

# DOING BUSINESS IN North Rhine-Westphalia

FINANCIAL TIMES SPECIAL REPORT | Monday September 26 2011

www.ft.com/north-rhine-westphalia-2011 | twitter.com/ftreports

## Ambitions clash with financial realities

The most populous German state and top energy producer pins hopes on clean energy and China, report **James Wilson** and **Quentin Peel**

Two events on the same day this month said a lot about how Germany's most populous state sees its economic future. At a coal mine in Bottrop, a community in the heavily industrialised Ruhr valley, Hannelore Kraft, North Rhine-Westphalia's premier, inaugurated "Innovation City Ruhr", a European Union-backed project to halve the town's energy use by 2020. Homes and buildings will be made more energy-efficient, use of electric vehicles will be promoted, and a "smart" power grid and clean energy sources will be developed. Bottrop's scheme, supported by some of the Ruhr's biggest businesses, will attract attention all over Europe, predicts Ms Kraft: "It is something that

could really put us at the cutting edge, and open market opportunities."

About 50km away in Düsseldorf, the state capital, other regional politicians and inward investment bosses hosted a first "Business and Investors Forum China" event, hoping to capitalise on growing links to the country that have seen 700 Chinese companies come to North Rhine-Westphalia.

"We want to become the location in Europe for China in economic, scientific and cultural aspects," says Harry Voltsberger, the state's economy minister.

Petra Wassner, head of NRW Invest, the inward investment agency, says China is expected this year to overtake France as NRW's second-biggest trading partner, behind the neighbouring Netherlands.

Better links with China and other emerging economies, and a leading position in what is seen as an inevitable migration towards renewable energy, are understandable aims.

This open region of 18m people is an obvious hub for business within Europe – half of the EU's population lives within a



Power house: a coking plant in the city of Bottrop, where it is hoped that "Innovation City Ruhr" will halve energy use

Getty

500km radius – and is Germany's top energy producer.

Ms Kraft says that energy transformation – driven by Germany's decision to abandon nuclear power after this year's crisis at Japan's Fukushima plant – is a "central theme" for her state, which is still heavily reliant on low-quality coal.

She insists her government, which is also seeking approval for a climate protection law, must also ensure that the state's many energy-intensive industries are not disadvantaged. "We have always underlined that, with this energy switch, we must take their interests into account," she says.

However Ralf Mittelstädt, managing director of the chamber of industry and trade (IHK)

in North Rhine-Westphalia, says the state government's plans for carbon reduction are onerous.

"Companies can easily go and invest in the Netherlands or elsewhere in Germany. Of course, companies want to save energy, but many big industrial concerns simply cannot make short-term changes and face big difficulties," he says.

North Rhine-Westphalia's corporate and industrial base is broad.

The list of its biggest companies encompasses not just energy but steelmaking, manufacturing, chemicals, consumer goods, retail, logistics and financial services.

It has copious numbers of little known family owned *Mittelstand* companies that have con-

quered market niches: Germany's "hidden champions".

The region has played its part in the country's strong economic revival of the past 18 months: unemployment in the region has fallen from 8.7 per cent in August 2010 to 8 per cent, and the state is continuing to attract investment.

Ms Wassner says there are 13,000 foreign-owned companies in the region. "Germany is definitely seen as a stable location within Europe.

"We cannot say that the current crisis in the EU has affected our business. We are not seeing evidence of fewer inquiries or of companies holding back investment," she says.

Mr Mittelstädt says companies came out of the crisis with good

market positions and held on to their workforces. "It is inevitable that growth is going to slow a bit now coming out of the recovery, but we are not pessimistic," he says.

But economists and analysts say southern Germany, which is even stronger in exports, has done better.

A disadvantage for North Rhine-Westphalia is the lack of big names from the German car industry to drive innovation and exports: US-owned Ford is the biggest car industry presence.

Too many of North Rhine-Westphalia's banks have underperformed – in particular the regional government has had to commit billions of euros to

### Inside this issue

**Finance industry**  
The demise of WestLB is a sign of changing times **Page 2**

**Electromobility**  
State builds capacity in field of electric vehicles **Page 2**

**Media**  
Cologne's facilities give it a starry career in television **Page 2**

**Politics**  
Minority government confounds sceptics **Page 3**

**Profile**  
August Oetker: A pudding maker that has its finger in many other pies **Page 3**

**Football**  
Success of local clubs puts region on the map **Page 3**

**Relocation guide**  
There is good quality of life on offer for expats **Page 3**

**Duisburg**  
Inland port positions itself as gateway to Europe **Page 4**

**Profile**  
Rimowa: A strong case for focusing on high-tech over mass-market **Page 4**



Continued on Page 2



GERMANY AT ITS BEST

ASUS BOYDAK VODAFONE  
CHIMEI POSCO SCHNEIDER ELECTRIC  
BONDUUELLE SANDVIK TOYOTA  
ERICSSON MAHINDRA TECH AKZO NOBEL  
AMICA FUJIFILM  
SOLLAND SOLAR 3M  
SARAR LG ELECTRONICS BP  
NOVYSTYL HOLDING BOMBARDIER  
RIM DIESEL BARILLA

NORDRHEIN-WESTFALEN

**NOT ONLY A PROMISE.** Every day, more and more foreign companies experience why **NORDRHEIN-WESTFALEN | NRW** (North Rhine-Westphalia) is Germany's No. 1 investment location. As one of the largest markets in Europe and as a leading international trade fair venue we offer an impressive spectrum of outstanding key benefits: innovative research and development, highly qualified employees and first-rate industrial real estate. Discover even more outstanding key benefits for yourself and your company. Curious to know more? [www.nrwinvest.com](http://www.nrwinvest.com)



## Doing Business in North Rhine-Westphalia

# Demise of WestLB is a sign of changing times

### Finance industry

After a series of mistakes and bail-outs, the bank is to be broken up, says James Wilson

The decline of Düsseldorf as a financial centre has been a disappointing aspect of North Rhine-Westphalia's economic performance over decades.

