

Inward Investment Report 2012/13

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The UK means business



Stephen Green

Lord Green
Minister of State for Trade
and Investment

I am delighted to introduce this report on the inward investment results for the UK for the year to the end of March 2013.

The results released by UK Trade & Investment (UKTI) and those from other independent sources confirm that the UK remains a world leading business destination. They show the confidence and trust that foreign investors have in the UK business environment.

Attracting foreign investment is an important element of the UK Government's economic recovery and growth programme, as it brings significant economic and social benefits to the whole of the UK. It also creates hundreds of thousands of jobs and helps to increase productivity and competitiveness in the UK economy, bringing in new technologies and know-how.

The inward investment results of the last year are very encouraging, but of course we are not complacent and we should not consider the job to be done. The UK Government is determined to continue its efforts to strengthen the UK's position in the global foreign direct investment market and maintain our top position in Europe. This requires even greater focus to attract more investment to all parts of the UK and to strengthen our performance in emerging markets.

I know that UKTI and its partners are determined to provide even better services for potential and existing investors to ensure their experience is constantly improving. UKTI will continue to work with companies to ensure we are doing all we can to make the UK the most attractive place to develop their business.

Managing Director's report

The UK has again demonstrated its lead position as the prime business location in Europe for Foreign Direct Investment.

1,559

**FDI in the UK produced
1,559 projects**

59,153

**Last year FDI in the UK
created 59,153 new jobs**

110,943

**FDI in the UK safeguarded
110,943 jobs in 2012/13**

During 2012/13, UKTI recorded 1,559 investment projects, an 11 per cent increase on 2011/12. We estimate that these investment projects have created or safeguarded 170,096 jobs, a 51 per cent increase on 2011/12. I am pleased to note that UKTI and its partners were involved in the delivery of 85 per cent of these projects. These figures reinforce the findings from Ernst & Young and the Financial Times, which independently confirm that the UK remained the number one Foreign Direct Investment (FDI) location in Europe in 2012.

These results are especially impressive when you consider that competition in the global FDI market is increasing, both from our traditional competitors, as well as new emerging powers.

The UK is also one of the top destinations in the world in terms of the value of FDI inflows and stock. The latest estimates from the United Nations Conference on Trade and Development show that during 2012, UK FDI inflow and stock values increased by 22 per cent and 12 per cent respectively.

The challenge is to retain the UK's enviable position as one of the most attractive global investment destinations. We will continue to improve our services for foreign investors. We will work even harder to identify and attract more investment to the UK to help us maintain our number one position in Europe. We are also strengthening our internal systems and processes to help us identify and support high value investment opportunities to maximise the benefits for the UK.



Michael Boyd
Managing Director,
Investment

UK success in turbulent times

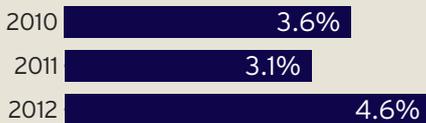
Global FDI market declines in 2012

The United Nations Conference on Trade and Development (UNCTAD) reported that global foreign direct investment (FDI) flows declined by 18 per cent in 2012 to US\$1.35 trillion, a level similar to the immediate aftermath of the financial crisis of 2008. Closer analysis of the UNCTAD data shows that many key locations globally are still facing the repercussions of the financial crisis. The USA, for example, experienced a 26 per cent year-on-year decline in FDI inflows in 2012, while the European Union reported an even steeper decline of 42 per cent (with France falling by 35 per cent and Germany declining by 87 per cent).

UK attracts increased FDI flows

In marked contrast to global trends, the UK secured an annual increase of 22 per cent in FDI inflows in 2012, attracting US\$62 billion, the highest level in Europe. Indeed, the UK's share of global FDI flows rose to 4.6 per cent, up significantly from 3.1 per cent in 2011. These excellent results reflect the strong confidence that foreign investors have in the UK, particularly in a time of global economic turbulence.

UK share of global FDI inflows



Source: UNCTAD, 2013

Annual change in global FDI inflows for selected economies (2011/12)



Source: UNCTAD, 2013

The nature of UK FDI inflows has been changing in recent years, away from mergers and acquisitions (M&A) and towards an increasing contribution from other forms of direct investment. This trend has continued in 2012, with UNCTAD reporting that the value of M&A by foreign companies in the UK fell by 24 per cent to US\$35 billion.

Value of UK's inward FDI stock increases

The flow of FDI has increased the value of the stock of foreign held capital in the UK. The Office for National Statistics (ONS) reported the value of the UK's inward FDI stock reaching £766 billion at the end of 2011, up by 5 per cent on the previous year. UNCTAD's latest data for 2012 shows the value of the UK's inward FDI stock has continued to grow, increasing by 11.5 per cent to reach an estimated £867 billion (US\$1.3 trillion).

Inward FDI stock 2003-2012



Sources: Office for National Statistics, 2013. 2012 result is based on UNCTAD

The UK's inward FDI stock has also increased steadily, when measured as a percentage of GDP, reaching 54 per cent at the end of 2012. France, Germany and the USA reported 41 per cent, 21 per cent and 25 per cent respectively.

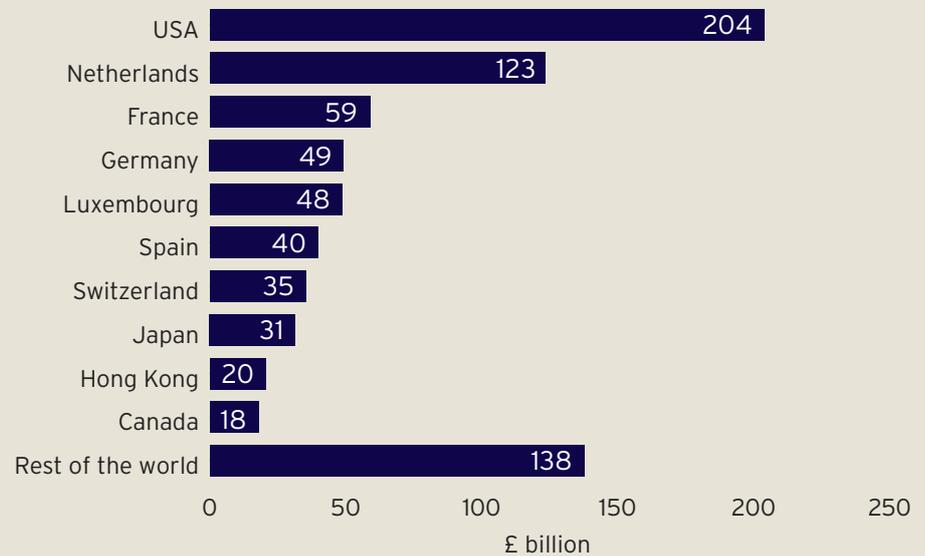
UK inward FDI stock comprises a broad portfolio of sectors

The data from the ONS confirms that a wide range of sectors make up the UK's inward FDI stock, highlighting the compelling range of investment opportunities available in the UK to foreign companies. Foreign owned companies in financial services hold the largest stock of foreign capital (with 23 per cent of the total), reflecting the UK's global leadership in the sector. Other sectors with a large presence of foreign capital are ICT and pharmaceuticals, which accounts for 14 per cent of the total stock of foreign capital.

