

National Audit Office

UK Trade & Investment: Trade support

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 297 Session 2008-2009 | 3 April 2009

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Tim Burr, is an Officer of the House of Commons. He is the head of the National Audit Office which employs some 850 staff. He and the National Audit Office are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work leads to savings and other efficiency gains worth many millions of pounds; at least £9 for every £1 spent running the Office.

UK Trade & Investment: Trade support

LONDON: The Stationery Office
£14.35

Ordered by the
House of Commons
to be printed on 2 April 2009

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

Tim Burr
Comptroller and Auditor General
National Audit Office

31 March 2009

The National Audit Office
study team consisted of:

Mohbul Choudhury, Nick Ormiston-Smith,
Andrew Packer and Simon Reason, under the
direction of Peter Gray

This report can be found on the National Audit
Office web site at www.nao.org.uk

**For further information about the
National Audit Office please contact:**

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

© National Audit Office 2009

CONTENTS

| | |
|---|----|
| SUMMARY | 4 |
| PART ONE | |
| Background | 8 |
| PART TWO | |
| Delivery of trade support | 15 |
| APPENDICES | |
| 1 Study methods | 28 |
| 2 UK Trade & Investment's strategy | 30 |
| 3 UK Trade & Investment's governance and expenditure | 35 |
| 4 UK Trade & Investment's services | 37 |
| 5 Overseas comparisons | 42 |



SUMMARY

1 UK Trade & Investment is the Government body which provides expert advice and support to UK based businesses wishing to trade internationally, as well as support to businesses based overseas wishing to locate in the UK. This report looks at the trade aspect of its work, including its High Growth Markets Programme.

2 In 2007 UK exports totalled £368 billion and represented 26 per cent of the UK's Gross Domestic Product. The United States and the European Union remained the UK's principal markets, together accounting for 68 per cent of total exports. Export performance has been particularly strong in a number of sectors, notably financial services, media and the creative industries, and the manufacture of advanced technology products. The emergence of high-growth markets, such as China and India, offers an opportunity for UK businesses to increase their

international presence and thus improve the UK's trade position. However, they also present a challenge to many businesses and in some of these markets the UK's performance is lagging behind that of other Western countries.

3 In July 2006 UK Trade & Investment published *Prosperity in a Changing World* which set out its five-year strategy to implement Government policy. The strategy is intended "to deliver, by 2011, measurable improvement in the business performance of UK Trade & Investment's international trade customers, with an emphasis on innovative and R&D firms; increase the contribution of foreign direct investment to knowledge-intensive economic activity in the UK, including research and development; and deliver a measurable improvement in the reputation of the UK in leading overseas markets as the international business partner of choice."

4 UK Trade & Investment has set a series of output targets intended to deliver benefit to UK businesses. It delivers these through 19 core services. Annual targets include: to support at least 20,000 businesses in exploiting overseas opportunities, of which 12,000 businesses should be innovative, and at least 50 per cent of supported businesses should improve their performance as a result; to achieve quality and satisfaction ratings in excess of 80 per cent; and to increase its revenue from charging users of its services by £2 million to £4 million in 2010-11.

5 Total expenditure in 2007-08 was £297 million, of which £218 million (74 per cent) was in support of trade and £77 million (26 per cent) related to encouraging inward investment. From 2005-06 to 2007-08 the percentage of total resources assigned to inward investment increased from 15 per cent. Our review excludes the absorption into UK Trade & Investment of the Defence Export Services Organisation in April 2008 as it is too early to evaluate the resultant Defence and Security Organisation.

6 UK Trade & Investment has an unusual governance structure amongst government organisations: the Chief Executive, as Accounting Officer, is responsible for grants made to businesses and expenditure on work contracted out to private providers. The costs of directly employed staff, together with their overheads and accommodation, are funded by the Department for Business, Enterprise and Regulatory Reform (BERR) and the Foreign and Commonwealth Office (FCO) and remain the responsibility of the Accounting Officers of those Departments.

Key findings

7 **Since 2006, UK Trade & Investment has re-focused its resources towards 17 (out of 99) markets it believes offer the greatest opportunity for increasing trade,** including China, India and Turkey. The total number of staff providing trade support in these priority markets increased by 21 per cent from 399 in July 2006 to 483 in July 2008, representing 36 per cent of total staff overseas. The volume of services delivered in these markets also increased. For example, the number of commissions delivered under the Overseas Market Introduction Service, one of the principal support services, increased by 179 per cent in the high growth markets compared to 92 per cent in the remaining markets.

8 **UK Trade & Investment is making good progress against its targets and has in place a robust system of assessing delivery.** Performance data reported in December 2008, covering the 12 months to June 2008, demonstrates it has come close to, or hit, most of its key targets:

- The total number of businesses supported was 19,300, some 44 per cent above the figure for the previous 12 months although short of its target of 20,000. The number of innovative businesses assisted increased to 16,100, exceeding the target of 12,000 by 34 per cent.
- Based on feedback from business, it achieved a quality rating of 76 per cent and a satisfaction rating of 75 per cent, against a target of 80 per cent.
- 52 per cent of businesses felt they had improved their performance as a result of the support received, against a target of 50 per cent.
- Some 3,000 businesses reported an increase of research and development activity as a result of UK Trade & Investment support, against a target of 1,000.
- As at 31 December 2008, its revenue from charging had reached £2.9 million for 2008-09, against a target of £2.5 million, primarily through its Overseas Market Introduction Service.

9 **UK Trade & Investment has put in place extensive arrangements to obtain regular and systematic feedback on the quality of its services.** The current arrangements have been in place since 2005 and involve a rolling survey of businesses using UK Trade & Investment's services. The survey is conducted by a contractor and provides a regular and comprehensive assessment of client views and forms the basis for reporting against targets. Some 70 per cent of businesses surveyed reported a qualitative benefit as a result of the assistance received. Some of the benefits cited include access to information, customers and business partners not otherwise available; and gaining the confidence to explore or expand overseas.

10 **UK Trade & Investment has sought to measure the financial benefit of its intervention. It shows that most perceive little financial benefit, but some perceive a large benefit.** UK Trade & Investment regularly asks its users to estimate the financial benefit arising as a result of its support: in the 12 months to June 2008 it reported that this was £229,000, on average, per business. This figure is used to derive the organisation's reported benefit to cost ratio which was 15:1 in 2007-08. There are, nevertheless, important caveats. The underlying survey data shows that 29 per cent either did not know or declined to provide an estimate, 30 per cent forecast some financial benefit and 40 per cent forecast no financial benefit. The survey focuses on forecast impact rather than actual financial impact which may, in practice, be achieved some years later. There is, at present, comparatively little information on UK Trade & Investment's longer term impact on business performance.

11 UK Trade & Investment needs to set out more explicitly, on a market by market basis, the significant market access barriers and its plans for overcoming them. It has business plans in place in each of the markets in which it operates and specific activity plans for each of the priority sectors in each market. The business plans include: overarching targets; resources; a risk assessment; a balanced scorecard of delivery; barriers to trade; and a marketing plan. These plans do not always set out which barriers to trade are most significant, the potential benefits to UK business that might accrue from overcoming them, the chances of success and hence the priority with which they should be tackled.

12 UK Trade & Investment lacks clarity on the objectives governing the charges it makes for its services. UK Trade & Investment has an annual revenue target agreed with Treasury. For 2008-09 this target is £2.5 million, to be earned through charges to businesses for some of its services. We found a lack of clarity in the financial objectives related to each of UK Trade & Investment's services, such as those that should be subsidised, and by how much; and those which should be subject to full cost recovery.

13 UK Trade & Investment has taken some steps to determine the unit costs of its services, but it lacks a sufficiently robust method to enable it to judge the efficiency with which services are delivered. UK Trade & Investment does not accurately calculate the costs of providing the different services and the relative contribution made by different parts of the organisation. It cannot therefore assess the efficiency with which it achieves its outputs, nor the level of subsidy it is providing to businesses and whether it is compliant with Treasury guidelines on full economic cost recovery. A model for assessing costs has been in place since late 2008 but it needs significant refinement.

14 Some businesses were confused about how the services provided by UK Trade & Investment sat alongside services provided by other organisations. UK Trade & Investment research shows that 17 per cent of supported businesses did not realise that the assistance came from UK Trade & Investment. Trade associations and some businesses we met were confused by the variety of bodies involved in the delivery chain for trade support services and how these fitted together – UK Trade & Investment, the Regional Development Agencies, Business Link, as well as various contractors. Some UK Trade & Investment staff reported that frequent name-changes to trade-support activities over the years have delayed the establishment of a strong brand name that would raise awareness among UK businesses.

Conclusion on value for money

15 UK Trade & Investment is nearly three years into its five-year strategy and is on course to spend some £1 billion on trade support work by 2011. It collects a significant amount of quantitative data to assess the delivery of its 19 core services. This data indicates that it is close to achieving its targets of assisting 20,000 businesses in a 12-month period, delivering high quality and satisfaction ratings, and improving business performance.

16 UK Trade and Investment's unusual organisational structure, drawing upon the resources of two parent departments, provides it with the flexibility to draw upon the infrastructure and expertise of both, for example the time and influence of senior diplomats. This structure also creates challenges. UK Trade and Investment lacks sufficiently robust measures of the costs of delivering specific services. It is therefore not in a position to gauge reliably the efficiency of its different activities, the contribution of different parts of the organisation to these services, nor the relative costs and benefits of the different services it provides. Without such information it is hard to show that value for money is being optimised.

Recommendations

17 Our recommendations are intended to increase visibility of the costs of delivering trade support services and accelerate the process of targeting resources where they can achieve the greatest impact, thereby securing better value for money.

(i) Significantly improve information on the cost of services and use it to target its resources more effectively

1 **Insufficient data on the costs of providing each of the services, and the value generated by various parts of the organisation, reduces UK Trade & Investment's ability to focus resources where they have the highest impact.** UK Trade & Investment should improve its limited costing model to estimate the unit cost of each of its services, and update this information periodically. The information can be used in a number of ways:

- a** to review the UK Trade & Investment range of services and target resources on those which are most cost effective;
- b** to understand which parts of the organisation are most productive and take action where appropriate;

- c to make comparisons between existing and potential delivery methods; and
- d to provide credible data to allow UK Trade & Investment to comply with Treasury rules on full economic cost recovery for those services where it is applicable.

2 UK Trade & Investment lacks clear charging policies for its services. UK Trade & Investment should establish clear charging policies for its various services, distinguishing between those where there should be full-cost recovery, partial subsidy and those free at the point of delivery. Where it intends to achieve full-cost recovery it should estimate the level of current over or under recovery and put in place a strategy for achieving full recovery.

3 UK Trade & Investment lacks comprehensive evidence of its long term impact on business performance. It should put in place a rolling programme to estimate the actual benefits accrued to businesses, reviewing, two to five years after support is given, the impact on business performance. This could include extending the current follow-up surveys to seek out further, robust evidence.

(ii) Raise awareness amongst businesses that have yet to access its services, and increase awareness of the portfolio of services amongst businesses which have done so

4 There is limited awareness of UK Trade & Investment as a trade support organisation amongst individual businesses for whom it still lacks a clear identity. UK Trade & Investment should seek to understand better why some businesses do not take up its trade support offerings. It should give attention to the importance of distinctive and consistent branding in dealing with businesses so that those considering international trade are aware of its services.

5 Amongst those businesses that have engaged with UK Trade & Investment, not all understand its full range of services. It should communicate a clear picture to its business audience of the full range of UK Trade & Investment's services and the criteria governing access to these services.

(iii) Develop a clearer strategic view of where it wishes UK trade to be in the medium term in all target markets

6 UK Trade & Investment's plans for its target markets do not always outline a clear view of the relative benefits of overcoming barriers to trade. UK Trade & Investment should incorporate into all its individual market plans a prioritisation of the most significant barriers to trade. The prioritisation should be based on a series of criteria, for example the potential benefits to UK businesses that might accrue from overcoming these barriers and the chances of success.

(iv) Communicate a clearer understanding of how its services address barriers to trade and fit with the services provided by others

7 UK Trade & Investment has not always communicated a clear picture of how its services should fit alongside those provided by the private sector and other organisations. UK Trade & Investment should develop a more informed understanding of how its services fit alongside the developing pattern of those provided by private sector organisations, including trade associations, and to use this knowledge to explain how its support complements the private sector provision.

PART ONE

Background

Opportunities and challenges for UK businesses trading in the global economy

1.1 In 2007 exports totalled £368 billion, an increase of 31 per cent in five years, and represented 26 per cent of the UK's Gross Domestic Product. Much of this trade has focused on traditional markets. In 2007, the United States and the European Union together accounted for 68 per cent (£251 billion) of total UK exports of goods and services. The UK's export performance has been particularly strong in a number of sectors, notably financial services, media and the creative industries, and the manufacture of advanced technology products.

1.2 World trade growth in goods and services was strong in 2006 and 2007, increasing by 10 per cent and seven per cent respectively. The Pre-Budget Report, issued by Treasury in November 2008, predicted that world trade would grow by a further 5.25 per cent in 2008. A key driver of these increases has been the high economic growth in emerging markets. Notably, China and India increased their Gross Domestic Products by 12 per cent and 9 per cent respectively in 2007 after similar growth the previous year. Over recent months the world economy has slowed markedly. Nevertheless, the emerging markets are forecast to continue to grow by more than developed markets, albeit at a reduced rate.

1.3 Although the UK remains relatively strong in the export of services to high growth markets, the statistics available suggest that it is increasingly lagging behind its competitors in the export of goods (**Figure 1**). Comparisons for goods are complicated by the sizable trade in components between established markets, with

only the exporter of the finished product recording a sale to the high-growth market. To trade successfully in less familiar markets, businesses can face a series of practical challenges: understanding the local business culture and language; coping with distance; finding a reliable local partner; and developing products and services to meet the specific needs of the local market.

