



✓ MP

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

See him

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.

[Handwritten signature]

GEOFFREY HOWE

[Handwritten signature]

24 FEB 1981





Secretary of State for Industry

Prime Minister

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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.

Kevin

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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.

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 SW1E 6SJ

18 FEB 1981



Invest in Britain



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.

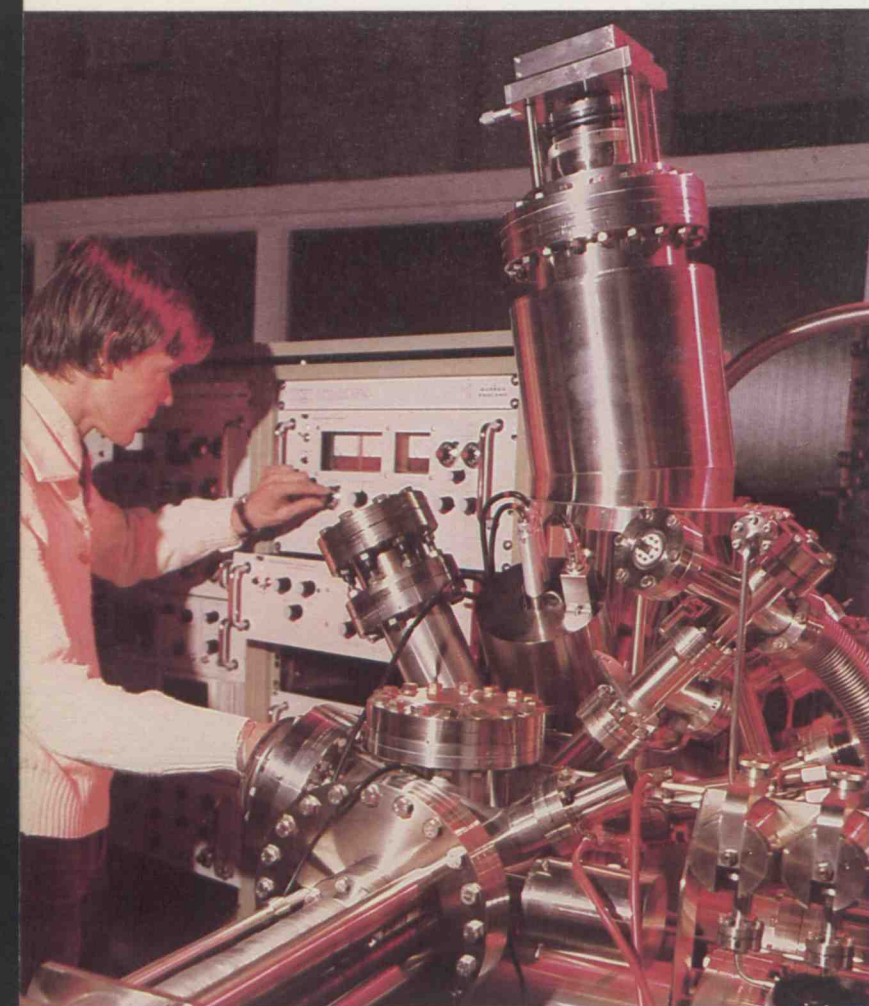
The Bureau will, if required, appoint a named liaison officer to see that the services which companies require are provided promptly.

The Invest in Britain Bureau is at your service

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

Telephone 01-212 6251
Telex 8813148 DIHQ G

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 . . .

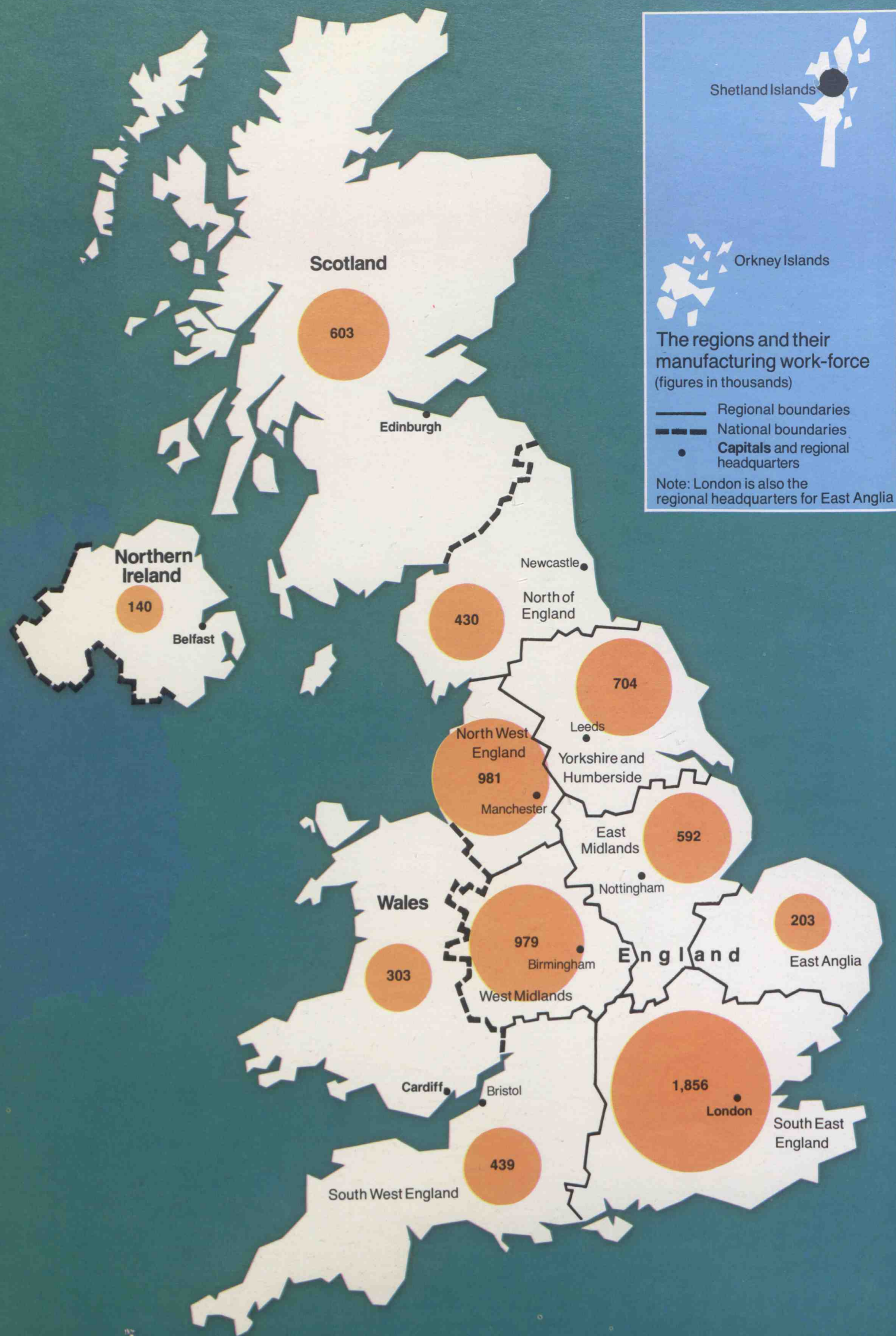
Britain's company taxation system is so designed that any growing manufacturing firm will pay little or no United Kingdom tax as long as it continues to expand and invest.

