



Ontario Advantages

April 9, 2010

The Ontario Ministry of Economic
Development and Trade

A CASE FOR ONTARIO

Competitive Business Environment

Specific Project Benefits

- Business Incentives
- Considerations
- Summary



Competitive Business Environment

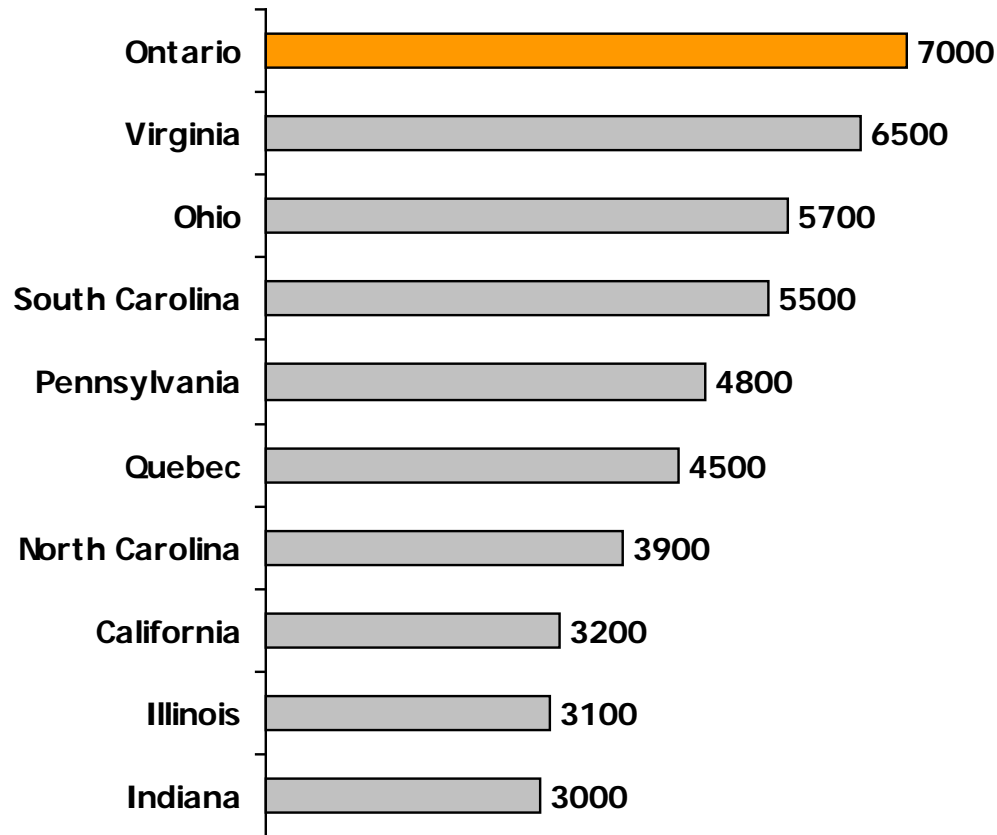
Ontario Offers:

- **A Top North Location in North America for Investment**
- **NAFTA Access To U.S**
- **Comparatively Low Debt-to-GDP Ratio**
- **Low Manufacturing Costs**
- **Low Tax Rates**
- **Generous R&D Cost Advantage**
- **A Dedicated and Highly Educated Workforce**
- **Extensive Transportation Infrastructure**



