

UK TRADE &
INVESTMENT

DEPARTMENTAL
REPORT 2005

2005

This is part of a series of departmental reports which, along with the Main Estimates, the document Public Expenditure: Statistical Analyses 2005, and the Supply Estimates 2005-06: Supplementary Budgetary Information, present the Government's expenditure plans for 2005-2008.

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UK Trade & Investment

Departmental Report 2005

Presented to Parliament by the Minister for International Trade and Investment
and the Chief Secretary to the Treasury by
Command of Her Majesty

July 2005

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The work of UK Trade & Investment is also summarised in the DTI Departmental Report (Cm 6536 The Stationery Office) and in the FCO Departmental Report (Cm 6533 The Stationery Office). Some data presented in the DTI and FCO Departmental Reports has been updated.

Foreword

This report highlights UK Trade & Investment's achievements and progress over the past year, and its plans for the future.

UK Trade & Investment is the lead government organisation that supports both companies in the UK trading internationally and overseas companies seeking to locate in the UK.

UK Trade & Investment brings together a domestic, regionally based network of trade and investment advisers, with an international team located in embassies and consulates across the globe. The combination of the two, together with the unrivalled access of a government organisation, helps businesses build their capability for the challenges of international trade, and provides the contacts, information and support that UK companies and overseas investors need.

International trade and investment are important policy priorities for this Government. The UK is one of the world's top exporting countries, with around 25 per cent of our GDP as exports. It is also the number one destination in Europe for overseas investment.

Trade and inward investment make a significant contribution to our wealth and prosperity. They expose our businesses to best practice, technology and skills from around the world. They help UK businesses to innovate, to compete and to be more productive.

UK Trade & Investment continues to provide a vital and successful element in delivering the Government's priorities in this area. I welcome this opportunity to report on its achievements.

Ian Pearson
Minister for Trade & Investment

The UK Trade & Investment Executive Board (at May 2005)

Chair

Sir Stephen Brown KCVO
Chief Executive
UK Trade & Investment

Members

Ian Fletcher
Group Director
International Trade Development
Group

Susan Haird
Deputy Chief Executive

Peter Hill
Independent Board Member

Claire Ighodaro
Independent Board Member

Paul Madden
Group Director
International Sectors Group

Bill McGinnis
Independent Board Member

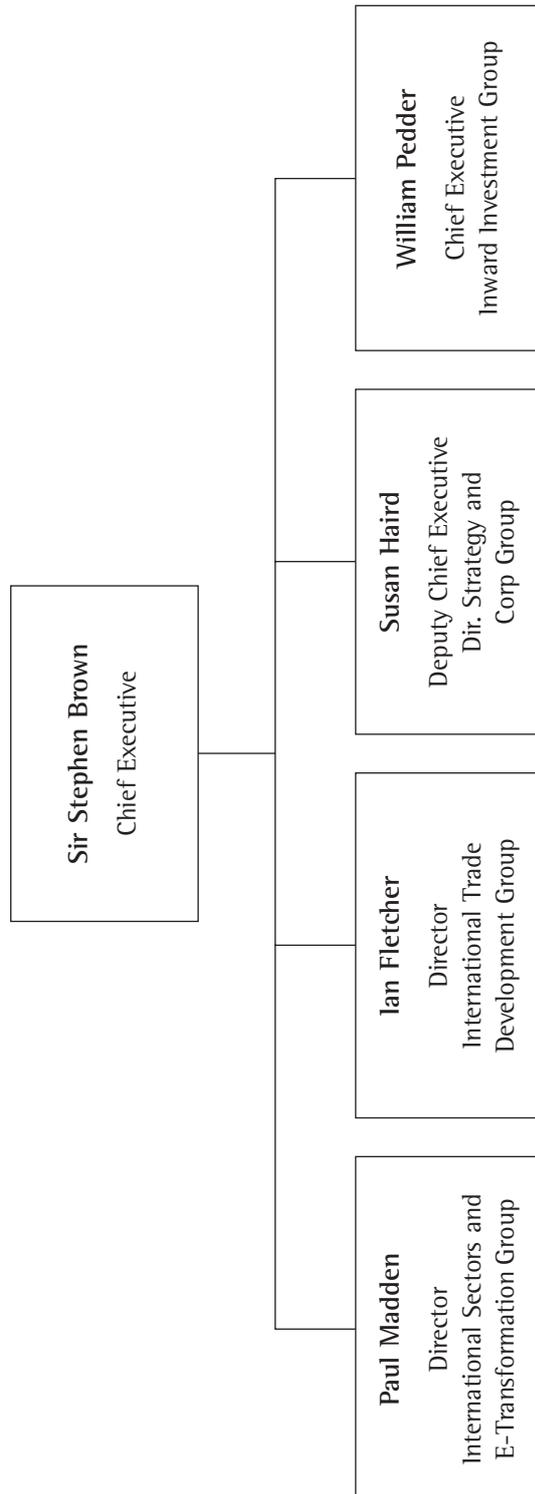
William Pedder
Chief Executive
Inward Investment Group

Stella Pirie OBE
Independent Board Member

Barry Stickings
Independent Board Member

UK Trade & Investment structure (at May 2005)

Senior Management Team



Section 1: Introduction

1.1 The 2004 White Paper, "Making globalisation a force for good"¹, underlined the importance of international trade and investment to national prosperity. UK Trade & Investment builds competitive companies in a competitive economy. Its network of staff in the UK and around the world makes a major contribution to UK competitiveness, transferring knowledge and skills to companies through training, development, capacity building, information and contacts. Further explanation of the UK Trade & Investment rationale is in Annex A.

1.2 Last year UK Trade & Investment helped UK-based companies develop business opportunities around the world. More than 800 investment projects – 60 per cent of them knowledge driven – created 25,000 new jobs in the UK and safeguarded a further 34,000. UK Trade & Investment helps over 4,000 companies a year into markets new to them, and over 1,500 companies to take their first steps in international business. And UK Trade & Investment supported 8,000 companies to exhibit at over 500 overseas trade fairs.

In February 2005 Ellen MacArthur broke the round-the-world solo sailing record.

During her voyage, she joined a UK Trade & Investment-sponsored dinner at the British Embassy in Paris via video link.

