

ABERDEEN CITY COUNCIL

COMMITTEE	Enterprise, Strategic Planning and Infrastructure
DATE	21 January 2014
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Draft International Trade Plan 2014/2015
REPORT NUMBER:	EPI/13/248

1. PURPOSE OF REPORT

The report seeks approval for the Council's planned international trade development activities for 2014/2015, and in particular the attendance at overseas trade events, in order to help deliver the economic development priorities of the Smarter Aberdeen vision. The report is a "Draft" International Trade Plan for 2014/2015 and is being brought forward now to allow adequate lead-in times for activity planning and delivery.

The Plan's finalisation is dependent on the approval of the 2014/2015 budget. If there is a significant change from 2013/2014 to 2014/2015 in the operational budgets for international trade activity, a revised report will be brought forward to the next EP&I Committee on 13 March 2014. If there are no significant changes, this Draft Plan will become the Final Plan.

2. RECOMMENDATION(S)

It is recommended that Committee:

- a) Approve the report and the activities described herein, subject to their approval by the Scottish Government in the normal manner.
- b) Approve the relevant travel by officers and Elected Members for the activities as described in the Appendix
- c) Receive a bulletin report on each international event undertaken in the plan.

3. FINANCIAL IMPLICATIONS

The delivery of the Draft International Trade Plan 2014/2015 is dependent upon a 2014/2015 international trade budget allocation within the Economic and Business Development budget, covering staffing costs and operational programmes. This will be determined in February 2014 as part of the Council's corporate budget setting process.

In 2013/2014, the allocated operational budget was £70K. The 2014/2015 Draft International Trade Plan is based on a budget of the same level as 2013/2014, and is therefore subject to change, depending on the Council's 2014/2015 budget allocations. Members' attention is drawn to the fact that the International Trade and Investment team is increasingly requested to deliver a number of unplanned events/inward delegations to respond to new market opportunities or deliver on requests from Senior Management and Elected Members – in some cases this may adversely affect the team's capacity to deliver high quality bespoke event programmes on time. The full staffing of the International Trade and Investment team (anticipated from February 2014) and the existing operational budget will cover the delivery of the activities included in the Draft 2014/2015 Plan, however any additional commitments may result in a request for additional resources.

4. OTHER IMPLICATIONS

Health and Safety: The health and safety implications of all overseas journeys are taken into account during planning, with any exceptional implications to be addressed at the time. Officers regularly review the travel advice provided by the Foreign and Commonwealth Office and are in contact with counterparts in-country to ensure information is accurate and up-to-date. When participating in overseas journeys, Council officers and Elected Members are covered by the Council's insurance policy. A risk assessment is carried out for each overseas journey.

Risk Management: The risks associated with not undertaking this international trade development work are:

- City companies would have significantly reduced opportunities to enter new export markets and exploit export opportunities;
- Aberdeen's position as a global energy capital would be compromised if there was no local support, for example, to host high-level visiting business delegations; likewise, there would be a serious risk of loss of visibility on the world energy industry stage if profile was not maintained at key overseas trade events;
- The Council would not be fulfilling its obligations in the Single Outcome Agreement, the vision for Smarter Aberdeen, or the role set out in the Scottish Economic Recovery Plan, which places internationalisation as "one of the central priorities for the acceleration of the Scottish recovery".
- Loss of targeted local support to local businesses could contribute to their failure, or their decision to relocate from Aberdeen.

Staffing: The International Trade and Investment team is currently staffed by one full-time Senior Executive International Trade and Investment, one full-time International Trade Executive (Energy) and another full-time International Trade Executive will join the team in late January 2014, completing the 3 FTE team.

The successful delivery of the Plan is dependent on a fully-staffed team. These staffing numbers do not take account of City Promotions Team personnel who lead on exhibition delivery such as Offshore Europe, the Offshore Technology Conference and Offshore Northern Seas. Market prioritisation is considered very

carefully to ensure staffing resources are targeted where they can deliver most value and benefit to local companies.

5. BACKGROUND/MAIN ISSUES

Regional, National and International Context

As stated in the 2013-2018 Economic Action Plan, the vision of Aberdeen City and Shire Economic Future (ACSEF) is for Aberdeen City and Shire to be recognised by 2025 as “one of the most robust and resilient economies in Europe with a reputation for opportunity, enterprise and inventiveness that will attract and retain world-class talent of all ages.” Aligned to this is the need to maintain an excellent quality of life, for which the region is already renowned.

