PREM 19/1988

MT

PART 1

Confidential filing

INWARD INVESTMENT

TRADE & INDUSTRY

PT: FEBRUARY 1981

PREM 19/1988

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
27.2.81		3/12/84					
19.3.82		25/3/85					
7.7.82		29.3.85					
15.1.83		4.4.85					
10.2.83		25.4.86					
11.8.83		7.7.86					
12.8.83		17.7.86					
24.8.83		PT 1					
6/9/83		GNDS					
18.10.83							
24/11/83							
16.8.84							
22.3.84							
9.7.84							
18.7.84							
20.7.84							
25.7.84							

● PART 1 ends:-

SS/SCOTLAND to SS/DTI 17/7/86

PART 2 begins:-

SS/DTI to PM 19/12/86

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
E(EA)(82) 1	03/03/1982
E(EA)(82) 2	09/03/1982
E(EA)(82) 2nd meeting, item 2	18/03/1982
E(EA)(82) 10th meeting, item 1	14/07/1982
E(A)(84) 48	26/01/1984
E(A)(84) 49	30/07/1984
E(A)(84) 21st meeting, Minutes	13/07/1984

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed _____ Date 21/10/2014

PREM Records Team

Invest in Britain



Invest in Britain Bureau
Department of Industry
Kingsgate House
66-74 Victoria Street
London SW1E 6SJ

Telephone 01-212 6251
Telex 8813148 DIHQ G

The Invest in Britain Bureau

The British Government welcomes manufacturing, research, development and service industry investment from overseas and operates the Invest in Britain Bureau to help foreign companies set up in the United Kingdom.

The Invest in Britain Bureau can assist firms with all aspects of starting a business in the United Kingdom or expanding facilities already here. You should make it your first point of call in Britain for advice and assistance.

The Bureau operates overseas through the British Embassies, High Commissions and Consulates-General and you can contact them direct if you wish. In addition, the Department of Industry has a network of Regional Offices in the United Kingdom, with which the Bureau works.

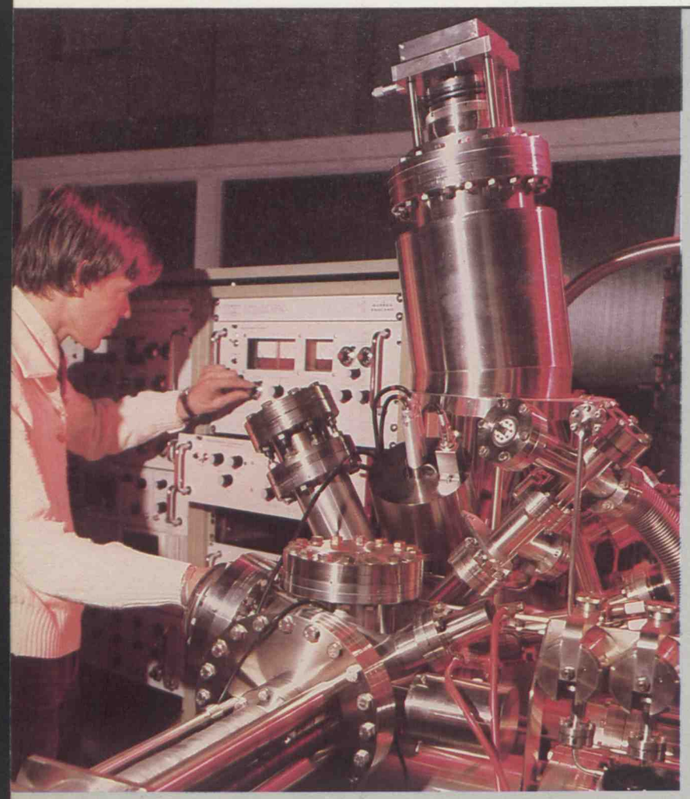
The Bureau can provide:

- information to enable firms to choose the best possible location for an operation taking account of all their requirements – availability of labour, transport, proximity to customers and suppliers and, above all, particular commercial needs;
- information about how to establish an operation in the United Kingdom and answers to specific questions;
- information on all the national and local incentives which are available to encourage investment;
- help in any contact with public authorities, whether central government, local government, nationalised industries, or essential services such as gas, electricity, water and telecommunications;
- visits to available sites and buildings in any part of the United Kingdom;
- introductions to potential partners or suppliers.

The Bureau will, if required, appoint a named liaison officer to see that the services which companies require are provided promptly.

The Invest in Britain Bureau is at your service

A profitable investment



Foreign companies find the United Kingdom an attractive manufacturing base – a fifth of our manufacturing industry is operated by subsidiaries of foreign companies.

Britain does everything possible to encourage foreign investment because it benefits the country. It contributes to employment and the general development of the economy. It increases the total investment in manufacturing industry. It helps to correct regional imbalance. And it often brings in new technology and new managerial skills.

But the benefits are by no means one-sided.

The United Kingdom of today has a unique combination of advantages for firms seeking to expand and it offers an environment in which forward-looking modern industries can flourish and make profits.



The constant advantages . . .

The country has all that investors look for in the way of industrial infrastructure, a skilled and increasingly adaptable labour force and first class internal and external communications.

Alone among the major industrial nations of the world Britain is now virtually self-sufficient in energy resources.

It can offer the trading advantages which go with a United Kingdom market of 56 million people, an EEC market of 250 million and access to EFTA and the United Kingdom's world and Commonwealth links.

For the industrial investor . . .

Britain's company taxation system is so designed that any growing manufacturing firm will pay little or no United Kingdom tax as long as it continues to expand and invest.

For the right projects, there are competitive financial incentives, particularly in certain areas which have been designated for expansion.

Above all, there is no discrimination against foreign-owned companies. They are eligible for exactly the same incentives and benefits as British companies and there are no restrictions on the repatriation of profits.

Contents

What the United Kingdom has to offer
An industrial base 5
The labour force 6
Labour relations 8
Some organisations to help employers
Higher education, research and industry 11
Leisure 12
Transport and communications 13

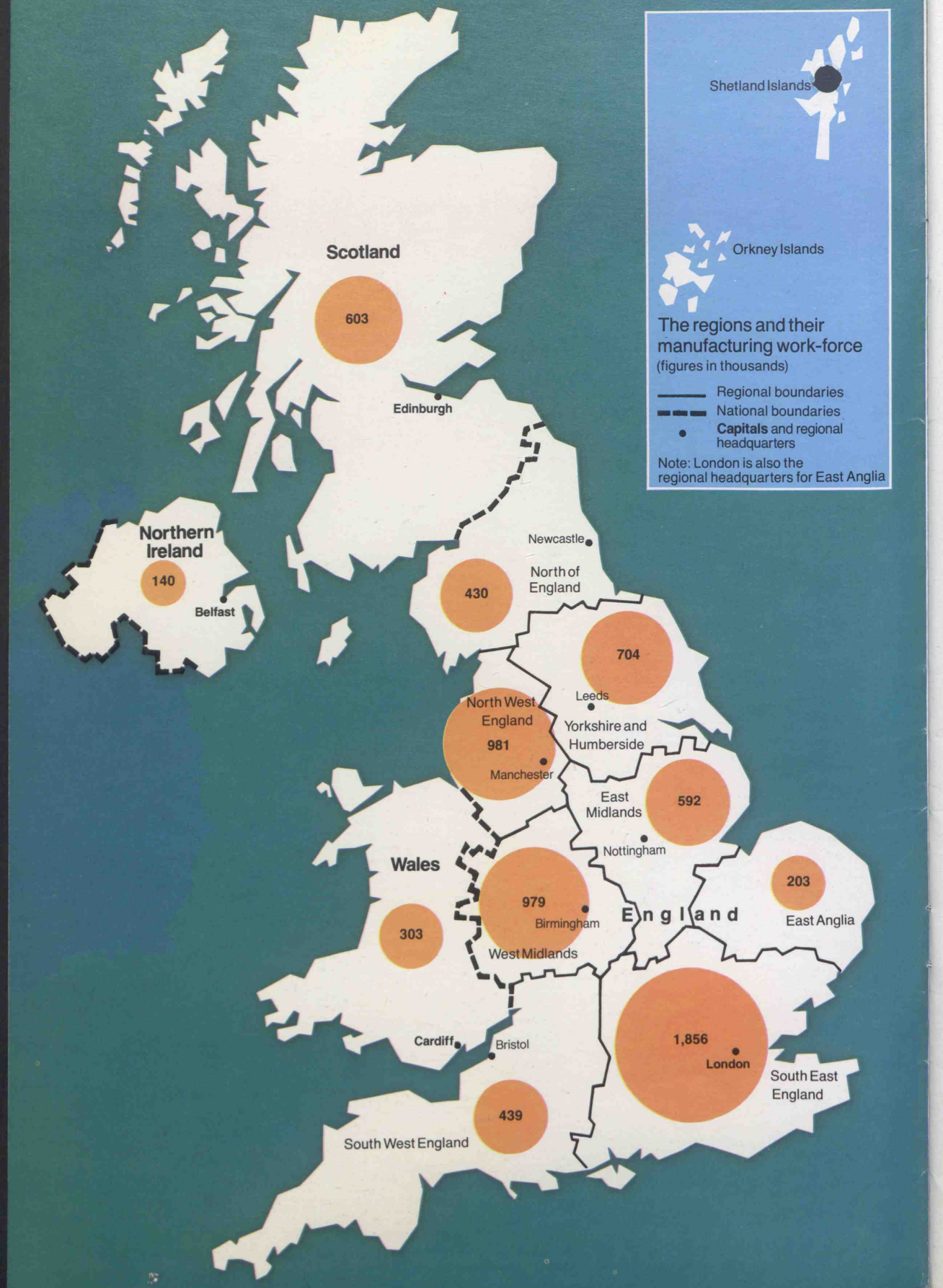
Energy resources 17
Oil, Coal
Gas, Nuclear, Alternative energy sources 19
Energy costs, Water resources

The domestic market 20
Consumer expenditure 21
Government expenditure
Investment
The export market 21
The EEC and EFTA
The Commonwealth
Distribution of trade 23
Export Credits Guarantee Department (ECGD)

United Kingdom taxation 24
Corporation tax
Tax incentives to investment 25
Income tax
Value Added Tax 26
Customs duties

Regional investment incentives 27
England, Scotland and Wales
Northern Ireland 29
Finance from the European Community 31
Grants also available outside the Areas for Expansion

Setting up in Britain 32
Financing an investment
Borrowing in Britain
Forming a company
Planning procedures
Industrial Development Certificates



What the United Kingdom has to offer

An industrial base

Industrial activity in the United Kingdom is widely spread. The map opposite shows that there is a large manufacturing work-force within every region. Different industries are naturally more heavily concentrated in some areas than in others.

The rapid industrialisation of the 19th century was centred on or near the major coal fields. Parts of the Midlands and the North of England, Wales and Scotland came to specialise in textiles, coal-mining, steel, shipbuilding and heavy engineering. At a later stage lighter industries developed rapidly in the Midlands and the South of England. In recent years the older industrial areas have developed a wider and more diversified industrial base. Industries such as electronics, light engineering, man-made fibres, clothing and other light industries are located throughout the United Kingdom.

This development is, in part, the result of improvements in communications and sources of power which mean that certain factors which influenced the location of industry in the past have become less important. As a result most overseas companies establishing themselves in the United Kingdom for the first time will find that they have a wide choice of location, the facilities which they require being available in many parts of the country.

Because of the range of choice, deciding on a location can be difficult, but the Invest in Britain Bureau will be pleased to give advice and to arrange visits to possible sites.

Although the Government welcomes all inward investment, it particularly encourages companies to settle in the areas where some of the United Kingdom's older industries like steel and ship-building are concentrated. In these areas, known as Areas for Expansion (shown on the maps on pages 28 and 30), new industries are required to revitalise the economy. Their development is encouraged by a range of incentives which are described in detail on page 27. The Areas for Expansion are particularly well suited to receive incoming industry. New ready-built factories are available. There are reserves of both skilled and unskilled labour. And transport facilities are excellent.

On the other hand, there is also scope for development in other parts of the country, in particular in the New Towns shown on the maps on pages 28 and 30, although financial assistance from the Government is lower and less freely available outside the Areas for Expansion. Details of the incentives available throughout the country are given on page 27.



The labour force



Availability of skilled labour
Britain has a large, skilled and easily trained labour force of some 24.5 million of whom 40% work in manufacturing. In some areas, there is a pool of workers looking for jobs with new companies. The Government's training and re-training schemes place emphasis on providing the skills needed by industry. Consequently manufacturing and service firms moving to Britain often find a ready source of trained labour with the skills they require.



Recruiting staff in the United Kingdom
Firms have three choices. They can do the recruiting themselves, pay a private employment agency to do the job or take advantage of the employment services offered by the Government through its agent, the Manpower Services Commission. The Manpower Services Commission operates a nation-wide network of over 1,000 local employment offices and 'Jobcentres' which matches non-professional people with jobs notified by employers. The service is entirely free. A similar, but fee-based service is available for professional, technical and executive staff.

Labour costs
Comparing earnings levels in different countries presents a number of difficulties because of the effect of fluctuating rates of exchange and other factors such as variations in systems of taxation, which affect real living standards.

Nevertheless a number of bodies do compile information from which such comparisons are made, and the broad picture which emerges is that hourly earnings in Britain are lower than in most other countries for which information is available.

In respect of total labour costs, which include in addition to earnings the cost of financing any voluntary sick pay or pension schemes and contributions to state schemes (see 'Social security payments' below), Britain is again a low-cost country. This is because the additional costs in most other countries are much higher. In a Swedish survey carried out in 1976, the additional costs in Britain were 24% of the wage cost, whereas in most other countries they ranged from 40% to 80%.

Conditions of employment
The law plays some part in industrial relations in Britain although the system is still mainly voluntary in character. Subjects covered by law include minimum pay in industries where voluntary bargaining is weak; compensation in the event of redundancy; length of notice for terminating employment; equal pay for men and women; health and safety at work. Pay and other conditions of employment are decided through negotiation on an industry-wide or company basis between employers' associations or companies and trade unions or the work-force. It is the Government's policy not to intervene in individual pay bargaining.

Social security payments
Everyone who works for an employer in Britain, whether a British citizen or not, pays earnings-related National Insurance contributions. Both the employer and employee are required to contribute. This scheme provides cash benefits to the employee for industrial injury or disablement, sickness, unemployment and retirement. Maternity and death benefits are also available. The employer has, normally, no further financial obligations under any of these heads. In addition to this scheme, however, an employer is required to take out an insurance policy against his liability for personal injury or disease sustained by his employees in the course of their employment in Britain. Such a policy must be taken out with an insurer who is authorised to carry on insurance business in Britain. The employer's National Insurance contribution includes a contribution to the National Health Service and to a Redundancy Payments Fund.

Labour relations

Popular impressions about the United Kingdom's labour relations record can be misleading.

The majority of inward investment is in small to medium-sized well-managed companies where strikes are very rare. A very high proportion of foreign subsidiaries in the United Kingdom enjoy excellent industrial relations, and numerous surveys have confirmed that few have ever experienced a strike.

In most firms, labour problems are met and solved as they arise through consultation between management and workers' representatives – or the relevant union if the plant concerned is represented on this basis.

In any case, the statistics show that over the 10 years from 1968 to 1977 strikes cost Britain on average about three hours per worker per year in manufacturing industry. But even this average overstates the problem.

In most industries, stoppages were mainly concentrated in a few large plants in a small number of sectors. Coal-mining, shipbuilding, the docks and the motor industry had by far the highest incidence of disputes, but their labour force represents only 5% of the working population.

Unionisation in the United Kingdom
There is no law that says that companies must unionise and many well-known companies operate subsidiaries in the United Kingdom with non-union plants. However, any employee is free to join a union if he wishes and must not be discriminated against if he does so. There is also a statutory provision for resolving union recognition disputes but employers cannot be compelled by it to recognise a union.

The trade unions. There are about 480 trade unions in all, with a total membership of over 12 million workers. However, four fifths of this 12 million belong to the 25 largest unions. The 200 smallest unions have collectively only 40,000 members.

The Trades Union Congress (TUC). The TUC is the central body co-ordinating the views of the trade union movement and advising on economic policy and a wide range of industrial and social matters. It provides a range of services to affiliated unions. It is affiliated to the International Confederation of Free Trade Unions and the European Trade Union Confederation. The TUC is financed by contributions from its affiliated organisations.

Some organisations to help employers

In most industries there are employers' associations which advise their member companies on labour matters and handle important negotiations. Membership is not compulsory but many companies find it useful.

In addition, many companies belong either directly or through their trade associations to the Confederation of British Industry (CBI).

The Confederation of British Industry (CBI). The CBI, like the Trades Union Congress, is an association of organisations. It is the major national employers' organisation. Individual companies, trade associations, employers' associations and commercial associations are amongst its members. Members come from every sector of business and vary in size from companies employing over 100,000 to firms with 20 employees. It provides a wide variety of services for its members. The CBI is in the main financed by subscriptions from members.

Traditionally the main responsibility for providing training for employees in industry has rested with employers. This is still broadly the position, although the setting up of new institutions has had the effect of making industrial training more of a public issue.

Industrial Training Boards (ITBs). Industrial Training Boards, set up in the 1960s, and other national training bodies play a major role in training workers in industry and commerce. There are now 23 ITBs composed of employers, trade unionists and educationalists. Each works to increase the amount and quality of the training in its particular industrial sector, helping individual companies within their sector to identify and meet their training needs, devising programmes to meet key skills in short supply. The ITBs are financed by a levy on employers. Very small firms and firms with adequate training facilities can secure exemption from the levy.

There are also a number of government agencies to help employers, including the following:

Advisory, Conciliation and Arbitration Service (ACAS). This can be called upon for independent advice on industrial relations matters. Its approach is impartial, independent and confidential. The services it provides are free. Apart from conciliation in trade disputes, ACAS will provide arbitration services, mediation and advice, and assistance to workers and employers to improve industrial relations overall.

Health and Safety Executive (HSE). This is responsible, among other things, for ensuring that companies provide safe working conditions for their employees.

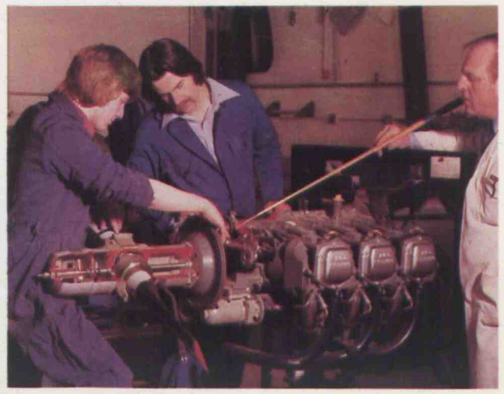
Manpower Services Commission (MSC). This has three main operating divisions: employment services, training services and special programmes.

The main aim of the MSC's employment services is to help people choose, train for, and obtain the right jobs and to help employers recruit the right people as quickly as possible.

People seeking employment can obtain information about jobs or training. An employer using the service may seek advice or positive assistance in filling vacancies.

The MSC works in close partnership with Industrial Training Boards to provide an efficient national training system.

It also provides a number of specific training services for employers for which charges are made.





Higher education, research and industry

Relations between institutions of higher education and industry are close and constructive, and the education system is able to offer industrialists a broad and flexible range of services.



Industrial and commercial interests are fully represented at both national and local level on most bodies concerned with higher and further education. It is at local level that co-operation between individual educational institutions and industrial enterprises is often most fruitful. Most institutions have now established industrial liaison bureaux, and these help to foster close co-operation with local firms, and advertise the research and training services which they can offer.

These and many other contacts ensure that educational institutions are quick to respond to new demands, and that the courses they mount at all levels reflect industry's needs as far as possible. Recent initiatives have included the integration of substantial elements of micro-processor technology into electronics and other engineering courses, and the development of 'enriched' engineering courses at certain universities and polytechnics, designed to combine rigorous study of engineering with other disciplines directly relevant to an industrial career. In the non-university sector, a particular strength is the wide variety of part-time and post-experience courses which are available; these are designed to enable those already working to improve or update their knowledge and skills.

The universities and polytechnics offer extensive facilities for research and consultancy work. This is widely undertaken in co-operation with individual firms and covers the whole field of applied science and engineering, ranging from very large scale work in the most advanced technologies to specialised projects for local industry. Many universities have established general consultancy services, which operate on a commercial basis to provide facilities for outside clients, and some institutions with particularly strong research teams in certain academic areas have established industrial units operating with their own research and engineering staff.

Government support for research is channelled through various departments. The Department of Education and Science sponsors basic 'civil' scientific research through its Research Councils. The Department of Industry commissions technological research in such fields as ship and marine technology, mechanical engineering and machine tools, engineering materials, computers and electronics, chemicals and minerals and



metrology and standards, and also supports in-house research by individual manufacturing industries. It administers six government industrial research establishments (many of whose facilities are available to private industry on a contract basis), and it provides assistance to the National Research Development Corporation – an independent public corporation which promotes the development and commercial exploitation of new British inventions and projects. The Department of Energy is responsible for research relating to the exploitation of North Sea oil and gas and the exploration of new sources of energy.

Leisure

No place in Britain is more than 120 kilometres (75 miles) from the sea, and few places – including the industrial conurbations – are more than half an hour's drive or so from stretches of unspoilt countryside. Sailing, water-skiing, horse-riding, climbing, fishing, swimming – all are within easy reach of the town dweller. In Scotland there is even skiing in the winter.

Britain has some of the most beautiful countryside and coastline in the world. To keep it that way the Government makes sure that changes in the use of land take account of the environment and the interests of the public. For example, a region can be specially protected by being designated a national park or an area of outstanding natural beauty. England and Wales have 10 national parks covering an area of about 9% of the total land area, and Scotland has five similar parks. England and Wales have 33 areas of outstanding natural beauty and Northern Ireland eight. In Scotland some 98% of the land comes within the jurisdiction of the Countryside Commission. There are seven forest parks open to the public in England, Scotland and Wales, and six in Northern Ireland.

The unique beauty of the British countryside is one of the main reasons why millions of tourists visit the United Kingdom every year. Another is the richness and variety of Britain's historical heritage – the royal palaces, Parliament, the great town and country houses, the ancient castles and monuments, the cathedral and university cities, the 9,000 or so medieval or pre-Reformation churches. Every part of the United Kingdom has some reminder of its past, and each part – Scotland, England, Wales and Northern Ireland – makes its own contribution to Britain's way of life, and is that bit different from the rest.







Cultural activities are important to the country. Britain is one of the major musical centres of the world. Its literary and theatrical traditions are second to none. And its television and radio programmes bear comparison with any. The larger towns have the theatres, orchestras, museums and art galleries one would expect in a civilised community.

Almost every town has its amateur football, rugby, cricket, golf, athletics, swimming, boxing, hockey and tennis clubs, and the spectator sports, such as professional football and horse-racing, have a huge following.

In short, industrialists and their workers coming to Britain will find virtually every leisure interest catered for.

Transport and communications



Britain's transport and communications system is efficient and highly developed. Wherever they set up business, companies will find themselves part of a nation-wide modern road, rail and air network.

Roads

Britain has about 357,000 km (223,000 miles) of roads, including 2,300 km (1,400 miles) of motorway. Industry is serviced by about 145,000 road-haulage businesses. Most of them are small private-enterprise concerns, but there are also large nation-wide undertakings – like the National Freight Corporation, a publicly owned company with 21,300 vehicles, 16,000 trailers, and 12,100 containers and demountable bodies at its disposal.

Railways

An extensive rail network links cities and towns throughout the country and on the main routes 'Inter City' express trains provide fast and frequent services between city centres. Some examples are given below:

London to:	Distance km/miles		Journey time hrs	mins	No of trains per day
Birmingham	176	109	1	35	30
Bristol	189	117	1	20	20
Cardiff	232	144	1	45	13
Manchester	293	182	2	35	20
Newcastle	430	267	3	35	12
Glasgow	642	399	5	15	11

New 200 km/h (125 mph) high-speed trains, operating on the routes London–Bristol–South Wales and London–Newcastle–Edinburgh, have reduced journey times substantially. Further high-speed trains are being introduced on other routes.

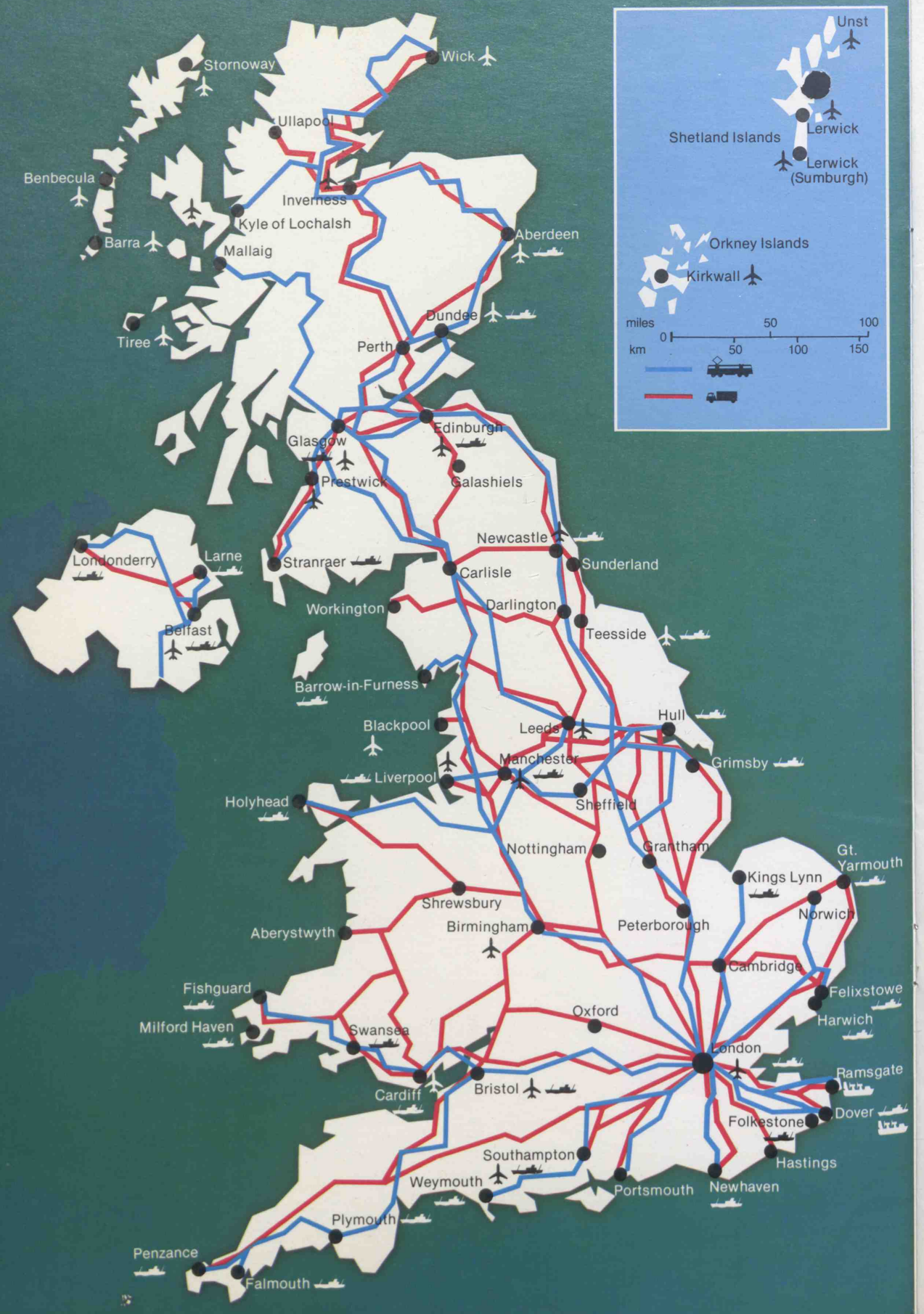
Freightliners Ltd – a company owned jointly by British Rail and the National Freight Corporation – provides a comprehensive express road/rail/road container-transport service.



Air services

Heathrow, 22 km (14 miles) west of London, is the main international airport with scheduled services by British Airways and other major airlines to all parts of the world. North America and Europe are particularly well served, the majority of European airports being within two hours flying of London.

There are also international scheduled flights from many other United Kingdom airports including Manchester, Glasgow (Prestwick), Birmingham, Newcastle, Edinburgh and London (Gatwick).



Within Britain, frequent scheduled services operated by British Airways link Heathrow with the main centres of commerce and industry while other airlines operate a network of scheduled flights between provincial airports.

Some examples of flight times and frequency of services are given below:

	Heathrow to:	No of flights per day	Flight time hrs	mins
International	Amsterdam	14	1	00
	Brussels	9	0	55
	Frankfurt	7	1	25
	New York	11	7	30
	(by Concorde)	1	3	45
	Paris	13	1	00
	Zurich	7	1	30
Internal	Aberdeen	7	1	20
	Belfast	7*	1	05
	Glasgow	10*	1	10
	Manchester	7	0	45
	Newcastle	5	0	55

(*Shuttle service – no reservation required – check in 10 minutes before departure.)

Britain's 123 licensed airports handle some 659,000 tonnes of freight a year – equivalent (in value terms) to about 17% of the country's exports and 14% of its imports. London's Heathrow Airport is the largest cargo airport in Europe and the fourth largest in the world.

Ports

There are many ports along Britain's coastline and nowhere in the country is more than 120 kilometres (75 miles) from the sea.



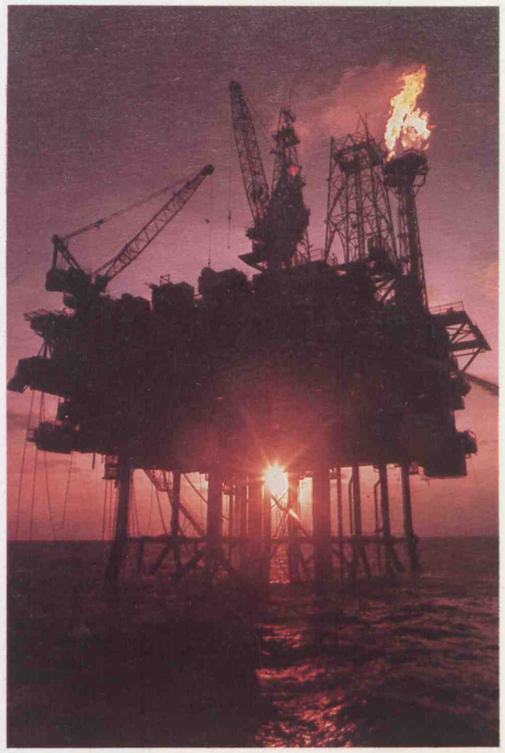
Over 336 million tonnes of cargo pass through the ports of Britain in a year and there are frequent and regular sailings to all parts of the world, in particular to and from the continent of Europe. Roll-on/roll-off facilities are available from many of these ports including Felixstowe, Dover, London, Southampton and Hull (see map on page 14).

Telecommunications

Britain's national and international telephone, telex, telegraph and data-transmission services are all highly developed. Virtually all inland telephone calls can be dialled direct, as can international calls from the majority of the United Kingdom's major cities to 73 countries overseas, including most of Western Europe. The national telex system is completely automatic, and over 98% of all international telex calls are dialled direct. A variety of sophisticated data-transmission services are already available.



Energy resources



For any businessman, availability of energy supplies must always be an important consideration.

The United Kingdom is fortunate in having a broadly based four-fuel economy, which is able to draw increasingly on indigenous resources.

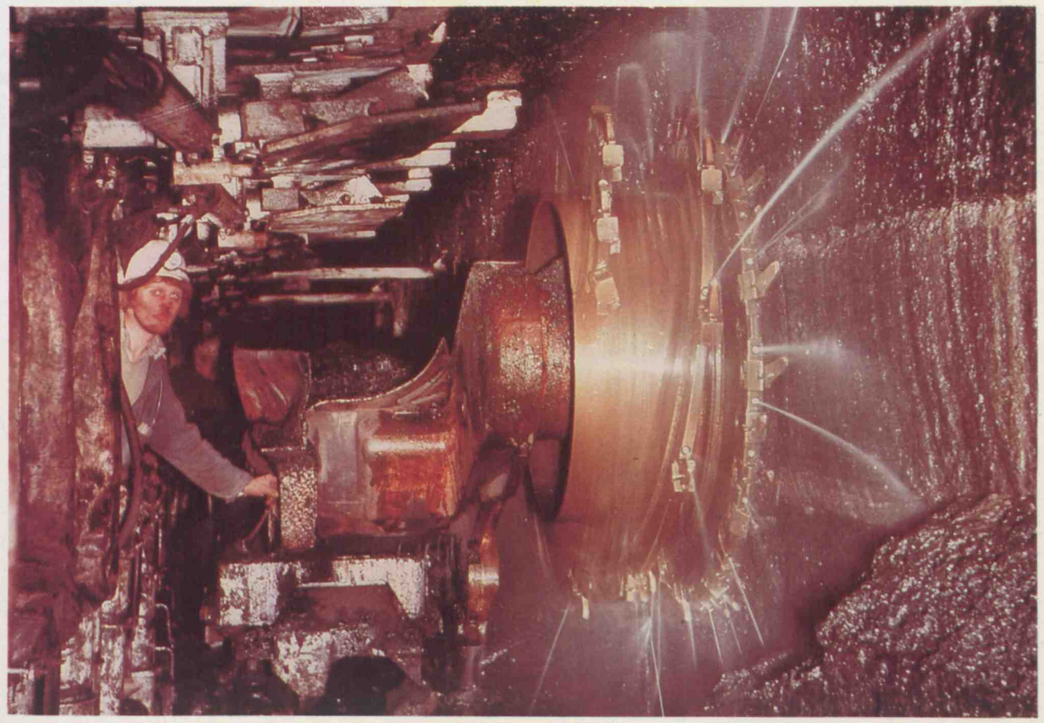
Oil

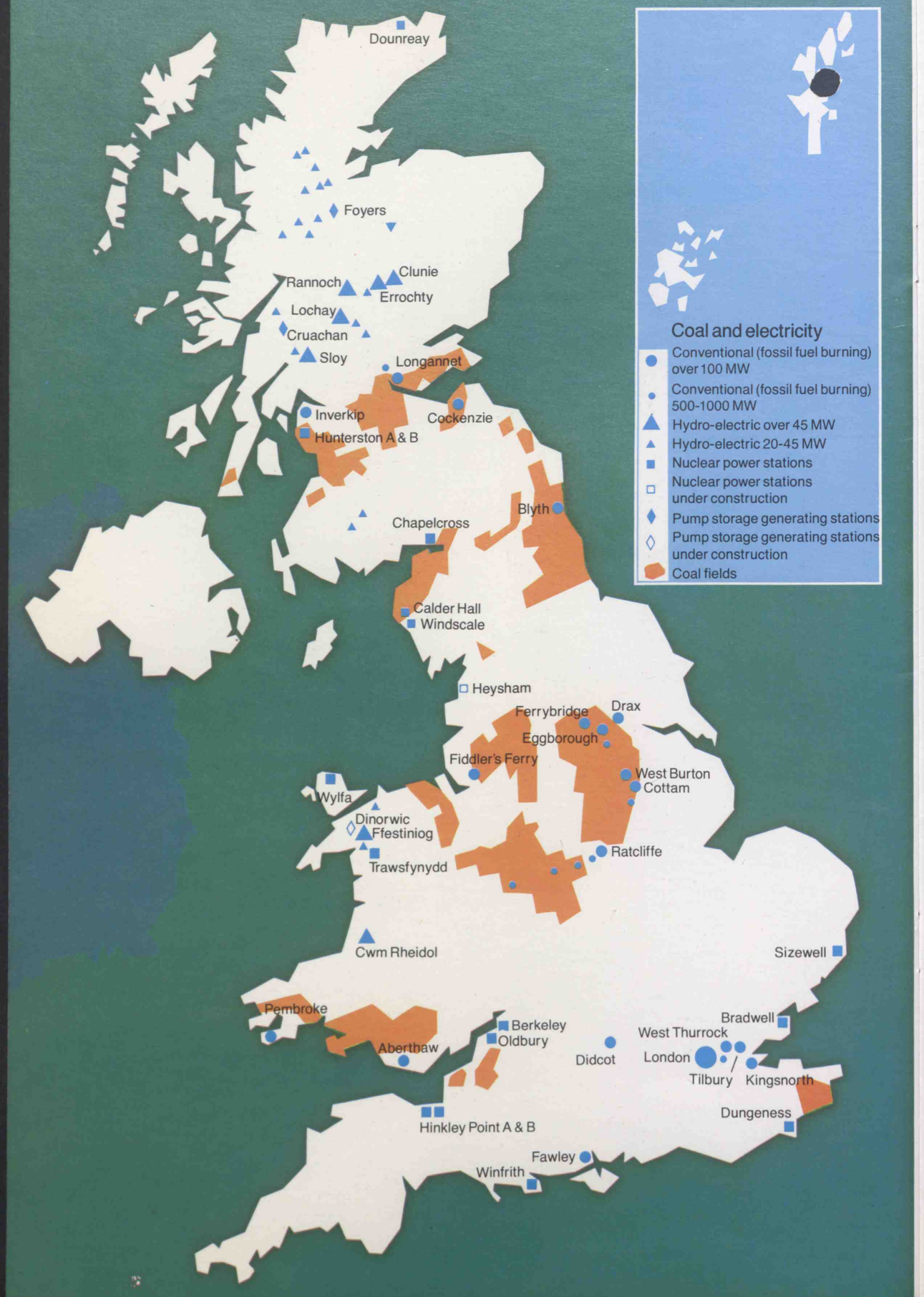
During 1980, the United Kingdom will achieve net self-sufficiency in oil. On the basis of current forecasts of the levels of exploration and drilling it is expected that enough oil will be discovered to at least maintain the current rate of oil production throughout the 1980s.

Coal

Britain has the biggest and only expanding coal output in Western Europe, with enough recoverable reserves to last for 300 years at current rates of extraction.

