

The Labour Party

A manifesto for enterprise, skills and science



Business has a responsibility to make profits, using the money invested by shareholders and making it grow. Profitable businesses create sustainable employment and the pursuit of profitability stimulates innovation and productivity.

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Foreword



Successful businesses are essential to our country's prosperity. They generate income and wealth. They create jobs and opportunities. They offer choice to consumers and workers and drive innovation and growth. Business has a responsibility to make profits, using the money invested by shareholders and making it grow. Profitable businesses create sustainable employment and the pursuit of profitability stimulates innovation and productivity.



To earn those profits companies need to establish sustainable businesses. Businesses that are responsive to what consumers want and what technology makes possible. And businesses that can deal with volatility and build successful relationships with their employees, suppliers and communities.



British businesses have delivered a strong performance over the last eight years. Britain has never worked so productively, created so much wealth and generated so many jobs.

But the world doesn't stand still – it is transforming all the time and at a rapid pace. The Chinese economy, with wages at five per cent of ours, is growing rapidly. India and China are producing 125,000 computer science graduates every year – more than twice the whole of the EU. In the 1980s, less than a tenth of the UK's

manufacturing imports came from developing countries. Today it is almost 30 per cent, and in 20 years time it will be around 50 per cent. Clearly, we as a nation face a major challenge.

At the same time, technology and scientific understanding are changing our world faster than ever before. Developments in ICT, composite materials, biotechnology, new fuels and nanotechnology are creating a new wave of innovation and opportunities for entrepreneurial businesses – large and small.

These are big challenges, but we are confident that Britain is well placed to succeed in the new global economy. To realise our potential we will need to further entrench macroeconomic stability, promote open markets, foster enterprise and sustain the labour market flexibility that a changing economy needs.

But as important as these actions all are, on their own they won't be enough. In order to exploit these opportunities, business needs a strong platform for success. To compete in a fast-moving high-tech global economy, Britain needs to maintain its competitive position in high value added manufacturing and services. And that requires investment in education, science and innovation. Business also needs a regulatory framework which is clear, predictable and easy to administer. So it is equally vital that the private and public sectors in partnership invest in skills, in the generation and

diffusion of knowledge, and in the renewal of our transport infrastructure.

And we will need to be an open and outward-looking country and economy. One that wants to attract the world's best companies to invest here, that wants to understand the world's best ideas, and wants to welcome the brightest and best people to come here to work, research and invest. The flexibility of a liberal, dynamic, competition-based economy goes hand in hand with fairness and opportunity for all.

Since 1997, Labour in government has worked in partnership with business to the benefit of the people of Britain. For the years ahead we want to renew that partnership so that together we achieve sustained success.



Tony Blair, Prime Minister and Leader of the Labour Party



Gordon Brown, Chancellor of the Exchequer



Patricia Hewitt, Secretary of State for Trade and Industry

Opportunities and challenges in a global knowledge economy



Our economy is strong, and British businesses are doing well. For the first time in half a century, Britain is growing faster, for longer, than any other G7 nation. In 1997 income levels were higher in France, Germany and Japan. By 2002 the UK had overtaken them. GDP growth in the UK has now been unbroken for 51 consecutive quarters – the longest sustained expansion on record.

The number of people in employment has increased by over 2.1 million in the past eight years, with the majority of these jobs in the private sector: a million in financial and business services, half a million in retail, hotels and restaurants, 430,000 in construction, and 170,000 in transport and communications. There are also currently 61,000 unfilled vacancies in Britain's vitally important manufacturing sector.

Living standards have been rising, on average, by almost three per cent per year. Personal wealth has increased by 50 per cent. Two million children and almost two million pensioners are no longer trapped in absolute poverty and the numbers earning over £30,000, over £50,000 and over £100,000 a year have doubled. And both long-term and youth unemployment have been virtually eliminated.

Britain today has the best combination of low inflation, high employment and rising living standards in a generation.

Success reflecting the strength of business in Britain:

- We now have over four million businesses – 300,000 more than seven years ago – with new businesses starting up at the rate of more than 1,000 a day.
- Of Europe's 600 top companies, 167 are British – more than from any other country.
- Britain remains the number one location in Europe for inward investment – and we invest more abroad than anyone else except the United States.
- We have the second largest aerospace, pharmaceutical and biotechnology industries in the world. Our automotive manufacturers are the most productive in Europe and export to markets around the globe, including Japan and the USA.
- Our scientific record of discovery is outstanding. With one per cent of the world's population, we fund nearly five per cent of the world's science; produce 11 per cent of all the world's scientific papers; and get 12 per cent of scientific citations including 13 per cent of the most cited. And we are second only to the USA for Nobel Prize winners.
- London has more corporate headquarters than any other European city and the vast majority of the world's major financial institutions choose to run their operations from the City of London.

