

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	24 April 2018
REPORT TITLE	Inward investment and trade priorities
REPORT NUMBER	PLA/18/006
DIRECTOR	Steve Whyte
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Matt Lockley
TERMS OF REFERENCE	2.3

1. PURPOSE OF REPORT

- 1.1 To present international trade and inward investment priorities for the year ahead.

2. RECOMMENDATION(S)

That Committee:-

- 2.1 Approve the international trade and inward investment priorities for 2018-19;
- 2.2 Delegate authority to the Chief Officer - City Growth (in consultation with the Co-Leaders and Lord Provost) to authorise only necessary and appropriate travel to markets approved by Council/Committee as international trade and inward investment priorities for 2018 – 2019 as opportunities arise, provided the cost of such travel is reasonable and does not exceed the budget envelope set out in the report;
- 2.3 Instruct the Chief Officer – Customer Experience to update the Travel Policy in line with approved Scheme of Governance
- 2.4 Instruct the Chief Officer - City Growth to submit an annual service update to the City Growth and Resources Committee on international travel outlining the economic benefits achieved;
- 2.5 Approve the submission of the bid for Aberdeen to host the World Energy Cities Partnership Annual General Meeting in 2019;
- 2.6 Note progress with the Invest Aberdeen initiative and current priorities

3. BACKGROUND

INTERNATIONAL TRADE

- 3.1 The North East of Scotland has seen significant growth in exports from the region over the last 5 years. Between 2013 and 2015 (latest available data),

exports increased by just over 20%. In 2015, exports to international markets from the city region stood at £7.375 billion, some 21% of the Scottish total. Over 28% of these exports related to oil and gas with nearly 25% relating to legal, accounting, management and engineering services.

- 3.2 Aberdeen City Council takes an active role in international trade as a result of its global profile and the reach and status of its civic, business and academic networks. This is supported by membership of a number of key European and global partnerships and the leadership shown by the Council in transnational projects such as those related to hydrogen and renewable energy.
- 3.3 Council approved activity related to the World Energy Cities Partnership and Offshore Northern Seas at its meeting on 5th March 2018. This report brings forward further proposals on international trade priorities for 2018-19.
- 3.4 Officers from the City Growth service maintain an active watching brief on UK and wider intelligence to ensure that market opportunities for Aberdeen companies are understood and promoted. This work focuses on those countries where the Council can play an active role in facilitating market access, usually alongside UK and/or Scottish Government agencies. The Council also has five memoranda of understanding (MoU) with cities around the world (Barranquilla, Halifax, Mokpo, Pemba and Villahermosa) that support more direct and structured bilateral activity. Further development of the MoU model is anticipated during 2018-19 and is reflected in the priorities outlined in this report.
- 3.5 In terms of international trade priorities for 2018-19, the following markets have been identified:
 - 3.5.1 Canada

Aberdeen's MoU with Halifax, Nova Scotia was extended for a further year in 2017. An inbound delegation headed by Mayor Savage of Halifax (who is also President of the World Energy Cities Partnership) is being planned for summer 2018. The International Trade team continues to work closely with Scottish Development International (SDI) on opportunities in Canada, particularly on the back of the CETA agreement with the EU which remains open to UK businesses during the Brexit transition.
 - 3.5.2 China

Three Chinese cities are members of the WECF (Daqing, Dongying and Karamay). Aberdeen hosted an inbound delegation from Karamay in 2017 and work continues, with the support of the Foreign and Commonwealth Office in Beijing, on a proposed MoU between Aberdeen and Karamay. A bilateral meeting with Karamay is planned for the WECF Working Group meeting in Houston and this should form the basis of more detailed plans for an MoU between the two cities. Outbound trip likely during 2018-19.
 - 3.5.3 Colombia

An MoU between Aberdeen and the local and regional government in Barranquilla, Colombia was signed in Barranquilla in 2017. Subsequently a

trade delegation from Barranquilla attended Offshore Europe in the city. Aberdeen has supported Barranquilla's application to join the World Energy Cities Partnership, which should be approved at the WECP Working Group meeting in May. The MoU commits each party to alternate year visits to the other city, which would mean an outbound trip to Barranquilla in 2019.

3.5.4 Guyana

Aberdeen hosted a visit by the Guyanese High Commissioner to the UK in February 2018. Leading from this, Aberdeen City Council is exploring the opportunities for local companies in the oil and gas industry in Guyana which could lead to a MoU between the cities of Aberdeen and Georgetown.

