



Working relationship
The benefits of having an office spouse **LUCY KELLAWAY** Page 10

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BRIEFING

Heathrow set to be overtaken by Munich

London's Heathrow Airport is slipping further down the ranks of Europe's terminals as measured by the size of its route network and is set to be overtaken by Munich. Page 17

Belarus poll protests

Up to 5,000 opposition supporters braved blizzards and threats from the Belarus authorities to protest in Minsk against what they called a fraudulent election win by the president. Page 9

EU energy showdown

The EU's disagreements over protectionism, particularly in the energy sector, will come to a head on Thursday when its 25 leaders start what is set to be a tense two-day summit. Page 9; Editorial Comment, Page 14; Power consolidation, Page 14; John Plender, Page 18

Germany sees tech surge

Germany is seeing a rebirth of initial public offerings in tech stocks, as investors conquer their fear of listings made by the boom and bust of the infamous Neuer Markt. Page 17

FSA abuse difficulties

The Financial Services Authority will find it difficult to attribute blame for market abuse to City staff even after uncovering widespread insider trading, say lawyers. Page 2

US pay rises slow

US executive pay rises have slowed in spite of record profit growth, say findings from an independent corporate survey. Page 17

Brown set on Budget for global challenges

- Chancellor to focus on research and services
- Environmental issues in line to take prominence

By James Blitz and Chris Giles

Financial services, creative industries and medical research are set to be the core focus of Gordon Brown's Budget on Wednesday, as the chancellor seeks to equip the UK to meet the challenges of globalisation.

As he prepares to unveil his 10th Budget, Mr Brown is not expected to make any significant changes to taxation or spending in the £550bn budget. Instead, he will introduce measures to lock in the £7bn reduction he wants in borrowing for day-to-day public expenditure in 2006-07.

The main focus of the Budget is expected to be on how Britain can boost its value-added economic sectors to enhance the country's long-term competitiveness.

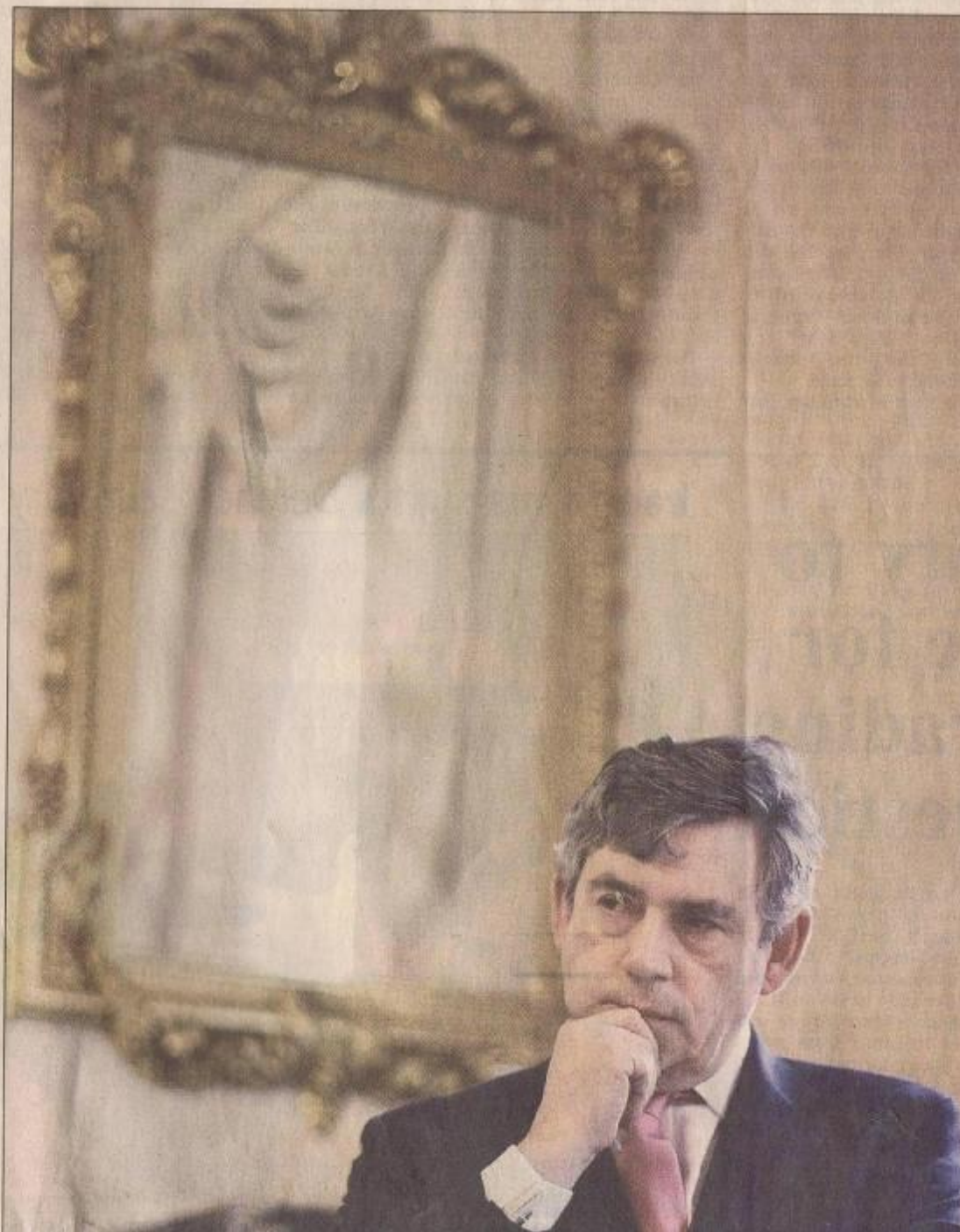
For Mr Brown, who is almost certain to lead Labour into the next general election, the Budget will be politically significant as it

