

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 24, 2017

Item 11, Report No. 35, of the Committee of the Whole, which was adopted, as amended, by the Council of the City of Vaughan on October 24, 2017, as follows:

By approving the following in accordance with Communication C6, from the Chief Corporate Initiatives and Intergovernmental Relations, dated October 20, 2017:

- 1. That this Communication be received.**

11 TRADE MISSION TO CHINA AND VIETNAM 2017

The Committee of the Whole recommends:

- 1) That recommendations 1 and 3 contained in the following report of the Chief Corporate Initiatives and Intergovernmental Relations, dated October 3, 2017 be approved;**
- 2) That recommendation 2 be amended to read as follows:**
 - 2. That Councillor Sandra Yeung Racco and Councillor Marilyn lafrate participate in the Trade Mission to China and Vietnam from November 26 to December 6, 2017; and**
- 3) That staff provide a follow-up report to Council on the benefits derived from the last three trade missions.**

Recommendation

The Chief Corporate Initiatives and Intergovernmental Relations in consultation with the Senior Manager of Economic Development and Culture Services recommends:

- 1. THAT Council approve the City's participation in the Ontario Trade Mission to China and Vietnam from November 26 to December 6, 2017; and**
- 2. THAT the Mayor identify a member of Council to participate in the Trade Mission; and**
- 3. THAT one staff member from the Office of the Chief Corporate Initiatives and Intergovernmental Relations participate in the mission.**

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 contribute to the sustainability of the City.

Economic Impact

All costs associated with the proposed outbound trade mission in this report are budgeted within Economic Development and Culture Services 2017 operating budget. The cost per participant is approximately \$7,500, and includes round trip economy airfare, mission fees, ground transportation, hotels and meals.

Communications Plan

Upon approval of this report, Staff will confirm with the Ministry of International Trade, the

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Provincial Ministry responsible for coordinating the Premier's Mission, to finalize Vaughan's expression of interest in participating.

Purpose

The purpose of this report is seek Council approval to participate in a trade mission to China and Vietnam from November 26 to December 6, 2017 as required by Policy No: AD – 018 Employee Reimbursement for Business Related Expenditures and Advances.

Background - Analysis and Options

The City of Vaughan's 10-year Economic Development Strategy: *Building a Gateway to Tomorrow's Economy* identifies international business development as a critical factor in improving the City's competitiveness. The key objectives of the international business development program are:

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

China and Vietnam are markets that Ontario seeks to diversify in

Over the past two decades, China has made tremendous strides in becoming a strong global economy with opportunities in a multitude of industry sectors. In fact, China is now the second largest economy and Ontario's second largest single-country trade partner. With trade increasing by more than 200 percent in the past decade, China has become the third largest export destination for Ontario-made products.

Similarly, Vietnam is becoming an increasingly valuable trading partner to Ontario in Southeast Asia with trade increasing to \$3.1 billion in 2016. GDP growth per capita in Vietnam is one of the fastest, at 6.7 percent in 2015. A feasibility study was initiated in August 2016 to consider a free trade agreement with ASEAN countries. Vietnam is part of ASEAN – Association of Southeast Asian Nations.

The Ontario Mission to China and Vietnam 2017

From November 27 to December 6, 2017, Premier Kathleen Wynne will lead a delegation of Ontario companies and institutions on a trade mission to China and Vietnam. The 10-day mission will focus on building economic partnerships and seeking new opportunities in key sectors including medical technology, science and technology, agriculture and food sectors. Participants have the opportunity to:

- Identify, build and foster international connections and partnerships
- Meet local importers and distributors
- Connect with potential investors
- Engage with local leading research institutions and technology companies.

