

# Inward Investment Begins at Home

A Localist Approach to Attracting Jobs and Investment

Adam Breeze / [Breeze Strategy](#) / March 2010



# Breeze Strategy

We are a UK-based inward investment and place marketing consultancy founded in 2005 by Adam Breeze. We help companies in all sectors with corporate location decisions; and we advise towns, cities and regions on how they can attract jobs and investment to their areas.

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# Foreword

As we approach a general election, the organisation of inward investment activities is unlikely to feature prominently in anyone's manifesto. However, the role of inward investment in helping move the UK out of recession is undeniable.

This paper has been written to inform and stimulate debate on the best way to reform inward investment structures, so that the UK can attract, retain and grow the companies that will create jobs and prosperity in the future.

The thoughts and ideas contained in this report are based on my own direct experiences of inward investment over the past twenty years. During this time I have worked for and on behalf of national, regional and local inward investment agencies. I have also advised companies of all shapes and sizes, across a wide range of industries and sectors, from every corner of the world.

In preparing this paper, I have shared my thoughts with key players in the UK's inward investment community. These include inward investment intermediaries and previous investors, as well as colleagues from UK Trade & Investment (UKTI); regional development agencies (RDAs); sub-regional partnerships and local authorities; their candidness was only possible by their anonymity. I am grateful to everyone who has contributed their ideas in confidence.

Adam Breeze

**Note:** Throughout this paper, 'inward investment' will refer to the process of a company expanding or relocating into a new area – irrespective of whether it is foreign-owned or not. This is a wider definition than 'foreign direct investment' and one which better reflects the realities of economic development today.

# Executive Summary

## → Overview

Inward investment creates thousands of jobs each year in the UK and is a crucial part of economy providing growth to key sectors and attracting much-needed investment. The attraction of inward investment is the most direct and effective way, in the short and medium terms, of replacing the jobs and companies that have been lost in the recession.

## → The Problem

The attraction of inward investment is in need of a radical rethink. The organisation and funding arrangements in place are outdated, inefficient and ineffective. If nothing is done to change this system, the UK risks losing more jobs and companies to global competitors that have more professional and efficient investment promotion structures.

## → The Solution

The most important determinant of inward investment is a pro-business, investor-friendly regime of low taxation and light regulation. Beyond fiscal and regulatory reforms though, there are a number of simple changes to the UK's investment attraction structures which could reduce waste, engage private partners, improve the country's attractiveness and realign inward investment activities with real local needs. These involve inward investment activities being more:

- localised
- business-led
- transparent
- efficient
- effective

## Current Problems

During the last ten years, the UK's ability to attract inward investment has been eroded through rising taxes and increased regulation of business. This has occurred at the same time as increased competition from Europe and beyond.

Over the same period, the structure of investment promotion has become bloated with a profusion of quangos which have presided over a damaging shift from local needs to regional and national diktat. This has caused increased bureaucracy and Whitehall control at the expense of private sector and local involvement.

Tier	Agency	Example
National	UK Trade & Investment	UK Trade & Investment
Regional	Regional Development Agencies	Northwest Development Agency
Sub-Regional	Sub-Regional Partnerships	Lancashire Economic Partnership
Multi-Area	MAA Partnerships	Pennine Lancashire
Local Area	Local Authorities	Burnley Council

As the table above shows, there are at least five different layers of organisations that typically get involved in attracting inward investment. At each tier, money is spent on promoting the area to target audiences that increasingly overlap. The current system places a labyrinth of administration and bureaucracy between potential investors and the locations where they are seeking to move into.

The main problems with the current structure are:

- UKTI has no direct relationship with the main drivers of economic growth, namely English city-regions
- Private sector partners, chambers of commerce and trade bodies are crowded-out locally, regionally and nationally
- Too many layers trying to justify their roles, resulting in duplication and waste

Consultations with inward investment professionals at each level of the current hierarchy reveal a number of systemic problems. The table below summarises the main challenges and how they might be transformed in the future.

