

Foreign Direct Investment Economic Development Strategy For the City of Hamilton

Deloitte Real Estate
January 2015



Mr. Norm Schleeahn
Ms. Jennifer Patterson
City of Hamilton
71 Main Street,
West Hamilton, ON
L8P 4Y5

January 14, 2015

Dear Mr. Schleeahn and Ms. Patterson,

Deloitte Real Estate is pleased to provide this report, which describes a strategy to increase the level of Foreign Direct Investment ("FDI") occurring in Hamilton. The report provides an overview of FDI, including global and Canadian FDI trends, and the export opportunity. Hamilton's competitive position for FDI is also examined, including key sectors and sub-sectors, and a strategy and action plan is recommended.

As you know, the assignment included a detailed market review and interviews with local business, community and institutional stakeholders. One of the clear messages was that Hamilton is extremely well-positioned to compete for new investment and that the efforts of the City's economic development staff have played a key role in recent success stories. We trust that the analysis and recommendations provided in this report are of assistance as the City looks to the future.

We would like to thank the members of the City of Hamilton's Economic Development Division for their valuable input during course of the assignment. If you have any questions or require further information, please feel free to contact me at sbotting@deloitte.ca or 416-601-4686.

Respectfully submitted,



Sheila Botting
Partner & Canadian Real Estate Leader
Deloitte

Foreign direct investment Economic Development Strategy

Table of contents

Section	Page
Section 1: Foreign direct investment and economic development strategy overview	3
Section 2: A framework for understanding FDI opportunities	7
Section 3: Global and Canadian FDI trends	19
Section 4: The export opportunity	30
Section 5: Hamilton in context	37
Section 6: Identifying the key sectors/sub-sectors	61
Section 7: Hamilton's FDI initiatives and success stories	80
Section 8: Positioning Hamilton for success	88
Section 9: Action plan and playbook	101
Appendix A: Selected Bibliography	114

Section 1

Foreign Direct Investment and Economic Development Strategy Overview

FDI Economic Development Strategy

Study overview

The City of Hamilton engaged the Deloitte Real Estate team to create a strategy to increase the level of Foreign Direct Investment (“FDI”) occurring in Hamilton. The focus of the study is on inbound FDI from outside Canada, including exports, although many of the recommendations can be applied to investment attraction in general. The broad context for this study are the key requirements identified by the City’s Economic Development Department.

City of Hamilton key economic development requirements:

- 1. Ensure that Hamilton is an investment-ready community:** The City would like to ensure that it is well-prepared to accommodate new investment through the availability of real estate options within both existing buildings and/or sites available for development with proper infrastructure. The strategy addresses the land supply issue and the other major components of readiness with respect to the City’s plan.
- 2. Identify key target sectors and markets:** A Program is proposed to be directed at both domestic and off-shore investments based on target sectors and markets. Targets and major companies are identified for each of the City’s target sectors for “easy to follow” implementation by City officials and staff.
- 3. Market Hamilton for investment:** The strategy identifies the key marketing materials and initiatives that are necessary for Hamilton to achieve its objective of increasing foreign direct investment.
- 4. Track, work with and secure the investment:** The strategy assesses at a high level. The City’s current practices to ensure investment inquiries are monitored and handled in a timely and expeditious manner.
- 5. Provide after-sales service:** The strategy recognizes the importance of managing relationship with existing companies to ensure their assistance in attracting new businesses.

The results of our analysis and the FDI Strategy and Action Plan are presented in the report that follows. Provided under separate cover is a long-list of target corporations in Hamilton’s key economic sectors that are headquartered in Counties with which Canada has an in force Free Trade Agreement (“FTA”).

Foreign Direct Investment defined

FDI is defined by the World Bank as “*the net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital and short-term capital as shown in the balance of payments*”.

The World Bank tracks net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors (World Bank, 2014).

From a practical perspective for the City of Hamilton, we can adjust this definition to include all businesses and organizations from outside of Canada that have an interest in establishing a new enterprise within Canada. We have also chosen to identify those countries with whom Canada has an export relationship. Many traditional economies within North America focus on FDI as an opportunity to transform from traditional manufacturing processes to target new sectors and diversity into new sectors, thereby strengthening the economy and community. Given its many and wide-ranging benefits, FDI attraction has become an important element of an economic development strategy at all levels of government.

Benefits from Foreign Direct Investment include:

- **Capital formation** maximizes economic potential within the local economy including more jobs, improvements in productivity and economic growth evidenced in GDP gains.
- **Job creation** within the local economy enhances the skills and capability domestically, thereby contributing to further growth and opportunity.
- **Increased tax revenues** are a result of additional businesses and jobs that deliver corporate taxes, income taxes, property taxes and a wide range of additional tax benefits to the local economy.
- **Innovation and technology** benefits enhance the host country/economy as new ideas, processes and techniques are introduced domestically, again enhancing the long-term potential.
- **Diversification** within the local economy again helps to strengthen and build upon a new business and economic enterprise, and deliver additional strength to the economic foundation.

Why does Hamilton need an FDI Strategy?

The City of Hamilton's Economic Development Strategy 2010-2016 clearly identifies the diversification of the economy as a high priority and the importance of FDI in achieving this objective. Virtually, all of Hamilton's major competitors have FDI strategies in place and are aggressively pursuing new investments. FDI also tends to comprise of a significant amount of manufacturing: a sector that is a high priority for the Provincial and Federal governments and one for which Hamilton is very well-suited to compete.

"As markets fragment, technology accelerates and competition comes from unexpected places – learning, creativity and adaptation have become the principal sources of competitive advantage in many industries. The goal for metropolitan areas must be to foster innovation and adaptation".

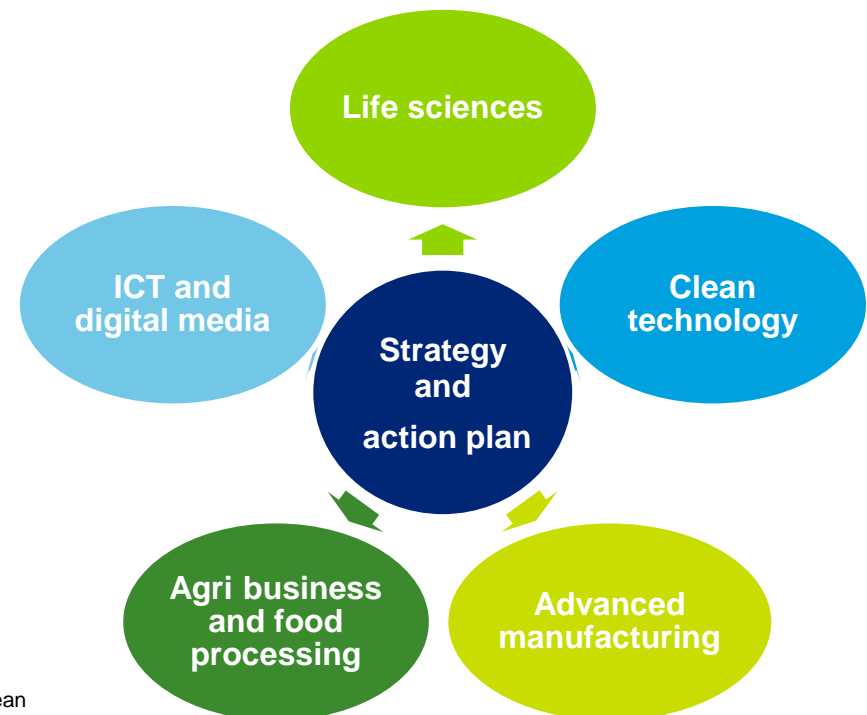
(Source: The Progressive Policy Institute: The Metropolitan New Economy Index: Robert Atkinson & Paul Gottlieb)

Key Finding:

Without a focused strategy to position its FDI efforts, Hamilton risks losing out on significant economic opportunities. An implementable FDI Strategy and Action Plan will help to maximize the City's economic potential by identifying current gaps in FDI initiatives, current practices that need to be continued or modified and new approaches or programs that should be implemented.

The FDI Strategy and Action Plan also needs to specifically target the industries where Hamilton has a competitive advantage within the GTHA, shown in the chart opposite. The FDI strategy seeks to further leverage and extend these competitive advantages and position Hamilton to 'get in the game' for FDI attraction.

(Advanced Manufacturing includes:
Primary Metal Manufacturing; Steel Services and Processing; Metal Fabrication; Automotive; Clean Technology – Power Generation and Water; Oil and Gas; Aerospace; and Nuclear)



Section 2

Framework for understanding Foreign Direct Investment opportunities

Foreign Direct Investment

Framework for understanding the opportunities

FDI stock and flows can be both inward and outward between various countries and economies.

There is a general consensus among economists that both in-ward and out-ward FDI convey net economic benefits:

- **Inward FDI benefits** are more apparent, such as job creation, new structures and technology transfer. This report focuses on inward FDI (in addition to including exports as a form of FDI).
- **Outward FDI benefits** the source country, such as repatriated profits, royalty payments and access to overseas markets.
- **High-Profile FDI projects**, particularly the building of new facilities, can be particularly effective for improving a community's competitive position for attracting additional investments.



Examples of FDI Activities

Mergers and acquisitions

Building new facilities

Re investing profits earned from overseas operations

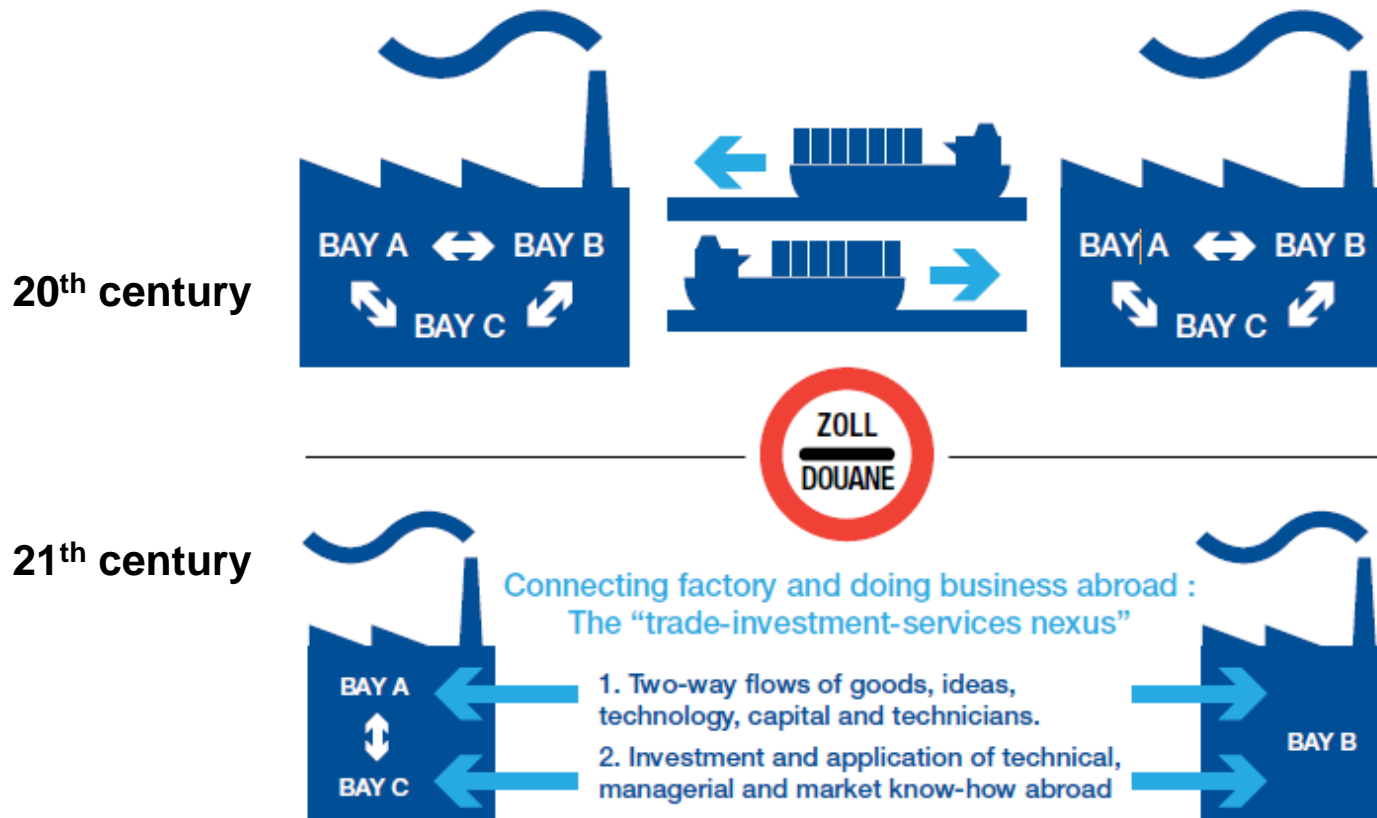
Intra company loans

Export of goods and services to destinations outside Canada

Framework for understanding FDI opportunities

FDI evolution in the manufacturing sector

The charts below illustrate the transformation in FDI that has occurred over last century. FDI has evolved from the relatively straight-forward movement of goods and services between countries, to a more complex dynamic that includes the transfer of goods, ideas, technology, capital, technical information and talent that confers a wide range of benefits to both the host and investing company and country.

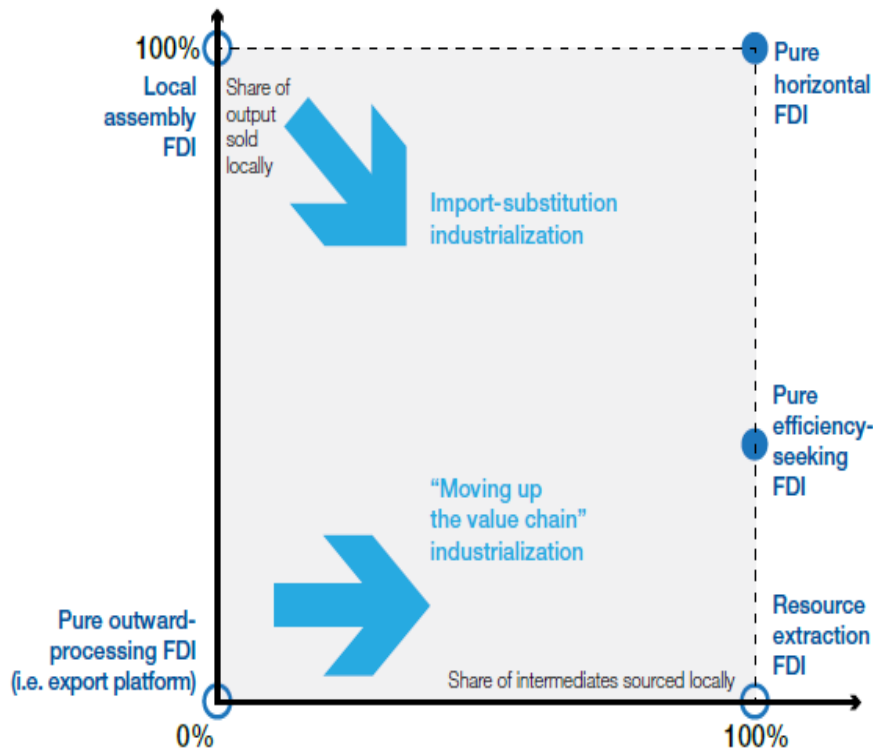


Source: Foreign Direct Investment as a Key Driver for Trade, Growth and Prosperity: The Case for a Multilateral Agreement on Investment, Richard Baldwin

Framework for understanding FDI opportunities (cont'd)

Evolution between centuries

Many economists now argue that FDI has become a bellwether of globalization, involving the two-way flow of goods, ideas, technology, capital and labour and technical, managerial and market knowledge. As a result, trade strategies have also shifted towards the creation of 'pure efficiency seeking' FDI strategies that aim to maximize utility as opposed to the more traditional manufacturing or assembly and export approach.



20th Century typical strategy

Starts with the local manufacturing or assembly process and generate more intermediates locally; the eventual goal is to export as much product as possible to further create and drive profitability.

21st Century strategy change

An example of the strategy pursued by China and other East Asian nations starts from the southwest “out-ward processing” point and seeks to induce multinationals to source more intermediates locally. A pure “eastward” move from the lower left-hand corner.

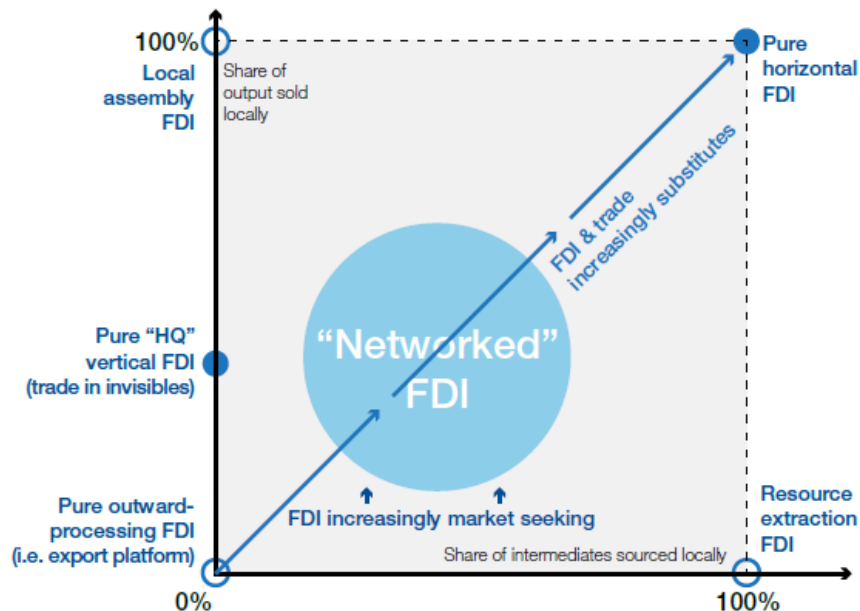
This complex strategy involves a dynamic value and supply chain with many benefits through the linkages.

Source: Foreign Direct Investment as a Key Driver for Trade, Growth and Prosperity: The Case for a Multilateral Agreement on Investment, Richard Baldwin

Framework for understanding FDI opportunities (cont'd)

Sales and sourcing behavior for an FDI affiliate

The FDI structure today has become a complex system that typically includes affiliate organizations throughout the value chain. Most affiliates today are in the middle of the box – especially those engaged in global value chains. They import some (but not all) of their intermediates and export some (but not all) of their output. Trade and FDI are intimately connected for such affiliates. They are neither complements, nor substitutes – They are simply two facets of a single economic activity: **International production sharing**.



Traditional categories of FDI appear as dots around the edges of the box

Pure “market-seeking” FDI is the northeast corner – Affiliates sell all output locally and source all intermediates locally.

Pure “efficiency-seeking” FDI is the eastern border – All intermediates are sourced locally, but some of the output is exported.

Pure “export platform” FDI (i.e., out-ward processing) is the southwest corner – All intermediates are imported and all output is exported.

“Tariff-jumping assembly” FDI is in the northwest corner – All intermediates are imported and all output is sold locally.

Pure “resource-extraction” FDI is the southwest corner – Intermediate inputs are sourced locally and all output is exported (e.g., cash-crop agriculture, mining and fishing).

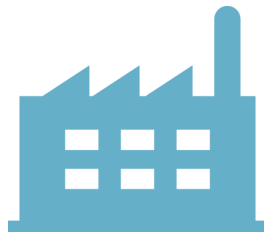
Source: Foreign Direct Investment as a Key Driver for Trade, Growth and Prosperity: The Case for a Multilateral Agreement on Investment, Richard Baldwin

Framework for understanding FDI opportunities (cont'd)

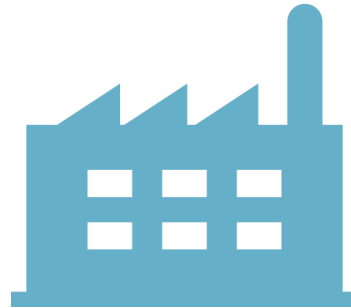
Exports as FDI and the Benefits of international trade

It is also important to note that exports are an element of FDI, particularly, as an initial step for entry into a new market. Research has shown that virtually all firms serve a foreign market through exports first, before establishing affiliates in that market, potentially leading to inbound and outbound relationships. Deloitte has also completed tremendous research to demonstrate the enhanced benefits of international trade for all participants, including:

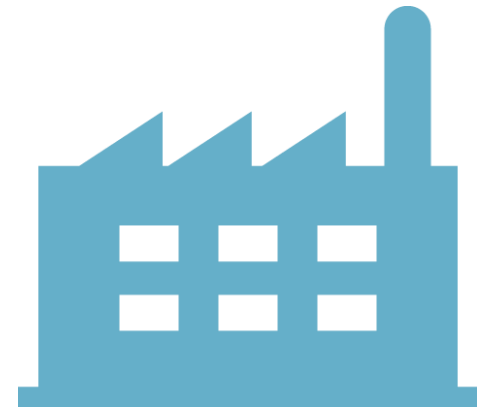
- **Improved business and competitive performance:** Companies tend to be more growth oriented. Greater top-line revenue growth, especially in manufacturing. Exposure to global competition as shown below, forces companies to become more competitive to survive.
- **Decreased overall business risk:** 67% of Canadian manufacturers were already facing competition and risk is reduced by achieving a more balanced portfolio. U.K. research suggests that risk balancing results in 20% less volatility.
- **Higher productivity:** As shown below, through research conducted by Deloitte, Canadian manufacturing exporters productivity increases with exposure into global markets.



Non exporters
96% productivity



Exporter entrants
103% productivity



Continuing exporters
129% productivity

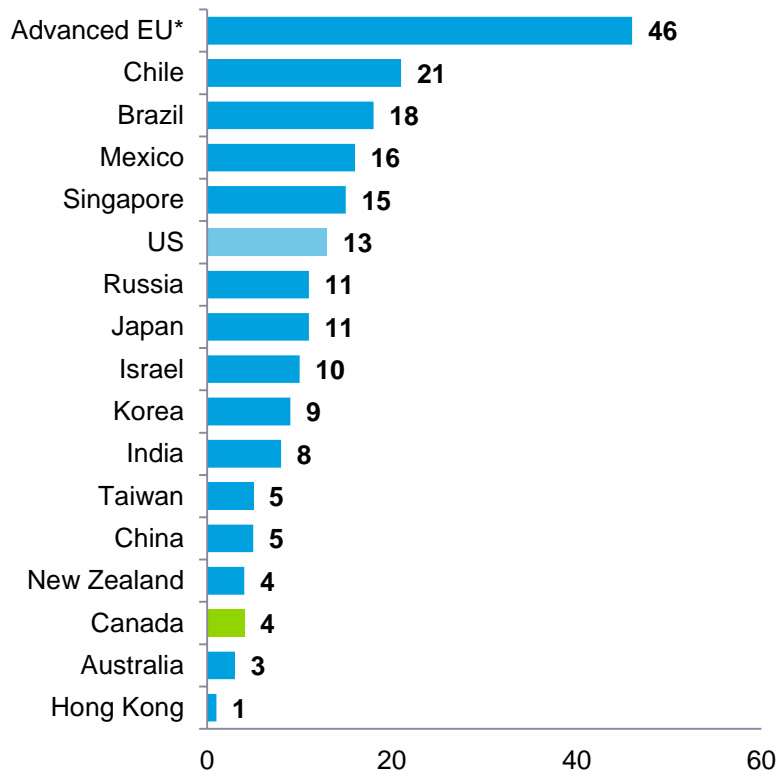
Source: Foreign Direct Investment as a Key Driver for Trade, Growth and Prosperity: The Case for a Multilateral Agreement on Investment, Richard Baldwin

Framework for understanding FDI opportunities (cont'd)

Free trade agreements for Canada will help increase trade

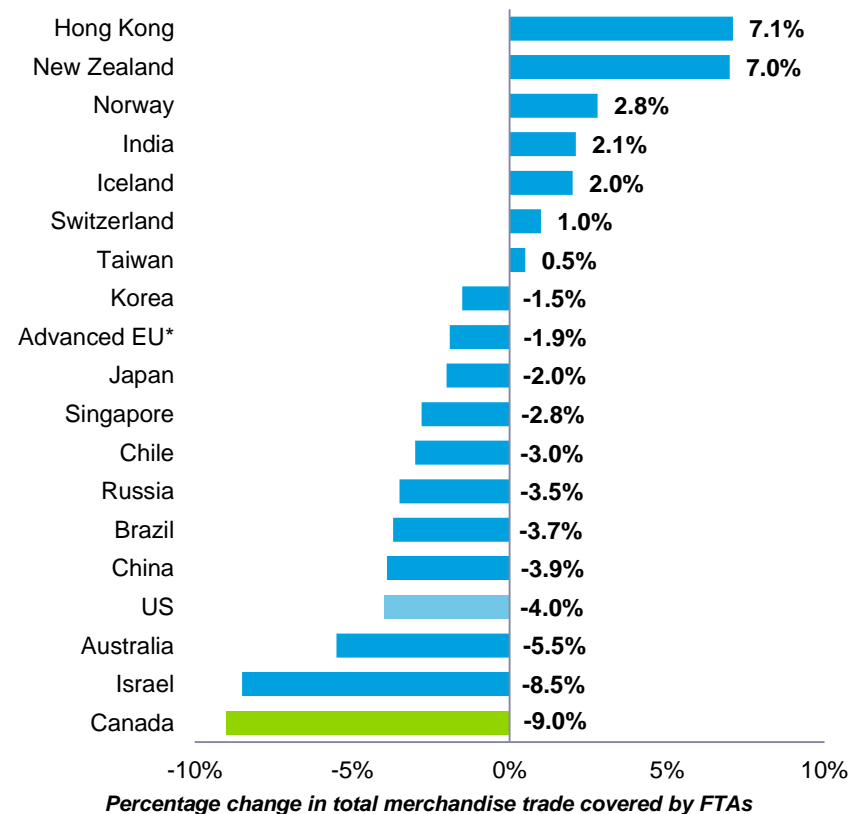
The chart below shows the number of Free Trade Agreements (“FTA”) with developing countries, and merchandise trade. These charts, prepared through Deloitte research into productivity, reflect 2000-2012 data and demonstrate that Canada is significantly below other countries. Clearly, more FTAs will promote more global trade to the benefit of Canadian companies and organizations. Since, this analysis was completed, Canada has adopted FTAs with Panama, Jordan and Honduras with ongoing negotiations with India, the Dominican Republic and the Caribbean Community.

