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Department for International Trade

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Russell George AM
Chair, Economy, Infrastructure and Skills Committee
National Assembly for Wales
Cardiff Bay
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6th December 2017

Dear Russell,

Thank you for your letter of 7 November 2017 to the Rt Hon Greg Hands MP, which enclosed a letter from Ken Skates AM, Cabinet Secretary for Economy and Infrastructure at Welsh Government, regarding the way in which the Department for International Trade (DIT) and Welsh Government classify and record involvement in a project.

DIT works closely with Welsh Government in delivering Foreign Direct Investment into the UK, and into Wales specifically. Whilst DIT has overall responsibility for promoting the UK overseas, Welsh Government both supplements that marketing effort with its own resources overseas, and provides the detailed knowledge of local conditions in Wales to enable investors to make informed decisions about where to invest in Wales. Welsh Government is also responsible for the investor development function of existing investors in Wales. To reflect the importance of all nations of the United Kingdom in the promotion of FDI, I have appointed the Secretary of State for Wales to lead the FDI sub-group of the Board of Trade.

It may also be helpful for me to say a little about how DIT organises its operations in support of generating Foreign Direct Investment (FDI) projects.

In order to encourage strong collaboration between our own teams and those of our partners (Devolved Administrations, Local Enterprise Partnerships, City Regions), both overseas and in the UK, DIT operates a One Team approach. This means that when any one part of the DIT network identifies a potential FDI project, their role is to get that project into the hands of those best placed to support it to land in the UK.

In order to facilitate that One Team approach, all FDI projects with which DIT has some involvement are considered a shared success. This means that staff in our overseas posts have no incentive to incorrectly claim involvement with any FDI project, as the success of our partners (in this case Welsh Government) is DIT's (and the country's) success as well.

Addressing the letter's particular concerns in respect of the level of DIT's involvement in FDI projects in Wales, our breakdown of projects into Wales recorded for the last two years is below. We have separated projects into FDI which is new to Wales and FDI which arises from an expansion of an existing investment, and those arising out of an acquisition of a business. This is because the account management of existing investors into Wales is carried out by Welsh Government, so we would expect them to have a much higher level of Wales-only involvement in that area than in new FDI, where we would often expect our DIT specific teams to play a role.

Period	Type of Investment	Total no. of Projects	No. of projects with Wales only involvement	No. of Projects with Wales and DIT involvement	No. of Projects with neither Wales or DIT involvement
2015-17	Expansions	116	54	56	6
	New investment	56	19	34	3
	Acquisition	10	5	3	2
	Totals	**182**	**78**	**93**	**11**

The table shows DIT involvement in around 50 per cent of all projects into Wales over the two year period, which is significantly less than the 90 per cent stated in the Cabinet Secretary's letter – although our figures do show DIT involvement in approximately 61% of new FDI into Wales over the period. This is, of course, still higher than Welsh Government's own analysis over the 5 year period that they mention, and so we would welcome discussions between officials in both DIT and Welsh Government to investigate this difference and work towards a common approach.

The letter also mentions referral rates. Earlier this year, the Welsh Government Deputy Permanent Secretary for Economy, Skills and Natural Resources wrote to the DIT Director General for International Trade and Investment, raising this concern. The reply acknowledged that at the end of February, referral rates to Welsh Government were down 30%. However, by the end of March (and following some actions by DIT) the reduction in referrals had reduced, over the 12 months, to 14%.

For the first half of this fiscal year, it is also encouraging to observe that we transferred 11 projects to Welsh Government (meaning that Wales was the only area of the UK in which the investor was now focussing for their investment location) which was more than double the figure for the whole of the previous year.

We would welcome further discussions with Welsh Government officials on how to continue to improve the referral rate.

Yours sincerely,

Liam

THE RT HON DR LIAM FOX MP
Secretary of State, Department for International Trade
& President of the Board of Trade