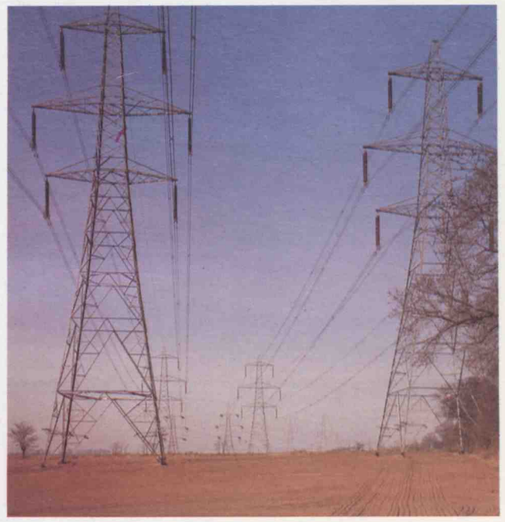
The National Coal Board's 10-year investment programme aims to modernise the industry and expand it to increase production by the late 1980s. There are further plans to increase output again by the year 2000.





Gas

There are substantial reserves of gas and it is hoped that more is yet to be discovered. As a precaution against the time when supplies of North Sea gas begin to dwindle – early next century – the British Gas Corporation has developed processes for converting coal to a gas compatible with natural gas.



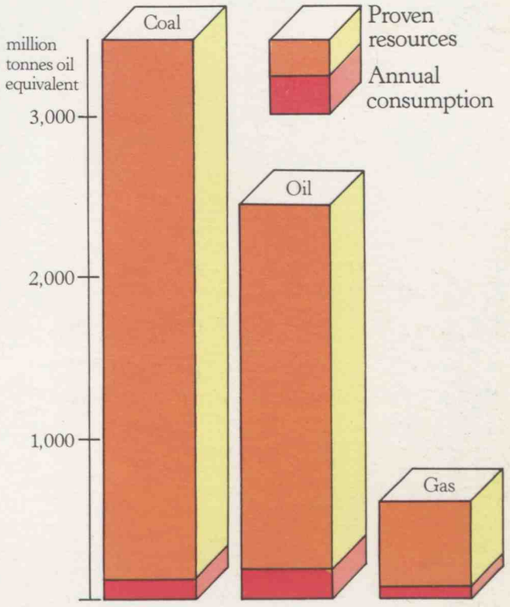
Nuclear

Nuclear power stations already provide some 12% of Britain's public electricity supplies. By the early 1980s, when the three advanced gas-cooled reactors (AGRs) now under construction are completed, this figure will increase to around 20%. In addition, work has begun on two more AGRs; and a new programme of nuclear power stations covering the decade from 1982 was announced in December 1979.



Alternative energy sources

Conscious of the need to plan for alternative sources of energy to fall back on as North Sea oil reserves become depleted, the Government launched programmes in 1976 for the development of alternative energy sources – wind power, wave power, solar energy, tidal power and geothermal energy. These programmes, expanded in 1978, have already made substantial progress. It is too early to say what contribution these alternative sources will make to Britain's future energy supplies, but they could begin to make a useful contribution from the beginning of the next century.



Energy costs

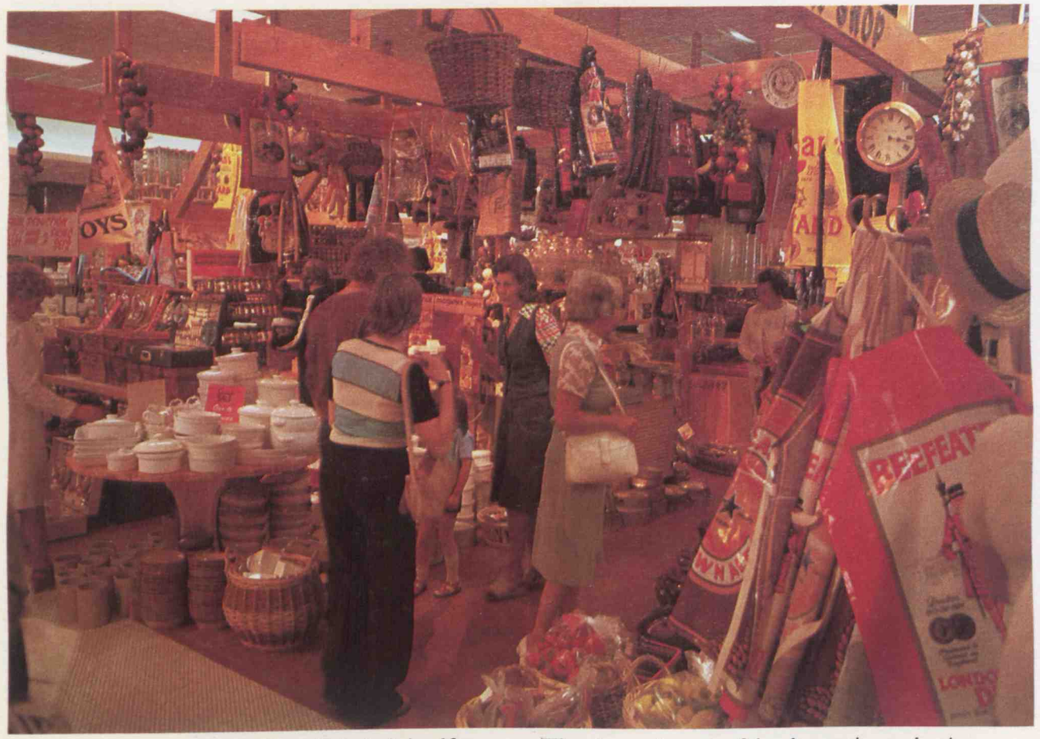
These vary depending in particular on the quantities supplied but are comparable with those throughout Europe. For example electricity costs are approximately £0.03 per kilowatt hour, gas £0.09 per cubic metre to industrial users (at 1979 prices).

Water resources

Water resources throughout the country are normally ample for all domestic and industrial requirements.

Most industrial users are charged for their water supply according to actual metered consumption and charges vary from region to region, ranging between £0.50 and £0.90 per 1,000 gallons (1980 prices).

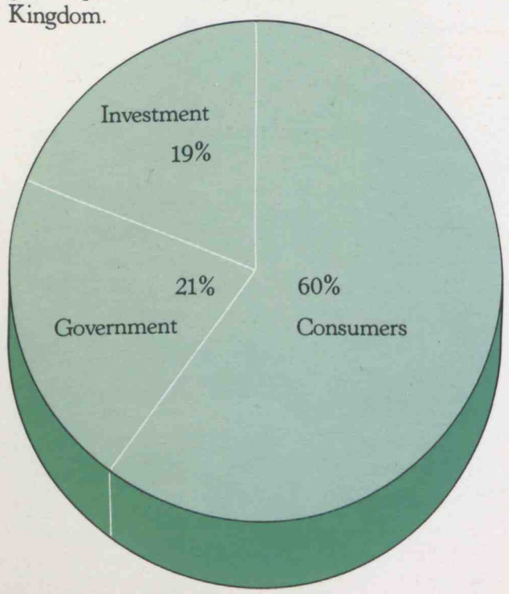
The domestic market



With a population of 56 million, Britain is itself a large, sophisticated market. However, the country lives by exporting, and throughout the centuries it has built up trade links which give it access to immense world-wide markets. Britain therefore offers industrial investors two great advantages: a large ready-made domestic market 'on the doorstep'; and entry into a huge, well-established export market. The trade opportunities are enormous and inviting.



The size and range of the domestic market is illustrated by the diagram below which shows the general pattern of expenditure in the United Kingdom.



Domestic expenditure in the United Kingdom in 1978 £159,250 million

The export market

Consumer expenditure

About 23% of Britain's population are under 15, 63% are between 15 and 65, and 14% are 65 and over. Just over half the population is female.

Total consumer expenditure in the United Kingdom in 1978 was £96,100 million, of which £29,400 million was spent on food, drink and tobacco, £18,500 million on housing, fuel and light, £16,200 million on clothing and durable goods and £16,700 million on other services.

To give some indication of the sophistication of the United Kingdom market, 96% of households have television, 57.2% a car, 56.8% a telephone, 50.8% central heating, 36% a deep freeze and 74.6% a washing machine.

Government expenditure

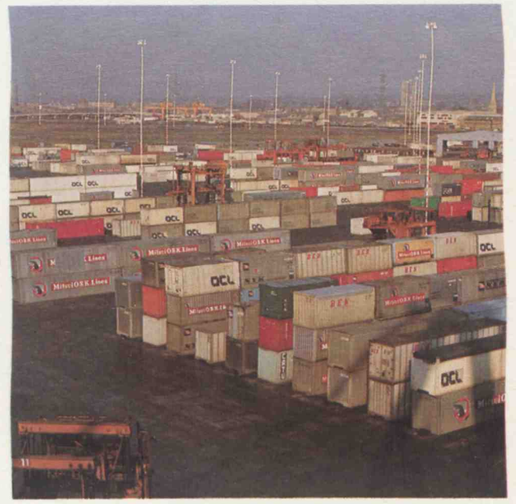
Government expenditure on goods and services in 1978 was some £32,700 million over a wide field including education, health and defence.



Investment

Capital expenditure in manufacturing industry in 1978 was £5,800 million; that in agriculture, petroleum and gas, mining and quarrying and public services etc. was £16,200 million. The value of the physical increase in stocks and work in progress amounted to about £1,250 million.

Britain, with only 1.4% of the world's population, is the fifth largest trading nation in the world. The export markets open to companies setting up in Britain are vast and varied.



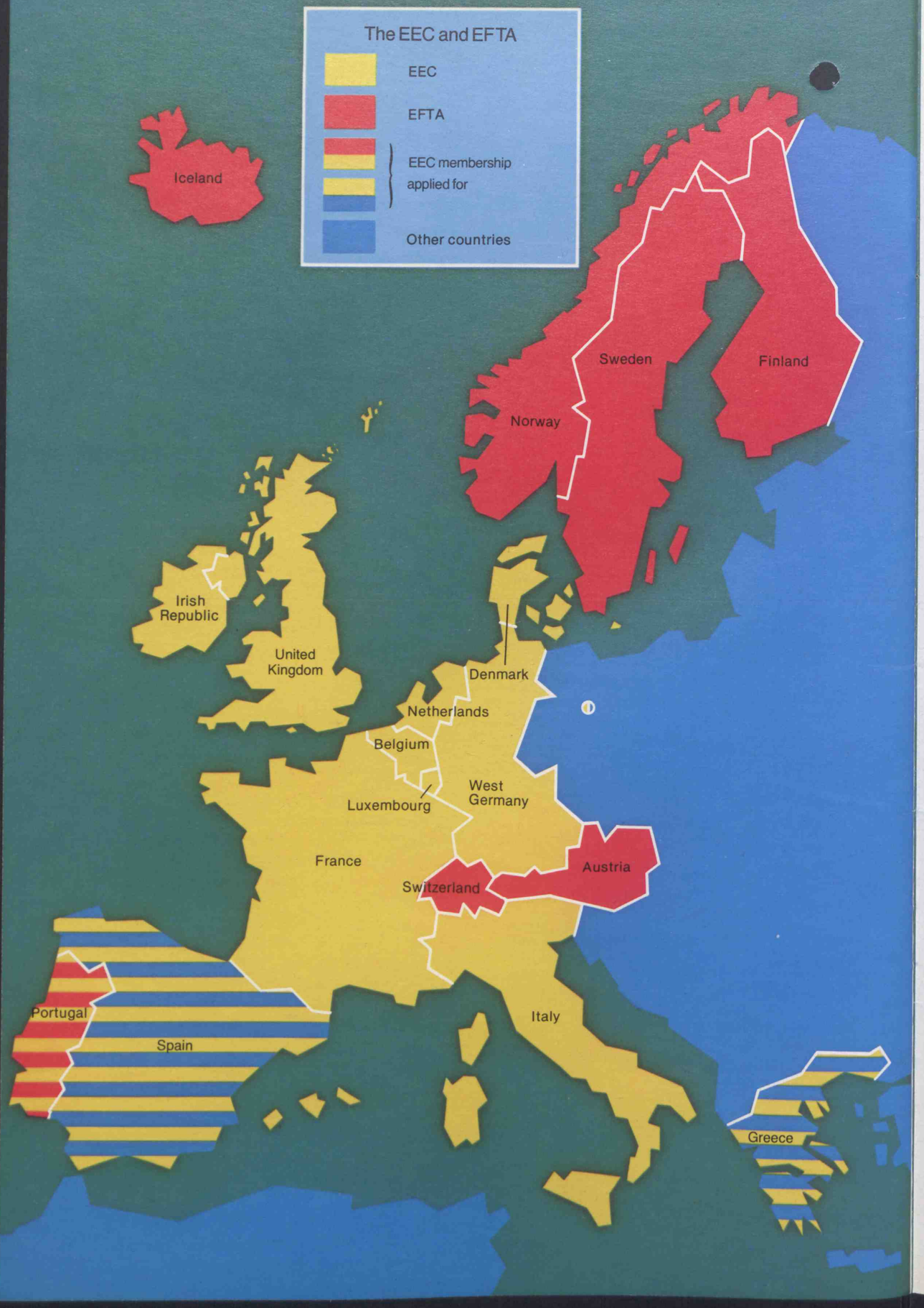
The European Economic Community (EEC) and European Free Trade Association (EFTA)

As a member of the EEC, Britain is a springboard to the largest tariff-free market in the world – with more than a third share of world trade. The EEC[1] contains some of the most advanced industrialised nations in the world, with very high living standards and correspondingly high consumer and industrial demand. The EEC and the member countries of EFTA[2] have dismantled virtually all industrial tariff barriers between them. EFTA and the EEC together form what is virtually a free-trade area of nearly 300 million people and this is the opportunity offered to companies entering Britain for the first time.

The Commonwealth

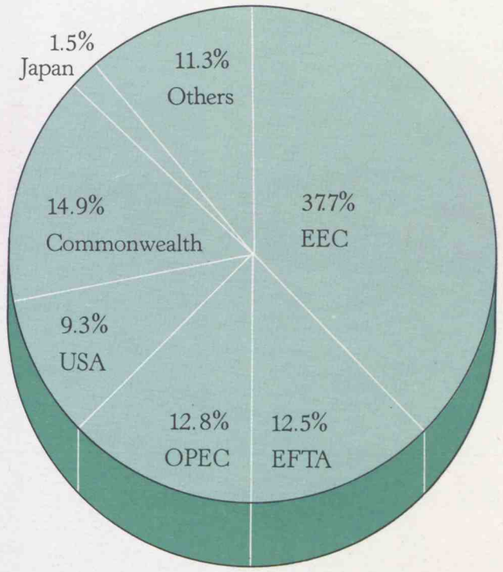
Britain is a member of the Commonwealth, and has well-established historical trade links with its 41 fellow members. Foreign-owned firms are therefore well-placed to take advantage of the developing Commonwealth market of about 900 million people.

[1] Belgium, Britain, Denmark, the Irish Republic, France, West Germany, Italy, Luxembourg and the Netherlands.
[2] Austria, Finland (associate member), Iceland, Norway, Portugal, Sweden and Switzerland (including Liechtenstein).



Distribution of trade

Britain's exports in 1978 totalled £37,363 million distributed as illustrated.



Export Credits Guarantee Department (ECGD)

The ECGD serves British exporters of goods and services in two main ways:

by insuring them against the risk of not being paid by their overseas customers – whether through default or other causes;

by giving guarantees to banks under which exporters can obtain finance for their export transactions, often at favourable rates of interest.



United Kingdom taxation

The overall tax burden on companies in the United Kingdom is amongst the lowest in Europe.

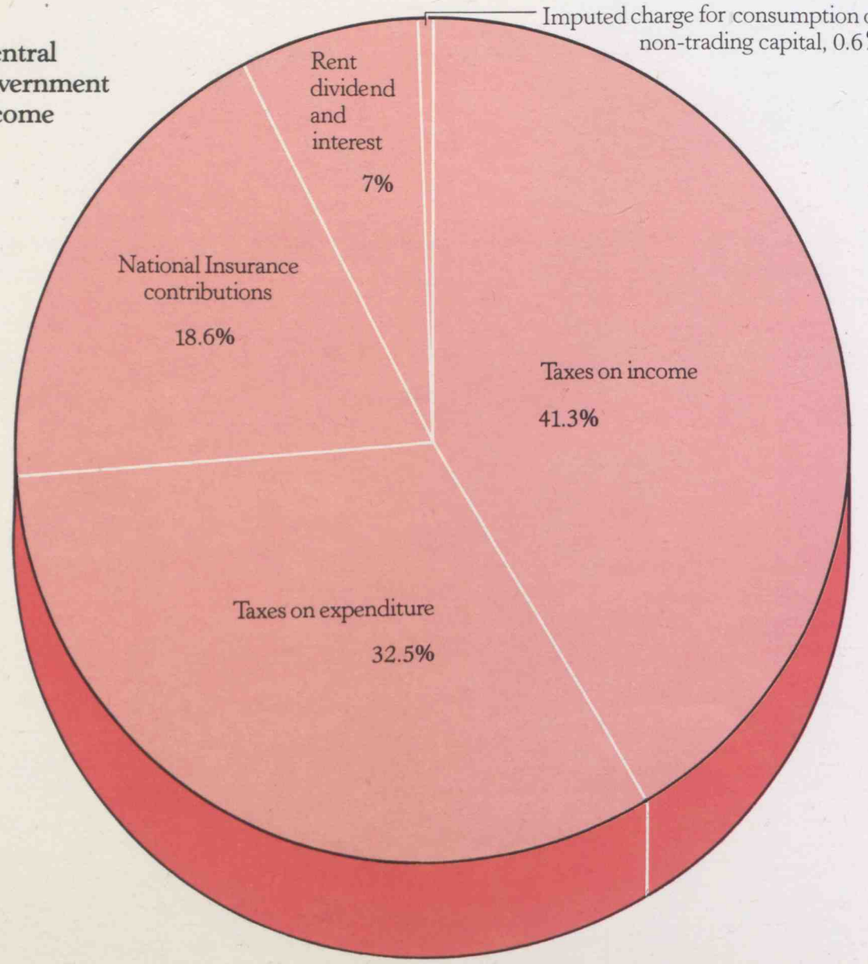
Corporation tax, the main tax on companies, accounts for only about 7% of total government receipts. The bulk of the Government's revenue (in the region of 70%) is raised by personal taxes on income, in particular income tax, and on expenditure, of which the main ones are Value Added Tax (VAT) and customs and excise duties. National Insurance contributions, which are met by both employers and employees, account for most of the remainder.

Corporation tax
Foreign-owned companies, controlled and managed in Britain (i.e. 'resident' companies) are taxed on all their profits, even if they arise abroad and even if they are not remitted to Britain. Non-resident companies (i.e.companies controlled and managed abroad) carrying on a business in Britain through a permanent establishment here are taxed only on the profits of the United Kingdom subsidiary or branch.

The rate of corporation tax is fixed retrospectively in the annual budget presented to Parliament following the end of the financial year concerned. It is currently levied at a uniform rate of 52%.

Small companies with profits of less than £130,000 pay a reduced rate of corporation tax on their income. Investing companies can qualify for a number of allowances which reduce the level of tax even further and overall mean that a company may pay little or no corporation tax in the early years of its operations or subsequently when profits are ploughed back.

Central government income



Tax incentives to investment

Capital allowances
Investment in plant and machinery (except ordinary motor cars) can be wholly written off for tax purposes against taxable profits in the year in which the expenditure is incurred. From March 1980 for three years, the construction or improvement of small industrial buildings providing 2,500 sq ft (250 sq m) or less working space will be treated in the same way.

Capital expenditure incurred on the construction of larger industrial buildings can be written off at the rate of 54% in the first year and 4% a year thereafter.

Capital expenditure on scientific research related to a company's trade, including expenditure on buildings for use for scientific research, can be wholly written off against tax in the first year.

If at first taxable profits are insufficient to absorb these allowances the excess can be carried forward and set against future profits without time limit.

This system of accelerated depreciation means that companies with a continuing investment programme, after deduction of capital allowances and stock relief, often have no taxable profits at all.

Stock relief
A major expense for many companies is the cost of building up stocks (inventories) when expanding and maintaining stocks in a time of inflation.

The Government has recognised this and allows companies to deduct from their tax bill much of the increase in the value of their stocks. This deduction is called stock relief. The relief can be retained permanently unless stock values fall; then an amount equal to the fall in value would be taxed. The scheme works in such a way that, for all practical purposes, a growing business can expect to retain the relief permanently.

The United Kingdom system of stock relief provides a major boost to business liquidity and encouragement to trading growth. It is more generous, for the majority of companies, than the equivalent relief available in other West European countries.

Income tax

From 6 April 1979 the basic rate of income tax (which applies to the first £10,000 of taxable earned income) was reduced to 30% and the highest rate of tax for earned income was reduced to 60%. The Government have announced their intention of reducing the basic rate of tax still further as quickly as circumstances permit.

The position of a foreign employee working in the United Kingdom for an overseas concern compares favourably with his position in most other advanced countries.

A foreign national working in the United Kingdom for an employer who is not resident in the United Kingdom will generally pay income tax on only half of his earnings from duties performed in the United Kingdom.

In the countries listed below a foreigner, married with two children and working for a non-resident concern, would pay the following percentage of his income in tax:

On gross employment income of	£40,000	£20,000
	%	%
Britain (i) for first 9 years of residence (50% basis)	17	12
(ii) after 9 years of residence (75% basis)	31	21
USA (New York City)	44	31
West Germany	38	26
Netherlands (i) for first 5 years of residence	29	18
(ii) after 5 years of residence	53	37
France	23	15
Sweden	73	60
Denmark	56	47

He is in addition entitled to all the normal United Kingdom tax reliefs and allowances, and also to relief for continuing commitments in his home country – for example, alimony and interest payments on a loan to purchase a residence outside the United Kingdom, where these have to be met out of income liable to United Kingdom tax.

His income from investments abroad is taxable only if it is remitted to the United Kingdom.

A foreign national living and working in the United Kingdom for an employer who is resident in the United Kingdom is liable to tax at the normal rates on all his income for duties performed in the United Kingdom.

Double taxation agreements

Double taxation occurs when the same personal or company income is taxed in two countries. To prevent, or at any rate reduce, double taxation the United Kingdom has made double taxation agreements with many foreign countries under which each country agrees to give up, or reduce, its tax in certain circumstances. In addition, relief from United Kingdom tax may be given unilaterally in respect of foreign taxes, even where it is not due under an agreement.

Value Added Tax

The United Kingdom operates Value Added Tax (VAT) in common with other members of the European Economic Community.

The single rate of 15% is applied to most goods and services supplied by registered taxable persons, who are generally those whose turnover of taxable supplies exceeds £13,500 a year. No VAT is charged on food, books, newspapers, power, new buildings, young children's clothing and footwear and passenger transport, which are zero-rated; nor is it charged on certain exempt services – for example, the sale of land, insurance and postal services. No VAT is charged on exported goods or on most services performed overseas.

As VAT is intended to be a tax borne by the final consumer, registered persons may reclaim the VAT they pay on supplies received by them, including imports, provided they are for use in their business or are goods for resale.

Customs duties

Under the Common Customs Tariff of the European Communities, customs duties are charged on a wide range of basic and processed agricultural products, raw materials and manufactured goods imported into the United Kingdom from non-EEC sources. These duties, which vary widely in rate, are collected for the Community, not the national exchequer.

Goods on which duty has been paid on entry into a member state of the Community are free to circulate thereafter within the Community without further payment of customs duty.

Schemes which afford free or preferential tariff treatment to a wide range of goods are available in respect of goods manufactured in and exported from Community member states on importation into countries outside the Community (such as members of EFTA) with whom the Community has concluded preferential arrangements.

Bonded warehouses

The bonded warehouse system may be used by importers of goods liable to customs and excise duties to postpone payment of duty until the goods are taken for United Kingdom use. Duty is not charged if the goods are re-exported from bonded warehouse.

Regional investment incentives



The areas known as Areas for Expansion, where new projects are particularly welcomed and where the incentives are the highest and most freely available, comprise the whole of Northern Ireland and those parts of Britain designated as Special Development Areas, Development Areas and Intermediate Areas. For details of their location see the maps on pages 28 and 30. The maps show the boundaries of these areas as they will be from August 1980 and from August 1982. Although there will be some reduction in the size of the Areas for Expansion in Britain the Special Development Areas, where the incentives are highest, are little affected. Northern Ireland is in a category of its own, with a scheme of assistance generally more generous than anywhere else in the United Kingdom.

England, Scotland and Wales

The principal incentives available are:

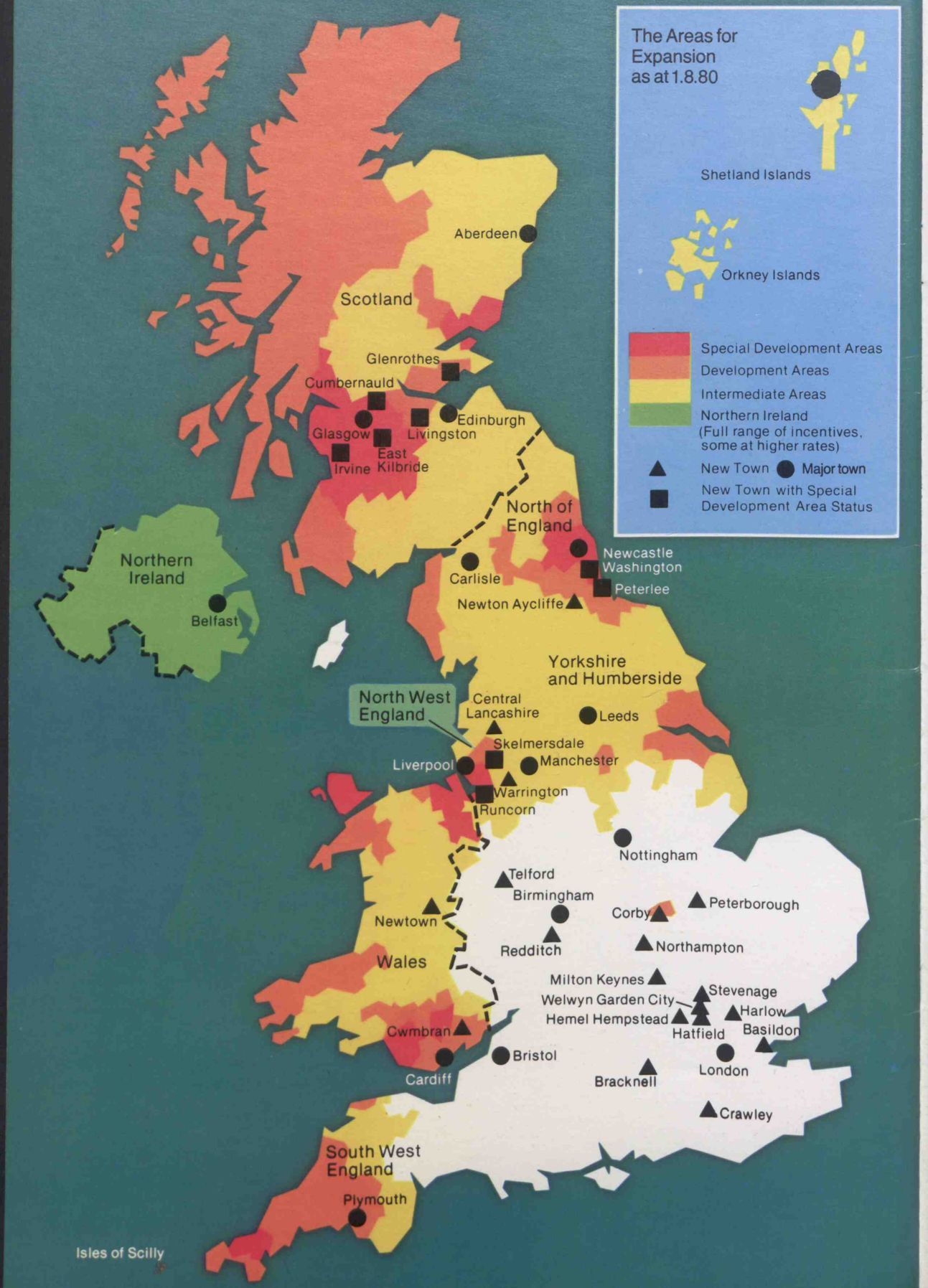
Regional Development Grants
These grants are automatically available in the Special Development Areas and Development Areas for capital expenditure on buildings, plant and machinery for manufacturing industry and related scientific research. They are non-taxable and do not reduce the costs of the assets concerned when calculating depreciation for United Kingdom tax purposes. Grants may be paid to the purchaser of the asset (including a hire purchaser) or, in the case of hired assets, to the owner. They are claimed as the expenditure is made and paid four months after the claim has been approved.

The rates are 22% in Special Development Areas and 15% in Development Areas. (Regional Developments Grants are not available in the Intermediate Areas.)

Regional Selective Assistance
Further selective grants may be available where necessary to encourage projects to go ahead in the Special Development, Development and Intermediate Areas which strengthen the regional and national economy by increasing net output, providing more productive and secure jobs or introducing new technology. Internationally mobile projects in particular are likely to benefit from the scheme. There are no set rates of assistance. The package will be tailored individually according to the nature of each project.

This assistance can supplement the Regional Development Grants available in the Special Development and Development Areas.

Offices and Service Industries Scheme
Service projects, including administrative offices and research and development laboratories, may qualify for a grant if they move into an Area for Expansion in order to serve the United Kingdom as a whole. The amount of the grant depends upon the type and number of jobs created and the area in which the project is located. Maximum grants are £6,000 per job created in a Special Development Area, £4,000 in a Development Area and £2,000 in an Intermediate Area. Regional Development Grants are not normally available in addition to the offices and service incentive assistance.



Government factories
In the Areas for Expansion, government factories built in advance of demand are normally available for occupation.



They are of standardised construction, and range in size from 10,000 to 25,000 sq ft (930–2,300 sq m) and are on sites which allow for expansion. Smaller units ranging in size from 1,000 to 5,000 sq ft (100–465 sq m) are available in some areas.

The day-to-day management of government factories is – according to location – the responsibility of the English Industrial Estates Corporation, the Scottish Development Agency, the Welsh Development Agency or the Northern Ireland Department of Commerce.

The factories may be rented or purchased. Rents are assessed at current local market values and reviewed every five years. In certain cases rent-free periods of several years may be available.

Ninety-nine-year leases and sites can be purchased for a capital sum, repayable at a fixed rate of interest over a period of up to 15 years and with a ground rent at current market value.

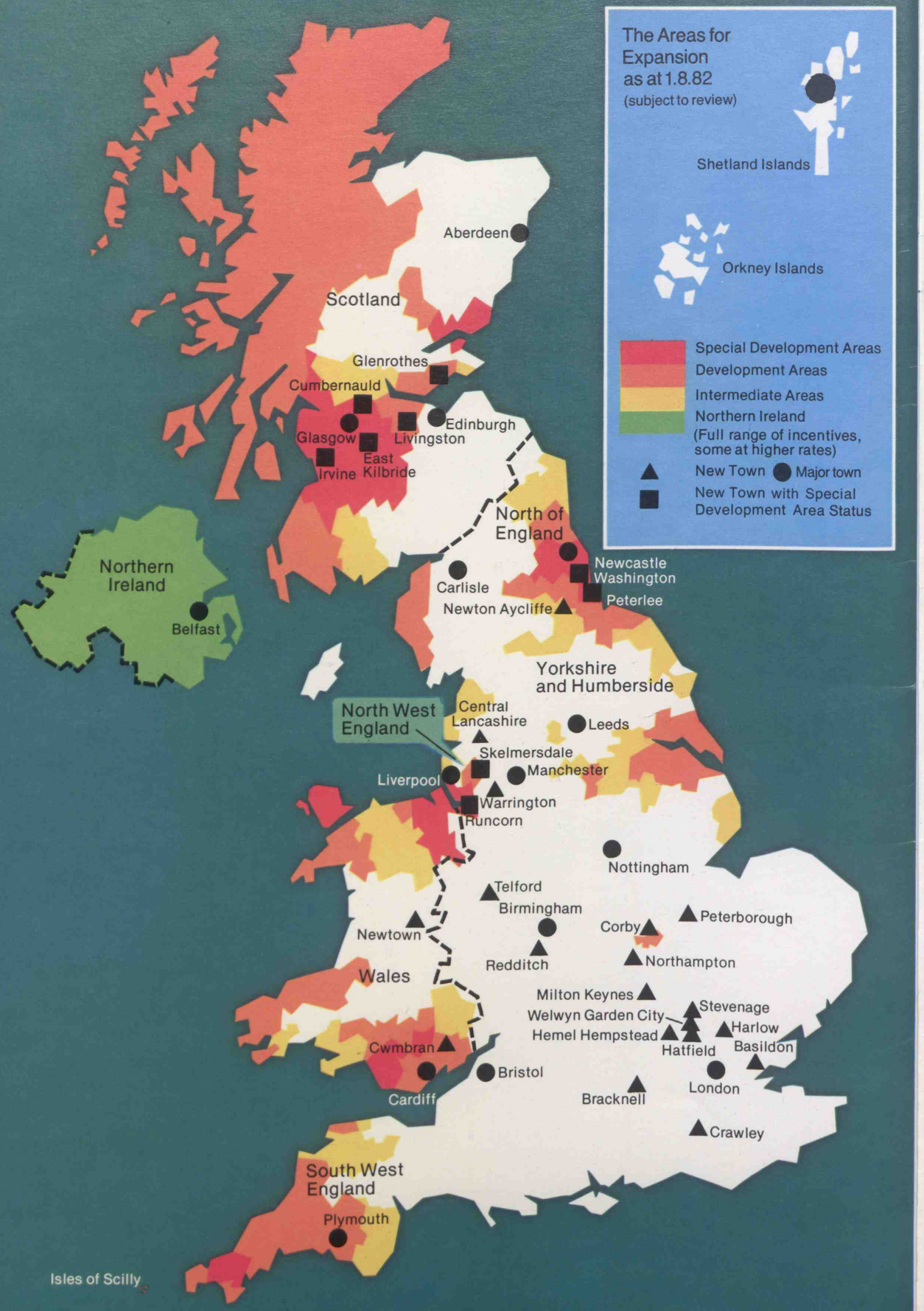
As well as the Government, many of the New Town development corporations and other local authorities are engaged in advance factory construction.

Tourism developments
Assistance is available for projects such as hotels, restaurants and leisure facilities in the Areas for Expansion.

Northern Ireland

The highest levels of financial assistance are available in Northern Ireland, where the range of incentives available differs in certain respects from those available in the remainder of the United Kingdom. The principal features are grants of up to 50%, according to location, for approved projects and government factories with rent-free periods. Other incentives include up to 100% of removal costs, free training at government training centres or grants of up to £30 a week per adult for training on employers' premises. Removal and settling-in grants are also available for key workers from outside Northern Ireland.





Finance from the European Community

There are two main sources of finance from the institutions of the European Community:

European Investment Bank (EIB)
Loans of up to 50% of the fixed asset costs of projects may be available on favourable terms in the Areas for Expansion and also for projects which increase energy supplies or improve communications within the European Economic Community (EEC).

European Coal and Steel Community (ECSC)
Loans are available at favourable rates for coal and steel industry investment projects, and also for projects which create new employment in areas affected by the decline of coal and steel industries.

Exchange Risk Guarantee Scheme
To protect borrowers against the exchange risks on loans made by the EIB and ECSC (which are made in a mixture of currencies and repaid in the same currencies), the Government will, for certain projects, carry the foreign exchange risks in return for an annual premium on the outstanding value of the loan.

The premium rate to borrowers in Development Areas and Intermediate Areas is 2%, and 1% to borrowers in Special Development Areas and steel and shipbuilding closure areas.

Grants also available outside the Areas for Expansion

Selective financial assistance
The Government will provide assistance to ensure that particularly worthwhile projects, or those producing very substantial improvements in performance or introducing new products, go ahead anywhere in the United Kingdom. It will have to be demonstrated that projects receiving support will produce a substantial net contribution to United Kingdom output or introduce a significant innovation.

Microelectronics
The Government has a particular programme to encourage the development of microelectronics industries in the United Kingdom. This involves assistance to encourage manufacturers of microelectronic components, increasing the availability of skilled electronics engineers and technicians, and a campaign to increase industry's awareness of the applications of microelectronics.

There is in addition a scheme to assist with the costs of developing and marketing software products or packages.



Setting up in Britain

Setting up in Britain is straightforward for overseas companies. There is no discrimination against them and only a limited number of procedures to follow.

Financing an investment
The Government has demonstrated its welcome to overseas investment by completely abolishing the exchange controls which had existed for 40 years. There are now no restrictions on the movement of capital into or out of the United Kingdom.

Borrowing in Britain
No limitations are imposed on borrowing by foreign-owned manufacturing companies in Britain for their United Kingdom businesses, but certain conditions have to be complied with if the borrowing involves the issue of securities of more than £3m.

Forming a company
Overseas companies setting up a business in Britain normally do so either by forming a private (i.e. limited) company, or by establishing a branch office. Prospective investors should obtain competent professional advice on how their needs can best be met.



Private companies have to lodge certain documents with the Registrar of Companies, including a memorandum of association which provides the constitution of the company and establishes the legal framework within which the company is to act, and articles of association which define how the company is to be run internally.

If the name proposed for the new company is not acceptable to the Registrar, he has the right to reject it. It is advisable therefore to check first.

The procedures for opening a branch office are quicker and simpler, and therefore attractive to foreign companies. A solicitor should be consulted, however, to ensure compliance with the law. Certain documents must be filed with the Registrar of Companies, including a certified copy and a certified English translation of the company's constitutional documents, a list of the directors and secretary of the company, and the names of one or more people resident in the United Kingdom who are authorised to accept legal notices on behalf of the company.

The Registrar of Companies must also be satisfied that the company's name is not undesirable.

Planning procedures
Companies setting up factories in the United Kingdom must comply with planning procedures designed to ensure that their proposals meet local authority and other requirements. These procedures are straightforward. If difficulties arise, the Invest in Britain Bureau, may, in special cases, be able to help.

Industrial Development Certificates
Outside the Areas for Expansion (see maps on pages 28 and 30), new developments with floorspace larger than 50,000 sq ft (4,650 sq m) require Industrial Development Certificates (IDCs) to support any application to a local authority for planning permission. These IDCs are granted by the Department of Industry if a convincing case for location outside the Areas for Expansion can be made. Smaller projects have a completely free choice of location throughout the United Kingdom.

If you require any further information on any aspect covered in this brochure please contact:

Invest in Britain Bureau
Department of Industry
Kingsgate House
66-74 Victoria Street
London SW1E 6SJ

Telephone 01-212 6251
Telex 8813148 DIHQ G

or your nearest British Embassy,
High Commission
or Consulate General.

