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PRIME MINISTER

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REVIEW OF INWARD INVESTMENT PROMOTION

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

- i) whether it would be possible within existing resources to develop an integrated UK promotional organisation; and
- ii) whether it would be possible to prevent uncontrolled and unco-ordinated promotional activity by English local authorities and new towns, and in the light of that work, to bring forward further proposals.

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

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

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

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

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

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

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

8 Because we need to continue to look for improved

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

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

A handwritten signature, possibly 'NT', in dark ink.

N T

29 March 1985

Department of Trade and Industry

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NAPM
ST 25/4
SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

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PRIME MINISTER

25 April 1985

REVIEW OF INWARD INVESTMENT PROMOTION

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

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

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

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

C.Y.

G.Y.

Trade: inward investment: Feb '81

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2JH



25 APR 1981

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Prime Minister.

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Mr Tebbit (minute attached) concludes that Welsh demands for more money and

2 April 1985

Scottish independence rules out a unified UK operation for inward investment. Agree to proceed as proposed by John Redwood?

PRIME MINISTER

REVIEW OF INWARD INVESTMENT PROMOTION

3/4

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

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



JOHN REDWOOD



10 DOWNING STREET

From the Private Secretary

4 April 1985

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

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

(Timothy Flesher)

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

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REVIEW OF INWARD INVESTMENT PROMOTION

REPORT BY INTERDEPARTMENTAL GROUP OF OFFICIALS

BACKGROUND

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

- i whether it would be possible within existing resources to develop an integrated UK promotional organisation on the lines suggested at the E(A) meeting by the Secretary of State for Wales, and
- ii whether it would be possible to prevent uncontrolled and uncoordinated promotional activity by English local authorities and new towns.

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

CONSIDERATION OF THE ISSUES

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

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

- CC
- ii that legislation on the Scottish model (ANNEX A) would offer the only effective means of control over local authority activities; but
 - iii that legislation to restrict existing powers to undertake promotional activities overseas presently possessed by English (and Welsh) local authorities would not be feasible politically, or easy to enforce in practice, unless there were an integrated UK promotional organisation in being which persuaded these authorities that restriction of their powers would better serve their individual interests than continuation of the status quo.

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

- i that all other public sector funded bodies which possessed powers to undertake promotional activities overseas, including the Development Agencies, would be similarly restricted; and
- ii that in the exercise of Ministerial powers of express, or general, consent which currently are (in the case of Scotland) or might be (in the case of other parts of the UK) used as the means of controlling and coordinating local authority etc promotional activities overseas, all Secretaries of State who exercise those powers in defined areas of the UK would do so in a uniform and equitable way.

POSSIBLE INTEGRATED UK PROMOTIONAL BODY

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

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

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

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

- i there would need to be a freestanding, perhaps statutory, body, possibly modelled broadly on the British Tourist Authority, the British Council or the former British National Exports Council, or elements of any, or all, of these bodies' structures;
- ii that the body would need to offer a "one stop shop" facility of the kind currently offered by Locate in Scotland, Wales Investment Location and the Industrial Development Board for Northern Ireland; and

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

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

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

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

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

- ii it would be likely to give rise to political difficulties in Scotland and Wales; and
- iii the consequent loss of the present, substantial, Northern Ireland resource contribution to the UK promotional effort in the US would make a GB promotional body within existing resources almost certainly not viable.

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

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

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

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

CONCLUSIONS

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

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

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

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

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

POSSIBLE WAYS FORWARD

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

- i a change to a fully integrated UK promotional body
 - a. within existing resources or
 - b. (if this is not completely excluded from consideration) within a specified increased level of resources;
- ii legislation, following the Scottish model, to control the overseas promotional activities of English and Welsh local authorities coupled with arrangements which would ensure that all other publicly funded bodies with powers to promote overseas would be similarly, and equitably, controlled;
- iii the implications for DS Posts, with regard to inward investment promotional activity, as outlined in paragraph 14.

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

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

- i to adopt the Option 4 proposal (ie continuing the present arrangements and seeking improvements in co-ordination) for the duration of the "Britain Means Business" campaign and
- ii to instruct officials to develop detailed proposals for promotional arrangements for the longer term, on the basis of policy guidance on the broad form of future home and overseas arrangements which Ministers would wish to see established and in the light of experience of the "Britain Means Business" campaign, with a view to a decision being taken in April 1986 on longer term arrangements.

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

Department of Trade and Industry
29 January 1985

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PART II

LOCAL AUTHORITY FUNCTIONS

Effect of
specific power
or duty to
incur
expenditure at
one tier of
local
government
on exercise of
general such
power at
different tier.
1973 c. 65.

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

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

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

(a) incur ; or

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

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

Functions of
local
authority in
relation to
industrial
promotion.

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

" Industrial
promotion.

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

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

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

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

PART II

- (a) within their own area, doing anything which appertains to or is conducive or incidental to such promotion ;
- (b) in any part of the United Kingdom, but only as regards specific industrial sites or premises (being sites or premises owned by them) and such services and other facilities as are or will be available in relation to such sites or premises, doing anything mentioned in, or incidental to anything mentioned in, paragraph (a) or (d) of the definition of "promotion" in subsection (4) below ; and
- (c) at the invitation of—
 - (i) the Secretary of State ;
 - (ii) the regional council within whose area the area of the district council is ;or
 - (iii) a body designated, by order, for the purposes of this paragraph by the Secretary of State.contributing financially to, or participating in, any such promotion engaged in by the inviter or inviters :

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

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

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

1975 c. 68.

"promotion" includes—

- (a) advertising ; and preparing and disseminating information ;
- (b) participating in trade or investment missions ;
- (c) holding or taking part in such activities as seminars, exhibitions and symposiums ; and

PART II

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

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

1964 c. 67.

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

1972 c. 52.

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

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

shall be subject to the foregoing provisions of this section.

Code of
practice for
industrial
promotion.

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

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

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

Power of local
authority to
enter into
arrangements
under
Employment
and Training
Act 1973.
1973 c. 50.

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

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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

Trade Feb 81

Inward investment,



01 APR 1985