



MILLENNIUM CITIES INITIATIVE (MCI)
THE EARTH INSTITUTE AT COLUMBIA UNIVERSITY

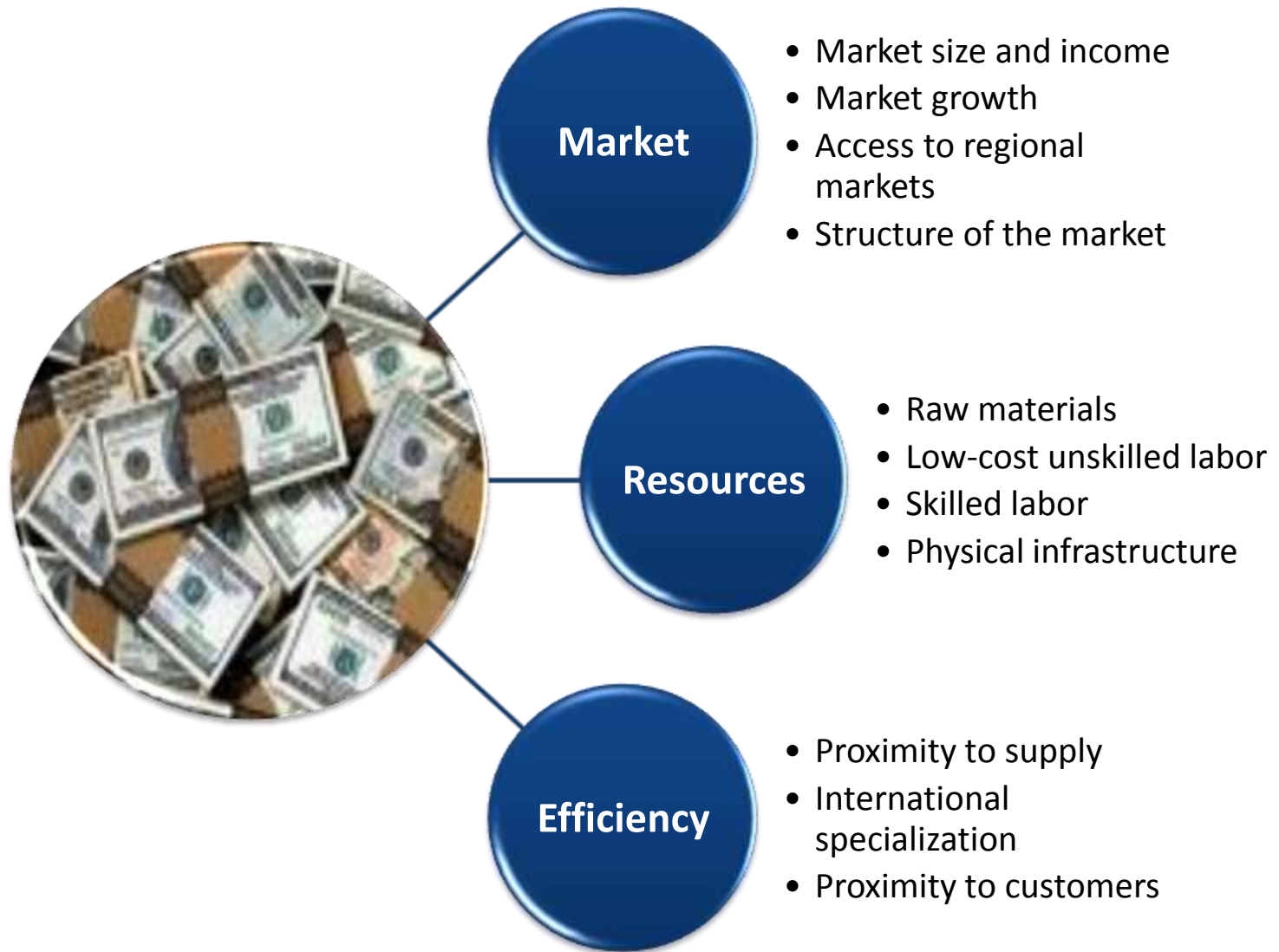
What do potential investors need to make a decision on investment