The event was organised by the British Marine Federation – the UK leisure marine trade association. This high-level networking event was held during the Paris Boat Show and was attended by senior players from the French leisure marine industry. It helped to raise the profile of the UK marine sector's capability and excellence in the French market.

Strategy 2008

1.3 The challenge now is to build on this success, recognising the outcome of the 2004 Spending Review (SR2004), and delivering a coherent corporate strategy – Strategy 2008 – to take the organisation through to the end of this spending review period.

1.4 Strategy 2008 will help UK Trade & Investment towards its goal of becoming an exemplar of modern public service delivery. It will harness the additional spurs, which the recent settlement has provided, to UK Trade & Investment's existing strategy of focusing its resources where they make the most impact on its customers. Resources will be focused on frontline delivery

through an increased number of International Trade Advisers in the English regions. There will be a strong emphasis on capacity building for new-to-export companies, principally small and medium enterprises (SMEs). Increasingly, UK Trade & Investment will aim to be recognised as contributing to the wider Government Skills Agenda.

1.5 The injection of funds into inward investment will allow UK Trade & Investment to work with a much wider audience of potential investors. At the same time it will derive increased benefits from closer working across the network between our trade and investment activities. There will be a leaner, tighter headquarters operation with an enhanced emphasis on evaluation and the professionalism and development of staff. We will ensure maximum value in all that we do.

Airbus is the world's largest civil aviation project. It has helped create and secure jobs for some 21,000 highly skilled UK workers. Airbus will support a further 41,000 British jobs indirectly.

UK companies involved in the project include Rolls-Royce, BAE Systems, Dunlop Aerospace, Goodrich Actuation Systems and Airbus UK. UK Trade & Investment supported their participation in the project and is continuing to help them win additional contracts.

¹ Cm6278. This can be downloaded from the following location: <http://www.dti.gov.uk/ewt/whitepaper.htm>

Section 2: Targets and objectives

A new PSA target

2.1 UK Trade & Investment's overarching aim is:

“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.”

2.2 UK Trade & Investment will continue to have the lead responsibility within government for trade and investment services. It will continue to bring together the work of the Foreign & Commonwealth Office (FCO) and the Department of Trade and Industry (DTI), and draws staff and associated administration funding from both parent departments. And it will retain its own stream of programme funding, for which the Chief Executive is directly responsible as accounting officer.

2.3 The organisation's Public Service Agreement (PSA) target, following the Spending Review 2004 settlement with HM Treasury (SR2004), will be:

“By 2008, deliver a measurable improvement in the business performance of UK Trade & Investment'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.”

2.4 The new formulation of the target highlights the changes that will flow from SR2004. It underlines the increased emphasis on new-to-export firms.

PSA indicators

2.5 The new PSA target is underpinned by a suite of five PSA indicators against which the organisation's performance will be measured.

New-to-export indicator

2.6 This is an update on the SR2002 indicator. The SR2002 indicator was:

“at least 30 per cent of new-to-export firms assisted improving their business performance within two years.”

2.7 In 2003-04 the target figure in this indicator was met, with 30 per cent of businesses reported as improving their business performance.

2.8 For the SR2004 period the percentage to be achieved will be increased from 30 to 40 per cent, so the new indicator reads:

“at least 40 per cent of new-to-export firms assisted improving their business performance within two years.”

Established exporters (“new to market”) indicator

2.9 This indicator remains unchanged from its predecessor in the SR2002 settlement. The formulation is:

“at least 50 per cent of established exporting firms assisted improving their business performance within two years.”

2.10 In 2004-05 the target was not met, with 43 per cent of firms reported as improving their business performance.

Inward investment indicators

2.11 This has also been updated. The indicator set in SR2002 was as follows:

“the UK's share of the stock of EU foreign direct investment (FDI) as recorded in the United Nations Conference on Trade and Development (UNCTAD) World Investment Report, to be the best in Europe on a year-by-year basis.”

2.12 This indicator has been met. In the calendar year 2003, the last year for which figures are available, the UK's share was 20.1 per cent, comfortably ahead of Germany, with a 16.3 per cent share.

2.13 In future there will be two indicators focusing on inward investment. The first is:

“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.”

2.14 This formulation focuses on GDP-adjusted stock levels of European foreign direct investment, rather than simply on stock levels, of which the UK has the highest in Europe. The move to a GDP-adjusted ranking places the UK in the top half of the European league, but not at the top. The new indicator will require the UK to move further up the ranking.

2.15 The second indicator is:

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

2.16 This is a new formulation, and provides that 75 per cent of successful projects should be knowledge driven. Currently, 77 per cent of projects are knowledge driven.

Major projects indicator

2.17 The “major projects” indicator, set in the SR2002 settlement, was as follows:

“at least 70 per cent of firms receiving assistance to win major overseas projects reporting that UK Trade & Investment’s help was a significant factor.”

2.18 This indicator was not met, with 65 per cent. However, an adverse performance in the first quarter of 2004 led to a significantly lower average.

2.19 There will be no equivalent PSA-level indicator for the SR2004 period, but UK Trade & Investment will apply a corporate level indicator (see below under “Corporate indicators”) to track performance in this area.

Shift in resources indicator

2.20 UK Trade & Investment has been set one further new PSA indicator, making five in all, which has no precursor in the SR2002 indicators. This reads:

“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.”

2.21 The 30 percentage point increase, in programme spend, required to achieve this indicator will occur against the shift in resources to inward investment, and hence a diminution in the level of resource available for trade work generally. It will open the way for some shift of resource to new-to-export companies, and will also reduce the level of assistance

available for experienced exporters, in particular those who are already exporters but who are seeking to move into new markets.

Corporate indicators

2.22 Underpinning the PSA targets and the PSA indicators UK Trade & Investment has a set of its own corporate indicators, which the organisation maintains for business management purposes. These are currently as follows:

- By 2006, develop 6,000 new exporters,
- By 2006, deliver 18,000 UK firms successfully into markets new to them,
- Support 300 projects annually,
- By 2005, increase the number of registered customers for UK Trade & Investment website services by 50 per cent (from baseline of 20,000),
- Handle 25 per cent more inward investment projects than over the previous three-year average,
- By 2006, increase proportion of very satisfied trade customers to at least 75 per cent, and
- Success rate for inward investment location decisions for projects handled by UK Trade & Investment over a three-year period to be 75 per cent.

