

**DATE:** October 20, 2017

**TO:** Mayor & Members of Council

**FROM:** Tim Simmonds, Chief Corporate Initiatives and Intergovernmental Relations

**RE:** **COUNCIL MEETING – OCTOBER 24, 2017**  
**RESULTS OF THE ECONOMIC DEVELOPMENT AND CULTURAL SERVICES**  
**INTERNATIONAL BUSINESS ACTIVITIES**

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### Recommendation

The Chief Corporate Initiatives and Intergovernmental Relations recommends:

1. That this communication be received.

### Purpose

The purpose of this communication is to provide supplemental information for the Committee of the Whole Report #35 Item #11: Trade Mission to China and Vietnam 2017 as requested by members of the Committee.

The communication outlines successes and lessons learned from past missions. It provides additional context for international business development, demonstrating that the marketplace and industry standards require Vaughan's presence internationally.

### Background and Analysis

Members of Council passed a motion at the October 3, 2017 Committee of Whole Meeting, requesting that staff provide additional information on the results of previous business and trade missions.

The City's 10-Year Economic Development Strategy: *"Building a Gateway to Tomorrow's Economy"*, approved in September 2010, provides direction to undertake activities and initiatives which position Vaughan as the gateway of economic activity to the Greater Toronto Area. From the Strategy, the City's international business development program focuses on Italy, Israel, China and the US as its primary markets. With these markets in mind, the Strategy sets the following objectives:

1. To support local economic development by providing local businesses with additional tools to access new markets, achieve growth and retain their competitive edge.
2. To support local economic development by pursuing foreign investment.
3. To create and leverage opportunities arising from multicultural and ethnic partnerships.
4. To enhance Vaughan's global image.

To achieve these objectives, the City's international business development program includes: hosting inbound business and government delegations; providing business support services for local manufacturers and service providers (using the Vaughan International Commercialization Centre (VICC) platform); leveraging partnerships with foreign investment attraction organizations to facilitate investment and trade (e.g. Toronto Global, Ministry of Economic Development and Growth, Ministry of International Trade, Global Affairs Canada, Italian Chamber of Commerce in Ontario, etc.); hosting seminars and workshops; and conducting outbound missions.

### ***Results for local businesses from past missions***

The following provides a highlight / update on business and investment activities:

- Staff continue to support Ionada Incorporated, a Vaughan manufacturer of marine emissions technology (scrubbers) by participating in business presentations to Chinese clients. Ionada has signed a deal to invest in a second joint venture (JV) in China – the first JV was announced during the 2015 mission, and the second JV announcement will occur during this November's mission.

The 2015 mission saw Ionada make a C\$10 million JV investment to manufacture their emissions technology for the Chinese shipping market. With international legislation coming into effect by 2020 for enhanced emission controls, the international shipping industry will be making purchases to retrofit shipping fleets.

During the upcoming 2017 mission, Ionada is planning to announce a C\$1 million investment for a local demonstration centre, staffed with ten people including one Canadian representative from Ionada who will oversee the Chinese operation.

- Door Components Canada (DCC), another participant in the 2015 China Mission, had announced three JV signings valued at \$116.5 million. DCC is now moving into smart technologies for the home, developing, for example: door sensors, surveillance and security equipment, indoor air quality monitoring devices – technologies all tied to smart phones (internet of things). Staff made introductions and connections to the Innovation Park at the Kortright Centre as a potential demonstration centre for its products.
- Hot Yoga Wellness – a Vaughan-based company – entered into an agreement with the Chinese Health Qigong Association in Beijing in 2015. The wellness business has now trained 400 students within the last two years, and 32 have graduated as teachers. Leading to the successful opening of seven schools in seven Chinese cities.

