



Lawrence National Centre  
for Policy and Management

# FUTURE OF CANADIAN MANUFACTURING: ATTRACTING GLOBAL MANDATES

NOVEMBER 10, 2015  
IVEY TANGERINE LEADERSHIP CENTRE  
TORONTO, ONTARIO

PARTNERS



# Context and Data on Investment Attraction



**The Future of Canadian Manufacturing:  
Attracting Global Mandates**

**David Moloney**, Fellow, Lawrence Centre  
November 10, 2015

# Outline

## Global FDI Flows: Key Dynamics and Drivers

- Global FDI Trends vs Trade and GDP
- Key Drivers of the FDI landscape

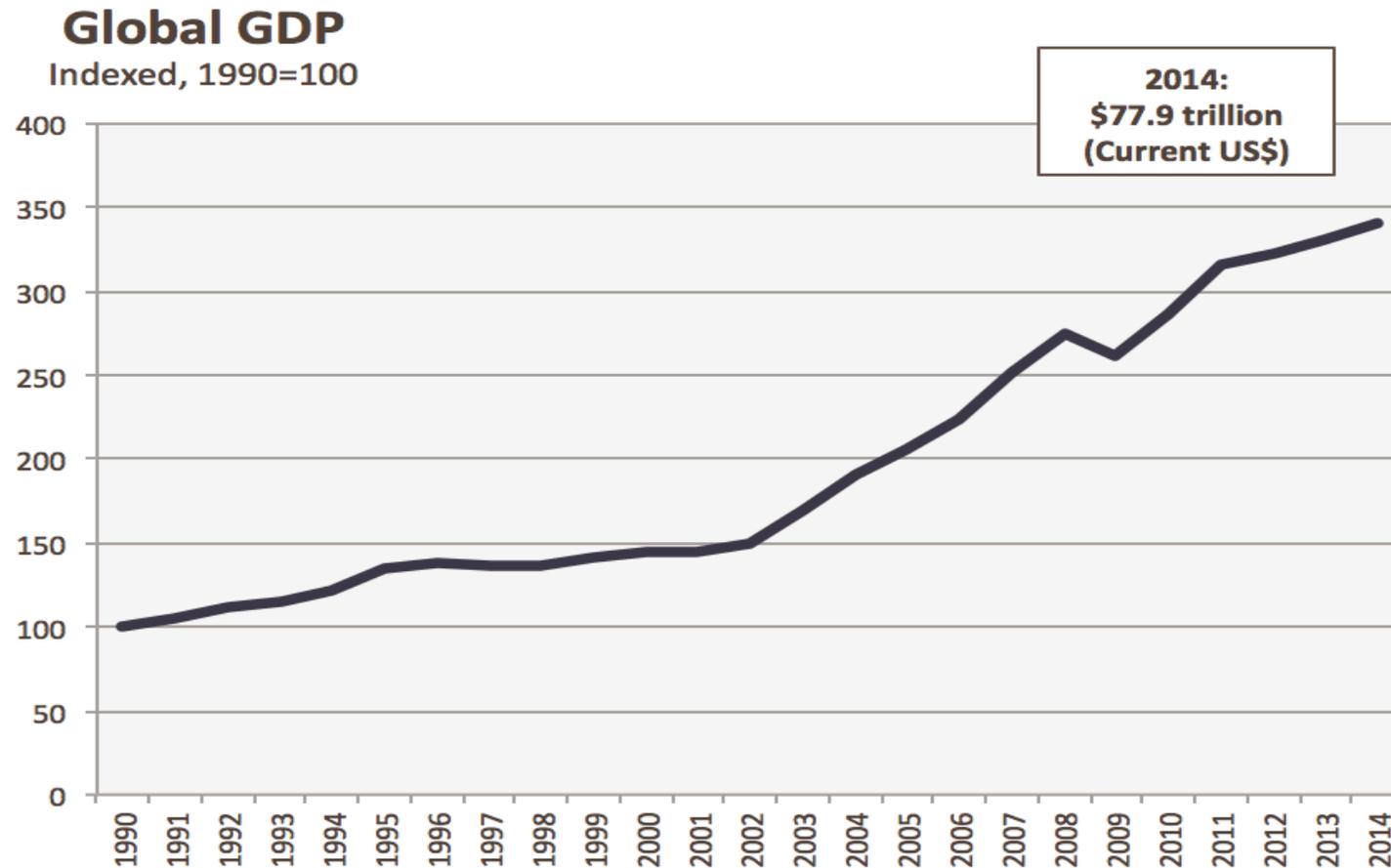
## FDI Performance in Canada

- Aggregate Trends
- FDI Performance relative to Global Peers
- Sectoral Trends in FDI Flows to Canada
- Greenfield Projects relative to Peers
- FDI Attractiveness relative to Peers

## Conclusion/Assessment

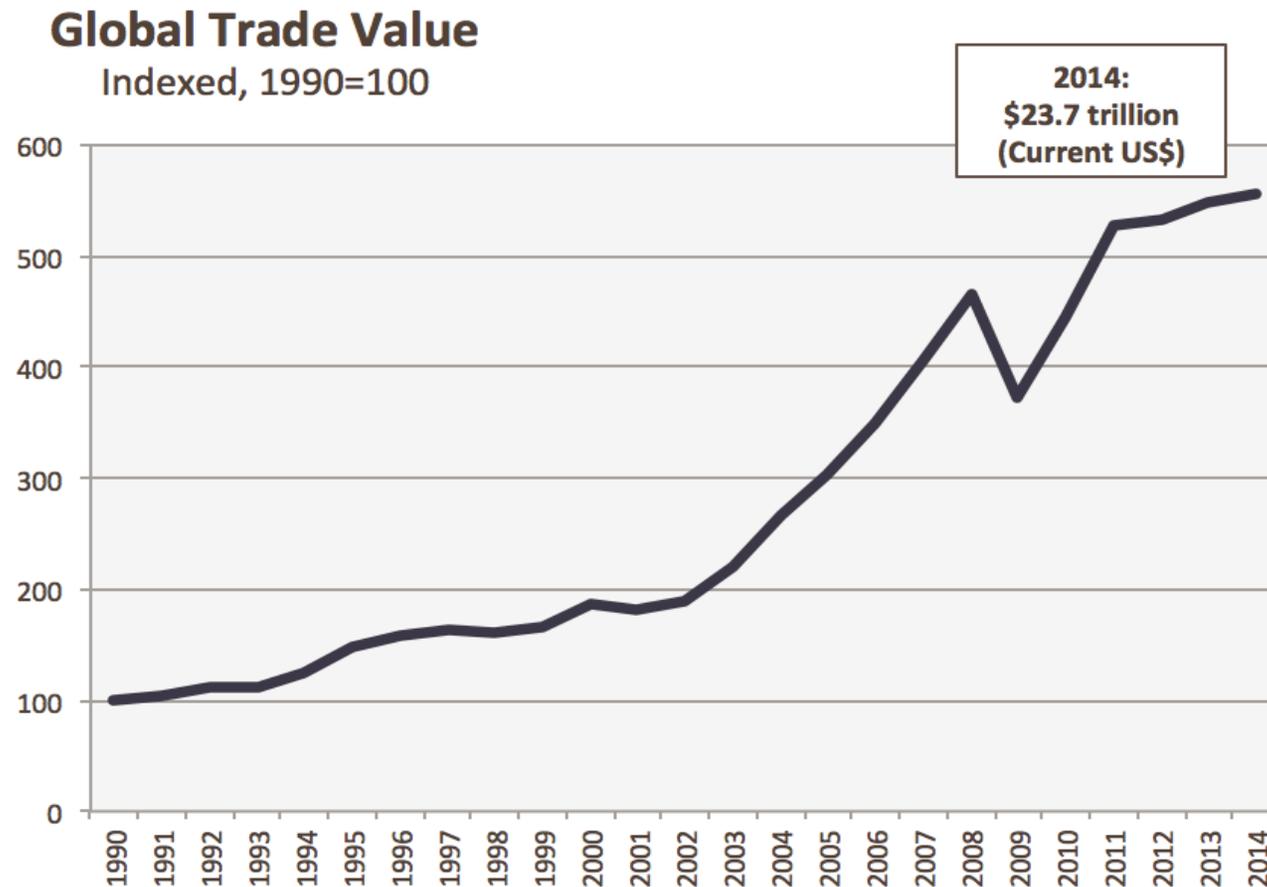
# Global FDI Trends vs. Trade and GDP

- Over 1990-2014, world output grew three-fold



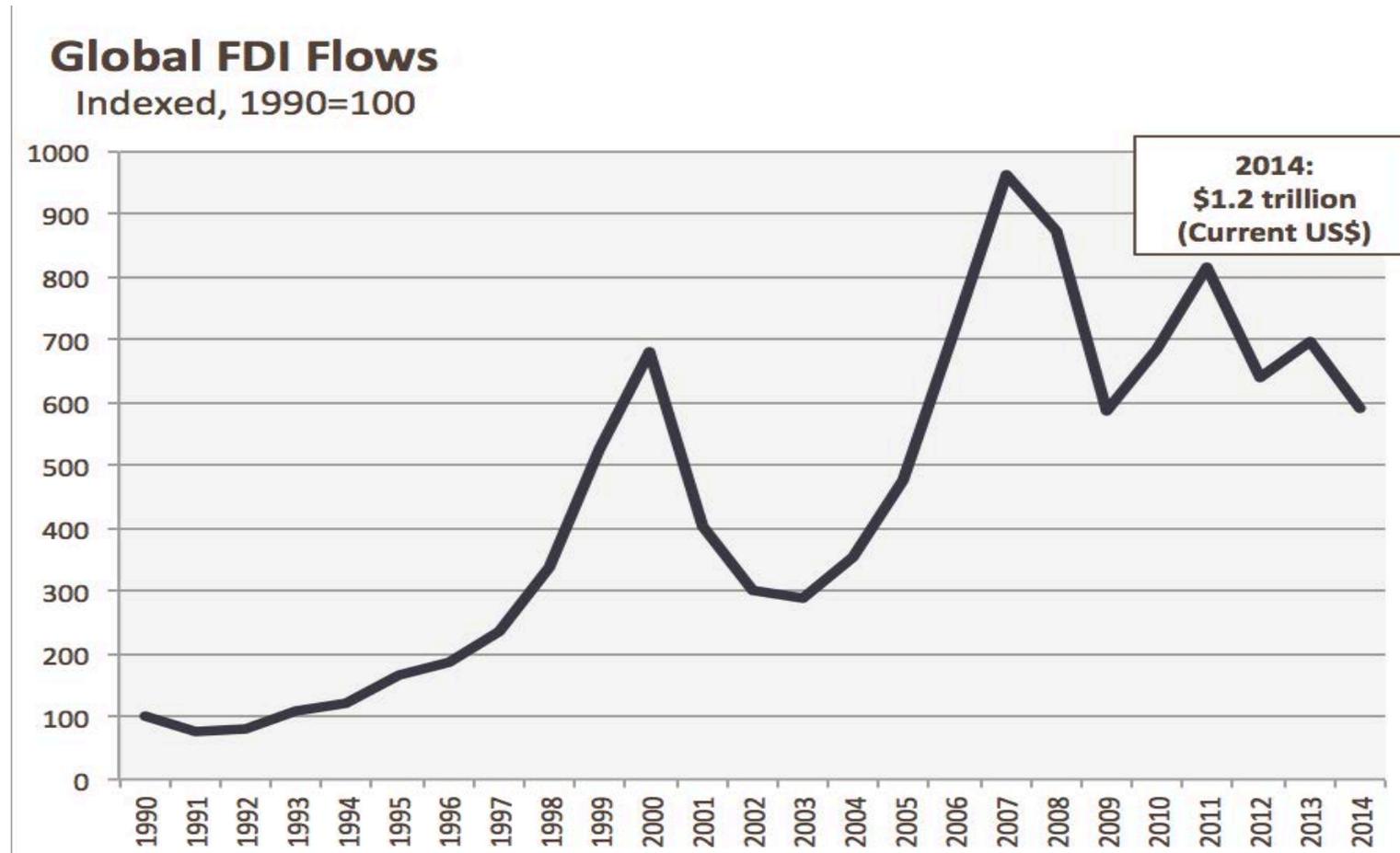
# Global FDI Trends vs. Trade and GDP

- Over 1990-2014, world trade flows grew five-fold



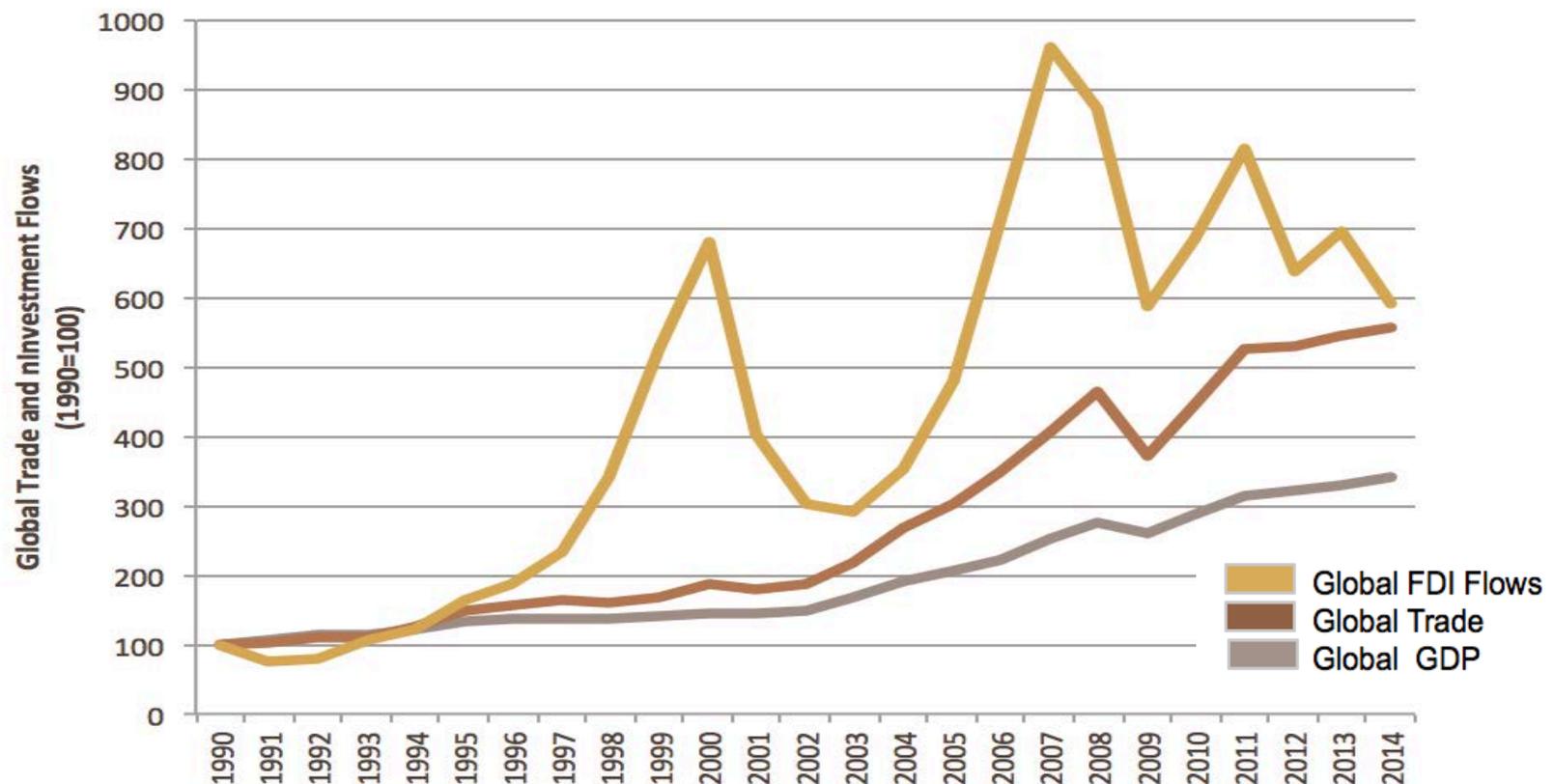
# Global FDI Trends vs. Trade and GDP

- Over 1990-2014, FDI grew six-fold



# Global FDI Trends vs. Trade and GDP

- Over 1990-2014, world output grew three-fold; world trade grew five-fold; FDI grew six-fold



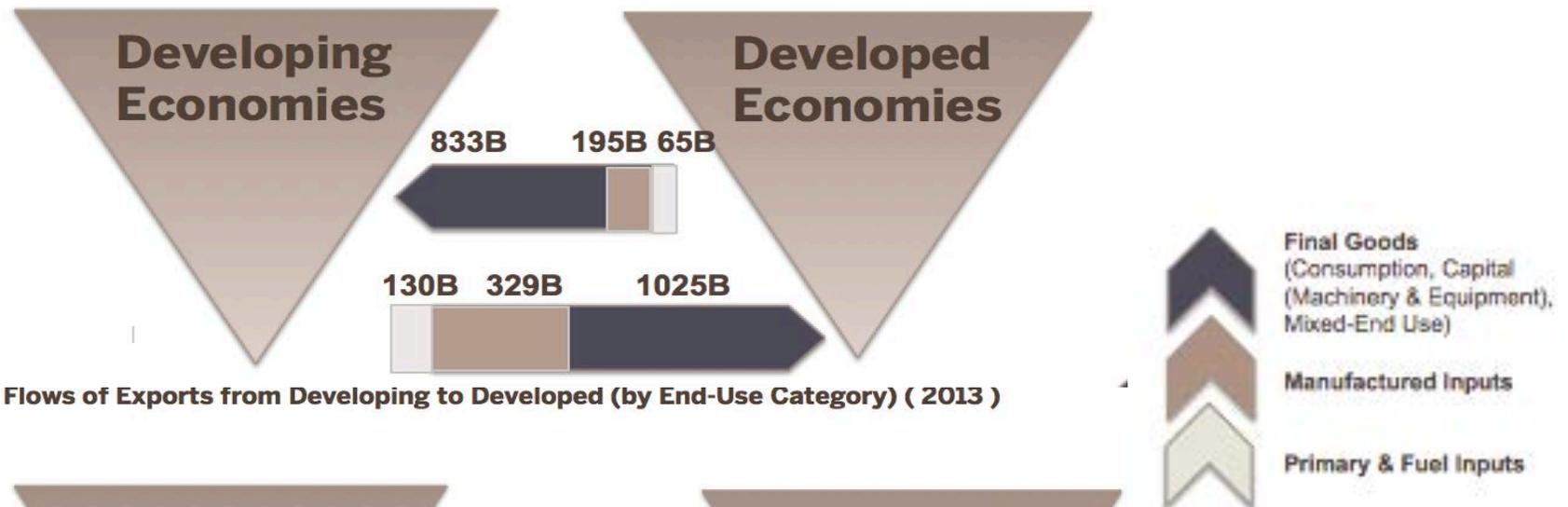
# Key Drivers of the FDI Landscape

- FDI flows can be volatile and must be interpreted with care
- Measured FDI includes **components** with distinct underlying drivers:
  - Equity capital flows
  - Reinvested earnings
  - Intra-company loans
- Measured FDI includes different **activities**:
  - Capital expenditures “projects”
  - Net M&A activity (acquisitions – divestments)

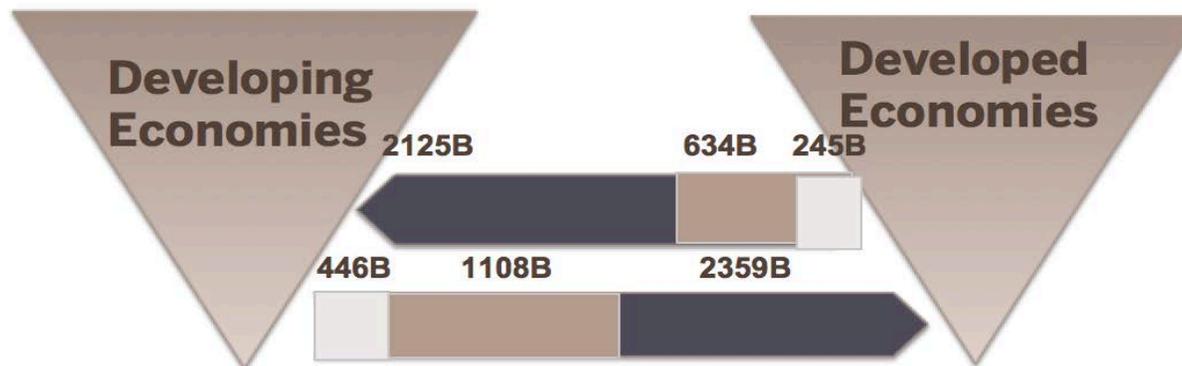
# Key Drivers of the FDI Landscape (cont'd)

- Global value chains are booming and are two-way:

Flows of Exports from Developing to Developed (by End-Use Category) ( 2000 )



Flows of Exports from Developing to Developed (by End-Use Category) ( 2013 )



# Key Drivers of the FDI Landscape (cont'd)

- Soaring economic contribution of foreign affiliates globally:

Total assets of foreign affiliates:

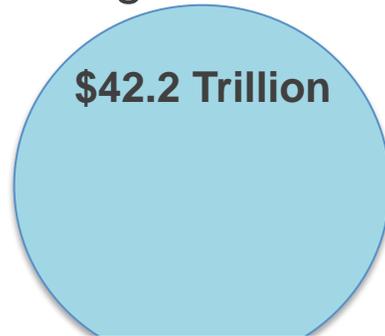
**\$3.9 Trillion**



Employment by  
Foreign Affiliates  
**20.6 Million**

1990

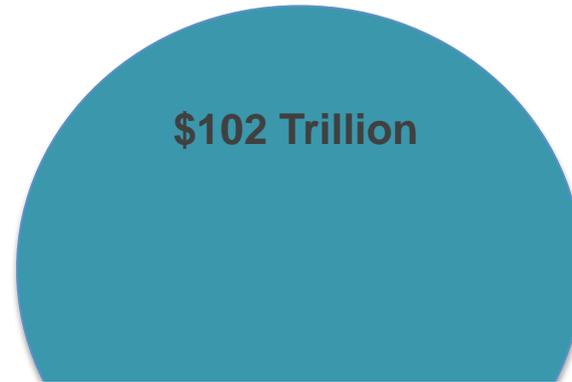
**\$42.2 Trillion**



Employment by  
Foreign Affiliates  
**53.3 Million**

2005-2007  
Pre-Crisis Average

**\$102 Trillion**



Employment by Foreign  
Affiliates  
**75.1 Million**

2014

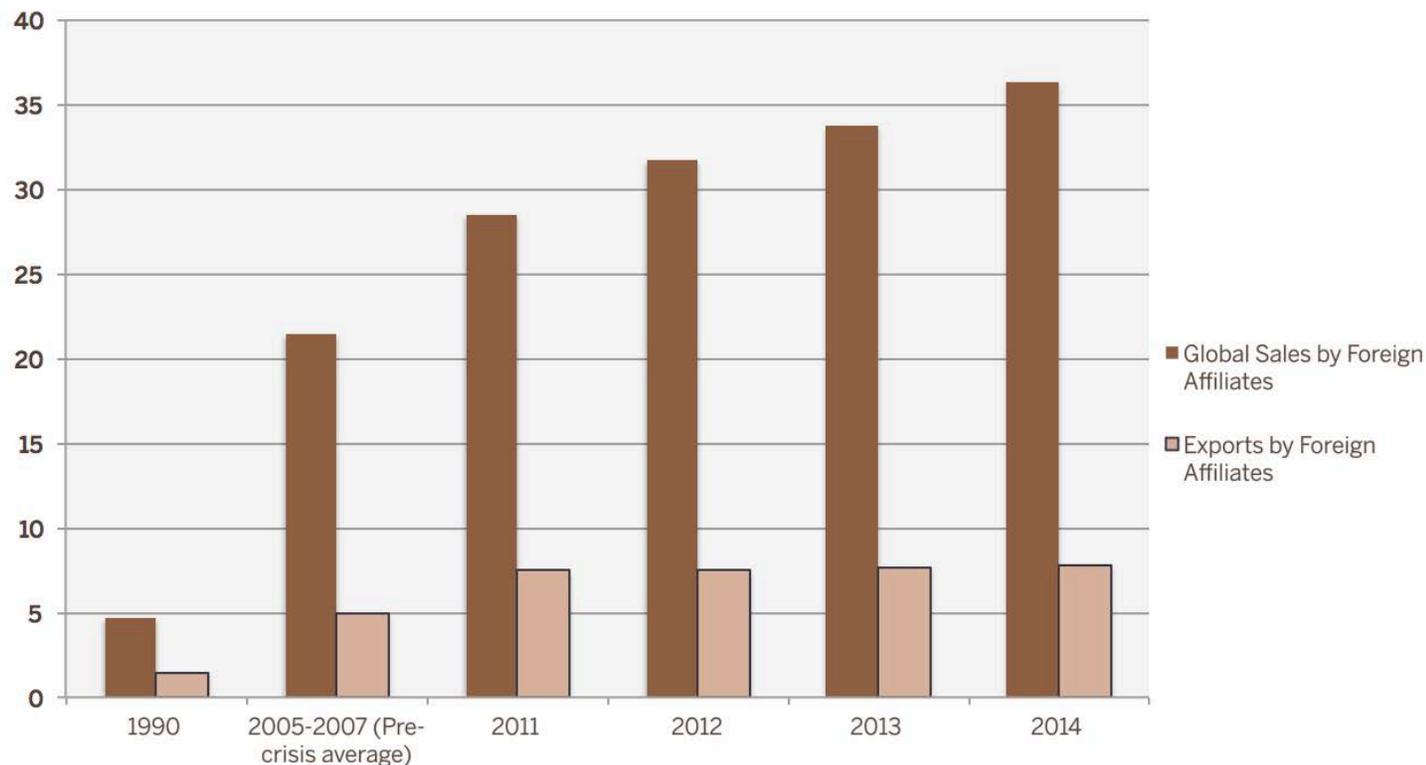
Approx 82K  
multi-national  
enterprises had  
810K foreign  
affiliates world-  
wide and 75M  
employees  
abroad.