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.

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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 shipbuilding 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		Journey time		No of trains per day
	km	miles	hrs	mins	
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.

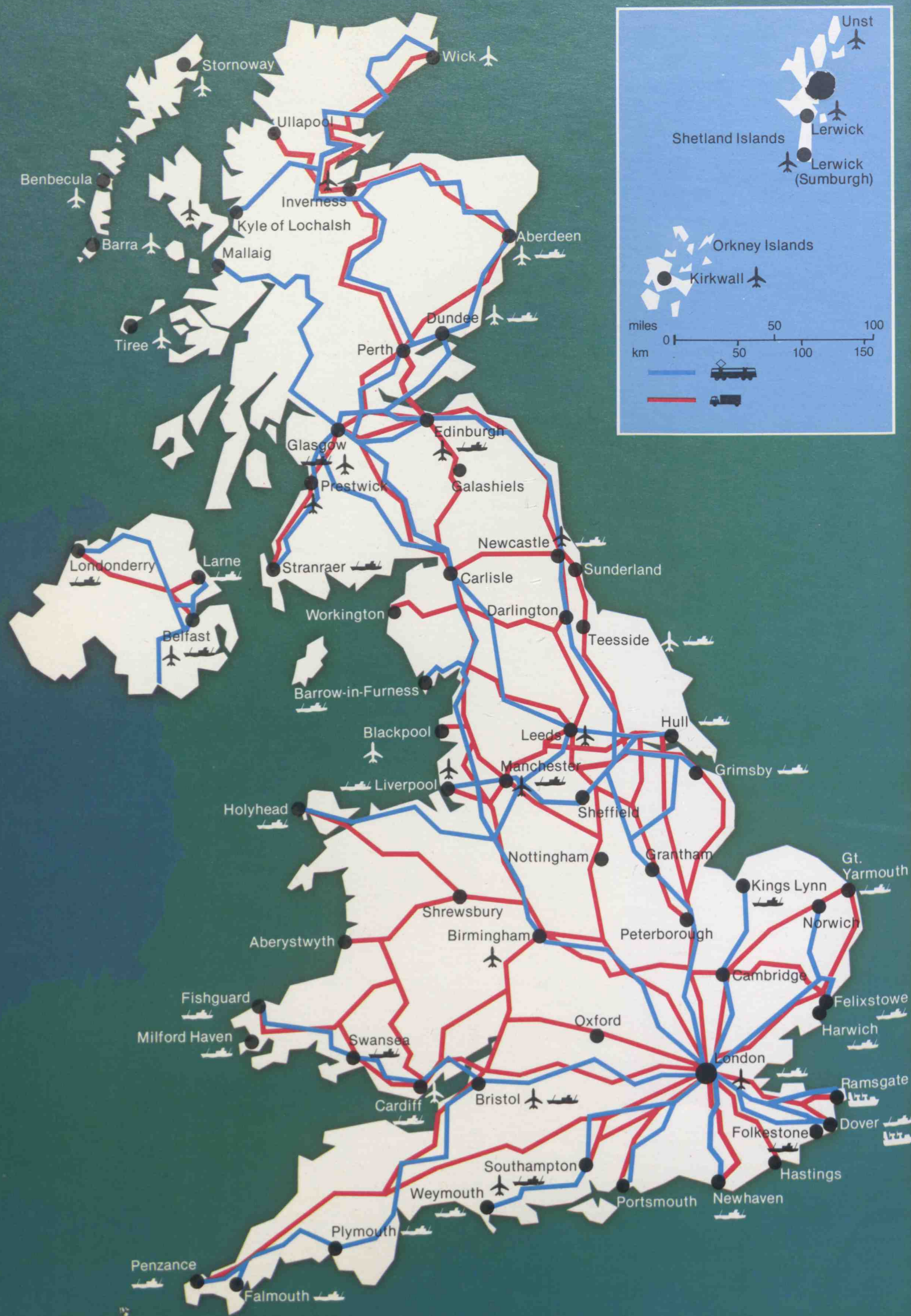
Freightliners Ltd—a company owned jointly by British Rail and the National Freight Corporation—provides a comprehensive express road/rail/road container-transport service.



