



Government policies on innovation

Briefing for a Westminster Hall debate on 24 January 2007

PUBLIC PROCUREMENT

- Everyone seems to agree that the public procurement process should be used more effectively to support innovation, but very little concrete is happening.
- In his speech on 3 November 2006, Tony Blair said he wanted *"to use public procurement – after all public sector bodies spend around £150 billion p a on procurement – to stimulate and help small companies develop fast."*
- On 23 October 2006, DTI Secretary Alistair spoke of *"enabling government procurement to drive innovation in the economy"*.
- But in the pre-Budget Report, there were no details at all of any specific actions that the Government intends to take to make this a reality.
- ***The problem is complex, and the Trade Secretary and Chancellor should work out two or three specific actions that could be taken to kick start the process. In particular, procurement skills should be taught to a wide range of relevant civil and public servants.***

LINKS BETWEEN UNIVERSITIES AND BUSINESS

- Although the culture in higher education has changed out of all recognition in recent years, the constant tone of Government policy harps on the theme of how universities are dominated by purists who are not interested in economic gain.
- ***Recent proposals to include so-called 'experts in economic use of science' on the panels that judge Research Council grants are wholly inappropriate. All they will do is compromise the scientific standard of grants, thus reducing the bank of high quality research available to be commercialised.***

PLETHORA OF SCHEMES

- The massive range of schemes available to support innovation is confusing and offputting. For example, the BBSRC lists on its website at least 14 different schemes of support for applying its research in the economy.

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- Partly for this reason, PriceWaterhouseCoopers found that 59% of companies were not even aware of schemes such as targeted tax reliefs that were available to them. This was especially true of smaller companies.

- The National Audit Office also found that the Small Business Service was not assessing what interventions worked and which did not, so that available resources were effectively being wasted.

- ***The system of support for Small Businesses needs a radical overhaul, with proper assessment of what support gives value for money for the taxpayer.***

RDAs

- The Regional Development Agencies are hugely variable in their support for innovation.

- ***RDAs need to ensure that bureaucracy is kept to a minimum, the role of Science & Industry Councils needs to be clarified and, in general, the organisations need to become more outward-looking, not assuming that the world of science and innovation is restricted to the borders of their arbitrarily-defined regions.***

RISK AND VISION

- Far too much Government funding for scientific innovation is too risk-averse. It is almost impossible to get funding for truly innovative projects that might bring serious economic breakthroughs. Almost all funding from Government comes with so many strings attached that it effectively amounts to central control of research.

- ***The Government should have the vision to set some grand challenges (such as creating a vehicle that cuts pollution by 90% within ten years) and to fund them significantly. Everyone should appreciate that the specific aims are unlikely to be met, but that the attempt will spin off other brilliant and useful ideas.***

EDUCATION

- An innovative economy depends on a well-educated population, especially one that has skills in science, engineering, commerce and business.

- In science and engineering, the UK is a very long way from having a world class education system.

- A quarter of schools teaching 11 to 16 year olds have no qualified physics teacher and university science departments are closing, partly because the Higher Education Funding Council has perversely *reduced* the proportion of funding that goes into science.

- ***Without really ambitious and concerted effort to generate the scientific and engineering skills needed in the economy, the UK will not achieve the innovative economy it needs for the coming decades.***

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