Number of FTAs with developing countries, 2010



Source: World Bank, OECD, International Trade Centre

Merchandise trade covered by FTAs, 2000-2008

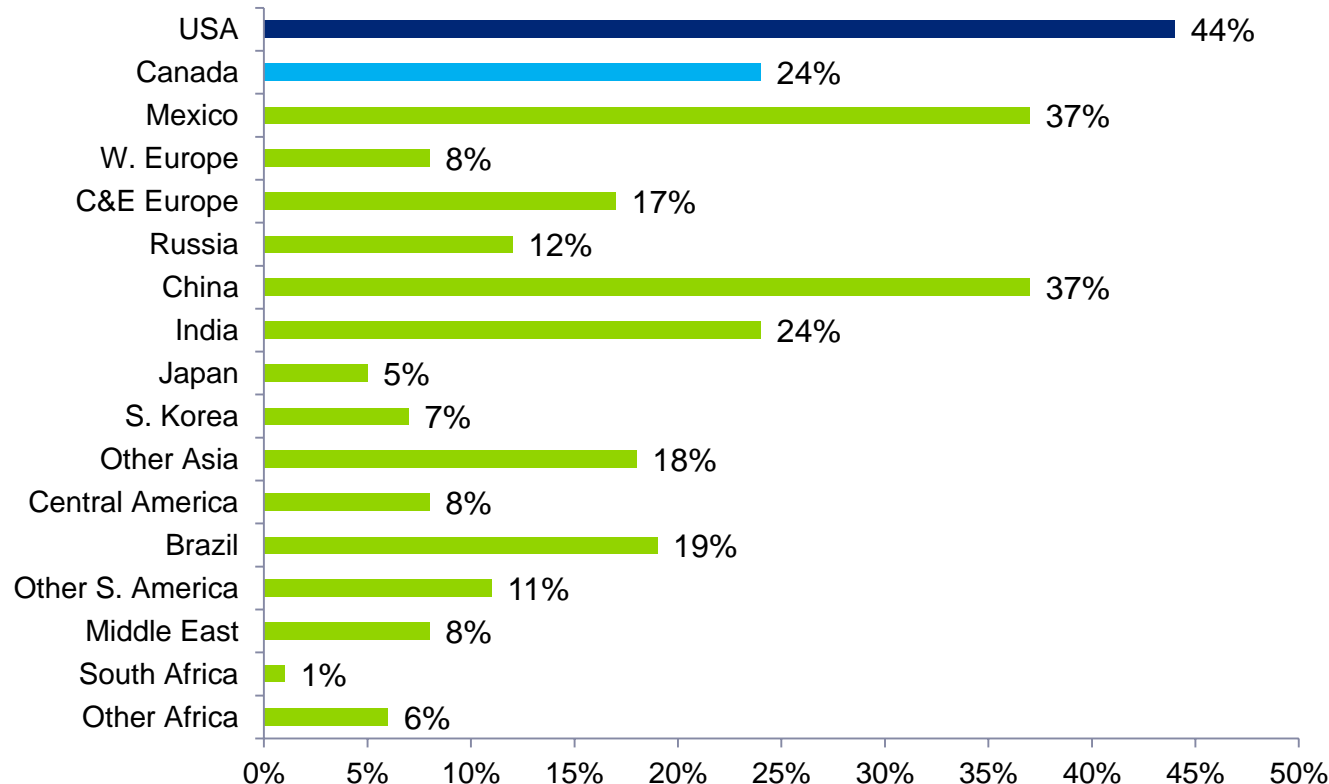


Framework for understanding FDI opportunities (cont'd)

Canada positioned to attract North American manufacturers

In 2008, Deloitte undertook a survey of North American manufacturers with respect to their plans for expansion by major markets. Consistent with prevailing market trade patterns and volumes, the most significant share was indicated for the United States followed by Mexico. Canada, however, also ranked high along with other emerging markets in India and Brazil, suggesting a strong competitive position for attracting FDI in a global context.

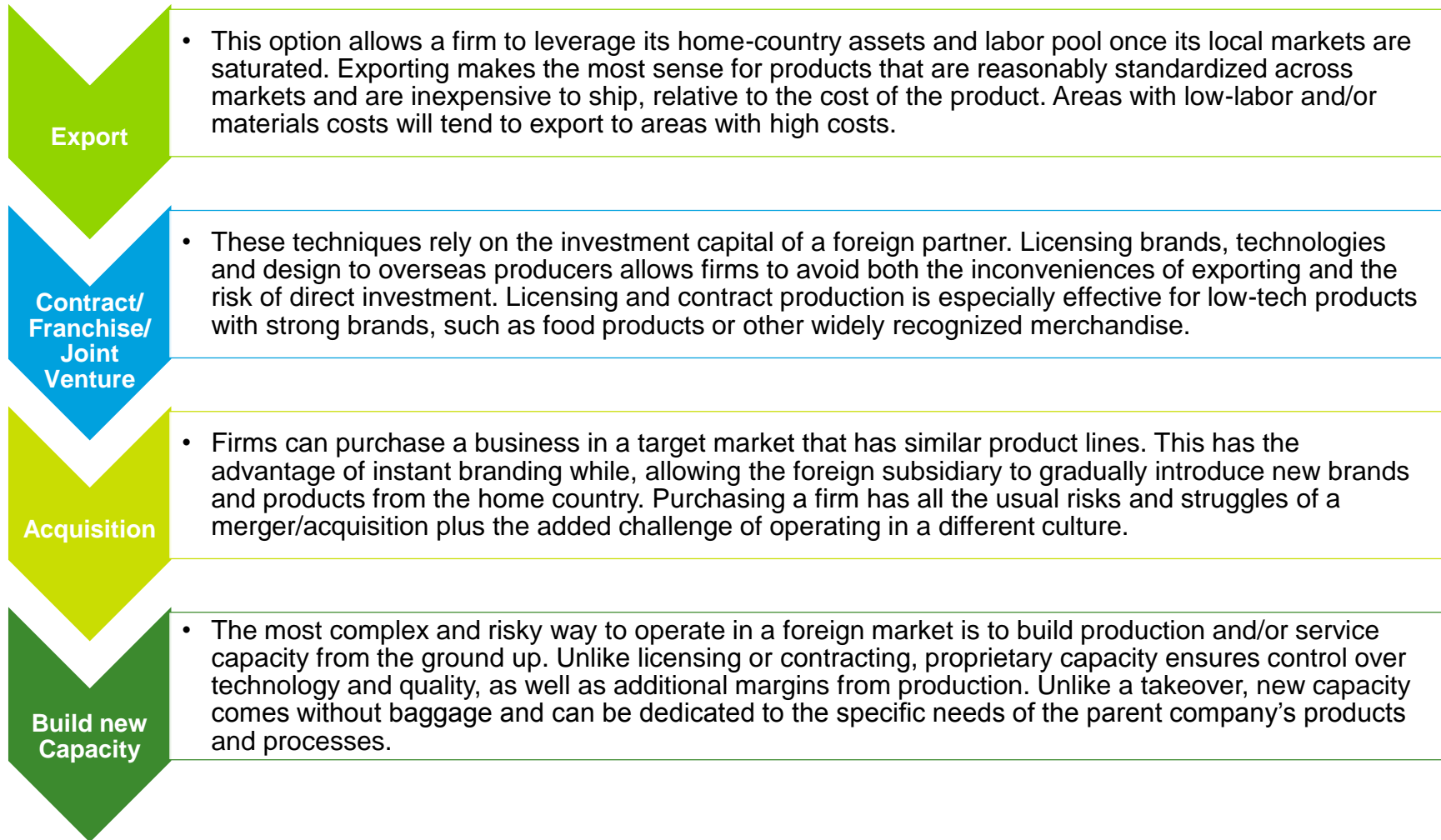
Global Expansion Plans of North American manufacturers.
Where will you be expanding production?



Framework for understanding FDI opportunities (cont'd)

Entering foreign markets – Typical approaches

Based on the foregoing, organizations typically take one of the following approaches to entering a foreign market.



Framework for understanding FDI opportunities (cont'd)

Risk reward matrix for various FDI approaches

The notion of FDI, both inbound and outbound, is therefore best viewed as a spectrum of risk and reward, with most firms following a gradual internationalization process over time to acquire knowledge on local supply and demand conditions prior to entering into more substantial FDI arrangements, such as the establishment of production facilities and distribution networks. Based upon the risk/reward matrix shown below:

- **Exporting** is the lowest risk way to enter a foreign market. It allows a firm to make use of its home country assets and labour pool to take advantage of foreign investment opportunities. Exporting is most effective for standardized products that are inexpensive to ship overseas relative to the cost of production.
- Under a **license or franchise or joint venture arrangement**, a foreign partner invests capital locally in licensing brands, technologies and design to overseas producers. This approach allows foreign firms to avoid both the potential inconveniences of exporting and the risk of direct investment and is especially effective for products with strong brands, such as food products or other easily recognizable merchandize.
- **Mergers and Acquisition (M&A)** involves the takeover or purchase of a business in a foreign market often one that has similar product lines. This approach has the advantage of instant branding, but carries the usual risk of M&A plus the challenges of operating in a different market and regulatory environment. Research indicates that most inbound FDI is in the form of M&A.
- **Building New Capacity** is the riskiest and most complex approach for FDI. While risky this approach ensures control over technology and quality, as well as production margins.

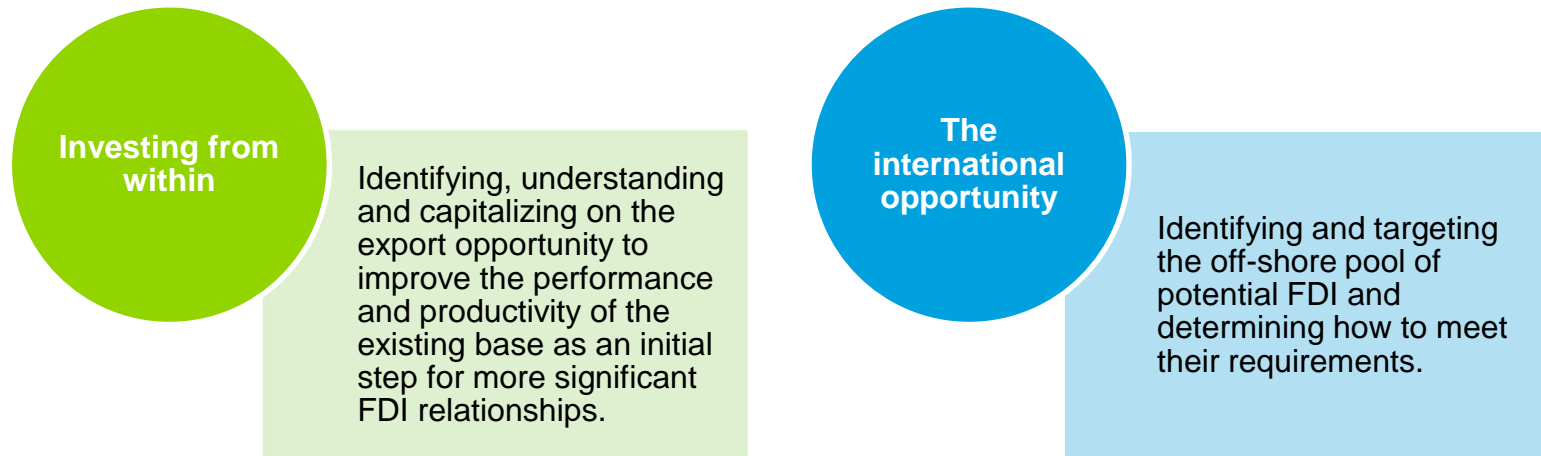
Risk/reward matrix	Cost	Risk	Reward/ opportunity	Time to market	Quality	Profit margin
Exporting	Low	Low	Low	Low	High	Low
Licensing/JV	Medium	Low	Low	Medium	Medium	Low
M&A	High	High	High	High	Medium	Medium
Build New Capacity	High	High	High	Medium	High	High

Framework for understanding FDI opportunities (cont'd)

Entering Canadian and Hamilton markets

In addition to the spectrum of FDI investment, research has also shown that, while Federal and Provincial programs work to promote economic regions, FDI attraction quickly comes down to the **level of the individual firm**. The industry clusters where Hamilton has a **competitive advantage** have already been identified and it has been determined that the City is **extremely well-positioned** to compete for new business investment. As a result, it is recommended that the FDI strategy be structured around two major themes or “buckets” the first being of highest priority:

- **Investing from within:** Identifying and assisting the companies already located within Hamilton, which may already be doing business internationally or are seeking establish export relationships within the broader Canadian and international marketplace and
- **International investment:** Identifying and targeting the offshore corporations that are making decisions on where to invest and expand, what they require in terms of existing facilities or a new location, and how Hamilton can satisfy their requirements. Hamilton's **strategy needs to address all of the various FDI approaches**, from exports and acquisitions to building new capacity. While some of these entry strategies may not produce visible results in terms of FDI attraction, they can be **the first step and precursor to more significant investments** in the future.



Framework for understanding FDI opportunities (cont'd)

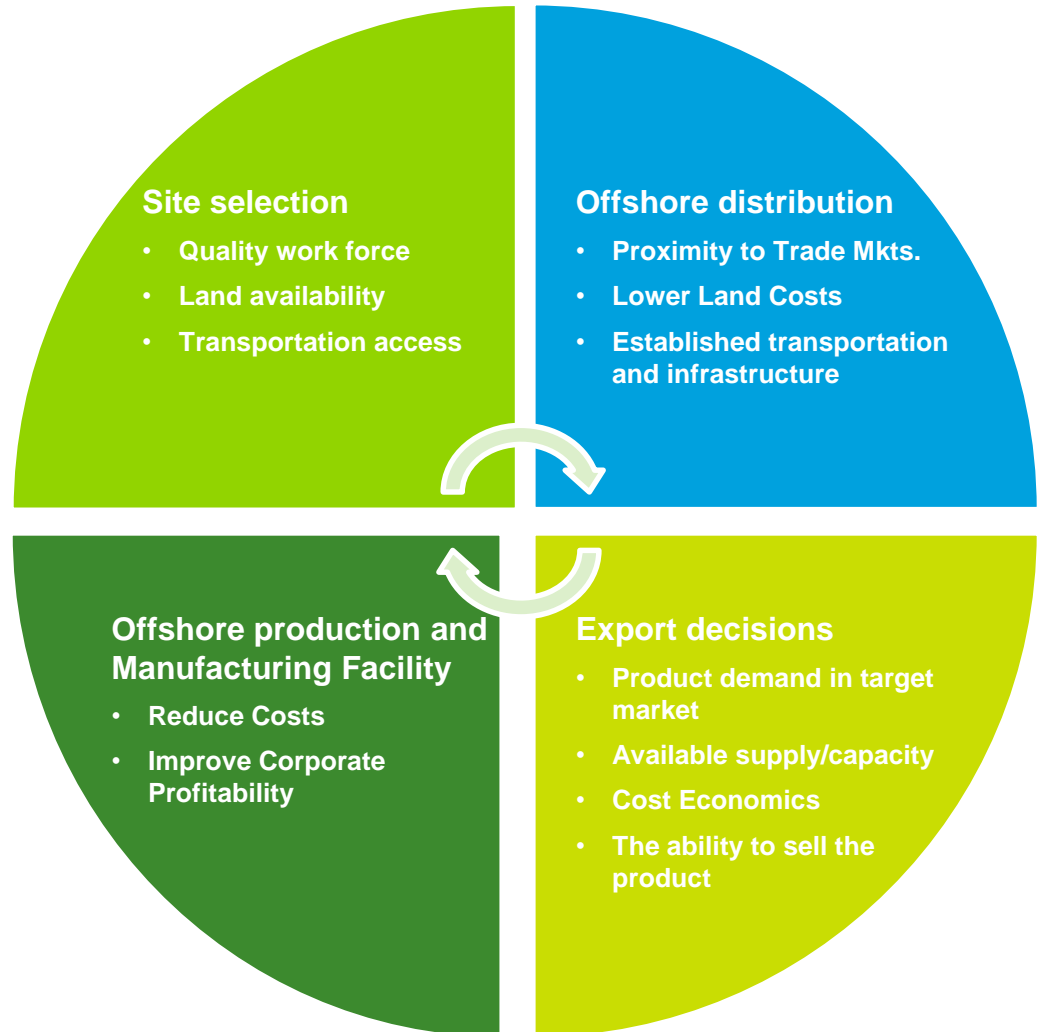
Key Conclusion – What drives an FDI Decision?

Factors driving FDI decisions

Globalization has changed the course of FDI strategies over the past century. FDI now occurs within a much more complex market dynamic and along a matrix of risk and reward. Understanding the nature of FDI with respect to these conditions is important to the overall strategy, particularly, the factors that drive the FDI decision.

While, the factors shown to the right are generally applicable, there are some important differences between production facilities (notably goods production versus distribution), as well as by target markets. For instance, while Asian investors value **lifestyle, social** and **immigration** issues when considering FDI, European investors tend to be more interested in **cost, proximity** and **time to market** considerations.

Key Finding: In order to be successful, the FDI strategy needs to understand the evolving nature of FDI, the various ways in which firms can enter foreign markets, the risk/reward trade offs that need to be considered and the factors that drive the overall FDI investment decision.



Section 3

Global and Canadian FDI trends

Global and Canadian FDI trends

A growing and evolving opportunity

Global Foreign Direct Investment Trends

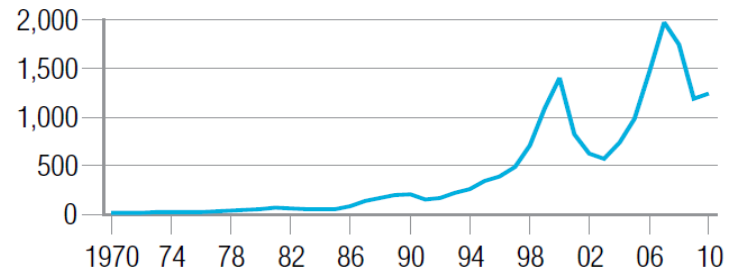
FDI inflows have grown considerably since the 1970s at an annual rate of some 12%, as shown in the chart opposite. This is largely a result of the evolution of the global supply chain that has fostered trade between regions and countries. Canada's share of global FDI flows **dropped sharply** during the 1970s and 1980s, but has stabilized since the 1990s.

Canadian Foreign Direct Investment Trends

For Canada, the United States remains the largest source of inbound FDI as shown in the chart opposite, but as we explore later in this report, **developing countries are becoming increasingly important**.

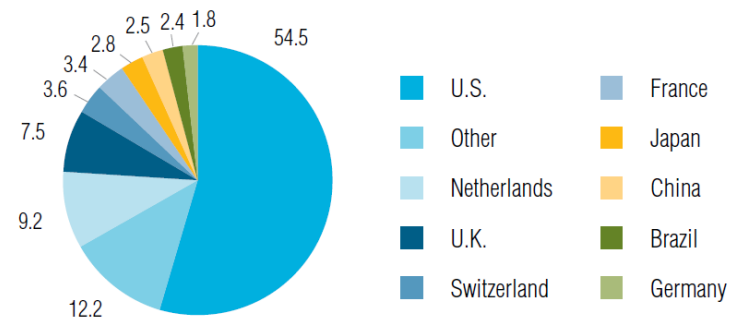
Of the BRIC countries (Brazil, Russia, India and China), **China and Brazil** now rank in the top nine of the largest foreign investors in Canada. In 2010, China accounted for 2.5% of Canada's inward FDI stock, while Brazil accounted for 2.4%. In response to these shifts, governments at all levels are increasingly focused on developing trade agreements and strengthening relationship with these rapidly growing markets.

Global FDI Inflows
(US\$ billions)



Source: United Nations Conference on Trade and Development (UNCTAD).

Main Source Countries of Canada's Inward FDI Stock, 2010
(percentage share of total)



Source: Statistics Canada.

Global and Canadian FDI trends (cont'd)

Canadian FDI Trends

Both in-ward and out-ward Canadian FDI grew by approximately 9.5% in 2013, largely due to increased investment activity as well as the upward revaluation effects of a weaker Canadian dollar. Growth in the resource sector was also a key driving factor. In 2013, the mining and oil and gas extraction sector alone captured over 20% of FDI inflows into Canada. The skills and education of the Canadian workforce has also been a catalyst for FDI: currently high rates of high school and university attainment and literacy provide a key competitive advantage.

Inward Canadian FDI



Mining and Oil and Gas Extraction

- With over 20% of total share, this sector has seen 46% growth since 2012



ICT

- The ICT Sector represented less than 2% of total volume; however, this may represent a potential opportunity going forward with exceptional room for growth



Food Manufacturing

- This sector only represents 2.8% of total volume; however, it has seen great growth (102%) since 2007. This looks to be a potential source of growth moving forward.

Source: Conference Board of Canada



United States

- The United States was the largest source of Inward FDI at \$352 Billion



Mexico

- Mexico's share has dropped greatly since 2008 from \$285 Million to \$31 Million in 2013.



Brazil

- With 27% growth since 2008, Brazilian FDI was the sixth largest total at \$18 Billion



India

- At \$3 Billion, India's FDI in Canada has been declining over the past five years



China

- China's investment in Canada was its largest ever at just over \$16.5 Billion

Global and Canadian FDI trends (cont'd)

Balance of trade – The current Canadian focus

Canadian FDI abroad is highly concentrated, both in terms of regions and income groups. The Majority of Canadian FDI abroad remains in North America (60%) with Europe consisting of 26.7% and Asia representing just 7.7%.

Canadian FDI Abroad



Source: Conference Board of Canada



United States

- Accounts for the largest percentage of Canadian FDI abroad at roughly 41%



Mexico

- Mexico currently represents just 1.6% of total value; however, its output has grown 2.5X since 2010



Brazil

- Brazil was the 11th largest market with 1.4% share. This was the second largest figure in South America (behind Chile)



India

- Despite being the world's second biggest population, India ranked 35th in Canadian FDI Abroad with just 0.1% of total share



China

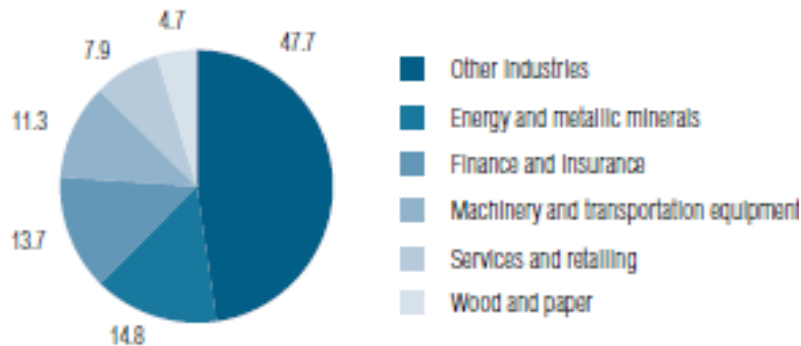
- Despite being the 19th ranked nation in 2013, China's figure experienced over 26% YOY growth over the past 12 months

Global and Canadian FDI trends (cont'd)

Shifting industrial composition of inbound FDI

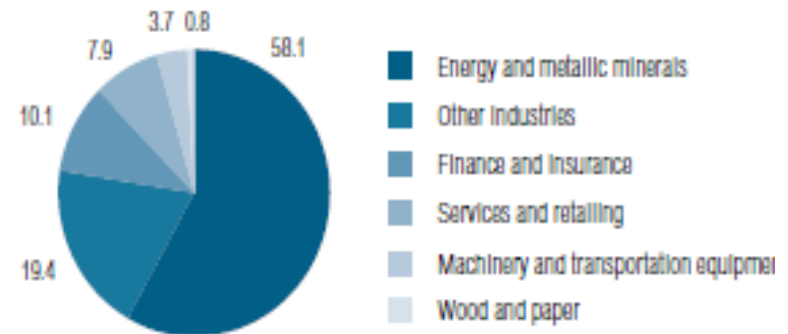
While, the overall volume of FDI flows has been increasing, its industrial composition has shifted considerably over the past decade. Based on information from the Conference Board of Canada, the proportion of total inward FDI into Canada's energy and metallic minerals sector has increased substantially. As seen below, between 1991 and 2000, the energy and metallic minerals sector represented just 14.8% of cumulative FDI inflows. By the end of 2010, this figure had rose to over 58% due to commodity price increases and heavy growth from the BRIC countries. Much of this increase is the result of energy projects and exports from Western Canada.

Cumulative FDI Inflows by Sector, 1991–2000
(percentage share of total)



Source: UNCTAD.

Cumulative FDI Inflows by Sector, 2001–10
(percentage share of total)



Source: UNCTAD.

Key Finding: Notwithstanding the National shift, there is some debate as to the dominance exerted by the resources sector. Many economists are projecting that the cost escalations that have hampered the oil and gas sector recently could potentially halt the large FDI flows that the oil sands have achieved historically. More recently, **it appears that the overall profile is shifting again:** Statistics Canada reported that in 2013 over two-thirds of inward FDI growth in Canada came from the manufacturing and mining industries (with manufacturing leading the way slightly). The City of Hamilton continues to be well-positioned to attract FDI within this global context.

source: Conference Board of Canada and Economist Intelligence Unit

Global and Canadian FDI trends (cont'd)

Ontario Popular for High-Profile FDI Projects

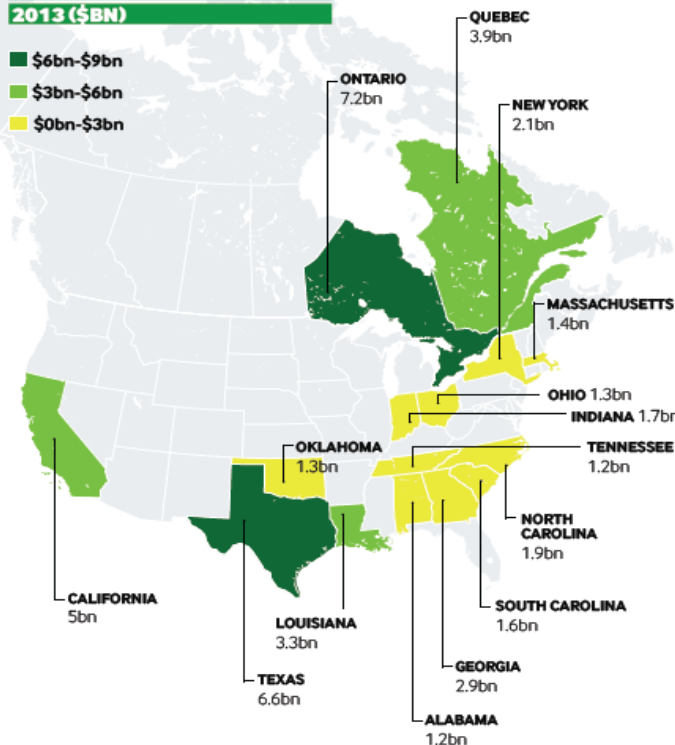
FDI INTO NORTH AMERICA BY MARKET SHARE 2013

Country	Market share
Ontario	12.46%
Texas	11.40%
California	8.65%
Quebec	6.77%
Louisiana	5.69%
Georgia	5.04%
New York	3.53%
North Carolina	3.23%
Indiana	2.91%
South Carolina	2.67%
Massachusetts	2.47%
Ohio	2.31%
Oklahoma	2.16%
Tennessee	2.02%
Alabama	1.98%
Other	26.71%
Total	100%

Source: FDI Markets

FDI INTO NORTH AMERICA BY CAPITAL INVESTMENT 2013 (\$BN)

■ \$6bn-\$9bn
■ \$3bn-\$6bn
■ \$0bn-\$3bn



► This map shows the percentage change on 2012

Source: FDI Markets

(Excluding mergers and acquisitions or other equity-based or non-equity investments. Also excludes exports)

Source: Conference Board of Canada

Greenfield FDI

As identified previously, Greenfield FDI occurs when a parent company starts a new operation within a foreign country by constructing new facilities. It is generally the smallest and riskiest component of FDI, but forms many of the high-profile opportunities. As shown to the left, Ontario is top location for inbound greenfield FDI:

- Ontario had the highest market share of FDI in North America in 2013
- Ontario attracted \$7.23bn (more than one-tenth of FDI in North America)
- Ontario capital investment more than doubled



Global and Canadian FDI trends (cont'd)

Cities are becoming increasingly important

Based on research undertaken by the Conference Board of Canada, although most analysis of FDI is undertaken at the National or Provincial level, cities and major metropolitan areas keep growing in attraction for FDI because the firms that locate within them are able to take advantage of access to markets, existing clusters of economic activity and established supply and distribution channels. In Canada and the world overall, Cities continue to attract a growing share of population growth and new business investment.

