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RAISING PRODUCTIVITY

The Government is committed to raising the long-term rate of productivity growth in the UK, narrowing the productivity gap. Productivity in the UK has historically lagged behind that of many other advanced industrial countries – with a gap of 38 per cent in comparison to the US, 18 per cent compared to France and nine per cent compared to Germany. Narrowing this gap is key to delivering higher living standards, better public services and greater opportunity for all.

The 2002 Spending Review therefore takes further steps to address historic weaknesses in five areas that can drive the rate of productivity growth – strengthening competition, enterprise and innovation, skills, investment and public services productivity in every region and community across the country. In particular, the Spending Review:

- provides for **the largest sustained growth in spending on science for a decade, with some £1¼ billion additional spending by 2005-06 compared to 2002-03, including an average 10 per cent a year real terms increase in the Department of Trade and Industry's Science Budget;**
- **increases public expenditure on transport through the Department for Transport by an average of over 12 per cent a year in real terms, from £7.6 billion in 2002-03 to £11.6 billion in 2005-06.** This investment will be matched by reform to ensure more strategic transport planning and speedier, more effective delivery of transport infrastructure projects;
- sets a new target to achieve a **better balance between housing availability and demand for housing in all English regions, while protecting valuable countryside around the UK's towns, cities and in the greenbelt and the sustainability of existing towns and cities,** backed up by planning reforms and new resources for investment in housing;
- allocates the **Office of the Deputy Prime Minister additional resources to drive forward the reforms set out in the Government's Planning Green Paper;**
- sets an **ambitious new target to reduce by at least 40 per cent the number of adults in the UK workforce who lack National Vocational Qualification (NVQ) level 2 or equivalent qualifications by 2010;** and
- makes **substantial investment to revitalise further education (FE) by offering FE colleges additional resources in return for committing to stretching new performance targets.**

2.1 Raising the sustainable rate of UK productivity growth is a key part of the Government's overall economic strategy. Improving productivity is vital to delivering higher living standards, tackling poverty and releasing further resources to build world-class public services.

2.2 Historically, the UK has a poor track record on productivity. Macroeconomic instability and microeconomic failures have inhibited enterprise and innovation, stifled effective competition and discouraged firms and individuals from investing for the long term. This has led to a substantial productivity gap between the UK and many other advanced industrial economies. Measured in terms of output per worker, productivity in the US is around 38 per cent higher than in the UK. Productivity in France and Germany is 18 and nine per cent higher respectively.

2.3 The Government is taking forward a comprehensive strategy for raising long-term productivity growth across the countries and regions of the UK, in order to close the productivity gap. This strategy was first fully set out in *Productivity in the UK: the evidence and the Government's approach*, published by HM Treasury in November 2000. The Government's approach centres around maintaining macroeconomic stability to allow firms and individuals to invest for the future, and implementing microeconomic reforms to address the barriers that prevent markets from functioning effectively. These reforms address historic weaknesses in five key areas that can affect the rate of productivity growth:

- strengthening **competition** to encourage firms to innovate, minimise costs and provide better quality goods and services to the consumer;
- promoting **enterprise and innovation** to unlock the potential of new technologies and working practices, supporting entrepreneurship and risk-taking across the country;
- encouraging **investment** to improve the UK's stock of physical capital across the economy;
- improving the **skills** base to maximise the contribution of human capital to growth; and
- improving the **productivity of public services**.

2.4 Public expenditure has a central role to play in supporting productivity growth, helping to create an environment in which businesses, entrepreneurs and individuals can flourish. In particular, individual spending programmes play a key role in enforcing the UK's competition regime; supporting start-up and small businesses, particularly in deprived areas; facilitating science and innovation through the Science Budget; developing skills through the education and training systems; and investing in the UK's transport infrastructure and housing stock.

2.5 In addition to creating the right environment for business to raise productivity, government itself must also strive for greater efficiency. Public services account for a substantial proportion of the economy, and productivity within the public sector therefore has an important and direct impact on the performance of the economy as a whole. The 2002 Spending Review invests in the modernisation of public services, matching additional resources with a clear programme of reform to improve public services over the three years to 2005-06.