2.23 Further information on performance against the existing suite of PSA and corporate indicators is at Annex B.

2.24 These corporate indicators are being reviewed in order to align them with the changes in strategy that flow from the SR2004 settlement and Strategy 2008, as well as performance achieved to date.

Section 3: Changes in funding and staffing

Changes in funding

3.1 As a result of the SR2004 settlement, UK Trade & Investment's annual funding will reduce by £35 million, from a total funding in 2003-04 of around £287 million. £11 million of the required reductions will be found from UK Trade & Investment's programme funding, with the balance, £24 million, being found from reductions in admin spending. The reductions in admin spending will be achieved in significant measure by reductions in staffing levels. Annex C contains further information on UK Trade & Investment spending.

Current staffing

3.2 In 2003-04 UK Trade & Investment deployed some 2,500 staff (full-time equivalents or FTEs) on its operations, including more than 1,500 FTEs overseas in UK embassies, high commissions, consulates and trade offices, and around 330 staff and advisers in the nine English regions. It has headquarters operations in London and Glasgow. The majority of staff in the overseas network are from the FCO; the majority of people in the regions are drawn from the private sector and government offices.

Changes in the overseas network

3.3 By the end of the 2008 settlement period UK Trade & Investment will reduce the size of its overseas network by £20 million. In order to achieve this it will refocus resource where its commercial teams can make the most impact. This will include reinforcing support for business in important emerging

markets like China, where government support makes a real difference and where there are enormous opportunities, as well as reinforcing work to attract inward investment to the UK and thereby harnessing the benefits foreign investors bring to our economy.

3.4 However, the reduction in funding for overseas operations will mean losing some staff, and reducing the amount of time other FCO staff spend on commercially related duties. UK Trade & Investment has taken a number of steps to match its reducing resources better to customer demand. UK Trade & Investment is localising overseas jobs wherever this is appropriate. This is to ensure best value for money and to provide local expertise and professionalism that customers value. There will be a new tiered service offering (see page 7) to ensure the resource is deployed where customers really need it. UK Trade & Investment aims to cut overheads through more flexible means of working. These might include renting office space from a local Chamber of Commerce, home working and contracting out.

Impact in the UK

3.5 Over the period to 2008, UK Trade & Investment will reduce the size of its staff in London and Glasgow from 800 to 600 – with less resource on the trade side and less in the corporate centre. At the time of writing there are some 730 staff in London and Glasgow, although many of these are engaged on operational rather than headquarters functions. This number will be reduced. The inward investment resource in the UK will increase significantly as a proportion of overall staff.

More professionalism

3.6 The settlement will mean a move towards a leaner and higher-skilled workforce. As UK Trade & Investment moves to implement the settlement, it will continue to reinforce professionalism, and e-business will enhance our delivery.

Section 4: Changes in the trade and investment balance

4.1 In line with SR2004, UK Trade & Investment is working to rebalance the relationship between the resources devoted to trade and to inward investment and to move to a 67:33 ratio between the two. The switch of resources will enable the Inward Investment Group of UK Trade & Investment to maintain and strengthen its position.

4.2 The optimum balance between the inward investment and trade activities will be influenced by a study that UK Trade & Investment has commissioned into the relative benefits between deploying resources on trade development or inward investment. This work is currently in progress, and aims to deliver conclusions in summer 2005.

Section 5: Changes in the delivery of customer-facing services and operations

Strengthening of the English regions

5.1 The SR2004 settlement has given greater impetus to implementing UK Trade & Investment's existing Strategy 2006, which has been in place since 2002-03 and commits UK Trade & Investment to putting more of its resources closer to its customers. By 2008, UK Trade & Investment will be putting over £13 million a year into the English regions compared to 2002-03

5.2 As part of the process of strengthening the regional network, UK Trade & Investment will have put an extra 50 international trade advisers into the English regions in 2004-05.

Olympic medal-winning sprinter Roger Black MBE and BBC2 "Working Lunch" and "Match of the Day 2" presenter Adrian Chiles, joined around 150 local businesses and business support providers for the launch of Yorkshire and Humber's International Business Network (IBN).

It is the first in a series of UK Trade & Investment-supported business networking events being rolled out around the region.

The IBN aims to create opportunities for Yorkshire and Humber companies to share information, ideas and experience and so increase their business potential.

Speaking at the event Roger Black said: "To keep that all important focus, you need to talk to others so that you can learn from their experience – everyone needs a mentor and this is the strength of the International Business Network."

5.3 On international trade, UK Trade & Investment works closely in the English regions with the Regional Development Agencies, with whom we have developed Regional International Trade Strategies for each region. In most regions UK Trade & Investment has formal agreement to operate as their international trade arm, and all our International Trade Directors are co-located with their RDA to facilitate a close working relationship. From April 2005 UK Trade & Investment will jointly agree its regional delivery plans with the RDA under the nationally agreed "dual key" framework. The government decision that responsibility for Business Link funding should transfer to the RDAs from April 2005 may result in more regional variation between the organisations through which UK Trade & Investment's support for businesses is delivered at a sub-regional level. This is likely to result in new structures for delivery in some regions.

UK Trade & Investment was successful in the DTI Different Achievements Awards presented by the then DTI Secretary of State, the Rt Hon Patricia Hewitt MP, and Sir Robin Young, the then Permanent Secretary of the DTI.

UK Trade & Investment's London Regional Team was presented with a prestigious "Diversity Award" by the DTI, in recognition of its work to improve access to export services for ethnic minority companies and those led by women.

The team was presented with the award, in the Communication category, at a ceremony on 24 February, and had the further honour of being voted winner of the "People's Award" by the delegates attending the event.

International Trade Director for London David Train said: "Through targeted work to involve black minority and ethnic businesses and business intermediaries, the London team has successfully increased the level of ethnic businesses involved in export. The ethnic business outreach programme, black and ethnic minority (BME) trade events, and the first black trade mission to South Africa have all contributed to this increase, and BME businesses now represent 20 per cent of the London team's core clients.

"UK Trade & Investment undertakes outreach work in areas where government services have traditionally found it difficult to make an impact. The broad scope of the work UK Trade & Investment undertakes represents a concerted attempt to make diversity an integrated part of our service."

