

**City of Windsor/County of Essex**  
*Regional Economic Development Strategy*

*Background Document*

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# **EXECUTIVE SUMMARY**

# METHODOLOGY

- The CAO Task Force on Regional Economic Development presented its report and recommendations to the Joint Meeting of City and County Councils on November 10, 2004.
- The Task Force concluded in their report that strategy should drive structure. They further determined that the starting point in addressing the current economic development and tourism situation is the development of a regional economic strategy.
- A **project plan** outlining the steps required to prepare a regional economic strategy was developed.
- KPMG was engaged by the City and County to act as the Project Manager for the initiative, managing the details of the project plan and working with a project working group with City and County administrative support. Facilitated the development of the strategy.
- A volunteer Strategic Advisory Group with expertise in the make-up of the regional economy was recruited for the purposes of providing input into and a critical review of the regional economic strategy.
- *This report presents the essential elements of the proposed regional economic strategy.*

# IT IS NOT BUSINESS AS USUAL

- This report on the Recommended Strategy for the regional economy of Windsor and Essex County presents a high level, strategic vision for success. It is not a detailed implementation plan with specific action items.
- The Strategic Vision bridges the gap between today and tomorrow.
- We didn't go into this wanting change. We discovered the need to make significant change through the data.

# SUMMARY OF THE SITUATION

- **The objective of the draft strategy is to focus our economic development activities towards creating an economic environment that will provide a high standard of living and a high quality of life for the region (i.e., Windsor/Essex County). This means attracting and maintaining good paying high-skilled jobs and working towards making the region an attractive place for people to invest, work, learn and play in.**
- We have collected an extensive amount of **data** on each of the basic industry sectors within our region and have assessed the key **issues**, impact to the region and **degree of influence** we can have on these issues for each of the basic drivers of the regional economy.
- To one extent or another, each of the basic sectors of the regional economy, the Automotive OEM's, the Parts, Machine, Tool Die and Mold sector, Tourism and Gaming and Agri-business sectors **are all under economic strain** and are being adversely impacted by:
  - Rising Canadian dollar
  - Perception or fact of a difficult border crossing
  - Rising energy and commodity costs
  - Increasing global competition, the shift in market focus and the development of a global supply chain
  - Smoking legislation, Summer 2006
- Our Region is also adversely impacted by its reliance on the **Automotive OEM's** located in the region and their declining global market and financial position.
- The **Toyota announcement** may mean the supplier corridor is shifting north east, starting in Sarnia, following 402 down to London, including Woodstock and Cambridge along 401 and then bridge over to the Niagara Peninsula along the 403 ultimately through to Fort Erie.

# OUR CONCLUSIONS

The Strategic Advisory Group concluded the following:

- The traditional economy of the region is **facing a crisis**.
- The crisis is a result of many factors, chief amongst them being the adverse impacts of an **accelerating global economy**.
- The perception that the Economic Development organization is not working is a symptom of what the Region is addressing, not the problem.
- The **transition** through the crisis will be very **disruptive**.
- A **long-term perspective** is required:
  - A quick fix approach is not going to work; there is no silver bullet out there.
  - It is going to require **clear thinking** and **visionary leadership**.
  - **Businesses** will make their investment decisions (to stay, to expand, or to locate) based upon the best business case available, influenced **by a region's market offering**
  - We must understand who our customers are.
- Organizations must find **new ways to add value in a global market place**.
- Organizations will have to **follow the global supply chain** in order to maintain business success.

# RECOMMENDED STRATEGY: THREE PILLARS

The Strategic Advisory Group identified the following strategic directions as the means to achieve the Region's Economic Vision.

- 1. Focus on existing business & industry in terms of retention, expansion and explore new opportunities;**
- 2. Attract new investment to the region by promoting and enhancing the product offering, eliminating barriers and targeting specific businesses and industries to attract;**
- 3. Support new start-ups by:**
  - Identifying commercial business opportunities;
  - Developing an incubation/support structure;
  - Assisting with the commercialization of business opportunities;
  - Creating an “environment of collaboration”;
  - Developing a mechanism that allows business organizations to tap into the research & innovation methodology and work with the University of Windsor & St. Clair College.



# **RECOMMENDED STRATEGY: THREE ACTIVITIES**

The three pillars of the strategy are to be achieved through three major activities:

## **1. Recruitment**

- **Create a regional environment where existing and new investors, as well as new start ups, are provided a full range of services, inclusive of: facilitation, coordination, advocacy, information & data, etc.**

## **2. Marketing**

- **With consideration to existing and new investment as well as new start-ups, determine what our “brand/image” is, based on hard facts & truths;**
- **Communicate – internally & externally – what our strengths are, based on our actual product offering;**
- **Establish a “Continuous Improvement Plan” to address our weaknesses.**

## **3. Product Development**

- **Recognizing that the region is the product, explore ways of improving its various systems (e.g., natural environment, transportation, infrastructure, education/research, medical/research, arts/culture, etc.)**

# **DATA ANALYSIS**

# THE BASIC DRIVERS OF THE REGIONAL ECONOMY

One of the most commonly used economic models to describe the functioning of local markets is *Economic Base Theory*. In this model all businesses in the local economy are described as either “*Basic*” or “*Non-Basic*” industries.