**In less than 25 years, the total value of assets held by foreign affiliates worldwide rose from U.S.\$3.9 trillion to U.S.\$102 trillion.**

# Key Drivers of the FDI Landscape (cont'd)

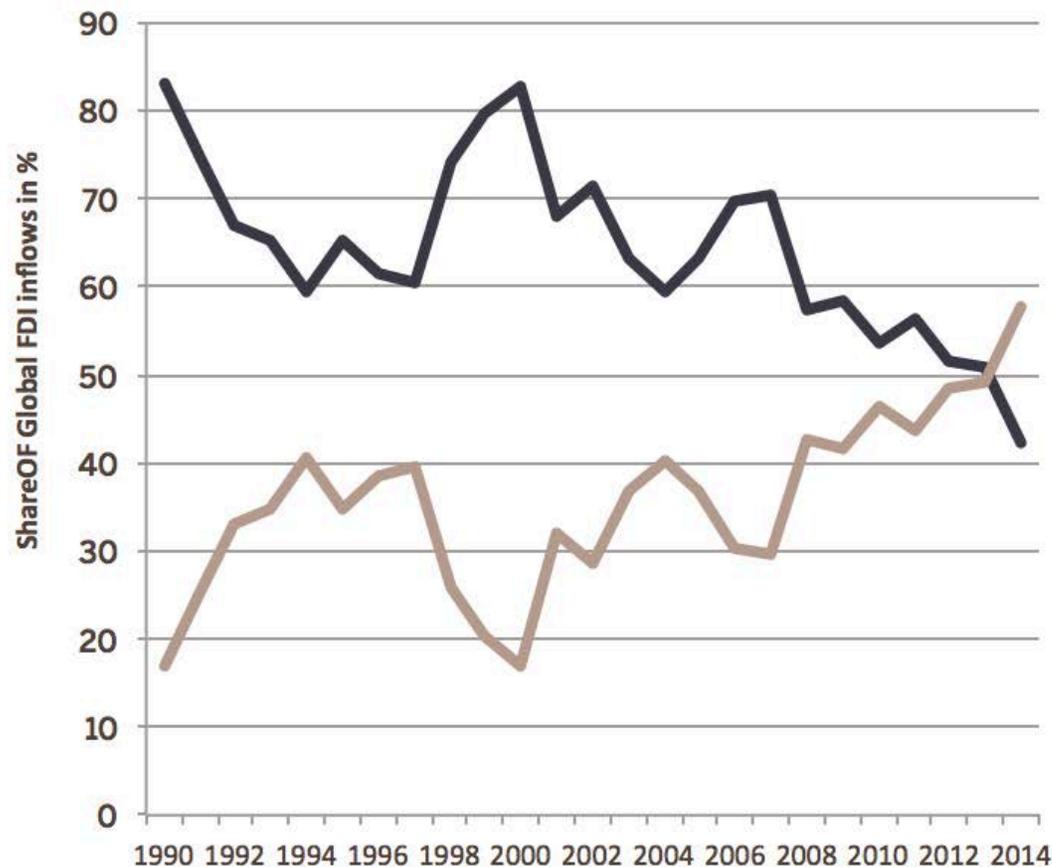
- Foreign affiliate sales are heavily focussed on their local markets: 79% vs. 21% that is exported

**Foreign Affiliate Activity**  
In Trillion US\$



# Key Drivers of the FDI Landscape (cont'd)

- Ascendance of developing economies

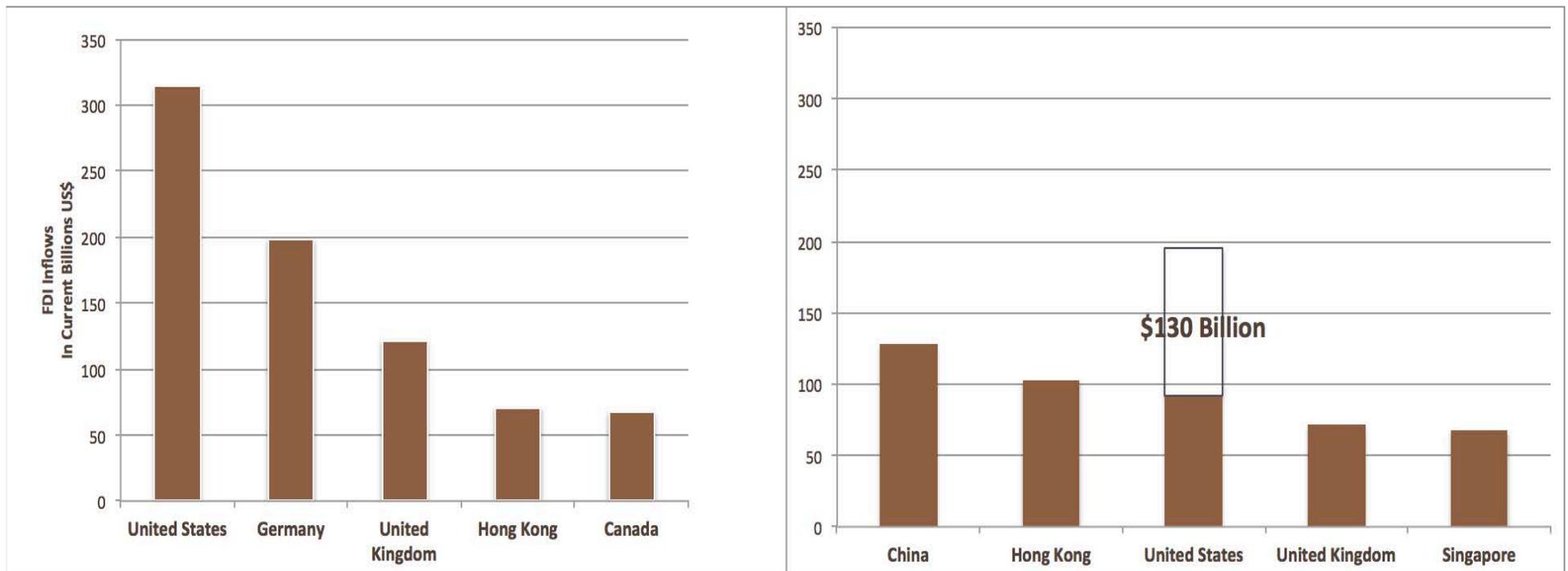


In 2014, for the first time, global FDI inflows to developing economies surpassed those to developed economies.

— Developed economies  
— Developing economies

# Key Drivers of the FDI Landscape (cont'd)

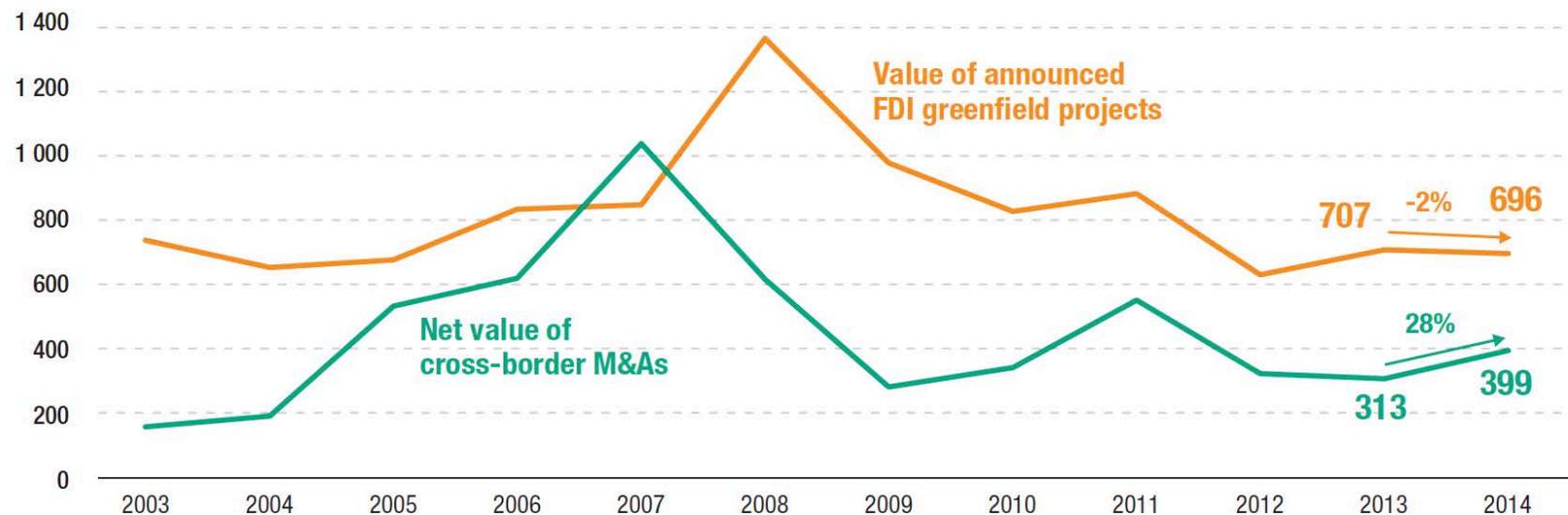
- Between 2000 and 2014, Asia moved in the top global ranks, while Germany and Canada fell out of the top five recipients of FDI inflows. Canada was 4<sup>th</sup> in 2013 but fell to 7<sup>th</sup> place in 2014



# Key Drivers of the FDI Landscape (cont'd)

- Cross-border M&A's account for a growing share of global FDI flows over past decade

**Figure I.10.** Value of cross-border M&As and announced greenfield projects, 2003–2014  
(Billions of dollars)



Source: UNCTAD, cross-border M&A database for M&As ([www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)); Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)) for greenfield projects.

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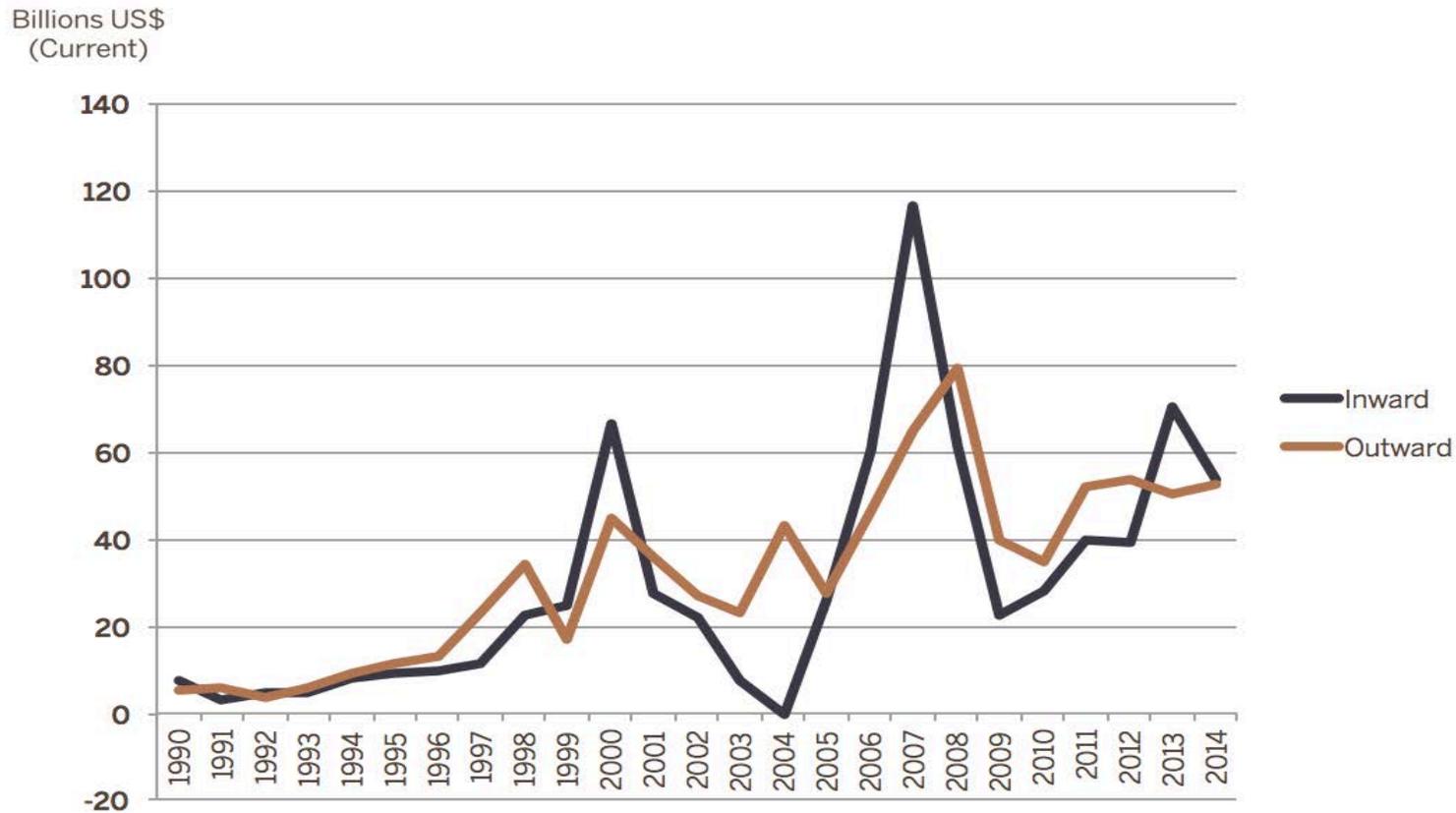
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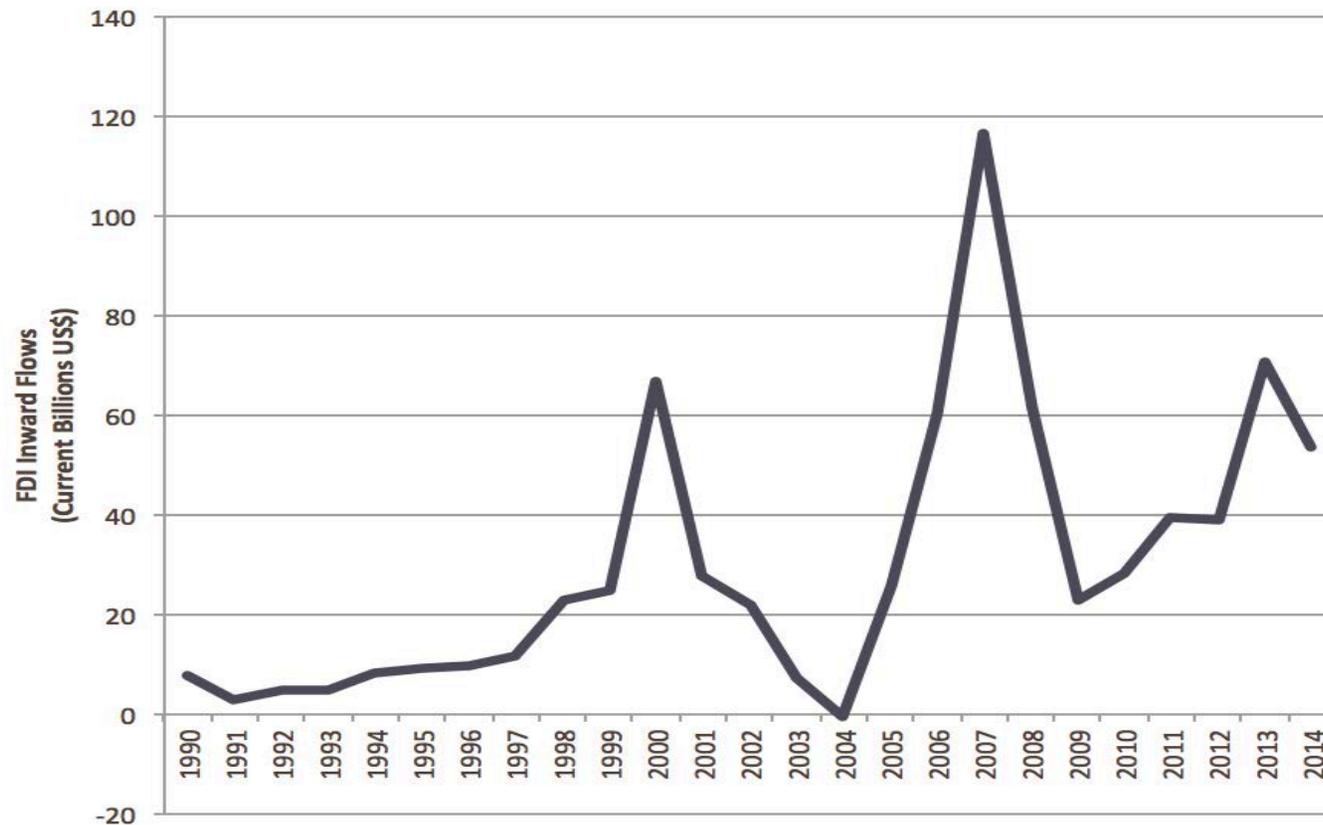
# Aggregate Trends in Canadian FDI Flows

- Robust upward trend in FDI outflows and inflows over the past 25 years



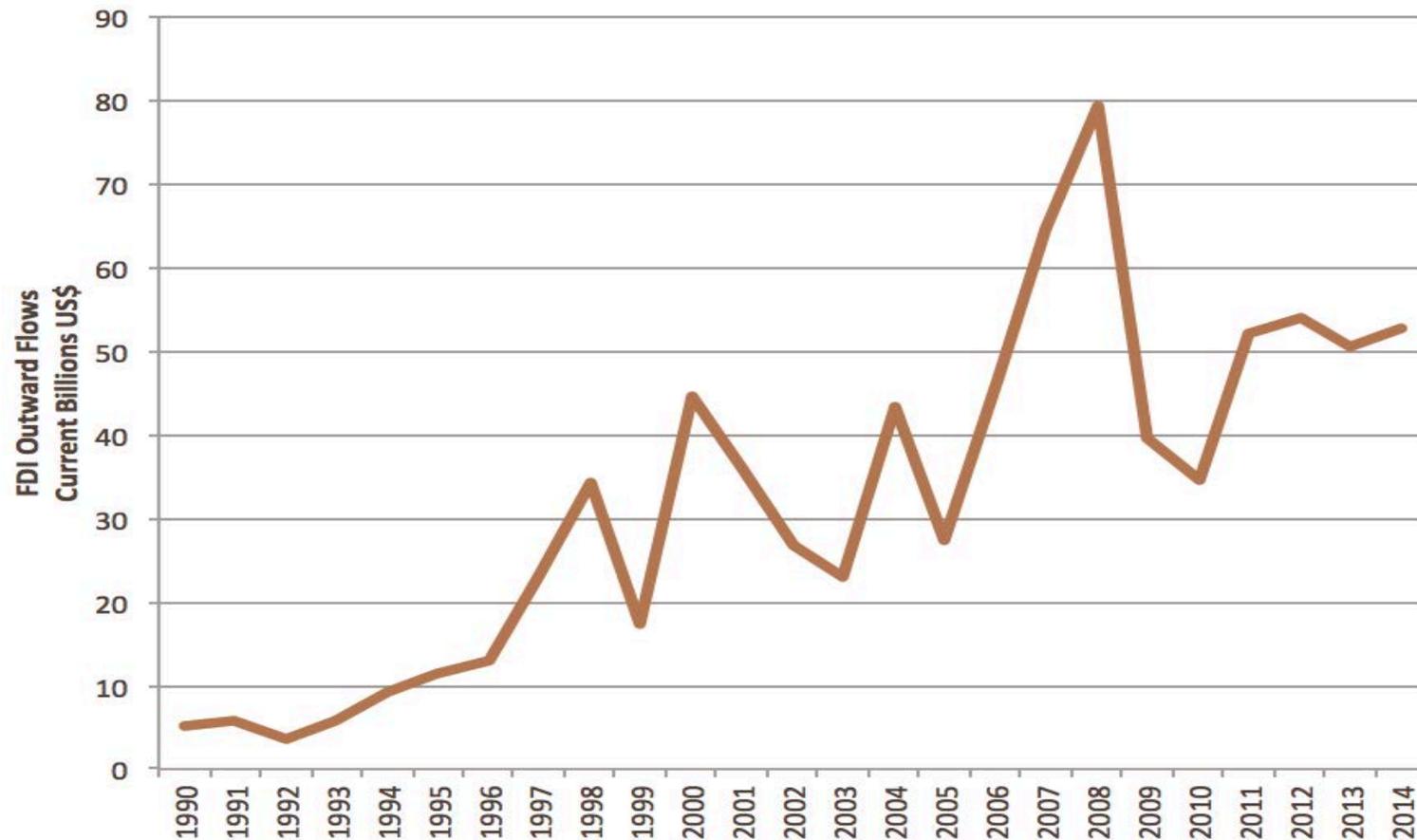
## Aggregate Trends in Canadian FDI Flows (cont'd)

- Canada has shown a strong upward trend in **FDI inflows** over the past 25 years, despite high volatility