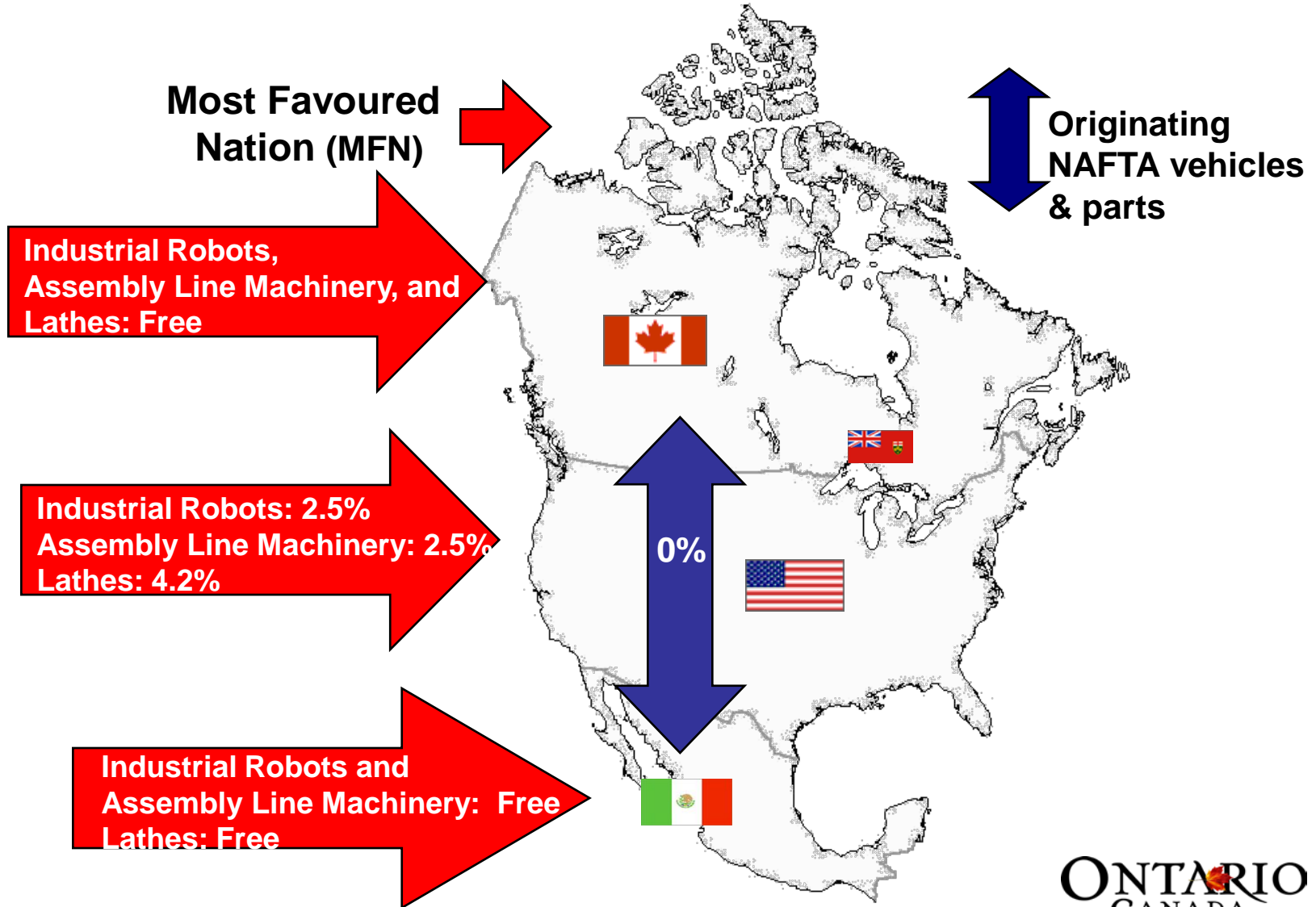
Ontario is the Top Jurisdiction in North America for FDI

Top Ranking Foreign Direct Investment Destination States/Provinces in North America by Estimated Jobs in 2008



Source: IBM Global Business Services Annual Global Location Trends Report

NAFTA: Easy, barrier-free access to North America





Canada – EU Free Trade

Background

- June 2007 – Canada & EU agree to study free trade costs & benefits
- April 2009 – EU adopts free trade negotiating mandate
- October 2009 – First negotiations
- January 2010 – Next scheduled negotiation
- Follow-up negotiations at 3 month intervals

FT Agreement

- Agreement Goals:
 - Advanced agreement
 - Exceeding previous FT agreements
 - Minimal duty - zero
- Canada-EU Trade Deal by 2011

Possible Benefits:

- Duty-free inputs into Canada
- Duty-free Canada – U.S.
- Duty-free back to Europe



