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THE BUSINESS OF GLOBALISATION

DERBY

Built on innovation

DERBY HAS A HISTORY OF INNOVATION DATING BACK TO THE INDUSTRIAL REVOLUTION, A MINDSET THAT CONTINUES TO SERVE IT INTO THE DIGITAL AGE. LOCAL AUTHORITIES – KEEN TO MAKE THE CITY SOMEWHERE TO LIVE AS WELL AS WORK – HAVE SPENT THE PAST FEW YEARS IMPROVING DERBY'S LEISURE OFFERING, ALL OF WHICH IS ENABLING THE CITY TO CONTINUE TO PUNCH ABOVE ITS WEIGHT. MICHAL KACZMARSKI REPORTS

Derby, a city in the East Midlands region of England, has a history of punching above its weight. In the 18th century, when the city had fewer than 15,000 residents, it became a hotbed of the industrial revolution. It was the site of the UK's first water-powered silk mill, and it emerged as an engineering and railway centre. A century later, its history of firsts continued when the city built the world's first roundhouse – to facilitate the servicing of locomotives – now described by locals as the “NASA of its time”.

Growing exports and Derby's significance in the rail sector not only led the city to grow in size and wealth, but it also served as

testament to the fact that local residents had a knack for engineering and innovation. The city maintained this reputation throughout the 20th century, by attracting a host of multi-national engineering companies, including Rolls-Royce, Bombardier, Toyota Motors and JCB, to locate to the area.

Towards the end of the century, Derby also managed to jump on the digital innovation bandwagon when, in the mid-1990s, a local video game developer Core Design released Tomb Raider. The video game went on to become a cross-platform franchise worth

millions of dollars, with the game's protagonist, Lara Croft, becoming one of the most iconic video game heroes of all times.

Behind the times

With a pool of engineering brainpower, big international investors and a central location (it takes only 30 minutes to get from Derby to Nottingham, 50 minutes to Birmingham and 90 minutes to London), it is natural to assume that this success has carried over into the 21st century. But, according to the CEO of Derby City Council, Adam Wilkinson, economic development is not as simple as that.

“The challenge is to keep that wealth in Derby, so people not only work here but also spend their free time here,” he says.

The problem, according to John Forkin, the managing director of Marketing Derby, a public-private partnership promoting inward investments to the city, is that Derby does not have the leisure facilities that other key UK cities boast. “During the 1980s and 1990s a lot of cities in the UK lost their core industrial base. Because of that they started redesigning their city concepts. Derby did not, as there was no imperative for that,” he says.

Regeneration effort

What Derby missed out on in the past, it is fixing now. In the mid-2000s, local authorities established a £2bn (\$3bn) ‘regeneration master plan’, aimed at giving the city a new lease of life, and it has already secured investments worth an estimated \$1.5bn.

Among the completed projects are the Quad, a film and arts centre worth \$16.6m, the Roundhouse, a performing arts venue which underwent a \$72.4m refurbishment, and the Council House, a local authorities headquarters given a \$45.2m renovation and consequently nominated in the Royal Institute of British Architects East Midlands awards. On top of that, in 2007 Derby attracted Australian shopping giant Westfield Group, which opened its first UK operation in the city, worth \$512.8m.

Another success came in 2011, when Derby secured a \$60m Regional Growth Fund, a governmental grant aimed at boosting the UK's business competitiveness. Half of the grant was awarded to fund the infrastructure needed to realise the Global Technology Campus (GTC), a new high-tech business park. The remaining capital will be awarded to local manufacturers

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CREATING AND
INNOVATING





Engineering hub: Derby (top) has attracted a host of multinational engineering companies, including Rolls-Royce (left), Bombardier (centre) and Toyota Motors (right)

operating in high-tech sectors such as aerospace, automotives, and software and IT.

“We had wanted to build [the GTC] for a while; now we can get it done plus our supply chain will gain financial support as well. If someone has been to Derby but did not manage to visit us in the past five years, it is almost like that person has not been to Derby at all, because we have changed so much,” says Mr Wilkinson.

The redevelopment is not over yet. Currently under development are a sports arena and an Olympic-size swimming pool. “Young, knowledgeable workers used to look at the job and the company, and then the city. Now they look at the city first, so we made a conscious decision to adapt to attract them to Derby,” says Mr Forkin.