Trade support – Government objectives

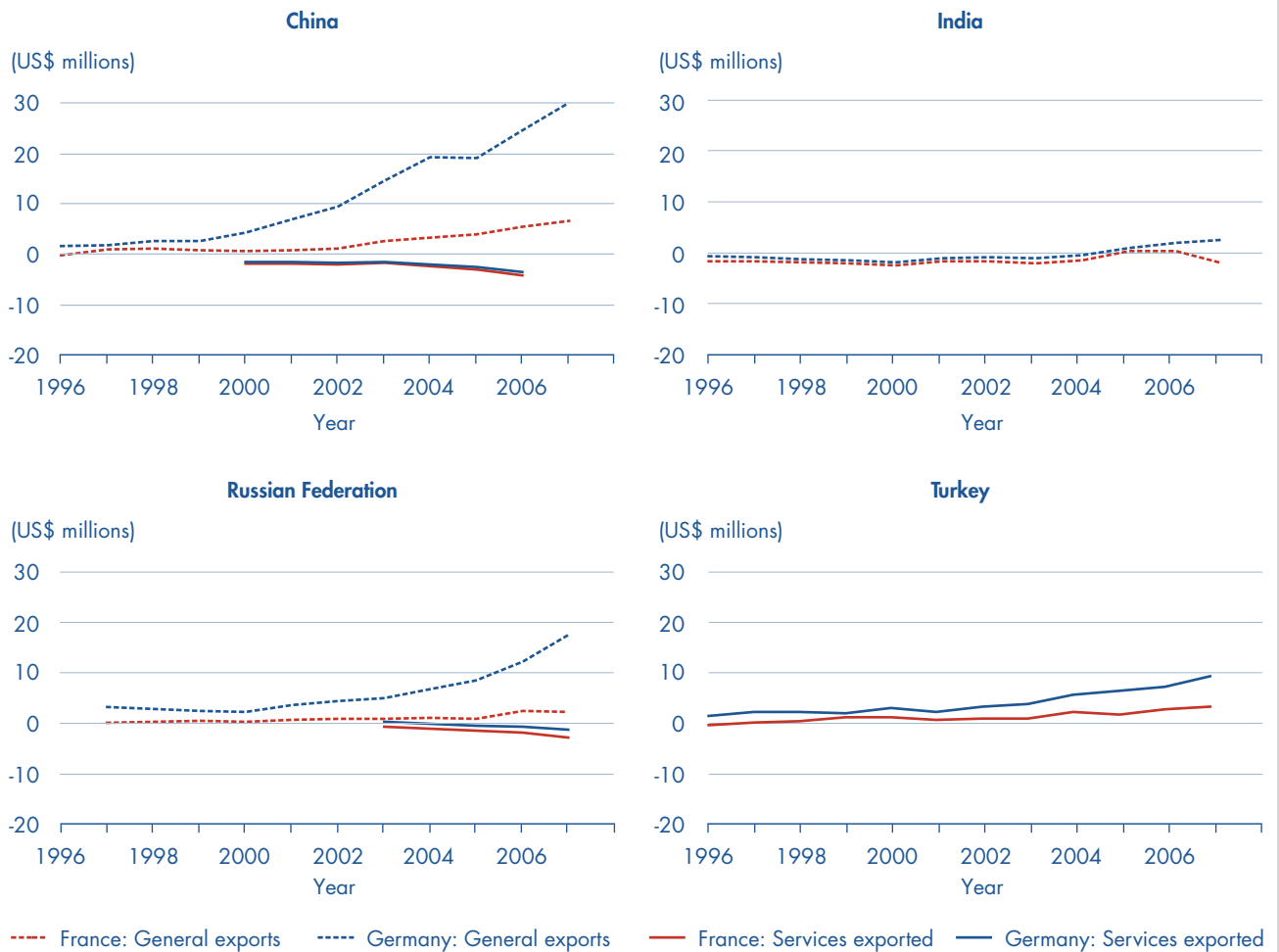
1.4 In March 2006, following a review by Treasury of the long term economic challenges for the UK, the Government announced a revised policy for trade support. The aim is to achieve a step change in marketing the strengths of the UK economy internationally, with a particular focus on: high-growth overseas markets of strategic importance; and on innovative sectors.¹

1.5 UK Trade & Investment, a central government body, provides expert advice and support, along with information on business opportunities, to UK based businesses wishing to grow their business, as well as support to businesses based overseas wishing to locate in the UK. In July 2006, UK Trade & Investment published *Prosperity in a Changing World* which set out its five-year strategy to implement the Government's revised policy. It has three main themes:

- ensuring a cohesive message when *marketing* the UK economy internationally;
- working in *partnership* across Government and with business to maximise impacts; and
- *focusing* on where UK Trade & Investment can make the most difference.

¹ Budget Report 2006 (A strong and strengthening economy: Investing in Britain's future).

1 Extent to which exports from France and Germany exceed the UK's in selected emerging markets (US\$ millions)



Source: United Nations Statistics Division

NOTES

- 1 France and Germany were selected as comparators as they are geographically close to the UK, and thus the challenge of distance from emerging markets is broadly the same as the UK. Figures have been adjusted to reflect differences between nations in Gross Domestic Product (GDP).
- 2 The principal exports of goods from Germany are road vehicles, machinery and chemicals, while for France it is intermediate goods, capital goods and consumer goods. For the UK it is finished and semi-manufactured products.
- 3 Globalisation has made direct comparisons between nations more difficult as businesses often source components from abroad.
- 4 Statistics for services are not available for India and Turkey; and only for selected years for China and the Russian Federation.

1.6 The strategy is intended “to deliver, by 2011, a measurable improvement in the business performance of UK Trade & Investment’s international trade customers, with an emphasis on innovative and R&D firms; increase the contribution of foreign direct investment to knowledge-intensive economic activity in the UK, including research and development; and deliver a measurable improvement in the reputation of the UK in leading overseas markets as the international business partner of choice”.

1.7 The Business Support Simplification Programme, a wider Government initiative announced in 2008 to streamline its support to business, has confirmed that UK Trade & Investment’s role is to provide services that develop the international trade potential of UK businesses, help them access international markets and maximise foreign direct investment. Publicly funded services to help UK businesses increase their exports have been provided for many years (Appendix 2). When we reported on these services in 1986 the type of assistance was broadly similar to the present provision: information, advice and practical support. But delivery of this assistance has changed, a key factor being developments in technology in the period.

UK Trade & Investment’s services

1.8 UK Trade & Investment has a target to assist 20,000 businesses a year. Businesses in England can usually access services via UK Trade & Investment staff based locally in England; partner organisations such as trade associations, Business Link or universities; or through staff based in the overseas markets, who are usually located in the British Embassy or High Commission (**Figure 2**). There are three types of assistance delivered through 19 services: information, one-to-one advice, and practical support. The principal services are described in **Figure 3**, and a description of all the services provided is at Appendix 4. In the seven publicly funded trade support organisations of other countries that we examined all but Germany, which had an emphasis on providing information, were similar to UK Trade & Investment in providing a mix of information, general and tailored advice, and practical support (Appendix 5).

1.9 UK Trade & Investment seeks to overcome perceived barriers to trade, for example by improving the preparedness of UK businesses for doing business overseas, raising awareness amongst businesses of the opportunities in overseas markets and facilitating access to contacts overseas. It focuses its efforts on tackling those barriers where it believes it can make the biggest difference (**Figure 4 on page 12**). Where there are trade barriers to UK businesses operating in overseas markets, senior diplomatic staff devote time to UK Trade & Investment activity, working in concert with European Union colleagues and others to lobby governments to dismantle trade barriers.

UK Trade & Investment’s co-ordinating role

1.10 UK Trade & Investment, which came into being in October 2003 following a renaming of British Trade International (Appendix 2), co-ordinates the marketing of the UK economy internationally, and works with the Regional Development Agencies in England. In 2007, 90 per cent (70,000) of the UK’s goods exporters (78,000) were located in England. Within England there was a concentration (37,000) in London, the South East and East Anglia (**Figure 5 on page 13**). No comparable data is available for services exporters, which UK Trade & Investment estimate comprise 60 per cent of its customers.

1.11 The devolved administrations in Northern Ireland, Scotland and Wales have responsibility for trade support in their areas. Services are delivered by Invest Northern Ireland, Scottish Development International and International Business Wales. These organisations meet regularly with UK Trade & Investment at working level through the International Business Development Forum to discuss aspects of common interest such as marketing and research. The Chief Executives meet annually to discuss strategy. Businesses in the home nations can make use of UK Trade & Investment’s overseas network together with those services delivered in the UK that are a national offering, notably the Export Marketing Research Scheme, the Overseas Market Introduction Service and the Export Communications Review (Appendix 4).

2 Businesses can access UK Trade & Investment (UKTI) services in the UK and overseas markets



The UKTI network of assistance points strives to provide a co-ordinated response

Source: National Audit Office analysis of UK Trade & Investment's services

NOTE

¹ UK Trade & Investment and the devolved administrations in Northern Ireland, Scotland and Wales are responsible for trade support within their jurisdictions but use UK Trade & Investment services overseas.

3 UK Trade & Investment – description of most frequently used services (12 months to December 2008)

| Service | Number delivered | Description |
|--|---|---|
| General assistance provided overseas | 11,061 | Delivered through UK Trade & Investment's teams of advisers. In the English regions the advisers are provided by contractors (see Appendix 4). Overseas the advisers are provided by the Foreign and Commonwealth Office, except for China where the service is largely contracted out to the China-Britain Business Council. |
| General assistance provided in the English regions | 4,793 | The service is both proactive and reactive, and provides a mix of free, small scale, assistance comprising information, advice and practical support. Interactions take place in a variety of ways (telephone, e-mail and face to face). In many cases the assistance is the precursor to the commissioning of an OMIS (see below). |
| Website-based service | 8,526 businesses registered to access service | https://www.uktradeinvest.gov.uk provides country and sector information, details of events and contacts within UK Trade & Investment. Explains the services provided. Registered businesses can elect to receive business opportunity alerts by e-mail. |
| Overseas Market Introduction Service (OMIS) | 3,029 | Provides businesses with tailored advice and information about a market, and support during an overseas visit. This service could include an analysis of possible market entry strategies, the identification of possible business partners and arranging for the client to meet with key people when visiting the market itself. It puts a client directly in touch with UK Trade & Investment staff based in overseas markets, who deliver the service. It is normally accessed through a local adviser based in the UK, although access also happens directly with overseas staff. There are five pricing bands. All UK businesses are eligible. |
| Tradeshaw Access Programme (Group) | 2,742 | Provides grant support for small and medium sized enterprises (SMEs) to exhibit at trade shows overseas as part of a delegation of businesses. Each delegation is led by an Accredited Trade Organisation (ATO). For 2008-09, the TAP Group programme comprised 416 events. Grant support is primarily aimed at new to export SMEs. Grants range from £1,000 to £1,800. |

Source: UK Trade & Investment

NOTE

See Appendix 4 for a full list of the services provided by UK Trade & Investment.

1.12 To help maximise its impact UK Trade & Investment also works closely with the private sector to keep informed of the needs of business. For example, the Executive Board of UK Trade & Investment (Appendix 3) has five members from the private sector, while the Business Ambassadors network of 17 high-profile leaders from business and academia carry out a wide range of representational work for UK Trade & Investment. It also makes extensive use of the private sector in delivering services (Appendix 4).

1.13 UK Trade & Investment has an unusual governance structure amongst government organisations: the Chief Executive, as Accounting Officer, is responsible for grants made to businesses and expenditure on work contracted out to private providers, while the costs of directly employed staff, together with their overheads and accommodation, are funded by the Department for Business, Enterprise and Regulatory Reform (BERR) and the Foreign and Commonwealth Office (FCO), and remain the responsibility of the Accounting Officers of those Departments. The Chief Executive of UK Trade & Investment has a seat on the boards of both departments and is accountable to the respective departmental Accounting Officers for his use of their resources (Appendix 3).

4 Main types of barriers to trade (with those targeted by UK Trade & Investment highlighted)

Business disincentives to trade

- **Time and cost of:**
 - acquiring information of market opportunities
 - acquiring market intelligence (e.g. customer behaviour)
 - developing a trading strategy and a marketing plan
 - building internal confidence to enter market
- **Difficulty in finding a local partner and staff**
- More profitable opportunities in existing markets
- Unsuitability of present product range (e.g. design, quality)
- Cost of setting up customer service support systems locally
- Uncompetitive pricing
- Lack of capacity

Sector disincentives to trade

- **Closed or restricted access to sector**
- **High import duties and quantity limits**
- **Preference to local businesses (e.g. in public contracts; subsidies)**
- Restriction on the repatriation of profits
- Compliance with national and local regulations
- Currency controls

Country disincentives to trade

- **Local culture and language**
- Size of market, lack of profitable niches
- Lack of local infrastructure
- Bureaucracy and corruption
- Control over intellectual property rights
- Political and social instability
- Economic uncertainty
- Impact of distance
- Climate

Source: National Audit Office analysis of research commissioned by the former Department of Trade and Industry; and discussions with officials of UK Trade & Investment and business

1.14 The rationale for this governance arrangement stems, in part, from UK Trade & Investment's objective to support UK based businesses trading in overseas markets. There are synergies to the relationship: BERR offers an understanding of business, in addition to presence within the nine English regions through the Regional Development Agencies; whilst the Foreign & Commonwealth Office offers the skills and knowledge of diplomatic staff which can, for example, be deployed to lobby to reduce trade barriers (Figure 4) as well as making available office space and access to embassy facilities in 99 countries.

1.15 UK Trade & Investment's total expenditure in 2007-08 was £297 million, of which 74 per cent (£218 million, see Appendix 2) was used in support of trade and 26 per cent in support of inward investment. The comparable budget for 2008-09, together with the

split between trade and investment, was unchanged from 2007-08. From 2005-06 to 2007-08 the percentage of total resources assigned to inward investment increased from 15 per cent, reflecting a change of Government policy announced in 2004.

1.16 In 2007-08, following an established practice, resources came through three funding streams voted by Parliament: the Foreign & Commonwealth Office (£167 million), BERR (£38 million), and a direct allocation to UK Trade & Investment (£92 million). In addition, for 2008-09, UK Trade & Investment has £20 million for its Defence and Security Organisation, which was formed in April 2008 following a machinery of government change that moved responsibility for defence trade promotion from the Defence Export Services Organisation of the Ministry of Defence.

5 Total number of businesses, and those exporting goods, by location in 2007

| | Businesses exporting goods | % | Total Businesses | % | % Businesses exporting goods in the region |
|--|----------------------------------|------------|---------------------|------------|--|
| London | 15,000 | 19 | 758,000 | 16 | 1.97 |
| South East | 14,000 | 18 | 741,000 | 16 | 1.85 |
| East | 8,000 | 9 | 512,000 | 11 | 1.63 |
| North West | 7,000 | 9 | 444,000 | 9 | 1.57 |
| West Midlands | 7,000 | 9 | 377,000 | 8 | 1.93 |
| East Midlands | 6,000 | 8 | 327,000 | 7 | 1.80 |
| South West | 6,000 | 7 | 418,000 | 9 | 1.37 |
| Yorkshire & Humberside | 5,000 | 7 | 350,000 | 7 | 1.55 |
| North East | 2,000 | 2 | 134,000 | 3 | 1.20 |
| Devolved Administrations of Northern Ireland, Scotland and Wales | 8,000 | 10 | 619,000 | 13 | 1.27 |
| Total | 78,000 | 100 | 4,679,000 | 100 | 1.66 |

Source: National Audit Office analysis of statistics from Her Majesty's Revenue & Customs and Department of Business, Enterprise and Regulatory Reform

NOTE

The figures for exporting businesses include only those which are Value Added Tax (VAT) registered. Figures are not available for non VAT registered exporters but we expect this number to be minimal. In 2007, some two million businesses were VAT registered. Around 99 per cent of the 4.7 million businesses in the UK have fewer than 50 employees, and some 3.5 million of these are sole traders.

1.17 UK Trade & Investment draws staff from both parent departments (Appendix 3). It also makes use of contractors to deliver services locally in England and China; and to provide specialist assistance, notably research. Overseas, UK Trade & Investment operates from 161 locations spread across 99 countries – which it estimates cover some 98 per cent of global Gross Domestic Product. The majority of its headquarter staff in London are funded by BERR, while the Foreign & Commonwealth Office funds and provides most of the staff overseas, including a share of the time of senior diplomatic staff.

BOX 1

Use of contractors overseas

UK Trade & investment has commissioned the UK India Business Council (UKIBC) to help increase bilateral trade between the UK and India, and to enhance the service provided to business. UKIBC has established a presence in the UK and is setting up offices in India.

In China, UK Trade & investment uses the China-Britain Business Council (CBBC) to deliver some services to business, including managing events and providing some 75 per cent by value of commissions delivered by the Overseas Market Introduction Service. The practical benefits of this relationship include a more extensive business support presence in China than the Foreign & Commonwealth Office. In addition to 11 offices in China, CBBC has seven offices around the UK providing regional coverage for UK business wanting to find out more about the Chinese market.