To achieve this vision, and ensure sustainable growth and prosperity for the region, Aberdeen City and Shire’s public and private sector organisations need to work in partnership to deliver on ACSEF’s 7 strategic priorities (below) in the four key industry sectors of energy, life sciences, tourism and food and drink.

1. Deliver a fully integrated transport network
2. Maximise our intellectual capital – people and expertise
3. Anchor the offshore energy supply chain
4. Deliver city centre redevelopment
5. Attract, develop and retain skilled people
6. Maximise the efficiency of planning decision-making
7. Location of choice for company headquarters

This report outlines how the Council’s International Trade and Investment team will contribute to the delivery of these priorities, particularly items 2, 3, 5 and 7.

The team helps to create the conditions for sustainable economic growth in the City by providing strategic support to City businesses to enhance their internationalisation (eg increase export of products and services).

The team does this by working effectively in partnership with key local, national and international partners to enhance the City’s strategic profile and position as a global energy capital, and as an even better place in which to live, work, invest, visit and grow up.

In practical terms, this means supporting trade missions, hosting inward business delegations, facilitating contacts between local and international companies, holding business seminars, attending key industry conferences and exhibitions and providing market intelligence – including by leading in developing new international cooperation links in specifically identified niche markets in which Aberdeen City Council is particularly well placed as a facilitator compared to other trade support organisations.

In many of these activities, the team works in partnership with Scottish Development International, UK Trade and Investment and other local and national organisations to ensure the focus of the work is demand-led and there is a coordinated approach to

international trade activity. The team seeks to leverage the combined benefit of partner activities to maintain profile and will support partners' activities at select events where the team is not represented in person.

Sector prioritisation

It is proposed that the City Council's International Trade and Investment team should continue its primary focus on the energy industry for the following reasons:

- The energy industry, both oil and gas and renewables, remains the key driver for the regional economy
- The energy industry is where the team can add most value for SMEs through supporting trade missions, hosting inward delegations, holding seminars, etc
- There is significant industry-led demand for support to increase internationalisation and support further exports
- Support for high-value jobs in the city
- Future potential of subsectors such as subsea, decommissioning, unconventional oil and gas, cross-over activities between oil and gas and renewable energy (offshore wind supply chain), etc
- Activity complements national support from SDI and UKTI
- Existing knowledge, expertise and experience within the team is focused on the energy industry
- Other sectors benefit from existing support (eg support for life sciences from SDI; support for tourism from the Council's City Promotions Team and Visit Aberdeen; support for food and drink from Aberdeenshire Council)

Assuming a primary focus on the energy industry, the team must then narrow its focus further to certain key geographic target markets, in order to direct its limited staffing and budget resources towards optimal outcomes for local companies.

The priorities below are determined by taking into account the following:

- Industry opinion, for example, through the biennial International Trade Survey and ad-hoc questionnaires, feedback mechanisms
- Current knowledge, experience and expertise within the team
- Forecasting of future market developments
- Views of Council officers and Elected Members
- Views of local and national partner organisations via the North East Scotland Trade Group
- Opportunity for best return on investment (eg of staff time, project budget)
- Cities/regions where good working relationships are already in place
- Accessibility of the market (eg regulations, business culture, language etc)
- Ease or otherwise of market entry (ie how much help companies need to enter the market)

Summary of target markets, priority levels and type of activity

In order to focus activity where it can deliver most benefit to local companies, it is necessary to prioritise certain markets, and to determine the type and amount of activity to be undertaken in that market.

This prioritisation is based on two main principles:

1) A target-market focus: concentrating resources on countries/regions identified as key targets by companies through the international trade survey and the team's ongoing engagement with the business community

2) A principle of additionality: regions/markets where Aberdeen City Council can deliver more compared to other partner organisations using inter-governmental ties or specific expertise: while focusing on a selected number of target markets (countries/regions) identified through the priorities expressed by Aberdeen's SMEs, it is also the remit of the team and the broader business development services in the EP&I Service to take a longer-term, strategic role by exploring new niche markets within these broader countries/regions. These are markets to which private companies and trade organisations cannot immediately dedicate resources, as is the case for instance for early involvement in significant emerging markets such as Mozambique.

This additionality principle may also apply to specific emergent technology markets (such as hydrogen and renewable energy in general) within priority markets/countries.