Now it is to lose its biggest bank, WestLB.

Publicly owned WestLB, which employs 2,900 people in Düsseldorf, is to be broken up, the price demanded by EU competition authorities after a series of mistakes and bail-outs.

Germany's most populous state will be the first to lose its Landesbank in this way, reflecting the broader identity crisis for these institutions, many of which are struggling to

find a viable business model.

If an agreed plan is stuck to, by June 30 next year the bank – owned by the state government and the savings banks of North Rhine-Westphalia – will be split up and most parts sold or earmarked for winding down.

A rump institution will continue but will not carry the WestLB name and may not preserve many jobs in a city that once rivalled Frankfurt as Germany's financial capital.

Norbert Walter-Borjans, the state's finance minister, says: "It has been clear for a long time that the [European] Commission would only accept a drastic reduction of the bank.

Brussels wants WestLB to disappear: definitely the name, and definitely the banking business. "I can understand some of Brussels' frustration with WestLB over the years, but that is not a matter for revenge and it does not make the decision any easier to swallow.

"Any form of restructuring will cost jobs – we have to be

clear. Of course that is not pleasant, but this was the only course available to WestLB."

Hope for the future comes from another bank in the city, HSBC's German subsidiary, HSBC Trinkaus, which has expressed interest in buying some parts of the WestLB business. Mr Walter-Borjans insists: "Banking is not going to disappear from the state because one bank goes. This economic hot spot is not going to be a dying location for finance."

The crises at WestLB, which was created in 1969, have not been a good advertisement for past regional governments, which, as dominant owners of the bank, had oversight of – or some might say, meddled in – its strategy; nor for the managers who failed to give it a sustainable business model.

The bank built up a sizeable international business and pushed into investment banking but repeatedly proved accident-prone.

Trading losses in 2007, and

heavy losses on the types of securities at the heart of the financial crisis in 2008, were the beginning of the end for WestLB, whose owners missed chances to cut merger deals with other banks.

By next summer, WestLB will have been scaled back to something called a *Verbundbank*, capitalised by the savings banks



Norbert Walter-Borjans: 'Any form of restructuring will cost jobs – we have to be clear'

and engaged in low-risk business.

The reformed entity is intended to have a balance sheet of only €40bn (\$55bn) to €45bn, in comparison with the current figure of €160bn, and staff of only 400.

Talks have started on ways of incorporating it into Frankfurt-based Helaba, another Landes-

bank, which might mean a further migration of influence from Düsseldorf.

Parts of WestLB that cannot be sold by next June will have to be wound down via a "bad bank".

This unit, called Erste Abwicklungsanstalt or EAA, was set up in December 2009 to start winding down some €77bn of toxic and unwanted assets that WestLB removed from its balance sheet as part of rescue efforts.

WestLB hopes to sell as many businesses as possible before June 2012, but the current nervousness in financial markets is bound to make the task more difficult.

HSBC is said to be interested in WestLB's most profitable business line, corporate customers, while Apollo, a US financial investor, is in talks over the bank's property finance unit.

"We are confident that, in spite of the difficult market environment, we have enough link-up options," Dietrich Voigt-

länder, WestLB chief executive, said last month.

Subject to talks with Brussels, the regional government also wants part of WestLB to continue as a locally-based "service and portfolio management" bank.

This would not be a lender, but would offer services under contract to the *Verbundbank*, EAA and third parties.

How many jobs this might preserve is unclear and it would also probably have to be privatised after a few years.

NRW Bank, the state's development bank, was carved out of WestLB almost a decade ago and remains in state hands.

Mr Walter-Borjans acknowledges that times have changed in the Landesbank sector.

"A Landesbank that is primarily doing corporate banking business is not something that needs to be in public ownership.

"We have the development bank to be active in fields where it is required," he says.

## Ambition clashes with reality

Continued from Page 1

underwrite WestLB, the state-owned bank, which is to be wound down.

Even the region's position as Germany's "energy capital" is not as helpful as it could be, says Roland Döhrn, of the Rhine-Westphalian Institute for Economic Research (RWI), in Essen. Eon and RWE, the region's big utilities, are under pressure because of continued deregulation as well as the nuclear withdrawal.

Talk of job cuts is in the air and Mr Döhrn says the region is losing earnings that used to be captured locally. He also says the utilities do not have much of a record of technology innovation, which will be needed for energy transformation.

Within Germany, North Rhine-Westphalia is a middle-ranking state: wealthier and with better social indicators than those of the former East Germany, and lagging richer southern states such as Bavaria and Baden-Württemberg.

Michael Bahrke, a researcher at the Cologne Institute for Economic Research (IW Köln), says this average position obscures big differences.

Mr Bahrke says: "This is a heterogeneous region. If you look at the poorest places, the northern part of the Ruhr, there are many problems that have not been overcome and some social indicators that are as bad as any in the former East Germany. Then, you have cities such as Cologne, Düsseldorf and Bonn that are in a very enviable economic situation."

Ms Kraft says the policies of her minority government – a coalition of social democrats and greens, that took power last year – are "business-friendly".

But Mr Mittelstädt criticises policies such as extra charges for extractive industries and quarrying, and for groundwater use, at a time when he says many other German regions have got rid of or lowered such charges.

Two other long-term concerns stand out.

The first is infrastructure – too much is geared to the past, particularly in industrial cities with declining populations. Mr Döhrn points to a canal network that is underused, while the road network is overburdened.

Mr Mittelstädt notes that the region, a key transit area in Germany and Europe, has 20 per cent of German industry – and 40 per cent of its traffic jams.

A second concern is the availability of a qualified workforce, cited by many in industry as one of the most acute problems throughout Germany.

Ms Kraft's government is making education a priority but improvements will obviously take time to feed into the labour market. North Rhine-Westphalia has some very good universities but not enough, and too much talent leaves the region.

