

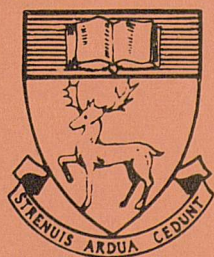
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Foreign Owned Plants and
Regional Policy in the
United Kingdom: Some
Evidence from South
Hampshire

C.M.Mason

No.7

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FOREIGN OWNED PLANTS AND REGIONAL POLICY IN THE UNITED KINGDOM :

SOME EVIDENCE FROM SOUTH HAMPSHIRE

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August 1980

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Abstract

The concentration of employment in foreign-owned plants in S.E. England gives support to the view that in their location decisions multinational companies have failed to be responsive to the needs of the assisted areas and the objectives of regional policy. Recent papers have suggested that this might be too harsh a verdict by pointing out the substantial numbers of foreign companies in the South East which arrived before 1939 and the acquisitions by foreign companies of British firms with plants in the South East. Using a recently constructed establishment data bank the paper finds little support for either hypothesis in South Hampshire, the largest urban-industrial complex in the South East outside Greater London. The substantial foreign-owned sector in this area has, in fact, been developed largely since 1945 and mainly through new openings rather than acquisitions. The paper also suggests that, in the light of studies of multinational investment in Scotland and North West England, the characteristics of the foreign-owned sector in South Hampshire are largely predictable: predominantly in U.S. companies; restricted to a narrow range of growth, capital intensive and technology-based industries; mainly in large plants; and distributed unevenly within the sub-region. What is more surprising is the scale of the foreign-owned sector in South Hampshire, providing one-quarter of manufacturing jobs in the area in 1979. It was concluded that the absence of any outcry against such a dependence on overseas headquarters companies is related to the economic prosperity of the area in the post-war period and the quality of jobs provided in foreign-owned plants.

The results in this paper are preliminary. It must not, therefore, be quoted without prior written permission of the author.

Preface

This is the first of what is intended to be a series of occasional papers aimed at disseminating preliminary findings from a programme of research into industry in South Hampshire. The first year of the research project, which commenced on 1 December 1979, has been funded by the Social Science Research Council (Grant HR 6796) under the title 'The Creation of an Establishment Based Data Bank for South Hampshire'. Their support and the research assistance of Colin Taylor are both gratefully acknowledged. The opinions expressed in this paper are, however, solely those of the author.

INTRODUCTION

Throughout the post-war period, and especially since the onset of economic recession in the early 1970s, governments in many developed countries have attempted to attract foreign investment, notably from the USA, in a bid to enhance their economic growth and stem rising domestic unemployment particularly where it is localised in declining industrial regions. The United Kingdom is no exception, setting up the 'Invest in Britain Bureau' in 1977 in order to 'sell' Britain abroad as a desirable location for manufacturing. In addition, various regional and even local authorities, notably the Scottish Development Agency, also undertake overseas promotional activities.

However, critics argue that direct investment by foreign companies brings, at best, only short term benefits while in the longer term the consequences of multinational investment are detrimental to the host economy (see McDermott, 1979). In particular, Holland (1976) and Blackburn (1978) have argued that, rather than alleviating regional inequalities within advanced economies, multinational companies actually help to perpetuate them because their economic size and power means that they are able to pursue locational behaviour which is contrary to the needs of the peripheral regions and the aims of regional policy. Certainly, in the United Kingdom the geographical distribution of multinational investment is far from even: in 1975 the South East contained 37.6 percent of all employment in foreign enterprises compared with only 25.6 percent of total United Kingdom manufacturing employment. The next highest concentrations of foreign-controlled employment were in the North West and Scotland with 13.3 percent and 10.9 percent respectively (Trade and Industry, 1979). Yet despite this evidence, McDermott (1977) and Watts (1979) have recently claimed that the location of multinational investment in Britain has been responsive to the needs of the depressed regions.

In part it is probable that this controversy concerning the role of multinational companies in regional development is a function of the lack of adequate statistical information on foreign owned plants in the United Kingdom. The Census of Employment has, until recently, been released at irregular times and usually with a considerable time lag. Lloyd and Dicken (1979) point out that prior to 1976 much of the discussion on the location of multinational investment has either employed information relating to the 1963 situation, or alternatively made use of anecdotal evidence, notably statements made by companies to the House of Commons Expenditure Committee on Regional Development Incentives (House of Commons, 1972-73). In addition, the Department of Industry's Record of Movement and its successor the Record of Openings and Closures only identify first time foreign investment, consequently branch plants opened by British subsidiaries of foreign

controlled companies are classified as domestic openings. No data is available on alternative types of foreign investment, notably acquisition and insitu growth. Furthermore, the data on foreign owned plants which is collected by government departments is generally published only at the regional scale.

More recently released data has shown that between 1963 and 1973, and largely as a result of the location of new production units, most of the peripheral regions made substantial gains in their share of employment in foreign owned plants. Consequently, during this period the proportion of employment in overseas owned plants in the South East fell from 51.4 percent to 39.3 percent (Lloyd and Dicken, 1979). Significantly, this shift in multinational investment during the 1960s in favour of the assisted areas coincided with the strengthening of regional policy.

Two additional factors have been suggested as explaining the high concentration of foreign owned plants in the South East which, if valid would exempt multinationals from much of the criticism that they fail to conform to regional policy requirements. Firstly, Law (1980) points out that many of the foreign owned plants in the South East were established before 1939 and hence predate the period when controls on industrial location were introduced. Second, on the basis of evidence from Philips, the Dutch multinational, Watts (1980) argues that some of the concentration of foreign owned plants in the South East is a result of their acquisition of British firms. Acquisition is not subject to regional policy controls and, in addition, is unlikely to involve a spatial component as motive, particularly when the acquired company is multilocal and operating in several regions.

Smith (1980) has recently presented some evidence which suggests that with the economic recession of the 1970s the spatial redistribution of foreign investment towards the assisted areas has been halted. The higher closure rate amongst foreign owned plants in the Development Areas, the sharp fall in new openings of foreign owned plants from 1972 (Lloyd and Dicken, 1979) and the switch in favour of acquisition rather than greenfield investment together have resulted in a declining share of multinational investment in the peripheral areas. In particular, Smith suggests that acquisitions by multinational companies have been concentrated in the faster growing regions, notably the South East.

