Greater Birmingham & Solihull
Local Enterprise Partnership

GREATER BIRMINGHAM & SOLIHULL

STRATEGIC ECONOMIC PLAN

'THE SEP TO CHANGE BRITAIN'

APPENDIX K:
STRATEGY FOR INWARD INVESTMENT ATTRACTION IN THE GBSLEP

Appendix K

SEP strategy for inward investment attraction in GBSLEP

BUILD, ATTRACT, RETAIN

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Executive Summary

The Greater Birmingham and Solihull LEP (GBSLEP) Strategic Economic Plan focuses on three key tenets for business to drive economic growth; increasing the number of successful growth businesses, building on sector strengths and stimulating innovation. Inward investment can deliver 25,000 jobs in the GBSLEP area by 2020 and be a key driver for achieving these objectives. This paper outlines why the expansion of a successful and proven model, that is intelligently leveraging both public and private sector funds and delivering great value for money, simply makes good sense.

The rationale is clear. GBSLEP is the focus of Foreign Direct Investment (FDI) growth outside London, accounting for half of all investment in the West Midlands region, the fastest growing FDI recipient region in the UK and expanding at over twice the rate of the Northwest. In 12/13 UK Trade & Investment (UKTI) reported that 5078 jobs were created from FDI in the GBSLEP area, over a third more than any other LEP. In addition almost half came from entirely new jobs to the area, over 50% more than any other LEP in the country. And the number of new jobs created in the LEP is set to increase further in 13/14.

Most importantly the outputs equate to excellent value for money, at a cost of less than £3000 spent for every job created from inward investment through Business Birmingham, the official inward investment agency for the GBSLEP. The agency is held up as best practice globally, ranking 5th in the world, and the city was voted the top global location with the most potential to attract FDI by industry experts at the 2013 international FDI Association Awards in Shanghai. And we are expanding this best practice model across a wider geography to make increasingly limited funds go further, work harder, and ultimately build propositions that are relevant for a global audience that does not recognise local political boundaries.

We have a defined and targeted inward investment sector roadmap based on our existing strengths and global relevance in key sectors. We have mapped the investment ecosystem that defines local conditions across availability of qualified workers, supplier bases, clusters and connectivity. At the local level, we are increasingly aligning business support and access to supply chains for both FDIs and SMEs to better support the implementation of national policy. We have started the journey in terms of an increased focus on smart specialisation across LEPs as outlined in our European Structural Investment Fund (ESIF) bid. The next step is to build a joined up strategy with interlocking outputs and deliverables that drive economic growth, not just for GBSLEP but across a natural economic geography in the West Midlands.

We can show significant success already. We have agreement and funding for an aligned delivery mechanism across GBSLEP driven by Business Birmingham to promote key assets moving forward such as UK Central and the Enterprise Belt alongside Birmingham’s six economic zones. We are near completion of a successful European Regional Development Fund (ERDF) programme that aligns delivery mechanisms across Birmingham, Solihull and the Black Country. And in conjunction with UKTI we have formed the West Midlands Investment Forum (WMIF) comprising the six inward investment leads from West Midlands LEPs, building single regional sector propositions to support UKTI to sell the region’s capabilities. We are breaking down historic political boundaries and delivering in all of these areas.

In addition we are working on a sector focussed initiative with AIO (Automotive Investment Organisation), piloting a supply chain engagement programme to support the health and growth of the automotive sector. The programme will co-promote existing Government backed schemes such as AMSCI, MAS and other Department for Business, Innovation and Skills (BIS) led initiatives, align this to support from Universities and colleges, and with the endorsement and support of SMMT open up the model to all LEPs with automotive strengths. The initiative is an example of our approach to build our FDI base through supporting local firms to become suppliers to inward investors, and in some cases vice versa.

To further build on this success, Business Birmingham has developed a roadmap for growing inward investment into our region which we have called; **Build, Attract, Retain**. Aligned to the key tenets of the GBSLEP Strategic Economic Plan of growing businesses, building on sector strengths and stimulating innovation, the strategy outlines the potential for increased investment, the challenges to achieving this, and the solutions that with increased support from Government, could unlock a significant incremental opportunity in terms of inward investment from international growth markets:

Build is about maximising agglomeration effects by developing the right infrastructure in the right places. Our sector focus, economic zones, future developments and proposals for cross-LEP sector based propositions are at the core of our plans in this area and central to related asks of the Local Growth Fund (LGF), as well as other capital funds in the shorter term. We need to do more to build on this base and fund the development of ancillary infrastructure in our key employment sites.

Attract is about maximising revenue support to build the tools required to promote our area as an innovative and business friendly location. We need the right incentives to bring major employers to the region, and are proposing financial incentives for major investors, proactive workforce development offers in conjunction with our educational institutions, a contract database for small and large enterprises alike, freedoms and flexibilities around visa eligibility for entrepreneurs and co-promotion of sector and supply chain propositions in overseas markets via UKTI.

Retain: is about working with companies in a new way at a strategic level by delivering robust engagement programmes to not only address sector specific issues, but to help the development of supply chains both ways. We are already doing this in our work with UKTI and AIO, and in pursuing this we aim to bring trade and investment agendas and delivery closer together to maximise support for business.

The strategy is a comprehensive plan for developing the right tools to win investment that would otherwise overlook the UK, even though best placed to service that need. It is about having the right infrastructure to make the investment work. And it is about maximising the benefits to the GBSLEP region of that investment, through both the attraction but also the retention of investment and employment, deepening roots with the location for that company, fostering linkages and tying in the investment for the long term, thereby maximising economic impact.

We are building on a strong base, with high quality infrastructure, support for investors, available talent pool and ambitious economic development plans cited as a key factor behind the decision at the FDI Association Awards to appoint Birmingham as the most attractive future FDI location globally. But we need to do more to fulfil our aspirations to grow the economy through inward investment. We have already started to deliver many of these programmes ourselves. But we need to do more. Our real challenge is the limited forthcoming new funding applicable to FDI attraction at both the European and local level to build on this growth story. We outline here asks of Government related to the Local Growth Fund (LGF), revenue funding moving forward, and freedoms and flexibilities, to aid the attraction of inward investors.

The challenges are not small, but with the right level of support inward investment attraction can be a game changer in terms of a positive impact on employment and skills in this area. It is our supposition therefore, that the Government should invest proactively in inward investment attraction infrastructure in this region. Indeed we would argue that the opportunity-cost of not growing delivery mechanisms in GBSLEP would be great in terms of the outputs and value for money foregone. We believe that Government should focus on those areas that can evidence the highest possible return and build on established and proven models that are delivering now. This paper outlines how we aim, with the support of Government, to lead the UK outside the capital in inward investment attraction over the next decade.

Success to date - GBSLEP Foreign Direct Investment (FDI) performance

The Greater Birmingham and Solihull LEP (GBSLEP) area is leading the growth of FDI into the UK outside London. During the period 2008-2012 flows of Greenfield FDI into the West Midlands increased significantly, almost doubling the number of projects recorded during the period 2003-2007. The region also enlarged its share in the number of jobs generated by Greenfield foreign investments from 6% to 10% of national share, increasing actual numbers from 15,011 to 34,909 in the period[1]. The West Midlands region is now the fastest growing area of the UK for FDI, growing at a rate in excess of 20.5% since 2007, compared to Scotland at 11% and the Northwest at just below 8%[2].

The GBSLEP area is leading this growth. As a region we landed 49 FDI projects and 5,078 jobs in 2012/13, 36% higher than the next highest LEP. Importantly, 50% of this was from new job creation, rather than safeguarding and M&A activity which accounts for approximately 80% of all jobs in other major FDI recipient LEPs. Birmingham as a city attracted a 52% increase in FDI projects last year, on the back of a similar increase in the previous year. Huge investments from Jaguar Land Rover in Birmingham and Solihull, as well as Deutsche Bank in the city centre are complemented by a thriving start-up community and growing sectors such as digital media and life sciences. Listed here are a few of the key inward investment successes which show that some of the most exciting companies in the world are settling, expanding and thriving in the city region:

- Deutsche Bank with 1200 employees in Birmingham recently acquired more space in the city to take on a further 1,000 employees, and is moving 150 trading roles out of London.
- Indian-owned automotive manufacturer Jaguar Land Rover announced a £1.5 billion R&D investment in 2013, creating 1,700 jobs in Solihull following 1,100 jobs in Birmingham in 2012.
- In October 2012, Virgin Media launched a new training and research centre in Birmingham creating 200 jobs for young apprentices in a total expansion of 450 new jobs.
- Global fashion retailer ASOS set up an office in Birmingham's digital quarter in March 2013,, with plans to employ up to 100 people in the city.
- Codemasters, the maker of the globally acclaimed F1 2012 game, has been expanding in Birmingham due to the city's talented workforce and now employs 150 staff.
- Swedish firm Skanska moved to Birmingham in 2012 to capitalise on the city region's expertise in civil engineering and sustainable buildings with plans to employ 50 people.
- Hogan Lovells, a US owned law firm has made the decision to relocate roles away from the capital to Birmingham. An initial cohort of 20 employees is projected to grow to 100 within a short period.