Working across the regions

2.6 The Government is committed to ensuring that the benefits of improved productivity are spread across the countries and regions of the UK, and that measures to raise productivity are designed and implemented at the level at which they have most effect – in many cases regionally and locally. Analysis shows that a successful regional and sub-regional economic policy must be based on building on the indigenous strengths of each country, region and locality.¹ The Government is therefore taking forward a wide-ranging agenda to create a strong institutional framework for delivery and formulation of regional and local economic policy.

¹ *Productivity in the UK: (3) – The Regional Dimension*, HM Treasury (2001).

2.7 The Regional Development Agencies (RDAs) are central to this framework. The RDAs operate as the strategic driver of economic development in their region, working in partnership with key regional, sub-regional and local bodies. They exert strategic influence over the type, scale and combination of services delivered in their region. They are active in areas key to economic growth – employment, entrepreneurship, skills and regeneration – and are tasked with producing an overarching Regional Economic Strategy, in response to their detailed analysis of their region's particular strengths, weaknesses and needs.

Box 2.1: Key PSA targets – raising productivity and sustainable growth across the countries and regions of the UK

Raising productivity

- Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany.
- Make sustainable improvements in the economic performance of all English regions and over the long term, reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006.
- Reduce the gap in productivity between the least well-performing quartile of rural areas and the English median by 2006, and improve the accessibility of services for rural people.

Enterprise and innovation

- Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.
- Improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy.

Investment

- Achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt – and the sustainability of existing towns and cities – through specific measures to be set out in the Service Delivery Agreement (SDA).
- All local planning authorities to complete local development frameworks by 2006 and to perform at or above best value targets for development control by 2006, with interim milestones to be agreed in the SDA. The Department to deal with called-in cases and recovered appeals in accordance with statutory targets.
- Reduce congestion on the inter-urban trunk road network and in large urban areas in England below 2000 levels by 2010.

Skills

- Reduce by at least 40 per cent the number of adults in the UK workforce who lack NVQ level 2 or equivalent qualifications by 2010.

Modernising public services

- By 2005-06, deliver £3 billion of value for money gains in central civil government procurement through the Office of Government Commerce.

2.8 The 2002 Spending Review provides the RDAs with substantial additional resources and new responsibilities in respect of skills, transport, tourism, planning and housing. In addition, to enhance the ability of RDAs to foster enterprise in their region, the Government will pilot and evaluate different RDA-led approaches to achieving improved coordination of business support activities, and regional management of Business Link services in one or two regions (see Chapter 15). The Government will also pilot regional pooling of adult learning budgets between local Learning and Skill Councils (LSCs) and RDAs (see Chapter 6). Full details of the RDA settlement are set out in Chapter 23.

COMPETITION

2.9 A competitive environment in which firms and individuals are encouraged to start up in new markets and challenge existing players is vital to the adoption of new technologies, ideas and working practices. It is also the best way of ensuring that consumers receive a fair deal.

2.10 The Government is committed to supporting competition in markets across the UK. The Enterprise Bill takes forward the Government's programme of competition reform, including giving full independence to the Office of Fair Trading (OFT) and the Competition Commission, together with a new proactive role for the OFT to keep markets under review. To enable it to fulfil this challenging new role, the Government has increased the resources for the OFT by 50 per cent from the level allocated in the 2000 Spending Review for 2002-03, from £34 million to £52 million. **The 2002 Spending Review consolidates this step-change in funding, and allocates an additional £3 million in each of the three years to 2005-06, raising the OFT's annual budget to £55 million.**

ENTERPRISE AND INNOVATION

2.11 A dynamic environment with opportunities for enterprise and innovation is vital to improving economic performance. New businesses entering the marketplace increase competitive pressures; facilitating the introduction of new ideas and technologies. The Government is therefore committed to supporting enterprise and innovation throughout the economy, including in Britain's most disadvantaged areas.

Promoting enterprise across the UK

2.12 In common with many European countries, the UK has failed to achieve levels of entrepreneurship seen in the US. The Spending Review therefore takes further steps, building on measures announced in the June 2001 Enterprise Statement and Budget 2002, to support newly established businesses, minimise regulatory barriers, support enterprise in disadvantaged communities and extend enterprise education in schools and colleges.