Developed countries remain the major source of UK inward FDI stock

The USA remains the leading source of inward FDI stock in the UK, with American firms holding 25 per cent of the UK's total stock, representing over £200 billion of UK-based investments. The next three largest markets combined (the Netherlands, France and Germany) account for a further 30 per cent of the UK's total stock of FDI. While these traditional markets currently dominate the constitution of UK inward FDI stock, UKTI's strategy is looking to the long-term by also targeting the fast-growing investment flows from emerging markets such as China, India and Brazil.

Top 10 sources of UK inward FDI stock



Source: Office of National Statistics, 2013. Stock estimates as of end 2011. Figures may not add up to total due to rounding.

Summary: UK performing strongly

The UK's strong FDI performance in a declining global market is a testament both to the resilience of the UK economy and the inherent commercial strengths of the UK investment proposition to multinational companies and entrepreneurs.

In addition to UNCTAD's authoritative global analysis, various other independent sources have also reported the strength of the UK's FDI performance in a particularly competitive market. Both Ernst & Young and the Financial Times have confirmed that the UK attracted the highest number of inward investment projects in Europe during 2012, creating significant levels of employment across the country.

UK inward investment

UK Trade & Investment results for 2012/13

FDI projects

2010/11	2011/12	2012/13
1,434	1,406	1,559



2010/11	2011/12	2012/13
41,936	52,741	59,153

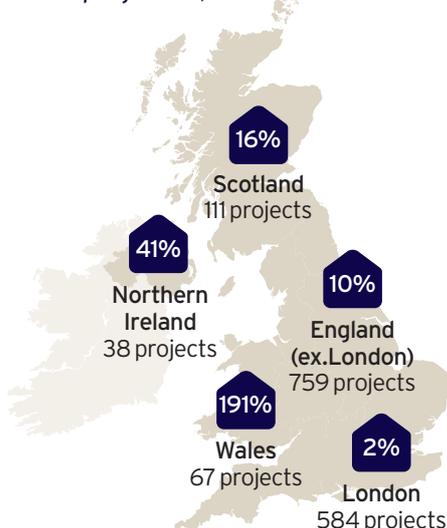


2010/11	2011/12	2012/13
52,662	59,918	110,943



National distribution of projects

Total projects: 1,559



Strongest results in three years

The UK achieved excellent FDI results in 2012/13 with significant increases in both the number of investment projects secured and the number of jobs created and safeguarded.

UK Trade & Investment (UKTI) recorded a total of 1,559 FDI projects won for the UK, up by almost 11 per cent year-on-year, and the strongest result in three years. UKTI played an active role in securing 1,322 projects, almost 85 per cent of the national total.

Over 170,000 jobs* were either created or safeguarded during the year by international companies in the UK, with the number of new jobs increasing by 12 per cent on the previous year to reach almost 60,000.

Project numbers increase across the UK driven by record level of expansions

All regions of the UK attracted higher numbers of investment projects in 2012/13 than in the previous year. Wales and Northern Ireland, in particular, achieved significant year-on-year increases in project numbers, up by 191 per cent and 41 per cent respectively. Scotland reported record numbers of FDI projects, while London and the English regions also continued to attract growing levels of international investment.

Analysis by project type shows that the number of new investments continued to increase, accounting for half of all projects. Significantly, the number of expansion projects increased by 14 per cent year-on-year to 577 - the highest ever recorded - confirming the long-term commercial value that existing investors in particular put on the UK's strong skills base, open business environment and advanced research infrastructure.

Projects by type	2010/11	2011/12	2012/13
New investment	724	752	777
Expansion	544	506	577
M&A	166	148	205
Grand total	1,434	1,406	1,559

*Job figures are estimates at the time of project announcement.

UK success in a wide range of sectors

The results show that the UK attracted 787 projects in 'Knowledge intensive' sectors and 522 in 'Advanced manufacturing' sectors, reflecting the success of UKTI's targeting of high-quality investment projects that generate long-term economic value for the country.

Projects and total jobs by industry sector groups, 2012/13

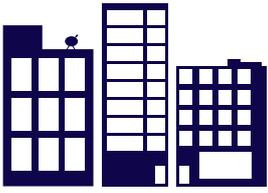
	Industry sector groups	Projects	Total jobs
Advanced manufacturing	Advanced manufacturing	380	51,568
	Life sciences	142	11,235
Knowledge intensive	Creative industries and ICT	369	20,837
	Electronics and telecoms	109	5,671
	Financial and professional services	309	35,636
Energy and infrastructure	Energy and infrastructure	250	45,149
Grand total		1,559	170,096

Source: UKTI, 2013

Top sectors by number of investment projects

In terms of individual sectors, Software and Computer Services had the largest number of investment projects, followed by Financial Services and Business Services. Of the 'Top 12' sectors for investment projects, Automotive and Aerospace provided the highest average total jobs per project.





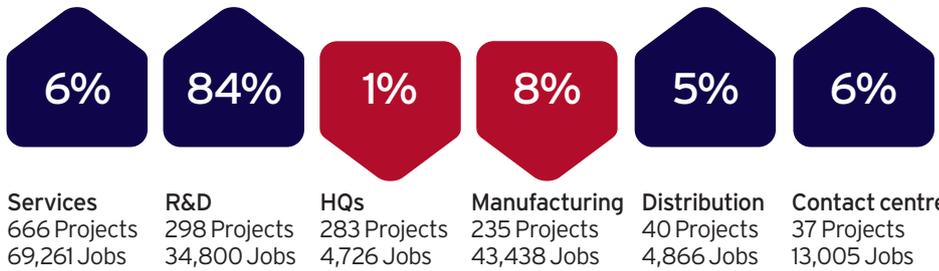
The UK remains the most attractive location for international headquarters in Europe, securing 283 HQ projects last year.