The region is also attracting accolades from across the globe in terms of its FDI strategy. GBSLEP is unique outside the capital due to the scale and relevance of its talent pool and industry depth. The city region's reputation as a top global business destination is shown in the following industry rankings:

- FDI Destination of the Future 2013 – global 1st place (FDI Awards)
- Winner, 'Incentives' category, also shortlisted for 'SME Support' and 'Aftercare' – IPA Innovation Awards 2013 (fDi Magazine – Financial Times)
- Top five for FDI strategy and Overall Large City category (fDi Magazine - European Cities and Regions of the Future survey 2014)
- Top ten Best to Invest for Western European cities (Site Selection 2012)
- 43rd most competitive city in the world by 2025 (EIU/Citi 2013)
- One of 600 cities responsible for 65% of global GDP growth by 2025 (McKinsey 2012)

Birmingham has been named as the UK's most entrepreneurial city outside of London, the global investment 'Destination of the Future', a 'start-up hotspot' and the most attractive UK regional city for quality of life. Equally, Solihull has been recognised as the most business friendly location in the UK.

1. Driffield N., Du J., Lancheros S. and Zhou Y., Aston Business School, 2013
2. Source FDI Markets, Financial Times, 2013

Local innovations to attract and grow companies

GBSLEP's success in attracting inward investment is driven by a highly targeted strategy focusing on the sectors that will deliver the greatest investment and employment for the city region. Research by analysts PA Consulting identified seven key industries for Greater Birmingham (see appendix 1.0 for more detail). Aligned to this sector strategy a number of initiatives have been implemented to extend the international reach of GBSLEP, improve the attractiveness of its offer to inward investors and align company engagement programmes across a wider geography.

Economic Zones

Launched in September 2012, Birmingham's six economic zones were developed with Birmingham City Council to combine the city's economic development, planning and inward investment strategies. The Economic Zones complement the city centre Enterprise Zone and comprise; Longbridge ITEC Park, a Life Sciences Campus in Edgbaston, the Advanced Manufacturing Hub in Aston, the Food Hub in Witton and Tyseley Environmental District in East Birmingham. The zones combined will attract £1.5bn of investment and 50,000 new jobs, targeting entry level jobs as well as highly skilled roles. Support mechanisms include simplified planning, training and recruitment, access to finance and gap funding.

Financial incentives - Mobile Investment Fund

The Mobile Investment Fund (MIF) is a pilot scheme to provide financial incentives for foreign investors creating large scale jobs in the city. It enables GBSLEP to compete with other European locations that can already provide grants to investors. The grant scheme fits around the specific requirements of individual companies making it one of the UK's most flexible investor funding schemes. Initial modelling has suggested that if £8m of funds were applied to 15 companies in the Business Birmingham pipeline it would create in the region of 4,000 jobs for GBSLEP, increased economic activity from salaries alone of £843 million and £45 million of rates income across a 5 year period.

Investor support - Business Catalyst

Business Birmingham has developed packaged risk mitigation services for incoming investors delivered via our public sector and private sector partners called Business Catalyst. This scheme targeting SMEs, coupled with the Mobile Investment Fund, enabled Business Birmingham to received first place in the fDi Intelligence - 2013 Innovation Awards for innovative use of incentives. The programme is the city region's soft landing package, offering discounted or free services and accommodation through approximately 20 partners across the following areas:

- Local labour pool analysis, recruitment campaigns
- Six months of free space, discounted personal accommodation and hot-desking
- Business services including legal advice and free banking
- PR, sales and marketing support, and networking opportunities

Cross- LEP sector based relationship management

Business Birmingham is leading on a national initiative to support UKTI in delivering a nintegrated approach to engagement with foreign owned automotive companies. The programme seeks to address barriers to growth in the long tail of the supply chain for major automotive Original Equipment Manufacturers (OEMs) such as Jaguar Land Rover (JLR), as this resource does not currently exist in the UK with the current focus being on OEMs and some Tier 1 suppliers. The initiative is a match funded pilot by Business Birmingham and UKTI and has the backing and support of the UKTI Executive Team as well as the Automotive Investment Organisation (AIO), BIS and SMMT. The initiative is already being used to generate an online database of supply chain opportunities in conjunction with the Black Country LEP and collaboration with Stoke and Staffordshire LEP is also being explored. Further expansion is planned and the programme has been communicated to all 16 LEPs with automotive strengths.

GBSLEP and West Midlands aligned inward investment models

Business Birmingham has agreed the development, with Solihull, North Worcestershire and East Staffordshire district and local authority leaders, of a centralised delivery framework to better promote the total assets of the LEP as a whole, rather than as distinct and disconnected economic areas. The model is underpinned by financial contributions from the districts to match Business Birmingham core funds and Growing Places monies earmarked for structural improvements in the UK Central (UKC) and Enterprise Belt areas of the LEP, allowing a shared pipeline of leads for the LEP region as a whole.

Secondly, Business Birmingham has formed and chairs with UKTI as the secretariat, the West Midlands Investment Forum. The Forum comprises the inward investment programme leaders from the six West Midlands LEPs and in its Terms of Reference has stated its objective to raise inward investment levels into the region and to support UKTI by sharing best practice and creating economies of scale through aligned propositions in key sectors. The group has embarked on a programme to create a single proposition for the West Midlands automotive sector with its constituent parts and assets represented across production capabilities in OEMs and the supply chain for UKTI sales teams to utilise as a single entry point in the UK's main automotive location.

The Opportunity

Economic impact of FDI and agglomeration

The presence of foreign owned firms in the global economy has been shown to have a positive impact on domestic firms' output, employment and efficiency through enhanced competition and export market access, often stimulating the Research and Development (R&D) activities of domestic enterprises by encouraging them to be more innovative in order to compete domestically and abroad. FDI firms in the UK collectively accounted for between 38% and 45% of total expenditure in UK based corporate R&D during the period 1997-2010. Inward investors historically account for around half UK manufacturing output, and just over two fifths of output in the services sector.

The presence of Multinational Enterprises (MNEs), as leaders in both technological and capital accumulation, creates a beneficial organic growth effect in a location.[3] However, the inward investor entering a pre-existing successful cluster is crucial to the success of that investment. Foreign investment in Silicon Valley for example, as a knowledge-intensive region, was driven by an interest in tapping into local technology and accessing local knowledge networks.[4] Studies on industrial districts in Italy, clusters in Portugal, in the US and in Norway and in developing countries have also strengthened the argument that agglomerations of small and medium-sized firms can catalyse regional industrial competitiveness.

Regional policy analysis in the UK has tended to focus on the justification for encouraging multinational firms to locate in peripheral areas or regions with high unemployment and low productivity. However, in non-cluster cases, there are no such spill-overs, merely a negative 'crowding out' effect. Analysis therefore suggests that beneficial effects for the UK economy are greater when inward investment is attracted to existing centres of activity. Cluster policy in areas without pre-existing clusters should therefore be focused on the support of local and embedded competences within domestic firms, whether through encouraging greater cooperation between firms or the development of new SMEs. As centres of accumulated knowledge, these will then become attractive localities for MNEs.

GBSLEP complementing the capital

GBSLEP is in a unique position to provide a complementary inward investment platform working with the capital. London's success has seen it suffer, in the eyes of inward investors and companies, from soaring

3. Cantwell, 1991
4. Almeida, 1996

commercial and residential property costs and a chronic lack of space. The cost of living is high, and businesses do not have space to grow. Indeed, one in four foreign investors say that over-reliance on London is one of the biggest threats to continued investment. Businesses are therefore increasingly looking outside London, to places like Birmingham, as has been seen recently in the case of major overseas investors such as Deutsche Bank and Hogan Lovells.

And whilst foreign owned financial and professional services firms have been reviewing London operations as a matter of course for some time now, the same is also starting to happen in the digital tech sector. Over half (52%) of tech SMEs in London, focussed on the East London tech hub, say the capital is too expensive. As a result both start ups and established names like ASOS are choosing Birmingham, and this trend is set to continue. HS2 will bring Birmingham closer to London, and shrink the distances between cities in the north. At the same time, remote working and new technology will increasingly mean there is less need to locate in the capital, and 60% of foreign investors already believe the UK's regional cities are a strong investment alternative to London. GBSLEP, with its scale in terms of talent pool and industry base, when coupled with its proximity to London, is best placed to capitalise on this emerging trend. And we have the pipeline to prove it with 11,500 potential jobs in our pipeline. The opportunity is significant. The key is having the tools to convert these projects and GBSLEP needs the support of Government to unlock and grow this pipeline.