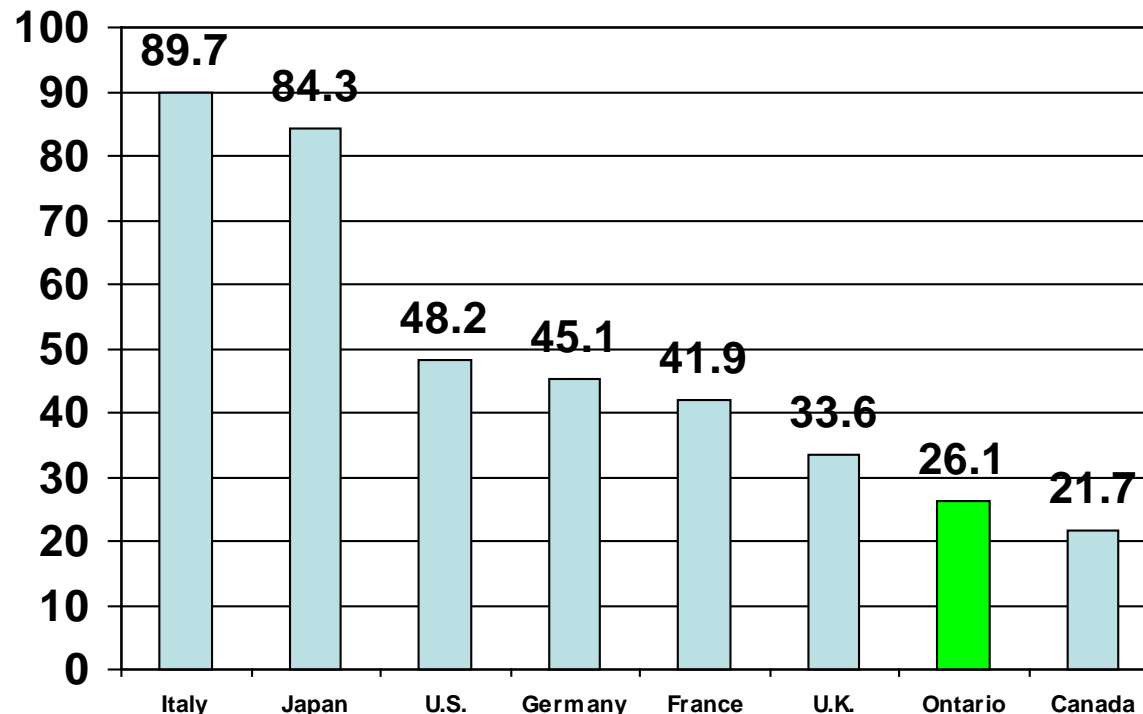
More Free Trade Agreements

- ✓ **Canada - Jordan**
- ✓ **Canada – Colombia**
- ✓ **Canada – Peru**
- ✓ **Canada – Costa Rica**
- ✓ **Canada – Chile**
- ✓ **Canada - Israel**

Comparatively Low Debt-to-GDP Ratio

- In 2008–09, the most recent year for which data are available for all jurisdictions in Canada, Ontario's net debt-to-GDP level was near the median for provinces nation-wide.
- In 2008–09, Canada's and Ontario's net debt-to-GDP ratios were below those of G7 countries and 46% below that of the USA.

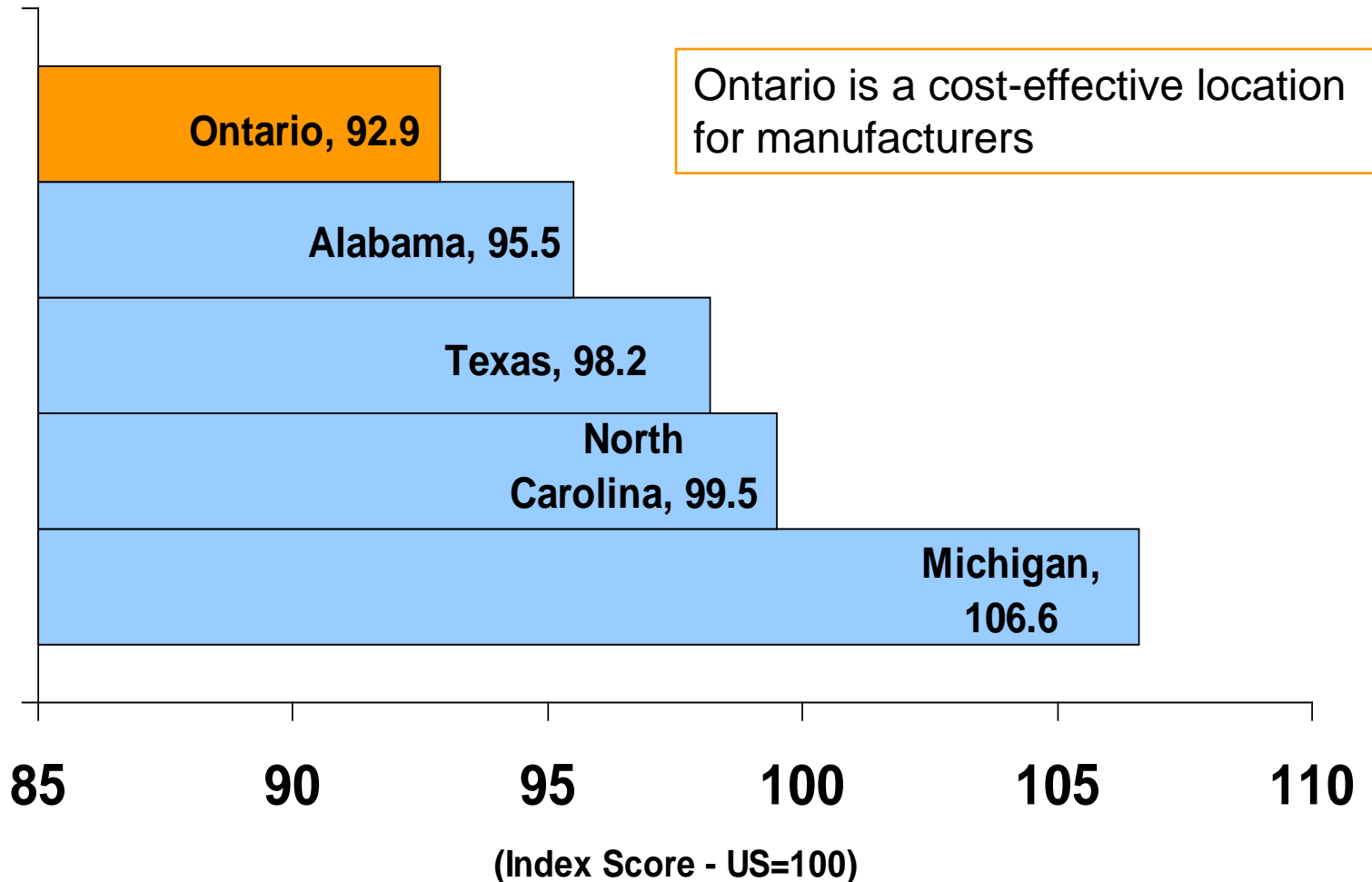
Net Debt-to-GDP, G7 Countries and Ontario: 2008–09