<b>Today – the system is...</b>	<b>Future – it could be...</b>
Ineffective and Bureaucratic	Incentivised and Meritocratic
Wasteful and Excessive	Efficient and Economical
Centralised and Domineering	Localised and Cooperative
Secretive and Closed	Transparent and Open
Wrong Facing	Product Development Focussed

The risks of not taking immediate action are:

- further loss of jobs and companies to competitors
- alienation of local communities
- continued waste of taxpayer's money

## → Ineffective

### **Targets and Outputs**

Annual inward investment figures announced by government quangos can be a little misleading. Year after year, UKTI and their RDA partners, announce 'record results'. However, in 2008-09, less than half of these successes came from new projects<sup>1</sup>. The figures include expansions of existing facilities, which are important and beneficial, but they also include 'acquisitions, mergers and joint ventures' which may, or may not have any real positive value. For example, the takeover of British companies from Rolls-Royce Motors and P&O to Manchester United and Cadbury, are all recorded as positive inward investment successes. In 2008-09 there were 457 projects under the heading of 'M&As or joint ventures' which are included as 'successes'.

The headline figures always relate to the number of projects. This is a red herring as it puts a 500-person manufacturing facility on a par with a salesperson in a serviced office. Attracting new jobs, skills and investment is the reason why countries seek to attract inward investment; increasing the number of sales offices is not. We have lost our focus on the transformational projects that will really change the economy, because too many people are rushing to claim the next little project.

Another area of uncertainty is over 'jobs created or safeguarded', which covers a multitude of possible scenarios. Much depends on the UKTI and RDAs fixation on 'involved successes' – ie the projects which can be claimed as being influenced in some way by them. In too many cases, simply sending a piece of literature to a company will suffice, at other times, attendance at a meeting is needed. This inevitably leads to box-ticking by the agencies rather than any demonstrable support for the potential inward investor.

## **Where's the Added Value?**

The elephant in the inward investment room is the question of what would happen if all agencies did nothing. Would inward investment cease? Certainly not. Would the UK share of projects fall? Maybe, but by how much? The margin of difference or value-added of inward investment agencies varies dramatically across the country. Some towns, cities and regions will always be more attractive to business while others will struggle. Each location and agency must be judged on its own merits and a one-size fits all approach serves nobody.

The reality is that companies move across and between borders all the time and in today's connected world, globalisation is easier than ever before. This suggests that the role of inward investment agencies should be evolving, but all too often the traditional models of investment attraction are relied upon. Every agency can demonstrate excellent value for money by claiming the projects which may or may not have happened anyway.

If you stand outside with a bucket for long enough, you'll catch some water. But don't claim that you made it rain.

## → Wasteful

### **Taxpayer Reliant**

Before the RDAs were established in 1999, each English region had its own inward investment agency, funded by a partnership between local authorities and private companies. These had far less people and resources than today's regional quangos, but were effective at delivering similar levels of inward investment. Ten years on, regionally, only Think London<sup>2</sup> manages to attract significant commercial sponsorship for its activities and elsewhere, private money is crowded-out by a total reliance on taxpayers. Inward investment benefits many parts of the economy and it is only right that developers, property agents, bankers, lawyers, accountants, utilities and other beneficiaries should be asked to contribute. In the US, some of the largest funders of inward investment activities are the electricity and water companies keen to attract new customers to their area. At a sub-regional and local level, agencies in Kent<sup>3</sup>, Merseyside<sup>4</sup> and Cardiff<sup>5</sup> show how to attract commercial partners. These are exceptions rather than the rule.

Inward investment attraction at all levels must be based on a partnership between public and private sectors. This not only shares the burden of cost, but it brings financial discipline, commercial reality and access to wider relevant skills and resources.

With increased pressures on public spending, inward investment promotion can no longer be a nationalised activity.

### **Duplication and Waste**

UKTI is widely regarded as one of the world's best investment agencies. It should be noted that few countries around the world have such an extensive and well-funded national inward investment agency as the UK does. UKTI has an annual inward investment budget of £74 million and employs more than 200 people in London (including 53 in the marketing team alone)<sup>6</sup>. In total, UKTI employs 2,500 people

across trade and investment. In France, the Invest in France Agency has an annual budget of less than £15 million and a total of 82 staff based in Paris, with a further 72 based overseas<sup>7</sup> and Germany's new trade and investment agency has 350 staff in total<sup>8</sup>. In the United States, one of the world's leading recipients of inward investment, there is no national inward investment agency.

With at least five different layers of inward investment agencies involved in the process, the potential for duplication of resources is clear. There is a large degree of overlap between each layer, in terms of marketing, lead generation, enquiry handling and delivery. This will always be a complex picture and one that doesn't lend itself to administrative neatness, but questions must be raised when taxpayers' money is being spent in an excessive and wasteful manner. The complex nature of investment attraction doesn't lend itself to one particular structural model that can be imposed on the whole country, this was the mistake made when the Regional Development Agencies were created.