Barriers to growth of FDI in GBSLEP

GBSLEP has been out-performing much of the country in terms of inward investment attraction. According to UKTI the area doubled the national average in terms of FDI projects attracted to the region in 2012/13. We have made significant progress. But there are also significant barriers that stand in the way of the GBSLEP delivering on its aspirations to be a global destination of choice for international investors, and thereby strengthening the UK's position as the leading FDI destination in Europe. Whilst the number of projects in the LEP doubled year on year from 25 to 49 projects, and was twice the national average, this still only equated to 3% of the UK total, with 40% of FDI still channelled to London and the other devolved administrations[5].

This imbalance needs to be addressed when investors are clearly articulating their desire for UK Government to support them in expanding into the UK's regional cities and clusters outside London. Yet whilst companies are increasingly endorsing the region through investment, the LEP's share of voice with the national agency UKTI is still weak. Even with GBSLEP as the single largest contributor to the national pipeline, much of the investment is still gravitating and being pushed towards traditional recipient areas. This is a situation which cannot continue if the UK is to achieve real rebalancing of economic prosperity outside the capital. But there are more fundamental issues from a structural and a strategic perspective.

BUILD: Investment in world class sector infrastructure

The Employment Land challenge

A lack of immediately available employment land in the region is severely hampering the area's ability to accommodate new investment. And a lack of industrial land in the region in particular, something reflected nationally and not just in the manufacturing heartland of the UK, has prompted the necessary development of employment sites designated as economic zones to address paucity of private sector supply. And we have longer term plans to deliver more, Birmingham City Council's recently released Birmingham Development Plan (BDP) outlining plans to unlock significant new employment land opportunities over the next 20 years. Yet demand is outstripping supply now. Further support is therefore needed to finesse our employment site infrastructure in the short term to convert projects.

The experience of locations such as Ireland, Dubai and Montreal show how government support and investment for developing flagship sites and properties can act as a powerful catalyst for FDI, especially

5. UKTI, Greater Birmingham & Solihull Inward Investment Report, July 2013

knowledge-based investment. International examples of Government support in this area include IFSC Dublin, the IDA Business Parks across Ireland, Dubai Internet City and Media City, and e-Commerce Place in Montreal. The Lille region has developed a number of significant economic zones that whilst not the largest of their kind, provide a good parallel to Birmingham's economic zones in terms of what can be achieved with smart investment in smaller scale investment attraction zones. Whilst the relevant infrastructure and buildings provision has been developed by the regional Government, the region has stipulated that investors must invest in a zone to receive incentives and perhaps more innovatively, must commit to working with a specified number of supply chain companies.

Proposed Solutions and Asks of Government

With demand at the levels currently experienced by the inward investment agency, support is required to fast-track the economic zones in order that they are investment ready for international occupiers. Support to bring forward remedial work will be vital to allow development on the Birmingham sites. But we need to go one stage further. The availability of investor-ready, high quality business premises such as incubation units, laboratories, testing facilities and high quality leisure amenities that would not ordinarily be delivered by private sector development is required to make the sites world class. This heightens the necessity for the Birmingham EZs to secure the funding available for infrastructure (as addressed in our Local Growth Fund bid) and premises improvements to fast track implementation.

Economic Zones infrastructure development

Financial support for remediation and infrastructure development of Economic Zone sites to catalyse investment by private sector developers

Existing Local Growth Fund bids for 15/16:

- The 4ha Life Sciences campus on a currently contaminated and derelict brownfield site adjacent to the University of Birmingham and QE Hospital requires £2-5m in funds to match £7.5m of existing funds to remediate the land in order to make it development ready. Business Birmingham is currently working with a major international investor who is looking to become a developer/occupier investor and anchor tenant which would kick start the entire campus. The process needs to be brought forward to secure this investment, with remediation starting in 2015 and campus build ready for occupation by early 2017 latest.

- The Advanced Manufacturing Hub (AMH) next to Junction 6 of the M6 has the potential to become a 20ha employment site with 100,000sqm of new floor space generating and safeguarding 3,000 jobs. In excess of £15m has been invested in land acquisitions and preparation, and a further £10m+ is required to acquire, remediate and prepare the site for development, including implementing appropriate infrastructure and public realm works to bring the site forward to the market. £2m+ of match funding is required to bridge the gap between existing available funds and the total requirement.

Capital proposals for 16/17:

- Economic Zones such as The Food Hub, Advanced Manufacturing Hub, ITEC park and Environmental Enterprise District in particular aim to attract investors and occupiers with large data and energy requirements. To provide sustainable and low cost energy to occupiers, district power plants on these economic zone sites would create a highly attractive option to investors with low cost energy provision as part of the lease arrangements. Business Birmingham is working with a major new market entrant into the UK who could build out the infrastructure using their expertise and experience in building CHP plants across Europe for energy provision.

- Longbridge ITEC Park requires high speed broadband pipes and data-centre provision to create the connectivity to support big data operations. Business Birmingham is working with several major

Indian BPO organisations on potential investments that could be converted with this infrastructure development.

Financial support to deliver ancillary premises, outside private sector commercial development, to make the sites world class

Existing Local Growth Fund bids for 15/16:

- The creation of a £15m new TV & Digital media production facility, Digbeth Digital Studios will encourage increased commissioning and production in the region, creating a home for what has become an itinerant workforce of Midlands based TV professionals following the closure of facilities and commissioning by the BBC and ITV. On the back of the BBC's announcement that Birmingham will become its centre of excellence for digital media, this development will further solidify the infrastructure to support the growth of talent in our region.

Capital proposals for 16/17:

- With the relocation of the city's Wholesale Markets to the Food Hub alongside its new designation as an economic zone, the building of a centralised freezer storage facility, managed by the city for the joint use of occupiers, would act as a significant attraction to investors. Companies locating within the Food Hub could take advantage of efficient storage facilities without incurring the capital outlay or maintenance overheads of a private facility on-site.

- Successful Advanced Manufacturing zones around the world, particularly those focussed on automotive supply chain incorporate central training facilities for same-sector companies to network and use for in-house training to predicate against the need to build these facilities on their own premises. Such a facility on the AMH could have state of the art learning facilities and technologies, and incorporate a Skills Academy for Advanced Manufacturing with provision from sector experts within FE/HE institutions and private sector training companies, potentially providing NVQ level qualifications in Engineering and Food Technologies.

- The successful promotion of economic zones and major development sites is shown in global best practice to be bolstered by the regional inward investment agency being located on-site. A showcase FDI and Growth hub, ideally on the Government estate benefiting from subsidised rent, and located on a key development site, for GBSLEP FDI teams, regional and Government partners and inward investors to co-locate. The hub would provide a focal point for West Midlands partners and other Growth Team members within the total business support infrastructure. The right property would also provide incubator and laboratory space for high tech start-ups as well as a collaboration centre for HE/FE institutions with SMEs.

ATTRACT: Inward investment attraction products

The Incentives challenge

There is an unlevel playing field in terms of provision for incentives in the international marketplace. English cities in particular are disadvantaged with current levels of incentives in devolved administrations and Ireland ranging from £30m per annum to £130m. Incentives range on average from £10k to £20k per job, but are often significantly more. The Welsh Government recently provided a £2.7 million investment in Biomet Inc, an Indiana-based supplier of orthopaedic devices to create 60 jobs, at an equivalent cost of £45,000 per job. And whilst Regional Growth Fund monies in England have proven useful for existing investors who are looking to expand manufacturing facilities in particular, the inflexibilities of the application process and timeframes mean there is a gap in appropriate funding mechanisms for investors.

Evidence from a survey of 157 RSA-assisted businesses[6] in Scotland showed that they grew faster than non-recipients both before and after receiving assistance; are more likely to be undertaking R&D and product and process innovation and they have faster GVA growth. Cost-per-Job (CPJ) estimates indicate that the cost-per-net additional job for the RSA Scheme in Scotland (2000-04) ranged between £13,273 and £34,419 on the actual amount of assistance paid. The key financial incentives currently available in EZs are business rate discounts worth up to £275,000 per business over a five-year period. Inward investors are unlikely to be attracted by such a small incentive when the business rate discount would only be available to a maximum unit size of around 1,000 square metres (11,000 square feet). While EZs in the UK cannot compete against far better incentivised EZs in other countries the package of incentives can be designed to ensure that Birmingham is competitive within the Western European context by focusing on incentives that meet the key issues facing different types of investor.

START-UP NY is a new initiative that provides major incentives for businesses to relocate, start up or significantly expand in New York State. Employees of businesses in START-UP NY will pay no income taxes on their wages for the first five years. For the second five years, employees will pay no taxes on income up to $200,000, $250,000 for a head of household and $300,000 for taxpayers filing a joint return. Participating START-UP NY businesses must occupy property or land affiliated with public and private colleges and universities available in urban and rural areas across New York State. Business Birmingham is proposing a different approach for supply chain support through a contracts database approach.