Note: Net debt measures are not always comparable across countries due to different definitions and treatment of debt (and asset) components.

Sources: OECD Economic Outlook No. 85 (June 2009) and Ontario Financing Authority.

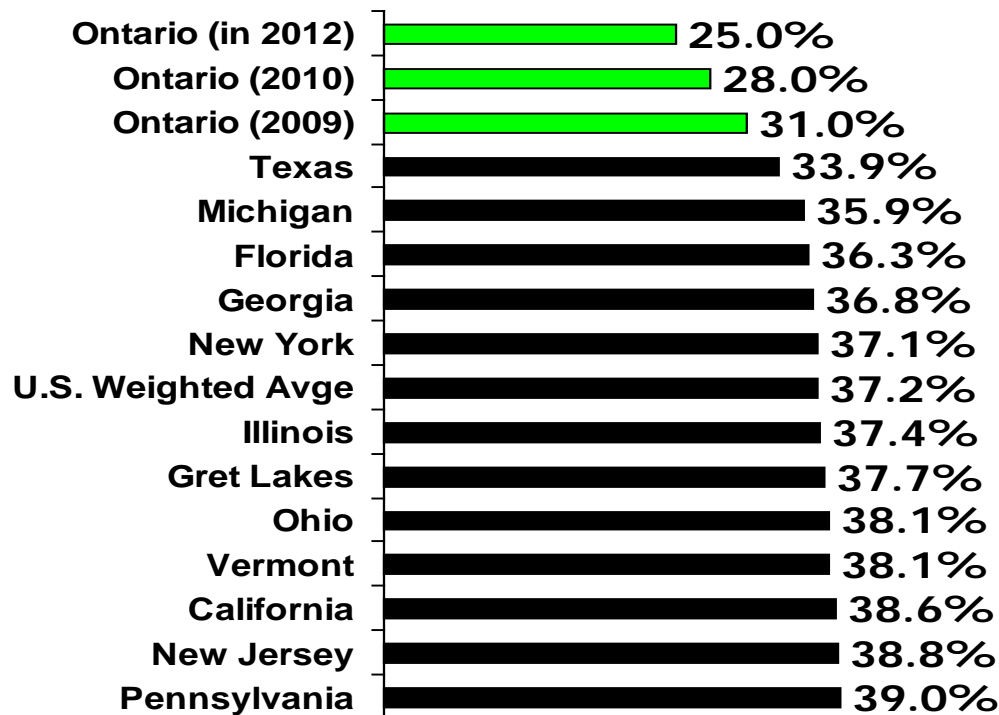
Manufacturing Cost Competitiveness



Note: Used costs for metal components manufacturing, precision component manufacturing and electronics manufacturing as a proxy for overall manufacturing.

Source: MMK CompetitiveAlternatives.com Model (based on US exchange rate of 1.18, which is the 12 month average between Oct 2008- Sept 2009).