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Tabora
27 March 2012



Why companies invest





Hyundai investment project

Hyundai Motor Manufacturing Czech

Planned investment:	1.1 billion Euros
Number of employees:	3,500
Decision to invest:	27 March 2006
Start of construction:	1 November 2006
Start of test production:	June 2008 (October 2008)
Start of mass production:	November 2008 (March 2009)
Annual production:	300,000 cars + 600,000 gearboxes
Tier 1 suppliers:	15 – 25 companies
Total number of suppliers:	25 – 50 companies





Hyundai suppliers

Korean Hyundai suppliers investing near Nosovice

Company name	Products	Employees	Location
Donghee	Fuel tanks	230	Cesky Tesin
Dymos	Car seats	300-400	Frydek Mistek
Hanil E-Hwa	Interior parts	500	Chlebovice
Hyundai Mobis	Chassis modules	800	Nosovice
Hyundai Hysco	Steel sheet and pipes	70	Nosovice
Matador-DongWon	Rubber parts	200	Trinec
Pyeong Hwa Automotive	Door module parts	260	Cesky Tesin
Plakor	Plastic parts	500	Mosnov
Sejong	Exhaust systems	250	Karvina
Sungwoo	Sheet metal parts	1,500	Ostrava-Hrabova



What do investors need?

- Economic reasons to invest
 - a. Market
 - b. Resources
 - c. Efficiencies
- Conductive environment for investment
- Information and support



Conditions for investment

- Market opportunities (internal or external market)
- Prepared locations (buildings, zones, land plots)
- Stable legal environment (laws, regulations)
- Stable physical environment (delivery of electricity etc.)
- Functioning labour market (legislation, education system)
- Developed transport infrastructure (export channels)
- Supporting environment (supporting institutions)



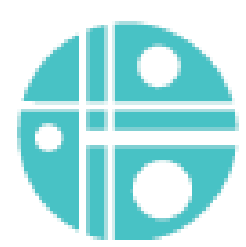
How investors make decisions?