The type of activity undertaken is based on the outcomes of the 2012-13 International Trade Survey, the nature of each market, the level of industry interest/demand, resource capacity (both budget and staffing), and ability to maximise output through working in partnership in order to ensure the Council obtains maximum value for every pound it spends.

In general, the type of activity will include:

- Attending industry conferences and exhibitions
- Where appropriate, leading or accompanying trade missions to target markets
- Where appropriate carrying out targeted fact-finding and 'pump-priming' visits to initiate strategic inter-governmental/business links
- Hosting (both through proactively attracting and responding to requests from partners) key inward business delegations from main target markets
- Hosting business seminars for local companies
- Making better use of existing networks such as WECP, MOU etc

Activity in Tier One – the top priority markets – will include proactive outward and inward business support, for example trade missions, exhibitions, conferences, inward visits, local seminars, sponsored events, exploration visits to develop new opportunities etc.

Activity in Tier Two – medium priority markets – will include continued business support with some outward but mainly local or inward events, such as seminars and leading in receiving inward delegations in coordination with trade support partners.

Activity in Tier Three – low priority markets – will include occasional business support mainly focused on local or inward events, such as seminars and assisting partner organisations with receiving inward delegations.

However, given the speed with which markets and the oil and gas industry change and develop, this framework is intended as a guide only. The team will endeavour to maintain enough operational and financial flexibility to enable it to respond to any unexpected opportunities that may arise which have the potential to provide an immediate return for Aberdeen companies. However, given the substantial staff time already committed to the proposed priority activities, responding to such opportunities might require external support either from other teams in EP&I or hiring external consultants, budget permitting.

The findings of the 2012-13 International Trade Survey helped to inform the activities and priorities for the year ahead. An effort has been made to include AREG member companies in the sample for the results to represent a cross-section of the different energy sub-sectors. The results show a high degree of consistency in terms of the top priority markets remaining the same or similar. The following markets are deemed the most appropriate for prioritisation.

Tier One (top priority)

Brazil
Canada
Norway
US (Gulf of Mexico)

Tier Two (medium priority)

Australia
Mozambique
South Korea
World Energy Cities Partnership fellow member cities

Tier Three (low priority)

Iraq
Japan
Europe (as a single market for the offshore wind and hydrogen supply chains)

Note on limitation of resources:

Delivering on non-priority markets may require to draw resources, in particular officer-time, from other teams within the Directorate, especially when such additional commitments are more oriented towards the promotion of the City of Aberdeen (ie inward delegations on a study-visit of the 'Aberdeen model'), as opposed to a clear international trade development focus.

Additional Priorities

North East Scotland Trade Group

One of the strategies to maximise the team's limited resources is through partnership development and joint working. This was the motive for creating the Export North-East Partnership which was formerly constituted as Business Gateway International and was resourced by two Scottish Enterprise staff. Following restructuring at Scottish Enterprise, the group ceased. It was reconvened in 2012 as the North East of Scotland Trade Group and re-launched at ONS 2012 in Stavanger and comprises the following partners:

Aberdeen City Council, Aberdeenshire Council, UK Trade and Investment, Scottish Development International (SDI/Scottish Enterprise), Aberdeen and Grampian Chamber of Commerce, Scottish Council for Development and Industry (SCDI) and Subsea UK.

It is currently chaired by Aberdeen City Council, with the International Trade and Investment team in charge of ongoing administration/coordination of the group. The group shares international trade plans to avoid duplication and address any gaps in service provision and has developed a shared events calendar for ease of use by the business community.

The partners' activities are coordinated through quarterly meetings, and one central shared objective is to develop a coordinated programme of work to carry out joint-surveys. This is with the aim to avoid duplication of work and to minimise survey-fatigue among local businesses.

2014-15 Aberdeen City and Shire International Trade Survey/North-East of Scotland joint survey

The biennial International Trade Survey has been a vital ingredient in determining how to tailor international trade services according to company demand. The international trade team is developing a concrete work programme with North-East of Scotland Trade Group to carry out the next international trade survey on a joint basis. This exercise is likely to be broken down into smaller annual surveys to better comprehend market developments.

World Energy Cities Partnership (WECP)

Aberdeen City Council is a founding member of the World Energy Cities Partnership – a 19-strong network of global energy cities that encourages the exchange of energy industry knowledge and economic and infrastructure development strategies.

Representatives of the City Council attend two WECP meetings per year: the Annual General Meeting each October, and a working meeting during the Offshore Technology Conference in Houston each May.