The scale, nature and structure of inward investment support activities should be agreed locally by councils, businesses and other key partners. This will inevitably lead to different solutions in different places. Parts of the country would be better served by a regional approach; others will favour more of a city-region model; some places will choose to act unilaterally and others might decide to do nothing at all. This won't create the administrative neatness desired by some in Whitehall, but it will produce a structure that is relevant to local needs.

### **Marketing the UK**

Most inward investment agencies attempt to influence and change the perceptions of their place; they do this through a range of place marketing activities. Towns and cities can change their image and transform popular perceptions over time (Manchester, Glasgow and Leeds are all excellent examples of this). Altering perceptions at a

national level though is an altogether more difficult, and some would argue, impossible task. The image of 'UK PLC' is one that has been shaped by centuries and generations of perceptions and experiences. National imagery is beyond the control or influence of any one agency, but that doesn't stop many inward investment agencies from trying.

UKTI spends around £15 million on marketing and branding initiatives<sup>9</sup>. The central theme in UKTI's marketing is 'Springboard for Global Growth', emphasising the UK's unique advantages as a launch pad for international expansion. The idea that German, Japanese or American companies need a springboard for further expansion is regarded by some partners as bordering on arrogance and is certainly out-dated. If a firm based in Munich wants to expand into the US, India or China, they will do so direct, not via the UK. This strategy was valid in the 1980s when many markets were closed and globalisation was more difficult, but not in 2010.

UKTI marketing has become more centralised in recent years, with budgets and control stripped away from overseas staff in consulates and embassies. With marketing initiatives designed in Whitehall, it is clear that UKTI has lost the flexibility to create bespoke, local solutions for different markets. What sells in Dusseldorf doesn't work in Delhi.

In terms of how UKTI spends its marketing budget, this has been refocused recently around a number of new sector marketing strategies (for example Life Sciences; Advanced Manufacturing and Low Carbon). These strategies have been drafted over the last two years with partners from big business; leading to the creation of Marketing Strategy Boards, some generic brochures, global launches and a host of new sectoral websites. It is too early to evaluate the effectiveness of these well-meaning strategies; but there is concern over the potential for missed opportunities because of the seeming lack of urgency caused by an overly-bureaucratic and centralised approach.

A case in point is the current opportunity for the UK in the Offshore Wind sector. In January 2010, the government announced the contracts to develop the world's biggest offshore wind farms around the UK. The offshore wind industry offers a perfect example of how inward investment can help transform the UK economy. German, Dutch, Spanish and Danish companies lead the world in manufacturing offshore wind turbines and have significant supply-chains of thousands of companies involved in this work. The prospect of attracting these companies to the UK is clear, but there is little evidence of UKTI taking a lead role in engaging with these firms and marketing the UK opportunities. The national agency should be working directly with local ports to make the most of the biggest inward investment opportunity of the decade.

The British Wind Energy Association estimates that around 45,000 jobs could be created by 2020 in this sector and has called on the UK to do more around developing the offshore wind proposition. *"To attract that inward investment into Britain, the Government needs to lead on upgrades to UK ports to provide state-of-the-art quayside facilities and create coastal manufacturing and research hubs for manufacturers."*<sup>10</sup> Weeks after the government announcement, the UKTI website still had no clear information or coverage of the offshore wind opportunity.

### **Overseas Offices**

The issue of overseas offices is one that draws the most criticism from politicians and taxpayers alike. It seems absurd that the taxpayer is funding competing operations in far-flung places. The fundamental issue at play here is whose money is being spent? If the Scots, Welsh and Northern Irish decide to spend their money on dozens of offices across the world, as they currently do, then there is little that UKTI can do about it. But in the case of the English regions, UKTI funds are channelled to RDAs who then set up offices in cities where UKTI already has a presence: this seems illogical. UKTI funds should not be spent on setting up a regional office overseas where there is already a

UKTI presence. However, if any region or city of the UK raised its own money from other sources, then they should be allowed to use it in whichever way they wish. Different regions or cities should be encouraged to target overseas markets if they have done their homework and have a viable competitive offer, but money shouldn't be wasted on overheads and UKTI outposts should be used far more. A 2007 study by AD Little into the effectiveness of RDA and UKTI inward investment activities demonstrated that the majority of inward investment jobs were created by the regions alone, without UKTI<sup>11</sup>.