Over half of Canada's population currently lives in its major Cities, a share that according to the economist will rise globally to two-thirds by 2051. Not surprisingly, the Cities' share of economic activity has also been increasing alongside FDI. A City's ability to attract FDI is affected by many factors, as summarized below. Based on trends towards increased urbanization and the factors below, it is clear that Canadian Cities, in particularly large metropolitan areas such as the GTHA, have a tremendous opportunity for FDI attraction.

Cities that attract high levels of FDI tend to demonstrate the following traits:

- | | |
|-----------------------------------|--------------------------------------|
| 1. A highly educated workforce | 5. Infrastructure and Accessibility |
| 2. High levels of spending on R&D | 6. Investment Promotion Agencies |
| 3. Investment in new technologies | 7. Regional Economic Strategies |
| 4. Strong Industry Clusters | 8. Attainable FDI Incentive Programs |



A recent report by The Economist named Vancouver, Toronto and Calgary as the third, fourth and fifth most livable cities in the world. Canada has a solid reputation within the international business community, which in turn presents Hamilton with an opportunity to market itself as a competitive FDI location within Canada and the GTHA



Source: Conference Board of Canada

Global and Canadian FDI trends (cont'd)

Toronto's FDI Approach

“The future economic growth and continued prosperity of cities will depend on the way challenges are managed and opportunities seized. Some countries, regions and cities will emerge more successful than previously, others will falter and a few may fall dramatically. Successful cities will be those that can work more collaboratively to develop new approaches that will create an environment that will assist its firms and citizens to adapt and thrive in constantly changing economic realities.”

City of Toronto – Collaborating for Competitiveness

Despite it being a much larger metropolis than Hamilton, the City of Toronto has acknowledged that an advantageous favorable economic environment can only be achieved through ongoing cooperation among all stakeholders. This sentiment is integrated with the following strategic directives as a means to engage FDI via within the Toronto marketplace.



Encourage Business Investment and Formation

- Help small and medium business thrive while, still heavily focusing on attracting premiere companies and investment to Toronto

Boost Business while making Toronto Competitive

- Continue to focus on retaining and developing manufacturing investment; with a new focus to be placed on high-value sectors (specifically those with high value multipliers)
- Accelerate investments in commercial and industrial developments that enhance the City's property tax base and/or create permanent jobs while still improving cost competitiveness

Ensure Adequate Business Input Essentials

- Ensure sufficient land is available to accommodate commercial and industrial employment growth with the necessary infrastructure in place to support any potential development

Source: Toronto Collaborating for Competitiveness Strategic Plan



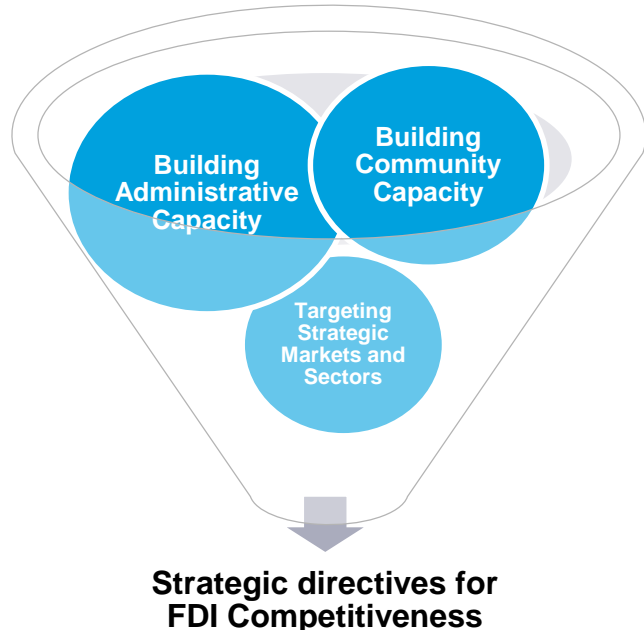
Global and Canadian FDI trends (cont'd)

Mississauga's FDI Approach

“The strategy presents an over-arching theme for the city to embrace in its international marketing efforts. This theme attempts to capture the most significant elements of Mississauga that influence the city’s current identity and convey them in a way that differentiates Mississauga from its competition based on what the city can actually deliver: physical international connections, high-profile businesses, increasing cultural diversity and competitive quality of life.”

City of Mississauga International Marketing Strategy

To supplement this theme, the city of Mississauga has adopted an Economic Development Strategy that targets the ICT, Financial Services, Multimodal Logistics and Advanced Manufacturing Technology sectors. More specifically, the city has identified the following three objective areas to target in order to increase its competitiveness on the global stage:



Building administrative capacity

- Build a sustainable set of financial and administrative resources to promote the City to a more global audience on an ongoing basis.

Building community capacity

- Enhance the opportunities to create more global connections based on the existing multicultural and multinational profile of Mississauga’s business community.

Targeting strategic markets and sectors

- Market Mississauga’s advantages to a broad global audience with sector-specific tactics as appropriate.

Advanced Manufacturing Technology

Mississauga has identified the advanced manufacturing sector as a means to attract a significant number of FDI projects regionally. Accordingly, the regional inventory of educational institutions and R&D/innovation assets and the strength of the regional manufacturing sector must be exploited.

Source: City of Mississauga International Marketing Strategy



Global and Canadian FDI trends (cont'd)

Calgary's FDI Approach

Calgary's Economic Development strategy is how the city does business, how it shapes the initiatives introduced and how national and international markets are pursued. It is a strategic plan for sustainable, equitable and manageable growth of Calgary's economy. It is about striving for excellence, building on strengths, being the best place in the world to achieve meaningful results, promoting innovation, creativity and increasing environmental sensitivity, building and promoting international reputation and profile.

The Strategy is used in three ways:

- Act as a guide for making long-term planning decisions
- Provide direction for development of economic development agency plans, projects and budgets.
- Be a source of ideas and inspiration for community action and collaboration



Focus on People and Community

- Key objectives include educating and engaging, removing barriers to meaningful employment and enhancing the City's sense of place and experience.

Focus on Business and Enterprise

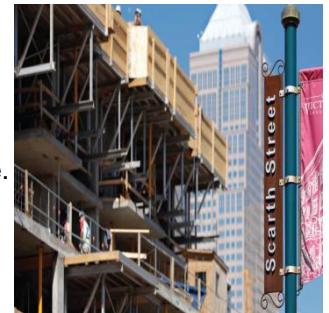
- Focus is on strategically developing Calgary's economy, providing smart infrastructure and creating the environment for smart ideas and innovation.

Focus on International Reach

- Objectives for this goal are promoting the Calgary brand and identity, diversifying tourism and convention activity and enhancing international business development and connections.

The Energy Industry is the key driver of Calgary and Alberta's economy. Focus is on Oil and Gas and Renewable energy. Other industries part of the economic development strategy include financial services, film, TV and creative industries and transportation and logistics.

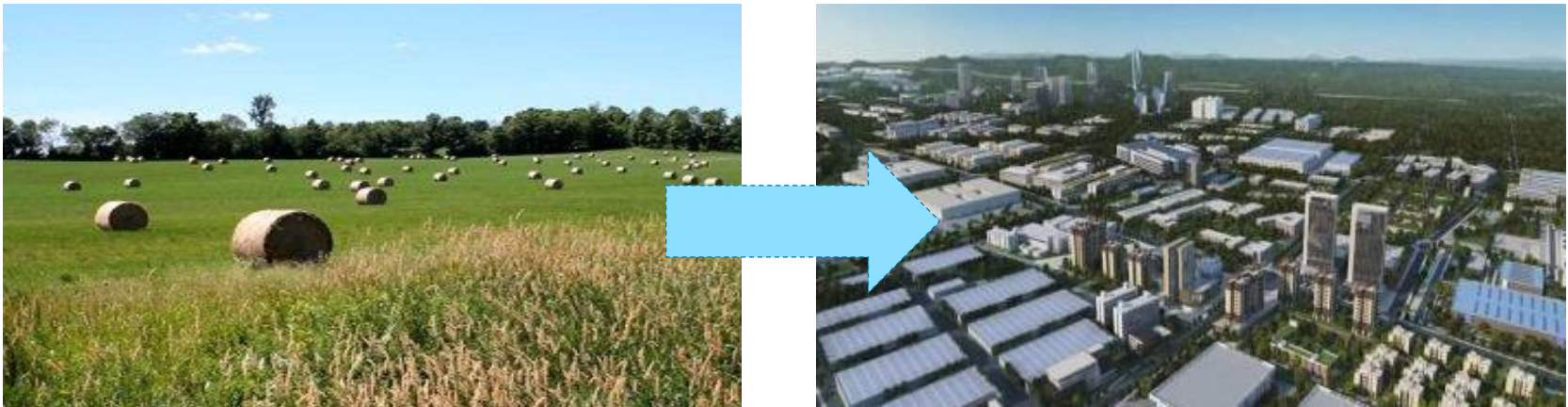
Source: Calgary Economic Development Strategy



Global and Canadian FDI trends (cont'd)

Key Conclusions

Overall volumes of FDI are increasing globally and in Canada, the majority taking the form of exports and mergers and acquisitions. Greenfield FDI investment is less prevalent, but provides the best opportunities for high-profile projects. While the United States will likely continue to be our largest trade partner, the balance of trade is beginning to shift towards emerging economies in Asia, South America, India and others. The composition of trade and FDI has also shifted considerably over the past decade, mainly as a result of the rapid growth in the energy and minerals sector. Nevertheless, Hamilton remains very well-positioned to compete for other elements of the FDI profile, including Advanced Manufacturing, Agri-Business and Food Processing industries and “Green Industries” including clean tech and recycling.



The trend towards urbanization and Hamilton's strong competitive advantages translate into a significant opportunity for FDI attraction. A review of the FDI strategies of selected other competing and successful communities shows best practices to include a strong focus on retaining and development existing firms, partnerships and collaboration, a focus on key economic development target areas and sectors, marketing a unique value proposition and ensuring sufficient administrative to deliver on the plans.

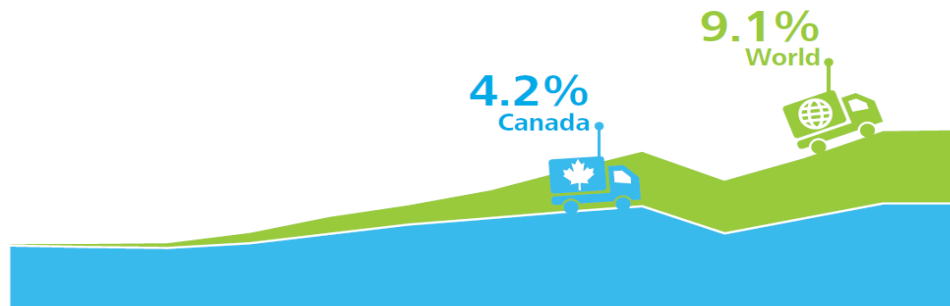
Section 4

The export opportunity

The export opportunity

An Introduction to Exports – Is this the growth opportunity?

Export growth for world vs. Canada
2000–2012 CAGR



Source: World Bank

“It is really dangerous not to export, because you depend on only one market and one economy”

Robert Bouchard, President, Rotobec

Canada and the export opportunity – Some facts to ponder:

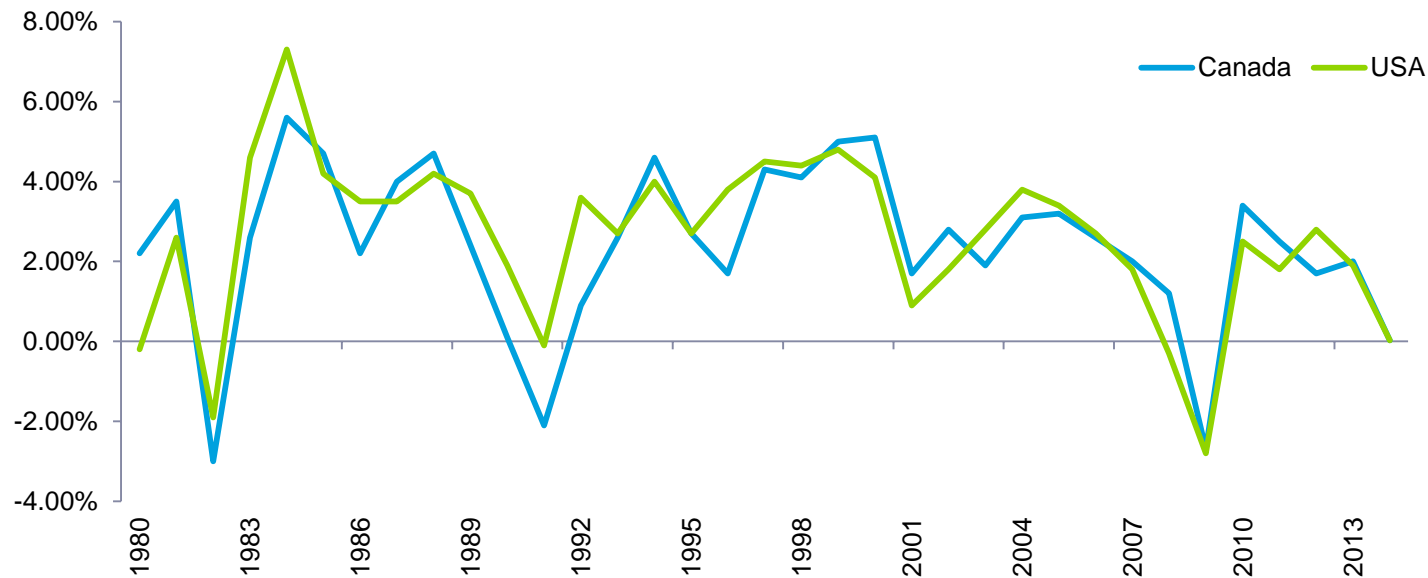
- Only 3.6% Canadian companies export.
- Between 2000-2012, Global Exports increased at an average annual rate of 9.1%; Canadian Exports only increased by 4.2% over the same time period.
- Canadian Export Intensity dropped from 46% in 2000 to 30% in 2012.
- Canada only exports 12% of its total output to the ‘high growth emerging markets’ of the world.
- Exporters achieve 3X the returns on non-exporters when they go public.
- Exporters have 30% higher workforce productivity than non-exporters, among Canadian manufacturers.

Source : Statistics Canada, International Trade Division, April 2014

The export opportunity (cont'd)

Existing Relationships - The Canadian/American Relationship

Real GDP: Canada and U.S.



Source: BMO Capital Market Economics

Canada exports 30% of its GDP to the U.S

>70% of Canadian exports go to the U.S.

60% of Canadian imports come from the U.S.

U.S. imports 99% of Canada's oil exports

63% of Canada's merchandise trade goes to the U.S



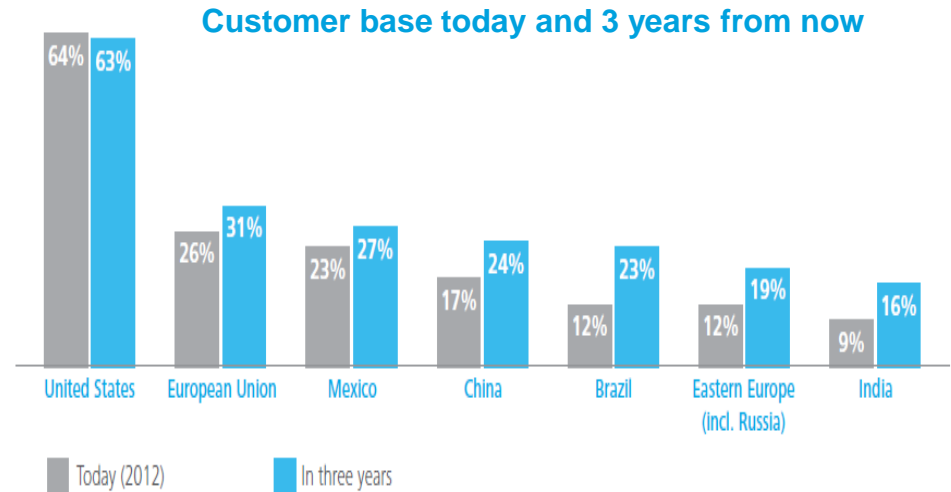
The export opportunity (cont'd)

Future Growth Opportunities in The Emerging Markets

Based on work prepared by the Conference Board of Canada, the share of Canadian exports to the U.S. is predicted to decline from 74% in 2010 to 68% by 2025 with the share to rapidly growing developing countries, on the other hand, anticipated to increase.

These conclusions are supported by recent Deloitte research, which showed that, as at 2012, Canadian companies expected that over the next three years, a growing share of their future customers would come from Europe, Mexico and the BRIC countries. Many factors are driving this shift, including exchange rate movements, real GDP growth and the growing middle class in countries such as China, India and Brazil, as well as other emerging economies.

It is also important to understand that the United States is one of the most mature, competitive and sophisticated markets in the world. For many firms, it can be difficult to compete and grow over the long-term. In contrast, emerging markets are often faster growing and less competitive, due to lower market maturity and lower technological sophistication. As trade barriers come down, Canadians have more options and for many firms a “U.S. First” strategy may no longer be preferred.



Source: Canadian Manufacturers and Exporters



The export opportunity (cont'd)

Provincial and Federal Initiatives to Promote Growth

Ontario trade missions

The Provincial government is actively promoting the Ontario economy as an internationally competitive source of products and innovative solutions, a strategic location for investment, and a leading partner for collaborative research and innovation in priority sectors. This initiative has resulted in trade missions to Asia, the EU, Russia, the Middle East and Latin America.

Furthermore, the province has created a series of International Marketing Centers (“IMC”) with the intent of establishing and maintaining business connections across the globe. These IMC’s are helping firms connect with global entities who have FDI intentions while also reinforcing sectors where Ontario possesses a competitive advantage, such as infrastructure development, information technology, agri-food, mining and the financial services.

At current time, there are IMC’s located in New York, San Francisco, Mexico City, London, Paris, Munich, Beijing, Shanghai, Tokyo, Mumbai and New Delhi. In addition to these Provincial initiatives, there are a range of other incentives that can be made available to potential investors, including tax incentives, R&D grants and others depending upon local regulations and requirements.

Source: Invest in Ontario – Ontario’s Global Presence



FedDev Ontario and the Ontario Chamber of Commerce offer funding to help SMEs access the global marketplace. Eligible activities include international trade shows, fairs and exhibits, marketing tools for foreign audiences to market products, market research to target precise international markets, and bidding on foreign projects against foreign competition. The funding also can be utilized towards marketing brochures, trade shows, display panels, banners, flights and meal/lodging.

The Federal government also administers the Invest Canada Community Initiatives (ICCI™). The goal of ICCI is to increase Canadian employment by supporting Canadian communities collaborative efforts to attract, retain and expand FDI, with a focus on economic sectors for which Hamilton has demonstrated strengths.

The export opportunity (cont'd)

Current Ontario FDI Statistics

Top 10 Export destinations 2013 (Goods)		% of All Ontario exports to U.S.		By Country (% of all Ontario imports)		By U.S. state (% of all Ontario exports)	
Country	%	State	%	Country	%	State	%
United States	78.39%	Michigan	25.15%	United States	56.27%	Michigan	8.39%
United Kingdom	6.38%	California	11.38%	China	11.12%	Ohio	5.96%
Hong Kong	2.73%	New York	5.23%	Mexico	7.51%	New York	4.28%
China	1.34%	Ohio	4.09%	Japan	3.35%	Illinois	3.49%
Mexico	1.18%	Illinois	3.48%	Germany	2.72%	Indiana	3.49%
Norway	1.06%	Texas	3.04%	South Korea	1.96%	Texas	2.76%
Japan	0.94%	Pennsylvania	2.98%	Switzerland	1.15%	Pennsylvania	2.45%
Germany	0.85%	Indiana	2.87%	Italy	1.04%	Kentucky	2.39%
Switzerland	0.83%	Massachusetts	2.23%	United Kingdom	0.99%	California	2.26%
France	0.44%	New Jersey	1.26%	Taiwan	0.96%	Tennessee	2.21%

Ontario's Top 10 Exports 2013 (HS4 Equivalent)			
Product	%	Product	%
Autos	27.81%	Engines	1.20%
Gold – unwrought	9.71%	Coins	1.06%
Motor vehicle parts	5.66%	Helicopters, aircrafts and specialized parts	1.04%
Medications – packaged for retail use	1.94%	Bread, pastry, cakes, etc	0.90%
Nickel mattes	1.32%	Seats	0.85%

Source : Statistics Canada, International Trade Division, April 2014

The export opportunity (cont'd)

Key Conclusions

Exports is the Key to Short-Term Opportunity

As with FDI strategies, it's quite evident that the export opportunity has been and will continue to be heavily influenced by globalization. Our relationship with the United States will continue; however, cities like Hamilton should be focusing on the growth coming from emerging economies, as well as established U.S. markets.

It is critical that Hamilton area companies fully understand the benefits and advantages of international exporting. The province of Ontario has a number of important programs in place, but it will be important to ensure that the prospective foreign investors understand the full range of incentives and assistance programs that are available. The City could have an important role to play in this regard.



Section 5

Hamilton in context

Hamilton's competitive assessment

The basis for any investment attraction strategy

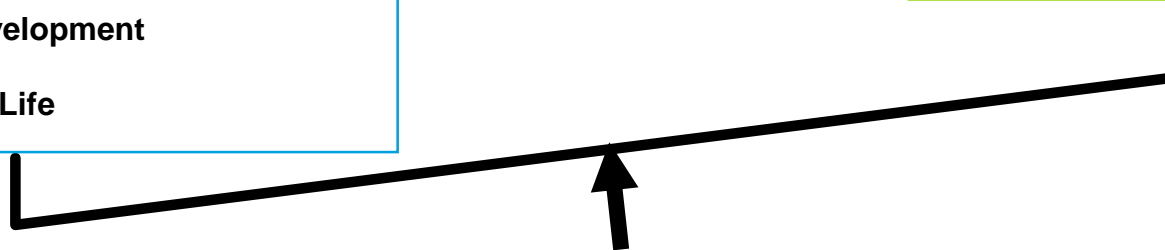
In order to create a beneficial FDI Strategy for the City of Hamilton, a competitive assessment of the City's attributes was undertaken. It quickly became evident that Hamilton had a plethora of assets to be leveraged at its disposal; however, there are potential issues that could dissuade a potential investor from entering the Hamilton market. It is critical that any FDI Strategy adopted leverages the strengths the city has to offer while minimizing any risks present.

Hamilton's Strengths

- Premier Location and Infrastructure
- Economically Diverse Industries
- Industrial Land Supply
- Favourable Economic Projections
- Advanced Manufacturing Champion
- Access to premiere institutions
- Low cost of development
- High Quality of Life

Potential Challenges

- High Municipal Tax
- Regulatory and Bureaucratic Hurdles
- Misconceptions of Hamilton's Manufacturing Sector



Hamilton's competitive assessment (cont'd)

Strengths – Premiere location and infrastructure

Diverse and growing metropolitan economy is generally mirroring the diversity in the broader region.

Capacity to reach 150 million people in major markets in Toronto, Montreal, New York, Boston, Philadelphia, Columbus, Dayton, Chicago and Detroit

- **Land** – Highway/CN – CP Rail connecting/Number of international borders
- **Water** – Port providing access to the Great Lakes Industrial Mega Region
- **Air** – Access to a number of international airports/flights



Located within competitive economic region with expansive market access.

Destination	Km	Driving time	Destination	Km	Driving time
Toronto	70 km	1 hour	Pittsburgh	450 km	4.5 hours
Waterloo	70 km	1 hour	Boston	830 km	8 hours
Guelph	50 km	45 min	Washington	720 km	8 hours
Ottawa	520 km	5 hours	Baltimore	680 km	7.5 hours
Montréal	610 km	6 hours	New York	730 km	11 hours
Detroit	310 km	3 hours	Chicago	775 km	7 hours
Cleveland	415 km	4 hours			

Hamilton's competitive assessment (cont'd)

Strengths – Premiere location and infrastructure

Land - Network of highways/International rail lines/Border Crossings

- Queen Elizabeth Way provides regional access to the Greater Toronto Area, and Highway 401, as well as a ring road system to move goods throughout the City quickly
- CP and CN, provide complete rail freight services across North America for Hamilton's industries

What does it mean for FDI?

- A location just outside the rapidly growing GTA and within the continued 'westward drift' of business investment and industrial-type development is an important consideration for international investors in all sectors;
- Comparatively, lower levels of road congestion, particularly with respect to outbound logistics and travel times to the major U.S. border crossings is helpful for quicker turnaround, especially for companies for which this is a key requirement; and
- Superior access to the regional highway system providing access to both local markets and links to the NAFTA super highway system connecting Ontario with major United States markets and southbound into Mexico is a game changer for many investors.



Hamilton's competitive assessment (cont'd)

Strengths – Premiere location and infrastructure

Water - Port of Hamilton

- Handles more than 12 million tonnes of cargo annually, of which 1.5 million tonnes is overseas cargo, and is visited by more than 700 ships annually.
- Links Ontario's manufacturing heartland to the St. Lawrence Seaway and has grown to be Canada's busiest commercial Great Lakes port, fourth largest port in Canada.
- The Hamilton Port Authority offers 8,900 metres of docking facilities with drafts to Seaway requirements, 160,186 square metres of warehousing, and 10 shipping piers for cargo storage.

What does it mean for FDI?

- The Port's accessibility, facilities and presence on major U.S. trade routes, offers manufacturing/advanced manufacturing businesses with extensive export opportunities and advantage of already being in their supply chain network.



Hamilton's competitive assessment (cont'd)

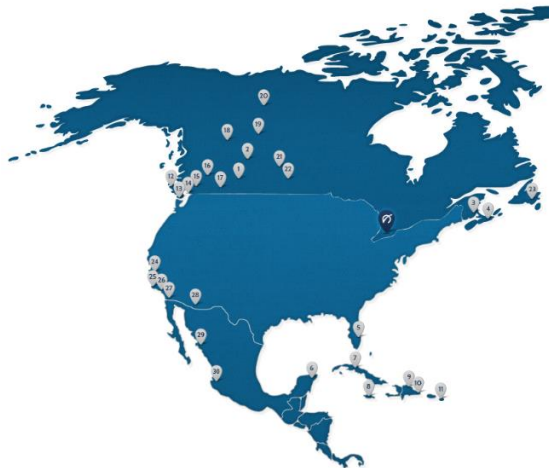
Strengths – Premiere location and infrastructure

Air Connections

- Local air connections to international destinations are close by with **John C. Munro Hamilton International Airport**, Canada's top multi-modal cargo and courier airport; Ontario's only 24-hour inter-modal cargo hub.
- Other nearby airports include Lester B. Pearson International Airport in Toronto and Buffalo Niagara International Airport just across the border in New York.

What does it mean for FDI?

- Flight connectivity from Hamilton in conjunction with the other nearby airports is an important consideration. The presence of a 24-hour inter-modal cargo hub in particular is an advantage from a distribution/logistics perspective, particularly for high-value goods whose delivery is time sensitive.



