

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 13, Report No. 5, of the Committee of the Whole, which was adopted without amendment by the Council of the City of Vaughan on February 19, 2013.

13 BUSINESS MISSION TO CHINA 2012 – POST MISSION UPDATE

The Committee of the Whole recommends:

- 1) That the following recommendation contained in the report of the Executive Director, Office of the City Manager, dated February 5, 2013, be approved:**
 - 2. That staff continue working with the business prospects established during the course of the mission to locate in Vaughan.**

Recommendation

The Executive Director, Office of the City Manager in consultation with the Deputy Mayor/Regional Councillor Gino Rosati and Ward 4 Councillor Sandra Yeung Racco recommends;

1. THAT this report be received;
2. THAT staff continue working with the business prospects established during the course of the mission to locate in Vaughan; and
3. THAT the Council Member Expense Policy Section 9.31 "Travel: Conferences, Seminars and Business Trips", be amended to include under sub-heading "Business Travel coordinated through the Economic Development Department - (Economic Development Budget)" the following clause:- "Members of Council will be permitted to fly business class for air travel which exceeds six hours one way to the destination."

Contribution to Sustainability

Green Directions Vaughan embraces a *Sustainability First* principle and states that sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations. Under this definition, activities related to economic development contributes to the sustainability of the City.

Economic Impact

All costs associated with the 2012 Business Mission to China were budgeted in the Economic Development Department's 2012 operating budget. There is no economic impact with receipt of this report.

However, future costs of international business development missions will have a greater impact on the department's annual budget if recommendation three is approved. To illustrate the costs, staff did a simple review of the price of a round-trip adult ticket on Air Canada from Toronto to Shanghai which is a 15 hour flight. The cost for an economy priced seat is approximately \$2,733. Whereas the cost for the business class seat is approximately \$4,356 – a net increase of \$1,623.

Communications Plan

Formal communications and follow-up meetings will continue with the City of Zibo, local business leaders and other stakeholders. These communications will emphasize Vaughan's international business development strategy and desire to open new markets for Vaughan companies. Also, all international business development activities will be highlighted in upcoming Economic Development communications such as Business Link and Business E-Link newsletters.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 13, CW Report No. 5 – Page 2

Purpose

The purpose of this report is to provide Council with an overview of the City's participation in the Confederation of Greater Toronto Chinese Business Association's 2012 Business Mission to China.

Background – Analysis and Options

From November 23 to December 4, 2012, the City of Vaughan participated in a Business Mission to China. Organized by the Confederation of Greater Toronto Business Association (CGTCBA), a coalition that includes the Toronto Chinese Business Association, Richmond Hill and Markham Chinese Business Association, Mississauga Chinese Business Association and the Scarborough/York Region Chinese Business Association; the purpose of the mission was to promote business and trade opportunities between Chinese and Canadian businesses.

Having completed a successful mission in 2010, the CGTCBA attracted participation from 71 individuals for the 2012 Business Mission, representing post secondary institutions, government and the private sector. Municipal representation included Susan Fennell, Mayor of Brampton; Jeff Lehman, Mayor of Barrie; Willie Woo, Regional Councillor of Clarington; Rob Burton, Mayor of Oakville; Frank Scarpitti, Mayor of Markham; and Deputy Mayor and Regional Councillor Gino Rosati of Vaughan.

In addition to Deputy Mayor and Regional Councillor Rosati, the City of Vaughan was represented by Ward 4 Councillor Sandra Yeung Racco, Executive Director Tim Simmonds, and Senior Manager of Economic Development Shirley Kam. Mr. Will Sung, President of the Vaughan Chinese Business Council also participated.

The City of Vaughan's international business development program encompasses three objectives: attracting foreign direct investment; creating export development opportunities for local businesses; and creating learning opportunities for the City's administration. The program organized by the CGTCBA touched on all Vaughan's objectives. It sought to put the Greater Toronto Area on the map with Chinese administrators and businesses; as well as reconnect with the Trade Commissioner Services in key markets.

The 2012 Business Mission included business meetings, conferences, company tours and networking sessions in Shanghai, Beijing (Funhill District), Xuzhou, and Hong Kong. The schedule was flexible to allow municipalities to customize their programs to include private meetings and business visits. Vaughan officials visited Zibo, a city in Shandong Province, with whom the City signed a Letter of Economic Intent.