Prepared by the Department of Industry and the Central Office of Information, 1980. Pro 13901.
Printed in England for Her Majesty's Stationery Office by Maybank Press Ltd, London Dd 8203975



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU.

MANAGEMENT - IN CONFIDENCE

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON
SW1H 0ET

17 July 1986

NBPP.

Dear Paul,

REVIEW OF INVESTMENT PROMOTION

Thank you for copying to me your letter of 7 July to Nigel Lawson about the review aimed at possible improvements to the co-ordination of inward investment promotion within the existing framework. I am very happy to endorse your approach. I assume that my officials too will be consulted about the drafting of the report.

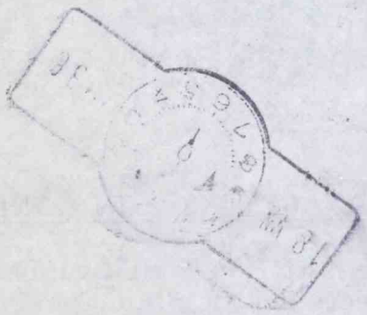
I am copying this letter to the Prime Minister, Geoffrey Howe, members of E(A) and Sir Robert Armstrong.

Yours ever,

MALCOLM RIFKIND

HMP19838

TRADE : Inward Investment Feb 81



MANAGEMENT IN CONFIDENCE

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5422
GTN 215) .....
(Switchboard) 01-215 7877

JU749
Secretary of State for Trade and Industry

7 July 1986

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1P 3AG

Prime Minister

To be aware that a review of the arrangements for co-ordinating the promotion of inward investment is getting under way.

18/7

Dear Nigel,

NBPN.

REVIEW OF INVESTMENT PROMOTION

Norman Tebbit minuted the Prime Minister on 29 March 1985 on the outcome of the last review by officials. This looked at the possibility of developing an integrated UK promotional organisation and preventing unco-ordinated activity by English local authorities and new towns. He concluded that the wide differences of opinion held by colleagues and their officials meant that further work directed at these objectives would be a waste of Ministers' and officials' time. Instead he recommended that, with a view to seeking improved arrangements, E(A) should carry out a review in July 1986 following the "Britain Means Business" campaign and with the benefit of an assessment of the situation in the United States by the Foreign and Commonwealth Office.

There seems to be a general consensus that this is not the time for another fundamental review of the structure of inward investment promotion. My remit is, in essence to conduct a review of how current arrangements are working and to report on the outcome of the "Britain Means Business" campaign. I feel that the most appropriate way of doing this would be for me to send a report under cover of a letter to the Prime Minister.

Work is in hand on this, but it is important that the assessments should be thorough and comprehensive. I propose therefore that some extra time be allowed. My officials will of course consult

1786 1986 BOARD OF TRADE BICENTENARY

yours over the content of my letter and report to the Prime Minister. I intend that all the necessary consultation should be carried out by correspondence and be completed in time for me to write in early Autumn. I propose the following terms of reference for this work:

> "To review the operation of the current arrangements for the co-ordination of inward investment promotion and to recommend improvements within the existing organisational framework. This should be done with the benefit of an assessment of the "Britain Means Business" campaign by the Invest in Britain Bureau and of the activities of promotional bodies in the USA by the Foreign and Commonwealth Office."

I should be grateful for your agreement whereupon my officials (with those of the Foreign and Commonwealth Office) will take the lead in drafting the report.

I am copying this letter to the Prime Minister, Geoffrey Howe, E(A) colleagues, and Sir Robert Armstrong.

Yours ever, Paul

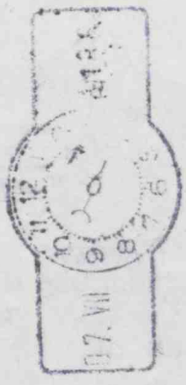
PAUL CHANNON

1786 1986 BOARD OF TRADE BICENTENARY

999-49

Inward Investment: TRADE

Feb 81.



NDPM AT 25/4 EAD

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

PRIME MINISTER

25 April 1985

REVIEW OF INWARD INVESTMENT PROMOTION

Norman Tebbit kindly sent me a copy of his minute of 29 March.

I very much agree with the substantive conclusion which he reached, namely that we leave matters as they are, while continuing to look for further improvements in the existing arrangements. I do not entirely share Norman's criticisms of the present arrangements but to the extent that there is duplication and waste to be eliminated it seems to me perfectly possible to make progress within the existing structure and, for example, efforts to improve existing coordination are in hand. My opposition to possible more fundamental changes which have been considered is not one of principle; it is simply that none seemed likely to offer a basis for improving on the excellent performance of Locate in Scotland, of which I know you are personally well aware.

I note Norman's comments about the Scottish American Venture Enterprise (SAVE) initiative. This seeks to harness in one fund some of the private sector funds currently being invested in the United States and is, I should emphasise, to be 100% privately-funded. I myself tend to regard this as complementary to our public sector promotional efforts and in no sense a potentially unsatisfactory development.

I am copying this minute to E(A) colleagues, Malcolm Rifkind and Sir Robert Armstrong.

G.Y.

G.Y.

Trade: Inward Investment: Feb 81

23 APR 1985

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

4 April 1985

The Prime Minister has seen your Secretary of State's minute of 29 March following his review of inward investment promotion. She has agreed that matters should be left as they are at present subject to periodic review by E(A) of arrangements for inward investment promotion. In addition she has noted Lord Young's review of tourism and leisure will be considering how Britain can be better promoted.

I am copying this letter to Private Secretaries to members of E(A), Anthony Cary (Mr Rifkind's office, Foreign and Commonwealth Office) and to Richard Hatfield (Cabinet Office).

(Timothy Flesher)

Andrew Lansley, Esq.,
Department of Trade and Industry.

CONFIDENTIAL

Prime Minister

Mr Tebbit (minute attached) concludes that Welsh demands for more money and Scottish independence rules out a unified UK operation for inward investment. Agree to proceed as proposed by John Redwood?

3/4

2 April 1985

PRIME MINISTER

REVIEW OF INWARD INVESTMENT PROMOTION

I am sure Norman is right that it is too difficult grouping the Scots and the Welsh together in a common purpose on inward investment.

David Young is looking at how we can promote Britain better, and I suggest we leave it to him to come up with proposals.

JOHN REDWOOD

CONFIDENTIAL

PRIME MINISTER

REVIEW OF INWARD INVESTMENT PROMOTION

On 31 July 1984 I was invited by E(A) to arrange for officials to examine:

i) whether it would be possible within existing resources to develop an integrated UK promotional organisation; and

ii) whether it would be possible to prevent uncontrolled and unco-ordinated promotional activity by English local authorities and new towns, and in the light of that work, to bring forward further proposals.

2 This invitation followed a discussion in which E(A) had agreed that the most promising basis for further work seemed to be that suggested in a minute of 27 July from the Secretary of State for Wales: an integrated operation covering the whole of the United Kingdom and offering a "one-stop" service to prospective investors.

3 Attached to this minute is a paper by an Interdepartmental Group of Officials which covers the two matters they were asked to examine. The conclusions of this paper offer no prospect of making progress in the direction which had seemed to E(A) to be the most promising.

4 I find it unsatisfactory that we cannot find a way to establish a more efficient and cost-effective promotional organisation which would eliminate duplication and waste;

JH3BOA

999-49

the more so at a time when we are facing increasing competition for desirable inward investment projects from France, Germany, Spain and Portugal.

5 However, the Scottish Office are unwilling to contemplate any organisational change which would affect the existing home and overseas arrangements for promoting inward investment into Scotland, and therefore do not want to be part of a UK body. The Welsh Office have made it clear that for it to be politically acceptable for the distinctive Welsh promotional effort to be subsumed in a UK promotional body there would need to be substantially increased resources for it, which the Treasury will not accept. And it would be difficult to subsume the Northern Irish within a UK body, given their tradition of devolved powers. Furthermore, all the territorial Departments are worried that a UK body would inevitably be to the advantage of the South-East of England and they would want a UK body to be given specific directives to support regional policy.

6 I have therefore concluded that for me to put forward further proposals now could only result in further waste of Ministers' and officials' time.

7 I recommend, therefore, that we leave matters as they are, while recognising that they are unsatisfactory and that they may become more so as further new territorial initiatives are developed such as the Scottish American Venture Enterprise (SAVE) initiative of the Scottish Development Agency, one objective of which is to bring to Scotland young US technology-based companies using investment funds which they hope to raise largely in the City of London.

8 Because we need to continue to look for improved

arrangements, I further recommend that inward investment promotion should be reviewed periodically by E(A) and that the next review should be carried out in July 1986, following the 'Britain Means Business' campaign and with the benefit of an assessment of the situation in the United States by the Foreign and Commonwealth Office, updating their assessment for E(A) last July.

9 I am copying this minute to E(A) colleagues, Malcolm Rifkind and Sir Robert Armstrong.

N T
29 March 1985

Department of Trade and Industry

JH3BOA

999-49

REVIEW OF INWARD INVESTMENT PROMOTION

REPORT BY INTERDEPARTMENTAL GROUP OF OFFICIALS

BACKGROUND

On 31 July 1984, E(A) invited the Secretary of State for Trade and Industry to arrange for officials to examine:

i whether it would be possible within existing resources to develop an integrated UK promotional organisation on the lines suggested at the E(A) meeting by the Secretary of State for Wales, and

ii whether it would be possible to prevent uncontrolled and uncoordinated promotional activity by English local authorities and new towns.

2. A Group of officials representing the Departments of Trade and Industry, the Department of the Environment, the Scottish, Welsh, Northern Ireland and Foreign and Commonwealth Offices and the Treasury, under Department of Trade and Industry chairmanship, has carried out this examination.

CONSIDERATION OF THE ISSUES

3. The Group agreed that, as had been recognised in discussion in E(A), the two matters were interrelated. Specifically, the Group believed:

i that it would not be possible for the territorial Secretaries of State to agree to their present distinctive promotional organisations being subsumed in an integrated UK promotional organisation if English local authorities, New Towns' and Urban Development Corporations retained their present freedom to compete overseas in an uncontrolled and uncoordinated way for inward investment projects;

ii that legislation on the Scottish model (ANNEX A) would offer the only effective means of control over local authority activities; but

iii that legislation to restrict existing powers to undertake promotional activities overseas presently possessed by English (and Welsh) local authorities would not be feasible politically, or easy to enforce in practice, unless there were an integrated UK promotional organisation in being which persuaded these authorities that restriction of their powers would better serve their individual interests than continuation of the status quo.

4. Additionally, the Group considered that it would be necessary to reassure English (and Welsh) local authorities:

i that all other public sector funded bodies which possessed powers to undertake promotional activities overseas, including the Development Agencies, would be similarly restricted; and

ii that in the exercise of Ministerial powers of express, or general, consent which currently are (in the case of Scotland) or might be (in the case of other parts of the UK) used as the means of controlling and coordinating local authority etc promotional activities overseas, all Secretaries of State who exercise those powers in defined areas of the UK would do so in a uniform and equitable way.

POSSIBLE INTEGRATED UK PROMOTIONAL BODY

5. The Group did not consider that its remit required it to undertake a fundamental reappraisal of the objectives of, and the resources committed to, the promotion of inward investment. However the Group did consider briefly whether a fundamental reappraisal would be likely to be helpful in establishing common ground leading to a recommendation for an integrated UK operation but concluded that such a reappraisal would raise for resolution the same main issues as arise under the integration proposal suggested by the Secretary of State for Wales.

6. The Group accepted that, from a purely technical organisational standpoint it would be possible, within existing resources (which are taken to be those currently deployed as summarised in ANNEX B to this paper), to undertake the promotion of inward investment into the UK through a single integrated UK promotional body.

7. In its simplest form, a single promotional organisation could be set up through pooling the resources devoted to inward investment promotion in the present UK, territorial and regional promotional bodies under the control of a single Director, possibly appointed from the private sector, with broad policy direction of the organisation being exercised by a group of Ministers from the Departments providing the organsation's resources. However, a simple pooling of existing resources under a single Director would not of itself create the kind of "truly effective and professional operation" which either the Secretary of State for Wales envisaged, or English local authorities etc (many of which are in areas not covered by regional development organisations funded by the DTI) would regard as serving their interests to an extent which would justify acceptance by them of restriction of their existing powers to promote industrial development in their areas.

8. The Group concluded, therefore, that to secure the agreement of all those concerned that the changes would lead to a a truly effective and professional integrated UK promotional organisation:

i there would need to be a freestanding, perhaps statutory, body, possibly modelled broadly on the British Tourist Authority, the British Council or the former British National Exports Council, or elements of any, or all, of these bodies' structures;

ii that the body would need to offer a "one stop shop" facility of the kind currently offered by Locate in Scotland, Wales Investment Location and the Industrial Development Board for Northern Ireland; and

iii that a "one stop shop" operation would require the overseas representatives to be responsible solely to the Chief Executive of the UK organisation and the organisation would have to be capable of providing a complete service for the prospective overseas investor extending to the negotiation, if not the formal offer, and provision, of selective financial assistance for individual projects.

9. Discussion of the precise form which the proposed integrated, professional UK promotional body might take, led to the identification of a number of policy issues on which Ministerial decisions would be needed.

10. Firstly, the constitutional position of Northern Ireland and the provision of financial assistance for projects in the Province under separate legislation were seen as reinforcing the political difficulties inherent in acceptance of the promotion of inward investment into Northern Ireland being entrusted exclusively to a body concerned with the promotion of inward investment into the United Kingdom as a whole. The attraction and support of industry has traditionally been a transferred (ie devolved) matter in Northern Ireland and is widely and jealously regarded as one of the most important areas for the exercise of devolved power. It is certainly an area which attracts particular local interest and comment. Under direct rule it has been HMG's firmly established general policy to retain these transferred matters as a distinct entity, available for handing over to a future Northern Ireland administration. The establishment of a UK organisation with the responsibilities in para 7 above would therefore have major Northern Ireland political implications, quite apart from the regional repercussions which would be at least as acute in Northern Ireland as in Scotland and Wales.

11. Accordingly, the Group considered the possibility of the integrated promotional body being concerned only with Great Britain but it was felt that this would not be acceptable because:

i it would be represented by many as an "abandonment" of Northern Ireland as an integral part of the United Kingdom which would be difficult to respond to at home and which would disadvantage Northern Ireland in its promotional effort overseas;

ii it would be likely to give rise to political difficulties in Scotland and Wales; and

iii the consequent loss of the present, substantial, Northern Ireland resource contribution to the UK promotional effort in the US would make a GB promotional body within existing resources almost certainly not viable.

12. Secondly, some members of the Group doubted the political acceptability to Wales, Scotland and Northern Ireland of their promotional resources being subsumed in a UK promotional body unless that body was provided with substantial additional total resources. They believed that a change to a single UK body, in which the present DTI, territorial and English RDO resources were subsumed would be widely regarded in Scotland, Wales and Northern Ireland, and probably also in the areas covered by the English RDOs, as disadvantaging them - particularly against the South East of England given its natural locational advantages in the eyes of many prospective investors - in competing for inward investment projects unless substantially increased resources, in total, could be provided for the UK promotional body. To some extent this problem could be reduced if the UK promotional body were given specific directives to support regional policy. Indeed the need for such directives to be given was considered to be an essential requirement, whatever the resources, by the territorial Departments. However such directives would be certain to alienate English local authorities and new towns outside the regional policy assisted areas and to disadvantage the promotional body in its dealings, in an environment of strong international competition, with investors, most of whom want to be able to exercise a free choice of location for their projects on the basis of their own specific commercial requirements and to feel that they are being advised accordingly.

13. Thirdly, it was regarded by the officials of the territorial Departments as unacceptable to their Secretaries of State for a single UK promotional body to be part of the Department of Trade and Industry. While a statutory body might offer a solution to this problem, the Group was of the opinion that the normal requirements of Parliamentary responsibility and of public accountability would require Ministerial and Accounting Officer responsibility for a single statutory body to rest with a single Department of State rather than being diffused among a number of Departments of State. The possibility

of a non-Departmental Minister being responsible for the body was canvassed but not considered in detail because of possible machinery of government implications and the other difficulties which had been identified, in particular the need for additional resources. The situation is further complicated by the statutory responsibilities of "the Secretary of State" for the provision of financial assistance for projects and the view of Treasury officials that there would be no prospect of responsibilities for the provision of financial assistance for inward investment projects being passed from Departments to a promotional agency.

14. Fourthly, the Group considered the implications of the establishment of a statutory UK promotional body for the inward investment promotional activities presently undertaken by Diplomatic Service staff in the overseas Posts. The undesirability of losing the unique (part time) contribution made by senior staff in the DS Posts, especially Heads of Missions and subordinate Posts, was fully accepted by the Group. It was envisaged that the full time inward investment staff in Posts would become part of the complement of the integrated UK promotional organisation, as would full time overseas staff of the territorial and regional promotional organisations, also any full time overseas staff of local authorities etc, part time overseas staff and representatives of territorial, regional and local bodies being phased out under legislative provisions and replaced, as far as possible, by full time overseas staff employed by the UK promotional body. The Group believed that it should be possible for the present contribution made by staff in DS Posts working part time on inward investment promotion to continue under a relationship with the integrated UK promotional organisation similar to that which currently exists between these staff and the Invest in Britain Bureau of the DTI.

CONCLUSIONS

15. From a purely technical organisational viewpoint it would be possible to set up an integrated UK promotional organisation within existing resources.

16. However, mainly for political, but also for operational, reasons, an integrated UK promotional organisation is not considered to be viable and workable within existing resources or without effective, uniformly applied, control (requiring legislation in respect of England and Wales) being

exercised over the overseas promotional activities of all publicly funded bodies with powers to promote industrial development.

17. Appropriate legislation in respect of England and Wales is considered to be the only reliable means of preventing uncontrolled and uncoordinated promotional activity by local authorities but such legislation is regarded as feasible only if a truly effective UK promotional body were to be established so that local authorities etc would see it as being in their own interests to accept restrictions on their powers to promote overseas.

18. Difficulties of a political nature are foreseen if the UK promotional body were to be part of the Department of Trade and Industry, while the alternative of establishing a statutory body raises a similarly difficult question about where Ministerial responsibility for it should rest.

POSSIBLE WAYS FORWARD

19. If Ministers should conclude that, in principle, they wished to proceed with the establishment of a fully integrated UK promotional body, officials could prepare detailed proposals given Ministerial decisions and guidance on the four matters which are covered in paragraphs 10-14 of this paper. Specifically decisions and guidance would be required on the acceptability to Ministers of:

i a change to a fully integrated UK promotional body

a. within existing resources or

b. (if this is not completely excluded from consideration) within a specified increased level of resources;

ii legislation, following the Scottish model, to control the overseas promotional activities of English and Welsh local authorities coupled with arrangements which would ensure that all other publicly funded bodies with powers to promote overseas would be similarly, and equitably, controlled;

iii the implications for DS Posts, with regard to inward investment promotional activity, as outlined in paragraph 14.

Additionally, officials would require guidance on whether the UK promotional body should be part of a Department or take the form of a statutory body and, in either case, a decision on which Department should be responsible for the body.

20. Should Ministers decide against proceeding with the early establishment of a fully integrated UK promotional body, they are invited to give further consideration to the 4 options set out in the paper by officials which was before Ministers at the E(A) meeting on 31 July. These 4 options relate to the promotional arrangements overseas and none requires any change to be made to the present organisational structure within the UK. Since that paper was prepared a decision has been taken to go ahead with a "Britain Means Business" promotional campaign and, under the aegis of the Committee on Overseas Promotion, planning is now well advanced for this one-year campaign to start in April 1985. The campaign represents an important collaborative promotional effort on the part of the UK, territorial and regional promotional agencies (although, for logistical reasons, it has not been possible for individual local authorities, including those whose interests are not represented by territorial and regional agencies, to be involved directly in planning the campaign) and it breaks new ground in that it will include major private sector participation. Having regard to this recent development, a possible course of action might be

i to adopt the Option 4 proposal (ie continuing the present arrangements and seeking improvements in co-ordination) for the duration of the "Britain Means Business" campaign and

ii to instruct officials to develop detailed proposals for promotional arrangements for the longer term, on the basis of policy guidance on the broad form of future home and overseas arrangements which Ministers would wish to see established and in the light of experience of the "Britain Means Business" campaign, with a view to a decision being taken in April 1986 on longer term arrangements.

However, Scottish Office officials had reservations about ii above. They were concerned that the continued uncertainty about the future arrangements for the promotion of inward investment implied by the terms of ii would have an unsettling effect on the promotional staff concerned, who were being asked to make special efforts during the "Britain Means Business" campaign. Consequently, they believed that it would be better for Ministers to review the outcome of the "Britain Means Business" campaign and the implementation of revised co-ordination arrangements in the Spring of 1986 as a basis for deciding whether it was necessary to issue revised policy guidelines on inward investment promotion.

Department of Trade and Industry
29 January 1985

0290x

ANNEX A

PART II

LOCAL AUTHORITY FUNCTIONS

Effect of specific power or duty to incur expenditure at one tier of local government on exercise of general such power at different tier.

1973 c. 65.

6. In section 83 of the 1973 Act (which provides a local authority with a general power to incur certain expenditure which it is not explicitly empowered to incur)—

(*a*) in subsection (2), after the word "that", where it occurs for the first time, there shall be inserted the words ", subject to subsection (3A) below,"; and

(*b*) after subsection (3) there shall be inserted the following subsection—

"(3A) Where one of any two local authorities is a regional council and the other a district council, neither authority shall under the foregoing provisions of this section—

(*a*) incur; or

(*b*) unless invited to do so by the other authority, contribute towards defraying,

expenditure which the other authority are, either unconditionally or subject to any limitation or to the satisfaction of any condition, expressly authorised (or required) to incur by or by virtue of any enactment other than this section."

Functions of local authority in relation to industrial promotion.

7. In the 1973 Act, after section 154 there shall be inserted the following sections—

"Industrial promotion.

154A.—(1) Subject to the following provisions of this section, a local authority may engage in industrial promotion: that is to say in promotion having as its aims the establishment or development of, or the procuring of investment in, or the effecting of measures to provide or safeguard employment in, industry.

(2) Without prejudice to any power which they may have under section 90 of this Act, no local authority shall engage in industrial promotion other than under subsection (1) above.

(3) In engaging in industrial promotion under subsection (1) above a regional or islands council may do anything, whether in Scotland or elsewhere, which appertains to or is conducive or incidental to such

promotion; but the powers of a district council under that subsection shall be limited to—

(*a*) within their own area, doing anything which appertains to or is conducive or incidental to such promotion;

(*b*) in any part of the United Kingdom, but only as regards specific industrial sites or premises (being sites or premises owned by them) and such services and other facilities as are or will be available in relation to such sites or premises, doing anything mentioned in, or incidental to anything mentioned in, paragraph (*a*) or (*d*) of the definition of "promotion" in subsection (4) below; and

(*c*) at the invitation of—

(i) the Secretary of State;

(ii) the regional council within whose area the area of the district council is; or

(iii) a body designated, by order, for the purposes of this paragraph by the Secretary of State,

contributing financially to, or participating in, any such promotion engaged in by the inviter or inviters:

Provided that for a regional or islands council to engage in, for a district council to participate in, or for any local authority to contribute financially to, industrial promotion outside the United Kingdom it shall be necessary for them either to have the express consent of the Secretary of State or to be acting in accordance with a general consent given by him.

(4) In the foregoing provisions of this section, unless the context otherwise requires—

"industry" has the same meaning as in the Industry Act 1975; and 1975 c. 68.

"promotion" includes—

(*a*) advertising; and preparing and disseminating information;

(*b*) participating in trade or investment missions;

(*c*) holding or taking part in such activities as seminars, exhibitions and symposiums; and

PART II

(*d*) carrying on correspondence and holding meetings with persons who are (or are potential or prospective) developers, investors or employers.

(5) The exercise by a local authority of any power which they have—

1964 c. 67.

(*a*) under section 7 of the Local Government (Development and Finance) (Scotland) Act 1964 (power to make advances for erection of buildings);

(*b*) by virtue of section 102 (compulsory acquisition of land in connection with development and for other planning purposes) or under section 109 (acquisition of land by agreement) of the Town and Country Planning (Scotland) Act 1972; or

1972 c. 52.

(*c*) under section 70, 74 or 78 of this Act,

shall be subject to the foregoing provisions of this section.

Code of practice for industrial promotion.

154B.—(1) Subject to subsection (2) below, the Secretary of State may issue (or arrange for there to be issued) a code of recommended practice as to the discharge of functions under section 154A of this Act by local authorities.

(2) Before issuing (or arranging for the issue of) a code under subsection (1) above the Secretary of State shall consult any association of local authorities which appears to him to represent the interests of local authorities in Scotland.

(3) The Secretary of State may by statutory instrument, subject to annulment in pursuance of a resolution of either House of Parliament, make regulations requiring local authorities to conform to any code issued under subsection (1) above.".

Power of local authority to enter into arrangements under Employment and Training Act 1973.

1973 c. 50.

8. Every local authority shall have power and shall be deemed always to have had power to enter into arrangements with the Manpower Services Commission or the Secretary of State under the provisions of the Employment and Training Act 1973.

ANNEX B

CONFIDENTIAL

RESOURCES EMPLOYED IN INWARD INVESTMENT PROMOTION

	£million[1]	Staff
UK-as-a-whole promotional effort		
DS Posts	1.74	42.5[2]
IBB	1.89	42.0
Total	3.63	84.5
Promotional effort for distinctive parts of the UK		
Scotland (LIS/SDA)	2.75[3]	35.0[3]
Wales (WINVEST/WDA)	1.10	25.0
Northern Ireland (IDB)	2.75[4]	26.5
English Regions:		
North of England	1.18	28.0
North West	0.34	13.0
Yorkshire & Humberside	0.67	10.5
Devon & Cornwall	0.23	7.0
West Midlands	0.30	5.0
Total	2.72	63.5
English LAs, UDCs & NTDCs Approximate total current annual resources:	5.0 maximum	n/a
Grand Total:	17.95	

(1) Total cost including office and overseas residential accommodation, etc.

(2) Man-year equivalent (including time spent on inward investment promotion by Head of Post and other senior DS officers)

(3) Includes resources used on financial negotiations

(4) Includes £2 million of promotion expenditure required to remedy the exceptionally adverse image of Northern Ireland at the present time

29

Trade Feb 81

Inward investment.



CONFIDENTIAL

FILE DA

10 DOWNING STREET

From the Principal Private Secretary

25 March 1985

The Prime Minister heard yesterday that Bechtel (UK) had been told that the Offshore Supplies Office did not regard them as a qualified UK contractor and that any petroleum group which included Bechtel (UK) as part of a consortium would be disqualified for the purposes of the Offshore Supplies Office. This report may be exaggerated but the Prime Minister feels that, if the United Kingdom is to be successful in attracting inward investment, we cannot treat in this way those who invest here such substantial amounts as Bechtel have invested.

I should be very grateful if you could let me have comments on the point which has been made to the Prime Minister.

FERB

Michael Reidy, Esq.,
Department of Energy.

CONFIDENTIAL

NBPM AT 4/12

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU521
Secretary of State for Trade and Industry

3 December 1984

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Andrew,

I refer to our previous correspondence regarding this Department's proposal to mount a major new inward investment marketing campaign in 1985 - 'Britain Means Business' - resting with your letter of 9 July with which you attached a foreword signed by the Prime Minister for the campaign's promotional brochure. Agreement on the campaign's budget has been reached and the campaign will begin on 1 April 1985. A copy of the brochure is attached.

I am copying this letter and enclosure to Peter Ricketts (FCO), John Graham (Scottish Office), Colin Jones (Welsh Office), John Ballard (Department of the Environment), Richard Broadbent (PS/Chief Secretary), Derek Hill (Northern Ireland Office) and Richard Hatfield (Cabinet Office).

Yours ever,

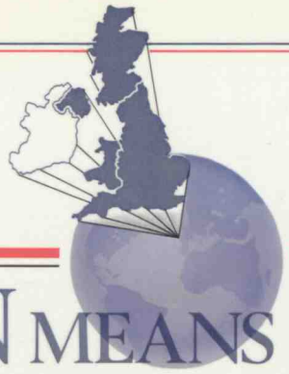
Andrew Lansley

ANDREW LANSLEY
Private Secretary

Enc

991-1

1984



BRITAIN MEANS BUSINESS

ENGLAND · NORTHERN IRELAND · SCOTLAND · WALES

"...A TRULY BRITISH EFFORT."

"Britain Means Business" - an opportunity for you to maximise on the current window of opportunity abroad to ensure that we land the maximum number of inward investment projects which are in the national interest and of benefit to all of us.

David Harrison-Harvey



THE PRIME MINISTER

10 DOWNING STREET

The Invest in Britain Bureau is the Government's leading agency for the promotion of the United Kingdom as the preferred location in Europe for direct investment from overseas.

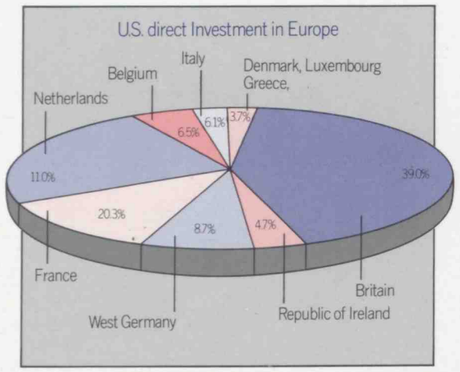
Inward investment is of great benefit to this country. Foreign owned companies bring capital investment and jobs to the UK. They also bring new technology, innovative management and modern production techniques which contribute to the development of our industrial base. Britain has already achieved great success in attracting investment by overseas companies and I welcome the confidence this shows in our economic policies and prospects. But the competition for internationally mobile investment is great and we must continue to show energy and imagination in our marketing efforts.

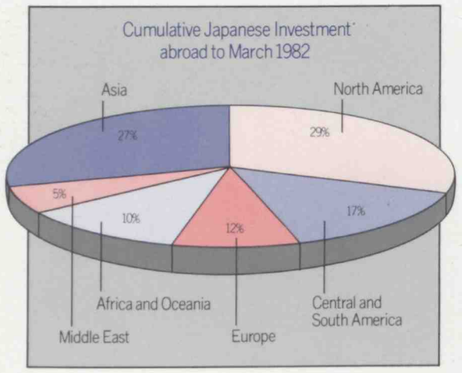
I therefore strongly commend to your attention the major new marketing campaign, "Britain Means Business", which is described in these pages. I hope that everyone interested in the further development of our economy will feel able to participate in "Britain Means Business" and make it a truly British effort.

Margaret Thatcher

July 1984

THE STORY SO FAR





Britain is the preferred location in Europe for internationally mobile projects. It has been the Government's aim through the Invest in Britain Bureau to try and capture those inward investment projects that will bring benefits to the UK in terms of, for example, the latest technology, capital investment, export generation, import substitution and of course job creation. About 22% of investment in manufacturing industry in Britain is already accounted for by overseas owned companies. But the scope for further investment is substantial and we want to make certain that the benefits accrue to Britain and British business.

Despite mounting international competition, including determined marketing efforts by the Irish Republic, France, Germany, The Netherlands and, more recently, Spain, we have over a third of USA investment in Europe, nearly half of Japanese investment in Europe and over half of Canadian investment in Europe. The 210 investment decisions, known to the IBB, taken by foreign owned manufacturing companies in 1983 created an estimated 15,082 new jobs and safeguarded a further 18,376. Compared with the previous year, there was a 46% increase in the number of projects handled, and of 58% in the number of known investment decisions. And the number of investment decisions so far in 1984 is already running some 25% above last year's level. Among these recent successes are many well known international companies, including Sharp, Nissan, Hewlett Packard and Monsanto.

Projects handled by IBB: by country of origin

Country of origin	Number of projects 1983	1982
USA	285	175
FRG	166	126
Switzerland	29	23
Canada	22	11
Japan	18	10
France	14	7
Belgium	13	10
Norway	12	11
Netherlands	11	11
Sweden	11	12



But there is no intention to rest on our laurels. The Invest in Britain Bureau has recognised that, as market leader we must now respond to increasing competition within Europe, and take advantage of the window of opportunity created by the upturn in the world economy and our own economic and political stability. At this stage £1m has been committed by the Government to the "Britain Means Business" campaign for 1985, in addition to the IBB's normal budget for promotion.

"...A TRULY BRITISH EFFORT."

"BRITAIN MEANS BUSINESS" will be the first truly national promotion aimed at potential inward investors in key markets: the USA, Japan and selected west European countries.

The campaign will be coordinated by the Invest in Britain Bureau, part of the Department of Trade and Industry, working in close collaboration with all the major public sector inward investment promotion bodies in the UK and British private sector co-sponsors - the first time a coordinated effort of this magnitude has been undertaken. The participation and help of the major British international companies will make it "a truly British effort", and the campaign is specifically designed to afford ample and very flexible marketing opportunities for co-sponsors.

"BRITAIN MEANS BUSINESS" will further promote the reality of a strong economy in which all regions and sectors combine to encourage inward investment in a profitable and productive manner. This will be achieved through a more coordinated promotional effort than has existed to date. "BRITAIN MEANS BUSINESS" will be managed by the directors of the major promotional bodies acting for geographical areas of the UK under the chairmanship of the head of the IBB, who has been seconded from a major multinational company to establish a more effective, professional UK marketing effort.

"BRITAIN MEANS BUSINESS" will increase the efficiency of existing marketing resources. It will:

* encourage more investors to approach us
* gain optimum advantage from the prevailing favourable image of Britain currently held overseas
* dispel the myths and expound the realities of the modern Britain of today
* reduce the risk that the different UK promotional efforts may overlap.

Generally, we intend to increase the success rate in identifying and landing projects by not less than 10% over the underlying trend. In particular, we hope over the five year period following the one year campaign to increase the UK's share of US direct investment in the present European Community from 36% to 40% and to double the amount of Japanese investment over five years.

SCOTTISH DEVELOPMENT AGENCY

WINVEST WALES INVESTMENT LOCATION

IDB NORTHERN IRELAND

THE NORTH OF ENGLAND DEVELOPMENT COUNCIL

YORKSHIRE & HUMBERSIDE DEVELOPMENT ASSOCIATION

NORTH WEST INDUSTRIAL DEVELOPMENT ASSOCIATION

DEVON AND CORNWALL DEVELOPMENT BUREAU

WEST MIDLANDS INDUSTRIAL DEVELOPMENT ASSOCIATION

BRITAIN MEANS BUSINESS
ENGLAND · NORTHERN IRELAND · SCOTLAND · WALES

THE CAMPAIGN

It is intended that the campaign starts in April 1985, and runs to the end of the calendar year.

Our target is to reach investors with potential projects which are in the national interest.

In the United States and Canada "BRITAIN MEANS BUSINESS" aims to attract investors manufacturing electronic components, including computer peripherals, semiconductor production equipment, automatic test equipment; plus companies concerned with electronics applications equipment and services in the areas of telecoms, DBS, cable technology and defence; office automation; medical products and scientific instruments and biotechnology.

In Japan, the markets we've targeted include electronics, computer peripherals, health care, biotechnology, toys and musical instruments.

In Europe, we are looking at companies currently exporting to the UK, mobile European multinationals and companies distant from the main European market.

Our target audiences include overseas-based potential investors, UK subsidiaries of overseas companies, international 'multiplier' organisations (i.e. banks, accountants), chambers of commerce, plus the financial and business press both in the UK and overseas.

Initial plans for campaign activities include:

* Advertising - apart from the current corporate campaign in America, an awareness campaign will run in international business media with relevant circulation in Europe and Asia. There will also be zone advertising for specific seminars held in America, Japan and selected countries in Europe.



* A documentary film "BRITAIN MEANS BUSINESS" will be made, primarily to be shown on the long-haul flights of selected airlines, but also to be used at presentations or conferences.
* Quarterly newsletters will be sent to IBB's identified prospects in America, and possibly in Japan.
* Targeted mailshots will be sent out before the seminar cycle begins, and as a follow-up.



* A Press and public relations programme will arouse and maintain media interest, including visits to the UK arranged for overseas journalists. Articles have already been arranged in international media.
* Seminars will be held in the capital centres of Europe and Japan, and selected cities in America (suggested locations include Miami, Los Angeles, Boston and Seattle). The seminars would be "themed" (i.e. setting up an electronics factory in the UK). Speakers would cover such subjects as the financial and tax environment, relevant case histories and market trends, labour relations and future prospects in the UK.
* Tracking research will be commissioned at the end of the year, designed to measure the effectiveness of the campaign, and to gauge the desirability of further similar communications activities.

OPPORTUNITIES FOR CO-SPONSORS

Benefits

Through associating yourself with the campaign you will:

* be seen to be part of a truly national effort which is building on success and has backing right from the top, including being associated with Ministers and other senior decision makers;
* your own promotion and image advertising can benefit from having the additional identity of the "BRITAIN MEANS BUSINESS" campaign with its logo and associated promotional events;
* in key markets such as the USA and Japan, you will be able to put your name and product (including location or service) directly to specifically identified clients under the auspices of the British Government in selective prestige events.

Opportunities

This campaign offers many options for participation by private sector concerns eager to expand their international client base:

* use of "BRITAIN MEANS BUSINESS" logo for advertising and marketing purposes as an official sponsor of the "BRITAIN MEANS BUSINESS" campaign;
* joint advertising on appropriate common themes on a shared cost basis.
* inclusion of your company's logo in all mailings, including a brief profile or corporate literature wherever appropriate.
* participation as one, or the only, co-sponsor of a seminar including the mailshot follow-up;
* presence at consular functions, dinners and other seminars, in collaboration with Government bodies and their counterparts.

CONCLUSION

"BRITAIN MEANS BUSINESS" is the first attempt to involve all interested private and public organisations in a concerted all-UK effort – a "corporate" umbrella beneath which all these bodies can present their own particular image, while benefiting from a strong overall UK marketing drive.

The present growth in the world economy offers Britain unrivalled opportunities. In the US, for example, mobile investment is predicted to be 15% up this year. In Japan too, and Europe prospects are encouraging. Add to this Britain's excellent political image abroad, recent positive economic and fiscal developments and the high level of the US dollar and it is clear: the time is ripe; the time is now.

We hope that many ways will now be clear to you in which you can participate in "BRITAIN MEANS BUSINESS". We also hope that you are persuaded that "BRITAIN MEANS BUSINESS" means business for you as well as for the country as a whole.

