



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Menter a Busnes **The Enterprise and Business Committee**

Dydd Mercher, 5 Chwefror 2014
Wednesday, 5 February 2014

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Motion under Standing Order 17.42 to Resolve to Exclude the Public from the Meeting

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal,
cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mick Antoniw	Llafur Labour
Rhun ap Iorwerth	Plaid Cymru The Party of Wales
Byron Davies	Llafur Labour
Keith Davies	Llafur Labour
Yr Arglwydd/Lord Elis-Thomas	Plaid Cymru The Party of Wales
Julie James	Llafur Labour
Eluned Parrott	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Nick Ramsay	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Joyce Watson	Llafur Labour

Eraill yn bresennol
Others in attendance

Gareth John	Uwch Gynghorwr Buddsoddi, Masnach a Buddsoddi y DU Senior Investment Adviser, UK Trade & Investment
Ed Payne	Pennaeth Strategaeth, Scottish Development International Head of Strategy, Scottish Development International
Guy Warrington	Cyfarwyddwr, Rhanbarthau Lloegr, Masnach, Masnach a Buddsoddi y DU Director, English Regions, Trade, UK Trade & Investment

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Olga Lewis	Dirprwy Glerc Deputy Clerk
Claire Morris	Clerc Clerk
Ben Stokes	Y Gwasanaeth Ymchwil Research Service

Dechreuodd y cyfarfod am 10:15.
The meeting began at 10:15.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Nick Ramsay:** Good morning. Welcome to Members, witnesses and any members of the public to this morning's meeting of the Enterprise and Business Committee. The meeting is to be held bilingually, and headphones can be used for simultaneous translation from Welsh to English on channel 1, or for amplification on channel 0. The meeting is being broadcast and a transcript of the proceedings will be published. Would Members please turn off their mobile phones? The microphones will operate automatically. In the event of a fire alarm,

please follow the ushers. We have one apology today, from David Rees, and no substitutions.

10:16

**Ymchwiliad i Agwedd Llywodraeth Cymru tuag at Hybu Masnach a
Mewnfuddsoddi—Sesiwn Dystiolaeth 7**
**Inquiry into the Welsh Government's Approach to the Promotion of Trade and
Inward Investment—Evidence Session 7**

[2] **Nick Ramsay:** I welcome our witness to this morning's meeting. Thank you very much for agreeing to be with us. Would you like to give your name and position for the Record of Proceedings?

[3] **Mr Payne:** I am Ed Payne, head of strategy at Scottish Development International.

[4] **Nick Ramsay:** Excellent. Thank you for being with us. We have a number of questions for you, so I propose that we go straight into those. The first is from Byron Davies.

[5] **Byron Davies:** Hello; good morning, Mr Payne.

[6] **Mr Payne:** Good morning, Byron.

[7] **Byron Davies:** To kick off, could you give an explanation of the role of Scottish Development International, and how the partnership between Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Government works in practice?

[8] **Mr Payne:** In terms of who we are and what we do, Scottish Development International is the trade and investment arm of the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise. We provide that expert trade and investment service for those partners. We are also a joint venture between those partners, so our staff are actually pooled from those three organisations.

[9] **Byron Davies:** Can you expand on how it all joins up?

[10] **Mr Payne:** Yes. If you look at the way that it works, certainly on the trade side, we work very closely, as I said, with Scottish Enterprise and Highlands and Islands Enterprise. On company growth, they will have, for most growth companies, what they call an account manager, who looks at the overall growth aspirations of the company. They will work with the company in terms of growth strategy and what the contribution of the public sector can be towards that. If there is a trade and investment element to that strategy, then they will pull in the expert support from Scottish Development International.

[11] Our staff are co-located with Scottish Enterprise and Highlands and Islands Enterprise staff throughout Scotland, so we have staff in the highlands and islands—we have staff in Aberdeen, for example, particularly for oil and gas—and in local offices. We then have an overseas network as well, which provides that kind of support for companies overseas, both in understanding the cultural challenges of those markets and in developing networks. We then work with colleagues in both the highlands and islands and with Scottish Enterprise in lowland Scotland on a sectoral basis.

[12] Our teams are very much set around the growth sectors, so as well as working with individual companies, we will work with the industry bodies to support the growth of those industries. Again, that is effectively based on, first of all, having an industry strategy that is developed by the industry and, hopefully, owned by that industry. From that, there will be

what Scottish Enterprise and Highlands and Islands Enterprise can do to support that, along with other public sector agencies, like Skills Development Scotland, for example, or VisitScotland if it is to do with tourism. As an element of that, they would probably have some priorities around the international aspect, be that promotion of the industry, attraction of inward investment or delivery of trade support.

[13] What we are particularly looking at from industry bodies at the moment is developing export action plans with industries. However, again, we take our lead from the priorities set out by the industry, which are then articulated by Scottish Enterprise and Highlands and Islands Enterprise, in terms of their own priorities, and that is, then, what we deliver against.

[14] **Byron Davies:** You mentioned the overseas aspect; how does that overseas network work?

[15] **Mr Payne:** We have 26 regional offices—or 27, if you include London. So, we have 27 regional offices throughout the world. I think that, in my submission, I outlined where they were. They very much provide that regional support—they are not country offices, they are regional offices, and a lot of them will cover more than one country.

[16] **Byron Davies:** Where are they based?

[17] **Mr Payne:** They are based throughout the world.

[18] **Byron Davies:** I mean, where are they physically based?

[19] **Mr Payne:** They are physically based where the key opportunities are for Scottish companies and Scottish inward investment. We have six offices in the US, 10 offices in Asia and 10 in Europe. I think that there is a map in my submission that shows the detail of those. They tend to be based in commercial centres, primarily. Some of those are capital cities, but a lot of them are more commercial centres. So, in America, that includes New York, Boston, San Jose, Houston—which is particularly important for us in terms of oil and gas—and Chicago.

[20] **Byron Davies:** My last point is about the degree of autonomy that Scottish Development International has from the Scottish Government.

[21] **Mr Payne:** Effectively, we are part of the Scottish Government. We are the trade and investment arm of the Scottish Government, and we are also part of Scottish Enterprise and the Highlands and Islands Enterprise, which are non-departmental Government bodies. So, we work as a partnership. Some of our staff are Scottish Government staff, some are Scottish Enterprise staff and some are Highlands and Islands Enterprise staff.

[22] **Eluned Parrott:** I wanted to ask about where you sit, in terms of the economic strategy for Scotland. We have some information here about what, essentially, looks like a set of Russian dolls, nesting one inside the other. Underneath the economic strategy, you have the international framework. Where do you sit, in terms of that strategic context?

[23] **Mr Payne:** In the last five years, we have seen the importance of trade and investment go up, in terms of the economic agenda and the political agenda. Primarily, before the financial crisis, demand was very much driven by domestic consumption and the public sector, but that has changed, in that both of those have been retrenching and the drive for demand is exports. Therefore, it is a key part of the Government's economic strategy. It has set a key target around that, in terms of increasing exports. Trade and investment is not a goal in itself; it is about economic growth and prosperity. It is about delivering economic growth for the country. So, it is very much nested in that economic agenda and in delivering

economic growth.

[24] At a high level, it is a key part of the Government's economic strategy, and its purpose is to establish sustainable economic growth in Scotland, and trade and investment is an important priority within that. So, it is a priority for the Scottish Government. Beneath that, we have an international strategy that sets out Scotland's overall international ambitions, which are wider than just trade and investment and include culture, perception and Scotland's role in the modern world. That sets it out. However, again, economic drivers are quite key to that, and trade and investment is a key part of that. Alongside that, we have 'Scotland's Trade and Investment Strategy', which was published two years ago by the joint venture partners, namely the Scottish Government, Scottish Enterprise and the Highlands and Islands Enterprise, to articulate the priorities for trade and investment.

[25] **Eluned Parrott:** So, I take it that you are responsible for delivering that particular strategy and, in part, the international framework and specific areas of the overall economic strategy.

[26] **Mr Payne:** Yes. 'Scotland's Trade and Investment Strategy' is not the delivery strategy for SDI; it is the delivery strategy for Scotland. We very much take a team-Scotland approach, and we have looked to partners to contribute their own expertise to that. We will deliver some elements of that, and we have been asked to co-ordinate the delivery of it, but we are really looking for a partnership approach to deliver it. For example, if you take the export of salmon, the key constraint in Scotland is capacity. So, it is not about selling more salmon, it is about producing more. Therefore, we are looking for other industry players to play a role in terms of planning permission, for example, to build salmon farms. It is about how we get investment into Scotland to fund the infrastructure. So, it is a partnership document; it is not our delivery document, but we very much take ownership of leading the delivery of that, working with the public and private sectors to achieve that. It gives a clear set of priorities for all partners to deliver against.

[27] **Eluned Parrott:** One thing that you have mentioned is the idea that you have clear targets for what you are trying to achieve and how those fit in to the economic strategies. What do you think are the benefits of that in terms of motivating your own teams and priorities and also the partnership approach that you are talking about? Could you tell us what you think might be the difficulties or challenges with setting out clear targets?

[28] **Mr Payne:** Targets are relatively blunt instruments in our experience. Before that, you need to have clear objectives and clear priorities of which targets could be a proxy for progress against those. So, it has to be set in the context of an overall understanding of what you are trying to achieve and how you are going to do that and, then, whether the targets are relevant and will drive the right behaviours. So, within the strategy, we have a clear set of five-year targets, which are around 50% growth in export in terms of the Government's economic strategy. We very much see that as a clear direction-setting target from Government, in terms of where the Government would like to see exports go. We very much use that with industry to ask, 'What is your contribution towards that?'

[29] For example, the oil and gas industry, in its own strategy, has set a target of 65% increase, because it thinks that it can achieve more than the Government's target. Other industries are in a different position, saying, 'Actually, maintaining exports is quite difficult in the current climate'. So, it does depend. However, it gives a clear direction of where Government is coming from, and then we can engage with partners on a common agenda. It has been broadly welcomed as setting the direction.