day: "On the economy, on growth, also on the public finances, the numbers are coming in as the chancellor was expecting."

With oil prices remaining high, Mr Brown is expected for the fourth year running to postpone the inflation-linked increase in fuel taxes.

However, he will act to underscore his green credentials - and

One of Mr Brown's toughest decisions will be whether to extend last year's £200 payment to people over 65 to help with council tax bills



Britain's economic divide deepens

By Chris Giles, Economics Editor

The gap between private sector growth in the south-east of England and the rest of the UK has grown so wide since 1997 that surging public expenditure has not stopped the overall north-south economic divide deepening.

A Financial Times investigation of the latest official regional economic activity figures shows that output growth in predominantly government sectors of health, education and public administration has been much higher in poorer regions of the UK.

However, this redistribution has failed to stop the south-east and other successful hot-spots from pulling away from the rest of the country.

While Gordon Brown has been chancellor, annual real public sector growth has exceeded 4 per cent in Wales, the north-east of England and the Midlands but private sector growth has lagged far behind. In Scotland, Wales and the north-east of England, the private sector has expanded by less than 1.6 per cent a year after inflation.

The sluggish private sector conditions have been particularly felt in far-flung areas of Britain, leading to declines in prosperity and showing that the chancellor is struggling to meet the commitment he made in 2003 of "improving the prosperity of all our communities".

LANDLORDS BENEFIT FROM INFLUX OF FASHION STORES AND SUPERMARKETS

The influx of fashion stores and supermarkets has been good news for landlords at out-of-town retail parks, writes Jim Pickard.

Retailers such as Asda, Tesco, Debenhams and Next can typically afford to pay higher rents than the low-margin vendors of sofas and dishwashers. But although rents on retail parks have been rising there has also been a surge in the amount of vacant space. Not only has the total amount of retail warehouse space built in the UK grown – from 140m sq

ft in 2001 to 163.5m sq ft last year – but this has taken place at a time of corporate pain for many of the sector's traditional customers.

The collapse of Alders, Courts, Furnitureland, Klaussner and others has caused an "abundance" of second hand retail warehousing to come back on to the market, according to a report by Trevor Wood Associates and Savills. Other tenants releasing space have included Powerhouse, Landmark, World of Leather and Tempo.

As a result, the supply of vacant floorspace has jumped by 54 per cent – from 5.8 per cent in 2003 to 7.6 per cent in 2005.

Trevor Wood, head of the eponymous retail property consultancy, which gathers data on 12,000 retail warehouses a year, says: "Vacancies have risen every year for the past four." Demand from new retailers is still pushing up rents, but there has been a polarisation between the best and worst locations, said Mr Wood, with rents from £6 a sq ft to £80 a sq ft.

Fastest growing retail park tenants

By rented area 2002–05	Increase in area (%)
Bhs	65
Burton	36
Next	31
Sports World	31
Marks and Spencer	27

Source: Trevor Wood/Savills

Retail warehouse market