The focus of activity in 2014/2015 will be on maximising business development opportunities, addressing infrastructure investment challenges and tackling skills shortages.

Renewable Energy

An emerging component of the team's work is its support for the renewable energy sector. Given the City Council's hydrogen economy projects, the team aims to support the city's hydrogen strategy in terms of business internationalisation, through business intelligence and learning from the supply chain development experience among early-adopter markets (Germany, Japan, Canada, USA).

The team has been coordinating with Aberdeen Renewable Energy Group (AREG) to identify common international priority markets for which joint activities (business seminars, inward delegations, possibly trade missions) – these include Canada, South-Korea and possibly Brazil and/or Japan.

All Energy 2014

The team, in partnership with AREG and the hydrogen projects and City Promotion teams within the City Council, will support the All Energy exhibition ensuring the presence of international delegations from the priority markets and holding shared business seminars before or during the event itself.

Memoranda of Understanding (MOU)

Aberdeen City Council has seven Memoranda of Understanding, established between the mid 1990s and most recently in 2006:

- Nova Scotia, Canada (jointly with Aberdeenshire Council and Moray Council)
- City of Halifax (signed in September 2013 renewing and extending the Nova Scotia MOU on a direct city-to-city basis)
- Newfoundland and Labrador (jointly with Aberdeenshire Council and Moray Council);
- Torshavn, Faroe Islands;
- State of Rio de Janeiro, Brazil;
- Western Kazakhstan (Atyrau);
- Villahermosa and the State of Tabasco, Mexico.

A report on these MOU was submitted to EP&I Committee on 31 January 2012 and work continues in order to ensure best value from these agreements.

A separate report is being submitted to this same Committee regarding the proposal of a new theme-focused and time-limited MOU with the city of Mokpo, South-Korea.

6. IMPACT

Corporate: The contents of the report relate directly to delivering the economic development aspects of the Single Outcome Agreement:

National Outcome 1 – We live in a Scotland that is the most attractive place for doing business in Europe

National Outcome 2 - We realise our full economic potential with more and better employment opportunities for our people

Local Outcome – Anchor the Oil and Gas Industry

Local Outcome – Diversification of the Economy

The contents of the report also relate directly to delivering the economic development aspects of the Administration’s Smarter Aberdeen vision.

An Equality and Human Rights Impact Assessment is not required for this report.

7. BACKGROUND PAPERS

Scottish Government Economic Strategy

Scottish Government International Framework

The Economic Action Plan 2013-2018 for Aberdeen City and Shire – ACSEF

Aberdeen City Council Single Outcome Agreement

Scotland’s Oil and Gas Strategy 2012-2020

UK Oil and Gas Industrial Strategy 2120-2020

8. REPORT AUTHOR DETAILS

Nicolas Ellison

Senior Executive, International Trade and Investment

Enterprise, Planning and Infrastructure

Tel 01224 523109

Email nellison@aberdeencity.gov.uk

DRAFT INTERNATIONAL TRADE PLAN 2014 – 2015

MARKET	TRADE EVENT	TIME AND PLACE	JUSTIFICATION	OFFICER INVOLVE- MENT* all on a whom failing basis	COMPANY INVOLVE- MENT	MEMBER INVOLVE- MENT* all on a whom failing basis	BUDGET* *Estimates pending 2014/2015 allocations
Tier One – Top Priority Markets							
Norway	ONS Exhibition & Conference	25-28 August 2014	Norway is the top market for current exporters, and 2 nd most important target market.	Two Officers from the International Trade Team and three from the City Promotions Team to support the delivery of a large exhibition stand and festival pavilion at ONS2014. A separate report on the ONS Festival is submitted to this Committee.	Yes	Lord Provost	£2,000 per person
Norway/ Arctic Europe		Mission to Arctic Norway & Murmansk, Russia	Arctic Europe, including Northern Norway and Murmansk, Russia	Up to Two Officers	No	Council Leader	£2,000 per person

