government Support (2006)*.

²⁵ Harris, R. and Q. Cher Li (2007), *Firm Level Empirical Study of the Contribution of Exporting to UK Productivity Growth*.

Barriers and market failure

There are significant barriers to international trade and investment, both at the firm and collective level, such as:

- *Information problems:* Inexperienced exporters may not be well informed about the potential benefits, costs, and risks of exporting, or know how to go about finding the information they would need to assess these. Those who do decide to export often lack the skills and know-how to develop an effective marketing strategy, or to manage the risks. Potential inward investors may overlook the advantages of locating in the UK if relevant information is not available or too difficult to obtain.
- *Missing markets:* Through its network of diplomatic Posts overseas, the Government can provide access to contacts and key decision makers – and to some types of information – which private sector service providers might be unable to offer, or would not be able to offer as efficiently or as well. Government reputation, in particular for impartiality and trust, may also be an important aspect of the type and quality of help that UKTI is particularly well placed to provide. Without this unique help, UK businesses would find it more difficult to gain access to overseas market opportunities, and potential inward investors would find it more difficult to obtain the contacts and information they need about the UK.
- *Public goods:* Activities and information for which benefits are widely distributed, potentially accruing to all businesses in a given sector or market, can be under-provided by the private sector because of difficulties in recovering costs through charges to beneficiaries, or because no business has sufficient incentives to cover the initial fixed costs. For example, action to provide information about the merits of the UK as an investment location, or to promote awareness of the merits of the UK as a source of supply, benefit many businesses, but no individual business would have enough incentives to pay for them.
- *Networks and institutional failures:* The private sector alone may not be willing or able to develop and maintain adequately the institutions and networks that support international linkages and knowledge flows. Government help may be needed to facilitate and encourage private sector co-operation in these areas, or to complement private sector roles, for example through supporting organisations such as the China-Britain Business Council, or encouraging co-operation among trade associations in related sectors to research overseas opportunities.

Cost effectiveness

Some of the most important roles for government in international trade and investment would be expected to generate types of benefits which either accrue to businesses collectively, or accrue mainly to business not directly involved in the support, such as knowledge spillovers, intensified competition, reputation effects and effects on social networks.

By strengthening the ability of UK businesses to exploit overseas opportunities successfully and by smoothing the path for high quality investment projects entering the UK, UKTI generates real benefits both to the businesses themselves and to the wider UK economy. The evidence suggests that government support should therefore be focused on:

- Strengthening the social networks which underpin international trade and investment flows, and helping individual businesses to gain access to key contact networks, by serving as a trusted intermediary.
- Strengthening the international capabilities of innovative and high-growth businesses, who would not be able to fulfil their potential without being able to exploit opportunities overseas.
- Providing access to information and advice which the private sector alone would not or could not provide, both to inward investors and to UK businesses seeking to exploit opportunities overseas; and
- Facilitating beneficial co-operation among businesses, enabling them to work together to overcome barriers and develop potential trade and investment opportunities, for example by showcasing UK capabilities in overseas markets.

Annex B

Financial tables: Performance in 2006-07

UK Trade & Investment Programme Expenditure: Major Programmes (£ million)

	2003-04 outturn	2004-05 outturn	2005-06 outturn*	2006-07 working provision **	2007-08 plans**
Trade Development <i>which includes:</i>	76.5	77.6	69.3	66.3	64.9
Support for Exhibitions and Seminars Abroad (SESA)	19.2	19.5	14.7	<i>Replaced by Tradeshow Access Programme from 2006-07</i>	
Tradeshow Access	–	–	–	9.4	7.1
Passport	5.4	5.2	5.8	6.0	5.0
International Trade Advisers	10.9	14.9	16.1	17.5	16.6
Sector support in markets	10.9	11.6	13.1	11.7	8.9
Export promoters	2.4	2.0	1.0	0.8	0.9
Income	–1.3	–1.1	–1.1	–1.6	–2.0
Inward Investment <i>which includes:</i>	20.7	22.9	27.0	28.9	26.4
Grants to RDAs	12.9	13.2	15.2	17.2	17.2
Promotional expenditure	6.6	9.7	11.8	11.7	9.2

Notes

1. This is not a comprehensive list of all UKTI-funded programmes but includes the main areas of spend only.
2. Overseas Project Fund, Outward Missions and Sales Lead Service, reported in previous Departmental Reports, ceased from 2006-07 and have been removed from this table.
3. Projections beyond 2007-08 depend on the outcome of the 2007 Comprehensive Spending Review.

* 2005-06 outturn figures quoted in the 2006 Departmental Report were provisional.

** Figures are indicative only.

Expenditure on Trade and Investment

	2003-04 outturn	2004-05 outturn	2005-06 outturn	2006-07 working provision	2007-08 plans
Expenditure	97.9	100.5	96.3	95.2	91.3
Income	-1.3	-1.1	-1.1	-1.6	-2.0
Net	96.6	99.4	95.1	93.6	89.3

Annex C

Private Sector Sponsorship

UKTI continues to follow strictly the recommendations of the Committee on Standards in Public Life and Cabinet Office guidelines in handling sponsorship arrangements with the private sector. It uses the detailed guidelines and central advice from its parent departments.