3.5.5 Japan

Activity with Japan is largely centred around Kobe and the Council's work on hydrogen. In addition, the Thomas Blake Glover connection remains important and drives significant interest to the city. The Lord Provost visited Kobe in 2017 and another outbound trip is not anticipated until 2019, although inbound delegations are expected.

3.5.6 Kazakhstan

Aberdeen City Council previously had an MoU with Atyrau (a fellow WECP member city) and the western province of Kazakhstan. This MoU has been inactive now for several years. Discussions with the UK Government in early 2018 suggest that Kazakhstan remains an important market (particularly for oil and gas and renewable energy). Many Aberdeen companies are active in the market. Further work with the UK and Kazakhstan authorities may result in a refreshed MoU, with the likelihood that an Aberdeen delegation would visit Atyrau this financial year.

3.5.7 Mozambique

The MoU between Aberdeen and Pemba was signed in February 2018, facilitated by the UK Government Foreign and Commonwealth Office and Department for International Trade. Further detailed work with Pemba is now required to set out some key actions and deliverables. The MoU commits each party to alternate year visits to the other city. A delegation from Pemba should therefore visit Aberdeen in 2019 with a return visit pencilled in for 2020.

3.5.8 Mexico

The Council's MoU with Villahermosa, a WECP partner city, was refreshed in 2017 at a ceremony in Mexico. The MoU commits each party to alternate year visits to the other city, and therefore a delegation from Villahermosa would be expected in Aberdeen in 2018, with a reciprocal visit by Aberdeen City Council in 2019. Locally, the International Trade team has supported the Aberdeen and Grampian Chamber of Commerce with their 'Doing Business with Mexico' events. The team continues to engage with SDI and UK Government (Department for International Trade – DIT) experts and in-country leads for Mexico.

3.5.9 Qatar

Aberdeen hosted a visit by Her Excellency Dr Sheikha Aisha Bint Faleh Al Thani of Qatar in March 2018. Dr Al Thani extended an invitation to the Lord Provost to visit Qatar later in the year. The University of Aberdeen has also invited the Lord Provost to visit Doha and its campus in the city. Doha is a fellow WECP member city and there are distinct opportunities for Aberdeen and its companies to benefit from stronger ties with the city.

3.5.10 South Korea

Aberdeen City Council signed an MoU with Mokpo during the Lord Provost's visit to the city in 2017. The MoU commits each party to alternate year visits to the other city, and a delegation from Mokpo would therefore be expected to visit Aberdeen in 2018 with a reciprocal trip to South Korea in 2019.

3.5.11 United States

Opportunities exist, on the back of previous visits, to form alliances with Lafayette, Louisiana and Oklahoma City. The Lord Provost hosted an exploratory meeting with representatives from Louisiana on the eve of Offshore Europe in 2017. Further discussions with both cities will take place during 2018.

3.5.12 Watching briefs remain in place for Chile, Indonesia, Myanmar and Tanzania and intelligence gathered through partner agencies and directly through contacts in SDI and DIT continues to be reviewed in terms of the team's priority markets.

WORLD ENERGY CITIES PARTNERSHIP – 2019 AGM BID

3.6 As noted in reports to the former CH&I Committee (CHI/17/203 – August 2017) and Council (CHI/18/014 – March 2018), officers from the City Growth service have been exploring the potential for Aberdeen to bid to host the Annual General Meeting of the World Energy Cities Partnership in 2019. The WECP operates a competitive bidding process, with a deadline for bids for the 2019 AGM of 1st June 2018. A decision on the host city will be made at the 2018 AGM meeting in Kuala Lumpur (October 2018). Approval is sought in this report for a bid to be submitted to meet the 1st June deadline, with further details on the proposal (including a fully costed appraisal) to be incorporated into the annual report on the WECP, scheduled for City Growth and Resources Committee in August.

3.7 If successful, Aberdeen would host the WECP AGM to coincide with Offshore Europe at the new arena, thereby maximising the opportunity to raise the city's international profile and support wider trade relationships through the operator, SMG and Offshore Europe organisers, Reed Expo.

INVEST ABERDEEN

3.8 Aberdeen has historically seen high levels of inward investment due to its global status as an energy hub. Foreign Direct Investment (FDI) numbers fell significantly in 2015 as a result of the oil and gas downturn to a low of 9, but subsequently rebounded in 2016 to 18. This equates to 15% of all FDI into

Scotland. Alongside these new investments, there were 620 foreign-owned enterprises with bases in Aberdeen in 2016, supporting 47,000 jobs (26% of total employment) and with a combined turnover in excess of £28 billion.