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
Internal	Zurich	7	1 30
	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.



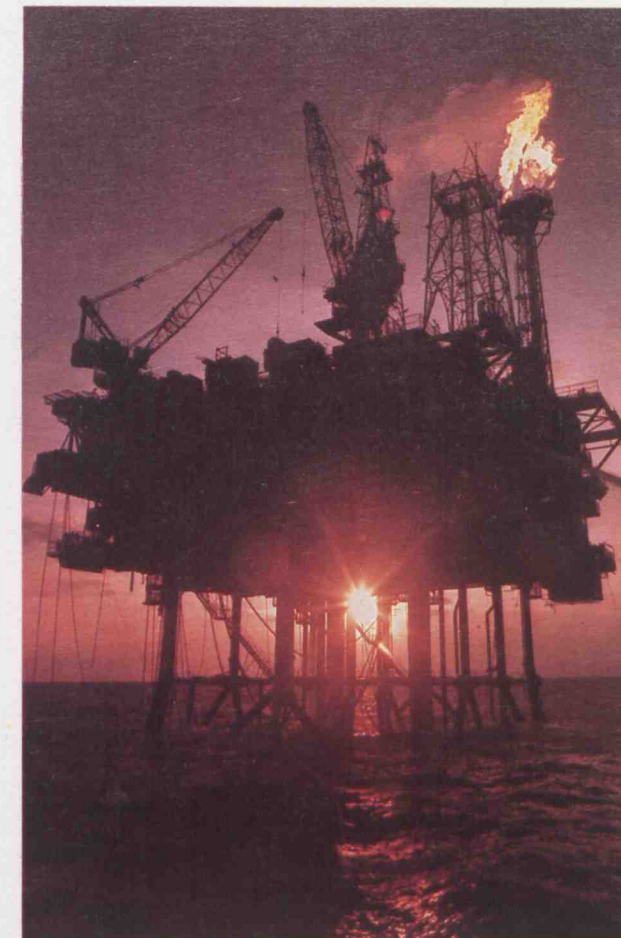
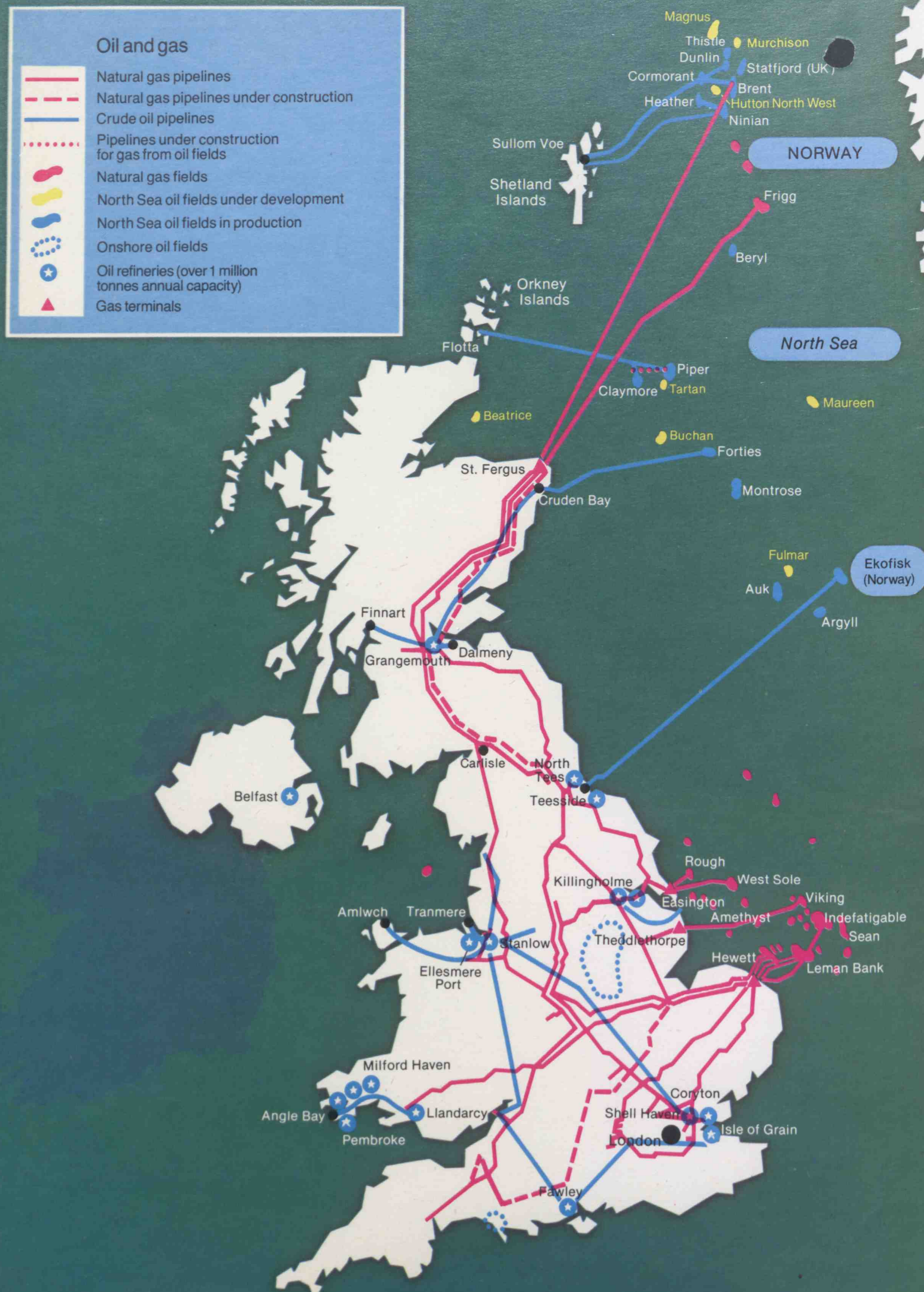
Over 336 million tonnes of cargo pass through the ports of Britain in a year and there are frequent and regular sailings to all parts of the world, in particular to and from the continent of Europe. Roll-on/roll-off facilities are available from many of these ports including Felixstowe, Dover, London,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