[30] We have our own targets around trade and investment at a more operational level, particularly on inward investment. We have focused in the last five or six years on what we

call 'high-value jobs'. These are jobs that are higher than 20% above the average wage, or are research and development jobs. We basically focus on how operations are delivering against that. Although that is a good target and has helped us to achieve certain objectives, for certain industries it is not as relevant. For example, in tourism, where you are looking to deliver major capital investment, sometimes in rural areas, generating an enormous number of jobs, it will not make that wage threshold, so there is a disincentive for some of our overseas staff to pursue that type of policy if they are only targeted on high-value-added jobs.

[31] So, although we still have that and will continue to have it as an overall measure, we will not target individual parts of the business to deliver against that; it is more of an overall measure. We are trying to target much more on what we call strategic milestones. Those milestones will be set at an industry level, focusing on the key things that that industry needs from trade and investment and how we deliver against those. However, we will still measure that. We still measure the total number of jobs, for example, in inward investment, and we still measure the number of companies that we assist, but we do not actually target our operations to deliver against that.

[32] **Eluned Parrott:** How do you report back on your progress against your targets and objectives? What is the structure?

[33] **Mr Payne:** We report annually. Internally, we do monthly and quarterly reporting, but we report annually as part of Scottish Enterprise and Highlands and Islands Enterprise annual reports.

[34] **Nick Ramsay:** The next question is from Keith Davies.

[35] **Keith Davies:** Good morning, Mr Payne. What incentives do you offer potential inward investors?

[36] **Mr Payne:** Do you want that in its broader sense? I suppose that inward investors come to Scotland not because of the domestic market, as it is a relatively small domestic market, but for other reasons. When we ask inward investors what the key attractor is, it is talent. That is what they are looking for and that is the key thing. So, what you have to look at, again, probably at a sectoral level, is: what are your key competencies? What is your proposition, compared to others? Who are your competitors, and what, therefore, are you selling? So, we have enormous history in financial services and we have an enormous amount of talent, particularly around the Edinburgh and Glasgow areas. We can offer a similar quality product at a lower cost than London. That, to a certain extent, is what you are pursuing.

[37] In other industries, the sell is different. So, in life sciences, it is very much about the research capability in Scotland, with some of the leading universities and some of the leading research. We are, particularly on inward investment, going down much more of a sub-sector route. Life sciences in itself is too big, so it is about what it is within life sciences that Scotland has key competencies in and whether we can deliver that.

10:30

[38] Our main programme, in terms of financial incentives, is probably regional selective assistance, which is available in certain parts of Scotland. That certainly helps in terms of addressing the equity issue and tackling jobs and certain elements. Most of our inward investment is expansion; so, it is not about selling to someone that you do not know. You are very much dealing with the reality of what people see, and you are looking at those companies and saying what the opportunities are to expand their operations within Scotland. So, there is a lot of work done and aftercare, and actually making sure that we take care of those investors that are already in Scotland.

[39] **Keith Davies:** How effective have you been? Do you think that you have been successful?

[40] **Mr Payne:** Again, it is probably not for me to say. Certainly, if you look at the Ernst and Young investment monitor that monitors investment through Europe, I think that you will find that the UK is the most successful region in Europe. Scotland normally ranks second, behind London and the south-east in terms of projects. In terms of employment we are normally first or second. I think that we have a relatively good inward investment record. A lot of that is not based on just the work of SDI; it is based on the assets that Scotland has and how we develop those over a long period of time.

[41] **Keith Davies:** You did mention earlier that, once they are in, you give them support. What kind of support do you give them?

[42] **Mr Payne:** Once they are in they effectively then become account-managed by Scottish Enterprise or Highlands and Islands Enterprise and they get the support that any other business in Scotland would get. So, if we are looking at a business, we will work with it and try to understand what its overall strategy is. If it is looking for innovation support, we have innovation specialists; if it is looking for access to finance, we have the Scottish Investment Bank; and if it is looking for an understanding of overseas markets, that is where SDI can support. However, it is really a matter of trying to work with a company, particularly with local authorities in terms of making sure that that investor has a positive experience of Scotland. If you take the oil and gas industry, where there are a lot of foreign-owned companies as well as indigenous companies, you will find that the main challenge probably in that industry is to attract talent. There is a world shortage of technical engineers, for example. Therefore, we will work with the industry and with individual companies to address that. However, that is not a core competence of SDI; it is a competence of other partners. It is a matter of how we all work together to achieve that.

[43] **Keith Davies:** If you want to keep them there, you have to do that, do you not?

[44] **Mr Payne:** Absolutely. Again, as I say, we treat them as we do any other company. The one difference is that we will also try to maintain a relationship with the corporate headquarters to ensure that we understand not just the local operation but other corporate opportunities. In many situations you can be bidding for internal operations that are up against their sister companies. So, it is a matter of how we then work with corporate HQs to understand what the overall corporate strategy is, whether Scotland has any particular unique selling points around that, and then how we work with the local operation to actually sell into the corporate company.

[45] **Mick Antoniw:** I looked at the figures—the UK figures, the Scottish figures and so on—very carefully. I had difficulty understanding some of them in terms of the way in which they are based and how they are calculated and monitored. You seem to rely very much on the Ernst and Young figures. What are the problems associated with monitoring and actually evaluating the effectiveness of what you do?

[46] **Mr Payne:** Is this on inward investment?

[47] **Mick Antoniw:** Yes.

[48] **Mr Payne:** On inward investment, we use a variety of different figures, and they all measure slightly different things; so, it is difficult. We use Ernst and Young because it is independent. It also covers all investment coming into Europe. We use it more to understand who our competitors are. So, we are targeting a certain sub-sector to see what other countries

we are playing against, and what they are selling compared with what we are selling. It is also about publicly available data. So, it collects all of the publicly available data that it has. So, you can actually get down to company level, to understand what a company is doing in terms of its investment trends. We kind of use that underlying data-mining to help support our own targeting, but what it looks at is, effectively, new investment into Europe. Our own figures are based on companies that we have assisted and they are based on safeguarding jobs as well as new jobs and jobs as a result of expansion. So, it is measuring slightly different things. We also measure intra UK investment, namely investment from other parts of the UK.

[49] **Mick Antoniw:** The key is the purpose to which you use the figures. One of the difficulties that I see with this is that it creates league tables of performance, and it is difficult to see whether what is happening is as a result of something that is happening on a UK level or something that the company is initiating itself. So, there are two aspects to it. The first one is how you monitor and evaluate the effectiveness of your own input, if you are able to, in any empirical way. Secondly, could you expand a little bit more about the strategy and the way in which you use the figures, because it is all very well to have these figures and say, 'This compares with this, that and so on', but it is really about what those figures lead you to do or change in terms of policy?

[50] **Mr Payne:** That is a good point. We did a fairly extensive independent evaluation in 2010, when we looked at our inward investment, our trade performance and our activities. That was looking at plants that we had assisted against plants that we had not assisted and what the difference was because of our interventions. So, it was trying to get at that kind of additionality argument. What is additional about what SDI does? What we did find was that there were higher levels of employment within assisted companies. In general, we looked at what the benefits of inward investment were, and that was about the supplier spillovers and all that kind of stuff. We did find that they did think, first of all, that SDI support was important in securing them in Scotland—about 73%. So, we probably have a deadweight of about 28% of companies that would probably have come anyway. That is always a difficult one to understand, particularly in terms of inward investment, where we are playing in a competitive field. Fifty-three per cent said that they had increased their investment in existing sites and that they had increased training, while 38% have had improved access to Scottish universities and research and development facilities. Thirty-seven per cent considered that their presence had had a positive effect on the suppliers' use of technology. Overall, I think that it showed a ratio of 1:11 in terms of the investment that we make to the economy. So, there is a fairly detailed evaluation behind that, which is probably worth looking at, which goes into the methodology and how that worked.

[51] **Mick Antoniw:** So, is it fair to say that, for your purposes, the actual benefit of the figures and the data that you have, as much as anything, is that they enable you to develop the strategy that comes out of that in terms of where you target, where you focus and where you assess what works, what does not work, or what may be of benefit? Is that the sort of approach that you have adopted?

[52] **Mr Payne:** Yes, we would certainly see measures as mainly tools for learning and how you develop and improve what you are doing. So, it is about reflection and considering what they mean. In that respect, although we have those overall aggregate figures, we tend to look at it very much through a sectoral lens, because the sectors are very different propositions in terms of investment as well as the returns that you are looking for.

[53] **Mick Antoniw:** May I ask one final thing that follows on from that? Ernst and Young seems to be the leader in terms of the collation of the raw data. You take the data and you then evaluate them and add your own evaluation of them to those data. Do you just take the Ernst and Young data or do you specifically get it to do further analysis for you on the information that you require? To what extent do you rely on these external data and

evaluation for your own purposes in terms of the development of your own strategy?

[54] **Mr Payne:** Again, our own figures are separate to Ernst and Young's figures. We collect our own figures, and they are our own figures that we use. We do use Ernst and Young, and I think PricewaterhouseCoopers does attractiveness-type work as well. So, we do use others—we are not saying that we have one single source. The independent evaluation was done by Professor Richard Harris of the University of Glasgow, so we used the expertise of the academic community as well. Ernst and Young is one proxy, but it is quite timely—you get it annually. What we have access to, through a contract with it, are the raw data, so we do the analysis ourselves. However, we will also use Oxford Intelligence, which has enormous experience within this area, to help us as well. We do have the analysis open to us, and we mine it. I suppose you ask those kinds of hypothetical questions and see how the data can help answer them effectively.

[55] **Mick Antoniwi:** That is very helpful, thank you.

[56] **Nick Ramsay:** Julie James is next.

[57] **Julie James:** If we could turn our focus a little bit now to the exporting side of it, you did speak a little bit about some of your difficulties with exporters, and we know that there is a correlation between inwardly investing companies and the goods that they export. I wonder whether you could tell us a little about how you support small, indigenous companies to step up to the mark in terms of accessing markets outside Scotland. I include the UK in that.