- 3.9 At its meeting in March 2017, Council approved the inward investment study and plan that had been prepared for the Council by Breeze Strategy. Council also noted that there were no dedicated resources for inward investment at the time and that the reprioritisation of some budgets would be required if the ambitions of the inward investment plan were to be realised.
- 3.10 Subsequent to Council's approval of the approach, work has been ongoing with core partners in the inward investment field - notably Aberdeenshire Council, the Department for International Trade (DIT), Scottish Enterprise (SE) and Scottish Development International (SDI) and the Scottish Cities Alliance to establish a new Invest Aberdeen hub. This work has built on the recommendations in the Breeze study and also enabled the smooth transition of the Energetica programme into the new Invest Aberdeen approach.
- 3.11 This report should be considered as replacing the annual update which was scheduled for Council in May 2018. In terms of progress over the last twelve months, highlights are as follows:
- An operational MoU has been agreed between Aberdeen City Council and Aberdeenshire Council on the implementation of the inward investment plan, focussed on the establishment of a single hub for the city region under the Invest Aberdeen banner
 - This sets out the resources that both parties will contribute to the Invest Aberdeen hub, including financial commitments
 - Alongside this MoU, side agreements are being developed with partners such as SE / SDI and local stakeholders (e.g. universities, Aberdeen and Grampian Chamber of Commerce) which outline working relationships and their direct / indirect financial and other contributions to the Invest Aberdeen hub
 - A new web platform (www.investaberdeen.co.uk) has been established and is currently in the soft launch / testing phase
 - Invest Aberdeen messaging activity is being planned to take place simultaneously at the All Energy expo and Offshore Technology Conference in May
 - Initial target markets and events have been considered and are referenced in this report
- 3.12 Aberdeen City Council's staffing commitment to the new Invest Aberdeen approach is made up of two direct, full-time posts and a number of other post-holders in the City Growth service who will support investment and trade activity on a more ad-hoc basis. Aberdeenshire Council have recruited an Inward Investment Executive and Marketing and Communications Officer who will work directly and solely on Invest Aberdeen activity and be managed as part of the Invest Aberdeen team.
- 3.13 In addition to the staff resources, there is a requirement for web, marketing, events and campaigns budgets to be aligned around the new approach.

Delivery of Invest Aberdeen presents the opportunity to review both councils' investments in these areas and to consider how better value can be driven by more structured and long-term partnerships with organisations such as DIT, SE/SDI and the Scottish Cities Alliance.

- 3.14 Establishing Invest Aberdeen also presents the opportunity to review the city region's participation in and contribution to major international trade events such as Offshore Europe, All Energy, Offshore Northern Seas, MIPIM and ExpoReal. This review has been undertaken across both Aberdeen City Council's and Aberdeenshire Council's investments in major trade events. The active participation of other regional and national partners in trade events has also been considered.
- 3.15 Historically, the two councils have jointly funded a significant presence at major trade shows such as Offshore Europe (OE), All Energy (AE) and Offshore Northern Seas (ONS). For the Offshore Technology Conference in Houston, both councils no longer have a direct presence but use space on the Scotland stand that is led by SDI.
- 3.16 It is intended that this collaborative model will form the basis for future attendance at major shows and that resources previously ring-fenced for large stands and exhibition space will be repurposed to focus on Invest Aberdeen messaging and activity. The rationale for this is to maximise the Invest Aberdeen contribution to the wider collective effort around diversification in support of the Regional Economic Strategy and City Region Deal, both of which target sector development and internationalisation. Aberdeen businesses will still benefit from access to shows and opportunities to take part in exhibitions through Invest Aberdeen collaboration with Scottish and UK partner agencies.
- 3.17 A short-term priority for Invest Aberdeen is to develop and agree, with participating partners a target list of events where Invest Aberdeen and the opportunities within the city region can be promoted. The new collaborative model will mean that partners can act as ambassadors for Invest Aberdeen at some of these events, reducing the direct demand on the council's financial resources.
- 3.18 For property and development shows such as MIPIM and ExpoReal, the Council will continue to engage and participate in these through the Scottish Cities Alliance when priorities and opportunities align. In 2018, it is suggested that Invest Aberdeen could participate in the ExpoReal event in Munich, given the opportunities that exist there to engage with a variety of German and European pension and sovereign wealth funds and property investors.
- 3.19 In summary, it is proposed that Invest Aberdeen participates directly in the following trade and property shows in 2018-19, with a view to a more diverse portfolio in subsequent years:
 - Offshore Technology Conference (Houston - May)
 - All Energy (Glasgow - May)
 - Offshore Northern Seas (Stavanger – August)

- ExpoReal (Munich – September)
- World Energy Cities AGM (Kuala Lumpur – October)

Where these involve international travel, these were agreed (with the exception of ExpoReal) at Council in March 2018.