- “*Basic*” industries are exporting companies, those businesses and industries producing goods and services for sale in markets outside the local economy. For example they include agricultural operations, resource industries, manufacturing and tourism. The sales revenue generated by these industries represents “new money” to the local economy adding to the wealth already circulating in the community. Through wages and salaries and the purchase of goods and services locally this new money is distributed throughout the community stimulating the growth and development of other businesses in the local economy.
- “*Non-Basic*” industries are those companies that serve primarily local customers. They include most retail, personal and business services as well as health care providers, elementary and secondary education, etc. They are important to the local economy because they act to redistribute wealth throughout the community

# BASIC AND NON BASIC

<b>Table 1: Regions Economic Sectors</b>		
<b>Basic</b>	# of Employees	% of Total
Manufacturing	45,800	27.4%
Tourism/Gaming(1)	22,000	13.1%
Agri Business(2)	6,680	4.0%
	74,480	44.5%
<b>Non Basic</b>		
Wholesale & Retail Trade	21,300	12.7%
Health Care and Social Services	16,000	9.6%
Education	11,400	6.8%
Construction	7,600	4.5%
Finance, Insurance	6,800	4.1%
Professional, Scientific & Technic	6,500	3.9%
Public Administration	6,200	3.7%
Other Services	6,800	4.1%
Transport & Warehousing	5,400	3.2%
Business Building & Other Suppo	4,900	2.9%
	92,900	55.5%

Table 1 summarizes employment by industry –Windsor CMA (000's) for 2004. (Best available data was for the Windsor Census Metropolitan Area. This data excludes the southern portion of the County of Essex. We tried to offset this with the additional agri-business data.)

Our analysis suggests that basic industry generally comprises the manufacturing, tourism and gaming and agri-business sectors. Clearly education and healthcare and transportation services have elements of basic industry, but for the purposes of our high level analysis, they were generally considered to be non-basic.

(Source: Windsor Essex County Base Economic Analysis prepared by Matthew Fischer & Assoc. Inc., Economic Development Solutions, April 11th, 2005, page 19 ).

- (1) Matthew Fischer & Assoc. Inc., Economic Development Solutions – Economic Base Analysis 2000 – 2004 for Windsor & Essex County, April 11, 2005, p. 19
- (2) Based on 2001 Census – Statistics Canada (Provided by the Windsor – Essex County Development Commission). See also Essex and Pelee Island Report: Agricultural Economic Impact and Development Study: For Essex, Windsor & Pelee Island, prepared for: Essex and Kent Federations of Agriculture, submitted by: Ridgeway College, University of Guelph, Economics Research Group, August 2002, p. xiii

**MAJOR ISSUES FACING BASIC  
INDUSTRIES AND DEGREE OF  
INFLUENCE REGION CAN EXERT**

# GENERAL TRENDS

Major Issue	Impact	Degree of Influence
<ul style="list-style-type: none"> <li>• Canadian dollar averaged \$0.64 U.S. in December 2002, \$0.755 U.S. in December 2003.<sup>1</sup></li> <li>• Canadian dollar reached \$0.825 U.S. at the end of March 2005.<sup>2</sup></li> <li>• The week of September 5, 2005, the Canadian dollar reached approximately \$0.85.</li> <li>• Post 9-11 has adversely affected border crossing both ways (Canada/U.S.A.). With tighter security standards creates the reality or perception of delays in crossing time which adversely affects volume.</li> <li>• Rising energy and commodity costs, particularly acute in light of Hurricane Katrina.</li> <li>• We are not competing just locally; we are actually competing globally with new competitors that in some instances were not around 10 years ago. This trend is accelerating. As an example, we understand that OEM's are asking suppliers to open companies in China in order to pursue lower costs.</li> <li>• China appears to be growing at an accelerating rate and we understand that they are using and applying established state of the art facilities and equipment and are less restricted in the policy environment area (i.e., environmental, labour and health &amp; safety).</li> </ul>	<ul style="list-style-type: none"> <li>• The rise in the Canadian dollar decreases our global price competitiveness.</li> <li>• Border represents a barrier (perceived or factual) to smooth movement of goods, services and people. This adds to the cost base, in that time is money.</li> <li>• Rise in energy and commodity costs decreases our price competitiveness and forces innovation or management of utilization of resources.</li> <li>• Basic businesses have to explore more innovative ways of doing business including examining where they best fit within the global supply chain. This means in many cases they are going to be forced to look beyond the simple geography of this region for their solutions. They are going to have to find ways that add value that offset the decline in cost competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• Degree of influence that we would have on the general trends is quite small.</li> <li>• We can perhaps provide recognition of the new reality to the key stakeholders.</li> <li>• With respect to the border, we can provide advocacy and education and advice on how to move through this environment (FAST/Nexus and advice on appropriate timing for crossing the border). This helps car traffic but does not solve the issue of commercial truck transportation and the tie ups that they face.</li> <li>• We can provide advice on how to adapt.</li> <li>• We can play a role by bringing people together and advocating to the senior levels of government ways to address the policy issues that adversely affect our competitiveness.</li> <li>• The aforementioned findings are consistent with what we learned from other economic development organizations (e.g., Peterborough, Grand Rapids and Niagara).</li> </ul>

<sup>1</sup>The Conference Board of Canada – Metropolitan Outlook 2A – Economic Insights into 25 Canadian Metropolitan Economies by Mario Lefebvre, Alan Arcand, Frederic Clavet and Greg Sutherland, Spring 2004, p. 1