Plans are already afoot internationally to co-locate regional offices with UKTI<sup>12</sup>. This process should be accelerated and UKTI should do more to encourage cities and regions to use existing British embassy and consular resources before setting up their own. In many parts of the world, existing RDA representatives are experienced, effective and their skills should be embraced and not lost.

It should be noted that if UKTI internationally were sourcing projects that provided jobs and investment to all parts of the UK, then there would be less pressure on regions to be active overseas. The misalignment of UKTI strategies and real local needs, has led to accusations that UKTI is simply the London Development Agency in a different guise. A more representative and responsive UK inward investment agency would go a long way in reducing the pressures that can lead to wasteful duplication.

In terms of the current system being confusing to potential investors, however, this is not borne out by experience. Companies are savvy enough to understand competing locations and will simply decline a meeting if it is of no value. Having competing parts of the UK attend the same trade show might seem wasteful to taxpayers, but to the companies they are targeting, competition is always healthy.

## **Engage Locally First**

If a UK city or region wishes to target businesses in a particular sector or overseas market, it might seem logical to jump straight in and attend trade shows, undertake lead generation campaigns and even set up an office in New York, Tokyo or wherever. This is an oft-repeated costly mistake. A more sustainable, cost-effective and ultimately successful strategy would be to work with local companies active in that market; to engage with existing local inward investors from there; to identify other business, cultural and academic linkages; to build a relationship with that country's London-based trade and investment representatives and a host of other local and web-based initiatives. If in-market activities are then deemed necessary, they should be conducted through UKTI and/or through bilateral business and university partnerships.

There is a long list of more effective business development activities which should take place locally before an inward investment agency even sets foot on foreign soil.

## → Centralised

Inward investment priorities need to be set locally, so that activities can reflect the real needs of the communities in and around our major cities where one in five people have no job. UKTI and the RDAs can often appear remote and out of touch from the perspective of local businesses. National and regional perspectives are important but must be secondary to the views of local people and their representatives.

### **London/South East-centric**

In 1997, around 30% of new foreign investment projects went to London and the South East. Ten years on, the figure was around 50%<sup>13</sup>. The problem internationally is that enquiry pipelines tend to be overwhelmingly skewed towards the capital. While nobody doubts the attractiveness and global pull of London, it is fair to say that 'selling London' to a potential investor, is often an easier option for UKTI. It is likely that these enquiries are predominantly those projects that are likely to happen irrespective of the support they receive (eg sales offices and financial services projects that are only ever going to London). By contrast, the projects targeted by other parts of the country are more difficult to land and are subject to more competitive pressures from other parts of Europe.

If targets can be met by counting hundreds of small sales offices within the M25, then Whitehall is happy; but it turns what should be a recession-busting activity, into a game of simply ticking off the new arrivals. If the local people and politicians from Cornwall to Cumbria had more of a say in the types of investment that the UK desperately needs, we would be seeing a more rigorous focus on manufacturing projects, such as offshore wind opportunities, that can bring new jobs and hope to areas in most need of investment. The places that stand to benefit most from offshore wind are the ports of Grimsby, Hartlepool and Birkenhead; perhaps if the opportunities were in Canary Wharf there might be a more proactive strategy in place.

## → Closed

### **Poor Communications**

There is a fundamental lack of communication within and between every layer of the inward investment process. UKTI and its partners in Scotland, Wales, Northern Ireland and the English regions, still struggle to share knowledge, research, plans and enquiries with each other. Ten years of RDAs have served only to build artificial barriers between regions. It is fair to say that elsewhere in the world, there are examples of closer cooperation across national borders, than there exists between regional ones in England. This is a continual source of frustration for companies looking to work with trade and investment agencies in the UK. The regionalisation of structures is at odds with both the local and global perspectives of business.

### **Failure to use Technology**

UKTI should be praised for their pioneering use of social networking sites and 'Web 2.0' applications such as Twitter, YouTube and LinkedIn. The agency is let down by its cumbersome website and lack of real-time support for international enquiries.

International companies deal in real-time and expect fast and efficient service from the locations that are looking to attract them. Given the advances in technology, it should be possible for UKTI to facilitate an open and transparent online system of information exchange between companies and locations. This could be brokered and filtered to suit the enquirer and would reduce the layers of agencies that sit between investors and their potential new facility.