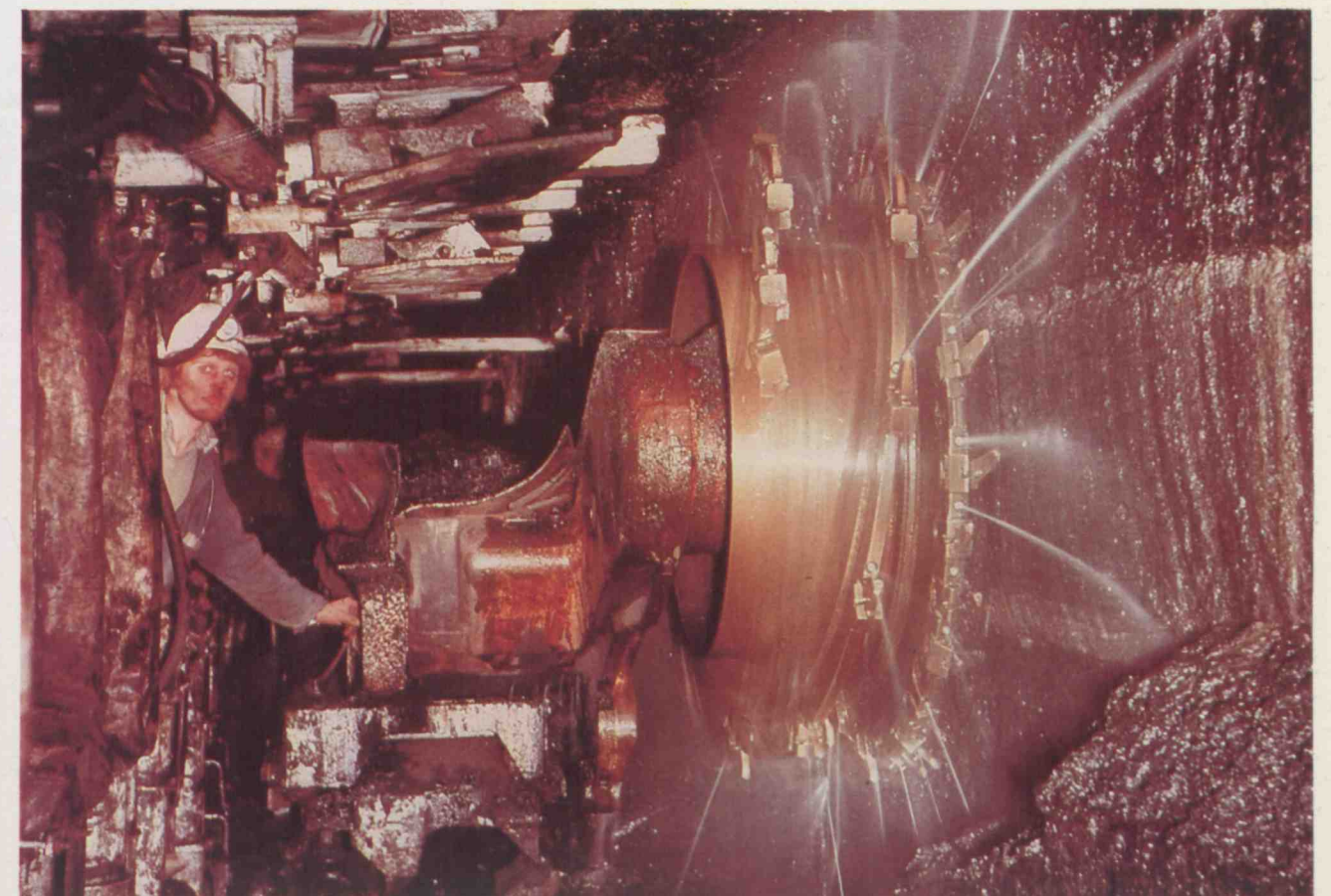
Oil

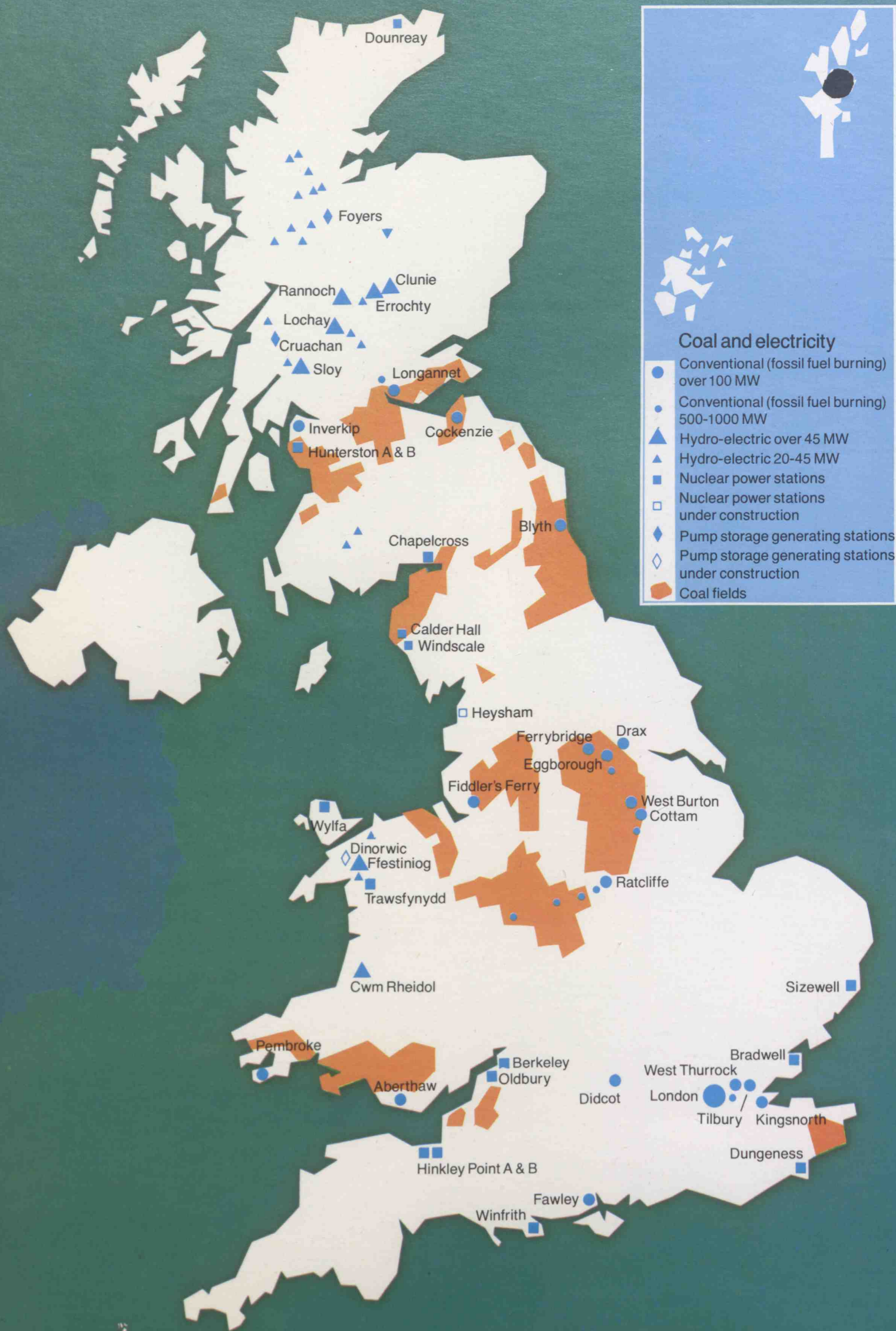
During 1980, the United Kingdom will achieve net self-sufficiency in oil. On the basis of current forecasts of the levels of exploration and drilling it is expected that enough oil will be discovered to at least maintain the current rate of oil production throughout the 1980s.