<sup>2</sup>Windsor Star, Wednesday, March 30, 2005

# ORIGINAL EQUIPMENT MANUFACTURERS

Major Issue	Impact	Degree of Influence
<ul style="list-style-type: none"> <li>• The situation facing the Windsor area OEMs (Daimler Chrysler, Ford Motor, and General Motors) is troublesome.               <ul style="list-style-type: none"> <li>• Lagging financial performance (declining market share, declining profitability, and inventories at record highs). There is also lagging and declining investment performance in the North American market.</li> </ul> </li> <li>• Global over capacity.</li> <li>• The Windsor area OEM decisions not made locally within Region.</li> <li>• The pricing environment remains very lean in North America. Although incentives have abated the last two quarters they will remain high and could escalate again later this year.<sup>1</sup></li> <li>• Notwithstanding the Toyota Woodstock announcement, location of new (Windsor area OEMs) assembly plants appear to be heading to the southern states.</li> <li>• The Toyota Woodstock announcement demonstrates that new plants will go where the best investment/ market opportunities are and that is not necessarily within this region.</li> <li>• New domestics are increasing market share.</li> <li>• Market share in the retail auto sector is seeing increased dominance of the new domestics. Fleet continues to be strength for the traditional North American manufacturers.</li> <li>• Both Honda and Toyota have indicated that they would not locate a facility within this region.</li> </ul>	<ul style="list-style-type: none"> <li>• Current employment levels in the Windsor area OEMs (Daimler Chrysler, Ford Motor, General Motors) are likely to decline.</li> <li>• Future capital investment by the Windsor area OEMs is uncertain. It is not likely to be significantly higher than in past years. It is likely contingent on provincial and federal government involvement.</li> <li>• Not likely new major assembly plant here (no big upside investment or employment hit).</li> <li>• Significantly increased competitive pressure on existing parts and MTDM sectors that supply the Windsor area OEMs.</li> </ul>	<ul style="list-style-type: none"> <li>• There are only limited amounts of influence that can be exercised. We can likely provide advocacy and education about the situation and undertake whatever steps are possible to make it as easy as possible for these facilities to stay here. This will require out of the box thinking as it pertains in particular to property tax policies and infrastructure investment at the local government level.</li> <li>• The Windsor area OEM's face structural issues throughout their entire organization as opposed to cyclical issues. This is a global issue.</li> </ul>

<sup>1</sup>desrosiers Automotive Consultants Inc., Manufacturing and the Canadian Automotive Sector – An Outlook, Advanced Manufacturing Technologies, Brent Burpee, May 16, 2005, p.4

# ORIGINAL EQUIPMENT MANUFACTURERS

## - supporting data

North American Production of Vehicles: Number of Units <sup>1</sup>						
Year	"Big Three" Units	"Big Three" Share	Other New Domestic Units	New Domestic Share	Total Units (i.e., Big Three and the New Domestic)	
1996	12,230,001	79.2%	3,109,769	20.1%	15,339,770	
2002	13,196,873	74.7%	4,103,226	23.2%	17,300,099	
2004	11,056,607	68.2%	4,753,815	29.3%	15,810,422	
2010 F	10,002,539	58.8%	6,668,359	39.2%	16,670,898	
Big Six Scoreboard <sup>2</sup>						
	DCX	Ford	GM	Honda	Nissan	Toyota
Sales \$ Billions	171.1	170.1	184.8	78.2	56.9	168.1
Net Profit Margin	0.20%	1.50%	2.20%	5.70%	7.30%	6.70%
Income per Employee	1,100	8,000	12,600	34,200	32,100	42,700
Debt/Equity Ratio	1.38	12.4	9.97	0.49	0.89	0.54

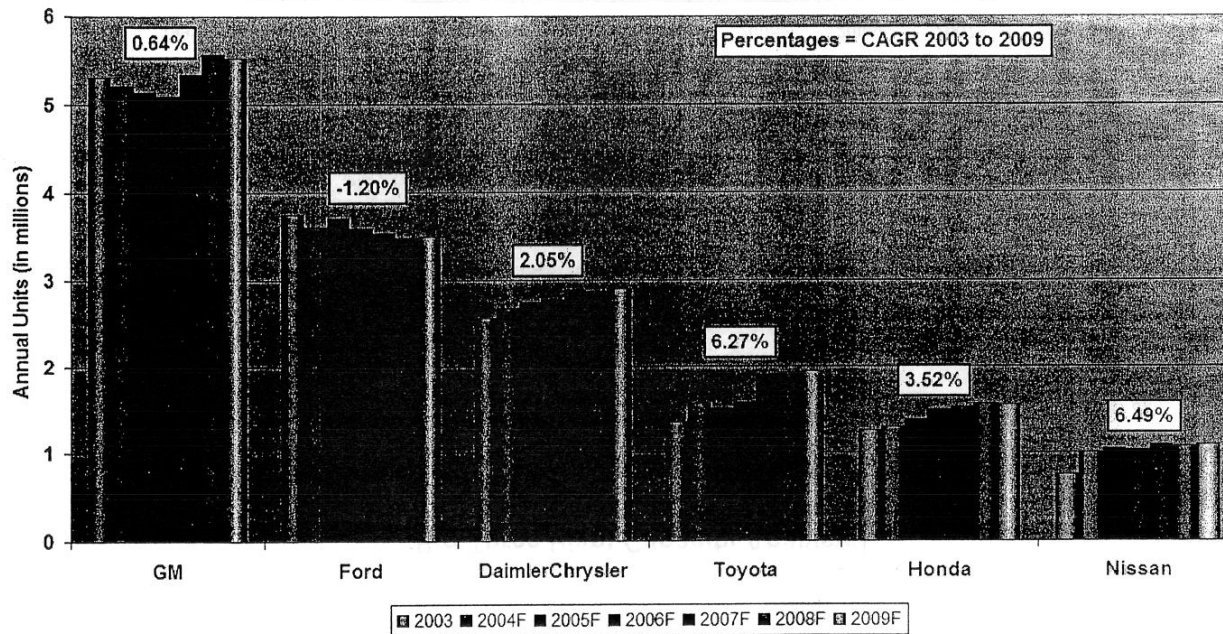
<sup>1</sup> desrosiers Automotive Consultants Inc., Manufacturing and the Canadian Automotive Sector – An Outlook, Advanced Manufacturing Technologies, Brent Burpee, May 16, 2005, p.14

<sup>2</sup> John Cleveland, IRN, Inc. The New Conditions for success in Automotive Tooling, Automotive Tool, Die & Mold Seminars, Windsor, October 19, 2004, p. 23