Strong growth in R&D projects

The services sector accounted for the highest number of projects and almost half of all new jobs. Significantly, R&D projects were up by 84 per cent to a record 298, creating almost 10,000 new high-value jobs for the UK economy and reflecting the country’s attractiveness as a global centre for innovation. Although the number of Manufacturing projects decreased slightly, over 43,000 UK jobs were either created or safeguarded, up by 20 per cent year-on-year. The UK also secured 283 headquarters projects, down marginally on the previous year, but reinforcing the country’s position as the most attractive location for international headquarters in Europe.

Projects and jobs by business nature

Total projects: 1,559 Total jobs: 170,096



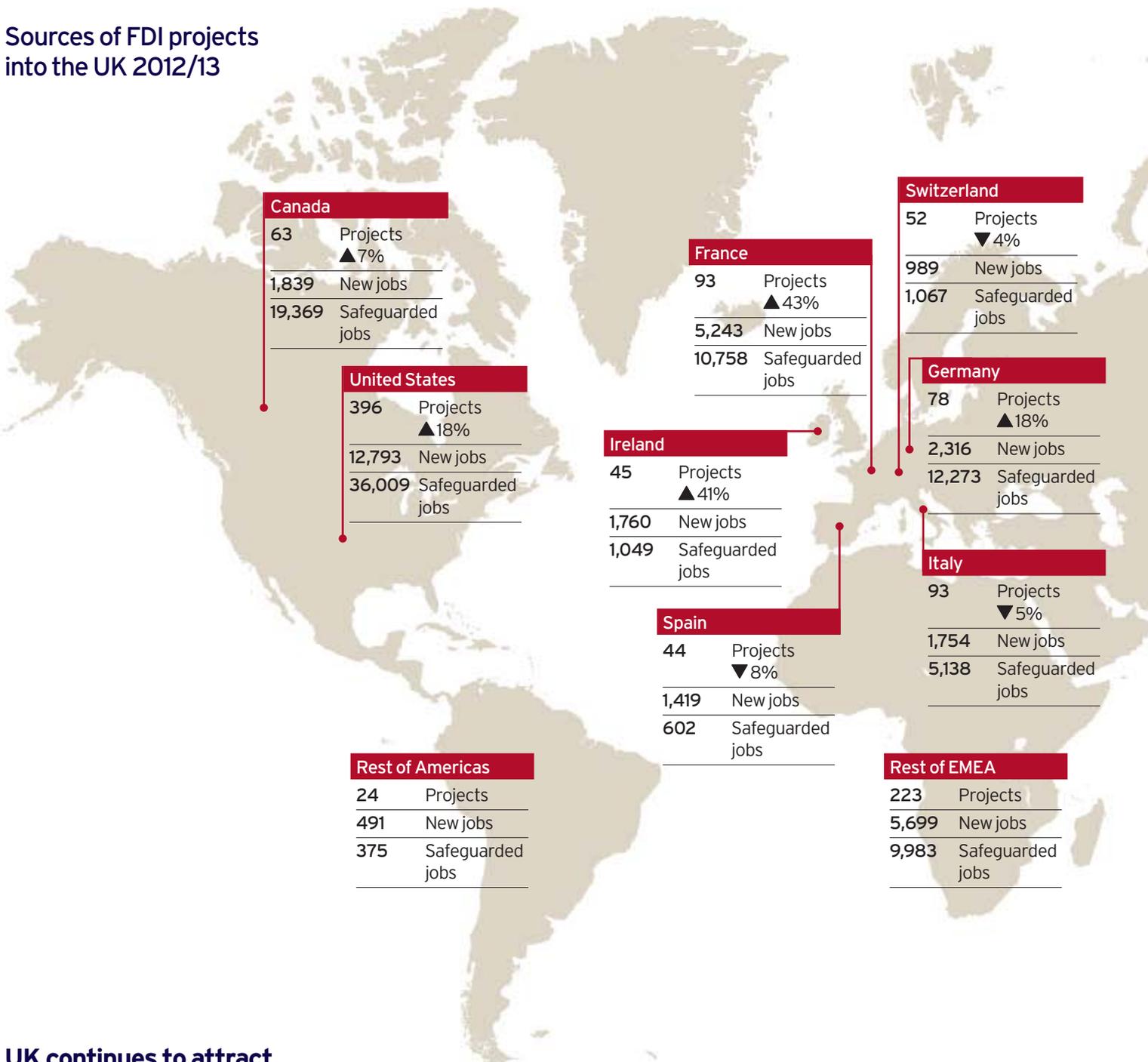
Infrastructure investment

Investment into infrastructure development in the UK, which has become a major focus for the UK Government in recent years, was particularly successful in 2012/13. During the year, UKTI facilitated £1.9 billion of investment into major infrastructure and regeneration projects, which is estimated to have created or safeguarded up to 30,000 jobs.

Global Entrepreneur Programme

The results also show that 2012/13 was another successful year for UKTI’s ‘Global Entrepreneur Programme’, which is designed to attract leading international entrepreneurs to the UK. During the year, sixty business ventures were established through the Programme, generating over 400 jobs in the UK. Since the formation of the Programme eight years ago, approximately £1 billion of venture capital has been raised by entrepreneurs seeking to take advantage of the UK’s strong and open business environment.

