

SME Innovation and Growth in the Regional Economy Duncan House, 11 March 1998

Let me begin by congratulating the University of East London on achieving this 100th anniversary. We sometimes forget that it and its predecessor institutions for much of their history have been innovative institutions with a pioneering role in developing the economy of East London and enhancing the skills and potential of its inhabitants. I am delighted and greatly encouraged by the imagination and determination which the university is showing in developing that role today, and that's vividly demonstrated by the success of the Business Development Centre here at Duncan House and by the Thames Gateway Development Centre and the new Campus being built now in the Royal Docks. There's a history to celebrate and an exciting future to look forward to and I see this institution as one of the keys to the brighter future for East London which we can see starting to emerge.

Last November, we had a debate at Westminster on innovation and the role of small firms. The opposition spokesman, as is the custom on these occasions, had made a fierce attack on the minister, Barbara Roche, who is becoming a regular visitor to Duncan House, and so as the next speaker I related my experience of being at a dinner for small businesses organised by the Greater London Labour Party.

A few days later, the individual I was referring to rung up to say that he had been inundated with telephone calls to tell him that he had been referred to in the debate. How he had been identified from my rather vague comments I don't know, but fortunately he took it in good heart and asked me to autograph a copy of the Hansard for him!

But there has been this very important shift in the thinking of the Labour Party, and stimulating and supporting the development of small businesses is a key priority for this Government. 99% of the 3.7 million businesses in the UK has fewer than 50 employees and we haven't forgotten that, when private sector employment fell sharply between 1989 and 1991, firms with fewer than 20 employees created 350,000 extra jobs. This is what Barbara Roche said in that debate last November:

"There are three main things that we can say about small businesses. First, the experience of the past decade in this country, the EU and elsewhere, has shown that jobs come from the small and medium sized sector. Secondly, small businesses are good examples of people creating opportunities for themselves, their families and communities. And thirdly, smaller companies are often at the forefront of innovation, creativity and the competitive edge and they will show the way to the rest of the country as we go into the next century"

I would agree with all those, and add that in a marketplace of fast and dramatic change, small businesses are perhaps best placed to be sensitive to this change and best able to respond swiftly and effectively to it. It is small business people who, because they are closest to the coal face of market place developments, are potentially best able to bridge the gaps from the design to the manufacture of products or from marketing strategies to customer service initiatives.

It is a staggering fact that on average a business went bust every three minutes of every working day between the 1992 and 1997 elections. The central economic goal of this Government is to create an environment of economic stability which leaves as a distant memory the history of boom and bust which has characterised the British economy for as long as any of us can remember and replaces it with

an environment of economic stability within which investment can be made and will be made with confidence.

That debate in the Commons was triggered by the report of the House of Lords Select Committee on Science and Technology on the Innovation-Exploitation Barrier, which stressed the importance of strong science-based clusters to the UK's economic development and the importance of a strong science base at the heart of those clusters. I want to see that clustering here in East London. We all know the problems we have endured in the past, but there is now a chance to break with that history in the future. We have enormous numbers of bright young people emerging from our schools and increasingly they are starting to achieve the potential they have always had in their examination performances. We have vast areas of land on a scale not matched anywhere else close to central London. We are on the Europe side of London we shall be the place where Europe meets London, and I remain confident that we will secure the Channel Tunnel Rail Link and the station here at Stratford to cement those links. And people are recognising those things there was an article yesterday in the Standard about the new Stratford wider recognition at last for the way things are changing for the better in this part of East London. Those are the opportunities which now present themselves to us and which we must grasp, to secure a modern economy with growing numbers of innovative small firms providing opportunities and a decent future for our young people in particular, so that we can build a new East London where people are going to want to invest and stay. We can see the first outlines of that happening, but there is a great deal more to do and I warmly commend the imaginative contribution that the university is making.

Labour in opposition listened but the business of Government is not just about listening but about doing so let me just outline some of the steps the Government is taking to help us achieve this vision for the future.

No-one will have missed the importance we are attaching to education. Raising standards in schools is one of our central goals but that is only part of the wider task of educating and equipping the workforce to the changing demands of marketplace.

Until a couple of weeks ago I was Parliamentary Private Secretary to the Minister of State for Employment I've since been shifted to work with Mo Mowlam at Northern Ireland but in that role I was close to the development of the New Deal currently featuring prominently in TV advertising and starting in East London next month. It's the Government's response firstly to the needs of long term unemployed but also to skill shortages in the labour market. It is designed to take into account the needs of local employers, with a training element of at least one day a week. For example, the New Deal in Construction is the first industry scheme which offers employers a simple framework for taking on and training young people. As the Minister Andrew Smith has said, "we are offering a workforce committed to construction which can be properly trained in the skills the industry wants."

The Government has been encouraged by the response of business to the New Deal. In the 12 Pathfinder areas where New Deal is being piloted, over 11,000 people have received their initial Gateway interview which provides intensive counselling and advice on skills development and training needs. Of these, almost 1200 young people are already working on courses to improve their skills. Employers have also expressed their commitment through the signing of 1,312 employer agreements in Pathfinder areas and 36 national agreements pledging 8,720 jobs. Over 10,000 employers have said they are interested in New Deal.