What makes it tick

As Derby, a city with a long tradition of out-of-the box thinking, adapts to changing realities of the modern world, so too do local companies. The best example of this is Smith of Derby, a bespoke clockmaker founded in the city in 1856. Clocks made by the company adorn some of the world’s biggest landmarks, including Grand Central Station in New York and St Paul’s Cathedral in London. But a slow economy and a changing market means that Smith

of Derby’s long history has come under threat.

“Everybody has watches and mobile phones now and public clocks almost went out of fashion,” says Bob Betts, managing director of the company and chairman of Marketing Derby. “It is our job to tell architects and designers to include them in their projects.”

This proactive attitude has resulted in a multitude of successes for the company. In 2009, it supplied the mechanical clock for the world’s largest clock tower built in Guangzhou, China. And in 2011 it entered the record books again, when the company made the world’s smallest mechanical clock to celebrate the 40th anniversary of the United Arab Emirates.

Despite these far-flung successes, the company has kept its roots firmly in Derby. According to Mr Betts, this is not just nostalgia, there is a rationale behind staying in the city.

“In this city we can find an understanding about what we do and people that pride themselves on creating and innovating,” he says. “We would not stay here for all these years if there was no economic sense in it. Engineering skills have been passed down here from generation to generation. From aerospace, through to automotives and contemporary clocks. I do not think you can find any other city in the world with that sort of talent pool.” ■

**CITY PROFILE
DERBY**

Population:	248,700
Pop. growth rate:	1.9%
Area:	78 sq km
Unemployment rate:	4.7%

Source: Derbyshire County Council, Office for National Statistics



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THERE IS LATENT DEMAND IN GRADE-A OFFICE SPACE LOCATED IN DERBY'S CITY CENTRE



The place to be

DERBY'S INDUSTRIAL EXCELLENCE HAS NEVER QUITE BEEN REFLECTED IN ITS CITY CENTRE'S OFFERING. HOWEVER, A FLURRY OF NEW OFFICE DEVELOPMENTS – AS WELL AS A RESURGENCE OF THE CITY'S RESIDENTIAL MARKET – LOOK SET TO CHANGE ALL OF THAT. MICHAL KACZMARSKI REPORTS

The shining, copper-clad exterior of One Friar Gate Square, Derby's newest office development, makes the building impossible to overlook. But its appearance is not the only reason why this building is the talk of town; it is the first speculative office property constructed in Derby's city centre since 1991. Although Lowbridge, the property developer behind the project, is still conducting confidential negotiations with potential tenants, local newspaper the *Derby Telegraph* reported in May that two firms have already expressed an interest in moving into the building.

"Developers are dusting down their plans, and watching who takes residence in One Friar Gate Square, and how much rent they pay," says Russell Rigby, director of Rigby & Co, a local commercial property consultancy.

Rush to build

Duncan Ashby is a director of Norseman Holdings, an East Midlands commercial property developer that is among the developers 'undusting' his development plans. Since 2007,

he has been working on One Derby, an office complex that comprises five buildings, retail space, restaurants and a proposed multi-storey car park. Unfavourable economic conditions have meant that the project has struggled to get off the ground, though that may soon change.

"We are exploring ways in which we can commence on site with phase one [of the One Derby complex] within the next 12 months," says Mr Ashby. "Interest in One Friar Gate Square has proved that there is latent demand in grade-A office space located in Derby's city centre."

Aside from One Derby, there are other developments that are looking to get off the ground, such as City Gate House, a 5500-square-metre office complex built by Cedar House Investments, and Wilson Bowden Developments' 8800-square-metre office building, known as Number One Cathedral Green.

As all of these buildings are located in or around the 'Cathedral Quarter', Derby's picturesque but quiet city centre, it is widely hoped that the developments will 'bring suits back to the streets of Derby', to use the local parlance.

Rush to buy?

Derby's residential market is also showing encouraging signs. In May, Compendium Living, a Liverpool-headquartered development company, started on the construction of Castleward, a major urban development scheme in Derby that will see 800 homes constructed over the next 10 years at a cost of £100m (\$151m). Also, UK Regeneration, an East Midlands-based developer, unveiled at March's Mipim property summit



One Friar Gate Square, Derby's newest office development and the first speculative office property constructed in Derby's city centre since 1991

the details of its Nightingale Quarter in the city, a site which is expected to host 300 houses and a supermarket.