Scope of report

1.18 This report considers whether UK Trade & Investment is delivering successfully its trade support strategy. It does not consider the part played by UK Trade & Investment in encouraging inward investment. The work of UK Trade & Investment's Defence and Security Organisation (paragraph 1.16) was also excluded, as it was too early for the National Audit Office to make an assessment of the effectiveness of this specialist stand-alone unit of UK Trade & Investment.

1.19 Our study methods are summarised at Appendix 1.

PART TWO

Delivery of trade support

2.1 This Part examines UK Trade & Investment's targets, its performance, and areas where it could further improve performance.

Targeting priority sectors and markets

2.2 To help achieve its goal of focusing resources where they can make most difference, UK Trade & Investment has increased its local presence in 17 newly designated markets (**Figure 6 overleaf**), selected as those likely to offer the greatest opportunity for expanding trade within the next few years.

2.3 UK Trade & Investment has sought to re-focus some of its resources towards these target markets. The total number of staff providing trade support in these priority markets increased by 21 per cent from 399 in July 2006 to 483 in July 2008, representing 36 per cent of total staff overseas. This shift was achieved by reducing the scope of its operations in some non-target markets and overheads. A High Growth Markets Programme has also been introduced, at an annual cost of some £2 million, to provide additional help to mid-sized businesses with exporting experience and clear potential in those 17 markets (**Box 2**).

Key performance targets

2.4 Nine corporate targets underpin UK Trade & Investment's trade support work (**Figure 7 on page 17**). The targets fall broadly into three categories: *number* of businesses helped, with a focus on innovative businesses; *quality* of the services provided; and *revenue* raised from charging for services. These targets were set by UK Trade & Investment in consultation with the Treasury as part of the Comprehensive Spending Review 2007 covering the spending period 2008-11. They were designed to stretch the organisation compared to its performance in the period up to 2006. The following paragraphs review the individual targets and current performance against them.

BOX 2

High Growth Markets Programme

This pilot scheme, launched in April 2007, is targeted at mid-corporate businesses (that is, with an annual turnover between £20 million – £100 million, and 250 – 1,000 staff). The Programme seeks to raise awareness of the potential business opportunities in the 17 designated high growth markets; provide intelligence about specific opportunities; and give businesses confidence in their ability to trade in these markets. UK Trade & Investment has contracted with Pera, a consultancy that specialises in helping businesses to grow and be more competitive, to provide ten senior graded advisers, each of which has been assigned a particular market or markets.

2.5 Figure 8 shows the organisation's performance against its eight non-financial targets for the 12 months to December 2008, alongside figures for previous periods. UK Trade & Investment has put significant effort into gathering feedback from businesses on its services. The current arrangements for measuring performance and seeking customer feedback have been in place since July 2005. The survey arrangements, known as the Performance and Impact Monitoring Survey (PIMS), involve telephone interviews with service users each quarter. In total, some 3,400 businesses a year are

randomly sampled some four to seven months after they have used a specific service, and a smaller sample of some 400 businesses are re-contacted a further year later for a follow-up interview. The interviews are conducted and analysed by OMB Research, a survey company working under contract to UK Trade & Investment. In the analysis that follows, when we refer to the year ending December 2008 that is the date performance was reported and this relates, approximately, to companies supported in the 12 months to June 2008.

6 Summary of opportunities for UK businesses to increase trade in the countries forming the High Growth Markets Programme

| | |
|----------------------|---|
| Brazil | In sectors where a product or service is generally competitive in world markets |
| China | Advanced engineering; energy; environment and climate change; financial and professional services; information and communication technology (ICT); infrastructure; and life sciences. More generally, the development of regional cities in China offers huge opportunities |
| India | Automotive; agribusiness; biotechnology and pharmaceuticals; civil aerospace; construction; creative and media; education, skills and leisure; engineering; environment; financial and legal services; healthcare and medical; ICT; oil and gas support services; power; transport; and water |
| Indonesia | Environment; financial services; ports; and power |
| Malaysia | Aerospace; agriculture; construction; education and training; environment; healthcare and medical; ICT; oil and gas; power; and water |
| Mexico | Opportunities for UK goods and services extend across the economy from sectors as diverse as education and infrastructure to food and drink |
| Qatar | Construction, education; finance and legal services; and oil and gas support services |
| Russia | Advanced engineering; financial services; ICT; power and energy; and sports and leisure infrastructure |
| Saudi Arabia | Construction; consumer goods; education; environmental technology and services; financial services; ICT; oil, gas and petrochemicals; power; and water |
| Singapore | Aviation services; education and training; engineering and consumer goods; food and drink; healthcare; information technology; infrastructure development; and oil and gas |
| South Africa | Advanced engineering; airports, construction; creative industries; financial services; life sciences; and rail |
| South Korea | Advanced engineering; creative industries; environment; financial services; pharmaceuticals; and sports and leisure infrastructure |
| Taiwan | General opportunities exist across a wide range of sectors |
| Thailand | Cosmetics and pharmaceuticals; education and training; engineering, particularly machinery; food and beverages; and oil and gas, particularly the upstream business |
| Turkey | Airports; education and skills; financial services; and ICT |
| United Arab Emirates | Industrial machinery; manufactured goods; power generation equipment; telecommunications equipment; and vehicles |
| Vietnam | Environment; financial and legal services; ICT; and transport – particularly rail and ports |

Source: UK Trade & Investment website (January 2009)

7 UK Trade & Investment's corporate targets for trade support

| No | Details |
|-----|--|
| 1-4 | UK business performance In a rolling 12-month period: To help at least 20,000 businesses to exploit overseas business opportunities (1), of which at least 12,000 should be innovative (2); and at least 50 per cent of all business groups (3), including the sub-group helped to enter high growth markets (4), should improve their business performance as a result of UK Trade & Investment support. |
| 5 | Quantity of R&D activity in the UK Annually, over the 2008-11 spending review period, at least 1,000 businesses increase their R&D activity in the UK as a result of UK Trade & Investment support, including at least 70 foreign direct investment R&D projects. |
| 6-7 | Professionalism To achieve 80 per cent Quality Ratings (6) and Satisfaction Ratings (7). |
| 8 | UK's reputation as the international business partner of choice To achieve a measurable improvement over three years in the reputation of the UK's business strengths, in particular in a defined set of sectors and in a set of named markets. |
| 9 | Charging To increase UK Trade & Investment's revenue from charging to £2 million in 2007-08 and to £4 million in 2010-11. |

Source: UK Trade & Investment's Corporate Plan 2007 (May 2007)

NOTE

5 is a composite target covering both trade support and inward investment work.

8 Delivery against UK Trade & Investment's non-financial corporate targets for trade support

| Target | Performance reported in the 12 months to ^a | | | | |
|--|---|------------|-----------|----------------|---------------|
| | December 2007 | March 2008 | June 2008 | September 2008 | December 2008 |
| Improve UK business performance | | | | | |
| 1 20,000 businesses assisted | 13,400 | 15,900 | 19,800 | 18,600 | 19,300 |
| 2 of which 12,000 innovative | 10,300 | 12,600 | 16,100 | 15,200 | 16,100 |
| 3 50 per cent of all assisted businesses improve performance | 57% | 57% | 56% | 54% | 52% |
| 4 50 per cent of businesses assisted in fast growing markets improve performance | 54% | 56% | 56% | 54% | 52% |
| 5 1,000 businesses supported increase R&D activity as a result | 2,600 ^b | 2,800 | 3,100 | 3,100 | 3,000 |
| Professionalism | | | | | |
| 6 80 per cent Quality Rating | 73% | 73% | 74% | 75% | 76% |
| 7 80 per cent Satisfaction Rating | 76% | 77% | 76% | 76% | 75% |
| 8 UK's reputation as the international business partner of choice | Not yet assessed | | | | |

Source: National Audit Office analysis of UK Trade & Investment data

NOTES

This data excludes any evaluation of the website. Business performance figures are rounded to three significant figures.

a As outlined in paragraph 2.5, there is a time-lag of some four to seven months between the firm receiving support and being surveyed.

b In 2007 the target was to support 200 businesses.

2.6 We examined the methodology used, including the questionnaires; risks of sampling bias; the core data set; and the calculation of outturn statistics by OMB Research. There is a risk that those who are dissatisfied with the overall level of service decline to be involved in the survey. The number of businesses refusing to be interviewed averaged 15 per cent across the service portfolio. Our analysis suggested no correlation between the refusal rate and the quality or satisfaction of service perceived by those businesses that did respond. Another risk is that those receiving a grant or free service are inclined to give a high satisfaction rating. Our analysis, comparing those services where a charge is made and those provided free, found no evidence of systematic bias.

Volume of businesses supported

2.7 UK Trade & Investment's latest data shows that it supported some 19,300 businesses in the year to June 2008. Although short of its target of 20,000, set in late 2006, this is some 44 per cent above the number reported in the previous 12-months. This increase was partly offset by a reduction of 17 per cent in the amount of repeat business from 14,400 to 11,900. Helping a business more than once in a 12-month period is recorded as just one business supported for target purposes.

2.8 In the same period, the year to June 2008, the number of innovative businesses assisted increased to 16,100, 34 per cent higher than the target of 12,000. The outturn equates to 83 per cent of businesses assisted, a figure much higher than the 67 per cent reported by the Department for Innovation Universities and Skills in December 2008 as "innovatively active". The Department

used an alternative definition (see Box 3), restricted its survey to enterprises with 10 or more employees and weighted the results to be representative of the overall population of enterprises.

2.9 The profile of businesses supported varies by experience, age, and size (Figure 9). The majority of businesses supported are exporters with more than two years experience and are relatively small: just under three-quarters have less than 50 employees. Some 60 per cent are in the services sectors, with the majority of the remainder classified as manufacturing.

2.10 There is some evidence that the refocusing of resources by UK Trade & Investment is having an impact on the number of services delivered to UK-based businesses wishing to trade in the high-growth markets. The Overseas Market Introduction Service (OMIS) which provides businesses with tailored advice and information about a market and support during an overseas visit, is one of UK Trade & Investment's key services and a good indicator of delivery. In 2008 the number of OMIS commissions² delivered by staff in the 17 countries in the high-growth markets was 179 per cent higher than 2006 (Figure 10 on page 20). In all but one of those countries, the increase was in excess of the average of 92 per cent in the remaining markets.

2.11 UK Trade & Investment does not currently report on the extent to which it is supporting and encouraging growth in the number of exporting businesses at a regional level. However, for a limited number of services it publishes a breakdown of where the commissioning business is located, and regional teams are aware of the businesses they have helped.

BOX 3

UK Trade & Investment definition of Innovation

UK Trade & Investment defines "innovative" firms as those that: have more than one employee engaged either wholly or partly in research and development (R&D) activity and have more than one employee engaged either wholly or partly in new product or service development; or have employed someone external to the business to conduct new product or service development activity in the last year; or derive some of their turnover from products and services introduced in the last three years. The definition excludes firms established in the last two years.

This definition is loosely based on an internationally recognised measure of R&D set out in the Frascati Manual. This measure focuses on inputs, and uses a wide interpretation that captures both formal and occasional R&D. UK Trade & Investment believes this definition better captures the R&D undertaken in both the service and manufacturing sectors.

The Department for Innovation, Universities and Skills uses an alternative international definition of innovation that gives less emphasis to R&D. Based on guidelines known as the Oslo Manual, the Department define "innovation active" as business that has engaged in any of the following: introduction of a new or significantly improved product (good or service) or process for making or supplying them; innovation projects not yet complete, or abandoned; and expenditure in areas such as internal research and development, training, acquisition of knowledge or machinery and equipment linked to innovation activities. The Department's survey is known as the UK Innovation Survey and forms part of a wider Community Innovation Survey covering European countries.

The Organisation for Economic Co-operation and Development (OECD) recognises both methods.

² Whilst the services offered overseas are wider than just the Overseas Market Introduction Service, our work suggested that this is a consistently recorded outturn and therefore a useful proxy for the volume of services provided.

Quality of service

2.12 UK Trade & Investment measures its *professionalism* by assessing the *quality* and *satisfaction* delivered to a business during a given interaction. It uses a percentage scale to demonstrate the proportion of survey respondents rating the service as at least a four out of five, where, five is 'very good' and one is 'very poor'.

2.13 To assess *quality* businesses are asked a series of questions (see Box 4), which together constitute what UK Trade & Investment consider quality should mean to a business for the service it has used. For *satisfaction* businesses are asked to rate how satisfied they are with a service using a five point scale where one is 'very dissatisfied' and five is 'very satisfied'.

BOX 4

What constitutes Quality for the Overseas Market Introduction Service (OMIS)?

Businesses using the Overseas Market Introduction Service are asked to assess the quality of service provided by answering seven questions (weightings for the total score are in brackets):

- 1 Quality and relevance of information and advice (25 per cent)
- 2 Clarity and ease of understanding of information and advice (25 per cent)
- 3 Quality and relevance of contacts (25 per cent)
- 4 Communications with staff at the main access points (eight per cent)
- 5 Communications with Embassy staff (eight per cent)
- 6 Objectivity of Embassy staff (four per cent)
- 7 Attitude and professionalism of Embassy staff (four per cent)

9 Profile of businesses supported by UK Trade & Investment for its most used services

| | All UKTI support % | Website % | General assistance provided overseas % | General assistance provided in the English regions % | Tradeshaw Access Programme (Group) % | Overseas Market Introduction Service % |
|----------------------------------|--------------------|-----------|--|--|--------------------------------------|--|
| Experience of exporting | | | | | | |
| Less than two years | 24 | 37 | 20 | 27 | 26 | 23 |
| 2-10 years | 35 | 24 | 35 | 38 | 39 | 34 |
| 10 or more years | 40 | 37 | 43 | 33 | 33 | 42 |
| Innovation | | | | | | |
| 'Innovative' | 81 | 83 | 83 | 82 | 83 | 86 |
| Age | | | | | | |
| Less than five years old | 26 | 29 | 24 | 26 | 27 | 20 |
| Between five and 10 years old | 17 | 25 | 17 | 20 | 18 | 14 |
| 10 or more years old | 57 | 46 | 59 | 54 | 55 | 66 |
| Size | | | | | | |
| Less than 10 employees | 41 | 41 | 40 | 49 | 45 | 28 |
| 11-49 employees | 31 | 32 | 26 | 31 | 41 | 38 |
| 50-249 employees | 17 | 17 | 19 | 16 | 13 | 20 |
| 250 or more employees | 11 | 10 | 15 | 4 | 1 | 14 |
| Turnover | | | | | | |
| Up to £500,000 | 28 | 32 | 26 | 34 | 31 | 21 |
| Between £500,000 and £10 million | 57 | 58 | 53 | 56 | 64 | 56 |
| More than £10 million | 15 | 10 | 21 | 10 | 5 | 23 |

Source: National Audit Office analysis of UK Trade & Investment data

NOTES

- 1 A full description of each of these services is included at Appendix 4.
- 2 These figures are based on a sample of some 3,400 users of UK Trade & Investment's services in the 12 months to December 2007, reported in June 2008.
- 3 The figures in the "all UKTI support" column do not total 100 due to: rounding; and not including the entire range of observations.