Sources of FDI projects into the UK 2012/13



UK continues to attract projects from across the world

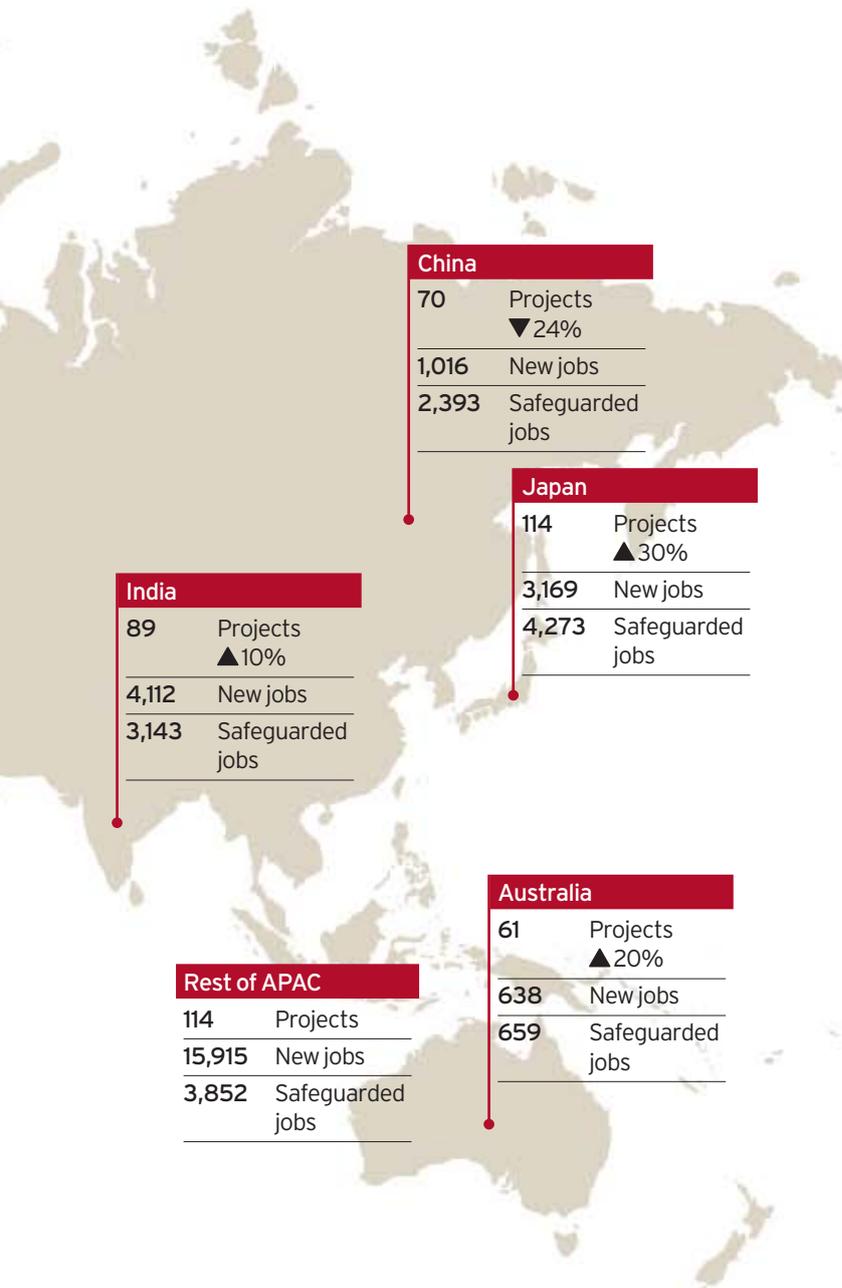
The USA strengthened its position as the largest foreign investor in the UK with 396 projects, up by 18 per cent year-on-year, and involving almost 50,000 new and safeguarded jobs.

Investments by French and German companies increased by 43 per cent and 18 per cent respectively, and contributed a combined total of over 30,000 new and safeguarded jobs.

Japan, another long-standing investor in the UK, had the second highest number of projects, up by 30 per cent year-on-year, while the importance of Australian investment continued to increase, with project numbers up by 20 per cent.

UKTI's strategy of targeting emerging markets continued to pay dividends, with India becoming the fifth most important source market globally for the UK in 2012/13, and the third most

important market for new jobs. Although the number of individual projects from China declined, the level of associated new and safeguarded jobs increased, indicating that Chinese companies are placing larger projects in the UK. Interestingly, the UK continued to attract steadily increasing numbers of projects from emerging high-growth economies such as Turkey, South Africa, Malaysia, Mexico, Brazil, the Gulf, and Russia.



Looking ahead

The UK's inward investment results for 2012/13 have been the strongest in three years and confirm the country's position as the leading destination for FDI in Europe. Furthermore, the results mirror the global comparative analysis undertaken by UNCTAD and the data from other independent sources.

The picture is clear; the UK's sectoral and industrial offer to foreign investors is one of the strongest in the world and, when combined with the UK's stable business environment, provides a highly attractive commercial proposition within the context of the current global economic climate.

This year's results confirmed the UK's position both as a high-value location for R&D with almost 300 projects, up by 100 on the previous year, and as a location for re-investment with a record number of expansion projects.

UKTI recognises the intensifying competition globally and the growing location options available to multinational companies. It was also particularly pleasing that all parts of the UK were able to report a rise in the number of projects, with significant increases in Wales and Northern Ireland, and a record number of projects and jobs secured for Scotland.

London 2012 – one year on

The London 2012 Olympic and Paralympic Games were a stunning success that provided a perfect platform to showcase UK strengths to the world and secure a long-term economic and commercial legacy for the country.

Recognised worldwide as one of the best global sporting events ever organised, the London 2012 Olympic and Paralympic Games generated substantial sporting, social, cultural, educational and infrastructural benefits that will have a long-term, sustainable and highly positive impact upon many aspects of UK society for years to come.

At the heart of both the planning and implementation of the 2012 Games was the core objective of providing a strong economic legacy – a crucial role that UKTI is spearheading. Indeed, of the overall £13 billion economic legacy target set by the Government, UKTI's activities are responsible for contributing £11 billion over four years.



£2.5bn

To date, the London 2012 Olympic and Paralympic Games have delivered a £2.5 billion boost in foreign investment into the UK, bringing with it 31,000 jobs.

Source: UK Trade & Investment, May 2013

The centrepiece of UKTI's Games' time programme was the "British Business Embassy" - 18 days of global business summits, including the "Global Investment Conference", 14 "Global Sector Summits", and two country-specific summits focusing on Brazil and China, combined with a series of over 50 business events held throughout the UK. With over 4,000 business leaders and opinion formers from 63 countries attending the British Business Embassy, the programme provided networking opportunities and face-to-face meetings for UK and international companies, laying the foundations for future commercial success.

Since the Games, UKTI has engaged on an extensive programme to leverage the UK's successful Olympic delivery credentials, including the attraction of high quality foreign investment to the UK and the undertaking of high profile campaigns to secure 'high value opportunities' in areas such as infrastructure, energy and security.

Significantly, several trade opportunities and contracts have already been won, with UK companies benefiting from innovative campaigns to highlight the UK's expertise in

delivering major sporting events by developing strategic relationships with other host nations. These include Brazil (the host of both the 2014 FIFA World Cup and the 2016 Olympic and Paralympic Games), Russia (the host of both the 2014 Winter Olympic Games and 2018 FIFA World Cup), South Korea (the host of the 2018 Winter Olympic Games) and Qatar (the host of the 2022 FIFA World Cup). For example, for the 2016 Rio Games, Arup has been appointed as sustainability advisors for the Olympic Village, while AndArchitects has won the contract to design the handball arena.

In addition, thanks to a ground-breaking agreement between the Government, the British Olympic Association and the International Olympic Committee to create the "Supplier Recognition Scheme", UK suppliers to the Olympics can now highlight their credentials publicly to assist them to win new business.

While the official 12-month report on the initial impact of the 2012 Games is being launched imminently, the early indications are that the UK is well on course to achieve its economic legacy targets from this once-in-a-lifetime event.