		TBC	is growing frontier region for O&G exploration and production. The fact find visit is to prepare an ACC-lead trade mission in spring 2015.				
USA	Offshore Technology Conference (OTC) SDI Trade Mission	Houston, USA May 2014	OTC is the biggest global oil industry show. Also includes WECP meetings.	Up to two Officers, if required to support a larger delegation of Members	Yes – but not directly with ACC	Lord Provost (WECP working meetings)	Approximately £3,500 per person
USA	Louisiana Gulf Coast Oil Exposition SDI Trade Mission	Lafayette, Louisiana October 2014	USA is the 3rd top current market for exporters.	One Officer	Yes – but not directly with ACC	Depute Provost	£2,000 per person Elected member's expenses to be covered by Depute Provost's dedicated budget
Brazil	ACC-led Trade Mission to Rio Grande do Sul	Rio de Janeiro, and Rio Grande do Sul, Brazil Dates TBC: Possibly in conjunction with Rio Oil and Gas show, 15-18 Sept.	Brazil is a top priority market due to scale of opportunity. Rio State and city are MOU partner; WECP member city. Rio Grande do Sul presents technological challenges of particular interest for Aberdeen's deep-sea expertise	Up to two Officers if larger delegation requires so	Yes – numbers TBC	No	£2,000 per person
Canada	SDI Trade Mission and ACC-lead mission to Halifax	St John's and Halifax, Canada	Canada is a top priority market, Atlantic Canada	EPI Director (on whom failing basis)	Yes – numbers TBC	Lord Provost to reciprocate	Approximately £2,000 per person

	added-on	NOIA conference 17-19 June	offers opportunities in particular for Aberdeen's offshore technology expertise. New Halifax MOU also to open opportunities in renewable energies.	and up to two officers (to attend exhibition stand and cover trade mission organisation)		2013 visit by Mayor of Halifax	
Partnerships (WECP)	WECP AGM	Stavanger, Norway 21 August 2014	WECP Annual General Meeting; development of WECP network; outward trade mission.	Up to two Officers	Not required	Lord Provost	Approximately £1,500 per person
Tier Two Priority Markets							
Mozambique	Trade Mission (preceded by strategic partnership development visit in March 2014)	Maputo, Mozambique TBC/June-July		Up to two Officers	No	Depute Provost	Approximately £2,000 per person Elected member's expenses to be covered by Depute Provost's dedicated budget
South-Korea	Strategic Partnership Mission and World Energy /Hydrogen Conference In Gwangju	Gwangju and Mokpo, June 15-20 2014		One Officer from ITI team; one Officer from External Funding/ Hydrogen Projects		Lord Provost	£2000 per person; External Funding/Hydrogen projects to cover their costs.
Tier Three Priority Markets							
Iraq	Strategic partnership exploration visit; Basra O&G show	Basra, Iraq TBC/December 2014 Note: this is a FCO/UKTI request		One Officer (EPI Director)		Council Leader	Note: this is a Foreign and Commonwealth Office/UKTI request, subject to security situation and

							external funding from UKTI. Cost not to be supported by ITI budget.
Other Renewable Energy Markets and strategic relationships							
Germany	Hannover Technology Messe	Hannover, April 2014	Germany is a strategic market for hydrogen development and renewable energies	One Officer		No	Covered by the External Funding team budget
Partnerships (WECP, MOUs, etc) and other Frontier regions/markets	Up to two visits to assess strategic relationships/prepare market entry	TBC	Fact-finding/strategic development missions might be required where arising opportunities have been identified by the team or following instructions from director/Elected Members	One Officer		No	£2000 per mission
Inward visits and local events							
Inward visits to Aberdeen from various markets	Inward Visits 2012/13	Aberdeen Various dates TBC/on request eg	Inward visits from overseas delegations anticipated from key target markets during 2014/15, especially for: <input type="checkbox"/> All Energy, Nagasaki, Halifax delegations <input type="checkbox"/> Subsea UK Conference 2015	To be determined as required.	Yes	Yes – for civic receptions, civic welcomes etc	£500 per event – budget set for an estimated minimum of eight events/delegations

			<input type="checkbox"/> Unconventional Gas Aberdeen 2015. Number of requests for assistance with visits likely to be high – budget set for an estimate of eight events/delegations				
Local seminars and workshops in Aberdeen on various markets	At least three local seminars and workshops	Aberdeen Various dates TBC	Program of local seminars and workshops to focus on key target markets, with priority on the ones ACC will lead a trade mission to: Brazil, Canada, Norway, Mozambique	To be determined as required	Yes	No	£250 minimum per event
Other expenditure	North East of Scotland Trade Group (NESTG)	Aberdeen	Funding of NESTG activities (Aberdeen chairing the group) including contribution to joint 2014 export survey work				£5,000
Other expenditure	World Energy Cities Partnership membership		To maintain and strengthen Aberdeen's position as a global energy hub				£5,000