A feature of much of the recent research on multinational location is the extent to which it has adopted an assisted areas perspective. Partly as a function of the availability of establishment level data which has overcome many of the deficiencies of official statistics the foreign owned sectors in Scotland and N.W. England have been extensively documented (e.g. Firm, 1975; Dicken and Lloyd, 1976; Lloyd and Dicken, 1979). Survey based research has also tended to favour the investigation of foreign owned plants in the assisted areas, notably Scotland (e.g.

In an attempt to achieve a more balanced perspective on the geography of overseas investment in the United Kingdom this paper investigates some characteristics of the foreign owned sector in part of South East England which after all, still contains the largest regional concentration of employment in overseas headquartered enterprises. Specifically the aim is to contribute to the "refinement of our knowledge of the geography of overseas investment" (McDermott, 1977, p. 205) by responding to three research priorities identified by McDermott (1977):

- the precise nature of overseas investment and its impact in various parts of the country;
- a finer spatial disaggregation than the commonly used regional scale;
- a distinction between different types of foreign investment, particularly between the establishment of new plants and the process of takeover.

The study is, however, limited to South Hampshire, making use of an establishment data bank which contains information on the 1979 population of manufacturing plants. Ownership and control details were derived from sources such as Who Owns Whom, Kompass directory and Dun and Bradstreet's Guide to Key British Enterprises. The spatial coverage of the data includes the cities of Southampton and Portsmouth and the less urbanized areas of mid and south west Hampshire (Figure 1). Although comprising a relatively small part of South East England South Hampshire is, nevertheless, a major source of employment. Indeed, the Southampton and Portsmouth travel-to-work-areas together comprises the largest urban-industrial complex in the region outside Greater London and in 1976 the area covered by the data bank contained 11.6 percent of manufacturing employment in the R.O.S.E. area. In the next section the source, industrial, plant size and locational characteristics of foreign owned plants in South Hampshire are considered and this is followed by an examination of the type and timing of foreign investment in order to assess the 'pre 1939' and 'acquisition' hypotheses suggested by Law (1980), Watts (1980) and Smith (1980).