10 Increase in Overseas Market Introduction Service (OMIS) deliveries in the High Growth Markets

| Market | 2006 | 2008 | Increase (%) |
|------------------------------------|------|------|--------------|
| Saudi Arabia | 11 | 77 | 600 |
| Indonesia | 5 | 30 | 500 |
| China | 51 | 258 | 406 |
| South Africa | 21 | 94 | 348 |
| Turkey | 20 | 76 | 280 |
| Thailand | 12 | 45 | 275 |
| Brazil | 34 | 110 | 224 |
| Vietnam | 16 | 51 | 219 |
| Qatar | 15 | 47 | 213 |
| Taiwan | 12 | 35 | 192 |
| Mexico | 32 | 88 | 175 |
| Malaysia | 30 | 81 | 170 |
| Singapore | 33 | 80 | 142 |
| South Korea | 18 | 39 | 117 |
| Russia | 74 | 159 | 115 |
| India | 112 | 225 | 101 |
| United Arab Emirates | 104 | 177 | 70 |
| High Growth Markets average | | | 179 |
| Remaining markets average | | | 92 |

Source: National Audit Office analysis

Feedback on the services delivered by UK Trade & Investment

2.14 UK Trade & Investment's latest data shows that it was unable to close the small gap between its *professionalism* targets (80 per cent) and its actual performance (73-77 per cent) (Figure 8). When deciding upon 80 per cent, UK Trade & Investment concluded that this would indeed be a challenge due to significant variations between its services. Variations have persisted (Figure 11). Overall, six of the 23 types of assistance reported in December 2008 achieved the 80 per cent target. Some services are highly valued by businesses. The Passport to Export scheme, which provides support to new-to-export businesses, achieved a 90 per cent quality rating and the advisers in the English regions achieved 87 per cent. Other services, however, fell significantly short of the

target. The Tradeshow Access Programme (Group), which provides grant support for small and medium sized enterprises to exhibit at trade shows overseas, secured the lowest rating at 63 per cent, up from 52 per cent reported in September 2008. Our interviews with businesses and UK Trade & Investment staff suggested that many believed tradeshow spanning a range of sectors tended to be less successful, reducing the chance of meeting the right customers or potential business partners.

2.15 In terms of overall satisfaction, Figure 8 shows that, across its services as a whole, UK Trade & Investment is achieving a rating from businesses of 75 per cent, and thus short of the 80 per cent target. Nine of the 23 reported services achieved the 80 per cent target in the year reported in December 2008 (Figure 11). In terms of ranking, this assessment was broadly consistent with the quality ratings – six of these nine services had also achieved high quality ratings. Our analysis suggests that the proportion of respondents that were actually dissatisfied was some eight per cent in the year reported in December 2008.

2.16 Of the businesses we interviewed³, those with less experience of exporting tended to be happier with the service received. The factors cited most frequently by satisfied customers included:

- the knowledge and professionalism of UK Trade & Investment staff;
- the belief that they were being offered, from a commercial perspective, an impartial service;
- the belief that the assistance offered would have a real impact on their business; and
- the networks; local knowledge; culture and language skills provided by the overseas advisors, and senior UK Trade & Investment staff.

2.17 Larger UK businesses interviewed by us significantly valued the role played by senior diplomats in trade development. The ability of senior diplomats to make contact with people in the top levels of government was cited as key to obtaining new business in many economic sectors. Diplomatic staff noted that to achieve benefits at this level took considerable time and effort, sometimes over a period of years, for example lobbying to reduce trade barriers. Senior diplomats felt that the scale of this effort was not readily reflected in UK Trade & Investment's reported performance.

³ See paragraph 15 in Appendix 1 for a discussion of how we interacted with businesses.

11 Feedback from businesses on services delivered by UK Trade & Investment reported in the 12 months to December 2008

| Service | Number delivered | % of Total | Quality Rating % ^a (80% Target) | Satisfaction Rating % ^a (80% Target) | Businesses that felt UKTI helped improve performance % ^a (50% Target) |
|---|---------------------------|------------|---|--|---|
| Overseas advisers | 11,061 | 25 | 79 | 76 | 44 |
| Website (visits) | 8,526 | 19 | 65 | 73 | 54 ^b |
| English region advisers | 4,793 | 11 | 87 | 86 | 63 |
| English region events | 3,093 | 7 | 79 | 80 | 38 |
| Overseas Market Introduction Service | 3,029 | 7 | 70 | 69 | 55 |
| Tradeshaw Access Programme (Group) | 2,742 | 6 | 63 | 78 | 79 |
| Sector events (UK) | 2,409 | 5 | 79 | 73 | 43 |
| Inward missions | 2,166 | 5 | 61 | 52 | 32 |
| Passport to Export | 1,660 | 4 | 90 | 82 | 75 |
| Sector events abroad (Other) | 1,285 | 3 | 68 | 75 | 67 |
| China-Britain Business Council | 903 | 2 | N/A | N/A | N/A |
| Market Visit Support | 795 | 2 | 66 | 80 | 73 |
| Outward Mission (Sector) | 636 | 1 | 78 | 78 | 56 |
| Tradeshaw Access Programme (Solo) | 413 | 1 | 79 | 74 | 86 |
| Overseas events (Other) | 400 | 1 | 82 ^c | 74 ^c | 59 ^c |
| Special Reports | 215 | 0 | 78 | 88 | 52 |
| Export Marketing Research Scheme | 181 | 0 | 82 | 87 | 89 |
| Export Communications Review | 160 | 0 | 81 | 85 | 64 |
| Fast Growing Market Advisers | 156 | 0 | 90 | 90 | 54 |
| Sector events abroad (Seminar) | 151 | 0 | 74 ^c | 68 ^c | 41 ^c |
| Overseas Events (Seminar) | 44 | 0 | 89^c | 100^c | 67^c |
| Aid agency workshop | 38 | 0 | 71 ^c | 67 ^c | 47 ^c |
| Research & Development Events | 37 | 0 | 75 ^c | 60 ^c | 30 ^c |
| Total (including website) | 44,893^d | 100 | 76 | 75 | 53 |

Source: National Audit Office analysis of UK Trade & Investment's data

NOTES

The highlighted services are those achieving the quality, satisfaction and improved performance targets.

As outlined in paragraph 2.5, there is a time-lag of some four to seven months between the firm receiving support and being surveyed; performance reported in the 12 months to December 2008 will relate approximately to firms supported in the 12 months to June 2008.

a These percentage figures are the proportion of respondents rating the service as at least four out of five, where, for example, a score of one is "very dissatisfied" and five is "very satisfied". Not all observations are based on the same sample size so direct comparisons should be treated with caution.

b This figure only represents the business opportunities section of the website.

c These observations are from a sample size of less than 30, this means that differences between reported values across these services, unless very large, are unlikely to be statistically significant.

d This total compares to 19,300 companies supported in the year to December 2008 demonstrating that some businesses use more than one service and others may use a service, such as the Overseas Market Introduction Service, more than once per year.

2.18 Where businesses we met were less satisfied, the problems tended to centre on poor communication between UK Trade & Investment staff and its customers. The factors most frequently cited were:

- the information the business received was not tailored to their needs;
- there was poor communication or lack of follow-up; and
- the local market contacts provided, for example through the OMIS service, were not relevant or sufficiently interested.

2.19 The information generated by PIMS (paragraph 2.5) provides feedback on services some four to seven months after the interaction. Staff and contractors that we engaged with during our fieldwork felt it would be beneficial to have more direct and immediate feedback from users of services. For some services, businesses have an opportunity to comment using feedback forms although not all take advantage of it. There is a risk that some dissatisfied customers and areas of unsatisfactory performance are not identified.

2.20 To help achieve and maintain a high quality of service, UK Trade & Investment has put an emphasis on ensuring it has good quality front-line staff, including contractors. Locally employed staff interviewed by us in overseas posts had, in the main, some recent commercial experience usually at junior levels. In addition, there are specialist teams with sector expertise available to provide support where needed. Recruitment procedures have been set centrally and include the identification of core competencies. Continued professional development is a priority, although we observed that training had been squeezed in Turkey because of operational priorities. Some staff in India and China felt that the personal effectiveness training provided was not always dovetailed to their roles.

The impact of UK Trade & Investment's trade support

2.21 UK Trade & Investment's ultimate aim is to improve the performance of business. It has two targets directly related to that aim: firstly, that 50 per cent of all assisted businesses improve performance as a result of their interaction with the organisation; and, similarly, that 50 per cent of businesses in fast-growing markets improve performance. The purpose of the second target is to ensure that by encouraging businesses to operate in the often more challenging high growth markets it does not lead to adverse effects on business performance. In December 2008, UK Trade & Investment reported

that it had helped 52 per cent of businesses to improve performance, and 52 per cent of businesses assisted in the fast-growing markets to improve performance (Figure 8) in the preceding 12 months, thereby meeting both targets.

2.22 UK Trade & Investment's measurement of business improvement (see Box 5) is drawn from answers to questions put to businesses surveyed as part of the quarterly telephone survey (paragraph 2.5). This assessment is therefore based on a respondent's perception of whether their use of the services funded, either in part or in whole, by UK Trade & Investment will lead to an improvement in their business in due course. It is difficult to quantify the improvement businesses believe they have made as the interview is conducted some four to seven months after intervention. In an attempt to overcome this difficulty, UK Trade & Investment follow up some of these interviews 12 months later: the evidence showed that respondents believe they have not yet fully realised the impact of the support at this time. It is not possible, therefore, for UK Trade & Investment to truly quantify the outcome of its work without longer term research.

2.23 More detailed analysis of the underlying data suggests widely varying views about the level of *additionality* achieved across the range of services (Figure 12), and to a lesser extent, by business size. When asked "Do you think you would probably or definitely achieve similar results without UK Trade & Investment support" almost half said either "yes" (19 per cent) or "yes, but not as quickly" (27 per cent). Our analysis of the data set demonstrates that smaller businesses perceive a higher degree of additionality than larger businesses. Those with the following characteristics were the most likely (over 90 per cent) to perceive additionality from UK Trade & Investment's work:

- turnover of less than £10 million;
- inexperienced in overseas markets;
- does not have any members of staff with previous experience of exporting;
- benefited from gaining exposure to new ideas through exporting; and
- has a relatively smaller gross profit margin than other businesses in the sample.

2.24 Some 70 per cent of businesses surveyed report a qualitative benefit as a result of the assistance received from UK Trade & Investment. Some of the benefits cited include access to information, customers and business partners not otherwise available; and gaining the confidence to explore or expand overseas.

2.25 Another potential measure of impact is financial benefit. The Performance Impact Monitoring Survey questionnaire asks businesses to estimate the financial benefit⁴ of UK Trade & Investment's support. The findings are used to derive the organisation's achieved benefit to cost ratio, which was 15:1 in 2007-08. There are, nevertheless, important caveats to this calculation: the underlying survey data demonstrates that 29 per cent either did not know, or declined to provide an estimate, 30 per cent forecast some benefit and 41 per cent forecast no financial benefit. In terms of the average benefit to each business helped, at December 2008 UK Trade & Investment reported it was some £229,000. This figure, however, is not representative of businesses helped as a whole because the majority of survey respondents perceived little or no financial benefit, and a small proportion estimated a very large future financial benefit.

BOX 5

A business is classified as improving performance as a result of UK Trade & Investment intervention if they:

- 1 expect that in five years time the support will have had a positive impact on their productivity (in terms of sales per employee); and
- 2 expect a positive impact on the profitability of the firm (in terms of the proportion of turnover accounted for by profit); and
- 3 expect to either win new orders, be invited to tender or quote for work or see a 'significant increase' in total sales as a result of the support.

2.26 The initial survey is not intended to be an assessment of actual benefit. In part this assessment is supplied by the follow-up survey mentioned at paragraph 2.22. Evidence from the November 2008 follow-up survey, based on businesses supported during 2007, suggested that just under half of those expecting additional sales had realised some financial benefit, and most of the remainder still expected to do so in the future; and around half of expected financial benefits had been achieved.

The UK's reputation

2.27 UK Trade & Investment's target to "achieve a measurable improvement over three years in the reputation of the UK's business strengths, in particular in a defined set of sectors and in a set of named markets" will be challenging to measure. It requires a robust baseline to gauge the starting reputation of the UK, which can then be used to assess whether there has been a measurable improvement over three years.

2.28 In June 2008 UK Trade & Investment set a baseline against which to measure progress on this target. It is based on some 750 telephone interviews conducted with individuals responsible for, or with influence on, international investment, partnership or procurement decisions in India, China and the USA. Follow-up research covering three years is planned to track changes in reputation and evaluate performance against the benchmark. The first of these is due to report in May 2009.

12 Additionality of UK Trade & Investment offering by business size (employees)

Question posed by survey: "Do you think you would probably or definitely achieve similar results without UK Trade & Investment support?"

| Number of employees | Yes | Yes but not as quickly | Some but not all | Probably not | Definitely not |
|---------------------|-----------|------------------------|------------------|--------------|----------------|
| 0-9 | 17 | 24 | 24 | 17 | 12 |
| 10-99 | 20 | 28 | 26 | 15 | 8 |
| 100-249 | 20 | 30 | 26 | 16 | 5 |
| 250+ | 19 | 34 | 22 | 13 | 7 |
| Total (%) | 19 | 27 | 25 | 15 | 9 |

Source: UTKI Performance and Impact Monitoring Survey (performance reported December 2008 covering, approximately, the 12 months to June 2008)

NOTE

Five per cent of respondents replied 'none of these'.

⁴ UK Trade & Investment define "financial benefit" as the increase in net profit to businesses directly attributable to its support.

Revenue targets

2.29 UK Trade & Investment has an annual revenue target agreed with Treasury. For 2008-09 it is £2.5 million and has increased by £0.8 million (47 per cent) from the income generated in 2006-07. The 2008-09 target equates to around one per cent of the overall resources allocated to UK Trade & Investment for trade support. At the end of November 2008, UK Trade & Investment forecast that it would meet its overall income target for 2008-09.

2.30 Our interviews with staff in UK and overseas posts suggested that achieving local revenue targets featured highly amongst their priorities. Senior staff reported that, following the introduction of the OMIS service in 2004, the greater emphasis on charging had required a cultural shift within the organisation away from the belief that UK Trade & Investment's services should be free at the point of consumption. Some staff expressed concern that the prominence given to the income target, relative to other targets, might distort the organisation's priorities, particularly as it accounted for a small proportion of the organisation's resources.

2.31 In conducting our fieldwork, we found no documentation relating to the financial objectives in support of UK Trade & Investment's individual services, namely those that should be subsidised, and by how much; and those which should be subject to full cost recovery. Guidance from the Treasury stipulates that public bodies should achieve full cost recovery, plus an appropriate rate of return, where a service is, or might be, at risk of crowding out private sector activity (see Box 6).

2.32 UK Trade & Investment considers that the Overseas Market Introduction Service, which accounts for over 90 per cent of its income, should recover only the marginal costs of delivery by excluding overheads in the calculation of fees. The rationale for this approach dates back to 1997 when businesses were found to be under-estimating the potential benefits of external advice on exporting, which was affecting the willingness to pay for such advice. In October 2008 UK Trade & Investment began a review of its objectives for charging.

2.33 There is evidence that the Overseas Market Introduction Service (OMIS) is recovering a much lower level of full costs than previously thought. The audited 2007-08 accounts indicate that an estimated 70 per cent of costs incurred in providing this service were recovered through fees. Subsequent work by UK Trade & Investment to estimate the cost of its services found that it recovered only seven per cent of total OMIS costs; and 33 per cent of marginal costs. This new assessment involved identifying the time spent on activities across all UK operations and in 20 of the 99 markets overseas.