Norbert Walter-Borjans, the state's finance minister, who must help reconcile the state's ambitions with its parlous finances, says 2012 is going to be a difficult year.

"We are probably not going to be able to continue with the strong finances of the past one and a half years, when there is no question that to a certain degree we were helped by economic recovery," he says.

"There is still a structural problem on the income side of the region's budget. There is no buffer for reducing taxes. We instead must increase our income through raising taxes for higher earners and combating tax evasion more effectively.

There are so many things in the budget over which we do not have control. And cutting back on investment would create huge problems in the future."

## Electric vehicles find ideal home on congested roads

### Automotive industry

Projects aim to make the region a national centre for research and production, writes Chris Bryant

Congestion on the A40 autobahn between the cities of Mülheim, Essen and Dortmund is so endemic that the motorway was long ago dubbed "Germany's longest parking lot".

However, in 2009, RWE, the Essen-based power generator, began operating a pilot scheme on the road, which aims to catapult the region into the transport fast lane.

In conjunction with project partners, including Renault and the University of Aachen, the utility group set up a string of charging stations for electric vehicles along the busy route and provided more than 70 electric vehicles for the car pools of commercial users.

"The aim was to show that electromobility is a technology that works in everyday life," says Ingo Alpheus, chief executive of RWE Effizienz, which has been collecting data on how vehicles and infrastructure are used. "People have been getting along pretty well."

North Rhine-Westphalia's car industry has long played second fiddle to other states; Volkswagen is in Lower Saxony, while Baden-Württemberg is home to Porsche, Daimler and Bosch, the world's biggest car parts supplier by sales. Bavaria has BMW, Audi and truckmaker MAN.

But electromobility could prompt new centres of industry expertise to emerge. This is because electric motors, batteries and fuel cell technology will be costly to develop, requiring fresh forms of co-operation and the involvement of such non-traditional partners as information technology, chemical and utility companies.

German states that achieve this, implement pilot schemes and build up industry clusters could in turn benefit from substantial federal funds.

Countries such as the US, Japan and China initially stole a march on Germany in the race to develop electric vehicles, but Berlin is now committed to closing the gap. In 2009, the federal government published a national electromobility strategy, which included the goal of putting 1m electric vehicles on the country's roads by 2020.

NRW successfully bid to become one of eight "model regions for electromobility", winning a slice of €115m (\$157m) in federal funding.

It has developed a statewide electromobility master plan and is rolling out projects to help make the region a national centre for researching and producing electric vehicles.

The pilot schemes include testing hybrid buses on routes in the cities of Bochum and Gelsenkirchen, hybrid refuse collection trucks in Krefeld – as well as RWE's network of almost 300 electric-vehicle charging posts.

The state also wants to

make Münster a centre for battery technology development, while Aachen is designated a hub for automotive technology and the Ruhr area a "competence centre" for infrastructure and grids.

NRW aims to put at least 250,000 electric vehicles on its roads by 2020, compared with about 800 currently.

It will be able to draw on significant expertise along the way – its car industry encompasses about 800 companies and employs more than 200,000 people, if suppliers are included.

Mercedes-Benz manufactures Sprinter vans in Düsseldorf, Ford produces the Fiesta in Cologne, and Opel makes its Astra and Zafira models in Bochum, for example.

Nor is there a shortage of expertise in grid technology: the state accounts for some 40 per cent of national electricity consumption and is home to the energy groups RWE and Eon. Evonik Industries, a chemicals company with expertise in battery technology, is based in Essen.

The state's high population density will also help the rolling out of car charging infrastructure, as electric vehicles have only a limited range for now.

"The Ruhr area is well suited for developing electromobility – it is rare in Europe to find so many large cities so close together," says Ferdinand Dudenhöffer, automotive expert at the University of Duisburg-Essen.

Still, NRW faces stiff competition from other regions, not least Berlin, which has also become an important testing ground for electric vehicles.

This competition will intensify next year, when the federal government is due to select up to five locations to host projects showcasing much larger electromobility infrastructure and car fleets, potentially consisting of thousands of vehicles.

Competing regions are due to submit bids this autumn for a slice of €1bn in federal funding for these projects. Local media have speculated that NRW could lose out to the likes of Berlin, Bavaria, Baden-Württemberg and Lower Saxony.

Harry Voigtsberger, the state's economy minister, dismissed these worries in the summer, saying the chances of success are good. "We go into the competition with confidence, because no other federal state has made such a commitment to electromobility," he said.

Even if NRW is successful, there are numerous hurdles to overcome before electric vehicles become commonplace, not least bringing down the cost of batteries, which remain prohibitively expensive.

And it is still unclear which type of lower-emission car – hybrid, electric or fuel-cell – will ultimately win customer favour.

Still, few companies or governments will risk sitting on the sidelines in the meantime.

"As NRW's largest power grid owner, this is something we simply have to be involved in," says Mr Alpheus.

Plugging away: an electric vehicle charging station



Germany's Got Talent: an RTL production at the studios of MMC, a company controlled by Cologne's municipal savings bank

Getty

## Cologne has a talent for television production

### Media

The governments of state and city have fostered skilled labour as well as broadcast infrastructure, notes Gerrit Wiesmann

Berlin, Munich and Hamburg are the cities most commonly seen as bastions of Germany's media scene. But Cologne can rightly claim to be the nation's most important television town.

TV-types reckon that about one-third of original programming broadcast in Germany is made in North Rhine-Westphalia's most populous city.

The city government says that more than 15,000 people work full-time for WDR public TV, RTL Germany – a commercial station – and the many other media companies. The whole "ecosystem" – including self-employed camera men – numbers 50,000.

Late last year, RTL and other channels in the Luxembourg-based RTL Group – Vox, Super RTL and NTV – moved from unspectacular premises in other parts of the city into a large broadcasting centre on the banks of the river Rhine.