Business strength built on our strong economic foundations:

- Macroeconomic stability achieved through independence for the Bank of England and making the right decisions on tax and spending.
- A labour market that works, by removing barriers to employment and promoting fair standards and inclusion by making work pay.
- An open, competitive marketplace, at the heart of the European Union, the world's largest single market.
- A country that is investing in the infrastructure that business needs – transport, skills, science and modern public services.
- A business environment that fosters enterprise backed by a stable macroeconomic framework and competitive tax regime.

The goal

Just as our economic success over the past few years has not happened by accident, but has been the result of us making the right choices and decisions, success in the years ahead will not come easily. We have achieved economic stability by taking some tough decisions, but to succeed in the future we will continue to need a resilient and flexible economy, able to adapt to the challenges of globalisation, to innovate and to take advantage of the commercial opportunities that emerge. We need a modern knowledge-based economy, high in skills, embracing innovation, science and technology. We need an economy with a strong environment for enterprise,

underpinned by diverse, cost-effective and secure energy supplies. And we need a society prepared to make the necessary reforms, implement the legislative changes and introduce the additional incentives to secure the goal.

The strategy - Britain is making the transition

With Labour, Britain is successfully meeting these challenges. We are a more enterprising and innovative economy than ever before. Our science base is strong and benefiting from sustained levels of public investment. The world increasingly wants to buy the goods and services we are successful at producing.

The way we create wealth and earn our way in the world is changing. Knowledge-based business services have accounted for over half of our job growth in the past two decades. Britain has five of the world's top ten legal firms, helping to account for a £17 billion trade surplus in business services. We lead Europe in knowledge-based and high-tech businesses. And the best of British manufacturing remains the best in the world.

We have eight of the world's top 50 universities. And in just five years the value of British education as an export has gone up over 50 per cent, from £6.5 billion to £10.3 billion, to become our fastest growing export earner.

The UK's world-class financial services industry continues

to flourish. It accounted for 5.3 per cent of the UK GDP in 2003, employing over one million people and generating a trade surplus of £17.8 billion. The City of London is the world leader in foreign exchange, international bank lending, foreign equity, international insurance and maritime activity.

The UK tourism industry is another example of success. Last year 27.5 million overseas visitors spent a record £12.8 billion here in the UK. And over two million people now work in the sector. Rural tourism has also never been stronger, with diversification of the rural economy offering more choice and better quality to British and overseas visitors.

Britain's creative industries produce a higher proportion of our total wealth – eight per cent of GDP – than anywhere else in the world.

Enterprise is being strengthened in every sector and in every region, including new measures to promote the growth of social enterprises. One thousand businesses are now starting up every day with Labour, and business failure rates are the lowest for over a decade. Business start-up rates among women and ethnic minority entrepreneurs are at record levels, and the numbers of people working in SMEs has grown by more than 600,000. In order to ensure that every person in every region of the UK has the opportunity to start and grow a business we have created over 2,000 Enterprise Areas to

support business start-ups in deprived areas.

We have closed the productivity gap in key sectors. In 1984, the US, Germany and France were all more than twice as productive as the UK in computer services. By 2001, that gap had virtually disappeared. In legal, technical and advertising services, the same holds true – with major productivity gains since 1995. Overall, we are now as productive as Germany and the gap with France has narrowed considerably.

And we have commitment across government to the importance of wealth creation, led by HM Treasury and the Department of Trade and Industry (DTI). The DTI provides strong advocacy for business in Whitehall – and we believe an active and properly resourced DTI is essential to Britain's industrial success.

The tasks

1. Macroeconomic stability sustained

We will maintain our inflation target at two per cent. We will continue to meet our fiscal rules: over the economic cycle we will only borrow to invest, and keep net debt at a stable and prudent level.

Our economic strength has allowed us to increase investment in frontline public services – because we're spending less on debt interest and social security bills for the unemployed. To sustain investment in frontline services we will implement the Gershon Review's recommendations on procurement and staffing savings.

We have cut corporation tax from 33 pence to 30 pence and cut long-term capital gains tax for business assets from 40 pence to ten pence. We will not raise the basic or top rates of income tax in the next Parliament. We will maintain a competitive tax environment for businesses and continue to ensure the business tax regime provides incentives for investment in wealth creation and rewards for success.

2. A labour market that works

We are committed to full employment in every region and nation of the UK. There are over 2.1 million more people in work since 1997 and living standards have never been better. We are ambitious to do more and have set ourselves the long-term aim of raising the rate of employment to 80 per cent.

We believe in equipping all our people with the skills that they need to succeed. We want to create more jobs, and provide hard-working people and businesses with the flexibility that they need. Because commercial success in the future will depend upon highly skilled working people and the ability of business to respond quickly to changes in the global marketplace.