BRITAIN MEANS BUSINESS

ENGLAND · NORTHERN IRELAND · SCOTLAND · WALES

Designed and produced by VALIN POLLEN, London.

CCNO

NBPM

AT 27/7

CONFIDENTIAL

PRIME MINISTER

In his minute of 18 July to you, Norman Tebbit says that the paper produced by officials has suffered from the prior commitment of representatives of the territorial Departments to the present arrangements for overseas promotion. So far as the Welsh Office is concerned, this is not so. Personal experience of leading five inward investment missions to the United States and Japan has led me to conclude that the effort put in by the United Kingdom as a whole in this area needs to be substantially improved. The benefits of inward investment are very real. It is in the national interest as well as in the interests of Assisted Regions such as Wales to maximise the inflow of such projects. I am on record as having said that if a truly effective and professional all-UK operation were to be established I would be prepared to see the present distinctive activities of WINvest assimilated within it. The outcry from the Principality would be loud and long but I would be prepared to defend such a move and to go on vigorously discouraging freelance activities by local authorities and similar bodies if I were convinced that new all-UK arrangements promised tangible benefits in terms of projects and jobs to Wales and to other parts of the country. The papers before us however provide no basis for such a conclusion.

The approach of Welsh Office officials to this exercise in fact reflected my own views. The difficulty they faced - and which I now face - is that whilst the two 'integration Options' identified (1 and 2 in the officials' paper) offer prospects of a more co-ordinated promotional effort on the ground in the United States they would neither of them as they stand secure the sort of integrated promotion/marketing/selling/negotiating operation which I consider to be the key to success in this area. Such an integrated 'one-stop-shop' has contributed greatly to the success of the Irish Development Agency in the past decade and it is increasingly the hallmark of Locate in Scotland and WINvest. The officials' paper says with reference to Options 1 and 2 that "it would be necessary to establish in the UK a supervisory board". Such supervision however falls a long way short of the sort of integration of home and overseas work that I consider to be essential.

/It was in ...

CONFIDENTIAL

CONFIDENTIAL

It was in the face of an apparent inability to identify a properly integrated all-UK operation that my officials put forward Option 3 for consideration. This would secure a substantial improvement in the co-ordination of the regional/territorial bodies' activities in the United States and those of the Diplomatic Service posts whilst retaining the vital bond between the individual sales forces and their own UK bases. Given the deep-seated weakness - in terms of effectiveness and professionalism not just territorial politics - which is common to Options 1 and 2 I do not think this alternative should be rejected out of hand.

To sum up my position:

(a) The so-called integration Options (1 and 2) we have before us do not represent workable and professional arrangements such as would enable me to defend a decision in effect to abandon WINvest's activities in the United States.

(b) If Option 3 is rejected then the right course is to retain the present arrangements whilst seeking further co-ordination on the ground in the United States (Option 4). To abandon arrangements that, for all their apparent lack of co-ordination, do seem to be producing results in areas of the country that have got their act together and without having any confidence that the alternative would produce equal or better results is a course fraught with difficulty.

Copies of this minute go to E(A) colleagues, to Geoffrey Howe and to Sir Robert Armstrong.

27 July 1984

RNE

CONFIDENTIAL

Trade 2/81 Inward Investment



AT

You asked for this to be b/f'd with Ministerial responses to S/S DTI's minute of 18/7.

You have had views from:

Policy Unit 20/7

Scottish Office 23/7

CDL 23/7

Welsh Office 26/7.

Do you expect comments from others, i.e. Ch/Ex, FCS?

No reason chose. This being dealt with by EEA1 under Ch/Ex chairmanship

[signature]

27/7.

Chancellor of the Duchy of Lancaster

NEPM

AF 23/7

PRIME MINISTER

REVIEW OF INWARD INVESTMENT PROMOTION

I have seen the Trade and Industry Secretary's minute to you of 18 July.

My own preference is strongly in favour of Option 1, viz complete integration. Given a Steering Committee comprising the territorial Secretaries of State and the Trade and Industry Secretary and with a remit to continue a distinctive territorial flavour to their operations, I see no reason why such an integrated system should not work efficiently and give effective and distinctive coverage to all three component countries. We do not yet have English, Welsh or Scottish passports and I see no need unnecessarily to encourage fissiparous tendencies.

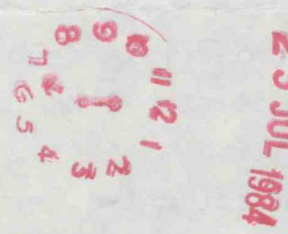
I am copying this minute to other members of E(A), to Geoffrey Howe and to Sir Robert Armstrong.

A.C.

A C
23 July 1984

Trade feb 87

Inward Investment



NDPA AT 23/7

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

PRIME MINISTER

23 July 1984

REVIEW OF INWARD INVESTMENT PROMOTION

I have seen Norman Tebbit's minute to you of 18 July. The arrangements for the promotion of inward investment are a matter of greatest importance to me in view of the major role played by overseas companies in Scotland. However Norman's proposals cut right across the policy, agreed with colleagues, which I have developed in Scotland since 1981 of establishing a single co-ordinated office under my control for the more effective promotion of Scotland overseas in place of the efforts of the multiplicity of the agencies that preceded it. Backed by legislation I introduced to control local authorities (to which there is still no parallel in England) our activities in Scotland are now properly co-ordinated; and the success of LIS is the strongest weapon in ensuring that local authorities continue to co-operate fully with it. Norman's proposals would unwind much of this initiative and are therefore unacceptable to me.

Norman's argument fails to recognise that the distinctive contributions we can each make enhance the gain from inward investment to the UK as a whole. Agencies such as Locate in Scotland whose activities are specifically targetted complement the wider representational role of IBB and FCO. The officials' report fails to recognise that cost effectiveness should be judged by success in securing new inward investment. This is not just a matter of administrative tidiness and centralised bureacratic control. Locate in Scotland has helped to secure a 70 per cent increase in the number of new investors over the past 2 years and a commitment of over £800 million in investment to the economy since 1981, a record that speaks for itself. This activity is of benefit to the UK as a whole and is essential if we are not to lose out to other countries in Europe.

We have achieved rare political consensus in Scotland for Locate in Scotland's promotion of inward investment largely because of this record of success. Setting it up is widely regarded as one of the most important initiatives which I have been able to take on the industrial and economic front. It has played a major role in providing much needed employment opportunities at a time when much of our economic base has been in decline. Reaction in Parliament, press and public to recent unfortunately timed speculation has demonstrated unanimous support from Scottish MPs, including our own supporters, from the CBI and other Scottish institutions. It would be considered incomprehensible if we were now to throw away these very real achievements.

I do not share Norman's view of the assessment made by the Foreign and Commonwealth Office. I am as keen on co-ordination as anyone and have secured it in Scotland. The problems referred to in the report covered English regional authorities and new towns, not simply Scotland and Wales; yet Norman proposes no action on them. The good relationship between LIS and the Consulate in San Francisco which is referred to in the report is our aim elsewhere; and I understand that the steps I have taken over the last year are accepted as having achieved that. As for waste, I do not think that is a proper description of our seven executive staff in four small offices in the States, seen against the £800 million investment secured.

The success of LIS is based on a detailed strategy agreed in a steering group which I chair. I suggest that a similar steering group comprising Ministers most closely concerned should oversee the UK promotion effort as a whole so that we can satisfy ourselves that results are achieved and co-ordination is effective. Whatever we do we must not play into the hands of our rivals by disrupting an increasingly successful effort aimed at the attraction of inward investment at a time of maximum opportunity.

I am copying this minute to E(A) colleagues, to Geoffrey Howe and to Sir Robert Armstrong.

G.Y.

NOPM
AT 2017

MR TURNBULL 20 July 1984

c Mr Redwood

MANAGEMENT OF INWARD INVESTMENT PROMOTION

Is inward investment a net benefit to the econonmy? If not, why continue to promote it? If it is, what benefits can we expect from changing the management arrangements? As ever, strategy should come before structure.

The officials' review just completed was not aimed at the strategy question. Not surprisingly, it reaches no conclusion on the structure.

The promotion of inward investment costs £18 million per annum. It would be a brave man who could forsee a saving of more than 50% of that to maintain existing levels of investment. Do we want a certain rumpus between the English, Scots, Welsh and Northern Irish for £9 million, when the value of any level of promotion is uncertain?

We recommend:

i. A scrutiny of the costs and benefits of those inward investments which have actually taken place. Territorial departments brag quite loudly about successes achieved, so the records must exist for a scrutiny.

ii. No action on structural arrangements in the meanwhile.

We share Mr Tebbit's distaste for the territorial prickliness which makes the officials' report such uncomfortable reading. If the scrutiny proposal is approved, we suggest the Efficiency Unit and/or Treasury run it.

R.J.

ROBERT YOUNG

JMHABC

CONFIDENTIAL

~~CC~~ NO

Covering letter only - report available in cf.

CC ~~NO~~

B/F with Ministerial response.

AT 19/7

PRIME MINISTER

REVIEW OF INWARD INVESTMENT PROMOTION

In my minute to you of 14 March I said that, following the E(A) of 6 October, officials had been asked to prepare a paper as a basis for a review of inward investment promotion. I have now received the attached paper prepared by a group of officials from the Departments most closely concerned with inward investment promotion. The paper is much less helpful than it could be. It has clearly suffered from the unwillingness of officials in territorial Departments to pursue the evidence on cost-effectiveness and by their prior commitment to the present arrangements for overseas promotion.

2 The assessment made by the Foreign and Commonwealth Office shows that the present arrangements in the United States are financially wasteful, inefficient and confusing to potential investors. Activities are duplicated and our efforts too fragmented to be cost-effective. The BTDO

JH4AEG

assessment, and common sense, point to an integrated operation as the best value for money. I therefore advocate option two, from amongst the four options described in paragraphs 21-24 of the paper by officials. This should achieve most of the advantages of option one, but protects territorial Ministers from xenophobic criticism.

3 I hope that you and other colleagues will be able to agree to this option, and that we should instruct officials to prepare detailed implementation of this option. If it is not possible to move in this direction, I fear that the other options do not present an alternative, and that we must necessarily look for the alternative to be that the inward investment activity within my Department should be devoted towards bringing inward investment to England; thereby bringing into being a distinctive "package" in the way that Locate in Scotland or WINVEST have sought to do in respect of Scotland and Wales respectively.

4 I am copying this minute to E(A) colleagues, to Geoffrey Howe, and to Sir Robert Armstrong.

NT

N T

18 July 1984

Department of Trade & Industry JH4AEG

Trade: Inward Investment

2181

REVIEW OF INWARD INVESTMENT PROMOTION

PAPER BY OFFICIALS

INTRODUCTION

1 This paper has been prepared at the request of Ministers by an interdepartmental group of officials from the DTI, the Scottish, Welsh and Northern Ireland Offices, the Foreign & Commonwealth Office, the Treasury and the Department of the Environment.

2 The purpose of the paper is to assist Ministers in undertaking a small and efficient review of inward investment promotion.

3 The lines which officials were instructed to follow in preparing for the review were:

- while they should approach the subject with an open mind, they should take account of the fact that Ministers were disposed to consider an integrated "Locate in Britain" type of activity insofar as overseas representation was concerned; and

- they should take account of the need to retain specific aspects of existing territorial promotional activities which contribute distinctive elements, notably once an investor is actively considering the UK; and of the need for the proper and efficient use of resources.

Officials noted that the Secretary of State for Scotland had

stated that his agreement to the proposed review was on the basis that it should take account of his desire "to retain our distinctive Scottish efforts both here and overseas rather than for them to be subsumed in an overall UK structure". They noted also that the Secretary of State for Trade and Industry had acknowledged that the case for continuing with the distinctive promotion of Scotland overseas in its present form could be considered within the context of the review but that he had not accepted that the review should be limited in ways which would be inconsistent with objective consideration of how the total resources available for inward investment promotion could be deployed in the most efficient and cost-effective way or in ways inconsistent with the intentions for the review framed at the Ministers' meeting reported in his minute to the Prime Minister of 14 March.

KEY ISSUE

4 The key issue is whether, through more effective co-ordination and greater integration of the activities undertaken to promote inward investment into the UK as a whole and into distinctive parts of it (currently costing some £18 million annually and employing over 230 man-years of staff time) the effectiveness of the promotional effort overall can be improved and, if so, what changes should be made to secure greater effectiveness.

5 This issue is complex and difficult. It is complex because it has significant political and constitutional dimensions and because it raises questions about the exercise of statutory powers, eg, by Development Agencies, local authorities and New Town Development Corporations. It is difficult because it is impossible to determine conclusively the cost-benefit of the activity as a whole or of the distinctive parts of it. The difficulty is increased by the need to take as the starting point

the organisations which presently exist and to consider how changes would affect returns on "investments" which have gone into them, for example, in establishing Scotland as a distinctive product in the marketplace with a "one door" organisation geared to meet the needs of the inward investor.

6 Specifically there is the problem of how to reconcile -

a) the need (documented in the Foreign and Commonwealth Office-endorsed British Trade Development Office assessment at Annex A) to eliminate through a "UK Ltd." aproach overseas, the element of waste, inefficiency and confusion of the prospective investor inherent in the present promotional arrangements overseas, with

b) the need (documented in the Scottish Office paper on the approach to inward investment in Scotland at Annex B) for an integrated home and overseas promotional activity which enables "tailored development packages" to be used as a means of promoting inward investment.

Officials have not been able to recommend a way of reconciling these two needs acceptable to all.

BACKGROUND

7 A background note is at Annex C. The following are the key points:

- That specific areas of the UK were promoted overseas, originally mainly in support of regional industrial policy objectives, for many years before a coherent promotional effort was undertaken on behalf of the UK

as a whole, principally to meet a need to counter growing international competition for internationally mobile projects.

- The establishment of the Scottish and Welsh Development Agencies and, later on, of the Industrial Development Board in Northern Ireland resulted in more resources being devoted to securing inward investment projects for those areas and, consequently (and similarly influenced by growing unemployment), to enhanced distinctive promotional efforts by the English regions and individual local authorities and new towns.

- The nature of the promotional activity has changed over time from being primarily a general marketing operation of the attractions to investors of particular parts of the UK to being primarily a targeted operation, with integration of marketing overseas and project negotiation in the UK, designed to seek out and secure specific projects; a change influenced in part by the need to move to a more efficient and effective targeted approach and in part by the establishment of the Development Agencies in Scotland and Wales and the transfer of responsibility from administering regional selective assistance to the Secretaries of State for Scotland and Wales.

- While considerable resources have been devoted in recent years to coordinating the distinctive promotional efforts with the promotional effort of the UK as a whole, this coordination has been less than wholly successful (more particularly, but not exclusively, in respect of some individual local

authorities and new towns in England) and duplication of effort still exists.

THE PROMOTIONAL BODIES : THEIR RESOURCES, OBJECTIVES AND ACTIVITIES

8 The resources, objectives and activities of the individual bodies are set out in Annex D. Inward investment promotion has been interpreted fairly narrowly and excludes resources deployed on the detailed negotiation of selective assistance packages once specific prospective projects have been defined; on negotiating factory sales and leases; on Ministerial discussions with overseas investors and potential investors and on assistance of industry sponsorship Departments/Divisions where provided. Even so, it is not possible to provide a reliable and comprehensive picture of the resources deployed on inward investment promotion by English local authorities and new towns and the best estimate has had to be made.

9 The following table summarises the current annual resources deployed :

RESOURCES EMPLOYED IN INWARD INVESTMENT PROMOTION

	£million[1]	Staff
UK-as-a-whole promotional effort		
DS Posts	1.74	42.5[2]
IBB	1.89	42.0
Total	3.63	84.5
Promotional effort for distinctive parts of the UK		
Scotland (LIS/SDA)	2.75[3]	35.0[3]
Wales (WINVEST/WDA)	1.10	25.0
Northern Ireland (IDB)	2.75[4]	26.5
English Regions:		
North of England	1.18	28.0
North West	0.34	13.0
Yorkshire & Humberside	0.67	10.5
Devon & Cornwall	0.23	7.0
West Midlands	0.30	5.0
Total	2.72	63.5
English LAs, UDCs & NTDCs Approximate total current annual resources:	5.0 maximum	n/a
Grand Total:	17.95	

(1) Total cost including office and overseas residential accommodation, etc.

(2) Man-year equivalent (including time spent on inward investment promotion by Head of Post and other senior DS officers)

(3) Includes resources used on financial negotiations

(4) Includes £2 million of promotion expenditure required to remedy the exceptionally adverse image of Northern Ireland at the present time

10 The objectives of the individual bodies are concerned principally with securing inward investment projects for the areas with which they are concerned. All the territorial and the two English regional bodies receiving grant in aid at the higher rate also have as a main objective the effective coordination of the promotional activities of sub-regional bodies within their areas. The IBB and the DS Posts have as a principal additional objective the coordination of distinctive promotional activities with the promotional activity which they undertake for the UK as a whole.

11 The activities undertaken by all the bodies are, inevitably, influenced by factors such as the different levels of resources available to the individual bodies both directly and indirectly.

ASSESSMENT OF THE COST-BENEFIT OF THE PRESENT APPLICATION OF RESOURCES

12 Officials have considered whether they could assess, absolutely and relatively, the cost effectiveness of these various activities and whether they could forecast the comparable cost effectiveness of a more integrated UK promotional effort. They have concluded that there are insuperable difficulties in making assessments and forecasts which would be reliable or generally accepted and that the inference cannot be drawn that an integrated UK effort would be more cost effective than coordinated distinctive promotional efforts.

13 One obvious difficulty is that the objectives of the various promotional bodies are not identical, raising the question whether the cost benefit should be measured in UK, or in territorial/regional/local terms. Securing a project for a particular area, for example, secures it for the UK but in many such cases it is probable that, in the absence of a distinctive area

promotional effort, the project would still have been secured for the UK, perhaps for that area, perhaps for elsewhere in the UK. Another difficulty is that the majority of projects which are secured for the UK are secured through a combination of efforts - usually extending over a considerable period of time - of more than one promotional body. A third difficulty is that the success of particular areas frequently depends as much on factors, including regional policy, which are outside the direct influence of the promotional body. However, the way in which a particular promotional body targets it activities, presents the attractions of its own area which are relevant to the commercial and operational requirements of the individual investor and to the needs of the particular project, and puts together speedily and effectively a development package can be a crucuial factor in securing projects.

14 A more integrated UK promotional effort overseas would offer clear advantages in reducing the need for coordination and consultation. Also, it would be helpful to Whitehall Departments in the efforts they are making to disuade individual local authorities in England from undertaking campaigns abroad uncoordinated with other UK promotional activities. On the other hand, it can be argued that a degree of competition within the UK is beneficial in securing projects for the UK against international competition and that it is in the UK interest that the specific attractions of particular areas of the UK should be marketed overseas competently and professionally. However, this does not remove the need to ensure that the benefit is not outweighed by a wastefully competitive use of publicly funded resources and that there is adequate coordination to ensure that prospective investors overseas are not confused, or even discouraged, by a multiplicity of approaches. A further consideration is that a fully integrated UK promotional effort would be likely to damage the high degree of coordination and cooperation of local authorities and New Towns in overseas

promotional activity which has been secured only fairly recently in Scotland, Wales, Northern Ireland and two of the English regions, the North East and Yorkshire and Humberside. The extent of this damage and the public expenditure consequences of it (unless the statutory powers of these sub-regional bodies were circumscribed) are impossible to predict.

15 Ministers will also wish to take into account the political difficulties which the territorial Secretaries of State would have to face if they had to present, and defend, a change to an integrated UK operation. It would be impossible to demonstrate conclusively, either before (or after) such a change, that Scotland, Wales and Northern Ireland would benefit (or had benefited) from discontinuing distinctive promotional activity overseas. But it should not be overlooked that political imperatives apply also - if not in quite the same way - to the English regions and to the elected representatives of many local authorities in England. The greater the satisfaction of Scottish local authorities with the distincitve Scottish promotional effort the more that effort is likely to arouse dissatisfaction among English local authorities. To provide the latter with a comparable "carrot" which would probably be needed to justify a comparable legislative "stick in the cupboard" would be very expensive, and difficult because of the much larger size of England and its lack of comparable "identity".

UK INWARD INVESTMENT PROMOTION ACTIVITY IN THE USA

16 Officials have reviewed the effectiveness of the UK inward investment promotional effort in the US over the past two years, including the effectiveness of the coordination arrangements which were introduced at the beginning of 1983. In doing so, they have had the benefit of an assessment prepared by the Director-General of Trade Development in New York and endorsed

by the Ambassador. This assessment is reproduced as Annex A to this paper. It observes that, as seen from the US the arrangements within the UK to promote inward investment have been a dominant influence on the arrangements in the US and that it seems unrealistic to think that the latter can be considered in isolation from the former. It concludes that the present arrangements are financially wasteful and inefficient. It suggests three options for improving the organisation of the promotional effort in the US, the preferred option being total integration of resources within a single team working out of the existing Consular Offices. It also suggests changes in the coordination guidelines should Ministers decide to retain the free standing promotional agencies in the US in their present form.

UK INWARD INVESTMENT PROMOTION IN THE OTHER MAIN TARGET COUNTRIES

17 Although the US (which accounted for 60% of new inward investment decisions in the UK during 1983) is the dominant target market for inward investment promotion, and is likely to remain so, substantial promotional activity is undertaken in Japan (where it has been further stimulated recently by the UK success in securing the Nissan project) and in Western Europe (principally West Germany, the Scandinavian countries, Switzerland and The Netherlands). Increasing interest, albeit from a relatively low level, is now being shown in Canada. Promotional activity is also undertaken elsewhere, notably in France, Italy and Belgium, but at a relatively low level. In Hong Kong a number of territorial, regional and local promotional bodies are active, but, for political reasons, there is no promotion of the UK as a whole there at the present time.

18 While the promotional effort in Japan has been undertaken hitherto substantially on a UK basis through the Embassy and the Consulate-General in Osaka, the good prospects of more investment

in Europe by Japanese companies, including more medium-sized companies, is leading to increasing activity on behalf of distinctive parts of the UK. The very high cost of maintaining offices in Tokyo results in these distinctive promotional activities being undertaken mainly through visits to Japan and the appointment of part-time, locally engaged, representatives. In conjunction with the Embassy and the promotional bodies in the UK, and in the context of moving towards a more sectorally targeted UK promotional effort in Japan, action is being taken with the aim of securing greater coordination and effectiveness of the work of the part- time representatives and to discourage appointments of unsuitable representatives. The situation is being monitored and consideration will be given, in the light of the outcome of the current review of inward investment promotion, to the desirability of adopting, in a suitably modified form, coordination guidelines of the kind in use in the US.

19 In Canada, promotional activity has been at a low level for some years but it is currently being stepped up and a representative of the Northern Ireland IDB, until recently based in New York with special responsibility for Canada, is now working out of the Consulate-General in Toronto. There is likely to be a need to develop a more coherent and better coordinated UK promotional effort in Canada but the scope for doing so is constrained at present by the very limited resources available in the Diplomatic Service Posts in Canada. The situation remains under review.

20 In Western Europe the need to develop a more coherent and integrated UK promotional effort is less obvious. This is partly because the promotional effort devoted to these markets individually has remained relatively small compared with the effort in the US; it has tended, for historical reasons, to be shared geographically to some extent and has been undertaken

principally through visits rather than the establishment of local offices and representation. Generally speaking, there is also a better understanding of the UK and the opportunities it has to offer among prospective investors on the Continent compared with investors outside Europe and these opportunities, as seen from the Continent, are often rather different in nature from the opportunities sought by investors from outside Europe whose interest is mainly in establishing manufacturing or service operations within the European Community to serve the Community market. Most Western European companies also tend to show a relatively greater interest, at least currently and as far as manufacturing is concerned, in joint ventures and acquisitions than in establishing new greenfield developments. In short, there are no major problems with regard to UK promotional activities in Europe although a more coherent and coordinated effort to market the attractions of the UK would be beneficial. The situation and strategy in the inward investment target countries in Europe is kept under review in the Committee on Overseas Promotion.

OPTIONS

21 Officials have concluded that some possible options should be excluded from consideration, at least at the present time. In their view, the Prime Minister's injunction to keep the exercise small and efficient and the doubts she has expressed about the value of undertaking a review of overseas promotion of inward investment by local authorities rule out a Rayner-type review of inward investment promotion as an option. Nor, in the light of earlier Ministerial views, is legislation to control the overseas promotional activities of local authorities in England (and Wales) put forward as, or as part of, an option.

22 Officials acknowledge the validity of the observation on

the relationship between the organisation in the UK and in the US in the BTDO assessment but they have regarded it as being outside their terms of reference to put forward options which would require fundamental reorganisation of the bodies within the UK handling inward investment promotion activity.

23 Officials have concentrated on inward investment activity in the US because, as explained earlier in the paper, this is the major area of concern. Moreover, improvements in the arrangements in the US could be adapted and applied to other markets (eg, Japan) if and when a need should arise.

24 Officials have identified four options. Option 1 is the preferred BTDO Option 1 and Option 4 is virtually identical to the BTDO Option 3. Options 2 and 3 are intermediate between Options 1 and 4 and replace BTDO Option 2 which officials believe to be insufficiently precise and certain in its effect and too open-ended on the time needed to change the form of the organisation in the US. In this context officials are agreed on the need for an organisational structure which would remain stable over a reasonable period of time.

OPTION 1 :

Total integration of current resources into a single team responsible for the promotion in the USA of inward investment into all parts of the United Kingdom. This would produce a team of about thirty teeth staff supported by an equal number of back-up staff covering research, computer, secretarial functions, working out of existing Consular offices. Because of the exceptional circumstances of Northern Ireland and the quite exceptional difficulty in these circumstances of marketing the Province as a location for investment by US

firms, we would favour retaining within Posts a small number of IDB staff responsible solely for investment in Northern Ireland whilst present difficulties persist. The head of the integrated operation would report in the USA to the DGTD, who would in turn be responsible to the Ambassador. It would be necessary to establish in the UK a supervisory board presumably under the chairmanship of the DTI on which the FCO and the other interested Departments were represented. If thought appropriate the board could in turn be made responsible to a Ministerial Committee consisting of the Secretaries of State for Scotland, Wales and Northern Ireland under the chairmanship of the Secretary of State for Trade and Industry.

Advantages of Option 1

- Presentationally and practically a more coherent promotional effort on behalf of the UK which would ensure more effective coverage of investment prospects and which should have the effect of discouraging English local authorities and NTDCs outside the RDO regions from pursuing overseas promotion independently of the UK promotional effort.

- Scope for achieving greater flexibility, efficiency and effectiveness in the use of total resources.

- Effective coordination would be simply achieved "in-house" without a need for guidelines and periodic meetings, thus freeing resources for "front line" operations.

- Elimination of the present waste of resources in compiling separate data bases without any risk of "poaching" or failure to contribute new information

promptly, again providing additional resources for "front line" work.

Disadvantages of Option 1

- Territorial/regional representation would no longer be controlled and directed by the territorial/regional promotional body involving loss of integration between the marketing and the negotiating activities which the territories regard as crucial to the success of their promotional efforts.

- Presentationally, it would appear that the distinctive effort of the territories in the US to secure investment had been abandoned by the territorial bodies and by the territorial Secretaries of State giving rise to difficulties in maintaining effective coordination of lower tier promotional activities in the territories and a possibility of withdrawal of funding of the present territorial representation in the US.

- The Consulates-General are not necessarily in the optimum locations for undertaking inward investment work although this disadvantage might be overcome, eg, by establishing inward investment outstations of the Consulates in some areas.

- Staffing the Consulates-General with suitable representatives might present difficulty, at least initially.

- There would be some waste of past expenditure on creating a distinctive perception in the US of the advantages of individual territories/regions.

- There would be a loss of support from local business committees overseas which currently support some distinctive territorial promotional activities in the US.

- There would be initial upheavals and possible accommodation and other administration problems at a time when inward investment prospects are improving.

OPTION 2 :

Generally as Option 1 but with each territorial/regional promotional body retaining a single small distinctive office in the US with responsibilities for liaising with the parent organisation and the Diplomatic Service Posts on all inward investment promotion matters and for oversight of the effectiveness of the territorial/regional staff serving within the Consulates-General and of the effectiveness of the territorial/regional promotional effort in the US.

Advantages and Disadvantages of Option 2

- The advantages and disadvantages would be largely the same as for Option 1. Presentationally it could be demonstrated that a distinctive territorial/regional presence in the US had not been abandoned. However, officials of the territorial Departments believe that the reaction within the territories would be one of derision at a "piece of window-dressing" and, accordingly, they see no merit in this option.

OPTION 3 :

Territorial and regional representatives would be

retained on broadly the present scale. Such representatives would however be accommodated within Consulates-General. Their management reporting lines would be directly back to their own UK headquarters but each representative would have a defined liaison relationship with the Consulate-General and the senior representative of each territorial and regional organisation would be responsible (and answerable to BTDO as well as to his UK headquarters) for coordination and good working between the territorial or regional team as a whole and the Consulates-General.

Advantages of Option 3

- This arrangement would explicitly recognise that securing inward investment projects requires an integration of marketing/selling in the USA and further selling/ negotiation in the UK. It would obviate the split (inherent in Options 1 and 2) between promotional work in the USA and project work (by a different body) in the UK.

- Accommodating representatives within the Consulates-General would facilitate better coordination of activity.

- The setting up of a shared central data base should be facilitated by the closer personal working relationships.

- The main reporting line would be clearer and more direct than under Options 1 and 2. The "dotted line" liaison with Consulates-General could, if necessary, be reinforced by a formal Consulates-General input on the performance appraisal of individual representatives.

. The presentational and political difficulties inherent in Options 1 and 2 would be partially obviated.

Disadvantages of Option 3

. This arrangement would give rise to difficulties for Heads of Posts in having staff working within their offices responsible to one or more different UK organisations and over whom they could exercise neither line management nor operational control.

. It would not present to the prospective investor the same integrated UK promotional effort as would Options 1 and 2.

. It would give rise to upheaval in terms of personnel and geography.

OPTION 4 :

Retain the present arrangements but introduce stricter and more effective guidelines, taking account of the BTDO proposals, and consider the feasibility of establishing a shared central data-base.

Advantages and Disadvantages of Option 4

. Under Option 4 the advantages and disadvantages of Options 1, 2 and 3 fall away, leaving the advantages and disadvantages of the present organisation, although improved coordination arrangements would be sought. Option 4 offers no significant move towards a more integrated use of resources except insofar as it might prove possible to establish conditions for effective use

of a common central data-base. However, it is difficult to see how, without a much greater degree of integration, the existing suspicions of "poaching" and of failures to record new information promptly on the data-base could be overcome, however tightly rules might be drawn.

IMPLICATIONS OF THE OPTIONS FOR ORGANISATION IN THE UK

25 Officials consider that acceptance of any of the four Options would not necessitate fundamental organisational change in any of the UK promotional bodies. They accept the BTDO view on the need to create an "advisory board" under Option 1 (and Option 2 in this paper) but believe that the terms of reference of the Committee on Overseas Promotion could be amended to permit it to fulfil this role. This Committee already reports annually to Ministers on its work and a similar procedure could be followed for matters which might call for Ministerial decision.

COSTING OF THE OPTIONS

26 Officials have assumed that Ministers are seeking a form of organisation which would use the resources currently available in the most efficient and cost-effective way in securing inward investment projects for the UK. None of the four Options would entail changes in the present level of Government expenditure although Option 4 and, to a lesser extent, perhaps Option 3, would be unlikely to have the effect of discouraging increased expenditure by local authorities in England.

27 There is, however, one proviso. Officials have noted that the BTDO consider that, to obtain optimum market coverage of current opportunities, under any Option other than Option 1 (and 2 in this paper) the field force in the US would need to be

increased by three inward investment officers and three support staff. They have not been able assess the case for this increase and consider that it should be examined by Diplomatic Service Inspectors if Options 3 or 4 are adopted.

RECOMMENDATIONS

28 Officials have been unable to find sufficient common ground to make recommendations on the Options set out above.

29 However, whatever the outcome of the review, officials believe that there is scope for closer co-operation among the UK promotional bodies in marketing campaigns, in monitoring the effectiveness of the activities of the promotional bodies and in keeping under review the deployment of resources in the main target countries. They believe that the present terms of reference of the Committee on Overseas Promotion are adequate for these purposes and they have noted the recent progress which has been made, in particular with the proposed "Britain Means Business" campaign, which inter alia they see as contributing to an improved and more coherent image of the UK in the eyes of potential investors overseas and in developing consistent output measures for all the publicly funded promotional bodies.

Department of Trade and Industry
July 1984

0226x

ANNEX A

COORDINATION OF INWARD INVESTMENT PROMOTION IN THE UNITED STATES

Introduction

1. The following paper has been prepared in consultation with the DS Posts in the United States and is the fruit of two years' experience of attempts by the TDO and U S Posts to coordinate the various operations financed from official funds for the promotion among United States companies of investment in the United Kingdom.

2. The present arrangements are financially wasteful. Activities are duplicated and money spent in search of knowledge already possessed by another U K agency. The arrangements are inefficient. Agencies often lack the support staff and knowledge to mount cost-effective missions in the United States. None have access to a data-base as comprehensive and relevant as that maintained in the BTDO, New York. The arrangements are confusing to U S companies, some of whom compare unfavourably the fragmented U K effort with such integrated operations as that successfully mounted in recent years by the IDA.

3. An analysis of the present arrangements could appropriately start by examining the present cost to the United Kingdom taxpayer of the promotion of inward investment in the United States. These costs are financed from many sources including central government departments, regional authorities and local government bodies. The figures are not available in New York but we would recommend that they be assembled in London. We believe that the funds at present used to finance so many different operations could be better spent.

If devoted to financing of a single integrated operation we believe that they would lead to the creation of more new jobs in the United Kingdom at lower cost.

4. The paper does not attempt any comments upon arrangements in the United Kingdom including the operations of the Committee on Overseas Promotion and of the IBB, the latter's relations with regional bodies, local authorities and new town development corporations and whether and how these arrangements might be improved. As seen from the U S, the arrangements within the U K have been a dominant influence on the arrangements in the U S and it seems unrealistic to think that they can be considered in isolation from those in the U K.

5. We have recognised as a possible option the establishment in the U S of a new "Locate in U K" operation with its own especially recruited professional staff and independent of the D S Posts. This has not, however, been examined in detail since all Posts are convinced that the prestige and access to U S corporate leaders which the Ambassador and Consuls-General bring to the U K inward investment operation are valuable assets which no competitor enjoys to the same degree and which we should continue to exploit. It might be objected that we would say that, wouldn't we? Others can perhaps judge this point better than we, but so long as these overseas activities are financed ultimately by the U K taxpayer there must be a strong case for locating them within the official services subordinate to H M Ambassador. In foreign-language speaking countries with more alien commercial, legal and political systems the case probably becomes stronger still. But whatever the location, the need to develop and retain a highly professional staff remains of very great importance.

6. Finally, it should be understood that although the paper focuses on shortcomings in the present arrangements, great efforts have been made to coordinate the inward investment operations of the different U K bodies. We believe that these efforts have not been unsuccessful and that real improvements have been secured. Whatever the outcome of the review, Posts will continue to strive for better and more effective cooperation with their regional colleagues operating in this field.

Background

1. The inward investment promotion operation in the United States was last reviewed by Ministers in July 1982. Approval was given then to increase the number of inward investment officers in the DS Posts to a total of 15.5 officers (a 40% increase). In laying down the conditions under which free-standing inward investment officers should operate in the USA, Ministers determined that their activities should be incremental to the national effort. The conditions under which free-standing regional agencies were to cooperate with the DS Posts to achieve this objective were subsequently codified in guidelines issued in January 1983 (see Annex A1). There is now operating in the USA a national inward investment effort based within the DS Posts and largely staffed by secondees from the Industrial Development Board for Northern Ireland (IDBNI), two separate offices of the IDBNI operating within the DS Post system and free-standing offices of the Scottish Development Agency, the Welsh Development Agency, the North East Development Council, and the Yorkshire & Humberside Development Association (Annex A2).

2. A substantial amount of time, effort and goodwill by DS Posts has been expended over the past 2 years in the USA on attempts to coordinate these activities. Despite these efforts it has not been possible to eradicate the duplication and fragmentation of effort which are intrinsic to the present arrangements for promoting investment into the U K. We believe the only sure way of avoiding the wasteful use of existing resources is to harness them in a single 'Locate in the U K' organisation.

Experience to Date

3. The comments in the paragraphs in this section summarise the views of U S Posts on the performance of the regions since the last Ministerial Review.

(a) SDA

4. Except for the West Coast, where co-operation is regarded as very good, Posts consider that there is room for improvement in liaison with the SDA offices. Although regular consulation meetings are held with SDA permanent representatives in New York, the West Coast and Chicago (not in Houston) the flow of reports on individual company contacts is unsatisfactory and prior consultation about certain company visits is intermittent. With the exception, again, of the West Coast, the SDA representatives are not thought by Posts to exercise as much control as they (or LIS in Glasgow) should, over the activities of the Scottish New Towns, many of which maintain some form of U S representation of their own. Liaison between the SDA and Posts where they are not permanently represented (such as Boston) is not thought to be adequate. Some improvement in reporting visits has been observed since the appointment of a Director for North America, particularly in the New York consular district.

(b) WINVEST

5. It is hoped that personnel changes in WINVEST representation in Chicago and on the West Coast will result in improved liaison with those Posts. Co-operation is comprehensive in New York and regular meetings are held. The new full-time representation of WINVEST in Pittsburgh is regarded by the Cleveland Post as well organised. The office accepts the philosophy of co-operation with the Post but does not necessarily fully share the Post's interpretation of what this means. Where WINVEST is not permanently represented, their activities tend to be inadequately notified, except in the Boston where they are not particularly active.

(c) NEDC

6. Posts are in general agreement that the NEDC provides the best, practical example of effective regional coordination. NEDC participate in regular meetings, with the other free-standing representatives, at the Chicago Consulate-General. Their record on consultation and reporting in New York, Boston and on the West Coast is excellent. They are less active in the Consular areas of other Posts. The short attachment of an NEDC representative to the Post in Los Angeles in the Fall of 1983, though less successful than hoped, helped the Post to provide coverage of companies which would not otherwise have been possible.