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.

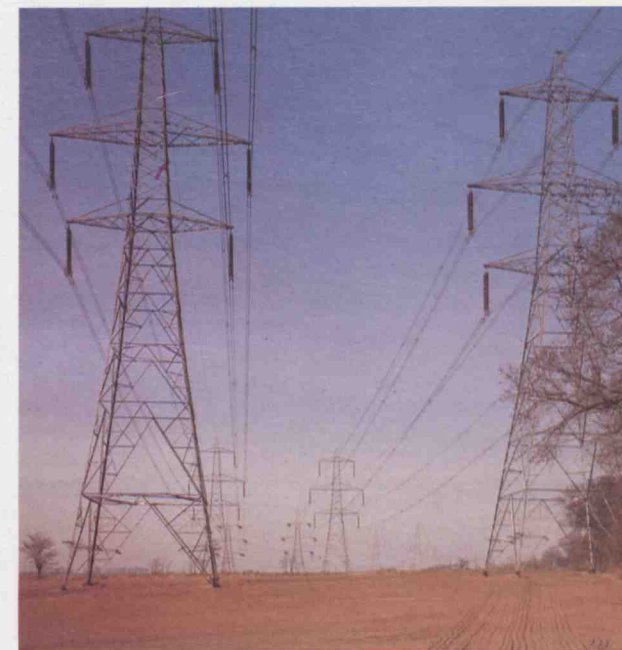
The National Coal Board's 10-year investment programme aims to modernise the industry and expand it to increase production by the late 1980s. There are further plans to increase output again by the year 2000.





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.