Building Connections with Trade Facilitators

Doing business in China can be a complex and somewhat chaotic process. Business relationships are closely interwoven with political relationships. Having local in-market representation can open doors and facilitate business interactions. Canadian business interests are represented by joint provincial-federal trade commissioner services based out of the Consulate Offices in major centres such as Shanghai, Beijing and Hong Kong. Having an in-market presence, trade commissioners can provide market and business intelligence as well as facilitate business travel and work issues abroad.

Upon arrival in Shanghai, on November 25, the delegation met with Canadian Consul General to Shanghai Rick Savone, and Marc Ceolin, Director of the Canadian Chamber of Commerce in Shanghai. With more than 20 million residents and a booming economy, Shanghai is a favoured location for many Canadian companies entering the Chinese markets. This meeting allowed Staff to be introduced to Consul General Savone and reconnect with Philip Wong, Consul – Economic Affairs, who has worked with the City on previous missions as well as the opening of the CanadaMart in Yiwu.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 13, CW Report No. 5 – Page 3

In Beijing, the delegation was received by Canadian Ambassador to China Guy Saint-Jacques. A briefing on recent political changes and China's economic future were provided by consular staff. As well, the delegation met with the Chinese Ministry of Commerce responsible for trade and investment, both domestic and international.

On December 3, InvestHK, the economic development agency for Hong Kong Special Autonomous Region held a briefing for the delegation on doing business through Hong Kong. The status enjoyed by Hong Kong under the principle of "one country, two systems" creates special operating conditions for doing business with China. Two overarching advantages are in Hong Kong's favour: location in southeast Asia and ability to provide legal certainties for companies entering China. InvestHK can assist Canadian companies to use Hong Kong as a launch point into China and southeast Asia, navigating the complex Chinese tax systems, developing local contacts and facilitating business establishment.

Business-to-Business Meetings

The delegation participated at the 2012 China-Canada Economic Trade and Investment Forum at Funhill District, Beijing. Organized by the International Development Department of the National Development and Reform Commission; the Beijing Investment Promotion Bureau; and People's Government of Beijing Funhill District, the Funhill District Economic Trade and Investment Forum gave each municipality an opportunity to provide an overview of their city, business and economic development objectives. This session was attended by over 80 Chinese business people and media.

In addition to trade show exhibits, the City aired its Vaughan Metropolitan Centre "It'll Move You" 3D video animation. Featuring the City's new downtown and the various investment opportunities in residential, office and commercial spaces, the video animation set Vaughan apart from the other municipalities. This video played to an investment audience, and not just an industrial audience. The City also distributed more than 100 copies of its Cleantech Brochure (translated into Chinese) and information kit in USB format.

Following the conference and exhibition, the Vaughan delegation held meetings with individual businesses. The delegation was divided into three breakout sessions by areas of interest: government/institutional sector, financial and insurance sectors, and business sectors. Vaughan participated in the Business Sectors breakout session. Business introductions were made with seven companies involved in green paperboard and box packaging; food additives; agricultural science; food manufacturer; transportation and logistics providers and retail chain store operators.

During the mission, Staff met with Mr. Edison Luo of Zhejiang Winers Trading. Since 2010, the City has worked with Mr. Luo to introduce Canadian products to the Chinese market through CanadaMart located in Yiwu. The relationship has netted sales for a number of Canadian products.

Similarly, the Vaughan delegation was introduced to Ringo Chen, a Canadian resident with business interests in Shanghai and Guangdong province. Through Mr. Chen introductions were made to a Chinese cosmetics manufacturer.

A corporate visit was paid to a Chinese automotive parts manufacturer that the City was already working with. Prior to November, Staff have held ongoing discussions with Canadian representatives, however, the mission provided an opportunity to meet with Chinese company officials. The visit was very positive, creating a personal connection and warmth with key decision-makers that cannot be garnered through telephone calls and email correspondence.

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 13, CW Report No. 5 – Page 4

The concept of 'guanxi' – establishing a personal connection between people that allows for more fruitful outcomes – is an extremely important cultural and business precept with the Chinese. Trust and integrity is developed over a long period of time, before a business transaction can take place. It is therefore very important that City representatives establish and re-connect often with potential business partners. The guanxi concept applies equally to Chinese businesses, and government officials.