Proposed Solutions and Asks of Government

Revenue asks for 16/17:

- Building on the Mobile Investment Fund (MIF) pilot scheme funded by Birmingham City Council we propose that Government develops financial incentives for foreign investors with match revenue from the GBSLEP for a Greater Birmingham MIF, which would extend the successful pilot and enable us to compete on a more level playing field with major international FDI locations. Initial analysis based on the Business Birmingham pipeline suggests that £10m in grants could generate in excess of 5000 jobs at a rate of £2000 per job, yet demand is already outstripping supply and the UK is losing investment and jobs to Ireland and other nations. A match funded programme aligned to investment in our economic zones would significantly accelerate the acquisition of large scale employment from foreign investors.

- A pathfinder project with Government support to fund the development of and promote internationally a comprehensive 'contracts' database listing commercial opportunities for overseas investors could significantly bolster the ability of the region to convert inward investment

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6. *Evaluation of Regional Selective Assistance (RSA) in Scotland: 2000-2004*
Mark Hart, Nigel Driffield**, Stephen Roper*** and Kevin Mole****
**Kingston University **Aston University ***University of Warwick*

enquiries. The model would be associated with major developments centred on Greater Birmingham infrastructure projects that are being delivered on a scale not mirrored anywhere else outside the capital. The database would replicate the 2012 Olympics CompeteFor model and be used in the way UKTI has developed its HVO initiative for UK companies looking to expand overseas.

The Workforce challenge

Labour force skills and availability are a critical location determinant for most sectors. fDi Intelligence research shows that labour force availability and quality was, after market size, the most important location factor for services, ICT, life sciences and environmental technology firms, and the third most important location factor for advanced manufacturing and food and beverage. While in the UK incentives are typically more simply linked to job creation, in the USA, which has the highest number of EZs in the world (over 250)[7], most grant incentives are directly linked to training and skills development.[8]

Policies need to become more innovative. GBSLEP faces clear challenges in terms of the skills base in its population, and for inward investors and their intermediary advisers perceptions are formulated by publicly available economic data on unemployment and skills levels. Yet the LEP area has one of the most significant pools of talent on a large scale through its five universities, and the ability to respond to most requirements of international investors in our key target markets. And importantly inward investors no longer make location decisions based solely on the immediate availability of skills in existing labour pools. Foreign owned companies increasingly look to locations to work with them proactively to develop workforce solutions programmes that will build a workforce for them over time.

The Greater Birmingham region is unique in its combination of population size, high ethnic and socio-economic diversity and highly intransient and large proportion of young people making it an ideal location for clinical trials when coupled with the clinical specialisms and breadth of delivery expertise. Because of this Birmingham is recognised as one of the very few centres internationally that can complete the full circle of Translational Medicine. In Summer 2015 the Institute of Translational Medicine (ITM) will open and provide a bespoke multidisciplinary translational environment for development and delivery of clinical trials and device evaluation, maximizing interaction between clinicians, academics, patient groups and industry, fostering the development of collaborative networks. Co-location will facilitate the design of clinical trials, the selection of patients for trials in a stratified manner, the early application of robust health economic evaluation to inform development decisions on new treatments and devices, and the monitoring and interpretation of patient outcomes.

This facility and the wider eco-system that it takes advantage of are attracting unparalleled levels of interest from Life Sciences companies, both UK and foreign owned. Issues have however arisen in terms of securing some of this FDI. The companies engaged by Business Birmingham are often SMEs, and individuals who are best suited to launch UK operations are often either the company founder or key technical staff, creating issues with regards to visas and immigration policy due to ineligibility for the exceptional talent visa, lack of finances for entrepreneur visas and ownership issues precluding individuals from the sole representative route. Enabling executives or key staff from overseas investors to more easily move to the UK would generate larger investment and jobs and greater levels of capital investment in research and production facilities.

Best practice: IBM Louisiana

In September 2011, Louisiana Economic Development (LED) assembled project partners including Louisiana State University to support a new software technology center for IBM. To address IBM's desire to collaborate with higher education campuses, the State of Louisiana provided $14 million over 10 years toward growing computer science departments and boosting computer science graduates. In addition to

7. Gokhan Akinci, “Special Economic Zones” IFC-World Bank
8 . See www.icaincentives.com

long-term workforce solutions, LED offered the company a $17 million grant to reimburse relocation, recruitment and internal training costs; a $5.5 million incentive for a portion of the IBM centre's employment over 10 years; a $5 million grant to offset facility operating costs over 10 years; and the recruitment, screening and training services of LED FastStart®. LED offered a $30.5 million performance-based grant consisting of state, local and federal funding to build an eight-floor office building as part of a new, mixed-use urban development on Baton Rouge's riverfront. The company committed to create 800 jobs by 2016 at the IBM Technology Center.

Proposed Solutions and Asks of Government

Incentives package should be designed to support workforce training and education, as this will develop sustained competitive advantage for GBSLEP and increase the productivity and employability of the workforce. If grant incentives are designed specifically for training and skills, this will benefit inward investors, smaller companies, employees, and help GBSLEP become a higher productivity and knowledge-based economy, key to achieving sustained economic growth. Support to create a match-funded model to develop subsidised programmes that can be marketed proactively to attract and convert major inward investment enquiries will greatly improve the quality of delivery of these proposed programmes. Financial support based on Government funding, along with industry investment and funding from HE/FE institutions would help to establish teams of specialist staff to develop and deliver training.

Workforce Development schemes: Skills and training related incentives

Revenue asks for 16/17:

- Development at Higher Education (HE) institutions of a 'technical academy' scheme delivered in conjunction with local FE Colleges. The aim would be to formalise and support the training of technical staff and technologists in the key technologies underpinning life sciences research. Individuals trained in such skills would subsequently support the development of life sciences based industry in Birmingham. A wider intake into such a training scheme could be envisaged once established.

- Training in entrepreneurial behaviours and capabilities, global graduate mind-sets, consultancy skills for high level, short term solutions (IT, marketing etc) and business language skills-targeting inward investment company required languages. This would be delivered via a central service based at HE institutions. A package of training in modular format could be delivered in situ at any West Midlands FE or HE institution and could be adapted for delivery in Sixth Forms to support school leaver entry levels.

- Run by employer-led, strategic skills body, Cogent Group, The Technical Apprenticeship Service is a unique, easy to use skills service for employers, training providers and apprentices, designed to bring new talent and skills into the industry. The strategic objectives of Birmingham Health Partners (BHP) focus on the identification, adoption and spread of innovation and best practice, through the alignment of healthcare delivery, research and training. Funding from Government would help to establish a programme on a much more 'localised' basis addressing the training needs of medical businesses in the region lead from within Higher Education.

Freedoms & Flexibilities ask for 16/17:

- Expansion of the visa system to create a new category of the Exceptional Talent Visa through a pilot scheme targeted around Life Sciences. The scheme would need new criteria to recognise that owner/managers of start-up bio companies for example rarely fulfil the criteria needed to qualify for the entrepreneurs, sole representative and other visa schemes. The new scheme would allow for these unique characteristics whilst still attracting new talent and high value businesses to the GBSLEP region to grow its emerging medtech and life sciences sector.

The Revenue challenge

New developments in the city region both in the city centre as well as major nationally significant developments such as UK Central will require highly scaled overseas promotion if they are to be economically viable in terms of attracting major occupiers. The success of employment site schemes, as differentiated from transport infrastructure developments, is dependent on the ability to create demand, generate FDI and prevent displacement across the UK from relocating existing businesses, thereby maximising economic impact. However, existing resources and funding mechanisms do not allow for the scale of investment required to implement this activity.

For example, the current round of European Structural funding via the European Regional Development Fund (ERDF) for promotion of the city region as an inward investment location will end in 2015. And the prognosis for a significant FDI attraction programme funded by European Structural Investment Funds looks challenging based on both reduced levels of funds available and the outputs being focussed increasingly on SME and Research & Development (R&D) support. In addition, the public purse with regard to the ability of local authorities to continue to fund activity to any significant degree is severely constrained. The investment in building the tools to promote and attract investment to the region must therefore be grown via other means.

Best practice: Tech City

Tech City as an area has received a reported £50m in infrastructure and promotional support, with significant centralised resource through UK Trade & Investment (UKTI) and other Government departments, dedicated to the promotion of East London as a tech hub. This also involved dedicated staff in the UK and overseas to promote the location as a destination for overseas tech and creative companies. This type of support and resource is critical to delivering and building a broad initiative formed around a specific proposition as can be seen in any private sector led development where marketing and business development budgets are crucial to attracting investment.

