

**Meeting:** Solent Growth Forum  
**Date:** 14<sup>th</sup> March 2017  
**Item 5:** Inward Investment and International Trade

### Purpose of report

To provide an update on the 2015/16 UK Trade and Investment (UKTI) Inward Investment Figures and initiate a discussion on the LEP's approach to encouraging Inward Investment and International Trade in the Solent.

### 1. Update on 2015/16 UKTI Inward Investment Performance in the Solent

In 2015/16 UKTI reported a total of 17 successful Foreign Direct Investment (FDI) projects accounting for 215 new and 1,020 safeguarded jobs, in the Solent, with just 40% of these projects representing new investment. This is shown in table 1, below. This was a reduction on the figures reported for the previous year of 21. This reduction in project numbers is very concerning given the overall FDI performance for the UK reported an 11% increase on 2014/15 successes.

**Table 1: FDI Performance in the Solent in 2015/16 and 2014/15**

	FY15/16			FY14/15		
	New Jobs	Safeguarded Jobs	# Projects	New Jobs	Safeguarded Jobs	# Projects
Involved	75	800	8	508	10	13
Non- Involved	140	220	9	350	1	8
<b>TOTAL</b>	<b>215</b>	<b>1020</b>	<b>17</b>	<b>858</b>	<b>11</b>	<b>21</b>

In addition to the above, the LEP has identified five projects that were not recorded in 2015/16.

The complete picture for 2015/16, therefore, is 22 projects, accounting for 365 new and 1,090 safeguarded jobs with up to £854m of investment. The findings, therefore, do not detract from the underlying underperformance of the Solent in attracting FDI and show a marginal improvement of just one project on the 2014/15 data.

Reporting mechanisms have been strengthened locally for 2016/17, with centralised reporting and a greater FDI co-ordinating role by the LEP across the area.

### 2. Encouraging Inward Investment and International Trade in the Solent

Following the establishment of the Department for International Trade (DIT), there is a coupling of Trade and Inward Investment at the national level, recognising that inward investment can help to stimulate export-led growth. In consideration of this, the LEP board agreed to reposition the Solent

LEP's Inward Investment Strategic Priority as Inward Investment and International Trade and requested that the Executive develops a proposed approach to Inward Investment and International Trade.

One of the areas of focus in the Building Our Industrial Strategy Green Paper is to encourage trade and inward investment. A key rationale for government action to encourage trade and investment is that it drives growth by increasing competition, supports productivity gains (less than 11% of UK business export, yet those that do contribute 60% of the UK's productivity growth) and brings new ideas to the UK, which 'spill-over' into the wider economy. Government also recognise that diversification across export markets help to increase business resilience and enables stronger growth to be achieved during periods in which economic conditions in the UK are more challenging. The coupling of trade and inward investment recognises that over half of all foreign-owned companies in the UK are exporters.

Actions underway by DIT include doubling export finance capacity; using a new digital platform services at [great.gov.uk](https://www.great.gov.uk) making it easier for firms to access support; joining up trade and investment promotion with local areas; and improving market access for exporters. New commitments set out in the Green Paper include building future trading relationships, with a more active "Team UK" approach to winning overseas contracts and a greater UK presence at international trade fairs. A new approach will also involve targeting potential exporters, using HMRC data and with analysis of the best practices of the leading global inward investment promotion agencies.

The focus of the proposed Industrial Strategy on providing the conditions to enable every "place" to meet its potential is apparent in proposals to join up national trade and inward investment services with local areas. It is likely that the scale of the national trade and investment services contract will be reduced with some resource re-allocated to teams dedicated to the Northern Powerhouse, Midlands Engine, Greater London and Southern England, working closely with LEP's. The Green Paper also highlights the opportunities for increasing defence exports, which is something pertinent to the industrial base of the Solent. The Defence Security Organisation (DSO) is working with industry whereby consortia of UK defence companies produce a single UK bid for overseas government customers, which enables the UK Government to provide coherent support to a single UK bid, increasing the probability of success. Indeed, [Sir John Parker's report to inform the UK National Shipbuilding Strategy](#) recommends that future government defence procurement is designed with an eye to future export opportunities, by ensuring ships the UK procure are of a type with export potential. Locally, we have seen such an approach in the work of the Defence Growth Partnership (DGP) and the establishment of the Centre for Maritime Intelligent Systems (CMIS), although CMIS will now be re-located from Portsmouth Technology Park to co-locate the activity with the DGP's UK Defence Solutions Centre (UKDSC) at Farnborough.