This was seen as a sign of the success of a regional development policy hatched a quarter of a century ago, when North Rhine-Westphalia addressed the demise of the coal and steel industry that had made it rich.

RTL Germany employs more than 2,000 people in Cologne, and about a 10th of these work on the broadcaster's many offerings on the internet.

"In the 1980s, the state government lured RTL to Cologne with the promise of a broadcasting licence for Germany's most populous state," says Axel Beyer, a media professor at the Fresenius University of Applied Sciences in the city. "The infrastructure that [large and long-established public broadcaster] WDR provided also helped."

With Germany just opening its TV market to commercial operators at that time, it was a prescient move. Over the next two decades, private investors teamed up with state and local governments to build studios.

MMC, a studio company that is now controlled by the city's municipal savings bank, runs 32 studios on two campuses covering 62 acres, making it one of Europe's largest providers. Its smaller rival Nobeo provides a further nine studios.

According to Jörg Graf, who is in charge of production and TV-show acquisition for RTL Germany, Cologne's career as a TV town really took off in the mid-1990s, when commercial channels started seeking more home-produced drama and entertainment shows, instead of foreign material.

The city's TV studios were much sought-after. "They were just better suited and maybe even a touch cheaper than the film infrastructure on offer elsewhere," says Mr Graf.

"No other city really did it like Cologne, and it still has

the best TV infrastructure in Germany."

This year, MMC hosted a number of RTL productions, including the live shows "Germany's Got Talent", as well as "Big Brother" for Munich-based RTL II. MMC is also being used more for films, recently for a new Michael Caine production "Mr Morgan's Last Love".

"When we produce 'Germany's Got Talent', one of the most important factors is people – producers, cutters, make-up artists, set makers, lighting – about 200 in total," says Mr Graf. "These are kinds of people

[The studios] were just better suited and maybe even a touch cheaper than the infrastructure on offer elsewhere'

you can easily find in Cologne."

One reason is that state and city governments recognised the need not just to foster specific infrastructure projects, but to ensure a good supply of skilled labour.

Twenty years ago, Cologne's Academy for Media Arts opened its doors, and there are a number of educational and training facilities and opportunities in and around the city.

About a decade ago, Electronic Arts, a computer games maker, was attracted by the media scene and moved its German headquarters to the city.

"There are huge advantages for us in being in the same place as other people working the media," says Martin Lorber, its spokesman. "We've got TV and internet companies here, and it's very good for us to see what they're up to."

The state government, for its part, is trying to help with this cross-pollination by bringing the TV, film, internet and games sectors together more often.

For example, the state's film foundation, which has traditionally funded film-making, became the Film and Media Foundation. Funding for the next two and a half years was increased by €10m (\$13.6m) to about €44m.

"By broadening its mandate, we are reacting to media convergence. Film, TV and computer games will continue in their present form," says Marc Jan Eumann, the state government's secretary for media affairs. "But there will also be more and more ideas and projects rolled out over different platforms" at the same time.

Some, however, are sceptical about whether enough is being done. Prof Beyer, who spent many years working in TV, thinks it will remain Germany's most important medium for years – and Cologne its most significant base.

"But what about the changes the internet will bring," he asks. "What will TV, gaming and the online industry look like in five, six, or seven years? I don't see that people are really sitting down to map out strategic scenarios to deal with these looming changes."

### Contributors

James Wilson  
Frankfurt Correspondent

Quentin Peel  
Chief Correspondent

Chris Bryant  
Frankfurt Correspondent

Gerrit Wiesmann  
Berlin Correspondent

Emma Wilson  
FT Contributor

Ursula Milton  
Commissioning Editor  
Steven Bird  
Designer  
Andy Meares  
Picture Editor

For advertising, contact:  
Regina Gill on:  
+49 69 156 85 161;  
e-mail: regina.gill@ft.com

## Doing Business in North Rhine-Westphalia

## Success of local clubs puts region on the map

## Football

The sport arouses strong passions and attracts huge crowds. James Wilson reports

North Rhine-Westphalia might have lost ground economically to places such as Bavaria, but it has had more to boast about recently in a subject that matters passionately in many of its towns and cities: football.

The region is home to 10 of the 36 clubs that compete in the top two divisions of the Bundesliga, the national league, and last year was the most successful for the region's clubs for many years.

Borussia Dortmund's young team ran away with the Bundesliga title. Regional rival Bayer 04 Leverkusen came second. And two other teams from North Rhine-Westphalia contested the German cup final: Schalke 04 – which also reached the semi-finals of Europe's richest competition, the Uefa Champions League – beat second division Duisburg.

Football is an obvious way for outsiders and corporate sponsors to engage with the region.

The stadiums of top clubs such as Borussia Dortmund and Schalke 04 in the city of Gelsenkirchen, throng with fans: last year, Borussia Dortmund had an average home attendance of more than 78,000, bettered in Europe only by European champions Barcelona.

Partly because of such robust attendances, German football is gaining attention across Europe both on and off the pitch.

What is more, young players from the likes of Dortmund's training academy are contributing to an exciting national team.

Meanwhile, national rules that deter an influx of wealthy club owners are an interesting example to some countries where football finances look unsustainable.

UK parliamentarians toured Germany this year to see what the English league could learn from the country.

Football also boosts the pride of cities such as Gelsenkirchen and Dortmund that have suffered industrial decline.

Hans-Joachim Watzke, chief executive of Borussia Dortmund, says: "If you go anywhere in the world and say you are from Dortmund, there are only two answers: either 'Where is that?' or 'Ah, Borussia Dortmund'," he says. "We do the publicity for the city."

A similar view is expressed by Meinolf Sprink, head of communication at Bayer 04 – a club founded and owned by Bayer, the pharmaceutical company based in the town of Leverkusen near Cologne.

"For the standing of Leverkusen, and Bayer, on a national and international basis, Bayer 04 is very significant," Mr Sprink says.