This new system would not be expensive to establish or maintain when compared to other marketing initiatives. It would add significant value to the enquiry process and would boost the image of the UK as a place to do business in the modern world.

## → Wrong-Facing

### **Not Enough Product Focus**

There is a striking imbalance between product development and business development. Not enough attention is given to the 'UK offer' and how it can be improved. UKTI should play a more independent role in lobbying UK government over the obstacles to attracting inward investment, such as high taxes, red tape and work-permit rules. This has been the case in the Republic of Ireland, where the IDA (the Irish inward investment agency) made sure that successive governments are aware of the importance of foreign investment and the fiscal policies necessary for it to thrive<sup>14</sup>.

At a local and regional level, there should be a better feedback of why areas are not winning inward investment. This should feed into wider policy relating to property developments, transport improvements, skills gaps and business support measures.

Local councils and their partners should be playing a more active role in identifying barriers to investment, in particular the provision of suitable sites and premises; a transparent and efficient planning process; access to local companies and academic institutions.

### **Investor Development**

There is a clear distinction between new investment and reinvestment by existing companies, known as investor development or aftercare. This is recognised in annual results and various strategies of inward investment agencies, but investor development is still the poor relation of inward investment.

In a new or emerging investment location, one might expect that around 80% of inward investment might come from first-time or 'greenfield' investors. In a more mature market, the figure falls to below half because of the importance of reinvestment and follow-on

expansions. The UK already has thousands of overseas companies located here, so it's no surprise that the number of overseas expansions is so high.

This importance is not, however, reflected in the resourcing of inward investment promotion. Agencies dedicate around ten times more resources to the pursuit of new inward investors as they do to work with their existing ones. The current UKTI Corporate Plan is 56 pages long but has only one paragraph dedicated to investor development – something that represents 27% of its claimed successes<sup>15</sup>.

This is an indictment of failed strategies which fail to recognise that the best way to create jobs in an area is through growth of existing investors, not through some magic pill of new investment. Better resources must be allocated to this task and it should be a key responsibility of local partners to lead on this.

Investor development and aftercare is sensibly performed best at the local level, where meaningful relationships can be built up. If UKTI is committed to investor development and wishes to claim the successes each year, then it should take more of a lead and seek to facilitate better local aftercare strategies by directly funding local and sub-regional initiatives.

Regional development agencies and sub-regional partnerships all engage in local investor development work but the resources are often a fraction of those committed to new investor acquisition.

Whether it is better engagement with the thousands of existing investors already based in the UK; building meaningful relationships with key intermediaries or focussing on improving the location product and removing barriers - inward investment begins at home.

# Proposed Reforms

## → Action 1: Improve the Product

At present there is far too much focus on 'selling the UK' and not enough on improving the actual product. Rather than simply marketing a damaged product, there must be a new concentration on repairing and re-engineering the UK's offer to potential investors.

For generations the UK was the most attractive place to do business in Europe, but a decade of over-regulation and rises in taxation have eroded this position. The next government should commit to regaining this number one position. Specifically this should be about deeds not words and must include:

- commitment to reduce the tax burden
- robust identification of obstacles to doing business in the UK
- streamlining of business support mechanisms
- honest benchmarking against all competitors to ensure progress

A UKTI-led working group of inward investors should be created to ensure that every removable obstacle to investment is identified and eradicated and that investors are encouraged into the UK.

Being investor-ready and business-friendly is not solely a national responsibility. Every town and city has an important role in improving the location product and the service offering to potential investors. Enabling local authorities to retain the financial benefits of greater inward investment would help incentivise the process from the bottom up. Local authorities should be encouraged to:

- commit to reducing local regulatory and fiscal burdens on business
- simplify and speed up planning decisions affecting job creation
- take responsibility for working with existing investors
- bid for resources to help develop capacity to support new investment

## → Action 2: Refocus and Revitalise UK Trade & Investment

UKTI is internationally respected and has the potential to be the best national inward investment agency in the world. To achieve this status, it needs to be more responsive and better connected with the local needs of the country. UKTI should be revitalised and repositioned as an effective facilitator not another layer of government. The inward investment functions of UKTI should be reorganised to concentrate on:

- business development – via more sales staff based overseas
- market research – identifying UK propositions and real opportunities
- facilitator – creating an online framework for investment enquiries
- lobbying – helping identify barriers to investment that need removing
- best practice – supporting local and regional delivery teams

Most significantly, this refocusing should include the redirection of UKTI's international marketing campaigns. The money allocated to 'Marketing UK PLC' would be better spent at a local and regional level improving the investor-readiness and capacity-building in our towns and cities and by leveraging more private sector initiatives led by chambers of commerce and trade associations.