5.4 On the inward investment side, UK Trade & Investment will be making a significant further financial contribution to the Regional Development Agencies' single pot.

Reprioritisation of sector work

5.5 UK Trade & Investment will also offer trade development support by Sector teams, reflecting today's business need for sector-specific support.

5.6 UK Trade & Investment has prioritised its sector effort to get better value out of a smaller resource and will seek to achieve synergies from closer working between trade and inward investment teams. Driven by the needs of its trade customers and

by rigorous evaluation, it will focus on a smaller number of sectors where we add most value and where some level of UK Government support is required for UK companies to succeed overseas.

5.7 The UK Trade & Investment Corporate Plan 2004 stated that resources should be concentrated on those sectors where most value could be added. UK Trade & Investment commissioned consultants, Scientific Generics, to carry out a study to identify the key sectors in which we should focus our sectoral resource. Their analysis looked at sectors in terms of their contribution to the UK economy and their potential for international growth, and the extent to which UK Trade & Investment sectoral teams could add value. The report was taken into account in reaching sectoral prioritisation decisions following the SR2004 settlement.

Support for overseas exhibitions, missions and trade fairs

5.8 A significant part of current UK Trade & Investment activity has been support for UK companies at trade fairs, missions and exhibitions. In 2003-04 UK Trade & Investment supported more than 8,000 exhibitors to attend over 500 overseas trade fairs. These events are designed to enable customers to test markets, attract new leads, appoint agents or distributors and make sales.

5.9 As part of Strategy 2008, UK Trade & Investment will move resources away from direct subsidy to capacity building. It plans to remodel the way it provides support for overseas exhibition and mission groups for 2006-07 and beyond. UK Trade & Investment financial support will be focused on core customers (ie new-to-export SMEs) that are participating in overseas

events as part of wider trade development plans agreed with International Trade Advisers in the regions. It will work with third parties interested in organising groups on a commercial basis.

Services offered from the overseas network

5.10 The changes described above will impact on the way services are offered from Posts. Markets will in future be categorised in three tiers, and the services available tailored to reflect customers' needs in the different types of market.

5.11 In major and emerging markets, the full trade services offer will continue to be available.

5.12 In smaller markets there will be a more limited, mainly reactive service.

5.13 In the very smallest markets, political lobbying and support by Ambassadors and High Commissioners in support of UK business will continue to be available but UK Trade & Investment services in the FCO Posts concerned will be withdrawn. However, businesses will continue to have access to support and advice from the UK Trade & Investment website and from the teams in London.

5.14 UK Trade & Investment is also moving to improve the delivery of trade services by providing them direct from market rather than through its staff in the UK. As a result, customers get direct access to the experts they really need. All trade enquiries for Germany are now handled directly from UK Trade & Investment's Düsseldorf office. A similar service is available from UK Trade & Investment staff in Denmark, Finland, Norway, Spain and Sweden and the service will be expanded to other markets during 2005.

5.15 Some existing inward investment sections will grow. UK Trade & Investment will also examine the scope for deploying investment staff in a small number of new markets. It will commission studies of new markets before committing itself to roll out new teams and will also be comparing the wider roll-out plan with UNCTAD's latest statistics on outward investment in order to ensure that the deployment of new resources is in line with a country's propensity to outwardly invest.

5.16 UK Trade & Investment is also considering alternative models for service delivery overseas including "hub and spoke" arrangements in the overseas network, based on a strong regional centre supporting a network of smaller satellite offices, as well as more third-party delivery where it provides a more effective alternative. UK Trade & Investment will achieve better linkages with the UK's science base and with the FCO's Science and Technology network and the DTI's Innovation Group, where a joint action plan is being produced for Financial Year 2005-6.

5.17 There will be an increasing emphasis on the use of locally employed staff and a more rigorous evaluation of the impact of our overseas teams. We will move resources to meet customer demand and to where they add most value. Our new Portal website technologies and web-based Customer Relationship Management will facilitate the capture and sharing of knowledge across the network.

Special representative: HRH the Duke of York

5.18 His Royal Highness the Duke of York continues to make a significant contribution at home and overseas in his role as UK Special Representative for International Trade and Investment,

which he has performed since October 2001. He works closely with UK Trade & Investment and the devolved administrations in support of their trade development and inward investment objectives.²

His Royal Highness the Duke of York launched The International Trade Centre for Greater Merseyside in July 2004. The Duke visited the Centre in his capacity as UK Special Representative for International Trade and Investment.

The International Trade Centre For Greater Merseyside is a partnership between UK Trade & Investment, Business Link for Greater Merseyside and Liverpool Chamber of Commerce and Industry together with its ChinaLink arm.

The Centre promises to be a huge asset to the region. It will bring together an extensive range of international trade services under one roof for the first time.

Businesses will be offered support tailored to their needs along with a range of programmes supported by UK Trade & Investment.

Better evaluation

5.19 UK Trade & Investment will introduce by summer 2005 additional evaluation measures to inform resource allocation decisions and improve UK Trade & Investment's business planning processes to provide greater coherence and clarity of purpose across the network. We will undertake regular customer needs reviews, and mystery shopping exercises to improve performance will be used on a regular basis.

² Details of HRH The Duke of York's engagements, including those as Special Representative for International Trade and Investment, are available at www.royal.gov.uk

Section 6: Trade and online services

6.1 UK Trade & Investment will continue to develop further its highly successful Passport training and development programme. The Passport process offers tailored practical assistance and some financial support to help exporters develop the skills needed to operate internationally. In 2004, 100 per cent of customers were “satisfied” or “very satisfied” with services from Passport, compared with 92 per cent in 2003.

6.2 UK Trade & Investment has put significant resource into supporting and extending the reach of Passport. Over 3,200 firms are now on the programme and over 1,200 have completed the process. In 2004 over 1,450 firms signed up to Passport.

Ed Skelding Productions produces films for broadcast television and documentary DVD. It joined UK Trade & Investment’s Passport to Export programme in January 2003 to help it to expand into international markets.

It received exporting advice, mentoring and funding to attend the Cannes Film Festival in both 2003 and 2004. This generated significant interest for the company’s work from distributors in the USA, Australia and New Zealand.

