

ABERDEEN CITY COUNCIL

COMMITTEE	Communities Housing and Infrastructure
DATE	25 August 2016
DIRECTOR	Pete Leonard
TITLE OF REPORT	International Trade Initiatives
REPORT NUMBER	CHI/16/119
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

Further to the 2016/2017 International Trade Plan approved at Communities, Housing and Infrastructure Committee in January 2016, additional markets and overseas visits have been prioritised to further develop our internationalisation. This report therefore seeks approval for the Depute Provost's and accompanying officer's overseas travel and associated accommodation and subsistence, as detailed in the report, to support the internationalisation objectives as prioritised in the Regional Economic Strategy.

2. RECOMMENDATION(S)

It is recommended that Committee:

1. Approve the following activities (as described in the report and summarised in Appendix One) and the relevant costs of travel, accommodation and subsistence by the Depute Provost and one officer to the following destinations:-

1a. USA (Houston, Baton Rouge, Atlanta) October 2016

1b. Singapore to coincide with Subsea Asia and OSEA 27 November–3 December 2016 in Singapore.

2. Instruct officers from the Economic and Development Service to report back to the Committee on each activity referred to in 1a – 1b above as part of the Elected Members Overseas Travel Bulletin submitted to Council.

3. FINANCIAL IMPLICATIONS

The approved 2016/2017 Common Good Fund contains a budget line for a Business Investment Fund of £15,000 and all travel and associated project

costs for the Depute Provost will be met from this budget. All officer costs to be met from the Economic Development budget.

There are no State Aid implications.

4. OTHER IMPLICATIONS

Staffing: The Council's Economic Development Service will provide the staffing resource required through the International Trade and Investment team that is comprised of three FTE staff.

The 2016/2017 International Trade and Investment Plan approved at Committee in January 2016 states the international trade priorities by sector (energy); and by market (US, Canada, Norway, Mozambique, Mexico, Japan and the World Energy Cities Partnership) and the capacity of officers to support trade development activities in these areas. The successful implementation of the Plan depends on a fully-staffed team.

This report covers additional commitments over and above the approved Plan and therefore presents staff resourcing and reprioritisation issues that the Economic Development service will have to accommodate.

5. BACKGROUND/MAIN ISSUES

The Scottish Government Economic Strategy lists internationalisation as one of its 4 key pillars and the 2014 Wilson Review of Support for Scottish Exporting calls for further coordinated support for more Scottish businesses to export more products to more markets.

The Regional Economic Strategy also has internationalisation as one of its 4 key themes, underlining the importance of exporting to the success of the Aberdeen economy.

The Council's International Trade and Investment team helps to create the conditions for sustainable economic growth in the City by providing tailored support to City businesses to enhance their internationalisation (ie increase their export of products and services).

Officers support trade missions, host inward business delegations (over 30 in 2015), facilitate contacts between local and international companies, hold business seminars, attend key industry conferences and exhibitions and provide 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.

The approved 2016/2017 International Trade and Investment Plan already includes visits by the Depute Provost to Atlantic Canada, Mozambique and Mexico. The additional commitments now proposed are as follows:

1. USA (Houston, Baton Rouge, Atlanta) October 2016

2. Singapore to coincide with Subsea Asia and OSEA 27 November –3 December 2016

The next section sets out the case for each visit.

1. USA (Houston, Baton Rouge, Atlanta) October 2016

HOUSTON

The state of Texas has the second largest concentration of Fortune 500 companies in the US after New York with 54 companies. The key industry in Texas is Oil and the state oversees all parts of the production process being home to mining and crude oil companies, equipment companies, pipeline companies and petroleum companies [[Fortune](#)]. The activities for this industry are focused in Houston, the U.S. energy headquarters and a world centre for virtually every segment of the oil and gas industry including exploration, production, transmission, marketing, supply and technology.

LOUISIANA

More than 80% of the waterborne US oil rigs are located in Louisiana and according to the Energy Information Administration the state is ranked number two in both crude oil and natural gas production in the US (when including offshore production). The state has also been ranked within the top ten states for business climate and trade links with Great Britain are strong with more than 90 UK companies investing over \$1.4 billion in Louisiana, employing 2,200 (ranks no.4) across 423 facilities (ranks no.1). UK companies are particularly well represented in the energy industry an example being Hunting Energy Services who in March 2015 announced the company is completing a \$62 million industrial expansion of its facilities in Louisiana. The investment comes on top of Hunting's \$19.6 million investment in 2013. [[Louisiana Economic Quarterly](#)]

Baton Rouge is about an hour's drive East of Lafayette where the Council's activity has been focused to date, and has a diverse economy which includes the energy sector and has received foreign direct investment from the UK from Shell and BP [[Baton Rouge Area Chamber](#)]. There are a number of upcoming projects in the pipeline to improve infrastructure including a pipeline-to-rail project ([Florida Fuels](#)) and a Port Allen rail terminal ([Genesis Energy](#)) which will improve logistics for a variety of cargo including wood pellets from North Louisiana to be shipped to the UK for use as fuel for power plants.