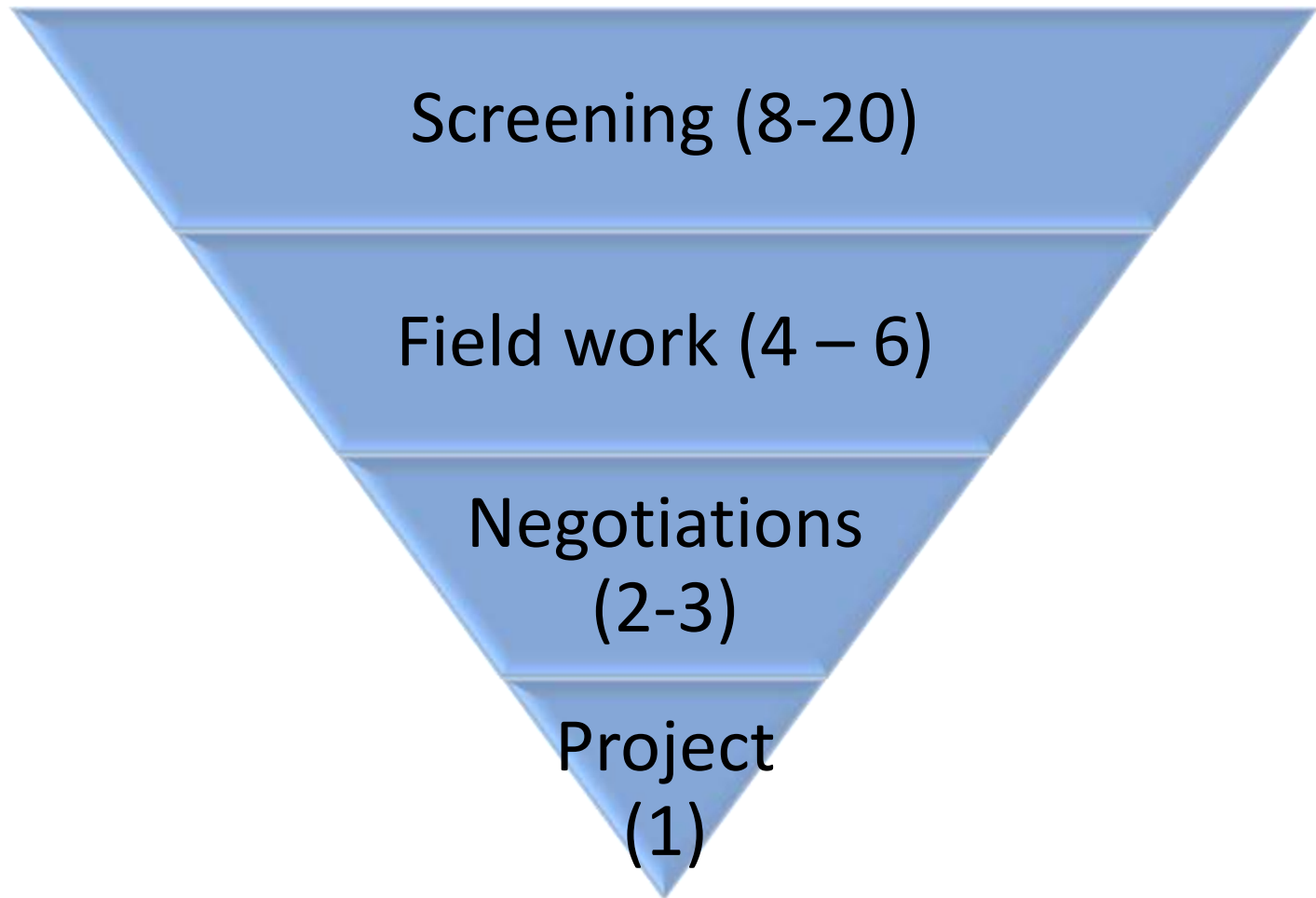


Site selection process

Screening	Field Work	Negotiations	Implementation
<ul style="list-style-type: none">• Project drivers• Success factors• Project specifications• Search Area <ul style="list-style-type: none">• Countries/ regions• Fatal flaw analysis• Compare costs and conditions	<ul style="list-style-type: none">• Field investigations• Verify screening and process-drill down• Identify specific opportunities and risks	<ul style="list-style-type: none">• Risk analysis• Real estate• Incentives• Permitting	<ul style="list-style-type: none">• Transition planning• Facilities plan• Vendor selection• Construction ramp-up



Site selection proces





Screening criteria

Real estate (land, building)	Services
Labour	Demographics
Taxes	Quality of life
Incentives	Utilities
Community	Market
Logistics	Environmental issues



Case study – real inquiry/project

Dutch company in the aerospace industry plans to **expand its manufacturing capacity in a low cost location.**



Plan – project specification

Activity	manufacturing facility for parts and assembly of aircraft components
Facility	initially 6,400 m ² – ultimately 12,000 m ² ; 8 metres high, 80 m wide and 80 m deep
Site	5 hectares of land, all infrastructure
Logistics	proximity to inland waterways/seaport, maximum 1 transfer of goods



Project specification: labour

Parts – Year 1 to 5

- 1 Production manager
- 1 IT specialist
- 3 Production leaders
- 6 Industrial engineers
- 40 Production workers

Total: 51

Parts and Assembly – Year 6 to 10

- 1 Senior production manager and 2 production managers
- 4 IT specialists
- 3 senior production supervisors and 7 production supervisors
- 5 Senior industrial engineers and 20 senior engineers
- 40 production workers for parts
- 150 production workers for assembly

Total: 242



Success factors for this company

Critical requirements to define the area of search:

- ✓ **Lower cost** manufacturing environment than present location
- ✓ Industrial **background/experience with aerospace** industry
- ✓ Company's **experience in the selected countries**



Long list of potential locations

Country

- Brazil
- Indonesia
- China
- India
- Malaysia
- Thailand
- Turkey
- Czech Republic
- Poland
- Romania

Region under Focus

- Sao Paulo State
- Batam
- Shanghai and Shenzhen
- Chennai (Tamil Nadu State)
- Kuala Lumpur (Selangor)
- Bangkok
- Istanbul area
- East Bohemia
- Southeast
- Bucharest