So far 1.2 million people have been helped into work through the New Deal. To help people get the skills they need, we are now extending it to become a New Deal for jobs and skills. We have also built a modern Jobcentre network to ensure that businesses can get the right people to fill their vacancies quickly and efficiently. Each day Jobcentre Plus receives 13,000 vacancies, conducts one million job searches and helps nearly 5,000 people into work. We are also extending jobseeking support to workers on Incapacity Benefit.



We will:

- Continue to bring long-term sick and disabled workers back into the labour force through our Pathways to Work scheme.
- Reform Incapacity Benefit, introducing work-focused interviews and activity to help claimants prepare for a return to work.
- Continue to welcome new independent and voluntary sector partners to provide jobseeking services.

We have struck the right balance between fairness at work and the need for flexibility in our economy. We have introduced decent minimum standards for people at work and have put in place a comprehensive framework to prevent discrimination in the workplace for the first time. We recognise that when employment legislation is needed, it must be sensitive to business needs, particularly small business. To achieve this we work in partnership with business, as we have done, for example, over the minimum wage and family-friendly employment.

There are more women in work today than ever before. Over one million women have found work since 1997, with 14 million women now working in Britain, meaning Britain has one of the highest female employment rates in the world. Sustaining high levels of female employment and breaking down barriers that hold women back from making a full contribution at work represents one of the most significant issues for this country achieving competitiveness.

Women are increasingly successful in business. There are

now more women starting a business or becoming self employed than ever before. Last year 150,000 women set up a business, the highest level ever recorded¹, but with women representing just over a quarter of all self-employed people, there is still much more to do. Progress is being made in widening opportunities for women and narrowing the pay gap, but more needs to be done. The Women at Work Commission, which has strong employer membership, will come forward with new proposals to achieve this objective later this year.

If women started businesses at the same rate as men the UK would have 150,000 extra new firms a year, and if the UK had the same levels of female entrepreneurship as in the US, there would be around 750,000 additional businesses in the UK.

We will:

- Ensure the Small Businesses Service helps women entrepreneurs gain better access to finance and initiate the Small Business Service action plan to ensure that by 2006 a fifth of all businesses will be owned by women.
- Establish a Single Equalities Commission, replacing three existing bodies, to create a 'one stop shop' for business.
- We will work with business – particularly smaller companies – to simplify family-friendly laws, increasing notice periods and provide further support on implementation.
- Set up a new Women's Enterprise Panel of successful female entrepreneurs to look at the options for a Women's Business Council to champion female entrepreneurship.

¹ Barclays Women in Business Report (Oct 2004)

Attracting business investment and skilled people to the UK is vital to sustaining our economic strength. Skilled migrants bring new ideas and experience and are contributing ten to 15 per cent to our economic growth. They help us meet labour and skills shortages and drive up productivity. They make a positive contribution to increasing innovation and delivering high-quality public services. That is why our immigration policies must continue to respond to employers' needs, rather than conform to artificial targets.

We will:

- Create a single points-based system for migration which is market-led, based on individual skills and responsive to market needs to attract global entrepreneurial and academic talent to the UK.

Pension security

A sustainable and secure pensions regime is a crucial ingredient in a successful and dynamic economy. Pension security is a key issue for those working in business and more needs to be done to encourage the millions of people not currently saving enough to ensure an adequate income in retirement.

To address this challenge we will provide individuals with greater choice over their pension by providing personalised pension forecasts. We will make it easier to run pension schemes with less regulation, by replacing the eight existing separate tax regimes with one single, simplified system saving businesses £60 million per year.

Labour is serious about long-term pension reform – that is why we established the Pensions Commission to assess how effectively the current voluntary approach is developing over time. On the basis of this assessment, the Commission will make recommendations on whether there is a case for moving beyond the current voluntary approach. We look forward to the Commission's second report on policy recommendations in autumn 2005.

We have also set up the Pension Protection Fund to help working people by stepping in to pay out pensions if employers go into receivership.

3. An open, competitive marketplace

In place of the nationalised industries of the 1970s, and the poorly regulated privatised monopolies of the 1980s, the foundation of the modern knowledge economy is an unflinching commitment to competition.

We want open, dynamic markets – in which newcomers can constantly challenge incumbent firms and give consumers greater choice, better quality and lower prices. They promote innovation. And they attract new investment, reinforcing the virtuous circle of competition and innovation.

Paralleling Bank of England independence, our pro-competition reforms have already created strong competition authorities, free from political interference, and consolidated sector regulation with a duty to promote



competition and the consumer interest.

But just as Britain needs to raise its game if it is to prosper in an increasingly competitive global economy, so must the whole of the EU. The UK has led within the EU to liberalise key markets such as electricity, telecoms and transport, and to modernise the EU competition regime.

Now we will lead a stronger drive to promote competition and open markets in the European Union. In order to further pursue the economic reform agenda, we propose that European competition policy is more proactively focused on driving up competition. We will support market investigations into key sectors. We also want to ensure that European competition policy is independent of politicians.