Economic Cooperation with Zibo, China

During this mission, the City of Vaughan signed a Letter of Intent (Attachment 1) with Zibo, China. Located in central Shandong Province, between Shanghai and Beijing, Zibo is a city of 4.2 million people. With a Gross Domestic Product of 32.8 billion RMB in 2011, Zibo is ranked #47 in China for its economic position. In addition to a large petrochemical industry, Zibo is a logistics and distribution hub for the province. In recent years, the local government has shifted its focus to alternative energy sectors, medical and technical services.

Zibo has an active foreign trade and investment program. Since first meeting the City of Vaughan in 2008, representatives from Zibo's Municipal Government including their Foreign Affairs Office, Zibo Municipal Sports Bureau and Bureau of Commerce have visited the City of Vaughan five times over the past four years to explore opportunities for economic cooperation. In 2011, the City received a request from Zibo to sign a Letter of Intent of Establishing Friendly Cooperation Relationship Between the City of Vaughan, Ontario, Canada and the City of Zibo, Shandong, People's Republic of China.

On March 20, 2012, Council approved the development of an economic partnership with Zibo through the signing of a Letter of Intent. The signing of a Letter of Intent provides a framework for initiatives and outcomes for both municipalities that focus on business. It provides a defined timeframe to pursue a more formal economic development partnership if both municipalities agree that it would be beneficial.

During the short visit, Zibo representatives provided a tour that highlighted the evolution of the city. Zibo's varied past included being the birthplace of ancient football (cuju) and one of China's leading centres of ceramics production. However modern-day Zibo is also home to many emerging industries. In addition to a tour of the Zibo Museum of Ceramics, the delegation visited a modern multi-sport complex that included a 20,000-seat track and field stadium, aquatics complex and gymnasiums developed by the municipal government for residents' use as well as hosting national level competitions. The delegation also toured Zibo Guoli New Power Source Technology Limited, a developer and manufacturer of rechargeable battery systems.

At a meeting with the Zibo Bureau of Commerce, the City's delegation provided a briefing on the City, its economic sectors and opportunities for investment. The VMC video animation was presented and discussions took place about capitalizing on transit infrastructure investment, connectivity to Greater Toronto Area (GTA) and welcoming Chinese communities. Discussions held with the Foreign Affairs Office and the Zibo Bureau of Commerce indicate an interest from Chinese businesses to continue their 'going global' strategy - using the GTA as a platform to launch in North American markets.

Staff are meeting with Zibo's Canadian representative to establish a work program for 2013.

Learning Opportunity – West Kowloon Cultural District

The delegation received a briefing on the West Kowloon Cultural District (Attachment 2). In 2008, the Hong Kong government provided an endowment of US\$2.7 billion to develop a new arts and cultural centre, with the objectives of strategic promotion of arts and culture; developing long term arts and culture infrastructure; and boosting Hong Kong's image as a cultural metropolis. With

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 13, CW Report No. 5 – Page 5

this endowment, planning began for a complex of cultural venues, convention, retail, dining, entertainment, parks and residences on a 40-hectare parcel of reclaimed land owned by the Hong Kong government. The project includes 17 cultural venues, i.e. performance spaces, museums, arts pavilions, tea houses, black box theatres, etc. within a mixed use environment.

As this project is nearing the completion of the planning stages, there are ample opportunities for Canadian companies. Architectural design competitions are being held for a number of the cultural venues. Technical services such as noise attenuation, accoustics, dewatering, remediation expertise, etc. are being sought. And at construction stages, there will be requirements for construction materials.

The West Kowloon Cultural District provides an excellent learning opportunity for the development of the Vaughan Metropolitan Centre, as the City's cultural hub and base for the creative sector. The challenges experienced by the West Kowloon Cultural District bears resemblance to the issues faced in the VMC: strata parks and parking, transportation accessibility, multiple mixed uses, complex physical (groundwater, remediation) challenges, public interests and financial sustainability. Officials at the West Kowloon Cultural District have indicated a willingness to share their knowledge and experiences.

Learning Opportunity – Cyberport

The delegation received a tour and briefing on Cyberport, a digital and ICT initiative undertaken by the Hong Kong government. Recognizing that Hong Kong's traditional manufacturing industries were moving to lower cost locations, and Hong Kong's future competitiveness depended on developing value-added services, the government directed its attention to developing a digital media and communications cluster. It established a non-profit organization to build and operate a physical and virtual complex to house companies and entrepreneurs engaged in these sectors. Under this mandate, four office buildings totalling one million square feet of space, a hotel, 300,000 square feet of retail commercial space and residences were built.