BOX 6

Treasury guidance on Government Fees and Charging Policy

Full cost recovery may not be appropriate where:

- The legislation does not permit as much, or permits more (for example, tax elements); or there is a policy decision to subsidise the service (including Treasury agreement where the Fees and Charges Guide indicates this is necessary).
- It is a commercial service where there is, or may be, private sector competition and the aim is to charge a market price, including a profit element where appropriate, in the interests of fair competition. For these commercial activities **an appropriate rate of return should be charged.**

Source: Public Expenditure System (PES) Paper (2003) 16, Annex 2, Treasury, 5 September 2003. The emphasis on the text is placed by Treasury

BOX 7

Overseas advisors' understanding of corporate targets

Staff in Turkey, India and China whom we interviewed all demonstrated a good understanding of their individual targets, including those focused on revenue generation, and how these fed into the corporate strategy. In most cases staff also found these targets motivational and a good benchmark of success.

Some staff believed, however, that a disproportionate emphasis had been placed on the delivery of the OMIS revenue target. And some felt they received no credit for turning away businesses for whom the service was not appropriate.

2.34 Our work suggested potential reasons for the under-recovery on OMIS. Interviews with staff in overseas markets, including those working for China-Britain Business Council which provides some OMIS services on behalf of UK Trade & Investment in China, suggest they frequently spent significantly more time delivering these services than assumed by the price for each OMIS commission. In some instances the initial tentative price quoted to the business is an underestimate but there is a reluctance by UK Trade & Investment to quote the actual cost once the scope of the commission is fully worked out. We estimated the over-commitment of staff time to be up to 100 per cent, but a subsequent more detailed assessment by UK Trade & Investment estimated it to be up to 80 per cent. UK Trade & Investment is encouraging staff and their managers to ensure that time spent accords with the prices charged. It considers that it will be some years before it will be in a position where it will be recovering routinely the marginal cost of this service.

2.35 Many of the businesses we interviewed were aware that the services they had received had been subsidised. Data collected by UK Trade & Investment has suggested that over 40 per cent of businesses that had used OMIS would have been prepared to pay as much as 50 per cent more. The price bands of OMIS have been increased by more than the rate of inflation each year since this service was introduced in 2005.

Views and experiences of business: Willingness to pay

Well, if what they're offering is value, then yes, you would use OMIS. The quality of the report is key to us because you've got to act on that information.

Source: National Audit Office survey of business (July 2008)

Factors which could further improve performance

2.36 We identified four factors which, if addressed, could help UK Trade & Investment further improve its performance.

(i) Significantly improve information on the cost of services and use it to target its resources more effectively

2.37 UK Trade & Investment has established clear arrangements for counting the *outputs* it seeks to deliver. It does not, in our view, collect sufficient information on how its *inputs*, principally staff resources, are being used to deliver the individual services. For example, UK Trade & Investment has an incomplete understanding of the drivers of its performance in the year to March 2008. It reported that expenditure on trade support fell by some 4.5 per cent to £218.2 million. Over the period its record of the number of businesses assisted shows a rise of 35 per cent to 18,600. Further analysis is not possible as there is limited information on staff time, the allocation of overheads and the linkage between costs and outputs for each service type. UK Trade & Investment has nevertheless sought to improve its overall efficiency. The overall reported performance partly reflects a previous under-reporting of outputs, but also a shift in resources to better performing markets and services; and the introduction of a customer relationship management system.

2.38 UK Trade & Investment's services necessarily draw upon resources from across the organisation in the UK regions, overseas posts and specialist staff and teams based in its London headquarters. A business requesting a market report under the OMIS service may, for example, require input from staff in the UK regions as well as staff in the relevant overseas market. The cost of providing the

different services, and the relative contribution made by different parts of the organisation, is therefore not easily identifiable. UK Trade & Investment is therefore not in a position to easily assess the efficiency with which it achieves its outputs.

2.39 *Managing Public Money*, the central Government manual that sets out the main principles that apply to managing public resources, makes clear that each public sector organisation should have robust and effective systems for decision making; and that regular and meaningful management information on costs, including unit costs, is essential. In 2005, an internal review by UK Trade & Investment concluded that it was unable to allocate costs (particularly administration costs) at a service level which significantly affected its ability to assess the value added it provided. In early 2008, UK Trade and Investment began to collect information to populate a costing model, undertaking an exercise to estimate the level of staff time spent on different services using a sample of 20 of the 99 overseas markets alongside estimates of time commitment from regional teams and headquarters staff. The model's outputs were reported to UK Trade & Investment's senior management team in late 2008. This costing model was a significant first step by UK Trade & Investment to address the information gap.

2.40 More still needs to be done to understand costs. Improvements to the costing model could include increasing the sample size and the frequency of the collection of information related to the deployment of staff activity. Our preferred option is the introduction of an activity based costing system across UK Trade & Investment. Improvements that provide managers with timely and accurate information at reasonable cost will be a challenge because of the unusual governance arrangements of three Accounting Officers (paragraph 1.13).

2.41 In September 2007 UK Trade & Investment completed a preliminary analysis of the relative benefit and cost of 15 of its trade services. The exercise suggested that there was potentially a very wide range of benefit to cost ratios across the services analysed of 4:1 to 72:1. The findings helped to inform research priorities but wider use was precluded by limitations in the supporting data. If taken further such analysis could enable UK Trade & Investment to re-profile its assistance, by scaling back, merging or discontinuing some services, so that resources are used more cost-effectively while still meeting the disparate needs of new, inexperienced and established exporters. Fewer services may also help UK Trade & Investment to achieve in full its quality of service targets (paragraph 2.15) and introduce more easily an activity based costing system (paragraph 2.40).

(ii) Raise awareness amongst businesses that have yet to access its services, and increase awareness of the portfolio of services amongst businesses which have

2.42 UK Trade & Investment's target of assisting 20,000 businesses compares with the almost 70,000 businesses recorded by HM Revenue and Customs as exporting goods in England in 2007. There is no comparable data for exporters of services. The target constitutes some one per cent of the two million businesses registered for Value Added Tax.⁵ It is not possible to estimate how many of these businesses might benefit from UK Trade & Investment support, assuming it had the capacity. Research by UK Trade & Investment indicates that large numbers of existing exporters are not aware that it exists or are not convinced of the potential benefits from any external assistance, suggesting that many businesses have yet to access the services provided by UK Trade & Investment:

- Research by UK Trade & Investment in March 2007 found that among exporters that do not use its trade services only 15 per cent had used any external support at all, mainly from chambers of commerce, trade associations and friends and acquaintances. The remaining 85 per cent who had not used any external support had negligible awareness of the work of UK Trade & Investment. Our examination supports the finding that businesses may not be fully aware of UK Trade and Investment: in many instances businesses do not approach UK Trade & Investment directly, they are routed via third parties particularly chambers of commerce and trade associations.
- Even where businesses were aware of UK Trade & Investment they did not always understand the full range of services on offer. Interestingly, research shows that some 17 per cent of assisted businesses did not realise that the support came from UK Trade & Investment, and this figure increases to over 20 per cent when the support was provided by the overseas component of UK Trade & Investment's network.

A business that does not use UK Trade & Investment

"Around 65 per cent of our turnover is accounted for by overseas sales. We go about developing our overseas business in-house because we're a very specific niche market. We do a lot through networking and using the expertise of the people already in the organisation, such as getting potential contacts. We've got the trade association, they're quite helpful. Yes, they're quite good on finding particular data because they are much more focused on our market. We do outsource customs and import/export stuff because we have a very good freight handler that has these areas of expertise."

Source: National Audit Office survey of business (July 2008)

2.43 UK Trade & Investment's advisers in the English regions and the High Growth Markets Programme (paragraph 2.3) actively target businesses which might benefit from its services and in this way promote awareness of its role. As part of a wider Government initiative, from March 2009 the main route through which business will access UK Trade & Investment's services will be Business Link, the main gateway to Government services for businesses, via the *Solutions for Business* package. The aim is to provide businesses with a more straightforward means of accessing these services.

2.44 Some UK Trade & Investment staff reported that frequent name-changes to trade-support activities in recent years (see paragraphs 1.7 and Appendix 2) had possibly delayed the establishment of a strong brand name that would help raise awareness among UK businesses. Trade associations and some businesses we met were confused by the variety of bodies involved in the delivery chain for trade support services and how these fitted together – UK Trade & Investment, the Regional Development Agencies, Business Link, the wider Foreign & Commonwealth Office, as well as contractors working at UK level, in the regions and in individual countries overseas.

Views and experiences of business: Awareness of UK Trade & Investment

Yes, I would say we are very experienced. We've been involved with exports for the last 30 odd years. We found out about it [UK Trade & Investment's Trade Access Programme] through our local Chamber of Commerce. They had an export advisor and I have known him for a number of years. He would come in and say: Are you aware of this type of funding? Because we are a relatively small company any funding is welcome.

Source: National Audit Office survey of business (July 2008)

⁵ This figure excludes those businesses whose turnover falls below the Value Added Tax threshold, and is for the whole of the UK.

2.45 For many businesses the website is likely to be their first point of contact with UK Trade & Investment. The website received lower quality ratings from its customers, at 65 per cent, than many of its other services (Figure 11). Although the ‘quality and relevance of the general information provided’ was highly rated, underlying the over-arching rating are some particularly weak aspects of performance, for example the quality and relevance of contacts provided through the “business opportunities” area of the website scored 39 per cent. To address this particular issue, staff now have to use a standard template when posting opportunities and be the contact point for enquiries, thereby increasing accountability for information placed on the site. In July 2008, in response to user feedback, the website registration and log-in processes were streamlined.

(iii) Develop a clearer strategic view of where it wishes UK trade to be in the medium term in all target markets

2.46 Our work suggests that UK Trade & Investment has a strong focus on the achievement of its corporate targets. Although it measures success using a balanced scorecard some senior staff interviewed by us in overseas markets were concerned that crucial parts of their work were not easily captured by the corporate performance targets, for example the efforts they make in Government-to-government contact; lobbying for the removal of known barriers to trade; or work to secure a major trade deal, which might take years of effort.

2.47 UK Trade & Investment’s corporate objectives are captured in market specific business plans and activity plans for each of the priority sectors in each market. The business plans include: over-arching targets; resources; a risk assessment; balanced scorecard of delivery; market access issues; and a marketing plan. These plans often set an expectation of delivery of the targets outlined in Figure 7, and also outline the barriers to trade which exist in the market. They do not, however, always prioritise which barriers to trade are most significant for UK business, the benefits to UK business of overcoming them, or aspirational timelines for their removal. With limited resources to apply in each market, this information would better aid efficiency and effectiveness.

(iv) Communicate a clearer understanding of how its services address barriers to trade, and its position in the marketplace

2.48 UK Trade & Investment exists to offer services that are needed but either would not be offered by the private sector or, if offered, would be too costly for many firms to use. In our interviews with staff delivering UK Trade & Investment’s trade support services they demonstrated a good understanding of the hurdles they were helping businesses to overcome, such as a lack of awareness amongst businesses of local opportunities; the challenge of finding local business partners and staff; and understanding the local business culture.

2.49 Our work indicates that UK Trade & Investment could do more to keep abreast of how successful exporters that do not use its services are overcoming the barriers to trade and the shifting pattern of provision of trade-support services from the private sector:

- UK Trade & Investment has surveyed non-users of its services since 2005. These surveys have focused on exploring motivations for exporting, the types of market barrier encountered and the alternatives to UK Trade & Investment support used. It has not, however, examined how these non-users have overcome these barriers. UK Trade & Investment therefore has only a limited understanding of the experiences of the many businesses that trade overseas without any external assistance. Knowing more about such businesses would help UK Trade & Investment to increase its understanding of how market failures have been overcome and whether its trade support services might have helped these businesses become more successful. It could also use this work to identify good practice ideas that it might pass on to businesses it does assist.
- Some businesses were confused about how the services provided by UK Trade & Investment sat alongside services provided by private sector organisations, some of the latter partly funded by UK Trade & Investment. Trade associations and other private sector bodies have in recent years increased their presence in some of the key emerging markets offering, for example temporary office space and access to lists of reliable local lawyers and accountants. Against this changing pattern of private sector provision, it would be helpful to potential and established exporters if UK Trade & Investment developed a more informed understanding of how its services fit alongside this provision, particularly in some of the key emerging markets such as India; and for UK Trade & Investment to use this knowledge to communicate how its support complements the services provided by the private sector.

APPENDIX ONE

1 Study methods were selected so that the National Audit Office could understand UK Trade & Investment's goals and priorities; appreciate the challenges it faces, both internally and externally; appraise the systems in use to manage the delivery of its services; and to review the outputs and outcomes.

2 A series of issues were identified to answer the overarching audit question "Is UK Trade & Investment well placed to deliver its strategy in the High Growth Markets". For each of the lowest level issues the study team identified the audit tasks required to provide the necessary evidence. More than one source of evidence was obtained in each instance. The sources used during the study are set out below.

Interviews and documentation review at UK Trade & Investment's headquarters in London

3 The study team held semi-structured interviews with headquarter-based UK Trade & Investment officials holding senior and middle management positions in the areas of finance, strategy, UK Trade & Investment's priority sectors, and service delivery in the English regions and in overseas markets. These discussions were preceded and followed by a review of relevant supporting documentation.

4 Limitations of the data provided included a lack of formal cost recovery objectives and supporting unit cost information on the services provided by UK Trade & Investment, these are outlined in detail in paragraphs 2.31 and 2.39-2.40. Additionally there was a lack of information on the staffing levels throughout the delivery chain both within UK Trade & Investment, and across its contractors.

Study methods

Site visits in England and overseas

5 The study team visited UK Trade & Investment's regional offices in the East Midlands, London, and Yorkshire and Humberside. This enabled the team to discuss the delivery of trade advice with local UK Trade & Investment officials and the regional contractor; to understand the local challenges; and to witness interactions with businesses. The regions were selected to provide a mix of situations. Similar visits were made to China, India and Turkey. These markets represented nearly half of the High Growth Markets Programme by resource spend in 2007-08.

Review of UK Trade & Investment's survey data

6 The study team reviewed the arrangements in UK Trade & Investment for measuring its performance. The results from UK Trade & Investment's Performance and Impact Monitoring Survey (PIMS) were analysed for the period since the current five-year strategy was introduced.

7 Logistical regression was run on selected variables within the PIMS database to identify those aspects having the biggest impact on the performance measures supporting the priority outcomes in the Public Service Agreement set by Treasury for the period 2005-08.

8 The data was validated and found to be sound (see paragraph 2.6). The one limitation on the usefulness of the data surrounded the financial benefit measure. We outline these limitations in the main body of the report at paragraphs 2.25 and 2.26.

9 The results from UK Trade & Investment's latest surveys of non-users (July 2005 and March 2007) were also reviewed.

Qualitative survey

10 In order to explore in more detail some of the issues arising from our analysis of UK Trade & Investment's existing research of users and non-users of its services, the National Audit Office commissioned OMB Research to undertake 30 in-depth interviews. This comprised 20 interviews of users and 10 of non-users. In both cases a mix of firms was selected but with an emphasis on high-growth markets. The users sample explored high additionality and no additionality from UK Trade & Investment assistance to understand more fully why these extremes of impact occur, the aim being to identify pointers as to the positive aspects of UK Trade & Investment's work it should do more of and the negative aspects it should seek to correct. The non-user sample focused on gathering information about how these firms had gone about exporting, especially if they had used any external support, and to explore the potential for UK Trade & Investment to help them in this process.