[58] **Mr Payne:** Again, as well as working with Scottish Enterprise and Highlands and Islands Enterprise, we also work with Business Gateway, which is the access point for all businesses in Scotland, and is run by the local authorities. We are their trade and investment arm as well. In the last four years we have instigated an initiative called Smart Exporter, which is particularly targeted at small companies and those companies that probably have not expanded their markets. That is being funded through the European social fund. It is very much about capacity building and building the skills. Again, to come back to an earlier point in terms of evaluation, what we found when we did the evaluation was that what companies valued most was the preparedness work. Small companies are busy and are doing lots of things, so it is about how you enable them to think about growing and the next step into exports.

[59] So, we have the Smart Exporter scheme, which is very much designed around attacking that volume side of the market, and also in terms of trying to give companies the understanding and awareness of overseas markets. It may not immediately link to exporting, but at least it will make them start to think about it. The evidence that we have got suggests that, in general, companies overestimate the risks and underestimate the benefits of exporting, and therefore they never start on the journey. So, it is about helping them to understand the real risks. Therefore, what we have developed are lighter, one-day products—so they can go on a one-day course on preparing an international strategy, for example. They can start to dip their toe in the water and see what they think.

[60] You are right, within the highlands and islands, if companies have not exported, then going to Edinburgh and Glasgow might be a good start, then down to England and then overseas. A lot of it is around market expansion. We will work with any business in Scotland, but it is about giving them the appropriate tools at the appropriate time. Again, we work very much with the industry groups. For example, Scotland Food and Drink is very engaged with its own membership in terms of the export agenda. We will work with those groups, showing them the opportunities and showing them that their peers are doing it, so there is no real reason why they cannot. However, it is a continual challenge for us. We recognise that the export base in Scotland is very concentrated: about 100 companies account for 60% of our

international exports. We have not seen a massive change in the number of new exporters, so it is a real challenge, and a really difficult one, that we are continuing to focus on. I do not think that there is any easy solution to it, but it is one that we are still working on.

[61] **Julie James:** We have very many similar problems, obviously, and we have some evidence from people in our Federation of Small Businesses, for example, that exporting is not very high up the agenda for most small businesses simply because they do not have it on their radar at all, really. It sounds like your experience in Scotland is similar.

[62] **Mr Payne:** We have around 300,000 businesses in Scotland, and about 200,000 of those are one-person businesses. That makes it difficult in the first place. It is the gap—those that do employ a couple of people are probably selling a technical product, and the domestic market just is not big enough to sustain it, so you need to reach out.

10:45

[63] The other thing that we are continually trying to take to businesses is that if you export, you learn, you get more competitive and you grow. It is a difficult challenge. Through the recent slow growth, a lot of companies have been retrenching; it is difficult to get companies to be more on the front foot.

[64] **Julie James:** You talked a little bit about the support you give them in terms of training days and your network through local authorities, and so on. What about things like trade missions? Do you have any kind of strategy for that?

[65] **Mr Payne:** We go on quite a lot of trade missions—around 60 a year. It splits into three different categories. There are missions to exhibitions, which tend to be sector-driven. If it is an offshore technology conference in Houston, it will be oil and gas companies going to that. There are quite a lot of seafood trade shows in Europe. So, a lot of that will be linked to a particular sector. Then we do what we call ‘cross-sectoral missions’. We did a recent one to China. Eighty per cent of companies on that mission were small and medium-sized enterprises. That is more about raising awareness of the market, so, if you want to go out to the market, this is giving them experience of the market—they will talk to our overseas staff, they will visit local companies, they will get an appreciation of the country and we will try to link them into networks to start that journey. I would say those cross-sectoral missions are more about awareness raising and ambition.

[66] In terms of our own operations, the balance of trade missions compared with our other work is probably a bit too much, and we are looking at how we prepare them better and how we support them afterwards better so that they get the full benefit of going on that trade mission.

[67] **Julie James:** So, you are in the process of reviewing that strategy.

[68] **Mr Payne:** We have reviewed it, and we are focusing much more on the preparedness work. It is about the learning journey, and what different things a company needs to do to deliver that product to that market and get the cash in.

[69] **Julie James:** Is any of that in the public domain so that we could have a look at it, or is that an internal document?

[70] **Mr Payne:** I think that we can give you that, in terms of our approach. I think it is outlined in the paper in terms of that learning journey about where you offer support.

[71] **Julie James:** You have given us an overview, but I wondered if any of the detail was

available.

[72] **Mr Payne:** I will check; I do not think that is in a form to present to you, if you see what I mean.

[73] **Julie James:** That is fair enough. We are really interested in how you are developing that strategy, as we are trying to assist our Government to develop a similar strategy. You have talked a little about education, some preparedness for trade missions and some strategies through the local authority. How do you pull it all together? How do you know if it is working at all?

[74] **Mr Payne:** We evaluate our trade support; we did an evaluation at the same time as we evaluated the inward investment strategy. We went out to companies that had received support, and benchmarked that against companies that had not received support. That is the way we did the evaluation. That is post-ante, so it tells you what you did in the past, what worked or did not work, what the learning was and how you move that forward.

[75] We take a sectoral approach. We have a suite of products that go across the sectors, but each sector will use them slightly differently. For example, we will try to work with tourism, which is a good example, because that is about attracting overseas visitors to Scotland. Their challenges for exporting are very different to those of another sector. So, we work with the industry body in terms of its priorities, each industry will set its own action plan and we will help to deliver against that. We also have aggregate measures to try to aggregate that across businesses.

[76] We also very much rely on customer feedback to understand that immediate response to whether what we are doing is helpful to our customers. So, we very much use customer forums. We survey our account-managed companies fairly regularly to understand that what we are giving them is the type of thing that they are looking for. You also have your own company's views in terms of where it sees future opportunity.

[77] **Julie James:** That is really helpful. Finally, how do you co-ordinate, if you do, your inward investment strategy with your exporting strategy?

[78] **Mr Payne:** I do not think that we see the two as being completely different. A lot of our inward investors are also key exporters. Again, I think we see that through the lens of sectors to a certain extent. So, for some sectors, exporting is much more important in general than inward investment. In food and drink and oil and gas, I would say that the majority of our support is around that agenda, with a bit of inward investment. With financial services, the majority of our support is around attraction of investment. So, you can get that balance, and, again, the sector itself will help articulate that balance and how it should be. So, looking at it overall, I do not think is massively helpful, but looking at a sectoral level, we have found it helpful. Then, when you are working with a particular company—

[79] **Nick Ramsay:** How many sectors are there?

[80] **Mr Payne:** I have that; I think I put it in my submission. The Government has six key sectors: creative industries, energy, which includes oil and gas and renewables; food and drink; tourism; finance and business services; and life sciences, technologies and universities. We also support on a pan-sectoral basis, chemicals, textiles, healthcare, education, construction, and aerospace, defence and marine.

[81] **Nick Ramsay:** I was going to ask you whether construction was in there because, within Wales, sectors were added. Does that happen in the Scottish context as well? I know I am going on to your territory here, Joyce.

[82] **Mr Payne:** The Government has articulated its growth sectors. We also support sectors outwith that, but that is because they are important to the economy or important to certain elements, like textiles for example, which are very important for the Highlands and Islands. Harris Tweed for example is a massive export, so it is about supporting those industries as well. Sorry, I think I lost the other question—

[83] **Nick Ramsay:** Sorry, yes, we will go back to Julie James to finish her question.

[84] **Julie James:** I think you have more or less answered the question anyway. Thank you, Chair.

[85] **Rhun ap Iorwerth:** You say that a lot of the sectors give you the lead themselves about whether you focus most on promoting export or on developing inward investment. Where you have to be proactive however, perhaps going into a new industry, how do you decide in general on how to strike that balance between investing time, money and effort in tracking inward investment and looking at increasing exports?

[86] **Mr Payne:** I think that is where we do again rely on our own Government, Scottish Enterprise and Highlands and Islands Enterprise to articulate what the priorities for the overall economy are, what sectors are important and, therefore, what the trade and investment contribution to that is. So, we will certainly flag certain areas, and we have in the past. We provide market intelligence back from our overseas offices and through our own staff in terms of areas where we think there may be opportunity. So, not only do we take the priorities from industry and Scottish Enterprise and Highlands and Islands Enterprise, but we feed in the market intelligence that helps develop those priorities in the first place. So, we very much work with industry. The different industries, like chemical sciences, have an export group and we are part of that and work with them. So, it is an iterative process; it is not someone in a darkened room coming up with priorities.

[87] **Rhun ap Iorwerth:** In Wales certainly, seeking inward investment fell out of vogue a few years ago. Has that happened in Scotland or have you always tried to remain sensitive to wherever there are opportunities and go after them, and to hold back where there are not?

[88] **Mr Payne:** We have always sought inward investment. However, we recognise that it has to be based on the fundamental competitiveness of the economy and you have to take a long-term view. So, for example, with life sciences, we have not seen an enormous amount of investment in the last couple of years because that whole industry has been cutting back on capital investment particularly, and it has been changing its whole business model. So, we have been maintaining relationships with some of the big companies and looking for opportunities. The projects that have come have been generally of smaller scale, but, long-term, we think we have some key assets and key research competencies. Therefore, it is about sometimes taking a long-term view, which is the way that we have tried to approach it. However, you have to be quite challenging with yourself in terms of what your proposition is, what you are offering and what the market is looking for.

[89] **Rhun ap Iorwerth:** And you think that approach has been fairly consistent over the past decade, say.

[90] **Mr Payne:** Yes. I think we have had an inward investment approach that has been—. Again, I think we started to focus on high-value jobs, for example, about six or seven years ago, and that has been relatively consistent in terms of our approach. We have probably got better at identifying the sectors and sub-sectors that are of critical importance and where we can act. So, we try to focus more on the things where we think we have a genuine chance of winning.

[91] **Rhun ap Iorwerth:** When there is a price tag on attracting investment—and you say that there are many other issues, such as talent, environment and so on—how do you decide on the amount of investment that you will put in? Is it very closely linked to specific benefits that will come to Scotland?

[92] **Mr Payne:** Yes. That is the key. About £27 million was spent last year on regional selective assistance. So, it is a key tool for us. However, for that, we would do due diligence and appraisal work on what the benefits and costs are, and that will be done on a project-by-project basis, because it is significant amounts of money.