Competitive Corporate Taxes on Manufacturing



2009 Combined Federal and State/Provincial (Corporate Income Tax)

	2008	2009	2010	2011	2012	2013
Canadian Federal (%)	19.5	19.0	18.0	16.5	15.0	15.0
Ontario (%)	12.0	12.0	10.0	10.0	10.0	10.0
Combined Federal/Provincial (%)	31.5	31.0	28.0	26.5	25.0	25.0

Corporate Income Tax Rates on Manufacturing

Source: Ontario Ministry of Finance.

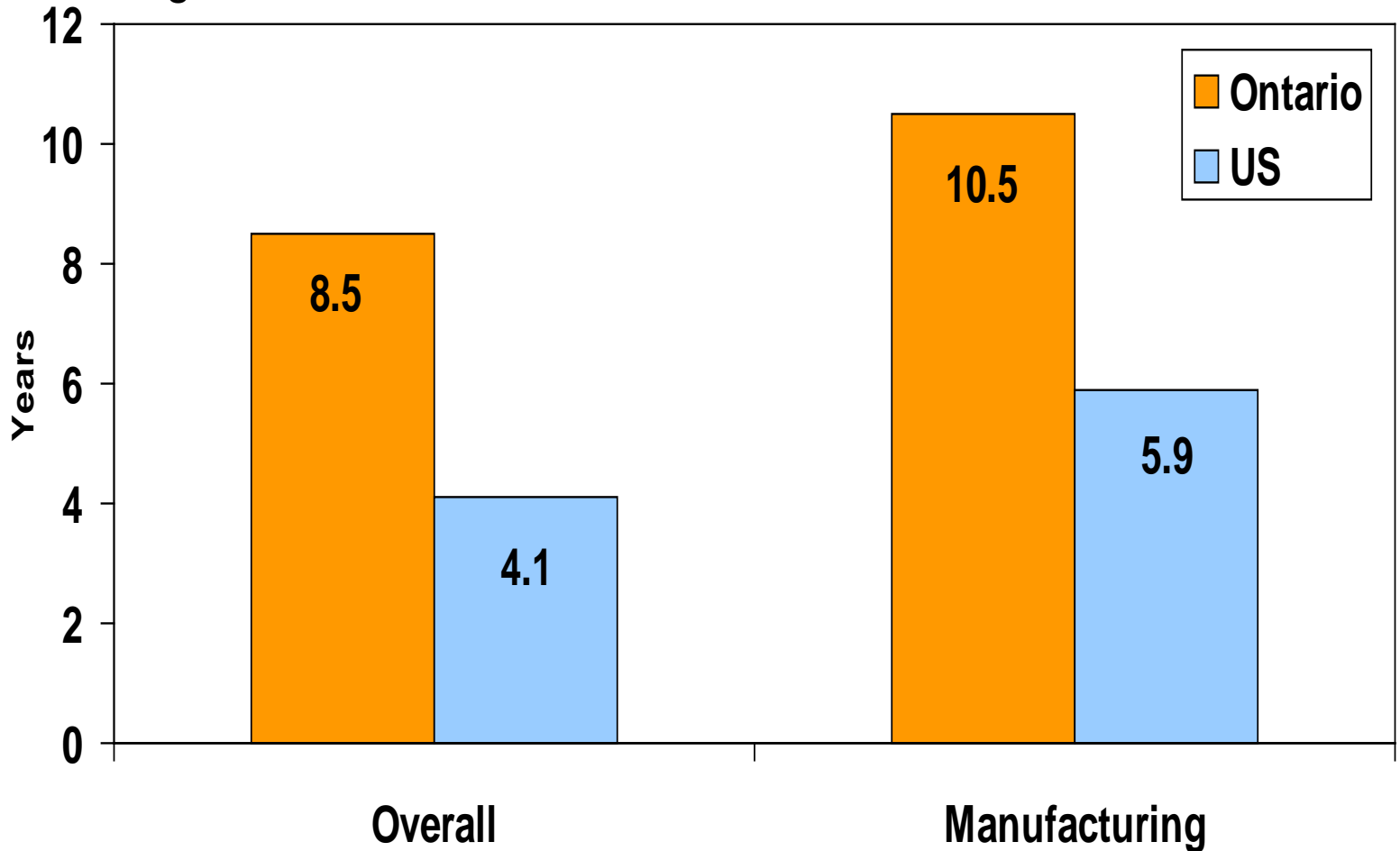
Advanced Infrastructure for Manufacturing R&D

- Ontario has a strong and diverse manufacturing sector. Ontario has become an R&D location of choice for industry leaders from aerospace to automotive, mining to ICT.
- R&D talent is plentiful in Ontario, costs are low and our research Centres are focussed on applied research that meets the needs of today's industry.
- Ontario produces 29,000 graduates a year in the manufacturing critical fields of mathematics, engineering and science.
- There are thousands of scientists working at 34+ renowned public research facilities across Ontario that are focused on all aspects of advanced manufacturing.
- The Ontario Centre for Excellence for Material and Manufacturing and the Ontario Centre for Excellence for Energy help companies develop commercial applications for groundbreaking discoveries made at our public research labs.