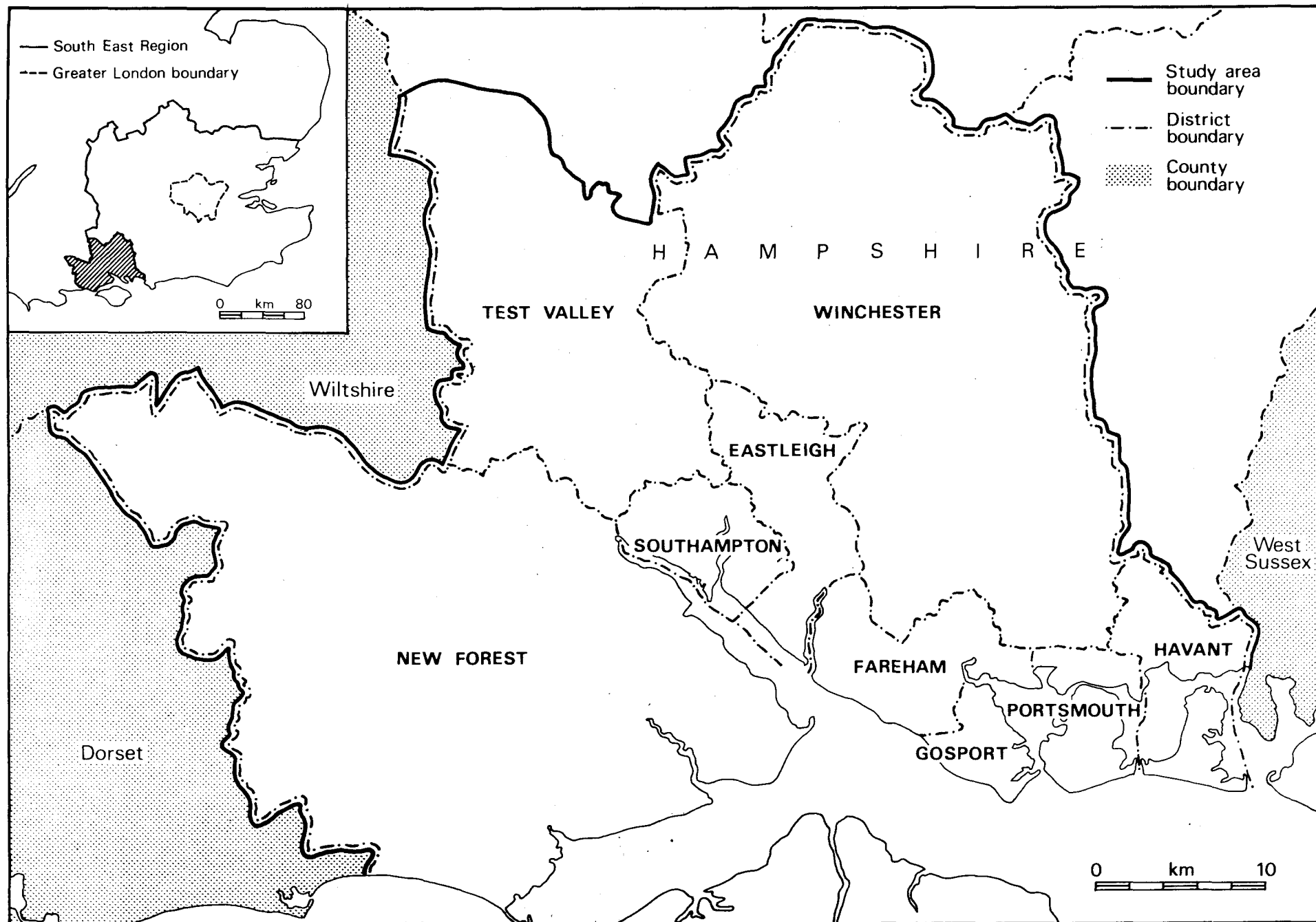


Figure 1 The study area

FOREIGN OWNED MANUFACTURING PLANTS IN SOUTH HAMPSHIRE : SOME CHARACTERISTICS

Scale

The establishment level data indicates that in 1979 there were 67 foreign owned manufacturing plants in South Hampshire, providing 26,288 jobs. This comprises 4.4 percent of all establishments in the area but 25.2 percent of manufacturing employment, well above both the national average where 12.4 percent of employment in 1975 was in foreign owned plants and the regional average where multinational companies provided 18.2 percent of jobs in the South East* (Trade and Industry, 1979). The foreign owned sector in South Hampshire is therefore of a comparable size to areas more usually thought of as having a high degree of external control. Lloyd and Dicken (1979) for example show that 12.3 percent of manufacturing employment in N.W. England is in the foreign controlled sector although on Merseyside the proportion was 25.4 percent. Fim (1975) points out that in 1973 17.1 percent of manufacturing employment in Scotland was in companies headquartered outside the United Kingdom although again there were spatial variations : the foreign owned sector accounted for 19.4 percent of jobs in Glasgow and 25.3 percent on Tayside. So, as McDermott (1977) notes, although overseas investment is of considerable importance in several regions which have been marked by levels of economic activity below the national average the evidence from South Hampshire indicates that a large foreign owned sector is not a prerogative of such areas. Equally, it can also be a characteristic of economically prosperous areas.

Origins

U.S. companies dominate the foreign owned sector in South Hampshire, providing just over 70 percent of all jobs in non UK owned plants. Their significance is slightly less when measured by the number of plants but greater if measured by the number of companies (Table 1). The EEC category, largely through the presence of subsidiaries of Philips (Netherlands), provide 14 percent of foreign controlled jobs while in the 'others' category the majority of jobs are controlled from Switzerland which, according to Who Owns Whom is the location of the parent company of Pirelli General, a major employer in South Hampshire. The origins of foreign direct investment in South Hampshire therefore largely conforms to the pattern for the United Kingdom as a whole where 71 percent of foreign controlled jobs are in U.S. companies, 18 percent in EEC headquartered companies and 16 percent in enterprises from the remainder of the world (Trade and Industry, 1979).

The headquarters locations in the United States of American companies with plants

*It can be tentatively concluded from the business directories listed on page 3 and the Data Research Group (1979) that foreign control is not as pronounced for Hampshire as a whole. In the rest of Hampshire outside the study area (which includes the major employment centres of Basingstoke, Andover and Farnborough) about 16 percent of manufacturing employment is in overseas headquartered firms. For the whole county approximately 21 percent of manufacturing employment is in foreign-owned plants.

Table 1. Origins of foreign owned manufacturing plants in South Hampshire

<u>Origin</u>	<u>Establishments</u>		<u>Employment</u>		<u>Companies</u>	
	No	%	No	%	No	%
USA	46	68.7	18807	71.5	33	73.3
EEC	15	22.4	3648	13.9	8	17.8
Others	6	8.9	3833	14.6	4	8.9
Total	67		26288		45	

Source : South Hampshire Establishment Data Bank (S.H.E.D.B.)