The European Union is the world's largest single market and the UK benefits greatly from being a full and active member of it. It accounts for well over half of our trade – more than £100 billion per year. Over 750,000 businesses and three million jobs depend on trade with the EU.

While the EU's citizens enjoy some of the world's highest living standards, and its companies are some of the world's most innovative and competitive, we need to continue to raise our game.

The Government has taken the lead in Europe, making a

strong case for the removal of trade barriers, liberalising markets and promoting institutional reform. A renewed drive to deliver the Lisbon Economic Agenda, which represents a step change in thinking away from regulation to innovation, will be a key part of this.

Progress on economic reform in Europe has, to date, been disappointing. Labour will use Britain's upcoming Presidency of the EU to speed up the pace of reform and will continue to work to open the European market in services.

We will use our Presidency to drive forward regulatory reform. We need full delivery of the Commission's commitments in its Better Regulation Action Plan. This will include policies to regularly review regulators and regulation to ensure that they are necessary, effective and consistent with achievement of the Lisbon Agenda, through the use of Regulatory Impact Assessments and other measures.

And that is why in government we will campaign for a yes vote in the referendum on a Treaty establishing a Constitution for the European Union. The Treaty is good for Britain, and for British business. It maintains qualified majority voting in areas where we would make no progress at all without it – like agricultural policy and enforcement of the single market. But it retains our national veto in every area where business wants it – tax, defence, foreign policy, the financing of the EU.

Our argument is simple, we in Britain need Europe to do well. Both Britain and Europe would be weaker if we were to stand on the margins or outside. Europe needs to change to meet the challenges of globalisation. But that change, with Britain in the forefront, is already underway.

At both a European and international level, we also want to take down economic barriers between countries, ensuring that trade can be both fair as well as free. We will use our 2005 leadership of the G8 and EU Presidency to promote reform, liberalisation and free trade. Barriers to trade impose significant costs and their removal will bring significant benefits.

If we can just halve the barriers in rich countries to world trade through the Doha Round, the world economy would benefit by between \$250 billion and \$600 billion. The largest share would go to the developing countries, doing much to reduce poverty and create new markets.

Climate change is a critical issue for the world community, including business. Working with other nations we want to tackle climate change and cut emissions in ways that work for business. Ours will be a long-term approach, developed in partnership with business, with the aim of establishing an environment in which business has the information it needs for investment decisions.

We will:

- Step up our role as a leading advocate of free and fair trade during the UK presidencies of the EU and the G8 and push for a successful completion of the Doha Development Round.
- Press for a new European Research Council to be established as soon as possible in order to better promote and coordinate a European research effort.
- Work to improve the operation of the single market by pressing for continued liberalisation and market opening, particularly in energy and services.
- Promote better regulation principles in the EU by prioritising the recommendations of the 'Six Presidencies' initiative and the Kok Report.
- Modernise copyright and intellectual property regimes, so that in a digital age, creators, entrepreneurs and creative industries can invest in ideas and talent knowing that they will get a proper reward for their investment.
- Attract R&D inward investment to the UK through the sustained efforts of UK Trade & Investment.



Facilities courtesy of SATRA Technology Centre

4. Investing in long-term competitiveness **Innovation, research and science**

In order to create the best environment for scientific discovery, we have substantially increased investment in science. In the decade between 1997 and 2007, the science budget will more than double in real terms from £1.3 billion to £3.4 billion.

By 2014 we want to raise the UK's total private and public sector investment in R&D, as a proportion of national income, to 2.5 per cent from its current level of 1.9 per cent. This would make the UK one of the leading major countries in the EU and substantially close the gap with the USA.

Small firms have already received over £600 million through the small firms R&D tax credit. And we expect large firms to benefit by £400 million per year through the large firms tax credit. We will review these credits with a view to expanding them.

Some industries, such as pharmaceuticals and aerospace, are particularly R&D intensive, but companies in most sectors can use new developments in science and technology to raise productivity and profitability.

Because we want the UK to be the best location in the world to undertake scientific research, we have taken measures to tackle the threat to research by animal rights extremists by strengthening the powers of the

police to deal effectively with harassment, improving the coordination of policing and creating a new law to stop economic crime against businesses.

Universities have a key role to play as a resource for industry in the knowledge economy. In the past, knowledge transfer from our science and engineering base has been a weakness in the UK. That weakness is now being corrected with a significant strengthening of the links between universities and industry. Contract research income from business has increased by 36 per cent, with the gross income from intellectual property licensing rising from £23 million in 1999 to £33 million in 2002. The market value of university spinout flotations in 2004 was £604 million, £100 million more than the Government's total investment in knowledge transfer to date.

Our creative industries are a key driver of wealth creation, and a comprehensive intellectual property regime is essential to ensure that the intellectual capital of this knowledge intensive sector is adequately protected.