Supporting small business

2.13 The Small Business Service (SBS) is currently consulting on a national strategy for start-ups, helping small firms to better understand what government can do for them and what is required to meet regulatory obligations. **A new information pack will be made available for new and would-be entrepreneurs, giving them the best possible start in business.**

Minimising regulatory barriers

2.14 Effective and well-focused regulation can play a vital role in correcting market failure, promoting fairness and ensuring public safety. Unnecessary or poorly implemented regulation, however, can restrict competition, stifle innovation and deter investment. Building on the measures set out in Budget 2002, this Spending Review takes further steps to reduce regulatory burdens facing small businesses, by:

- **enabling HM Customs and Excise to promote take up of the new VAT flat-rate scheme**, which offers compliance costs savings worth up to £1,000 a year for small firms;
- **providing the Inland Revenue with additional resources to support implementation of Patrick Carter's recommendations for electronic filing of pay as you earn (PAYE) returns**, and to expand the support it gives to businesses in the switch to using new technology; and
- **providing additional resources for the Advisory, Conciliation and Arbitration Service (ACAS) and the Department of Trade and Industry (DTI)** to expand best practice activities encouraging partnership in the workplace, including in small firms.

Enterprise in disadvantaged areas

2.15 Increasing enterprise is key to improving the UK's poorest neighbourhoods. Therefore, as part of the Government's overall neighbourhood renewal strategy the SBS is working to ensure that the most disadvantaged groups have equal opportunities to start up and become involved in business. The SBS's Phoenix Fund, which was established in 1999, has already supported over 150 organisations to promote enterprise in the most disadvantaged communities. Building on this success, the Spending Review provides for **the extension of the Phoenix Fund with a further £50 million over two years**. Further details of the Government's neighbourhood renewal strategy are set out in Chapter 4.

Enterprise and education

2.16 The Davies review of enterprise and education identified a range of ways to strengthen the links between the education system and business, as an important step in developing an enterprise culture across the UK. The Government agrees with the central conclusion of the review that building a deeper and wider entrepreneurial culture must start in schools and colleges. The Spending Review therefore allocates **the Department for Education and Skills (DfES) additional resources in line with recommendations made by the review, rising to £60 million a year by 2005-06. This additional funding will ensure that every child has some experience not just of work but also of business and enterprise before they leave school. The Government will publish its full response to the Davies review, including plans for large scale pilots of enterprise activities for young people, in the autumn.**

Strengthening research and stimulating innovation

2.17 Innovation is a key catalyst for productivity growth. Creative ideas can act to open up additional markets and opportunities for firms, through the development of new and improved products and services. New technologies and processes also allow efficiency gains, enabling businesses to reduce their cost base and provide a better deal for consumers.

2.18 A strong science base is a prerequisite for research and successful innovation. To ensure that the UK's science and engineering base continues to improve and opportunities for research and innovation are maximised, the Spending Review **provides for the largest sustained growth in spending on science for a decade, with some £1¼ billion additional spending by 2005-06 compared to 2002-03**. This includes an average 10 per cent a year real terms increase in the DTI's Science Budget and additional resources for DfES investment in science research in universities. This investment represents the largest sustained growth in the Science Budget in the last decade, taking forward the conclusions of the cross-cutting review of science and research (see Chapter 25) and the Roberts review. Extra resources and reforms to the balance of the funding system will enable university research efforts to move onto a sustainable long-term footing. At the same time, additional funding will enable the UK to move into promising new areas of research.

The Roberts review **2.19** In Budget 2001, the Chancellor and the Secretaries of State for Trade and Industry and for Education and Skills asked Sir Gareth Roberts to undertake a review of the supply of scientists and engineers in the UK. Sir Gareth reported on 15 April 2002, setting out a range of recommendations to address issues throughout the supply chain for scientists and engineers – in schools, in universities and in relation to employment in R&D.² The Spending Review takes forward the key recommendations of the review, including:

- improving prospects for the recruitment, retention and training of science and mathematics teachers, including through **paying more to good science and mathematics teachers and through the introduction of a National Centre for Excellence in Science Teaching, in partnership with the Wellcome Trust;**
- **provide additional support to science, mathematics and technology teachers (and teachers of other subjects) through introducing a new programme to pay undergraduates and postgraduates to assist with classroom teaching;**
- **modernising science and technology laboratories in schools and universities;**
- **increasing Research Council PhD stipends to an average of over £13,000 a year by 2005-06 and the salaries of Research Council-funded postdoctoral researchers by an average of around £4,000; and**
- **targeted funds for improving universities' capacity to recruit and retain first-rate academics.**

2.20 However, as the Roberts report made clear, ensuring a supply of scientists and engineers for the future will also require business and the private sector to play a central role. While Government can help to create the right environment throughout the school, further and higher education systems, employers have a crucial role to play in improving the prospects and attractiveness of careers in science and research.