To take the Tech City example, however, whilst there has been undeniable attention both from a media and investor perspective attracted to East London as a result, we also know that Tech City is failing the indigenous SME tech base in particular as rents increase dramatically and companies find it harder and harder to scale up to win contracts in the capital, whilst also being dealt the double blow of being unable to find qualified staff at affordable salaries for the business. In a YouGov survey commissioned by Business Birmingham, 70% of Tech SMEs in London said they have struggled to grow their business in the capital, pointing to soaring costs, a struggle to recruit and a property squeeze. The most commonly cited obstacles that SMEs think are currently holding the capital's tech firms back include:

- The cost of running the business in London (48%)
- A squeeze on high quality, affordable office space (25%)
- Lack of available, suitably qualified / experienced staff (24%)

In the past year, property rents in London's Shoreditch tech heartland have soared by 46%, and the vacancy rate – a measure of available office space – has plummeted to a low of 5%, the worst level since before the financial crash. Almost four in ten (37%) of the SME tech firms say they have missed out on new business because of this, and a similar amount (41%) said their business has grown more slowly than anticipated. Almost half of the companies polled (45%) said that the Government is too focused on Tech City and 61% of the tech firms surveyed agreed that the UK would benefit from having bigger, stronger tech hubs outside of London.

Proposed Solutions and Asks of Government

GBSLEP therefore proposes that with the support of Government, the LEP pilots a number of industry specific support initiatives to create centres of excellence aligned to the sector and spatial plans now in place for Greater Birmingham, such as that created for East London's Tech City. We propose that these efforts are focussed on Birmingham's Economic Zones, UK Central and the Enterprise Belt, the latter linking areas of Staffordshire and Worcestershire within GBSLEP to Solihull and East Birmingham in a natural and pre-existing belt of enterprise growth. Central to this initiative is supporting the growth of local and embedded competences within domestic firms located in natural economic geographies. This in turn will serve in the longer term to attract foreign investors to established and thriving pre-existing clusters, the benefits of which have been outlined above.

The proposals are based around two major propositions across 'Tech' and 'Manufacturing' hubs. In essence, the idea is to create 'single-minded propositions, in the same vein as Tech City and MIRA but on a far larger geographic scale, thus benefiting a much larger part of the UK economy. Once the key enterprise hub is established centred on GBSLEP employment sites, the model can then be expanded to a cross-LEP model, supporting tech and manufacturing companies across fast growing start-up and innovation hubs along an 'M1 Enterprise Corridor' incorporating cities and towns such as; Coventry, Northampton, Milton Keynes and Luton.

The model will provide a complementary solution to the growth of Tech in the capital, as SMEs in particular whose growth is stifled in London look to expand outside the capital into lower cost areas that have the right environment to support the growth of their business. For manufacturing on the other hand, we know that logistics is key, both in terms of wholesale and retail requirements. We know at the same time that industrial land is at a premium and whilst GBSLEP has generated supply through its Economic Zones, available employment land, particularly for large site logistics and distribution, is in short supply moving forward. Equally, industrial land take-up in Northampton, Milton Keynes and Luton has been high in recent quarters, exacerbating the situation in these areas. This initiative would therefore look to create hub and spoke warehousing and IT integration to meet the logistical requirements of companies headquartered in the South-east and Midlands.

Additional funds are therefore required to support sustained and targeted campaigns in international markets in order that employment sites can not only be delivered, but succeed with regard to attracting occupants and new entrants to the market which provide the largest economic impact. Deliverability is key, and there is precedent in Government backed developments such as MIRA and Tech City which have received infrastructure investment but also crucially, large scale support and funding to expand infrastructure developments and also promotional activity.

Centres of Excellence: Sector based propositions

Revenue asks for 16/17:

- Creation and promotion of an international ITEC hub in GBSLEP that caters for the complete lifecycle of IT firms across spin outs, SMEs, mid-size companies and larger corporates. This would start with a pilot focusing on the expansion of the existing Birmingham Economic Zones and incorporating the Enterprise Belt including Solihull which already sit at the heart of one of UK's largest ITEC clusters and a growing international connectivity hub through transport developments such as HS2 and the Airport expansion. Development of a fund would be required to create an Enterprise Belt promotional vehicle which would support the attraction of inward investment into Redditch Economic Zone and UK Central amongst other developments before spreading to cover a series of Enterprise Hubs in key urban locations linking the Midlands to London across an 'M1 Enterprise Corridor'.

- Linking to proposals for manufacturing entrepreneurs, as well as the Birmingham Science City smart specialisation initiative, development of 'Manufacturing Entrepreneurs - Logistics Hubs' in the form of a regional promotional vehicle that looks to provide access to hub and spoke warehousing and IT integration infrastructure and investment support for companies particularly at the small end of the supply chain tail. The initiative would cover a broader application of manufacturing in sectors such as Life Sciences, Digital Media, ICT and Advanced Engineering. It would focus in the first instance on the Economic Zones in Birmingham, East Staffordshire Economic Zone and Cannock Economic Zone before roll-out of the model across the M1 Enterprise Corridor. Provision for business growth loans for knowledge-based manufacturing related start-up businesses would also attract entrepreneurial start-ups. The programme would link seamlessly with current existing Government driven flagship initiatives such as MAS, TSB, Growth Accelerator and potentially work hand in glove with the Business Bank.

- Linkages and access to funding from the UKTI GREAT campaign for sector and proposition specific promotional activity in key overseas markets to support the attraction of inward investors to the newly formed Enterprise Corridor with aligned delivery mechanisms across key Investment Promotion Agencies in M1 Corridor LEPs.

RETAIN: Growing business through sector engagement programmes

The Engagement challenge

Attraction and retention of investment from multinational companies is increasingly decided by a location's ability to provide consultancy and brokerage services direct to employers across areas such as talent acquisition, planning and access to new markets in an efficient manner. However, there are 45,000 FDI companies in the UK and current structures simply cannot manage this level of investors and consequently a lack of resource creates an inability to properly deliver against the needs of investors. Ultimately this means that opportunities to identify and properly respond to expansion and retention projects are lost.

UKTI data shows that on average expansions account for in excess of 60% of all jobs created or safeguarded in the UK, a figure much higher than in other European countries where expansions account for only a quarter of these numbers. In 2011/12 in the West Midlands 50% of all FDI projects came from expansions, significantly more than the annual average of 40% since 1991. More importantly over 90% of all jobs created by FDI in 2011/12 came from re-investment by existing companies, with the average over the last ten years being almost 70%[9].

New and Expansion Projects and Jobs in the West Midlands 2007/08 to 2011/12

	2007/08	**2008/09**	**2009/10**	**2010/11**	**2011/12**	**Total**
Expansion projects	29	31	29	21	43	**153**
Expansion jobs	2,269	1,823	852	941	5,294	**11,179**
New projects	43	47	38	28	24	**180**
New jobs	2,201	624	691	577	486	**4,579**

Source: Marketing Birmingham, 2013

Yet local delivery partners such as Business Birmingham are engaged with companies designated as Strategic and Global accounts by UKTI, as well as smaller, lower tier companies across the piece. With the right level of support from Government, local delivery partners can significantly augment existing support levels. FDI policy focused on increased levels of investment in relationship management programmes with major employers would therefore result in significant incremental benefit to the UK economy.

Proposed Solutions and Asks of Government

Business Birmingham is currently rolling out a programme of investor development support for the automotive supply chain with AIO to fill gaps in account management resource across the UK. Business

9. Marketing Birmingham data, 2013

Birmingham believes that UKTI should focus its efforts and budgets more on supporting core cities in their drive to attract inward investment in the same manner and expand these programmes within GBSLEP. There is already a precedent in this area through UKTI funding of RDAs to deliver engagement programmes on their behalf, funds that were often passed on to specific inward investment agencies in a region. Business Birmingham is currently building an investor development network across other LEPs, within the Midlands and in future ideally beyond, coordinating a full resource for UKTI to tap into across LEPs with complementary sector expertise. This model does not supplant the UKTI Investor Development programme but allows this function to focus on major companies outside of the LEP sector expert boundaries and be brought in to these sector groups as and when significant projects arise.

Corporate engagement programmes

Revenue asks for 16/17:

- Focusing efforts on core cities to further attract inward investment, UKTI support for Business Birmingham to expand the automotive account management initiative to build an investor development network across LEPs with complementary sector expertise in Business, Professional and Financial Services, Food & Drink and Life Sciences & Healthcare. Provide in addition UKTI overseas lead generation resource to support with existing investor engagement in overseas markets as well as generate additional leads in the sector.

The Growth challenge

The sustainable growth of both foreign owned companies in the UK and indigenous enterprises must be better linked to the export agenda. Whilst UKTI staff overseas often have joint responsibility for trade and investment, delivery mechanisms in the UK currently separate the two disciplines. Inward investment in England is delivered nationally by PA Consulting whilst trade support is delivered predominantly by Chambers locally, but in disparate contracts across the UK. Inward investment attraction can benefit enormously through better alignment with export support. This is both in terms of joint activity in overseas markets as well as better packaging of support for investing companies through set up in the UK, growth and eventual expansion into new markets from a UK base.