Year Round	Winter Only
Summer Only	Connecting
1. Calgary	17. Kelowna
2. Edmonton	18. Grand Prairie
3. Moncton	19. Fort McMurray
4. Halifax	20. Yellowknife
5. Orlando	21. Saskatoon
6. Cancun	22. Regina
7. Varadero	23. St. John's
8. Montego Bay	24. San Francisco
9. Puerto Plata	25. Palm Springs
10. Punta Cana	26. Los Angeles
11. Caribbean Cruise	27. San Diego
12. Comox	28. Phoenix
13. Victoria	29. Mazatlan
14. Vancouver	30. Puerto Vallarta
15. Abbotsford	
16. Kamloops	

Passenger Airlines	Destinations from Hamilton International Airport
Air Transat	Seasonal: Cancún , Montego Bay , Puerto Plata , Punta Cana , Varadero
Canadian North	Charter: Fort McMurray , Halifax , Miami (for <i>Celebrity Cruises</i>), Saskatoon
Sunwing Airlines	Seasonal: Punta Cana , Varadero
WestJet	Calgary Seasonal: Cancún , Edmonton , Halifax , Moncton , Orlando , Punta Cana

Cargo Airlines	Destinations from Hamilton International Airport
Cargojet Airways	Calgary , Edmonton , Halifax , Moncton , Montreal-Mirabel , Ottawa , St. John's , Vancouver , Winnipeg
Castle Aviation	Akron , Montreal-Mirabel , Rickenbacker
DHL Aviation operated by Atlas Air	Cincinnati/Northern Kentucky
Kelowna Flightcraft Air Charter	Calgary , Moncton , Montreal-Mirabel , St. John's , Winnipeg , Vancouver
SkyLink Express	Kingston , Muskoka , Montreal-Trudeau , New York-JFK , Windsor
UPS Airlines	Louisville

Hamilton's competitive assessment (cont'd)

Strengths – Access to strong science, technology, engineering and mathematics institutions



McMaster University

- Ranked Fifth in Canada, 88th best in world, considered one of the best
- Third highest number of Chairs located in Ontario and ninth highest in Canada
- McMaster Manufacturing Research Institute
- McMaster Institute for Automotive Research and Technology
- McMaster-Mohawk Bachelor of Technology Partnership
- McMaster Stem Cell and Cancer Research Institute (SCC-RI)
- Centre for Probe Development and Commercialization
- McMaster Immunology Research Centre (MIRC)



McMaster Innovation Park

- Medical Imaging Informatics Research Centre at McMaster, (MIIRC@M)
- Canadian Longitudinal Study on Aging (CLSA)
- National Collaborating Centre for Methods and Tools
- The Don Pether Incubation Centre, McMaster University Engineering Entrepreneurship and Innovation Program
- United Nations University, Institute for Water, Environment and Health (UNU-IWEH)
- Foundation for Medical Practice Education (FMPE)
- McMaster Automotive Resource Centre (MARC)

Hamilton's competitive assessment (cont'd)

Strengths – Access to strong science, technology, engineering and mathematics institutions



Mohawk College

- iDeaWORKS – Mohawk College's project centre based on partnerships between Mohawk students and start-ups, small businesses and non-profit organizations
- ArcelorMittal and Mohawk College Enterprise Corporation's Steel Worker for the Future Program
- Mohawk College Enterprise Corporation's Advanced Manufacturing Workshop Series



Hamilton Health Sciences

- Employs nearly 10,000 people, comprised of six unique hospitals and cancer centre
- Recently selected by GE Healthcare to be the first site in the world to receive new prototype technologies for use in a molecular breast imaging research program



St. Joseph's Healthcare

- St. Joseph's Home Care (SJHC) programs



Others Institutions

- Population Health Research Institute (PHRI)
- Centre for Surgical Invention & Innovation (CSII)

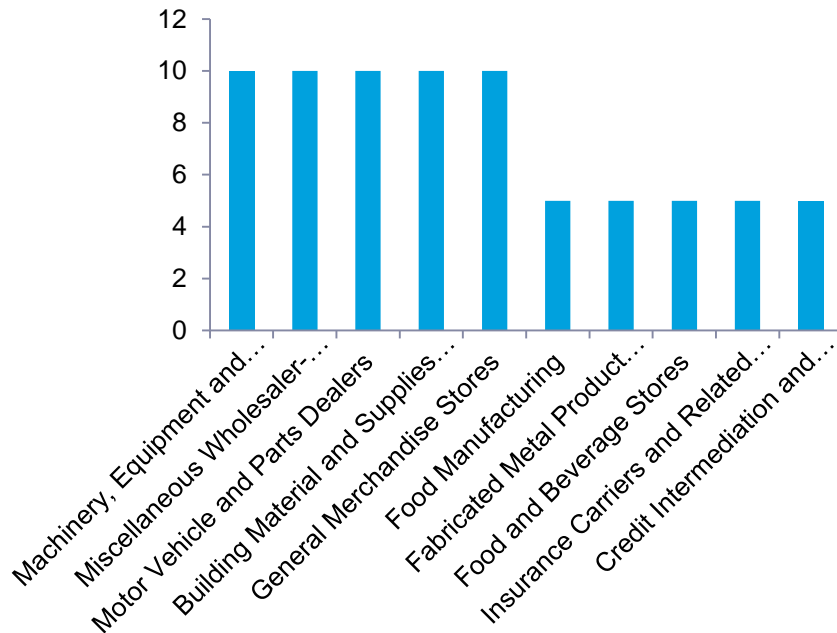


Hamilton's competitive assessment (cont'd)

Strengths – Economically diverse industries/sectors

The City of Hamilton supports a diverse set of sectors and industries, including a significant existing advanced manufacturing sector, and various supporting/connected sector and industries (i.e., goods movement, agri-business, health care, etc.)

Hamilton Top 10 Industries by Revenue Size
Range \$50M +



Hamilton's major employees

Organization	Employees
Hamilton Health Sciences	10,000
McMaster University	7,400
Hamilton-Wentworth District School Board	7,000
City of Hamilton	6,000
ArcelorMittal Dofasco	5,200
Hamilton Catholic District School Board	4,500
St. Joseph Healthcare Hamilton	4,000
National Steel Car	2,500
U.S. Steel	1,100
Mohawk College	1,100

Hamilton's competitive assessment (cont'd)

Strengths – Immigrant Entrepreneurs

Role of Immigrants today

Economic Immigrants and **Business Immigrants** play a vital role in the community today.

- **Economic Immigrants** are typically less affluent labour force employees, which play a significant role in the Hamilton economy. In part, the Food processing sector often employs immigrant labour forces. Having access to this resource from within Hamilton, and from communities within broader GTHA region is a key advantage for Hamilton.
- **Business Immigrants** includes investors, entrepreneurs and self-employed persons. Attracting these immigrants is more relevant from an FDI perspective, since they are more likely to result in increased investment and potential job creation.



What is Hamilton doing?

The City recognizes the importance of immigrants today and the increasing role they are expected to play in the future. It has accordingly appointed the Global Hamilton Council (GHC) to provide a leadership forum to oversee the implementation of the multi-faceted City of Hamilton's Immigrant Attraction Action Plan (IAAP). The IAAP mandate is to advise the City of Hamilton and staff, in supporting the attraction and retention of immigrants and international students, particularly, as related to business creation and growth. The GHC's mandate also includes providing advice and oversight in its implementation of the Immigrant Portal and providing a "bridge" to the broader public in order to facilitate partnerships and leverage resources.

What should be done?

- Hamilton should implement the recommended Priority Actions as set out in the IAAP.
- In particular, Hamilton should continue to focus on "Immigrant Entrepreneurs". It should also seek to collaborate with and benefit from currently available Federal and Provincial assistance programs.
- Hamilton should also continue to focus on international student retention. Recent immigrants, especially students, have an important role to play in increased tourism through their family and friends.
- Hamilton should initiate the *Welcome Hamilton* campaign that seeks to ensure a smooth transition for newcomers.
- The City should also take advantage of the strong diaspora networks, that already exist, not only in Hamilton but also in the broader GTA. The City should help to make those with similar backgrounds/circumstances aware of the successes that their peers may have had in terms of entrepreneurial activity and new business creation.

Hamilton's competitive assessment (cont'd)

Strengths – Real Estate Investment Opportunities

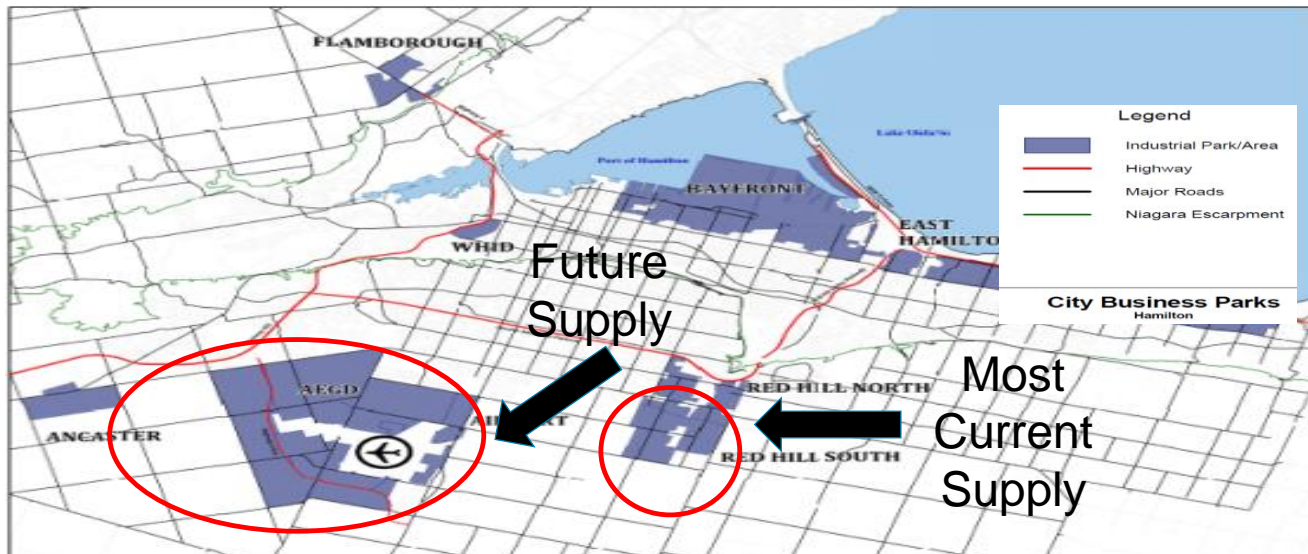
Current and Future Industrial Land Supply

The City of Hamilton has a large supply of industrial lands, much of which is currently occupied. In particular, the Bayfront, East Hamilton and Stoney Creek Business Parks are nearly full. Vacant lands are available in the Flamborough and Ancaster business parks, although, it is understood that this supply has less than ideal transportation access, and in some cases is under strong pressure for conversion to non-employment uses, notably retail.

Most of the City's remaining vacant supply is located in the Red Hill North Area (formerly the North Glanbrook area), which has excellent transportation access via the Red Hill Creek Expressway, but is constrained from a servicing perspective. The Airport Employment Growth Area ("AEGD") is the City's signature future business park, and is anticipated to be one of the major industrial employment growth areas in the metropolitan area. Once approved and serviced, nearly 700 ha of development lands will be brought to market.

"The wheels have been set in motion to create a major high tech industrial park in conjunction with growth at McMaster University, sparking an entrepreneurial spirit in the City".

Don Campbell, REIN founding partner



"Known formerly as a hard working steel town, the City has quickly shed this image in the eyes of potential investors as indicated by the record breaking building permit values Hamilton has experienced in recent years."

Don Campbell, REIN founding partner

Hamilton's competitive assessment (cont'd)

Strengths – Real Estate Investment Opportunities

Downtown Hamilton

The City through their Urban Renewal Section of the Economic Development Office promotes the revitalization and development of properties in:

Hamilton's six Downtowns

- Downtown Hamilton
- Ancaster Village Core
- Binbrook Community Core
- Downtown Dundas
- Downtown Stoney Creek and
- Waterdown Village

Financial Incentive Programs

The City of Hamilton offers financial incentive programs through The [Downtown and Community Renewal Community Improvement Plan](#), in the form of loans and grants to assist with costs associated with development/redevelopment. Some of the incentives are:

- Business Improvement Area Commercial Property Improvement Grant Program
- Commercial Façade Property Improvement Grant Program
- Hamilton Tax Increment Grant Program
- Hamilton Downtown Multi-Residential Property Investment Program
- Commercial Corridor Housing Loan and Grant Program
- Office Tenancy Assistance Program
- Hamilton Heritage Property Grant Program
- Hamilton Heritage Conservation Grant Program

Business Improvement Areas (BIAs) and Other commercial corridors in the City



Hamilton's competitive assessment (cont'd)

Strengths – Real Estate Investment Opportunities

Bayfront Area

The Waterfront & Shoreline, which is one of the City's strategic priorities consists of

- West Harbour (from Bayfront Park to Pier 9 (HMSC Haida)) and
- Confederation Park.

Evolution over the past 30 + years

A number of projects over the last decade have helped transform this public space including:

- Bayfront Park (Pier 4)/West Harbour Trail in 2000
- Hamilton Waterfront Trust initiatives
- HMSC Haida (World War II destroyer on Pier 9)
- Discovery Centre (Pier 8) and restaurant opened in 2012

Recent projects

- Setting Sail Secondary Master Plan
- West Harbour Concept Plan and Waterfront Master Plan
- Confederation Park Master Plan
- Acquisition of key properties within the "Barton-Tiffany" neighbourhood, and Negotiating the early lease terminations of Piers 7 and 8 with the Hamilton Port Authority.

Future Initiatives

There are a large number of projects and up-coming reports; here are just a few highlights:

- Urban Design Study for Barton-Tiffany (opportunities for public input from residents and businesses across the City)
- Development of a James Street North GO Station/A-line LRT Connection study
- Investment in James Street North arts
- Confederation Park Economic Feasibility Study



Hamilton's competitive assessment (cont'd)

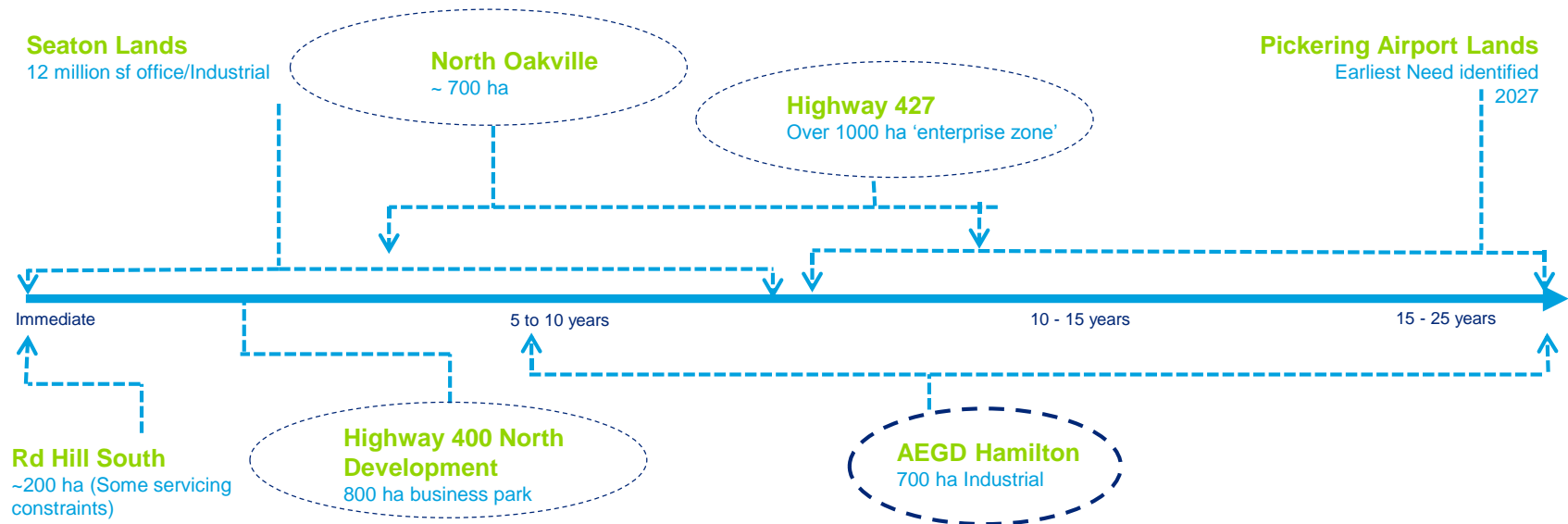
Strengths – Real Estate Investment Opportunities

Competing Industrial supply in marketplace

The City of Hamilton's current industrial land supply is somewhat limited, primarily as a result of servicing issues in the former North Glanbrook business park, now known as Red Hill South. With the servicing of Red Hill South, and the pending approval of and full servicing of the Airport Employment Growth District (AEGD), the City of Hamilton will become one of the relatively few major industrial growth locations in the GTHA over the period to 2031.

Development Timeline...

...Competition



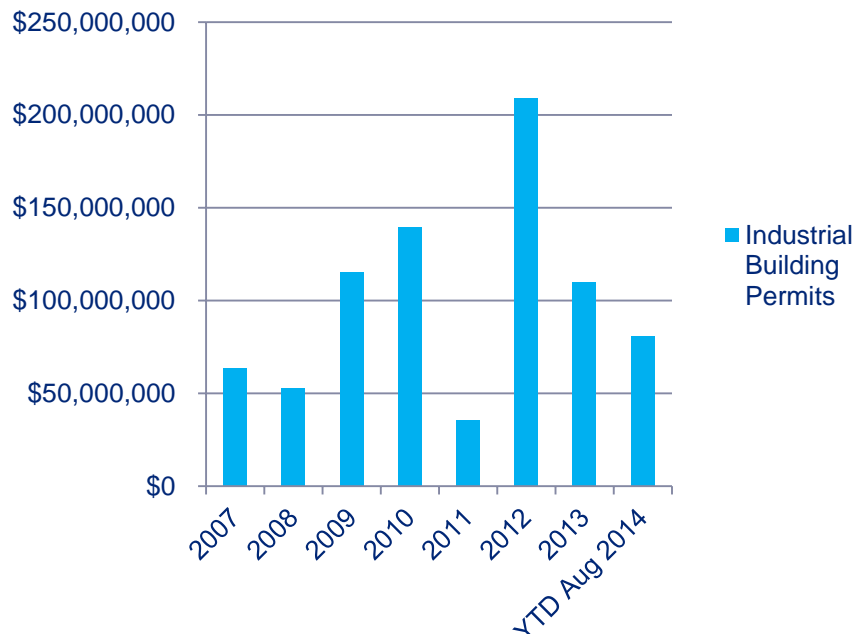
Hamilton's competitive assessment (cont'd)

Strengths – Industrial land supply

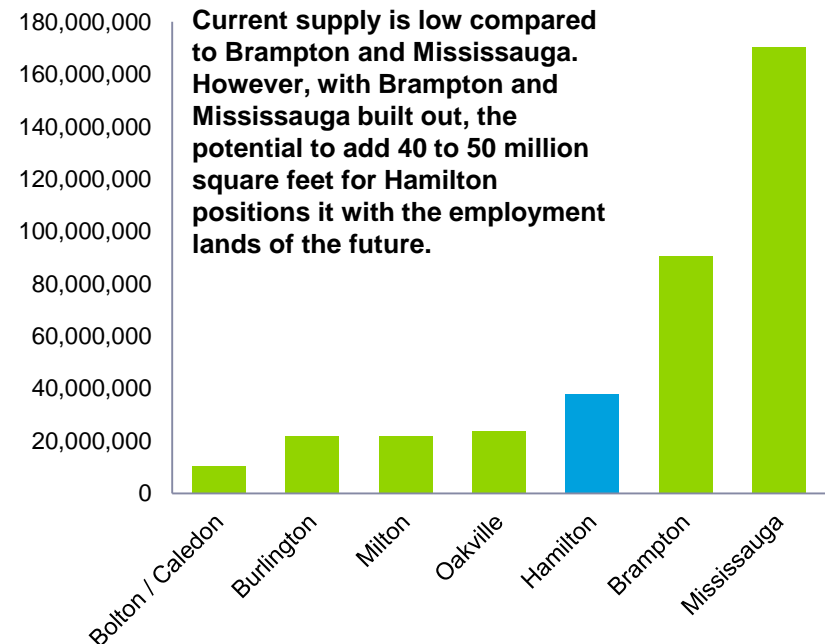
Industrial market accelerating and forecast to grow rapidly

- As of Aug 2014, approximately 180,000 square feet of industrial space was under construction, and building permit activity totaled an estimated \$80 million.
- The City's supply of industrial space totals approximately 38.1 million square feet private sector space. Over the period to 2041, the City is forecast to more than double the existing inventory, adding between 40 and 50 million square feet over the period to 2041.
- The current inventory represents a large inventory relative to various markets in the western GTA area, including Oakville, Burlington, Milton and Bolton/Caledon, and is forecast to grow rapidly over the period to 2041.

Hamilton industrial building permits



GTA West industrial supply

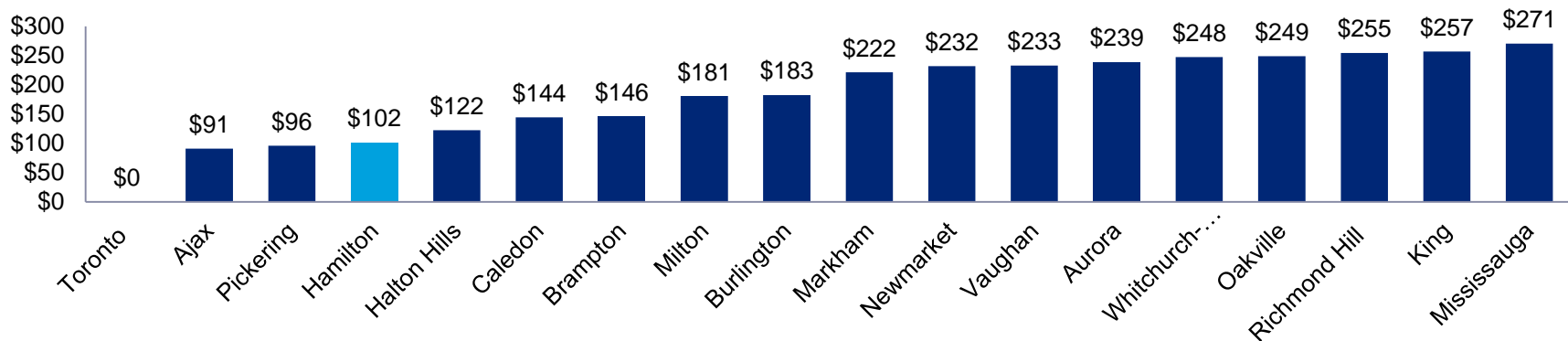


Hamilton's competitive assessment (cont'd)

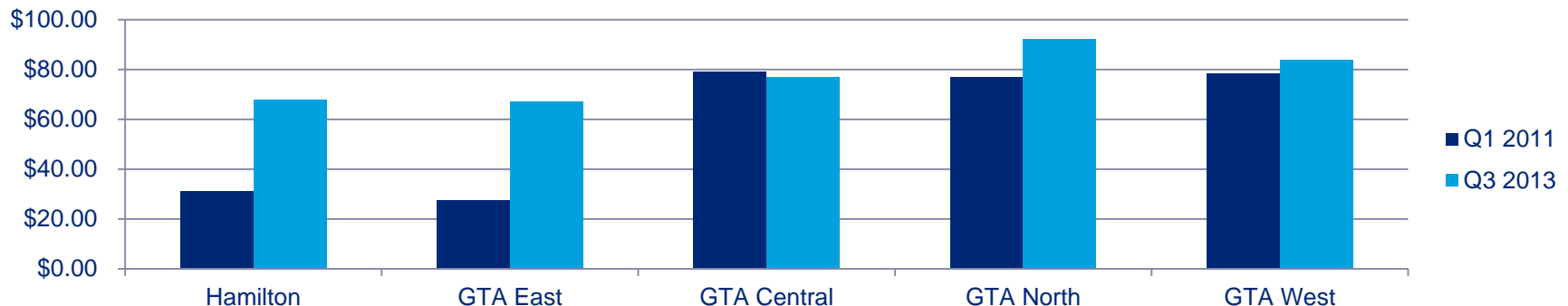
Strengths – Industrial land supply

- Hamilton's industrial development charge rates are notably lower than a number of other municipalities across the GTA
- Cost of land is also traditionally low relative to other parts of the GTA, but is on the rise

Industrial Development Charge Rates Per Square Metre – Various Ontario/GTA municipalities



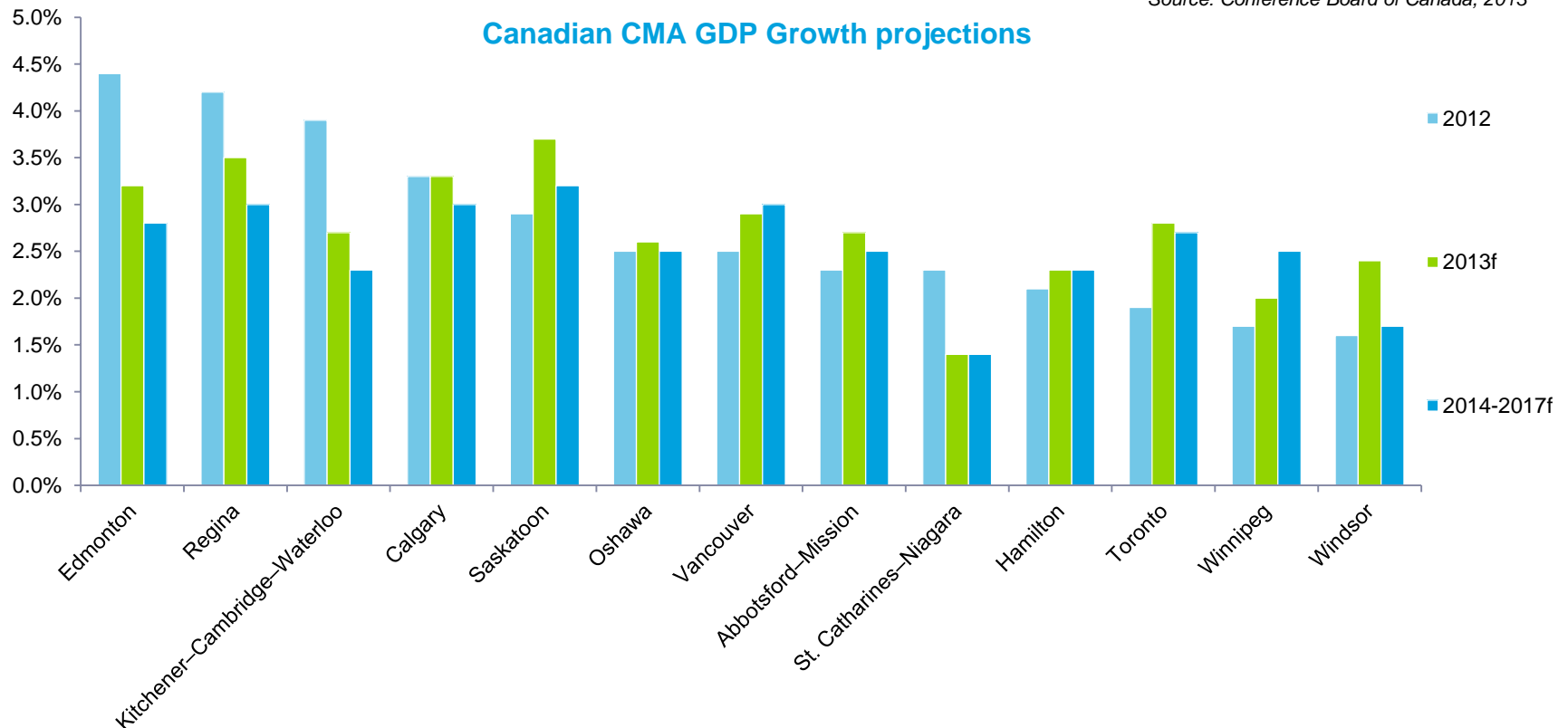
Industrial Sales Price Per Square Foot, Q1 2011 & Q3 2013



Hamilton's competitive assessment (cont'd)

Strengths – Favorable Economic projections

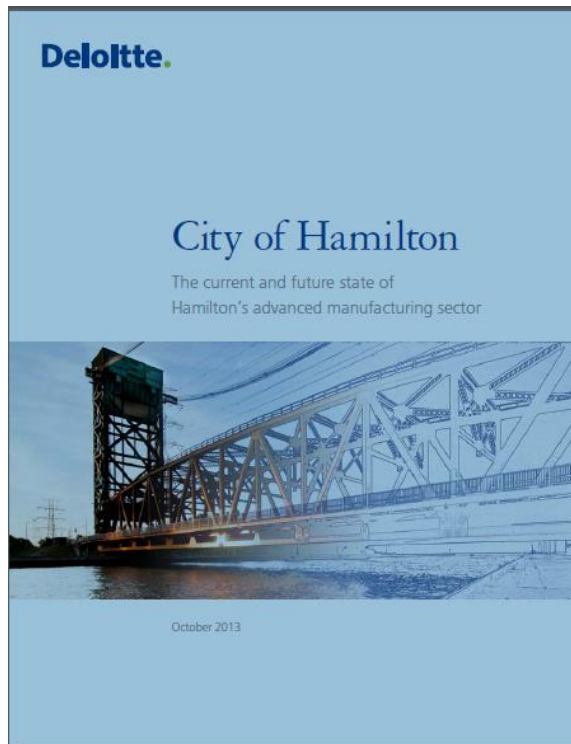
In 2012, the City experienced the 10th highest GDP growth across Canadian CMAs, placing it ahead of Toronto. From 2013 to 2017, Hamilton is projected to maintain GDP growth of 2.3%. Furthermore, as of February 2013, Hamilton had the lowest unemployment rate in the province and eighth lowest in the country. This figure left Hamilton well below the national unemployment rate of 7%. Over the longer-term, Hamilton is forecast to be one of most rapidly growing employment centres in the GTHA.