Work-log

11 The study team reviewed the results of UK Trade & Investment's time-sheet exercise in Poland that covered selected weeks in the period December 2007 to February 2008. To further inform our understanding of how UK Trade & Investment staff overseas use their time, officials in China and India completed a two-week work-log for us during July 2008.

Third parties

12 In addition to meeting with selected contractors in the English regions (paragraph 3 above), the study team spoke with the British Chambers of Commerce and Pera to discuss the work they do for UK Trade & Investment (Appendix 2). We also spoke with Invest Northern Ireland, Scottish Development International and International Business Wales about their work with UK Trade & Investment. The team also met with the Confederation of British Industry to discuss more generally the work of UK Trade & Investment. We also spoke with some trade associations and engaged on a one-to-one basis with a selection of businesses which have been supported by UK Trade & Investment.

Overseas comparisons

13 The activities of selected comparable organisations were reviewed by the study team using a standard template. The findings are summarised at Appendix 5.

Customer journey mapping workshop

14 To inform our understanding of how UK Trade & Investment delivers its trade support, we organised a half-day workshop in July 2008 using established customer journey mapping techniques to plot the flow of the main interactions between UK Trade & Investment and its users; and to identify what is working well and not so well at the main points that interaction takes place. Seven senior officials from UK Trade & Investment took part.

Use of evidence from interactions with business

15 As observed throughout this Appendix, we interacted with businesses in one of four broad ways: one-to-one semi-structured meetings (paragraph 12); at meetings, and events, hosted by UK Trade & Investment during the course of our work-shadowing (paragraph 5); in our qualitative research (paragraph 10); and in discussions with business representatives including trade associations (paragraph 12). We used these interactions to build a picture of businesses' views of UK Trade & Investment's service delivery. Throughout the report we use illustrative examples to summarise these views of business as expressed to us.

APPENDIX TWO

UK Trade & Investment's strategy

(1) Brief history of trade support

1 When the National Audit Office reported in 1986 (HC 63 Session 1986-87) on the provision of publicly funded support services to UK exporters the following organisations were involved:

a The British Overseas Trade Board (BOTB) advised the Government on strategy for overseas trade. It also had overall responsibility for directing the UK export promotion programme, including the development of services.

b Export services in the UK were administered by the Department of Trade and Industry (DTI) in England and through appropriate departments in the rest of the UK.

c The Foreign & Commonwealth Office implemented the policy on export support by acting as the overseas arm of BOTB in providing information and advice overseas to exporters.

2 The main export services provided in 1986 are summarised in **Figure 13**.

13 Summary of the main publicly funded export services provided in 1986

Advice to exporters – responding to requests from British exporters for information and advice on the political, economic and commercial climate, and on the opportunities for their products.

Source of supply enquiries – helping reputable local firms seeking to act as agents or distributors for British manufacturers by bringing the opportunities to the attention of British firms, mainly through the computerised Export Intelligence Service.

Finding agents – helping British manufacturers and suppliers in finding agents or distributors, especially under the Export Representative Service.

Market prospects – providing advice about the prospects for specific products, especially in certain major export markets under the Market Prospects Service, including advice on how to exploit market opportunities.

Trade fairs – providing administrative and market advisory support for British manufacturers and suppliers participating in overseas trade fairs, exhibitions and seminars, under the Joint Venture and Seminars and Symposia Schemes, by identifying and recommending suitable local events, negotiating with the organisers, giving market advice to the participants by manning information stands and arranging local publicity.

Store promotions – supporting initiatives under the BOTB's Store Promotions Scheme by negotiating with local department stores and other retail outlets in mounting promotions of British consumer manufacturers with BOTB support.

Trade missions – supporting and advising visiting trade missions, whether mounted independently or under the Outward Mission Scheme, by liaising with the organising sponsors, giving group and individual briefings, organising business receptions and arranging publicity.

Inward missions – supporting purchasing missions to Britain under the Inward Mission Scheme.

Commercial publicity – publicising British industry, individual companies and new products by placing with the local media items produced by the Central Office of Information on behalf of British manufacturers.

Presentations – helping British manufacturers and suppliers individually or collectively to give presentations, seminars and displays using diplomatic premises whenever possible.

Contacts – introducing visiting representatives of British manufacturers and suppliers to key local contacts.

Collecting market information likely to produce opportunities for British exporters – gathering market opportunities (including tenders) and information for passing on to British manufacturers and suppliers, principally through the medium of the Export Intelligence Service; identifying and establishing useful contacts in the public and private sectors; and creating a favourable climate for the conduct of trade in British goods by correcting distortions and presenting to the local media and opinion moulders the positive aspects of Britain's industrial performance.

Source: National Audit Office report "Foreign and Commonwealth Office: Commercial Work" (HC63/1986-87, November 1986)

3 In May 1999, following a review by the Cabinet Office, export promotion activities across government were brought together with the establishment of British Trade International (BTI). The Chief Executive of BTI reported to the Department of Trade and Industry and the Foreign & Commonwealth Office, the departments that had previously provided export support services under the general heading of Overseas Trade Services. The National Audit Office reported on Overseas Trade Services in April 1996 (HC 293 Session 1995-96).

4 In May 2000, BTI introduced a unified service brand (Trade Partners UK) for all government support for international trade. In October 2003 BTI was renamed UK Trade & Investment. The change of identity was intended to:

- give clarity of purpose and end increasing customer confusion caused by the use of three identities;⁶
- underpin the closer relationship of trade and inward investment work among staff overseas and in the UK regional network, allowing the provision of a more coherent customer journey;
- reflect the aspirational organisation envisaged under Strategy 2006 (i.e. more focused, more responsive and more connected to the needs and requirements of customers); and
- provide cost savings through rationalisation of resources and increased economies of scale, and increase awareness through greater presence.

5 From 2006 the acronym UKTI has increasingly been used within UK Trade & Investment for less formal references, and in publicity material, including its website, to avoid cumbersome repetition.

(2) UK Trade & Investment's current trade support strategy

6 In July 2006, UK Trade & Investment published its strategy for delivering trade support in the period 2006-11: *Prosperity in a Changing World* (Figure 14).

14 Main themes of UK Trade & Investment's current trade support strategy (2006-11)

1) Marketing the UK economy internationally

A new marketing strategy intended to portray a cohesive message for the whole of the UK, covering all bodies that have an interest in this area. It involves:

- producing high quality marketing materials;
- focusing on specific sectors and technology clusters where they can make the most difference; and
- making targeted interventions with high-value clients whether they are UK owned businesses or overseas owned businesses new to, or already established in, the UK.

2) Working in partnership across Government and with business

To maximise marketing impact, continue to work in partnership with relevant public (e.g. the nine English Regional Development Authorities and the Devolved Administrations of Scotland, Wales and Northern Ireland) and private (e.g. trade associations) organisations. This co-ordinated approach is intended to 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.

3) Focusing on where UKTI can make the most difference

- **High Growth Markets** 16 high growth markets, including China, India and Brazil, to which resources are to be reallocated from more mature markets. Differentiation of support for the emerging markets will be a key feature.
- **High Value & Innovative Sectors** To concentrate on innovative businesses, and developing a strong focus on priority sectors

Source: UK Trade & Investment

6 In addition to British Trade International and Trade Partners UK, Invest UK was used to market inward investment.

7 A major element of the new strategy is the focus on 17 (previously 16) high growth markets (Figure 6 on page 16). In addition, UK Trade & Investment has established 14 priority sectors, of which five have a strong focus (Figure 15). Overall, UK Trade & Investment has identified 34 sectors.

8 To focus the minds of all those engaged on delivering UK Trade & Investment's current strategy for trade support, it has developed and actively promoted a set of strategic imperatives (Figure 16).

(3) UK Trade & Investment's previous trade support strategies

9 UK Trade & Investment's current strategy, covering the period 2006-2011, replaced in mid-term a strategy covering 2005-2008. Similarly, the strategy covering 2005-2008 replaced in mid-term a strategy covering the period 2003-2006.

15 Priority sectors identified by UK Trade & Investment

Strong focus (UKTI nationally led sectors)

- **Financial services** (Accounts for ten per cent of GDP)
- **Creative and media** (Accounts for eight per cent of GDP. Includes television, films, fashion, computer games and advertising)
- **Life sciences** (Healthcare, biotech, pharmaceuticals)
- **Information and communication technologies**
- **Energy technologies** (includes oil and gas)

Other

- Advanced Engineering (Aerospace, Automotive, Engineering)
- Agricultural technology
- Construction
- Education and skills
- Environment
- Mass transport (Airports, rail, ports)
- Power
- Sports and leisure
- Water and wastewater

Source: UK Trade & Investment

16 Summary of UK Trade & Investment's strategic imperatives

| | |
|------------------------------|---|
| Tar­gets to be achieved | Commitment to be a more target-driven approach, with effective performance management at individual, team and organisational level. It will no longer be optional to achieve targets. |
| Be customer focused | Commitment to be a more customer-focused and market-led organisation. Everyone working for and with UK Trade & Investment should know, understand and be able to explain the Compelling Message. ¹ |
| Focus on the right customers | The focus of effort to be on businesses that make the greatest contribution to UK productivity and competitiveness, and where UK Trade & Investment can add most value to their business. UK Trade & Investment will continue to work with large numbers of trade customers from SMEs to large corporates, as UK Trade & Investment does not have a remit to turn away any eligible business. |
| Make a real difference | All work to contribute to UK Trade & Investment targets and producing effective outcomes. |
| Work in partnership | To be successful, staff need to work with others across UK Trade & Investment, with the English Regional Development Authorities and the Devolved Administrations, with UK Trade & Investment's parent and other departments and with a range of other business stakeholders, as well as individually with customers. |

Source: UK Trade & Investment's Toolkit for Managers (June 2007)

NOTES

1 The *Compelling Message of the UK as a springboard to global growth* was developed with key stakeholders (business and public sector); and is supported by three selling points:

- a the UK provides the best environment for business;
- b the UK's excellence in creativity and innovation; and
- c the UK's powerful network of connections.

10 The replacement of the 2003-06 strategy occurred as a consequence of the 2004 Comprehensive Spending Review (CSR04), which reduced UK Trade & Investment's level of funding. As a result, UK Trade & Investment developed a new strategy that refocused resources where they would make the most difference, with a specific remit to help new-to-export firms (**Figure 17**).

11 The differences between the current strategy (2006-11) and those in place up to 2006 are presented graphically at **Figure 18 overleaf**.

17 Summary of changes introduced by strategy intended to cover 2005-08

Focusing on customers Increase the proportion of trade resources helping new-to-export firms, while continuing to assist medium and large businesses to pursue trade and investment activities. Shift resources to 67 per cent trade and 33 per cent inward investment (previously 85:15).

Key relationships Develop closer relationships with trade advisers in the English regions and overseas.

Trade services Respond to the changing needs of its customers, and progressively recover more of its costs through charging. Also promote self-service access to basic information.

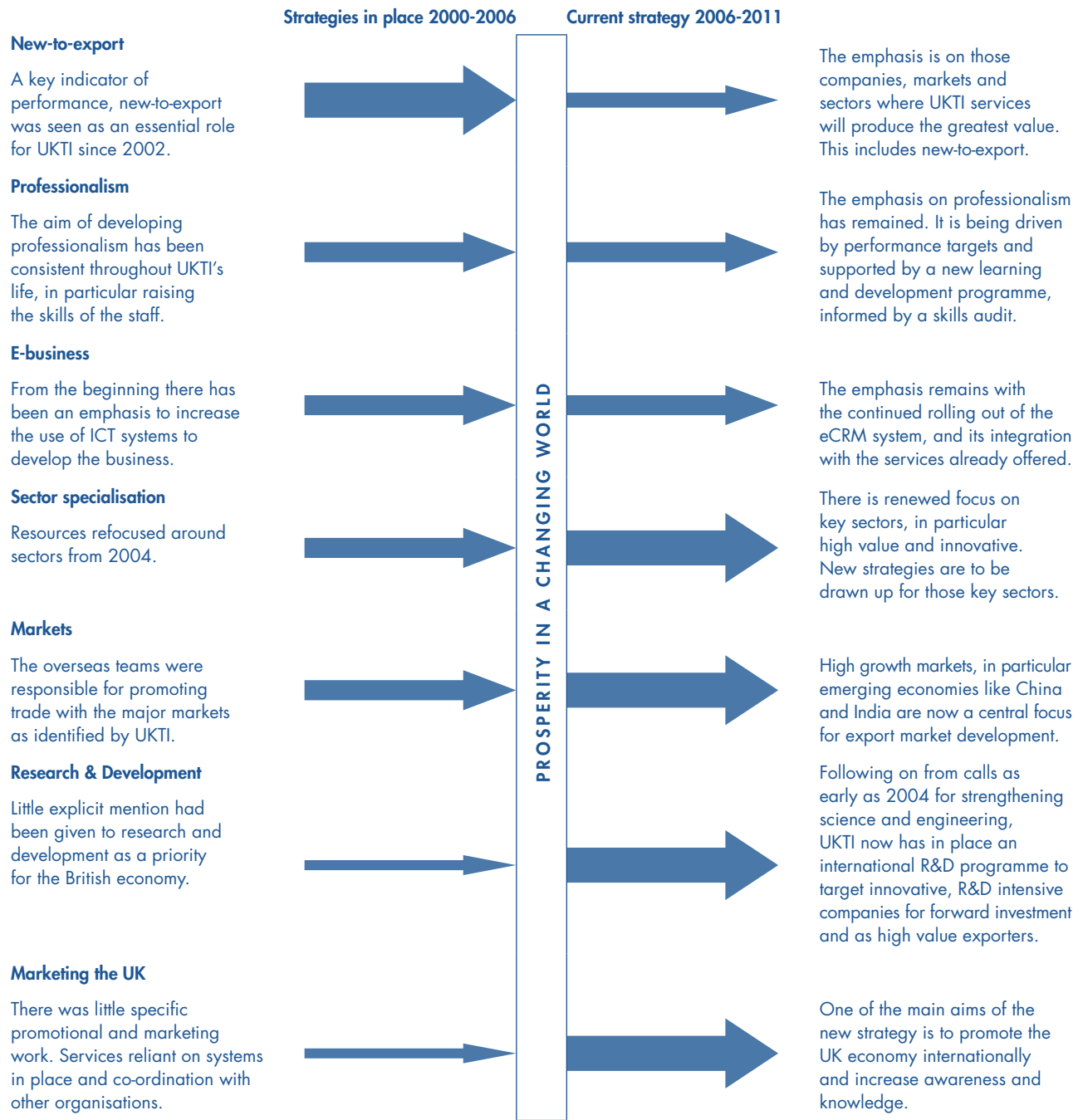
Priority sectors Focus on 16 priority sectors.

Overseas network Focus overseas resources on those markets where it can make the biggest difference, while reducing services in lower priority markets.

Support for overseas exhibitions and missions Support UK businesses to attend overseas exhibitions and mission groups and will move resources from direct subsidy to capacity building.

Source: National Audit Office analysis of UK Trade and Investment documentation

18 Summary of how the current strategy of UK Trade & Investment compares with its preceding strategies



Source: National Audit Office analysis

NOTE

The width of the arrows denotes relative priority within the strategies.