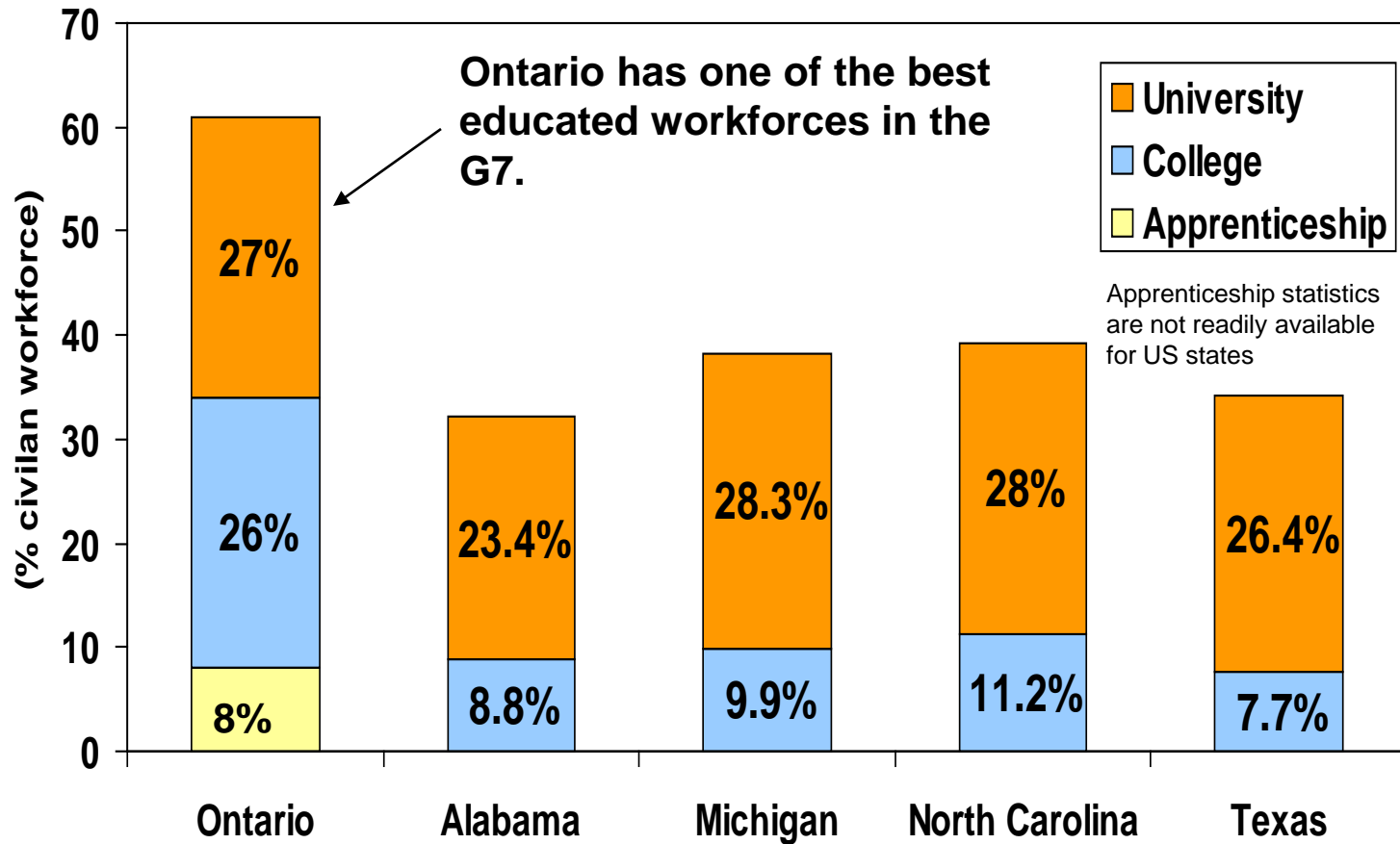
Employee Tenure

Median years of tenure with current employer for wage and salary workers is significantly higher in Ontario. This equates to training cost savings.