The quality of design is an increasingly important driver of innovation – not as an add-on, but as an integral factor in creating new products and services that excite and attract customers. Britain has great strengths in design, not only in fashion and other high-profile sectors but, critically, in industrial applications as well, and we need to seize the opportunity that this creates.

We will:

- Create diversity of excellence in our universities by providing additional incentives through the Higher Education Innovation Fund to those universities that choose to focus on user-driven research and translating world-class research into new products and services for businesses in their region.
- Construct more science bridges between world-class universities and high-tech clusters in the UK and USA. We will allocate £6 million over two years to support such collaboration.
- Build on our successful new Technology Strategy, which we are backing with £370 million of funding (2005-08), to develop, in collaboration with industry, demonstrators of next generation technologies.
- Work with the Design Council to raise the awareness of the importance of design in small and medium enterprises, including modern manufacturing.
- Act on the findings of the Cox Review into how to better stimulate creativity and innovation among SMEs.
- Tackle the estimated £4.5 billion a year in intellectual property infringement and theft by increasing fines and recouping losses, providing better access to evidence for victims, providing more training for Trading Standards officers and better education and awareness for all.
- Develop Creative Apprenticeships focused on skill shortages in the creative industries including computer graphic design and post-production.
- Secure tax incentives for film production, enter into improved co-production agreements, taking action to improve film skill levels and promoting film festivals so that Britain continues to be one of the leading nations making films.

- Work with the Live Music Forum to encourage live music performances, and with the music industry in the Music Business Forum to help the British music industry maintain its competitiveness in global markets.

Better skills and training for business and the economy

The quality of vocational training for young people and adults has been a historic weakness. The percentage of our workforce qualified to technician and intermediate skill levels is low: 28 per cent in the UK compared to 51 per cent in France and 65 per cent in Germany. We have set out ambitious plans to elevate the status and relevance of vocational qualifications for both young people and adults. We are committed to the provision of training being shaped by employers and delivered to meet wider business needs while creating opportunities for individuals to excel.

Designed in collaboration with employers, specialised diplomas for 14- to 19-year-olds will be established in key areas of the economy, leading to apprenticeships, to further and higher education and to jobs with training.

We have moved to address the lack of science teachers in schools by doubling the number of science places in the Graduate Teacher Programme, raising the teacher training bursary for science graduates to £7,000 and raising the ‘Golden Hellos’ for new science teachers to £5,000. In order to keep teachers’ knowledge and skills current with the fast-changing world of science, we are





building a Science Learning Centre in every region to help continuing professional development.

To encourage more students to stay on at university and continue science degrees, we have more than doubled PhD stipends from £5,500 in 1997 to £12,000 in 2005, and have raised the average postdoctoral salary by £4,000.

We want all science and engineering undergraduates and graduates to be able to learn entrepreneurial skills. Today, over 24,000 science and engineering students are taking part in enterprise training compared to only 3,000 in 1997.

For those already in work, the new National Employer Training Programme (NETP) will build on the successful Employer Training Pilots. It will give employers real choice over the training they offer their employees, with training delivered flexibly, including in the workplace.

We are also working with business through Sector Skill Councils to create a more employer-focused training system. The Skills Councils are working with the Qualifications and Curriculum Authority to establish qualifications that have real value and relevance to employers.

We will:

- Equip all secondary schools with a new up-to-date science laboratory.
- Ensure that young people have the skills necessary to create new,

high-tech businesses when they leave school by giving schools an additional £60 million for enterprise education and extending Enterprise Advisers.

- Improve the supply of people with technician and intermediate skills by piloting an extension of the NETP to jointly fund, with business, training for intermediate and technician skills at Level 3.
- We will ensure that everyone in work without Level 2 skills will be able to get the training they need delivered in the workplace by rolling out Employer Training Pilots into a national programme from 2006.
- Expand the Science and Engineering Ambassador scheme, with the help of the Engineering Technician Board, to include Engineering Technicians so young people can see the exciting careers open to them in this area.
- Invest an additional £350 million in our further education colleges.
- Create skills academy networks of training excellence with sector skill councils and employers in every major sector of our economy.
- Market the UK abroad as an attractive place to study – including under the new Education UK brand – and to work in science and technology.
- Invest £1.5 billion over five years to begin the long-term transformation of the further education sector.
- Extend digital skills by ensuring that by the end of 2006 all schools can offer every pupil access to computers at home.
- We will guarantee a place in training, sixth-form or an apprenticeship for every young person.

The contribution of manufacturing

Manufacturing is crucial to our country's prosperity – it creates a sixth of our output, employs 3.5 million people and produces more than 60 per cent of our exports.

We recognise that over the last few years globalisation has presented particular challenges to our manufacturing businesses.

UK manufacturing's future competitiveness will be on the basis of innovation, quality and design. We will not be able to compete successfully on the basis simply of price, but need to offer 'best' value.