"Over the last forty-two years, in and out of government, I have attended, talked through, or sat through more Government conferences than I care to remember, but I have never encountered one half so good or well run as the Lancaster House Business 'show'.

Organisation, service, support, catering and welcome were quite superb at every possible level. I have heard not a single negative comment. Please pass my thanks and congratulations to as many as possible for beating all records in demonstrating just what can be done to make conferencing, messaging and appeal at Government level work to perfection."

*Lord Howell, Minister of State,
Foreign & Commonwealth Office*



Technology sector

Joanna Shields, Chief Executive of Tech City and the UK Business Ambassador for Digital Industries, sets out the reasons why she believes the UK offers the complete package for technology entrepreneurs to imagine, start and grow a business.



The UK is at the forefront of internet and digital technologies and the location of choice for international technology entrepreneurs and major multinational companies.

The introduction in recent years of one of the most ambitious packages of policies, business incentives, tax credits, tax rate reductions and visa support in the world, has further enhanced the UK's reputation and appeal to business builders and investors. For example, the Entrepreneur Visa makes it easier for the best entrepreneurs from outside the European Union to set up and run a business here, while the Seed Enterprise Investment Scheme is the most generous early-stage tax break in the world, providing 50 per cent tax relief for the first £100,000 of seed investment.

In addition, the Government recently introduced the Patent Box scheme, which lowers corporation tax to ten per cent on profits from the development and exploitation of patents, complementing existing tax breaks offered through R&D tax credits and Entrepreneurs' Relief.



East London

I believe there is a strong entrepreneurial movement underway across the UK. Tech City is at the heart of this, and has produced many success stories already, including fast-growth start-ups (such as EDITD which provides 'real-time' fashion forecasting data), highly-innovative businesses that are disrupting their sectors (such as Transferwise which is known as the 'Skype' of money transfers). It also includes businesses which are scaling up their operations effectively by internationalising, and raising significant investment (such as Songkick, which has raised US\$17 million to date, and Huddle, which has raised US\$40 million).

We are now applying the success of Tech City, as the nucleus of a broader entrepreneurial movement to establish and nurture a community of ideas and innovation, across the UK. For example, we are deepening ties between Tech City and 13 regional digital and technology clusters, through a 'National Technology Cluster Alliance', which includes centres of innovation such as Cambridge, Manchester and Newcastle.

We have also recently launched the 'Future Fifty' programme, providing a bespoke service to enable high-growth businesses to scale rapidly and reach their full potential.

A great deal of success has been achieved during the last two years in establishing Tech City as the digital capital of Europe. Our challenge now is to build on this momentum and turn the UK into the best place in the world to imagine, start and grow a business.

“East London is emerging as a world-leading entrepreneurial hub, and we are excited to be a part of it. Let’s fill this town with start-ups!”

Eze Vidra, Head of Google Campus at Tech City



Already contributing over eight per cent to the UK economy - a larger share than any other country in the G20 - UK internet activity is forecast to grow by 11 per cent each year to reach £225 billion by 2016.

Source: Boston Consulting Group, 2012

Financial and professional services

The Rt. Hon. The Lord Mayor of the City of London, Alderman Roger Gifford, explains why the UK continues to be the focal point for the global financial and professional services sector.

In my capacity as the ambassador for the UK's financial and professional services sector, I have the great privilege of visiting 32 countries this year, to promote the range of trade and investment opportunities available in the UK. On my travels I am continually struck by the enormous goodwill shown towards the UK from all corners of the globe. This is a huge benefit to our economy and is, undoubtedly, a key factor in why the UK remains the largest financial centre in Europe and why London is ranked as the best financial services location in the world. The UK is fortunate that London's global strengths are complemented further by internationally-renowned financial specialisms in cities such as Edinburgh, Glasgow, Belfast, Cardiff, Leeds, Manchester, Bristol and Birmingham.

International financial services companies, in my experience, come to the UK for many reasons, including the ease of doing business, the attractive corporate and personal tax environment, the preferred use of both the English language and English law in business operations, and the UK's active involvement in the European Single Market.

Indeed, there are currently over 1,100 overseas firms from around 80 countries that are regulated to operate in the UK financial services sector, with some 250 branches and subsidiaries of foreign banks in London alone, more than any other city worldwide. The market opportunity is, of course, first-class. The UK continues to lead the world in cross-border bank lending and borrowing, foreign exchange trading and over-the-counter derivatives, while there are significant strengths in areas such as asset management and insurance, where the UK has the largest industry in Europe.

In addition to traditional financial markets, our increasing influence in emerging, fast-growing markets such as Islamic finance, renminbi trading and carbon trading has reinforced the UK's position at the leading-edge of the sector internationally. London, for example, has in recent years proved a highly attractive location for institutional investors, with sovereign wealth funds and pension funds establishing local presences to take advantage of the UK's secure investment environment in a time of global economic and political uncertainty.



Twice as many US dollars are traded on the foreign exchange market in the UK than in the US, and more than twice as many euros are traded in the UK than in all the Eurozone countries combined.

Source: TheCityUK, 2012

In professional services, the size and diversity of the UK economy provides an on-going source of market opportunity for major global accountancies, management consultancies, outsourcing companies and legal practices. The UK's business process outsourcing market will, for example, be worth over US\$14 billion in 2014, while the UK's legal sector is home to four of the world's eight largest firms and has several globally-recognised areas of expertise, including international law and international arbitration services.

All this is complemented by an artistic and cultural scene which makes the UK a uniquely attractive and interesting place to live.

Looking to the next ten years, I am certain that, with its first-class market opportunities and innovative and internationally-focused business environment, the UK will remain the focal point for the global financial and professional services sector. I therefore warmly invite all international companies that aspire to operate at the forefront of the sector, to take a very close look at the UK commercial proposition and to become part of our global success story.

“Being in London, one of the world's leading financial centres, is a key part of our global strategy. From here, we are in the ideal place to support our clients across the EMEA region.”

Jaime Gornsztejn, Head of the London office of BNDES, the Brazilian development bank

Energy sector

Adam Bruce, the Global Head of Corporate Affairs at Mainstream Renewable Power, explains why he believes the UK energy sector is offering a 'once in a generation' market opportunity to international companies and investors.



In the pursuit of long-term commercial opportunities across the global energy sector, the UK stands out as a compelling proposition for international companies and investors alike. With fundamental market change being driven by key reforms in climate change mitigation, energy security, affordability and industrial policy, a 'once in a generation' market opportunity is being created in the UK. For example, up to £110 billion of investment in low-carbon electricity generation and transmission will be required by 2020, more than double the current levels of investment.