The refocusing of the national inward investment agency would:

- create a dynamic, leadership and lobbying role for UKTI
- relieve pressures on UKTI to be involved at all levels
- boost local and regional involvement
- eliminate waste and ineffective marketing

### → Action 3: Create an Investment Attraction Fund

A new funding pot should be established by removing the direct funding link between UKTI and the English RDAs which amounts to around £16 million per annum. To this, should be added £10 million from the current UKTI marketing budget. This would create an annual £25 million Investment Attraction Fund that would be available for bidders and a £1 million budget for UKTI to administer the process.

The concept of the Fund would be to encourage competitive bids from locations to assist them with a range of inward investment related activities. Bids would provide match-funding and would be open to any local authority, sub-regional partnership, regional agency or trade body.

#### **Competitive Bidding Process**

Bids would be made annually and would cover a period of between 1 and 3 years. There would be two levels of funding:

*Category 1 - £10,000 to £100,000 – for individual local authorities*

*Category 2 - £100,000 to £2 million – for multi-area partnerships*

The funds would be specifically focussed on improving the inward investment and investor development process. All bids would be project-based and could include:

- Investment training for economic development staff
- Conducting business retention and expansion research
- Identifying investment strengths and local assets
- Developing a local inward investment proposition
- Developing/implementing a local investor development strategy
- Developing or upgrading websites for investment attraction

Category 2 bids could additionally include:

- Developing/implementing a strategy to attract foreign investment
- Identifying and contacting potential foreign investors

The funds would **not** cover the following items:

- advertising
- sponsorship
- overseas offices
- place-branding
- corporate hospitality
- corporate gifts

Bids would be subject to the following match-funding criteria:

The Fund would match, 100%, the amount secured by the bidders, which must have a non-government proportion of at least 20% for Category 1, and 10% for Category 2 bids.

Non-government funding would include financial contributions from local companies, universities, airports, trade associations, chambers of commerce and other business-led organisations such as Business Improvement Districts.

Therefore maximum annual levels of funding applicable would be:

	<b>Cat 1</b>	<b>Cat 2</b>
Local Authority(s)	£80,000	£900,000
Private Sector	£20,000	£100,000
Investment Attraction Fund	£100,000	£1,000,000
<b>Total Amount</b>	<b>£200,000</b>	<b>£2,000,000</b>

## **Independent Adjudication Panel**

All bids would be evaluated and scored by an independent, private sector-led panel made up of representatives from UK Trade & Investment; UK Inward Investment Advisory Network; Confederation of British Industry; British Chambers of Commerce; Institute of Directors and Federation of Small Business.

Bids would be scored on a range of criteria such as:

- fit with local economic priorities
- local business community support
- focussed activities with specific action plan
- reasonable cost and value for money
- credible governance structure
- partnership working across local boundaries

All bids approved and denied would be published on a website to encourage best practice and ensure transparency.

Each successful bid would not be tied to targets for attracting jobs or projects; instead, consortia would simply have to produce a public report on how it had spent the money and what difference it is likely to make.

The introduction of a competitive bidding process would:

- encourage greater private sector funds into investment attraction
- facilitate capacity-building activities at a local and regional level
- establish a link between local needs and UKTI
- ensure greater transparency and openness
- help to minimise waste by encouraging cooperation between areas
- enable a more flexible approach between economic areas
- better reflect the real economic needs of different parts of the country
- introduce an element of quality control and best practice
- boost local investor development networks

## Case Study: Invest in Canada – Community Initiatives

(<http://investincanada.gc.ca>)

There is an international best practice precedent for local communities bidding for inward investment funding. Canada has successfully operated a similar programme since 1998 through the Invest in Canada – Community Initiatives (ICCI) Programme.

Non-repayable contributions range from \$3,000 to \$300,000, and agreements are made for a one-year period, from January 1 to December 31. ICCI provides matching funds of up to 50 percent of eligible expenses to assist in the development and execution of local investment attraction strategies.