Company Director Sarah Skelding said: “Going to Cannes for the first time was a great experience. We had the opportunity to make many contacts and have moved our feature film project forward as a result. Our contact at UK Trade & Investment has proved to be inspirational.”

6.3 Another successful intervention has been the Export Marketing Research Scheme (EMRS), which helps companies that need it with the cost of commissioning more in-depth research. Studies into the benefits of EMRS suggest that at least £28 of extra sales are generated for every £1 spent on the scheme.

Customer handling

6.4 Customer handling will be improved. In 2003-04 UK Trade & Investment’s telephone and email enquiry service helped deal with 38,000 calls and 6,000 emails. During 2005 UK Trade & Investment’s Information Centre is moving increasingly toward provision of access in electronic form only.

Promoting online services

6.5 To coincide with the launch in October 2004 of UK Trade & Investment’s new website, over 65,000 customers were pre-registered and issued with user names and passwords. The new “Portal” website will generate efficiency savings by further promoting “self-service” access to basic information on sectors and markets, thus focusing UK Trade & Investment’s direct interactions with customers on more value-added enquiries. Customers who take up the registration options are now able to benefit from access to business opportunities identified by our international network and more in-depth sector information in a single system.

6.6 UK Trade & Investment’s OMIS service is now provided online, and companies can order and pay online for the OMIS service in 30 countries. UK Trade & Investment will expand OMIS into other key markets this year, including India, America, China and South Africa. Since August 2001, 2,000 companies have taken advantage of this online service and OMIS orders have grown to over 1,200 per year.

6.7 The Inward Investment website continues to provide valuable business information to potential inward investors. There were more than 500,000 visitors to the site during 2004-05. Projects are currently underway to improve the effectiveness of Inward Investment’s online presence and during 2005 a new website will be launched. This will migrate to the uktradeinvest site in due course.

6.8 Inward investment staff in London and Düsseldorf are now piloting a new customer relationship management (CRM) system. This will enable staff to manage customer relationships more efficiently and systematically by:

- finding and sharing relevant customer information,
- avoiding duplication of effort, and
- improving the professionalism and quality of response.

Developments in trade services

6.9 To provide a better service to customers, UK Trade & Investment has undertaken a fundamental review of its trade services. In response to customer feedback, we have rationalised some 50 schemes to focus on the services that add most value to customers.

An award-winning research company is achieving success in the USA after joining UK Trade & Investment's Passport to Export programme.

London-based BioDiversity, which develops microbial products and processes for life science and environmental research, was helped by UK Trade & Investment to develop its overseas business. The company is now supplying ReacSyn™, its innovative microbial culture system, to pharmaceutical and biotechnology companies, research institutes and university departments in the USA and Europe.

Dr Frances Giaquinto, Director of BioDiversity said: "The continuous support we have received from UK Trade & Investment when breaking into the USA market has been invaluable. The staff are skilled and knowledgeable and I frequently seek their advice."

6.10 We have introduced a revised portfolio that has a clear proposition and focuses around a new service framework. The framework is based on a customer journey with 3 customer-facing categories that represents all the stages of international trade.

6.11 The new framework categories are: Advice and Support, Information and Opportunities and Making it Happen. Each category contains a toolkit of services that will allow UK Trade & Investment to be more effective and professional

in our delivery, enabling us to tailor our offering to the individual needs of the customer. This will also ensure that our limited resources are used to maximum benefit.

Medi-Direct International has launched its first innovative pain-relief product, Pain@Gone, in Hungary with retail sales of £75,000 in the first month alone.

Manufactured by the Nottingham-based company, Pain@Gone is a drug-free device shaped like a large ballpoint pen. Using a low-frequency electrical charge, the device stimulates endorphins to help relieve chronic pain.

A UK Trade & Investment team at the British Embassy in Budapest provided market information and recommended potential trading partners in the market. During a UK Trade & Investment-funded mission, Medi-Direct International chose Salus Medical Co Ltd as its local trade partner.

After clinical trials in Hungary and a major TV, magazine and PR campaign, Pain@Gone was launched nationally across Hungary.

6.12 The new framework was implemented in autumn 2004 with the publication of a new customer brochure and an interactive training road show for staff. The aim has been to ensure that all staff understand the new approach and that it forms the basis for how the organisation conducts its future business.

6.13 Customers will immediately see the benefits of working with UK Trade & Investment, from our new more flexible and coherent approach, and UK Trade & Investment will become more customer driven and responsive to their needs. UK Trade & Investment will use the new framework as a springboard to launch the next generation of services.

Staffordshire-based environmental products manufacturer, Next Tec Ltd, has signed a £2 million deal to provide its innovative machinery to the USA thanks to UK Trade & Investment.

Set up in 2001, Next Tec Ltd has developed revolutionary machinery to reduce the planet's waste. Poly-Melt™ is the world's first plastic "densifier". Reducing discarded plastic including expanded polystyrene by more than 85 per cent, it transforms the waste into small reusable blocks.

Government officials conservatively estimated the value of the plastic waste problem in California at US\$1 billion. Next Tec Ltd has signed a deal to provide 24 densifiers to California and a further 36 to other American states.

Mark Smith, Marketing Director at Next Tec Ltd said: "Our confidence to Export is a direct result of our participation in UK Trade & Investment's Passport to export scheme. It has enabled us to access the optimum international markets and experience exponential growth in our first year of active business".

Charging

6.14 UK Trade & Investment will progressively extend charging for its services. Charging deters frivolous enquiries, acts as a test of value and informs resource allocations. First steps have now been taken to increase the charges for two existing charged services: OMIS and New Products from Britain. Other work is underway to improve UK Trade & Investment's understanding of its customers' willingness to pay, and to benchmark services against the charging policies of comparator organisations in the UK and overseas.

Section 7: Inward investment services

7.1 UK Trade & Investment is the national inward investment promotion agency and markets the UK as the leading European inward investment destination. It leads the UK inward investment network – the Regional Development Agencies (RDAs) and the devolved administrations (DAs).

7.2 Inward investment successes reported to UK Trade & Investment for 2003-04 totalled 813, an increase of 14 per cent over 2002-03. This resulted in 25,614 new jobs and safeguarded a further 34,000. Sixty per cent of inward investment projects were knowledge driven. The new PSA indicator will drive UK Trade & Investment to push that figure up to 75 per cent.