# New Domestics Will Have Higher Growth Rates Long Term

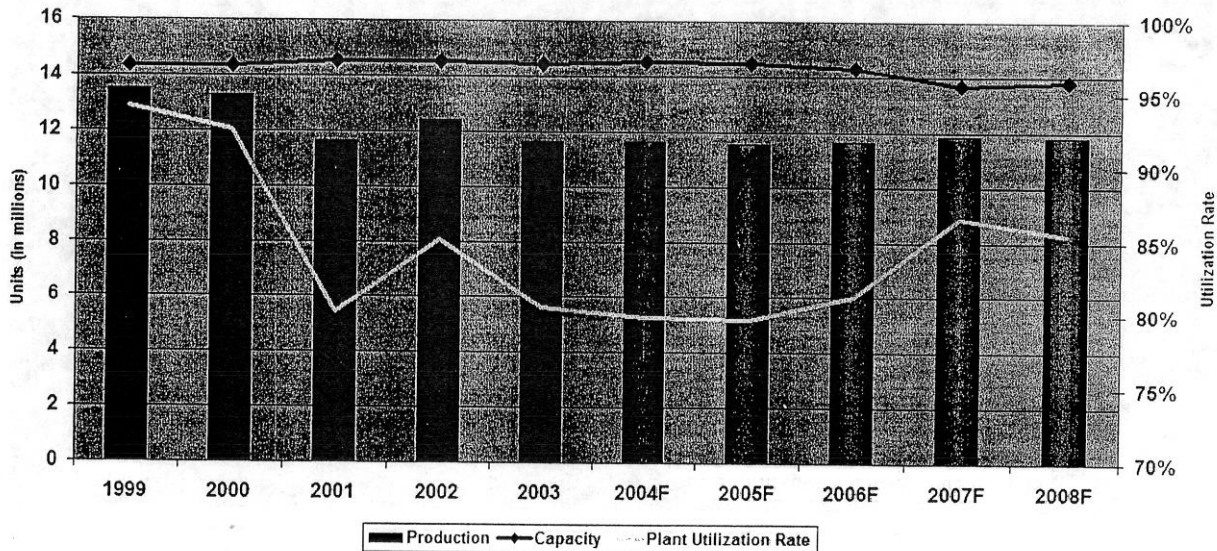
IRN Light Duty Vehicle Production Forecast by OEM