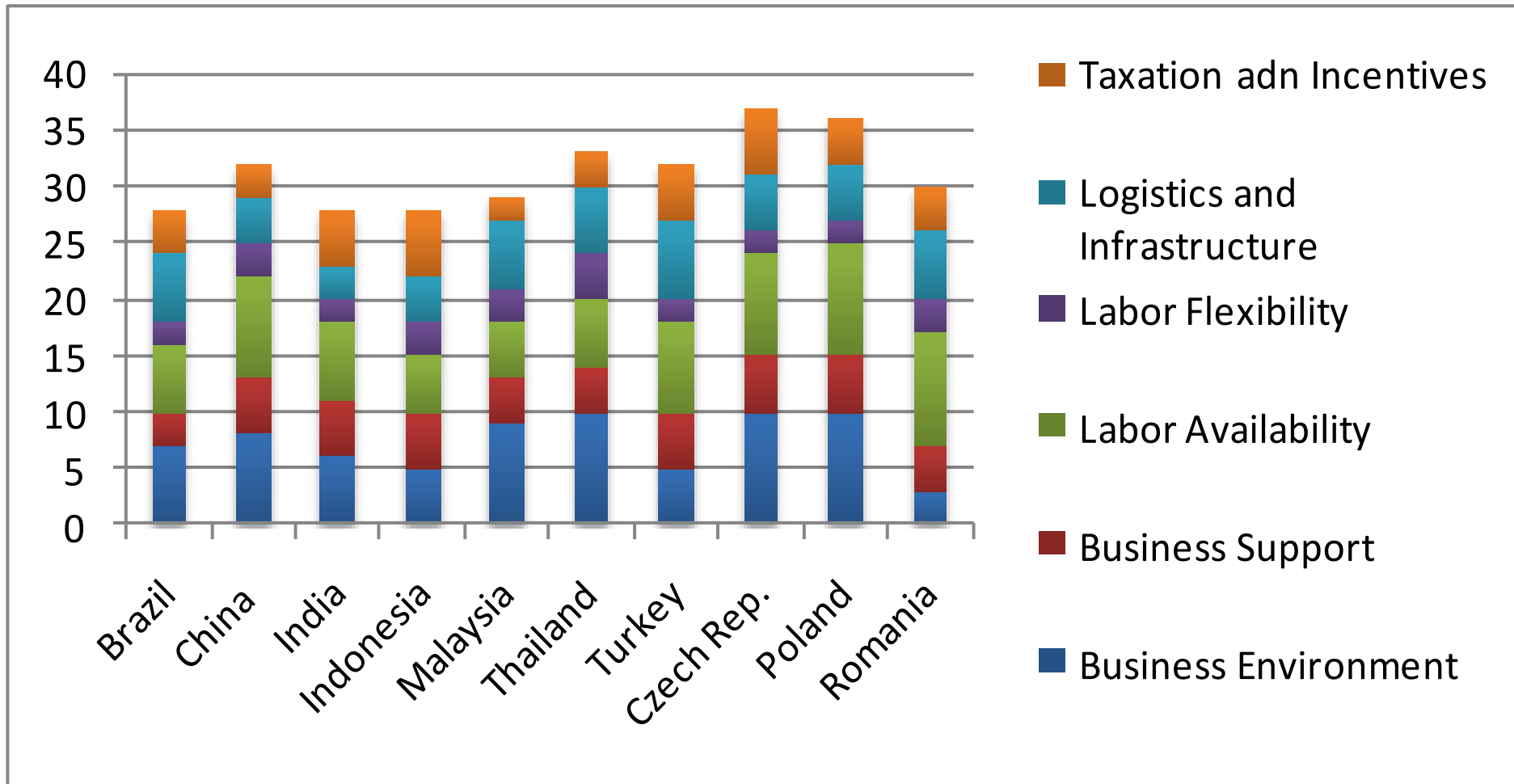


Qualitative analysis - matrix

Categories	Weight	Factors	Weight
General Business Environment	20		
Business Support Environment	17,5		
Labor Availability	22,5	Overall size of labor market Level of unemployment Presence of manufacturing staff Presence of aerospace skills Strength of competition in mfg. English language skills	4 4,5 3 3 3 5
Labor Flexibility	10		
Logistics and Infrastructure	20		
Taxation and Incentives	10		