Supporting knowledge transfer **2.21** Knowledge transfer activities are vital to ensuring that successful innovation can be spread widely across the economy. Universities, public sector research establishments and NHS trusts have embraced the knowledge transfer agenda and levels of commercialisation activity are increasing. To build on this success, **funding available to universities and the public sector science base for knowledge transfer activities will be increased to allow the development of expertise to facilitate technology transfer, and to provide for investment in the early stages of promising research opportunities.**

Broadband **2.22** Effective use of Information and Communications Technology (ICT) can be an important driver of productivity and future success for firms. The Government has therefore set a PSA target to make the UK the best place in the world for e-business, with an extensive and competitive broadband market, judged using international comparative measures of business uptake and use of information and communication techniques. Effective e-business is primarily a challenge for firms, but Government has an important role to play in creating the right framework. It also has important, but tightly defined roles, as a purchaser of ICT in its own right for public services and in helping firms and others make the most of new technology. To take forward this agenda, the Government recently launched a regional broadband unit, which will combine teams in the Department of Trade and Industry and the Office of Government Commerce, focused on promoting broadband take-up in the regions and supporting public sector broadband procurement. In recognition of the particular

² *SET for success: the supply of people with science, technology, engineering and mathematics skills*, HM Treasury (2002).

importance of broadband access for schools, the Spending Review allocates DfES **new resources to develop PFI procurement of ICT, including broadband, in an effective coordinated and aggregated manner.**

INVESTMENT

2.23 Prospects for long-term economic growth are closely related to levels of public and private investment. The UK has long suffered from under-investment and is today significantly less capital intensive than its main competitors. The 2002 Spending Review takes forward the Government's commitment to reverse this legacy of under-investment, providing substantial new resources to improve the nation's infrastructure and to support efficient private sector investment.

Investing in transport

2.24 Good transport links are vital for strong economic performance – connecting businesses and individuals to wider markets and opening up new opportunities for employment, production and distribution. The Government's Ten-Year Plan for Transport sets out plans for public and private investment of more than £180 billion up to 2010, creating a modern transport network across the UK. The 2002 Spending Review **continues the investment necessary to deliver the Ten-Year Plan, increasing public expenditure on transport through the Department for Transport (DfT) by an average of over 12 per cent a year in real terms, from £7.6 billion in 2002-03 to £11.6 billion in 2005-06.** The Secretary of State for Transport will publish a first report in the autumn on progress to date in delivering the objectives of the Ten-Year Plan. A full review of the impact of the plan and its policies, which will also roll the plan forward into the next decade, will be published at the time of the 2004 Spending Review.

2.25 Additional resources will be accompanied by wide-ranging reform: stronger regional transport planning to connect local implementation with national strategy; and speedier, more effective delivery of major transport infrastructure projects. The newly-established DfT, working together with the Highways Agency, Strategic Rail Authority, Transport for London (TfL), local authorities, the private sector and other delivery agencies, will be responsible for driving forward the Government's agenda for reform and delivery, including through:

- **a review of transport planning by the DfT and the Office of the Deputy Prime Minister (ODPM) by July 2003** – proposing reforms to improve consultation, approval procedures and compensation mechanisms for faster delivery of transport infrastructure projects;
- **giving RDAs powers, in formulating their regional economic strategies, to propose new multi-modal studies of regional transport;**
- **achieving significantly shorter timescales for the delivery of highway schemes** – working towards an average of four to six years from proposal to implementation for new scheme proposals from 2004-05;
- **implementing an accelerated timetable for the rollout of piloted road network management tools from 2003;**
- ensuring the establishment of **a focused and well-structured replacement for Railtrack;**
- **implementing the London Underground modernisation plans** to deliver unprecedented levels of investment across the network. In addition to the Ten-Year Plan, around £1 billion a year is being made available to support the delivery of the improvements to the London Underground that will be achieved through the Public-Private Partnership; and

- consulting shortly on the Government's strategy on the long-term need to **increase airport capacity in the South East**.

