

ABERDEEN CITY COUNCIL

COMMITTEE	Communities Housing and Infrastructure
DATE	13 January 2015
DIRECTOR	Pete Leonard
TITLE OF REPORT	International Trade and Investment Plan 2015/2016
REPORT NUMBER:	CHI/14/071

1. PURPOSE OF REPORT

The report seeks approval for the Council's planned international trade development and inward investment activities for 2015/2016, and in particular the attendance of officers and Elected Members at key overseas trade events, in order to help deliver the economic development priorities of the Smarter Aberdeen vision.

2. RECOMMENDATION(S)

It is recommended that Committee:

- a) Approve the report and the activities described herein, subject to the 2015/2016 budget-setting process.
- b) Approve the relevant travel by officers and Elected Members for the activities as described in Appendix One.
- c) Receive a bulletin report on each international event undertaken in the plan.
- d) Note the process for approving overseas travel in Appendix Two, including, where required, a fast-track process to enable officers to respond to short-notice opportunities that are deemed high-value, but still ensuring the same high level of senior management scrutiny.
- e) Approve proposed criteria on page 7 for the International Trade and Investment team to assess the level of resources to dedicate to inward delegation requests, including the option to refer activities, by agreement, to other teams, services and/or external partner organisations, where the activity insufficiently matches the International Trade and Investment priorities described in this report, but is deemed a priority for the Council or City overall.

3. FINANCIAL IMPLICATIONS

The delivery of the International Trade and Investment Plan 2015/2016 is dependent upon a 2015/2016 international trade budget allocation within the Economic and Business Development budget, covering staffing costs and operational programmes.

This will be determined in February 2015 as part of the Council's corporate budget setting process.

If there is a significant change from 2014/2015 to 2015/2016 in the operational or staffing budgets for international trade activity, a revised report will be brought forward to the next Committee in March 2015. In 2014/2015, the allocated operational budget was £70,000, and Appendix One sets out how a similar level of budget would be allocated to priority activities in 2015/2016.

Members' attention is drawn to the fact that the International Trade and Investment team is increasingly requested to deliver a number of unplanned events and host inward delegations (24 inward visits in 2014) 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 or maintain the desirable level of contact with businesses to gather market intelligence and tailor service delivery to demand. The current full staffing of the International Trade and Investment team and the existing operational budget will cover the delivery of the activities included in the 2015/2016 Plan, however any additional commitments may result in a request for additional resources.

It is anticipated that activity related to the International Trade and Investment Plan will be extended by the dedicated Director role filled by the former Director of Enterprise Planning and Infrastructure and the international ambassadorial role of the Depute Provost who has a dedicated budget of £25,000 for international trade and civic development which will impact on the resources available to the team to maintain the approved programme.

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 and enhanced 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”.

- Aberdeen-based companies are increasingly exposed to competition from international suppliers all looking to service the global oil and gas supply chain from locations around the world, some of which have a lower cost base than the North Sea. Targeted export market entry support makes a key contribution to sustaining the competitive edge of Aberdeen companies.
- 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 and two full-time International Trade Executives (one of which is specifically focused on Energy). The successful delivery of the Plan is dependent on a fully-staffed team.

In addition, the City Promotions team leads on exhibition delivery such as Offshore Europe, the Offshore Technology Conference and Offshore Northern Seas, where the schedule of trade development activity is focused around the aforementioned key international conferences and exhibitions.

INWARD VISITS WITH A NON-TRADE FOCUS (EG DIPLOMATIC/CIVIC)

Delivering activities relating to non-priority markets may require the team to call upon resources, in particular officer-time, from other teams and services, especially when such additional commitments are more orientated towards the promotion of the City of Aberdeen (i.e. inward delegations on a study-visit of the ‘Aberdeen model’), civic diplomacy such as Ambassadorial visits, or European policy and programmes, as opposed to a clear international trade and investment focus.

For example, a recent visit by the American Ambassador to the UK was greatly enhanced by input from officers from the Civic Affairs team who arranged for the Ambassador to see the Freedom Lands document and, while signing the visitors’ book, he was shown the entry from the visit of Joseph P Kennedy Snr to the Town House when he was US Ambassador to the UK in 1938.

The team is developing its joint work with the Civic Office, Aberdeen Renewable Energy Group and the European policy and projects team to ensure the most appropriate use of staff time and resources for business, Government or diplomatic visits to the city.

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 continue to anchor the energy industry here, to attract innovative, high-value, high-growth companies, and workforce talent.

The International Trade and Investment team helps to create the conditions for sustainable economic growth in the City by providing strategic support to City businesses to enhance their internationalisation (e.g. 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 leading in the creation of 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.

To maximise benefit to the business community, the team frequently works in partnership with Scottish Development International, UK Trade and Investment and other local and national organisations via the North East Scotland Trade Group to ensure there is a coordinated approach to international trade activity planning, avoiding duplication and addressing gaps in service provision.