Indeed, the implementation of low carbon and zero carbon initiatives is creating a strong portfolio of investment opportunities in areas such as offshore wind, carbon capture and storage, combined heat and power, waste-to-energy, and nuclear and marine technologies. The sheer scale of this continues to attract considerable interest from global energy companies, sovereign wealth funds, pension funds and other state-owned entities seeking secure investment opportunities.

With the UK committed to sourcing 15 per cent of its energy from renewable sources by 2020, one of the strongest areas of opportunity is in offshore wind. According to the latest data from the European Wind Energy Association, the UK is the largest market globally and has almost 60 per cent of Europe's installed offshore wind capacity.

The UK's current range of projects represents the largest single programme in the world, with specific investment opportunities for companies to generate up to 18 gigawatts of offshore wind energy by 2020. For example, the world's largest offshore wind farm, the 'London Array', with a total capacity of over 630 megawatts, is a joint venture between DONG Energy (the Danish energy firm), E.ON (the German utilities company) and Masdar (the Abu Dhabi-based renewables investment company). Indeed, my own company, Mainstream, is developing the Hornsea offshore wind zone, along with DONG Energy and Siemens (the German industrial firm), in a project that has the capacity to produce up to six gigawatts of clean energy by 2020.

“The London Array project will be the first of the next generation of larger offshore wind farms. Being able to efficiently develop large offshore wind farms and harvest the scale advantages in both construction and operation is an important element in our continuous efforts to bring down costs of energy of offshore wind.”

Benj Sykes, Wind UK Country Manager, DONG Energy

Significantly, a further strategic opportunity for international investors is the UK's commitment to create an efficient grid infrastructure for the distribution and smart management of energy. Smart meters, for example, will be required for all homes by 2020. Energy suppliers will be responsible for replacing over 50 million gas and electricity meters, with a mass roll-out of smart meters commencing in 2015.

Market opportunities in the energy sector always go hand-in-hand with innovation. A major long-term benefit for energy companies operating in the UK is access to the globally-renowned research and innovation environment which actively encourages commercial involvement in cutting-edge research through specialist initiatives, such as the 'Offshore Renewable Energy Catapult', the Technology Strategy Board and clusters of university expertise.



The UK has the capacity to produce up to 153 gigawatts of tidal and wave power using technologies including tidal stream devices, tidal range barrages and tidal range lagoons.

Source: Crown Estate, 2012

Advanced engineering

Automotive

Professor Richard Parry-Jones, Co-Chair of the Automotive Council, believes that the UK automotive industry will continue to provide significant commercial opportunities for international firms.

With seven volume car manufacturers, eight major premium and sports car manufacturers, eight commercial vehicle manufacturers, ten bus and coach manufacturers and over 2,300 component companies, commercial opportunities in the UK's world-class automotive sector continue to be very strong. Indeed, in the last two years alone, over £6 billion of automotive investments have been announced by major multinational companies in the UK, contributing towards potential record production levels of over two million vehicles per annum by 2017.

I believe the reasons for the UK's success are clear. Firstly, the country benefits from a flexible labour force, high productivity levels and a strong skills base, including some of the best universities in the world.

Secondly, UK-based automotive companies benefit from a supportive business environment, including a very competitive corporation tax environment, and useful tax credits that support research and development (R&D) - and, with effect from this year, the 'R&D tax credits' scheme will be even more

commercially attractive following the introduction of an 'above the line' credit, to encourage increased levels of R&D expenditure and innovation in the UK, even during downturns.

Thirdly, the market opportunity in the supply chain is clearly compelling. Indeed, a recent report by the Automotive Council found that there is an additional £3 billion of new business that could be won by UK suppliers and overseas companies looking to set up or expand manufacturing facilities in the UK, with particularly strong opportunities in low carbon transport, engines, electrical propulsion and control, energy storage, lightweight materials and intelligent transport systems.

To capitalise even further on the strengths of the UK automotive industry and remain the location of choice for global market leaders, UK Trade & Investment and the Automotive Council have recently established the dedicated 'Automotive Investment Organisation' that will provide increased industry expertise and intensive support to international investors.



“Jaguar Land Rover has invested significantly in the product creation process, in our advanced manufacturing sites and created more than 3,000 jobs during the fiscal year. This commitment is set to continue with a sustained programme of investment which will see us spend in the region of £2.75 billion on new product, people and infrastructure in the year to March 2014.”

Dr Ralf Speth, Chief Executive Officer, Jaguar Land Rover



Aerospace

According to Marcus Bryson, Chief Executive Officer of GKN Aerospace and Co-Chair of the Aerospace Growth Partnership, the global aerospace industry is currently on a “super-cycle” that is generating significant commercial opportunities in the UK for innovative international companies.

Strong levels of global demand in the civilian aerospace sector, driven by the increasing desire to travel and the need to replace older aircraft with the latest fuel-efficient models, is creating a “super-cycle” for the industry. Indeed, over the next 20 years, more than 27,000 new passenger aircraft, worth US\$3.7 trillion, will be required globally, with the UK positioning itself to take full advantage of these fast-growing market opportunities.

With annual revenues exceeding £24 billion, the UK’s aerospace industry is the second largest in the world, behind only the US, and benefits from a proven breadth of capabilities in R&D, design and manufacture of aero engines, aerostructures, avionics, landing gears, electrical and fuel systems, actuation and interiors.

UK-based companies are responsible for designing, developing and manufacturing 35 per cent of all aircraft engines sold globally and 50 per cent of the wings for all large aircraft.

Over 2,600 aerospace companies already operate in the UK, including global leaders such as BAE Systems, Airbus, Rolls-Royce, Cobham, AgustaWestland, GKN Aerospace, Spirit AeroSystems, Boeing and Bombardier.

These companies all benefit from the UK’s strong business environment, which includes a flexible workforce with good labour relations, highly-competitive tax rates and a range of additional incentives designed to support all aspects of the innovation process.

In order to ensure that the UK remains at the forefront of the sector globally, the Aerospace Growth Partnership - a strategic collaboration between industry and Government - has recently launched a £2 billion, seven-year programme to accelerate the next-generation of technological developments.

At the centrepiece of this initiative is the establishment of the Aerospace Technology Institute to focus on developing quieter, more efficient aircraft and to provide the research and development activity necessary to win work on future aircraft programmes in the key areas of aerodynamics, propulsion, aerostructures and advanced systems.



75 per cent of UK aerospace output is exported.