[93] **Rhun ap Iorwerth:** We will come on to details of monitoring in a while, but what sort of analysis have you done comparing the cost-effectiveness of attracting inward investment with the money that is spent on looking after and developing indigenous business?

[94] **Mr Payne:** They are two different things, but, again, when we did our evaluation in 2010, the cost-effectiveness of inward investment was, for every £1 spent, a £11 return to the economy, while, in trade, it was a £7 return to the economy for every £1 spend. However, if you look at the longer term—because when you do an evaluation you mostly do it over a three-year time horizon—by nature, with inward investment you get a big hit, it happens fast, and, therefore, you get the gains fast. In exports, it is much more of a slow burn, but it becomes sustainable. So, in the longer term, we have included the future estimates that companies thought they would get in the future, and that is a return of 1:13. So, I do not think that it is one or the other. In that sense, the return will probably be measured on a slightly different time frame, because, with inward investment, once you have them you pay out the money when you get the jobs, effectively. So, you will see a quick return.

[95] **Rhun ap Iorwerth:** Looking globally at your resources and putting RSA to one side, and looking at your funding from the Scottish Government, would you say that you are well resourced?

[96] **Nick Ramsay:** Please give a ‘yes’ or ‘no’ answer, as we are not well resourced in time at the moment. [*Laughter.*]

[97] **Mr Payne:** Yes, and in the last couple of years we have seen an expansion of that. However, we have been stressing clearly, working internally with Scottish Enterprise and Highlands and Islands Enterprise, is that it is not about the resource you put into trade and investment, but it is about the resource you put into economic development overall, because you can only export if you are a competitive company. You cannot export into France unless you have something the French do not have. So, it is about the overall competitiveness of those companies and, therefore, we are the sales arm, but it is not just about selling the product; it is about whether you have a good product to begin with.

[98] **Nick Ramsay:** Rhun, I will have to stop you there, because we are into the last six or seven minutes or so, and we still have a number of questions. Joyce Watson is next.

[99] **Joyce Watson:** I want to look at growth sectors particularly, and the approach that you take. Perhaps you could explain how you communicate your focus on certain growth sectors and technologies.

[100] **Mr Payne:** Again, as I said before, we work with the industry. So, the industry has its own strategy. For oil and gas, there is an oil and gas strategy, of which an element of that will be about international trade. We work with the strategy in delivering international trade priorities. Recently, we have been working quite hard with industries to do that at a sub-sector level and, particularly, on what we call a ‘sub-geography level’. For example, if you look at

food and drink, the markets for Scotch whisky are very different to the markets for red meat, and they are different to the markets for fish. Therefore, you need to understand at that sub-sector level what the opportunities are and what your key overseas markets are, and, therefore, where you should invest your time and effort. So, we will work more and more at the sub-sector level on exporting and focus on the geographies where an industry approach makes sense. So, you can only take a trade mission if there is a critical mass of companies that is interested in that particular area.

11:00

[101] **Joyce Watson:** Do you think that this approach leads to confusion at all with inward investors, or are they quite clear?

[102] **Mr Payne:** First of all, we should talk about the trade side, so, that is indigenous businesses as well as inward investors. What our inward investors want to know is what they are getting from Scotland and how the business case stacks up compared to somewhere else. So, with them, it is about delivering a solution that meets their needs on a timely basis, that is of quality, and it is about building trust. I think that that is key for them.

[103] **Joyce Watson:** In your paper, and this morning, you have talked quite a lot about your industry strategy. Would you like to expand a little further on the benefits of that strategy?

[104] **Mr Payne:** Again, I think that we have a sectoral strategy, but I think that what we are saying is that each industry has its own strategy. They can be very different, because each industry is at a different stage in its own development. Oil and gas is a fairly mature industry in Scotland and is looking to export more, and renewables is a very new industry and is looking to attract investment. That is how businesses think. They think in terms of the industry in which they are involved. So, it is a way of engaging with business and it is a way of taking individual company action as well as more action at an industry level, for example, addressing skills issues.

[105] **Nick Ramsay:** Recent comments made by BP just popped into my head, but I think that I will resist the temptation to be controversial. Dafydd Elis-Thomas is next.

[106] **Lord Elis-Thomas:** I want to follow on from what you have just said about renewables and link it in with the green growth and the need to balance sustainability with inward investment and trade objectives and how that fits in. Could you explain to me how you have achieved such wonderful success in the renewables sector, compared to the paltry performance here?

[107] **Mr Payne:** I can only talk about Scotland.

[108] **Lord Elis-Thomas:** Of course. That is what we want to know about.

[109] **Mr Payne:** Scotland is enormously blessed with some natural assets that make it enormously attractive. For example, it has 30% of Europe's offshore wind capability. The Government has really got behind that. The First Minister has taken a leading role in promoting renewables in Scotland. Therefore, we have put in a lot of work. We are also fortunate in terms of oil and gas in having a lot of the engineering skills and a lot of the port infrastructure to support that. So, you can see how all those natural assets combined with those developed assets over a long period of time, in terms of skills and infrastructure, help to put together a proposition. Therefore, we are well placed in terms of both marine renewables—there is a lot of work going on in Orkney around that—and offshore wind. Not only are we pushing that, but also Scottish Enterprise and Highlands and Islands Enterprise

have put a lot of effort and resource behind that. That has been led by Government.

[110] **Nick Ramsay:** The impression given is that the Scottish nation hit the ground running with wave technology, for instance, and tidal power—a lot more so than other parts of the UK.

[111] **Mr Payne:** It is difficult. I find it hard to comment on other parts of the UK, but certainly it has been a key priority for this Government for some time.

[112] **Joyce Watson:** May I ask a tiny question?

[113] **Nick Ramsay:** Yes, very quickly.

[114] **Joyce Watson:** Is there a manufacturing industry built around the green industry?

[115] **Mr Payne:** That is what we are trying to develop, to be honest, just like we have in oil and gas—it is about developing that. So, the attraction of a wind turbine manufacturer is absolutely critical.

[116] **Joyce Watson:** So, you do not have one now.

[117] **Mr Payne:** We have some elements of the supply chain and that is why we talk about strategic investment; it is about attracting those bits of supply chain that we currently do not have, where we think that we would really benefit from them.

[118] **Lord Elis-Thomas:** That is more difficult, is it not?

[119] **Mr Payne:** Yes.

[120] **Lord Elis-Thomas:** I will not mention Siemens, but you know what I am talking about.

[121] **Mr Payne:** The difficulty is that the regulation is not fixed at a European and a UK level, which makes companies cautious of investment, therefore, some of that is around the energy regulation. It is quite difficult, at the moment.

[122] **Nick Ramsay:** You said that you cannot comment on the Welsh context specifically. Is there a degree of contact between Scottish Development International and the Welsh Government?

[123] **Mr Payne:** Yes. We meet relatively regularly. Our chief executive was over in Belfast meeting with Northern Ireland, Wales and UKTI representatives last week. We will then meet at a more operational level with our trade and investment. That is maybe a quarterly meeting. So, that is kind of formal, and then there is informal dialogue as well.

[124] **Nick Ramsay:** Do you want to ask the last question, Joyce, or shall I do so?

[125] **Joyce Watson:** You carry on.

[126] **Nick Ramsay:** The WDA, abolished in 2006, has been a big part of this inquiry.

[127] **Lord Elis-Thomas:** Do not get involved, Mr Payne. [*Laughter.*]

[128] **Nick Ramsay:** Be candid. Have you noticed that relationship change since the WDA's abolition and the taking in house of that function?

[129] **Mr Payne:** To be fair, I find it hard to comment on that because I was not around when that happened. So, I was in a different role.

[130] **Nick Ramsay:** So, you would not have noticed. Are there any further questions from any Members? Did you have anything else that you wanted to raise, Rhun?

[131] **Rhun ap Iorwerth:** The only thing that I wanted to ask was: do you believe that the Scottish Government's programme for economic development is ambitious? Also, adding on to the question that I had earlier, do you believe that you have the resources to try to realise that ambition?

[132] **Lord Elis-Thomas:** Do not ask him about the result of the referendum. [*Laughter.*]

[133] **Mr Payne:** I think that the answer to both questions is 'yes'. Ministers are very engaged in this agenda. We had the First Minister out in China in November; our Minister for trade and investment was in Norway last month; and our Minister for external relations was out in India. So, Ministers are very engaged in this agenda. Any overseas trip has a trade and investment element to it, and they are very engaged at home, working with their businesses to support trade and investment. It is an incredibly supportive Government.

[134] **Rhun ap Iorwerth:** Do you have the resources? Our Ministers are also engaged in overseas trips and so on.

[135] **Mr Payne:** Yes, I think so, but, again, you have to see that in the round. It is not just about the resources for trade and investment; it is about how you develop the economy of which that is an important element.

[136] **Keith Davies:** May I ask a question?

[137] **Nick Ramsay:** Very quickly, and a quick answer.

[138] **Keith Davies:** In your paper you talk about the international ambitions of your colleges, and you recognise the £0.5 billion per annum export contribution that international students make to Scotland. Can you expand on that?

[139] **Mr Payne:** An enormous number of international students come to Scotland to study. I think that there are around 8,000 Chinese students, for example. Obviously, when they are over here they are in accommodation and they buy local goods, which makes an enormous contribution to the Scottish economy. It is enormous not just in terms of that, but in terms of just making Scotland a more diverse place to be.

[140] **Nick Ramsay:** We have to close now because we are completely out of time. Thank you, Ed Payne, for being with us today. I know that you had a long journey to come to help us with our inquiry. We really do appreciate it. Thank you for the information. I know that that was a bit rushed in places, but we did get a lot of information out of that session. We were very interested to hear your views. We will send you a transcript for you to check.

[141] **Mr Payne:** That is great. Thank you.

[142] **Nick Ramsay:** I propose that we take a very short break of two minutes before our next witnesses arrive.