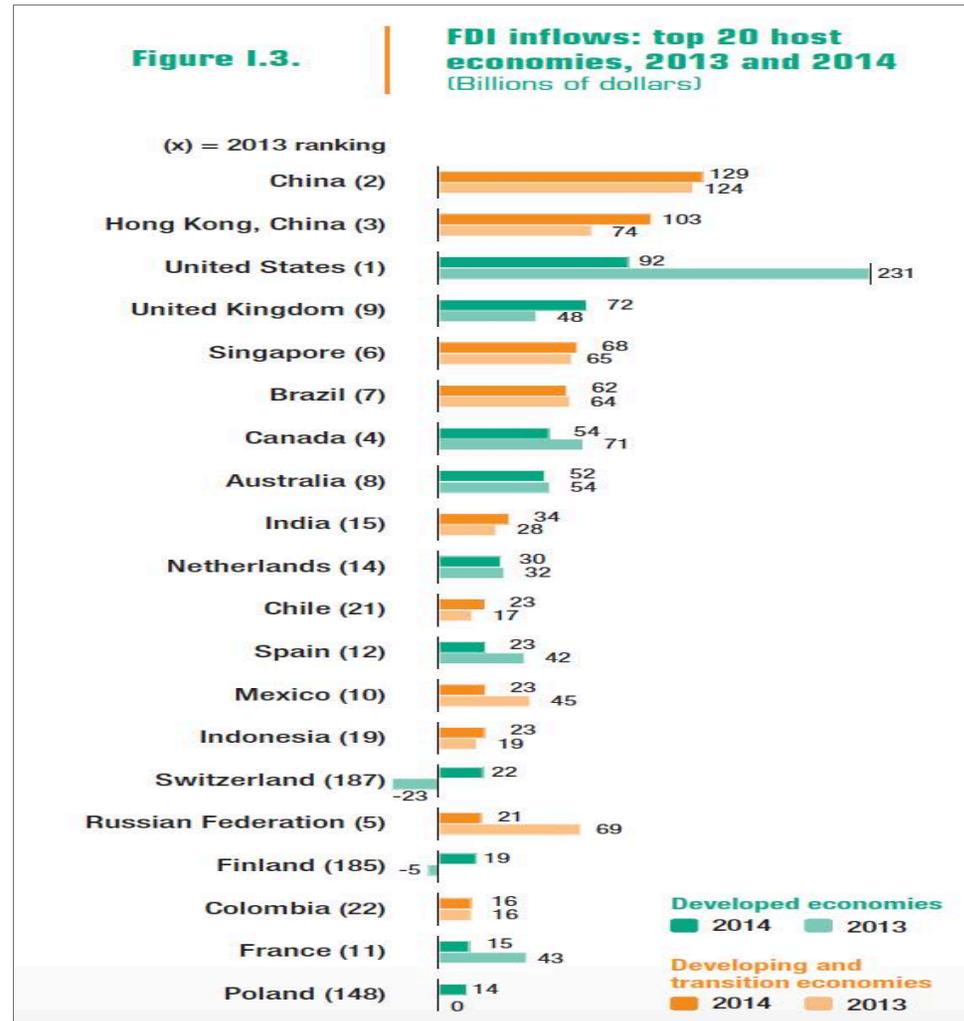
# Aggregate Trends in Canadian FDI Flows (cont'd)

- Canadian **FDI outflows** have also trended upwards



# FDI Performance relative to Global Peers

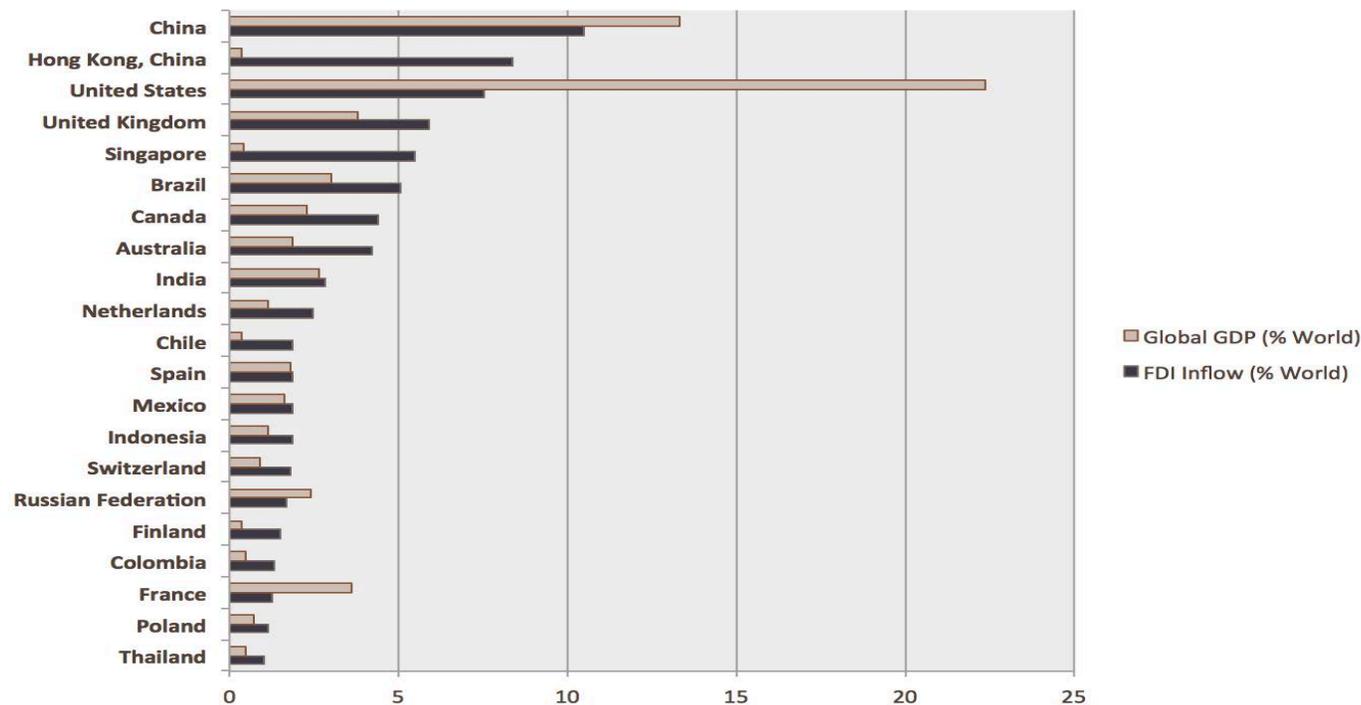
- Canada's relative performance in attracting total FDI inflows has traditionally matched or exceeded its overall economic weight globally



# FDI Performance relative to Global Peers

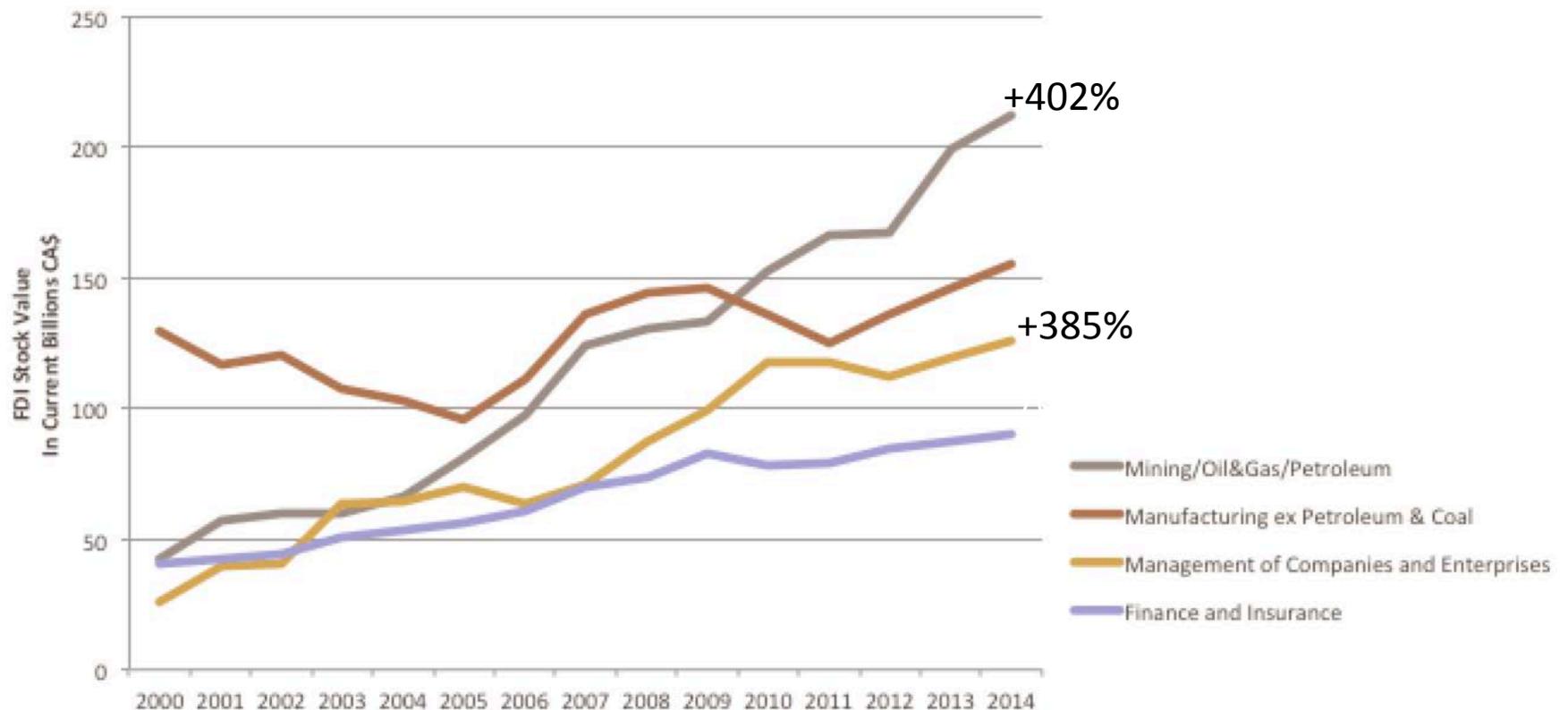
- Canada's global FDI share has remained consistently above its GDP share while ranking in line with, or above, its global GDP ranking

**GDP vs. FDI Inflow shares in 2014 for Top 20 countries**



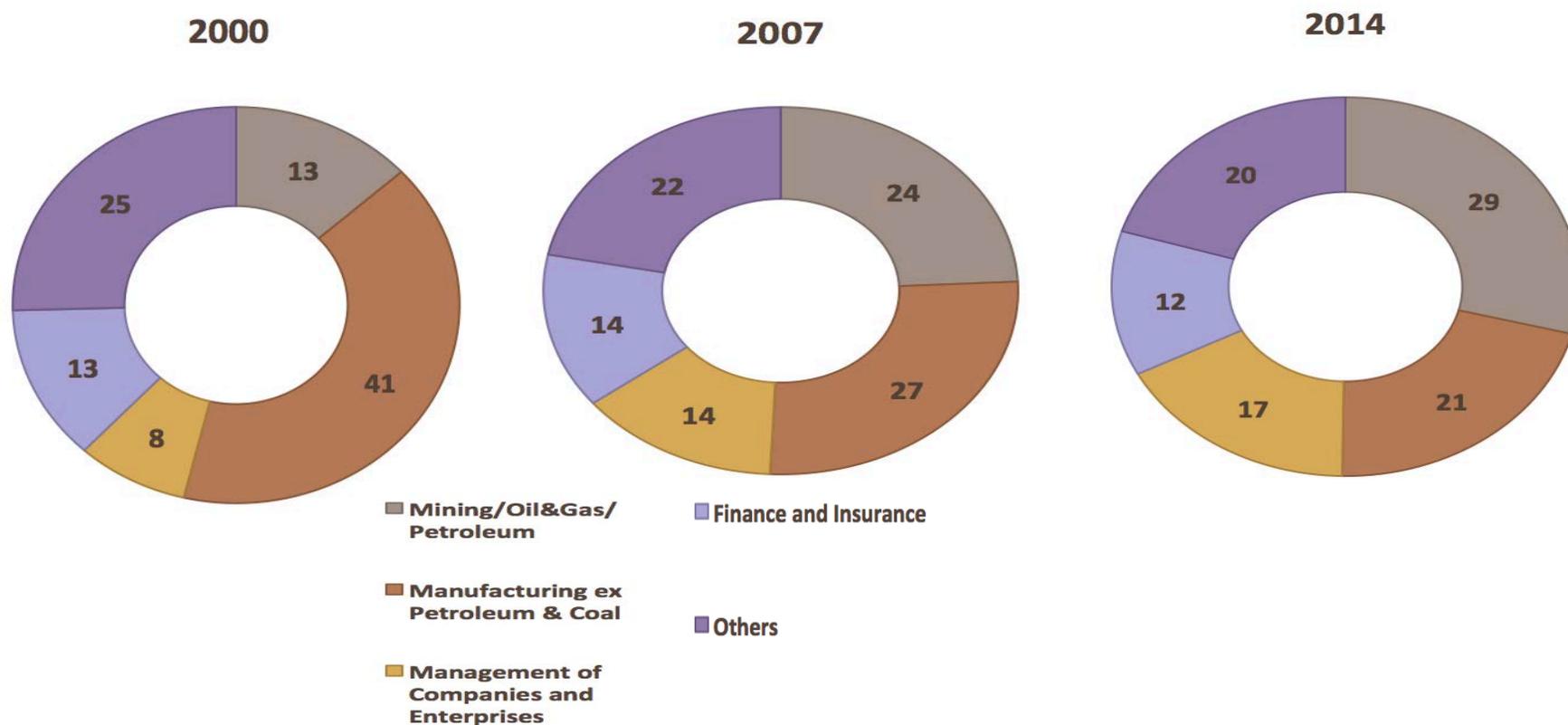
# Sectoral Trends in FDI Inflows to Canada

- The sectoral composition of FDI stocks in Canada, has shifted massively over the past 15 years



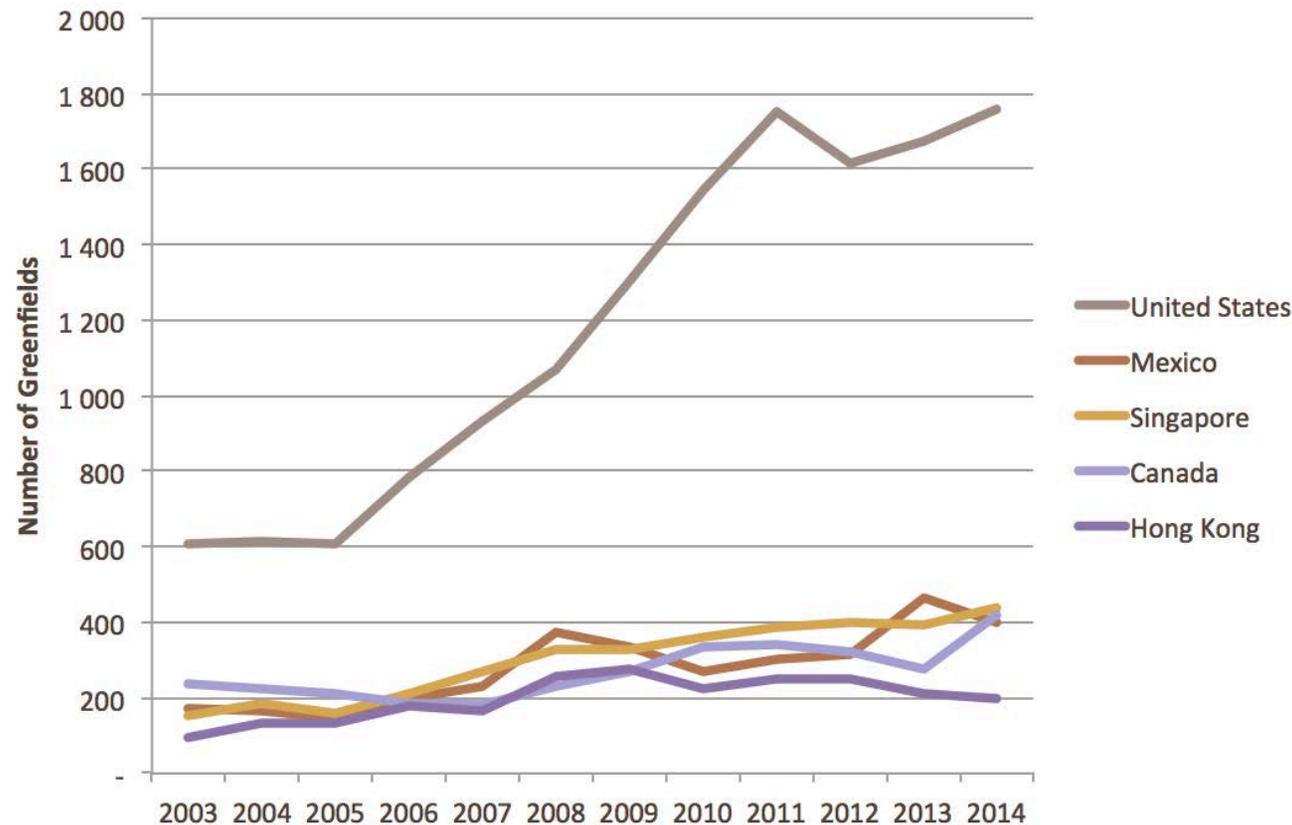
## Sectoral Trends in FDI Inflows to Canada (cont'd)

- The share of **Manufacturing-ex-Petroleum** has halved vs. more than doubling in the shares of **Mining/Oil&Gas/Petroleum** and of **Management of Companies**



# Greenfield Projects relative to Peers

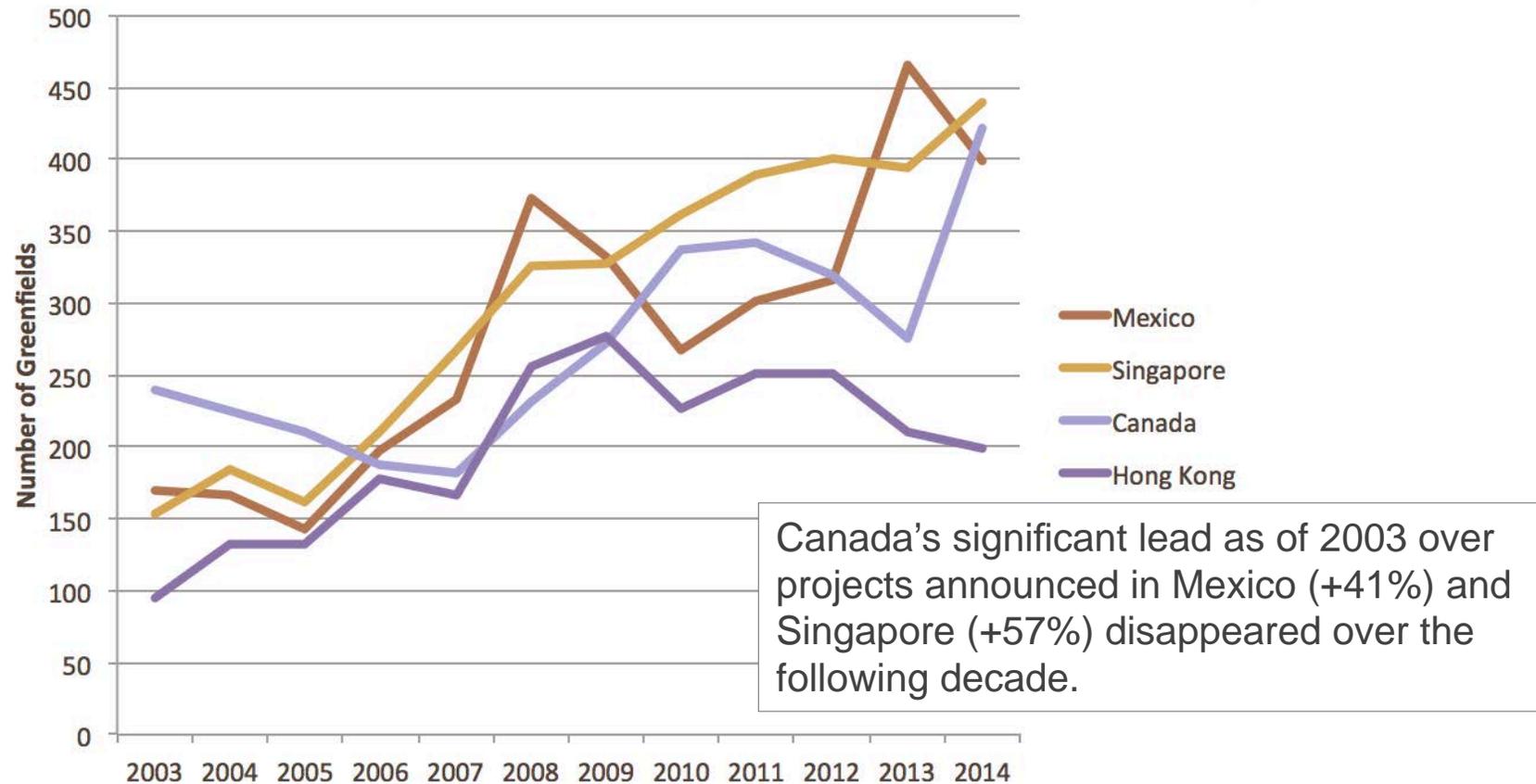
- **Number** of announced greenfield FDI projects by destination



Despite a doubling in announced projects in Canada over a decade, U.S. projects soared from triple the original Canadian level to more than four times the Canadian level over that period.

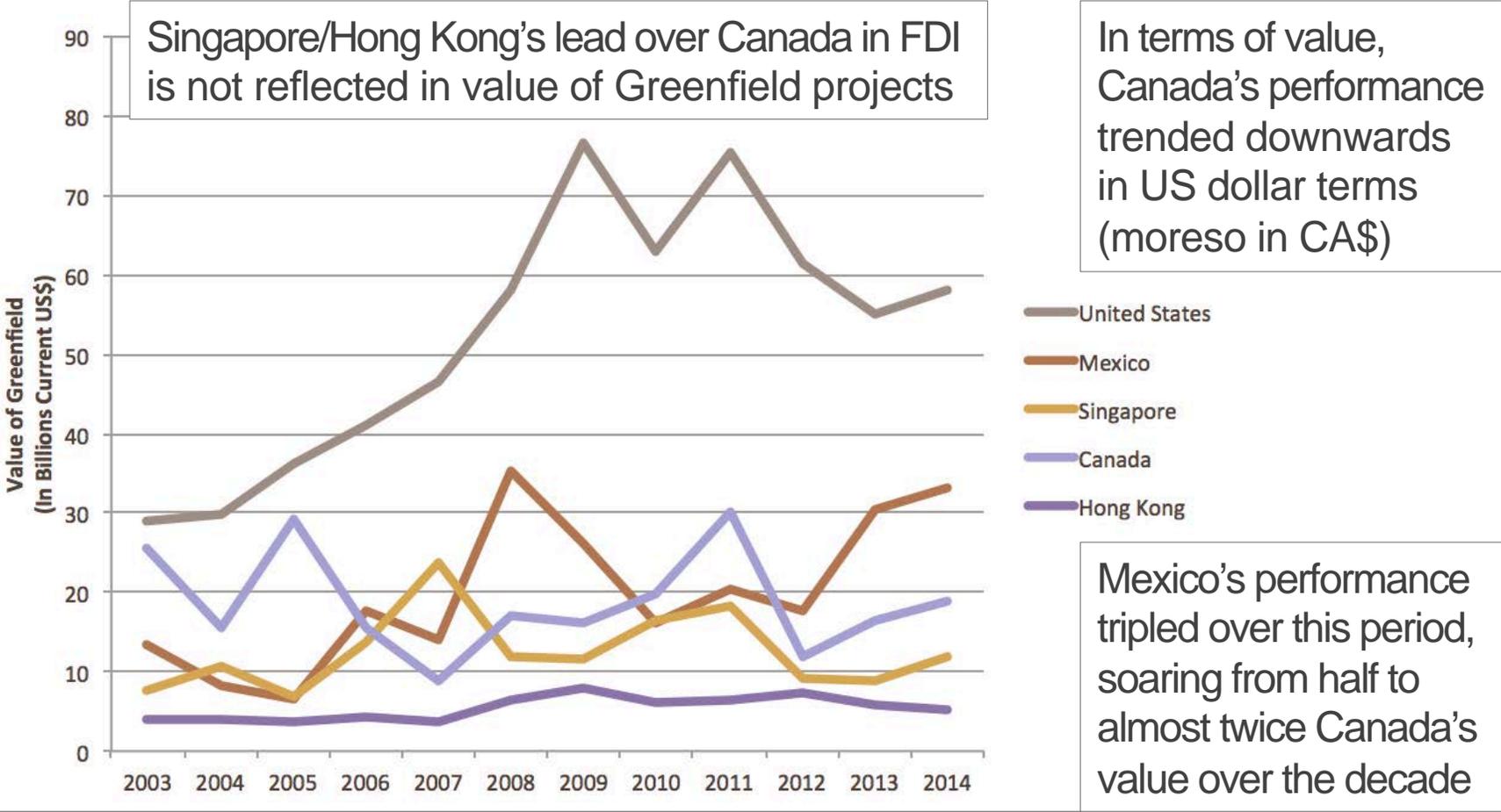
# Greenfield Projects relative to Peers

- **Number** of announced greenfield FDI projects by destination, excluding U.S.