APPENDIX THREE

UK Trade & Investment's governance and expenditure

(1) Governance

1 The funding of UK Trade & Investment is unusual for a Government organisation in that its resources come through three funding streams voted by Parliament: the Foreign & Commonwealth Office (FCO), the Department for Business, Enterprise and Regulatory Reform (BERR), and a direct allocation to UK Trade & Investment. The three funding streams remain the ultimate responsibility of their respective Accounting Officers (see **Figure 19** for details of trade support funding in 2007-08). The Chief Executive of UK Trade & Investment, as Accounting Officer,

is responsible for UK Trade & Investment's programme expenditure. This arrangement was one of several recommendations put forward by Sir Richard Wilson in *The Review of Export Promotion* in February 1999.

2 The Accounting Officers of FCO and BERR provide UK Trade & Investment's Accounting Officer with details of relevant expenditure they have incurred, which appear as memorandum notes to the annual accounts of UK Trade & Investment.

19 Summary of UK Trade & Investment's funding and staffing arrangements for trade services in 2007-08

| Accounting Officer | £m | Main items of spend |
|----------------------|------------------|---|
| UKTI Chief Executive | 55 ^a | Programmes, principally: <ul style="list-style-type: none"> i International Trade Teams provided by contractors in the English regions ii Non-staff costs of delivering services (e.g. Passport to Export Programme), including grants iii Marketing events and publicity iv Contracts with China-Britain Business Council and UK-India Business Council |
| FCO | 132 ^b | <ul style="list-style-type: none"> i FCO staff working overseas. These staff are ring-fenced and within UKTI's day-to-day control ii FCO overheads, depreciation and cost of capital charge |
| BERR | 31 ^b | <ul style="list-style-type: none"> i BERR staff. These staff are ring-fenced and within UKTI's day-to-day control. They are based primarily in UKTI's London HQ, but also in its Glasgow office and the English regions (International Trade Directors). They are employed on UKTI's central management and administration; and delivery of UKTI's work programmes, including market research ii BERR overheads |
| Total | 218 | |

Source: UK Trade & Investment's Annual Report and Accounts 2007-08

NOTES

a Net of income of £2.3 million

b Income nil

3 UK Trade & Investment Executive Board is tasked with providing strategic and operational leadership in UK Trade & Investment. The Board is led by the Minister of State for Trade and Investment, and comprises the Chief Executive, five Executive Directors drawn from senior officials within UK Trade & Investment, and five Non Executive Members filled by senior individuals from the private sector.

(2) Staffing

4 Most personnel engaged on UK Trade & Investment’s trade support work are employees of either BERR or the FCO. In 2007-08 there were about 1,300 such staff (Figure 20). Further staff were employed through UK Trade & Investment’s contracts with several private sector companies. These provide services locally in England, support in respect of China, and UK-based specialists in particular sectors and high-growth markets. As these contracts focus on performance, rather than specifying inputs, UK Trade & Investment does not monitor the number of staff deployed; and is not therefore in a position to assess total staff resources deployed on its trade support work. However, it estimates that in 2007-08 some 400 staff were deployed locally in England – the largest element that was contracted out. The value of the remaining trade support contracts totalled £5.0 million in 2007-08.

20 Staff deployed on trade support work in 2007-08

| | | |
|---------------------------|--|----------------|
| Departmental staff | FCO | 978 |
| | BERR | 300 |
| | UKTI | 8 |
| | | 1,286 |
| Contracted staff | English Regions | 400 (estimate) |
| | China: No record, but contract expenditure totalled £1.8 million | |
| | Sectors and high-growth markets specialists: No record, but contract expenditure totalled £1.2 million and £2.0 million respectively | |
| | | |

Source: UK Trade & Investment

NOTE

Staff numbers are expressed in Full Time Equivalents to reflect that some staff work part-time on trade support work. Notably, some staff are deployed on both trade support and inward investment functions, while others such as Ambassadors undertake non-UK Trade & Investment duties.

(3) Resourcing of UK Trade & Investment’s 2006-11 strategy

5 Implementation of UK Trade & Investment’s current strategy for trade support involves some £1 billion of public funds in the period 2006-11 (Figure 21).

21 Funding of UK Trade & Investment’s 2006-11 strategy for trade support (£m)

| | Gross | Income | Net expenditure |
|-------------------|----------------|-------------|-----------------|
| 2006-07 (outturn) | 230.2 | 1.7 | 228.5 |
| 2007-08 (outturn) | 220.5 | 2.3 | 218.2 |
| 2008-09 (planned) | 194.8 | 2.5 | 192.3 |
| 2009-10 (planned) | 193.8 | 3.0 | 190.8 |
| 2010-11 (planned) | 193.3 | 4.0 | 189.3 |
| Totals | 1,032.6 | 13.5 | 1,019.1 |

Source: National Audit Office analysis of UK Trade & Investment’s Annual Accounts and budgetary papers

NOTE

Planned income is based on the 2007 Comprehensive Spending Revenue settlement and assumes that the expenditure split between trade services and inward investment (74:26) in 2007-08 is maintained.

APPENDIX FOUR

UK Trade & Investment's services

1 UK Trade & Investment provides three types of assistance: information, one-to-one advice, and practical support. These are delivered through 19 services (**Figure 22 overleaf**).

2 UK Trade & Investment has developed a wide range of services (**Figure 23 on pages 39 and 40**) for its trade support function. The services are often targeted at a specific size of business, the three types being (1) small and medium enterprises (often referred to as SMEs); (2) mid-corporates (see definition at Box 2 on page 15); and (3) large. But as readiness to export cannot be defined solely by size, UK Trade & Investment also apply other criteria. Notably, some relatively new businesses, such as those in the creative (e.g. music) and technology (e.g. software) industries, have products with an immediate international appeal and possibly a short shelf life that need to be exploited quickly if their full business potential is to be achieved.

Contractors used by UK Trade & Investment in the English regions

3 The contractors providing advice and support for UK Trade & Investment in the English regions, and whether they are also providing the advice service for Business Link, are set out in **Figure 24 on page 41**.

22 Summary of UK Trade & Investment's services

| Services | Information | One-to-one Advice | Practical Support |
|---|-------------|-------------------|-------------------|
| Named services | | | |
| 1 Passport to Export – readiness assessment and export plan | | | ✓ |
| 2 EMRS (Export Marketing Research Scheme) | | | ✓ |
| 3 OMIS (Overseas Market Introduction Service) | ✓ | ✓ | ✓ |
| 4 MVS (Market Visit Support) | | | ✓ |
| 5 TAP Group (Tradeshaw Access Programme) | | | ✓ |
| 6 TAP Solo (Tradeshaw Access Programme) | | | ✓ |
| 7 ECR (Export Communications Review) | | | ✓ |
| Other services | | | |
| 8 Events (UK) | | | ✓ |
| 9 Events (Overseas) | | | ✓ |
| 10 Inward missions | | | ✓ |
| 11 Outward missions by Sector Teams | | | ✓ |
| 12 Sector specific reports | ✓ | | |
| 13 Opportunities Board | ✓ | | |
| 14 General assistance in the English Regions | ✓ | ✓ | ✓ |
| 15 General assistance overseas | ✓ | ✓ | ✓ |
| 16 Assistance from High Growth Market Specialists | ✓ | ✓ | ✓ |
| 17 Website – General information | ✓ | | |
| 18 Enquiry Unit | ✓ | ✓ | |
| 19 (Support to manufacturers – not yet scoped or named) | | | |

Source: National Audit Office analysis of UK Trade & Investment's publicity and meetings with its officials

23 Summary of services delivering UK Trade & Investment's trade support function

| Services | Brief description |
|--|--|
| 1 Passport to Export | Often referred to simply as Passport, this programme is aimed at helping businesses that are either new to exporting or fairly inexperienced exporters. The programme is made up of a number of elements including a readiness assessment and an export action plan, and includes other services aimed at helping firms to research and visit prospective overseas markets. The programme is usually accessed through a local adviser in England. To be eligible, the applicant must be a small or medium enterprise (SME) and have not previously been on the scheme. This free programme was launched in October 2001. |
| 2 EMRS (Export Marketing Research Scheme) | This scheme has been administered by the British Chambers of Commerce since 1989 and provides businesses with free advice on how to research an export market and financial assistance towards the cost of conducting a marketing research project. The scheme pays up to 50 per cent of the cost of completing a marketing research report, up to a maximum of £15,000. The normal level of subsidy is 50 per cent. In 2007-08, the scheme cost £1.2 million of which payments of £640,000 were made. The balance was operational costs, which include the provision for five regionally based research advisers. Begun in 1969, this scheme was originally delivered by the Department of Trade and Industry. |
| 3 OMIS (Overseas Market Introduction Service) | Launched in 2004, OMIS provides businesses with tailored business advice and information about a market, and support during an overseas visit. This could include an analysis of possible market entry strategies, the identification of possible business partners and arranging for the client to meet with key people when visiting the market itself. A key feature is that it puts a client directly in touch with UKTI staff based in overseas markets, who deliver the service. It is normally accessed through a local adviser based in the UK, although access also happens directly with overseas staff. OMIS also provides a broader service based more on client needs that they are prepared to pay for. There are five pricing bands, based on partial cost recovery. All UK businesses are eligible. Predecessors of OMIS (Tailored Market Reports, Open Menu, Market Advisory Service and the Agency Finding Service) have varied in scope, but broadly these earlier schemes progressively become more limited with age. |
| 4 MVS (Market Visit Support) | Launched in April 2005, this scheme provides support and assistance to new and inexperienced SMEs visiting overseas markets either individually, or as part of an organised multi-sector group. The scheme was previously known as the Horizontal Outward Missions Scheme. The name change coincided with a change of approach: Administration of MVS was devolved to the English regions and the Devolved Administrations, and application became less formal. |
| 5 TAP Group (Tradeshaw Access Programme) | TAP Group provides grant support for SMEs to exhibit at trade shows overseas as part of a delegation of businesses. Each delegation is led by an Accredited Trade Organisation (ATO). For 2008-09, the TAP Group programme comprises 416 events. Grant support is focused on new to export SMEs, though more experienced SME exporters may also be eligible if they are going to a trade fair where they have not recently exhibited. Grants range from £1,000 to £1,800. The TAP (Group) scheme was introduced in 2006. It was previously known as SESA (Support for Exhibitions and Seminars Abroad). The Government has supported businesses to exhibit overseas since 1957. |
| 6 TAP Solo (Tradeshaw Access Programme) | TAP Solo provides grants for UK firms to exhibit at international trade fairs. Attendance is on an individual basis, rather than with a delegation. A business must apply through a local UKTI trade adviser. A fixed rate grant of £1,000 is available. Eligibility is the same as for TAP Group. |
| 7 ECR (Export Communications Review) | ECR has been administered by the British Chambers of Commerce (BCC) since 1995 and helps businesses to develop effective communications strategies by providing advice on language and cultural issues. The review involves an in-depth discussion with a communications consultant who then prepares a report for the business. BCC sub-contract to 23 independent consultants that have been trained and accredited. Clients pay a fixed fee of £150. For this they get a two-hour meeting and a written report. The consultant is allowed one day to complete each commission. In 2007-08, 265 businesses were assisted. The scheme costs about £200,000 a year. ECR was launched in 2000. It was previously known as LEXAS when first introduced in 1995. |
| 8 Events (UK) | Seminars and functions where delegates can hear presentations on the trade opportunities in specific sectors (either arranged by Sectors Group or the English Regions), aid agencies, and research and development fields; and meet with the presenters and others to discuss opportunities in more detail and network generally. |
| 9 Events (Overseas) | Similar to Events (UK) above. |

23 Summary of services delivering UK Trade & Investment's trade support function *continued*

| Services | Brief description |
|---|---|
| 10 Inward missions | <p>Promotion of opportunities abroad through UK businesses meeting with representatives from visiting overseas businesses and other organisations to hear and discuss at first hand potential trading opportunities in specific markets and sectors.</p> <p>This well established service is believed to date back to the 1950s.</p> |
| 11 Sector missions overseas | <p>An opportunity for businesses to participate in a sector focused mission to an overseas market arranged through UKTI's sector teams. This service replaced the Vertical Outward Missions Scheme following the new strategic focus on priority sectors.</p> |
| 12 Sector specific reports | <p>Prepared by UKTI's sector specialists overseas using a template determined centrally, these reports focus on specific sectors (e.g. communications) in specific markets (e.g. India). Their coverage includes opportunities, characteristics of market (e.g. size, market trends), and key methods of doing business. Increasingly the reports focus on UKTI's priority sectors, a reflection of how UKTI prioritises its resources.</p> <p>Sector reports were sold through a Publications Unit until 2000, when it was closed and some content transferred to the website with unrestricted access. With the relaunch of the website in 2004, sector reports continued to be provided free but became accessible only through the pre-registration area (see service 17 below).</p> |
| 13 Opportunities Board | <p>An electronic service, with dovetailed alerts, of specific trading opportunities for interested businesses in the UK to pursue. The opportunities are searched out by UKTI's staff overseas, who complete a standard template to ensure consistency in presentation.</p> <p>Access to opportunities was originally established as the Export Intelligence Service in the mid 1970s, when businesses were sent details of opportunities in hard copy. The service went online in 1998 when it became the Sales Leads Service, which combined with a National Exporters Database, formed the Trade UK service (www.tradeuk.com). UK businesses registered to obtain access. When the UKTI website was relaunched in 2004 (see service 17 below), the Sales Leads Service became Business Opportunities, accessible via the registration system. The National Exporters Database was discontinued.</p> |
| 14 General assistance in the English Regions | <p>The service is both proactive and reactive, and provides a mix of free, small scale, assistance comprising information, advice and practical support. Interactions take place in a variety of ways (telephone, e-mail and face to face). In many cases the assistance is the precursor to the commissioning of an OMIS (see service 3 above).</p> |
| 15 General assistance overseas | |
| 16 Assistance from a High Growth Market Specialist | <p>This pilot scheme was launched in April 2007 and seeks to provide high quality advice to mid-corporate sized businesses. It is delivered through a consultant (Pera), which provides ten specialists.</p> |
| 17 Website, currently https://www.uktradeinvest.gov.uk | <p>Provides country and sector information, details of events and contacts within UK Trade & Investment. Explains the services provided.</p> <p>The trade website started as www.brittrade.com in the mid 1990s. It became www.tradepartners.gov.uk in 2000 with the launch of Trade Partners UK. The current website was introduced in 2003 when UKTI rebranded. The website was relaunched in September 2004 when it incorporated access to sector reports and business opportunities (see services 12 and 13 above) via a user registration system that confirms that the application meets the eligibility criteria (notably that they are UK based).</p> |
| 18 Enquiry Unit | <p>Information and advice. Operates working hours, Monday to Friday.</p> |
| 19 (Support to manufacturers – not yet scoped or named) | <p>In September 2008, the Government announced a package of new support for 600 businesses of all sizes to identify "manufacturing value chain opportunities" in India and China.</p> |

Source: National Audit Office analysis

24 Organisations engaged by UK Trade & Investment to deliver advice and support in England

| Region | UKTI support delivery arrangements | Does Business Link use the same delivery organisation as UKTI? |
|--------------------------|---|--|
| East Midlands | Supplied by EMB Ltd, a not-for-profit company created by three of the region's Chambers (Leicester, Northampton, and the merged Derby & Nottinghamshire Chambers). Delivered through a central team at the East Midlands International Trade Centre in Derby, with advisers operating from local area offices throughout the region. | Yes |
| West Midlands | Delivery is organised via a limited liability partnership of five West Midlands Chambers of Commerce (Birmingham, North Staffordshire, Hereford and Worcester, Black Country, Coventry and Warwickshire). | No |
| East of England | Delivery through East of England International. The trade teams are organised sub-regionally into Eastern and Western teams and are co-located with Business Link East teams across the region. | No |
| South East | Delivered by South East Trade and Investment, a subsidiary of Greater London Enterprises Ltd. | No |
| South West | UKTI arrangements mirror the business support delivery model established by SWRDA, in that there is both a Northern and Southern delivery Zone. UKTI now makes a single offer of grant to GWE Business West. GWE Business West then make a 'sub-offer' to the Southern Zone partner SERCO Regional Services Ltd, (trading as Peninsula Enterprise). | Yes |
| London | Delivered by OneLondon Trade and Investment Ltd, a subsidiary of Greater London Enterprises Ltd, for the whole of London. | No |
| North West | Delivered by Chamberlink Ltd, on behalf of the NW Chambers of Commerce. | No |
| North East | Delivered by the North East Regional International Trade Office (NERITO), owned by the North East Chamber of Commerce. Ownership of NERITO is to transfer to Business Link North East on 1 April 2009. | Yes from 1 April 2009 |
| Yorkshire and Humberside | Delivered by Yorkshire and Humberside IDB Ltd, which operates under the name of Business Link Yorkshire. | Yes |

Source: UK Trade & Investment

APPENDIX FIVE

Overseas comparisons

1 The National Audit Office examined the trade support organisations of seven countries (**Figure 25**). This Appendix summarises publicly available information on these organisations including their strategic objectives, priority markets, key performance indicators, organisational structure, services and charges. We checked the accuracy of our summaries with the bodies concerned in late 2008.