This data is for the most recent period – Ontario (Sept 2009), US (2008)
Source: Statistics Canada, US Bureau of Labor Statistics

Highly Educated Workforce



Note: Apprenticeship statistics are not readily available for the US. The college figure for US states represents those who received Associate degrees, it does not capture those who received other college diplomas or certificates.

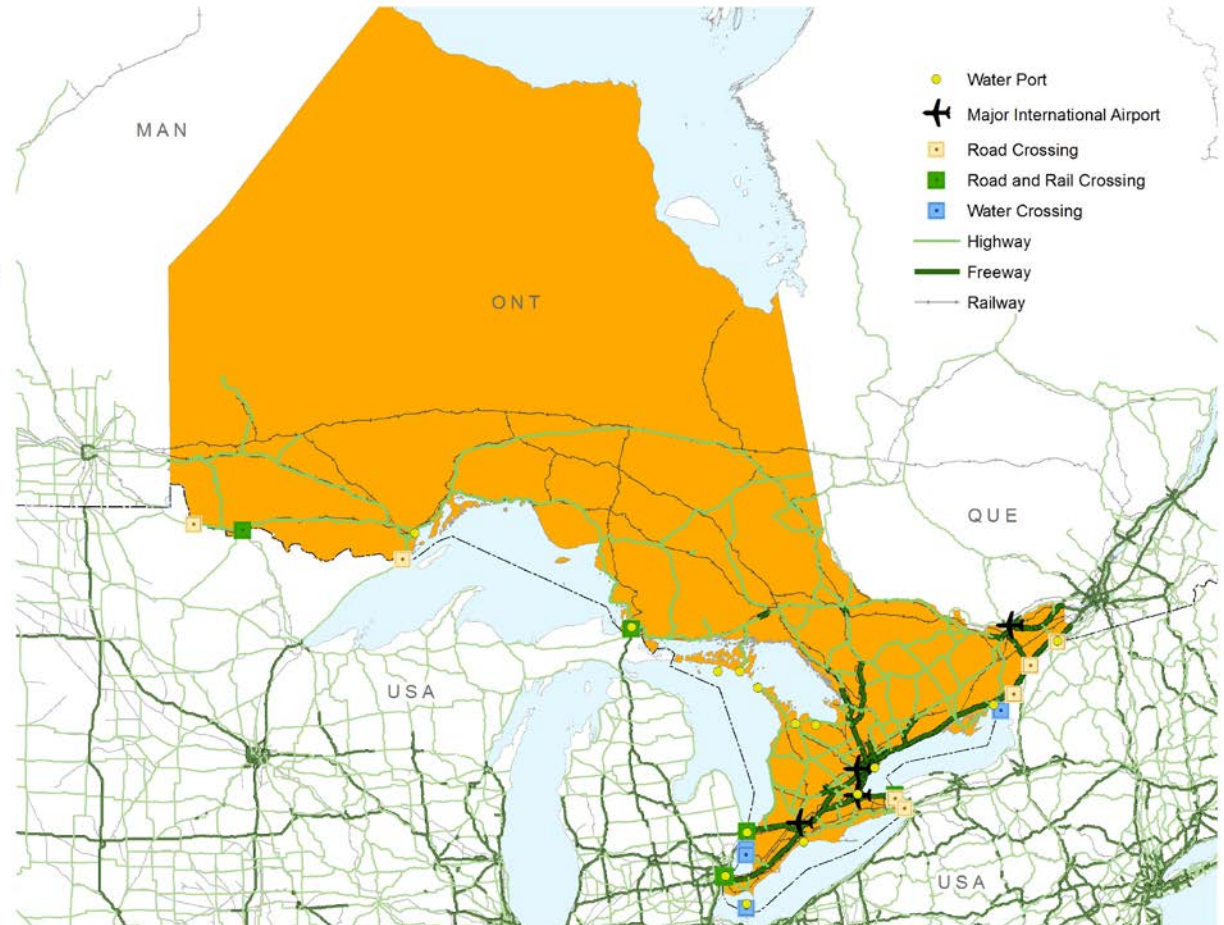
*Data is for most recent period; Ontario (2006), US states (2008)

Source: Statistics Canada, Current Population Survey, US Census Bureau

World Class Transportation Infrastructure

Ontario offers sophisticated, multi-modal transportation links across Canada, to the USA and the world.