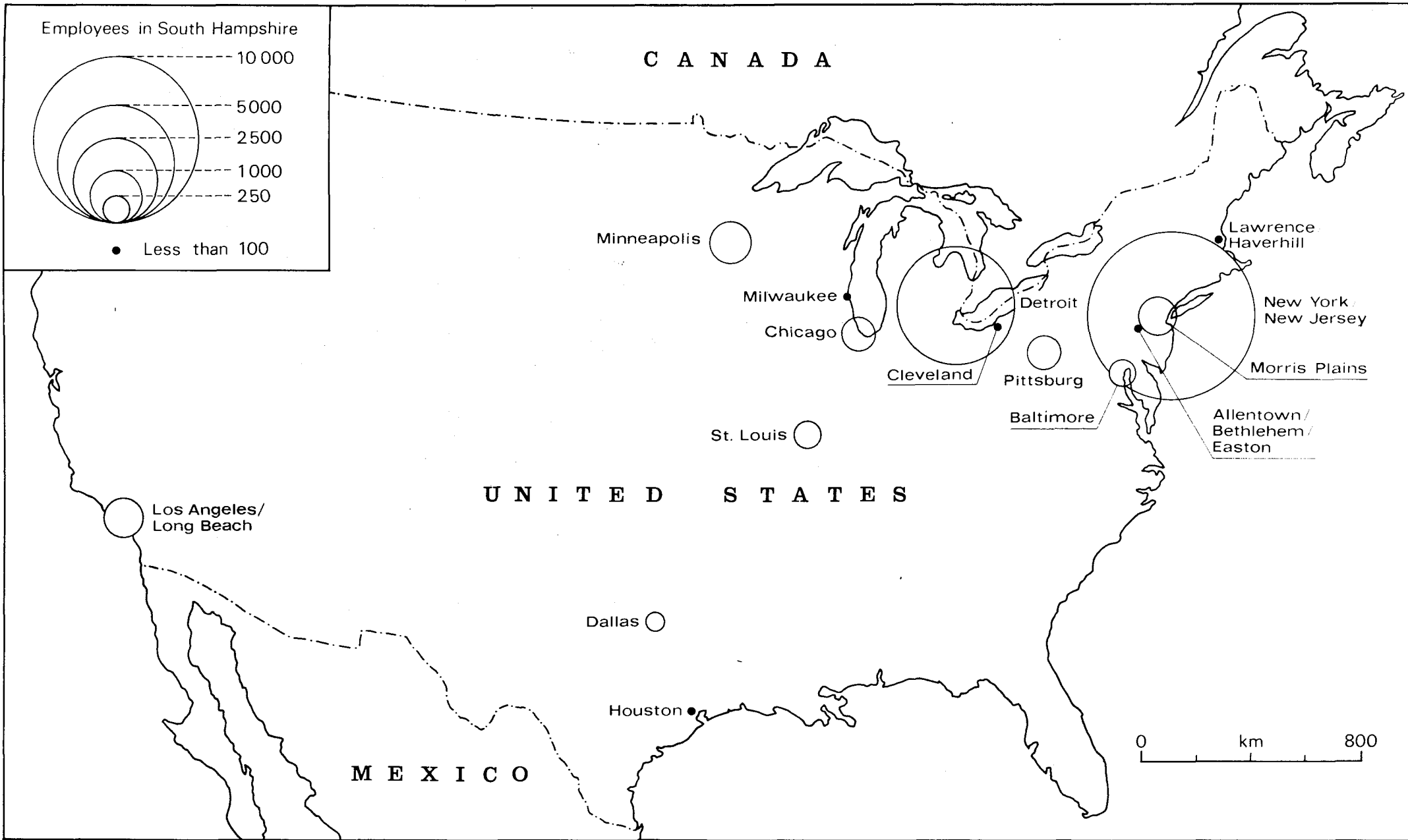


Figure 2 The location of the headquarters of U.S. companies with plants in South Hampshire

in South Hampshire reveals a concentration in the north-east (figure 2). New York is by far the leading 'control centre', containing the headquarters of 15 companies which provide 57 percent of jobs in U.S. owned plants in South Hampshire. Detroit, the second most important metropolitan area controls 25 percent of jobs but these are provided by just three companies. A similar clustering in the north east is evident both for U.S. companies with affiliates in North-West England and the leading 100 U.S. companies with affiliates in the United Kingdom (Dicken and Lloyd, 1976).

Industrial Distribution

Foreign direct investment is restricted to a small number of industrial sectors (Figure 3). Clearly dominant is electrical engineering which accounts for 40.6 percent of all foreign controlled employment. A long way behind in second place is vehicles (18.3 percent) followed by chemicals (15.1 percent), coal and petroleum products (10.0 percent) and mechanical engineering (8.6 percent). These five sectors account for 92.6 percent of all foreign controlled jobs in South Hampshire. In contrast, only 32.1 percent of jobs in the British owned sector are in these industries.

Figure 3 further indicates that U.S. companies provide the vast majority of jobs in 7 out of the 10 industries with a foreign company presence. Two of the exceptions, paper, printing and publishing and textiles, contain a very small proportion of all foreign owned jobs. Non U.S. owned companies are therefore a significant source of employment only in the electrical engineering industry, the majority of jobs being provided by Pirelli General and Mullard (a subsidiary of Philips Industries). Indeed 87 percent of all non U.S. controlled jobs are found in just this one industry.

However, in only 3 industries, textiles (51.2 percent), chemicals (72.5 percent) and coal and petroleum products (99.3 percent) do foreign owned companies actually provide the majority of jobs in South Hampshire. In addition, over 40 percent of jobs in the vehicles industry are in foreign owned plants. But in the electrical engineering industry, which dominates overseas investment in South Hampshire, only 38.3 percent of jobs are in foreign owned plants.

The concentration of employment in foreign owned plants in just a few industrial sectors is repeated in Scotland and the North West. In Scotland over half of all U.S. employment (which represents 87 percent of all foreign employment (Firm, 1975)) is in mechanical and electrical engineering (Forsyth, 1972). In the North West by contrast foreign employment is concentrated in vehicle manufacture although is also significant in the mechanical engineering, chemicals, food drink and tobacco and electrical engineering industries which together comprise 74.2 percent of all foreign controlled employment in the region. In similar vein to South Hampshire U.S. control is dominant in every industry except