### ***Creating opportunities from international missions to support local commercialization***

During the 2012 and 2013 missions to Israel, it became apparent to Staff and the members of Council participating that Israel's success as a 'start-up nation' can be attributed to its commercialization support programs. A 'seed' was planted to create a commercialization program in Vaughan to attract growth-stage companies considering entry into the North American market while providing assistance to local companies as they 'scale-up'. Out of the lessons learned during the missions to Israel the City established the VICC, a three-pronged pilot program providing soft landing spaces, a test city initiative and a business matchmaking service. Since its launch in 2015, the following activities have supported commercialization stage companies in Vaughan:

- The VICC's soft landing program - the Bridge@Lebovic - offers 4,000 square feet of co-working office space. Currently, the Bridge has a 94 per cent occupancy rate with 15 of its 16 desks leased to small firms. Twenty-one unique entrepreneurs and/or business support organizations have had residency within the Bridge since its opening in April 2016. Discussions are underway to add another nine desks. No costs are incurred by the Economic Development Department budget, rather, The Bridge space is self-funded through the lease agreements with each firm.
- The Bridge@Lebovic pilot has contributed to other co-working projects. Staff supported YEDI – York Entrepreneurship Development Institute to set up private co-working spaces in Vaughan. YEDI recently opened its 50,000-square foot co-working space on the second floor of Improve (7250 Keele Street).
- Six test city pilots have been initiated or approved, allowing companies to demonstrate the viability of their products in information, building and environmental technologies.
- The City's has leveraged \$82K in grant funding through the Vaughan Business Enterprise Centre (VBEC) and the Ministry of Economic Development and Growth's (MEDG) Entrepreneurship Pilot Program – (EPP) to provide commercialization support to VICC clients. As a result of the EPP eight



local companies expanded, one company was founded in Vaughan, and twenty-five local jobs were affected.

***Fostering relationships with local institutions through international economic development***

The international business development program is predicated on building relationships both at home and abroad. In addition to local businesses, missions have included representatives from academic and medical institutions, as well as business associations. Missions provide a focused opportunity for staff and Council to engage with these individuals. The connections forged with York University, Centennial College and others, for example, continue to be leveraged in day-to-day economic development activities.

Further relationships are created as the City works with the Toronto based Trade Commissioner Service and/or Consular Services while in-market as well as post mission. As a result of trade missions, referrals for business investment are received post-mission from the Chinese Consulate, Italian Consulate and Israeli Consulate. As well, staff continue to work with the Italian Chamber of Commerce in Ontario (ICCO) on business leads.

***International business development is a long-term investment***

The process of attracting foreign direct investment is a long-term venture. The following are long-term international development leads, which staff continue to support:

- Chinese bedding products – working with a local bedding products manufacturer
- Chinese pharmaceuticals manufacturer - interest in establishing a Canadian operation but has extended their timeframe as they concentrate their efforts with present operations.
- Italian manufacturer of electrical transformers – a referral from the ICCO's Milan offices has resulted in a prospect that manufactures and exports electrical transformers with operations in Italy and Dubai. Staff have introduced company officials to local developers and brokers during their three visits to Vaughan. Dialogue is ongoing with provincial and federal staff amidst concerns about changes to the North American Free Trade Agreement.
- Talav, an Italian developer of assistive devices and technologies that the City connected with through the Italian Chamber, has test piloted their 'Innovative Path System' in Vaughan City Hall. In 2016 Talav was introduced to a Zibo company: Shandong Tianzhao Building Ceramics Co., Ltd. Zibo is a city with whom Vaughan has economic ties.
- Chinese-based battery manufacturer - seeking a 10,000-square foot facility to purchase for its Canadian operations.

Arising from the Israel missions, is a close working relationship with both the Consul General's office as well as the Canada Israel Chamber of Commerce. Council and staff have met with the Consul General Galit Baram to discuss the innovation agenda, and provided a tour of Bridge@Lebovic. Ongoing projects with the Israel contacts include battery manufacturing and security technologies, as well as the City's owned Digital Strategy initiative.