Ontario's
Transportation
Infrastructure



Comprehensive Transportation Network

Highway Crossings

Sarnia/Port Huron

Windsor/Detroit

Fort Erie/Buffalo

Major Rail Terminals

Windsor - Sarnia

Toronto (Concord)

London

**Three major border crossings
handle \$500 million/day**



Source: Ontario Ministry of Finance, Statistics Canada



Transportation

- Over 80% of Ontario production ships to U.S.
- Over \$1 million trade per day crosses Canadian-U.S. border and \$500 million/day Ontario-Canadian border

Air Freight:

- Toronto: 322,253.5 tonnes cargo loaded/unloaded (2008)
- Capacity 1 million tonnes

Truck Freight:

- 75% of Ontario \$trade with U.S.
- 75,000 Ontario truck drivers
- 13.5 million trucks crossed Canada-U.S. border
- 7.3 million trucks crossed Ontario-U.S. (2008)
- 3,360 Canadian-based-for-hire carriers (2005)
- 65.9 million shipments (2004)

Rail

- CN & CP access cross-Canada and into U.S.

Source: Ontario Trucking Association/Statistics Canada/Toronto Pearson Airport



Specific Project Benefits

Ontario Manufacturing / Innovation Programs

**All other
Ontario capital support programs
are currently being reviewed.**



Other Incentive Programs

Hiring Programs

- Apprenticeship
- Job Connect
- Targeted Wage Subsidies

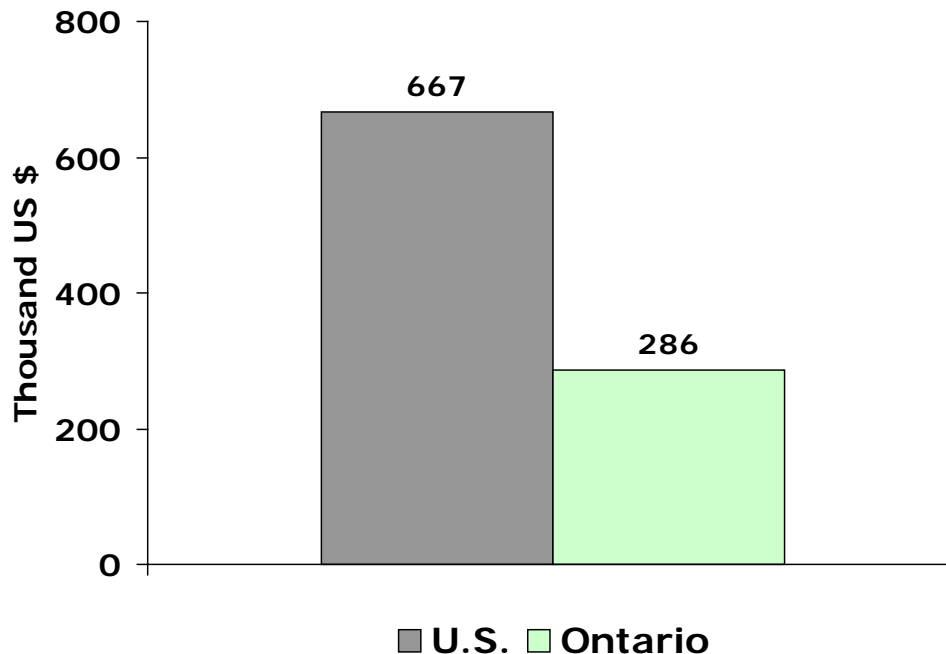
R&D Programs

- Innovation Demonstration Fund (IDF)
- Sustainable Development Technology Canada (SDTC)
- Tax Credits

Business Incentive: Healthcare Cost Advantage

Ontario Offers Significantly Lower Payroll Expense on Employee Health Care Costs

Employer Health Costs for a Typical Firm*



For 100 employees, Ontario's cost advantage is:
USD\$384,800 per year.
(Based on USD\$3848 per employee/year)

*Typical firm defined as having approximately 99 employees

Source: MMK Consulting, 2009

The Canadian dollar exchange rate used in this

analysis is The Canadian dollar exchange rate used in this analysis is CDN\$1.25 per US\$. Note that at CDN\$1.00 per US\$, Ontario's cost per employee remains significantly lower at US\$3,071.00

Business Incentive: Capital Equipment Allowance

- Canada and Ontario have both announced in their 2009 budgets an extension of the temporary accelerated 50 per cent straight line Capital Cost Allowance (CCA) rate for manufacturing and processing machinery and equipment investments made in 2010 and 2011.
- Manufacturers who locate in Ontario could take advantage of this generous allowance for machinery and equipment investment made in 2010 and 2011.



Business Incentive: Other Programs

- **Export Development Canada (EDC)**

A Crown corporation that offers financing, credit insurance and bonding solutions for Canadian exporters through various financing and risk management programs.





**The Ministry of Economic Development
and Trade welcomes the opportunity to
work with you to make your projects
successful in Ontario.**

Questions or Comments, please contact:

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