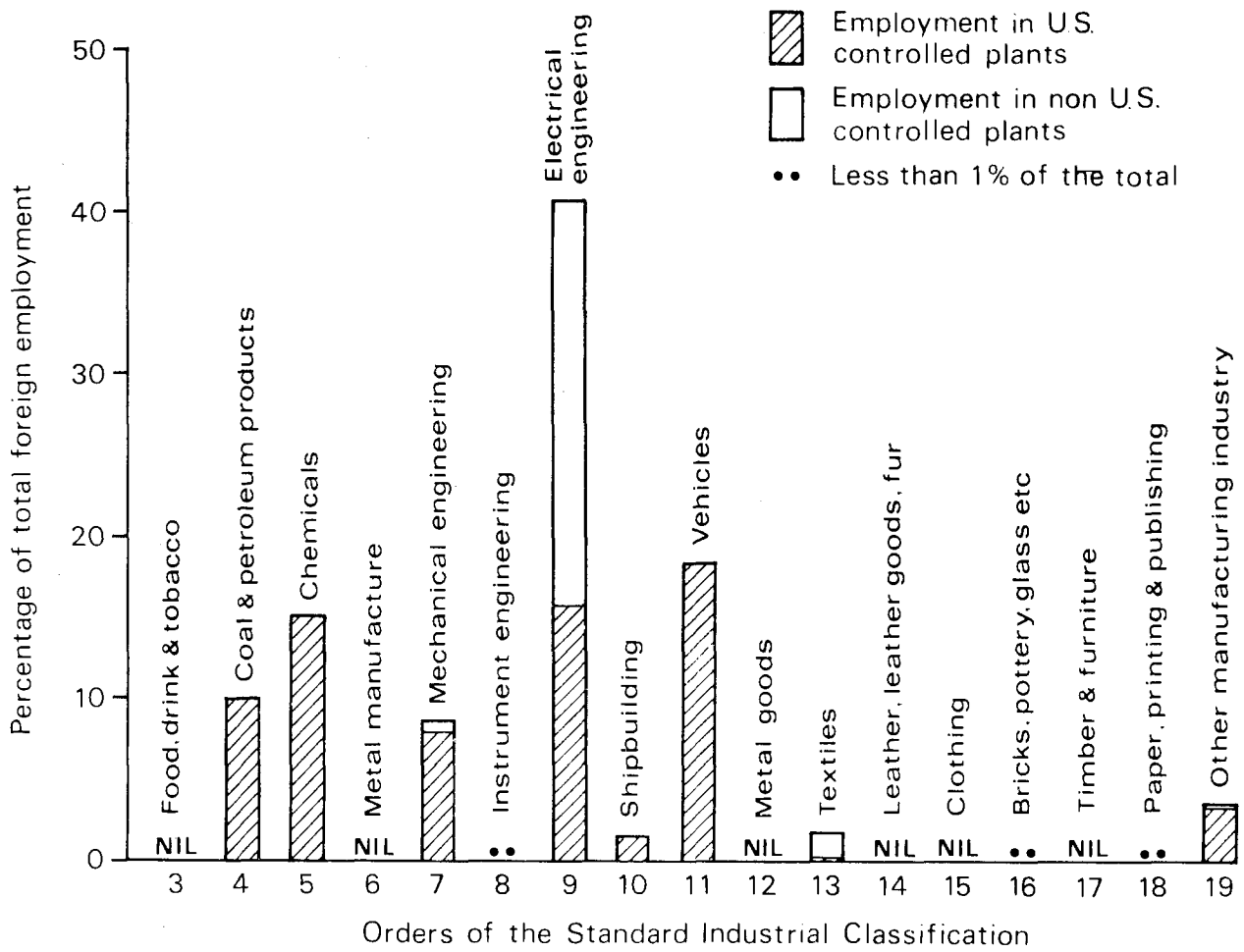


Figure 3 Foreign owned manufacturing employment in South Hampshire by industry, 1979

electrical engineering, again due to the presence of the Dutch owned Mullard company (Lloyd and Dicken, 1979). Concentration in just a few industrial sectors is therefore a feature of foreign owned plants in the United Kingdom. However, it is also apparent that the industrial distribution of foreign investment is not necessarily the same in each region.

Size of Plant and Parent Company

Foreign owned plants in South Hampshire are substantially larger than those controlled by U.K. companies, respective mean Workforce being 392.3 and 52.4. Indeed, the larger the plant the more likely it is to be controlled from abroad: half the plants in South Hampshire with 1000 or more employees and over one-third with between 500 and 999 employees have parent companies headquartered overseas (Table 2). Almost 80 percent of employment in the foreign owned sector is in plants with 500 or more employees. However, not all foreign plants are large: 29 plants (42.6 percent) have less than 100 workers but they account for only 4.2 percent of jobs in the foreign controlled sector.

The major role played by foreign investment in South Hampshire is further reinforced when looked at in terms of employment provided under the same ownership rather than in individual plants. This reveals that four of the six largest employers in the manufacturing sector in South Hampshire are subsidiaries of foreign companies. Pirelli General (rank 3), Ford (4), Philips (5) and Exxon (6) together provide 11.8 percent of all manufacturing jobs in the sub-region.

Many of the parent companies with subsidiaries in South Hampshire are also large, although foreign investment is not restricted only to large enterprises. Philips and Pirelli are respectively the 3rd and 48th largest companies in Europe. However only two of the remaining 8 European enterprises with plants in South Hampshire are also amongst the top 500 companies in Europe (Times, 1979). Similarly, while 24.2 percent of American parent companies owning plants in South Hampshire are amongst the leading 50 companies in the United States (42.4 percent in the top 100) no fewer than 15 (42.4 percent) are not large enough to figure amongst the top 500 companies in the United States (Fortune, 1979). Comparable proportions for American companies with investments in North West England are 17.5 percent amongst the top 50 enterprises and 29.6 percent outside the top 500 (Dicken and Lloyd, 1976).

Location

A final feature of foreign owned plants in South Hampshire worthy of comment is their location within the sub-region. As Figure 4 shows, employment in foreign owned plants is spatially concentrated, favouring Southampton, Eastleigh, Fawley and Havant, less well represented in Portsmouth and virtually absent in the less urbanised areas of Winchester and S.W. Hampshire. Calculation of location

Table 2. Plant size distribution of foreign owned plants

Size class (employees)	Employment			Establishments		
	No.	%	proportion of total in S.H.	No.	%	proportion of total in S.H.
1-9	24	0.1	.8	5	7.4	.8
10-19	71	0.3	1.5	5	7.4	1.5
20-49	349	1.3	3.7	10	14.7	3.3
50-99	656	2.5	8.5	9	13.2	8.0
100-249	2118	8.1	12.9	13	9.1	12.4
250-499	2526	9.6	18.2	8	11.8	19.0
500-999	5693	21.7	34.1	9	13.2	37.5
1000 +	14851	56.5	45.6	8	11.8	50.0
	26288	100	25.2	67	100	44

Source: S.H.E.D.B.