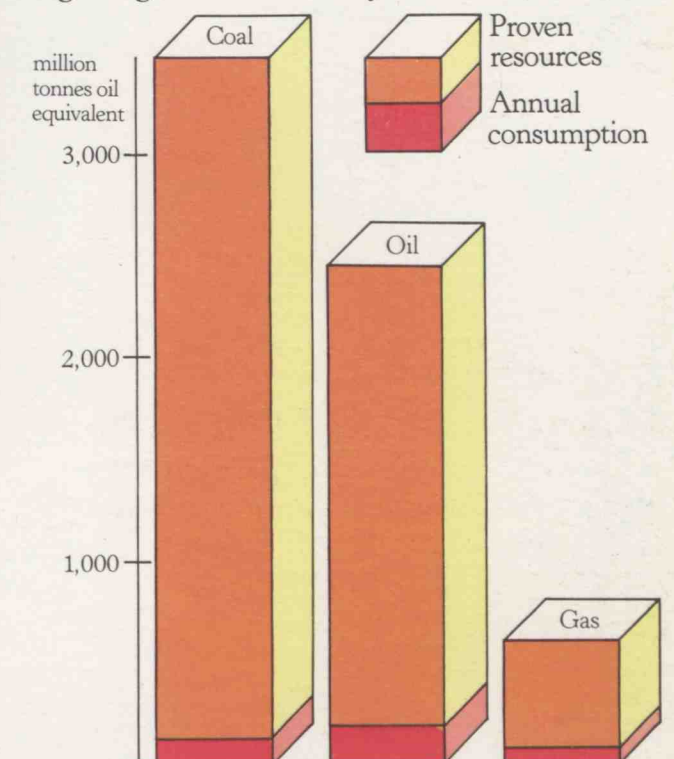
Nuclear

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).

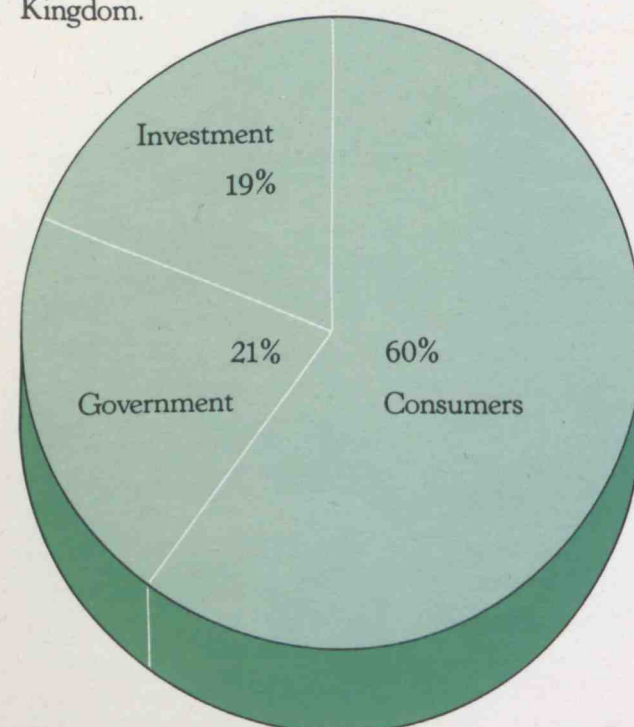
The domestic market



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)

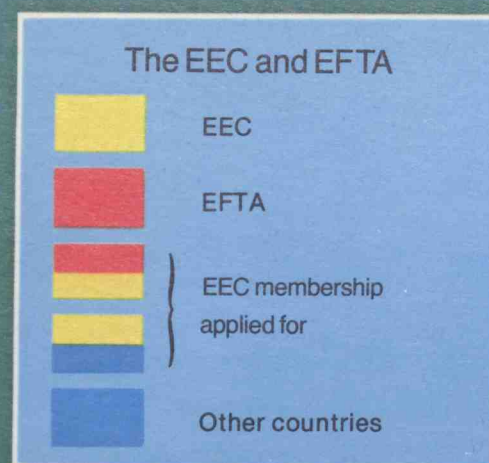
As a member of the EEC, Britain is a springboard to the largest tariff-free market in the world – with more than a third share of world trade. The EEC¹ contains some of the most advanced industrialised nations in the world, with very high living standards and correspondingly high consumer and industrial demand. The EEC and the member countries of EFTA² 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.

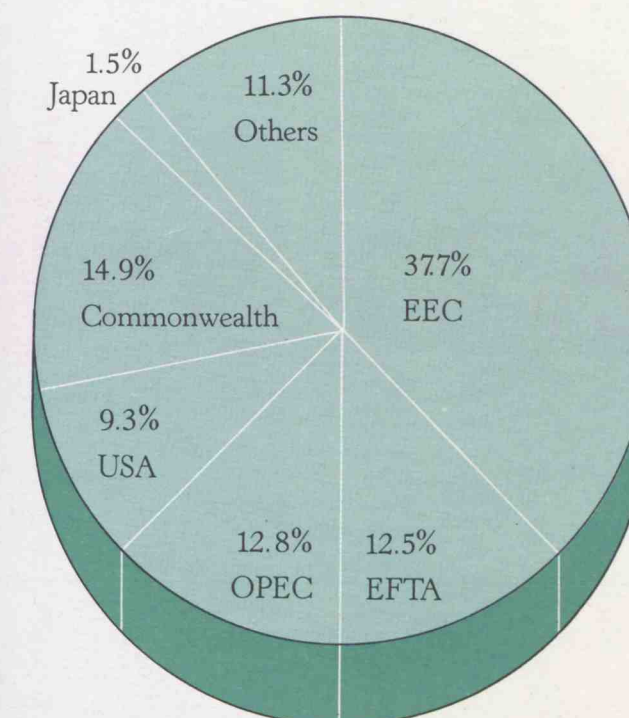
¹ Belgium, Britain, Denmark, the Irish Republic, France, West Germany, Italy, Luxembourg and the Netherlands.

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.