"Football is one point of recognition when cities are in 'soft' competition with one another. It is a key factor in helping make cities more successful and livable."

North Rhine-Westphalia's relevance for German football is set to grow.

Against competition from nearby Gelsenkirchen, Dortmund has been chosen as the venue for the country's first national foot-



Aiming high: Borussia Dortmund meet Hanover 96. The young team won the Bundesliga title last season. Getty

ball museum. It hopes to attract 250,000 visitors a year when it opens in 2014.

Manuel Neukirchner, the managing director of the museum foundation, says the region's

'This region has been through great structural change yet football, and the identification with it, has remained constant'

advantages include a big population, international access and a tremendous density of clubs.

"Football is lived here as nowhere else in Germany," he says.

"This region has been through

huge structural change yet football, and the identification with it, has remained constant. It is a way that towns and cities define themselves."

Like the region, its clubs have known crisis. Borussia Dortmund, Germany's only stock market listed club, nearly went bankrupt a decade ago.

Its stadium, one of the symbols of the city, was for many years a millstone but the club last month reported a return to profit and a 35 per cent increase in revenues in its latest financial year.

Finances should be further boosted by participation in the Champions League this year.

At Bayer 04 in Leverkusen the financial model is different.

Because of its origins as a company club, it is one of only two granted exemption from Ger-

many's strict rule that a club must always be majority-owned by its members, rather than a big corporation or deep-pocketed individual.

Mr Sprink insists Bayer 04 is not unfairly favoured by its corporate owner, which he says gives only €25m (\$34m) annually to the club. "We are not comparable with the Abramoviches of this world, or with the approach of some German, Italian and Spanish clubs," he says.

"If you track what kind of impact Bayer 04 gives Bayer, and work out what you would have to invest to get to the same sort of recognition across print, TV and online, you get a figure of more than €200m. That is the sort of impact they are getting for the €25m they put into the club. It is a very good deal for Bayer."

## Good quality of life on offer for expats

## Relocation guide

Emma Wilson offers advice on where to live, work, and play

## Where to live

For those contemplating a move to North Rhine-Westphalia, the choice is between the three best-known cities – Düsseldorf, Cologne and Bonn.

Many will look no further than the upmarket gloss of central Düsseldorf, which does well in quality of life surveys – sixth highest placed city in the world, according to the 2010 survey by Mercer, the consultancy.

But Cologne is bigger and more down-to-earth, known for its extravagant carnival, its nightlife and its liberal attitudes, while Bonn is pleasant and prosperous.

"Cologne is international, Düsseldorf is cosmopolitan; it is a matter of lifestyle," says Claudia Schweigmann, general manager of C+S Relocation Management, based near Cologne.

Düsseldorf has some of the highest property prices in the area. According to a survey by F+B, a Hamburg property research group, average rental rates are €8.40 (\$11.5) a square metre, compared with the German average of €6.50. The cost of buying is €2,180 a square metre, compared with a national average of €1,600. In the best areas of town, prices rise to €4,010 a square metre, says F+B.

Oberkassel, for example, is a prime location on the banks of the Rhine, with art nouveau housing, classy shops, restaurants and river meadows.

A rented two-storey, 190 sq m apartment with a garden in a historic building here can set you back €3,900 a month.

For those with children, proximity to a good international school may be important. For many the first choice is Kaiserswerth – home to the International School of Düsseldorf – a pleasant northern suburb close to the river.

Pleasant family housing can be difficult to find here at a reasonable price, with prices about 20 to 30 per cent higher than elsewhere.

In Cologne, good central locations include the lively Agnesviertel, the Belgisches Viertel and Südstadt.

The suburb of Rodenkirchen, close to the river with good shops and near international schools, is popular with families, while the exclusive enclaves of Marienburg and Hahnwald offer elegant villas in leafy avenues. A restored 1920s semi-detached house here, with six bedrooms and a large garden, costs €4,700 to rent.

Bonn is quieter these days than in its heyday as the country's postwar capital, but it still has a picturesque centre and an international feel. It is a "sleeping beauty", says Ms Schweigmann.

Tree-lined Bad Godesberg with views of the Siebengebirge volcanic hills was traditionally the refuge of politicians and diplomats. House hunting is easier now that many of them have left. But it is still popular with expats.

## Schools

Düsseldorf and Bonn both have respected international schools

The International School of Düsseldorf was founded in 1968 and has about 1,000 pupils. The Bonn International School was created in 1997, when the American school and the British high school merged. It has about 660 pupils.

Both use English as their main language and teach the International Baccalaureate curriculum to children aged three to 19.

These are private schools with small classes, an international outlook and good facilities. Children are mostly expats who stay for a few years and move on. Annual fees at the Bonn International School are more than €15,000 for a secondary school place.

There are also schools that teach in other languages (French, Japanese and Italian) or use different teaching systems. Die Internationale Schule am Rhein in Neuss, for example, was founded in 2003 by the Sabis education organisation, which operates 15 schools round the world.

The International School of the Ruhr in Essen opened in 2010 and is run by SBW, a Swiss education company.

## Shopping and leisure

Düsseldorf markets itself as a city of fashion, and more than 60 international designers have storefronts on the Königsallee, an elegant avenue with cafés, fountains and sculptures.

Nearby, the Schadow Arkaden offer more fashion and the Stilwerk shopping centre provides upmarket interior design.

The CentO Park on the outskirts of Oberhausen is a large centre that attracts shoppers from all the region's cities.

For nightlife, head to Düsseldorf's old town for a traditional atmosphere and hearty food washed down by the city's speciality dark ale, *Altbier*, at brewery pubs Im Füchsen, Zum Schlüssel, or Ueige.

The Media Harbour, the redeveloped dockyard with its striking buildings including undulating towers by Frank Gehry, offers more contemporary-looking surroundings.