# Greenfield Projects relative to Peers

- **Value** of announced greenfield FDI projects, by destination



# FDI Attractiveness relative to Peers

- McKinsey and UNCTAD survey of 1000 business executives across 89 countries on what their **top national target** is for FDI intentions over the coming three years
- Canada was in 11<sup>th</sup> place in the 2015 survey and not in top 20 in 2013



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## Conclusion/Assessment

# Conclusion/Assessment

- Over the past decade, Canada has **fallen behind** in attracting greenfield investment projects relative to key competitors and trading partners
- FDI flows into Canada over the past 15 years are disproportionately in **resource-related sectors** (mining, oil and gas extraction and petroleum/coal refining) *and “management of companies and enterprises”*
- FDI inflows may have been more **concentrated in M&A activity** rather than investments in new, directly-productive assets
- Outside of petroleum and coal product manufacturing, Canada’s manufacturing sector has seen only modest growth in its stock of FDI
- Canada has work to do in ensuring that its FDI performance supports growth and prosperity **across all major sectors** of the economy



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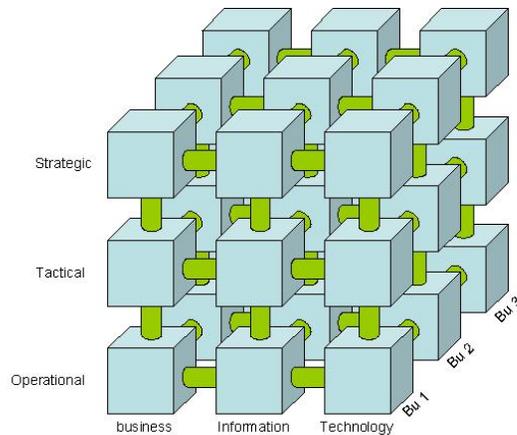
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# Framework for Attraction of Foreign Direct Investment



**The Future of Canadian Manufacturing:  
Attracting Global Mandates**

**Greig Mordue**, Associate Professor, McMaster  
University & Fellow, Lawrence Centre  
November 10, 2015

# Building a Path Forward?

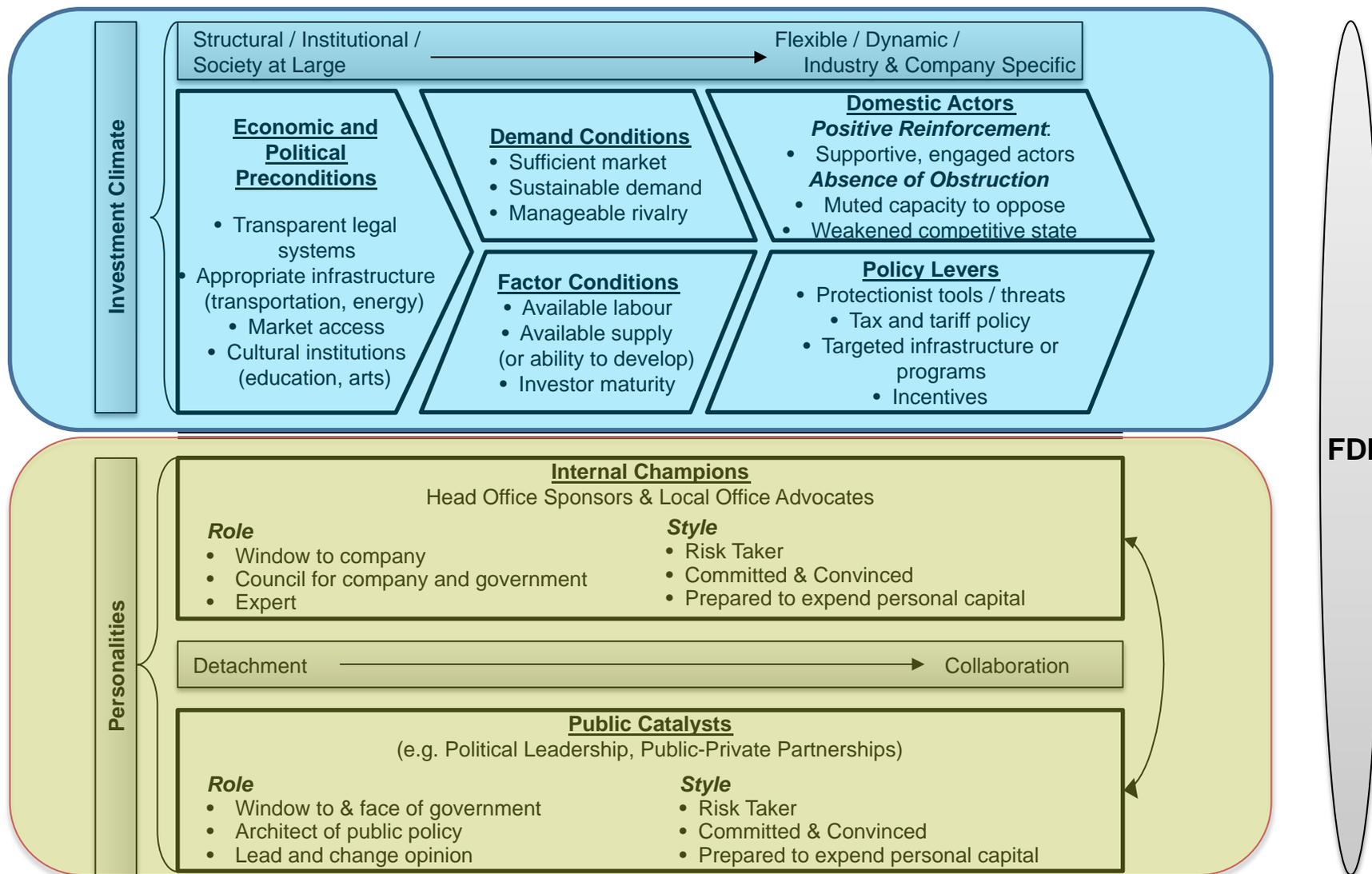
- What trends are most important?
- How do we leverage our strengths?
- What weaknesses need to be addressed first?

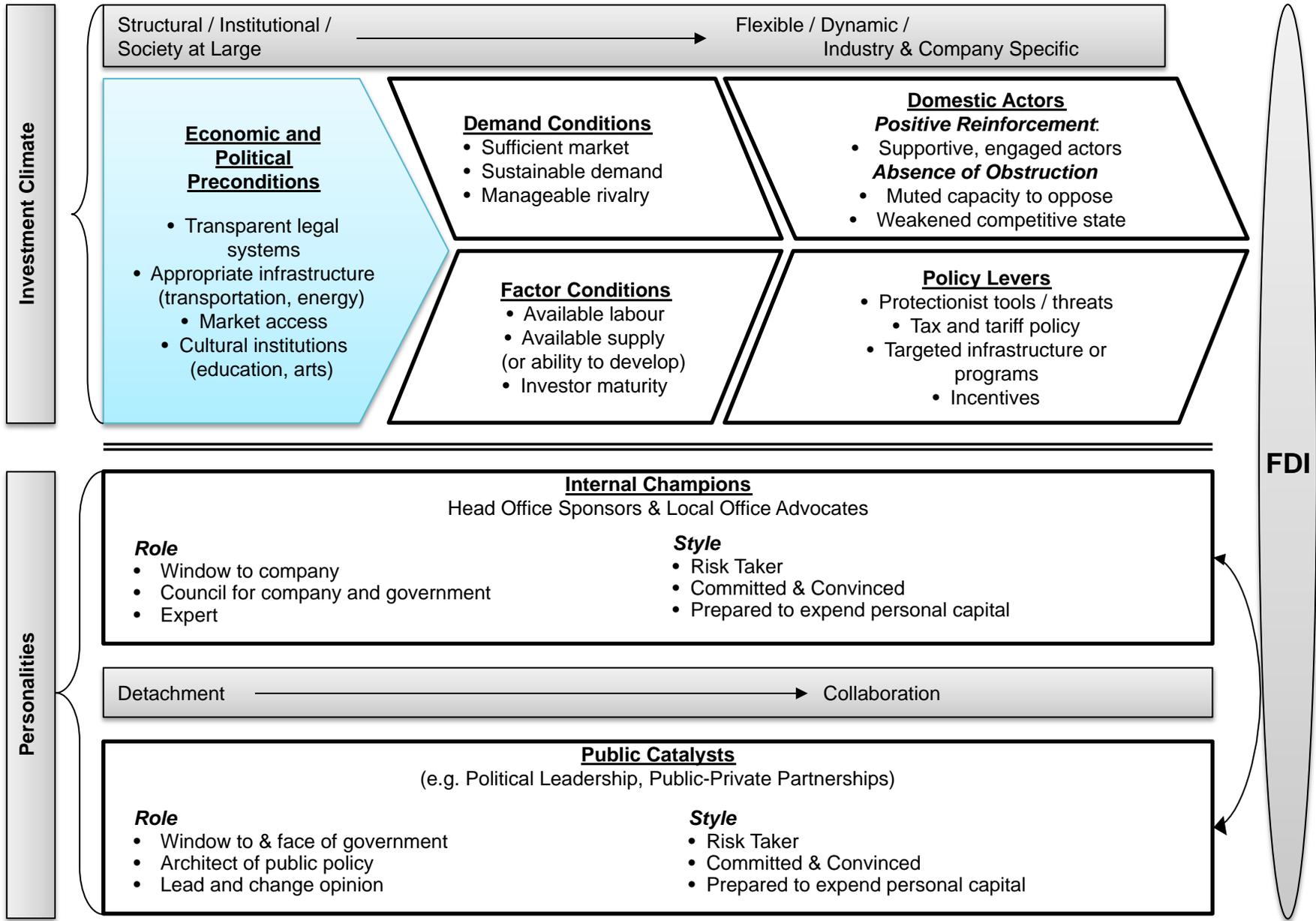
***The Goal:*** One comprehensive manufacturing strategy for Canada

- How do we consider all of these factors...?
  - Building blocks we have developed
  - Current opportunities
  - Nagging challenges
  - Future trends

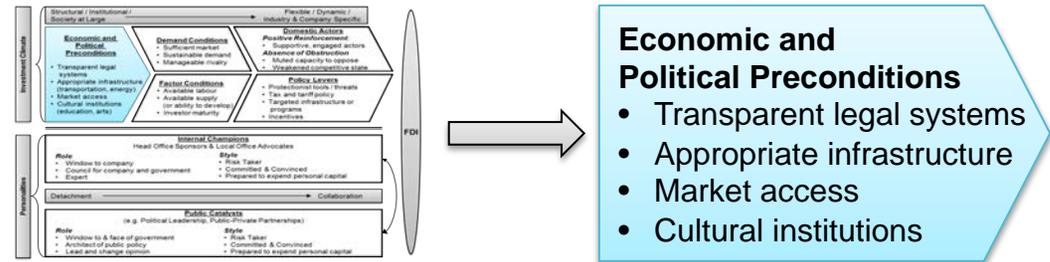
***Where to begin?***

# Framework for FDI Attraction





# Economic and Political Preconditions



Investors weigh a range of long-term social and economic factors when assessing investment locations.

## Tangible items

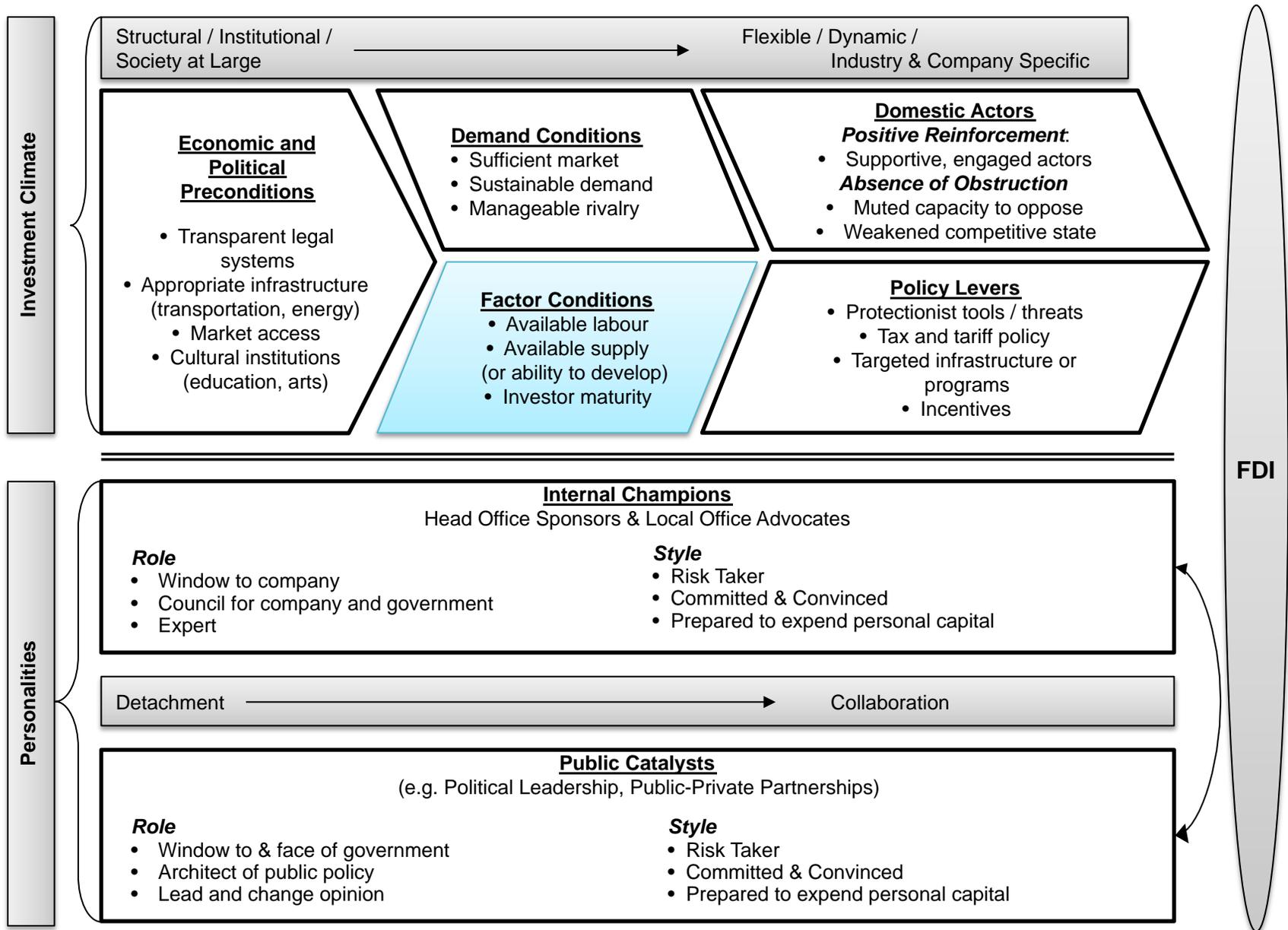
- Transparent &/or compatible legal systems
- Robust education and training systems
- Infrastructure (energy availability, reliable transportation)
- Evolved agglomerations (auto industry)

## Intangible aspects

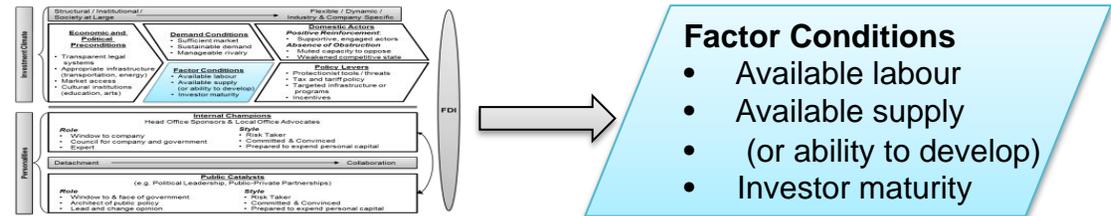
- Perceptions of cultural affinity.
- “Would employees want to live here / Raise families?”
- Implicit criteria for investors ... needs explicit consideration by economic development

**Economic and Political Preconditions** evolve (or dissolve) over generations, not overnight.

Are these priority areas for those considering a manufacturing strategy in the here and now?



# Factor Conditions



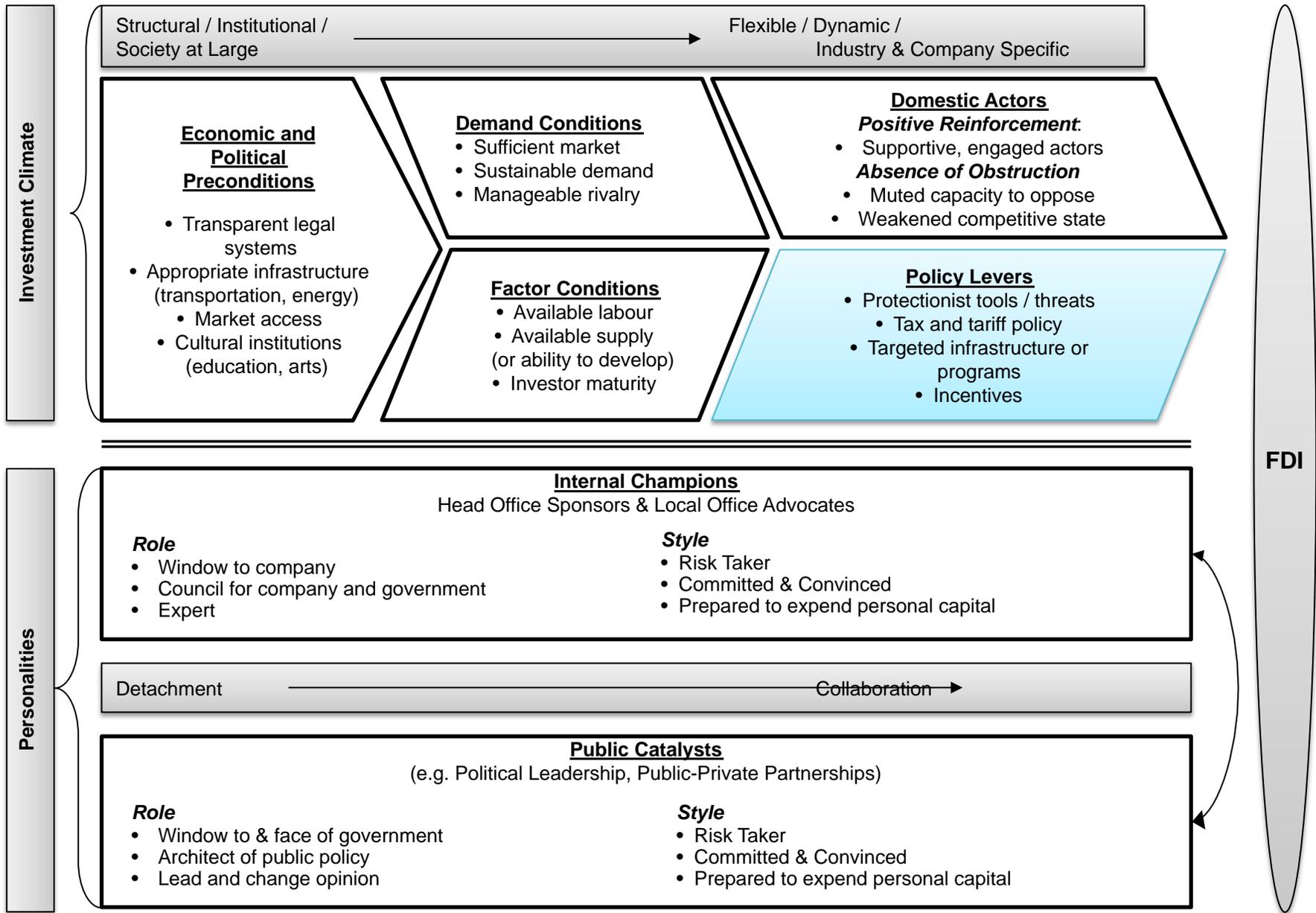
**Temporal consideration:** Modest changes only possible over short term  
 e.g. labour > physical resources > specialized resources > infrastructure

## Some Notes on Labour:

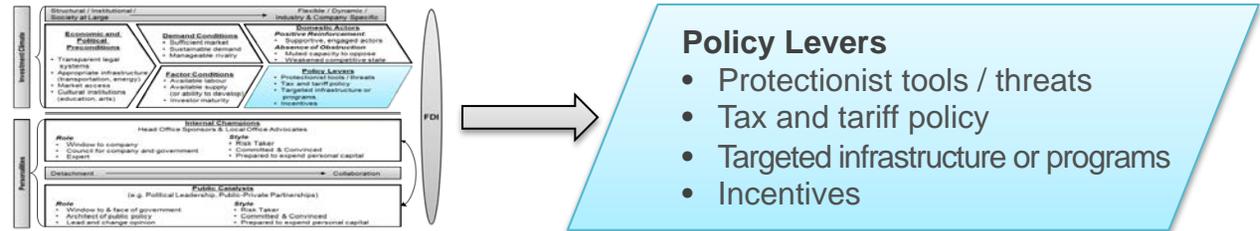
- Labour **stock** won't change in the short term  
*Therefore...*
- Labour **cost** won't change either.
- If Canada **does have** an advantage in labour **quality**  
*Then...*
- That advantage is **unlikely** to evaporate over the short term... a point of leverage.