ICCI supports initiatives that promote and sustain foreign direct investment in Canada. Typically, a community begins by undertaking basic research to determine its strengths, identify key sectors, and determine the level of investment already located in its territory. This research allows the community to set realistic targets when it develops a strategy to attract and retain investment. For communities that have completed basic research and are ready to identify targets, developing a strategy and/or producing promotional tools is the next step. The process takes place annually in October, assessments are in November and funds are made available by January.

### Examples of ICCI Approved Applications for 2009-10

There were 100 successful bids in 2009-10, from \$2,500 to \$192,000, they included:

#### Small bids from local communities:

Enterprise Fundy	\$3,495
Town of Torbay	\$6,480

#### Sector specific bids:

Nunavut Film Development Corporation	\$5,550
Ontario Auto Communities	\$28,110
SREDA Science City	\$30,500
Toronto Financial Services Alliance	\$40,000

#### Multiple bids from one area:

Montréal International	\$151,000
Technoparc Montréal	\$51,350
Centre Financier International Montréal	\$48,500
Montréal InVivo	\$46,000

#### Large bids from major cities:

Alberta's Industrial Heartland Association	\$115,000
Canada's Technology Triangle	\$192,000
Greater Toronto Marketing Alliance	\$192,000

## → Action 4: Simplify Measures and Scrap Targets

The misrepresentation of inward investment statistics must stop, so that agencies can concentrate on the projects that really make a difference.

UKTI's annual inward investment figures should only include new foreign investments creating jobs in the UK or further expansion by existing foreign investors in the UK. Mergers, acquisitions, joint ventures and global partnerships should not be reported as inward investment successes.

All inward investment agencies should be encouraged to simplify their monitoring and recording of successes, with a focus on 'Transformational Projects'. These should be defined as:

- an inward investment which creates more than 50 jobs
- a project with a high proportion of R&D or high-value skills
- a move which creates jobs in a deprived area
- a project likely to kick-start others or be a significant catalyst

Practitioners should not get hung up over the precise definitions of what is, or is not, a transformational project. Simply by explaining the details of each individual success to local partners, local politicians and local media, it will become clear which inward investments are likely to make a difference to the local economy.

Like so many parts of the public sector, an obsession with targets has led to a tick-box mentality where multiple agencies try to involve themselves in inward investment visits simply to claim involvement.

An honest and transparent system of recording successes will help all agencies and partners to concentrate on attracting transformational projects and build trust between agencies.

## → Action 5: Establish an Open-Source UK Enquiry Portal

The current enquiry handling process in the UK is archaic and unnecessarily bureaucratic. There is an opportunity to create a 21st century system based on the widely successful internet model of competitive bidding used by many websites such as eBay.com and eLance.com, which match buyers and sellers in real time without the need for numerous layers of bureaucracy.

UKTI should create an open and transparent website that enables potential investors to:

- post a request for information on tax, law, banking etc
- request a meeting with a relevant UKTI or partner advisor
- ask for proposals from different locations

These questions would appear online, with suitable protections for anonymous enquiries once UKTI had verified and validated each request.

Authorised locations (regions, counties, towns and cities etc) would be able to reply using a basic template and would have the ability to include additional links to further information.

Unless requested by the potential investor, UKTI would not moderate or filter responses beyond ensuring that they comply technically with the agreed template.

Potential investors would then be free to take forward discussions with whichever agencies or locations they wanted to, without being directed through a labyrinth of national, regional, sub-regional and local layers.

The progress and responses received would be transparent and viewable to all authorised users, thus ensuring transparency and encouraging best practice and quality control.

An open-source solution to inward investment enquiries would see individual inward investment officers in Grimsby, Wolverhampton and Northampton, empowered to contribute directly rather than through regional silos far-removed from the potential investor.

UKTI would be responsible for providing all enquirers with a UK wrapper of information relating to their sector or industry, tax, law, banking and national issues.

In some cases, the most appropriate responses will come from a national or regional level, but that should be for the potential investor to decide. In a digital world without borders, archaic tiers of government will vanish as customers expect to be able to control their own decision-making process.

Private sector intermediaries – such as members of the UK Inward Investment Advisory Network – would also be able to offer information and help to users.