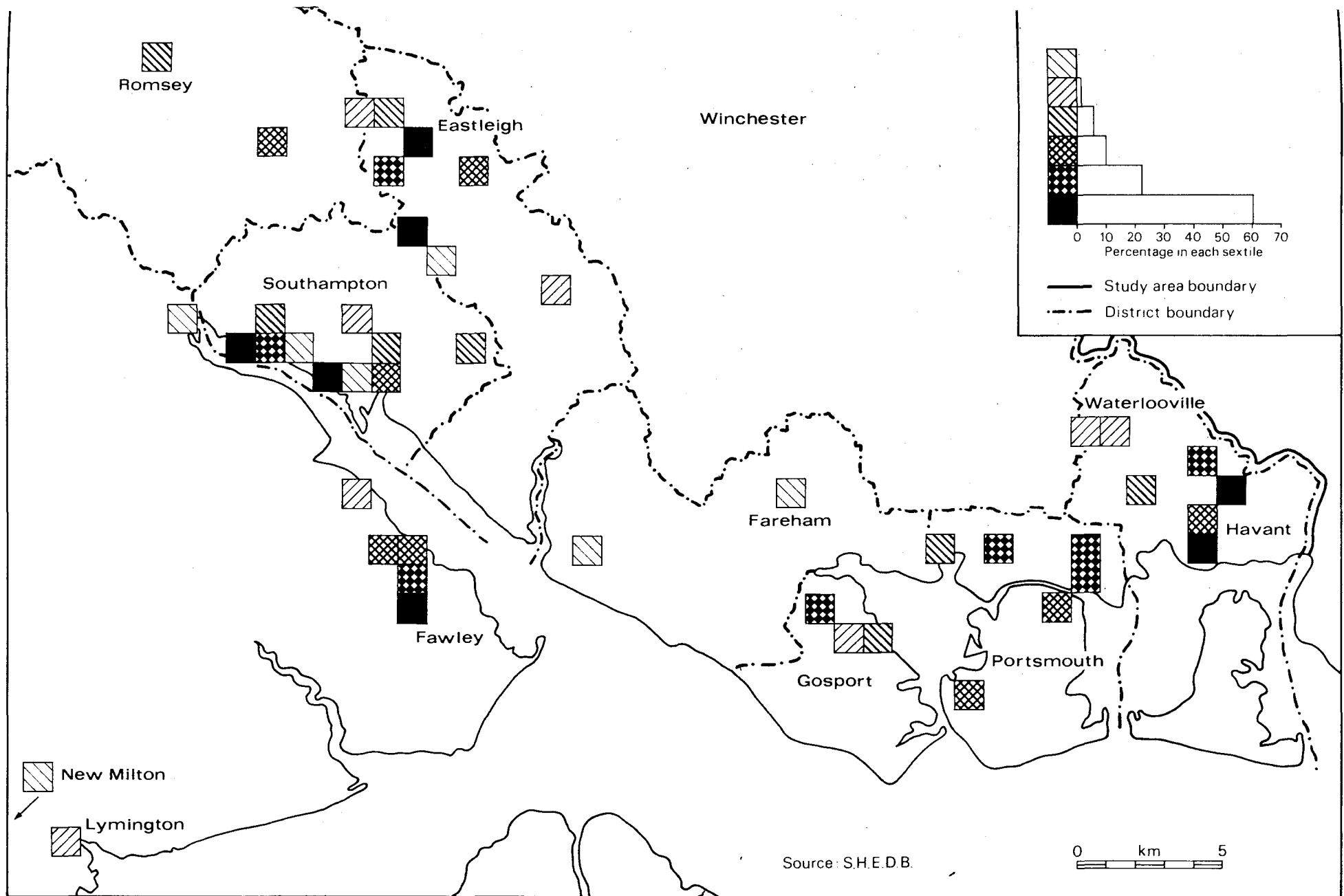


Figure 4 The location of employment in foreign owned manufacturing plants in South Hampshire, 1979

co-efficients indicates that only the local authority areas of Southampton and Havant have substantially more than their 'fair share' of foreign controlled jobs (Table 3). Indeed, in both areas over one-third of all manufacturing jobs are in foreign owned plants. In contrast, Portsmouth along with Fareham and Gosport have 'deficits' of foreign owned employment.

There are two particular contrasts between the foreign owned sectors in Southampton and Havant. First, virtually all the foreign plants in Havant are U.S. owned but over 40 percent of foreign controlled jobs in Southampton come from non U.S. sources. Secondly, there are substantial differences in the age of foreign investment: in Havant all the foreign owned plants have been established since the mid 1950s. In Southampton on the other hand, 89 percent of foreign controlled employment is in plants which were originally established before 1956. Consequently, even by the mid 1950s Southampton had already emerged as an important location for foreign, particularly U.S., investment in Britain (Dunning, 1958, p. 302), and its position was further enhanced with the development and expansion of the petrochemical complex at Fawley from 1951 and especially between 1958 and 1961 (Lester, 1973).

Foreign investment in the Southampton area seems to have been largely attracted by the port facilities. Dunning (1958) noted that U.S. companies valued port locations more highly than their British counterparts because in many cases they either relied on imports from their parent company or were established in the United Kingdom to serve the whole non dollar market. A.C. Delco, for example, was originally established in Southampton in 1938 to assemble American (and later also Opel) cars and trucks imported from its parent company, General Motors. S.T.C. chose Southampton for its new factory which opened in 1954 because of the requirement for a port location to facilitate the export of underwater cables. Pirelli, first established in 1913, also required proximity to a port because copper, its major input in electric cable manufacture, was imported.

Table 3. Foreign controlled employment by local authority area

Local authority area	Employment in foreign owned plants	% of total employment in f.o. plants	Location Quotient
Winchester	0	0.0	0
Havant	4593	35.6	1.41
Gosport	1345	15.3	.61
Fareham	252	4.0	.16
Eastleigh	2958	21.4	.85
Southampton	10454	43.2	1.71
Portsmouth	2695	13.7	.54
New Forest	3362	26.8	1.06
Test Valley (Romsey area only)	639	28.4	1.12

Source: S.H.E.D.B.

AGE AND TYPE OF FOREIGN INVESTMENT

The key issue which remains to be resolved is the extent to which the substantial concentration of foreign owned investment in South Hampshire has been in conflict with the aims, objectives and instruments of regional policy. Table 4 suggests some answers. Firstly, foreign investment in South Hampshire has primarily occurred through 'greenfield' investments rather than acquisitions of indigeneous companies. Consequently, at least in this part of the South East there is little evidence to support Watts (1980) conclusion that much of the foreign presence in core regions of the United Kingdom has resulted from acquisitions. Indeed, more significant in terms of the number of jobs involved has been acquisitions which have not changed the nationality of ownership. South Hampshire offers a number of examples of U.S. owned plants which have had two American parent companies since commencing production in the area. There have however, been an increasing number of acquisitions since 1960 (especially since 1965) although mainly of smaller plants. In addition, the fact that since 1973 acquisitions have been more numerous than openings does lend support to Smith's (1980) suggestion concerning the change in the nature of foreign investment in Britain.

Second, less than 20 percent of foreign controlled employment in South Hampshire is in plants set up before the Second World War, the era before the introduction of regional policy controls on industrial location. So, Law's (1980) argument is only weakly supported in this part of the South East. Furthermore, Dunning (1958) indicates that much of the pre 1939 foreign investment was confined to the London area itself rather than the more outlying parts of the South East. He goes on to point out that in 1953 46.1 percent of total United Kingdom employment in U.S. owned companies was located within a 20 mile radius of London. The suggestion that much of the foreign company presence in the South East is a function of pre 1939 location decisions is therefore at best only likely to be valid for the London area and does not account for the presence of foreign owned companies in Outer South East England.