The New Deal has the backing of the Government through an unprecedented £3.7 billion investment to ensure the long term employability of the UK workforce. Within the New Deal the training element is key and will add the advantage to employers of expanding their skills base. In doing so employers receive a £60 a week subsidy and £750 towards training on the New Deal. Small Businesses can find out more by phoning the New Deal Hotline on 0845 6062626

Life Long Learning The Government's Green Paper on Lifelong learning takes the principle of equipping the workforce to serve British Industry one step further. The Secretary of State David Blunkett says in the foreword, "we want to create a culture of lifelong learning so that our workforce and indeed all our people can fulfil their own aspirations and meet the challenges of a constantly changing world.

At present, at least a quarter of adults undertake no learning at all after leaving school. To allow the level of innovation that we need in our businesses, we need new partnerships in which employees and employers invest jointly in the individual's development. The employer benefits through improvements in business performance and employees add to their stock of transferable skills. Government has a role in providing a framework of incentives for employers to contribute time and money for training and development. The Green Paper is a consultation document and I would invite anyone here who has wrestled with this issue to bring proposals on how to achieve these aims.

The **University for Industry**: is a new kind of institution for open and distance learning. It has two strategic objectives, to stimulate demand for learning among businesses and individuals and to improve the availability and access to high quality innovative learning. Using modern communications and information technologies, the UFI will exemplify new ways of working. It will promote learning ranging from basic literacy and numeracy to specialised technology skills and business management.

The UFI will not generally deliver its own learning materials but will broker quality assured products from other organisations and stimulate new markets in areas deemed to be gaps in provision. A detailed UFI Pathfinder Prospectus will be published in the Spring and will be aimed at businesses and other key organisations to enable them to contribute to its development and implementation.

The Government is enhancing Business Links. Margaret Beckett, the Secretary of State for Trade and Industry says,

in the 21st Century I want to see our country developing the most successful and fastest growing 'small and medium sized enterprises' or SME's in the world.

Business Links was established to facilitate this crucial support to the SME sector. The Business Links service, which existed under the previous Government will be enhanced under this one. It will provide an army of 'personal fitness trainers' for businesses helping you to get into shape to face the challenges of the 21st Century.

18 practical proposals are set out in the new vision document which is available from the DTI in Sheffield by phoning 01142 597498. These 18 proposals are based upon the consultations we have had with many small businesses and they will all lend themselves to improvements in the **Business Links** service.

The Business Links network in England is now complete and its a simple route to information and advice for small businesses through a single access point.

The **Enterprise Zone** is the definitive Internet site for small businesses helping them to gain quick and easy access to the right, authoritative business-related information on the World Wide Web. It was launched here at Duncan House by the Secretary of State in the week last November that we had that debate that I've referred to. Yesterday's Financial Times reported the DTI's 'corporate computer dating agency' to help put UK exporters in touch with overseas sales opportunities as soon as they are known to the DTI via UK embassies and high commissions. In this context, you will find a range of support on **Exporting** is offered through Overseas Trade Services. The key priority is to assist SME's to enter overseas markets more effectively.

Innovation and Technology transfers are prioritised as an essential requirement for developing small businesses through schemes like **Teaching Company Scheme (TCS)**, started by the last Labour Government and with a long track record of successful transfer. Take up in East London has in the past been lamentably slow, and I hope that will change as it links up companies and universities. A TCS programme generally involves one or more graduates working for two years on key technology transfer projects.

Currently there are nearly 700 TCS programmes, 87 of these involve 'Small or Medium Enterprises (SME's), 54% with companies employing less that 50 and 33% with companies employing between 50 and 250. For programmes with small firms, a grant of 70% of the direct costs of a TCS programme is awarded to the University, with the business partner contributing the balance. A network of 18 TCS centres for small firms is now in operation.

The **Small Firms Loan Guarantee Scheme** provides a guarantee to approved lenders on loans to small firms. This Government is looking at ways to refocus the scheme to more fully meet the needs of smaller, high-technology businesses. **Access to Finance** is another scheme which exists to work with business and financial institutions to provide access to a wider range of financing options.

For those small Businesses operating in Europe the DTI's 'Business in Europe' campaign offers practical help to UK firms to win new markets among Europe's 370 million potential customers. It offers help in three main areas: help with practical aspects of selling in Europe; information on the progress of Single Market legislation which may effect business activity; and help, through the Single Market Compliance Unit, to ensure that Single Market laws are complied with in other Member States..

I am certain that our closeness to Europe and the quality of our links with Europe on the rail link, through Stansted and London City Airports I am certain that those strengths are going to be increasingly significant advantages for us in East London over the years ahead. Let's make the most of all these opportunities let's work together businesses, Government, education, to make the most of the opportunities which are now ahead of us and to secure here in East London, through a great expansion in our innovative small firms, a modern and dynamic economy which will provide for all our people the prospect of a decent future.

Thank you