## Transport links

The Rhine-Ruhr area has about 11.5m inhabitants in a cluster of cities and towns served by a dense network of motorways, airports and high-speed train lines.

Brussels, Amsterdam and Frankfurt are each about two hours drive away.

Düsseldorf airport, the third largest in Germany with 19m passengers a year, is 10 minutes by taxi from the town centre. It takes about an hour to fly to Paris, Zurich or London.

## Minority government confounds sceptics

## Politics

The SDP-Green coalition has won statewide agreement on education policy, says Quentin Peel

Sitting in her 10th-floor office of steel and glass, with views across the mighty river Rhine and the prosperous city of Düsseldorf, Hannelore Kraft sounds surprisingly calm and confident.

As state premier of North Rhine-Westphalia, and leader of its centre-left Social Democratic party, the former business consultant turned politician has confounded the sceptics and survived more than a year in office at the head of a minority government with the environmentalist Green party.

With the constant threat of early elections hanging over them, Ms Kraft and Sylvia Löhrmann, her down-to-earth Green deputy premier and education

minister, have struggled to curb a debt burden accumulated over decades, while seeking to protect sorely-stretched social services.

But top of their agenda has been education. After decades of ideological rivalry in the state over the structure of secondary schools, they have succeeded in negotiating a cross-party agreement with the centre-right Christian Democratic Union that should ensure peace until 2023.

"There have been bitter debates over the past 30 years. It was like a war," says Ms Kraft. "Now we have managed to agree on a school system for the next 12 years that will help us cope with demographic change, and extend the period of comprehensive schooling."

"It is a great success. It means we can concentrate on the central issue: improving the quality of schooling."

"I am very satisfied," says Ms Löhrmann. "Sustainable school development only works if it has clear goals, if it does not compel but enables, and if it has the

widest possible support. We succeeded in persuading all the most important trade unions, parents organisations, local authorities and professional associations to back the proposal."

Only the radical left Linke party and the Free Democrats have opposed the deal, which is due to be agreed in the Landtag – the state parliament – this autumn.

The CDU is happy with a solution that allows differentiated schooling for more academic students, while promoting comprehensive "secondary" schools in depopulated rural areas.

The principle of educational choice will be written into the state constitution.

It is the first time in Germany that a coalition has attempted to rule one of the 16 federal states without a proper majority, and few gave the government in NRW much hope of lasting.

The red-green alliance is one vote short of a majority, and therefore must seek support from the opposition on every question.

A fiercely fought election ended as a virtual dead heat between Ms Kraft's SPD

and the rival CDU – the ruling party at national level, led by Angela Merkel, the chancellor. Now, a mixture of common sense, quiet persuasion, and modest ambition has brought a modicum of stability to the most populous state in the country.

North Rhine-Westphalia is not just Germany's most populous state, with 18m inhabitants. It is often seen as a microcosm of the coun-



Hannelore Kraft: state premier and leader of the centre-left SPD

try, its politics providing a model for the federal government.

So the "red-green" combination of Ms Kraft and Ms Löhrmann is closely watched in Berlin.

Armin Laschet, deputy leader of the CDU in the Landtag in Düsseldorf, admits that the school agreement was a success, but he criticises Ms Kraft for lack of ambition on other fronts.

"They are always worried about their majority. If the Linke don't back them, it disappears," he says.

"The economy needs stimulus, but there is virtually no impetus coming from here." He says business is worried about many small charges and regulations that make life more difficult.

He also says the red-green government is delaying the most modern coal-fired power station in the world, at Datteln on the Dortmund-Ems canal, and imposing excessive environmental standards on companies, including a climate protection law currently under discussion.

Ms Löhrmann rejects such charges, saying the climate protection law requires only 25 per cent cuts in emissions, compared with 33 per cent proposed by the previous CDU-led state government.

The CDU successfully challenged the first supplementary budget tabled by the red-green government last year, for exceeding the constitutional debt ceiling, which lays down that borrowing shall not exceed the

level of investment spending.

It is now challenging the 2011 budget, passed with support from the Linke party.

Even on that score, Ms Kraft appears unruffled. "We are only slightly above the limit set by the constitution," she says.

"The CDU tried to propose an alternative but their numbers were simply plucked out of the air. They couldn't think of anywhere else to save money."

In 2012, she says, the coalition will aim for a balanced budget, to comply with the constitution.

If that means cutting any jobs, the Linke have threatened to vote against the budget, and force Ms Kraft to call early elections. But it may be a hollow threat.

If there were elections tomorrow, polls suggest that red-green would be back with a proper majority, thanks to a boost in the Green vote.

The CDU would have no coalition partner, for the FDP would fail to win 5 per cent of the vote, and any seats in the Landtag. So would the Linke.

## A pudding maker with its finger in many other pies

## Profile

## August Oetker

James Wilson on a company with interests from baking to shipping

The state's obvious industrial centre of gravity is the densely-populated area along the Rhine and Ruhr rivers to the west.

Yet, some of its most successful companies are tucked away in the north-east corner, where the wooded hills recall prosperous southern Germany rather than the Ruhr valley's chimneys and gasometers.

The Oetker group is emblematic of Westphalian business success.

From its headquarters in Bielefeld, an agreeably leafy town of 320,000 overlooked by a castle, the family owned group has grown from a manufacturer of baking powder into a widely diversified holding company with sales in 2010 of €9.5bn (\$13bn).

The company's best-known products include its puddings and baking products – whose efficacy is demonstrated in front of spectators in the test kitchens at the group's headquarters – and its frozen pizzas, introduced four decades ago in its home market, but now manufactured in countries

from the UK to Brazil.

Yet Oetker's shipping business is the biggest contributor to turnover, with revenues rising almost 39 per cent to €4.4bn last year. Food accounted for €2.3bn of turnover.

The Oetker group also owns some of Germany's best known beer and mineral water brands, and one of the country's biggest manufacturers of *Sekt* (sparkling wine).