*Gohiriwyd y cyfarfod rhwng 11:08 ac 11:13.
The meeting adjourned between 11:08 and 11:13.*

**Ymchwiliad i Ddull Llywodraeth Cymru o Hyrwyddo Masnach a
Mewnfuddsoddi—Sesiwn Dystiolaeth 8
Inquiry into the Welsh Government's Approach to the Promotion of Trade and
Inward Investment—Evidence Session 8**

[143] **Nick Ramsay:** Welcome back to this morning's meeting of the Enterprise and Business Committee. May I also give a warm welcome to our witnesses? Thank you for agreeing to be with us today. Would you like to give your name and position for the Record of Proceedings?

[144] **Mr Warrington:** Okay, I will start. My name is Guy Warrington. I have the rather weird title of director, English regions, Trade, UKTI. Obviously, I deal with trade rather than investment and, as it is a devolved matter, that is why I have that title.

[145] **Mr John:** My name is Gareth John. I am a senior adviser for UK Trade & Investment on the investment side, but I need to make it clear to the committee that I wear two hats here because I have been invited also in a personal capacity as an ex-executive director of the Welsh Development Agency. So I will make it very plain when I am making personal comments on that front and when I am making UKTI comments.

[146] **Nick Ramsay:** Thank you for that clarification. That may well avoid some problems later, particularly for the Chair. [*Laughter.*] The first question is from Eluned Parrott.

[147] **Eluned Parrott:** Thank you, Chair. There was some research done by Cardiff University's business school about 18 months ago suggesting that there was poor co-ordination between UKTI and the Welsh Government. It suggested that structural changes in the Welsh Government had been unhelpful in that regard. Obviously, since then, there has been the signing of the memorandum of understanding. Do you think that that is a fair characterisation of the relationship, and, if so, has it been improved by the memorandum of understanding?

11:15

[148] **Mr John:** Is that in relation to trade or investment?

[149] **Eluned Parrott:** Both.

[150] **Mr Warrington:** I will talk about the wider relationship and the trade relationship and then maybe Gareth can talk about investment, as that memorandum of understanding was around investment. I would not recognise that characterisation now. I have been doing this job for 12 months. I think that we have a very positive working relationship with the Welsh Government. I believe that that relationship starts at the top and that there has been a very good working relationship between the Welsh Minister and my Minister. We now have a new Minister, and he is going to be meeting your Minister very soon. So, that is a solid relationship that has been working well. Our CEO has a good working relationship with his homologue and, at a working level, I have a very good working relationship with our delivery partners in the Welsh Government, who deliver our services in a seamless manner. So, I just do not recognise that characterisation, with great respect to the work of Cardiff University's business school.

[151] **Eluned Parrott:** However, you are not able to comment on any change in the relationship, having joined the department since that MoU was signed. Is that correct?

[152] **Mr Warrington:** Sorry?

[153] **Eluned Parrott:** Could I just confirm that you have joined the department since that MoU was signed?

[154] **Mr Warrington:** I started doing this job a year ago. My background is that I am from the Foreign Office, so I ran two trade and investment offices, first in Dubai and then in Korea, so I have been working in this area for quite some time, just overseas rather than here in the UK. I have to say that I would not recognise it from my relationship with Welsh Government colleagues in the field either.

[155] **Eluned Parrott:** Thank you.

[156] **Mr John:** Like Guy, I would say that the relationship between the Welsh Government and UKTI is excellent at the moment. It has been helped because we have been doing, as committee members might know, some fairly intensive capability development work over the last 18 months. Certainly, that has helped accelerate the process of integration, if I can put it that way. However, speaking from personal experience, I would say that the relationship with UKTI is better now than it ever was under the WDA.

[157] **Eluned Parrott:** Thank you. In terms of the practicality of the MoU, you have said in your written evidence that it

[158] ‘has helped facilitate a step change in the delivery of FDI into Wales’.

[159] Can you tell me what you base that on?

[160] **Mr John:** No, I would not recognise that. Our capability development programme did not directly impact the improvements in the figures. That is not true. What we have done over a period of time is work to make fairly strong connections between mainly UKTI headquarters functions and the Welsh Government in the areas where the Welsh Government needed support, a lot of which were about proposition development, pipeline management, project management and enquiry handling. Any upturn in the figures is down to the Welsh Government’s efforts, not ours. It might well be, in four or five years’ time, that you could say that there has been a positive impact, but certainly the figures that you are looking at would not have been impacted significantly, if at all, by the UKTI presence in Wales.

[161] **Eluned Parrott:** Sorry, just to clarify, I was quoting your paper there.

[162] **Mr John:** Sorry?

[163] **Eluned Parrott:** I was quoting your paper there. In your written evidence, you said:

[164] ‘The MoU has helped facilitate a step change in the delivery of FDI into Wales’.

[165] I was just asking you to expand on that.

[166] **Mr John:** Sorry, I thought that you were referring to the 191% increase in performance this year.

[167] **Eluned Parrott:** No, I did not mention that. I just wanted you to clarify on what basis you have made that statement in your written evidence.

[168] **Mr John:** That is largely around the common working around pipeline and project handling, because, at the moment, due to the reorganisation of what is known as the UK-first

principle in UKTI, all projects come through a central enquiry management unit, and a lot of the work that we have been doing is making sure that the Welsh Government and the project-handling team in Wales are fully aligned and fully integrated with that process, so that, for anything that comes into the UK that has a spatially agnostic approach, if I can put it that way—that is, effectively, it is not entirely sure where it wants to go—we are ensuring that the Welsh Government is right up there, making sure that the proposition is sharp enough and able to respond to client requirements.

[169] **Eluned Parrott:** Thank you. It has been suggested to the committee that there was competition between UKTI and Welsh Government activities in terms, in particular, of inward investment, and developing leads in the first place. Can you comment on whether you think that is accurate—that some of the regions see themselves as competitors, or that some of the devolved nations seem to see themselves as competitors to UKTI's work?

[170] **Mr John:** No. I mean, we are not competitors. At the end of the day, UKTI operates on a UK-first principle, so we will promote Wales just as much as we will promote Scotland, Ireland or any other part of the UK, if that is what the client requirement is. We are very much driven by what the client is looking for, and it is the responsibility of UKTI and partners to put forward the best propositions for the client. Our rationale is, 'We'll get them in the UK first and foremost'; where it goes in the UK is entirely a matter for the clients, and we will give them the best proposition that will work for them as a business. The new strategy for UKTI is very much to look at opportunities whereby we are bringing in organisations that will have an export potential as well. Perhaps that is something Guy would like to comment on. The days of 'anything will do as long as it is in the UK' are gone, and I think we are looking at much more structured interventions in the market. We are looking at really targeting organisations that will have a more beneficial effect than just plonking themselves down somewhere in the UK. We actually want them to be doing stuff while they are here.

[171] **Mr Warrington:** Do you want me to say something on trade?

[172] **Eluned Parrott:** Yes, if you would. Thank you.

[173] **Mr Warrington:** One of the great differences between trade and investment is that trade is not—. It is occasionally the case that we have two British companies competing for one contract, but, with the vast majority of trade work, frankly, we are not dealing with competing entities from the United Kingdom. It is rarely an issue in trade work. When it is an issue, we maintain strict neutrality.

[174] **Nick Ramsay:** Joyce Watson is next.

[175] **Joyce Watson:** Thank you, Chair. I want to explore a little more about the relationship with Welsh Government, but on a different level. First of all, I would like to know about the frequency and nature of discussions between the UK Minister for Trade and Investment and the Welsh Minister for the Economy, Science and Transport.

[176] **Mr Warrington:** I actually have a list. Rather than read out all the meetings that have taken place, I do not know whether you would like me to just rip out the two pages and pass them to someone in the secretariat. We have a long list of all the interactions, which I would say were regular, both with the Welsh Minister and with the Secretary of State for Wales at a ministerial level, and at a CEO level. There is also a very structured process of the CEOs not just of Wales and UKTI, but also the other devolved administrations and London, which has its own unique status, coming together on a six-monthly basis to discuss things. I was at a meeting only last week in Belfast where that took place.

[177] **Joyce Watson:** Thank you. That information would be really good, but you have

already suggested that it is over 100 meetings at least. Moving on from that, because we know there are frequent meetings and discussions, could you tell us about the role and the function of UKTI's international business development forum, in which the Welsh Government plays a role?

[178] **Mr Warrington:** That is the body I just referred to.

[179] **Joyce Watson:** It is exactly the same, is it?

[180] **Mr Warrington:** It is a meeting of CEOs. It takes place on a six-monthly basis. Essentially, we all sit down and say what the latest initiatives are that we are promulgating and try to learn from each other's experience and best practice.

[181] **Mr John:** If I might intervene there, Guy is right in the sense that the chief executives meet on a six-monthly basis, but the international business development forum also has an operational meeting every quarter, and that is with the operational teams from the devolved administrations. They will actually sit down with UKTI and discuss issues, largely around policy, but also about overseas operations and better integration, where it is appropriate.

[182] **Mr Warrington:** Yes. There are so many meetings that I have forgotten, but I went to that meeting about a month ago as well, so please change my evidence, if that is allowed. Yes, that is at a working level—the IBDF.

[183] **Joyce Watson:** Are those the meetings that will deal with any issues that will arise outside the meetings that take place twice a year? I know that it is all very confusing, because it is meetings within meetings, but what we are really trying to get to here is: if we have an issue in Wales that we particularly want to put on the table, how that happens, first of all—how we get it on the table—and perhaps what happens as a consequence of getting it on the table.

[184] **Mr Warrington:** Right. Well I think that could be done at both those meetings, and, clearly, the IBDF reports up to the CEO meeting. So, it depends at what level you want to raise it. However, you can also do it bilaterally, of course. There is a bilateral dialogue, as well as a multilateral dialogue. We are always open to discussions and we meet regularly on a bilateral basis.

[185] **Mr John:** As Guy said, it is fair to say that the bilateral activity happens more than the set-piece activity. I know for a fact that the chief executive, Nick Baird, has been down three or four times in the last year and a half talking to the director general of the department and the senior officials about issues. So, if there are sensitivities and you do not necessarily want to raise them in front of colleagues from Scotland and Ireland, there is a fairly well-worn platform to discuss it directly on a bilateral basis, and I know for a fact that that has happened.

[186] **Mr Warrington:** Lord Livingston is due to meet Edwina Hart on 13 February, so, if you have an immediate concern now, I would suggest that that would be the best way of raising it.