# The Big Three Have A Lot of Excess Capacity

IRN

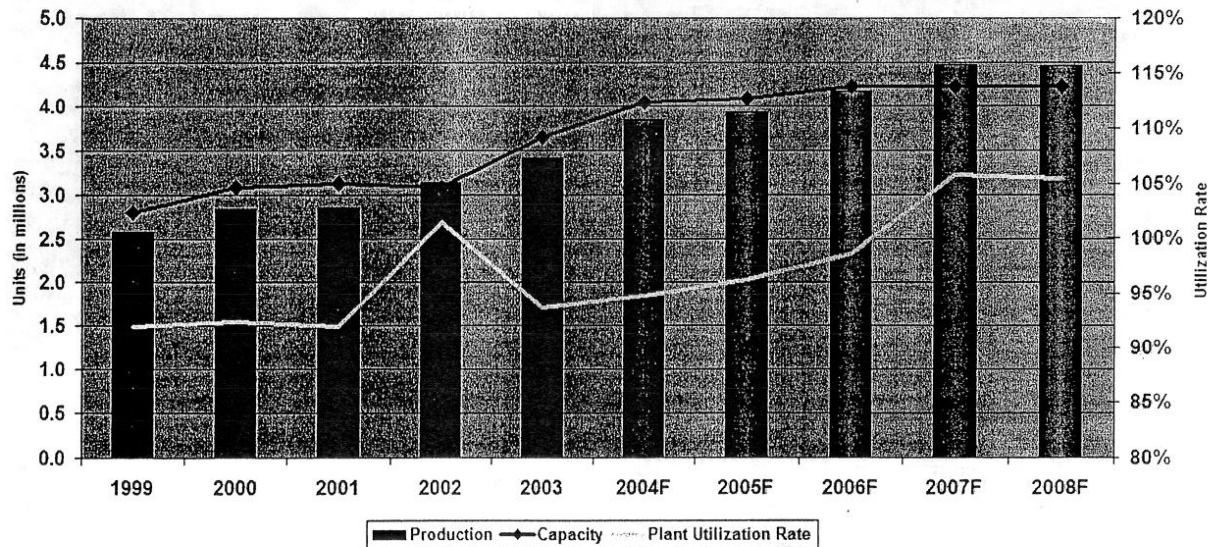
Big Three Plant Capacity Analysis



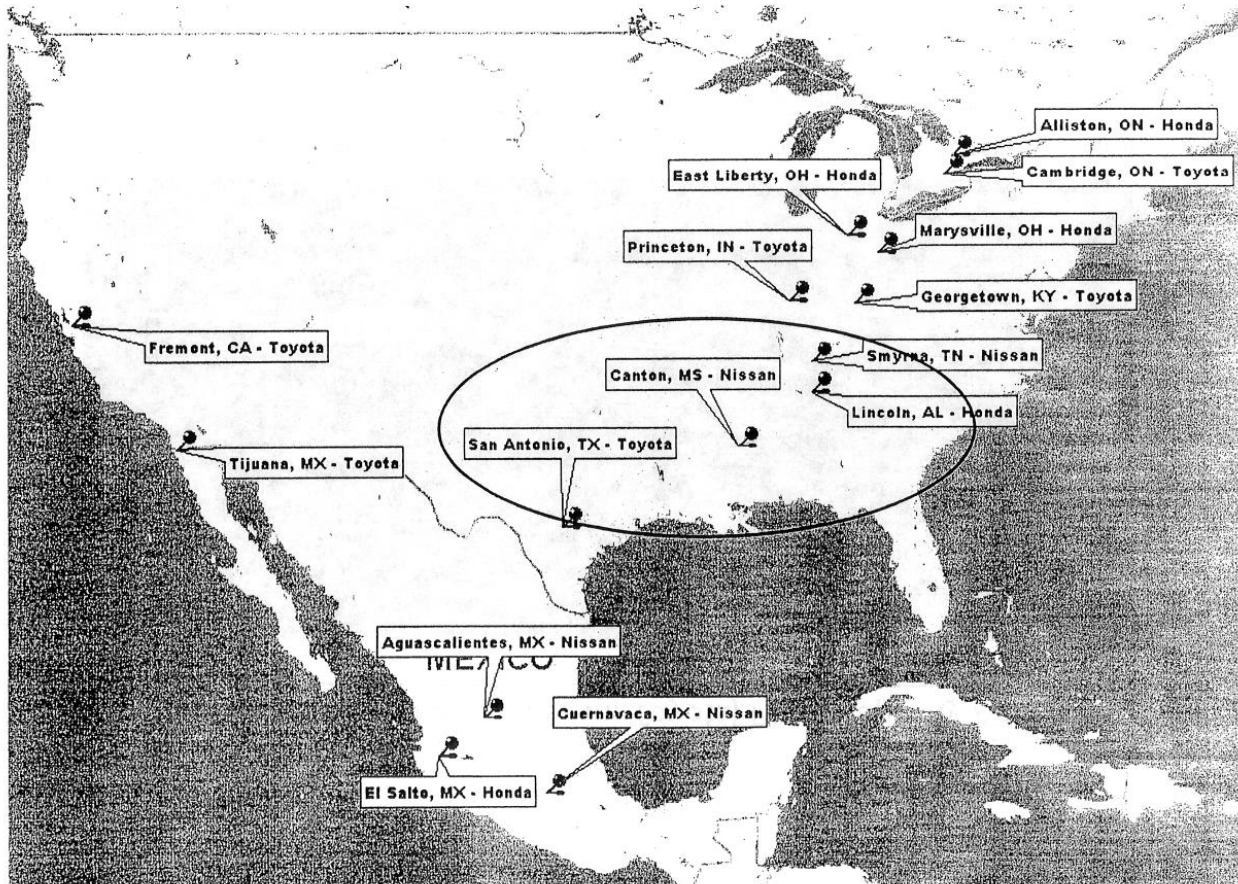
# While New Domestics Are Capacity Constrained



New Domestic (Honda, Nissan, Toyota) Plant Capacity Analysis



# Their New Capacity Is In The South



# THE TOYOTA ANNOUNCEMENT

(Dennis DesRosiers)

- \$800 million in a new plant in Woodstock, 20 minutes from their Cambridge facility.
- Direct employment at the plant will be 1,300 (non-union) with initial capacity of 100,000 units.
- It's a massive site (1,000 acres) which is about twice the size of most other assembly sector sites.
- Most likely supplier corridor would start in Sarnia, follow 402 down to London, include Woodstock and Cambridge along 401 and then bridge over to the Niagara Peninsula along the 403 ultimately through to Fort Erie.
- Critical element in landing this plant likely was success of Cambridge plant and the financial incentives from the Province and the Federal government related to infrastructure and training.
- Demonstrates that Ontario is competitive on all classic investment criteria, mostly cost related, including health care advantages and stability of workforce.
- This investment continues a very long winning streak for the non-union side of the industry.



# PARTS AND MTDM

## (Machine, Tool, Die, Mould)

Major Issue	Impact	Degree of Influence
<ul style="list-style-type: none"> <li>Continued downloading of activities and costs from all .</li> <li>Facing significantly increased competition from global supply chain competitors.</li> <li>The shift from lean to agile manufacturing methods.</li> <li>Lack of access to key talent and there are rising high school drop-out rates in this region.</li> <li>The region's supply base is generally tied to the domestic OEM's.</li> <li>New domestics tend to bring their supply base.</li> <li>This sector is a fiercely independent group that represents an obstacle to collaboration.</li> <li>Some organizations have been successful by tapping into the new domestics marketplace and/or have developed new, non-automotive related market opportunities.</li> <li>It is estimated that over 200 automotive parts firms in Windsor have now utilized the Scientific Research and Experimental Development (SR&amp;ED) Program and that participation in the program has grown by 30 percent over the last 3 years. It was stressed to us that <u>most of these credits went for incremental process innovations undertaken by small- to medium-sized firms rather than to innovations resulting in patents.</u><sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Adversely impacts profitability and investment attractiveness and threatens the sustainability of the existing supplier base within the region.</li> <li>Long-term success is contingent upon what OEMs and what platforms or product lines you supply for or the degree of diversification into other profitable markets.</li> <li>This forces increased process and business innovation, making suppliers explore new alternatives along the global supply chain (this may be outside of our region).</li> <li>The shift from lean to agile manufacturing requires significantly higher levels of collaboration amongst a sector not well known for this.</li> </ul>	<ul style="list-style-type: none"> <li>The degree of influence in this sector is still limited, however, it will be along the lines of helping organizations identify and seek new markets, work with municipalities to promote infrastructure renewal and implement more competitive tax policies, and assist in working towards changes in zoning.</li> <li>Advocate towards the promotion of renewal in workforce skills and towards technical education.</li> <li>We could bring people together to help new businesses that are coming online through the nurturing stage and help them get to the market scale up faster.</li> <li>We could bring the people together to develop the methodology to tap into the good ideas that are developing in this community and help accelerate the process from idea to commercial business (innovation or incubation centre).</li> <li>We could bring the people together to design a mechanism to help facilitate organizations' ability to innovate and transfer that innovation into commercial activities.</li> </ul>

<sup>1</sup>Innovation in the Automotive Parts Industry: A Case Study of the Windsor-Essex Region by John Holmes, Tod Rutherford, Susan Fitzgibbon, Paper presented at the 6<sup>th</sup> Annual National Conference of the Innovation Systems Research Network, Harbour Centre, Simon Fraser University, Vancouver, BC, May 13-15, 2004 (Working Draft), p. 13