It has less significant direct ownership of a chemical works; a publishing house; and hotels in Baden-Baden, Paris and the Côte d'Azur.

The group also owns Bankhaus Lampe, a German private bank that is not consolidated on the

Oetker balance sheet.

It has stakes in a string of other companies and employs more than 25,000 people.

Like many family companies, Oetker makes no apology for a long-term approach that avoids putting too many eggs in the same basket.

But the priority is company before family.

Richard Oetker, the fourth-generation of the owning family and a personally liable partner of the holding company known officially as Dr August Oetker, is the current family figurehead.

He is the only family member on the five-person executive board that oversees the various business divisions.

"I am only one of many at the table... it is a team here that decides which course the ship should take," Mr Oetker said at a which, as usual, no figures for profitability were disclosed.

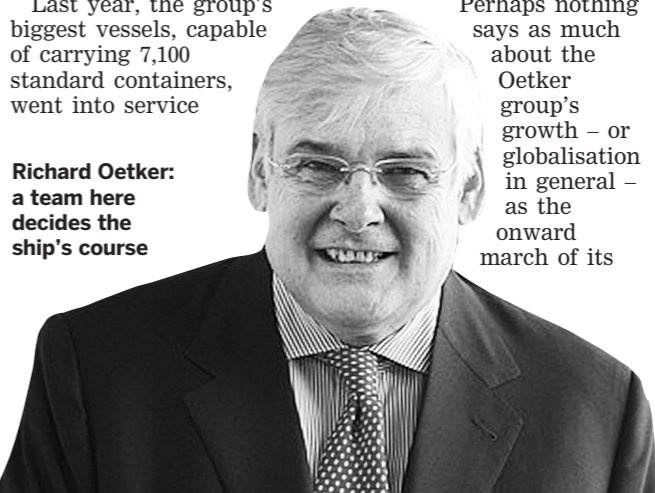
Keeping a grip on so many different businesses does not sound like an easy task, but Oetker says the group aims for central co-ordination and decentralised management that gives the bosses of individual businesses "scope to demonstrate their creativity".

Last year, two-thirds of group sales were generated outside Germany and Mr Oetker predicts continued international expansion.

In shipping, the group is investing heavily in its biggest container vessels yet. Oetker's line, Hamburg Süd, owns 40 ships and operates 169.

Last year, the group's biggest vessels, capable of carrying 7,100 standard containers, went into service

Richard Oetker: a team here decides the ship's course



between Asia and South America but already the company has ordered a further six ships that are much larger and can carry 9,600 containers.

Perhaps nothing says as much about the Oetker group's growth – or globalisation in general – as the onward march of its

frozen pizza business. Germany's take on Italy's best-known food is now available in such places as Argentina, Australia and South Africa.

Oetker is building a pizza plant in China – where the company's local website such answers questions as "how many people can share one pizza?"

And it is expanding in India, where it bought a local company in 2009 and offers pizza toppings and pasta sauces.

"Here and there we need to bring in country-specific nuances," explains Mr Oetker.

"In India, tastes are probably a little different from what they are in Bielefeld."

## Doing Business in North Rhine-Westphalia



Redevelopment of the harbour area has lured businesses, tourists and residents with a mix of offices, museums, shops and restaurants

Alamy

# Inland port positions itself as gateway to Europe

## Duisburg

Over the past 10 years, a bulk cargo harbour has been transformed into a container and logistics hub, says **Chris Bryant**

**T**rains laden with commodities and consumer goods trundle continuously into the port of Duisburg without attracting much attention.

But the test locomotive operated by a Deutsche Bahn subsidiary that arrived in Duisburg in April was no ordinary train.

The container-carrying express had begun its trip in Chongqing, China and reached Duisburg after a 10,300km over-

land odyssey via Kazakhstan, Russia and Poland.

At 16-days, the trip lasted about half of what a container ship would have taken to complete a similar voyage. Depending on demand, a regular rail cargo service between China and Germany could therefore begin as early as this year.

For Erich Staake, chief executive of port operator Duisport Group, the trip points to the global aspirations of Duisburg, the world's biggest inland port.

Situated at the confluence of the Rhine and Ruhr rivers, it has direct links to the major North Sea ports of Amsterdam, Rotterdam and Antwerp. "Duisburg is not just a regional harbour; today, we are the gateway to Europe," he says.

Over the past decade, it has transformed itself from a bulk cargo harbour for the local coal and steel industry into a rapidly

expanding container port and logistics hub.

By adding new container terminals and vast amounts of warehouse space, Duisburg has attracted large logistics and consumer goods companies, including Kühne & Nagel, the Swiss logistics group, Hewlett-Packard, the information technology company, and Danone, the French food and consumer products group.

As a result, and in spite of its inland location, Duisburg ranks among the world's 100 biggest container ports. "Congestion has been a problem for many seaports, but we reacted early and that won us the trust of our customers, because they were able to rely on sufficient infrastructure," Mr Staake says.

"We're benefiting from our targeted investments in the past 10 years, particularly in the expansion of intermodal sys-

tems that allow the smooth transfer of goods between water, road and rail."

Some 300 companies are now located in the port and more than 40,000 people depend on it either directly or indirectly for employment.

**'Congestion has been a problem for many seaports but we reacted early'**

Norman Foster, the architect, has overseen the redevelopment of the disused inner harbour area, luring residents and tourists with a mix of museums, shops and restaurants.

The city of Duisburg, the state of North Rhine-Westphalia and the federal government in Berlin each hold a third of the port.

But Berlin plans to privatise its stake and this is a worry for local politicians, who are determined to protect a key engine of regional economic growth.

A number of parties are thought to be considering a bid, including the ports of Antwerp and Rotterdam, which indicated in January that they might table a joint offer to boost their ability to distribute goods in the region.

However a consortium of local inland ports is expected to mount a counter-offer.