[187] **Joyce Watson:** No, what we are trying to do as a committee is to make sure that Wales's voice can be heard and is heard. Thank you.

[188] **Nick Ramsay:** Mick Antoniw is next.

[189] **Mick Antoniw:** You have answered most of the questions that I wanted to ask, so I just have a couple of short questions. There clearly is a degree of, I suppose, enthusiasm

rather than competition, or whatever, in terms of Scotland wanting to promote Scotland, and Wales wanting to promote Wales, and so on. That is an inevitable part of what happens. I understand that, from the UK side, there is a broader concept. We have heard evidence in respect of Scotland and we heard that it had something like 60 foreign trade missions last year, Wales has a certain number and, of course, you have the individual Scottish offices as well as the UK offices, Welsh offices, and so on. Does that create any confusion within the minds of businesses abroad as to what is going on in the UK?

[190] **Mr John:** Speaking from an investment perspective, no, I think it is a lot clearer than it ever was. The scenario that you had two or three years ago was that we had nine regional development agencies all telling investors around the world that they were the best place for life sciences, the automotive industry, or whatever, plus the three devolved administrations all pitching in. The message from the UK is an awful lot clearer than it has ever been, simply because there is less noise in the marketplace. Speculating and looking forward, you might say that the local enterprise partnerships are now starting to engage a lot more internationally than they have done previously, which might take you back to a situation where there is a lot more noise in the marketplace than there ever has been. However, that is yet to unfold. UKTI and its partners have been very firm on what we refer to as the UK-first approach, and I think the devolved administrations have been very quick to recognise that that is your marketplace and your channel to market, and, therefore, rather than trying to compete with it—to pick up the point raised earlier—you are better off getting involved and making sure that you use the channel to your own ends. That is very much what has been happening.

[191] **Mick Antoniwi:** Periodically—you have had all of these contacts and there have been discussions, investments have taken place and businesses have been set up, and so on—do you evaluate feedback from businesses as to what works, what does not work, why a company may have gone to a particular area, and what was attractive, and, importantly, I suppose, why they may not have gone to a particular area, and so on? Does that information get collated and shared across the UK in terms of the learning experience?

[192] **Mr John:** That is a very good point, and, absolutely, from a corporate level, UKTI will capture footloose investment that does not come into the UK. There may be a number of macro reasons for that, be it tax or whatever, as, within the UK, there are certain things that are a given no matter where you are. The way in which we operate is that, when a client proposition is given to a client, it has a number of component elements from various parts of the UK. Our commitment to whoever puts into that proposition—be it Wales, Lincolnshire, or Scotland—is that we will always feed back to them the reasons why the investment did not go to that particular place. So, yes, that is a fairly standard procedure for us.

[193] **Mick Antoniwi:** Are there any particular trends? I had thought about asking what is good or bad in terms of feedback for Wales, but perhaps a better question would be: what are the trends that you are beginning to identify from businesses as to what it is that they are specifically looking for in terms of location, skills or whatever? What trends are you seeing in the current international market?

11:30

[194] **Mr John:** There is always an element of financial incentives and, to a certain extent, it is less than it ever was, because there is not as much money as there was to offer people. So, companies coming in will always look at the wider range of support that is available, be it business rates or other forms of financial incentive. There is no point trying to get away from the fact that London and the south-east of England is a main attractor of inward investment into the UK. So, very often, proximity to London and the south-east—I appreciate that it depends on how you define ‘proximity’—will be an attractor. That shows up clearly in the figures as to the take of inward investment that it gets. Very rarely have I heard of an

investment lost simply because the delivery agents locally were not delivering. That is very rarely the reason.

[195] **Mick Antoniwi:** In terms of what is happening within the international market, is the European dimension still a significant factor—that is, people investing are looking at the broader European market—or is it more localised? Is that an issue at the moment in terms of investment?

[196] **Mr John:** Guy is closer to the UK headquarter policy than I am, so he might want to comment on that. You get into areas with the eurozone and macro-policy that are always going to have an impact on it. There are always language issues, particularly if the investor is coming from an English-speaking territory, such as the United States or Australia et cetera. The UK has been the most successful area of the world in the last 18 months—even more successful than America—in attracting foreign direct investment. So, I would not have thought that that is necessarily an issue.

[197] **Mr Warrington:** To phrase it slightly differently, I do not think that we can ever ignore the reason that a lot of a people come to the United Kingdom in the broadest sense is to trade into Europe. I think that that continues to be a very strong factor. You are talking about competitiveness between England and Wales, but when we are pitching for investment we are pitching against Germany, to be able to do the business in Europe, when we are pitching to someone in Dubai, Shanghai or wherever. That is the area that you are competing in. Would you agree, Gareth?

[198] **Mr John:** Absolutely. France and Germany are always our competitor markets, and probably always will be. However, increasingly, as the focus of UKTI looks to drive investment through sectors, it is not so much the geography that becomes important but the sectoral assets within that geography. That is something that the Welsh Government is certainly aware of and, through its various approaches, it will be cognisant of the fact that it is not necessarily about selling your region anymore—it is about selling the assets of the region in the sector.

[199] **Nick Ramsay:** That brings us nicely to the next set of questions, from Rhun ap Iorwerth.

[200] **Rhun ap Iorwerth:** You paint a picture of a very fair and equitable system within UKTI, whereby the spoils are shared throughout the UK. I suggest that, from our perspective in Wales, that is no good—we are not looking to plod along; we are looking to close a growth gap and to do it quite rapidly. We are looking to give ourselves a competitive advantage over English regions. What opportunities are there for Wales to push for more than what would otherwise be just its fair share as things are divvied out?

[201] **Mr John:** Are you speaking about inward investment projects?

[202] **Rhun ap Iorwerth:** Yes.

[203] **Mr John:** As I mentioned earlier about the capability development work that we have been doing with Welsh Government teams over the last 18 months, the coda on this and the message that we gave is that UKTI is a channel to market; it is not the only channel to market. As I am sure that you would have heard from Scotland earlier, at the end of the day, Wales has to have a robust presence internationally.

[204] **Rhun ap Iorwerth:** We are unable to do that through UKTI because of the fair and equitable way in which you operate. Is that a fair assessment?

[205] **Mr John:** If something comes into the UKTI pipeline, we will treat it on a UK-first principle, as I indicated before. If something comes into the UK through the Welsh Government pipeline, it is for the Welsh Government to manage and deliver it.

[206] **Rhun ap Iorwerth:** I understand exactly why you have the UK-first position, because you are called UKTI; it makes sense. Your paper states that you will suggest Wales as a location if it represents a sound business proposition for the potential investor. Give us an idea of the grounds on which you will make that suggestion.

[207] **Mr John:** When something comes in to what is known as the enquiry management unit, which is the single point of contact for international enquiries, 70% to 80% of enquiries into the UK come from what is known as the 'post network'—the network of offices that UKTI has with the Foreign and Commonwealth Office abroad. That is the main supply of projects. What will then happen is a process of triage, whereby the client requirement will be broken down, and we look at what is likely to drive the success of that investment. It is then put out to our market intelligence units, which will apply a number of decision support filters. One of those is called surfacing the national offer—a fairly sophisticated algorithm that looks at all the key data points that will drive an investment, be it skills, proximity to motorways, house prices, schools, whatever it is; there is any number of them. I am happy to share that with the committee. That will then drive a decision model, which effectively gives you the top six or seven locations in the UK that fit the opportunity for that client.

[208] **Rhun ap Iorwerth:** So, that happens without the involvement of Welsh Government.

[209] **Mr John:** No, it does not.

[210] **Rhun ap Iorwerth:** There is no opportunity at that key stage for the Welsh Government to say, 'We want to put a pitch in for this.'

[211] **Mr John:** The SNO is based on information put in by partners, so the Welsh Government has contributed hugely to the information that sits within the algorithm database. It is not a static model; it is updated. So, if anything changes in Wales—enterprise zones, different benefits, different levels of support—that is fed into it. What comes out is, basically, the Welsh offer and how it competes or benchmarks against other opportunities in the UK.

[212] **Rhun ap Iorwerth:** Do you have any thoughts on this business of Wales and the English regions being treated very fairly—understandably, from your point of view—but that it does not necessarily help us in Wales to skew things in our direction, which is what we want to do, unashamedly?

[213] **Mr Warrington:** I agree with your proposition. It does not skew things in favour of Wales; we treat everybody equitably. I see us competing—I used to run a trade and investment operation overseas—against all of these other countries and I will push a Welsh company hard and equally to everyone else. I do not disagree with your proposition that the system is not skewed towards Wales. It is a fair and equitable process.

[214] **Rhun ap Iorwerth:** With your other hat on, perhaps, how do you think that the competition—if I can call it that—between Wales and the rest of the UK for foreign direct investment has changed, particularly post-WDA and its ability to skew things?

[215] **Mr John:** I do not think that the competition has changed. Making it very clear that I am speaking personally, when the WDA ceased to exist, what you lost was weight of message, internationally, about Wales. On what most people might think about the Welsh brand, you could argue until the cows come home whether the WDA was simply the deliverer of the Welsh brand or whether it was the Welsh brand. What the WDA did succeed in doing

over a long period was to buy a position for Wales internationally. A lot of money and a lot of effort were invested in that. There is no question that, when the WDA was integrated into the Welsh Government and the Welsh Government took a different view on how they wanted to take things forward, the promotion and the weight of that message internationally declined. There is no getting away from that. Inward investment is a very dynamic and a very fluid process. Ultimately, as with all things, if you are not in there pitching at the front line—to use that dreadful analogy—then you will lose focus. That is what happened.

[216] **Mr Warrington:** May I make a comment on a slightly personal note? I am not really allowed to, but there you are.

[217] **Rhun ap Iorwerth:** We will not tell anyone.

[218] **Nick Ramsay:** Go on, Guy Warrington.