**Labour** quality & cost is just one component of a complex interplay of factors comprising investment decision making.

**Labour** cost is important, but should not overwhelm broader discussions about investment climate and overall competitiveness



# Characteristics of Policy Levers



## Policy Levers

- Protectionist tools / threats
- Tax and tariff policy
- Targeted infrastructure or programs
- Incentives

## They have:

- Short term life  
e.g. incentive packages  
**or**
- Put in place relatively quickly

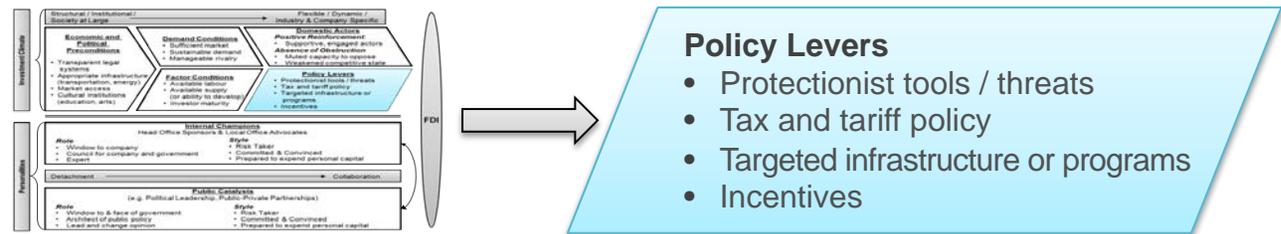


Protections tools & threats	X
Tax and tariff policy	✓
Targeted infrastructure	✓
Incentives	✓

## But ... what about incentives?

- Limited long-term bearing on economic fundamentals
- The 'price of admission' ... putting potential investors on notice
- We may not like them ... but can't be ignored

# Role of Short Term Policy Levers in IA

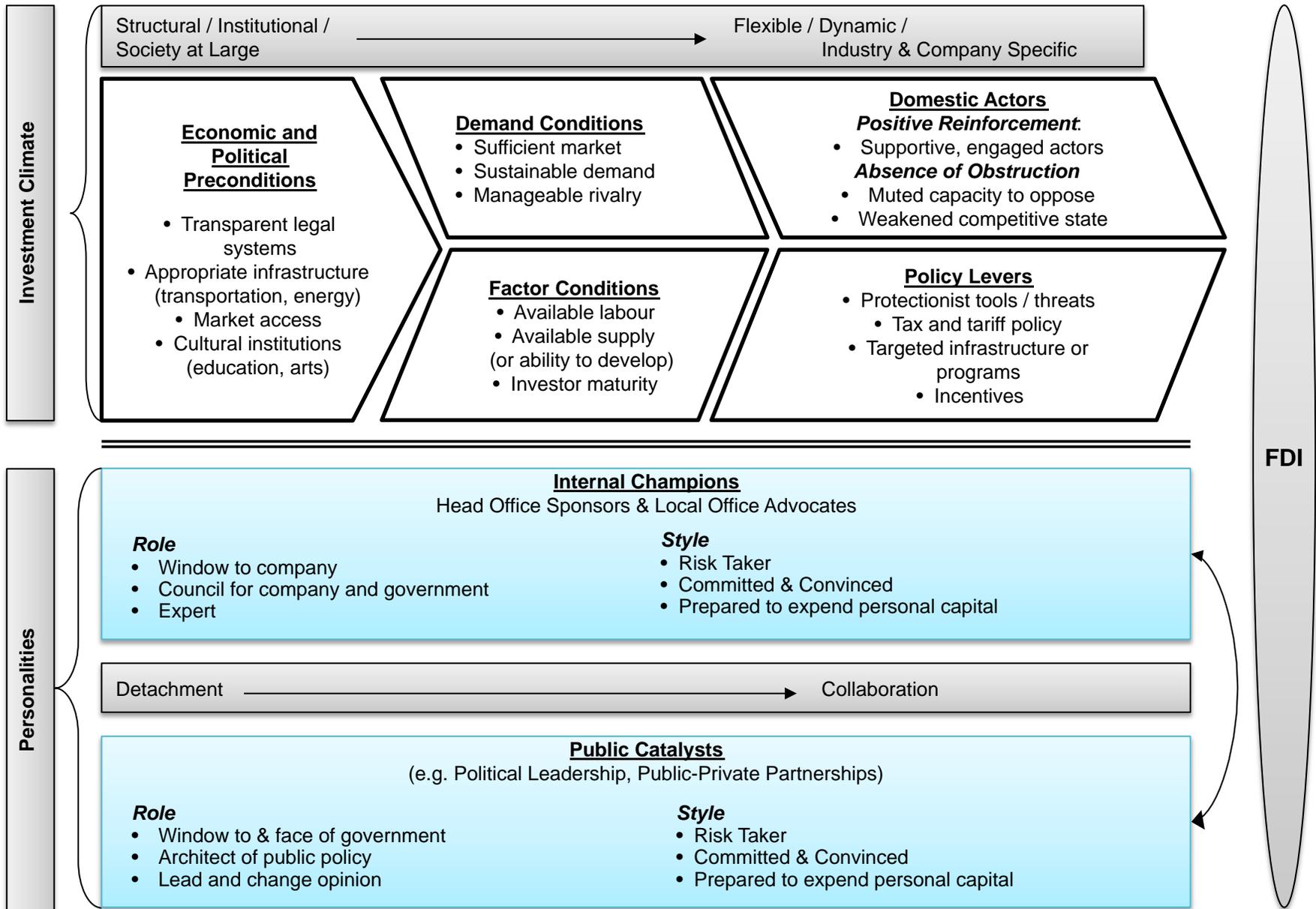


1. Generate investor interest
2. Provide internal champions with tangible affirmation of his or her support

## The Practical Limits:

- Rich incentives, *or*
  - Outrageous threats
- } Outside the boundaries of Canada**

- A business case must succeed or fail based on its long-term economic merits
- Inward FDI must be supported by attractive economic and political preconditions, coupled with sufficient demand and factor conditions.
- Threats or incentives are flexible, dynamic and ultimately short-term in nature ... definitely **not** unimportant, but short term



# Public Catalysts

## Visible & Committed

*“Minister we’ll give you the red carpet treatment and you’ll meet everybody at dinners, but if you really want to do business in Japan, you have got to come here on a regular basis ... He said, you will have to come here ten times before you do your first deal ... Until they recognize you in the airport, until they can recognize your face, you are just a number that comes in from country X.”*

## Prepared to Spend Personal Capital

*“I know I’m supposed to be diplomatic, but I have got to tell you how important the automobile industry is to Canada. ... I want you there. The Americans are producing cars in Canada. They’re foreign companies but they manufacture in Canada. They create jobs in Canada. So, if you don’t want to invest in our country, you aren’t going to be allowed to sell in our country.’ In fact, I made the stupid mistake of saying, ‘look, you won’t have to fly on a plane from Tokyo to Vancouver. You can walk across the ships all stacked up in the Pacific.”*

Ed Lumley, Canadian Industry & Trade Minister, Early 1980s



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# Public Catalysts

	Direct Subsidies	Indirect Subsidies			
	Loan or Grant	VER Adjustment	Auto Pact Waiver	FIRA Pact Waiver	Duty Remission Scheme
CAMI	✓	✓			
Hyundai	✓			✓	
Honda					✓
Toyota	✓				✓
AMC Renault	✓		✓	✓	

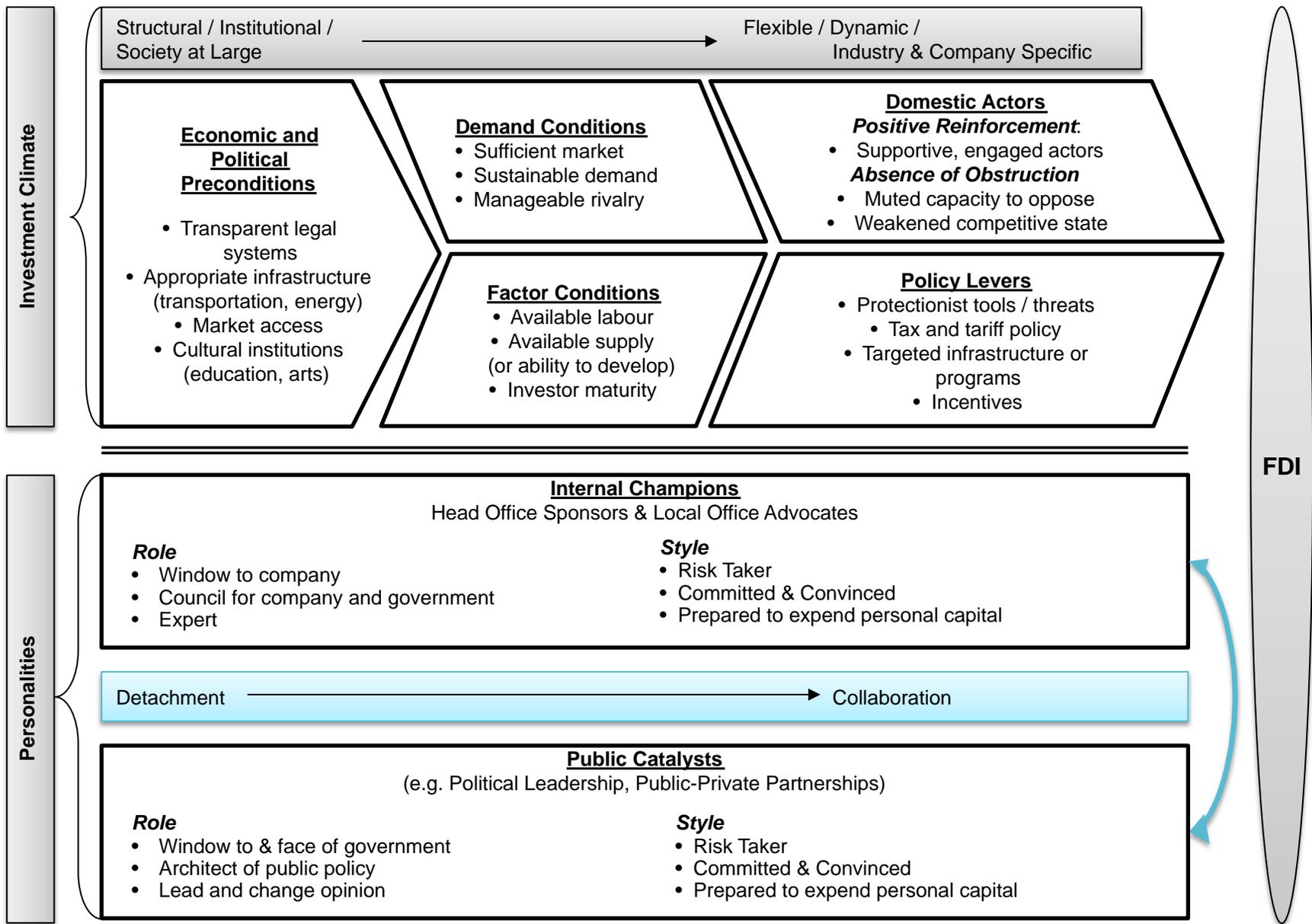
*“When he (Ford Canada President, Roy Bennett) came to us, we were not dressed up to do these kinds of deals. We had the Ontario Development Corporation only, which were lenders of last resort. We were not used to doing big stuff like what Ford was proposing and all of a sudden we got a positive client, not one who was on a deathbed.”*

Mike Dube, Ontario Government  
Ford Engine Plant deal of 1978

*“We never played that game through the ‘70s, ‘80’s and ‘90s with cash; we played it with near cash. For example, how much did Japanese-owned companies get out of eliminating the parts duties?. How much did others get out of eliminating FIRA? How much did Chrysler save by eliminating or changing the Auto Pact? ...So we always had these other tools that we were able to use that were cash equivalents. We can’t give you the \$100 million or \$200 million, but here’s what we can do for you.”*

Dennis DesRosiers, Automotive Analyst





# Questions for Policy Makers

## Looking Outward

- How do we identify the Internal Corporate Champions?
- What do we need to do to engage the Internal Champions?
- What tools do they need?
- What messages resonate?



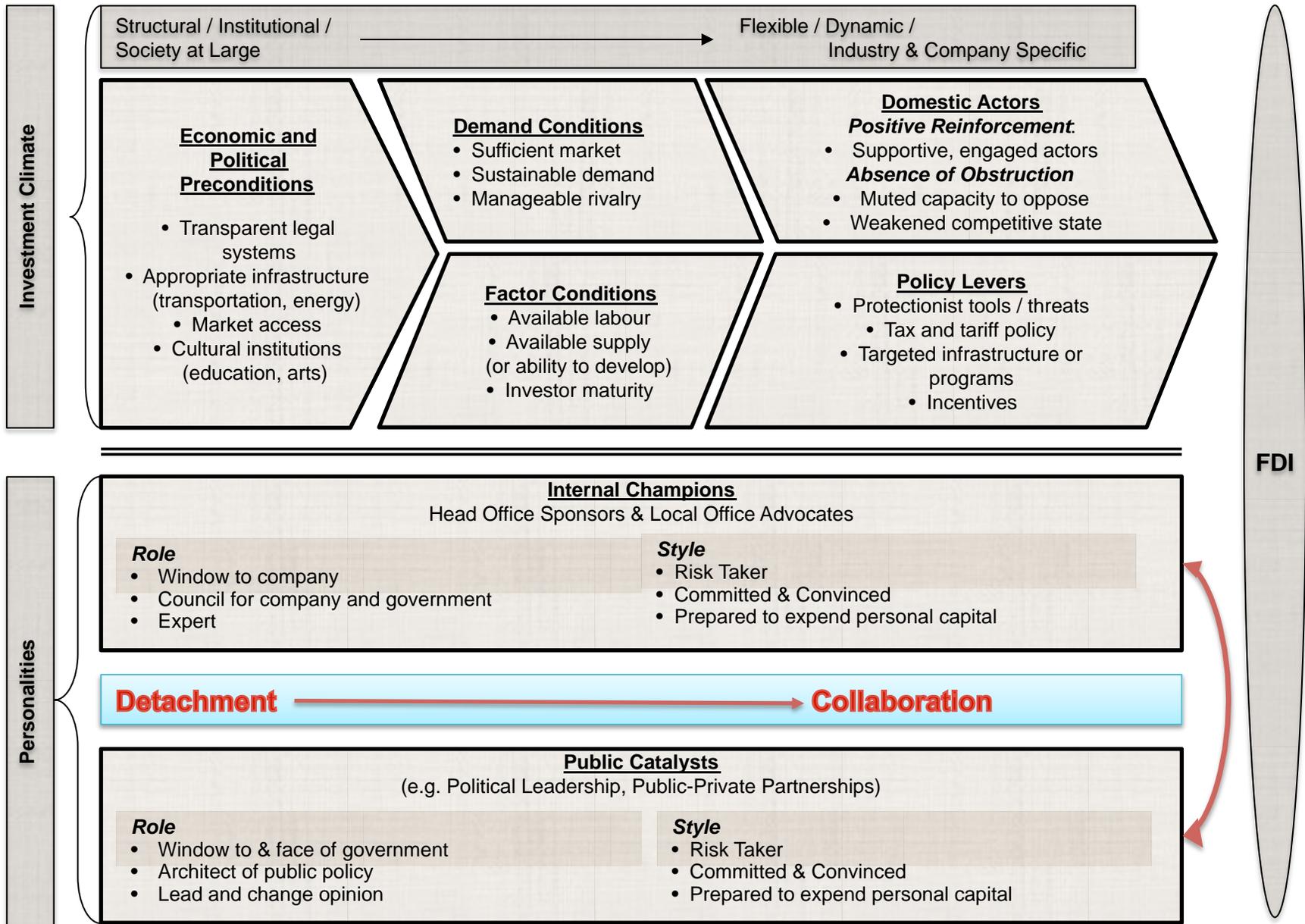
## Looking Inward

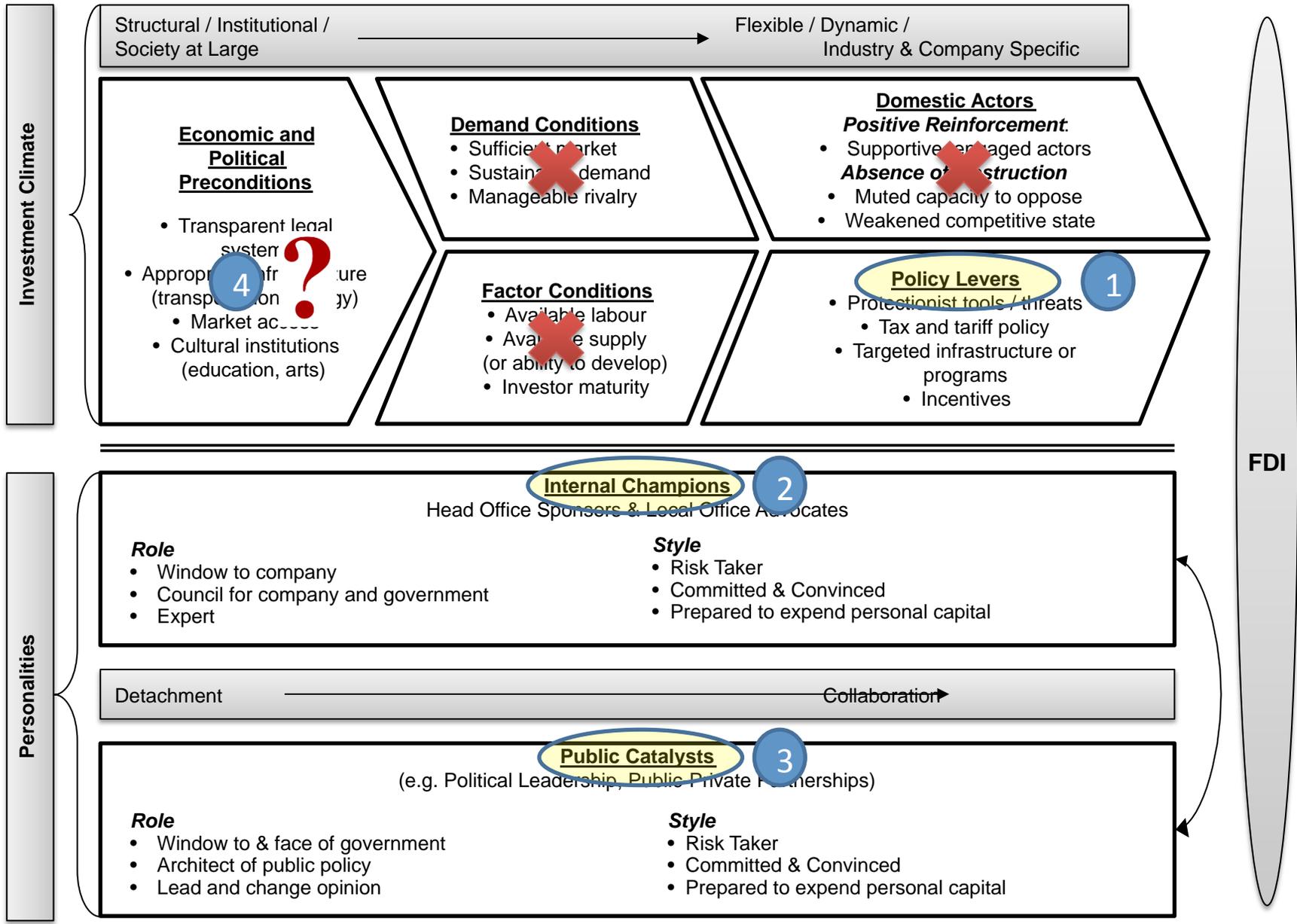
- Can we identify & empower a catalyst in government?
- Is the catalyst prepared to expend his or her political capital for manufacturing?
- Can he or she maintain sustained attention?



## Together

- How do we bring the Internal Champions and the Public Catalysts together?
- How do bring them together sooner?







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# Core Manufacturing



**The Future of Canadian Manufacturing:  
Attracting Global Mandates**

**Paul Boothe**, Director, Lawrence Centre &  
**Jean-Louis Schaan**, Professor, Ivey Business School  
November 10, 2015

# Introduction

- Intra-firm competition for production and R&D mandates can be fierce
- Emerging market firms are winning mandates for their home markets **and** global markets
- We studied global four global firms where Canadian operations have won intra-firm competitions for mandates: **Toyota, IBM, Siemens and GE**

# Methodology

Structured interviews with senior executives of Canadian operations posed two key questions:

- **How** does the process of mandate allocation work in your firm?
- **What** was your strategy to win the mandate in question?

# Toyota Canada – at a glance

- Headquarters: **Toronto**
- Year of establishment in Canada: **1964**
- Current leadership: **Seiji Ichii, CEO; Brian Krinock, President**
- Number of employees in Canada: **13,750**
- Industries/Sectors Active: **Assembly, Research and Development**



# Toyota Canada – Recent Investments

- Addition of new assembly lines in its Cambridge Manufacturing Facility with the aid of \$34M investment from Federal and Ontario governments (Jan 2013)
- New upgrades and retrofits in Toyota's Woodstock and Cambridge plants, including the addition of a metal stamping facility with a \$420M investment from Federal and Provincial governments (July 2015)
- Toyota Canada has invested \$9 Billion across Canada in its 50 years of existence in the country. From 1988 to 2013, it manufactured 5.6 million vehicles

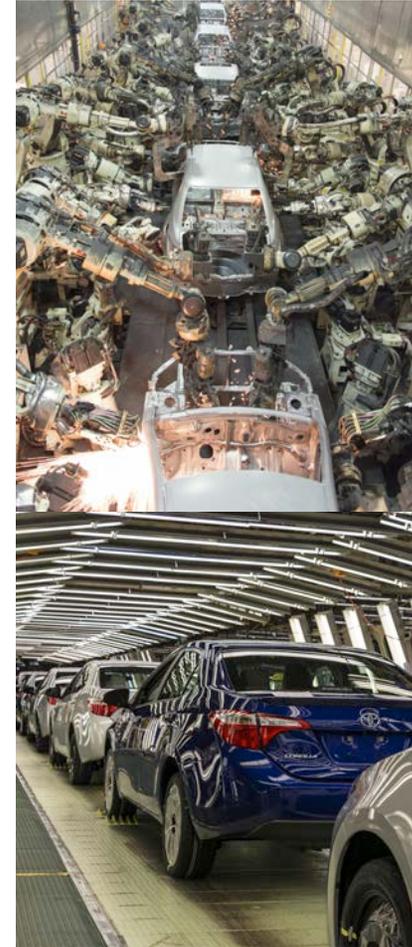
# TMMC Woodstock Assembly Plant

- Woodstock assembly plant opened in 2008
- 1.8 million square feet
- Plant produces Toyota Rav 4 – 220,000 vehicles in 2014
- Employs 8,000



# Toyota Canada – Strategy & Approval

- Focused on **medium term needs** for region: who can best fill gaps
- Key elements: demand, supply, risk, return & salesmanship
- Board decides – target NA senior mgmt, HQ mgmt and board
- Needed to socialize concise business case (1 page) at each level



# Toyota Canada – Key Success Factors

- Reputation for production quality, and ability to plan and execute expansions (internal capacity)
- Reputation for innovation
- Strong financials (self financed)
- Canadian CEO (Ray Tanguay) role in building business
- Government support in salesmanship, timely information (land) and financial support (partnership)

# IBM Canada – at a glance

- Headquarters: **Markham**
- Year of Establishment in Canada: **1917**
- Current leadership: **Dino Trevisani, President**
- Number of Employees in Canada: **20,199**
- Industries/Sectors Active: **Information Technology and Telecommunications; Computer and Peripheral Equipment Manufacturing; Computer Systems Design & Related Services**
- Key Activities in Canada: **Research Laboratories, Business and Technological Services, Public-Private Sector Collaborations, Big Data**



# IBM Canada – Recent Investments

- \$165M investment in data centers
- Data Center facility in Montreal, Quebec (opened March 2015)
- \$90M Facility in Barrie, Ontario (opened September 2012)
- IBM Global Delivery Center in Bedford, Nova Scotia
- One of Canada's leading IT exporters, IBM Canada also invests heavily in R&D within the country, contributing over \$5 Billion in investments within the past decade



# IBM Canada – Smart Computing Platform

- Developed Southern Ontario Smart Computing Innovation Platform (SOSCIP)
- Launched in 2012, platform used high-performance computing technology in collaboration with 7 universities to support:
  - 40 research projects
  - 30 projects with SME partners (matched by Ontario Centres of Excellence)
- All innovation is open source

# IBM Canada – Strategy & Approval Process

3 key IBM priorities:

- **Research** - part of \$6B global spend
- **Open source innovation**
- **Smarter planet** - use computing technology to tackle planetary challenges (clean water, health care etc)
- IBM Canada is only sub reporting directly to HQ; project went to Investment Review Board
- Designed to have **no close competitors** in IBM family
- Socializing idea at senior level was key

# IBM Canada – Key Success Factors

- Start with vision
- Leadership across consortium
- Socialize ideas at **all levels**
- Business case benefits all partners
- Solid internal and external communication strategy
- Needed **public sector partnership** and **financial commitment** to make it work



# Siemens Canada – at a glance

Headquarters: **Oakville**

Year of Establishment in Canada: **1912**

Current leadership: **Robert Hardt, CEO**

Number of Employees in Canada: **4,500**

Industries / Sectors Active: **Industry, Energy, Healthcare, Infrastructure, Business services, Software, Financing, Project engineering and Construction**

Key Activities in Canada: **Delivers Business and Technological Solutions through its full suite of products and services offerings, Manufacturing, energy solutions (Clean Energy, Oil & Gas)**



# Siemens Canada – Recent Investments

- Siemens Smart Grid Centre of Competence in Fredericton, New Brunswick (opened January 2013)
- Trench Ltd manufacturing plant in Pickering, Ontario (opened February 2013)



- Siemens Canada is also active in the field of education. It has partnered with Seneca College, Sheridan College and the University of Waterloo in providing German-style apprenticeship programs to engineering students

# Siemens Canada – Smart Grid Center

- Siemens Canada Smart Grid Centre of Competence opened in January 2013 in Fredericton
- Multi-year partnership with NB Power
- Technology to modernize grid and help customers manage demand effectively
- Siemens Canada will help NB Power develop future energy roadmap