Improving the housing stock

2.26 The quantity and quality of housing available across the country has a significant effect on consumer welfare, labour mobility, social inclusion and business location decisions. The Government is therefore committed to tackling the problems associated with housing shortages, low demand and abandonment – using the planning system and public investment to make the housing market more responsive to changes in demand and better integrating decisions on housing with those on economic development, land-use planning and transport. The 2002 Spending Review sets a new PSA target for the ODPM to achieve a better balance between housing availability and the demand for housing in all English regions, while protecting valuable countryside around the UK's towns, cities and in the greenbelt and the sustainability of existing towns and cities.

2.27 The ODPM will shortly set out a comprehensive strategy for addressing housing market imbalances across the country, bringing together land-use planning measures and new investment to tackle the problems faced by areas of both high and low demand. In areas of high demand, the Government will be taking steps to **increase the availability of land for housing development while protecting valuable countryside around the UK's towns, cities and in the greenbelt and the sustainability of existing towns and cities. In addition, the Spending Review provides substantial resources for the provision of new affordable housing to rent and to own in London and the South East.** To address the very different issues faced by low demand areas, the Spending Review provides for **a new fund to enable nine pathfinder projects to implement programmes of improvement and selective clearance in areas where housing markets have collapsed or are at risk.** Substantial new investment in housing will be accompanied by fundamental reforms to housing institutions, in particular through the establishment of new regional mechanisms to bring together all decisions on planning and housing investment and make the right connections with transport and regional economic growth, and a new unified housing inspectorate.

Modernising the planning system

2.28 New house building, as well as wider private sector decisions on investment and location, is fundamentally affected by the land-use planning system. The Government's recent Green Paper on land-use planning, *Delivering a Fundamental Change*,³ set out a wide range of reforms to improve the speed, flexibility and responsiveness of the current system – strengthening regional plans, simplifying local plan-making, and helping local authorities meet tough new targets for processing planning applications.

2.29 Delivering this challenging agenda will require local authorities to have access to substantial additional funding. The Government is therefore **allocating additional resources to the ODPM to drive forward the reforms set out in the Government's Planning Green Paper.** These resources are conditional on local authorities demonstrating rapid progress towards performance targets. ODPM will shortly set out final proposals for reform of the land-use planning system, in advance of legislation. Further details on housing and planning are set out in Chapter 9.

³ *Planning: delivering a fundamental change*, DTLR (2001).

SKILLS

2.30 The quantity and quality of skilled labour available in the economy is a key driver of economic performance and productivity growth. The Government is committed both to improving the skill levels of young people entering the workforce and to providing opportunities for those already in the workforce to continue to acquire new skills.

2.31 Standards within the education system have risen significantly in recent years. For example, between 1997 and 2001 the proportion of 11 year olds reaching expected levels in reading and maths increased by 12 per cent and nine per cent respectively. The Government is building on this progress by setting demanding targets over the three year period to 2005-06, including new minimum attainment targets in schools to help ensure that the education system meets the needs of all.

2.32 Alongside improving standards in schools, it is also vital that greater numbers of young people stay in education and training after the age of 16. The UK has one of the lowest post-16 participation rates of any developed country – the rate among 17 year olds is 68 per cent in the UK, compared with 77 per cent in the US, 90 per cent in France and 92 per cent in Germany. To begin to address this gap, the Government will:

- **roll out the successfully piloted Educational Maintenance Allowances**, providing young people staying in education after 16 with support of up to £1,500 a year, depending on household income;
- **make substantial investment to revitalise further education (FE)** by offering FE colleges additional resources in return for committing to stretching new performance targets, and by improving quality, diversity and leadership across the sector; and
- **continue the Government's programme of investment in the higher education (HE) sector** to sustain excellence in teaching and research, to ensure the continued international competitiveness of university science and to make progress towards the Government's target of 50 per cent of young people entering HE.

