

## Local Growth, Global Links seminar

March 11 2014, Church House, Westminster, London

What do Derbyshire and Sunderland have in common? Why would the chief executive of an East Midlands council travel all the way to Japan to look at regeneration?

The 'Local Growth, Global Links' seminar co-organised by the Japan Local Government Centre (JLGC) and the Society for Local Authority Chief Executives (SOLACE) answered both of these questions by bringing together 70 decision makers and professionals from the UK's local government and economic development sectors, to examine their experiences for building partnerships outside the UK to build local economic growth. Chaired by *MJ* Editor Heather Jameson, the event saw a UK-Japanese line-up discuss the benefits that have been brought to UK local authorities by working with global business in the UK and building links with regions abroad.

The seminar was held at a time when economic growth remains high on the agenda, not only for government, but increasingly for local authorities themselves, who are now required to work with a range of new partners to deliver sustainable economic growth in their local area.

### Resilience, regeneration and reconstruction

Gathered in Church House in Westminster, we began with Kettering in the East Midlands, with council chief executive David Cook reflecting on his experience of visiting Japan as part of the JLGC Japan Study Tour to Miyagi last autumn. The tour was an opportunity for representatives of the UK local government sector to see first-hand the economic renewal taking place in one of the prefectures affected by the Great East Japan Earthquake in March 2011. Since then, Miyagi has focused its efforts on attracting new investment to the region, with an award-winning global campaign and innovative new local schemes for economic development.

Kettering was in a position of considerable growing strength, Cook argued, but was not reluctant to taking its cues from elsewhere to improve its standing even further and embed cultural change: *"If you look at the top 20 fastest growing local authorities in the country, there are only two counties which have three areas in them. London has only two of the fastest growing area in the top 20, Northamptonshire has three in the top 20 and Cambridge has got three in the top 20 – the fastest growing places in the country. Kettering is the fastest growing place in the fastest growing county, so we have quite a lot of business and regeneration activity going on."*

He wondered where the 'impetus' for economic renewal in Miyagi was coming from and analysed that its secure constitutional autonomy within Japan's system of local government accounted for a lot of this: *"In Japan there is a strong sense that the locality knows best. Sometimes one gets the sense in the UK that London knows best. The power in Japan seems to be that local autonomy is the default position."* he said.

On partnership working he suggested that a shared sense of purpose went a long way towards equipping places in Japan with the right mindset from the get-go, something English councils could learn from: *"My experience of seeing how the prefectures and municipalities work together showed me that it really was about outcomes and purpose. I wonder sometimes if some of our partnership relationships are about institutional mutual interest. It's good for my council to work with your council because we've got a mutual interest – it's good for us and it's good for you."*

As a result of this institutional underpinning, reflected in Japan's constitution, localities possessed a confident approach to pursuing economic growth, he reflected: *"I think once you've got these factors of the power being in the locality, being reputationally secure, this brings you a confidence. Once you've got this culturally and legislatively protected place, and institutional egos are small, then you*

*create the environment for people to be purposeful about what they are doing and how they are doing it.”*

Two prominent examples of Miyagi’s post-disaster economic renewal were demonstrated to Cook and other participants in the form of food-growing facilities where optimal forms of energy use had been built into production and a small business incubator space donated by Sony from its own downsized facilities. Having considered the equation of whether this local activity amounted to ‘renewal or replacement’, he ended in reflecting on what he had seen and how this played out: *“Our institutional awareness is very high. In Japan, the prefectures and the municipalities are not in a tier-based system. They don’t consider themselves to be in tiers, but as equals. You don’t have a county council, district council, unitary authority, London authority type of pecking order going on. They are constitutionally equal organisations, even though the municipalities might cover a smaller area than the prefectures. That struck me as helping with that purposefulness.”*

Key lessons:

- Local governance rooted in local autonomy backed by a written constitution leads to greater respect among partners and a shared sense of purpose
- Measurable progress can be achieved through an approach to economic renewal which emphasises new ways of doing things
- Civic pride goes a long way towards securing lasting change, not just in local economic development, but also infrastructure delivery and resilience against disasters

### **Derbyshire and Toyota, the twinning partnership**

Staying in the East Midlands but looking at Derbyshire, where the county council (alongside Derby city council and South Derbyshire district council) has been part of a twinning agreement with Toyota city since 1998, we heard from Cllr Joan Dixon (Cabinet Member for Jobs, Economy and Transport) and Rob Gorton (Corporate Planning Manager, Toyota UK), who both participated on CLAIR’s JET Programme, but are now engaged in different roles in Derbyshire around the presence of Japanese business in the local economy.