We have worked with industry and trade unions to deliver the first national strategy for manufacturing in over 30 years. The strategy rightly focuses on the seven areas that are crucial to the long-term health of British manufacturing: economic stability; investment; science and innovation; best practice; skills and education; modern infrastructure; and the right market framework.

Since publishing the first manufacturing strategy for 30 years in 2002 we have:

- Launched the Manufacturing Advisory Service, which has been hugely successful in offering practical advice to manufacturers.
- Set up Innovation and Growth teams in key manufacturing sectors to address strategic challenges and opportunities.
- Set up the new Manufacturing Forum composed of representatives of government, trade bodies, unions and industry.

In order to help British-based manufacturers compete and win overseas we are improving export credit facilities and will encourage both Regional Development Agencies and 'UK Trade & Investment' to assist manufacturers to find new markets. They will also work to encourage increased inward investment into Britain.

Our approach is already helping industry in established sectors such as aerospace, automotive and textiles, and is providing an environment for new manufacturing businesses to flourish in sectors such as the creative industries, life sciences and biotechnology.

To ensure manufacturers have the workforce they need we are expanding apprenticeships, 70,000 of which are in the manufacturing sector. We have already increased the number of apprenticeships from 75,800 in 1997 to over 250,000 today. We are also encouraging small firms to invest in plant and machinery, we have continued First Year Capital Allowances and have increased the first year rate to 50 per cent for the smallest companies.

We will:

- Build on the success of the Manufacturing Advisory Service by helping an extra 20,000 manufacturing firms in the next five years.
- Establish a Manufacturing Skills Academy with employers, the Manufacturing Forum and SEMTA, with a particular focus on the intermediate skills that modern manufacturing needs.
- Increase the number of apprenticeships to 300,000 in a third term.

Government procurement

We must also ensure a level playing field so that other countries do not offer unfair subsidies and there is no disadvantage against British firms. Labour will promote a procurement strategy which safeguards UK jobs and skills, as permitted by the EU rules, to ensure that British industry can compete fairly with the rest of Europe.

We will encourage and assist, within EU law, UK firms to compete successfully for public procurement contracts, ensuring value for money for the public. We want UK-based firms and UK workers to benefit from such orders and contracts. We will also support an EU review of procurement policy.

We will:

- Establish a new ideas portal – a mechanism for firms, inventors and researchers to submit unsolicited, innovative proposals to the Government.
- Press for EU action to complement UK policies for stimulating innovation through procurement.
- Work with the Office of Government Commerce (OGC) to embed innovation in the procurement practices of government departments and implement the Kelly Review.
- Use the OGC Gateway Review process to ensure that innovation is considered at an early stage of all major procurement projects across government.

5. A business environment for enterprise

Infrastructure

Efficient business infrastructure is vital to our country's future, to our economy and to our quality of life. In particular, businesses depend on an effective transport network and good-quality public services, and are right to demand sustained, increasing investment.

In Britain we have used the private sector efficiently to help the provision of key public services – refusing to let an ideological barrier stand in the way of providing the best possible services to the users of those services. We will continue to utilise plurality of provision while remaining true to our value that public services are free at the point of use and available to all.

Decades of underinvestment coupled with increasing travel in our strong economy have put additional pressure on our transport system. Sustained investment, better management of road and rail networks, and planning ahead are vital to deal with these pressures in a way that helps business success while meeting our environmental objectives.

This is why Labour has doubled transport spending since 1997 and will increase it year on year – committing over £180 billion in public money between now and 2015. With the private investment we are bringing in this should reach more than £250 billion overall.

We will ensure business organisations are closely involved as we develop our policy on transport. And we have invited British Airways Chief Executive, Rod Eddington to advise the Government on how our investment should be targeted – in particular, where transport is vital to underpin economic growth.

We will:

- Continue to invest in roads to improve reliability and safety.
- Expand capacity on the M1, M6 and M25, including examining the potential benefits of a parallel Expressway on the M6 corridor.
- Manage road space better by introducing car-pool lanes for cars with one or more passengers on suitable roads and explore other ways to lock in the benefit of new capacity. We will complete the introduction of Traffic Management Officers to keep traffic flowing.
- Seek political consensus in tackling congestion, including examining the potential of moving away from the current system of motoring taxation towards a national system of road-pricing.
- Take charge of setting the strategy for rail to further raise the standard of service and reliability.
- Examine options for increasing capacity, including a new generation of high-speed trains on intercity routes.
- Develop a funding and finance solution for the Crossrail project; and look at the feasibility and affordability of a new North-South high-speed link.
- Support light-rail improvements where they represent value for money and are part of the best-integrated transport solution.
- Improve the London Underground.
- Support technological innovation to reduce carbon emissions and

explore the scope for further use of economic instruments as well as other measures to promote lower vehicle emissions.

- Support air travel by implementing the balanced policies set out in our aviation white paper, and use the UK's 2005 Presidency of the EU to promote the inclusion of aviation in the EU's emissions trading scheme.