Dr Ed Amann, a reader in Development Economics at Manchester University gave several reasons as to why Manchester needs to take advantage of exporting for inward investment purposes: *'Employment generation and establishing external links through exporting can generate inward investment'*. Likewise, the *paper 'Export performance and the role of foreign direct investment'* by Nigel Pain and Katharine Wakelin of the National Institute of Economic and Social Research and MERIT respectively, suggested that net inward investment into the UK had a significant effect on export performance. A similar result is also obtained by Blake and Pain, establishing that there is *'a unique, stable long-run relationship between UK exports, market size, relative prices, net FDI and proxies for relative product quality, with net inward foreign direct investment shown to have improved export performance over time.'*

With growth in terms of both trade and investment opportunities focussed on emerging economies, the benefits for the UK of aligning trade and investment activities are most clearly visible in examples such as the inroads Germany has made in China and the benefits accrued, exemplified by the twenty year established joint venture agreement between Volkswagen and Brilliance Automotive. In the February 2011 BIS white paper on trade and investment, the following feedback was received from public and private sector contributors; *Respondents generally agreed that information needed to be exchanged more effectively between and within government departments and agencies involved in providing support to businesses wanting to export/invest overseas. There was interest in UKTI providing a 'one stop shop'. There was also a need for more joined-up Government and better coordination between Government and the private sector.*

Proposed Solutions and Asks of Government

The GBSLEP region is at the centre of growth in exports in the UK and a focus here on bringing the two programmes together could reap massive benefits for the region. Combined international activities will allow UKTI and delivery agencies to jointly leverage existing assets across the GBSLEP, namely the strengths of the Universities and the better utilisation of the presence of academics as well as private sector partners in international markets. The alignment of engagement platforms going forward will significantly mitigate against confusion in the market-place and a 'revolving doors' scenario, whilst intelligence sharing and joint platforms will create more heightened awareness of business opportunities for both sides of the trade and investment piece, deliver added value to UK and foreign owned companies and also create better alignment with national organizations that have local representation such as BIS.

Aligned activities in the areas of trade and investment create a number of benefits incorporating and delivering but not limited to the following:

- Economies of scale through joined up sales and marketing activities
- A better differentiated offer for UK plc from a promotional perspective
- Tangible benefits for both indigenous and foreign owned companies

Joint marketing activity will also provide a more compelling solution to international business by presenting the entire 'lifecycle' of support across initial investment, business expansion and outbound trade using the UK as a platform to Europe and beyond. All of the above dialogues are in development in this region and it is our belief that UK policy should reflect the direction in which we are travelling both from a structural and operational perspective.

Trade and Investment linkages

Freedoms & Flexibilities ask for 16/17:

- Proactively pursue the development of a joint trade and investment 'action plan' that will better support both streams of activity across the country building on a GBSLEP pilot. Activity would include combined trade and investment international market visits, joint marketing collateral and proactive sharing of strategic company lists with UKTI support to develop joint programmes.

Appendices

1.0 GBSLEP sector strategy

GBSLEP through its delivery agency Business Birmingham has therefore built an economic development business engagement strategy across the following industry groups and sectors:

- New UK Investment - Investment in the city by UK based foreign owned MNEs and UK owned companies (predominantly SMEs) expanding through incremental investment in the UK
- New overseas investment - Greenfield FDI from overseas MNEs
- Expansion of Birmingham based major employers - Retention and expansion of Birmingham based foreign owned MNEs and UK owned companies

Advanced Engineering (automotive, manufacturing and environmental technologies)

- Advanced engineering generates over £12bn in the Birmingham region, with over a quarter of the UK's skilled advanced engineering workforce. This region is a centre for international research, with manufacturers like Kraft and SAIC setting up global R&D centres locally.
- The Greater Birmingham and Solihull LEP actively support advanced manufacturing through AMSCI (Advanced Manufacturing Supply Chain Initiative) via a £125m programme delivered through Birmingham City Council.
- The decisions of Jaguar Land Rover to locate a brand new £355m engine plant near Wolverhampton, Aero Engine Controls (AEC) to build a new £60m aerospace manufacturing and technology facility in Solihull, and a commitment from SAIC to invest £50m in production facilities at the MG Motor facility at Longbridge all provide a real boost for the regional economy.

IT, Electronics & Communications (ITEC)

- Birmingham has more ICT companies than any UK city outside London – including Virgin Media, CapGemini and Fujitsu, and the largest independent IT company in Europe SCC.
- By 2015, the sector is set to see the second highest relative growth of all sectors in the LEP
- The city has been one of the first in the UK to roll out a Fourth Generation (4G) wireless network
- eBay rates the region as the UK's hotspot for e-commerce start-ups – over 1,000 of these new businesses, set up since the recession, have contributed over £18million to the local economy
- Innovative breakthroughs like Cisco and Birmingham Science Park's collaboration to pioneer its 'Science Park Without Walls' concept. This allows global collaboration between start-ups, established businesses and leading innovators, academics and investors. The relationship has also led to Cisco welcoming the Park onto its Global Exchange for Growth programme

Digital & Creative Media

- The Greater Birmingham area is home to 21% of the UK games development workforce & GVA amounts to over £2 billion for the digital and creative sector
- Employment in motion picture, video and television programme related activities has increased by over 153% since 2009, more than San Francisco, Chicago and all core English cities
- The city is home to the team that manages 42 of the BBC's local news websites
- There is a £35m Digital Plaza in the pipeline at Birmingham Science Park
- The Human Interface Technologies Lab (HIT Lab) at University of Birmingham specialises in commercialising cross-discipline human interface technologies

Food & Drink

- The Food and Drink Cluster employs about 60,000 people and includes new opportunities such as the growth in demand for ethnic foods, and strengths in the region around the production of these cuisines – most notably halal
- Many world class brands are based in the city, including Cadbury's, Coors and 2 Sisters, as well as hundreds of smaller regional and local producers. Ideally suited for food distribution, Birmingham offers a range of benefits around the location for food and drink companies. It offers particular opportunities as a European HQ location for US and Asian companies.
- Birmingham has a first-class logistical network, companies in the supply chain have access to 90% of the UK's market within four hours & direct access to raw materials within the region
- The local market supports a growing agglomeration around national suppliers of ethnic cuisine, reflecting the requirements and expertise of Birmingham's diverse population; this continues to be an area where competitive advantage can be gained, particularly in import and export markets.
- World-renowned food technology and manufacturing expertise is developed at the regions universities and through existing R&D activity. Mid-level skills in production and processing are readily available, with specialist expertise including Halal and ethnic foods.

Life Sciences & Healthcare

- The area has over 500 medical technology companies, more than any other UK region. Birmingham's work on cancer research has spawned a growing clinical trial cluster and the development of a new National Institute of Translational Medicine.
- There is a vibrant and growing Life Sciences sector in the West Midlands, with over 2,000 SME life sciences businesses generating £180m GVA for the region in 2010. Our compelling offer includes state of the art clinical facilities, population scale and diversity and strong partnerships between academics and clinicians.
- Almost £1bn investment in the new hospital and road over recent years will be followed by a further £178 million investment in significant upgrading of the University.
- The University of Birmingham has the second largest medical school in the country with universities across the region providing significant numbers of high calibre graduates in medical, biochemistry, engineering and related fields to meet the future needs of investors.
- The QEHB offers high quality IT infrastructure to support life sciences activity. Birmingham Research Park hosts a range of medical technology and life sciences firms and will be boosted by the Bio Medical Innovation Hub and the proposed £24m Institute of Translational Medicine (ITM).

Business, Professional & Financial services

- Birmingham's BPFS sector employs over 98,000 people – more than any other city in the UK outside London and is expected to grow on average by 3.5% every year for the next five years.
- Birmingham city centre is at the heart of the region's financial and professional services sector bringing £23bn (25% of GVA) into the region with 30% of Birmingham's firms in this sector.
- The Birmingham city region is one of only four areas outside London to employ more than 10,000 insurance professionals with major players including Wesleyan Assurance Society.
- Greater Birmingham's legal sector is second only to London in size of employment with a well established networking opportunity and organisational support from the Law Society, Institute of Directors, and financial services network
- Major players within the legal sector include Wragge & Co, DLA Piper, Eversheds, Pinsent Masons and Squire Sanders.
- Birmingham and its surrounding areas are home to a significant pool of skilled workers in the business services industry, with over 300 company headquarters located here employed by over 400,000 employees in the wider region and over 46,000 studying business and law in the West Midlands region.
- Major companies in the city region include GVA Grimley, KPMG, Deloitte, Ernst & Young, Deutsche Bank, HSBC and PwC

2.0 Economic zones development and incentives

To improve the competitiveness of the area's environment for business, GBSLEP developed a sector based investment attraction strategy linking spatial planning with FDI attraction efforts across all target sectors. Sector research by PA Consulting culminated in the launch of five economic zones to complement the city centre Enterprise Zone, as well as plans to develop UK Central as a major employment hub. The zones focus on; BPFS and Creative Industries (City Centre Enterprise Zone), Automotive and related manufacturing (Advanced Manufacturing Hub), ITEC (Longbridge ITEC Park), Life Sciences (Edgbaston Life Sciences cluster and Institute of Translational Medicine), Food & Drink (The Food Hub) and low carbon technologies (Tyseley Environmental District). This strategy brings forward the supply of employment sites essential to the needs of the area in accommodating new inbound investment, at the same time as providing the right environment for incoming businesses to establish and benefit from a range of subsidies and support mechanisms.