4. FINANCIAL IMPLICATIONS

- 4.1 A total budget of £53,000 is available to support international trade activity in 2018-19. This includes £29,000 made available from the Common Good to support the Lord Provost's (plus one supporting officer) travel. The remainder will come from City Growth budgets.
- 4.2 Total direct costs of the Invest Aberdeen service are estimated to be £217,000. These will be funded through pooled budgets to be set up by Aberdeen City Council and Aberdeenshire Council. For Aberdeen City Council, this will be met through staffing costs and budgets held within City Growth. Travel costs for the ExpoReal event (if Invest Aberdeen is participating) will be met from the Invest Aberdeen budget, with all other travel costs to be met by the international trade budget.

5. LEGAL IMPLICATIONS

- 5.1 Local authorities are subject to statutory controls and as such are only entitled to defray travelling and other expenses incurred as a result of approved duties as defined in the Local Government (Scotland) Act 1973.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	None		
Legal	Spend not in line with approved duties.	L	Delegation to Chief Officer – City Growth to administer, implement and approve travel expenses.
Employee	Risks associated with travel outwith the UK are managed on a case-by-case basis following advice from the UK Foreign and Commonwealth Office	M	A thorough risk analysis is undertaken prior to any travel outwith the UK. This forms part of the pre-travel briefing. The Council has sufficient travel insurance in place.

	and in-country contacts.		
Customer	None		
Environment	None		
Technology	None		
Reputational	There are reputational risks for the city if it does not actively participate in international partnerships (WECP) and in developing market relationships. These are vital to ensuring that the city's global profile is maintained. Equally, the lack of a dedicated function to deliver inward investment activity could leave the city region exposed and lead to a drop in inward investment performance.	M	Fulfilling the Council's obligations in terms of WECP membership, with particular reference to the Lord Provost's Vice Presidency and the potential hosting of the 2019 AGM, will ensure continued international profile. Working with the UK Government (DIT) on emerging markets will also ensure that Aberdeen remains at the forefront of international trade activity. The Invest Aberdeen approach will drive a much higher profile for opportunities within the city region.

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	<p>The implementation of the Invest Aberdeen hub, following the recommendations approved by Council in March 2017, is a significant step forward in realising the city region's potential as a major inward investment destination in the UK. Foreign-owned companies already account for over 47,000 jobs in Aberdeen city alone. Whilst this is largely due to the presence of global oil and gas (and related) companies, securing further inward investment in the future is a critical ambition in terms of the Regional Economic Strategy and the focus on economic diversification.</p> <p>The international trade priority markets have been identified following previous inward and outward visits in addition to desktop research on international opportunities for Aberdeen companies. Aberdeen</p>

	<p>City Council has been developing relationships with these markets and the international trade activity within this report will build on existing relationships and provide support for local Aberdeen companies to increase their export turnover in these regions.</p> <p>The primary driver for inward investment activity is to secure and maintain high quality, high skilled jobs for the local economy. Ensuring that local residents are the primary beneficiaries of these new jobs and opportunities is a core Council commitment and is reflected in the Local Outcome Improvement Plan. Work on, for example, community benefit clauses will reinforce the link between new investments and developments and the communities that can benefit the most.</p>
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Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	None
Organisational Design	None
Governance	None
Workforce	None
Process Design	None
Technology	None
Partnerships and Alliances	<p>The report seeks approval for continued work across international partnerships and proposes priority markets for the development of further activity and possibly Memoranda of Understanding.</p> <p>In addition, the proposed new collaborative approach with Scottish Enterprise, Scottish Development International and the Department for International Trade should deliver efficiency benefits.</p>

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required

Privacy Impact Assessment	Not required
<u>Children's Rights Impact Assessment/Duty of Due Regard</u>	Not applicable

9. BACKGROUND PAPERS

[World Energy Cities Partnership – annual review](#) (CHI/17/203) – report to Communities, Housing and Infrastructure Committee, 29th August 2017, recommendations approved.

[Aberdeen Inward Investment Plan](#) (CHI/17/046) – report to Council, 15th March 2017, recommendations approved.

[World Energy Cities Partnership and international trade opportunities](#) (CHI/18/014) – report to Council, 5th March 2018, recommendations approved.

10. APPENDICES (if applicable)

11. REPORT AUTHOR CONTACT DETAILS

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