# Siemens – Strategy & Approval Process

- Rigorous planning process searches for opportunities to contribute to Siemens AG priorities, called ‘Country Opportunity Plan’ (COP)
- Progress reviewed monthly by management and top talent
- Two step internal process: **business plan due diligence** and **investment application**



# Siemens Canada – Key Success Factors

- **Management Structure**
  - Bottom up process adds senior management oversight to ideas from frontline staff
  - CEO access to HQ using formal and informal networks
- **Track record and lean organization**
- **Supporting policies**
  - Canada's great R&D environment
  - Government departments difficult to navigate (best practice QC & Mexico)

# GE Canada – at a glance

- Headquarters: **Mississauga**
- Year of Establishment in Canada: **1891**
- Current leadership: **Elyse Allan CEO**
- Number of Employees (Canada): **7,000**
- Industries/Sectors Active: **Power & Water, Aviation, Healthcare, Home & Business, Transportation, Finance**
- Key Activities in Canada: **Delivers Industrial, Business and Technological Solutions through its full suite of products and services offerings, R&D, Manufacturing, capital financing**



# GE Canada – Recent Investments

- Global Robotics, Automation and Instrumentation R&D Centre in Bromont, Quebec (opened July 2013)
- Global Innovation Centre in Calgary, Alberta (opened June 2012)
- \$40M Grid IQ Global Innovation Centre in Markham, Ontario (opened October 2012)
- In September 2015, GE Canada announced that it would open a \$265M plant to make gas-powered engines for power generation



# GE Canada – Aviation Robotics R&D Centre

- Automation and Instrumentation Centre in Bromont, QC
- Opened in 2013 with investment of \$61M including \$8M from GoQ
- Develop software to control robotic units in aviation manufacturing
- Supports GE Aviation globally and in Montreal cluster



# GE Canada – Strategy & Approval Process

- Canadian CEO (Elyse Allan) looks for **synergies** across Canadian divisions, searching for **gaps / opportunities** in GE business lines that can be addressed in Canada
- GE Canada produces an annual ‘Playbook’ that includes investment proposals that are pitched by division heads to HQ
- Canadian CEO socializes the ideas with Chair and Vice-Chair and sits on the GE Commercial Council

# GE Canada – Key Success Factors

- **Talent**
  - Top quality talent (relatively immobile)
  - Flexible labour force versus US plants
- **Track Record of Bromont Plant**
- **Location**
  - Proximity to Montreal cluster (+ Vermont & Ohio plants)
- **Pro-Active Government Involvement**
  - GoQ was a critical investor
  - Federal IRB credits enhanced value proposition

# Common Elements

- Role of Canadian senior executives as **champions**  
– building the business in Canada
- Strong **Canadian track record**
- Fit with firm's global plans and aspirations
- Compelling **business case** (location, strategic clusters, supporting public policies)
- Socializing proposal at all levels including HQ
- Governments as **committed partners**

# Diverse Elements

- Some firms have formal annual planning processes in Canada and globally
- In some investments, consortiums must be assembled
- Investment may be in direct competition or unique opportunity
- Clusters and/or other firm assets are important to varying extents



Lawrence National Centre  
for Policy and Management

# FUTURE OF CANADIAN MANUFACTURING: ATTRACTING GLOBAL MANDATES

NOVEMBER 10, 2015  
IVEY TANGERINE LEADERSHIP CENTRE  
TORONTO, ONTARIO

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# Canadian Mandates in Food and Industrial Biotechnology Firms



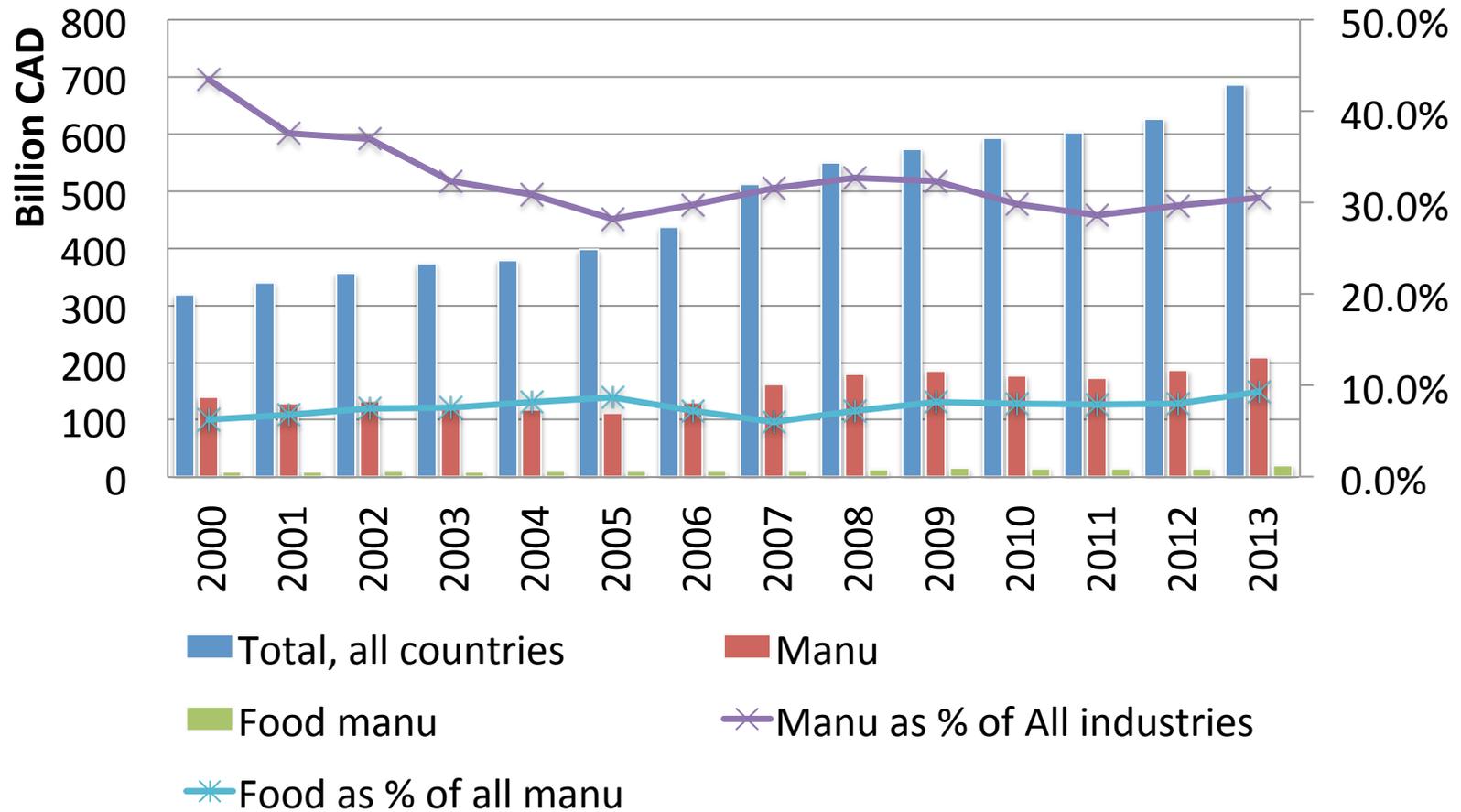
**The Future of Canadian Manufacturing:  
Attracting Global Mandates**

**David Sparling**, Professor, Ivey Business School and  
**Erin Cheney**, Research Associate, Ivey Business School  
November 10, 2015

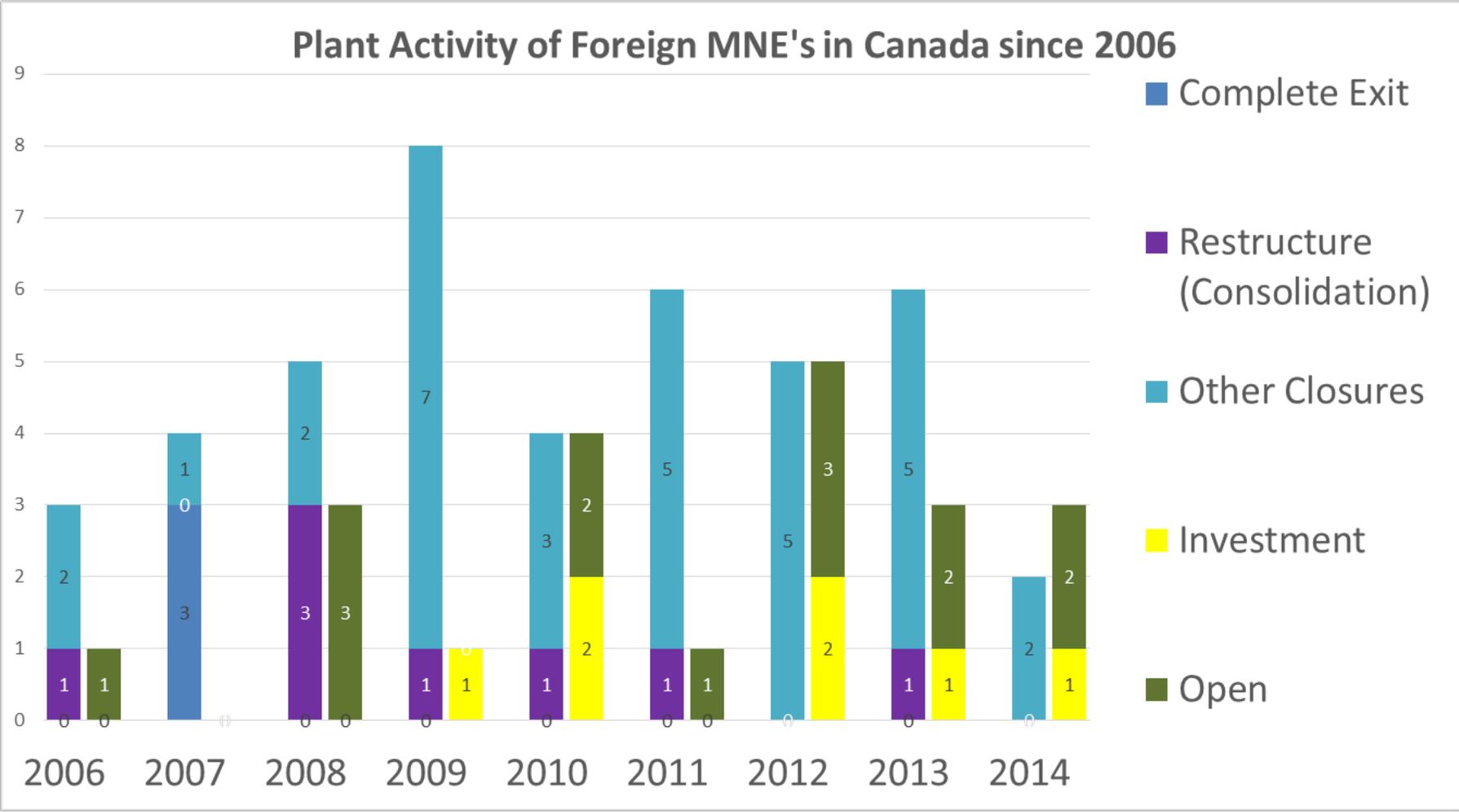
# Introduction

- Four firms studied where Canadian locations were chosen for new greenfield investments to fulfil new North American mandates
- The four firms are in different stages of development:
  - More mature - **Ferrero**
  - Recent plant startup - **Dr. Oetker**
  - New investment - **Natra**
  - Bio-chemical start-up - **BioAmber**

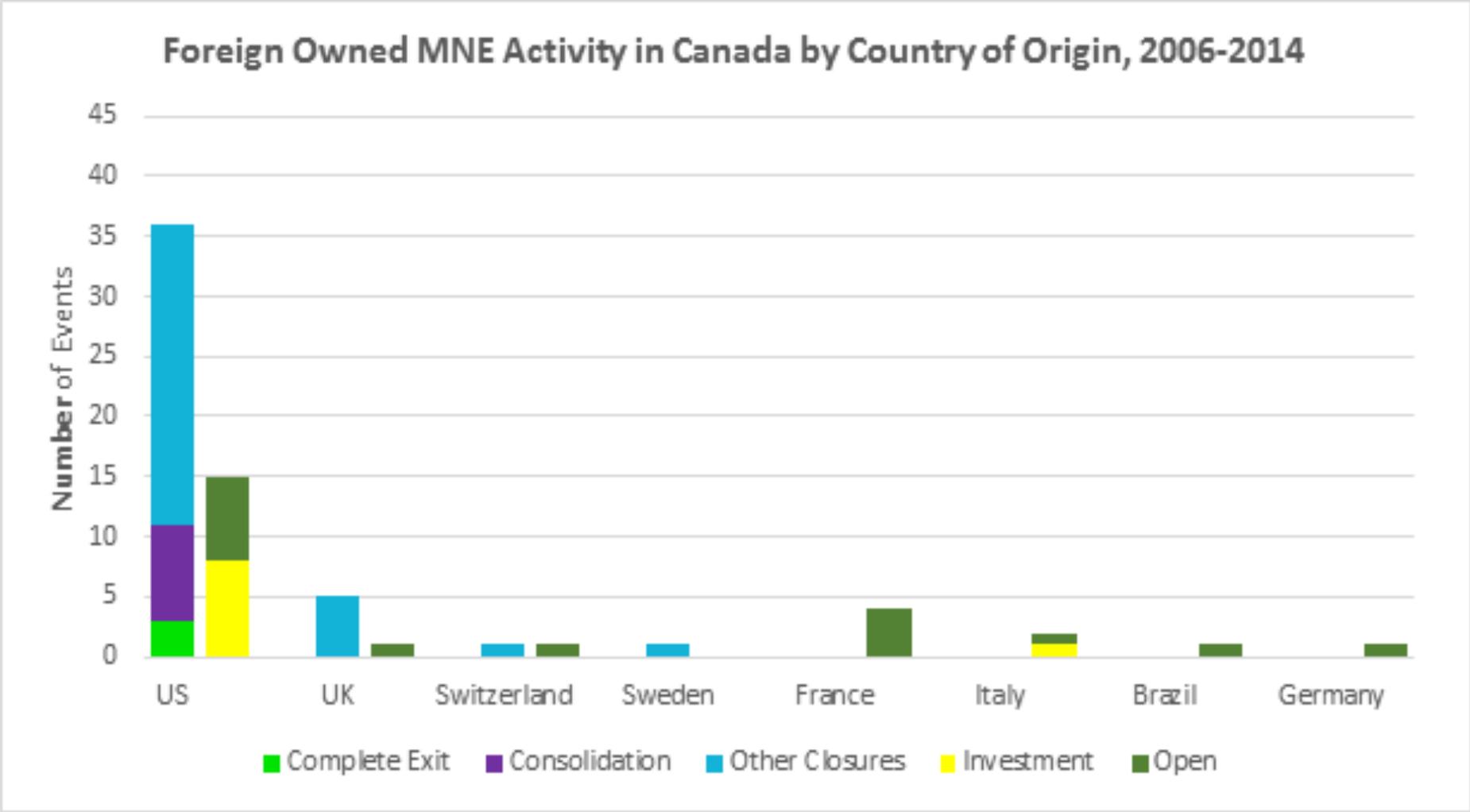
# Context – Inbound FDI by sector



# Foreign MNE Openings & Investment



# Foreign Owned MNE Activity



# Key Questions

- How did the process of site selection work in the firms?
- Key selection criteria?
- What role did government support play?
- Why did Canada win the investment?



# Ferrero – at a glance

- Headquarters: **Alba, Italy**
- Year established: **1946**
- Employees worldwide: **22,000**
- Sales (2014): **USD \$10 Billion**
- Products include: **chocolate praline boxes, chocolate eggs and novelties, chocolate bars, cakes**
- 20 global manufacturing facilities including: **Italy, Belgium, France, Ireland, Germany, Poland, Russia, Sri Lanka, Japan, India, Cameroon, South Africa, Australia, Argentina, Brazil, U.S., Mexico, Canada**

# Ferrero – in Canada

- Headquarters: **North York, Ontario**
- Year established: **1974**
- Leadership: **Allan Cosman, CEO**
- Employees: **1200**
- Business units: **manufacturing, marketing**



# Ferrero – Investments

- Sought large-scale manufacturing site in NA
- 2006: \$150M manufacturing plant to produce Ferrero Rocher chocolates, tic tac and Nutella in Brantford, Ontario
- 2012: \$50M warehouse and distribution centre
- 2014: \$36M injection for 4 new lines and automated equipment
- 1.5 million sq. ft.
- Fixed assets in Brantford greater than \$450-M

# Ferrero – Strategy & Approval Process

- Prior to 2006 Canada was only a marketing office
- Canadian management had to showcase Canada as a potential site to service North American market
- To be in the race, Canada had to show:
  - Competitive construction costs
  - Competitive operating costs
  - Access to ingredients (supply, quality and cost)
  - Land availability and speed to access
  - Workforce
  - Quality of life

# Ferrero – Strategy & Approval Process

- Other considerations included:
  - Personal tax rates
  - Culture
  - Democratic society
  - Crime rates
  - Partnerships (Hazelnut Production Initiative)
- Site selection process included sites in U.S. and Mexico
- Final decision rested with Board of Directors (Italy)
- Government incentives were considered but secondary to long-term cost structure

***“Several third-party studies reinforced the quality of life for employees as amongst the highest worldwide.” -Allan Cosman, CEO***

# Ferrero – Lessons Learned

- Canada needs to be more aggressive in profiling itself as a desirable FDI location
- Cost competitiveness (long term) is critical; tax rates factor into this consideration; need to offset rising costs of energy
- Municipal governments play a crucial role in securing investment (land, zoning, tax rate, utility rates and availability, labour, training)



# Dr. Oetker – at a glance

- Headquarters: **Bielefeld, Germany**
- Year established: **1891**
- Employees worldwide: **12,790**
- Sales (2014): **€2.6 Billion**
- Products include: **baking powder, baked desserts, gelatin desserts and mixes, frozen pizzas**
- Manufacturing sites include: **U.S., Mexico, Germany, England, Canada**

# Dr. Oetker – in Canada

- Headquarters: **Mississauga**
- Year established: **1960 (as Condima Imports)**
- Leadership: **Dr. Christian von Twickel, Executive VP**
- Number of Employees: **377**
- Business units: **Manufacturing, R&D, marketing**



# Dr. Oetker – Investment

- Sought first frozen pizza investment outside of Europe
- Selected 66 acre parcel in NE London industrial park
- \$113M plant plus \$35M warehousing and distribution centre to service Canada and U.S. markets
- ~250,000 sq. ft.
- Federal and provincial contributions tallied \$19M



# Dr. Oetker – London plant

- Production of the company's pizza lines: Ristorante, Casa di Mama, and Panebello
- Over time, the facility will produce 27 million frozen pizzas every year for both the Canadian and U.S. markets (77,000 per day)
- Will source millions of pounds of ingredients from Ontario farmers and food processors
- 76 employees

# Dr. Oetker – Site selection strategy

- Labour force
- Proximity to ingredients and markets
- Land availability and time to access
- Community
- Culture
- Cost structure

***"We think it's more important that we find first-class labour that makes sure we have a first-class product in the end. Low cost is not the full answer ... Watching the world, what do we think of the textiles from Asia? We have to be efficient where we are. Efficient yes, but not cheap."***

***- Mr. August Oetker***

# Canada/Ontario – Key success factors

- Reputation for quality, consistency, safety in agriculture and food
- Proximity to U.S. market
- Value of the Canadian dollar relative to USD
- Familiar culture
- Government support in timely information, financial package (municipal land, development charges, permitting costs), zoning, financial support (partnership), supply chain assessment and impact analysis

# Natra – at a glance

- Headquarters: **Madrid, Spain**
- Year Established: **1943**
- Employees: **1,008**
- Sales (2014): **€361 Million**
- Products: **chocolate and chocolate derivatives for consumer and industrial markets**
- Manufacturing sites: **Spain (2), Belgium (2), France, Canada**

# Natra – in Canada

- Headquarters: **Toronto, Ontario**
- Year Established: **2013**
- Leadership: **Stephane Forrer, CEO**
- Employees: **56 + Toronto office**
- Business units: **Manufacturing, Consumer Sales**



# Natra – Investment

- Sought first plant outside of Europe to service growing North American and Asian markets
- Strategic decision to increase company's position in markets outside of Europe
- 2013: \$15.4M investment to equip rented 100,000 sq. ft. production plant in London, Ontario plus purchased adjacent land parcel
- Also established new sales/marketing office in Toronto; consolidating NA consumer sales unit into single location
- Annual production: 12,000 MT

# Natra – Decision points

- Supply contract was in place which meant quick turnaround for site was critical
- \$2.8M loan from Provincial Southwestern Ontario Development Fund
- Additional financing available from Canadian banks
- Tariffs, taxes
- Cost of labour
- Transportation network; access to U.S.
- Input costs; Access to quality ingredients

# Natra – Strategy and Approvals

- Spanish, multi-national, public
- Decision made by CEO/Board of Directors
- 18-month site selection process
- Hired real estate advisor from GTA for final comparisons (6 months)

***“We finalized all of the site selection (variables) and going through all the factors, Ontario was the place in North America for them to be.”***

***- Marc Dexter, NKF Devencore***

# BioAmber – at a glance

- Headquarters: **Montreal, Quebec**
- Year established: **2008**
- Employees: **74**
- Product: **Bio-based succinic acid**
- Manufacturing sites: **Canada, France (Toll until December 2014); Siting process for second North American plant is nearing completion (SA + BDO production, 100,000 MT)**

# BioAmber – in Canada

- Headquarters: **Montreal, Quebec**
- Leadership: **J.F. Huc (President/CEO), Mike Hartmann (Executive Vice President)**
- Employees: **40**
- Business Units: **Manufacturing, marketing**



# BioAmber – Investment

- Sought first full-scale manufacturing site for bio-based succinic acid
- Production to that point through toll facility in France
- Explored many global options, site visits to 9 North American locations
- Sarnia was the only Canadian location
- \$125M USD investment decision made in 2011 and plant commissioned in September 2015
- Government support of \$50M in grants and loans plus \$20M secured loan from EDC/FCC/Comerica

## BioAmber – Investment (cont'd)

- 30,000 MT capacity for bio-succinic acid
- Chemical building block traditionally derived from petroleum
- BioAmber fermentation process uses sugar as feedstock (mainly derived from Ontario crop); zero GHG emissions; 60% reduction in energy
- All production is committed; 90% exported
- Now siting for second location for bio-succinic acid and bio-BDO

# BioAmber – Strategy & Process

- U.S. locations offered upfront incentives (land, tax holidays, utilities)
- BioAmber was more concerned with long-term cost structure, security of feedstock, transportation costs, labour (operations & construction)
- Policy environment for ‘Green’ firms
- Executives were all Canadians; private firm at time of location decision

***First of its kind plant means we need to ensure there is a building force with the capabilities and competence to tackle this challenge.” - Mike Hartmann, EVP***

# BioAmber – Key Success Factors

- Key partner Lanxess offered land within their Sarnia Bio-Industrial Park
- Adjacent to Lanxess butyl rubber site with fully serviced land (water, steam, discharge, labour) – zoned and approved for chemical manufacturing
- Reliability of feedstock supply
- Unique access point for onsite (off-grid) electricity
- Support found at all levels: community, government, Ontario agriculture
- Transportation via St. Lawrence Seaway

# Common Elements

- **Canada is not immediately on the radar**
- Role of government official as **agent/broker**
- Municipal policies, approach to business, **speed**
- **Strategic clusters** (food and chemical)
- **Supportive public policies** (tax rates, green jobs, zoning)
- Governments as committed **partners** (grants and loans, advisor, due diligence); value-added
- Partnerships (R&D, supply chain, skills)

# Diverse Elements

- Government investments are not consistent

	Company Investment	Government contribution	Percentage of project cost
Ferrero	\$150M + \$50M + \$36M	\$14.7M	6.2%
Dr. Oetker	\$113M + \$35M	\$19M	12.8%
Natra	\$15.4M	\$2.8M	18%
BioAmber	\$125M	\$35M	28% plus additional crown agency loans/grants

# Final Thoughts

- Foreign investment campaigns chase the latest **global trends** resulting in imbalanced allocation of available resources
- **Navigating government** is difficult on a good day; these are the success stories
- Landing an investment is a **lengthy, costly process** at multiple levels of government: ROI?
- **Lower corporate tax** rate is seen to offset rising costs of energy, utilities and in some cases municipal taxes
- Will Canada build on its **advantages** of the lower dollar, more open trade environment, global reputation for safe food and the world's freest country?