North East Scotland Trade Group (NESTG)

Launched at ONS 2012 in Stavanger, NESTG comprises the following partners:

Aberdeen City Council, Aberdeenshire Council, UK Trade and Investment, Scottish Development International, Aberdeen and Grampian Chamber of Commerce, Scottish Council for Development and Industry and Subsea UK.

The Group has developed a shared events calendar for ease of use by the business community and plans to share export survey data to ensure all stakeholders understand company demands and plans.

World Energy Cities Partnership (WECP)

Aberdeen City Council is a founding member of the World Energy Cities Partnership – a 21-strong network of global energy cities that encourages the exchange of energy industry knowledge and economic and infrastructure development strategies and good practice. The network is a powerful example of how city-to-city connections can “open doors” and facilitates direct business-to-business links and market entry.

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 2015/2016 will be on maximising business development opportunities, addressing infrastructure investment challenges and tackling skills shortages.

Memoranda of Understanding (MOU)

Aberdeen City Council has seven Memoranda of Understanding, established between the mid 1990s and most recently in 2006, and reviewed in 2012:

- 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) – Note: Annual review is due.
- 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.

On 21 January 2014, Committee approved a report proposing a new, tightly-focused and time-limited MOU with the city of Mokpo, South-Korea, with cross-institutional links to encourage the involvement of the wider Aberdeen community.

In March 2015, it is anticipated that a new 3-year MOU may be signed with Pemba, Mozambique and this will be the subject of a separate report to Committee.

Sector, Market and Activity Prioritisation

In order to deliver most benefit to local companies, it is necessary to prioritise certain sectors and markets, and to determine the type and amount of activity to be undertaken.

This prioritisation is based on three main principles:

1) A demand-led, target market focus: concentrating resources on key target markets and activities identified as “**most needed**” by companies

2) Additionality: focusing on markets where Aberdeen City Council can deliver significantly **more** compared to other partner organisations, using inter-governmental links or specific expertise. As well as responding to company demand, the team also identifies and promotes new and emerging opportunities, which require a longer-term, strategic role in exploring new niche markets, such as Mozambique.

3) Diversification: working with Aberdeen Renewable Energy Group and the hydrogen team to identify and support opportunities for supply chain development and diversification from oil and gas into renewable energies and beyond, and helping Aberdeen’s SMEs to access these opportunities in priority international markets.

Sector

It is proposed that the City Council's International Trade and Investment team should continue its primary focus on the energy industry (all energies) 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 (e.g. 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)

Market

Market prioritisation is considered very carefully to ensure staffing resources are targeted where they can deliver most value and benefit to local companies.

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

- Demand led intelligence from local companies, for example, through the International Trade Surveys (now carried out jointly with North East of Scotland Trade Group partners) and ad-hoc questionnaires, feedback mechanisms
- Current knowledge, experience and expertise within the team
- Forecasting of future market developments
- Views of Council officers, Elected Members, AREG and NESTG
- Opportunity for best return on investment
- Cities/regions where good working relationships are already in place
- Opportunities for cross-over between the oil and gas and renewable energy supply chains
- Accessibility of the market (e.g. regulations, business culture, language etc)
- Ease or otherwise of market entry (i.e. how much help companies need to enter the market)

Activity

In general, the type of activity will include:

- Focusing on harnessing the power of existing strategic partnerships such as WECP, Memoranda of Understanding (MOU) etc

- 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

Table 1 below highlights the priority markets and how they have been categorised.

Group 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.

Group Two – **medium** priority markets – will include continued business support with some outward but mainly local or inward events, such as seminars and receiving inward delegations.

Group 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 or significant 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, services or partner organisations, as described in section 4 on Staffing.

Criteria for determining the level of resources dedicated to inward delegations will include the following:

- Target market
- Target sector
- Trade-relevant
- Inward investment-relevant
- Strategic/future development interest
- Wider diplomatic/civic interest to the Council or City

Table 1 Priority Markets

Group One (top)	Trade	Investment	Development
Brazil	Y		
Canada	Y		

Norway	Y		
USA	Y	Y	
Group Two (medium)			
Japan	Y	Y	
Mexico	Y		
Mozambique			Y
South Korea		Y	
WECP cities	Y	Y	Y
Group Three (low)			
China		Y	
Europe	Y	Y	
MOUs if not in above markets (Kazakhstan, Faroes)	Y		

6. IMPACT

In 2014, the team:

- Hosted 24 inward business or Government delegations from 10 countries, (including 4 visits from the USA and 3 each from Brazil and Mozambique);
- Programmed, participated in or led 7 outward trade missions to 5 countries (US, Brazil, Norway, Canada, Mozambique);

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

The Economic Action Plan 2013-2018 for Aberdeen City and Shire – ACSEF
Smarter Aberdeen
Strategic Infrastructure Plan
Aberdeen City Council Single Outcome Agreement

8. REPORT AUTHOR DETAILS

Nicolas Ellison
Senior Executive, International Trade and Investment
Email nellison@aberdeencity.gov.uk

Elaine Robertson
Business Growth Manager
Tel 01224 522940
Email elrobertson@aberdeencity.gov.uk