# DELPHI, FORD – VISTEON AND OVER CAPACITY

- Industry distress is putting “for sale” tags on an increasing number of supplier properties. Now Delphi Corp. is threatening to add even more inventory to the flooded market as it attempts to right itself in bankruptcy court.
- “There are a lot of willing sellers, but not a lot of willing buyers today,” says Greg Ledford, a managing director for Carlyle Group, a Washington investment firm.
- Dozens of domestic auto parts makers in this highly leveraged industry are burning through their equity. Bankers are wary of putting new capital into a shrinking industry. Now private equity players – who have invested billions of dollars into company buyouts – are just looking, not buying.
- There is too much capacity in the market, and we will continue to see news like the Delphi filing,” say Ledford, who led the Carlyle part of a consortium that announced last month it would acquire the Hertz Corp. rental car company from Ford Motor Co. for \$15 billion.
- There still are active buyers in the auto arena. But with so many assets for sale, they can demand steep discounts. Ledford says multiples paid for auto assets will continue to fall, and he doesn’t expect acquisitions to pick up again until next year.
- Consolidation has added to the glut. Dozens of auto parts companies sought Chapter 11 reorganization in the past year. In 2004, five of them posted worldwide sales in excess of \$1 billion. Then there are small, still healthy parts makers that need to sell out because they cannot meet demands by GM and Ford that parts be made in Asia.
- There is no comprehensive list of automotive assets on the market. But analysts say Delphi and Collins & Aikman Corp. alone could push dozen of plants onto the auction block. And Ford is looking for buyers for the 23 plants and facilities it took back this month from former parts division Visteon Corp.
- Analysts say Delphi also could put its giant Dynamics, Propulsion, Therman & Interior group on the block as well. It posted sales last year of \$14.12 billion. But operating margins have slipped to minus 0.5 percent as GM production volumes have fallen.



# AGRI BUSINESS

Major Issue	Impact	Degree of Influence
<ul style="list-style-type: none"> <li>• Number of Essex County Farms declined by 19.2% to 1,789 from 1991 to 2001.<sup>1</sup></li> <li>• Farm Types 2001<sup>2</sup> <ul style="list-style-type: none"> <li>• Oilseed and grain 64.2%</li> <li>• Greenhouse, nursery &amp; floriculture 12.9%</li> <li>• Vegetable 6.8%</li> <li>• Fruit 5.6%</li> </ul> </li> <li>• The vast majority of farmers in Essex County are involved in grain and oilseed production which historically offers only meager returns. However, the region has excellent soil and climate which causes strong competition between the specialty crops of tomatoes, seed corn, tobacco and vegetables.<sup>3</sup></li> <li>• The sector is constrained by water infrastructure.</li> <li>• Rely heavily on imported labour.</li> <li>• There is an increasing requirement for persons educated in agri-business management.</li> <li>• The <b>greenhouse industry</b> experienced rapid growth in Essex County, specifically in the Leamington area, which boasts the largest concentration of greenhouse vegetable growers in North America. It has over 900 acres of greenhouses with an estimated value of \$180 million. Leamington's greenhouse production accounts for over 80% of all of Ontario's. In 1999, 6 of the 10 largest greenhouse vegetable operations in Canada were located in Leamington.<sup>4</sup></li> <li>• We have a well established research centre in Harrow.</li> </ul>	<ul style="list-style-type: none"> <li>• Low to losing margins in the oilseed and grain sector which adversely impacts the long-term sustainability of these farms and the agricultural land that they represent.</li> <li>• It is not clear how much additional growth can be expected from the greenhouse, nursery and vegetable sectors.</li> <li>• This sector has to continue to improve yields that drives the need to continue to be innovative.</li> </ul>	<ul style="list-style-type: none"> <li>• The degree of influence in this sector is still limited, however, it will be along the lines of helping organizations identify and seek new markets, work with municipalities to promote infrastructure renewal and implement more competitive tax policies, and assist in working towards changes in zoning.</li> <li>• We can advocate with educational institutions for the development of training and education programs that meet the needs of agri-business.</li> </ul>

<sup>1</sup> Essex and Pelee Island Report, Agricultural Economic Impact and Development Study: For Essex, Windsor & Pelee Island, Prepared for: Essex and Kent Federations of Agriculture, Submitted by: Ridgetown College, University of Guelph Economics Research Group, August 2002, p. x

<sup>2</sup> Ibid., p. x

<sup>3</sup> Ibid., p. x

<sup>4</sup> Windsor-Essex Regional Analysis, Working Report, **September 2001**, Prepared for Windsor-Essex Regional Analysis Working Group by Planning Policy Section, Provincial Planning and Environmental Services Branch, Ministry of Municipal Affairs and Housing, p. 25