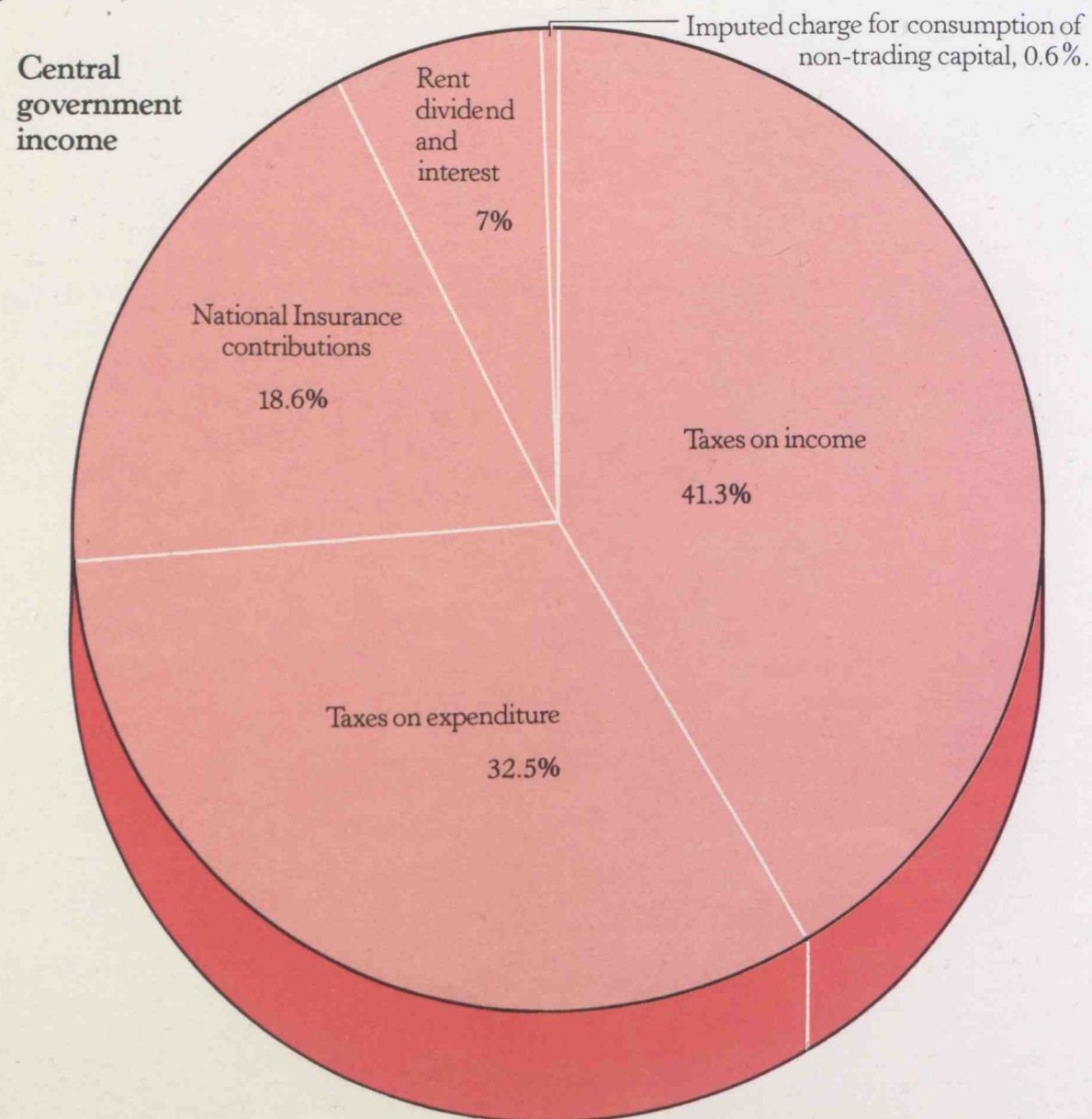
Corporation tax

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.



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 Development Grants are not available in the Intermediate Areas.)