[219] **Mr Warrington:** Having seen this from overseas, one could argue that companies from Wales, Northern Ireland and Scotland do have a competitive advantage over English companies. The UK proposition offers what it offers to everyone, but on top of that there is a separate Welsh, Scottish and Northern Irish offer. So, for example, Welsh companies coming out, when I was in Dubai, to trade in Dubai had everything that we offer as UKTI and then, on top of that, what the Welsh Government offers. So, they get a competitive advantage in the fact that there were two sets of offers available to them. I would say that, if anything, it is skewed towards the devolved administrations simply because there are two sets of offers that can be accessed. The regional development authorities no longer exist in England to offer that sort of thing.

[220] **Rhun ap Iorwerth:** We are coming up to two years now since they went. Do you think that getting rid of the development agencies helped Wales, Scotland and Northern Ireland?

[221] **Mr Warrington:** This is all evolving, because we now have the development of the local enterprise partnerships in England. There are 39 new local economic development agencies. That process is very much in its infancy. However, there is an increasing amount of resource being given to them to develop economically on their own. There may well be 39 of those propositions as well as the three propositions from the devolved administrations. At the moment, I would say that, if anything, if you were going to try to say that the process was skewed in any way, the fact that there are two sets of offers out there means that, if you play it well, companies in devolved administrations can get two sets of subsidies. Everything that we give in UKTI we give to anyone in the United Kingdom. That does not work in reverse.

[222] **Nick Ramsay:** In Wales, do companies trade on getting the two offers?

[223] **Mr Warrington:** Yes; some do. I would not say that it was universally known. It is not my job to make it universally known.

[224] **Nick Ramsay:** We are into the last 15 minutes or so and we still have a number of questions to get through. Feel free to be as succinct as you like. I now call on Keith Davies. That was not directed specifically at you, by the way.

[225] **Keith Davies:** Thank you, Chair. Good morning. We have been given a whole range of different figures. The first question that I have is on your inward investment figures. Do they deal with the figures at announcement or when they are being delivered? So, in terms of jobs and projects, are the figures that you give announcement figures, or are they figures that reflect the actual happenings—the number of projects that were successful and the number of jobs created? Which do you your figures give?

[226] **Mr John:** I do not know what figures you have been given, but all of the figures quoted in the papers would be verified figures on an annualised basis. As part of our work with the Welsh Government, we present to the Welsh Government senior management team every month on the latest figures coming through. There is a process of verification on many of these figures. Therefore, while the success is claimed, there are a number of key points there, if you like, that have to be signed off by the company—it has to have people starting and a number of different things have to happen before the success is claimed. The annualised figures are normally the most reliable, but on a monthly basis we give the Welsh Government an update of their figures and how they are doing vis-à-vis the rest of the UK.

[227] **Keith Davies:** The reason why I ask that question is that, last week or the week before, we had Professor Max Munday here, who said that, if we wanted to monitor the performance of inward investment in Wales, UKTI figures were completely useless. That is what he told us.

[228] **Mr John:** I suspect that he was referring to the fact that UKTI counts projects rather than other economic indicators. Looking at what Max was saying, I think that some of the data that sit below the project are probably more accurate in terms of looking at economic impact in an area—they might well be the wage levels, the number of jobs created or other opportunities in supply chains. We do not capture that as UKTI. It is very much about the numbers of projects and the number of jobs. The economic impact of that is something that is very much within the Welsh Government's purview, if you like, to collect.

[229] **Keith Davies:** So, you are not looking at improving those figures. It is for the Welsh Government to try to get the figures from elsewhere. Is that what you are saying?

11:45

[230] **Mr John:** Guy might want to comment on that. There is a fairly robust economic evaluation process in UKTI. There is a new scoring methodology coming in, which, obviously, the Welsh Government has been fully aware of and fully involved with. That will start this year and it basically looks at how projects are counted and scored going forward. So, yes, I appreciate that there is any number of figures and statistics that you can use, but the official UKTI ones are the ones that we always quote when we have our dealings with the Welsh Government.

[231] **Keith Davies:** Okay. Guy, do you want to add anything?

[232] **Mr Warrington:** The numbers you have, as I understand it, are the numbers in our paper, which are the numbers of projects, the numbers of new jobs and safeguarded jobs et cetera. I would say that, as an organisation, we are moving away from judging success in terms of the number of projects towards judging it much more in terms of the economic benefit. The real trend, if there is to be a trend in the way that we look at investment, is that there is a new incentive to look at the linkages between export and investment, because something that we have neglected until recently is the impact on our export performance of getting people in who use the UK as a base to export elsewhere. Take the example of Nissan in the north-east. I do not know whether you know this, but the north-east is the only region in the whole of the United Kingdom that runs an export surplus, and that is because of the Nissan car plant and the exports that come from that investment. When it started, it was very much just an assembly operation and it has built and built and now it is doing a lot of its—

[233] **Keith Davies:** We did hope to have it in south Wales at one time.

[234] **Mr Warrington:** I am too young to remember that. *[Laughter.]* You can just look at

the economic development that has gone on beyond that car plant and the exports that drive it—the establishment of the battery plant next to it, the fact that there is a research and development centre et cetera, et cetera. So, we are looking very much at those linkages, and I think that that is the new thing about how we are measuring ourselves. We have moved away, I think, from the numbers of projects. The jobs thing is very much an EU measure. You can take that up with the EU, but everything seems to be measured in jobs. I could talk about whether that is a good thing or not, but there are many metrics out there. I do not know why this guy said that they were not useful, you know—

[235] **Keith Davies:** They are not useful in the sense that, when we looked at these figures—I cannot remember the years, now—the number of projects seemed to go up from 32 to 67. It was 32 in 2012 and 67 by 2013, but whether they are actual projects that have been delivered is the question I was asking.

[236] **Mr Warrington:** If his criticism was about whether we should measure the impact of inward investment by the number of projects, then it was a valid criticism, because we are paying a lot less attention to that. If it was anything else, I would have to have him here in the room to discuss it with him.

[237] **Keith Davies:** Thank you.

[238] **Mr John:** There is a lot of intellectual debate about the value of a job and whether a job paying £30,000 is worth more in Sunderland than it is in Reading. These are very complex calculations that are not within the scope of UKTI to capture at the moment.

[239] **Mr Warrington:** The value of a job changes massively when you look at the mathematics that various bodies put on it. It is a shifting entity.

[240] **Nick Ramsay:** Okay, we will move on. Julie James is next.

[241] **Julie James:** Thank you, Chair. I just want to follow on from what you were talking about there to do with exports and so on. One of the other things that we are interested in looking at is how you support Welsh firms to export, whether they are big inward investment firms or, indeed, whether they are among the many thousands of micro-firms that we have here in Wales that we would like to see step up to the export plate, if you like. I do not know why I used that analogy, because I have no idea about sport, so forgive me if it is rubbish.

[242] **Mr Warrington:** It is fine if you are playing baseball—or rounders. The first thing I would say—to go back to what we said earlier—is that, overseas, we represent everyone, even if there is a Welsh Government office in the building, as there was in Dubai. Overseas, there is no distinction; we provide the full range of resources that any embassy would. We do market research for companies, we will put them in contact with agents, and we will organise receptions for them to launch products, et cetera, et cetera. So, the full gamut of overseas delivery is identical. In the United Kingdom, as you know, trade support is a devolved matter. We offer our services through the Welsh Government, so, all of our services, with one exception, are delivered by the Welsh Government on our behalf. So, all of those services exist for Welsh companies, but UKTI pays for them and the work is done by the Welsh Government. The only thing that we do not provide is what we call our ITA network, which is our international trade adviser network. That is geographically based in the English regions. I have nine teams, nine contracts, providing this service. We do not have a team in Wales, we do not have one in Scotland and we do not have one in Northern Ireland. That, we do not do.

[243] **Julie James:** Thank you for that. In practice, if you are a small SME or microbusiness in some valley in south Wales, how would you access the services that you offer?

[244] **Mr Warrington:** Through the Welsh Government.

[245] **Julie James:** Just through the Welsh Government portal. Is that what you are saying?

[246] **Mr Warrington:** I think that it is for the Welsh Government to answer that question, not me. We offer the services to the Welsh Government. How it networks and goes out there and sources those inquiries is a matter for the Welsh Government. I am not here to comment on its internal organisation.

[247] **Julie James:** No, that is fine. I wondered whether you did anything in addition. So, if somebody were to look up UKTI on a—

[248] **Mr Warrington:** Yes. If you go into our system and you are from Wales, you will be guided back to the Welsh Government.

[249] **Julie James:** So, there is a loop system.

[250] **Mr Warrington:** There is a loop, yes.

[251] **Julie James:** Okay. That is very helpful, thank you. Does that work if, for example, I am a little manufacturer of widgets somewhere and I want to go on a trade mission to Dubai? Is that how that works?

[252] **Mr Warrington:** Absolutely.

[253] **Julie James:** What support would there be for a firm such as that?

[254] **Mr Warrington:** If you want to go on a trade mission or to a trade fair, we have a grant system that is open to Welsh companies. That gives you a grant, which has gone up recently from about £1,500 to about £3,000. That will assist you in attending those trade fairs. We organise those things on a regional and on a sectoral basis. There is nothing to stop a Welsh firm from going on a Birmingham Chamber of Commerce trade mission. One of the conditions of our subsidising trade missions is that they have to be open to everyone. However, I would have thought it more likely that they would end up on a sectoral one for the pharmaceutical industry or something like that.

[255] **Julie James:** I do not understand at all how they are planned. How do you decide where the trade mission will be or what the timing of it is?

[256] **Mr Warrington:** We have a very complex business planning process around this. I think that there are about 3,000 events a year, globally. It is for sectors teams in UKTI to make sure that there is a geographic spread in terms of where the visits take place. It is for post to manage the processes to make sure that you do not have a string of people turning up at the same time. So, everyone has input into that process. We make sure that there is a good spread.

[257] **Julie James:** Is the master plan controlled by UKTI or—

[258] **Mr Warrington:** Yes.

[259] **Julie James:** It is, right, and the Welsh Government feeds into that as well.

[260] **Mr Warrington:** Yes.

[261] **Julie James:** That is really helpful. In terms of aftercare, once you have been on your trade mission and you have found out that widgets are really popular in wherever, what happens then?

[262] **Mr Warrington:** That would be a matter for the Welsh Government.

[263] **Julie James:** So, you would go back into the aftercare programme and that is not delivered through UKTI at all?

