

The British fish in Czech waters

There are now some 300 companies backed by British capital in the Czech Republic – from large multinationals such as Unilever, Invensys, Shell, International Power, LogicaCMG and Tesco, to small sales and consulting firms.

From large manufacturing multinationals ...

Companies such as BPB Gypsum, Devro, TI Automotive and Unilever have multiple manufacturing plants in the Czech Republic. The success and expansion of these investments confirms the level of satisfaction with investment and business in the country.

Following the success of their first plastic injection moulding plant, built in Brno in late 2001/early 2002, Carclo Technical Plastics decided to construct another plant there. "We are very confident of the rise in demand for plastic products in the Czech Republic and the surrounding countries", says Michael Johnson, Business Development Manager for Carclo.

Another example of a successful investment by a British multinational has been Wagon plc's car components manufacturer Wagon Automotive. Wagon acquired a former Skoda pressings facility in 1996 when it was on the brink of losing business due to lack of modernization and their former customer Skoda Auto replacing models. After a thorough investment programme ranging from staff training to the purchase of new machinery and plant refurbishment, the plant's turnover more than doubled and new orders have been won from global car manufacturers such as Ford and Volkswagen.

TI Automotive have been so successful in the Czech Republic since the completion of their first Czech plant in Mlada Boleslav in 1994 that not only the CR won two more plants over Spain and Poland (which were opened in 1999 and 2002), but the all-Czech management of the Czech subsidiary have been given responsibility over TI Automotive's plants in Spain and Italy.

British manufacturing investors in the Czech Republic



... to small and medium-sized companies ...

British investments in the Czech Republic are not limited to large companies, however. Small and medium-sized British companies have also established themselves in the CR to conquer new markets or follow their customers expanding or relocating to the region.

The Chem Resist Group, manufacturers of corrosion-resistant thermo-plastic tanks, have had their continental European plant on the outskirts of Prague since 1999. Caledonian Alloys, a Scottish company that recycles and processes superalloys for the aerospace, land-based turbine and petrochemical industries, have a small facility in Kladno.

Hillside Plastics, of Co. Durham, have followed Black and Decker to the North Bohemia region of the Czech Republic, and are already planning

for orders from new customers. "We have seen huge interest from existing and new customers alike; our Chomutov plant is already opening doors for us," says Michael Carrick, Managing Director of Hillside Plastics.

Two of the most recent investors have been Laminar Medica and Loma Systems. Both firms are small and medium-sized companies as they have around 150 employees each. Laminar Medica, producer of insulated shipping systems for the pharmaceutical and biotech industries, will employ 30 Czech employees in the South Bohemia region, while Loma Systems, will employ up to 45 in their new manufacturing plant near Pilsen.



...and business support service providers

As the UK is a country where the services sector plays a dominant role in the national economy, many British investments in the Czech Republic are in the tertiary sector. Prague and other Czech cities are increasingly considered by British companies as potential locations for software development centres, expert solution centres, shared service units, and so on.

Ricardo, a leading engineering technology provider, undertaking research, design and development services for the world's automotive manufacturers, opened a branch in Prague in early 2000 to do analysis and design for all types of combustion engines and other parts.

LogicaCMG, the leading IT consultancy, systems integrator and software development firm, has two large centres in the CR, in Prague and Brno, and a network of smaller local branches, while iPlato, a small specialist provider of mobile and wireless applications for business, have their Solutions Development Center in Prague.

Much has been written in the British press about the outflow of call centre and shared services jobs from the UK to India and other Asian countries and the perceived downfall in quality provided by such offshore centres. ICON Communication Centres, set up and managed by a group of British call centre professionals, have chosen Prague as an alternative to India: "We offer the best of UK practice in Prague, with all of the advantages of offshore but none of the disadvantages resulting from the large distance and cultural and language differences," says Robert German, ICON's Business Solutions Director.

Regional hub for British companies

Some British companies even selected the Czech Republic as the place for their regional headquarters covering several countries in Central and Eastern Europe.

Rolls Royce has been overseeing its operations in Central and Eastern Europe and Russia from Prague since 1997. International Power has one

of six regional offices worldwide in Prague as well, and Boots Healthcare and Corus use Prague as a regional hub responsible for the markets in seven countries in the region.

As mentioned before, LogicaCMG has its headquarters for Central and Eastern Europe in Prague: the centre, in addition to direct oversight of the company's subsidiaries in the Czech Republic, Hungary and Slovakia, has also been responsible for projects in other countries in the region, such as Austria, Croatia and Ukraine.

Prague's unique position in Central and Eastern Europe for British companies is underpinned by the number of direct flights between the UK and Prague. You can now fly directly to Prague from eleven British airports: London-Heathrow, London-Stansted, Birmingham, Manchester, Edinburgh, East Midlands Airport, Bristol, Cardiff, Southampton, Leeds/Bradford and Newcastle. A majority of the flights are provided by the national carrier CSA Czech Airlines, but one can also fly with five other scheduled-flight airlines: BMI Baby, British Airways, EasyJet, FlyBE, and Jet2. No other country or city in Central and Eastern Europe can boast such easy accessibility from the UK.

