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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

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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.

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18 July 1984

Trade Inward Investment

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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." approach 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
<u>UK-as-a-whole promotional effort</u>		
DS Posts	1.74	42.5 ⁽²⁾
IBB	1.89	42.0
Total	<u>3.63</u>	<u>84.5</u>
<u>Promotional effort for distinctive parts of the UK</u>		
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	<u>2.72</u>	<u>63.5</u>
English IAs, UDCs & NTDCs		
Approximate total current annual resources:	5.0 maximum	n/a
<u>Grand Total:</u>	<u>17.95</u>	

(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 its 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 crucial 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 dissuade 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 distinctive 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 NIDCs 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

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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 consultation 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 additional 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, IBDNI, 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

LIAISON BETWEEN BRITISH TRADE DEVELOPMENT OFFICE, NEW YORK, DIPLOMATIC POSTS IN THE USA AND REPRESENTATIVES OR OFFICES IN THE USA OF LOCATE IN SCOTLAND, THE DEVELOPMENT CORPORATION FOR WALES AND ENGLISH REGIONAL DEVELOPMENT ORGANISATIONS RECEIVING 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 they 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 Ministers 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(IBM) (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.

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 representative.

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

AGENCY POST	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 A 6

POSSIBLE LOCATION OF SPECIALIST REGIONAL OFFICE
UNDER OPTION 2

SDA	-	New York, S F or Boston
WINVEST	-	New York or L A
IDENI	-	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:

	<u>Teeth Staff</u>
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.

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 entrepreneurship 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 & PromotionScotlandEngland

	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%

results

These 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. The Record

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:

	<u>1981/82</u>	<u>Actual</u> <u>1982/83</u>	<u>1983/84</u>	<u>Objective</u> <u>1984/85</u>
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)	<u>1000</u>

£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 activities 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

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
<u>Grand Total:</u>						<u>£3,633,000</u>

* 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
		<u>£2,500</u>

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

Results

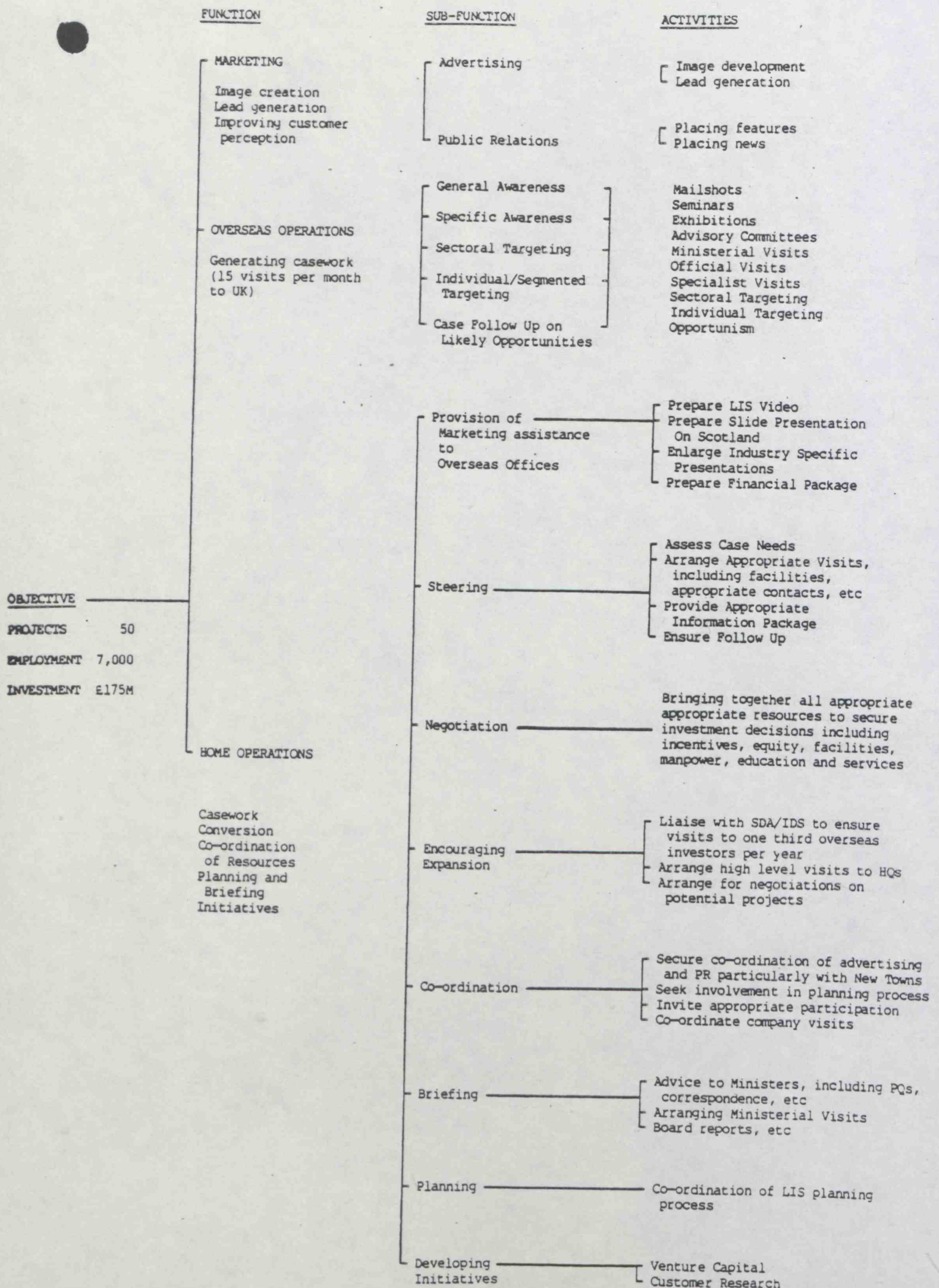
Results of the LIS advertising and promotion, and of project identification are set out below:-

(a) <u>Advertising and Promotion</u>	<u>Scotland</u>		<u>England</u>	
	<u>This Year</u>	<u>Last Year</u>	<u>This Year</u>	<u>Last Year</u>
Awareness of efforts	75%	54%	71%	59%
Most attractive location	6%	2%	19%	11%
Familiarity with location	56%	29%	82%	77%

(b) <u>Results</u>	<u>1983/84</u>	<u>1982/83</u>	<u>1981/82</u>
Enquiries	440	377	320
Visits	199	140	116
Projects: Expansions	22	18	19
Mobile	32	28	13

continued/

LOCATE IN SCOTLAND: ACTIVITIES



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
<u>Total:</u>	£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, safeguarded 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
<u>Total:</u>	£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 priority 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 dramatically 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 financial 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
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(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: 9¹/₂ (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
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Publicity and promotion	£ 148,000
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Overheads:	£ 38,000
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Total:	£ 338,000
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(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.