# TOURISM/GAMING

Major Issue	Impact	Degree of Influence
<ul style="list-style-type: none"> <li>• Tourism and Gaming are highly dependent upon U.S. customers and its being adversely impacted by the rising Canadian dollar and the perception/fact of a difficult border crossing.</li> <li>• The Detroit marketplace has stolen significant market share from the Tourism and Gaming Industry in Windsor and Essex County.</li> <li>• U.S. Legislation was recently passed for 3 Detroit Casinos to become permanent and allowing them to build hotels.</li> <li>• There is legislation for a province-wide smoking ban scheduled to come into effect on June 1, 2006.</li> <li>• Overall declining trend for extended travel and we are experiencing a decline in motor coach visits and declining hotel occupancy rates.</li> <li>• The region is seen as a day-trip experience and not a destination location.</li> <li>• There is a lack of comprehensive tourism investment although Casino Windsor is in the midst of a \$400,000,000 infrastructure development (this adds to the existing \$600,000,000 infrastructure investment at Casino Windsor).</li> <li>• The sector is highly segregated and there is a reluctance to collaborate.</li> <li>• Highly competitive with other regions with perceived better market offerings.</li> <li>• There is a lack of a hospitality mentality and a service mentality and lack of understanding as to what motivates customers in the service industry.</li> <li>• There has been a passive approach to tourism marketing and there is an increased requirement for more target marketing.</li> <li>• There is only limited convention trade since there is no real convention centre.</li> <li>• There is only limited critical mass in the winery sector and there is a lack of packages (it is too disconnected and there is not a compelling case to come here and spend a significant amount of time). There is a lack of a wide range of things to do.</li> </ul>	<ul style="list-style-type: none"> <li>• These major issues adversely impact the Casino, local bingos, charities, and of course the retail and leisure and restaurant and hotel trades throughout the County.</li> <li>• Preliminary estimates of the impact on the smoking ban particularly, at Casino Windsor, estimates between 25% and 30% revenue decline with a natural extension to loss of jobs. (There are no reliable benchmarks against which to compare the potential impact of the smoking ban for Windsor.)</li> <li>• We are likely to see continued erosion in the Windsor downtown.</li> </ul>	<ul style="list-style-type: none"> <li>• Our degree of influence in this sector is also somewhat limited.</li> <li>• The major focus has to be towards identifying steps that will lead to improving the image of the County as a destination location that is worth visiting and spending time here because of the wide range and interconnected/packaged things to do that is attractive to visitors.</li> <li>• There is a need to explore how to cultivate the riverfront and make it a place to come.</li> <li>• There is a need to find a way to connect the various venues within the County to create an attractive tourism market offering.</li> <li>• There is a need to develop a focused and comprehensive strategy on developing the culture and arts community as an attractor for the region.</li> <li>• We can bring the people together to explore ways of developing a hospitality and service mentality within the region.</li> </ul>

# IMAGE

Major Issue	Impact	Degree of Influence
<p>Per March 2000 Northstar Report</p> <ul style="list-style-type: none"> <li>• Four of ten business executives have no detailed impressions of Windsor as a place to invest</li> <li>• In a comparison with previous Ontario Government research, there appears to be a significant gap between the impressions of business executives towards some key investment decision factors for Windsor and Ontario. These include quality of life for employees, well-developed physical infrastructure, availability of skilled labour and well-developed educational infrastructure.</li> <li>• Lower impressions among non-Windsor residents of Windsor as a place to find a full time job and start a new business.</li> <li>• Lower evaluations of Windsor as entrepreneurial and growing by non-residents of Windsor.</li> <li>• Lower associations of Windsor with industrial, automotive and high technology by non-residents of Windsor.</li> <li>• Lower agreement by non-residents that the economy of Windsor is currently very strong.</li> <li>• Yet there are a lot of positive features within this region that need to be positively promoted.</li> </ul>	<ul style="list-style-type: none"> <li>• This adversely impacts on tourism visits and the business investment climate. It works against the positive attributes of our market offering.</li> </ul>	<ul style="list-style-type: none"> <li>• We need to determine the image we want to promote.</li> <li>• Through branding (appropriate branding) we could rebrand the City and County to be seen as a more attractive place to visit and to invest. This will take marketing and an investment in dollars.</li> <li>• What is needed is a spirited community person with roots to the community and a commitment and a passion and a desire to build a new and approved image for the community and to promote this to the external marketplace.</li> <li>• We need to understand from an investor's perspective how investment friendly the community is and how easy it is to do business here compared to other communities.</li> </ul>

# REGIONAL MAKEUP

Major Issue	Impact	Degree of Influence
<ul style="list-style-type: none"> <li>• One large municipality, seven local surrounding municipalities and one County level government.</li> </ul>	<ul style="list-style-type: none"> <li>• Lots of effort required to develop and maintain a regional focus, particularly in areas of planning and development, tax structures.</li> </ul>	<ul style="list-style-type: none"> <li>• We can influence the education process of the major stakeholders and work with them to understand or to improve their understanding of what we have and where it's going.</li> <li>• We need to take the perspective of a business investor as the customer, and focus our processes on what will make them come, stay and grow in the region.</li> </ul>

# ASSESSMENT OF THE DATA OF THE REGIONAL ECONOMY

- The region's basic economic sectors face a significant number of issues that are adversely affecting the competitiveness and economic viability of a number of the organizations within those sectors.
- Many of these issues are as a result of the acceleration of the globalization of the economy.
- The region must build a capacity for collaboration that promotes product and process innovation and market diversification for the region's basic economic sectors if they are to be successful in the future.

# **THE BIG PICTURE OF GLOBALIZATION**

# THE BIG PICTURE OF GLOBALIZATION

## “THE WORLD IS FLAT”

*Thomas Friedman*

There are ten forces that since 1989 have served to flatten the world. They include among others:

- (11/9/89) The fall of the Berlin Wall which represents the day that economies would be governed from the ground up by the interests, demands and aspirations of the people.
- (8/9/95) When Netscape went public, which represents the day that the internet became accessible to everyone from 5 year olds to 85 year olds.
- Workflow software which significantly improved the capability of people in organizations to collaborate to build coalitions, projects and products together.
- Open sourcing which made available for free, many tools from software to encyclopedias to millions of people around the world.
- Outsourcing which drove the development of e-commerce.
- Off shoring when a company takes one of its factories that is operating in Canton, Ohio and moves the whole factory offshore to Canton, China.
- Supply chaining which is a method of collaborating horizontally among suppliers, retailers and customers to create value.
- In sourcing – the elimination of non-value added steps within the global supply chain (e.g., UPS and Toshiba computer repair).
- Informing (Google, Yahoo, MSN web search).
- The steroids (digital, mobile, personal, and virtual).

# WHAT A FLAT WORLD MEANS TO OUR REGION

- With the convergence of technology and key events, new global competitors have become part of the global supply chain for services and manufacturing, requiring North American organizations to run faster in order to stay in place and to become significantly more innovative and adaptive to changing economic pressures.
- Organizations in the region's basic economic sector will have to follow the global supply chain in order to maintain business success.
  - this will likely require them to either develop capabilities that are seen within the global marketplace as truly value-added or they must seek advantages in other communities that are outside of our region or some combination of both.