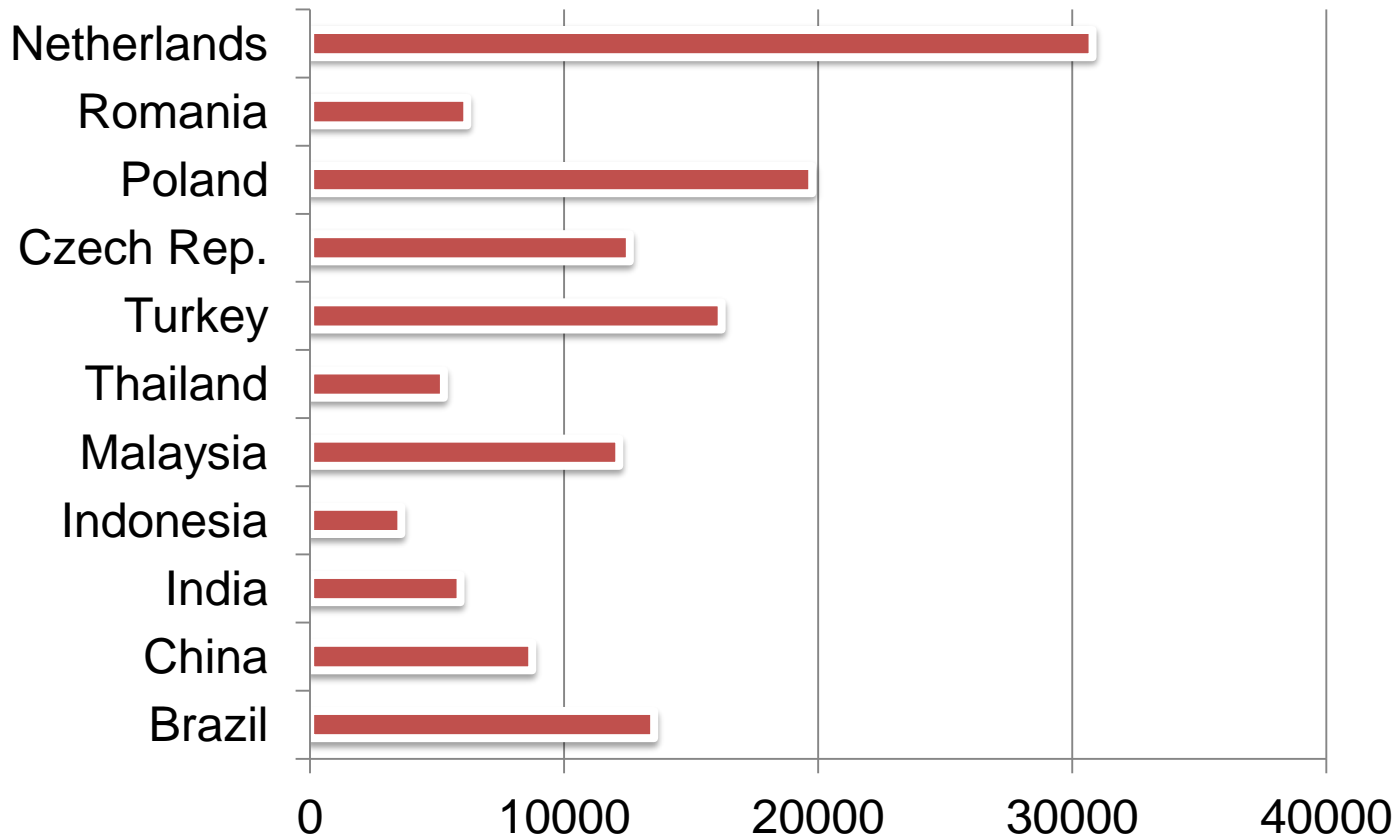


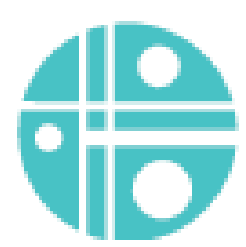
Qualitative analysis - results