During 2006-07 UKTI received the following private sector sponsorship (only sponsorship exceeding £5,000 for a single event or activity is shown here):

- Sponsorship totalling £20,000 was received for the ICT Technology World event held in London and Cambridge in May 2006, from Egg Solutions plc, Plexus Corp and SEEDA.
- Sponsorship exceeding £30,000 in total was received from East Midlands Airport, the London Development Agency, HSBC and Flybe, for the Passport to Export Awards 2007.
- A total of around £10,000 (€15,000) was provided for the Horse Show Party in Dublin, by eight companies (Tesco Ireland, Shell Ireland, Experian, HSBC, Landrover Ireland, O2 Communications Ireland, PriceWaterhouse Coopers and Diageo) plus Invest Northern Ireland and International Business Wales.
- Two publications, produced in partnership with the relevant trade associations, were supported by an effective payment in-kind:
 - Contaminated Land and Remediation: A guide to technologies and services from the UK (produced in partnership with CL:AIR (Contaminated land: Applications in Real Environments) – contribution equivalent to £10,000).
 - The UK Guide to Environmental Monitoring and Instrumentation (produced in partnership with Gambica and the Source Testing Association – combined contribution equivalent to £8,625).
- Design UK 2006, Japan: The Living Design Centre at OZONE provided sponsorship in kind worth some £69,000 (for use of venue and facilities) for two exhibitions, 'First Hand 3' and 'Love & Money', in October – November 2006.
- British Music 2006, Japan: Virgin Airlines provided sponsorship in kind (ten economy class air tickets for competition) worth £5,000.

The US/Canada Marketing Scholarships Programmes

The US/Canada Marketing Scholarships Programmes are jointly funded by UKTI with its partner sponsors. The Scholarships give representatives from selected UK small and medium sized enterprises (SMEs) the opportunity to attend an intensive marketing course at two of the world's leading business schools, followed by a one week Executive Attachment to high profile North American businesses and corporations. The Programmes support up to 23 scholarship placements a year, 20 at the Kellogg School of Management in Illinois, USA (19 scholars attended during 2006) and the remainder at the Richard Ivey School in Ontario, Canada.

Each scholarship placement is worth in the region of £7,500 (excluding expenses). The US Programme is part sponsored by the Ellis Goodman Foundation, which contributes \$2,500 per scholar; in 2006 this contribution amounted to £24,195 (\$47,500). The Programme in Canada is fully sponsored by the ATCO group of companies. Business class flights to and from North America are provided by British Airways; in 2006 their total contribution was £95,503. UKTI contributes 50 per cent of the cost of the Programmes overall, which amounted to £51,188 in 2006.

The Programme, which has been running since 1992, addresses the lack of skills and resources available to UK SMEs for marketing in general; and specifically prepares them fully to tackle overseas markets, helping them in particular to acquire the unique skills required to take on the North American market. UK SMEs would be very unlikely to get access to the courses without the assistance of UKTI.

ANNEX D

UK Trade & Investment (UKTI) Strategy Workstreams

*Note that Workstreams marked * have changed their title and/or description of activity since the publication of 'Prosperity in a Changing World'; the changes are set out in a footnote. These changes have been approved by the Strategy Implementation Programme Board.*

MARKETING THE UK ECONOMY

Co-ordinating marketing

- By October 2006 a cross-Government group on marketing the UK economy internationally, chaired by the Chief Executive of UKTI and including the RDAs and Devolved Administrations, will be established to meet quarterly to agree priorities and implement a joined-up programme of activities. By December 2007 we will review the effectiveness of the group.

Strategic marketing exercise

- By December 2006 UKTI will have completed work on developing the overarching messages on the distinctive strengths that best present UK business to our target customers.

Market research

- By December 2006 UKTI will establish a rolling programme of market research for critical client groups to provide specific information on overseas markets and business sectors and how best the UK can tap the potential value.

Website

- By March 2007 we will increase the number of companies registered on our revamped portal website to 20,000. We will add a further 5,000 per year thereafter.

WORKING IN PARTNERSHIP

Sector strategies*²⁶

- From January 2007 through to December 2007 UKTI will develop the first five detailed strategies, supported by high quality marketing materials, to target specific overseas business sectors and individual companies on the basis of core messages about relevant UK strengths, and to assist UK companies in selling themselves overseas. These strategies will include specific targets on investment and trade, to be set by April 2007.

City of London

- By December 2006, working with the industry, UKTI will publish a strategy to promote the City as the world's leading international financial services centre and the complementary strengths of financial and business services across the UK.

Business briefings

- By January 2007 UKTI will have in place a programme of targeted business briefings around the UK with the Minister for Trade and Investment and UKTI Chief Executive to capture feedback from business and promote understanding of globalisation.

²⁶ New title (formerly 'Marketing strategies') and date extended from June to December.