Cllr Dixon gave an overview of the Derbyshire’s on-going partnership with Toyota, both in terms of the company and the city in Japan, which had led to Japan almost embedding itself within the ‘cultural fabric’ of the historic county: *“Some of our companies have linked up, for example, we have Denby pottery in Derbyshire and the potters there have worked with some of the ceramics experts in Toki city, in developing a unique product. Our schools have benefited from an exchange event that takes place on an annual basis, which hundreds of students have benefited from. The Japanese language is taught in a number of Derbyshire schools, and a number of new school and college partnerships were formed in 2013.”*

However, as Cllr Dixon was keen to illustrate, the partnership has evolved away from traditional notions of civic twinning towards more engaged and value-added economic arrangement: *“What we decided was that twinning is often about sending mayors over and the cultural exchange, but really in these hard economic times that we find ourselves in, local government has to ask itself very difficult questions about how we spend our money. So we very much thought that we need to go beyond the normal cultural exchange. What we agreed was that our twinning relationships should now extend beyond the merely cultural exchange and that we should start to build a relationship based around three key strands of investment, tourism and the environment.”* This has since developed into a bilateral exchange between the two local authorities to promote food and drink products at special events, as well as a Japanese language website to attract visitors to the county.

In particular, she was keen to draw attention to the role of other JET alumni in the UK as almost hidden assets for other local authorities to tap into as a resource for engagement with Japan: *“Thousands of graduates have participated in this scheme. They live and work in Japan for at least a year, and many of these young people will return with knowledge and skills based around Japan that we need to take advantage of. Some of them may even be working for your councils, but they will certainly be living in your area. And when developing links with Japan, it has already been stressed that the relationship is the most important thing. They can act as ambassadors for you and be a tangible link in facilitating relationship building with Japanese colleagues.”*

Picking up the thread of Japan in the UK, specifically Derbyshire, Rob Gorton also paid tribute to the JET Programme as a ‘valuable resource’ for local communities in the UK and outlined the car-maker’s historic commitment to the county since 1992, with £2 billion invested and a workforce of 3,000. He also remarked that as production levels at its two UK plants vacillate between very high and very low depending on the state of the economy, the company’s commitment to engaging with the local community has been solidly consistent throughout. He summarised the company’s approach to working with the local community as being based on the two pillars of investment in the local environment and engagement with stakeholders.

On the plant itself the company’s philosophy is ‘eco cars in an eco plant with eco-minded employees’, but when put into reality this sees both increasing commitment to renewable energy and the creation of an attractive space in the Derbyshire landscape with plenty of greenery in harmony with its surroundings and the UK’s largest factory solar PV. He also outlined the company’s commitment to working with local stakeholders through corporate philanthropy, with 36 vehicles (out of 63 overall) donated to the local fire and rescue service in 2013.

On wider community engagement, he set out the company’s approach through partnership structures such as its Community Liaison Committee of the chairs and vice chairs of the parish councils surrounding the plant, which acts as a “window into the local community” and an open forum for dialogue. In a broader sense and connected to the company’s environmental investment, TMUK also engages with the new Local Nature Partnership set up as part of the LEP. This commitment had paid dividends and was felt locally, he argued, as quite poignantly when the disaster struck North East Japan in March 2011 a member of the community with no connection to the plant turned up and donated his savings towards relief efforts, seeing the plant as his own ‘window’ to Japan. This in itself spoke to Toyota’s Global Vision of “Enriching the lives of communities”, he argued.

Having heard the *“quintessential example of a happy marriage between Japanese companies and the local community”*, Japan External Trade Organisation (JETRO) London Director-General Jun Arima sought to paint a broader picture of the Japanese investment profile in the UK. He set out the competitive advantages which attract Japanese companies to invest in the UK market as a backdrop to the successful examples of investment heard at the seminar: *“Why did Japanese companies choose the UK among various European countries? I guess the biggest factor must have been that both central and local governments have been very much highly welcoming of foreign investors. The UK has been consistently the most open country to foreign investment. An English-speaking environment is another big factor, and the UK is also a big financial and information centre in Europe.”*

However, he felt that it was worth noting what Japanese companies had also identified as challenges for the UK side to address in order to make the business environment more attractive: *“According to a JETRO survey in 2014, Japanese manufacturers in the UK illuminated the following areas as possible challenges for doing business in the UK: fluctuation of currencies, economic downturn and shrinking market, high level cost, price cuts by competitors, emerging new competitors and high social security*

costs. *These elements are very much common in various European countries, but in the UK, Japanese companies often point out difficulties of visa control regulations.*