Hamilton's competitive assessment (cont'd)

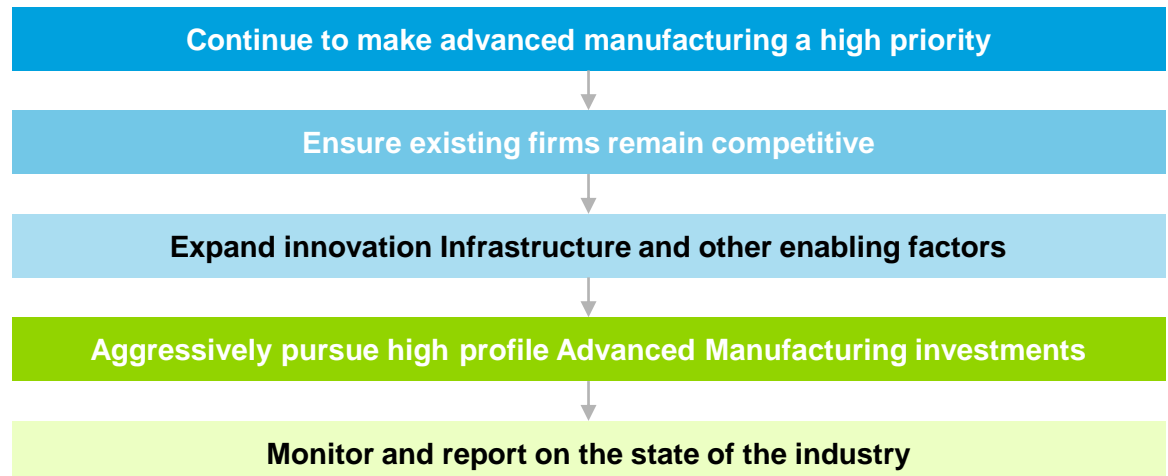
Strengths – Advanced manufacturing champion

Hamilton's advanced manufacturing cluster is a component of a much larger advanced manufacturing provincial and regional cluster of manufacturing sector activity and supporting service industries across southwestern Ontario. Such a regional advanced manufacturing based presence results in widespread benefits as new organizations locate in the region, and start to potentially source inputs from Hamilton.



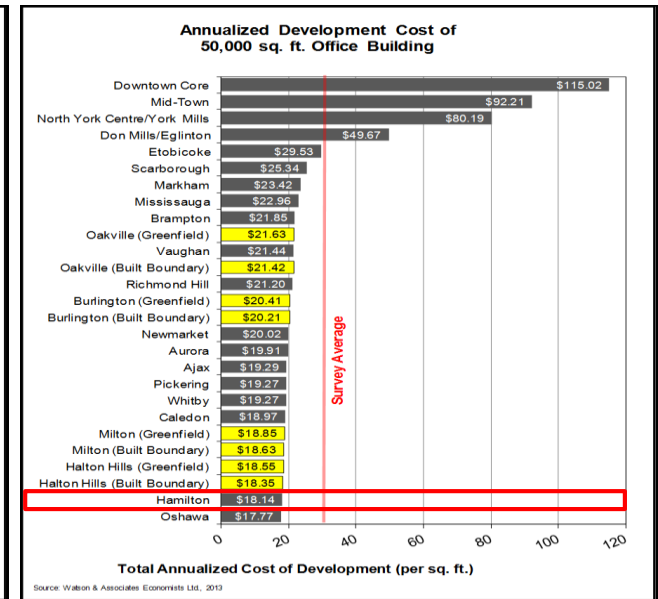
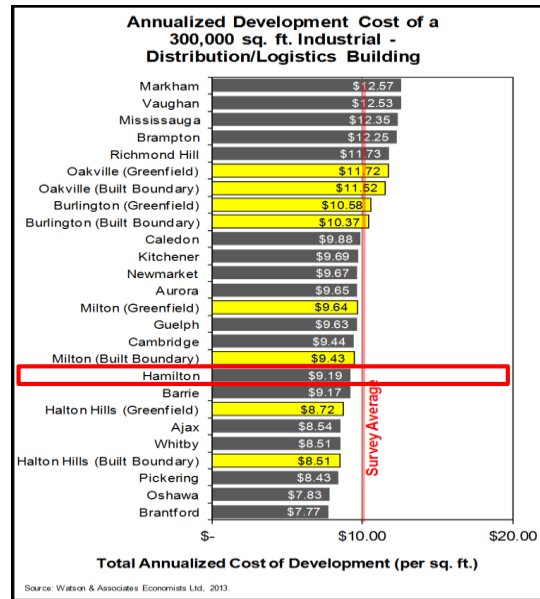
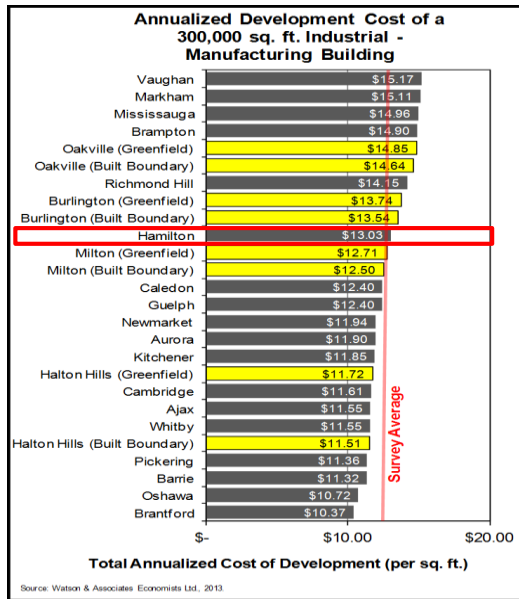
Within an advanced manufacturing context, the City of Hamilton benefits from its location within a rapidly growing and competitive region, access to an expansive market and major trade corridors, an accelerating industrial market, and a positive manufacturing outlook. Furthermore, Hamilton's key assets include a significant established manufacturing base, strong infrastructure assets, access to talent and strong education institutions, critical innovation networks, and the ability to leverage its position within a super-regional advanced manufacturing cluster.

Advanced manufacturing strategic directions



Hamilton's competitive assessment (cont'd)

Strengths – Low cost of development/operations



In a recent comparison prepared for the Region of Halton, Hamilton had the cheapest office development costs only next to Oshawa. The construction costs were in the mid range for Industrial development. Hamilton's industrial development charge rates are notably lower than a number of other municipalities across the Greater Toronto Area, but other factors, including Hamilton's rising cost of land may be resulting in higher construction costs.



When benchmarking Hamilton with other municipalities, Hamilton's value proposition is clear. It is not competing with SWO municipalities, which can offer a cheapest location, but it is providing a cost-effective proposition considering its location and, proximity to established supply chain markets.

Hamilton's competitive assessment (cont'd)

Strengths – High quality of life

"Hamilton is a city of many communities, built on community spirit. With a wide range of museums, libraries, entertainment venues, recreational facilities, parks and conservations areas, the City of Hamilton offers the perfect place to start a business, raise and family and grow with the community."

Source: Hamilton Economic Development

Vibrant culture

- A heavy arts presence with venues, such as the Gallery of Hamilton and the philharmonic orchestra
- Home to the Marine Discovery Centre at Pier 8, and the Dundurn Historic National Site

Healthcare

- Hamilton services the Regional Healthcare center for a broader GTHA market, including Hamilton, Burlington and Guelph. Hamilton is also home to a rapidly growing Life science cluster in particular related to McMaster University and McMaster Innovation Park ("MIP")

Recreation

- Home to numerous sporting teams including, the Hamilton Tiger Cats
- Facilities include 20 arenas, 27 indoor and outdoor pools, 16 recreation centres and 28 community halls and four senior centres

Source: Hamilton Economic Development Strategy 2010-2015



The future is looking bright...

- ✓ Population and Employment are forecast to grow rapidly to 2041.
- ✓ After a long period of very limited development activity there appears to be a renewed interest particularly, along Hess Street and the area adjacent to the Hamilton Convention center and City Hall.
- ✓ The City has recently initiated a comprehensive re-visioning and strategic planning exercise for the Bayfront: An area long associated with the City's traditional industrial past.
- ✓ Plans for all day GO Service, when implemented, will be a game changer. With this vastly improved commuter access, Hamilton will become even more integrated with the broader metropolitan Region.

Hamilton's competitive assessment (cont'd)

Strengths – Lack of congestion a competitive advantage

“The Quality of life in the Greater Toronto and Hamilton Region (GTHA), the competitiveness of the regions industrial base and the ability to attract and sustain business and tourism, all hinge on the provision of safe, fast reliable and convenient roads, bridges and public transit.” – Metrolinx 2008 Cost of Congestion Report



A Metrolinx study in 2008 compared the six GTHA Regions and concluded Hamilton was least congested. On an annual basis a business operating in Hamilton would be able to save 30% in excess travel delay costs compared to Toronto, 9% compared to Halton Region and approximately 20% compared to GTHA as a whole.

The same study also compared the Travel Time Index (TTI) for all regions in the GTHA. The TTI is the ratio of peak period travel time to free flow travel time. Hamilton was once again the leader for this metric with a score of 1.31, which was significantly below the GTHA average of 1.63 (Toronto scored 1.88 and Peel scored 1.75)

As a conclusion to this study, the Metrolinx survey also calculated the total number hours of delay felt by commuter in the GTHA. Hamilton scored the best among its competitors with just 21 hours lost. As a comparison, The City of Toronto scored 67 hours with the GTHA Average being 50 hours.

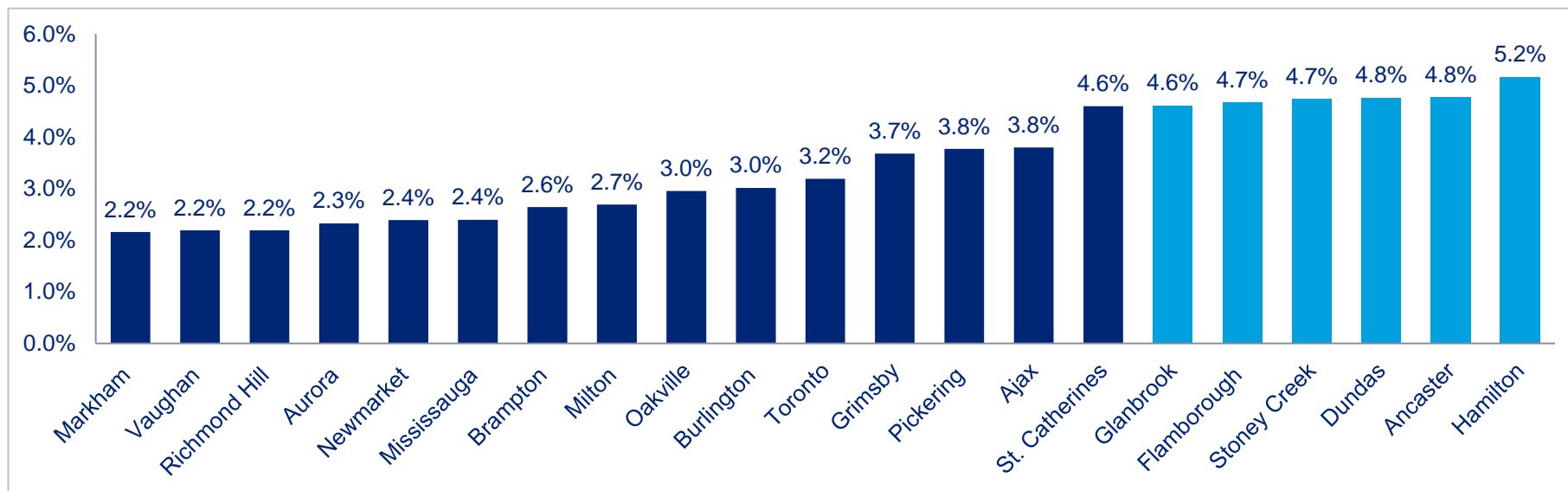
Source: Metrolinx 2008 Cost of Congestion Report

Hamilton's competitive assessment (cont'd)

Challenges – High Municipal Tax Rate

Hamilton's industrial property tax rates are notably higher than a number of other municipalities across the GTA and surrounding region. The main concern with this situation is one of perception. From a site selection perspective, the gap in rates may have the effect of characterizing the City as a relatively high-tax location, which, in turn, could act as a barrier to competing for new investment in the GTA market. However, as noted previously, from an overall development cost perspective the City of Hamilton is more competitive than many of these locations, mainly because of lower land costs. It is also important to note that, as shown below; industrial tax rates are lower outside of the former City of Hamilton in the former townships. The former townships are the location of virtually all of vacant industrial land supply, particularly, in the Red Hill South area and to the east in the Airport Employment Growth District. These two areas will be major locations for economic development over the next 25 years. As a result, even though tax rates may appear to be high, the overall tax payable might be less given lower land costs and correspondingly lower property assessments. From an overall cost perspective Hamilton remains competitive with other locations in the GTA, as well as many of its neighbouring competitors to the west.

New Construction Industrial Property Tax Rates (JT) – Various Ontario/GTA municipalities



Hamilton's competitive assessment (cont'd)

Challenges – Regulatory and Bureaucratic Hurdles

Regulatory hurdles: Ontario ranks 5th for Independent Business Red Tape

- Ontario ranked Fifth in 2013 Canadian Federation of Independent Business Red Tape Report Card, as many business owners feel that cost of compliance is high
- Ontario employers face approximately 385,000 requirements, largely from Ontario's Ministry of Labour, Workplace Safety and Insurance Board, and the Province's environmental regulations – among nation's strictest

Labour union considerations identified by stakeholders & interview process

- Hamilton stakeholders identified the City's unionized manufacturing environment as a potential challenge to sector growth. Southern Ontario's unionized environment may pose challenges to businesses during periods of slow economic growth, and given less costly U.S. labour options available
- Increasing trend within the U.S. involves pushing the country's auto belt south from Michigan and Ohio into areas such as Alabama and Mississippi in search of cheaper labour and fewer costly union battles

Hamilton is on the right track...

- Hamilton has taken steps to address these challenges on multiple levels. It has a successful AEDO accreditation, as a result of which Hamilton's Planning and Economic Development, became one of the first municipal economic development organization in Canada to achieve AEDO status. This certification attested Hamilton's operations, structure and structure as a means of improving programs and enhancing business and community support.
- The City also has a fast-track Site Plan application process in place, which is intended to reduce approval times from 10-12 weeks to 3-4 weeks with the potential of special items of public or economic interest expedited even further.



Hamilton's competitive assessment (cont'd)

Challenges – Perceptions/misconceptions

According to interviews, one of the key challenges to attracting FDI are current perceptions and misconceptions about the community. Hamilton is viewed as a traditional manufacturing town, characterised by steel mills, poor air quality and a relative lack of innovative or knowledge based activities.

Hamilton is perceived as a traditional manufacturing steel town.

The Bayfront is old and dirty and indicative of the City's economic base as a whole.

The Air quality in Hamilton is poor due to un innovative traditional processes.

There is lack of activity advanced skills, processes, technology and innovation.

What needs to be done?

Feedback from stakeholders indicated a need to correct this perception:

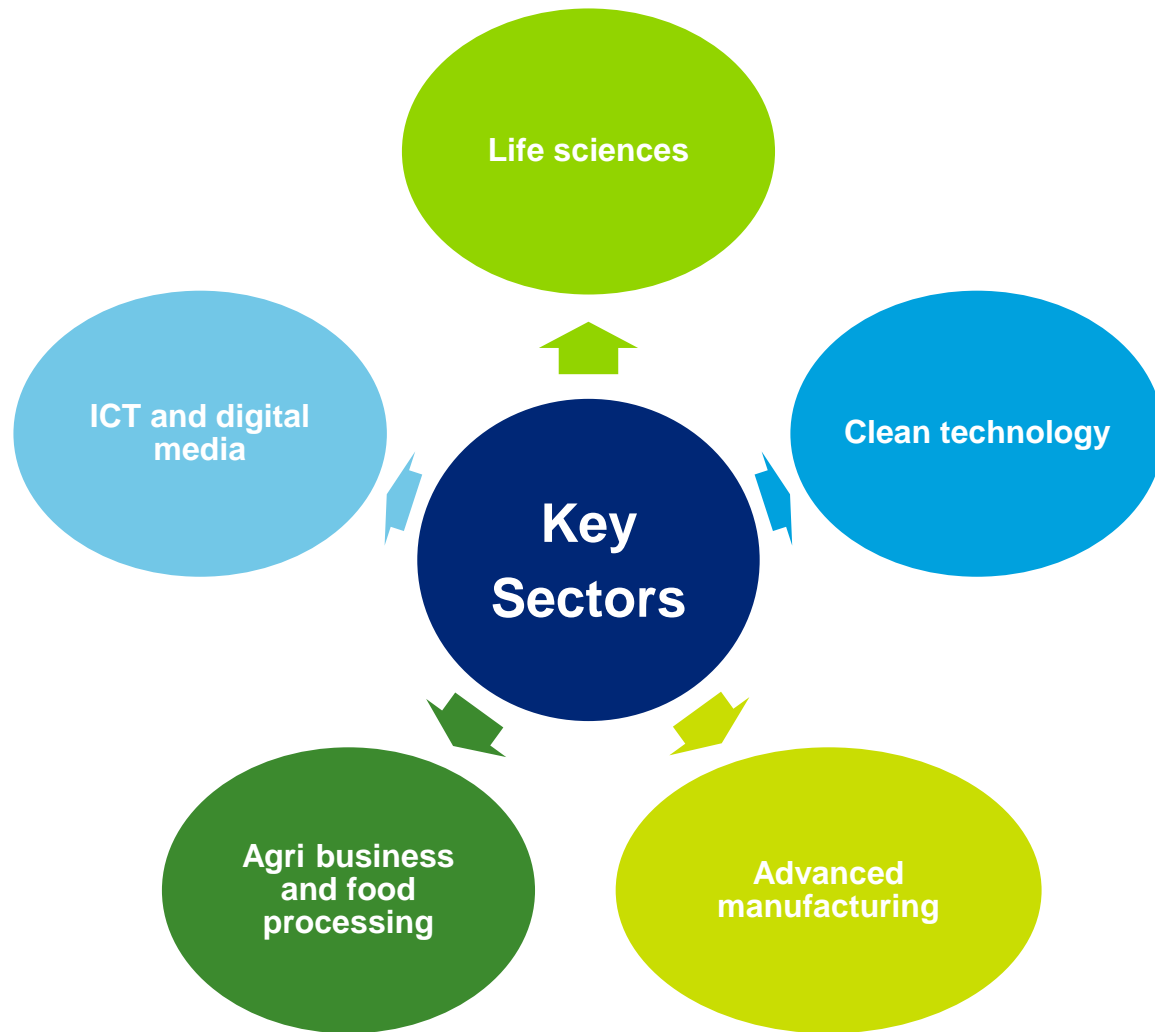
- The City should work to **correct the perception that the Bayfront is indicative of the City's economic base** as a whole.
- The City needs to **improve the visual appearance of the Bayfront**, as seen by a visitor driving on QEW. Options might include, landscaping, painting, planting trees, installing a windmill, etc.
- Based on discussion with participants it is understood that much of the pollution in Hamilton may actually be coming from outside Hamilton. The environment is actually cleaner than perceived. Portraying “**its cleaner than you think**” image would be helpful.
- Stakeholders also identified the **need to market positive quality of life and a sustainable environment** for potential investors.



Section 6

Identifying the key sectors / sub-sectors

Hamilton's Key Sectors



(Advanced Manufacturing includes:

Primary Metal Manufacturing; Steel Services and Processing; Metal Fabrication; Automotive; Clean Technology – Power Generation and Water; Oil and Gas; Aerospace and Nuclear)

Hamilton's Key Sectors (cont'd)

Opportunities in Life sciences

Profile:

In 2012, Statistics Canada estimated that close to 300 businesses were operating in the life sciences sector in the Hamilton region. Hamilton has a fascinating opportunity considering the strengths of the Life sciences sector and having all essential preconditions for a vibrant industry cluster.

Institutional capabilities present at McMaster University, McMaster Innovation Park, St Joseph's healthcare and Hamilton Health Sciences, act as a great catalyst for the industry.

The sector has a **great deal of diversity**, including the fields of: biotechnology, agriculture, pharmaceuticals, biomedical technologies, life systems technologies, kinesiology, nutraceuticals, cosmeceuticals, food processing, environmental, biomedical devices, health informatics and administration, and organizations and institutions that devote the majority of their efforts to the various stages of research, development, technology transfer and commercialization.

Target Sub-sectors and Focus Areas:

Target sub-sectors have been derived based on on-going research in existing institutions (e.g. McMaster Medical Centre) and their interactions with external agencies like the Fraunhofer Institute based in Germany. The research centers are positioned to attract knowledge based workers and interest already exists in the form of these multi-national organizations, who wish to benefit from having access to the talent at these research centers. Hamilton's strategy should focus on this opportunity. These organizations are looking to be an integral part and direct specific research in the following target areas:

- **Biotechnology/Pharmaceuticals:** Application-oriented research related to advanced diagnostics and therapies e.g. Cell therapeutics.
- **Medical Device Manufacturers/Suppliers:** Combining advances in Life Sciences and Advanced Manufacturing and focus on mass customization.



Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

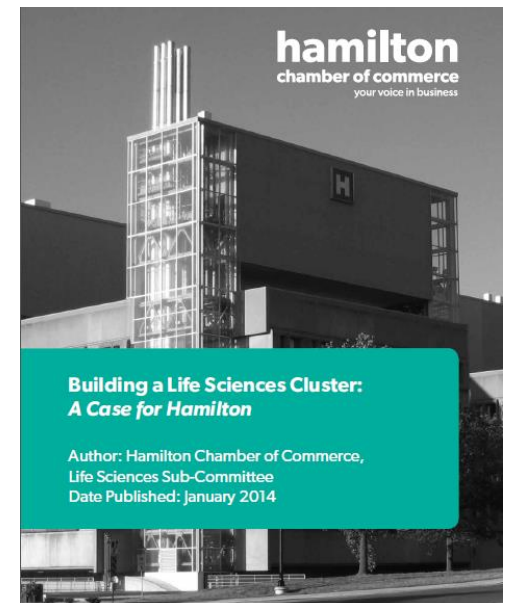
Opportunities in Life sciences

What is Hamilton doing:

- Participating with Life Sciences Ontario ("LSO") to promote the sector overall in the City.
- Participating with the Ontario Chamber of Commerce ("OCC") on Ontario's strategy for Life Sciences, the City supports common initiatives at the Provincial level.
- Hamilton Chamber of Commerce, recently released a report titled "Building a Life Sciences Cluster: A Case for Hamilton". This report outlines how the city's future prosperity depends on its ability to extract greater commercial development from its current strengths. Based on a review of 35 case studies the report identified five features that are essential for a cluster to form and thrive:
 - Knowledge and talent;
 - An industrial base;
 - Infrastructure and funding;
 - The support and alignment of stakeholders; and
 - A driving force.
- The report provides an excellent score to Hamilton for knowledge and talent and having an industrial base, but a fair/poor grade for our collective business expertise in commercialization, which may be in part due to lack of infrastructure/funding and dedicated life science incubation space.
- **Most importantly the study noted that, there is no driving force or chief advocate leading the charge for the establishment of a life sciences industry cluster in Hamilton.**

"... We are in the clinical trials business. We are constantly working with Big Pharma around the word... Over the years a lot of money has come into the City, which is a wonderful legacy to help fund research and development. The real challenge will be to commercialize those ideas".

Rob MacIsaac, Hamilton Health Science



Hamilton's Key Sectors (cont'd)

Opportunities in Life sciences

What is Hamilton doing (cont'd):

By comparing Hamilton to the elements of successful clusters, the report is able to make the following recommendations:

- ❑ Champions must emerge. Key industry stakeholders in both the private and public sector must create a unified vision, convene to identify specific goals and act as a champion group that leads the development of a local cluster mentality.
- ❑ We must create a physical life sciences incubation space, which is critical for anchoring a regional cluster.
- ❑ Associated with the incubation space, an arm's-length organization, focused on commercialization and innovation in life sciences, must be established to open up global channels and equip the creators of intellectual property with the knowledge, tools and connections they need to achieve commercial success.
- ❑ A marketing and branding strategy for Hamilton's life sciences cluster must be created. Enhanced public awareness of research will create community support, commercialization interest, the attention of venture capital and the pressure to innovate.
- ❑ Pursue investments from the provincial and federal governments to support the creation of the cluster and to help bridge the gap to commercialization.