Source: ADS, 2013

Life sciences

Dr Mark Treherne, Chief Executive of the Life Science Investment Organisation at UK Trade & Investment, explains why he believes that the UK will remain at the forefront of the rapidly-changing global life sciences sector.

Over the next ten years the global life sciences sector faces significant strategic challenges, ranging from the rising costs and increasing complexity of research and development, through to a market that is evolving rapidly in response to ageing populations, the prevalence of chronic diseases and escalating healthcare costs.

The UK Government's determination to address these global challenges led to the development of its 'Strategy for Life Sciences' which set out - and has already begun implementing - a range of leading-edge industry initiatives that focus on improving the translation of scientific discoveries into innovative products and services, leading to better returns for patients, business and investors. One of the most important initiatives to date has included the establishment of the ground-breaking Life Science Investment Organisation which provides unparalleled industry expertise and fast-track support to companies wanting to unlock their global potential by investing in the UK in research, clinical development, commercialisation and advanced manufacturing.

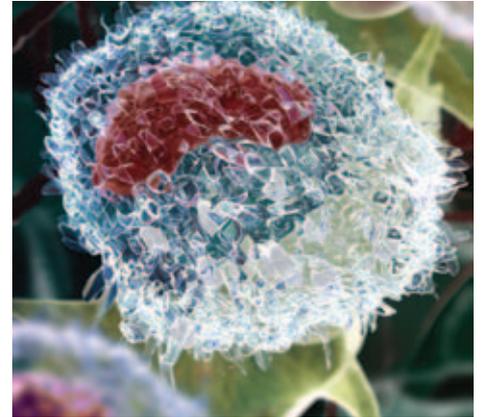
A particularly important and unique benefit of the UK's life sciences environment is the access offered through the National Health Service (NHS) to anonymised patient data and clinical trials, a market opportunity that is already attracting the attention of international investors. For example, the recently launched Li Ka Shing Centre for Health Information and Discovery at Oxford University, a ground-breaking £90 million initiative focused on 'big data' and drug discovery, will house over 600

scientists, utilising a wide range of health-related datasets to better understand disease and response to therapy and realise some of the many benefits that will emerge from the genomics revolution.

I know from personal experience, having worked in a global pharmaceutical company and in small- and medium-sized enterprises world-wide, that the UK is a prime location to commercialise life sciences research. Indeed, the UK's collaborative business environment thrives on the appetite of researchers and medical charities to partner with industry and the NHS.

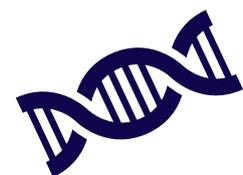
The new Francis Crick Institute for example, due to open in 2015, is a consortium of six of the UK's leading life sciences scientific, academic and charitable organisations (the Medical Research Council, Cancer Research UK, the Wellcome Trust, University College London, Imperial College London and King's College London). By collaborating to combine the specialist knowledge, expertise and resources of each organisation, the Institute will facilitate cutting-edge research across a range of scientific disciplines and ensure that laboratory discoveries are turned into treatments as quickly as possible.

With an outstanding track record in drug discovery and clinical translation, a world-class academic base and a proactive government framework that supports companies undertaking leading-edge research through initiatives such as 'R&D tax credits' and the 'Patent Box', the UK is ideally positioned to remain at the forefront of an increasingly-complex global life sciences sector.



“One of the great advantages of being in a biotech hub like Cambridge is that we can work closely with some of the most innovative groups in the world. I am looking forward to greater interaction with the scientists and companies at the Babraham Campus.”

Dr Ruth McKernan, Senior Vice President of Pfizer and Chief Scientific Officer at Pfizer's Cambridge Research Unit, Neusentis



The UK has both the highest number of life sciences graduates in Europe and the top four universities for medicine.

Source: OECD, 2012; and QS University Rankings, 2012

The UK – a great place to invest

The UK is the leading destination for foreign direct investment in Europe and one of the most competitive economies globally. The open and innovative business environment combined with a superb quality of life continues to attract the world's top investors, entrepreneurs and multinational companies.

**Market opportunity +
Ease of doing business +
Rich and diverse ecosystem
= Market Success**

Market opportunity

With a population of over 60 million, the UK is a major market in its own right and a gateway to the European Single Market of over 500 million consumers. The UK is currently the sixth largest trading nation in the world and has a long history of international trade and global links. Foreign investors located in the UK receive the same support from the UK Government as domestic firms, including access to UK Trade & Investment's global network of advisers, making the UK an excellent base from which to export and grow a business.

Ease of doing business

The World Bank ranks the UK among the top locations in the world for ease of doing business. Setting up in the UK takes an average of 13 days and as little as 24 hours to register a company officially. The removal and reduction of 'red tape' has already saved UK-based businesses approximately £1 billion in the last two years alone, and standards of corporate governance are among the most transparent in the world.

The UK has a flexible labour market with labour regulations designed both to protect the employee and to ensure that companies can operate effectively. The UK Government is committed to creating a highly competitive tax environment, with the main rate of corporation tax being reduced to 21 per cent in 2014 and 20 per cent in 2015 – the lowest rate in the G7 and the joint lowest in the G20.

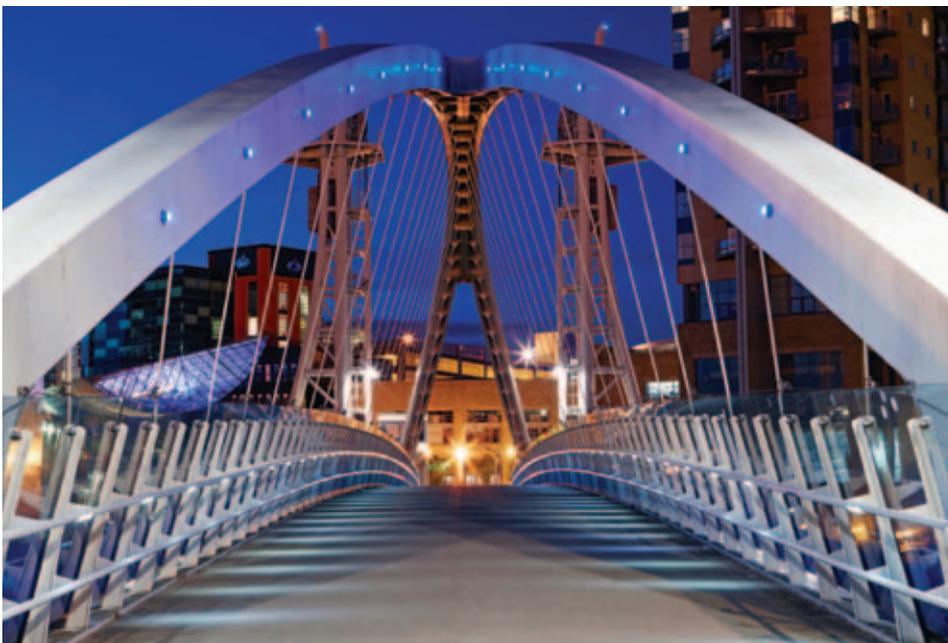
Rich and diverse ecosystem

The UK has world-class capabilities across a wide range of business sectors, ranging from aerospace and advanced manufacturing to the creative industries and ICT to oil and gas. With a large and highly-skilled workforce, the UK is home to the top four universities in Europe and four of the top ten globally. Business-university collaborations are encouraged strongly and talent thrives in accelerators across the UK.

