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Cardiff

CAN INCENTIVES TURN THE WELSH CAPITAL INTO AN FDI MAGNET?

PRODUCED BY

FDiMagazine
THE BUSINESS OF GLOBALISATION

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CARDIFF

Cardiff's competitive advantage

THE WELSH CAPITAL OF CARDIFF OFFERS ALL OF THE BENEFITS OF A LARGE CITY, WITHOUT THE LARGE PRICE TAG. SLOWLY, ITS RELATIVELY CHEAP BUT WELL EDUCATED WORKFORCE AND ATTRACTIVE GOVERNMENT INCENTIVES ARE STARTING TO DRAW COMPANIES AWAY FROM RIVAL ENGLISH CITIES. MICHAL KACZMARSKI REPORTS

In 2001, Norwegian businessman Cato Syversen was based in London, struggling to find people to fill telesales positions at Creditsafe, then a four-year-old start-up specialising in providing credit information. "We were in the largest city in Europe and yet there was no way for us to fill a handful of openings. It was a real nightmare," says Mr Syversen, the company's CEO.

So, in 2002, the company relocated to Cardiff. "Jobs in telesales are not necessarily seen as something

to boast about. But, over here [in Cardiff], we found that there is a completely different appetite for this kind of job and people take a great deal of pride in what they do," says Mr Syversen.

More than a decade on, Creditsafe employs 330 people across its two south-east Wales offices and the company has expanded into other fields such as IT support and marketing. The company has also expanded internationally, with offices in Roubaix in France, Turin in Italy and Allentown in the US.

"Choosing [Cardiff] became a foundation for everything at Creditsafe," says Mr Syversen. "Now, when we expand abroad, we look for other Cardiffs around the world."

CITY PROFILE

CARDIFF

| | |
|--------------------|---------|
| Population: | 346,000 |
| Pop. growth rate: | 1% |
| Labour force: | 72.1% |
| Unemployment rate: | 4.3% |

Source: Cardiff Council, Vision of Britain



People power

Creditsafe is just one of a growing number of companies that have invested in Cardiff in recent years. Between 2003 and 2012, Cardiff attracted 63 new projects and \$304.5m in greenfield FDI, according to data from cross-border investment monitor **fDi Markets**. Sectors such as advanced manufacturing, information and communications technology and creative industries proved popular among investors, but the most attractive sector was business and financial services, which accounted for one-third of all investments, with contact centres ranking as one of the most popular business activities.

One of the draws for many investors in the city is Cardiff's workforce, with more than 100,000 students currently enrolled in higher education institutions across south-east Wales. And it is not just their education that makes them appealing. Many companies, including

Creditsafe, have been motivated by the reliability and dedication of the local workforce to diversify and expand their operations in the city.

"We have been present here for decades, serving our clients in the region and, in 2006, we launched a small shared services operation here," says Ross Flanigan, director of global risk operations at Deloitte. "Based on the success of that team, in the past two years we have grown our team and the number of functions we perform here."

The decision to establish Deloitte's new risk management centre in Cardiff, creating some 100 new jobs, was announced in December 2011. The company's current headcount in the city is 250 and, while Mr Flanigan does not disclose exact figures, he says that there is "potential for significant growth in 2014".