The state's economy and transport ministry says: "We favour a public solution... Naturally, NRW is interested in a solution that protects Duisburg's position as an important centre for logistics and goods distribution and one that prevents any competitive disadvantage to the port."

Mr Staake says Berlin is

aware of the need to ensure the long-term well-being of the port, but he declined to comment on the merits of individual bids.

Although the global container shipping industry was hit hard by the financial crisis and resulting recession, Duisburg emerged relatively unscathed.

Last year, container handling grew 21 per cent to 11.6m tonnes, while total goods handling – including by private companies – increased by 39 per cent to 114m tonnes. Revenues increased by 2 per cent to €147.4m.

This year Duisburg is on course to achieve new records in goods and container handling. In spite of renewed turmoil in financial markets, there is no sign yet of a slowdown.

"I can't yet see any sign of a downturn in terms of the flow of goods. That doesn't mean that in the next months that can't

change, but at the moment we don't see any change in the recovery," Mr Staake says.

The port is determined not to sit back, however. With emerging markets set to play an ever more important role in industrial production, Duisburg is seeking ways to profit from that development.

The port company is advising the Brazilian government on its expansion plans for the port of Santos, "the Rotterdam of South America", according to Mr Staake. Duisport has also formed a joint venture with Hochtief, the German construction company, to develop ports around the globe.

"We have the disadvantage that we're not a seaport, of course. So we have to compensate by developing concepts and offering excellent service," Mr Staake says. "We can only succeed if we're innovative."

## A strong case for focusing on high-tech over mass market

### Interview Dieter Morszeck

**Chris Bryant meets the head of Rimowa, the luggage maker**

Rimowa's robust aluminium and polycarbonate suitcases are a must-have accessory for globe-trotting executives, transatlantic flight crew and fashion-conscious holidaymakers.

So it seems incongruous to find the company's headquarters on a drab, industrial park on the outskirts of Cologne.

The factory's contoured metal exterior recalls the look of its trademark aluminium flight cases and sets the building apart from its unremarkable surroundings.

Still, Rimowa's German headquarters building is a world apart from the international airport boutiques and glitzy flagship stores where its suitcases sell for €400 (\$550) or more.

Rimowa was founded in 1898 and produced its first aluminium flight case in 1937.

Although the technology has since advanced considerably, much of the work is still done by hand in Cologne.

A jovial group of craftsmen – some of whom have worked for the company for decades – cut, press and bash pieces of luggage into shape and carefully install various components.

Having built his first case as a teenager Dieter Morszeck, grandson of Rimowa's founder, is in his element when touring the bustling workshop floor.

But the softly-spoken chief executive is not averse to mixing with Hollywood royalty, sports or rock stars if the occasion arises.

Rimowa suitcases feature in numerous films, including the

upcoming *Mission Impossible 4*.

Jessica Alba, the actress, joined Mr Morszeck at a recent launch event in the US. In July 2010, Rimowa launched a guitar case that it had developed in conjunction with Jimmy Page, of Led Zeppelin fame.

"My personal philosophy has always been that we should do what is fun," Mr Morszeck says, a point reinforced by Rimowa's product range, which features some vibrant colours.

Mr Morszeck has run the company since 1981 and in 1997 was responsible for a very important advance – the development of near-unbreakable, ultra lightweight polycarbonate cases that have since become commonplace.

"We were like children – we went into the development department and jumped up and down on top of the polycarbonate shells," he recalls.

"They immediately bounced back into shape. We knew then that this material was the future."

Rimowa's sales increased by 40 per cent to €100m in

2010 and are expected to grow a further 30 per cent this year.

However, the company has no plans to follow larger rival Samsonite, which in June raised \$1.25bn in an IPO in Hong Kong.

"We're able to be more flexible than a listed company. As part of the German Mittelstand, we are smaller but we can be more innovative and our

**'I don't need to be the biggest – that's not my dream – but I do want to be the best'**

actions are guided by passion not shareholder value"

Mr Morszeck takes pleasure in demonstrating the robustness of the polycarbonate material by taking a hammer to the side of a finished suitcase; the sturdy luggage is unscathed by the assault.

"Our reputation for quality is the most

important thing – it comes very clearly before quantity.

"I don't need to be the biggest – that's not my dream – but I do want to be the best," he says.

"Some of our customers keep their cases for more than 30 years – that's the best advert that we could have for our product."

The manual labour and expensive components come with a high price tag, but Rimowa's boss maintains this is worth paying.

"Of course, we could save money by using different materials but that's not our philosophy," he says.

"We don't want to produce for the mass-market but rather to focus on high-tech."

In addition to the factory in Cologne, Rimowa also manufactures cases in the Czech Republic and Canada. It recently added a small assembly plant in Brazil.

But it has deliberately shied away from switching production to low-cost countries such as China.

"Our second biggest market after Germany is Hong Kong and Macau. The Chinese middle class love to travel and want a luxury product, a status symbol that shows that they have achieved something."

"The Chinese don't want products that are produced in China. There are even Chinese tourists who fly especially to Japan to ensure they're not getting a fake."

Cheap imitations are an irritation for the company, but there is also an upside, explains Mr Morszeck.

"It's sad that someone would simply copy an idea. If you look at the US market today – practically all industry participants use polycarbonate, primarily from China."

"We wouldn't have had the money to invest in costly television advertising campaigns, so in a way our competitors did the marketing for us."



Show case: Jessica Alba and Rimowa's founder

Getty

**Promoting Your Business In North Rhine-Westphalia.**

In its role as state development bank, NRW.BANK assists the state of North Rhine-Westphalia in fulfilling its public tasks, especially in the fields of structural, economic, social and housing policy. NRW.BANK does this by providing its financing and advisory services to businesses, municipalities and local authorities, as well as the people of North Rhine-Westphalia.

[www.nrwbank.com](http://www.nrwbank.com)

**NRW.BANK**  
Promoting Ideas