All of these developments are, of course, important for locals, but their significance goes beyond Derby's boundaries. This shows that the UK property market does not revolve exclusively around London, and that well-run second-tier UK cities, after years of stagnation, are capable of rebounding.

"The situation in Derby reminds me of the scenario in 'The Voice' [a music talent show in which celebrity judges pick promising new singers], where judges are expected to press the buzzer when they spot a hot prospect. I know that there are a number of office developers itching to press the buzzer," says Mr Rigby. ■



High praise: Home to multinational companies such as Rolls-Royce (main) and Bombardier (bottom left). Derby has been praised by the UK's chancellor of the exchequer George Osborne (top left) for representing "everything that is right with the UK economy"

Derby's got talent

THE UK'S MANUFACTURING DECLINE OF RECENT YEARS SEEMS TO HAVE BYPASSED DERBY, WHICH HAS MET THE CHALLENGE OF LOW-COST COMPETITORS IN THE DEVELOPING WORLD BY FOCUSING UPON QUALITY. MICHAL KACZMARSKI REPORTS

At the turn of 20th century, decades before inward investment attraction became what it is today, Derby's local authorities managed to attract a start-up company operating in new but promising sectors of automotive and aerospace engineering to open a plant in the region. It was 1907 and the company was Rolls-Royce, now a multinational giant with annual turnover of \$18bn.

Manchester, Coventry, Bradford and Leicester were among the potential sites being considered by the company but, eventually, Derby won the bid after offering a cheaper access to electric power. 'A rich package of incentives', it would be called in the jargon of modern-day economic developers. However, the

electric rates were only part of the reason why the company selected Derby, according Graham Schumacher, head of development services at Rolls-Royce.

"The city offered good access to land suitable for our operations, had co-operative authorities and, most importantly, its workforce had the right set of skills for us," he says. "It is still the case today, otherwise we would not have stayed here."

Large and small

Rolls-Royce not only stayed in Derby, it has become the city's biggest employer, with more than 13,000 workers in its Derby plant. Over the years, Rolls-Royce has been joined in Derby by other manufacturing multinationals such as Japanese car manufacturer Toyota, Canadian rail firm Bombardier, and construction equipment company JCB. Quite a list, given that in the 1980s and 1990s manufacturers have been trickling away from the UK looking for locations with cheaper labour cost.

Tony Walker, deputy managing director of Toyota Manufacturing ▶

UK, says that there is a strong case for staying in the Derby area. "Quality is very important to us and being based in Derby, a place which has a very strong engineering base, definitely makes sense," he says. Indeed, Toyota is not only staying in Derby, it is extending its presence in the region. In 2011, the company decided to invest \$155m in its Burnaston plant, located just outside Derby, in a move that is expected to create 1500 new jobs.

As much as they are among the region's biggest employers, Derby is not just about big nationals. Its wealth of engineering talent means that the city also has home-grown manufacturing success stories. One of them is Epm Technology Group, a carbon fibre composite manufacturer, established in 1996 by Graham Mulholland. "At that time I was 23 years old and I felt that the company I worked for was badly run. So I left and started my own," he says.

The company has had a turbulent past and, in 2004, it was forced to reduce its headcount by half. Now, however, things are looking up for the firm. It supplies products to Formula 1 teams such as Force India, Lotus and Marussia and has more than 40 job vacancies to fill. The company is also planning to move to new facilities by the end of the first quarter of 2014.

According to Mr Mulholland, the fact that the company is based in Derby is reflected in the way that Epm Technology operates. "Our clients acknowledge that Derby tries hard to make things happen. They also see that it is reflected in the way our company operates," he says. "Plus, engineering skills and atten-



Tony Walker, deputy managing director of Toyota Manufacturing

tion to detail is what matters to us, and that is what Derby is all about."

Nurturing talent

The city's manufacturing tradition and skills are what most investors in the city point to when describing Derby. But years of gloomy forecasts about the direction in which manufacturing is going in the UK has taken its toll and deterred many youngsters from pursuing careers in the sector.

In an effort to remedy this skills shortage, many big local employers run their own apprenticeship academies in the area. Recently, local companies came together with the University of Derby and Derby College to set up the University Technical College (UTC), an engineering school for 14 to 18-year-olds. The school is expected to be opened by September 2014, and take approximately 600 students.