The regulatory environment

We will only regulate where necessary and will set exacting targets for reducing the costs of administering regulations.

International surveys show that the UK is one of the best places in the world to do business, with the World Bank putting the UK in the top ten countries for a good regulatory environment, out of 130 countries analysed.

We have exempted 900,000 small firms from statutory audit requirements and are consulting employers on phasing out the payment of the Working Tax Credit by employers, potentially reducing payroll burdens for up to 1.2 million employers.

Other action to reduce regulation includes exempting firms with turnovers of £58,000 or less from having to register for, or pay, VAT – the highest threshold in Europe – exempting small and medium sized firms from unnecessary company law requirements, and streamlining the employment tribunal system.



We have introduced commencement dates (6 April and 1 October) for consumer, corporate, intellectual property and employment legislation to give business clarity on their rights and responsibilities. By applying the principle of risk-based regulation we have introduced the most radical reform ever of how businesses are regulated – with a million fewer inspections every year.

We will implement the recent Arculus and Hampton Reports to radically rationalise the number of regulatory bodies, foster a risk-based approach to enforcement and strengthen deregulation where it is desirable and possible. This ambitious programme of reform will be led by a new Better Regulation Executive, led by a person recruited from outside central government, along with a Better Regulation Commission to provide independent advice and assessment.

At the national level there will be five inspection bodies for food safety, the countryside, agriculture, animal health and environmental protection – compared with 22 separate bodies in 1997. Five existing agencies will be merged into the Health and Safety Executive. The Insolvency Service Agency will take over the responsibilities of the DTI's companies investigation branch. In total we will reduce 35 agencies to just nine.

For companies meeting high standards the Hampton Report estimates a major reduction in the number of inspections: a million fewer inspections every year,

cutting inspections by one third. But for companies persistently breaking the rules there will be tougher penalties. But for this approach to be effective, the principle needs to be applied consistently, especially by the 611 separate local authority inspectorates and enforcement departments who carry out 2.5 million inspections of businesses a year. We have therefore proposed that the new Consumer Trading and Standards agency and a new National Regulatory Forum are responsible for coordination at the local authority level.

So we now propose further reforms:

First, to ensure that a national company with headquarters in one local authority but branches in the rest is not subject to 600 different inspection regimes and different directives – or if carried out by the single local authority where the headquarters are located, that the local authority is not overburdened – the consumer trading and standards agency will lead in the inspection of trading standards for large companies with outlets all over the country.

Second, working with businesses and the local authorities, we will define codes of practice that allow for local flexibility to deal with local problems, but offer consistent guidance about priorities and performance management, to be followed by all local inspectorates and enforcement agencies for all businesses. The code of practice will achieve what businesses want – stability and consistency.

Third, an incentive scheme will now be considered to promote joint working and bring local inspection and enforcement agencies together.

An effective planning regime protects the environment while promoting economic growth – and does so quickly and responsively. If re-elected, we will ensure that our planning system continues to protect the sustainability of local and regional environments – and we will continue to develop a regime which is simpler, faster and more responsive to local and business needs including the need to create jobs and regenerate our cities.

A better environment for small business to grow

The success of the UK's small businesses and enterprises is a testament to Britain's hard-working entrepreneurs and business owners. Some 99 per cent of all businesses in the UK are micro or small businesses, and improving the business environment so more of them thrive and grow will bring great benefits. Small firms employ 12.6 million people and account for 58 per cent of private sector employment.

There are now 1,000 businesses starting up every day with Labour, with the lowest failure rates for over a decade.

Labour has created the right economic environment in which small businesses can start up and succeed. We have cut small business tax from 23 pence to 19 pence. We have reduced the administrative costs of tax for small

business, cutting the tax return for 500,000 of the smallest businesses, and rolled out options for paying and managing VAT online so small businesses only provide information once to the amalgamated Inland Revenue and HM Customs and Excise. Last year, the Small Business Service assisted more than 600,000 pre-start and existing small businesses and helped over 4,000 companies to innovate with almost £250 million of R&D grants (formerly SMART awards).

But we still have a lower start-up rate than the USA. We need to do more to encourage individuals to start new businesses and help others thrive in today's competitive economy.

Working with the RDAs we will establish a programme for high-growth business coaching to help budding entrepreneurs and small companies with growth potential to access the focused and intensive management support and coaching they need. We propose an e-learning based model to train the next generation of entrepreneurs with Business Link working with the Learning and Skills Councils to help small businesses find accredited local higher education providers. Our aim is to help first-time entrepreneurs get off on the right foot by maximising their chance of commercial success, and introducing SMEs to appropriate government support at the earliest possible stage.

Some of the most successful and entrepreneurial

businesses in our economy are those run by ethnic minorities. In government we have led the drive to break down barriers to success in the labour market among ethnic minorities, and have seen a significant increase in the numbers of ethnic minority businesses since 1997. Our approach is to make sure that the Government's business support services are properly targeted so that ethnic minority businesses receive all the support they require to reach their full commercial potential.