The mission's program in China includes stops in Nanjing, Chongqing and Shenzhen. These large centres have strong clusters in targeted industry sectors. Nanjing, located in Jiangsu Province has a metropolitan-area population of 30 million people, and its economic sectors include information technology, energy (smart grid), equipment manufacturing and clean technologies. Located in Sichuan Province, Chongqing is one of China's four direct-controlled

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municipalities (the others being Beijing, Shanghai and Tianjin). Chongqing has an urban population of 18 million people, and its economic sectors include food processing, cars, chemicals, textiles, machinery and electronics manufacturing. Shenzhen is the final stop in China. Located in Guangdong Province, Shenzhen rose from obscurity 38 years ago to become one of the wealthiest cities in China. Located immediately north of the Hong Kong Special Administrative Region, Shenzhen is a major financial centre, and its industries include high-tech telecommunications equipment, pharmaceuticals, building and construction materials, industrial equipment and vehicle manufacturing.

The program in Vietnam is more generalized in nature and includes stops in Hanoi and Ho Chi Minh, the country's financial centre. The Ho Chi Minh metropolitan area is home to 10 million people. High-tech, mining, food processing, agricultural products, construction and building products, tourism and finance are among Ho Chi Minh's economic sectors and contribute to the country's 2016 GDP of US\$202 billion. Hanoi, located in northern Vietnam is the country's second largest city with a metropolitan population of 7.7 million people. In recent years, finance, banking, trade and tourism industries have dominated Hanoi's economy.

Planning, program development and management will be undertaken by the Province, with the exception of out-of-country travel arrangements. The programs are still being refined, but they will include presentation seminars, market briefings, matchmaking meetings and site visits in all the major cities. The draft itinerary is included as Attachment 1.

Opportunities for Vaughan

Ontario has strong cultural and business connections with China, with a large and active Chinese community of more than 713,000 Ontarians of Chinese-origin and 57,570 Chinese students. These cultural and economic ties are also growing in Vaughan where Mandarin is now the fourth most spoken mother tongue, Cantonese is ranked seventh, and Vietnamese is ranked 13th according to the 2016 Census. The number of people identifying Mandarin as their mother tongue jumped from 18th place in 2011 to the 4th spot in 2016 – a 254 percent increase over the five-year period.

Although Chinese businesses continue to explore in North American markets for investment and trade opportunities, Canadians must also take a more assertive approach to seek new export markets, economic and political ties.

Vaughan's manufacturing sector which represents 23 percent (47,000 jobs) of the city's total employment should continue to look abroad for export opportunities to maintain competitiveness. In addition, its retail and wholesale trade sectors which represent more than 45,000 jobs collectively, grows with new goods and products coming to local consumers.

Staff continues to support local businesses such as Door Components Canada and Ionada to expand in the Chinese market. On the reverse side, Vaughan is drawing attention from Chinese and Vietnamese investors in sectors such as land and commercial development, pharmaceuticals, building products, and cultural and creative industries.

In 2015 and 2016 Vaughan hosted 13 incoming delegations from China. In addition, Staff have successfully partnered with the Jiangsu International Business Association of Canada (JSIBAC) to host an annual Canada-China Free Trade Agreement Forum at Vaughan City Hall. Including attendance by the Consulate General of the People's Republic of China in Toronto and the Canada China Chamber of Commerce.

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It is proposed that the City of Vaughan consider joining the Ontario Mission to foster business and cultural ties with Chinese and Vietnamese businesses, research and technology institutions. Joining this Mission allows the City to leverage the Province's connections in two markets where traditional socio-cultural and business norms require extended relationships be developed with high-level government officials and business executives.

Relationship to Term of Council Service Excellence Strategy Map (2014-2018)

This report is consistent with the Term of Council Service Excellence Strategy Map: Attract investment and create jobs.

Regional Implications

Staff will advise York Region Economic Strategy and Toronto Global about Vaughan's intent to join the Ontario Trade mission to China and Vietnam and seek their support with facilitating business introductions and opportunities.

Conclusion

International business development plays an important role in creating and maintaining a vibrant local economy. A sustained presence in the Chinese market, backed by the provincial government, gives Vaughan additional access to government and business officials that will continue to Vaughan to foster international business development opportunities.