From missions, staff have learned that foreign government and trade officials, business chambers and associations play a significant role in facilitating and/or sanctioning business relationships, particularly in China. From the relationships started during trade missions, the City continues to receive requests from inbound delegations, including three visits from Yangzhou, and visits from Shanghai Changning District and Zibo in 2017. Furthermore, the Consul General of China in Toronto has made visits to local Vaughan firms such as Drone Delivery and Door Components Canada. As well, they have participated in workshops and events such as the second annual Canada China Free Trade Agreement Forum, hosted this past September at Vaughan City Hall with more than 90 businesses in attendance.

***Enhancing our image in a global market***

Investing in a global brand and becoming a gateway to economic activity in the region requires international presence and a coordinated effort between all levels of government. Toronto Global, the successor to the Greater Toronto Marketing Alliance, is the lead agency in foreign investment attraction. Funded by the Province, federal government, Regional Municipalities, including York Region, the cities of Mississauga, Brampton and Caledon and the private sector, Toronto Global is the face of the Greater Toronto Region. However, Toronto Global's activities do not replace the constituent municipalities' international activities. Indeed, the funding equation for Toronto Global – roughly one-third split from each level of government,



with five per cent coming from the private sector, for a total of \$7.5 million per annum – promotes the concept of regionalism, where joint international promotion highlights the Toronto Region.

Most recently, Toronto Global has taken the lead on the GTA's AmazonHQ2 site selection requirement.

It should be noted that Toronto-area municipalities have maintained their international business development activities. The City of Mississauga conducted missions to India in 2016 and Japan in 2017. In 2016, Markham undertook a 10-day mission to India with a five-member delegation, at an average per person cost of \$11.3K. In November 2017, Markham is travelling to Japan at an estimated cost of \$8,500 per delegate. Brampton estimates that the average cost per delegate for a recent 10-day China mission is approximately \$10K.

The costs of the most recent missions undertaken by Vaughan are as follows:

- 2015 China Mission - \$7,500K per delegate (2 persons)
- 2013 Israel Mission - \$6K per delegate budgeted (3 persons)
- 2012 Israel Mission - \$5.2K per delegate (4 persons)

The City's expenditures in outbound travel for the three most recent trade missions totaled \$54K. In context, the annual operating budget for Economic Development and Cultural Services as identified in the annual budget is \$2.1M. Although the City has not participated or undertaken an outbound mission each year, if averaged, the cost would be approximately \$20k/yr or just slightly less than 1 per cent of the department's operating budget.

## **Conclusion**

Vaughan, through the Economic Development and Cultural Services Department has taken a calculated and conservative approach to its international business development program which has led to a positive return on investment. These missions have fostered close relationships with government, academic and business entities that continue to generate business development interests in Vaughan.

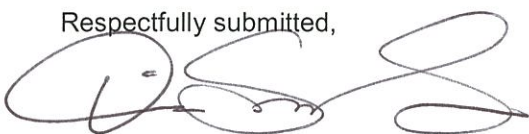
With an investment of \$54K over the past four years for the three previous trade missions;

- The model for the VICC concept was established, which in turn has supported more than 19 start-up companies and 25 jobs.
- Established Vaughan companies have signed more than \$100M in manufacturing contracts through joint venture agreements which will continue as Ionada will be making another \$1M announcement during the upcoming trade mission.

These successes are directly attributed to the City's international business development program that requires a holistic approach. An approach that includes inbound and outbound missions; day-to-day investment facilitation and business support services; and partnership development on a consistent basis.

The trade mission to China and Vietnam proposed for 2017 is an opportunity to support local business and gain international exposure leveraging the Premier's presence. This Mission enhances the City's image as a progressive and dynamic city with investment opportunities, strong sector clusters, a deep talent pool and quality of life that competes on the global stage. The budgeted cost of \$7,500 per delegate is budgeted within the Economic Development + Culture Services' 2017 Operating Budget.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tim Simmonds', with a large, stylized flourish extending to the right.

Tim Simmonds  
Chief Corporate Initiatives and Intergovernmental Relations