### **Priorities for the Solent LEP**

In consideration of the continued FDI under-performance in the Solent and the increased focus and coupling of trade and inward investment within the approach to developing a modern industrial strategy, the LEP is seeking to sharpen its approach with a view to improving both the level of investment attracted to the Solent and supporting our businesses to export more.

The Solent LEP [Productivity and Growth Strategy Update 2017](#) identifies the following priorities for the Inward Investment and International Trade strategic priority in 2017/18:

- Retain and grow existing Solent businesses through supporting investment in the local area, including support to access new markets;
- Developing a more cohesive package of support for businesses that want to invest in the area.
- Develop, coordinate and deliver a new trade and investment strategy.

The scale of the challenge for the Solent requires a more focussed approach, and one that aligns with the efforts to encourage trade and inward investment at the national level. Therefore, the LEP is to focus its efforts on two areas:

- A. Supporting existing businesses to grow (in particular by accessing new markets) and encourage new businesses to establish in the Solent; and
- B. Enhance the attractiveness of the Solent for Inward Investment (not just FDI, but growth of investment in indigenous companies too)

### **Supporting existing businesses to grow (in particular by accessing new markets) and encourage new businesses to establish in the Solent**

In relation to supporting existing businesses to grow and encouraging new businesses to establish in the Solent, the LEP has recently launched the £5m [Solent Growth Fund](#), which provides funding to support existing businesses to grow and new businesses to establish through delivering new processes / products / services, and / or developing new markets. In addition we have responded to a recent ERDF funding call and if successful there would be revenue available to support SME's seeking to access international markets.

The LEP is also developing a strong relationship with Maritime UK, and has discussed opportunities for Solent marine and maritime businesses to leverage off Maritime UK international trade activities and programmes. The executive has also initiated discussions with Maritime UK in relation to developing a Sector Deal for marine and maritime. Finally, we can also work to leverage more out of the relationship with local DIT teams, to better join-up trade and investment promotion, as set out in the Industrial Strategy.

### **Enhancing the attractiveness of the Solent for Inward Investment (not just FDI, but growth of investment in indigenous companies too)**

In relation to the second part of the proposed approach, that being to improve the attractiveness of the Solent to inward investment, there is much to promote. The Solent - or the Southern Gateway - is exceptionally well positioned in relation to UK and international markets and the global metropolis of London. It benefits from three key international gateways, is close to Heathrow, is well-connected, and is home to a range of multi-national companies as well as a diverse SME base. The area has three Universities and key research assets with world-leading capabilities, exceptional natural assets focussed on our 290 miles of coastline, and globally renowned events (Cowes Week, Southampton International Boat Show, and the Isle of Wight Festival), key tourist attractions (the Historic Dockyard), as well as Premier League football.

In recent roundtables with businesses, it was been suggested that the LEP should actively promote the Solent offer with a focus on our key economic assets, sectoral strengths, innovation assets, geography, quality of life and as a primary gateway for international trade - the Southern Gateway.

The LEP has undertaken analysis of other areas to draw on their experience, and examples include

[London & Partners](#), [Belfast City](#), [Manchester](#) and [Leeds City Region](#), the latter promoting a range of areas within the Leeds City Region - much like a Solent approach would need to. Each has a strong online presence that is international-facing, sets out a story - why to invest in the area, identifies sectoral strengths, the key development opportunities, and how to access investor support.

In response to the clear need to address the trends in FDI and the requirement to support existing businesses in international trading markets, the LEP will take forward work to:

- Support export growth initiatives with the Solent SME base; and
- Develop an approach to promote key development and regeneration opportunities that complements existing work.

### **3. Discussion**

The LEP would welcome the views of the SGF on the approach of the LEP to encouraging Inward Investment and International Trade in the Solent so that the area may tackle the entrenched performance.