Sharp, the Japanese electronics giant and the world's largest producer of solar cells has chosen North Wales as the site for its European plant manufacturing solar panels. This investment will create 90 jobs at Sharp's Wrexham factory using solar cells imported from Japan, though Sharp intends to start making them in the UK.

UK Trade & Investment was involved from the conception of the project. There were a number of in-depth meetings with the company in London, Osaka and with the British Ambassador in Tokyo. The project team visited the UK and were fully briefed by officials and the Minister of Energy, who hosted a dinner in their honour, and the Secretary of State for Wales and the Welsh Assembly Ministers were also present.

Customer services

7.3 UK Trade & Investment helps inward investment by:

- promoting the UK as the prime location for inward investment,
- advising potential inward investors on regions of the UK that best match their individual requirements,
- arranging visit programmes to help companies view at first hand the advantages the UK offers them,
- advising on the national, regional and local incentives available to encourage investment,
- giving advice on establishing an operation in the UK including details of work permits, regulations and immigration law,
- helping to make contacts with key private sector companies and public sector organisations,
- advising on worker availability and skills, component suppliers and sub-contractors,
- advising on European markets, particularly the EU and its rules, together with other aspects of the operating environment,
- maintaining dialogue with major investors already in the UK to encourage their successful development and expansion, and
- developing co-operation between the principal bodies engaged in inward investment promotion through chairmanship of the Committee on Overseas Promotion.

Investor support

7.4 UK Trade & Investment 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 – providing customer-focused solutions to retain and add value to inward investment in the UK.

Global Entrepreneurs and Global Partnerships

7.5 The Global Entrepreneurs programme aims to make the UK a more welcoming country for entrepreneurs and start-ups. During the year UK Trade & Investment helped 14 new start-ups in sectors such as nanotechnology, bioinformatics and software.

7.6 The Global Partnerships scheme helps UK-based and foreign companies collaborate on technology development, by helping with the crucial partner search process.

7.7 UK Trade & Investment was involved in nine new partnerships, in nanotechnology, engineering, energy and automotives.

Aftercare for investors

7.8 In a highly competitive international market, “investor development” (also known as “aftercare”) is crucial. In 2003-04, 60 per cent of all new jobs from inward investment were from existing investors. UK Trade & Investment manages the UK's investor development network.

Arvato Bertelsmann, a German company, has invested an initial £115 million in a state-of-the-art high quality gravure printing facility at Speke in Liverpool. UK Trade & Investment assisted them at all stages of the investment process, with Commercial officers in Düsseldorf working closely with the company on locating in the UK.

Gravure is a printing process involving metal cylinders on which small wells or cells are engraved and from which ink is transferred to paper. It is used for high volume, long-run print jobs (anything from 250,000 to 15 million) like mail order catalogues, magazines and glossy newspaper supplements.

Strategic management

7.9 UK Trade & Investment is leading the development of a more integrated relationship management approach. The aim is to better integrate the various points of contact companies have with the different publicly funded organisations involved in promoting inward investment. This is done regionally across the UK, nationally, and internationally with European HQ and parent company contacts.

A Voice in Government

7.10 In partnership with the DTI, UK Trade & Investment will continue to lobby on issues that concern investors. UK Trade & Investment is developing further its “Voice in Government” offer to existing investors.

7.11 UK Trade & Investment acts as an advocate in Whitehall for investors. This includes perceptions 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.

7.12 UK Trade & Investment 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.

7.13 UK Trade & Investment also works with stakeholders, such as the British Chambers of Commerce, and the CBI, to provide support on wider trade development issues.

Section 8: Improving the organisation

8.1 As part of Strategy 2008, and its responses to the SR2004 settlement, UK Trade & Investment is placing greater emphasis on professionalism and a more highly skilled workforce.

Professional Development

8.2 Under its Professional Development Strategy UK Trade & Investment launched a new business qualification at postgraduate level – the UK Trade & Investment – Diploma Programme in Management, Trade and Investment in June 2004.

8.3 The Programme provides an internationally recognised qualification developed in partnership with the Open University Business School. It is open to all staff across the organisation, including the International trade teams in the English regions. Forty places are offered each year.

Interchange Programme

8.4 UK Trade & Investment promotes interchange between the FCO and the DTI, other government departments and private sector. Staff gain a breadth of experience and can blend the best of public and private sector expertise. Interchange also provides staff with a broader range of career development opportunities than might otherwise be available to them. In 2004-05 over 70 private sector individuals worked for UK Trade & Investment as business experts, supporting trade and investment activity. In the same year 40 public sector staff had the opportunity to work in the private sector.

8.5 The Interchange programme also allows for staff in the UK to spend time at overseas Posts, and for locally employed overseas staff to have the opportunity to work in the UK. In 2004-05, over 50 staff from headquarters and the regions had the opportunity to work overseas, and over 60 locally employed overseas staff were able to come back to the UK.

Chris Lihou, a Supply Chain Manager for AMEC Oil & Gas, completed a three-month secondment to the British High Commission in Port of Spain, Trinidad and Tobago. Chris wrote a report on the opportunities for UK companies in the Oil & Gas sector in Trinidad.

Trinidad has a long established oil industry and has recently developed a major gas infrastructure. Trinidad is now the major supplier of liquefied natural gas (LNG) to the USA and the world's largest producer of methanol. The development of these industries has led to major international investment in the country, led by UK-based multinationals British Petroleum and British Gas.

Sustainable development is very high on the local agenda. The report emphasised the many opportunities for UK companies to export the skills and products they have honed in the North Sea over the last 30 years to the local workforce. It will be of strong value to UK Trade & Investment and any UK company interested in doing business in Trinidad.

The report's publication led to Chris, and Keith Allen, the Deputy High Commissioner, holding a series of road shows to communicate the results with a number of companies.

Diversity

8.6 In order to ensure that it can benefit fully from the talents of its workforce, UK Trade & Investment has developed a strategic framework to extend and develop its current work on diversity that will:

- raise monitoring and evaluation of black and minority ethnic company participation in UK Trade & Investment programmes to determine how customers can be better served,
- continue training seminars on disability awareness, religious discrimination and human rights issues, and
- further mainstream diversity in activities such as mystery shopping, customer relationship management (CRM) and general marketing activities.