Access to FCO diplomatic and economic reporting

- By July 2007 UKTI will pilot a subscription website carrying a range of diplomatic and economic reporting aimed at making the analytical expertise of the FCO and the UK's overseas network much more widely available to the UK-based business community.

Co-ordination of visits

- By December 2006 a new committee, chaired by the Minister for Trade and Investment, will have agreed a co-ordination mechanism for the overseas visits of Ministers and other senior UK representatives, and senior inward visits from foreign Ministers, to target effectively key contacts to help companies internationalise.

Trade and Investment summits

- In July 2007 the Minister for Trade and Investment will hold the first in a series of annual summits with RDAs and Devolved Administrations to review progress in delivering prosperity on the basis of this strategy.

Influencing policy

- By Summer 2007 a senior Whitehall group will have been established, chaired by UKTI's Chief Executive and involving the Better Regulation Commission, to ensure that our growing understanding of the impact of a changing global economy on UK businesses is really embedded in policy development.

Research

- By December 2007 UKTI will have published, in partnership with business schools, further research on companies' experiences in the changing global economy to ensure that UKTI captures high quality, leading-edge thinking and build on the programme of research and publications of the Asia Task Force.

Review of overseas presence

- By March 2008 UKTI will have worked with the Devolved Administrations and the RDAs to review their representation overseas and maximise effectiveness, ensuring that they deliver what is best for the UK in the most coherent manner.

Review of regional trade operations

- By March 2008 UKTI will have worked with the RDAs to review our international trade operations in the regions, to continue delivering services to businesses effectively, linking with the wider business support frameworks in the regions.

Science & innovation

- By September 2006, UKTI, the DTI Office of Science and Innovation, and the FCO Science & Innovation Network, working together, will review their operations to maximise synergies.

Joint inward investment and trade sector teams

- By April 2007 UKTI will deploy joint sector teams for those sectors that are priorities for inward investment and trade to maximise synergies across UKTI.

FOCUS

Top FTSE 100 (NB: This workstream, a sub-set of 'Client account managers', has been added to the Strategy Implementation Programme since the publication of 'Prosperity in a Changing World!')

R&D programme

- By December 2006 UKTI will have begun a new £9million R&D programme to target innovative, R&D-intensive companies both for inward investment and as potential high-value exporters.

High Growth Markets Pilot Project*²⁷

- From early 2007 a team of 15 High Growth Markets Business Advisers (HGMBAs) will target medium-sized companies with the potential to succeed in high-growth markets, providing relationship management services and feeding back to UKTI business intelligence; an external contractor (*Pera Group*) will employ the HGMBAs.

Growth opportunities strategy

- By April 2007 UKTI will, with the RDAs and Devolved Administrations, adopt a new approach to securing inward investment that concentrates on high-value added projects and on where our interventions can add more value to the economy.

Increased resources in high growth markets*²⁸

- By March 2008 UKTI will have increased its resources in the emerging high growth markets by £5.6 million to support companies doing business there.

Customer account managers

- By January 2007 UKTI will have client account managers in place for key client groups – high-value potential investors, major exporters, exporters to high growth markets and R&D-intensive companies to ensure it is best placed to help its clients internationalise.

Customer relationship management

- By autumn 2007 UKTI will have implemented a web-based Customer Relationship Management system to enable its staff to offer a better service to its clients.

DELIVERY

Increased front line

- By March 2007 UKTI will have reduced posts in headquarters by some 40 per cent since 2004. Some 90 per cent of its people will be in the front line overseas, in the English regions, or in customer facing service delivery in headquarters.

Evaluation programme

- By December 2006 UKTI will have in place a programme of evaluation that will increase its insight and ensure that it continually builds on its experience and has a service portfolio that operates increasingly effectively in support of its clients.

Target driven approach

- By April 2007 UKTI will have new top-level framework of performance objectives²⁹ which cascade down to teams and individuals across the whole UKTI network for 2007/08 onwards. These will cover both trade and investment activity and will be developed with the RDAs and other relevant partners.

Culture change (*NB: This workstream was not included in 'Prosperity in a Changing World'.*)

- By December 2007 staff across UKTI will be fully engaged in a process of change towards transforming UKTI into a marketing-led, entrepreneurial organisation.

Increased professionalism

- By March 2007 UKTI will have completed an audit of its skills against the new Strategy and have in place a programme of recruitment and training to ensure that it is best placed to meet the needs of its clients.

²⁷ Formerly 'Asian emerging market scheme'; and new description for this activity.

²⁸ Formerly 'Increased resources in emerging markets'.

²⁹ Formerly 'targets'.

Charging

- By December 2007 UKTI will have doubled the revenue it receives from charging for its services.

Restructuring *(NB: This workstream was not included in 'Prosperity in a Changing World')*

- By March 2007 UKTI will be restructured into five groups and fully staffed.

New private sector talent

- By September 2006 UKTI will have started a recruitment campaign to bring in new private sector skills to meet the requirements of its clients.



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