

CONFIDENTIAL

PRIME MINISTER

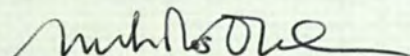
21 May 1985

EXPORT PROMOTION SERVICES

DTI have carried out, or commissioned, some competent studies to see how effective these services are. The verdict is that they are effective: DTI claim that the £40 million spent annually leads to an additional £2,000 million of exports.

DTI have grasped the point about promoting profitable exporting: there is no virtue in encouraging a firm to export if it doesn't pay. DTI were specifically asked whether the firms which they have helped to enter new export markets take root and prosper there. It appears that 50-60% of new market entrants are still in the market 2-4 years later - a reasonable score.

Now that this analysis is complete, DTI should consider reallocating their resources, to expand the best, contract the worst. We ought also to consider to what extent should these services pay for themselves? At present, they cover only one tenth of their total (FCO inclusive) costs. DTI is increasing its charges slightly but not to the point where "the small firm is turned away". Are we content with this? By all means offer free services to small, first-time exporters, in the interests of job-creation. But there is no reason why the regular user of what is a well-regarded and successful service should not contribute more.


NICHOLAS OWEN

CONFIDENTIAL