1. City Centre Enterprise Zone (68 ha)
2. Advanced Manufacturing Hub (20 ha)
3. The Food Hub (36 ha)
4. Longbridge ITEC Park - 140 ha (ITEC Park 5ha)
5. The Life Sciences Campus (5 ha)
6. Tyseley Environmental Enterprise District (100 ha) with over 100,000 sq m of floor space

Some of these clusters are more 'FDI ready' than others, are at different stages in the life cycle and need different forms of support. Generally, UK based Enterprise Zones (EZs) have struggled to attract developers to build project-ready premises and just over 1,700 jobs created in the 24 EZs to date.[10] Business Birmingham commissioned ***fDi Intelligence*** in May 2013 to deliver a report on ***'Value Propositions for Economic Zones'***. The survey was sent out to the corporate database of fDi Intelligence, which includes current FDI decision-making contacts for over 1,500 companies across all main sectors and countries worldwide. The survey respondents had their ultimate parent company in 13 countries, which covered all of top countries for inward investment in the UK including the key emerging markets of Brazil, China, and India. Over 50% of companies turnover in excess of $0.5bn including world leading companies such as Accenture, Bank of America, Barclays, Moodys, SAP, Repsol, and STMicroelectronics.

Almost 70% of companies had activities in industrial sectors and over 30% had invested in an Economic Zone. The three most important location determinants for investment were infrastructure, cited by nearly 60% of companies, followed by the business environment and labour availability and quality. The importance of infrastructure was also found to be the most important location determinant after market size for advanced manufacturing and food & beverage sectors. In terms of the type of infrastructure required of EZs, the most cited was internet infrastructure.

Best practice 1: Lille Region

The Lille region has developed a number of significant economic zones, that whilst not the largest of their kind, provide a good parallel to Birmingham's economic zones in terms of what can be achieved with smart investment in smaller scale investment attraction zones. Whilst the relevant infrastructure and buildings provision has been developed by the regional Government, the region has stipulated that investors must invest in a zone to receive incentives and perhaps more innovatively, must commit to working with a specified number of supply chain companies. Some of the key development sites and their support mechanisms are outlined below:

Transalley Technology Park (45ha) - A Technopole located on Valenciennes University Campus and centre for research, training and innovation in support of sustainable transport solutions equipment. Business support infrastructure includes:

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10. Financial Times (April 14, 2013) "Enterprise zones struggle to boost jobs"

- Applied research laboratories
- Technology platforms for training
- Housing & services for researchers and students
- Common spaces for companies, researchers and universities
- Dedicated space for businesses

Eurasanté Business Park - Fully dedicated to the development of healthcare companies, with 7 hospitals and 5 universities on the same site. 130 healthcare companies have set up within the Eurasanté Bio-Business Park employing a combined total of 2,500 employees. A wide range of real-estate programs fully-designed for healthcare companies is available at discounted rates including a bio-incubator, combined office & laboratories and greenfield sites.

Plaine Images Park - A hub for digital creativity and innovation consisting of 50,000sqm dedicated to the business of moving images; video games, animation, audiovisual and multimedia technologies. 50 established companies employing 1,000 staff. Support infrastructure includes:

- Communal services and equipment: Film studios, multimedia editing room
- Incubator and start-up services for small business
- 'Plaine Images Recherche' - a unique high-tech platform for scientific research and perception/action study

Financial Incentives

MNEs are mainly attracted by strong economic fundamentals in the host economies, however, foreign MNEs will not include spillovers and technology benefits to the host country in their assessment of the costs and benefits of investing abroad. The location of FDI is also therefore influenced by various incentives offered by governments to attract multinationals. In the fDi Intelligence report - Value Propositions for Economic Zones, government incentives were the fourth most important factor, cited by 37% of companies. The motive for public subsidies to foreign investors is therefore to bridge the gap between the private and social returns, thus promoting larger inflows of FDI. These incentives take a variety of forms. They include fiscal incentives such as lower taxes for foreign investors, financial incentives such as grants and preferential loans to MNEs.

In general, incentives are important but are not a critical location determinant for inward investors at the long-listing phase. However, at the short-listing phase where the investor has a few very similar location options incentives can significantly influence the investment decision. Over one-third of investors state that incentives are critical or every important for site selection in UK/Europe and over 60% state incentives are important, very important or critical.[11] This is particularly the case for financial incentives like grants and other types of subsidies, since they reduce the initial costs of the investment and lower the risk of the FDI project. Successful competing global cities looking to build their levels of FDI stock therefore offer incentives. However English cities with large unemployment and high levels of deprivation in particular are disadvantaged, due to grants for FDI capital investments in assisted areas being offered on the doorstep in Scotland, Wales and Northern Ireland. Current levels of incentives in devolved administrations and Ireland range from £30m per annum to £130m.

Best Practice 2: Large scale grants - Regional Selective Assistance in Scotland

Evidence from a survey of 157 RSA-assisted businesses[12] showed that they differed from non-assisted firms in three significant ways: they grew faster than non-recipients both before and after receiving assistance; they are more likely to be undertaking R&D and product and process innovation and they

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11. fDi Intelligence – Value Propositions for Economic Zones, May 2013
12. *Evaluation of Regional Selective Assistance (RSA) in Scotland: 2000-2004*
Mark Hart, Nigel Driffield**, Stephen Roper*** and Kevin Mole****
**Kingston University **Aston University ***University of Warwick*

have faster GVA growth. Just over half of the projects (52.5%) were to modernise or expand an existing operation in Scotland while a further 10 per cent were to set up a new facility at the existing site. A significant number of projects (16.7%) were new start-ups in Scotland and the majority of these (75%) were by Scottish businesses.

Levels of self-reported deadweight (i.e., wholly non-additional) by RSA-assisted business and/or plants are low with the majority of firms citing some form of partial additionality in terms of either achieving business outcomes more quickly or to a greater extent. Complete additionality occurred in around 29 per cent of cases. Cost-per-Job (CPJ) estimates, using two methods derived from the econometric analysis, indicate that the cost-per-net additional job for the RSA Scheme in Scotland (2000-04) range between £16,591 and £43,024 using the amount of assistance offered, and between £13,273 and £34,419 on the actual amount of assistance paid.

The **fDi Intelligence** investor survey showed that after the ability to fully repatriate profits, exemption from corporate tax was the next most important incentive, with exemptions on property taxes and land concession among the least important incentives[13]. The evidence on incentives[14] shows that inward investors are influenced by corporate tax reductions, large job creation and training grants (i.e. £5,000 per job upwards), and major (multimillion pound) soft loans. Below are the average levels of grant per job across different sectors:

Advanced Manufacturing: Typical incentive packages (UK and globally) for advanced manufacturing are c. £5m equivalent to about £19,000 per job created and 20% of capital investment. For example, the Automotive Components Supplier Park in Germany offers a grant of 28% of capital investment for SMEs and 18% for large firms and outside of Europe zero income tax is common

Business Services: Typical incentive packages (UK and globally) for business services are around £2m, while the average incentives package in the ICT sector is around £1-2m equivalent to about £10,000 per job created and 15% of capital investment

Food & Drink: Typical incentive packages (UK and globally) for the food related sector is worth around £1-2m equivalent to about £15,000 per job created and 14% of capital investment. For example, the Kostryzn-Slubice SEZ offers corporate tax exemptions of 70% of capital investment or two years' worth of labour costs for SMEs, 60% tax reduction for medium firms, and 50% tax reduction for large firms

ITEC: Typical incentive packages (UK and globally) for the ICT sector is worth around £1-2m equivalent to about £10,000 per job created and 15% of capital investment

Life Sciences: Typical incentive packages (UK and globally) for the ICT sector is worth around £1.5-2m equivalent to about £18,000 per job created and 15% of capital investment. International competitors such as Coyol and Kaunas of zero corporate tax

Environmental Technologies: Typical incentive packages (UK and globally) for environmental technology projects is around £5m and globally is around £35m equivalent to about £18,000 per job created in the UK

In terms of the incentives available in the EZs, whilst there are differences between the EZs in Birmingham, the key financial incentive for Enterprise Zones in the UK is a business rate discount worth up to £275,000 per business over a five-year period. This incentive appeals mostly to companies relocating from other parts of the region, therefore to a degree risks falling into the displacement trap. Small start-up companies are typically more concerned by making a profit in the first place and place

13. Although this is not always the case with investors from China for example who often require a heavily subsidised land deal
14. See Financial Times Ltd (April 2013) "The fDi Report, Special Focus on Tax and FDI" http://www.fdiintelligence.com/Custom/Special-Reports/fDi-Report-2013andwww.icaincentives.com

highest value on immediate (non-repayable) cash grants and long-term, large loans. Inward investors are unlikely to be attracted by such a small incentive when the average size incentive given globally in the EZ target sectors equates to around £15,000 per job created[15] and when the business rate discount would only be available to a maximum unit size of around 1,000 square metres (11,000 square feet).