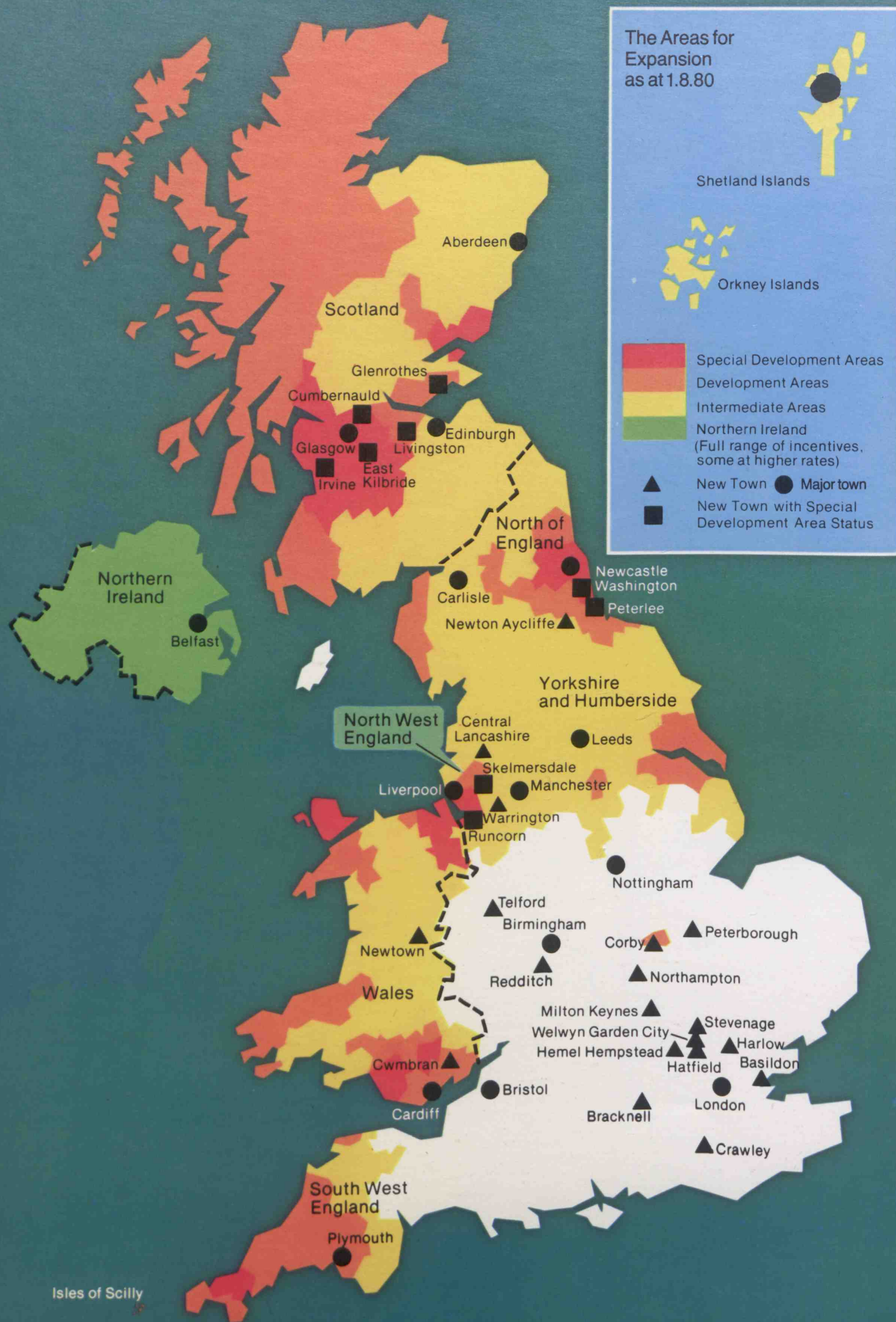
Regional Selective Assistance

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.

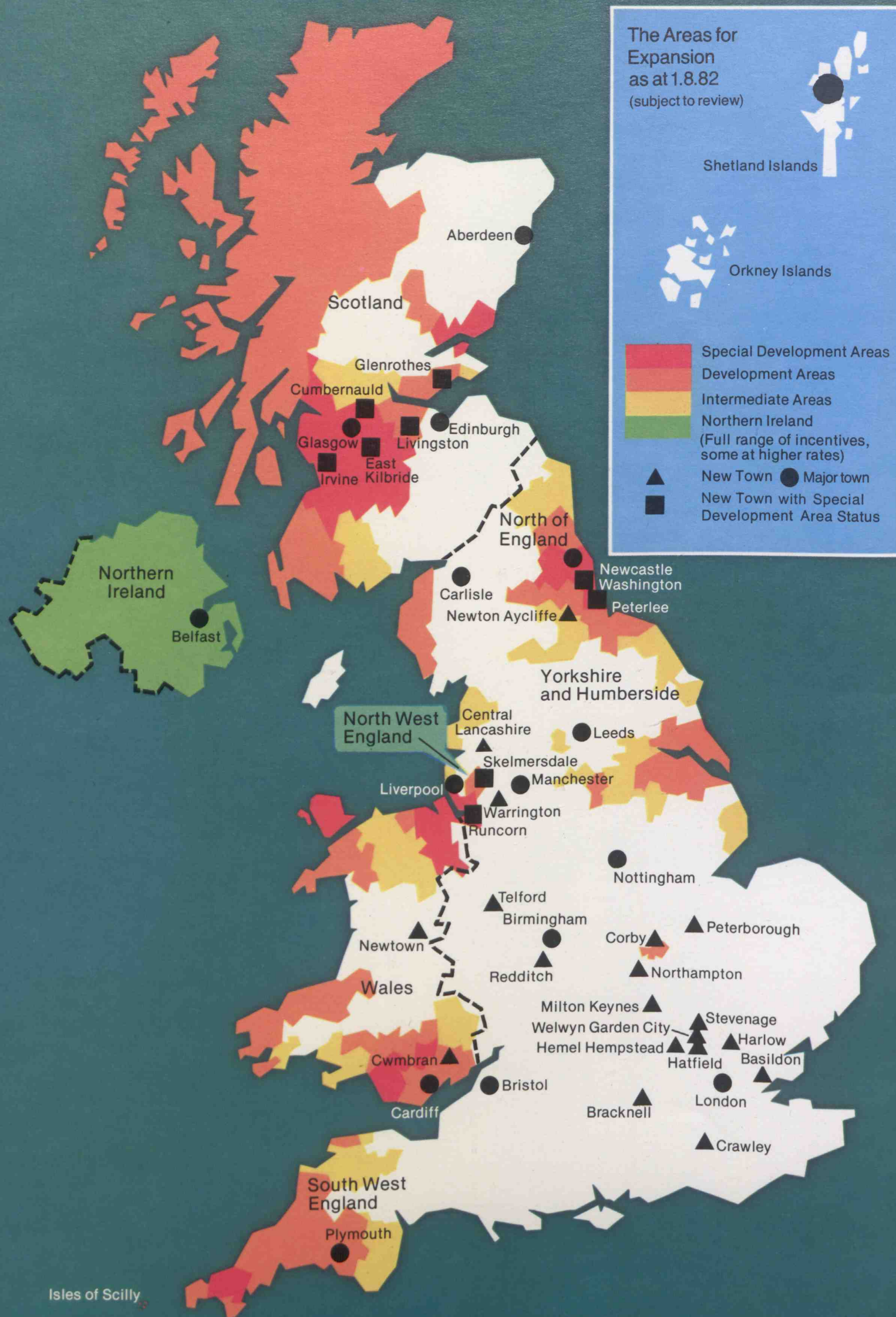
Tourism developments

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:

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High Commission
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