ATLANTA

Key sectors in the State of Georgia that match with those identified in the north-east's Regional Economic Strategy include: Energy & Environment; Life Sciences; Food Processing; and Tourism. Regarding energy, the renewables sector is a key focus in this state which is ranked third in the US for biofuel potential with this industry expected to generate \$5 billion into Georgia's economy over the next 10 years. Georgia is engaged in extensive research on the use of biofuels, solar power, fuel cells, battery technology and waste to energy and the state ranks first in the nation in the percentage of electric vehicle registrations. Georgia's coastal waters also include large areas with good wind resources in shallow water that have the proximity to land sites for transmission grid access in addition to the strength of accommodating break bulk and overweight wind energy cargo at the Port of Savannah [[Georgia Department of Economic Development](#)].

Partner Activity:

USA (general)

- AGCC- USA Market seminar August 2016

HOUSTON

- Offshore Technology Conference (2-5 May 2016)- Aberdeen City & Shire Councils, SDI and UKTI participated, alongside 40 north-east companies
- UK Trade and Investment and Scottish Development International have offices based in Houston which cover the oil and gas sector in the Southern States including Texas, Louisiana and Georgia
- Scottish Development International may attend Unconventional Resources Conference in October 2016 in San Antonio, Texas, with a small representative Scotland stand at the DUG Eagle Ford conference and exhibition

Current Links:

HOUSTON

- World Energy Cities Partnership- Aberdeen and Houston are both founding members within the network
- Offshore Technology Conference- The Council has attended the world's largest oil and gas exhibition and conference for many years, establishing links and a network of connections
- Aberdeen- Houston Gateway- The Council has participated and hosted inward delegations associated with this since 2013, the most recent in March 2016 which included HM British Consul General, Karen Bell
- UKTI secondment- The Council hosted a secondment from UKTI's oil and gas team in Houston in 2011
- Inward delegations- The Council has hosted a variety of US groups visiting Aberdeen over recent years

LOUISIANA

- LAGCOE- The Council has participated in the two most recent events of this biennial conference, establishing a network of connections particularly with the economic development organisations there.
- Inward delegations- historically have hosted a number of inward delegations particularly between 2008-2010

ATLANTA

In recent years the efforts of Aberdeen City Council in the US market has focused on building strong links with Houston and to a lesser extent with Louisiana as described above. In recent years there has been no focus on establishing links with the city of Atlanta.

Future Opportunities:

Houston Opportunities: Houston is a world renowned energy base with established links with the City of Aberdeen. Opportunities exist to develop further in assisting local companies to export their products, skills, technologies and expertise.

Louisiana Opportunities: With Louisiana representing an important state in the USA for the energy industry and given the links already established around Lafayette, there is opportunity to develop further connections in Baton Rouge to assess demand for the products, services, skills and expertise of Aberdeen companies and make valuable introductions with local companies on both sides.

Atlanta Opportunities: Under the theme of innovation within the Regional Economic Strategy the objective to maximise the potential of hydrogen, energy from waste and other renewables technologies is included in order to develop a medium-long term demand for the transferable skills in the oil and gas sector. Developing links with Atlanta in this area could encourage the creation of opportunities for collaboration in research.

Barriers:

Barriers to trade with the US as identified by UKTI include:

- vast regional differences between the 50 markets/states
- strong competition, causing saturation of products or services
- high customer service expectations
- high cost of living in major cities
- significant time difference (between 5 and 8 hours behind)
- high cost for business insurance
- litigation is common
- expensive and time consuming process for work visas

Particularly in Louisiana, there is a strong emphasis on building relationships so in order to break in to what is quite a close-knit network there is a requirement to invest time spent in market.

Proposed Activity:

Visit by Depute Provost and one officer to Houston, Atlanta and Baton Rouge to strengthen existing relationships, learn about upcoming opportunities for Aberdeen companies, and raise awareness of/promote Aberdeen companies' capabilities.

Cost:

To be determined depending on programme content but likely to be in the order of £3,500 per person, all Member costs to be met from the Business Investment Fund line of the Common Good Fund and all officer costs to be met from the Economic Development budget.

Officer Commitment: One Economic Development officer to plan the visit programme and accompany the Depute Provost. Ideally the officer would have specialist knowledge and experience in renewables with a focus on wind and/or electric vehicles.