2.33 While improvements in the skills of young people help to lay the foundations for long-term improvements in the UK skills base, their effects will be gradual. The 2002 Spending Review therefore continues the Government's commitment to improving the skills of those already in the workforce:

- stretching the **adult basic skills target to help 1.5 million adults between 2001 and 2007**;
- setting **an ambitious new target to reduce by at least 40 per cent the number of adults in the UK workforce who lack NVQ level 2 or equivalent qualifications by 2010**; and
- helping to ensure that **providers in the FE sector have the incentives and the capacity to respond to the needs of local employers**. The Government will review the barriers to employer engagement in FE, including a fundamental review of funding for adult learning, and will also enhance the role of RDAs in planning and guiding skill development. In addition, the Government will pilot regional pooling of adult learning budgets between local LSCs and RDAs.

2.34 Further details of measures to support education and training are set out in Chapter 6.

PRODUCTIVITY OF PUBLIC SERVICES

2.35 The productivity of public services is a major component of the productivity of the economy as a whole and an important indicator of both the value for money received by taxpayers and quality improvements enjoyed by service users. Departmental spending on public services currently exceeds £200 billion per year, and it is vital that additional investment is matched by effective reform to deliver better and more productive public services.

2.36 The introduction of resource accounting and active management of the assets register has increased the efficiency with which public sector assets are used. As the next step in its reform agenda, the Government is committed to modernising the structures and practices which condition the delivery of public services. Reforming the service delivery environment is key to delivering the improvement in the productivity of public services which citizens demand and which public service workers are striving to deliver.

2.37 Chapter 1 sets out the Government's principles for public services reform and how the Government proposes to use the additional resources allocated to the public services to implement specific reform across a wide range of services. A full analysis of public services productivity, setting out the evidence and the Government's approach, will be published alongside the 2002 Pre-Budget Report.

2.38 The Government's principles have begun to deliver in areas in which they have been applied. The challenge is now to put them in place across the public sector as a whole. As a result of the cross-cutting review of the Public Sector Labour Market (Chapter 27), departments will undertake better workforce planning to strengthen the link between performance and pay, drive efficiency and productivity, and ensure investments result in better services. The Spending Review therefore allocates resources to policies which will increase the productivity of public services by applying the Government's principles in an active and targeted way.

e-government 2.39 One of the most powerful drivers for higher productivity in public services is IT. E-services offer significant benefits to users – they are quicker, more convenient and can be designed around the customer. At the same time, government can provide these services more efficiently by using technology to connect the whole delivery process, as well as improving the interface with the public. The Government is therefore spending nearly £3 billion over the three years to 2005-06 in order to further develop e-services, including nearly £1 billion to improve efficiency within the criminal justice system, nearly £500 million to support local government e-services and more than £200 million to develop HM Customs and Excise services.

2.40 A high level of take-up is the best measure of successful e-services. In time, high take-up will enable resources to be reallocated to other priorities. In return for additional resources, delivery organisations are therefore being asked to agree stretching targets for the take-up of e-services.

Box 2.2: The Invest to Save Budget

The Invest to Save Budget provides venture capital for the public sector to encourage innovative and joined-up ways of delivering public services. It gives financial backing to social entrepreneurs and builds an evidence base around their successes and failures. The fund has allocated over £300 million to 335 innovative partnership projects across the public and voluntary sectors. For example:

- **Info4local** – providing local authority employees with a single access point to information from the rest of government. The service has been estimated to save its 16,500 subscribers an average of 50 minutes per week; and
- **Watermark** – providing the public sector with a mechanism to monitor and reduce its consumption of water services, reducing environmental impact and cutting water bills by around 30 per cent.

Over the three years to 2005-06, Spending Review plans include £120 million to fund more public service innovation, with an emphasis on building services around the customer and offering a choice of delivery channels.

Public enterprises **2.41** As well as public services, the performance of public enterprises also has an important role to play in raising productivity in the UK. The challenge for government is to better fulfil its role as shareholder of these businesses. To help achieve this, the Government will bring forward proposals in the 2002 Pre-Budget Report to improve government's capability as a shareholder by:

- pooling government's experience and the resources dedicated to the shareholder role;
- enhancing government's corporate finance capability; and
- ensuring that the right framework is in place for public enterprises to succeed commercially.