UK Trade & Investment Board Awards

8.7 As part of its strategy for recognising and rewarding achievement, UK Trade & Investment launched its "Awards for Outstanding Achievement" scheme in 2003. The scheme has been warmly received by staff as a means of giving their efforts due prominence.

8.8 The most recent Awards in November 2004 recognised the achievement of staff in three categories: Outstanding Achievement by an Individual, and by a Team, and Outstanding Manager. Sir Stephen Brown presented awards to some 81 members of staff from around the world at the reception, held in Lancaster House.

Investors in People (IIP)

8.9 UK Trade & Investment's work on professionalism received outside endorsement when the organisation received its Investor in People (IIP) accreditation at the end of 2003. The award, for the UK operation of UK Trade & Investment, was a real achievement, particularly set against the structural changes that have been taking place. Later this year UK Trade & Investment will seek early re-accreditation to the standard in the UK for a further three years and is working with the FCO to achieve the standard for our overseas operations.

Private sector expertise

8.10 UK Trade & Investment is fortunate to be able to draw on the private sector business expertise of a number of its staff. Of the staff overseas, some 80 per cent are locally employed and many of them have private sector experience.

8.11 In the regions, some 70 per cent of the International Trade Advisers are from the private sector; and in headquarters we have drawn on the experience of some 70 secondees in the past year.

8.12 There are also business experts on secondment to UK Trade & Investment in a variety of roles. These include international business experts as well as other secondees.

Private sector sponsorship

8.13 Annex D contains information on UK Trade & Investment private sector sponsorship.

Annex A

UK Trade & Investment's economic rationale

A.1 As outlined in the DTI White Paper 2004 "Making globalisation a force for good"³, trade and investment are the essential components of the UK's prosperity. The value of exports represents nearly 30 per cent of UK national income. The structure of the UK's economy has successfully adjusted to the challenges of increasing globalisation.

A.2 The UK is currently the world's second biggest outward investor and is also a major recipient of inward foreign direct investment, with more investment than any other EU Member State. To ensure that British firms can compete, the UK needs to strengthen the drivers of productivity growth. Greater internationalisation can help to achieve this by boosting innovation and competition and providing access to new technologies.

A.3 As the White Paper makes clear, there are cases where markets do not function perfectly and suitable government intervention can lead to broader benefits for individual firms and the economy as a whole. Instances of such "market failure" occur both on the inward investment and the trade development side. Taken together, they provide a strong rationale for UK Trade & Investment's activities.

A.4 On the inward investment side, for example, the introduction of new production methods by a foreign investor can facilitate beneficial innovation by UK firms. This is not in itself in the direct interest of the foreign investor, so there is a strong justification for government intervention to encourage the investment.

A.5 On the trade development side, when firms have imperfect information about business opportunities internationally and the benefits that accrue to business from pursuing them, they may miss opportunities that could improve their overall business performance. This particularly applies to SMEs that, due to the high fixed costs of information, may lack the capacity to identify profitable foreign markets and the best ways to access them.

³ Cm6278. This can be downloaded from the following location: <http://www.dti.gov.uk/ewt/whitepaper.htm>

Annex B

Progress against PSA and corporate indicators

PSA – International Trade Support ⁴	2003-04 (Calendar Year)	2004-05 (Calendar Year)
1) At least 30% of new-to-export firms assisted improving their business performance within two years	Requirement: 30% Achieved: 35%	Requirement: 30% Achieved: 30%
2) At least 50% of established exporting firms assisted improving their business performance within two years	Requirement: 50% Achieved: 43%	Requirement: 50% Achieved: 43%

PSA – Major Overseas Projects Support	2003 Survey	2004 Survey
1) At least 70% of firms receiving assistance to win major overseas projects reporting that UK Trade & Investment's help was a significant factor ⁵	Requirement: 70% Achieved: 61%	Requirement: 70% Achieved: 65%

PSA – Inward Investment	Year 2003 Report	Year 2004 Report
1) The UK's share of the stock of EU foreign direct investment (FDI) as recorded in the United Nations Conference on Trade and Development (UNCTAD) World Investment Report ⁶ , to be best in Europe on a year-by-year basis	Requirement (Position in EU) – 1st Position Achieved: 1st (19.6%)	Requirement (Position in EU) – 1st Position Achieved: 1st (20.1%)

Corporate – International Trade satisfaction and recognition	2003-04 (Financial Year)	2004-05 (Financial Year)
1) By 2006, increase the proportion of very satisfied trade customers to at least 75%	Requirement: 75% Achieved: 74%	Requirement: 75% Achieved: 83%

⁴ These indicators are measured by an outside consultancy (the Reading Business Group, part of Reading University) that carries out a survey of 800 firms each year to gather information on the overall performance of UK Trade & Investment. The percentage figures in the indicators are set to reflect those firms achieving sustainable, ie longer-term, improvements in productivity and profitability, rather than those experiencing short-term but ultimately unsustainable increases. The measurement methodology aims to capture the sustainable rather than the unsustainable increases. The survey is based on telephone interviews of a sample of users of UK Trade & Investment's principal services. Two-thirds of the interviews are with firms who have used UK Trade & Investment's services in the past 6-12 months. These interviews provide an initial assessment of the impact of the services on the firms concerned. The remaining third of the interviews are follow-ups with firms who were sampled the previous year, and these take place 18-24 months after the services first in question were used.

⁵ An independent consultant, Casson & Crispe, is used to assess UK Trade & Investment's impact on firms winning projects overseas. This is measured on the basis of an annual survey of firms involved in major projects. The survey questions firms about assistance on projects over the preceding year, ie the 2005 survey covered 2003-04.

⁶ This element of the PSA target is measured by "the UK's share of the stock of EU FDI on a year-by-year basis, as recorded in the UNCTAD World Investment Report" in order to determine whether the UK is the prime location for FDI. The Report, published in September 2004, endorses the UK's position as Europe's top inward investment location. The UK has both maintained the highest total stock and increased its share of European investment stock by US\$104 billion in 2003 to a total of US\$672 billion, accounting for more than 20 per cent of investment stocks in Europe. The 2004 report contains inward investment figures for the calendar year 2003 and revisions to previous years.