The report further adds that none of these recommendations are impossible to implement; duplicative or cost prohibitive, and should not take decades to nurture and develop. Many essential pieces, in fact, are already coming together, but progress would depend on key leaders determined to act.



Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

Opportunities in Life sciences

What is Hamilton doing (cont'd):

Key 2015 conferences for Life Sciences:

- Sherbrook International Life Science Summit - September 2015
- E-health 2015 (May 31st to June 3rd, 2015)
- BIOTECHNICA (Oct 6th – 8th, 2015), Hanover, Germany

Geographic targets:

The United States: Massachusetts, New Jersey, California

Europe: England, Germany, France, Sweden

Select Industry Leaders:

Valeant Pharmaceuticals International Inc., Concordia Healthcare Corp, Tekmira Pharmaceuticals Corporation, Nordion Inc. and ProMetic Life Sciences Inc.

“Hamilton already has all the necessary components for creating a strong life science cluster”.

“Hamilton’s health service and research sector is now the city’s largest employer,” said Loomis. “The magnitude of health and life science research being conducted here has doubled in recent years, and is receiving global recognition and awards. We have built incredible health infrastructure that is attracting specialized knowledge and human capacity that is the envy of cities worldwide.”

Keanin Loomis, President and CEO Hamilton Chamber of Commerce

The Conclusion

- There is a clustering effect occurring in Hamilton with respect to the Life Sciences Industry. The industry is already the largest employer with specialized health infrastructure that attracts and retains specialized knowledge and human capacity to Hamilton. Moving forward the city is well positioned to continue to expand upon its established research base. Focus and participation with existing institutions like McMaster university and external institutions like Fraunhofer Institute based in Germany is key.
- Based on feedback from stakeholder it seems that the City is doing a good job, but it could do better. One area of focus is the availability of incentives and the ability to receive funding for operations and sometimes also equipment, but not for the actual space/building. The City can play an instrumental role through partnerships or facilitating in finding the target space and if nothing is available provide incentives to create new space which could in-turn be somehow tied to performance targets.
- Ultimately, there is tremendous untapped opportunity to commercialize products/technology and increase exports from this sector.

Hamilton's Key Sectors (cont'd)

Opportunities in Clean Technology

Profile:

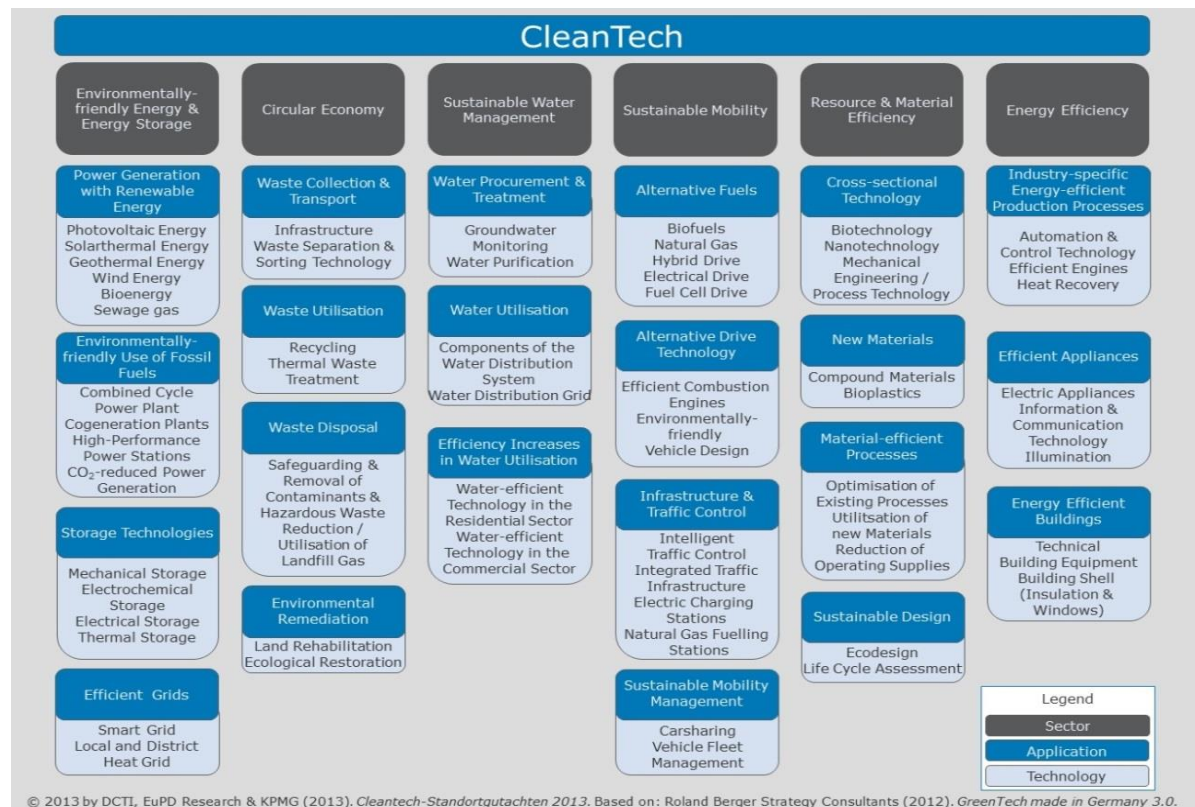
Hamilton has a reputation as being a leading manufacturing center, which includes a focus on sustainability and green energy that has led to the emergence of a clean technology sector. More specifically, Hamilton's abundant number of research facilities, a growing clean-tech supply chain of business, strong institutional resources for training and incentives provide a competitive advantage. Hamilton is also well positioned (given its location in Ontario) as the province is home to more than 25% of Canada's clean-tech companies with \$250M in the next five years being earmarked for further development in the sector.

Target Sub-sectors and Focus Areas:

Adjoining is a matrix chart of CleanTech applications in the six major categories.

Primarily research is being done in the following key areas, which should also be Hamilton's focus for attracting FDI:

- **Efficient use of energy** – e.g. Smart Grid technology
- **Environmentally friendly Energy and Energy storage**
- **Resource and Material Efficiency** e.g. Material-efficient processes, cross-sectional technology and New materials.



© 2013 by DCTI, EuPD Research & KPMG (2013). Cleantech-Standortgutachten 2013. Based on: Roland Berger Strategy Consultants (2012). GreenTech made in Germany 3.0.

Hamilton's Key Sectors (cont'd)

Opportunities in Clean Technology

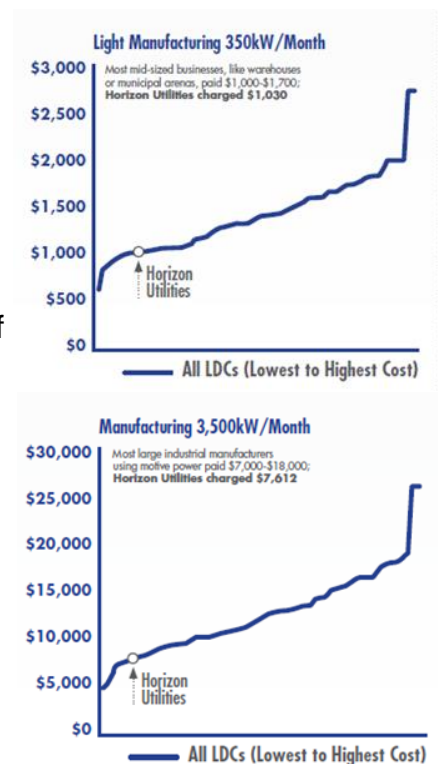
What is Hamilton doing?

- 2014 marked Hamilton's fourth year in participating with Ontario Clean Technology Alliance ("OCTA") and attracting FDI from within the renewable energy sector.
- A research program is also in place to investigate the Region's value-added propositions, identify gaps and future prospects for this sector, which will add to City's FDI strategy.
- Hamilton has also initiated participation with Ontario Automotive Communities Alliance ("OACA") in 2013 with the focus on rapidly evolving technologies (especially green technologies). Together the organization is trying to drive new trade and investment to the province.
- Key 2014/2015 conferences:
 - Sustainable Technologies Trade Mission to Mexico (Sep 22 to 26, 2014)
 - Caribbean Renewal Energy Forum ("CREF") (Oct 6 to 8, 2014), Miami
 - LumiVille, international outdoor, public lighting trade fair, (June 2 to 4, 2015), France

Low Utility Rates - Lower Cost of Business Operations

Horizon Utilities Corporation provides businesses a competitive advantage by providing one of the lowest rates in Ontario, which assist companies in realizing lower costs of operations over the short and long-term. (Source: Horizon Holdings 2013 annual report and Ontario Energy Board).

Low Start-up Costs for Emerging Business: Horizon Utilities' 'customer connection program' delivers low, start-up costs for firms through two leading industry innovations to help give new business a business edge. The added advantage for infill properties is that they carry little or no construction costs. Horizon is also the only utility to have a database that combines a vacant building inventory with utility and customer-owned assets at the properties. The advantage is that firms can narrow down their property searches for locations that already have the exiting preferred electrical service and customer assets.



Hamilton's Key Sectors (cont'd)

Opportunities in Clean Technology

Geographic targets:

- Ontario/Quebec
- U.S. (California, Massachusetts, New Jersey, Pennsylvania)
- Europe (Germany, Scandinavia, France) and
- Asia (China, Japan, Korea)

Select Industry Leaders:

- Schenker Schweiz AG, Korea Electric Power Corporation, Energy Transfer Equity, L.P. Enterprise Products Partners L.P, Energy Transfer Partners, L.P., Plains GP Holdings, L.P.

The Conclusion

- Hamilton is on the right track and should continue their participation with OACA and OCTA coupled with additional research into Hamilton's role in the future of Clean-Tech.
- Considering its strategic location and an abundance of resources, both in terms of skilled employees and premiere facilities, Hamilton has an opportunity to become the hub of environmental and innovative excellence in Southwestern Ontario. The aforementioned resources should work in coordination with the institutional/educational entities in the city for maximum effect.
- What is of vital importance is the need for the City to get organized i.e. Clear vision and political will aligned with a common mental framework to establish what everyone is trying to achieve for this sector.
- Greater market presence is warranted for this sector.
- Similar to the recommendation for other knowledge based sectors, the City can play an instrumental role through partnerships, offering incentives and facilitating in finding space/creating new space for companies looking to invest in the Clean-Tech sector.



Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

Opportunities in Advanced Manufacturing

Profile:

As Deloitte has noted in our 'Advanced Manufacturing' Report; the impact of the sector on Hamilton's industry cannot be understated. Furthermore, the industry significantly contributes to Ontario's economy with a \$12 Billion annual effect or the equivalent of 4% of Ontario's GDP and 85,000 jobs. While many associate Hamilton just with steel production the sector also encompasses innovative applications of leading-edge computer numeric control (CNC), computer-integrated manufacturing (CIM), robotics, automation and visioning systems, as well as advanced methodologies like lean manufacturing.

Target Sub-sectors and Focus Areas:

This is a wide ranging sector. The focus for Hamilton depends on both market demand which is synonymous to leading research coupled with Hamilton's background and ability to match this demand. Described by the Economist as the "third industrial revolution", manufacturing is going digital, and remarkable new technologies are converging, including advanced software, materials, robotics, processes and a range of web-based services. While the factory of the past was based on mass production of identical products, the factory of the future will be increasingly focused on new processes and products:

- **Additive manufacturing e.g. 3D Printing and Bioprinting**
- **Nanotechnology**
- **Synthetic biology and genetic engineering**



Hamilton's Key Sectors (cont'd)

Opportunities in Advanced Manufacturing

What is Hamilton doing?

The City had recently commissioned a study on 'Advanced Manufacturing' to review the impact of the sector on Hamilton's industry. The key events that the City was planning to participate in 2014 included:

- **Canadian Manufacturing Technology Show 2014 (CMTS)** - Direct Energy Centre, Toronto - October 19-22, which showcased design engineering, maintenance products and industrial support services. This show is a platform for the delivery of the latest ideas and methods for designing new products, maintaining operations, and staying ahead of the competition.
- **International Manufacturing Technology (IMTS) Show 2014 Conference:** Chicago, IL - September 8-13, 2014. The IMTS is one of the largest industrial trade shows in the world, with more than 1,900 exhibitors and 100,000 visitors and is held every two years in September at McCormick Place, Chicago.

Collaborative partners in investment include: APMA; CME; EMC; MEDEI;

Geographic targets:

- Ontario, Quebec and Alberta
- U.S. – New York, Indiana, Illinois, Pennsylvania
- Europe – Germany, U.K., Italy, Scandinavia, France
- China and Japan

Select Industry Leaders:

- Siemens Schweiz AG, Boeing, Hyundai Motor Company, United Technologies Corporation, Posco, Caterpillar Inc., Lockheed Martin Corporation, Johnson Controls Inc.



Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

Opportunities in Advanced Manufacturing

The Conclusion

- The Advanced Manufacturing sector in Hamilton is a significant growth opportunity for the City. Hamilton benefits from its location within a rapidly growing and competitive region which leads to easy access to an expansive market. Furthermore, an accelerating industrial market and a positive manufacturing outlook make for an attractive proposition. The potential is significant within this sector moving forward.
- Through partnerships like the Invest Hamilton Group or Global Hamilton Council Hamilton can lead in establishing specific sub-sector special interest groups who can be instrumental in driving FDI and business attraction in their respective sub-sectors. Being part of these special interest groups, these companies might be prevented from being attracted away from Hamilton to take advantage of regional incentives, particularly the Advanced Manufacturing Fund.
- Similar to the recommendation for other knowledge based sectors, stakeholders have expressed the need for the City to play an instrumental role through partnerships, offering incentives and facilitating in finding / creating new space for companies looking to invest in Advanced Manufacturing. Support for operations and equipment is sometimes available, what is lacking is grants / support to find the conducive space for operations.
- Strong Diaspora networks exist for this sector. Highlighting them would help others from similar background / circumstance see that their peers have been successful and secondly this presents a huge business opportunity for potential immigrant investors / entrepreneurs.



Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

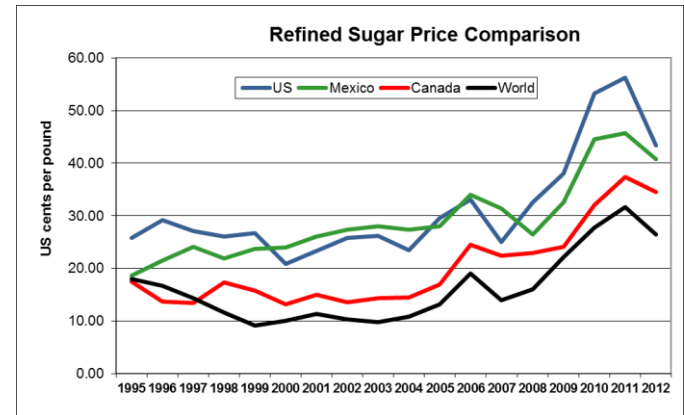
Opportunities in Agri-business and Food Processing

Profile:

A study from 2014 found that agri-business generates approximately \$900 million in economic activity into the City of Hamilton's economy on an annual basis. Furthermore, agricultural tonnage shipped through the Hamilton Port doubled between 2008 and 2012 to a record of more than 1.6 million tonnes. As of 2013, Agricultural products accounted for 16 per cent of everything shipped in and out of the port, up from less than 10 per cent in 2009. The City of Hamilton saw this trend developing early and developed a long term plan to sustain agriculture as a key component for supplying raw materials and ingredients to the regions' burgeoning food processing cluster. The recommendations that will be made later in this document should be used to supplement and expand upon these directives from an FDI perspective.

Target Sub-sectors and Focus Areas:

- Sectors and companies with significant water demand, could be one of the target focus areas for Hamilton to consider, given their access to Lake Ontario. Building capacity for this and having the supply available would be key. The current focus for the industry has been **Food and Beverage Processing / Manufacturing**. This is also one of the key target sectors for the Province. Ontario is North America's second largest food and beverage processing jurisdiction and Hamilton's strategic location in Ontario provides it access up to 450 million affluent consumers through NAFTA.
- Canada has a distinct advantage in terms of sugar pricing, that makes confectionary and bakery and beverage industries a potential target (e.g. Ferrero in Brantford).
- Hamilton also has strengths in the Meat processing industry.
- The recent merger of Burger King and Tim Horton's is a prime example and outcome of our lower corporate tax rates, which should be promoted as a competitive advantage for companies to locate in Canada.
- One of the issues raised is that the Food processing industry often employs immigrant labour forces and having access to this resource from communities within broader GTHA region is a key advantage for Hamilton.



Hamilton's Key Sectors (cont'd)

Opportunities in Agri-business and Food Processing

What is Hamilton doing?

Hamilton is part of the Ontario Food Cluster (OFC) which includes three Provincial and Federal government partners, which attends three or four annual food shows to explore as well as pursue and make connections with previously researched entities. The objective through this participation is to position Ontario as an entry point for North American markets. Part of the focus remains on US food companies looking to expand in the food service and food retail business in Canada.

Hamilton should also work closely with the Ministry of Agriculture and Food and the Ministry of Rural Affairs (OMAFRA) and seek ways to position Hamilton prominently in the Province's mandate of making Ontario a better place to do business, increase competitiveness through innovation and grow our market at home and abroad.

One of the key issues raised in stakeholder consultations was questioning Hamilton's investment readiness in terms of readily available sites. When the need arises the City should have sufficient capacity. Opportunity exists for lands close to the airport (AEGD lands) and the Red Hill South Business Park areas. Of the two areas more promising is Red Hill South, which is currently facing servicing issues, which need to be resolved sooner rather than later to make these readily available for investors.

- Key 2014 / 2015 conferences:
 - SIAL (June 25 – 28, 2014), Sao Paulo, Brazil
 - Sweets and Snacks Expo (May 20 – 22, 2014), Chicago
 - IFT14 Food Expo (June 21 - 24), New Orleans
 - Health ingredients Europe, Natural ingredients and Nutrition + Wellness Solutions, (December 2nd to 4th, 2014) Amsterdam, Netherlands.
 - Food & Beverage Trade Mission to Costa Rica & Panama (January 26th to 30th), in 2015.



Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

Opportunities in Agri-business and Food Processing

Geographic targets: The following geographic targets have been based on OFC's focus of the past three years.

- Mid-west and South-west U.S. (California, Texas, Minnesota, Iowa, Nebraska, Pennsylvania)
- Western Europe (U.K., Netherlands, Germany, France, Spain)
- Latin America (Primarily Brazil, followed by other countries)
- Ontario and Western Canada

Select Industry Leaders:

- Cargill Incorporated, Nestlé S.A., Archer-Daniels-Midland Company, Unilever Schweiz GmbH, Pepsico Inc., Bunge Limited, Coca Cola LTD, CHS Inc., Tyson Foods Inc.



Source: Hamilton Economic Development – Key Industries

The Conclusion

- Ebro Foods acquisition of Olivieri Pasta and Grupo Bimbo's acquisition of Canada Bread shows that Hamilton's Agri-Business and Food Processing sector is prime for FDI. The location, availability of land and pool of cheap yet skilled labor makes for an attractive FDI base.
- The City needs to be active and engaged with companies in target geographies to demonstrate recent success stories, which could spur further investments.
- Further government support with respect to the sector should lead to fruitful results going forward with the potential to become a gateway for European Food companies looking to venture into North America.

Hamilton's Key Sectors (cont'd)

Opportunities in ICT/Digital Media Sector

Profile:

Ontario's ICT (Information and Communication Technology) sector is the cause of more than \$13.6 billion in industrial and university-based R&D every year, in various areas including broadband / satellite / mobile / wireless communications and next generation e-devices. Hamilton's location within Ontario and Canada is once again advantageous as Canada has the G7's lowest costs in R&D-intensive sectors (up to 15.8% lower than the U.S. average). Furthermore, combined with federal R&D programs, Ontario's R&D Tax Program can reduce the after-tax cost of every \$100 in R&D spending to between \$61 and \$37. Hamilton has begun to delve into this realm based on connections with the Computer Animation Studios of Ontario (CASO) and with the Canadian Digital Media Network (CDMN).

Target Sub-sectors and Focus Areas:

Cities like Toronto, Kitchener and Waterloo have been successful in the recent past in attracting multi-national firms in this sector. Learning from their experience Hamilton should focus on landing anchor tenants which typically lead to developing a larger cluster around those. City of Toronto's successful housing of Ubisoft in the old General Electric plant, Waterloo's success with BlackBerry (previously RIM) and Kitchener landing Facebook and Google are perfect examples.

It is unlikely that Hamilton would land such Tier 1 companies, but they need to focus on the Tier 2 pool that could act as Anchor tenants and try to locate them in the City Downtown which is also aligned with other City policy objectives.

Potential ICT subsectors that Hamilton could focus on include manufacturing, wholesaling, software and computer services and communications services.



Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

Opportunities in ICT/Digital Media Sector

Target Sub-sectors and Focus Areas : (Cont'd)

Potential Interactive Digital Media (IDM) subsectors include:

- **IDM-focused subsectors** like Post-production, SFX and Animation, Internet-Online commercial information providers.
- **IDM-Related subsectors** like Website developers / E-solution, Hardware / Software-Ready to use packages-broad functional users, Data processing-Entry / digitalization / compression, Internet service provider, Reproduction-Prerecorded CD, disk or DVD, Design-Graphic design services, Computer training and Other

Given the recent success of firms like Pipeline Studio, similar firms could be attracted as anchor tenants to build the critical mass required for developing an industry cluster.

Pipeline Studio is strategically located in Hamilton (30 minutes west of Toronto), and not only benefits from the Provincial / Federal tax credit system, but also due to enhanced tax credits (regional bonus) not available to most Canadian studios. It is important for Hamilton to highlight this to other potential investors.

What is Hamilton doing?

Hamilton in 2014 participated in the MEDTE Ontario Interactive Media Mission: Siggraph – in Vancouver. This conference includes a three day commercial exhibition attracting hundreds of exhibitors from around the world. The event provides opportunities for viewing emerging technologies and hands on opportunities for creative collaborations.



Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

Opportunities in ICT/Digital Media Sector

Geographic targets:

Ontario (GTA)

U.S. (California)

South America – Brazil (fastest growing source of FDI)

Select Industry Leaders:

Ncs Pearson Inc., Denali Intermediate Inc., SCI Systems Inc., General Dynamics Advanced Information Systems Inc., S A Logitech International, Symbol Technologies Inc.

The Conclusion

- While Kitchener/Waterloo (and other Ontario) municipalities offer stiff competition with respect to this sector, Hamilton should certainly continue to pursue further advancement in this industry by targeting Tier 2 companies in the identified sub-sectors.
- Despite an infancy with respect to infrastructure, Hamilton has the ability to leverage relationships with McMaster and Mohawk / MIP / Innovation Factory to establish a cluster in the Downtown area.



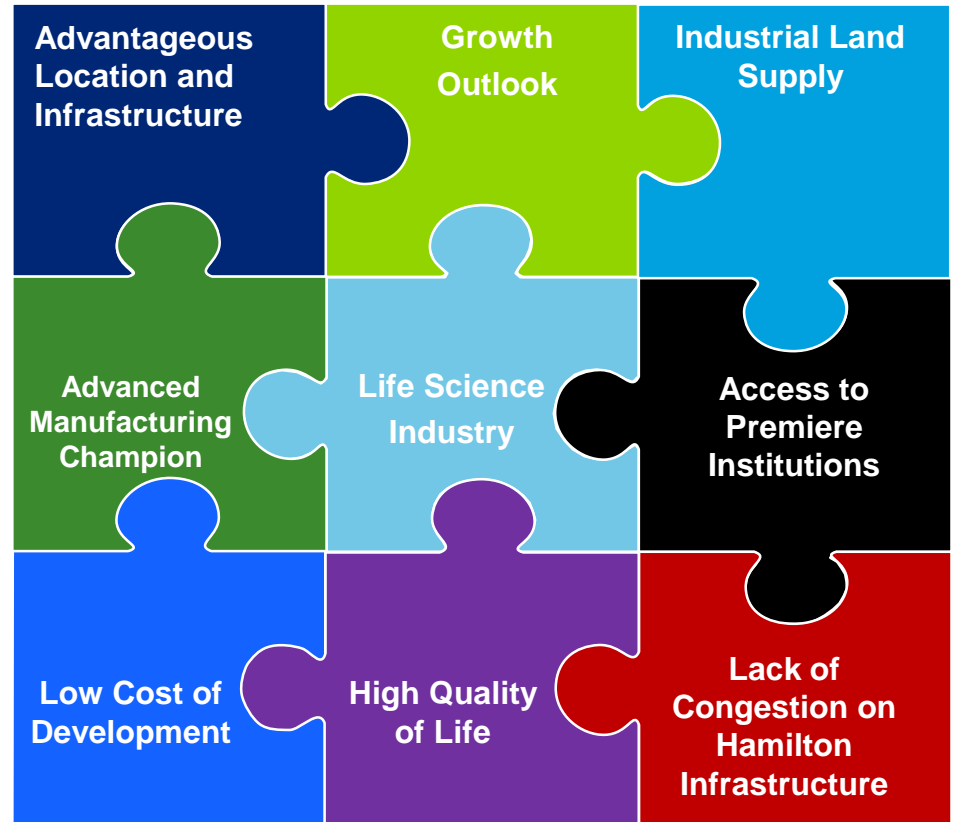
Source: Hamilton Economic Development – Key Industries

Hamilton's Key Sectors (cont'd)

Key Conclusions

The City of Hamilton is extremely well positioned to compete for FDI. The City enjoys a competitive location relative to the transportation network and over time will have the ability to provide large tracts of vacant industrial and business park lands, which is a tremendous advantage within the GTHA. Reduced congestion and travel time savings are a major advantage in competing for distribution and supply chain investors.

According to the interviews undertaken for this assignment, however, Hamilton suffers somewhat from an “image” perspective and many of its unique competitive advantages may not be well understood by potential investments. These include the outlook for growth around the Airport and in Red Hill South, the size, significance and potential growth in Hamilton port and advanced technological state and growth outlook for the life science industry. As with many other communities in the GTHA, bureaucratic and regulatory hurdles remain, including delays in development approvals. Capitalizing on these strengths and addressing weaknesses will be an important element of the FDI strategy.