[264] **Mr Warrington:** No, not in Wales.

[265] **Julie James:** Okay. Thank you.

[266] **Nick Ramsay:** How do you evaluate the success of a trade mission? A trade mission has to be planned a fair time in advance, does it not, to make sure that it gets a good sort of whack? You talked about the increase from £1,500 to £3,000 in grants, so you obviously want to know that you are going to get a good return on that.

[267] **Mr Warrington:** Yes. I could tell you how we do it individually, which is through feedback forms et cetera, but I think that that starts to drift into a wider question about how we judge the efficacy of everything that we do. Ultimately, our targetry is driven by a variety of factors. All of our interventions are judged by the same targetry. To judge the quality of the intervention, we have something called the PIMS system—

[268] **Nick Ramsay:** Pimms?

[269] **Mr Warrington:** Yes, PIMS. Please do not ask me what it stands for.

[270] **Nick Ramsay:** I was thinking of another Pimms. [*Laughter.*]

[271] **Mr Warrington:** I am sure that the ‘MS’ stands for ‘management system’, but I am not quite sure what the ‘P’ and the ‘I’ stand for. It is one of those acronyms that are used so much that no one knows what the letters stand for.

[272] **Mr John:** It is performance improvement management system.

[273] **Mr Warrington:** There we are; could the record show that I knew that instantly? [*Laughter.*] It is performance improvement management system. That looks at our quality and is based on a large number of detailed interviews, which take place six and 12 months after the event. We have done about 40,000 of these interviews, which allow us to judge the quality and the business impact of our interventions.

[274] We also have a system called ‘business wins’, which is, essentially, the output measurement—any company saying that it has won exports as a result of our intervention. We do not say that we had 100% input into that; it is done on the basis that the company signs a piece of paper that says that, without our intervention, that export would not have taken place. We have a UK-wide target of around £20 billion for that.

[275] We also have a quantity measurement. We are trying to drive up the number of companies that we deal with on a UK-wide basis from 25,000 to 50,000 by 2015. So, that is a four-year target, which means 25% growth in a mature business, which is quite challenging and we have achieved that for two years and expect to achieve it next year. Sitting over that, we have what I would describe as slightly more aspirational targets of trying to get our overall exports up to £1 trillion by 2020, which will require around a 10% growth rate and 100,000 new exporters. Our current exporter base is 200,000 companies, so that is a 50% increase.

[276] So, that is how we measure ourselves. A trade mission would be measured on those terms. The people would go through the PIMS process to assess quality of service, and we would ask them whether they had had any export successes, et cetera, and then we would record those as well.

[277] **Byron Davies:** My questions were on overseas presence and, quite honestly, I think that you have answered a lot of them in responding to Julie's questions. Perhaps, Mr Warrington, you are best placed to answer this question: are you based in embassies in what, I think, used to be called 'commercial sections'? Is that where you operate from?

[278] **Mr Warrington:** Yes. You probably know this, but I will say it just in case anyone does not. There are very few people who work for UKTI, per se. UKTI is a jointly owned entity by the Foreign and Commonwealth Office and the Department for Business Innovation & Skills. So, overseas, everyone is employed by the Foreign and Commonwealth Office and, in the UK, most people are employed by BIS, apart from the one or two people like me who disprove the rule by being paid for by the Foreign and Commonwealth Office and working in UKTI in London, of which we are a minority.

[279] **Byron Davies:** Okay. Do you think that there is an opportunity for the Welsh Government to increase its presence with you?

[280] **Mr Warrington:** Do you mean should the Welsh Government have more overseas offices?

[281] **Byron Davies:** Yes.

[282] **Mr Warrington:** There is clearly an opportunity, but the costs of an overseas presence are high. So, you need to balance that against other forms of service delivery to your companies.

[283] **Mr John:** Parts of the discussions that we have in the investor business development forum are very much about co-location and whether it is sensible—not just for Wales, but for Scotland and Ireland—to have separate offices, or just to share the ambassadorial or embassy offices. That is an ongoing discussion. It is very much a level of common sense, if you like, to share UK assets abroad.

[284] **Mr Warrington:** My personal experience of that is that, in Dubai, we had the Welsh office and the Scottish office—I am sorry, I have to be careful about using the term 'Welsh Office' here, do I not? We had the Welsh Government and Scotland Development International in the embassy in Dubai. Those representatives said to me—and I am absolutely certain that it is true—that in the end, being a small Welsh team of one or two people situated within a larger team of UKTI staff, say 20 people, who all had sectoral expertise, and being able to get all of the synergies with the other people who were in that building, they found it very useful. So, there is an operational reason beyond just cost-saving on Government buildings, because these teams, almost by definition, will be quite small. They gain a lot from being co-located with the British Embassy.

[285] **Nick Ramsay:** We are into the last few minutes, so I would like to bring in Eluned Parrott with some questions on branding.

[286] **Eluned Parrott:** Thank you. I want to ask a question about the brand strategy that UKTI follows in terms of marketing the UK as a whole abroad. Do you have a single brand for the UK as a whole, or do you pursue, what I would call, a family branding strategy where you have an awareness of how the other brands for different regions and nations within the

UK operate?

[287] **Mr John:** The overall position of the UK is under the umbrella of what is known as the GREAT campaign, which does very much what it says on the tin: it promotes Great Britain and all constituent parts of it. We do not sub-brand UKTI. We do not sub-brand any other part of the UK, so, we would not put a proposition to a client that had Birmingham's brand all over it. That just does not happen. So, when a client receives a proposition it is very appropriately branded UK first and UKTI.

[288] **Eluned Parrott:** I wonder, in terms of the brand strategy that UKTI puts forward and the brand's attributes, particularly the pitch, if you like, what involvement the devolved nations have in the development of that brand strategy, or is it something that has been developed and is being delivered by UKTI and so we have to follow and fit in with that, if you like?

12:00

[289] **Mr John:** It depends which execution you look at, Eluned. If we were honest, I think that there have been some comments from across the network that when we are talking about or promoting life sciences as part of the GREAT campaign, obviously we talk about Cambridge. I think that a lot of people, or a lot of parts of the UK, say, 'Hang on; we've got a great life sciences offer as well'. There is no question that you cannot detail every single part of the UK that has a life sciences offer, but I think that the whole purpose of the GREAT campaign, I think that we said at the start of the session, is to get the investment into the UK first. We can then discuss with the client where the optimum location is going to be. So, inevitably, when you are promoting the UK, you have to pick certain jewels, if you like, that are going to have international global resonance. Now, there is no reason why we should not be picking on Welsh assets as well, and that is very much something on which we have been working with the Welsh Government to give those assets a slightly higher profile within the UKTI marketing department. I think that that is the place where it needs to happen.

[290] **Mr Warrington:** Can I just add something? I think that it might be worth just mentioning that GREAT is not a UKTI brand and it is not a Foreign Office brand; it is Her Majesty's Government's brand. So, you now see a lot of Department for Business, Innovation and Skills stuff going out under this. It is Government-wide branding.

[291] **Eluned Parrott:** Which of the jewels that you promote are based in Wales?

[292] **Mr John:** [*Inaudible.*] I know for a fact that, in terms of aerospace, there is talk about Broughton and BAE up there. That is the only one that I have seen that is specifically Welsh.

[293] **Nick Ramsay:** We are into the last couple of minutes now. The Welsh Government has its new 'Just Ask Wales' marketing campaign, which I would imagine you are aware of. Do you have any views on that? Do you think that that is the right direction for the Welsh Government to go in, in terms of improving its marketing strategy?

[294] **Mr John:** I have seen the creative executions. Speaking as a marketer, you can spend as much money as you like on a broadcast media campaign—by broadcast, I mean above-the-line adverts, press and posters. It is really about the delivery and the organisation that sits behind it. I do not know what the plans are for rolling that out internationally. The only comment that I would make is that you are spending a lot of money doing that if you have not got the delivery capacity that sits right behind it; I think that that is critical. I am sure that others in front of this committee have commented that it is, basically, a waste of money just buying advertisements, unless you have the ability to have people who are really following it up on the ground.

[295] **Nick Ramsay:** You said earlier that UKTI is not specifically involved with developing a Welsh brand; it is the UK brand within which you have subsections. Do you think that the Welsh brand is adequately coherent at the moment?

[296] **Mr John:** When you say 'Welsh brand', what do you mean?

[297] **Nick Ramsay:** Well, the way that Wales works under UKTI to market itself in terms of attracting inward investment. I mentioned 'Just Ask Wales'; that is one aspect of it. I just wonder what your view would be, if you would have a view on it, as to whether the Welsh Government has a coherent strategy.

[298] **Mr John:** Let me answer that in two ways. I think that putting the Welsh Government office next to UKTI in Victoria Street was a great idea. I know for a fact that that office has been used a lot for closer engagement with UKTI. I think that there are two areas here, and this is a matter of public note, if you like. As part of the capability exercise that we undertook, we left a fairly unbiased view of what we thought needed to be improved, and that is something that the Welsh Government has. One of those areas was the sectoral linkages between the Welsh Government's sector teams and the UKTI and BIS sector teams. I think that there is a lot of work that needs to be done there, because, coming back to your point about branding, we are not actually talking about how to promote Wales in a kind of anodyne way. There is obviously a huge amount of asset in Wales that needs to be at the front of minds within the sector teams in UKTI, because they are the ones that are, very often, talking to organisations first; they are, very often, the ones that are putting together proposals and understanding what is in the UK fabric.

[299] The second area is, basically, the UK or the Welsh Government presence abroad. To my knowledge, there are no sales and marketing targets or inward investment targets on Welsh teams or the Welsh offices internationally, and I think that our view was that that is something that could, possibly, be looked at.

[300] **Nick Ramsay:** I thank Gareth John and Guy Warrington from UKTI for being with us today. It has been a really helpful session. We will send you a transcript of today's session.

12:05

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[301] **Nick Ramsay:** I move that

the committee resolves to exclude the public from the remainder of the meeting and from the start of the meeting on 19 February in accordance with Standing Order No. 17.42(vi).

[302] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12.05.
The public part of the meeting ended at 12.05.*