The 1945-1951 period emerges as being much more important for the location of foreign owned plants in South Hampshire despite the fact that these years, especially between 1945 and 1947, marked the first 'active' period of regional policy with, for the first time, controls on industrial location (McCallum, 1979). During this time five plants, currently providing just over one-quarter of all jobs in foreign owned companies, were established in South Hampshire. Undoubtedly the two most significant location decisions were by Briggs Motor Bodies which moved into an abandoned aircraft factory in Southampton and was acquired by Fords a few years later, and the development of the Esso refinery at Fawley, replacing the very small Agw i refinery which had been established since 1920. Although

Table 4. Age and type of foreign direct investment in South Hampshire

Time Period	Openings		Acquisitions	
	no. of plants	employment in 1979	no. of plants	employment in 1979
pre 1939	3	4971	-	-
1945-1951	5	6767	-	-
1952-1959	11	6755	3	626
1960-1972	20	5010	13	1628
1973-1979	6	181	6	350
total	45	23684	22	2604

Source: S.H.E.D.B.

seemingly contradicting the aims of regional policy the Fawley complex was allowed to proceed in South Hampshire because it was seen by the government as being in the national interest (Smart, 1964). Before 1939 three-quarters of British petroleum requirements had been imported (Dunning, 1958). Fawley therefore provided the first major home-based refinery capacity hence substantially reducing imports.

The 1950s was a period of 'weak' regional policy when the expenditure on regional policy incentives declined from its high levels immediately following the end of the war and controls on new industrial developments were enforced less vigorously. Not surprisingly then it was also an important period for foreign investment in South Hampshire: 14 plants currently employing over 7000 people (28.1 percent) opened between 1952 and 1959, 11 being greenfield developments compared with only 3 acquisitions. Although the largest arrival in terms of current employment was Mullard, the majority of new foreign owned plants were in the chemicals industry: four investments were by pharmaceutical companies while two others were by companies locating adjacent to Fawley in order to make use of output from the refinery. A third foreign-owned chemical company to locate adjacent to the refinery opened in 1961. A further significant feature is that at least 8 of the 14 arrivals during the 1952 to 1959 period were moves from London, either complete transfers of capacity or else branch plants of U.K. subsidiary companies retaining their existing capacity in the capital. Most are major employers of female labour and were attracted by its availability in South Hampshire, a function of the area's predominantly male dominated employment structure in the 1950s.

Despite the fact that the 1960 to 1972 period, and especially from 1963, was one of 'intensive' regional policy involving increased expenditure on incentives and much stricter control of IDCs 33 new foreign owned plants were established in South Hampshire, currently providing 6638 jobs. However, for the first time acquisition of United Kingdom companies assumed importance with 13 South Hampshire plants being acquired by foreign enterprises although the current average size of acquired plants is substantially less than that for newly opened plants. Acquisitions only took place from 1965 onwards, possibly a response to the even tighter enforcement of the IDC system during the second half of the 1960s. Decentralization from London remained significant: 2 out of the 12 acquired plants had relocated from London while still under British ownership and 5 of the openings were moves from the capital.

Not surprisingly, the period since 1973 has seen a dramatic decline in foreign investment in South Hampshire despite the weakening of regional policy, and reflects the general decline in greenfield investments by foreign owned companies in Britain during the 1970s (Smith, 1980). The small average size of new plants

opened in this period is of course, partly a function of the lack of time to build up to 'mature' employment levels and this is illustrated by the substantially smaller size of new plants compared with those acquired by foreign firms. Interestingly too, and reflecting the declining share of inward investment by U.S. companies (Lloyd and Dicken, 1979) is that for the first time a majority of new plants and altogether 6 out of the 12 foreign investment decisions have non U.S. origins. Given that South Hampshire has benefitted in the past from the decentralization of foreign owned firms from London, the low numbers of arrivals also reflects the fall-off in the amount of industrial movement occurring within the South East and the absence of 'push factors' in the London economy which was responsible for a substantial number of moves during the 1950s and 1960s (Keeble, 1968).

Acquisition is one way in which foreign investment has been able to occur in South Hampshire despite the regional policy controls. In addition, government concern with the 'high' unemployment in the Portsmouth area (in a South East context) resulted in some leniency in the application of IDC policy during the 1960s (Keeble, 1976, p. 245) although the severe shortage of industrial land on Portsea Island meant that it was the surrounding towns rather than Portsmouth itself which received most of the mobile investment. Some foreign owned plants were small enough to be below the minimum threshold for an IDC. The use of pre-existing premises was a further way round industrial location controls. Pirelli General, which opened a second plant in Eastleigh in 1967 was able to obtain an IDC by arguing that it was essential to retain proximity to its existing plant in order to retain skilled labour and minimise the transfer of work. However, the most celebrated avoidance of IDC controls was by IBM, who, in their evidence to the House of Commons Expenditure Committee on Regional Development Incentives indicated that had they not been allowed to locate in the South East within a 25 mile radius of their research laboratory near Winchester, they would have invested in Europe instead. They had, however, been able to 'take advantage of an existing IDC' at Havant (House of Commons, 1972-1973).

Nevertheless, regional policy has had some successes in the South Hampshire context. For example, in evidence to the same committee Sperry-Rand indicated that they rejected the expansion of their Havant plant following discussions with the Department of Trade and Industry and instead decided to build a new plant in Scotland, a Development Area. Similarly, although Philips claimed in their evidence that they had never specifically been refused an IDC on any occasion the likelihood of obtaining one was always taken into account in any decision whether to expand in situ or open a new factory. It is therefore conceivable that the decision by their subsidiary Mullard to build a new semi-conductor factory at Thornaby in 1971 instead of expanding their Southampton plant may have been

influenced by the prevailing IDC situation. It is, however, also true that any expansion in Southampton would probably have been constrained by the light labour supply situation.