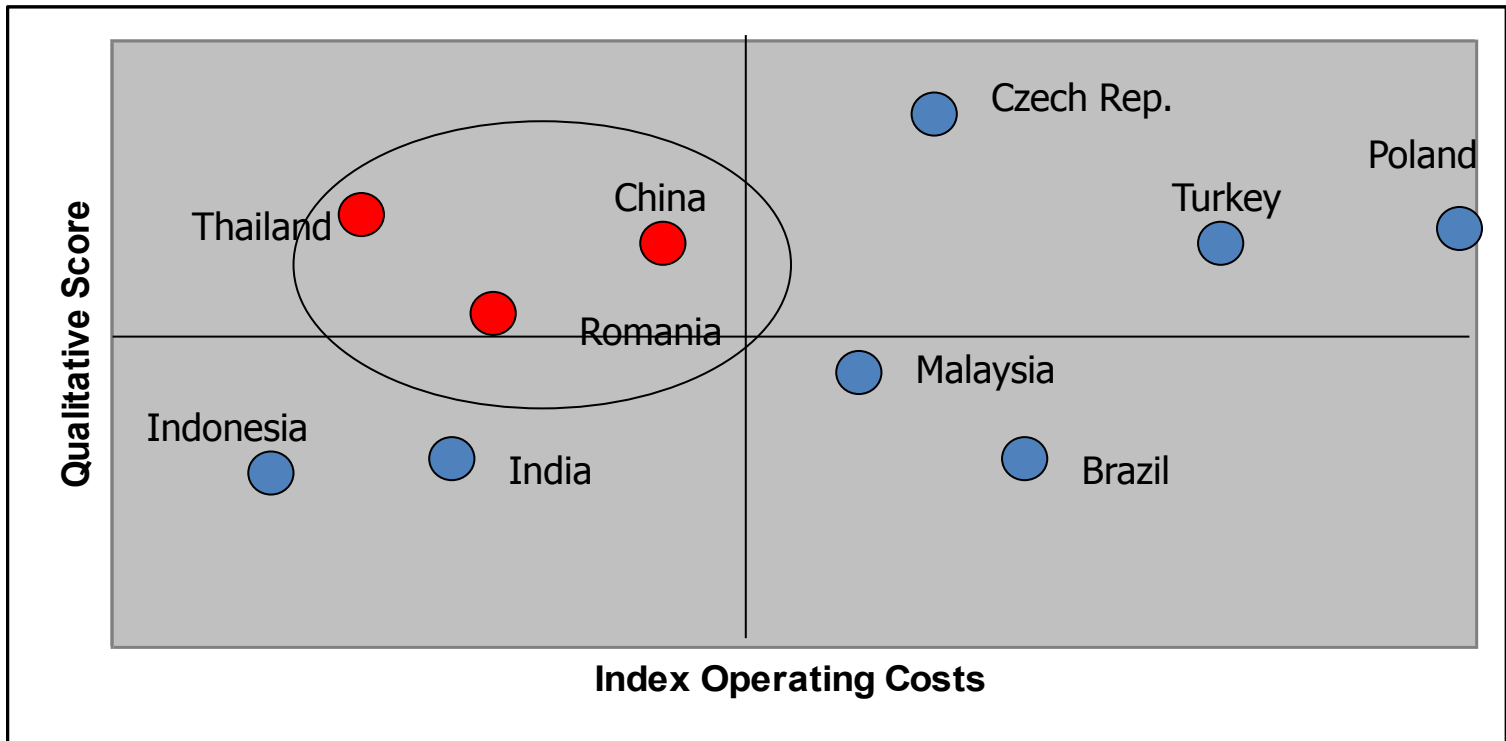


Analysis: annual cost per employee





Combined results of both analyses





How investors make decisions?