Strategic objectives

2 **Figure 26 on pages 44 and 45** sets out the strategic objectives for the organisations listed in Figure 25. The thrust of the organisations in Australia, Denmark, Ireland and Japan mirrors that of UK Trade & Investment, with furthering internationalisation, opportunities, innovation, business potential and trade outcomes all featuring prominently. The German organisation exists primarily to inform German companies about foreign markets, while the trade support work of the Canadian organisation is an integral part of foreign policy and programmes. The main focus in Denmark, Germany and Japan is helping small and medium sized enterprises. The focus of the Netherlands' organisation is working with defined target groups that include Dutch businesses operating internationally or that have the potential to do so, and foreign businesses in emerging markets and developing countries.

Priority markets

3 In broad terms, the sample organisations (excluding Australia which did not specify and Canada) focus not only on a much shorter list of priority markets than UK Trade & Investment, but also on a mix of emerging (notably China), large established and near abroad markets (**Figure 27 on page 45**). Canada has a slightly larger number of priority markets than UK Trade & Investment, and it also covers both established and emerging markets.

Key performance indicators

4 There is a mix of key performance indicators covering outputs and outcomes, with some linked to numerical targets (**Figure 28 on page 46**). As with UK Trade & Investment, there is an emphasis on the number of businesses assisted. The targets in Australia, Denmark, Ireland and Japan differ from UK Trade & Investment in that they include a financial target for increased exports.

25 National Audit Office sample of publicly funded organisations overseas providing trade support to businesses from their home nation

| Country | Organisation |
|-----------------|--|
| Australia | Australian Trade Commission (Austrade), an agency within the Foreign Affairs and Trade portfolio |
| Canada | Department for Foreign Affairs and International Trade |
| Denmark | The Trade Council within the Ministry of Foreign Affairs |
| Germany | German Office for Foreign Trade within the Ministry of Economics and Technology |
| Ireland | Enterprise Ireland |
| Japan | Japan External Trade Organisation |
| The Netherlands | Agency for International Business and Co-operation, a bureau of the Ministry of Economic Affairs |

Organisational structure

5 All the sample countries have an overseas presence (**Figure 29 on page 47**). Australia, Ireland and Japan also have a domestic regional presence. In Germany, staff in the trade support organisation's headquarters work closely with national and local chambers of commerce, and it is the chambers that are the primary face-to-face link with businesses. Although Denmark's headquarters provides a link between its staff abroad and Danish exporters, direct contact is encouraged.

Services

6 With the exception of Germany, which has an emphasis on providing information (**Figure 30 on page 48**), all the sample organisations are similar to UK Trade & Investment in providing a mix of information, general and tailored advice, and practical support. There are a number of noteworthy initiatives. Canada has a Virtual Trade Commissioner that provides one-to-one information electronically, while Australia has a separate website targeted at Indian businesses. Japan uses highly skilled trade advisers with private sector experience to offer consultation on a wide range of management related issues, including legal and taxation matters, at 14 offices in nine East Asia countries. And the Netherlands has an "Uncle Network" of Dutch companies established in Turkey that are willing to share their experiences with other Dutch companies planning to enter the Turkish market. The Netherlands also has a "Development Cooperation Matchmaking facility" that puts companies, in developing countries, on the lookout for reliable business partners abroad in touch with Dutch businesses. The goal is to stimulate joint investment in developing countries.

Charges for services

7 Limited information is provided on charges for services (**Figure 31 on page 48**). Established exporters in Australia have to pay the equivalent of £78 an hour in some cases, while in Denmark initial assistance is provided free but subsequent assistance, except for defined help for small and medium sized enterprises, is charged at the equivalent of £79 an hour. In Canada, the organisation provides its services free of charge.

26 Strategic objectives for trade support

| | |
|-----------|---|
| Australia | <p>The overarching objectives for 2008-09 are to:</p> <ol style="list-style-type: none"> 1. assist Australian businesses to participate and become sustainable in export and international business; 2. support Australian businesses to broaden and deepen their commercial engagement in overseas markets and to participate in more complex trade arrangements including: through integration in global supply chains, clusters or establishment of an overseas presence or investment offshore; 3. provide value to Australian businesses by expanding delivery of Austrade's services through allies and partners across private and public sectors; and 4. raise awareness of the benefit of export and overseas investment among Australian businesses and the community and promote Australia as an attractive destination to potential investors. <p>Within the context of these broad objectives, the following priorities will be pursued:</p> <ol style="list-style-type: none"> 1. a continuing focus on maximising export and international business outcomes by clients through the delivery of tailored services in key markets, including growth markets such as China and India; 2. enhancing trade and investment outcomes through sector and industry specific initiatives with industry allies and government agencies; 3. implementing the Government's commitment to expand and revitalise the EMDG scheme; 4. strengthening assistance to the services sector including financial services; and 5. responding to the Review of Export Policies and Programmes. |
| Canada | <p>To provide cohesive and co-ordinated policies and programmes on international issues for Canada – combining both trade and foreign policy perspectives. Individual objectives encompass both foreign and international trade components, with some emphasising the commercial role more than others. A specific priority in respect of trade is to promote greater economic competitiveness for Canada through enhanced commercial engagement, secure market access and targeted support for Canadian business.</p> |
| Denmark | <p>A new strategy was adopted for 2006-2009. It contains five strategic goals, of which four relate to trade support:</p> <ol style="list-style-type: none"> 1. Increased internationalisation of Danish enterprises; 2. Best possible international framework conditions for the Danish business community; 3. Strengthened commercial innovation; and 4. Strengthened global opportunities for entrepreneurs and small and medium sized enterprises. <p>Note: Denmark has a number of programmes with particular focus on small and medium sized enterprises.</p> |
| Germany | <p>Exists primarily to inform German companies about foreign markets. It focuses particularly on small and medium sized businesses wishing to enter foreign markets.</p> |
| Ireland | <p>The mission is to accelerate the development of world-class Irish companies to achieve strong positions in global markets, resulting in increased national and regional prosperity. Enterprise Ireland adopted a new strategy for the years 2008-2010 with seven strategic goals:</p> <ol style="list-style-type: none"> 1. transform Irish industry; 2. drive growth and internationalism; 3. increase Irish innovation; 4. grow companies of scale; 5. grow and compete in existing and emerging sectors; 6. drive growth in the service sector; and 7. increase entrepreneurship and regional development in Ireland. |

26 Strategic objectives for trade support *continued*

| | |
|-----------------|---|
| Japan | <p>Core focus for trade support is to help small to medium size Japanese firms maximise their global export potential. There are five main objectives:</p> <ol style="list-style-type: none"> 1. promote the Economic Partnership Agreement with Singapore; 2. assist Japan's smaller firms; 3. supply international economic information to firms; 4. promote high-technology industries; and 5. research developing economies. |
| The Netherlands | <p>There are four target groups relating to trade support:</p> <ol style="list-style-type: none"> 1. Dutch businesses that operate internationally or have the potential to do so; 2. foreign businesses in emerging markets and developing countries; 3. public-sector organisations in emerging markets; and 4. the Dutch government. |

27 Priority markets

| Country | Priority markets |
|-----------------|---|
| Australia | Not specified |
| Canada | Eleven priority market plans have been prepared. These cover 21 countries. Thirteen of these are also in UK Trade & Investment's High Growth Markets Programme, the eight exceptions being Australia, Brunei, Cambodia, Japan, Kuwait, New Zealand, the Philippines and the United States |
| Denmark | China, France, Germany, Italy, The Netherlands, Norway, Sweden, the UK and the United States |
| Germany | China, India, Poland, Russia and the United States. In these markets two correspondents (advisers) operate instead of the usual one |
| Ireland | Belgium, Germany, the Netherlands, the UK and the United States |
| Japan | Australia, China, Indonesia, Saudi Arabia, South Korea, Taiwan, United Arab Emirates and the United States |
| The Netherlands | Belgium, China, France, Germany, Italy, the UK and the United States. There are also 10 priority sectors. |

28 Summary of key performance indicators relating to trade support

| | |
|-----------------|---|
| Australia | <p>Number of Australian businesses utilising Austrade services – 15,000</p> <p>Number of businesses acknowledging Austrade’s assistance in achieving trade outcomes – 7,500</p> <p>Value of trade outcomes achieved by businesses acknowledging Austrade’s assistance – A\$22 billion</p> <p>Total number of businesses acknowledging Austrade’s assistance in completing outward investment outcomes – 200</p> <p>Client satisfaction with Austrade services delivered – 85 per cent</p> |
| Canada | <p>Increase in the number of new or active Canadian business clients in new or established markets</p> <p>Increase in the number of successful Canadian business clients that credit the Trade Commissioner Service with their success</p> <p>Client satisfaction with timeliness and quality of services and events</p> <p>Level of Canadian business compliance with Export and Import Permits Act</p> <p>Extent to which the department’s foreign and trade policy advice is adopted and followed by partner departments and agencies</p> <p>International disputes that are settled in favour of Canada</p> <p>Resolution of regulatory issues and trade barriers</p> <p>Implementation of negotiated market access and retaining of agreed-upon levels of domestic market openness</p> |
| Denmark | <p>Handle 2,500-3,000 internationalisation tasks for small and medium sized enterprises (SMEs)</p> <p>Prepare 250 SMEs to engage in export activities</p> <p>Establish one innovation centre abroad to assist innovative Danish companies by facilitating access to foreign capital, networks, knowledge, technology and markets</p> <p>Create a further increase in exports of between DKK2.6 – 3.0 billion</p> <p>Maintain a customer satisfaction rating of 95 per cent</p> |
| Germany | <p>Feedback from companies (demand)</p> <p>Feedback from chambers of commerce</p> <p>Feedback from business organisations and other cooperation partners</p> |
| Ireland | <p>Achieve new export sales of €4 billion</p> <p>To increase the number of clients achieving annual global sales of €5 million to 635</p> <p>To increase the number of clients achieving annual global sales of €20 million to 225</p> |
| Japan | <p>Boost the country’s agricultural and fishery exports to 10 trillion Yen by 2013</p> <p>Arrange at least 3,400 business matching opportunities between Japanese and foreign biotech firms</p> <p>To conduct 50 research projects annually through the Institute of Developing Economics (IDE) that range in scope from basic to comprehensive</p> <p>To hold one of the largest collections of information on the economic, political and social conditions of developing countries, in the IDE library</p> |
| The Netherlands | Information not provided |

29 Organisational structure

| | Home presence | Overseas presence |
|-----------------|--|---|
| Australia | <p>18 offices and a network of 50 TradeStart offices, including 8 Export Hubs in partnership with public and private sector ally organisations</p> <p>Total staff (home and overseas): 1,029</p> | 110 locations in more than 60 countries |
| Canada | Information not provided | 150 locations |
| Denmark | The Trade Council encourage enterprises to contact its offices abroad. At the same time, the Trade Council of Denmark's customer unit in Denmark is the link between Danish exporters and over 100 Danish embassies, consulates and trade commissions abroad | 249 persons spread across 87 locations in 72 countries |
| Germany | <p>150 staff at the headquarters in Cologne</p> <p>Information based on regular reports from operational staff is collected, prepared and published for German companies in the Cologne office. The reports deal with matters such as general economic situation, socio-cultural differences in business or special industry analyses. The Cologne office also provides detailed information on economic, legal and customs issues relating to foreign trade. The complete range of information is available on the organisation's website</p> <p>There is very close co-operation between the organisation and the Chambers of Commerce and Industry in Germany (IHK), e.g. it provides the information, the chambers make use of the information. Furthermore, there is a close co-operation with German business associations</p> | <p>105 staff (60 correspondents and 45 press assistants)</p> <p>60 correspondents across the world monitor local economic and market developments. Usually, the correspondent office is within the premises of the German Chamber Network (AHK; www.ahk.de). The trade support organisation and AHK work closely together. The organisation provides the information, the chambers make use of the information e.g. as a basis for advising companies or publishing newsletters and booklets together</p> <p>The organisation is in constant dialogue with the two official bodies for foreign trade promotion and together they have coordinated their roles: While the German embassies and the German Chamber Network (AHK) primarily assist German companies abroad, the organisation operates as a central point of contact in Germany</p> |
| Ireland | 750 staff (83 per cent) in total. Business Development Advisers operate from 13 offices | 150 staff in 32 locations |
| Japan | Headquarters in Tokyo and 36 regional offices. 830 staff | 850 staff. 73 offices in 54 countries |
| The Netherlands | 445 staff | 25 staff, excluding local staff. Attached to 154 locations |

30 Services provided by the German trade support organisation

The German Office for Foreign Trade provides businesses with information on:

- Economic data and trends
- Sector analyses
- Foreign economics and taxation law
- Customs procedures and tariffs
- International tenders
- Public and private financed projects
- Business opportunities from German and foreign companies
- iXPOS – the foreign trade gateway/portal (www.ixpos.de). The key players in foreign trade promotion introduce their range of services, information, contacts, events, financial support
- The German Business Portal (www.german-business-portal.info) is a source full of information and links to help foreign companies find the best way to do business in Germany operated by bfa
- Organisation of a programme of the Ministry concerning information and networking events

The overseas network provides a full range of information to enable German companies to check chances and risks and to compare the situation in different markets

31 Charges for services

| | |
|-----------|---|
| Australia | Should a business not be eligible for the New Exporter Development Programme, specific tailored market research may incur a cost of A\$190 (£78 at 11.12.08) an hour, although this expense is claimable under the Export Market Development Grant |
| Canada | Services are free for Canadian companies. Companies are referred to third-party commercial service providers for additional services |
| Denmark | The initial consultancy and possible coordination with the Customer Unit is free of charge. Subsequent use of services, including consultancy support, is charged for at a rate of DKK750 an hour (£79 at 11.12.08) or if deemed more expedient, an overall price for the specified service – as well as an estimate of possible expenses. However, the Trade Council has 11 experienced export consultants who, free of charge, assist in working out export action plans and provide various export advice for small and medium sized enterprises |