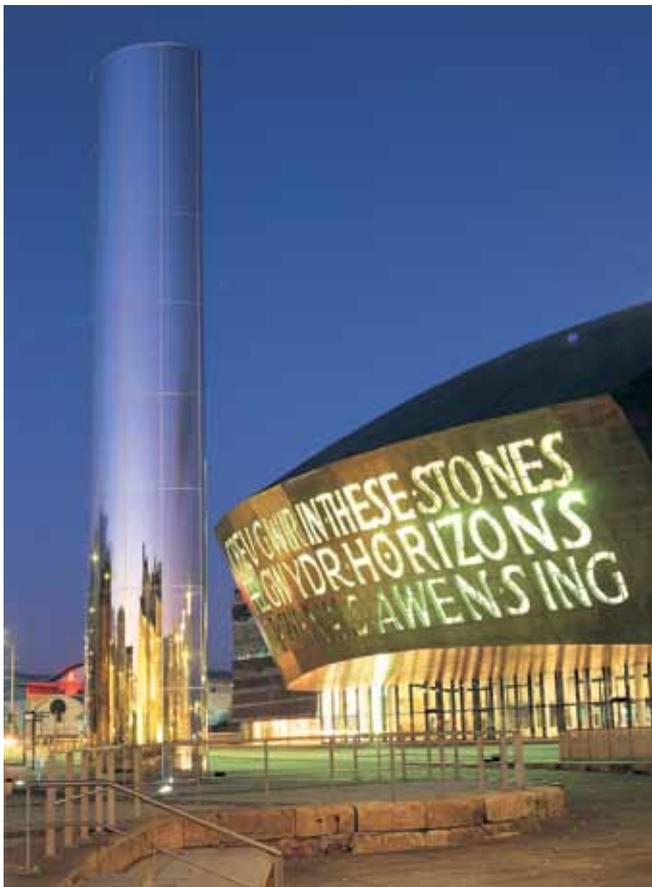
Deloitte's internal estimates show that the same sort of operation based in eastern Europe would cost the same as its office in Cardiff, while basing itself in Bristol – an English city just a 40-minute drive from Cardiff – would cost between 15% and 20% more. According to the Office for National Statistics, wages in Cardiff in the financial and professional sector were 33% lower than the UK average in 2012.

Staff costs are just one way in which Deloitte has saved money through its Cardiff operation. "Training new hires is costly and Deloitte's training is valued by other companies. That is why candidates with Deloitte's training on their curriculum vitae can earn a premium in other companies. However, there is a very high loyalty backdrop here, which means that our employee turnover is very low," says Mr Flanigan.

Helping hand

The Welsh government is offering a further financial incentive for companies such as Deloitte to expand their operations in the country by providing financial support for the training of new employees. "The fact that the government partially financed the training really helped to soften the blow of our expansion," says Mr Flanigan.

Apart from the funding available for training, the Welsh government also offers other incentives, such as research and



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Crown copyright (2013) Visit Wales

Growth market: Cardiff is attracting new investment with its revitalised city centre

development grants and capital funding, which are individually negotiated with potential investors.

Financial support is precisely what brought GMAC Finance, an automotive financial services company, to Wales 13 years ago. "At that time, very few people realised the potential of Wales as a place for business, but we got in touch with the local government and learned about the financial support it provides," says Erhard Paulat, vice-president at GM Finance, the company that recently acquired GMAC.

The fact that GMAC has not only stayed in south-east Wales, but also more than doubled its workforce in the region to 200 people, is down to other factors besides the government's financial incentives.

"Initially it was about financial assistance. But we very quickly realised it is a very good place for us to be and we generated a lot of organic growth from here," says Mr Paulat. "We also appreciate the fact that the government is still in touch with us, simply checking how things are going with us and pointing in the right direction, when needed."

Lift off?

Offering such assistance to the city's investors is not the only way that the Welsh govern-

ment is contributing to Cardiff's economic growth. Between 2007 and 2012, Cardiff Airport saw its passenger traffic plummet, with a 50% decrease over the period. So, in March 2013, the Welsh government stepped in. Keen to see passenger numbers restored, it acquired the airport from Spanish conglomerate Abertis for \$79.7m.

In the three months following the acquisition, the airport was given a makeover, and was furnished with new art and multimedia installations celebrating Welsh history and culture. Apart from stucco imitations of castle walls and elevators styled as mine shaft cages, passengers travelling to the airport can also see a billboard showcasing success stories of local companies.

This is not the only investment that the government has made in Cardiff's aviation sector. In 2012, Bruce Dickinson, the lead singer of legendary heavy metal group Iron Maiden and a fully trained commercial pilot, co-founded Cardiff Aviation, an aircraft maintenance and training company based in St Athan-Cardiff Airport Enterprise Zone. In June 2013, the Welsh government announced it would invest \$2.5m in the venture, giving the region yet another boost as it looks to soar even higher. ■



Ross Flanigan: "The fact that the government partially financed the training really helped to soften the blow of our expansion"

The cost of this report was underwritten by the Welsh government. Reporting and editing were carried out independently by fDi Magazine.