Finally, in this part of the seminar he summarised by drawing attention to the pro-active and dynamic approach taken by UK local authorities in seeking investment as a basis for further engagement with Japanese local authorities: *“The UK is a model country for Japan in attracting FDI, in particular the strong willingness of the UK’s local authorities to embrace local investment, as shown by Derbyshire and Toyota. Currently many Japanese local authorities at prefectural and city level are talking about welcoming foreign investors, but it has not necessarily been so engrained in their DNA, so a seminar in Japan for them to learn from the UK’s passion for local FDI could probably help matters here.”*

Key lessons:

- Look at existing local assets to maximize partnerships with Japan, be it an existing twinning arrangement which can be realigned towards tourism and investment, or the presence of JET alumni to act as individual links to Japan
- Partnership between business and the local community can lead to dividends, both environmentally and socially, through the right structures
- Local authorities in Japan can learn from the developed model of attracting investment locally in the UK, in return local authorities in the UK can make new links to Japan through economy-focused knowledge exchange

### **Creating economic opportunities through international engagement**

Our final place under the spotlight was further north in Sunderland, in the North East city region, where council chief executive Dave Smith set out how a city formerly dominated by heavy industry has now centred its local economy around a partnership with Nissan and associated companies in order to reinvent itself for the 21<sup>st</sup> century global marketplace. Noting the high levels of unemployment in the 1980s before Nissan’s arrival, he remarked: *“Sunderland’s story isn’t about a magician with a wand who has come along and made it happen. It’s a story about resilience in the face of huge challenges that were faced by Sunderland and the wide North East, a relentless focus on what matters to us and where we have a competitive advantage, and relationship building.”*

Nissan’s investment in its Sunderland plant had seen it emerge as its third most productive plant globally, supplying one in three cars manufactured in the UK, with 11,500 people employed in the automotive industry in Sunderland alone, with a wider supply chain in the North East region as a whole providing further jobs still. Sunderland’s story, he argued, had been propelled by an informed narrative of place which drew attention to the city’s economic profile and people: *“Understanding our labour, cost and logistical advantages, understanding ourselves and understanding our competitive advantage meant that we could ally what we knew we were really strong with, with a marketing approach that aligned the opportunity with our reality. In going out to seek FDI, in going out to work with foreign investors, we weren’t spinning them a tale, but presenting a case. Hopefully we were presenting a case that had conviction, cleverly marketed, but essentially telling the truth. It was essentially saying something that they could experience themselves.”*

However, Dr Smith felt that the ‘university city’s new strengths, which enabled it to “look forward to a future” rather than “hark back to a past”, particularly in low carbon vehicles and specialist software development, could sometimes be overlooked by national policymakers. *“Sometimes we only ever look at the economy from a helicopter and when you’re in the helicopter and you look down, we all look the same. We are all the same dots on the landscape – sometimes you need to*

*come down and realise the difference and complementary nature of our different regions and opportunities to realise the investment that we want.” he said.*

Key to the Sunderland story, as he told it, was long term investment in relationships with business, particularly when dealing with Japanese companies: *“One of the things I do understand, in a shared relationship with the senior executives of the Japanese companies we work with, both in this country and their corporate headquarters, is that a desire to be truthful about the real nature of the people that we are dealing with. A real understanding of the opportunity and labour supply that we have. A real desire to make things work for the benefit of the whole. Making those relationship connections ultimately matter alongside all the infrastructure, number and values you put into the deal itself.”*

Outlining the city council’s ‘offer’ to supporting business through dedicated personnel, aftercare and a Japanese representative office, Dr Smith also acknowledged the need to refocus city partnerships away from traditional notions of ‘twinning’, but gave a robust defence of the financial commitment his city had made in attracting new investment from overseas, especially under austerity and cuts. *“We will go on investing at a local level in the relationships we think we need, with the people who matter to us. We will never make excuses for that relationship. Those who work in councils will be very familiar with the challenges that local authorities get about ‘foreign trips’, as they are called. I have one answer to that: from Sunderland’s point of view, and I form it with a question: ‘What is the ratio between the £250,000 we spent in the last five years on foreign trips against £1.5 billion of investment?’ It is hard won and even harder to sustain. It is about a relationship that manifests itself over years.”*

This sustained and guided approach to local investment had been rewarded by the city being in the top four European small cities for FDI and the top eight of all European cities for securing FDI. This model had paid off, thanks to the effort of council officers and local companies, as he argued *“Nothing breeds success like success.”*

Key lessons:

- A city needs to understand its competitive advantage in order to attract new investment, but most of all it needs to understand itself in order to present a compelling case with conviction
- The best way to understand a national economy is to analyse the strengths and opportunities found at city level and how they complement each other nationally
- If a council can make the business case for financing overseas trips to facilitate local investment and growth then any criticism answers itself, the cost of not doing anything is potentially more significant