2. Singapore to coincide with Subsea Asia and OSEA 27 November –3 December 2016

SINGAPORE

Singapore is Asia's leading oil trading hub, it has extensive oil storage facilities and is looking to increase its refining capacity. The clean energy sector is also increasingly important area for Singapore and opportunities for UK business include:

- smart grids and renewable energy technologies such as photovoltaic (PV)
- deep tunnel sewerage systems
- water desalination projects
- civil works

[\[UKTI\]](#)

One of the world's top three export refining centres Singapore moving forward is actively exploring opportunities in promoting sustainable growth for the energy industry with a focus being to kick-start bio-diesel production and to develop next-generation technological capabilities in harnessing renewables mainly solar (given its location in the global sunbelt) also playing host to key players in wind energy [\[EDB\]](#)

Singapore is thought to be a strong prospective hub location, owing to its transport links, settled economies and stable government. In the 2013/2014 International Survey for Oil & Gas, Singapore was identified in the near time (next 5 years) to be a key country growing Scottish business internationally. In 2013 Singapore ranked second in the world after the US for revenue of market up 19 places since 2012/ 2013. [\(SDI\)](#)

Partner Activity:

- SDI have an office in Singapore

- UKTI have an office in Singapore
- Subsea UK will be hosting Subsea Asia in Singapore 29 Nov-2 Dec 2016
- Both universities are very active in Singapore, with Aberdeen University having visited Singapore March 2016 and RGU aiming to visit twice annually.

Future Opportunities:

Singapore provides opportunities to Aberdeen companies with a focus on Energy companies now and in the future as they have large oil and gas reserves and a desire to develop renewable energy sources.

Barriers:

Barriers to trade with Singapore as identified by UKTI include:

- public procurement process not transparent
- ranked in top third of countries in Corruption Perceptions Index
- a weak competitive environment
- tighter foreign worker restrictions including quotas

Proposed Activity:

Participation by Depute Provost and one officer in the SDI trade mission to Subsea Asia and OSEA 2016 (29 November – 2 December 2016) in Singapore.

Cost: To be advised once more programme details are known, but costs are likely to be in the order of £3,000 per person, all Member costs to be met from the Business Investment Fund line of the Common Good Fund and all officer costs to be met from the Economic Development Budget.

Officer Commitment:

One Economic Development officer to plan the visit programme and accompany the Depute Provost.

6. IMPACT

Corporate - The contents of the report relate to supporting the Regional Economic Strategy for the North East of Scotland and in particular, the internationalisation priorities and anchoring the oil and gas sector and diversifying the economy – within the energy sector itself; and into other key sectors. The contents of the report also relate to delivering some economic development aspects of the Administration's Smarter Aberdeen vision.

Public – Neither an Equality and Human Rights Impact Assessment nor a Privacy Impact Assessment is required for this report. There may be some public/media interest in overseas travel by Elected Members and Officers.

Improving Customer Experience – The Depute Provost's trade ambassadorial role supports the customer (the Aberdeen business community) experience by:

- Paving the way for Aberdeen companies to win new export business by facilitating direct business to business links
- Maintaining and building on the profile of Aberdeen as a global energy capital and world centre of excellence for subsea technology

Improving Staff Experience – Supporting the Depute Provost's trade ambassadorial role provides the staff involved with valuable experience of dealing with a wide range of internal (Elected Members, senior officers) and external (businesses, Government personnel, diplomats etc) customers from a range of countries, cultures and backgrounds.

Improving our use of Resources – By working in partnership with North East Scotland Trade Group partners on the delivery of coordinated trade development activities, the Council is able in some cases to share the workload and take lead or supporting roles where appropriate, without compromising the level of service delivered to the customer – the Aberdeen business community.

7. MANAGEMENT OF RISK

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 international trade development work in general 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 Scottish Government Economic Strategy, which has internationalisation as one of its four pillars, as does the Regional Economic Strategy.
- 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.
- With the current low oil price and general downturn in the global oil and gas sector, the greatest opportunities for growth are to be found in established and emerging export markets, so support to enable businesses to exploit these opportunities is much needed.

8. BACKGROUND PAPERS

- Scottish Government Economic Strategy
- 2014 Wilson Review of Support for Scottish Exporting
- 2016/2017 International Trade and Investment Plan CHI/15/300 approved at Communities Housing and Infrastructure Committee on 20/1/16
- Bulletin reports on the outcomes of each overseas visit undertaken by Elected Members submitted to Council 16/12/15, 29/06/16

9. REPORT AUTHOR DETAILS

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Depute Provost International Trade Overseas Travel Summary – Appendix One

MARKET	TRADE EVENT	TIME AND PLACE	OFFICER INVOLVE- MENT* all on a whom failing basis	COMPANY INVOLVE- MENT	MEMBER INVOLVE- MENT* all on a whom failing basis	BUDGET
USA	N/A. Visit to Houston, Baton Rouge and Atlanta	1. Houston, Texas 2. Baton Rouge, Louisiana 3. Atlanta, Georgia October 2016	One Economic Development officer	No	Depute Provost	Approximately £3,500 per person. Depute Provost costs to be met from Business Investment Fund (Common Good) and Officer costs to be met from the Economic Development budget.
Singapore	SDI Trade Mission to Subsea Asia and OSEA 2016	Singapore 27 November – 3 December 2016	One Economic Development officer	Yes – but not directly with ACC	Depute Provost	Approximately £3,000 per person. Depute Provost costs to be met from Business Investment Fund (Common Good) and Officer costs to be met from the Economic Development budget.