(d) YHDA

7. Coordination with YHDA, so far, has not been entirely satisfactory. There is consultation in Houston but not on a formalised basis and without the provision of sufficient information about individual company contact. Difficulties have been created for the Post in the Boston area by the activities of a Senator in the Massachusetts legislature engaged as a consultant by the YHDA. The Senator's activities have also extended to Connecticut high technology companies without consultation with the New York Post. A new YHDA officer has been appointed on the West Coast whose precise status vis-a-vis Houston has yet to be clarified and whose performance in observing the Guidelines cannot yet be assessed.

8. Regional officers arriving from the U K or recruited locally have not always been made familiar with the details of the guidelines by their Head Office nor of their mandatory nature. It has therefore been more difficult than it should be for Posts to establish good coordination arrangements with some regional representatives, especially those who have seen their efforts as competing with rather than as incremental to the work of the Posts. The degree of effective co-ordination remains patchy, especially in areas in which the free standing agency does not have its own office. Experience has also shown that the current COP Guidelines no longer reflect operational realities, and some suggestions are made at Annex A3 on how they might usefully be amended. The suggestions propose new obligations on Posts as well on the regional bodies.

(e) Activity of Other U K Bodies

9. The NEDC exercise reasonable control over New Towns in their region. Peterlee, like the NEDC under whose umbrella they operate, are generally regarded by Posts as a model of co-operation, proper consultation and professionalism. Their activities tend to be concentrated on corporations in the New York, Boston and Houston areas, in all of which Posts their representatives are meticulous about prior consultation and subsequent reporting on their visits. Washington has some representation in Washington DC and the former Scientific Counsellor at the Embassy there is also now a consultant to them. NORWIDA has a low, sometimes invisible, profile. From that area, Warrington and Runcorn have an active PR representative in New Jersey who maintains fairly regular contact with the New York Post. A U S representative is being sought to promote the industrial development of the Merseyside Freeport. The future strategy of the West Midlands Industrial Development Association is not yet clear but they are understood to have appointed a "coordinator" for the West Coast based in Vancouver. U K based industrial development officers from the Devon and Cornwall Development Bureau carry out 2 or 3 U S visits a year to the North East and West Coast. They also make use of the Peat Marwick, Mitchell network and have participated in U S exhibitions.

10. The Peterborough Development Corporation is developing closer contacts with Posts. A Milton Keynes Development Corporation representative called on the New York Post for the first time in April 1984. A consultant is retained in the New York area and others in Atlanta and San Francisco, but the role of these persons is said to be confined to arranging visiting programmes based on

research done in Milton Keynes. Bristol and other English towns and regions advertise in U S industrial location publications and/or retain PR consultants in the U S. Typically these bodies visit the USA once or twice a year and this is reflected in the time spent by Posts on coordination.

11. Paragraphs 9 and 10 above do not seek comprehensively to cover all promotional activity by U K bodies. Undoubtedly some of this is carried out without contact with DS Posts.

The Costs of Co-ordination to the U K Effort

12. The tables at Annex A4 indicate the number of meetings held by investment officers with representatives of U S and U K based regional and local authorities in 1983. The figure of 284 such meetings US-wide has to be compared with 1769 meetings that year with U S corporations. Coordination thus represented 14% of total meetings (or 12% if meetings with multipliers are added to the total). Although New York accounts for 18% of the interviews, San Francisco (with considerably less resources) is only fractionally behind. Chicago (17.6%) with two inward investment officers and Los Angeles (16%) and Boston (11.90%), each with one, follow. A considerable amount of telephone contact with industrial development bodies adds at least a further 1% to the time and resources taken up by this coordination. It can be argued that some of these meetings and other contacts produce leads from individual regions which, with the latter's agreement, can sometimes be followed up for other parts of the U K. Such opportunities are identified only in a relatively small number of the annual total of 284 meetings. The proportion of positive leads arising from meetings with multipliers could be expected to be higher. Time spent on coordination obviously reduces the time available for meetings with U S corporations.

13. The Official Committee, it is hoped, will be assembling figures of the current cost of the U S operations of the free-standing bodies. But in addition to the financial cost, there are other substantial penalties incurred in maintaining a series of offices run by different organisations in the USA - time lost in criss-crossing the USA in search of new business from different bases, maintaining separate administration and accountability arrangements both in the U S and in the U K, setting up and updating different data bases, and supervision by regional bodies of personnel at long range. The less easily quantified cost of individual regional field officers working in a more isolated environment than his Consulate colleague also needs to be taken into account. There is probably a connection in our view between the combined weight of these factors and the high turnover of personnel experienced by the free-standing bodies during the period under review which has undoubtedly adversely affected the performance of some of their offices.

Options for a More Effective Operation

14. Of the possible ways of improving the organisation of the promotion in the U S of inward investment into the United Kingdom, the following seem to us the most promising, in order of preference:

Option 1 : Total integration of current resources into a single team responsible for the promotion in the USA for inward investment into all parts of the United Kingdom. This would produce a team of about thirty teeth staff supported by an equal number of back-up staff covering research, computer, secretarial functions, working out of existing Consular offices. Because of the exceptional circumstances of

Northern Ireland and the quite exceptional difficulty in these circumstances of marketing the Province as a location for investment by U S firms, we would favour retaining within Posts a small number of IDB staff responsible solely for investment in Northern Ireland whilst present difficulties persist. The head of the integrated operation would report in the USA to the DGTD, who would in turn be responsible to the Ambassador. It would be necessary to establish in the U K a supervisory board presumably under the chairmanship of the DTI on which the FCO and the Regions were represented. If thought appropriate the board could in turn be made responsible to a Ministerial Committee consisting of the Secretaries of State for Scotland, Wales and Northern Ireland under the chairmanship of the Secretary of State for Trade and Industry.

Option 2 : The retention of separate but smaller U S offices by the regions, and only by the regions, and at the same time the secondment of staff from regional bodies into the DS Posts as vacancies occur in slots currently occupied by IDB personnel working on behalf of the U K as a whole until each Region had contributed an agreed quota of staff. We would recommend the immediate provision of one additional field officer per Post in San Francisco, Los Angeles and Boston. These staff would be funded by their parent bodies as is currently the case with IDB personnel with the addition of one Research/Executive Assistant per visiting Officer. IDB would retain an appropriate share of the posts. This widening of the recruitment source would broaden

the range of experience and knowledge of the national investment organisation. It would also provide a larger source of suitably qualified staff than the IBDNI are able to provide. New and stricter COP guidelines would also need to be introduced.

Option 3 : The retention of the free standing agencies in the USA on the present lines. If this option is adopted we believe new and stricter COP guidelines will be necessary. Some expansion of staff resources available to the national operation is also highly desirable. The visiting capabilities of field officers would be improved by providing each field officer with one locally recruited research/executive assistant. One additonal field officer is needed in San Francisco, Los Angeles and Boston. Under this option the staff and finances would be provided from the existing sources, namely, IDBNI, FCO and DTI. There is a great need for some expansion of these funds - e.g. those available for travel.

15. At Annexes A5 & A6 we illustrate, for discussion purposes, the geographical location of offices if Option 1 or Option 2 is adopted. (At Annex A7 the location of the IDA offices are shown for comparative purposes.)

16. We consider that Option 1 offers the logical and most cost effective solution. A variation would be the integration of current resources in the USA as in Option 1 but with one separate office located within the Consulates for each of the regions currently represented on a free-standing basis. We do not think that the variation would be workable. Regional organisations would compete to follow up the best projects identified from the common data base.

(The current arrangement under which the IDB has 2 offices located within the DS Post works because the exceptional needs of this region are understood and accepted by all participants.) Option 2 represents an evolutionary step in the direction of eventual integration. It could be implemented without the participation of all the assisted regional bodies and thus be presented as a mandatory or voluntary option. In practice however one Region may be unwilling to adopt the option unless the others do. Although adoption of Option 3 involves the least administrative turmoil, both it and Option 2 would involve tying up still further resources in coordination activity while failing to give us the marketing benefits in the USA of a single Locate in the UK operation. Option 3 only has attractions over Option 2 if the other regions are not attracted by the idea of providing secondments to the D S Posts. Option 1 is our strong preference.

BRITISH TRADE DEVELOPMENT OFFICE

MAY 1984

ANNEX A 1

LIAISON BETWEEN BRITISH TRADE DEVELOPMENT OFFICE, NEW YORK, DIPLOMATIC POSTS IN THE USA AND REPRSENTATIVES OR OFFICES IN TRHE USA OF LOCATE IN SCOTLAND, THE DEVELOPMENT CORPORATION FOR WALES AND ENGLISH REGIONAL DEVELOPMENT ORGANISATIONS RECIEVING DIRECT GRANTS FROM PUBLIC FUNDS

1. Posts are responsible, inter alia, for the encouragement of inward investment from the United States to the United Kingdom. The function of Representatives is to complement the work of Posts, principally by marketing to US investors the special attractions of the territories/regions which they represent.

2. Posts and Representatives will establish close working relationships to ensure that the work of Representatives is complementary to the work of Posts and incremental to the UK promotional effort.

3. In general, the activities of Representatives will focus primarily on companies already established in the territories/regions which they individually represent, those with an annual turnover of up to ten million dollars, and those in industrial sectors which have been chosen for a targetted approach based on particular features of the economics of the territories/regions which they represent.

4. Within the above general framework, the representatives will undertake the following functions:-

a. Promoting the image of the territories/regions which they represent, either directly or through specialist firms, to include:

   i. the preparation, placing and monitoring of advertising;
   ii. arranging and servicing seminars and other promotional initiatives with industrialists and representative groups; and
   iii. Liason with and encouragement of promotional efforts by others on behalf of the territories/regions which they represent.

b. Co-ordination of and support (as appropriate) for inward investment visits to the US from the territories/regions which thet represent. In the case of Ministerial visits, representatives will work in close cooperation with US posts (which have a duty to be involved in, or at the very least aware of) the arrangements for all official visits to their areas by Mininsters of the Crown.

c. Assistance with sectoral exercises undertaken in the USA by their sponsoring organisations.

d. Visits to US companies on a basis coordinated with the Posts and which includes provision for prior consultation with Posts in respect of all proposed visits to companies with an annual turnover in excess of ten million dollars.

ANNEX A2

AGREED ATTACHMENTS TO DIPLOMATIC SERVICE POSTS AND FREE STANDING REGIONAL REPRESENTATION IN USA

(These figures include staff on the complement of DS Posts wholly or mainly engaged on inward investment work but excluding secretarial support)

	UK	SDA	WINVEST	IDB	NEDC	YHDA	TOTAL
ATLANTA	1*						1
BOSTON	1*						1
CHICAGO	2*Ø	1	1		2		6
CLEVELAND	1*						1
HOUSTON	1*½	1				½	3
DALLAS	½						
LOS ANGELES	1*						1
NEW YORK	(3Ø(DS) 5(1(IBB) (1*	3 (Stamford)	1 (Summit NJ)	2			10
PITTSBURGH			2				2
SAN FRANCISCO	1*	2	1	1		1	6
TOTAL	14	7	5	3*	2		31

* IDB attached officers

Ø Including one locally engaged vice-consul

(vii) Where a Representative is the primary contact on an active project Posts will not visit the company concerned without notifying the Representative in advance. (7)

5. Exchange of Information on Promotional Activities

(i) Representatives will keep Posts informed of plans for seminars, high level visits, sectoral campaigns (including visits from the UK and mailshots) and attendance as exhibitors at trade shows. Posts will attend or speak at events or host such functions when invited and if time permits. In the case of Ministerial visits Representatives will work in close co-operation with Posts (which have a duty to be involved in, or at the very least be aware of, the arrangements for all official visits to their areas by Ministers of the Government).

(ii) Representatives will consult Posts as in 4 above about specific contacts which result from such events before one-on-one follow up.

(iii) Representatives, or their UK HQ's will keep BTDO informed about their US advertising plans. BTDO will make the IBB media plan available on a reciprocal basis and is willing to involve regional agencies in its testimonial campaign on a matching funds basis.

ANNEX A 3

GUIDELINES ON LIAISON ON INWARD INVESTMENT WORK BETWEEN DS POSTS IN THE USA AND US-BASED REPRESENTATIVES OF UK DEVELOPMENT ORGANISATIONS RECEIVING DIRECT GRANTS FROM PUBLIC FUNDS (1)

(In short: Liaison between "Posts" and "Representatives")

1. Posts are responsible, inter alia, for the encouragement of inward investment from the US to the UK. Investment officers and their Consular areas are listed at Annex B. Investment work is primarily carried out by one-to-one contact with companies which are recorded in a computerised database, the Key Corporate Directory. Direct access to this database is not available to free standing Representatives, but its records on 11,000 potential investors enables Posts to respond quickly to specific requests for information.

2. The function of Representatives is to complement the work of Posts, principally by marketing to potential US investors the special attractions of the territories/regions which they represent.

3. Posts and Representatives will maintain close working relationships to ensure that the work of Representatives is complementary to the work of Posts and incremental to the UK promotional effort. (2)

4. Exchange of Information on meetings with US companies

(i) Representatives will consult the relevant Post before visiting companies. (3)

(ii) Representatives will report on visits in writing to the relevant Post. The report will cover at least the points, listed in Annex B. (4)

(iii) When consulted about companies, Posts will respond as quickly and informatively as possible.

(iv) Posts will not pass reports, or their contents to any other regional/territorial organisation without the originator's consent. (6)

(v) Posts will invite Representatives to join them on visits when appropriate, if a company has an interest in a particular region. Time permitting, they will accompany Representatives when invited to cover the wider UK scene.

(vi) Posts will pass on leads to Representatives for follow up where a company's interest is limited to his specific area eg. where an acquisition or JV partner has already been identified.

(iv) Representatives will keep Posts, or BIS, informed about articles supplied to journals, especially for area development supplements, and of arrangements for editorial visits to the UK, to avoid overlap.

BTDO

MAY 1984

COMMENTARY ON PROPOSED CHANGES

(1) Parties to the agreement to be listed in Annex A. There might be some arrangement by which other bodies eg. New Towns with US agents could "take note" of the procedures. For completeness IDB/NY and IDB/SF should be parties to the agreement although it is accepted that they already conform to all the requirements. Agents should be covered as well as representatives and offices. BTDO will forward suggestions on the guidelines for visitors from the UK separately.

It is suggested that IBB should publish the guidelines with the suggested annexes so that no one can plead ignorance as to the reason for failure to comply. IBB should also ensure that compliance with the guidelines is part of the strategy documents of the English RDO's which it grants aids, and seek to incorporate the guidelines in Scottish, Welsh and Northern Ireland strategy documents.

(2) The form of the relationship will depend on local circumstances ie. regular meetings with the Post nearest to a Representative; joint meetings in cities where several agencies are represented; calls on Posts when touring; telephone calls; written reports etc. The remainder of the proposed revision concentrates on the substance rather than the form of the liaison.

(3) The existing guidelines suggest Representatives focus on companies already in their regions, companies with a turnover under $10m and companies in selected sectors, but this has been interpreted as a carte-blanche to go into virtually any company. This gives rise to several problems. Many companies are in more than one UK region. Most agencies have chosen the same sectors. The $10m is unenforceable especially for rapidly growing companies which soon grow above that size. In any case, a quarter of the companies on the KCD are less than $10m companies so this provision does not prevent overlap.

Consultation should not be burdensome to either party. The KCD enables Posts to respond quickly, normally over the telephone to requests for clearance. Article 4 (iii) of the Guidelines gives Posts guidance on how to respond and recommends that they provide information where possible so that Representatives derive some benefits from advance consultation.

All the provisions for consultation and reporting are currently met by NEDC and Peterlee and, hence, are demonstrably achievable. For simplicity consultation should be direct with the Post concerned, not via BTDO or any other 'co-ordinating' Post.

(4) Copies of the Representative's report to his HQ will be acceptable provided it covers the following points (which would be set out in Annex C)

- Name of Representative
- Full name and address of company
- Parent, if any

- Name and title of contact
- Investment Potential (ie. Active/Passive General Interest or New/Ongoing Case).
- AND if there is investment potential..
- Product or service involved.
- Whether and when a site reconnaissance visit is planned.
- Whether the project is internationally and regionally mobile.
- Next planned action by Representative or his agency.

(5) In practice Posts would be advised to give the go ahead where companies are not known, or known but not recently contacted. Where companies have been recently contacted, Posts may advise that a visit may not be worthwhile but normally the region would be free to go in. The Post may even make introductions. Where there is an active case and the Post asks a Representative to refrain from contact this advice must be respected.

(6) Special provisions will be needed to cover IDB/NY and IDB/SF access to NY and SF company files and, hence, to reports from other regional agencies.

(7) This is not intended to give a Representative a blanket veto on his contacts since this would be impracticable, but is designed to ensure that co-ordination is adequate where a representative is clearly in the lead on a specific project and no other Regions/Territories are involved.

SUMMARY OF NATIONAL, REGIONAL & LOCAL MEETINGS WITH US POSTS

1983

POST \ AGENCY	Scottish Welsh N Irish English Regions	New Towns	Local Authorities						TOTAL
NEW YORK	31	9	8	4					52
ATLANTA	3	3	0	1					7
BOSTON	15	9	6	4					34
CHICAGO	26	18	5	1					50
CLEVELAND	11	1	0	0					12
DALLAS	2		2	0					4
HOUSTON	12	2	2	0					16
LOS ANGELES	29	10	6	1					46
SAN FRANCISCO	32	8	6	5					51
SEATTLE	3	2	2	1					8
WASHINGTON DC	1	2	1	0					4
TOTAL	165	64	38	17					284

NATIONAL AND REGIONAL AGENCY MEETINGS WITH US POSTS
1983

POST \ AGENCY	Scottish DEV Agency	IDB from NY or Belfast	WINVEST Wales	NEDC North England	NORWIDA NW England	DCDB Devon & Cornwall	YHDA Yorks & Humberside	Inward Invest Liaison Group		TOTAL
NEW YORK	17	6	8	2		5	2			40
ATLANTA	1	2		1		1	1			6
BOSTON	3	8	4	1		4	4			24
CHICAGO	10	8	8	14	2		1	1		44
CLEVELAND	1	9	1			1				12
DALLAS			2							2
HOUSTON	6	3	3	2						14
LOS ANGELES	6	18	5	6*		1	3			39
SAN FRANCISCO	8	16	8	6		2				40
SEATTLE	1	2			2					5
WASHINGTON DC			1			2				3
TOTAL	53	72	40	32	4	16	11	1		229

NOTES:

1. Telephone contacts with representatives in US and HQ's in UK on visits and projects are frequent but not recorded here.
2. Some meetings involved more than one officer in a Post.
3. * In addition, an NEDC officer was based in BCG LA from Sept to DEC 1983.
4. New York figures for IDB refer to visits from Belfast involving Inward Investment Branch only, not IDBNY contacts.
5. Scottish, Welsh and N. Ireland figures include Ministerial visits.
6. Chicago figures include Liaison Group meetings involving 4 agencies with local representatives

NEW TOWN MEETINGS WITH US POSTS
1983

POST \ AGENCY	Glenrothes	Milton Keynes	Peterborough	Peterlee	Telford	Warlington	Washington			TOTAL
NEW YORK			1	4		3				8
ATLANTA										0
BOSTON			2	2		1	1			6
CHICAGO	1				2	2				5
CLEVELAND										0
DALLAS				2						2
HOUSTON				2						2
LOS ANGELES					2	2	2			6
SAN FRANCISCO		1	2		2		1			6
SEATTLE						1	1			2
WASHINGTON DC							1			1
TOTAL	1	1	5	10	6	9	6			38

NOTES:

1. Telephone contacts are frequent and substantive but not recorded here.
2. Some meetings involved more than one officer in a post.

LOCAL AUTHORITY MEETINGS WITH US POSTS
1983

POST \ AGENCY	Birmingham	Bristol	Cumbria CC	Hampshire CC	Leicester CC	Staffordshire CC				TOTAL
NEW YORK			1	1	1	1				4
ATLANTA	1									1
BOSTON	1		3							4
CHICAGO	1									1
CLEVELAND										0
DALLAS										0
HOUSTON										0
LOS ANGELES						1				1
SAN FRANCISCO	1	1	1	1		1				5
SEATTLE		1								1
WASHINGTON DC										0
TOTAL	4	2	5	2	1	3				17

ANNEX A5

POSSIBLE DEPLOYMENT OF TEETH STAFF (31)
UNDER OPTIONS 1 AND 2

Atlanta	3	(One less if office opened in Florida.)
Boston	3	
Chicago	5	
Cleveland	2	(One less if office opened in Pittsburg.)
Houston/Dallas	3	(One less if office opened in Denver.)
Los Angeles	3	
New York	9	(Includes post of Director Inward Investment). New York would also cover Washington Consular district if Pittsburg office not opened.)
San Francisco	2	
Seattle	1	

ANNEX A6

POSSIBLE LOCATION OF SPECIALIST REGIONAL OFFICE
UNDER OPTION 2

SDA	-	New York, S F or Boston
WINVEST	-	New York or L A
IDBNI	-	New York or S F
NEDC	-	Chicago
YHDA	-	Houston or S F

(Note - Bids could also be expected from the son of NORWIDA and possibly Devon & Cornwall and the West Midlands in due course for similar arrangements.)

The deployment of the U S resources of the Irish Industrial Development Authority, very closely follows the U K representation as described at Annex B and, as far as is known, is as follows:

	Teeth Staff
Atlanta	1
Boston	3
Chicago	4
Cleveland	1
Fort Lauderdale	1
Houston	2
Los Angeles	6
New York	6
San Francisco	2
	26

The Fort Lauderdale office is not thought to have any particular strategic significance but to result from the transfer of a Canada-based officer to the area where he already had a residence.

ANNEX B

INWARD INVESTMENT: THE APPROACH IN SCOTLAND

Note by Locate in Scotland

INTRODUCTION

1. Inward investment is important to Scotland and to the UK because it provides substantial economic benefits in terms of extra investment, extra employment, technology transfer, the introduction of new management styles and the creation of a competitive climate in which indigenous entrepreneur-ship can flourish.

2. The approach adopted by Locate in Scotland is a professional, business approach, selling a marketable commodity to meet the exacting requirements of inward investor customers. This approach fits economic policy objectives in Scotland set by Government (the Department of Trade & Industry, the Scottish Office and the Scottish Development Agency), and distinctive Scottish institutional arrangements in both public and private sectors. Most important, it fits the perceived needs of the customer from the point at which a company first becomes aware of the potential of Scotland as a market base in Europe, through the process of enquiry, information gathering and visits, to the development and implementation of an investment project.

3. In a highly competitive market place the paramount importance of the customer has to be recognised in all aspects of inward investment attraction from image creation to market research to project negotiation and implementation. Customer requirements must determine organisational structure. The evidence so far demonstrates the success of a targetted pre-researched approach recognising regional strengths and opportunities is attracting high growth technology companies. In the view of LIS, this approach fills a market niche within the overall UK effort, while alternative approaches are likely to be less effective for Scotland and for the UK since they would dilute

professionalism, disperse detailed knowledge of market opportunities in Scotland, forego the benefits of vertical integration, with one organisation handling projects from start to finish, and run the risk of losing resources (of the Scottish Development Agency and others) for a co-ordinated Scottish and UK inward investment effort, without necessarily solving the difficult problem of effectively co-ordinating inward investment activity on the part of regions, local authorities and new towns in England.

THE BENEFITS: WHY INWARD INVESTMENT MATTERS

4. Inward investment represents a crucial step in the continuing process of internationalisation among trading nations. The main benefits are investment in wealth-creating industries providing productive and secure employment, the transfer of modern, high technology to Scotland, the upgrading of skills and the introduction of new management styles.

i. Investment and Jobs

5. Overseas companies currently employ 80,000 people in Scotland, some 18.5% of manufacturing employment. About 70% of employment in overseas-owned companies is provided by US-owned companies. This US investment in Scotland is particularly significant for its quality. The electronics industry in Scotland currently employs 40,000 people (a crucial 10% of all manufacturing employment in Scotland) and over half of this employment is provided by overseas companies, the majority from the US. Inward investment has been particularly important in Scotland during the recession; while investment on the part of indigenous companies fell away, net capital expenditure by overseas-owned units between 1979 and 1981 more than doubled and the share of net capital expenditure in Scottish manufacturing accounted for by overseas-owned units rose from 18.9% to 37.5% over the period.

ii. Technology Transfer

6. Scotland has suffered from over-dependence for some time now on traditional industrial sectors such as steel, shipbuilding and heavy engineering. Future prosperity depends on making the transition successfully to new industries and new technologies, and inward investment is a vital part of accelerating that process. Scotland has achieved considerable success in bringing leading edge technologies to the UK with clear national economic benefits.

Electronics is the all-pervasive technology, but particular areas of success include integrated circuit and microprocessor development and data processing, where the introduction of US and Japanese technology to Scotland has enhanced the UK's competitive position at the leading edge.

iii. Upgrading of Skills and the Introduction of New Management Styles

7. New industries and new technologies require new skills - technical, managerial and entrepreneurial. The attraction of leading overseas companies (and 11 out of the top 20 US electronics companies are now established in Scotland) brings these new skills to Scotland. Substantial efforts have been made to create the infrastructure, entrepreneurial climate and institutional support, both public and private, in which such skills can prosper in our market place. The dynamics of the market place allow technically qualified staff to leave foreign-owned companies to set up indigenous companies in Scotland, such as the Rodime disc drive company at Glenrothes (which spun off from Burroughs), and Fortronic, making banking terminals and other office equipment (which spun off from Hewlett-Packard). Considerable efforts have been made in Scotland to strengthen indigenous industry, through promotion measures such as the Industrial Development Drive and, using European community funds, through the Better Business Services Scheme, which aims at improving managerial skills. The introduction of overseas companies reinforces these measures to improve the indigenous base, which is not yet strong enough to be self-supporting or to provide sufficient high grade employment opportunities for the output from Scotland's education system.

THE SCOTTISH APPROACH TO INWARD INVESTMENT ATTRACTION

a. Historical Background

8. Following accession to the European Community in 1973 and the increasing trend by multinationals to internationalise their operations, the UK, with its common language, had the opportunity to maximise inward investment from the United States for the European market place. The Republic of Ireland seized this opportunity to develop, setting up the IDA, a body independent of diplomatic and foreign service control, to spearhead its investment drive. Its success in applying a targeted approach through professional officers in a single organisation achieved a flow of inward investment in sectors in which there was no historical infrastructural support or strength in depth. This single-minded approach was perceived as a potent force in inward investment attraction, particularly when compared with the meagre resources being deployed by the UK. The SDA took the view that many of the projects being lost would provide benefits in terms of technology, investment, employment and skills to both the Scottish and UK economies and that it should therefore devote part of the resources allocated to it to regenerate the Scottish economy to inward investment. Two offices were established in the US and they subsumed the Scottish Council's previous (and often very successful) efforts in this area. At the same time the FCO was experiencing significant cut-backs in its activities and the resources available for inward investment promotion, which had a low priority as a non-mainstream activity, were reduced.

9. These offices developed slowly at first but, following the Scottish Select Committee's report on inward investment and the Government's decision to establish a single body combining the powers of both the Scottish Office and the SDA as the proper response to the challenge of the market place, LIS was set up in 1981.

10. Over the last three years LIS has evolved rapidly from a loose combination of its component steering and promotional roles to a vertically integrated operation marketing Scotland as a location primarily in the US but also, to a limited extent, in Japan and Europe, and supporting the industrial strategies being pursued by both Scottish Office and SDA through the inward investment function.

b. The Current Position

11. LIS is now a vertically-integrated, customer-orientated organisation under control of a steering group chaired by the Secretary of State. Largely funded by the SDA, LIS has adopted an annual planning cycle which sets and monitors objectives in terms of its performance and consequent value for money. For 1984/85, LIS has set itself an objective of securing 50 projects involving investment of £175 million and related employment of 7,000 jobs. The detailed activities and work programmes adopted to secure these objectives will reflect the industrial and strategic goals of both Scottish Office and the SDA and, as a result, a major proportion of the investment is likely to be in targeted growth sectors. Its 1984/85 Operating and Marketing Plan reflects these activities.

12. LIS, through its overseas offices and headquarters operation provides an integrated service to customers, including research and marketing, project development (complete sales, steering and negotiation package) and after-sales service.

13. Our marketing effort includes advertising and public relations campaigns. Based on a detailed perception study of Scotland as a location, our advertising seeks to develop the image of Scotland as a springboard to European markets from a stable, skilled environment. Preliminary results of this campaign are set out below:

Advertising & Promotion	Scotland		England	
	This Year	Last Year	This Year	Last Year
Awareness of efforts	75%	54%	71%	59%
Most attractive Location	6%	2%	19%	11%
Familiarity with Location	56%	29%	82%	77%

These results demonstrate improved perceptions and, as a result, we are moving the thrust of our advertising gradually towards sectoral concentration, regional specialisation and lead generation. These efforts are supported by public relations work designed to ensure maximum exposure of Scotland's story in the international press.

14. Our overseas operations have a wide variety of roles, ranging from securing general customer awareness through specific targeted marketing to liaison and project support. The emphasis of these activities has been moving steadily from a broad awareness role to the research and marketing of specific opportunities to a targeted audience. This approach involves detailed sectoral support work and has implications which are being taken on board for the qualities and expertise required in the staff with responsibility for identification, promotion and first line implementation of these market opportunities. Maintenance of our limited exhibition and cold calling programmes can then be placed increasingly on the New Town and regional representatives co-operating with our Operating Plan. This method of commercial operation of our overseas offices, whereby we present a specific product (ie researched market opportunity) to customers rather than more nebulous locational concepts, is the route we shall increasingly rely on to continue our pattern of success in our overseas offices. We shall also continue to build on the relationship developed with existing overseas customers with whom projects are developed exploiting the detailed local knowledge resident in our offices overseas, linked directly to the home base. A good example of this approach in action is the award winning study on the semiconductor industry in Scotland which by demonstrating specialist capability provides credibility and consequent access to our targeted audiences.

15. By maintaining close liaison with the Consular posts, LIS officers seek to avoid overlap and to keep other organisations aware of our activities and active projects. This information flow is being further enhanced by the introduction of computer compatible reporting systems. The system of co-ordination does, we feel, provide solid mutual support and often leads to visits with a wider UK programme.

16. At home, our efforts are concentrated in ensuring that customers' requirements are fully met in what is likely to be an all too limited visit programme. Considerable effort has gone in to exploiting the unitary advantages of Scotland within the UK by bringing together all the disparate resources to achieve a common sense of purpose which makes the investor welcome. This involves close liaison with educationalists, local authorities, New Towns, banks, accountants, lawyers, venture capitalists and others, ensuring that the resources controlled by the Agency act as a catalyst which brings to bear all public and private sector resources for the investor. In the public sector this requires the close involvement of regions, New Towns, the Agency and IDS in the annual planning cycle, which determines the main thrust of our activity. It requires clear definition of roles to avoid overlap, (New Towns, for example, sell themselves best but do not get involved in assistance questions). It involves face-to-face in-house negotiating ability, not just on Government assistance but also on factory provision, equity finance, research information etc with all parties identifying with LIS in their approach. This business commitment to the businessman creates the favourable climate for decision. Thereafter our overseas posts keep close in the final run-up to decision-making and after investment we remain a prime contact in overcoming problems encountered in the start-up situation.

c. <u>The Record</u>

17. We believe that a minimum of three years work is required to allow any business strategy to adequately develop in the sphere of inward investment if maximum benefit is to be achieved from past expenditure. Our results to date indicate encouraging progress:

	1981/82	Actual 1982/83	1983/84	Objective 1984/85
Enquiries	320	377	440	
Visits	116	140	199	
Projects : No.	32	46	54	50
: Investment (£m)	237	187	167	175
: Employment	7,000	5,300	6,900	7,000
Analysis of Projects				
Mobile	13	28	32	
Expansion	19	18	22	

Of the enquiries we estimate that around 20% come from IBB but on visits the number sourced from IBB, while staying fairly constant in number terms, has fallen from almost a third of the total to around 20%. We believe that the great majority of projects result from the additional dimension provided by LIS contacts direct with US companies, whether as a first time effort or complementing previous contacts made by the consuls.

d. Resources

18. The effective attraction of inward investment requires substantial commitment of resources both financial and human. Locate in Scotland currently employs around 35 people in total at home and overseas. Because LIS is a vertically integrated operation, it covers a wider range of functions than IBB or DTI Regional Offices. It includes, for example, staff engaged on casework, negotiation and aftercare which go far beyond the traditional promotion and steering roles. It is estimated that new town and local authorities spend the equivalent of one man year on inward investment promotion.

19. The cost of these operations including all advertising and promotion outwith the UK (and some of this can be argued as corporate rather than LIS specific), and also the resources devoted to negotiations of assistance etc but excluding any New Towns' expenditure can be broken down for 1984/85 roughly as follows:

	£000
Marketing, including advertising, publicity, promotions, publications	800
Staff Costs - direct (salaries only)	700
Overhead Costs (including travel, subsistence and entertainment, overseas supplements, local promotion and office costs)	1000
	£2500

Given achievement of our targets, this represents a cost of £350 per potential job, around 1.5% of the likely investment in the Scottish economy and a negligible payment in respect of the technology brought in to enhance the industrial base of both Scotland and the UK.

HOW THE APPROACH MEETS SCOTTISH NEEDS

i. Industrial Policy Objectives in Scotland

20. The Department of Trade & Industry's aims and objectives affect Scotland as part of the UK. The Secretary of State for Scotland has 2 main industrial policy arms, the Industry Department for Scotland and the Scottish Development Agency. The Industry Department for Scotland supports the Department of Trade & Industry's policy for the UK and adapts it to Scottish circumstances. In seeking to secure its own objectives of furthering economic development, promoting industrial efficiency and international competitiveness and improving the infrastructure and environment, the Scottish Development Agency has decided to concentrate its resources on four priorities, namely area development, high technology, support for investment and small business. In each of these areas inward investment is regarded as one of the keys to success. Areas such as Clydeside and Dundee, which have suffered from major closures of traditional industry, are in the process of regeneration of their industrial structure and inward investment is seen as

playing a crucial role, for example in areas like Greenock, where IBM and National Semiconductor have had a decisive lead influence in the movement away from shipbuilding. Similarly, the contribution of inward investment to success in the sectors identified by the Scottish Development Agency for technological development (electronics, health care, advanced engineering and oil-related developments) has been striking. These companies perform well in terms of capital investment and job security. In supporting investment, the Scottish Development Agency has made it a major objective to lever as much private sector finance as possible for every £ of public investment; this was a key theme of the SDA-promoted 1983 European Venture Capital Conference in Edinburgh, and inward investment provides a rich seam for venture capital projects, which needs further exploitation. Finally, inward investment brings substantial benefits to small business in terms of sub-contract work, an area to which the Scottish Development Agency's Small Business Division has given particular attention; in improved technical performance to meet the exacting quality requirements of leading overseas companies; and in the adoption of more up-to-date and competitive processes in small firm enterprises.

ii. Distinctive Institutional Arrangements in Scotland

21. There are a number of distinctive institutional arrangements in Scotland which a commercially-based inward investment operation run by Locate in Scotland is designed to complement and exploit. These institutional arrangements form a source of strength and enhance the marketing exploitation of Scotland both on its own and as part of the UK.

22. Firstly, Scotland has its own Secretary of State responsible for a major territorial Department, controlling considerable resources of central and local Government expenditure. His responsibilities include New Towns and local authorities and much of the educational, technological and physical infrastructure, which is vital to meet inter alia inward investors' requirement. On the industrial side, the Secretary of State's responsibilities include Regional Selective Assistance, the negotiable element in the financial package and, hence, the subject of most detailed discussion with potential investors.

23. Apart from the industrial assistance which the Secretary of State commands at his own hand, there is the wide range of support available through the Scottish Development Agency, funded by the Secretary of State. Scotland also has distinctive resources in the public sector in the educational field, over much of which the Secretary of State has control or influence. Universities, colleges of technology and colleges of further education provide the external research and the development of technical expertise and the high quality manpower, which are, arguably, inward investors' most important requirement, given the availability of regional incentives and basic industrial infrastructure.

24. By bringing the Secretary of State's industrial powers together with the development powers of the SDA in one body, LIS can harness a major direct resource answerable through a single channel. However, it is not just in the public sector that Scotland's coherent identity can be used to advantage. In the private sector, Scotland has a distinctive business and financial community with which Locate in Scotland (the Department and the Scottish Development Agency) has close links. Apart from the three Scottish clearing banks, there is a very strong merchant bank and venture capital presence in Edinburgh, and financial advisers and consultants are strong on the ground too.

25. These factors combine to make Scotland a tight, identifiable, marketable proposition.

iii. Political

26. The restructuring of the Scottish economy and the movement from an industrial base of heavy industry to high technology growth industries has inevitably created major political pressures in Scotland in common with those in other parts of the UK. Although much has been made of the benefits of North Sea oil and of the increasing importance of electronics to the Scottish economy, it is still a fact that unemployment in Scotland is running at 14.8% of the working population. This disguises a major structural problem which still exists in the heavily industrialised Strathclyde Region, which contains

around half of Scotland's people and where unemployment exceeds 17%, including a 21% male unemployment rate. Clearly, there are still long term structural unemployment problems to be resolved.

27. Locate in Scotland is seen as part of the response to these problems, representing one measure of the internal regeneration required to create the climate in which business can again succeed in the area.

RELATIONSHIPS WITH OUTSIDE BODIES

a. FCO

28. LIS believes that by concentrating its resources in the States on high growth, technology companies, its efforts are complementary to those of the Diplomatic Posts. Although present co-ordination arrangements take a certain amount of time, we feel that this should reduce as experience is gained and as information systems are made increasingly compatible. We remain concerned about certain lack of 2-way communication while understanding, if not agreeing, with its rationale. We believe that the approach which we adopt is incremental and likely to be particularly effective for the type of company towards which we are targeting our efforts. There are many situations in which the cachet of Consular officee can secure access, particularly in the giant multinational corporations. However, our own approach is rather more concentrated on smaller companies or on high growth sectors of these multinationals. We believe that there is room for both approaches.

b. IBB

29. IBB is responsible for ensuring that government policies take account of inward investments; formulating policy on inward investment promotions; inward investment company visiting and case-work; promoting the UK as a location for inward investment; co-ordinating the UK and overseas inward investment promotion activies of all UK bodies involved, and administration of Regional Development Organisation grants.

c. Scottish New Towns and Regions

30. The Scottish New Towns have historically played a major role in the attraction of inward investment to Scotland. There are legislative controls over the activities of the Scottish local authorities but LIS seeks, through a programme of involvement in its planning and operations and a free flow of relevant information, to win acceptance of our role rather than impose it. The New Towns have also settled for this approach as they see an increased programme of visits by inward investors being achieved.