Centre stage

CARDIFF'S ENTERPRISE ZONE OFFERS BUSINESSES A CENTRAL LOCATION AND EASY ACCESS TO THE CITY CENTRE, AS WELL AS FINANCIAL INCENTIVES.
MICHAL KACZMARSKI REPORTS

Cardiff has been the destination of choice for a slew of global financial firms and consultancies starting new ventures in the past two decades. Yet, until now their operations have been nested in non-descript buildings scattered around the city. The Welsh government intends to change that with the creation of the Central Cardiff Enterprise Zone.

In 2011, Edwina Hart, the Welsh minister for business, enterprise, technology and science, announced the creation of the Central Cardiff Enterprise Zone, a 567,000-square-metre area around the city's main train station, envisioned to be its business hub.

Central hub

The government plans to draw in companies by offering incentives that are negotiable on a case-by-case basis. Yet, what really differentiates this zone from initiatives in other cities is its location. More often than not, enterprise zones are located on the peripheries of cities, generally using up land that is regarded as undesirable.

Cardiff's enterprise zone, however, is located right in the middle of the city, close to the commercial quarter with its bars, restaurants and shopping arcades, including St David's shopping centre, one of the biggest malls in the UK. In addition, its proximity to Central Cardiff train station means that more than 1.4 million people (about four times the city's population) can access the zone within a 30-minute commute. "The enterprise zone's strategic location, access to a wide pool of people and direct link to London are crucial [for the zone's success]," says Ken Poole, head of economic development at Cardiff's council and an ex-zone board member.

The zone already has a number of well-known companies as tenants, including global advisory firm Deloitte and international law firm



Easy access: the Central Cardiff Enterprise Zone is located in the middle of the city, close to the commercial quarter

Eversheds. It will also be the site of the new \$69.1m campus of Cardiff and Vale College, which is scheduled for completion in the summer of 2015.

Most of the current tenants moved to the area long before the zone was created, but the enterprise zone is currently "gaining momentum" and businesses are interested in locating within it, according to Chris Nott, managing partner of commercial law firm Capital Law and founding chairman of the zone's board.

"At the moment, inward investors search for quality office space and the Welsh government provides assistance with developing property stock within the zone," says Mr Nott. In January 2013, the local authorities acquired a 17,400-square-metre site by Callaghan Square, the zone's central point, with the intention of turning it, with the assistance of private investors, into six buildings providing up to 46,400 square metres of office space.

Furthermore, in June the Welsh government acquired a 7400-square-metre speculative office development from local property developer JR Smart under the premise that the company will construct and finance another office building within the zone. "We have basic ingredients for this zone to take off and be competitive," says Mr Poole. "Its central location and the governmental support for the speculative office developments are really unique on a UK scale." ■

IN FOCUS FRESH START FOR BRITISH GAS

Utilities provider British Gas is one of the largest tenants in Callaghan Square, which lies at the heart of the Central Cardiff Enterprise Zone. The company moved its 1200-staff contact centre to Callaghan Square in 2008, three years before the zone was created.

According to customer service director Lynda Campbell, the biggest advantage of moving to Callaghan Square went beyond incentives or easy access for commuters. "We got this fabulous new space and we asked our employees to advise on interior design, so they are more comfortable here," she says.

"People call us when they have a problem with their boiler or to dispute charges, so we operate in a stressful environment. But with our new office and new approach to running a contact centre, we decreased our attrition rate from 50% to 3%," says Ms Campbell, whose centre has won 24 awards for customer service, including European Call Centre of the Year and runner-up for the World's Best Contact Centre.



Building a reputation: Cardiff has attracted a slew of global financial firms in recent years, including Lloyds Banking Group (bottom right) and KPMG (top right)

Making financial sense

THE FINANCIAL AND PROFESSIONAL SERVICES SECTOR IN WALES IS GROWING AT PACE, BUOYED BY THE RELATIVELY LOW COST OF SALARIES IN THE COUNTRY AND AN ABUNDANCE OF GRADUATES. AND, WITH THE ECONOMIC CLIMATE FORCING AN INCREASING NUMBER OF COMPANIES TO SEEK COST-CUTTING SOLUTIONS, THE COUNTRY'S APPEAL IS ONLY SET TO INCREASE. MICHAL KACZMARSKI REPORTS

In 2012, FDI in the financial and professional services sector in the UK's major cities contracted by 16%. Not in Cardiff though. Investments in this sector in the Welsh capital increased by a massive 83% in the year, and the city recorded its best year since crossborder investment monitor fDi Markets began collecting data on investments in 2003.