Cyberport has three business streams: office space leasing for large corporate clients; soft landing spots or hotelling for small companies considering entering the market (fixed cost space rented on a month by month basis); and entrepreneurship training and incubation. The complex is fitted with 10 GB service to every desk, office, presentation centre and meeting room. All major telecoms, including mainland Chinese companies, were invited to provide technology platforms for users to develop and test applications prior to launch. A tech centre provides the latest audio, video and 3D animation technologies to assist local companies to expand their technical capabilities and promote innovation and collaboration.

The corporate office space leases at \$3 per square foot, inclusive of rent, utilities, phone, internet, fibre, etc. The hotel spaces or soft landing space rents at a cost of \$250 per month per desk. In a supercharged real estate market such as Hong Kong, these rates are unheard of. Altogether Cyberport has 135 tenants (75 of whom lease corporate space) with an 85 percent occupancy rate (some space is set aside as contingency for expansions).

Takeway: government has to be willing to step in with investment in order to develop collaborative spaces for emerging sectors such as digital media and communications.

Business Outcomes – Attracting Investment and Job Creation

During the mission, it became very apparent that although China projects a more moderate rate of growth for the next several years, investment interest in Canada is still high. The GTA, with its large Chinese community, is a particularly attractive location for business investment. During the mission, the City received expressions of interest from seven companies that varied from packaging, organic beverages, food, transportation, logistics, retail chains, cosmetics

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 13, CW Report No. 5 – Page 6

manufacturing, etc. In addition, the City held follow up meetings with several companies with whom there have been previous relationships.

Some of the follow-up activities include business introductions, product sourcing and engagement with provincial representatives for financial or business case support. City Staff will continue to work with these companies to promote job creation, business investment or to find joint venture opportunities.

Relationship to Vaughan Vision 2020 / Strategic Plan

This report is consistent with the priorities previously set by Council. Specifically, this report assists in fulfilling Vaughan Vision 20|20 Goal: Manage Growth and Economic Well-being.

Regional Implications

Not applicable

Conclusion

The City's international business development program has taken great strides in the past three years and continues to build on success. The work directly and indirectly related to the first trade mission to China in 2008 and subsequent missions in 2010 and 2011 have resulted in Vaughan building its image as a Gateway into the GTA and North American markets and providing business opportunities for Vaughan companies to export product into CanadaMart in Yiwu. This work has had a positive influence - gaining local recognition of Vaughan as a place to do business as well as attracting two Chinese companies to locate here.

Working the Chinese markets requires close cooperation between political bodies, business entities, and industry groups. Vaughan is fortunate to be supported by organizations such as the Vaughan Chinese Business Council, the CGTCBA, and the Canada China Business Council. With extensive ties in Asia, these groups provide a valuable service as a day-to-day bridge to Chinese businesses and helping companies and investors to navigate the large marketplace.

Staff will stay engaged with these groups as they welcome future incoming delegations and will continue to work with them to provide workshops for Canadian businesses wanting to learn about doing business in China. In addition, staff will continue to support their in-market business attraction efforts with collateral material that speaks to the value proposition provided by Vaughan and the GTA.

The City's Economic Development Strategy articulates a goal of establishing an Asia-Pacific Gateway via linkages with Delta, British Columbia. The foundation which has been built from the City's work in China serves as solid building blocks toward establishing that gateway. The job creation and business investments opportunities associated with these trade connections have significant impact on such areas as the Vaughan Enterprise Zone, a natural distribution and logistics hub for the GTA, with its proximity to Pearson International Airport, the Canadian Pacific Intermodal Terminal and its provincial highway connections. The relationships that the City is creating today will allow the City to remain competitive in today's fast-paced global economy.

Attachments

Attachment 1 – Signed Letter of Intent
Attachment 2 – West Kowloon Cultural District
Attachment 3 - Photo Gallery

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF FEBRUARY 19, 2013

Item 13, CW Report No. 5 – Page 7

Report prepared by:

Shirley Kam, Senior Manager of Economic Development
Tim Simmonds, Executive Director, City Manager's Office

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)