31. All New Town visits abroad are vetted and agreed and LIS also accepts responsibility for notification of visit programmes down to the individual Company level. There have, of course, been some problems in implementation but, by judicious co-ordination of carrot, stick and legislative control, we believe that we have achieved as tight control as possible on our New Towns and regions over the past year. The attainment of this level of co-ordination represents a major achievement which will be safeguarded through the continuing identification of these bodies with the market strategy being pursued in Scotland.

CONCLUSION

32. Scotland's approach to inward investment forms one part of the implementation of Government policy towards industrial regeneration in Scotland. The approach is customer-dedicated and is based increasingly on a well-researched and targeted marketing effort. This approach has achieved concerted support from all the public sector bodies concerned with inward investment in Scotland which are able to identify with the concept of selling Scotland as a high technology centre accessible to European and UK markets. We believe that results are beginning to flow from those efforts and that these might well justify the deployment of additional resources to exploit the potential market place in full.

33. We consider that our approach complements the work of IBB and FCO and that customer satisfaction is the key to organisational structure for the future. Free communication is the key to good co-ordination.

34. In summary, we are convinced that Scotland's future inward investment policy, its structure and its co-ordination arrangements, should continue to be determined by the demands of the customer and the perceived role of inward investment as a coherent part of Government's strategy for the industrial regeneration of Scotland.

LIS, Glasgow

CONFIDENTIAL

ANNEX C

BACKGROUND

1 In the early 1930s many local authorities became involved for the first time in promoting industrial development. Some banded together to form area promotional bodies: the North West Industrial Development Association dates from 1931.

2 In the 1950s attention began to be paid specifically to attracting inward investment in manufacturing. Essentially this activity was undertaken in support of regional policy: it was less a matter of securing projects against international competition and more a matter of persuading investors who had decided to undertake projects in the UK (for the purpose of exploiting the UK market and taking advantage of Commonwealth and EFTA preferences) of the attractions of the assisted areas. The Scottish Council, in an initiative sponsored by private sector industry in Scotland, established an office in New York as did the Northern Ireland Ministry of Commerce. Also active were the Development Corporation for Wales and the North of England Development Council. There was no overseas promotional effort for the United Kingdom as a whole although Commercial Officers in Diplomatic Service Posts had instructions to assist prospective investors with information.

3 The entry of the UK into the EC in 1973 changed this picture. The UK was now in direct competition with other EC member States for "manufacture for Europe" projects. The Republic of Ireland seized the opportunity of EC entry to industrialise,

setting up a powerful Industrial Development Authority and offering tax exemption for foreign investors on profits from exporting (one effect of which was to switch some new British investment from Northern Ireland to the Republic). The oil price rises resulting in a falling off in economic growth and increasing unemployment had the effect of sharpening competition for internationally mobile projects.

4 From the mid 1970s the creation of the Scottish Development Agency and the Welsh Development Agency led to an upturn in the Scottish and Welsh inward investment promotional efforts and in 1978 the SDA opened inward investment offices in the USA and Europe. In addition the transfer of responsibilities for regional selective assistance in 1976 gave responsibility for the negotiation of financial assistance packages with investors from overseas to the Scottish and Welsh Offices.

5 The need for a coherent "UK as a whole" promotional effort to combat the efforts of our international competitors led to the establishment of the Invest in Britain Bureau within the Department of Industry in 1977. Its resources were, and have remained, limited although the recent secondment of a senior marketing executive from IBM, who shortly will head the IBB, and the proposed UK marketing campaign in 1985 in cooperation with all COP members, should raise its profile and enhance its general standing and professionalism.

6 Early in 1980 the Committee on Overseas Promotion was set up to coordinate the territorial and UK promotional efforts. In 1981 the Committee considered an open exchange of information on prospective investment projects but suspicions that there would be "poaching" and doubts whether all the promotional bodies would provide full details of all prospective projects promptly to a central data base made it possible to reach agreement only on a

system of reporting "substantive discussions" to the IBB coupled with arrangements for the IBB to be consulted before new approaches to overseas companies. This system has been of some value but at the expense of absorbing resources which could have been used more directly in promotional work.

7 Also in 1980 the Committee on Scottish Affairs, believing that a "one door" approach on the Irish Republic model was unachievable, recommended that the SDA offices overseas should be closed and the staff transferred to the Consulates General to provide Scottish expertise in a UK promotional effort. The Government did not accept this recommendation and, to meet the Committee's concern that Scotland's distinctiveness as an inward investment location was recognised and promoted to its full potential in competition with the efforts of the IDA in the Republic of Ireland the Secretary of State for Scotland established in 1981 "Locate in Scotland" (comprising Scottish Office and SDA staff). To secure the best use of resources available to the Scottish Office, the SDA, the New Towns and the local authorities the Secretary of State for Scotland piloted through Parliament legislation which prevented Scottish local authorities from engaging in overseas promotion without his consent.

8 Wales and Northern Ireland (except in the matter of legislation) followed the Scottish lead: in Northern Ireland the Industrial Development Board was set up and in Wales "Wales Investment Location" on the "Locate in Scotland" model.

9 These territorial developments - which were a direct response to the increasing competition from the Republic of Ireland and a perception that the UK promotional effort was too weak to match it - coupled with a 1980 cut-back in Government funding of inward investment activity of the English assisted area Regional Development Organisations, had inevitable repercussions in England. In the face of strong representations for "fair

treatment" it was agreed that the RDOs should be grant aided more generously provided they effectively coordinated "their" local authority and new town promotional activities overseas and provided their programmes were coordinated with the UK as a whole promotional effort. Several English local authorities and New Towns, more particularly those outside the Assisted Areas, stepped up their own activities overseas.

10 In July 1982 E(EA) agreed increased representation overseas for the promotion of Scotland, Wales and Northern Ireland* together with some overseas representation by the English RDOs. This agreement was subject to review in mid-1984 and to effective arrangements for coordination. New coordination arrangements were agreed which have brought about an improvement in relations between territorial representatives overseas and the DS Posts but at the expense of absorbing about 15% of DS Posts' promotional resources in coordination.

11 Earlier in 1982 E(EA) considered the proliferation of local authority promotional campaigns abroad, noting that the problem was largely confined to England. Measures of a persuasive nature were agreed after a Rayner-type review approach had not found favour and legislation on the Scottish model had been considered an unattractive proposition. It was agreed that the matter would be considered again in about a year's time.

12 A paper was circulated to E(A) by the then Secretary of State for Industry in August 1983 reporting that, although some progress had been made, independent local authority activities remained a problem in England. It recommended that persuasion

---

*The deployment of most of the additional Northern Ireland resources took the form of staff working within the Consulates-General as UK inward investment officers.

should be continued for another year with a further review linked to the review of overseas representation in mid 1984. It further recommended that a Rayner-type scrutiny covering the whole field of UK inward investment promotion activities should be undertaken during the first half of 1984 as a basis for taking decisions in mid 1984 on the future form and nature of inward investment promotion.

13 There was general opposition to a Rayner-type scrutiny of the kind proposed ahead of the mid 1984 review on the grounds that the arrangements agreed in mid 1982 would not have been in place long enough to test their effectiveness. Mr Parkinson circulated a further paper to E(A) on 29 September saying that he would not press his proposal for a Rayner-type scrutiny ahead of the mid 1984 review but seeking agreement that the mid 1984 review should be a searching and comprehensive one.

14 On 3 October the Prime Minister expressed doubts about the cost effectiveness of a review of overseas inward investment promotion by local authorities. On 6 October the subject of inward investment promotion was raised in E(A) when the Sub-Committee was discussing the future of regional policy and the Secretary of State for Trade and Industry was invited in consultation with colleagues to bring forward proposals for improving the coordination throughout the United Kingdom among central Government, local authority and other public sector bodies engaged in promotional activity to attract inward investment. On 17 October the Prime Minister, referring to the E(A) invitation of 6 October, said she wished "this exercise to be kept as small and efficient as possible".

15 Ministers discussed the E(A) remit in February 1984 when they agreed to a comprehensive review in July 1984 and officials were instructed to prepare for it taking account of :

- the disposition of Ministers to consider an integrated "Locate in Britain" type of activity insofar as overseas representation was concerned;

- the need to retain specific aspects of existing territorial activities which contribute distinctive elements, notably once an investor is actively considering the UK; and

- the need for the proper and efficient use of resources.

The Secretary of State for Scotland stated subsequently that his agreement was on the basis that the review should take account of his desire to retain the distinctive Scottish effort at home and overseas. The Secretary of State for Trade and Industry acknowledged that the case for continuing with the distinctive promotion of Scotland overseas in its present form could be considered in the context of the review but he did not accept that the review should be limited in any way which would be inconsistent with objective consideration of how the total resources available for inward investment promotion could be deployed most efficiently and cost effectively.

Department of Trade and Industry
June 1984

0227x

ANNEX D

OBJECTIVES, ACTIVITIES AND RESOURCES OF ALL BODIES INVOLVED IN INWARD INVESTMENT PROMOTION FOR THE UK AS A WHOLE OR FOR PARTS OF THE UK

CONTENTS

The Invest in Britain Bureau and the Diplomatic Service Posts

SDA/Locate in Scotland and Scottish New Towns/Regional Councils

WDA/WINvest and Welsh local authorities and New Towns

Industrial Development Board for Northern Ireland

North of England Development Council

Yorkshire and Humberside Development Association

North West Industrial Development Association

Devon and Cornwall Development Bureau

West Midlands Industrial Development Association

Local Authorities, Urban Development Corporations and New Town Development Corporations in England

The Invest in Britain Bureau and the Diplomatic Service Posts

Objectives

To maximise the flow of desirable inward investment to the UK, including the transfer of key technologies, in the face of strong international competition, and to ensure that the activities of territorial, regional and local promotional bodies complement and are incremental to the promotional effort of the UK as a whole undertaken through the IBB and DS Posts, with the targets of securing 175 decisions to invest in projects to a value of £800 million by 31 March 1985, directly generating 18,000 new and safeguarded jobs within the following five year period, and of at least halving the differential between those US decision-makers preferring Germany over the UK as an attractive European location.

Activities

Ensuring that government policies take account of inward investment.
Formulating policy on inward investment promotion.
Acting as the focus for prospective investors' contacts with Government and other public authorities.
Inward investment company visiting and case-work.
Promoting the UK as a location for inward investment.
Co-ordinating the UK and overseas inward investment promotion activities of all UK bodies involved.
Administration of Regional Development Organisation grants.

Resources

Staff:	IBB in UK:	42 man-years	Overseas:	42.5 man-years*	Total:	84.5 man-years
Salaries:	IBB:	£560,000	DS Posts:	£837,000**	Total:	£1,397,000
Travel, subsistence and entertainment:	IBB:	£100,000	DS Posts:	£106,000	Total:	£206,000
Accommodation and office services:	IBB:	£400,000	DS Posts:	£800,000***	Total:	£1,200,000
Total Cost:	IBB:	£1,060,000	DS Posts:	£1,943,000	Total:	£2,803,000
Promotional and other expenditure:						£830,000
Grand Total:						£3,633,000

* includes 9 on loan from IDBNI and 1 IBB officer as well as FCO staff
** includes allowances
***broad estimate only (including residential costs): more accurate assessment available only at disproportionate cost

NOTES: All FCO overseas staff time and salary cost, etc. attributable to inward investment promotion is included, but the non-IBB UK costs (eg work of

general typing pools, attributable work of IDU and Industry Divisions) are excluded because of difficulty of computation

The IBB budget also includes £2,100,000 Grant-in-aid to the Regional Development Organisations. This is excluded to avoid double counting (see separate sheets for each RDO).

A breakdown of overseas staff time by country is as follows:

USA:	29.7 man-years
Japan:	3.0 man-years
Switzerland	0.5 man-years
West Germany	2.0 man-years
Other	7.3 man-years

Results

The UK is regarded as the first-preference location by US electronics firms interested in investing in Europe and is thought to be second only to Germany in its general image among overseas investors. Some 2000 visits were made in 1983 to companies abroad and about 250 companies visited the UK to look at possible locations. 641 inward investment projects were handled as well as many more enquiries which did not become projects. 1983 was a record year for inward investment: 210 investment decisions were recorded, creating 15,000 new jobs and safeguarding 18,000 more. Many projects involved significant transfer of technology or managerial expertise.

SDA/Locate in Scotland and Scottish New Towns/Regional Councils

Objectives

1. General

To create the largest net benefit to the UK and Scottish economy by maximising incremental investment by foreign owned entities in a Scottish location.

Specific

2. Commercial

(a) The Customer

To meet the requirements of customers in terms of information; public and private financial support for investment; site provision and infrastructure; research and development, technological and educational provision; training and skill requirements and after-care to encourage future expansion;

(b) The Competition

To match the international competition for mobile investment projects from the Republic of Ireland and others;

(c) Quality

To maximise investment in wealth creating new technologies by adopting a targeted approach in specific sectors (notably electronics, health care, oil-related and advanced engineering), and to achieve greater local autonomy by encouraging research and development, local procurement, and control over sales and marketing (in addition to basic manufacture) as part of vertically integrated operations.

3. Managerial

To increase productivity of staff and achieve higher level of penetration of the market by increasing the number of company contacts through advertising, and other promotion activity and visits.

4. Administrative

To achieve increasingly effective liaison with Diplomatic Posts and IBB. To maintain effective integration and co-ordination between the Scotland-wide responsibilities of the Scottish Office and the Scottish Development Agency. The pursuit of fundamental commercial and managerial objectives provides the framework within which it is possible to achieve important secondary objectives of administrative co-ordination of local second tier inward investment activity on the

continued/

part of New Towns and Local Authorities.

5. Target

To secure for 1984/85 50 projects involving investment of £175 million and related employment of 7,000 jobs as far as is possible in sectors offering particular growth opportunities to the Scottish economy.

Activities

LIS activities are set out in the attached chart.

1. Commercial and Managerial

Including advertising; publicity; promotion material (brochures and other literature, and material for presentations, etc); mailshots; exhibitions and seminars; tailored packages for specific market opportunities in Scotland for specific customers overseas; establishing data bases (not just of company contacts, but of market opportunities, and of information on the entire range of subjects of concern to inward investors - labour performance, taxation, work permits, customs are just a few of the host that might be mentioned); steering and arranging visits to Scotland; negotiating support packages (including all aspects of grants and loans, factories, availability of skills, etc); after-sales service to meet company requirements in start-up, build-up and expansion, planning and control (agreeing operational and marketing plans with officers and others, setting targets, monitoring progress).

2. Policy and Briefing

Including advice to Ministers, Board Reports, performance statistics.

3. Administrative

Including liaison with other Departments (FCO and IBB), and co-ordination at the second tier of local inward investment activity (regions, New Towns, etc).

Resources

1. Staff

LIS currently employs around 35 people in total at home and overseas. Because LIS is a vertically integrated operation, it covers a wider range of functions than IBB or DTI Regional Offices. It includes, for example, staff engaged on casework, negotiation and aftercare which go beyond the traditional promotion and steering roles (most of these costs are not covered in the other resource reports in this Annex). It is estimated

continued/

that new town and local authorities spend the equivalent of one man year on inward investment promotion. The new towns bought some £80,000 worth of advertising in leading US business magazines in 1983.

2. Cost

The cost of these operations including all advertising and promotion outwith the UK (some of which is corporate rather than LIS specific), and also the resources devoted to negotiation of assistance, etc, but excluding any new towns' expenditure, can be broken down for 1984/85 as follows:

		£'000
Marketing	(including advertising, publicity, promotions, publications)	800
Direct Staff Costs	(salaries only)	700
Overhead Costs	(including travel, subsistence and entertainment, overseas supplements, local promotion and office costs)	1,000
		£2,500

The total cost, if new town and local authority expenditure is included, is estimated at £2,750 million.

Results

Results of the LIS advertising and promotion, and of project identification are set out below:-

(a) Advertising and Promotion

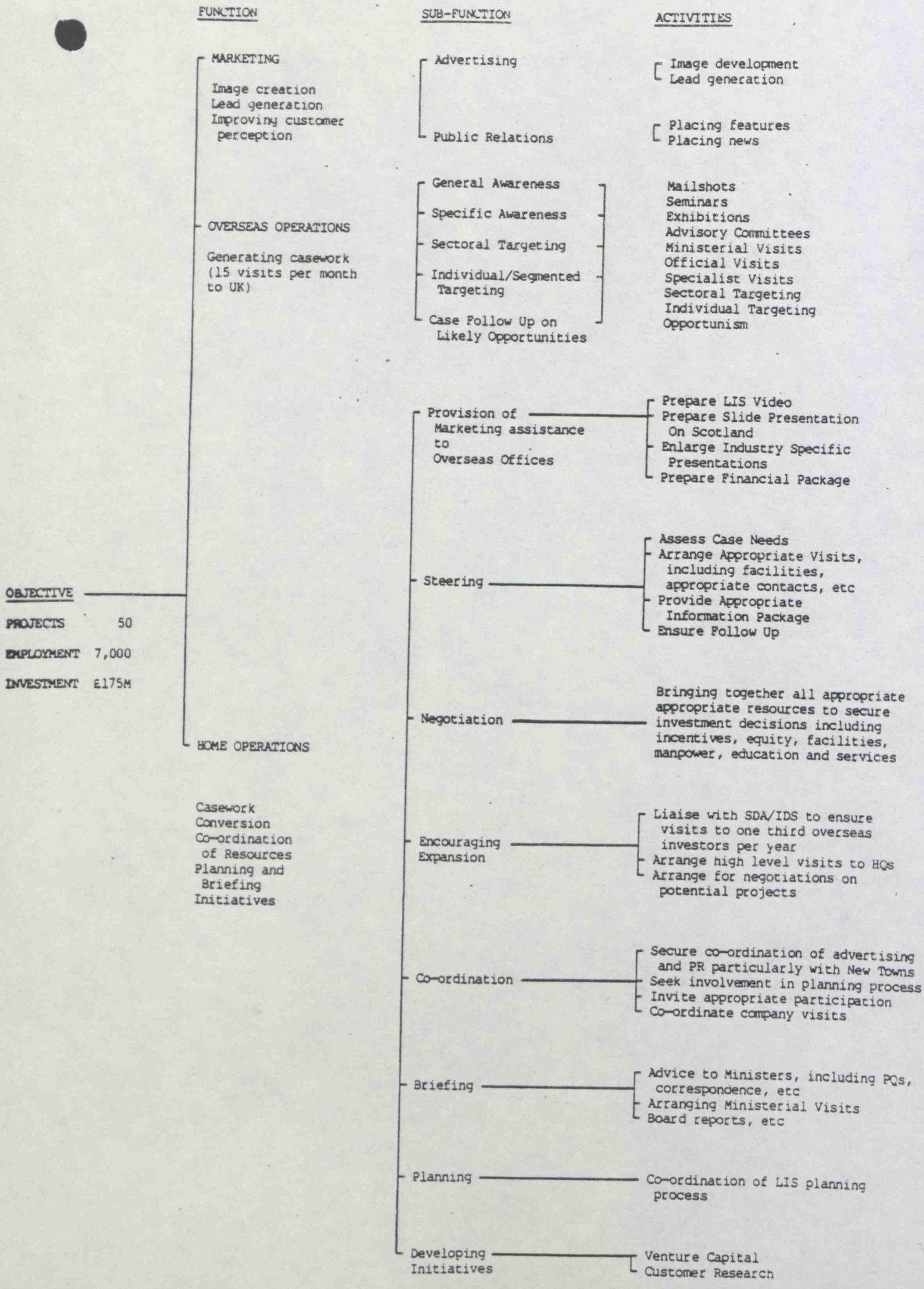
	Scotland		England	
	This Year	Last Year	This Year	Last Year
Awareness of efforts	75%	54%	71%	59%
Most attractive location	6%	2%	19%	11%
Familiarity with location	56%	29%	82%	77%

(b) Results

	1983/84	1982/83	1981/82
Enquiries	440	377	320
Visits	199	140	116
Projects: Expansions	22	18	19
Mobile	32	28	13

continued/

LOCATE IN SCOTLAND: ACTIVITIES



WDA/WINvest and Welsh Local Authorities and New Towns

Objectives

1. To promote Wales effectively as an attractive location for manufacturing and service industry in a way compatible with Government promotion on behalf of the UK as a whole.

2. To nurture potential projects by companies from outside Wales and bring them to the point of a firm decision negotiated with others to invest in the Principality.

3. In conjunction with other responsible bodies to facilitate and encourage new enterprises and the expansion of non-indigenous firms already in Wales.

4. To advise the Secretary of State on matters falling within the responsibility of WINvest.

Activities

1. Presentations to investors on sites and premises, labour and other facilities and financial incentives available in Wales.

2. Receiving visiting industrialists, preparing and taking them through 'location sales' programmes.

3. Liaison with existing non-Welsh companies in Wales with a view to finding out about investment decisions at the earliest possible stage and then influencing that decision in favour of Wales.

4. Liaison with WDA, WINtec, Welsh Office, local authorities, MSC, Wales TUC and others as appropriate.

5. Liaison with IBB and Diplomatic Service Posts.

6. Initial discussions with and advice to companies from outside Wales or to outside companies already operating in Wales about Regional Selective Assistance; negotiation of possible levels of assistance.

7. Briefing and reporting to the Secretary of State and other parts of the Welsh Office.

continued/

Resources (all costs approximate)

Staff:	25 man-years of which 3.5 overseas
Staff costs:	£300,000
Travel & subsistence:	£100,000
Fees (agents, etc):	£300,000
Promotion:	£200,000
Accommodation & office services, etc:	£200,000
Total:	£1,100,000

Note : The above resources exclude local authorities and new towns in Wales but their activity in inward investment promotion is considered negligible.

Results

In financial year 1983/84 WINvest recorded 19 new inward investments in Wales generating 2,600 jobs and involving capital expenditure of £58 million; also 11 expansions by existing foreign-owned firms which created 350 jobs, safe-guarded 2,000 more, and involved capital expenditure of £48 million. WINvest handled 292 cases during the period and 264 visits were made to Wales by potential inward investors.

Industrial Development Board for Northern Ireland

Objectives

Established in September 1982 as the industrial development arm of the Department of Economic Development for Northern Ireland and having its own Board and Executive, the IDB was specially created to improve the effectiveness of Northern Ireland's industrial development effort by co-ordinating the appropriate skills and resources in a more integrated structure. Although the IDB is part of a government department, the guidelines under which it operates have been purposely framed to enable it to act in the most businesslike and entrepreneurial way possible, subject only to the necessary constraints imposed by political and financial accountability.

In its role of spearheading the drive for the regeneration of the industrial economy of Northern Ireland, the IDB's broad objectives are to promote and aid the maintenance of viable businesses in order to secure long-term jobs; encourage the expansion, diversification and competitiveness of the region's existing industrial base; improve the image of Northern Ireland as an industrial location; and bring new enterprise and investment to the region.

For the year ending 31 March 1985, the IDB has set itself the targets of promoting at least 5,250 new jobs in the region (of which 4,250 are expected to come from the further development of 'home' industry and 1000 from inward investment) and securing the renewal of a further 11,250 jobs.

Activities

On the international side, the IDB is involved in:

- Ensuring that government policies, both at the national and regional level, take account of Northern Ireland's need to attract and secure new inward investment;
- Formulating Northern Ireland's regional objectives, policies and plans for promoting inward investment to the region;
- Inward investment company visiting and case work;
- Promoting and marketing Northern Ireland as a location within the UK for inward investment through advertising and other means, including the Northern Ireland Partnership;
- Administering Northern Ireland selective schemes of financial assistance for industrial development.

continued/

Resources (1984/85 Financial Year)

Staff in the UK:	18.5 man-years
Staff overseas:	8 man-years (does not include the 9 posts in the USA which are filled by IDB people on loan to FCO)
Salaries:	£525,000 (including allowances)
Travel, subsistence and entertainment:	£80,000
Promotional and other expenditure:	£2,000,000
Accommodation and office services:	£150,000
Total:	£2,755,000

Results

While, on its establishment in September 1982, the IDB was able to draw on the experience of its predecessor organisations and inherited a low volume of project casework, it is still a relatively young organisation and one which has had to devote considerable effort in its formative period to mapping out the way ahead and putting new strategies, policies and structures into place. In addition, having been set up at a time when the recession was approaching its deepest point, the IDB had as a matter of prority to devote substantial financial resources to preventing further decline of the region's existing industrial base as well as seeking out new inward investment opportunities for which the competition had increased dramaatically throughout the world. The adverse perceptions of the region as a location for investment also added significantly to the difficulties faced by the organisation in its pursuit of inward investment prospects.

Overall, the IDB concluded agreements for the 12 month period to 31 March 1984 for the promotion and underpinning of almost 18,000 jobs in the manufacturing and service sectors. These agreements related to jobs in existing companies and to projects wholly new to Northern Ireland.

The inward investment contribution amounted to 550 jobs in 5 new inward projects. Although this was a significant improvement on the previous year, which yielded only 70 jobs in one project, and reflected a higher level of visiting in the field (over 3000 promotional visits of which some 2000 were made to corporations in the US and Canada) it is still a disappointingly low result in relation to the substantial financial and manpower contribution made by the IDB to the UK overseas promotional effort. Our expectation is for results in the current and future years more commensurate with the region's financical and human contribution.

North of England Development Council

Objectives

To maximise the flow of desirable inward investment to the North East of England, with a target of making 448 sales calls on companies and encouraging 75 companies to visit the region during the year.

Activities

Promotion of the North East of England as a location for inward investment.
Inward investment company visiting and case work.
Co-ordination of inward investment promotion activity in the North East of England.

Resources:

Staff in the UK: 25 (21 in Newcastle and 4 in Stockton)

Staff overseas: 3 (in Chicago, USA)

Staff costs:	£ 333,000
Publicity and promotion	£ 669,000
Overheads (home):	£ 124,800
Overheads (overseas):	£ 51,000
Total:	£1,177,800

(all costs approximate)

Yorkshire and Humberside Development Association

Objectives

To maximise the flow of desirable inward investment to Yorkshire and Humberside.

Activities

Promotion of Yorkshire and Humberside as a location for inward investment.
Inward investment company visiting and case work.
Co-ordination of inward investment promotion activity in Yorkshire and Humberside.

Resources:

Staff in the UK: $9\frac{1}{2}$ (9 full time and 1 part time)

Staff overseas: 1 (California)

Staff costs (home)	£ 106,000
Staff costs (overseas)	£ 20,000
Publicity and promotion	£ 468,000
Overheads (home):	£ 44,000
Overheads (overseas):	£ 28,000
Total:	£ 666,000

(all costs approximate)

North West Industrial Development Association

Objectives

To maximise the flow of desirable inward investment to the North West of England.

Activities

Promotion of the North West of England as a location for inward investment. Inward investment company visiting and case work.

Resources:

Staff in the UK: 13

Staff overseas: None

Staff costs:	£ 152,000
Publicity and promotion	£ 148,000
Overheads:	£ 38,000
Total:	£ 338,000

(all costs approximate)

Devon and Cornwall Development Bureau

Objectives

To maximise the flow of desirable inward investment to Devon and Cornwall.

Activities

Promotion of Devon and Cornwall as a location for inward investment.
Inward investment company visiting and case work.

Resources:

Staff in the UK: 7*

Staff costs:	£ 78,000*
Publicity and promotion	£ 138,500
Overheads:	£ 13,500
Total:	£ 230,000

(all costs approximate)

* made up of $2\frac{1}{2}$ "direct employees" from Devon and 1 from Cornwall, together with the use of County industrial development officers and other staff on a part time basis equivalent to $3\frac{1}{2}$ full-time staff. The cost of the "direct employees" is £28,000.

West Midlands Industrial Development Association

Objectives

To maximise the flow of desirable inward investment to the West Midlands.

Activities

Promotion of the West Midlands as a location for inward investment.
Inward investment company visiting and case work.

Resources:

Staff in the UK: 5

Staff costs:	£ 61,000
Publicity and promotion	£ 207,500
Overheads:	£ 31,500
Total:	£ 300,000

(all costs approximate)

Local Authorities, Urban Development Corporations and New Town Development Corporations in England

Objectives

The inward investment objectives of the new towns are best seen as a contributory element in the objectives of their programme as a whole, which have been based, in differing proportions in different towns, on two main motives:

(a) overspill: to accommodate a proportion of the population from the conurbations, in order to permit lower density redevelopment;

(b) regional growth points: concentrating development on selected sites in natural growth areas to provide for the efficient planning and encouragement of that growth.

The inward investment objectives of local authorities are likewise part of broader objectives such as industrial development, the desire for balanced development of the area, and the generation of employment.

The new towns programme is now within sight of completion and dates for the winding-up of the remaining development corporations have been set according to the time needed to round off development, leaving viable communities for which special powers are no longer needed.

Of the ten new town development corporations remaining, all but four are due to be wound up by 31 December 1985 and their assets transferred to the Commission for the New Towns. The last four - Milton Keynes, Peterborough, Telford and Warrington and Runcorn - are due to be wound up in the late 1980s. The Commission for the New Towns does not have an overseas promotional programme.

We are considering that in the three North-East towns, in response to strong local pressure to continue the Development Corporations' successful industrial promotional work and in recognition of the special problems of the area, the EIEC rather than the Commission might take on the role of industrial development and promotion of new town assets as well as of its own.

In order to achieve the stated aims of the new towns policy and to do so in the period now established by Ministers, the new towns must be able to fulfil their role as centres of growth. They have been provided with the means out of public funds, and have built up the staff expertise, to do so. Under current government policy these must be applied to produce the maximum private sector involvement. Attracting investment from overseas is an essential element in this strategy.

Activities

The activities of local authorities and Urban Development Corporations include the use of staff time in handling enquiries from companies and dealing with visits to their area, as well as the purchase of consultancy or agency

services overseas and publicity, promotion and exhibitions. Relatively few authorities, however, are very active in inward investment. In areas covered by a Regional Development Organisation or similar body (eg, Hampshire Development Association) they make a financial and administrative contribution. The activities of the New Towns are broadly similar though their wider powers and additional revenues must be taken into account.

Resources

Below are given the expected activities of the New Towns in 1984/5, and an idea of the expenditure, based on 1983/4 levels.

		£000s
AYCLIFFE/PETERLEE		
i	Japanese agent	2
ii	visits to USA and Scandinavia	40
iii	direct advertising	10
BASILDON		
i	-	-
ii	ad hoc visits	2
iii	mailshots	2
CENTRAL LANCASHIRE		
	none	
MILTON KEYNES		
i	-	-
ii	visits to USA, Far East, Scandinavia	53
iii	-	-
NORTHAMPTON		
i	2 agents in Europe	4
ii	-	-
iii	direct advertising	3
PETERBOROUGH		
i	US consultant	20
ii	US visits	7
iii	direct advertising	5

continued/

		£000s
REDDITCH		
i	-	-
ii	US visits	up to 10
iii	-	-
SKELMERSDALE		
	none	
TELFORD		
i	office in Tokyo	61
ii	visits to USA and Germany	39
iii	direct advertising and exhibition	44
WARRINGTON AND RUNCORN		
i	agent in US (retainer and expenditure)	145
ii	visits to US	51
iii	-	-
WASHINGTON		
i	consultants; US agent	30
ii	visits to US and Japan	63
iii	overseas exhibitions	22
TOTALS		
i		262
ii		265
iii		86
		613

In addition, a proportion of the staff costs and office overheads of the New Towns is attributable to inward investment but no estimate is available. If, for example, two man-years at each New Town were devoted to inward investment activities, this 'in-house' cost might be in the region of £500,000.

The resources employed at local authorities and Urban Development Corporations are even more difficult to estimate. Accordingly it is possible to make no more than a broad assessment. It is believed that the annual cost of all English local authority Urban Development Corporation and New Town inward investment activity does not exceed £5 million, and the true figure may well be considerably lower.

10 DOWNING STREET

From the Private Secretary

9 July 1984

INWARD INVESTMENT PROMOTION

The Prime Minister has seen your letter of 4 July and the note attached to it. In the light of this, and the fact that the Chief Secretary is content to discuss the expenditure involved in the course of the bilaterals on DTI's programme, she is content to sign the foreword which was attached to your letter of 11 June. This is attached.

I am copying this letter to John Gieve (Chief Secretary's Office), Peter Ricketts (FCO), Derek Hill (Northern Ireland Office), John Graham (Scottish Office), Colin Jones (Welsh Office), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

(ANDREW TURNBULL)

Andrew Lansley, Esq.,
Department of Trade and Industry.

PRIME MINISTER

Inward Investment Promotion

Mr. Tebbit's office wrote last month asking if you would sign a forward for the brochure promoting the inward investment marketing campaign, "Britain Means Business". Three reservations were expressed:

i) By yourself, that inward investment was not as advantageous to the UK as claimed given the tendency for existing firms to be displaced.

ii) That it was upstaging the review of inward investment promotion, and in particular compromising the position of the Scots and Welsh in that review.

iii) That it pre-empted discussion of DTI's expenditure in the PES round.

On i), I commissioned a note from departments which is attached. It provides some arguments for why inward investment is beneficial. It falls short of providing conclusive evidence. But for the time being, the Government's stated policy is clearly to favour inward investment and the Government is very ready, particularly in Scotland and Wales, to take credit for new projects. If you still have doubts, I think the best way for them to be considered is by questioning the policy itself, notably the cost per job of various forms of Government assistance, which will be discussed in the paper the Treasury are preparing. Meanwhile it seems sensible to make the best of the existing arrangements.

On ii), the Scots are still suspicious about Mr. Tebbit's motives, feeling that he may be trying to promote a UK initiative at the expense of their own institutions. The future of the Scottish Development Agency has been the number one political issue in Scotland this week. Despite this, they do not wish to press their reservations.

On iii), the Chief Secretary is content with Mr. Tebbit's offer to discuss the cost of the campaign during the bilaterals with DTI.

In the light of this are you content to sign the attached message?

Duty Clerk
for AT.

6 July 1984

10 DOWNING STREET

THE PRIME MINISTER

The Invest in Britain Bureau is the Government's leading agency for the promotion of the United Kingdom as the preferred location in Europe for direct investment from overseas.

Inward investment is of great benefit to this country. Foreign owned companies bring capital investment and jobs to the UK. They also bring new technology, innovative management and modern production techniques which contribute to the development of our industrial base. Britain has already achieved great success in attracting investment by overseas companies and I welcome the confidence this shows in our economic policies and prospects. But the competition for internationally mobile investment is great and we must continue to show energy and imagination in our marketing efforts.

I therefore strongly commend to your attention the major new marketing campaign, "Britain Means Business", which is described in these pages. I hope that everyone interested in the further development of our economy will feel able to participate in "Britain Means Business" and make it a truly British effort.

Margaret Thatcher

July 1984

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq
10 Downing Street
LONDON
SW1

6 July 1984

Dear Andrew

INWARD INVESTMENT PROMOTION

Andrew Lansley's letter to you of 4 July refers. — with AT

The Chief Secretary will be happy to consider the implications of the proposed campaign within the forthcoming bilateral discussions about DTI expenditure proposals.

Copies to Andrew Lansley (DTI), Peter Ricketts (FCO), Derek Hill (NIO), John Graham (SO), Colin Jones (WO), John Ballard (DOE) and Richard Hatfield (CO).

Yours sincerely

JSt. Gieve

JOHN GIEVE
Private Secretary

Trade: Inward Investment Promotion FEB 81.





DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
5422
Telephone (Direct dialling) 01-215)
GTN 215) .....
(Switchboard) 215 7877

PS / *Secretary of State for Trade and Industry*

4 July 1984

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Andrew,

INWARD INVESTMENT PROMOTION

My Secretary of State has seen your letter to me of 20 June and John Gieve's letter to you of 19 June (which was not originally copied to us).

2 I enclose the note requested by the Prime Minister which has been agreed with the Scottish, Welsh and Northern Ireland Offices.

3 With regard to the marketing campaign in 1985 - this should be viewed as a major effort to enhance a continuing marketing activity rather than as a new initiative. Furthermore in order to improve our effectiveness IBB have recruited on secondment from IBM (UK) for two years Mr David Harrison-Harvey as Director. This initiative has been "master-minded" by him and Ministers approve of his plans to produce a professional Marketing Campaign.

4 My Secretary of State feels that the case for undertaking this campaign is not dependent on the outcome of the forthcoming review in E(A) of arrangements for overseas promotion. That review is concerned essentially with the organisation of the promotional activities on behalf of the UK overseas and the need to consider how those activities can be pursued most efficiently and effectively. The proposed marketing campaign in 1985, in which the other Departments directly concerned with inward investment promotion have indicated a willingness to participate, is designed to take advantage, in a professional way and with private sector involvement, of a major opportunity now opening up to us to secure additional desirable inward investment through presenting potential investors overseas with a coherent, persuasive and attractive image

JH1AMW

of Britain and the advantages it has to offer as a location for investment. This could only be helpful and complementary to whatever arrangement might be agreed in E(A) for the future organisation of our inward investment promotion activities.

5 Accordingly, since time is not on our side if we are to take maximum advantage of the opportunity, my Secretary of State hopes that the Prime Minister will agree that the proposed campaign should be considered, bilaterally and as a matter of urgency, between his Department and the Treasury in the context of the Department's expenditure proposals. And, pending the outcome of those discussions, he would be grateful if the Prime Minister would reconsider the proposed draft foreword which was under cover of my letter of 11 June.

6 I am sending copies of this letter to John Gieve (Chief Secretary's Office, HM Treasury), Peter Ricketts (Foreign and Commonwealth Office), Derek Hill (Northern Ireland Office), John Graham (Scottish Office), Colin Jones (Welsh Office), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

Yours ever,

Andrew Lansley

ANDREW D LANSLEY
Private Secretary

Encl

JH1AMW

EFFECT ON BRITISH COMPANIES OF REGIONAL INCENTIVES TO INWARD INVESTMENT

Regional Development Grants (RDG) and Regional Selective Assistance (RSA) are designed to influence both inward investors and British companies to undertake investment projects in Assisted Areas. On occasion, the availability of these incentives will be the decisive factor in persuading an inward investor to bring his project to the UK rather than to, say, another EC country. RDG is an automatic entitlement and therefore takes no account of the possible displacement effect on existing British companies of inward investment projects located within the Assisted Areas. Nor would it take any account of any displacement effect likely to arise from a British business receiving RDG to undertake a project in a DA. Before an offer of RSA is made, by contrast, the Secretary of state must be satisfied that the granting of RSA will be in the national interest, full regard being had to the effect of the project on existing British businesses. This efficiency criterion is one which both inward investors and British companies must meet in order to be eligible for RSA.