According to the OECD, the UK has the fewest barriers to entrepreneurship in the world and has recently introduced an innovative graduate entrepreneurs' programme to encourage high-potential start-ups. Innovative companies in the UK can benefit even further from additional forms of tax relief, including the 'Patent Box' (which provides reduced rates of corporation tax on profits from the development and exploitation of patents), 'R&D tax credits' and generous tax relief for innovative sectors such as animation, high-end television production and video games development.

Delivering FDI throughout the UK

Whether investing in the UK for the first time, or expanding an existing business, there is a compelling range of commercial opportunities across the country.



Manchester



As a major advanced economy, the UK offers international businesses a wide choice of locations that are globally-renowned as centres of expertise and opportunity. For example:

- In research and development several Enterprise Zones have outstanding capability across a range of sectors. Examples include the network of scientific researchers at Oxford Science Vale, access to state of the art facilities at Sci-Tech Daresbury and Harwell and cutting-edge transport systems technology at MIRA in Leicestershire.
- In digital technology there are world-class centres of excellence in areas such as Cambridge, East London (Tech City), Manchester, Glasgow, Bristol, Malvern and Sunderland.
- In the biomedical sector, the Oxford, Cambridge and London 'triangle' houses the UK's largest cluster of innovation and industry expertise.
- The leading automotive cluster in the UK is in the West Midlands, with other areas of significant foreign investment, supply chain opportunities and expertise at Sunderland in the North East of England, Ellesmere Port in Merseyside, Burnaston in Derbyshire, Swindon in Wiltshire, Wolverhampton and around the Sheffield City Region Enterprise Zone.
- The aerospace industry, which is the largest in Europe, spans the UK, with particularly significant clusters in several regions of England, Prestwick and Glasgow in Scotland, Broughton in Wales and Belfast in Northern Ireland.
- In financial and professional business services, the City of London is widely recognised as a world-leading centre of excellence and is complemented by strong sectoral capability in hubs such as Edinburgh, Manchester, Norwich, Birmingham, Leeds, Bristol and Cardiff.

UKTI's comprehensive network of experts assists and advises all types of company in the search for the perfect business location. Our advisers provide insight into local sector expertise, clusters and hubs, supply chains, the availability of skills, property and transport links, and can open doors to the wider business community. Investment propositions are developed with and by a range of partners in order to offer investment clients the best choice of location options in the UK.

The Welsh Government, Scottish Development International and Invest Northern Ireland all provide inward investment support and aftercare in their respective nations, as do London and Partners in London. The London 2012 Olympic and Paralympic Games gave a great boost to the profile of London, and the UK more generally, and we are building on this legacy in terms of developing inward investment and trade.

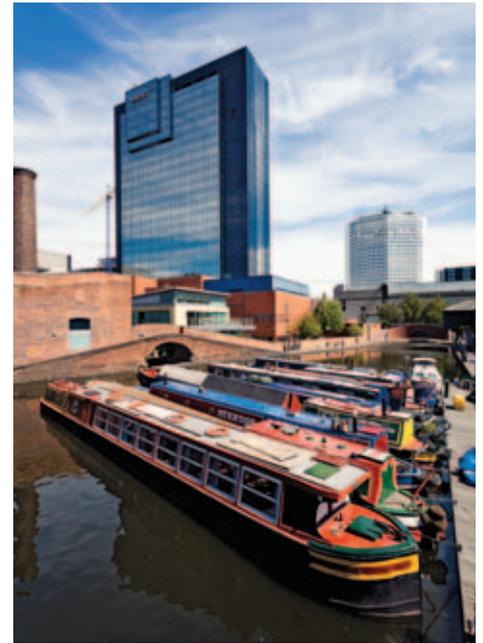
Government policy to increase economic growth in local areas across the UK provides many opportunities for both existing and new investors to the UK, for example:

Local Enterprise Partnerships

LEPs are partnerships between local authorities and businesses. They decide what priorities should be for investment in roads, buildings and facilities in the area: all of which will be of interest to investors' considering the UK as part of their own growth strategy. LEPs can apply to become, or introduce, an Enterprise Zone in their area, and take advantage of various tax incentives and simplified planning regulations. UKTI works closely with all 39 LEPs to ensure investors are aware of each area's unique strengths.



London



Birmingham

Enterprise Zones

Businesses that locate in EZs can claim up to 100 per cent Business Rates relief over a five year period. In some EZs there are also sites available where businesses can claim Enhanced Capital Allowances for investment in plant and machinery. Many EZs provide even more benefits, such as lease payment holidays, low rent incubator units and development funding. Many are encouraging businesses in the same sector - automotive, renewable energy, life sciences for example - to cluster together for mutual benefit. Again, UKTI works closely with the current 24 EZs to help articulate their collective and individual opportunities for investors.

Cities

In England, cities and their surrounding areas are home to 74 per cent of the population and 78 per cent of jobs, making them important to long term economic growth. 'City Deals' give new powers and freedoms to cities to create local growth and do what they think is best to help businesses grow in their area. The eight largest cities each have a 'City Deal', with a further dozen or so coming on line in the coming months.

Brief details of each of these organisations can be found on the free App 'UKTI in the UK'. This is available to be downloaded from the App Store. UKTI representatives based in the UK and overseas can provide more detail on these organisations, and how they could add value to individual investment opportunities, upon request.





The UK is one of the world's leading business locations and attracts more international investment than any other country in Europe.



Contact information

To benefit from the outstanding commercial opportunities in the UK, please contact the UKTI Investment Hub.

Visit: www.ukti.gov.uk/invest

Call: +44 (0)20 7333 5442

Email: enquiries@ukti-invest.com

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UK Trade & Investment is the Government Department that helps UK-based companies succeed in the global economy. We also help overseas companies bring their high-quality investment to the UK's dynamic economy acknowledged as Europe's best place from which to succeed in global business.

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