Appendix 1

INTERNATIONAL TRADE AND INVESTMENT PLAN 2015– 2016

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 2015/2016 allocations
Group One – Top Priority Markets							
Norway/ Arctic Europe	Trade Mission	Arctic Norway, End of May 2015	Arctic Europe, including Northern Norway and Murmansk, Russia is a growing frontier region for O&G exploration and production. This trade mission has been prepared by a fact-finding visit in November 2014.	Up to two officers	Yes– numbers TBC	No	£2,500 per person
USA	Offshore Technology Conference (OTC); WECP working meeting; Inward Investment; SDI Trade Mission.	Houston, USA 4-7 May 2015	OTC is the largest global oil industry show. Also includes WECP meetings.	Up to three officers	Yes – but not directly with ACC	Lord Provost (WECP working meetings)	Approximately £3,500 per person
USA	LAGCOE (Louisiana and Gulf Coast Oil Exhibition) SDI Trade Mission	Louisiana, October 2015	Louisiana is a key operational hub for the US Gulf of Mexico and LAGCOE is the foremost state	Up to two officers	Yes – but not directly with ACC	Depute Provost	Approximately £2000 per person – all from Depute Provost budget

			exhibition.				
Brazil	ACC-led Trade Mission to Rio Grande do Sul and WECP AGM	Rio de Janeiro, and Rio Grande do Sul, Brazil October 2015 in conjunction with OTC Brazil	Brazil is a top priority market due to scale of opportunity. Rio State is MOU partner; Rio City WECP member city. Rio Grande do Sul presents technological challenges of particular interest for Aberdeen's subsea expertise	Up to three officers if larger delegation requires so	Yes – numbers TBC	Lord Provost (WECP general assembly)	£2,500 per person
Canada (Atlantic Canada)	Co-lead trade mission with SDI or UKTI and MOU follow up work.	St John's and Halifax, Canada Date TBC	Canada is a top priority market; Atlantic Canada offers opportunities in particular for Aberdeen's offshore technology expertise. New Halifax MOU also to open opportunities in renewable energies.	Up to two officers	Yes – numbers TBC	Depute Provost	Approximately £2,000 per person
Group Two Priority Markets							
Mozambique	Trade and Infrastructure mission (building on trade mission in March 2015)	Pemba, Maputo Date TBC	Builds on significant existing work to lay the foundations for UK company market entry	Up to three officers,	No	Depute Provost	Approximately £2,000 per person
Japan	Inward Investment	Details to be	Depends on	Up to two	TBC	No	£2,500 per person

	visit Possibly participation in SDI Renewable Energy Mission	confirmed depending on Aberdeen Japan Strategy recommendations	Aberdeen Japan Strategy recommendations	officers			
South-Korea	Strategic Partnership Mission /Inward Investment Attraction	To be confirmed with Aberdeen's universities to work on agreed partnerships	Major inward investment and renewable energy potential	Up to two officers	TBC	Lord Provost if MOU to be formalised Depute Provost if not formalised	£2000 per person; External Funding/Hydrogen projects to cover their costs.
Mexico	Market entry preparation work as follow up of Senior International Trade Executive secondment to UKTI-Mexico, in conjunction with OTC attendance May 2015	Possibly in conjunction with Santander trade mission	Mexico is a rising market following its Energy Reform opening the market to foreign investment. Current MOU with Villahermosa and State of Tabasco to be evaluated for possible renewal.	Up to two officers	TBC	Depute Provost	£1000 per person
Other Renewable Energy Markets and strategic relationships							
One European market learning journey on renewable energy or hydrogen and fuel cells	TBC	TBC	Strategic market for hydrogen development and renewable energies	One officer	TBC	No	£1000
Kazakhstan and Kara may, China	MOU and WECP development work	July 2015	Existing MOU with Atyrau/Kazakhstan and new WECP	One officer	No	Yes, Depute Provost	£2000 per person, Covered by Depute-Provost budget

			membership of Karamy/China				
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	Two officers	TBC	No	£2000 per mission
Inward visits and local events							
Inward visits to Aberdeen from various markets	Inward Visits 2015/16	Aberdeen Various dates TBC/on request	<p>Inward visits from overseas delegations anticipated from key target markets during 2015/16, especially for:</p> <ul style="list-style-type: none"> • Subsea UK Conference 2015 • Energy, Past, Present, Future conference • Offshore Europe 2015 <p>Number of requests for assistance with visits likely to be high – budget set for an estimate of 12</p>	To be determined as required.	Yes	Yes – for civic receptions, civic welcomes etc	<p>£500 per event – budget set for an estimated minimum of 12 events/delegations</p> <p>£6,000 total</p>

			events/delegations				
Local seminars and workshops in Aberdeen on various markets	At least 6 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, USA	To be determined as required	Yes	No	£300 minimum per event £1,800 total
Other expenditure	World Energy Cities Partnership membership fee		To maintain and strengthen Aberdeen's position as a global energy hub				£5,000

Total Allocation for International Trade and Investment Operational Budget: £69,800 (out of an anticipated £70,000 budget)

Total Allocation from Depute Provost's Budget: £10,000