# Thank you

David Sparling  
dsparling@ivey.ca  
@iveyagrifood

The Chair of Agri-Food Innovation is supported by the  
Agricultural Adaptation Council



Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada



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# FUTURE OF CANADIAN MANUFACTURING: ATTRACTING GLOBAL MANDATES

NOVEMBER 10, 2015  
IVEY TANGERINE LEADERSHIP CENTRE  
TORONTO, ONTARIO

PARTNERS



# Investment Attraction Policy: Learning from best practice jurisdictions



**The Future of Canadian Manufacturing:  
Attracting Global Mandates**

**David Moloney**, Fellow, Lawrence Centre  
November 10, 2015



Lawrence National Centre  
for Policy and Management

# Outline

## *Recap of Canada's FDI performance, and Preview*

### Best Practice Jurisdictions

#### Canada

- Status Quo
- How to become 'World Class'

### Bottom Line

# Recap 1: Assessment of Canada's FDI Performance

Key finding from phase I research, *The Future of Canadian Manufacturing: Learning from Leading Firms:*

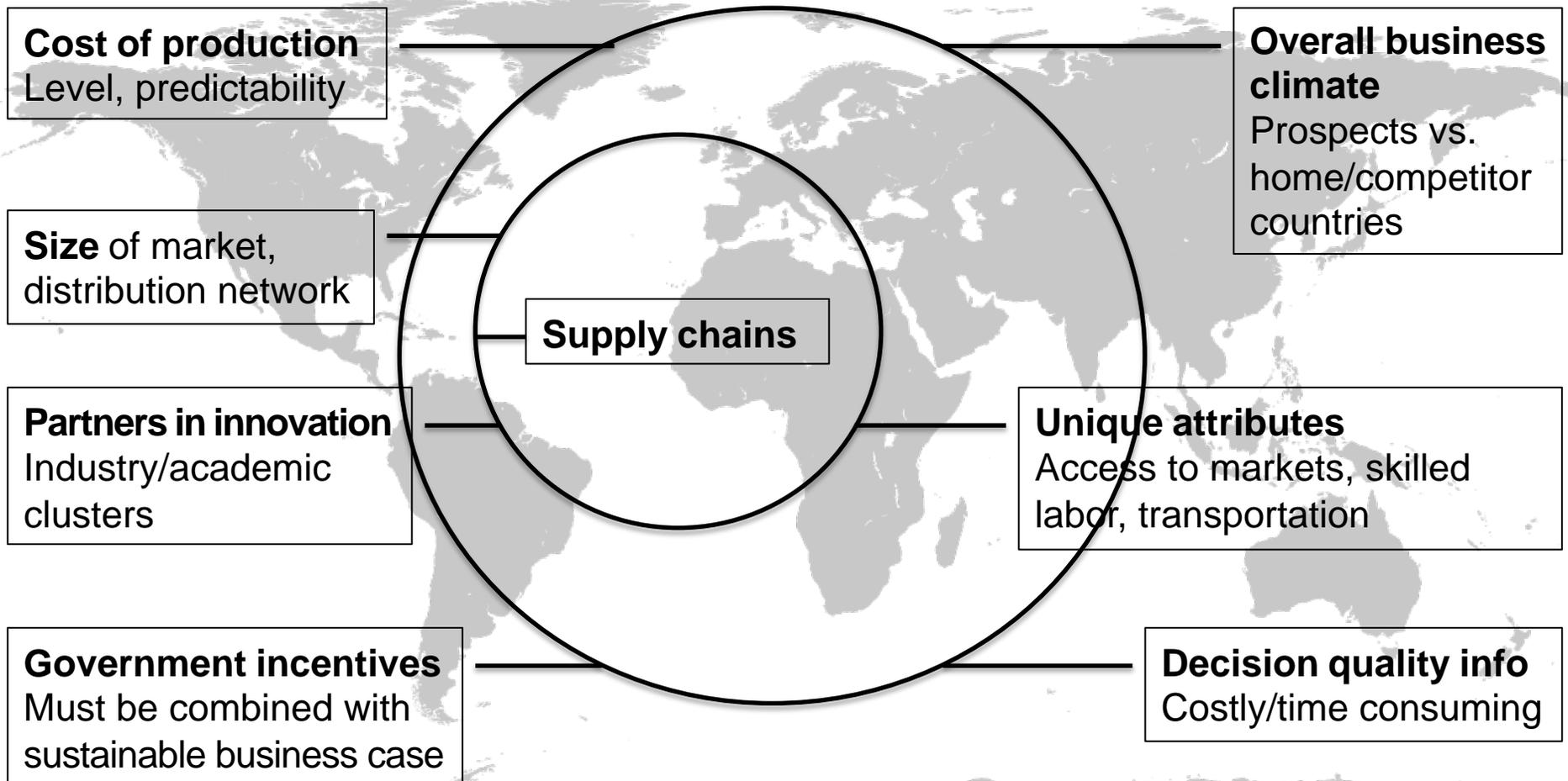
- **Canadian governments were behind best-practice jurisdictions when it came to investment attraction**

# Recap 2: Three Types of FDI of Interest

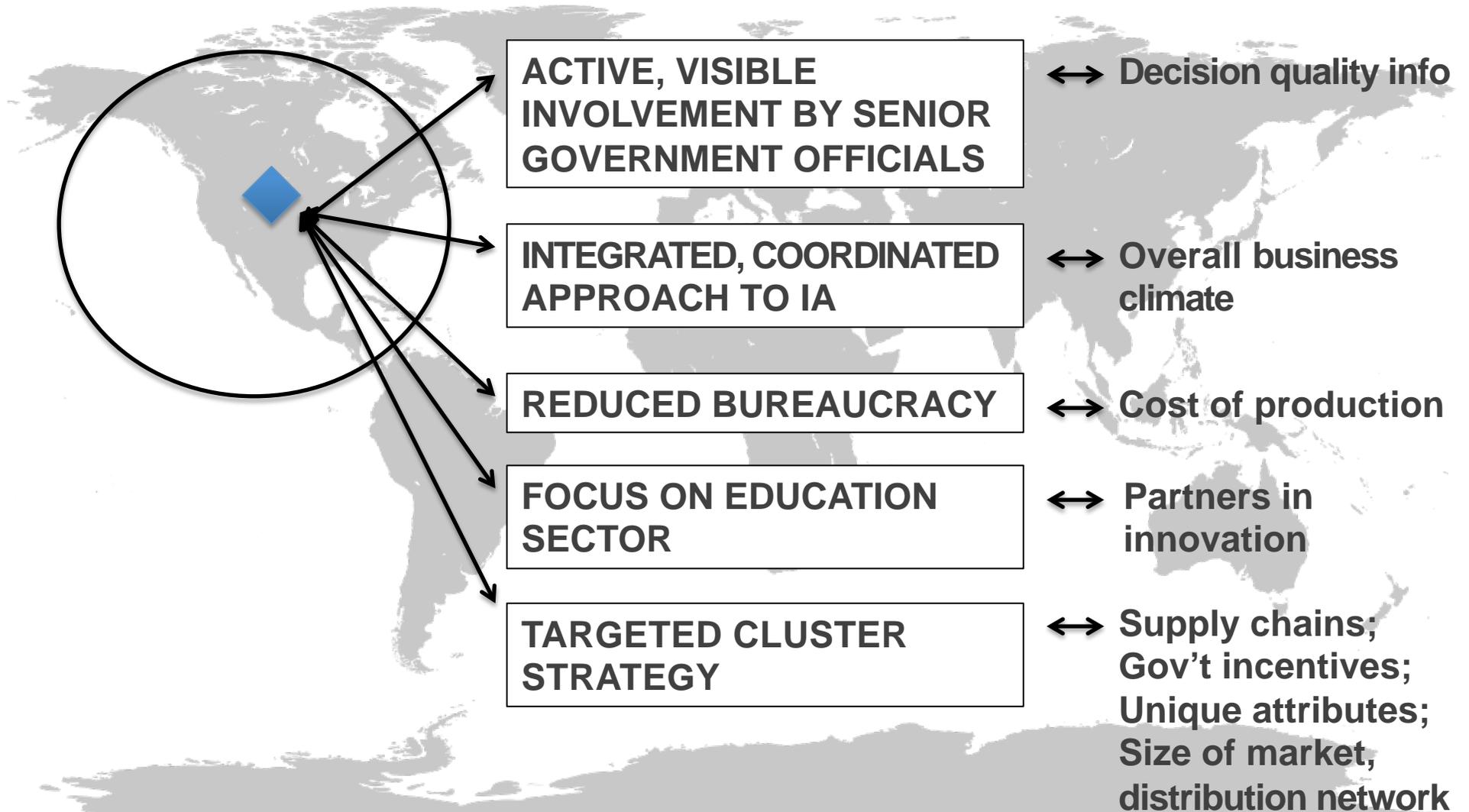
FDI attraction needs to tailor strategies to each of three types of capital expenditures funded through FDI:

- **First-time, “greenfield”, entry to Canada**
- **Expansion of existing plant/equipment**
- **Additional plants/sites in Canada**

# Recap 3: What drives a firm to invest?



# Preview: Common Features of Best Practice Jurisdictions



# Outline

Recap of Canada's FDI performance, and Preview

## ***Best Practice Jurisdictions***

Canada

- Status Quo
- How to become 'World Class'

Bottom Line

# Best Practice Jurisdictions #1



# ProMexico



- Mexican government institution tasked with strengthening Mexico's international **trade and investment** performance
- With this objective in mind, the institution **supports the export activity** of companies established in the country and **coordinates actions to attract FDI** to national territory

# “Leading” CDN Firms point to Mexico as Model for Attracting and Supporting FDI

## What lessons can we draw?



- *“Mexico was...recognized as **best-in-class in attracting foreign investment and helping firms get up and running when they arrived.**”*
- *“With respect to coordination of response across federal, provincial/ state and local governments, **ProMexico was cited as a best-in-class example.**”*

# ProMexico's Business Model for FDI Attraction and Management

- **Identify strategic priority sectors for FDI** – autos, aero, ICT, mining, appliances
- **Identify market gaps and opportunities for FDI within target sectors** – focus on attracting anchor firms, building out supply chains and embedding them in clusters including research, education and training partners
- **Seek out potential investors, actively market identified opportunities, support business assessment of opportunities** – high-level participation (general and targeted, home and abroad), expert teams, sophisticated and integrated website

# ProMexico's Business Model for FDI Attraction and Management (cont'd)

- **Use financial incentives to attract “anchors”** – an auto or aerospace assembly plant but no direct financial incentives for additional FDI by Tier 1 and Tier 2 suppliers to fill out gaps along the supply chain into that anchor investment
- **Work proactively with state governments, universities/colleges, existing firms/clusters** in team approach to make the “pitch”; seek out supply chain partners – local, national, global – to fill gaps holding back a potential FDI deal
- **“Problem-solve” during and after project planning, construction and start-up** – assign “account executives” from both ProMexico and state governments; address availability of land, specialized skills/training needs, regulatory issues etc.

# Sophisticated Website with Integrated Tools and End-To-End Content



## Invest

[Reasons to invest Mexico](#)

[Investing in Mexico step-by-step](#)

[Mexico Investment Map \(MIM\)](#)

[Industries Road Maps](#)

[Services](#)

[Business support](#)

[Industries](#)

[Find an expert](#)

# Profiles/ Road Maps of Priority Sectors

- Parallel content to Canadian information but typically in far greater detail

**PRO MEXICO**  
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INVEST ▾ EXPORT ▾ INTERNATIONALIZATION ▾ COMMUNICATION ▾ ABOUT US ▾

## Invest industries

### AGRIFOOD



- 🍷 Processed foods

### ENERGY AND ENVIRONMENTAL TECHNOLOGIES



- ☀️ Renewable energy

### HEALTH



- 🏥 Pharmaceutical
- 🏞️ Health tourism
- 🩺 Medical devices

### INFRASTRUCTURE



- 🏗️ Mining

### INTERMEDIATE INDUSTRIES



- ⚡ Electric
- 🏠 Household APLS
- 📺 Electronic

### IT, CREATIVE AND CONTENT INDUSTRIES



- 🎨 Creative industries
- 📡 Information technologies

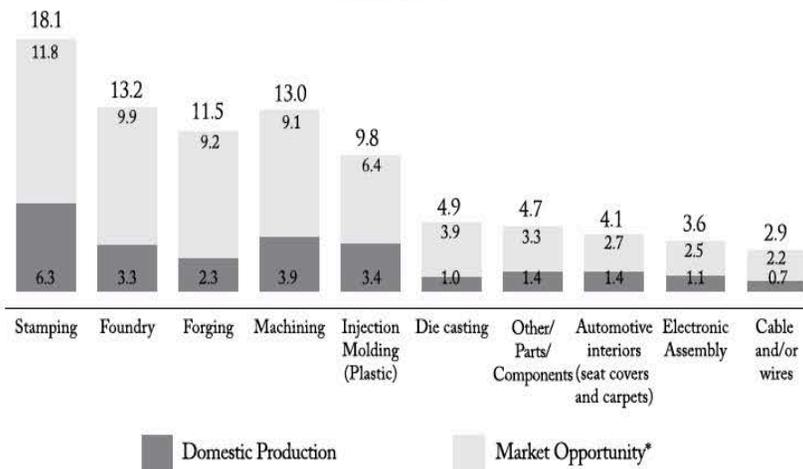
### TRANSPORT AND HEAVY MANUFACTURING



- ✈️ Aerospace
- 🚗 Automotive
- 🛠️ Autoparts

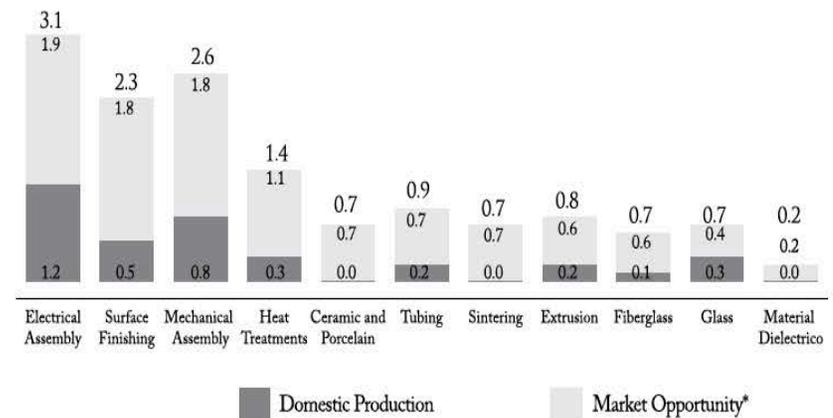
# Strategic Analysis of Existing Market Opportunities: Auto Parts Example

GRAPH 16. TOTAL MARKET VALUE AND INVESTMENT OPPORTUNITY IN THE SUPPLY CHAIN OF THE AUTOMOTIVE INDUSTRY IN MEXICO (BILLIONS OF DOLLARS)



Source: ProMéxico's calculations

GRAPH 17. TOTAL MARKET VALUE AND INVESTMENT OPPORTUNITY IN THE SUPPLY CHAIN OF THE AUTOMOTIVE INDUSTRY IN MEXICO (BILLIONS OF DOLLARS)



Source: ProMéxico's calculations

# Site Selection Tool

Site Selection

Progress

**Population and accessibility**

Select the population size that you are interested in:

- Less than 250,000
- 250,000 - 500,000
- 500,000 - 1,000,000
- Greater than 1,000,000
- All of the above

Do you need a border city?

- Yes
- Not relevant

Do you need a city with airport?

- Yes
- Not relevant

Do you need a city with maritime port?

- Yes
- Not relevant

Do you need a city with railway service?

- Yes
- Not relevant

Search



Filter results

City	Population
Mérida	973,046
Mexicali	936,826
Aguascalientes	932,369
Tampico-Pánuco	859,419
Culiacán	858,638
Chihuahua	835,303
Saltillo	823,128
Morelia	807,902
Veracruz	801,295
Hermosillo	784,342
Reynosa-Río Bravo	727,150
Xalapa	649,039
Oaxaca	593,658
Durango	582,267

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Next



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# “One-Stop Shop” Approach

[Home](#) | [Documents and useful links](#) | [Business Directories](#) | [Business Directories](#)



## Description

One of the priorities when seeking to raise the competitiveness, it is precisely the development of suppliers. This is how, **OPESA** through its directories provides information about all players in the sector of your company's interest: private initiative, chambers, associations and government.

These guides are specialized consult media such as: **air, maritime, road and rail cargo transportation; transport providers, technology and communications, security, tourism meetings, financial services, training and outsourcing.**

The Business Directories are vital for companies looking for innovation to provide better products and services through a supply chain carefully selected and qualified.

In the **9 digitized** copies you will be able to find immediately, easy and free companies that can become a strategic ally.

## Select a directory



**Air Freight  
Transport  
Industry**



**Sea Freight  
Transport  
Industry**



**Land and Freight  
Transport  
Industry**



**Transport  
Suppliers  
Industry**



**Tecology and  
Communications  
Industry**



**Security Industry**



**Finance Industry**

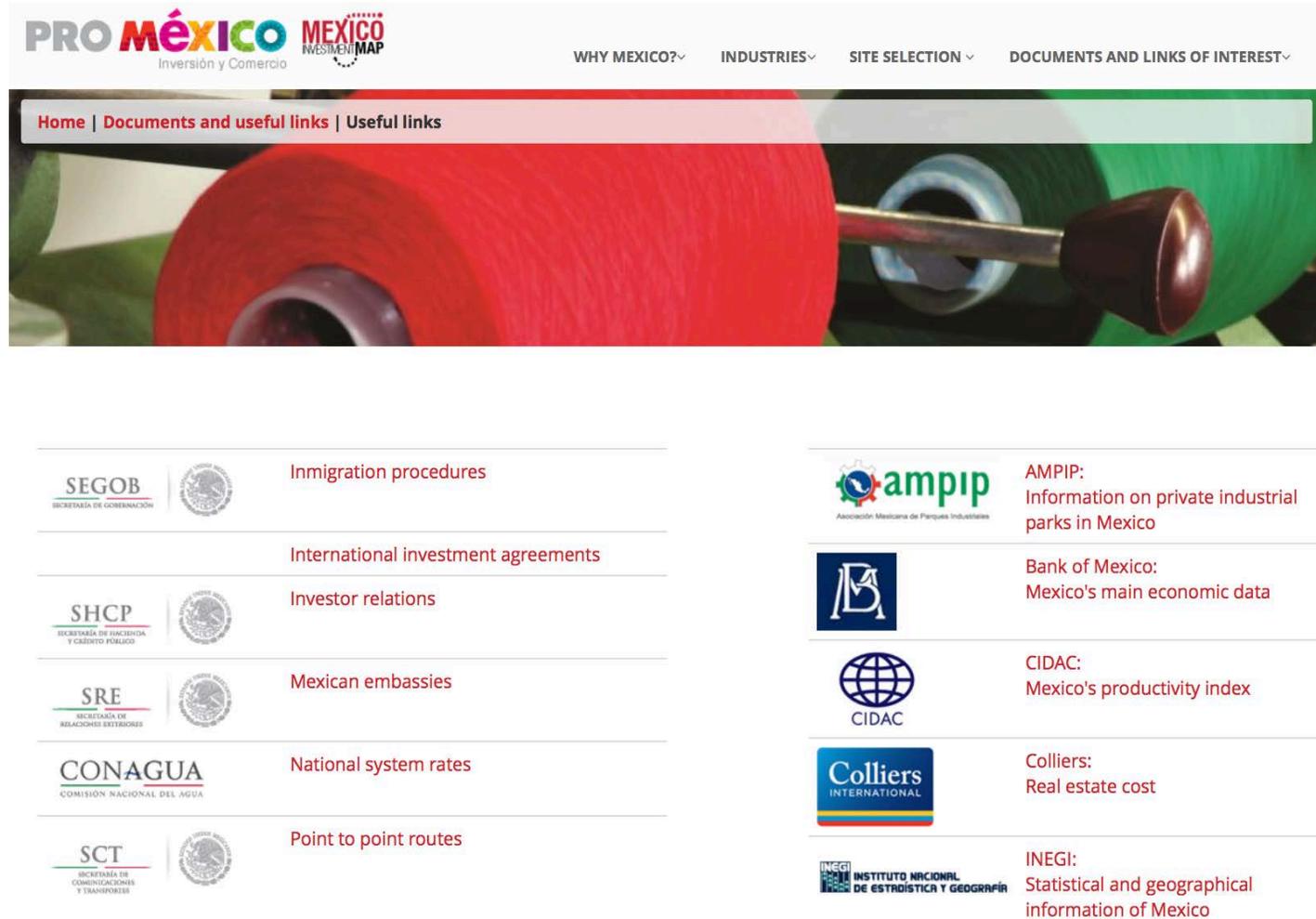


**Business  
Training and  
Staffing Industry**



**Meetings,  
Incentives and  
Exhibitions  
Industry**

# “One-Stop Shop” #2



**PRO México** Inversión y Comercio **MEXICO INVESTMENT MAP**

WHY MEXICO? ▾ INDUSTRIES ▾ SITE SELECTION ▾ DOCUMENTS AND LINKS OF INTEREST ▾

Home | Documents and useful links | Useful links

 SECRETARÍA DE GOBERNACIÓN	Inmigration procedures	 Asociación Mexicana de Parques Industriales	AMPIP: Information on private industrial parks in Mexico
 SECRETARÍA DE HACIENDA Y CREDITO PÚBLICO	International investment agreements		Bank of Mexico: Mexico's main economic data
 SECRETARÍA DE RELACIONES EXTERIORES	Investor relations	 CIDAC	CIDAC: Mexico's productivity index
 COMISIÓN NACIONAL DEL AGUA	Mexican embassies		Colliers: Real estate cost
 SECRETARÍA DE COMUNICACIONES Y TRANSPORTES	National system rates	 INSTITUTO NACIONAL DE ESTADÍSTICA Y GEOGRAFÍA	INEGI: Statistical and geographical information of Mexico
	Point to point routes		

# “One-Stop Shop” #3

## INTERNATIONAL TRADE NEGOTIATIONS

COMPARTIR

IMPRIMIR / RECOMENDAR A UN AMIGO



Mexico has a network of 10 FTAs with 45 countries, 30 Reciprocal Investment Promotion and Protection Agreements (RIPPAs) and 9 trade agreements (Economic Complementation and Partial Scope Agreements) within the framework of the Latin American Integration Association (ALADI).

In addition, Mexico is an active participant in multilateral and regional organisms and forums such as the World Trade Organization (WTO), the Asia-Pacific Economic Cooperation (APEC), the Organization for Economic Cooperation and Development (OECD) and the ALADI.



## TRADE AND INVESTMENT

Links

ACTA

### Trade and Investment

Competitiveness

Innovation

Foreign Trade

International Trade Negotiations

North America

Latin America

Asia Pacific

Europe

International Investment Agreements

Dispute Settlement

Tariff and Statistical Information

SE Agencies Abroad

SIAVI (Tariff Information System)

Integral Foreign Trade Information System

Investment Dispute Prevention Project

Foreign Direct Investment

# “One-Stop Shop” #4

The following table shows the rules of origin related to the automotive industry which result from the various free trade or economic cooperation agreements.