CELESTICA™

investment in the Czech Republic

- 1998:** 39 potential sites identified in CEE
14 sites visited (CZ, HU, PL, SK)
- March 1999:** Decision to buy a building in the Czech Republic
- Q3 1999:** 200 staff trained in Celestica UK
- Q4 1999:** new machinery installed
- Jan 2000:** 750 employees
- May 2000:** new building completed
- September 2001:** 2,000 employees



How investors make decisions?



**Their own presentation on
why they invested in the
Czech Republic, 2002**



Imagine you are an owner or director of a company manufacturing plastic containers in which honey is sold in shops



You are thinking about building a second manufacturing plant. What type of information you would need to select the best location for that plant?



Group A

- Italian manufacturer, 180 employees in Italy
- Typical customers: honey processors
- Market: 60% in Italy, 15% Greece, 5% Etiopia, 20% Kenya (reselling)
- Idea: to establish a new plant in Africa to expand to this market
- Hall 3,500 m², minimum 6 m high
- Land 10,000 m² plus 10,000 m² for future expansion(s)
- Electrical power, drinking water, sewage system, telephone
- 58 employees: 8 managers (2-3 Italians), 50 workers (30 operators of plastic injection moulding machines, 15 warehouse operators, 5 clerical and maintenace)



Group B

- Tanzanian manufacturer, 180 employees in Dar es Salaam
- Typical customers: honey processors
- Market: 60% in Tanzania, 15% Kenya, 5% Uganda, 10% Burundi, 5% Zambia, 5% Mozambique
- Idea: to establish a new plant in Tanzania to expand
- Hall 3,500 m², minimum 6 m high
- Land 10,000 m² plus 10,000 m² for future expansion(s)
- Electrical power, drinking water, sewage system, telephone
- 58 employees: 8 managers (3-4 from Dar), 50 workers (30 operators of plastic injection moulding machines, 15 warehouse operators, 5 clerical and maintenance)



Types of potential investors

1. Informed potential investor
2. Ignorant potential investors



Informed potential investor

1. Has studied the market and sees a market opportunity
2. Studies investment/business climate at several potential locations to see if it makes sense to invest
3. Studies investment and business climate at several potential locations to decide which location would be best for this investment
4. Does not need data on the market
5. Does need information on potential locations, investment and business climate, and available support



Ignorant potential investor

1. Produces the product(s) for which there is a demand in our country/region/city or continent/globally
2. Has not paid any attention to potential market opportunities in our country/region/city/continent
3. Does need to be told about the opportunity/ies – needs some basic data on the market and opportunity
4. Does need information on potential locations, investment and business climate, and available support



Informed potential investor

- Italian manufacturer, 180 employees in Italy
- Typical customers: honey processors
- Market: 60% in Italy, 15% Greece, 5% Etiopia, 20% Kenya (reselling)
- **Idea: to establish a new plant in Africa to expand to this market**
- Hall 3,500 m², minimum 6 m high
- Land 10,000 m² plus 10,000 m² for future expansion(s)
- Electrical power, drinking water, sewage system, telephone
- 58 employees: 8 managers (2-3 Italians), 50 workers (30 operators of plastic injection moulding machines, 15 warehouse operators, 5 clerical and maintenance)



Ignorant potential investor

- Italian manufacturer, 180 employees in Italy
- Typical customers: honey processors
- Market: 60% in Italy, 15% Greece, 5% Ethiopia, 20% Kenya (reselling)
- Never thought of potential market opportunities in Africa
- Never thought of potential lower costs of manufacturing in Africa
- Does not have any contacts in Africa, apart from Ethiopia, Kenya
- Does produce product(s) for which there is currently demand in Tanzania and/or Africa (East Africa)



Presentation to an informed investor

Hyundai

**Clearly-defined project:
plan to set up a car manufacturing and assembly plant in
Central Europe**



Presentation to an ingnorant investor

Not a clearly-defined project: company came to see opportunities

British company – manufacturing door handles for cars and painting them in metallic paint. Until recently all its customers were in Britain (Toyota, Honda, GM, Rover), but there is increasing demand from continental Europe an decline in UK demand: they came for a visit





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**Thank you
for your attention and questions!**



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