CONCLUSION

Foreign investment in South Hampshire mainly originates from the United States, is concentrated in large plants, confined to a narrow range of capital intensive, growth and technology-based industries such as vehicles, oil-refining, pharmaceuticals, electronics and electrical engineering, and is distributed unevenly within the sub-region. These characteristics are similar to those of the foreign owned sectors in Scotland and North West England and hence largely predictable. What is perhaps more surprising is that the scale of multinational investment in South Hampshire is also comparable to parts of these regions which, conventionally, are thought of as having dangerously high levels of foreign control. The data indicates that one-quarter of manufacturing employment in South Hampshire in 1979 was in plants whose ultimate ownership is overseas.

Furthermore, the growth of foreign owned investment in South Hampshire has occurred largely since 1945, that is, during the lifetime of regional policy. Only about 20 percent of the 1979 employment in the foreign owned sector is in establishments which opened before 1939. The suggestion that acquisition can explain the substantial foreign presence is also insufficient; only 10 percent of foreign controlled employment (but 33 percent of plants) is in establishments formerly owned by British companies and which have been acquired by foreign enterprises. Admittedly, the majority of acquisitions have occurred since the mid 1960s, coinciding with the strengthening of regional policy. The majority of foreign controlled jobs are therefore in plants which opened in South Hampshire despite the existence of controls on industrial location and the availability of financial incentives elsewhere in the country. However, the weakening of regional policy during the 1950s did allow a substantial inflow of foreign owned plants into South Hampshire.

An additional feature of multinational investment in South Hampshire is that for the majority of foreign enterprises it has not been the first choice of manufacturing location in the United Kingdom. About two-thirds of foreign companies with plants in South Hampshire have had previous manufacturing experience elsewhere in the country and have either transferred production, or more commonly, set up additional manufacturing capacity in the sub-region. In particular, some foreign owned plants can trace their 'origins' to London. Consequently, part of the growth of foreign control in South Hampshire has been a function of the more general dispersal of manufacturing activity within South East England which has occurred throughout the post-war period (Keeble, 1976).

The South Hampshire case study therefore provides additional evidence that regional policy has, on many occasions, 'failed' to divert foreign investment to the assisted

areas. Either because of being in the national interest (e.g. Esso), using disused manufacturing premises, government concern with pockets of 'high' unemployment, the temporary weakening of regional policy instruments or, in the case of IBM, the apparent 'blackmail' of the government, many foreign owned companies have been able to invest in South Hampshire, one of the most prosperous parts of the country, despite the existence since the war of an intricate system of controls and incentives intended to divert new industrial investment to more needy regions. Admittedly, because of the extreme difficulty of collecting examples, it has only been possible to hint at some of the 'successes' of regional policy in the South Hampshire context. Nevertheless, the size of the foreign owned sector suggests that there have been more situations where regional policy has failed to prevent investment than cases where it has succeeded.

Contrary to the experiences of, for example, Merseyside and Scotland, there has been no outcry in South Hampshire against the dependence on overseas headquartered companies for such a substantial proportion of manufacturing employment. This is open to a number of explanations. It may simply reflect the fact that until now the size of the foreign controlled sector has not been appreciated. Perhaps more likely is that because the area has enjoyed economic prosperity throughout the post-war period there has been no need to look for 'scapegoats' in the same way that explanations have been sought for the lack of economic growth in the assisted areas. Probably even more significant is evidence of the superior quality of employment provided by multinational enterprises in South Hampshire. In the assisted areas multinationals are accused of being merely 'satellite manufacturing units' providing little in the way of R and D or management functions (Firm, 1975; Hood and Young, 1976, 1977). In contrast, descriptions in the media and elsewhere of the foreign-owned sector in South Hampshire suggests that R and D activity is undertaken by many companies. IBM, with one of its five European development laboratories and its U.K. 'scientific centre' both located in South Hampshire, offers one, admittedly extreme, illustration (Willat, 1980; House of Commons, 1972-1973). However, even in these cases basic research is still undertaken in the origin country. Furthermore, a high proportion of foreign owned plants in South Hampshire also undertake substantial management functions: of the 40 foreign enterprises where information is available 19 (47.5 percent) have their U.K. and in some cases European, headquarters in the sub-region. Three of these companies transferred their headquarters from London during the early 1970s, illustrating both the way in which previously established manufacturing units can attract further non manufacturing functions (cf Keeble, 1976, p. 198) and the more general trend, noted by Smith (1980), for the already substantial concentration of foreign headquarters in the South East, outside Greater London, to increase during the 1970s.

The preference of multinational companies for central rather than peripheral regions may therefore contribute to the persistence of regional inequalities within advanced economies. However, the spatial distribution of their non production functions is possibly an even more significant way in which such enterprises create regional inequality (Smith, 1980; Crum and Gudgin, 1977). The inter-relationships between foreign owned plants in the United Kingdom or Europe which are linked by common ownership, and the distribution of functions within this corporate geography, thus appears to be one potentially fruitful area for further research on the geography of overseas investment.

The ownership situation is, however, dynamic. In 1976 a U.S. owned plant in South Hampshire went into U.K. ownership and since the publication of the 1979 business directories three more U.S. owned plants have been acquired by British companies. Smith (1980) points to evidence of disinvestment strategies by American companies in the United Kingdom as a whole, especially since 1975, both through closures and selling off their British subsidiaries. The transfer of ownership has not been all one way however with a Saudi Arabian company recently acquiring two boat building companies in South Hampshire. It may be that as the economic recession in the United States continues more American firms may either be acquired or will sell off their overseas subsidiaries to British companies. Certainly, the American contribution to overseas investment in the United Kingdom appears to be declining. Lloyd and Dicken (1979) point out that the U.S. share of inward investment into the United Kingdom in 1977 has fallen to 50 percent from 65 percent in the previous year. In contrast, European investment to Britain has increased. This factor, combined with the smaller size of European owned plants, the raising of the IDC threshold to 50,000 ft², the proximity of South Hampshire to the centre of the EEC and the preference by European countries for locations in the south east quadrant of Britain (Watts, 1979, 1980) therefore suggests that any expansion in the foreign owned sector in South Hampshire during the 1980s is more likely to come from EEC rather than U.S. sources.

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