Regional Growth Fund monies have proven useful in a regional context, particularly for existing investors (both FDI and UK owned) who are looking to expand manufacturing facilities in particular. However, the inflexibilities of the application process and timings, as well as a certain degree of lack of clarity on whether a bid will be successful or not, mean there is a gap in appropriate funding mechanisms for certain investors. Birmingham City Council and Business Birmingham have already therefore developed a 'mobile investment fund' designed to ensure Birmingham can attract and retain global companies. Initial modeling has suggested that with a £10m fund the first 15 recipient companies could create in the region of 4000 jobs, increased economic activity from salaries alone of £843 million and £45million of rates income across a 5 year period. Over a 10 year period this rises to in excess of 14,000 jobs, increased economic activity from salaries alone of £2,500 million and £184 million of rates income. The fund is currently in a single investor pilot of £2m in grant funding, and is only made available to investors creating significant numbers of sustainable jobs that have a major impact on the economy.

Yet care must be taken in blanket subsidizing of FDI, as when the MNEs in question do not significantly differ from local firms this can distort competition and may generate significant losses among local firms. However, public policy intervention in situations where unemployment, insufficient investment and weak growth are central policy problems is important and can make a significant difference. The incentives should therefore be available on equal terms to all investors irrespective of industry and nationality of investor or applied with strict criteria to FDIs that will contribute to the development of the local economy. Also, the incentives should not be of the type granted prior to the investment, but should instead promote those activities that create a potential for spillovers. In particular, these include **education, training, and R&D activities**, as well as linkages between foreign and local firms.[5]

Best practice 3: Entrepreneur support - START-UP NY

START-UP NY is a new initiative that provides major incentives for businesses to relocate, start up or significantly expand in New York State through affiliations with public and private universities, colleges and community colleges. The programme provides businesses that create net new jobs the opportunity to operate without income tax for employees and no sales, property or business tax for ten years, while partnering with higher education institutions. Employees of businesses in START-UP NY will pay no income taxes on their wages for the first five years. For the second five years, employees will pay no taxes on income up to $200,000, $250,000 for a head of household and $300,000 for taxpayers filing a joint return.

In New York City, Long Island and Westchester County, businesses must be start-ups or one of a number of broadly defined "high technology" businesses. There is no minimum requirement for the number of net new jobs that must be created, but all participating businesses must create jobs to receive the programme's benefits. Participating START-UP NY businesses will occupy property or land affiliated with public and private colleges and universities available in urban and rural areas across New York State. The special economic zones tied to SUNY campuses encompass the entire state and offer a broad range of operating environments from the boroughs of New York City to the counties in upstate and western New York. The program offers combined real estate assets that are larger than those of Philadelphia and San Francisco combined.

15. Based on www.icaincentives.com

3.0 Workforce development and attraction

The activities below outline, as an example of initiatives that could be expanded, established programmes at the University of Birmingham that aim to provide industry with the pipeline to recruit the best skilled graduates and support the training and advancement of existing employees. Such schemes will enhance the regions broader offer to business and make Birmingham an even more attractive place for inward investment.

KPMG School Leavers' Programme: This scheme enables students to combine their academic study with relevant, high quality work experience at KPMG. It also enables students to directly apply aspects of their academic education in a professional setting and reflect on their experiences as they progress through the programme. The University of Birmingham are actively looking at other possible undergraduate partnerships that would emulate our current success with KPMG. A similar scheme may come from a variety of sectors and would aim to engage with other large corporate organisations.

NHS Leadership programmes: Delivered in partnership between The University of Birmingham, The University of Manchester and KPMG, these programmes are the first set of national programmes to combine successful leadership strategies from international healthcare, private sector organisations and academic expert content. The difference is not that they are available for everyone in health and NHS funded care, but it is the scale, quality and approach. For the first time University of Birmingham are taking a single, national approach to leadership development looking to support our next generation of leaders. There are five programmes, designed to develop outstanding leaders for every tier across the healthcare system. Building on these programmes, the University of Birmingham and Birmingham Further Education (FE) Colleges have been jointly discussing the idea of providing big employers with a 'step ladder' of entry points, e.g. entry level provided by a College and degree/Masters by the University.

University of Birmingham STEM Centre: STEMNET is a national organisation funded by the Department for Business, Innovation, and Skills (BIS), which creates opportunities to inspire young people in Science, Technology, Engineering and Mathematics (STEM). It helps encourage young people to be well informed about STEM, able to engage fully in debate, and make decisions about STEM related issues. This enables them to develop their creativity, problem-solving and employability skills, widens their choices and supports the UK's future competitiveness. The University of Birmingham is now STEMNET's sub-regional partner for the Birmingham and Solihull region until March 2015, and has recruited a specialist team to work with schools in the region to enrich and enhance STEM subjects. With the STEM Centre UOB is keen to progress internal work on the skills agenda and linking of management and engineering technical skills. The University's existing capability in this area is likely to be an attractive option in the West Midlands.

Looking ahead and building on the success of existing strategic initiatives, the University of Birmingham and Birmingham Metropolitan College have recently forged an innovative partnership to enable a cohesive business offer providing tailored business solutions to investors in the city. The combined expertise and capabilities of the two institutions allow organisations new to the region to benefit from expertly tailored solutions to address common issues. Critically, the HE and FE institutions will provide bespoke solutions to business needs, supporting the acquisition and development of skills from entry level jobs to the most experienced of research professionals. Such a service will expand beyond skills development and look to support businesses in collaborative research programmes around an engineering platform with management elements and professional services employment skills dimensions as well as life sciences more generally with Bourneville College.

Best practice: IBM pursues smart location for national technology clients

In September 2011, with the growing demand for software development, application management services and related public and financial regulatory services, as well as the use of mobile accessibility and cloud computing, IBM needed to identify a location for a new technology centre capable of meeting the demand for these data-intensive applications. To support such an operation, the company sought a partnership with nearby academic institutions to support research opportunities and develop a potential pool of talent.

Within more than a dozen potential locations, Louisiana had targeted incentives that included a best-in-the-nation incentive for software development. IBM viewed Louisiana's business climate favorably, but company executives required a pipeline of qualified talent to support their new development. Louisiana Economic Development (LED) assembled project partners including Louisiana State University to support a new software technology centre and identify solutions to fulfill the company's objectives. To address IBM's desire to collaborate with higher education campuses, the State of Louisiana provided $14 million over 10 years. These funds went toward growing computer science departments and boosting the number of annual computer science graduates. At least 65% of those funds went to LSU's School of Electrical Engineering and Computer Science, with targets to double its computer science faculty and triple the number of annual computer science graduates in five years. The higher education enhancements will support the LSU computer science programme's ascent to the top 10 to 15 in the country in terms of graduates while facilitating IBM's hiring needs in the future.

In addition to long-term workforce solutions, LED offered the company a $17 million grant to reimburse relocation, recruitment and internal training costs; a $5.5 million incentive for a portion of the IBM centre's employment over 10 years; a $5 million grant to offset facility operating costs over 10 years; and the recruitment, screening and training services of LED FastStart®. LED offered a $30.5 million performance-based grant consisting of state, local and federal funding to build an eight-floor office building as part of a new, mixed-use urban development on Baton Rouge's riverfront.

The company committed to create 800 jobs by 2016 at the IBM Technology Center: Baton Rouge, and the customized partnership is already producing results. The number of first-year computer science students at the university jumped 55% in a single semester and 60% of the first 100 hired IBM employees were graduates from Louisiana universities; LSU, Southern University, Northwestern State University, the University of Louisiana at Lafayette and Southeastern Louisiana University.

In June 2013, IBM announced a similar development with a new services centre in the city of Groningen, Netherlands that will create up to 350 technical IT roles in the coming three years enabling IBM to deliver an industry-leading range of innovative technology services to clients across The Netherlands. The centre highlights IBM's continued commitment to partnering with local universities and academic institutions to deliver high value skills that are highly relevant in today's marketplace. During the next three years IBM Services Centre: Groningen will employ technology graduates and experienced IT professionals with backgrounds in computer science, engineering, mathematics and science. The centre will also offer internships and graduate assignments to harness the best IT talent from across the city and region.

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