Quite an achievement, given that it was not that long ago that the city's economy relied heavily on steel and coal production, its main claim to fame being that it was home to the world's busiest coal port.

"Historically, we have not been known for our financial and professional services sector, but now we are very strong [in this area] and we have the numbers to prove it," says Professor George Boyne, pro-vice chancellor at Cardiff University.

Deep labour pool

More than 135,000 people work in the Welsh financial and professional services sector, and this number is set to grow to 200,000 by 2021, according to the Welsh government's forecasts. Furthermore, there are 25,000 students in Welsh universities (nearly 40% of all students) enrolled on courses connected to the industry.

"Thanks to the wide pool of labour, we do not have problems with finding the right candidates for our openings. That applies both to graduates and people who are willing to move to Cardiff," says Chris Williams, partner at Morgan Cole, a law firm with offices in Cardiff and Swansea in Wales, and Bristol, Reading and Oxford in England.

Although nearly half of Morgan Cole's clients are based in London, the company has not had a permanent presence in the UK capital since 2004. "We found out that we do ▶

not need an office in London. It takes little more than two hours to get to London from Cardiff, and we can work on the train, so serving our clients in London out of Cardiff makes sense," says Mr Williams.

It certainly makes sense from a financial perspective. According to the UK's Office for National Statistics, salaries in the financial and professional sector are 25% lower in Wales than the UK average, and 43% lower than in London.

In the current economic climate, more and more companies are looking for ways to save money, which is working to the advantage of Wales. In recent years, a score of large multinational financial and consulting companies, including Lloyds Banking Group, KPMG, Zurich Financial Services and HSBC Direct, have decided to near-shore their operations to the country.

More opportunities

As an increasing number of companies establish operations in Wales, the scope of business activities in Welsh cities is likewise expanding. "After graduating from Cardiff University [in 1997], I wanted to work as a trader. But as much as I wanted to stay in Wales, I had to move to find a job in my profession," says Michael Shirley, managing director of OSTC, a derivatives trading company.

In 2009, Mr Shirley established OSTC's operations in Swansea, the second largest city in Wales. Mr Shirley says that the decision to establish OSTC's new office in the city was not biased by his own affinity with the Welsh second city. "We were looking for a location with good universities and with lower salaries



OSTC's trading room in Swansea

than in London. That is what Wales offered, and on top of that, we found that the government provides support for capital expenditure, job creation and training," says Mr Shirley.

OSTC started trading out of Swansea with 10 employees in 2009. Since then, the company has hired 70 graduates and Mr Shirley says that this rapid growth has been made possible due to an abundance of available talent and co-operation with local universities. "Universities here are very commercially minded, and I really appreciate it, as it makes spotting talent so much easier," says Mr Shirley.

Cardiff University's Mr Boyne says: "We pride ourselves on being a research house and at the same time we respond to the needs of the market. We are academic in a very traditional way, but also very applied."

OSTC has launched a number of initiatives in conjunction with local universities. It has helped equip a trading room at Cardiff Business School and given classes at Cardiff University's finance and trading society. Such initiatives are not only beneficial for the universities and stu-

dents, as Mr Shirley says that by working with the university, he can spot budding talent, a luxury that he would not have if he were based in a large financial centre such as London or New York, where competition for the best candidates is far more intense.

Home-grown success

The growing number of companies in the financial and professional services sector that are deciding to set up operations in Wales is not the only measure of the growing strength of the industry in Wales. The country also has many highly successful home-grown companies in the financial and professional services sector.

One of the biggest examples is Admiral Group, a motor insurance company launched in Cardiff in 1993. Today, the company employs more than 2500 people in eight countries. In 2012, it recorded a revenue of \$1.5bn, and it is currently constructing a new 11-storey headquarters building in the centre of Cardiff.

