

BF23/8



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.

CP.

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 missions 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

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 RDOs 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 and 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 cooperation 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 completely 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 Cornwall 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

SEMINARS ON INWARD INVESTMENT FOR ENGLISH LOCAL AUTHORITIES 1982-83

West Midlands: Birmingham 3 March 82

South-West: Taunton 28 April 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

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 the grant, and the relaxation of the matching requirements, I am reviewing the conditions which attach to payment of the grant. Once agreement has been reached with NEDC on the details of these conditions, I shall place a copy of them in the Library of the House.

Although I am not offering to the other three organisations such substantial increase in grant, relaxation of the pound for pound matching requirement, it is fair to say that each of them has made progress towards achieving, within its region, a better co-ordinated promotional programme.

Of the three, only the North-West industrial development association put forward a claim under the second, higher, option. I have not, however, been able to satisfy myself that the requisite degree of commitment to a fully and effectively co-ordinated regional programme by all the local authorities and new towns in the north west has yet been demonstrated to justify the higher option. To NWIDA and to the Yorkshire and Humberside development association and the Devon and Cornwall development bureau, I am offering a considerable increase in grant-in-aid compared with the current year. But I am retaining, for 1983-84 at least, the requirement that the grant must be matched, pound for pound, by the local authorities in the region. On this basis, the maximum grant for each of the next three years would be:

	1983-84 £	1984-85 £	1985-86 £
NWIDA	260,000	280,000	300,000
YHDA	163,000	170,000	177,000
DCDB	110,000	115,000	120,000

However I have told each of the chairmen of these three organisations that their acceptance of the suggested increase and the matching arrangements for 1983-84 does not mean that they are tied to that option for the whole of the three-year period. I am ready to consider the prospect for a more substantial grant, and relaxation of the matching requirement, for any of the regional organisations which can put forward a realistic programme at a higher level of activity and can demonstrate that it has the full co-operation of all of the local authorities and new towns in the region for a single, effective, overseas promotional effort on behalf of that region.

Because the basic requirement to match the Devon contribution remains unchanged for these three organisations, 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 of 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 Britain" bureau and the diplomatic service posts overseas.

Trans: Inward Investment
Feb 81

5 AUG 1983