FTA/ ECONOMIC COOPERATION	AUTOMOTIVE ORIGIN RULES
NAFTA	The regional value content (VCR) required must be 62.5% (for vehicles to transport 15 or less people) or 60% (for vehicles to transport 16 or more people) under the net cost method.
European Union	To grant the status of original, the value of all the materials used to manufacture the product must not exceed 40% of its factory price.
EFTA Member states	To grant the status of original, the value of all the materials used to manufacture the product must not exceed 40% of its factory price.
Mercosur	Brazil and Argentina: Regional Content Index (ICR) that must not be below 60%; Uruguay: ICR not below 50%; México ICR not below 30%
Colombia*	VCN of 35% to 50%
Chile	VCR of at least 32% using the transaction value method, or VCR of at least 26% using the net cost method
Bolivia	VCR of at least 32% using the net cost method
Costa Rica and Nicaragua	VCR of at least 32% using the net cost method
Guatemala, Honduras and El Salvador	VCR of at least 50%
Israel	40% using the transaction value, or 30% using the net cost method.
Peru**	VCR of at least 35%
Japan	VCR of at least 65%

\* In April 2011 Mexico and Colombia reached an agreement to modify the rules of origin applicable to certain vehicles.

\*\* In April 2011 Mexico and Peru signed a free trade agreement, which is under approval.

# Best Practice Jurisdictions #2



Utah Governor's Office of  
Economic Development  
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# SelectUSA



## What is it?

A “**centralized investment promotion infrastructure and resource to attract business investment**”, created by Presidential Executive Order, housed within the Department of Commerce

## Key functions:

- Comprehensive single point of contact (coordinates with over 20 federal agencies)
- Information Clearinghouse
- Helping State and Local governments up their game on investment attraction
- High-level advocacy

# Senior Leadership Priority and Participation

***“I want companies around the world to know... that there is no better place in the world to do business than the United States of America.”***

– Pres. Obama, 2013 SelectUSA Summit



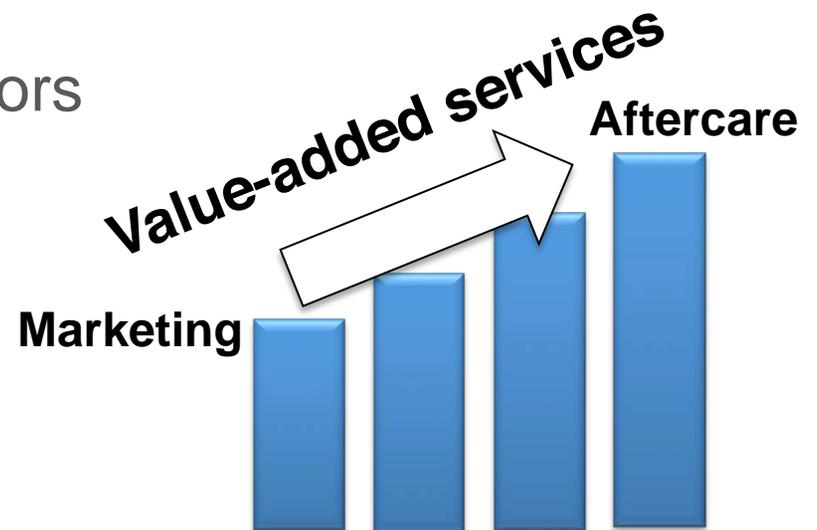
Sustained, high-level involvement in direct advocacy efforts:

- SelectUSA Investment Summit features President and range of Cabinet secretaries
- U.S. Ambassadors issue personal invitations to CEOs
- State and local officials and EDOs engage SelectUSA to advocate federal U.S. agencies in support of target FDI mandates (e.g. Lufthansa)

# Comprehensive Coordination Among Federal Agencies

- Single point of entry for investors in all stages of the FDI attraction cycle
- Provides federal-level services to supplement state, regional and local resources in business attraction, retention, and expansion
- Ombudsman service to investors

**Supported by the coordinated efforts of federal departments and global teams across more than 120 markets.**



# Joint Partnerships in Strategic Programs with Foreign Partners

- Intensified FDI attraction efforts on ten “priority countries” (account for 30% of total FDI to the U.S.) through key strategic programs
- Example: Collaboration between German Embassy and U.S. Department of Commerce on bringing Germany's 'dual-track' vocational training to high skilled manufacturing clusters in the U.S.

# Reducing Barriers to Information for Prospective Investors

- Supplies tools and resources to fill information gaps for potential investors, working closely with state, local and regional economic developers



← **Cluster mapping tool**

Every business decides where to locate. ZoomProspector finds the right location for your company to grow and succeed.

### Option 1. View community data for any location.

Community Type:  City  County Name:  State:  [Go!](#)

### Option 2. Use a wizard to get a ranked list of communities that best match your business.

[Match](#)

### Option 3. Find communities similar to a place you know

Community Type:  City  County Name:  State:  [Find](#)

### Option 4. Search communities that exactly match your business location requirements.

Community Type:  City  County State:

**People**

Population:  min.  max.  people

Labor Force:  min.  max.  people

Job Growth (2012 - 2013):  min.  max.  percent

Median Age:  min.  max.  years

**Labor Force**

Bachelors Degree or Higher:   min.  max. 37 percent

High School Degree or higher:   min.  max. 47 percent

White Collar Workers:   min.  max. 64 percent

Blue Collar Workers:   min.  max. 36 percent

Young and Educated:   min.  max. 12 percent

Industry (counties only)

Universities in Community:

**Entrepreneurs & Innovation**

Sole Proprietors (counties only)

Patents Issued (counties only)

Venture Capital (counties only)

Businesses Funded (counties only)

**Budgets**

Household Expenditures (Average):  min.  max.  dollars

Household Income (Median):  min.  max.  dollars

Home value (Median):  min.  max.  dollars

**Transportation**

Commute Travel Time (minutes):  min.  max.  minutes

Airports in City:

Distance to Interstate (miles):  miles

Distance to Rail (miles):  miles

**Federal Incentive Areas**

Federal Enterprise Zones(s):

Federal Superfund Sites(s):

[Search](#)

1.

The communities mapped and listed below match your search! Click on a community name to see a detailed report about the community. For advanced search options, go to the [main search](#) page.



Total Records: 167

Name	Find Properties	Population	Job Growth	Bachelor's Degree	Commute Time	Household Income
Boca Raton, FL	<a href="#">Search</a>	89,479	-2.7%	55.70%	21 min.	\$67,651
Coral Springs, FL	<a href="#">Search</a>	128,779	-1.5%	38.82%	27 min.	\$62,738
Kendall, FL	<a href="#">Search</a>	79,473	2.2%	45.99%	30 min.	\$56,108
Miami Beach, FL	<a href="#">Search</a>	100,545	-4.5%	45.71%	25 min.	\$41,982
Plantation, FL	<a href="#">Search</a>	91,247	-3.4%	45.17%	25 min.	\$63,805
Weston, FL	<a href="#">Search</a>	67,701	-0.9%	64.13%	28 min.	\$86,863
New York, NY	<a href="#">Search</a>	8,540,981	0.8%	37.36%	39 min.	\$52,421
Waukesha, WI	<a href="#">Search</a>	71,619	-1.6%	37.72%	22 min.	\$57,153
Anchorage, AK	<a href="#">Search</a>	305,649	-5.5%	37.14%	18 min.	\$79,281
Chandler, AZ	<a href="#">Search</a>	243,792	-4.4%	44.23%	24 min.	\$69,606
Scottsdale, AZ	<a href="#">Search</a>	227,213	8.5%	58.47%	22 min.	\$68,709
Athens-Clarke County, GA	<a href="#">Search</a>	121,645	3.2%	44.03%	19 min.	\$30,723
Atlanta, GA	<a href="#">Search</a>	483,254	-2.7%	50.28%	26 min.	\$44,737
Roswell, GA	<a href="#">Search</a>	91,526	36.4%	59.59%	27 min.	\$75,969
Sandy Springs, GA	<a href="#">Search</a>	99,218	-2.6%	63.04%	24 min.	\$62,523

[Modify Current Search](#)
[New Search](#)

2. Map-based search tool to simplify and speed up the site selection process

**State:**  
 All  
 Alabama  
 Alaska  
 American Samoa  
 Arizona

**Keyword:**

**Search in:**  
 Program Name  
 Program Provider  
 Program Description

**Program Category:**

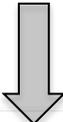
**Program Type:**

**Business Need(s) Addressed:**

**Program Industry:**

**Geographic Focus:**

**One-stop resource to  
search and compare  
state incentive  
programs**



**State: Arizona**  
**Keyword: 'solar' in Program\_Name OR ProgramDescription**

**(3 Records)**

State	Program Name	Program Provider	Program Description	Details	Website
Arizona	<a href="#">Commercial and Industrial Solar Energy Tax Credit Program</a>	Arizona Commerce Authority	Commercial and Industrial Solar Energy Tax Credit Program provides an income tax credit for the installation of solar energy devices in Arizona business facilities.	<a href="#">details</a>	<a href="#">website</a>
Arizona	<a href="#">Renewable Energy Tax Incentives Program</a>	Arizona Commerce Authority	The Renewable Energy Tax Incentives Program provides tax incentives to companies in the solar, wind, geothermal and other renewable energy industries expanding or locating in Arizona.	<a href="#">details</a>	<a href="#">website</a>
Arizona	<a href="#">Solar Liquid Fuel Tax Credit</a>	Arizona Department of Revenue	Income tax credits are available for research and development, production and delivery system costs associated with solar liquid fuel.	<a href="#">details</a>	<a href="#">website</a>

# Best Practice Jurisdictions #3



Lawrence National Centre  
for Policy and Management

# Utah's GOED:

## *Governor's Office of Economic Development*



Economic development agency for the State of Utah.

### Core Mandates:

- Facilitate the **creation, growth and recruitment** of companies
- **Increase tourism and film production** in the State
- **Strengthen, expand, and diversify** the state's economy through infrastructure, education, transportation investment attraction, and tourism

# Direct Active Involvement by Governor



- Governor is a direct participant in planning & strategy development
- Hosts high profile in-state events such as Governor's Economic Summit
- Travels extensively – nationally and internationally – to promote trade & investment

# One-Stop Shop & Cross-Agency Collaboration: "Table Stakes"

- Utah views its “One-stop shop” approach – via account executives and business links worldwide – as less of a comparative advantage today
- Seen as “Table Stakes” in today’s competition between jurisdictions for FDI and product mandates

# Utah - Incentives to Attract FDI Defined in Statute and Accounted for Transparently

- Utah incentives are available to FDI projects and to new projects or expansion by existing firms; based on alignment with target clusters; paid only as previously-agreed benchmarks are met
- **Increased** state tax revenues, sales tax, income tax etc. that a project is to create are both payment benchmarks and initial decision criteria, along with “contracted” job creation, wages paid and capital investment
- GOED publishes annual, **firm-level data**, plus annual, aggregate tracking of increased state tax revenues from these projects and corresponding corporate credits earned

# Corporate Incentives Database

Utah Governor's Office of Economic Development  
BUSINESS • TOURISM • FILM

News Events Contact Us GOED Sites SEARCH SITE

WHY COME TO UTAH YOUR BUSINESS PROGRAMS INTERNATIONAL NEWSROOM

HOME / PROGRAMS / CORPORATE RECRUITMENT / INCENTIVES DASHBOARD / Incented Companies

### SEARCH CORPORATE INCENTIVES

Search Incented Companies by:

Company Name and/or 2015 and/or Month Search

### FY2015 INCENTED COMPANIES

- KIHOMAC
- VIVINT SOLAR
- SOLAR CITY
- PRIME INC.
- HEALTH CATALYST
- VISIT SALT LAKE ECONOMIC OPPORTUNITY GRANT



EMC CORPORATION ▾

Project Summary >

Board Motion >

Map of Location >

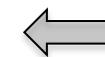
Press Release >



EMC CORPORATION ▾

Project Summary ▾

Project: EMC Corporation  
Board Approved: 05/14/2015  
Location: Draper  
Type: EDTIF  
Term: 10 years  
Number of Jobs: 700  
New State Wages: \$365,290,554  
New State Revenue: \$15,492,763  
Capital Investment: \$62,000,000  
Maximum Cap. Incentive: \$3,873,191



**GOED Website**



Lawrence National Centre  
for Policy and Management

## IAF/EDTIF Performance/2013

Company Name	City/Town	Incentive Type	Term	Number of Contracted Jobs Over Term	Wages Paid Over Term	New State Tax Revenue Over Term	Capital Investment in Facility	Maximum Cap Incentive Earned Over the Term
Xi3	Salt Lake	EDTIF	5	250	\$ 169,733,873	\$ 98,005,932	\$ 32,244,000	\$ 2,045,825
Vexxel		EDTIF	5	101	\$ 21,082,477	\$ 1,687,884	\$ 4,000,000	\$ 377,577
BioFire Diagnostics, Inc	Salt Lake	EDTIF	20	657	\$ 718,135,774	\$ 97,747,954	\$ 50,000,000	\$ 24,436,989
Boeing	Salt Lake	EDTIF/Training Dollars	20	104	\$ 146,800,428	\$ 5,505,016	\$ 219,000,000	\$ 1,376,254
ENVE Composites, Inc.	Weber	EDTIF/Training Dollars	7	342	\$ 63,315,427	\$ 5,345,694	\$ 20,000,000	\$ 1,336,424
Orange Soda, Inc.		EDTIF/Training Dollars	10	100	\$ 44,500,541	\$ 2,679,245	\$ 5,000,000	\$ 535,849
GAF	Cedar City	EDTIF	15					\$ 886,712
Qualtrics	Provo	EDTIF	7					\$ 10,780,771
Royal Bank of Scotland	Taylorville	EDTIF	15					\$ 5,275,124
Workday	Salt Lake	EDTIF	15					\$ 8,370,052
Orbit Irrigation Products, Inc.	North Salt Lake	EDTIF/Training Dollars	10					\$ 2,408,896
Instructure, Inc.	Cottonwood Heights	EDTIF	7					\$ 1,892,969
Visit Salt Lake	Salt Lake	Econ Opp	2					
Startup Ogden	Ogden	Econ Opp	1					
DoTerra	Draper	EDTIF	10					\$16,655,814
1-800 Contacts	Draper	EDTIF	15	654	455,652,989	35,205,239	59,000,000	\$ 8,801,310
Capital Access Networks	Salt Lake City	EDTIF	7	108	\$ 38,460,169	\$ 8,113,436	\$ 1,915,000	\$ 2,028,359
FireEye	Lehi/Draper	EDTIF	10	250	\$ 152,798,326	\$ 14,412,622	\$ 3,000,000	\$ 3,603,155
Sundance	Park City	Econ Opp	3					
UAV		Econ Opp						
Blu	Salt Lake	EDTIF	7	73	\$ 49,263,500	\$ 2,312,681	\$ 6,000,000	\$ 462,536
Solarwinds	Draper	EDTIF	20	1,040	\$ 1,436,554,953	\$ 109,548,587	\$ 50,000,000	\$ 32,864,576
SyberJet	Cedar City	EDTIF	20	240	\$ 288,047,817	\$ 67,243,048	\$ 380,000,000	\$ 16,810,761
Metal Craft	Cedar City	EDTIF	20	960	\$ 740,694,392	\$ 60,622,028	\$ 20,000,000	\$ 15,155,507
MasterControl	Salt Lake City	EDTIF	5	197	\$ 54,120,978	\$ 4,180,294	\$ 15,000,000	\$ 836,059
HireVue	Salt Lake City	EDTIF	7	540	\$ 172,876,212	\$ 10,090,489	\$ 30,000,000	\$ 1,513,573
Emery Refining Contacts	Green River	EDTIF	12	125	\$ 99,162,222	\$ 63,561,103	\$ 231,885,000	\$ 12,712,221
<b>Average Term:</b>			<b>11</b>					
<b>Totals:</b>				<b>9,289</b>	<b>\$ 6,473,631,883</b>	<b>\$ 829,849,787</b>	<b>\$ 1,296,294,608</b>	<b>\$ 171,167,313</b>
<b>2013 Jobs created to date by aggregate:</b>				<b>41 or .04%</b>				
<b>2013 Aggregate incentive paid to date:</b>								<b>\$30,804 or .02%</b>

**IAF = Industrial Assistance Fund**

**EDTIF = Tax credit for companies seeking relocation and expansion of operations to the state of Utah**



# Best Practice Jurisdictions #4



Utah Governor's Office of  
Economic Development

BUSINESS • TOURISM • FILM



# Singapore Economic Development Board (EDB Singapore) & Invest Hong Kong (InvestHK)



Common functions and characteristics:

- Manage, oversee and implement end-to-end aspects of the FDI process, with streamlined path of information and services
- Tailored strategy for each sector
- Heavily resourced, international offices across N.A., Europe, Asia
- Strong ties to private sector – both internally and externally

# End-to-end management of FDI process



- Serves as the “one-stop agency” for business and investment needs
- Facilitation services that enable them to **move up the value chain, maximize business returns,** and seek out **new business opportunities**
- First-rate service delivery model, credited to EDB’s designated role as the **lead agency, coordinator, and facilitator** across other development-related agencies
- Tight and systematic coordination with other agencies – centralized design and implementation of policy



- Every company coming into Hong Kong is assigned at least one person as a point of contact
- Long term partnerships, customized services include planning, set up, launch, and expansion
- Encourages companies to expand operations
- Company accounts are managed by **senior officials only**

# Tailored strategy for each sector



- Cluster-oriented approach to investment attraction (target companies form wide range of industries within these clusters)
- EDB Singapore is organized into business units, **each with a focus cluster**, specific function, or administrative role
- Strong internal expertise, strong emphasis on technical competency and training of staff (fully funded college education in some cases, mandatory foreign postings)



- Promote business opportunities / attract companies in sectors **where it has a competitive edge**
- Industry specialists for each priority sector
- Hosts events (domestic and overseas) targeting specific sectors
- Focused investment attraction efforts for “target market” (e.g. Mainland China)

# Strong ties to private sector



- Strong private sector representation in its leadership structure, which boosts credibility (International advisory council members include Andrew Witty (CEO, GSK, and Dominic Barton, Global Managing Director, McKinsey)
- Staff come from diverse industry experiences
- Clients of EDB play an influential role in policymaking, and are encouraged to play “ambassadorial role” for Singapore



- InvestHK officials have strong private sector experience

# Well-resourced organizations



- 530 employees in 22 international offices across the U.S., Europe and Asia (\$576M operational budget in 2013)
- Legislative empowerment and flexibility, due to strategic importance of FDI to the country
- Comprehensive programs on skills (educational partnerships, STRAT Program)



- 15 Investment promotion units based in Hong Kong, Beijing and Taipei, plus 14 additional overseas consultants
- Maintains close partnerships with other government organizations responsible for promoting Hong Kong overseas in order to maximize the impact of its campaigns



# Key Lessons from Hong Kong & Singapore

- Fast-growing emerging-market countries that have made technological progress and gained global competitiveness have begun to shift their IA efforts towards higher value-added mandates such as **design and R&D**, increasingly placing them in direct competition with industrialized countries
- First-rate service delivery models through close **inter-departmental collaboration**
- Core winning strategies are **not** low wages or easy access to financial incentives but;
  - **strategic targeting** e.g. company/industry selectiveness
  - subsidized **skills training**
  - first-class **investor services**
  - strong **economic and political support** from all levels of government

# Outline

Recap of Canada's FDI performance, and Preview

Best Practice Jurisdictions

## ***Canada***

- ***Status Quo***
- ***How to become 'World Class'***

Bottom Line

# Status Quo in Canada

Canada and Ontario have put a number of key building blocks in place to support FDI attraction:

- Canada's Trade Commissioner Service (TCS) and Ontario's Ministry of Economic Development, Employment and Infrastructure (MEDEI) both have **clear mandates** to attract FDI
- Both organisations have staff based in key markets **around the world**, as well as in various Ontario cities
- Both provide **high-level information** through websites

# Status Quo in Canada (cont'd)



Integrated federal website



**Why Invest in Canada**  
Canada's strong economy and well-educated labour are key reasons global companies establish or expand their business in Canada. [Learn why Canada continues to be a top choice for investors.](#)

**Sector Advantages**  
Vibrant industry clusters across Canada help companies thrive. [See the advantages by sector.](#)

**Funding**  
Attractive measures for companies in Canada.

**Industries**

- Aerospace
- Automotive
- Financial services
- Food and Beverage

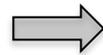
**Business Advantages**

<b>Educated workforce</b> Highest educational attainment in the OECD.	<b>Competitive business costs</b> Among the lowest costs in the G7.	<b>Environment of innovation</b> Generous incentives for R&D.	<b>Access to market</b> Part of the \$19-trillion NAFTA market.
<b>Stability</b> The best environment for your company's growth.	<b>Quality of life</b> Top ranked on global indices.	<b>Incentive programs and services</b> Discover which programs and incentives can help your business grow.	

**How we can help you**  
Our business consultants are here to help you get the information you need.

**Contact us**  
It's easy to contact an Ontario representative.

Parallel efforts by Ontario (and other provinces)



# Status Quo in Canada (cont'd)

- Over past 2 years, federal TCS and provincial MEDEI have enhanced aspects of how they work together, particularly abroad
  - Specific examples of strong and successful federal-provincial-regional coordination are available (e.g. Rimowa)
  - However, **formal coordination is generally missing or not government-wide** when it comes to strategic priority-setting, information-sharing, shared process maps, point-of-contact protocols etc.
  - Coordination with local governments, universities and colleges appears to be case-by-case for the most part as well
-

# Status Quo in Canada (cont'd)

- Canada **falls short**, federally and provincially, in **top-level participation** – Prime Minister, Premiers, Ministers, Deputy Ministers – in outreach to key corporate decision-makers, at home and abroad, notably at **recruitment** stage rather than for announcements of support packages
- Counter-examples can be cited but are often focused on annual, industry-sponsored events (Detroit Auto Show; Farnborough and Paris Air Shows; “BIO”). Large portions of the economy – by sector, geography, firm size – are missed entirely by a **focus on a few standing events**
- **FDI potential**, or commercial opportunity more generally, is **not** made a **systematic priority** for the large numbers of expert technical staff spread throughout both levels of government. Previous capacity and mandates to build and maintain expert-level horizontal networks have been eliminated at the federal level

# How to Become World Class

## 1. ADOPT “DEEP STRATEGY” APPROACH

- **Targeted approach**, rooted in ongoing analysis of our value propositions – not only macro but micro-level, including our industry-specific assets
- Close and **formal coordination** between federal and provincial players and within each government
- Harness **government-wide expert knowledge** of our firms, industries and opportunities
- Recognize key roles of local governments, universities and colleges and broader education sector
- Build, publish and market detailed data, including through on-the-ground company engagement at home and abroad by sectoral experts

# How to Become World Class (cont'd)

## 2. ACTIVE, SENIOR-LEVEL INVOLVEMENT

- Leadership from the top: PM, Premiers, Ministers
- Make a priority for Deputy Ministers, ADMs as well
- Requires sustained senior engagement with firms both at home and abroad

## 3. ENHANCED TRANSPARENCY

- Clear public criteria for support, explicit benchmarks for payments, tracking and transparent reporting

# How to Become World Class (cont'd)

## 4. SINGLE POINT OF CONTACT AT ALL TIMES

- End-to-end service orientation in engagement with firms
- Information tailored to decision parameters and timelines
- Formal coordination mechanisms among all relevant players on case-by-case basis, including local governments, research and education

## 5. RETENTION AND EXPANSION OF EXISTING FIRMS

- Expand scope beyond attracting first time “greenfield” FDI
- “Aftercare” or “Concierge” service is key to ensuring initial success, learning lessons, and working towards follow-on investments

# Outline

Recap of Canada's FDI performance, and Preview

Best Practice Jurisdictions

Canada

- Status Quo
- How to become 'World Class'

***Bottom Line***

# Bottom Line

- New or broadened/deepened incentive programs may or may not be necessary
- Either way, they will **NOT be sufficient**
- Incentives are **no substitute** for:
  - sustained involvement by senior leaders;
  - sustained engagement with leadership of firms;
  - a strategic approach;
  - close coordination and cooperation between and within governments



Lawrence National Centre  
for Policy and Management

# FUTURE OF CANADIAN MANUFACTURING: ATTRACTING GLOBAL MANDATES

NOVEMBER 10, 2015  
IVEY TANGERINE LEADERSHIP CENTRE  
TORONTO, ONTARIO

PARTNERS