Attachments

1. Ontario Trade Mission to China and Vietnam – Draft Itinerary

Report prepared by:

Shirley Kam, Senior Manager of Economic Development, ext. 8874

Tim Simmonds, Chief Corporate Initiatives and Intergovernmental Relations, ext. 8427

(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.)

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

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.

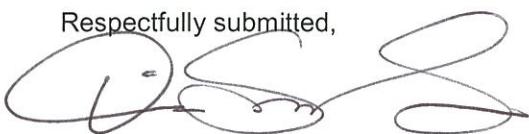
With an investment of \$54K over the past four years for the three previous trade missions;

- 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

TRADE MISSION TO CHINA AND VIETNAM 2017

Recommendation

The Chief Corporate Initiatives and Intergovernmental Relations in consultation with the Senior Manager of Economic Development and Culture Services recommends:

1. THAT Council approve the City's participation in the Ontario Trade Mission to China and Vietnam from November 26 to December 6, 2017; and
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Communications Plan

Upon approval of this report, Staff will confirm with the Ministry of International Trade, the Provincial Ministry responsible for coordinating the Premier's Mission, to finalize Vaughan's expression of interest in participating.

Purpose

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Attachments

1. Ontario Trade Mission to China and Vietnam – Draft Itinerary

Report prepared by:

Shirley Kam, Senior Manager of Economic Development, ext. 8874

Tim Simmonds, Chief Corporate Initiatives and Intergovernmental Relations, ext. 8427

Respectfully submitted,

Tim Simmonds

Chief Corporate Initiatives and Intergovernmental Relations

Ontario Business Mission to China and Vietnam 2017**DRAFT Itineraries**

China	Vietnam
<u>Sunday, November 26: Nanjing, China</u> Delegate Registration Welcome Reception	<u>Sunday, December 3: Ho Chi Minh City</u> Delegate Registration Welcome Reception
<u>Monday, November 27: Nanjing, China</u> Market Briefing Premier's briefing with delegates Agri-Food Program Ontario-Jiangsu Medical Technology Forum Ontario-Jiangsu Innovation Forum (S&T) Plenary Session & Signing Ceremony Networking Luncheon Reception Agri-Food Program Ontario-Jiangsu Medical Technology Forum Ontario-Jiangsu Research & Innovation Partnership (S&T) Business to Business meetings (B2Bs) Ontario-Jiangsu Business Council Meeting Banquet Dinner	<u>Monday, December 4: Ho Chi Minh City</u> Market Briefing Ontario-Ho Chi Minh City Research and Innovation Forum (S&T) Plenary Session & Contract Signing Ceremony Economic Speech and Networking Luncheon Site Visit Dinner hosted by the Minister (TBC)
<u>Tuesday, November 28: Nanjing/ Chongqing</u> Market Briefing Networking Reception	<u>Tuesday, December 5: Ho Chi Minh City/Hanoi</u> Roundtable meeting with Local Canadian /Ontario Firms
<u>Wednesday, November 29: Chongqing</u> Ontario – Chongqing Agri-Food Program Ontario – Chongqing Medical Technology Forum Ontario – Chongqing Innovation Forum (S&T) Networking Luncheon Reception Matchmaking Sessions Plenary Session & Contract Signing Ceremony Dinner hosted by the Minister (TBC)	<u>Wednesday, December 6: Hanoi</u> Seminar/Roundtable Meeting with Local Businesses Ontario-Hanoi Research and Innovation Forum (S&T) Site Visit Farewell Reception
<u>Thursday, November 30: Chongqing/ Shenzhen</u> Site visits in Chongqing Hosted Dinner	
<u>Friday, December 1: Shenzhen</u> Ontario – Shenzhen Agri-Food Program Ontario – Shenzhen Medical Technology Forum Ontario – Shenzhen Innovation Forum (S&T) Economic Speech and Networking Luncheon Plenary Session & Contract Signing Ceremony Matchmaking / Seminar / B2B Farewell Reception with Delegates	