We also believe that businesses, and the men and women working in them, should be able to carry out their commercial activities free from crime. Businesses in the community will have already benefited from nearly 13,000 more police officers on the street since 1997. In every community we will introduce a neighbourhood policing team providing high-profile visible policing, available and responsive to local businesses. We will continue to ensure that the police and local authorities have the powers they need to tackle anti-social behaviour, supported by 24,000 Community Support Officers. Nearly 4,000 Anti-Social Behaviour Orders have been issued across England and Wales already.

We have given targeted money to small retailers in deprived areas to improve their security and have expanded CCTV. Our Crime and Disorder Reduction Partnerships are bringing the police, local authorities and local businesses together to establish how best to coordinate their crimefighting activities. Dispersal orders

are helping the police move on from designated areas those people causing a nuisance and petty crime – often around retail outlets.

Businesses should also be able to operate in an environment free of organised crime. We will continue working with our international partners to combat organised crime groups wherever they operate. From next year, the new Serious Organised Crime Agency will bring together our national crimefighting capacity with experts from customs and immigration to help ensure we have the most hostile environment possible for those who would harm the UK and its interests. We will introduce a secure ID card to help tackle fraud and organised criminals.

We will:

- Foster the innovation and creativity of small businesses through a mandatory Small Business Research Initiative, giving them access to a £100 million share of public sector research contracts.
- Ensure that the Small Business Service increases the level of responsive services among ethnic minority entrepreneurs.
- Further support enterprise in the most deprived areas of England through a new Local Enterprise Growth Initiative worth £150 million per year by 2008-09.
- Develop business coaching focused on those businesses with high growth prospects, through the Regional Development Agencies' (RDAs) plans.
- Ensure that growing businesses find it easier to access the finance they need. Over the next three years, we will invest more than

£380 million in the debt and equity markets alongside the private sector through the Small Firms Loan Guarantee and Enterprise Capital Fund schemes, so that capital flows more readily to those businesses that can provide return.

- Introduce a new subscription information service providing SMEs with information and advice on both statutory employment standards and good employment practice by ACAS.
- Join up our services on the ground to make sure that New Deal and Job centre Plus personal advisers are working hand in hand with local Business Links to help people who are unable, for whatever reason, to travel to work to fulfil their potential by starting a business, including from home.
- Introduce a new award for Phoenix Entrepreneurs to encourage positive public recognition for individuals whose first business did not succeed but who have come back, worked hard and built successful enterprises.
- Work with broadcasters to look at increasing programming on enterprise and business, particularly science and knowledge-based enterprise.

Summary

Labour is the party for business:

1. Macroeconomic stability sustained

- Labour will continue to deliver the essential foundations for a dynamic, competitive and entrepreneurial Britain – a stable macroeconomic environment. We will not take risks that would result in rising inflation and interest rates.

2. A labour market that works

- Striking the right balance between rights and fairness in the workplace without damaging the entrepreneurial culture.
- Further encouraging women to become entrepreneurs.

3. An open, competitive marketplace

- Maximising our forthcoming Presidency of the EU to push for progress in improving competitiveness – including the Lisbon Agenda – and in promoting better regulation.
- Ensuring European competition policy is more proactively focused on driving up competition and is independent of politicians.
- Advocating global free and fair trade, and pushing for a successful completion of the Doha Development Round while President of the G8.
- Pressing for continued single market opening, particularly for services.

- Promoting further energy market liberalisation across Europe.

4. Investing in long-term competitiveness

- Making further efforts to enhance the translation of world-class research in our universities into new products and services.
- Building on the introduction of the Technology Strategy.
- Equipping all secondary schools with a new, up-to-date science laboratory.
- Making further efforts to encourage school leavers to become entrepreneurs.
- Continuing to improve the supply of technical and intermediate skills.
- Undertaking further work to drive innovation and competitiveness through public procurement, with particular focus on reducing the barriers to SMEs.
- Promoting creativity and innovation among SMEs.
- Tackling intellectual property theft.

5. A business environment for enterprise

- Working with the business community to target investment in the transport infrastructure in ways that will tackle congestion and enhance UK competitiveness.
- Reducing the regulatory burden, with particular focus on tackling gold plating.
- Fully implementing the Hampton Report, streamlining regulatory structures and enforcement of regulation to reduce the costs to business of administering regulation.
- Implementing the recommendations of the Better

Regulation Task Force of Whitehall departments,
removing outdated and unnecessary regulation.

- Reducing the administrative costs of tax for small businesses.
- Improving access to capital for growing businesses and a further boosting of enterprise in the most deprived areas of England.

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Successful businesses are essential to our country's prosperity. They generate income and wealth. They create jobs and opportunities. They offer choice to consumers and workers and drive innovation and growth.

For more information visit

www.labour.org.uk

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