The impact of creating an investment enquiry portal would be an:

- immediate improvement in customer service
- enhanced trust through greater transparency
- clear opportunity for UKTI to add real value
- better feedback and intelligence for all layers
- UKTI positioned as world-class pioneer and innovator

## Central to Local - Resource Shift at Home and Abroad

Diagram 1: Current Balance and Focus

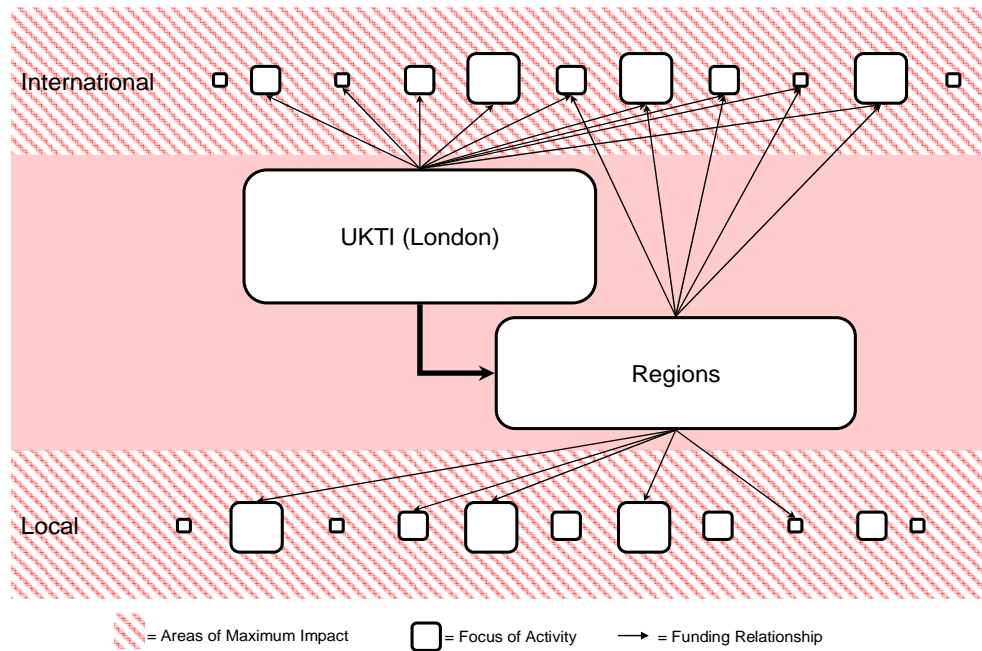
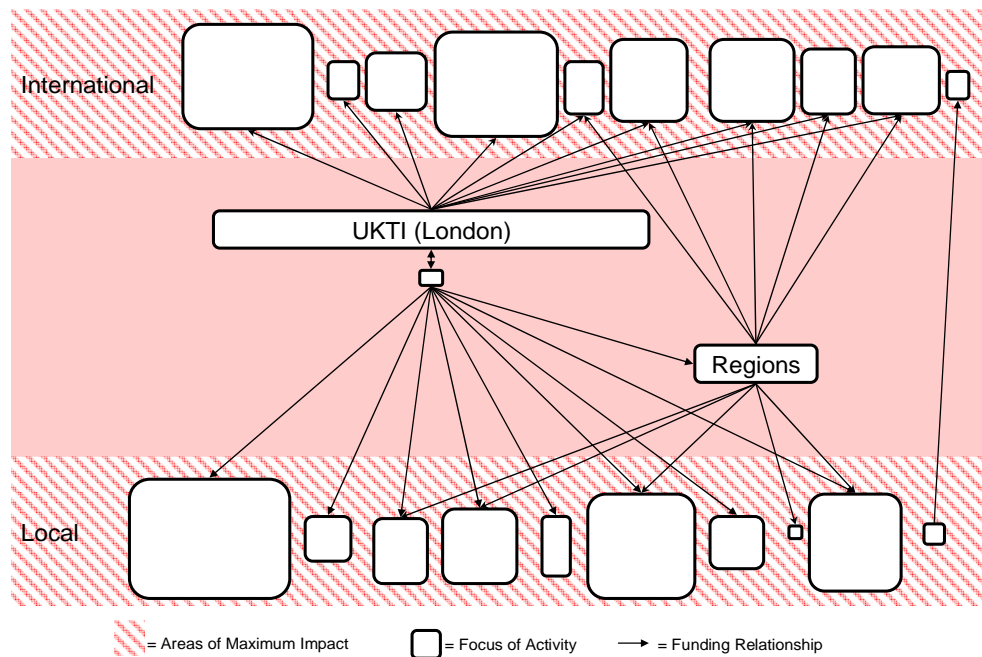


Diagram 2: Potential Future Balance and Focus in a Localist Model



## Notes

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