Growing market for British companies

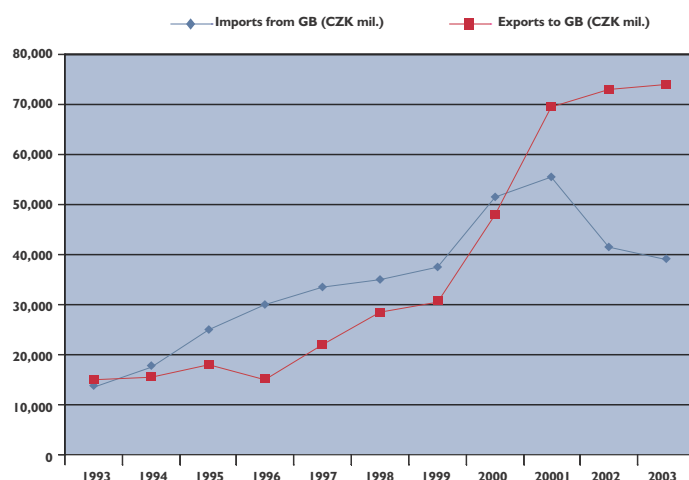
Until recently, Central and Eastern European markets were not in the focus of British companies. The United Kingdom is the sixth-largest foreign trading partner of the Czech Republic – way below Germany, Austria, Italy and France – and a similar situation exists in other countries of the region. It seems, however, that British companies have finally realised that Central and Eastern Europe has a significant potential for growth, especially after the enlargement of the European Union in May this year. This is also reflected by the growing number of seminars and trade missions to countries such as the CR by British chambers of commerce and other organisations.

Judging from direct and indirect indicators, significant growth in demand is expected in manufacturing industries such as the automotive, electronics, plastics and precision engineering industries and in less traditional sectors such as the heritage sector. We are also convinced that the Czech Republic will become a regional hub in Central and Eastern Europe for business support services such as shared services, call centres and IT outsourcing services.

Mike Robinson, Group Operations of Loma Systems, says: "Following a review of our long-term manufacturing strategy the need for additional capacity has been identified. Central and Eastern European markets are seen as major new opportunities for growth."

With the growing purchasing power of the Czech population, markets in nearly all consumer goods are bound to grow. This opportunity did not escape the attention of many British retail firms. Tesco has nearly twenty supermarkets in the Czech Republic and other British retail chains with a presence in the country include Marks & Spencer, Dixons, Boots Healthcare, Body Basic, Next, Mothercare and (through its German partner) B & Q.

British – Czech Trade



Source: Czech Statistical Office, 2004

Poised for growth

The United Kingdom is not among the top five investors in the Czech Republic if you take the statistics of the Czech National Bank. This is partly due to the fact that many British investments were made through continental subsidiaries of British firms and partly due to the fact that British companies did not participate in privatisation to the same degree as German, French, Austrian or Dutch firms.

Nevertheless, British companies are gaining a significant presence in the CR. The British Chamber of Commerce in the Czech Republic is already the fourth largest foreign chamber in the country. The volume of British capital in the CR might also increase significantly if Shell, shortlisted in the privatisation tender for Unipetrol, the largest Czech petrochemical group, beats its competitors.

Should the Czech government confirm its preliminary decision to lease 14 Gripen military aircraft built by the Swedish/British consortium of Saab and BAE Systems, a further increase in trade and investment between Britain and the CR might also be expected.

CzechInvest, the Investment and Business Development Agency of the CR, will continue its many marketing activities in the UK this year: you can see us at Shared Services Week in Manchester in March, Call Centre Expo in Birmingham in September and the International Biotech Exhibition in London in November, for example.

We are confident that there are some very good opportunities for British investors in the Czech Republic and that their needs can be more competitively satisfied in the Czech Republic than in any other country in Europe. I would encourage British companies not to leave the door open to their competitors from other countries by hesitating to make a quick move to the country that already is a leading European recipient of high-tech manufacturing and service investments.

Rene Samek
Director of UK & Ireland Operations
CzechInvest



Selected British investors in the Czech Republic

British firm (investor)

Anglian Water
Avon Rubber
BPB Gypsum
Carlo
Cookson
Devro
European Automotive Components
FKI
ICON Communication Centres
IMI
International Power
Invensys
iPlato
John Crane (Smiths Group)
Laird
LogicaCMG
Molins
R.B.Farquhar
Rexam
Ricardo
Shell
Tarmac
Tate & Lyle
Thomson Litho
TI Automotive
Unilever
Wagon Automotive

Sector / products

Water and wastewater
Automotive – rubber parts
Building materials
Plastic components
Ceramic products
Food packaging
Automotive – brake discs (foundry)
Engineering – electric generator sets
Customer contact centre
Engineering – valves
Energy generation
Engineering – measuring equipment
Software development
Engineering – seals and gaskets
Electronics – metal components
Software development
Engineering – tobacco machinery
Building materials
Plastic bottles, beverage cans
Design of car components
Oil processing
Construction materials
Food processing
Software replication & printing
Automotive – hydraulic parts
Food-processing
Automotive components