Hamilton needs to communicate its unique value proposition as part of the FDI Strategy

Section 7

Hamilton's FDI initiatives and success stories

Hamilton's FDI Initiatives and Success Stories

An Introduction

“Today in a period where economic growth is non-existent and corporate mergers and acquisitions dominate the Canadian landscape, retaining and growing local companies must be the City’s top priority. When a decision about a local company’s future is being made offshore, the municipality must do everything possible to guarantee that the business remains, continues to pay taxes and provides jobs for local residents. Regardless of economic conditions, any city that is not committed to a comprehensive and aggressive Business Retention and Expansion (BRE) program is guilty of a major disservice to its taxpayers.” – Hamilton 2010-2015 Economic Development Strategy Report

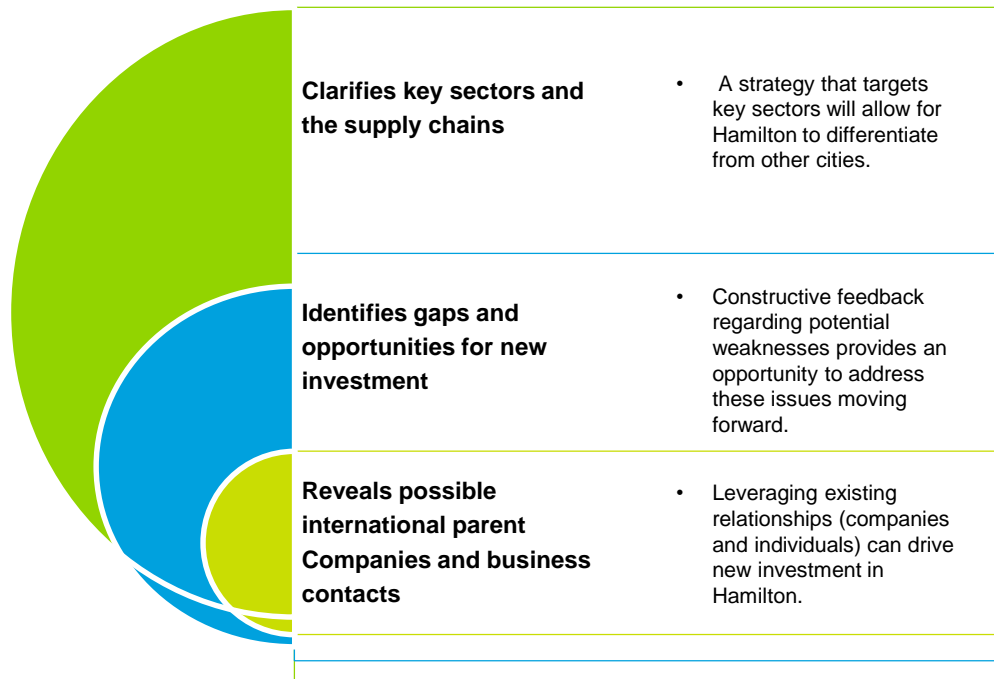
Hamilton currently undertakes a range of business retention and expansion (BRE) programs and activities to attract and regain investment. As outlined in the Hamilton 2010-2015 Economic Development Strategy Report, Hamilton has undertaken numerous proactive BRE initiatives with the attraction of FDI as one of the key goals. These lead generation activities have resulted in a number of successful investments and are helping to build the City’s reputation as a competitive location for FDI within the GTHA. A review of selected success stories follows, to illustrate Hamilton’s growing momentum in the competition for new business investment.



Hamilton's FDI Initiatives and Success Stories (cont'd)

Current FDI Initiatives – Hamilton calling

As 80% of Hamilton's growth comes from existing business; a retention initiative that consists of the interviewing of Hamilton business stakeholders is logical. It was from this perspective that the 'Hamilton Calling' program was implemented as a means of assessing and responding to the needs, opportunities and trends of the business community. The data collected is used for a variety of purposes, as shown below.



Two success stories...



Hamilton representatives met with Anderson Water Systems (AWS) representatives as part of their site selection due diligence for a new facility. This engagement was important as AWS was a known entity despite possessing headquarters in France. Ultimately, the Hamilton staff was able to leverage their strong, existing relationship to retain their business and help with the expansion into a new 58,000 square foot facility.

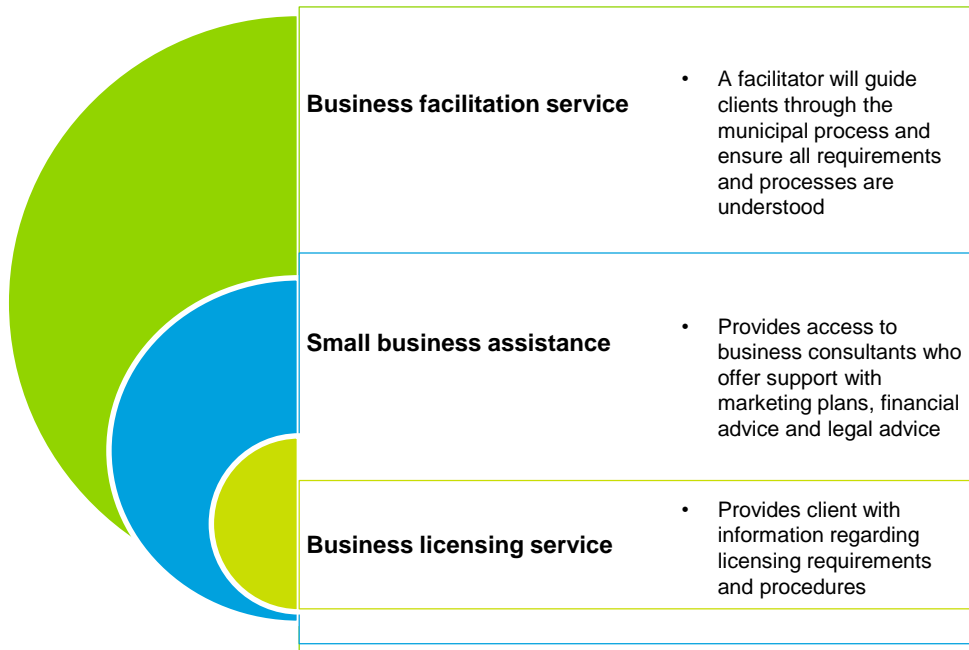
Another example of the value of 'Hamilton Calling' can be seen in the consolidation and expansion of Activation Labs. The company committed to a new 200,000 sf facility with 100 jobs being created.

Source: City of Hamilton – One Stop for Business

Hamilton's FDI Initiatives and Success Stories (cont'd)

Current FDI Initiatives – One stop shop

With easy access on the first floor of City Hall, the “One-Stop Shop for Business” offers free services and resources for existing businesses, new investors or entrepreneurs to locate or expand their business. More specifically, the purpose of this service is to help clients save time and money while making an informed decision with all available resources at hand. Currently, the one stop shop offers three services that are outlined below:



Hamilton emerges victorious



Despite a string of plant closures in 2011, Maple Leaf Foods committed to the creation of a state of the art plant in Hamilton. This new investment consolidated several locations into one 500,000 square foot facility. Furthermore, the project has a pricetag of \$395 Million and is projected to create approximately 700 jobs.

Hamilton competed with 34 other municipalities for these international headquarters. The partnership that was created by the One Stop Shop and the Economic Development Division was critical as it helped get Maple Leaf from the application phase through to construction in just 3 months!

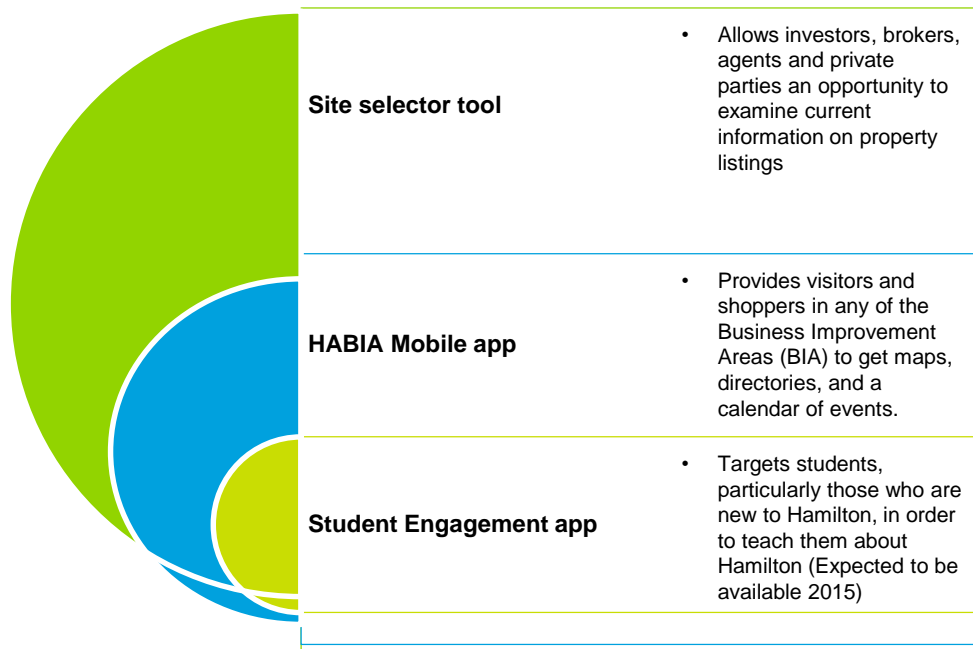
Source: City of Hamilton – One Stop for Business

Hamilton's FDI Initiatives and Success Stories (cont'd)

Current FDI Initiatives – Technology applications

While policy is obviously critical with respect to FDI, the Economic Development staff is cognizant of the need to connect via technological mediums. Accordingly, profiles have been built on the following networking sites: Facebook (500+ fans), Twitter (6,200+ followers), LinkedIn (150+ group members), YouTube (100+ subscribers), Instagram (500+ followers), Invest-in-Hamilton TV (over 300 clips).

Furthermore, the three following mobile applications have been created:



Hamilton's site selector tool



The ability to access information at your fingertips is critical and the site selector tool leverages that need with the result being a highly unique offering. In addition to the services offered by the mobile app, the website version provides extensive property information such as; financial incentives, demographics, infrastructure, surrounding business directory, zoning as well as the capability to apply on-line for a zoning verification certificate. The site seems to have been a success thus far as the “average time on page” for the Site Selector Tool was the highest amongst all pages found on the website.

Source: City of Hamilton – One Stop for Business

Hamilton's FDI Initiatives and Success Stories (cont'd)

Success stories

The following are selected FDI transactions that occurred in Hamilton in 2013 and 2014.

AZZ



AZZ is North America's largest galvanizer and the leading provider of specialized products and services designed to support industrial, nuclear and electrical applications. AZZ located to Hamilton leasing 80,000 square feet of space and created 50 jobs.

Darling International



Texas based Darling International purchased Rothsay a division of Maple Leaf Foods (rendering and biodiesel business) for \$645 million. This is one of six Rothsay plants in Canada and employs approximately 120 people.

Ebro Foods



Ebro Foods of Spain purchased Olivieri Foods for \$120 million. Olivieri will operate under the Catelli Foods umbrella of Ebro here in Canada. The Hamilton fresh pasta plant employs approximately 180 people.

Toshiba International



Toshiba International expanded operations in Hamilton by acquiring Elettra Technologies. Located at the Stoney Creek Business Park, this 50,000 square foot facility employs 40 people with plans to double the workforce in the coming years.

Grupo Bimbo



Grupo Bimbo one of the world's largest bread companies (from Mexico) acquired Canada Bread for \$1.83 billion. Grupo Bimbo's expansion into the Canadian market is dramatic, occupying 385,000 square feet of space and employing over 300 people.

Source: Hamilton Economic Development

Hamilton's FDI Initiatives and Success Stories (cont'd)

Success stories – Fraunhofer

The Fraunhofer Project Centre for Biomedical Engineering and Advanced Manufacturing is a partnership between Europe's largest applied research organization and McMaster University.

Many had assumed that Fraunhofer would partner with London and the University of Western Ontario due to their existing business relationship. However, as a result of McMaster university's strong reputation in cell therapy research, coupled with \$4M in funding from the Province, the deal was made in Hamilton. The project is anticipated to create up to 100 jobs and attract top scientists and researchers from around the world.



This partnership highlights the attractiveness of Hamilton as a location for investment in the life sciences sector

Source: Invest in Ontario Website

Hamilton's FDI Initiatives and Success Stories (cont'd)

Key Conclusions

Hamilton is on the right path...

The current initiatives and programs undertaken by the economic development department and other City staff have clearly met with success. The City is consistently identified as a top “investment ready” location and can point to a number of success stories as evidence of its growing attraction for FDI.

With focus, the future can be bright...

Notwithstanding recent success stories, the size and evolving composition of the global FDI opportunity, combined with the community's advantages, suggest that Hamilton can be performing at an even higher level. The programs in place are a good start: many will need to be continued or expanded as we discuss in the Strategy and Action plan. Hamilton will need to capitalize on its unique value proposition, other factors such as immigrant entrepreneurs, and marketing: particularly with respect to the materials made available for review by target investors.



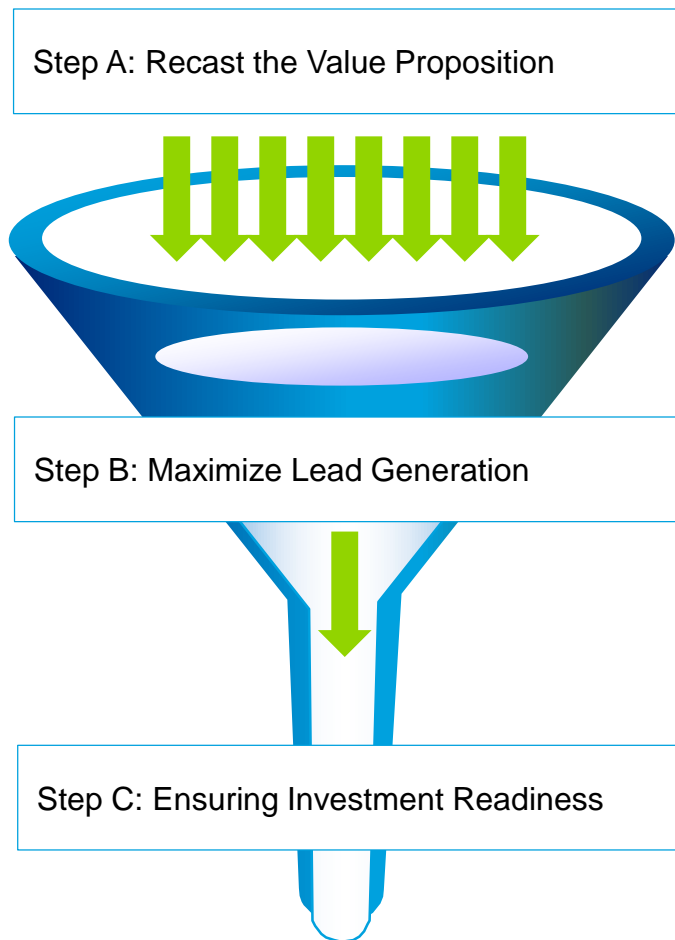
Hamilton has achieved great success to date. A more targeted and structured approach to increase FDI, however, is anticipated to result in a significantly higher level of performance for the City.

Section 8

Positioning Hamilton for success

Positioning Hamilton for success

A three-step strategy is recommended



A

- Increase awareness and visibility for Hamilton as an integrated part of the Southern Ontario economy
- Differentiate Hamilton within the broader marketplace as a superior location for new business investment
- Facilitate the location decision: make it easy for potential targets to make the investment.

B

- Target the right sectors in the right geographies; Align focus sectors with shifting sector composition and City's competitive advantages.
- Focus first on exports from existing firms and then Inbound FDI opportunities from outside Canada.
- Utilize resources efficiently and effectively

C

- Ensure a supply of shovel ready lands, particularly for large space users such as distribution, warehousing and large food processing and manufacturing activities
- Take a proactive and integrated approach to tracking and securing investments and facilitating approvals
- Provide strong after sales support to ensure smooth adjustment to the City and leverage additional opportunities

Positioning Hamilton for success (cont'd)

FDI Strategy

Step A: Recast the value proposition

1. Increase Awareness and Visibility

- **Promote Hamilton** as part of an integrated Great-lakes Mega Region.
- **See through the eyes of the target market** – Re-position Hamilton's strengths based on client needs in the target sectors. E.g. provide specific examples of utility arising from the Port and Airport, research and development opportunities and synergies with other industries.
- **Address the Perception problem** – Based on our review and stakeholder consultations, from an FDI perspective, Hamilton tends to be perceived as an older industrial City focused on steel mills and "old" economy activities. It is very important that this perception be corrected.

Action items

- **Target companies in steel centers internationally** that do not yet have a North American presence
- **Target companies that have come to North America via U.S. and not yet in Canada** in Hamilton's target sectors particularly Automotive and Clean technology. Canada is often a 2nd / 3rd priority for companies charged with expanding in North America and often open to discuss investment plans.
- **Target waste management, reduction, recycling and other green technology companies** and extend that to establish a 'green' and 'sustainable' image for Hamilton. Work with stakeholders to determine how and when a company could access waste as an input and then communicate this to the potential investors. Focus on the Bayfront as a key redevelopment site.

“Firms tend to be agnostic in the initial stages of site selection, good first impressions are key” ”

Assets

- Diverse Economy
- Established manufacturing Base
- Transportation assets
- Land availability
- Access to talent
- Strong education and research institutions
- Quality of life factors
- Relatively inexpensive housing

Strengths

- Located within competitive economic Region
- Expansive market access (U.S./SWO markets)
- Industrial market accelerating
- Manufacturing forecast to rebound
- Positive GDP growth
- Strong Population/Employment growth forecast
- Low Healthcare costs/Tax rates

Positioning Hamilton for success (cont'd)

FDI Strategy

Step A: Recast the value proposition

2. Differentiate Hamilton Within GTHA

- **Promote Hamilton's unique advantages** – Which together make it a superior location to do business within the GTHA.
- **Promote access to Talent due to University presence and commuter shed**
- Through **sector specific marketing** provide statistics demonstrating that Hamilton is a “Go To” location for companies in specific target sectors.
 - For Pharma companies – Access to water and preferential utility prices may be desirable.
 - For Logistics/Distribution companies – location at relatively less contested western GTHA a key value drivers

Acton items

- **Establish a ‘Made in Hamilton’ brand**
- **Demonstrate that new firms will be able to attract ‘the best and the brightest’**
- Continue to market the “**Quadruple Bottom Line**” approach, a fundamental principle in the current ‘Economic Development Strategy’ into the FDI strategy i.e., promoting “cultural well-being” in addition to the economic, environmental and social values.
- **Market the congestion advantage.** On an annual basis a business operating in Hamilton would be able to save 30% in excess travel delay costs compared to operating in Toronto, 9% compared to operating in Halton Region and approximately 20% compared to GTHA as a whole.

- Access to Talent – Universities/Other Academic Institutions
- Land Availability – significant new business park coming on line around the Hamilton Airport.
- Low development costs – Office/Industrial
- Low operating costs compared to municipalities in western GTA
- Opportunity for preferential utility prices (Horizon)
- Transport Infrastructure

Region	Travel time index
City of Hamilton	1.31
Halton Region	1.44
Peel Region	1.75
City of Toronto	1.88
Region of York	1.59
Durham Region	1.46
GTHA	1.63

Source: Metrolinx – Cost of Road Congestion in the GTHA Study by HDR

Positioning Hamilton for success (cont'd)

FDI Strategy

Step A: Recast the value proposition

3. Facilitate the Location decision

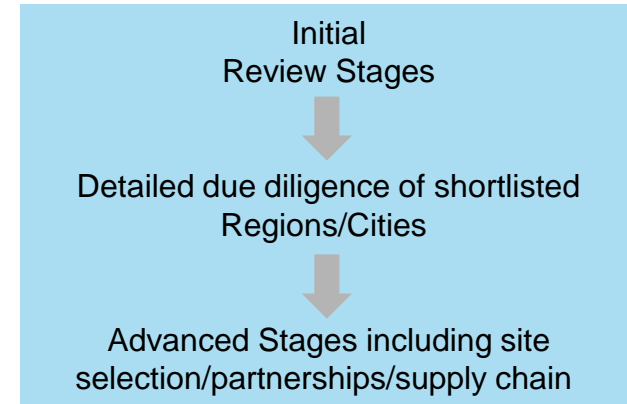
- **Recognize different stages of the decision making process** by sector and have a formalized marketing strategy to address specific needs.
- **Ensure there is opportunity to seek and provide advice / assistance at every stage of the decision making process.**
- **Identify needs based on investors from specific geographies** and have solutions ready. e.g., provide advice / support to entrepreneurs for immigrating to Canada which replaces the gap due to the closure of the federal Investor Visa and Entrepreneur Visa programs.

Region of Halton's recent cost of development study found that 'Building costs' were uniform, but the key statistic that varied significantly across GGH municipalities was "land cost" followed by "municipal taxes" and "development charges".

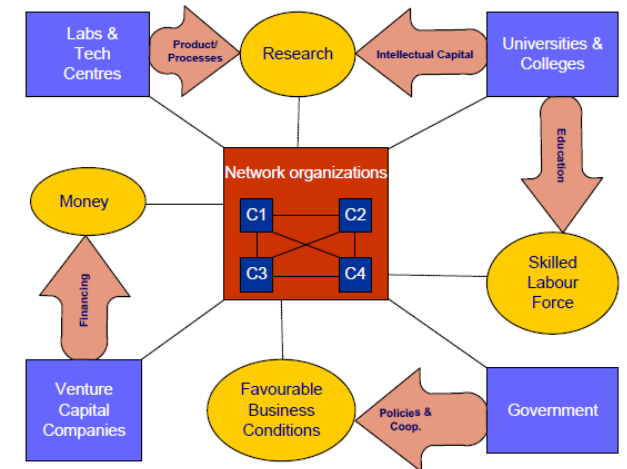
Action items

- **Develop an 'interactive development map'** informing of development projects in the City would help firms and current investors be more aware of opportunities.
- **Develop a 'cost comparator application'** which would benefit existing firms with their expansion/routine operations.
- **Highlight the land cost advantage**, compared with other major locations in the GTHA along with the growth outlook and opportunity to be part of a growing and diversifying economy.

"Hamilton has many unique advantages that are not well-understood by potential investors"



Assets / Fundamentals for Economic Development



Source: Conference Board of Canada

Positioning Hamilton for success (cont'd)

FDI Strategy

Step B: Maximize lead generation

1. Target the right geographies for the selected sectors

- **Develop geography specific strategies** – The value propositions for Asian investors are very different from European investors.
- **Develop strategies for countries where trade agreements are in place** – A strategy should be in place for countries where trade agreements are already in place. Proactive groundwork is also required for investors in countries with whom new FTA's are being signed / negotiated.
- **Increasingly important role of Cities should be recognized** not only in their respective national economies, but also as FDI destinations. Hamilton should proactively co-ordinate its effort with CCCA (Consider Canada City Alliance (CCCA), aimed at attracting FDI.

Action items

- Have distinct **marketing plan** and **advertising material**, for the target sectors in select geographies e.g., '**Plan India**' and '**Plan Europe**'.
- Ensure ability to provide customized information, in a timely manner, which meets the needs of the inquiry including the ability to provide materials and **information in different languages**.
- Implement a program to create linkages between international and domestic companies to **promote exports** to the foreign Country.

“Hamilton cannot waste time on low-probability targets... must ensure an effective and efficient use of public dollars”

Most successful Cities take a targeted approach.

Source: Conference Board of Canada

Although most analysis of FDI conducted at the national level, partly because of data constraints, the lion's share of global investment activity flows through the world's major cities.

Source: Conference Board of Canada

Cities play a key role in attracting inward FDI, outperforming the rest of Canada on many factors shown to be important determinants of FDI.

Source: Conference Board of Canada

Positioning Hamilton for success (cont'd)

FDI Strategy

Step B: Maximize lead generation (Cont'd)

2. Focus on exports from existing firms:

- Main focus should be on existing firms, since **80% of the growth comes from existing businesses.**
- **Existing firms act as strongest advocates and sector specific ambassadors**, which could translate into credible leads.
- **Create a support structure for the existing base to get proactively involved** and be fully aware of potential opportunities and available incentives.

Action items

- Work with foreign-owned firms to understand their current pattern of export and appetite for expansion.

Rate of market exit across IPO companies (1985 – 2010)



Source: Midwest Finance Association

Average three year cumulative returns post IPO (1985 – 2010)

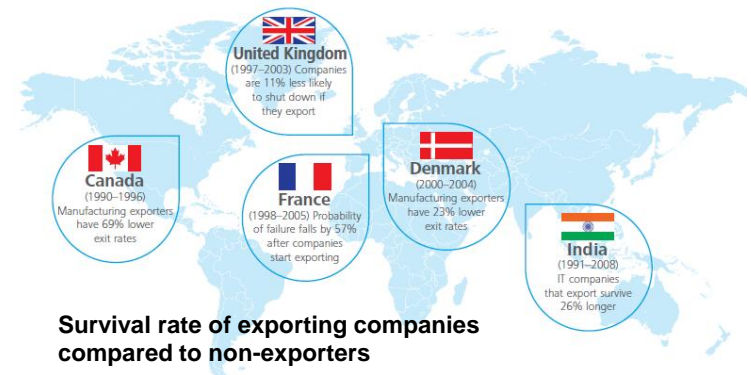


Source: Midwest Finance Association

FDI Best practices encompasses among other things promoting the capacity of **domestic firms** to use new technology.

It is less clear from the available evidence that policies targeted specifically at **foreign investors** can fit the description of best practices.

Source: Conference Board of Canada



Sources: Statistics Canada, UKTI, Economica, University of Lüneburg, Monash University

“Be patient and persistent...a sale won’t happen overnight but it will happen”

Positioning Hamilton for success (cont'd)

FDI Strategy

Step B: Maximize lead generation (Cont'd)

3. Utilize resources efficiently and effectively

- FDI (especially the construction of new facilities) represents a small pool of opportunity for which there will be strong competition.
- Relative to many other communities in the GTHA, particularly central and west, it is understood that Hamilton's current FDI pursuit resources are somewhat limited.
- Given limited resources, the FDI Strategy therefore **needs to be focused on the right sectors and geographies.**
- Hamilton's competition is with many municipalities which offer many direct incentives especially for "pure manufacturing". The extent to which these can be provided by Hamilton is quite limited especially at the municipal level. For effective use of resources Hamilton must leverage the potential for incentives by collaborating with Provincial and Federal resources.
- Continue to make MEDETE staff aware of Hamilton's unique assets and what is desirable for investors. MEDTE staff together with Senior Economic Officers (SEO's) and International Investment Development Representatives (IIDR's) need to be continually updated on Hamilton's unique assets. Regionally available incentives (e.g. SR&ED, apprenticeship, feed-in-tariff) should be casted with Hamilton's natural advantages in 'steel' and unique assets which overrides the need for direct incentives.

Global investment attraction has become increasingly competitive...

Canadian cities, particularly large cities, are key players in the country's ability to attract FDI and, therefore, deserve a prominent role in national policies to attract FDI.

Source: Conference Board of Canada



Positioning Hamilton for success (cont'd)

FDI Strategy

Step B: Maximize lead generation (Cont'd)

Action items

- Hamilton should continue to **co-ordinate efforts with Provincial / Federal initiatives and others** and continue to
 - Communicate Hamilton's unique assets to the Province through continued participation in the various sector alliances with the Province - OCTA, OACA, LSO, OCC, OFC, OMAFRA and MEDTE;
 - Participate and make joint representations in sector specific events, trade shows, seminars and investment meetings; and
 - Communicate and engage where it strategically makes sense with non-government agencies (e.g. Lead generation firms), community organizations (e.g. the invest Hamilton partners and key economic development consortia, including the Greater Toronto Marketing Alliance (GTMA), Consider Canada and the international chambers of commerce.
- Hamilton also needs to improve upon its participation in **international trade missions**, with respect to frequency and attendance by senior City representatives, including the Mayor.

Global investment attraction has become increasingly competitive...

Canadian cities, particularly large cities, are key players in the country's ability to attract FDI and, therefore, deserve a prominent role in national policies to attract FDI.

Source: Conference Board of Canada



“It is critical for Hamilton to continue networking with Government Partners to leverage their incentive programs and global reach in terms of lead generation.”

Positioning Hamilton for success (cont'd)

FDI Strategy

Step C: Ensuring investment readiness

1. Shovel Ready Land Supply

- An inventory of competitive **shovel ready industrial sites are required**, especially to accommodate investment in advanced manufacturing, agri-business and food processing and distribution, warehousing and logistics.