Go Compare, a financial services comparison website established in 2006 by Hayley Parsons, a former Admiral employee, is another example of Welsh home-grown success. The company is headquartered in Newport, a city located 20 kilometres north-west of Cardiff. In 2011, it recorded a pre-tax profit of \$52.9m. The company is valued at \$763.1m.

"The City [London's financial centre] is not the elite club that it used to be. A lot has changed in the past two decades, and success is not restricted to the City," says Mr Williams.

"Cardiff definitely proves that." ■



MORE THAN 135,000 PEOPLE WORK IN
THE WELSH FINANCIAL AND PROFESSIONAL
SERVICES SECTOR, AND THIS NUMBER IS
SET TO GROW TO 200,000 BY 2021



A star is born

CARDIFF IS EMERGING AS AN UNLIKELY HUB FOR THE TELEVISION AND FILM SECTOR, WHERE BUSINESSES CAN ACCESS A NICHE FILM-MAKING COMMUNITY WHILE GETTING GOVERNMENT SUPPORT.

MICHAL KACZMARSKI REPORTS

Although Cardiff has become the adopted home of Baywatch star David Hasselhoff, the Welsh capital's similarities with Hollywood are few and far between. Likewise, St Mary Street, Cardiff's party hub, lacks the glitz and glamour of Los Angeles' Sunset Boulevard. However, for Welsh-born filmmaker John Giwa-Amu, these differences work in Cardiff's favour.

"Because of the size of Cardiff and its film-making community, we know each other. With one phone call I can find a second assistant, a lighting technician or whoever else from the crew I need," says Mr Giwa-Amu, whose sci-fi thriller *The Machine* premiered at New York's Tribeca Film Festival earlier in 2013.

Outside of the UK, Wales might not be well known for its television and film industry, but government support through public sector procurement has seen the industry grow over the past few decades. The Welsh film industry has also



World stage: Welsh-born filmmaker John Giwa-Amu (right) walks the red carpet at the premiere of Welsh-backed movie *The Machine* at the Tribeca Film Festival in New York. *Doctor Who* (below) is also shot in Wales

started specialising not only in popular television programmes such as *Doctor Who*, but also in Hollywood-style blockbusters such as *Clash of the Titans* and *Tomb Raider 2: The Cradle of Life*.

Wales connection

"Cardiff [in particular] and Wales in general make perfect sense for film and television productions, as they offer cost advantages and locations that can be used universally, even if the plot of the movie is not connected with Wales," says Mr Giwa-Amu. "On top of that, organisations such as Wales Screen Commission and Film Agency for Wales are incredibly helpful with funding and logistics," he adds. Indeed, a development grant awarded to his film by Film Agency for Wales was "a trigger that helped a lot at the very early stage of the movie's production".

And while the film and television industry seems to be currently the most eminent subsector of Cardiff's creative scene, it is not the only one. A number of new industries, in the form of animation, audio, graphics and gaming studios are also making their presence felt in the city. According to statistics published by the Welsh government, between 2009 and 2011 creative industries

in Wales grew by 16.5%. Overall, the government estimates that more than 4200 companies operate in the creative sector across Wales and their annual impact on the economy exceeds \$2.76bn.

Oyster's gem

Oyster World Games, a mobile games firm, is among the companies that have recently decided to settle in Wales. The two-year-old start-up announced in June 2013 its decision to move into Treforest, a business park located just outside Cardiff. It will create 60 jobs over the next three years. Co-founder Matt Nagy says that at the final stage of site selection, Oyster World Games had narrowed its choice down to Canada and Wales, as both locations were tempting the company with financial incentives. "We were headhunted by Canadians to move there, but then Wales put up an offer and beat it," says Mr Nagy.

Government support of the company's operations in the village of Treforest in the south of Wales is estimated at £1m (\$1.53m). However, the decision to move to Treforest was not dictated solely by "financial stuff", as Mr Nagy puts it. "Cardiff is scenic and quite laid back. But at the same time working with people there is tremendous," he says. ■