Corporate – Developing Exporters	2003-04 (Financial Year)	2004-05 (Financial Year)
1) By 2006 develop 6,000 new exporters	Achieved: 1,912	Achieved: 1,521 ⁷
2) By 2006 deliver 18,000 new firms successfully into markets new to them	Achieved: 4,827	Achieved: 4,247 ⁸

Corporate – Inward Investment	2003-04 (Financial Year)	2004-05 (Financial Year)
1) Handle 25% more inward investment projects than over the previous three-year average ⁹	Requirements: 1,449 Achieved: 1,464	Requirements: 1,548 Achieved: 1,516
2) 75% success rate for inward investment location decisions for projects handled by UK Trade & Investment over a three-year period ¹⁰	Requirements: 75% Achieved: 93%	Requirements: 75% Achieved: 88%
3) 70% of inward investment successes handled by UK Trade & Investment to be in knowledge-driven sectors or technologies ¹¹	Requirements: 70% Achieved: 70%	Requirements: 70% Achieved: 77%

Corporate – Online Presence	2003-04 (Financial Year)	2004-05 (Financial Year)
1) Increase the number of registered customers for UK Trade & Investment's website services by 50% by end 2005-06.	Achieved: 24,820 ¹²	Achieved: 65,000 ¹³

⁷ Based on input from Regional Directorate only. Figures are for the period 1 April 2004 to 30 September 2004. The amount stated is on an annualised basis.

⁸ Based on input from Regional Directorate only. Figures are for the period 1 April 2004 to 30 September 2004. The amount stated is on an annualised basis.

⁹ By reference to Inward Investment Group London Geographic Sections, and UK embassies and consulates overseas. Figures cover 1 April 2004 to 31 December 2005 only. Figures for 1 January – 31 March 2005 will not be available until late April.

¹⁰ By reference to Inward Investment Group London Geographic Sections, and UK embassies and consulates overseas. Figures cover 1 April 2004 to 31 December 2005 only. Figures for 1 January – 31 March 2005 will not be available until late April.

¹¹ By reference to Inward Investment Group London Geographic Sections, and UK embassies and consulates overseas. Figures cover 1 April 2004 to 31 December 2005 only. Figures for 1 January – 31 March 2005 will not be available until late April.

¹² Based on the total number of pre-registered customers for UK Trade & Investment's internet-based Sales Lead Service only.

¹³ 65,000 customers were pre-registered on the new UK Trade & Investment website launched in October 2004 – including former customers of the Sales Lead Service and other UK Trade & Investment services. As at 22 February 2005 there were 6,366 active customers associated with a UK business using the personalised features of the website. New customer registrations are continuing at a rate of approximately 100 per week.

Annex C

Financial tables

UK Trade & Investment Programme Expenditure: Major Programme (£million)						
	2002-03 Outturn*	2003-04 Outturn	2004-05 Working Provision	2005-06 Plans**	2006-07 Plans**	2007-08 Plans**
Trade development	71.5	75.9	75.3	73.0	61.7	51.1
<i>of which</i>						
Support for exhibitions and seminars	21.6	19.2	19.0	16.0	10.0	10.0
Passport	3.6	5.4	5.5	6.2	6.6	6.7
International Trade Advisers	9.8	10.9	14.6	15.9	16.7	17.0
Overseas Project Fund	2.4	2.4	1.2	0.4	0.1	0
Sector Support in Markets	4.2	10.9	11.9	11.9	9.0	9.0
Outward Missions	2.2	1.8	1.3	0.3	0	0
Export Promoters	2.6	2.4	2.2	1.8	1.0	1.0
Sales Lead Services ***	1.7	1.4	0.4	0	0	0
Income	-0.9	-1.3	-1.6	-1.4	-1.5	1.6
Inward Investment	20.7	20.7	23.8	27.3	33.8	38.4
<i>of which</i>						
Grants to Regional Development Agencies	12.9	12.9	13.2	15.2	15.2+	15.2+
Promotional expenditure	7.8	6.6	8.3	11.1	11.7	12.4
Note:						
This is not a comprehensive list of all UK Trade & Investment-funded programmes, but includes the main areas of spend only.						
* 2002-03 outturn figures quoted in the 2004 departmental report were provisional.						
**Figures are indicative only.						
*** Sales Lead Services has been incorporated as Business Opportunities and features on the UK Trade & Investment website at						

UK Trade & Investment: Expenditure on Trade & Investment (£million)						
	2002-03 Outturn	2003-04 Outturn	2004-05 Working Provision	2005-06 Plans*	2006-07 Plans*	2007-08 Plans*
Expenditure	93.1	97.9	102.6	101.7	97.0	90.6
Income	-0.9	-1.2	-1.6	-1.4	-1.5	-1.6
Net	92.2	96.7	101.0	100.3	95.5	89.0

Annex D

Private sector sponsorship of UK Trade & Investment activities

UK Trade & Investment 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.

- UK Trade & Investment received the following private sector sponsorship during 2004-05 (only sponsorship exceeding £5,000 for a single event is included).
- Sponsorship amounting to £1.59 million was given in support of the UK pavilion at EXPO 2005 held in Japan. The sponsorship was given by British Nuclear Fuels, GKN plc, HSBC, Inchcape, Shell, Toyota (GB) and a number of small- and medium-sized enterprises.
- UK Trade & Investment received sponsorship totalling £31,500 for the UK-Korea High Technology Industry Forum held in London in November 2004. Sponsors were LG UK, South East England Development Agency, MIC/ipark, Simmons and Simmons and the Confederation of British Industry.
- British Airways gave sponsorship to the 2004 International Business Awards organised by UK Trade & Investment. This was in the form of six club-class airline tickets as prizes to winning businesses. These amounted to £11,275 in value.
- “Passport awards” of £5,000 each were given to three winning businesses by the Business Link for London, Currencies Direct and HSBC.
- Sponsorship amounting to £7,000 was given by the Royal Bank of Scotland to the East Midlands International Trade Fair Association for an event organised jointly by the East Midlands Development Agency and UK Trade & Investment.
- The Royal Bank of Scotland also sponsored an International Trade Conference organised by UK Trade & Investment in the North West Region.



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