2 There is no reason to suppose that the displacement effect on existing British businesses of an inward investor undertaking a project in a Development Area is any greater than would be the case were the same project to be undertaken in a non-assisted part of the UK. Thus, once an inward investor has decided to undertake a project in the UK, the role played by regional incentives in influencing him to undertake his project in, say, Tyneside rather than Reading, is neutral in terms of the displacement effect on existing British businesses.

3 The changes to regional incentives embodied in the Cooperative Development Agency and Industrial Development Bill will not greatly affect either RDG or RSA practice as regards the likely displacement effect of granting assistance to inward investors (or, for that matter, indigenous firms).

4 The December 1983 White Paper on Regional Industrial Development stated in paragraph 14 that "regional industrial incentives (also) enable the United Kingdom to compete effectively for internationally mobile investment. Inward investment projects have brought notable benefits particularly to Scotland and Wales. They can improve the national economy through their contribution to output and employment provided that the incentives are not excessive in relation to the contribution of these projects." We have no new evidence which would make us alter that view.

Department of Trade and Industry
28 June 1984

TRADE: Inward Investment

Feb 87

NDPM
AT 2516

ECNO

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

20 June 1984

Dear Andrew

My Secretary of State has read with interest the letter of 11 June from Andrew Lansley to you asking for the PM's support for his "Britain Means Business" campaign. He is delighted to see this going forward as a targetted campaign with a strong emphasis on attracting innovative and efficient management from overseas in the service sector as well as in industry. In addition, he hopes the campaign will be used to show the opportunities that are opening up, in what has been our protected public sector, for innovative private sector management from overseas. He feels that there is no great world-wide reservoir of efficient private management which can revolutionise all aspects of our public services, but despite this there are real benefits to be gained from getting the best of overseas companies in these fields to interest themselves in the United Kingdom.

I am sending copies of this letter to recipients of Andrew's.

Yours ever

Alan Davis

A H DAVIS
Private Secretary

Andrew Turnbull Esq

Trade: Inward investment FEB 81.

File

bc: Nick Owen

10 DOWNING STREET

From the Private Secretary

20 June 1984

INWARD INVESTMENT PROMOTION

The Prime Minister has seen your letter to me of 11 June and also John Gieve's of 19 June. She agrees that it would be premature to launch a major new marketing campaign in 1985 to attract foreign investment in advance of the discussion on the arrangements for overseas promotion which is scheduled for E(A) in July.

She has also commented that she is worried about the danger that the promotion of inward investment to Special Development Areas through regional incentives may harm existing British companies. She would be grateful for a note considering the evidence on this. Could this take account of the changes currently planned in the regime of regional assistance?

I am sending copies of this letter to John Gieve (Chief Secretary's Office, HM Treasury), Peter Ricketts (Foreign and Commonwealth Office), Derek Hill (Northern Ireland Office), John Graham (Scottish Office), Colin Jones (Welsh Office), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Andrew Lansley, Esq.,
Department of Trade and Industry.

10 DOWNING STREET

Prime Minister (1)

When you saw the letter from Mr Tebbit's office asking you to sign a message for an Invest in Britain drive, you commented that you were concerned that the promotion of inward investment to SDA's could damage existing UK firms.

The CST suspects Mr Tebbit is trying to bounce the Secretaries of State for Scotland Wales and Northern Ireland by launching a major campaign ahead of the review scheduled for July.

Agree

(i) new initiative be delayed until after review? Yes

(ii) DTI be asked to consider evidence on impact on existing firms? Yes

AT 19/6

CENO

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

19 June 1984

Dear Andrew

INWARD INVESTMENT PROMOTION

The Chief Secretary has seen a copy of Andrew Lansley's letter to you of 11 June about a major new marketing campaign in 1985 to attract foreign investment.

He considers it premature to raise this subject before the July review in E(A) of arrangements for overseas promotion, and before it is possible to discuss the implications for the Department of Trade and Industry's expenditure proposals in the forthcoming Survey round. He thinks it would be preferable for Mr Tebbit to wait until Ministers have a rather clearer view on these aspects before becoming committed to a major campaign of of this kind.

Yours sincerely
JG Grieve

JOHN GIEVE




9 JUN 1984

Prime Minister ①

Agree the attached message

AT 12/6

CC/NO.

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 215 7877

Secretary of State for Trade and Industry

11 June 1984

Andrew Turnbull Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

I am worried about the extent to which we have existing British companies by promoting inward investment to special development areas. MT

Dear Andrew,

My Secretary of State has a specific Departmental aim of securing inward investment and collaboration with foreign companies yielding advantages to the UK. In line with this, he has decided that a major new marketing campaign should be mounted in 1985. A short brief is attached which explains the reasons behind this decision and describes the campaign. A brochure is to be produced soon to make all interested parties aware of our plans, and particularly to enlist financial and other kinds of support from the banks, accountancy firms, hotels, airlines and other private service sector companies able to assist, and benefit from, the campaign. It would add greatly to the impact of this brochure, and improve the level of private sector participation, if the Prime Minister would consent to contribute a Foreword. A draft is attached for her consideration.

2 I should make clear that my Secretary of State will not look for the Prime Minister's further personal involvement in the campaign itself, but only in the promotional brochure - though of course, if she did not wish to limit her role in this way, her participation would be very welcome.

3 I am sending copies of this minute to the Private Secretaries to the Chancellor of the Exchequer, the Foreign Secretary, the Secretaries of State for Northern Ireland, Scotland, Wales and the Environment, and to Sir Robert Armstrong.

Yours ever,

Andrew

ANDREW LANSLEY
Private Secretary

JH3AKN

BRIEF: "BRITAIN MEANS BUSINESS"

BACKGROUND

The combined factors of the upturn in the world economy, positive economic and budget developments in the UK and our respected political image abroad offer Britain an unrivalled window of opportunity over the next 2 years to increase the flow of successful inward investment projects.

CAMPAIGN OBJECTIVES

- To promote Britain as the preferred European location for internationally mobile projects in the face of steadily mounting professional competition from other countries, thus increasing the awareness of the benefits Britain offers and increasing the number of inward investments.

- To promote the IBB as the central coordinating body for those thinking of locating in Britain, thus improving the cost-effectiveness of the resources devoted to inward investment promotion.

METHODOLOGY

To make better use of the limited resources on the ground both at home and abroad we need to be specific in our targeting. Moreover, we need to encourage the potential investor more often to make the initial approach (ie, the 'come to us' method) rather than having to be sought out by inward investment officers.

We therefore propose to break the campaign down into two key elements:

- a 'corporate' UK message; and
- priority market and sector themes.

In addition to a campaign budget allocation provisionally set at £2 million (subject to Treasury approval of the Department's 1985/86 budget) we intend to ask all interested private sector bodies (eg, airlines, hotels, accountants, bankers) to sponsor the campaign and to provide assistance in cash or in kind.

TARGET AUDIENCES

- Overseas-based potential investors
- UK subsidiaries of overseas companies
- International 'multiplier' organisations (ie, banks, accountants, hotels)
- Financial and business press in the UK and overseas.

EXPECTED RESULTS

A better image of the UK overseas, a better image of the UK's overseas promotional activity (now regarded as fragmented and confusing) and in consequence a better return on all future expenditure on inward investment promotion.

CC NO

CONFIDENTIAL

NBPM

AT 414

JH 212

PRIME MINISTER

INWARD INVESTMENT PROMOTION

George Younger has, in his minute to you of 22 March, sought to qualify my minute to you of 14 March. I recognise George's anxiety to maintain the effectiveness of Scotland's inward investment promotion. But our aim through a review is to see how effectiveness overall can be improved. The limitations on the work of the review which he suggests would be inconsistent with:

i) objective consideration of how the total resources available overseas for inward investment promotion can be deployed in the most efficient and cost-effective way; and

ii) the intentions for the review framed at the Ministers' meeting reported in my minute to you of 14 March.

2 I hope that colleagues will accept that we should proceed on the basis of my minute of 14 March which, inter alia, and to meet George Younger's concerns, provides that officials should take account of the need to retain specific aspects of existing territorial promotional activities which contribute distinctive elements, notably once an investor is actively considering the UK.

/3....

3 Agreement to proceed on this basis would not in any way prejudge the outcome of the review. The case for continuing with the distinctive promotion of Scotland overseas in its present form could certainly be considered within the context of the review.

4 I am copying this minute to E(A) colleagues and Malcolm Rifkind and to Sir Robert Armstrong.

NT

N T

3 April 1984

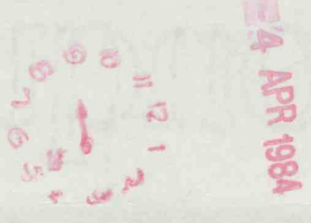
Department of Trade and Industry

Trade: Inward Investment FCO 57



E'4 APR 1984

Trade: Inward Investment Feb 87



CONFIDENTIAL

(2)

PRIME MINISTER

Inward Investment Promotion

Mr. Younger feels that Mr. Tebbit's minute to you of 14 March does not recognise adequately the role and effectiveness of Scotland's inward investment body "Locate in Scotland". The Scottish Office view is that "Locate in Scotland" has been successful both in attracting inward investment (as with Winvest) and in co-ordinating the activities of different Scottish agencies and authorities. They feel that the problem lies in England where there has been more overlap and wasteful duplication. The Scottish Office would like to see each territory with its own inward investment body which would have responsibility for co-ordinating activity within its area.

You do not need to intervene at this stage as Mr. Younger will no doubt argue his case when the paper is prepared for E(A) in July.

22 March 1984

CONFIDENTIAL

CONFIDENTIAL

CCNO.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

22 March 1984

PRIME MINISTER

INWARD INVESTMENT PROMOTION

I should like to add a qualification to Norman Tebbit's minute to you of 14 March.

Within Scotland our re-organisation of inward investment effort under 'Locate in Scotland' is widely perceived as a successful policy initiative which stands to the credit of this Government. We have secured over the last 3 years a co-ordinated Scottish activity in which overlap and wasteful duplication have been kept to a minimum both here and overseas. Our advertising and publicity campaigns have been effective and the accelerating pace of enquiries, visits and investment decisions demonstrates the improvement in our performance. The inward investments generated have significantly expanded our technology base at a time when our declining industries have been rapidly losing jobs. This success can only be of long term benefit to the UK economy.

Against this background it was agreed that the proposed review of inward investment promotion should take account of my desire to retain our distinctive Scottish efforts both here and overseas rather than have them subsumed in an overall UK structure. I believe that we have shown the way in which a high measure of co-ordination with minimum overlap can be achieved.

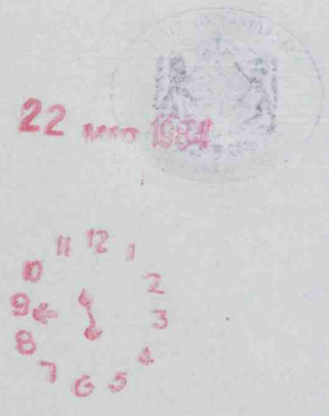
I fully support measures to secure maximum co-ordination of the constituent parts which make up our overall UK effort and I consider this to be an evolutionary process best achieved by free communication and the ready acknowledgement of the interdependence of all our activities. It was on this basis that I entered my agreement that officials should review the position and produce a paper for E(A) by July.

I am copying this minute ot E(A) colleagues and to Sir Robert Armstrong.

G.Y.

G.Y.

Trade: Inward Investment Feb 81.



file ECL

15 March 1984

Inward Investment Promotion

The Prime Minister has seen and noted your Secretary of State's minute of 14 March reporting on progress with the review of inward investment promotion.

Andrew Turnbull

Callum McCarthy Esq
Department of Trade and Industry

VCNO

JF5928

Prime Minister (2)

To note.

AT 14/3

CONFIDENTIAL

PRIME MINISTER

INWARD INVESTMENT PROMOTION

I have discussed with colleagues most directly concerned the E(A) invitation of 6 October to bring forward proposals for improving inward investment promotion co-ordination in the UK.

2 It was agreed that I should put a paper to E(A) in July as the basis for a comprehensive, yet small and efficient, review of inward investment promotion.

3 It was further agreed that in the meantime officials should be instructed to prepare for the review. The lines they should follow were:

(i) while they should approach the subject with an open mind, they should take account of the fact that Ministers were disposed to consider an integrated "Locate in Britain" type of activity insofaras overseas representation was concerned; and

(ii) they should take account of the need to retain specific aspects of existing territorial promotional activities which contribute distinctive elements, notably once an investor is

actively considering the UK; and of the need for the proper and efficient use of resources.

These discussions will remain confidential and I hope that other colleagues see no difficulty in our proceeding in this way.

4 I am copying this minute to E(A) colleagues and to Sir Robert Armstrong.

NT

N T

14 March 1984

Department of Trade and Industry

Trade Feb 81

Inward investment



Note: Told NI's office that PM content. AT 1/12

cc NO

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 215 7877

JF4966

Secretary of State for Trade and Industry

RESTRICTED

29 November 1983

Prime Minister (2)

To note NI Tebbit proposal for a small meeting of Ministers to develop proposals for E(A)

AT 29/11

The Rt Hon James Prior MP
Secretary of State
Northern Ireland Office
Government Offices
Gt George Street
LONDON
SW1P 3AJ

Dear Jim,

INWARD INVESTMENT PROMOTION : CO-ORDINATION

I have inherited the E(A) remit of 6 October to consult colleagues and bring forward proposals for improving the co-ordination throughout the United Kingdom among central Government, local authorities and other public sector bodies engaged in promotional activity to attract inward investment.

2 The Prime Minister's subsequently expressed wish that this exercise be kept as small and efficient as possible and the essentially political, rather than organisational, nature of the problem which remains with us lead me to think that we should not ask officials to run yet again round a well worn track. I suggest that we should meet, together with the colleagues to whom I am copying this letter but without supporting officials, to discuss what proposals I should put to E(A).

3 Cecil Parkinson's minute of 4 August and the subsequent correspondence, including his further minute of 29 September, provide the necessary background for our discussion.

4 It is my hope that we shall be able to reach agreement on the following issues.

(i) whether anything more can usefully and sensibly be done to improve co-ordination within the United Kingdom ahead of the July 1984 review (agreed in E(EA) on 14 July 1982) of the arrangements for promoting inward investment from the United States into the United Kingdom.

/(ii) whether ...

(ii) whether, unless there were to be fundamental changes in our present promotional arrangements, legislation to control the overseas promotional activities of local authorities (and perhaps New Towns also) is ever likely to be a practicable and effective way in which to deal with the problem in England.

(iii) whether, in principle, we can see a way forward towards establishing, perhaps in 1985, an integrated United Kingdom inward investment promotional effort overseas which would operate through a single network of representatives overseas either within, or very closely linked with, the Diplomatic Service Posts.

5 I recognise that the last of these issues presents difficulties for you and other colleagues. But I do believe that we should discuss those difficulties and possible ways in which they might be overcome: I should like to be able to reach agreement on specific, useful work which we could instruct officials to undertake. I have no doubt that an integrated operation would offer substantial efficiency benefits. For example, it would release resources presently devoted to co-ordingation of promotional activity for redeployment on active promotional work. Another advantage is that it would be likely to have the effect of discouraging individual local authorities from undertaking promotional campaigns overseas on their own account. And it would make it a much more feasible and less unattractive proposition ot legislate in respect of English (and Welsh) local authority promotional activities overseas should such action still prove to be necessary.

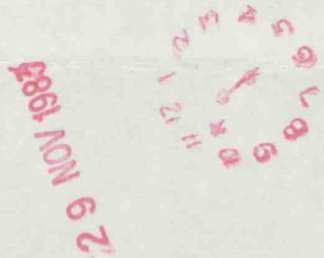
6 I am copying this letter to George Younger, Nick Edwards and Peter Rees. Additionally, I am sending copies to Geoffrey Howe and Patrick Jenkin whose Departmental interests suggest that they may wish to attend the meeting or to be represented at it. My office will be in touch to arrange a date and time for the proposed meeting.

Yours ever

Norman

NORMAN TEBBIT

TRADE: Inward Investment
Feb 87



NBPM

AF 17/10

CC ~~NO~~

NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
LONDON SW1P 3AJ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Norman Tebbitt
Secretary of State for Trade
and Industry
1-19 Victoria Street
LONDON
SW1E OET

18 October 1983

Dear Norman

OVERSEAS PROMOTION BY LOCAL AUTHORITIES

I am replying to Cecil Parkinson's minute to the Prime Minister on this subject.

I am pleased to note your Department's agreement to the original mid-1984 timing of the review of overseas representation. I hope that any review will take full account of the particular problems which Northern Ireland faces in attracting inward investment and of its position as the region within the UK which has the greatest need for such investment. For that reason, I believe that the review body should be drawn up on an inter-Departmental basis, formed of officials from those Departments most directly involved in overseas representation who are familiar with problems encounted in this field. Nonetheless, whatever form the review eventually takes, I am in total agreement with the view that it should be a searching one.

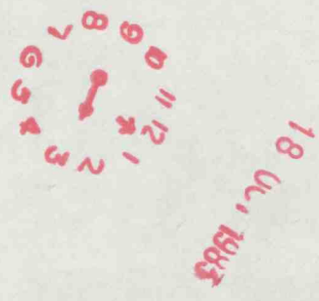
I am copying this letter to recipients of Cecil Parkinson's minute.

Yours

JLD

TRADE: Inward Investment

Feb 87



CONFIDENTIAL

FCO 51

10 DOWNING STREET

From the Private Secretary

17 October, 1983

Promotion of Inward Investment

E(A)(83) 5th mtg

During the course of the recent EA meeting a number of Ministers expressed dissatisfaction at the duplication of effort by public sector bodies seeking inward investment. In the light of this, the Prime Minister agrees that the Departments concerned should seek ways of improving co-ordination. She wishes, however, that this exercise be kept as small and efficient as possible.

I am sending a copy of this letter to Private Secretaries to the Secretaries of State for Scotland, Wales, Northern Ireland, and to the Chief Secretary.

ANDREW TURNBULL

M. C. McCarthy, Esq.,
Department of Trade and Industry

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

Prime Minister

The Secretary of State for Trade and Industry put to you a proposal for a review in mid 1984 of publicly funded promotional activities. You commented that you doubted whether anything would come out of such a review and that it could prove to be an expensive exercise.

This question came up again at E(A) and several Ministers expressed dissatisfaction with the way local authorities compete against each other. The E(A) minutes at X record that ways of reducing duplication should be found. 5th Mtg

Agree I now minute out endorsing this, but stressing need to keep exercise small and efficient?

AT 10/10

Yes. MS

RESTRICTED

10 DOWNING STREET

From the Private Secretary

3 October, 1983.

Dear Jonathan.

The Prime Minister has seen your Secretary of State's minute of 29 September proposing a review of overseas promotion of inward investment by local authorities. She very much doubts whether anything will come out of such a review, and questions whether it is really worth doing. She feels it could generate a lot of paper, and prove to be an expensive exercise.

I am sending copies of this letter to the Private Secretaries to the members of E(A), and to Brian Fall (Foreign and Commonwealth Office), and Richard Hatfield (Cabinet Office).

Yours sincerely,

Andrew Turnbull

Jonathan Spencer, Esq.,
Department of Trade and Industry.

RESTRICTED

RESTRICTED

JU554

PRIME MINISTER

OVERSEAS PROMOTION BY LOCAL AUTHORITIES

On 4 August I minuted you about overseas promotion of inward investment by local authorities. I noted that a problem of undesirable duplication and competition remained, principally in relation to England, although some progress had been made on co-ordinating local authority campaigns abroad.

2 I suggested that:

a we should continue present action to contain the problem;

b we should further review the situation in mid-1984 when the arrangements for all Governmental overseas representation in the USA and elsewhere fall to be reviewed, and

c in preparation for the mid-1984 review, we should set in hand a Rayner-type scrutiny of UK inward investment promotion during the first half of 1984 covering, inter alia, both the overseas representation arrangements and

local authority activities as a basis for taking decisions in mid-1984 on the future form and nature of inward investment promotion.

3 In their responses, colleagues have not indicated any disagreement with (a) or (b). Reaction to (c) has been mixed with a number of colleagues strongly of the opinion that the first half of next year would be too early to undertake a Rayner-type scrutiny of arrangements that had been agreed only in mid-1982. It has also been suggested that if a Rayner-type scrutiny were to be undertaken in early 1984 it should be restricted to reviewing the arrangements within the UK, or within England.

4 I accept that there is force in the arguments on timing in relation to the overseas arangements and, since I do not believe it would serve a useful purpose to scrutinise the arrangements within the UK, or within England, in isolation, I do not wish to press further my suggestion that a Rayner-type scrutiny should be undertaken ahead of the mid-1984 review. However, this in no way changes my own view that there is a wasteful proliferation of this kind of activity. If we do not have a Rayner review then I believe that the mid-1984 review should be a very searching one indeed.

5 George Younger sees the primary purpose of the 1984 review as ensuring that our efforts are cost-effective and properly

co-ordinated, and he accepts that there would be a need to look again at our policy if the review revealed problems which were to question the basis of our present activities.

6 I hope that colleagues can accept this as the primary purpose of the review subject to two provisos. The first is that the review should cover all substantially public funded promotional activities on behalf of the UK as a whole or on behalf of distinctive parts of it. The second is that the review should consider whether there might be ways in which the overall resources devoted to such promotional activities could be deployed more productively and cost-effectively in the national interest.

7 There is one further point which arose from colleagues' responses. Arthur Cockfield is clearly right in saying that we have to keep the overseas promotion of tourism in mind when reviewing industrial promotion. I am in the process of completing a separate review of tourism: I hope to present my conclusions to colleagues next month and Norman Lamont has already discussed, in this context, with Scottish and Welsh colleagues how overseas promotion of tourism should be handled. In this way I intend to ensure that consistent policies are pursued in these two related, yet distinctive, areas.

8 I am copying this minute to E(A) colleagues, to Geoffrey Howe and to Sir Robert Armstrong.

C P

Department of Trade & Industry 29 September 1983

TRADE. Inward Investment

Feb 81

MCS

C/NO

NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

C PA

(await further minute from DTI, promised by Steve Nicklen.)

MCS 20/9

PRIME MINISTER

E(A): OVERSEAS PROMOTION BY LOCAL AUTHORITIES

Cecil Parkinson minuted you on 4 August about the results of the review of the co-ordination of promotional campaigns overseas by local authorities and New Towns.

The review acknowledges that the problem of coordination is now largely confined to England and that the steps we have taken in Scotland to bring such activities under one umbrella are effective. We did, of course, take statutory powers in 1982 to control such spending by local authorities; but I can say that most of the Scottish bodies involved now appreciate the benefits of a coordinated approach and are content to accept both the limitations and opportunities provided by a properly managed promotional activity for Scotland as a whole which takes advantage of the marketability of Scotland as a distinctive entity within the UK. All this is very recent and the result of much effort. What is needed now is that the machinery is given time to settle down. I would therefore be most reluctant to see the ambit of a Rayner scrutiny extended to cover the promotional activities of Scottish New Towns and local authorities.

For the same reason I am not in favour of extending the scrutiny to cover overseas representation arrangements. It is not much more than a year since we agreed the overseas arrangements for Scotland, Wales and Northern Ireland. It has taken some time to put the framework in place, and it was part of the agreement that these arrangements were to be subject to further review in the summer of 1984. Our success in controlling local authorities' ambitions in this field is at least partly attributable to the increased credibility of our own arrangements. Here again the new operation should be given time to

settle down. There is increasing competition from other European countries, some of whom have greater resources in this field than we do. My last visit to the United States convinced me that the American economic recovery is opening up new investment opportunities, which we will risk losing if the effort which should be devoted to securing them is diverted to further questioning of the arrangements. We must, of course, ensure that our efforts are cost effective and properly coordinated: I see this as the primary purpose of the review by officials next summer. Of course, if that review reveals problems which question the basis of our present activities, we should need to look again at our policy.

Finally, I am not persuaded that we should follow Arthur Cockfield's suggestion to include in the study overseas promotion by the four tourist boards. This area has already been thoroughly examined in Norman Lamont's review of tourism policy, the outcome of which is to be announced shortly after the House reassembles. As H Committee colleagues will know, we have already put forward for general policy clearance proposals for a short Scottish Bill early this session to extend the powers of the Scottish Tourist Board to include promotional activity overseas - thus fulfilling the commitment in our Scottish Manifesto. We have agreed that control over STB's overseas activities would have to be included in the legislation to preserve the coherence of the British Tourist Authority's overseas programme and we have therefore proposed that STB's overseas promotion proposals be subject to my consent.

I am copying this minute to E(A) colleagues, to Geoffrey Howe and Sir Robert Armstrong.

G.Y.

6 September 1983

(Approved by the Secretary of State and signed in his absence)

-7 SEP 1983

Trade : Inward investment
Feb'81

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

RESTRICTED

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

6 September 1983

Dear Cecil

E(A): OVERSEAS PROMOTION
BY LOCAL AUTHORITIES

I have seen a copy of your minute of 4 August to the Prime Minister, and I have read the report on local authorities' activities overseas.

I was pleased to note that the report recorded the success with which local authorities in Wales are kept in check and I note the steps that are proposed to improve upon the position in respect of English authorities.

I note too your suggestion that officials be asked to consider and put forward proposals for a Rayner-type study as a basis for decisions we will have to take next year. I do very much agree with Jim Prior and Timothy Raison that these are very early days indeed to be judging the new arrangements. WINvest, the single one-stop body that I have established in Wales with responsibility for inward investment, has been in existence only since 1 April. I would certainly want my officials to be closely involved with any discussions on terms of reference for a study.

I am copying this letter to the recipients of yours.

Yours ever

Nick

The Rt Hon Cecil Parkinson MP
Secretary of State for Trade and Industry
Ashdown House
Victoria Street
LONDON
SW1

Trade
Feb-81
Inward Investment

7 SEP 1983
6 SEP 1983



CC NO

I have asked the Cabinet Office for advice on how to handle these papers. PS chase next Wednesday.

24/8

Prime Minister

E(A): OVERSEAS PROMOTION BY LOCAL AUTHORITIES

Cecil Parkinson minuted you on 4 August about overseas promotion. I have also seen Barney Hayhoe's letter to Cecil Parkinson of 12 August, Timothy Raison's of 12 August and the letter from Arthur Cockfield's Private Secretary of 11 August to Cecil Parkinson's Private Secretary.

2. Northern Ireland - like Scotland and Wales - enjoys a useful degree of autonomy in industrial promotion overseas, particularly in the USA. Eight of the British Consulates there have Investment Officers who are on secondment to the FCO from the Industrial Development Board (IDB) in Northern Ireland. These officers act for the UK as a whole, but their personal knowledge enables them to speak to potential investors with added authority on opportunities and life in the Province. The IDB itself has a small office in New York. These arrangements ensure a unified promotion effort for the whole of NI and render any separate initiatives by the 26 District Councils here unnecessary.

3. The problems which Cecil Parkinson outlines in his minute stem from the activities of certain English local authorities. I accept that there is a need for control of these activities but believe that the measures recently recommended by officials should be given time to be fully implemented and assessed. If, however, colleagues feel that there is a need for immediate action, I would not oppose a study confined to co-ordination arrangements for local authorities in England alone. I do not see any case for NI to be included.

/...

4. Cecil Parkinson's minute also proposes that next year's overall review of the UK's overseas promotion representation should be preceded by a Rayner-type scrutiny. In the case of our USA representation, I am concerned that such an enquiry would be detrimental to the success of the existing arrangements, which have been in place for less than a year. More time is needed before any adequate assessment could be made of their effectiveness, and an accurate assessment would be made all the more difficult by the current low level of outward American investment. The review proposed for next year would normally be carried out by officials from the interested Departments and I believe that it should go ahead on this basis.

5. The letter of 11 August from Arthur Cockfield's Private Secretary raises the question of consistency between our arrangements for the overseas promotion of tourism and those for industrial development. While a study into our arrangements for promoting tourism overseas would not cause me any difficulties I am unconvinced of the benefits of doing so. The promotion of investment and tourism should in my view remain separate.

6. I am copying this minute to E(A) colleagues, to Geoffrey Howe and Sir Robert Armstrong.

J P

24 August 1983

KL

TRADE: Inward Investment

Feb '81



RESTRICTED

Foreign and Commonwealth Office

London SW1A 2AH

From The Minister of State

Rt Hon Timothy Raison MP

12 August 1983

Dear Cecil

INWARD INVESTMENT : OVERSEAS PROMOTION BY LOCAL AUTHORITIES

You sent Geoffrey Howe (who is away) a copy of your minute of 4 August to the Prime Minister.

The FCO's main concern is that all the Departments and agencies involved in this field should work together effectively overseas, so as to maximise inward investment into the United Kingdom as a whole. We therefore support the proposal for a study of the problem of better coordination of the activities of local bodies, and in particular those operating in England. Such a study would, of course, take account of overseas activities. But, as Francis Pym suggested in his minute of 16 May to the Prime Minister, it is perhaps still too soon to judge whether the arrangements on overseas representation agreed by Ministers in mid-1982 need substantial modification.
I therefore suggest that the study should concentrate on our arrangements within the UK and only later consider the implications for overseas activity in the run-up to the Ministerial review next year.

I am sending copies of this letter to the recipients of yours.

Yours ever

Tim

TIMOTHY RAISON

The Rt Hon Cecil Parkinson MP
Secretary of State for Trade and Industry
1 Victoria Street
LONDON SW1

RESTRICTED

Trade,
Feb '81
Inward Investment

15 AUG 1983

RESTRICTED

ECNO

MINISTER OF STATE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Cecil Parkinson MP
Secretary of State
Department of Trade & Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

12 August 1983

Dear Cecil,

12/8

E(A): OVERSEAS PROMOTION BY LOCAL AUTHORITIES

Your minute of 4 August to the Prime Minister, copied to E(A) colleagues, enclosed a report by officials on overseas promotion by local authorities.

For my part, I accept your proposal that we can endorse this report without further discussion at this stage; and agree that a Rayner-type scrutiny of UK inward investment promotion might be helpful.

I am copying this letter to E(A) colleagues, Sir Geoffrey Howe and Sir Robert Armstrong.

Yours

Barney

BARNEY HAYHOE

RESTRICTED

Trade ; Inward investment

RESTRICTED

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

11 August 1983

Dear Caroline

12/4.

OVERSEAS PROMOTION BY LOCAL AUTHORITIES

The Chancellor of the Duchy has seen your Secretary of State's minute of 4 August to the Prime Minister proposing a Rayner-type scrutiny of UK inward investment.

Lord Cockfield has two comments. First, though the study was confined to the activities of the local authorities and the new town development corporations, there is also a similar problem in relation to Northern Ireland, to Scotland and to England and Wales as a whole, as the Hyster case, in his view, illustrated. He has asked whether the Rayner study should not cover that area as well.

Secondly, in a separate but related field, there is the question of overseas promotion by the four tourist boards. No doubt your Secretary of State has this aspect of the matter in hand, but Lord Cockfield would simply like to draw attention to the need to make sure that we do not go in one direction on promotion of inward investment and in the opposite direction over the promotion of tourism.

I am copying this letter to the Private Secretaries to the Prime Minister, other members of E(A), the Foreign and Commonwealth Secretary and Richard Hatfield.

Yours sincerely

Sebastian Birch

SEBASTIAN BIRCH

Ms Caroline Varley
Private Secretary to the Secretary
of State for Trade and Industry
1 Victoria Street
London SW1H OET

RESTRICTED

TRADE:
Inward Investment
Feb 81

12 AUG 1983

cc MO

JH 244

RESTRICTED

BF 23/8

PRIME MINISTER

E(A): OVERSEAS PROMOTION BY LOCAL AUTHORITIES

See E(EA)(82) 1 + 2

Following discussion in E(EA) in March 1982, Norman Lamont was invited to report, in about a year's time, on progress towards co-ordination of promotional campaigns overseas by local authorities (LAs) and new town development corporations (NTDCs).

2 I now enclose a report by an inter-departmental group of officials which reviews what is known about the extent and cost of this activity, and records the steps which have been taken during the past year towards improved co-ordination. Plainly the present situation is far from satisfactory. However, the report makes it clear that the problem is confined very largely to England, and officials recommend that our efforts should continue to be directed at improving matters by persuasion; they list (paras 20(a) - (d) of the report) specific actions which they recommend.

3 The report illustrates the difficulty of estimating the scale of the problem in England, either in terms of the exact numbers of agencies involved, or the cost to public funds of their overseas activities: the figure of £5 million - £6 million in paragraph 8 of the report is very much a guesstimate. But it is clear that there are real dangers of duplication, and that some

LA and NTDC activity, if left completely uncontrolled, may be counter-productive and harm the national interest in competing for desirable inward investment projects.

4 We must continue to try and minimise these risks. In the past year there have been some encouraging signs that English LAs and NTDCs are more prepared to work together on a regional basis; following our announcement of increased funding for the English regional development organisations, there has been a firm move towards full co-ordination in the North East, and the other regions with RDOs may well follow suit. In the West Midlands, too, the recent initiative by the regional CBI could provide the foundation for a promotional body with widespread support among LAs and others. In other English regions the problem may be greater, but this does not mean that we should abandon all hope of achieving better working arrangements among the LAs.

5 The report recommends, finally (paragraph 21) that we look again at the situation in mid-1984, when we shall also need to review arrangements for the representation of Departments and agencies in the USA and elsewhere.

6 I do not disagree with officials' recommendations, which in essence amount to a damage limitation approach for the next year or so. I think we have to accept this for the time being, since I doubt whether colleagues will regard legislation in respect of England and Wales, on the model of the Local Government and

Planning (Scotland) Act, 1982, as any more attractive a prospect than they considered it to be a year ago. But I do believe that there is a nettle here which we shall have to grasp eventually. I recommend that we should do so no later than mid-1984, when E(A) is due to review the overseas promotion representation arrangements. In preparation for this, I suggest that we should set in hand a Rayner-type scrutiny of UK inward investment promotion covering, inter alia, both the overseas representation arrangements and local authority activities during the first half of 1984 as a basis for taking decisions in mid-1984 on the future form and nature of inward investment promotion.

7 If my proposal for a Rayner-type scrutiny is generally agreed by colleagues, I suggest that we need not discuss the paper by officials but simply accept their recommendations and ask them to put forward proposals on the scope and nature of the scrutiny.

8 I am copying this letter to E(A) colleagues, to Geoffrey Howe and to Sir Robert Armstrong.

C P

C P

4 August 1983

Department of Trade and Industry

OVERSEAS PROMOTION BY LOCAL AUTHORITIES

REVIEW BY OFFICIALS

Background

At its meeting on 19 March 1982, E(EA) considered a memorandum by the Minister of State, Department of Industry E(EA)(82)1 on the scope for action to control the overseas promotional activities of local authorities (LAs) and new town development corporations (NTDCs).

2. The main problem was seen to be in England. While the possibility of legislation in respect of English local authorities was not ruled out, it was seen as an unattractive prospect. A Rayner review, if the situation did not improve over the next 12 months, was seen as having merit, although it was recognised that local authorities could not be compelled to cooperate with it. It was agreed that further efforts should be made to improve and extend the existing, largely voluntary, arrangements for coordination and the Minister of State, Department of Industry was invited to report further to the Sub Committee after 12 months.

3. This report by officials of Department of the Environment, Scottish, Welsh and NI Offices, FCO and Treasury, under DoI chairmanship, reviews the current situation and makes further recommendations.

Current position

4. Scotland: Locate in Scotland coordinates a single Scottish programme overseas and involves Regional Authorities and New Town Development Corporations in its planning and execution. This has been brought about by consultation and persuasion, but against the background of legislation in 1982 which concentrated powers to undertake overseas promotion in the upper tier of local government and made their exercise conditional on the consent of the Secretary of State.

5. Northern Ireland: 22 out of 26 District Councils have committees to encourage industrial development in their areas, with the Department of Economic Development providing a focal point, and advising as necessary, ensuring that the work of the District Councils is complementary to that of Government agencies. Overseas, DED sees it as essential that there should be a unified promotion effort for the whole of Northern Ireland, and the responsibility for this rests with the Industrial Development Board. Promotional literature prepared by the Districts may be distributed through the IDB's offices overseas.

6. Wales: Local authorities in Wales have continued to support the Development Corporation for Wales* in both financial and operational terms. There have been no independent excursions of any consequence over the past 12 months although from time to time there are signs of restiveness: the Welsh Office is constantly watchful and discouraging in this respect. Authorities appear to value arrangements whereby one of their representatives accompanies DCW-led overseas missions, explicitly however representing local government in Wales as a whole. New streamlined arrangements have been introduced in Wales which bring together the responsibilities and staff of the Development Corporation for Wales, and those of the Welsh Development

* (until its assimilation into a new unit at the end of March)

Agency and Welsh Office Industry Department bearing on inward investment into a unified inward investment operation. The reaction of Welsh local authorities to this has been positive and constructive and there is every reason at the moment to believe that they will continue their commitment to and support for the new body, Wales Investment Location (WINVEST). It is hoped that the arrangement under which local authorities participate in overseas misssions on a "representational" basis will continue.

England: General

7. E(EA)(82)1 noted that increasing levels of unemployment had brought about an increase in the number of English LAs active overseas. As well as counties - more especially the metropolitan counties - many districts now appoint industrial development officers, both within the Assisted Areas and in other locations as a response to closures and redundancies. Promotion budgets of individual LAs for activities within the UK and overseas in some cases exceed £250,000; some individual new towns have promotional budgets of between £750,000 and £1 million. Much of this money is, however, spent within the UK: according to advertising industry estimates, English LAs and NTDCs spent in 1982 at least £7 million on advertising within Britain, the bulk of it on industrial/commercial promotion, but only about $120,000 on advertising in the main business journals in the USA; advertising in other overseas markets is likely to have been even less.

8. But media advertising forms only a small part of overall expenditure on overseas promotion; far more goes on staff and travel costs, the production of literature etc. The best estimate IBB can make of overall English LA and NTDC expenditure overseas is that it lies between £5 million - £6 million per year.