Action items

- The City should continue to make clear the importance of having a **ready supply of large, serviced sites** to accommodate potential investments.
- An inventory of specific development ready industrial sites to **meet a range of needs** should be maintained.
- A municipal process should be initiated for identifying target sites and expediting the approval process, particularly for the **new lands around the Hamilton Airport**.
- **Redevelopment of brownfield sites** should continue to be incentivized, particularly with respect to “green” industries that may not be suitable for new business park locations.
- **Regionally significant industrial sites** should be identified and protected from conversions to other uses.
- **Regulations that may reduce development capacity** on such sites should also be reviewed and amended.
- **Participation in the MEDTE site certification program** should be reviewed based on the sites that would qualify and in light of the benefit that the City can realize compared to the investment in time and money that may be required for the process.



The City of Hamilton's ability to provide large parcels of development land is a major competitive advantage within the increasingly supply-constrained industrial market in the GTHA. Strong efforts should be made to ensure new supply is brought to market in a timely fashion. City should promote the LEED and ERASE programs as key incentives available for redevelopment.



Positioning Hamilton for success (cont'd)

FDI Strategy

Step C: Ensuring investment readiness (Cont'd)

2. Proactive and Integrated approach to Tracking and Securing Investment

- Hamilton will be **competing for FDI** with other communities in the GTHA that devote significant resources to tracking and securing investment.
- Best practices include the regular **participation of senior management** and staff, including the Mayor, in trade missions and other outreach pursuits.
- Once a target is engaged and considering an investment, the ability to **identify available incentives** and **facilitate timely approvals** can often be the difference between success or failure.

Action items

- Council needs to be made aware of the **importance of FDI**, the need for resources and funding to **compete for FDI**, the **timelines required**, and the importance of **senior leadership participation** in the process.
- The City should **build on the “One-Stop for Businesses” concept** and seek to expedite development approvals.
- A **formal senior management team** should be formed to secure major FDI opportunities, particularly with respect to approvals for new facilities.
- Hamilton staff needs to ensure prospective targets are aware of **existing programs**, including **export support programs and other incentives**.
- Strong collaboration with the "Invest Hamilton Partnership" is encouraged to ensure they are also active participants in the process.

“Increasing FDI is a long-term effort. To be successful, the program must have the sustained support of government at the city... as well as the private sector, city residents, and media.”

“A unified front when engaging with potential investors will smooth outreach efforts. A parochial perspective—one that pits neighboring municipalities against one another—will only serve to undermine any effort to attract more FDI.

Most agencies ...are underfunded and thus limited in what they can accomplish on their own, so greater collaboration is a necessity.”

Source: Foreign Direct Investment: Globalizing Chicago's Economic Development Plans (2014)



Government Incentives available Internationally

World-wide there is strong competition for FDI. Internationally there is a wide range of financial incentives that can be provided to prospective investors. Most of these are however are not available in Ontario or Hamilton. As a result the City of Hamilton needs to ensure that the full range of financial incentives are brought to each investment opportunity including Development charge exemptions, TIFs, TIEGS, the range of energy incentives (e.g. LEED program), incentives offered by utility companies (e.g. Horizon Utilities) or incentives for brownfield sites re-development (e.g. ERASE) as may be the case.

Tax and Grants benefits <ul style="list-style-type: none"> • Tax Holidays E.g. TIEGS • Reduced tax rates • Qualification for offshore regimes • Free trade zones • Withholding tax exemptions • Exemption from registration fees • Stamp tax and other indirect tax incentives • Research and development credits • High tech status • Credits for development of manufacturing facilities 	Customs <ul style="list-style-type: none"> • Customs duties exemptions and applicable free trade agreements 	Employee assistance <ul style="list-style-type: none"> • Support for immigration and residence by granting multiple visas • Employment and jobs credits • Training grants
	Indirect taxes <ul style="list-style-type: none"> • Indirect tax exemptions and subsidies 	
	Property and land use taxes <ul style="list-style-type: none"> • Financial subsidies and tax exemptions for land and other property taxes 	
	Infrastructure support <ul style="list-style-type: none"> • Qualified plans for government support and investment for infrastructure to maintain plants 	
Value Added Taxes (VAT) <ul style="list-style-type: none"> • Financial incentives such as a financial subsidy or an interest free loan to ease the up-front cash flow burden for imported equipment into countries 	Land purchase price <ul style="list-style-type: none"> • Government support for purchase of land needed for facilities including eminent domain proceedings; land purchase assistance and financing; discount land purchase agreements; rent exemptions 	Investment projects in general <ul style="list-style-type: none"> • Technology transfer support • Training support and subsidies • Support for investment development and investment services • Investment support for infrastructure systems outside/inside fence of industrialized zones and export processing zones • Capital investment credits

Positioning Hamilton for success (cont'd)

FDI Strategy

Step C: Ensuring investment readiness

3. Providing after sales support

- Business attraction and retention activities form the end points of **an iterative process** of investment attraction
- Most businesses evaluating a new community for investment or relocation for a new facility will as part of their **due diligence** consult with companies in the community.
- In order to ensure a **smooth investment transition** and optimal success, strong efforts should be made to provide all new businesses with strong after-sales support

Action items

- New businesses should be immediately referred to the division's proactive **Business Retention and Expansion (BR&E)** program
- The City should consider implementing a **"Welcome to Hamilton"** program to combine with the existing **Hamilton Calling** program, to ensure new firms are aware of community services and amenities and identify potential additional investment opportunities
- The City should seek to achieve **"best in class"** performance for potential investors visiting the City, including preparing for a site visit, managing the visit program and post visit follow up.

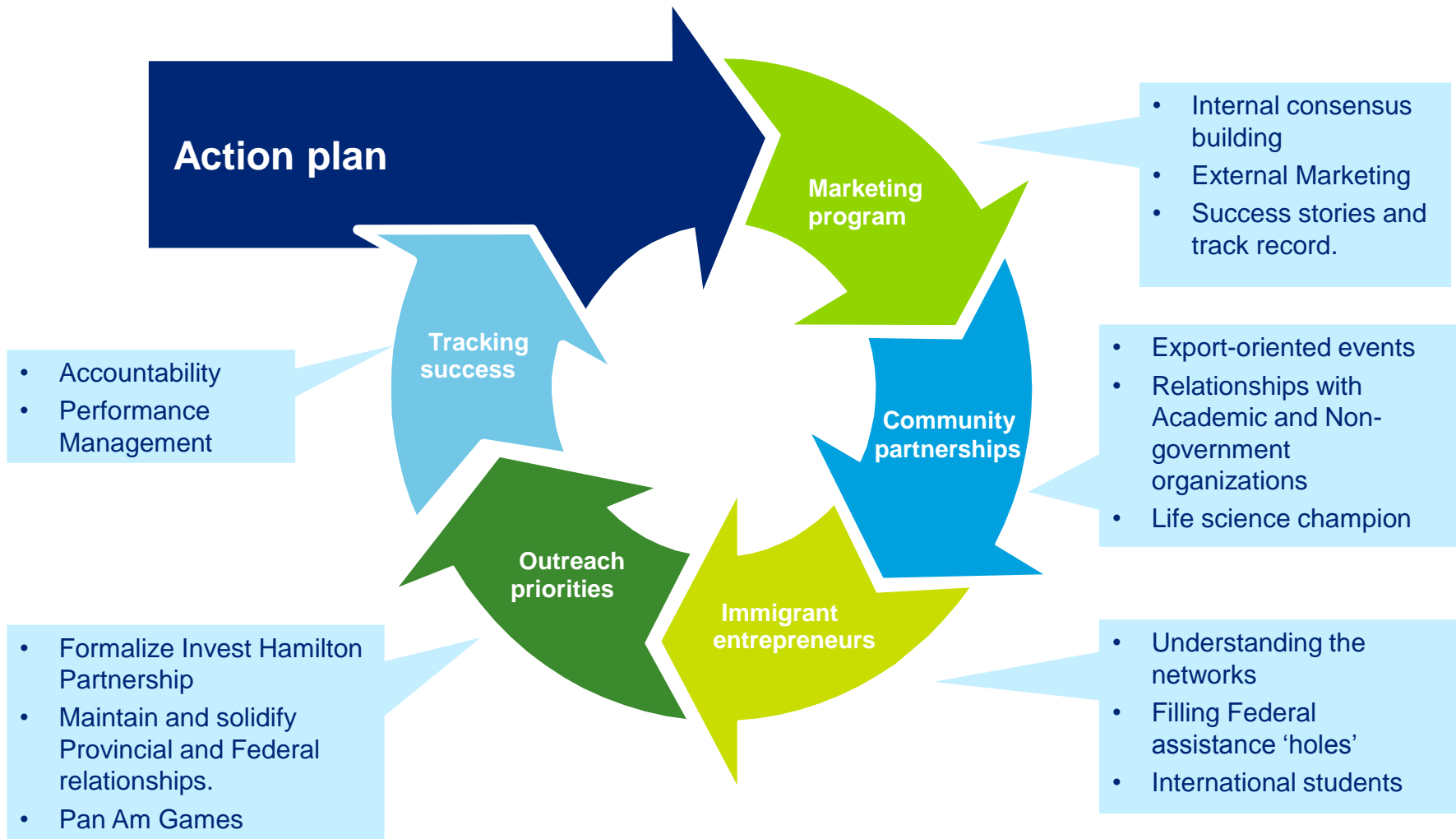


Section 9

Action plan and playbook

Action plan and playbook

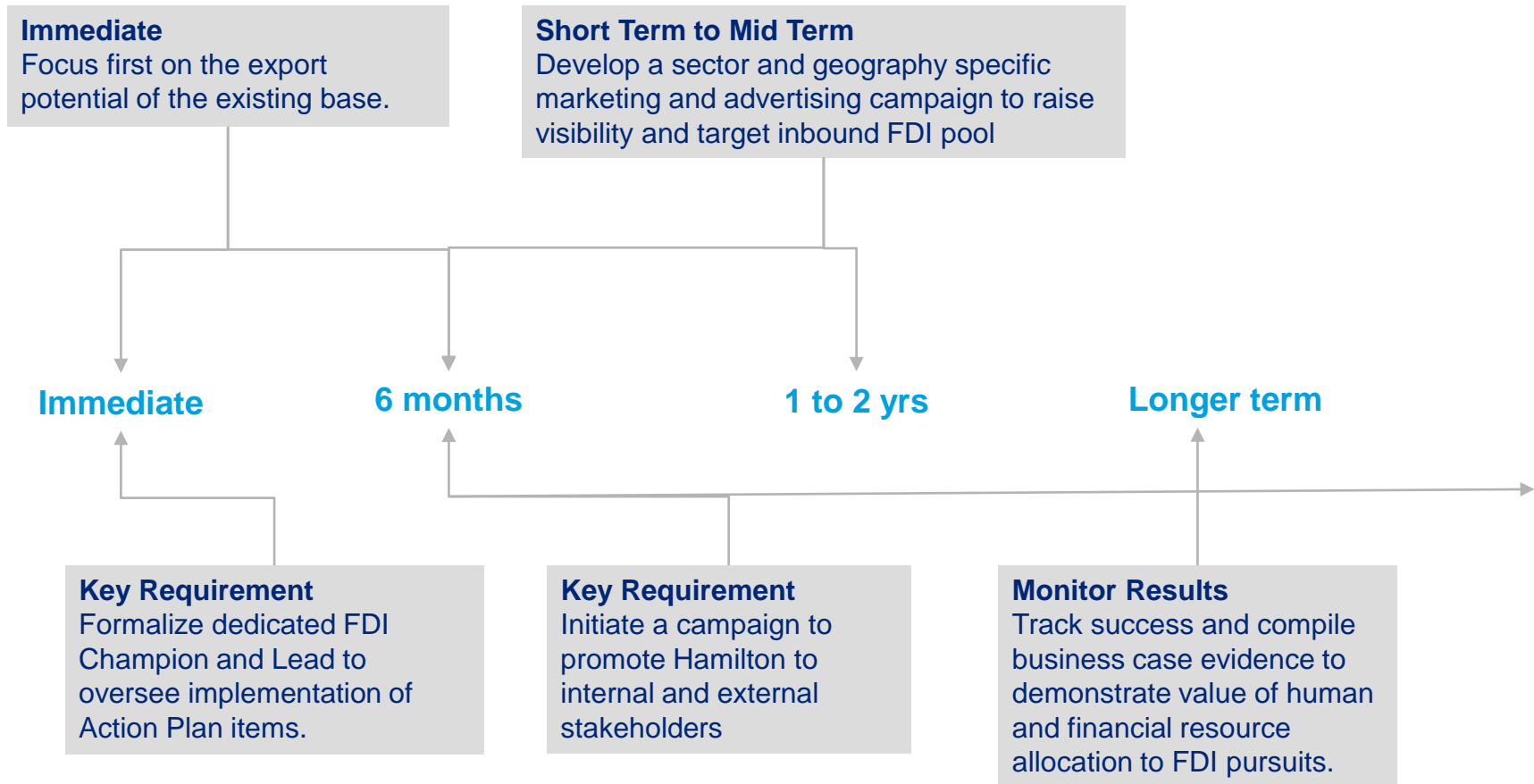
The action plan is structured into five main elements: marketing , community partnerships (investing from within) immigrant entrepreneurs, outreach priorities (inbound FDI pool) and tracking success to demonstrate to City Council the value of dedicating human and financial resources to the FDI Pursuit.



Action plan and playbook (cont'd)

Summary timing of an FDI pursuit

All initiatives suggested within the Playbook have been formulated with the following platform theme in place – Hamilton must utilize a targeted approach towards opportunities at different stages.



Action plan and playbook (cont'd)

Phase 1: Marketing program

Action	Timeline	Deliverable
Develop a comprehensive marketing strategy for each of the sub-sectors which are geography specific and include key companies which the City should target.	Immediate	Sub-sector strategy reports
Leverage Canada's reputation within the International business community as an opportunity to showcase Hamilton through partnering with organizations like Consider Canada.	Immediate	Raising visibility of Hamilton
Actively communicate to council the importance of FDI to Hamilton's long-term success, the value of funding FDI pursuits and the long term nature of building the FDI Platform.	Immediate	Regular updates on key targets, progress and successes
Aggressively communicate the 'Transformation of Hamilton' theme to internal and external stakeholders with the goal of receiving buy-in and increasing awareness of Hamilton as a competitive FDI location.	Immediate	Raising visibility of Hamilton
Market Hamilton's supply chain advantage through Highway network, Port and Airport facilities. This is similar to the approach that has been taken by the City of Toronto with respect to Porter and the competitive advantages of the island airport.	Immediate	Improve competitive positioning in marketplace
Complete sector profiles for advanced manufacturing, life sciences and other key target sectors.	Ongoing	Summary materials for FDI and other targets
Create a marketing plan for the advanced manufacturing sector that clearly distinguishes Hamilton from other communities in the GTHA.	2015+	Seek external funding/ include in 2015 budget
Attract high profile investment in the Life Sciences Sector with the goal of becoming Ontario's premiere Life Sciences community. Seek to become the Ontario sector lead for the Life Sciences.	2015+	Secure high profile user to market competitive positioning in marketplace

Action plan and playbook (cont'd)

Phase 1: Marketing program

Action	Timeline	Deliverable
Implement a marketing campaign to emphasize FDI Success stories to inform existing firms and targets outside Canada of Hamilton's potential.	2015+	Materials ready for distribution to targets
Host a series a breakfast events with foreign owned firms to understand their export requirements.	2015+	Establish a platform for on-going dialogue with respect to export readiness
Retain a marketing firm to improve and make Hamilton's branding more consistent. Build on the "Ambitious City" brand.	2015	Report to Council with costs, options, next steps
Ensure industry specific sections of the website are up-to-date. Highlight current activities specifically as they relate to FDI's target sectors.	2015 +	Up to date information on current sectors, sub-sectors and current initiatives being undertaken.
Undertake an assessment of Hamilton's FDI track record relative to municipal resources and benchmark with competing communities.	2015	Basis for allocation of additional resources / funding for FDI pursuit as may be the case.

Action plan and playbook (cont'd)

Phase 1: Marketing program

Action	Timeline	Deliverable
Create a formal senior management team to meet with FDI prospects at the initial stages of site selection and facilitate approvals.	2015	Measures required to expedite high priority opportunities
Promote in Hamilton's marketing materials, unique R&D assets associated with institutional partners especially McMaster University and emphasize materials, automotive and manufacturing.	Ongoing	Increased awareness of research capability / capacity
Market academic / industry partnerships as a means to demonstrate existing synergies. This approach has worked very well for the Region Waterloo and Canada's Technology Triangle.	Ongoing	Increased awareness of potential advantages
Undertake an advertising campaign including issuing a newsletter similar to Vaughan's recent initiative "Business Link" advertising industrial and commercial activity.	2015/16	Newsletter
Incorporate the work of the Global Hamilton Office to promote Hamilton as a welcoming and diverse city. Highlight the broad array of language (100+ language interpretation services) and settlement services for newcomers.	Ongoing	Increased awareness of Hamilton as a City not only good for business, but for families.

Action plan and playbook (cont'd)

Phase 2: Community partnerships

Action	Timeline	Deliverable
Implement a series of export-oriented events for local entrepreneurs/companies with the intent of highlighting the advantages of exporting.	Ongoing	Raise awareness of export opportunity
As an outcome of the events, identify firms that would like to export and help them develop an export entry strategy.	2015+	Identification of export opportunities
Continue to leverage relationships with educational facilities such as McMaster and Columbia College in order to use their technical capabilities and connections as a marketing tool to potential FDI candidates.	2015	Tap into affiliated parent companies and retain students
Continue to strengthen relationships with economic development organizations such as OCTA, OFC, OACA, GTMA, CTT and Consider Canada. Seek to accompany them on trade missions with the objective of positioning Hamilton as a competitive FDI location.	Ongoing	Increased trade mission participation
Continue to strengthen the existing relationships with MEDTE, SEO's and IIDR's in order to "stay on the radar" and leverage their lead generation networks.	Ongoing	Quarterly updates to maintain visibility with key staff
Provide quarterly updates to federal and provincial partners on FDI activity and success stories.	Ongoing	Provincial and Federal awareness of Hamilton's progress and achievements.

Action plan and playbook (cont'd)

Phase 2: Community partnerships

Action	Timeline	Deliverable
Continue to strengthen relationships and work with McMaster, MIP and the network and health research infrastructure to implement recommendations of life science for incubator space	Immediate	Improve competitive position in sector
Work in conjunction with post-secondary institutions to promote the breadth of talent available within the Hamilton region	Ongoing	Materials ready for distribution to targets
Actively engage both the business and cultural communities in the 'attraction' strategy using partnerships to identify investment opportunities	Ongoing	Identify foreign owned accounts
Develop and market critical mass in steel processing and engineering capabilities at McMaster and Mohawk with a view to creating partnerships between the city, the institution and potential FDI targets	Immediate	Increased visibility of Hamilton's competitive advantages
Establish a Champion or chief advocate for the establishment of a Life Science industry cluster in Hamilton	Immediate	Implementation of key recommendations from the Chamber of commerce report.
Partner with the Province to promote the Life Sciences sector overall for increased investment and becoming a sector lead for Ontario.	Immediate	Become Life Sciences sector lead for Ontario

Action plan and playbook (cont'd)

Phase 3: Immigrant entrepreneurs

Action	Timeline	Deliverable
Identify Political Ambassadors for actively engaging immigrant entrepreneurs and communities	2015+	Improved understanding of the needs of existing base
Initiate a marketing campaign for immigrant investors/entrepreneurs to raise awareness with respect to Hamilton's diverse population and low cost of living and available social services	2015	Improved positioning to attract additional investment
Gain a clear understanding of diaspora networks in the GTHA region with the goal of promoting success stories to like-minded immigrant investors.	2015+	Improved ability to highlight success stories and market Hamilton to other immigrant entrepreneurs
Leverage the recent elimination of Federal immigrant entrepreneur assistance programs to attract investment in the short-medium term	2015+	New programs to support investment prior to the development of new Federal Programs.
Monitor and support improvements to the City's "Open for Business" strategy particularly with respect to immigrant entrepreneurs.	2015+	"Open for Business" programs assisting immigrant entrepreneurs.
Establish a Marketing campaign for "International Students" as part of the IAAP.	2015+	Marketing campaign for "International Students" pursuing post professional education opportunities.

Action plan and playbook (cont'd)

Phase 4: Outreach priorities

Action	Timeline	Deliverable
Formalize the invest in Hamilton partnership as an advisory group to collaborate, identify priorities; share in resources; targets and provide direction & to assist in our application for funding the programs.	Immediate	Establish dedicated advisory board to identify opportunity
Formalize an official FDI Lead and outreach program with the intent of clearly identifying the trade missions and events that are top priorities.	Ongoing	Report to Council on proposed calendar of events and cost
Undertake trade missions to high priority FDI locations with the intent of highlighting Hamilton as a premiere destination for FDI	Ongoing	Report to Council with costs, benefits and next steps
Maintain and solidify provincial and federal relationships along with key trade representatives and economic development agencies	Ongoing	Leverage global reach in terms of lead generation
Identify and target companies that have come to North America via the USA but do not yet have a Canadian presence	2015	Identify firms with an interest in establishing Canadian location
Create a 'Welcome to Hamilton' Initiative (Community Services, Marketing assistance, business support) to ensure smooth transition and explore additional opportunities	2015+	Provision of optimal after sales support to new firms

Action plan and playbook (cont'd)

Phase 4: Outreach priorities

Action	Timeline	Deliverable
Identify and target large or high profile steel companies internationally that do not yet have a North American Presence	2015	Strengthened competitive position for steel and advanced materials.
Focus on German, Indian and Chinese higher value manufacturing companies, particularly steel value-added companies with expansion plans	Ongoing	Targeted approach to prospecting
Identify opportunities for waste management, reduction, and recycling sectors as future FDI targets. Contact existing waste facilities to determine the process for accessing waste as input to these various sectors.	2015	Report to Council on FDI opportunities in this sector
Continue to conduct regular real estate familiarization tours & participate in Real Estate focused activities & networks to ensure Hamilton is on the radar e.g. EDCO Real Estate Investment Alliance; NAIOP, ULI and CoreNET.	2015+	Increased awareness of site opportunities
Continue marketing lands in the Red Hill South area, and begin to raise profile and brand the Airport Employment Growth District as Hamilton's future signature park for new real estate investments.	2015+	Landowners group to hold regular meetings to review progress and address concerns.

Action plan and playbook (cont'd)

Phase 5: Tracking success

Action	Timeline	Deliverable
Continue to monitor standard business indicators along with FDI success stories and value of investments	Ongoing	Regular reporting on the state of the market and FDI pursuits
Track trends and changes in the demand for FDI by sector or geography that might be occurring	Ongoing	Iterative adjustments to FDI attraction strategies based on market evidence
Set a series of targets and timelines with respect to FDI attraction, including the attraction of high-profile users, export intensity or other forms of investment	2015	Basis and benchmark against which to measure success in FDI attraction
Establish a series of metrics to measure Return on Investment for attendance at trade shows and other promotional activities	2015	Business Plan for Council to support resource allocation to the FDI attraction strategy
Benchmark Hamilton's achievements with competing municipalities, as part of the case for increased funding / resources	2015	Increased funding
Continue to monitor and evaluate results of strategy and progress towards stated targets	Ongoing	Demonstration to Council and other funders the value of the strategy and resources allocated for the various actions.

Deloitte.

Appendix

Selected Bibliography

Appendix

Selected Bibliography

S: No.	Publications
1	Air Connectivity and Foreign Direct Investments, The economic effects of the introduction of new routes, Mariasole Bannò ¹ , Marco Mutinelli and Renato Redondi, Department of Mechanical and Industrial Engineering, University of Brescia
2	Attracting Foreign Direct Investment To Your Community, Prosperity Partnership, Jan 2009
3	Best Policy Practices for Promoting Inward and Outward Foreign Direct Investment, Conference Board of Canada, Steven Globerman and Victor Zitian Chen, Oct 2010
4	Building a Life Sciences Cluster: A Case for Hamilton, Life Sciences Sub-Committee, Hamilton Chamber of Commerce, January 2014
5	Burlington Economic Development Corporation Investment Attraction Strategy, Millier Dickinson Blais, Dec 21, 2009
6	Canada's Global Investment Destination: An International Marketing Strategy, City of Mississauga, Millier Dickinson Blais, October 14, 2011
7	Costs of Road Congestion in the Greater Toronto and Hamilton Area: Impact of Cost Benefit Analysis of the Metrolinx Draft Regional Transportation Plan, HDR, Dec 1, 2008
8	Foreign Direct Investment as a Key Driver for Trade, Growth and Prosperity: The Case for a Multilateral Agreement on Investment, Global Agenda Council on Global Trade and FDI, The World Economic Forum, 2013
9	Global greenfield investment trends, FDI Intelligence, The fDi Report 2014
10	Global Markets Action Plan, The Blueprint for Creating Jobs and Opportunities for Canadians Through Trade, Foreign Affairs, Trade and Development Canada, 2013
11	Hamilton Economic Development Strategy, City of Hamilton, 2010–2015

Appendix (cont'd)

Selected Bibliography

S: No.	Publications
12	Invest In Canada, Report - Foreign Affairs, Trade and Development Canada, 2013 – 2014 Edition
13	Invest in Canada, Report - Digital Media, Canada's competitive advantages, 2012
14	Immigrant Attraction to Hamilton: A Development Phase Work Plan (Immigrant Attraction Action Plan – Vol3), City of Hamilton, 2013
15	Life Sciences Sub-Committee, Building a Life Sciences Cluster: A Case for Hamilton, Hamilton Chamber of Commerce, September 2013
16	Making an impact: Driving productivity & advanced manufacturing growth opportunities in Hamilton, Deloitte, May 09, 2013
17	Measures to attract FDI, Investment promotion, incentives and policy intervention, Economic and Political Weekly, Ramkishen S. Rajan, January 3, 2004
18	Ontario Trade Fact Sheets, Trade & Marketing Division, Policy and Strategy Division of the Ministry of Economic Development, Trade, Statistics Canada, International Trade Division, April 2014
19	Planning and Economic Development Department, City of Hamilton, Staff Report, Downtown Office Strategy (PED09315) (Ward 2), November 9, 2009

Appendix (cont'd)

Selected Bibliography

S: No.	Publications
20	Report of an Independent Study Group, Foreign Direct Investment: Globalizing Chicago's Economic Development Plans, Michael H. Moskow and William A. Osborn (Co-chairs) Scott Leff (Project Consultant), 2012
21	Toward a Toronto Region Economic Strategy - Economic Vision and Strategy Report, for the Toronto Region Institute for competitiveness & prosperity, Toronto Region Board of Trade, KPMG
22	The Current and Future State of Hamilton's Advanced Manufacturing Sector, City of Hamilton, Deloitte, Oct 2013
23	The Land Economist, Professional Journal, Association of Ontario Land Economists, Vol 44. No 1, Spring 2014
24	The Road to Success, Invest Toronto, Annual Report, 2013
25	The Role of Canada's Major Cities in Attracting Foreign Direct Investment, Conference Board of Canada, Alan Arcand, May 2012
26	2010 Next Generation Manufacturing, Insights and Actions for Burlington Manufacturers, Deloitte, Feb 2010