"Businesses in Derby are very enthusiastic about the project, as they will be able to grow their own

employees," says Liz Barnes, pro vice-chancellor at the University of Derby. Ms Barnes has been directly involved in setting up the new school. Although Rolls-Royce has played a major part in the project, she says that the school should not be viewed purely as an extension of Rolls-Royce's Apprenticeship Academy.

"We have meetings with employers from across the region, discussing how they can engage. Some will provide research projects, some case studies, some teaching or technology. We want to include as many companies as possible," she says.

High praise

UTC will not be the only addition to Derby's manufacturing landscape. After the city won a grant from the UK government's Regional Growth Fund in September 2012, work is due to start on the Global Technology Cluster (GTC), a high-tech campus expected to create 1000 new jobs by 2022.

"Derby is not just a place where trains or cars are assembled, it is also a place of high-tech innovation. GTC will confirm that," says Nick Smillie, associate at AED International, an economic development consultancy.

Such is Derby's success that it has been praised by both the country's prime minister, David Cameron, and chancellor of the exchequer, George Osborne. Both paid visits to the city to acknowledge its part in the UK's manufacturing revival. During the opening of Rolls-Royce's Apprentice Academy in November 2012, Mr Osborne went as far as saying that "Derby represents everything that is right with the UK economy". With the UK economy still far from robust, how many other cities can claim such praise? ■

QUALITY IS VERY IMPORTANT TO US AND
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DEFINITELY MAKES SENSE



Derby united

THOUGH DERBY MAY APPEAR SMALL WHEN COMPARED WITH OTHER BUSINESS HUBS IN THE UK AND EUROPE, THIS WORKS TO THE CITY'S ADVANTAGE, AS ITS BUSINESS COMMUNITY IS WELCOMING, INTERLINKED AND POSSESSES A REAL ZEAL TO MOVE THE CITY FORWARD, AS MICHAL KACZMARSKI FINDS OUT



Part of the project: University of Derby academics liaise with business leaders to ensure their courses are relevant for jobs on offer in the city

Derby markets itself as a place that is very well connected with the rest of the UK in terms of physical infrastructure. But another of the city's considerable strengths comes through connections of a different sort. The interlinking between Derby's business community may not be as visible as motorways or railroads, but newcomers to the city can quickly get a feel for how tightly knit it is.

"People are genuinely interested to hear what you want to say. I feel welcome here," says Nigel Wheatley, who in March was appointed as the senior centre manager at Westfield Derby, a shopping mall in the centre of the city. Despite being new to the city, Mr Wheatley says that within weeks he had met virtually all of Derby's key movers and shakers.

Derby's warm welcome

Importantly, such a greeting is not reserved only to people connected with the city's flagship businesses, such as Westfield. Cameron International, a Houston-headquartered oil company, opened its Derby office at the end of 2012 and employs 12 people in the city. The company's Derby headcount might be small, but Brian Haynes, Cameron's engineering director, says that it was easy to build links with other local businesses. "There are so many networking events here and they really help you with finding your footing," he says.

Members of the city's academic institutions also take advantage of these networking opportunities. "When we are designing a course, we have to think about whether it

will still be relevant after our students graduate, and there is no other way of knowing that than speaking to the businesses. That is why my colleagues and I have to be out and about," says Keith Horton, dean of the business, computing and law faculty at the University of Derby.

A common voice

In Derby, such meetings do not only serve networking purposes. Mr Wheatley says that a lot of time is devoted to discussing how best to promote the city and deciding in what ways it should develop. "What I found in Derby is real passion about the city, about its brand and about getting things done," says Mr Wheatley. "When the [city leaders] talk of 'regeneration', they mean it. And in Derby, regeneration has not stopped at the council, or the local government; it is in industry and commerce."

For Cameron executives, it was these meetings that convinced them they should set up their new office in Derby. "We had the whole UK to choose from, and we went through a long process of looking at different sites," says Mr Haynes, who adds that Coventry and Newcastle were also considered as potential locations for the company's expansion.

"We wanted a place that offers the right set of skills and has good transportation links, but also one that looks like it is heading in the right direction in terms of the economy and where you can tell that there is a vision for the city. Derby ticked all of these boxes." ■

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