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BUSINESS SOFTWARE ALLIANCE

2011 IT INDUSTRY COMPETITIVENESS INDEX

United Kingdom

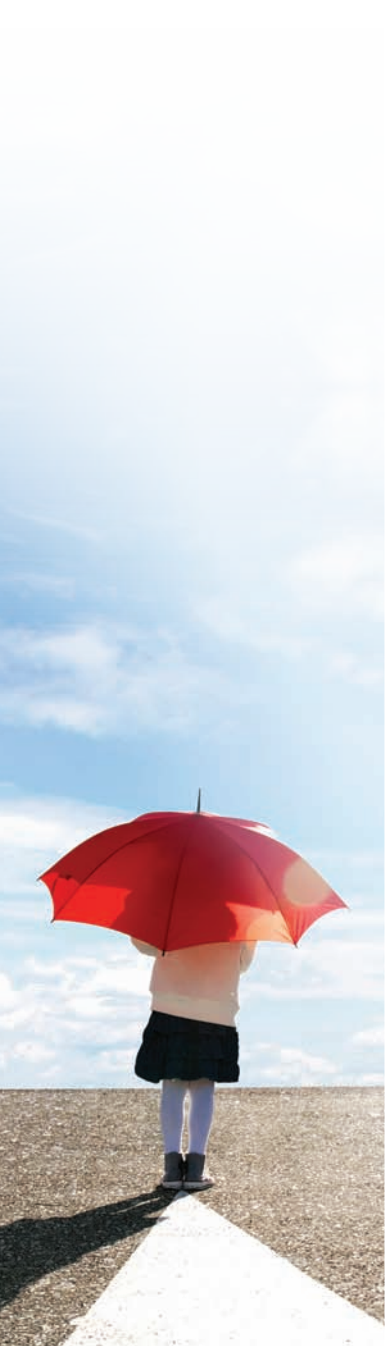
OVERALL RANKING

COUNTRY	2011 RANK	2011 SCORE	2009 RANK	2009 SCORE
United States	1	80.5	1	78.9
United Kingdom	**5**	**68.1**	**6**	**70.2**
Germany	15	64.1	20	58.1
France	21	59.3	17	59.2
Italy	23	50.7	24	48.5
Czech Republic	27	46.1	26	47.0
Poland	30	44.6	35	40.8
India	34	41.6	44	34.1
China	38	39.8	39	36.7
Brazil	39	39.5	40	36.6
Turkey	41	38.7	46	33.8
Bulgaria	43	38.1	47	33.6
Russia	46	35.2	38	36.8
OECD Average	—	57.3	—	57.1

HIGHLIGHTS

- The UK has reached the top five ranking for IT industry competitiveness in 2011, despite score declines in several areas. It is the best Index performer of the major European economies.
- A positive environment both for development of human capital and R&D activity are particular strengths of the IT industry environment in the UK.
- The economic downturn has affected the environment for technology firms, for example by keeping growth of market spending on IT relatively flat and reducing firms' access to investment capital.

Despite a slight overall score decline, and performance deterioration in several areas, the UK has advanced one place in the 2011 IT Industry Competitiveness Index to 5th overall. This is due primarily to larger declines suffered by other countries in the top ten — notably the Netherlands and Canada. Although not the top-scoring country in Europe, the UK continues to substantially outperform the other large European economies — Germany, France, Italy and Spain. Technology and content industries now contribute £102 billion in "gross value added" to the economy, according to the UK Council for Industry and Higher Education.



Developed by Economist Intelligence Unit The Economist

ABOUT THE INDEX

The IT Industry Competitiveness Index gauges the information technology (IT) industry environment of 66 countries by assessing the enablers of competitiveness and determining their relative importance in IT sector performance. Now in its fourth year, it is the centerpiece of a major program of research, created by the Economist Intelligence Unit for the Business Software Alliance, into the forces that drive the competitiveness of countries' IT industries.

A complete description of the Index indicators, scoring methodology, and definitions, as well as written analysis, case studies, video interviews and other content, can be found at **www.bsa.org**.

Business environment: The UK's scores in this category remain unchanged from 2009, while its ranking has fallen one place to 8th worldwide. Given the severity of the economic downturn, the country has done well to avoid deterioration of its business environment. The UK continues to receive top marks for the protections afforded to private property and the scope for competition by businesses. There is room for improvement, however, in terms of receptivity to foreign investment and levels of regulation surrounding the establishment of new businesses. Pressures on the business environment will remain intense: a five-year fiscal tightening programme will mean tax rises and the deepest sustained period of public spending cuts since the 1940s.

IT infrastructure: The UK experienced a move backwards in its overall IT infrastructure performance, having fallen four places to 10th. Market spending on IT software, hardware and services is only slightly higher than pre-downturn levels. PC ownership is high, but research firm Gartner recorded the biggest fall in PC shipments for 10 years in the UK Q1 2011. Mobile penetration also fell back slightly in 2010, according to Pyramid Research. Broadband adoption is a bright spot, exceeding 32% at end-2010. The largest telecoms operator BT plans to provide up to 40Mbps via fiber broadband to two-thirds of UK homes by 2015.

Human capital: Although falling back two places to 5th in this category, the UK remains among the world leaders when it comes to developing talent for the technology industry. Concerns are voiced by some executives about the skill levels of UK recruits to the industry, but the country continues to get high marks in global terms for the quality of technology training and the skills its workers offer. However, enrolment numbers in higher education as well as in specialist science and engineering courses have fallen, giving cause for concern about a talent shortage.

R&D environment: The UK's R&D environment ranking has moved up one place to 11th. This is thanks mainly to improvement in IT-related patent activity in the years covered in the Index. According to the World Intellectual Property Organization (WIPO), IT patent applications accounted for 14% of total applications in 2007. (Overseas organizations own 39% of patents in the UK, versus the EU average of 14%, according to the OECD.) Both public and private sector R&D spending were also both up, notwithstanding the downturn.

Legal environment: IP protection and enforcement are strengths of the UK legal environment for the technology industry. Its IP protection score was increased thanks to entry into force of the key WIPO copyright treaties. Like other EU countries, the UK benefits from the existence of Union-wide electronic signature and data privacy rules. In May 2011 Parliament ratified the Council of Europe Convention on Cybercrime, which should result in a score improvement in this indicator in the next Index update.

Support for IT industry development: The country's performance fell back in 2011 in this category due to two factors. First, thanks to a tougher financing environment overall, companies' access to investment capital deteriorated somewhat in 2009-2010 from previous levels. Second, European Commission research has suggested that some e-government objectives were not being met in recent years, leading the Economist Intelligence Unit to downgrade the UK score in this indicator.