9. Within England there are differences between those Regions which have regional development organisations (RDOs) grant aided by DoI and those that do not, in terms of what is known about LA/NTDC activity, the degree of control which can be exercised and the opportunity to coordinate the LA's programme with the UK effort.

English Regions with RDOs* Grant Aided by Government

10. In June 1982 the Minister of State for Industry announced that DoI would continue to offer grant in aid to the four English RDOs from 1 April 1983. He said that the level of grant would be increased not just to take account of inflation but to allow some real increase in the level of the RDOs' effort overseas and he put forward two options, one considerably more generous than the other, for doing this. The choice of option made by each RDO and the effect

* Devon and Cornwall Development Bureau (DCDB); North of England Development Council (NEDC); North West Industrial Development Association (NWIDA); Yorkshire and Humberside Development Association (YHDA).

on LA activity and coordination in each Region is detailed in Annex A but, in brief:-

(a) In the North East all LAs and NTDCs have agreed to support a regional effort with a budget of £1.3 million, led by NEDC;

(b) In Yorkshire and Humberside YHDA, while choosing the lower of the two options, has enjoyed some success in bringing back into the fold district councils which have previously carried out their own overseas promotion and may well achieve a solid basis of LA support (there are no new towns in the Region) next year;

(c) In Devon and Cornwall the problem is small scale: the only LA with any significant promotional effort is Plymouth, whose relations with DCDB are being strengthened;

(d) In the North West, NWIDA has so far failed to achieve anything like 100% support from LAs and NTDCs and has rather reluctantly agreed to a programme for 1983/84 under the first, lower, option. The Minister of State for Industry has suggested that DoI and NWIDA jointly sponsor a study by consultants into how best the NOrth West might be promoted. This proposal has been accepted by LAs and NTDCs, but meanwhile independent efforts by new towns and some LAs continue, while the performance of NWIDA itself is inadequate.

Other Regions of England

11. It is more difficult to gauge the extent of LA overseas activity and any improvement in coordination in those Regions which do not have an RDO. Of the new towns in these Regions, Corby, Milton Keynes, Redditch, Peterborough and Telford are known to have sizeable overseas programmes; all four visit the USA and Telford in particular also employs a local agent and has had some success in Japan.

12. Among LAs, especially at district level, there is anecdotal evidence of increasing activity. Within the past four months, 3 district councils have approached the Invest in Britain Bureau (IBB) for the first time asking about overseas promotion. Other counties and districts such as Kent, Thamesdown, and Bristol (which is known to have a six figure promotional budget and is considering opening an office in the USA) have made known their plans to IBB for some time.

13. Offsetting the possible increase in the number of local authorities with independent overseas campaigns, there have been some moves towards voluntary coordination among local authorities themselves; IBB has given appropriate advice and encouragement to these while explaining that DoI could only consider offering financial support once a regional body was in existence and seen to command the support of all LAs and NTDCs in a Region. Examples of moves of this kind, in the South East and South West regions are:-

(a) Norfolk, Suffolk and Cambridge now form the East Anglian Consultative Committee with a small joint programme to promote East Anglia as a whole, mainly in Europe;

(b) The county and a number of districts in Hampshire have formed a Hampshire Development Association, which was inaugurated on 11 February 1983;

(c) Led by Bristol and Thamesdown, interest is being canvassed in a new body that would bring together local authorities in the counties of Avon, Gloucester, Wiltshire and Somerset.

14 Among recent developments of most concern to IBB has been a plan by West Midlands CC (WMCC) to establish an office in Japan to look after inward investment promotion, joint ventures and industrial collaboration, and also the promotion of exports, on behalf of industry in the West Midlands. This plan became public knowledge as a fait accompli on 10 April, despite efforts by DoI to stop it. The local authority argues that the project is supported by all political groups in the county, by the regional CBI, trade unions etc and that WMCC is taking the lead on behalf of the region, believing that it would take time for an effective RDO to be set up and that in the meanwhile action needed to be taken. Officials are considering ways in which this initiative could be contained. The regional CBI has taken an initiative to set up a West Midlands Industrial Development Association. The Secretary of State for Industry, during the Budget debate, said that he would be prepared to offer modest financial support to a regional promotional body in the West Midlands and it seems likely, despite differences within the region, that this body will become operational in the autumn with an annual budget of some £300,000 financed in equal shares by the private sector, local authorities and the DTI.

Government Activity in 1982/83

15 Against this varied background, Departments have pursued the recommendation of E(EA)(82)1, endorsed by Ministers in March 1982. Opportunity has been taken of Ministerial speeches - for example to the Association of District Councils - to publicise the nature and extent of the UK inward investment campaign, the role of IBB and Posts, and Government concern at the waste of public money inherent in competitive activity by LAs overseas. These points were covered in a recent DoI publication "Inward Investment and the IBB 1977 - 82" copies of which are being distributed to English LAs and NTDCs and the local authority associations.

16 Mainly in the Regions without RDOs DTI officials have now held 7 well-attended seminars on these themes for industrial development officers of LAs (details at Annex B). The seminars have strengthened links between LAs and IBB, through the DTI regional offices, offering IBB more chance of influencing the overseas plans of individual authorities. Officials of DoE and DoI have also been in correspondence and held meetings with representatives of the local authority associations, again clarifying the respective roles of national, regional and local agencies.

17 An FCO Rayner scrutiny undertaken during 1982 concerned with visits overseas and the role of Posts in relation to these visits looked at visits to promote inward investment but concluded that while Posts should give priority to promotional work for the UK as a

whole, they should be prepared, if asked, to offer advice within their capacity to any visitor from the UK who called on them.

18. Officials have given further consideration to a possible Rayner Scrutiny of UK inward investment promotional activity. However it remains doubtful whether a Rayner-type scrutiny would be effective in relation to the activities of local authorities. Local authorities are understandably jealous of their independence and are subject at Member level to strong political imperatives to be seen to be doing something about local unemployment. Action which could be seen as an attempt to clamp down on their efforts to help themselves could prove to be not only unproductive but counterproductive.

Conclusion

19. The problem is confined almost exclusively to England. Some progress towards better coordination and the elimination of waste has been made during the past year, especially in those English regions with RDOs. Although local authorities are continuing to enter into the overseas promotional field for the first time, there is a reasonable prospect of further progress in the coming months, provided every effort continues to be made by Ministers and officials to publicise the desirability of better coordination, and to encourage local authorities and new towns at the very least to take advice from IBB before embarking upon overseas activity.

Recommendations

20. Although a significant problem remains in England, officials consider that sufficient progress has been made, and is in prospect, to recommend that efforts should continue to be directed to improving the present coordination by persuasion and, more specifically, by:

(a) encouraging the other 3 English RDOs, and their associated LAs and NTDCs, to follow the example of those in the North East of England;

(b) encouraging LAs and NTDCs in other regions and especially the West Midlands to pool resources in new regional organisations;

(c) continuing as appropriate the programme of regional seminars and individual contacts, to strengthen links and understanding between DoI and LAs;

(d) continuing to use the opportunity of Ministerial speeches and publications to publicise the scale and success of the UK inward investment effort, and to explain the advantages of coordination and liaison with IBB.

21. Officials further recommend that Ministers should again review the situation in mid-1984, at the same time that arrangements for overseas representation in the USA and elsewhere fall to be reviewed.

Department of Industry

June 1983

ANNEX A

DEVELOPMENTS IN THE FUNDING OF THE ENGLISH REGIONAL DEVELOPMENT ORGANISATIONS (RDOs)*

In June 1982, the Minister of State for Industry (Mr Lamont) confirmed that DoI was willing to continue paying grant in aid to the 4 English RDO s for a further 3-year period from April 1983. He put forward alternative options for fixing the level of grant. The first of these would offer some real increase in grant (ie more than merely allowing for inflation), and would involve DoI increasing its total expenditure on grant in aid to the 4 bodies collectively by about 50% in 1983/84. The grant to an individual RDO would depend, as before, on matching arrangements (ie income from LAs and other sources would have to match the DoI grant) and on the preparation of a programme of events agreed with IBB.

2. The second option would entail a greater increase in the DoI grant, together with relaxation of the £ for £ matching arrangements, in order to offer an RDO something closer to parity with the resources available to promotional agencies in Wales and Scotland. Under this option the RDO would not only have to put forward a realistic and fully costed programme of events for the forthcoming year, but would also have to undertake to coordinate fully and effectively the overseas promotional activities of all the local authorities and new towns in its region.

3. Levels of grant for all 4 RDOs for the next year were announced in a Parliamentary Answer on 19 January 1983 (Annex C). Only NEDC will be operating under the second, larger option; all the LAs and NTDCs in the North Eastern Region have agreed to cooperate with NEDC, the DOI's Regional Office and the IBB to mount an effectively coordinated programme of overseas events on behalf of the Region as a whole. This should reduce significantly the danger of duplication of effort a nd waste of public resources in that Region. Although the matching requirement has been dropped, it has been made clear to NEDC that DOI expects the LAs to continue to contribute to NEDC's budget at, or above, the level of this year's contribution. No sum of money has been nominated beyond the first year. DOI will be monitoring the NEDC programme to see how effective in practice is the cooperatio offered by the LAs and NTDCs. More stringent conditions for the enhanced grant, reflecting in particular the need for closer Government supervision of NEDC, have been drawn up and agreed with the Treasury.

4. Of the other 3 RDOs, only NWIDA put forward a claim under the second, higher option. But DOI were not satisfied that the requisite degree of commitment to a fully and effectively coordinated regional programme had been demonstrated by all the LAs and NTDCs in the North West. For example, Warrington and Runcorn NTDC was completely opposed to collaborating with NWIDA in this way. One reason for this opposition has been that authorities in the North West have had serious misgivings about the efficiency of NORWIDA's promotional efforts to date. DCDB, NWIDA, and YHDA were, therefore, offered considerably increased grants for 1983/84 (and subsequent years) but with the matching requirement retained.

5. DCDB and YHDA accepted these offers, but NWIDA made further representations. After a meeting with the Minister of State (Mr Lamont) it was left that NWIDA would agree a programme for 1983/84 with IBB on the basis of matched DOI and local funds, but would consider again what more NWIDA needed to do to qualify for funding under the second option. The Minister of State subsequently wrote to the chairman of NWIDA proposing a study by independent consultants, to be funded at least 75% by DOI, into how best the North West might be promoted for industrial development. NWIDA's own executive committee accepted this idea, and it is now being canvassed among all LAs and NTDCs in the Region.

* Devon and Cornwall Development Bureau (DCDB); North of England Development Council (NEDC); North West Industrial Development Association (NWIDA); Yorkshire and Humberside Development Association (YHDA).

6 It is in the North East, therefore, that LA and NTDC activity is most completeley subsumed within the Regional effort - albeit with some signs of continued suspicion on the part of the new towns. In Yorkshire & Humberside, YHDA has had some success in regaining the confidence of district councils in South Yorkshire and (less certainly) Humberside, drawing into the regional effort overseas activity which they had previously carried on independently. In particular, YHDA has taken over from South Yorkshire and Sheffield their promotional work in Japan; YHDA's activity in that sensitive market, professionally planned and carefully coordinated with IBB, is certainly preferable to the previous uncoordinated efforts of the LAs. YHDA will be applying for a larger grant, under the second option described in para 2 above, for the financial years 1984-5 and 85-6.

7 In Devon and Cronwall the only appreciable effort apart from DCDB itself is that on behalf of Plymouth, which mounts campaigns in the USA, using a consultant. Relations between DCDB and Plymouth are already reasonably good, and efforts are being made to involve Plymouth's industrial development staff more closely in the RDO's activities.

8 The history and geography of the North West make complete agreement on a single regional effort inherently less likely, but the proposal for an independent study may offer a way forward. In the other Regions progress has been made towards reducing the duplication of effort between regional and local agencies.

Invest in Britain Bureau

June 1983

ANNEX B

SEMINARS ON INWARD INVESTMENT FOR ENGLISH LOCAL AUTHORITIES 1982-83

West Midlands: Birmingham 3 March 82

South-West: Taunton 28April 82

East Anglia: Cambridge 21 May 82

East Midlands: Nottingham 28 October 82

London Boroughs: Westminster 16 November 82

Kent and Essex: Westminster 11 April 83

Yorkshire and Humberside: Beverley 17 June 83

ANNEX C

Extract from Hansard 19 January 1983

Written Answers

Industrial Development

Sir William Elliott asked the Secretary of State for Industry if he has decided upon the amount of grant to be made to the North of England development council, the North-West industrial development association, the Yorkshire and Humberside development association and the Devon and Cornwall development bureau after present arrangements expire in March.

Mr. Norman Lamont: Each of the chairmen of the four English regional development organisations accepted my invitation to a meeting to discuss the offer of continued grant which I outlined on 24 June, 1982. Officials have also had meetings with the directors and staff of the RDOs, and with local authorities and new town development corporations in some of the regions represented by the RDOs.

Following those meetings, each RDO has now put forward proposals, supported by outline programmes of promotional activities, in respect of 1983-84. In the light of those proposals and programmes, and of the discussions on them that have taken place, I have now written again to the four chairmen, offering them grant in aid as follows.

The North of England development council, along with all of the local authorities and the two new town development corporations in the north-east region, have satisfied me that they are capable of mounting a realistic and effectively co-ordinated programme of events on behalf of the region as a whole, which will be incremental to the effort on behalf of the United Kingdom as a whole. I have therefore offered a grant in aid to NEDC, for 1983-84, of up to £850,000, under the second, more substantial, of the two options I set out in my letter last June. I have made it clear to the chairman of NEDC that, although there will be no formal requirement to match this grant pound for pound by local authority contributions, we expect the local authorities in the region to continue to contribute to the NEDC's budget at, or above, the level of this year's contribution, in line with the budget proposals which NEDC themselves have put forward.

I am not at this stage nominating any sum of money beyond the first year. I shall want to see how effective in practice is the co-operation promised by the local authorities and new towns in the region. The NEDC's programme will be carefully monitored, and a decision taken on the grant for the two succeeding years, based on our experience of this year's arrangements and performance.

Because of the significant change in the scale of t grant, and the relaxation of the matching requirements am reviewing the conditions which attach to payment the grant. Once agreement has been reached with NEI on the details of these conditions, I shall place a copy them in the Library of the House.

Although I am not offering to the other thr organisations such substantial increase in grant, relaxation of the pound for pound matching requireme it is fair to say that each of them has made progress towar achieving, within its region, a better co-ordinat promotional programme.

Of the three, only the North-West industri development association put forward a claim under t second, higher, option. I have not, however, been able satisfy myself that the requisite degree of commitment a fully and effectively co-ordinated regional programm by all the local authorities and new towns in the north we has yet been demonstrated to justify the higher option. NWIDA and to the Yorkshire and Humbersi development association and the Devon and Cornwa development bureau, I am offering a considerable increa in grant-in-aid compared with the current year. But I a retaining, for 1983-84 at least, the requirement that th grant must be matched, pound for pound by the loc authorities in the region. On this basis, the maximum gra for each of the next three years would be:

	1983-84 £	*1984-85* £	*1985-*
NWIDA	260,000	280,000	300,0
YHDA	163,000	170,000	177,0
DCDB	110,000	115,000	120,0

However I have told each of the chairmen of these thre organisations that their acceptance of the suggeste increase and the matching arrangements for 1983-84 doe not mean that they are tied to that option for the whole o the three-year period. I am ready to consider the prospec for a more substantial grant, and relaxation of th matching requirement, for any of the regional organisa tions which can put forward a realistic programme at higher level of activity and can demonstrate that it has th full co-operation of all of the local authorities and new towns in the region for a single, effective, oversea promotional effort on behalf of that region.

Because the basic requirement to match the Do contribution remains unchanged for these three organisa tions, the other conditions attaching to the grants will also be little changed. As soon as the details have been agreed with NWIDA, YHDA and DCDB I shall place copies o those conditions in the Library of the House.

The question of English regional representation overseas, particularly in the USA, to which I referred in my previous reply, remains to be discussed further with each of the four organisations. All four are, however, now regularly represented on the committee of overseas promotion, which co-ordinates their work with that of the corresponding agencies in Scotland, Wales and Northern Ireland and of the "Invest in Britian" bureau and the diplomatic service posts overseas.

TRADE. Inward Investment
Feb 81



010 JH 850

Trade
cc WR

Prime Minister

The table at flag A is interesting.

MLS 11/2

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

10 February 1983

Nick Huxtable Esq
Private Secretary to the
Lord President of the Council
Privy Council Office
Whitehall
London SW1

Keep Lady Jo-
Quentin

Dear Nick

INWARD INVESTMENT

Following my letter of 18 January about the briefing service offered by the Invest in Britain Bureau, you told me that Mr Biffen would like to have some more detailed briefing on the UK's success in attracting investment from overseas.

2 As it happens, the IBB is in the course of finalising a short report covering its own activities and inward investment generally in the period since it was set up in 1977. It is hoped to have that printed within the next few weeks, and I will make sure that copies come to you and all of those who received my earlier letter. In the meantime, IBB has extracted the attached tables with their accompanying commentary, which illustrate in various ways the flow of direct investment into Britain and the level of activity by foreign owned companies.

3 I am copying this letter to the Private Secretaries to members of the Cabinet.

Yours ever

David Saunders

DAVID SAUNDERS
Private Secretary

THE SCALE OF INWARD INVESTMENT ACTIVITY IN THE UK

(Extract from forthcoming report by IBB)

Inward investment* plays a vital part in the UK economy. In 1979, the latest year for which figures on manufacturing industry are available from the Census of Production, the number of foreign-owned establishments in UK manufacturing industries (ie establishments more than 50% of whose ownership lies outside the UK) represented only 2.5% of the UK total but these accounted for 14.1% of employment, 20.3% of net output and 21.5% of net capital expenditure. The bulk of inward investment in the UK comes from the developed countries of Western Europe and North America, with a major share coming from the USA (see table 2).

---

* Inward direct investment can be defined as the finance provided by an overseas company to its affiliates in the UK - in the form of share and loan capital, retained profits and short-term credits and loans: it can include but does not necessarily correspond with actual sums invested in fixed assets.

TABLE 1

Foreign Enterprises in UK Manufacturing Industries:

Overseas controlled as proportion (%) of all establishments

	1971	1973	1975	1977	1979
Number of establishment	1.9	1.8	2.0	2.5	2.5
Employment	10.3	10.8	12.4	13.9	14.1
Wages & salaries	10.9	12.5	14.1	15.8	16.0
Net output	13.3	14.6	15.9	19.0	20.3
Net capital expenditure	17.1	15.8	16.4	18.7	21.5

Source: Business Monitor, Report on the Census of Production.

TABLE 2

Net flow of inward direct investment* in UK (excluding oil industry): £m

Country of investor		1976	1977	1978	1979	1980
Europe:	EC+	176	267	310	267	153
	EFTA	82	170	122	252	226
	Other Western Europe	-3	2	2	5	6
N America:						
	USA	550	636	807	992	1,678
	Canada	-47	59	37	122	81
Other developed countries:						
	Australia	23	13	-6	67	74
	Japan	-16	99	-20	45	38
	New Zealand	3	-	4	5	-4
	South Africa	-13	43	29	-59	96
Rest of the World:		44	37	6	122	227
	WORLD	799	1,326	1,292	1,818	2,576

+EC excludes Greece
*net investment includes unremitted profits
Figures for 1981 by country not yet available
Source: Business Monitor, MA4, 1980

Why is Britain chosen by so many companies? The reasons vary depending on the company, its products and its country of origin. Those from North America for example attach importance to the common language and to similar business practice and law. For most, the UK market and the access provided to a total European market of about 350m is important. Britain also has special trading relationships with many parts of the world including the Commonwealth, Far East and Middle East.

The long history of industrialisation gives the UK the infrastructure necessary for sustained profitable growth. Support industries, the banking and commercial facilities of the City of London and its communications system for example, are all important assets. So is a trained and adaptable workforce. The Government's commitment to a thriving profitable industrial base, its support for modern high technology industries and the availability of financial assistance combined with a favourable tax regime can also be important to the investor. Advance factories, suitable greenfield locations, university links and special training courses, the environment, housing, education, health-care can all be important factors.

As Table 2 shows, European companies contribute a significant proportion of the annual flow of direct invetment into the UK from overseas, though a smaller proportion is in manufacturing industry compared with investment from the United States. To a great extent, this reflects the fact that the potential for manufacturing investment from Europe, and the scale of individual investments, are more related to, and consequently restricted by, the opportunities for developing an already established market presence and the size of the UK market, than they are to the attractions of the UK as a European export base, though occasionally the latter can be an important factor.

Of individual EC countries, Germany (FRG) is an important source of investment to Britain both in terms of value and the number of companies involved, as illustrated by Table 3 (below) and by the survey entitled "German Subsidiary Companies in the United

Kingdom", by the German Chamber of Industry and Commerce in the UK. According to that survey there are now 682 subsidiaries of West German firms in Britain: of these 206 have production facilities, the rest being engaged in sales, banking, insurance, transport etc.

By contrast Japanese investment in UK and Europe generally, though it attracts a good deal of attention, is still relatively small, reflecting the fact that Japanese investors have tended to look first to Asia and then to the USA before studying opportunities in Europe.

TABLE 3

Stock of West German Outward Direct Investment

DM million at book values at end year

	1976(a)	1977	1978	1979	1980
UK	1,362	1,483 (549)	2,023 (675)	2,550 (878)	3,289 (1,054)
Other EC	15,456	16,714 (6,571)	18,593 (7,199)	21,499 (7,927)	25,298 (8,885)
Other Europe	6,078	7,144 (2,642)	10,045 (5,048)	11,508 (5,871)	12,601 (6,353)
North America	8,400	9,718 (5,340)	12,148 (8,596)	16,420 (9,654)	20,154 (11,812)
Other developed Countries	1,862	1,864 (1,218)	2,204 (1,326)	2,598 (1,612)	3,315 (1,993)
Rest of World	15,219	15,197 (8,416)	15,072 (7,634)	14,962 (7,772)	18,677 (9,543)
Total	48,377 (23,533)	52,120 (24,736)	60,085 (30,478)	69,537 (33,714)	83,334 (39,640)

(a) Manufacturing figures not available by country for 1976
Manufacturing figures are shown in brackets.
Source: Monthly Report of Deutsche Bundesbank

TABLE 4

Cumulative Japanese investment abroad to March 1978 by area

Asia	28.7%
North America	25.2%
Central and South America	16.4%
Middle East	10.5%
Europe	9.7%

Source: A study of Japanese direct investment by Technova Inc

---

US investment in Britain covers all sectors but is concentrated in manufacturing (84% of total stock of US direct investment was in the UK, excluding oil, banking and insurance at the end of 1978) with well over 1500 manufacturing units established here. In relation to other EC countries the UK is the largest single recipient of US manufacturing investment and has been for many years. (Table 5), US direct investment to all countries, particularly in Europe in 1981 was low, mainly due to depressed economic conditions, and to the USA's high interest rates. Even so, the UK's share of US non-oil direct investment in the EC was at least around 33%, after allowing for large loans by subsidiary companies here to their parents in the USA.

As well as attracting investments by firms in the three main markets described above, Britain is host to the subsidiaries of companies in many other countries. The gross output of Canadian investment in the UK, for example, exceeds £2 billion and is only surpassed by that of the US and Netherlands. The annual capital spending of Canadian firms established in the UK currently exceeds £70 million and the IBB, with the DS Posts in Canada, has increased its activity in that market.

Although other countries have a lower priority in terms of inward investment effort, projects continue to come forward, notably from Commonwealth countries. Indeed 3 Australian-owned companies figure

TABLE 5

US foreign direct investment stock in manufacturing industry in EC countries

	1973	1975	1977	1978	1979	1980
Total EC ($million)	18,501	11,907	27,747	32,150	35,739	41,476
	Per cent of EC Total:					
United Kingdom	35.7	33.2	31.9	31.1	32.0	33.9
Belgium/Luxembourg	8.1	8.8	9.4	8.8	9.4	8.6
Denmark	0.4	0.5	0.5	0.5	0.5	0.5
France	15.9	16.8	14.9	14.6	14.3	14.3
FRG	24.0	23.4	25.3	25.7	24.0	23.3
Irish Republic	1.7	2.5	3.4	4.0	3.6	3.9
Italy	7.6	7.5	7.1	7.5	7.9	8.0
Netherlands	6.5	7.4	7.4	7.8	8.3	7.5

Source: US Department of Commerce, Survey of Current Business

---

The UK is the largest single recipient of US manufacturing investment.

TABLE 6

Proportions of US outward non-oil direct investment

	US investment in Europe as per cent of US world total	US investment in EC (excluding Greece) as per cent of US investment in Europe	US investment in UK as per cent of US investment in EC
1973	50.7	77.4	29.7
1974	40.7	73.9	26.3
1975	34.7	67.9	24.2
1976	43.2	76.4	14.0
1977	45.0	85.0	39.2
1978	49.2	80.1	33.4
1979	54.8	77.7	44.3
1980	63.4	81.6	58.5
1981 (provisional)	34.9	over half	at least one-third

(After allowing for the effect of loans from UK subsidiaries to their parent.)

Source: US Department of Commerce

Projects and jobs

Table 7 (below) shows the numbers of investment decisions - first time investments, expansions, joint ventures and acquisitions - by foreign owned companies, known to the IBB, for the years 1979-82, together with the associated employment expected to arise, in the long term, from those decisions.

Among the most prominent of the decisions taken over the past year or so are many in the important high technology industries:-

MITEL, coming from Canada to Wales, with an envisaged 3000 jobs and a £44m. investment;

NEC, financially the largest single Japanese investment in Europe, at Livingstone - estimated 650 new jobs;

Wang, who have announced a £38 m. investment in Scotland

Hewlett Packard, with a £100 m, investment and eventually 3,000 jobs at Bristol.

Hitachi Maxell, setting up a plant at Telford which will eventually make 12 million/year video tape cassettes;

Sanyo and Mitsubishi Electric, both of whom have just announced extensions into production of video tape recorders, in Lowestoft and Scotland respectively.

TABLE 7

Investment Decisions[1] and associated employment 1979 to 1982 by foreign-owned companies in manufacturing industries

Country of Origin	1979[2] (P)[3]	1979[2] (J)[4]	1980 (P)	1980 (J)	1981 (P)	1981 (J)	1982[5] (P)	1982[5] (J)	Total (P)	Total (J)
Belgium	2	185	-	-	3	110	3	23	8	318
Canada	6	423	7	2006	6	1056	-	-	19	3485
Denmark	5	349	4	319	2	73	5	278	16	1019
Finland	3	222	2	35	1	28	-	-	6	285
France	7	391	6	1044	3	425	-	-	16	1860
FRG	25	854	27	1099	20	778	10½	254	82½	2985
Japan	6	585	8	1264	4	1235	2	155	20	3239
Netherlands	18	1044	9½	741	5½	130	9½	963	42½	2878
Norway	1	111	3	51	4	234	4	40	12	436
Sweden	10	552	9½	867	11	150	6	126	36½	1695
Switzerland	8	326	6	1122	7½	589	4	245	25½	2282
U.S.A.	78	8546	63	9183	59	11333	80	8029	280	37091
Rest of the World	14	722	10	931	8	541	10	335	42	2529
Total	183	14310	155	18662	134	16682	134	10448	606	60102

NOTES

1. Known to IBB.
2. IBB's formal records begin in 1979 but these figures may include some decisions from previous years which cannot at this stage be separated.
3. (P) = Projects, i.e. investment decisions (including first time investment, expansion, takeover and joint venture).
4. (J) = Jobs, i.e. estimate of long term employment associated with the project; not every decision is accompanied by an employment estimate.
5. Figures for 1982 as at 31 January, 1983. Some decisions taken by foreign owned companies during 1982 may not yet be known to IBB.

Altogether, in 1982, the Invest in Britain Bureau handled well over 400 investment projects - cases where there was a reasonable presumption of an investment decision being taken, in most cases within the next 12 months.

Invest in Britain Bureau,
Department of Industry,
66-74 Victoria Street,
London SW 1E 6SJ
01-212 6251

January 1983

Trade

010

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

Telephone *Direct Line* 01-212 3301
Switchboard 01-212 7676

JF2446
PS/*Secretary of State for Industry*

18 January 1983

Jill Rutter
Private Secretary to the
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

Dear Jill

INWARD INVESTMENT

Early in 1981 it was decided that, in view of the importance to this country of encouraging investment from overseas in manufacturing industries, Ministers travelling abroad should be briefed on the subject as a matter of course.

2 The Invest in Britain Bureau in this Department is charged with the task of providing briefing, in response either to direct requests, or to the regular schedule of proposed Ministerial visits. Clearly, briefing on inward investment is not always appropriate and, as the schedule reveals so little about the visits, Private Offices have to be approached separately for every likely visit. Sometimes the schedule arrives too late for action to be taken, and opportunities for briefing are missed.

3 I would therefore like to remind you of the service offered by the Invest in Britain Bureau. It will provide general briefing (see attached example) and, where Ministers are planning to visit countries of priority in terms of attracting direct inward investment (see attached list) the IBB will supply - on request - fuller written briefing, and will be ready to offer additional oral briefing if desired. It would be helpful if you would bear this in mind.

4 I am copying this letter and enclosures to the Private Secretaries to Members of the Cabinet.

Yours sincerely
David Saunders
DAVID SAUNDERS
Private Secretary

Encls

INWARD INVESTMENT

BACKGROUND BRIEF

Ministers - not only in the economic Departments - meet overseas businessmen at home and abroad. When they do so they are asked

- to bear in mind the welcome which the Government gives to inward investment in manufacturing and service industries

- to take opportunities which are offered to correct misleading impressions which overseas businessmen may have about Britain and the opportunities it offers to the inward investor.

A summary of some of the points which might be made in conversation are given below. Further background on what Britain has to offer the overseas investor is provided in the attached booklet "Invest in Britain".

GOVERNMENT POLICY TOWARDS INWARD INVESTMENT

The Government welcomes inward investment which helps to develop and modernise the country's industrial and commercial base and provide job opportunities. The Government's policies are designed to improve the climate for efficient businesses to succeed in Britain. United Kingdom law and practice treats overseas-owned companies in exactly the same way as British owned companies and they are eligible for the same incentives and benefits.

MARKETS

Britain is a member of the European Community:- thus a base in the UK offers the advantage of free trade within the community market of nearly 300 million, access to EFTA and the benefits of Britain's world and Commonwealth trading links.

INDUSTRIAL INFRASTRUCTURE

Britain has:

- a highly developed industrial infrastructure

- modern communications

- a skilled and adaptable labour force

- the prospect of self-sufficiency in energy at least through the 1980s

- sophisticated financial and commercial services

- excellent educational facilities and close and constructive relations between industry and institutions of higher education.

INCENTIVES TO INVESTMENT

To encourage new investment and the creation of new jobs in areas of Britain where unemployment is greatest, for example because of the contraction of older industries, the Government makes available grants on a virtually automatic and tax free basis to encourage new industrial development. Further discretionary assistance may be available to particularly worthwhile projects in these areas and elsewhere. In some areas new factories are available for rent on advantageous terms.

TAXATION

Despite the prevailing contrary impression, the general level of taxation in Britain is in line with the European average. Tax reliefs available to encourage companies to invest and expand mean that the effective rate of UK taxes on company income, if Advance Corporation Tax (ACT) is excluded, is about 16 per cent on the basis of historic cost profits. New or expanding companies may find that they pay little or no corporation tax for several years.

LABOUR RELATIONS

The average number of working days lost through strikes in the UK compares favourably with Italy and Ireland but is not as good as that of other EC partners. Taking a wider OECD comparison, the UK's strike record is about middle ranking. The average annual number of days lost per 1000 employees in the UK in the period 1976-80 was 566, or just over half a day per employee per annum. Most manufacturing was virtually strike free throughout 1981, and many, especially those in newer industries, have achieved good labour relations and high productivity. The bulk of the stoppages tend to occur in the more traditional and perhaps declining areas of industry where productivity is lower and inefficient working practices may be backed up by the threat of strikes.

NORTHERN IRELAND

Industry has been virtually unaffected by the troubles. The Province has a well-developed industrial base, a highly skilled workforce and offers the highest financial incentives of any region in the UK.

FURTHER INFORMATION

Can be obtained from the Invest in Britain Bureau in the Department of Industry or any British Embassy, High Commission or Consulate-General.

PRIORITY COUNTRIES FOR INWARD INVESTMENT

High Potential

Federal Republic of Germany

Japan

Switzerland

United States of America

Medium Potential

Belgium

Canada

Denmark

Finland

France

Hong Kong

Netherlands

Norway

Sweden

Low Potential

Australia

Austria

Israel

Italy

Korea

Luxembourg

New Zealand

Republic of Ireland

Singapore

Spain


19 JAN 1983

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

24 February 1981

The Rt. Hon. Sir Keith Joseph, BT MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON
SW1

Dear Keith

INWARD INVESTMENT

Thank you for your letter of 17 February enclosing a general brief on inward investment for Ministers to use when travelling abroad and a copy of your department's very impressive booklet "Invest in Britain".

I welcome this initiative and I hope that colleagues will make full use of this material. Encouraging inward investment - particularly in manufacturing - remains of great importance. Nissan's interest in a UK site demonstrates that the UK is an attractive base for such investment; we must make sure that the advantages which the UK offers are understood by investors overseas.

I am copying this letter to Cabinet colleagues.

Yours

GEOFFREY HOWE

24 FEB 1981

H

Prime Minister 4

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

MPD
18/2.

Secretary of State for Industry

17 February 1981

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

Dear Geoffrey.

INWARD INVESTMENT

Last year you suggested that, in view of the importance to this country of encouraging investment in manufacturing concerns from overseas, Ministers travelling abroad should be briefed on the subject as a matter of course.

2 The Department of Industry has now prepared the enclosed general brief for Ministers which includes, in abbreviated form, some points which might be made in conversation with businessmen overseas. I also enclose a copy of our booklet "Invest in Britain" which covers in greater detail what Britain has to offer the overseas investor.

3 Whenever colleagues are planning to visit countries which we regard as having priority in terms of attracting inward investment - these are listed in the annex in the brief - the Invest in Britain Bureau in this Department will supply, on request, fuller written briefing and will also be ready to offer additional oral briefing if that is desired.

4 I am copying this letter and enclosures to each of our Cabinet colleagues.

Yours,

Keith

JU

INWARD INVESTMENT

BACKGROUND BRIEF FOR MINISTERS

Ministers - not only in the economic Departments - meet overseas businessmen at home and abroad. When they do so they are asked

- to bear in mind the welcome which the Government gives to inward investment in manufacturing and service industries.
- to take opportunities which are offered to correct misleading impressions which overseas businessmen may have about Britain and the opportunities it offers to the inward investor.

A summary of some of the points which might be made in conversation are given below. Further background on what Britain has to offer the overseas investor is provided in the attached booklet "Invest in Britain". Where Ministers are undertaking overseas visits to any of the countries listed in the annex to this note the Invest in Britain Bureau in the Department of Industry can provide them, on request, with more specific briefing related to the country or countries to be visited (contact: Mr C Sladen, IBB, Room 220, Kingsgate House, 66-74 Victoria Street, London SW1E 6SJ Tel:01-212 5873).

GOVERNMENT POLICY TOWARDS INVESTMENT INVESTMENT

The Government welcomes inward investment which helps to develop and modernise the country's industrial and commercial base and provide job opportunities. The Government's policies are designed to improve the climate for efficient businesses to succeed in Britain. United Kingdom law and practice treats overseas-owned companies in exactly the same way as British owned companies and they are eligible for the same incentives and benefits.

MARKETS

Britain is a member of the European Community:- thus a base in the UK offers the advantage of free trade within the community market of 250 million, access to EFTA and the benefits of Britain's world and Commonwealth trading links.

INDUSTRIAL INFRASTRUCTURE

Britain has:

- a highly developed industrial infrastructure
- modern communications
- a skilled and adaptable labour force

/ ...

- the prospect of self-sufficiency in energy at least through the 1980s
- sophisticated financial and commercial services
- excellent educational facilities and close and constructive relations between industry and institutions of higher education.

INCENTIVES TO INVESTMENT

To encourage new investment and the creation of new jobs in areas of Britain where unemployment is greatest, for example because of the contraction of older industries, the Government makes available grants on a virtually automatic and tax free basis to encourage new industrial development. Further discretionary assistance may be available to particularly worthwhile projects in these areas and elsewhere. In some areas new factories are available for rent on advantageous terms.

TAXATION

Despite the prevailing contrary impression, the general level of taxation in Britain is in line with the European average. Tax reliefs available to encourage companies to invest and expand mean that the average UK company pays less than 20 per cent of its historical cost profits in tax (excluding taxation of dividends received by shareholders). New or expanding companies may find that they pay little or no corporation tax for several years.

LABOUR RELATIONS

The average number of working days lost through strikes in the UK compares favourably with Italy and Ireland but is not as good as that of other EC partners. Taking a wider OECD comparison, the UK's strike record is about middle ranking but better than that of the USA. The average annual number of days lost per 1000

employees in the UK in the period 1969-78 was 472, or about half a day per employee per annum. 95% of firms, including small and foreign-owned companies, do not experience any strikes at all and many, especially those in newer industries, have achieved good labour relations and high productivity. The bulk of the stoppages tend to occur in the more traditional and perhaps declining areas of industry where productivity is lower and inefficient working practices may be backed up by the threat of strikes.

NORTHERN IRELAND

Industry has been virtually unaffected by the troubles. The Province has a well-developed industrial base, a highly skilled workforce and offers the highest financial incentives of any region in the UK.

FURTHER INFORMATION

Can be obtained from the Invest in Britain Bureau in the Department of Industry or any British Embassy, High Commission or Consulate-General.

ANNEX

PRIORITY COUNTRIES FOR INWARD INVESTMENT

High Potential

Federal Republic of Germany
Japan
Switzerland
United States of America

Medium Potential

Belgium
Canada
Denmark
Finland
France
Italy
Netherlands
Norway
Sweden

Low Potential

Australia
Austria
Hong Kong
Israel
Korea
Luxembourg
New Zealand
Republic of Ireland
Singapore
Spain

Invest in Britain Bureau
Department of Industry
Kingsgate House
66-74 Victoria Street
London SWIE 6SJ

18 FEB 1981





IT8.7/2-1993
2009:02

Image Access

IT-8 Target

Printed on Kodak Professional Paper

Charge: R090212