# THE QUIET CRISIS

- Friedman also identifies that a quiet crisis is slowly overtaking North America.
- The quiet crisis involves the steady erosion of North America's scientific and engineering base which has always been the source of North American innovation and its rising standard of living.
  - National Science Board 2004 report on science and engineering indicators identified that the number of American 18 to 24 year olds who receive science degrees has fallen to seventeenth in the world; 3 decades ago America ranked 3<sup>rd</sup>.
  - In engineering specifically universities in Asian countries now produce 8 times as many bachelor degrees as the U.S.
- This trend will not happen overnight. It will be felt only in 15 or 20 years when North America discovers it has a critical shortage of scientific workers and engineers capable of doing innovation or even just high value-added technology work.

# HOW COMPANIES COPE

- The best companies are the best collaborators.
- In the flat world more and more business will be done through collaboration within and between companies because the next layers of value creation are becoming so complex that no single firm or department is going to be able to master them alone.

# **STRATEGIC DIRECTION**

# STRATEGIC DIRECTION

After reviewing the data that forms the current reality for the Region and exploring the impacts of the acceleration of the global economy, the Strategic Advisory Group concluded the following:

- The region is in the midst of a significant transitional phase that will require it to respond to the demands of accelerating globalization in most industry sectors.
- This transition is likely to be disruptive.
- A long-term perspective is required:
  - A quick fix approach is not likely to work; there is no silver bullet out there.
  - It is going to require clear thinking and visionary leadership.

The Strategic Advisory Group identified the following **three strategic directions** as the means to achieve the Region's Economic Vision.

1. Focus on existing business & industry;
2. Make the region an attraction for investment;
3. Support new start-ups.

The success of these **3 strategic pillars** hinges upon **3 significant activities** and a **strong foundation of innovation**. The 3 activities are:

1. Recruitment
2. Marketing
3. Product Development

# IMPLEMENTING THE STRATEGY

The following slides identify potential action steps that the regional economic development organization could take under each of the three strategic directions.

# FOCUS ON EXISTING BUSINESS & INDUSTRY

- Identify and target decision-makers of existing basic industry sector organizations and develop communications/networking strategies to engage them in discussing the nature of their business needs and identifying how the regional economic development organization can assist them with business retention and expansion activities.
- Talk with existing key basic businesses to identify their needs that if satisfied will encourage them to stay and grow within the region.
  - Determine to what degree the local and regional effort can influence the satisfaction of these needs.
- Develop, implement and demonstrate a value-added ability to assist existing business organizations with the following:
  - Identification of new profitable markets that they might serve with existing or new products/processes
  - Better connecting with the innovation and research and development sector to significantly enhance their product/process offerings
  - Providing information and advice on the wide range of government funded programs that can be used to enhance their competitiveness
- Work with municipalities to:
  - promote infrastructure renewal,
  - implement more competitive tax policies
  - work towards changes in zoning
- Work within the community to promote a renewal in workforce skills and development.
- Work within the community to develop a mechanism to accelerate the commercialization of good ideas.

# MAKE THE REGION AN ATTRACTION FOR INVESTMENT

Collect objective and verifiable data that demonstrates how the region has competitive advantages for businesses and economic organizations in the following areas:

- Access to:
  - profitable markets
  - cost effective raw materials
  - productive and appropriately trained labour
  - capital at competitive rates and terms
  - knowledge and expertise in the areas of:
    - application of current/relevant technology in key industry sectors
    - application of current/relevant process/service methodologies
    - application of effective management capability
    - leadership
  - effective infrastructure that meets their business/operation needs.
    - Available serviced land, buildings, facilities
    - Supporting transportation infrastructure

# MAKE THE REGION AN ATTRACTION FOR INVESTMENT (continued)

- Collect objective and verifiable data that demonstrates how the region:
  - Has a competitive/favourable economic and social policy environment
    - Labour policy
    - Tax policy
      - Federal, Provincial, Regional and Local
    - Incentives
    - Workforce development
  - Has a confidence level that the economic future of the region is indeed promising.
  - Is a good place in which to live, work and play and raise a family.
- Build a process and staff/equip it such that the region is able to demonstrate through its actions its superior ability to:
  - Assist organizations at every stage of their investment analysis including accurate, responsive and timely:
    - workforce data collection
    - site selection and setup advice
    - advice on developing solutions
    - access to community relationships that will enhance business success
- Build and execute a communications strategy to promote the region as a good place to invest.



# MAKE THE REGION AN ATTRACTION FOR INVESTMENT

## (continued)

- Identify the types of business and industry that we desire to attract to the region
  - *To what extent is it practical to assume that we can in fact target and attract new basic industry?*
- Collect data that enhances our understanding of what these new basic sector organizations need to be successful and what would entice them to locate to this region.
  - Compare the region's market offering to their needs and demonstrate our competitive advantage
    - Where significant gaps exist, identify them and develop strategies, where appropriate, to address
- Identify and target decision-makers of new basic industry and develop communications/networking strategies to engage them in discussing possibilities of coming to the region.
- Execute the attraction strategy.

# **SOME THOUGHTS ON NEW START-UPS, PRODUCT DEVELOPMENT, INNOVATION AND RESEARCH**

# **SUPPORT NEW START-UPS (& PRODUCT DEVELOPMENT)**

- Identify key non-basic industry sectors that may represent an opportunity to convert a portion into basic industry.
- Assess market potential and what it would take to move the non-basic into a more basic industry.
- Identify and target decision-makers of existing non-basic industry and develop communications/networking strategies to engage them in discussing possibilities of broadening into a more basic type industry.
- Identify ways the region could assist and develop a “non-basic” conversion strategy
- Execute the “non-basic” conversion strategy.

# INNOVATION

- **“Innovation is the main factor in contributing to productivity growth, gains in market share and survival in Canadian manufacturing plants.”**  
Statistics Canada, *Innovation Bulletin* , October 2004.
- **The ‘gazelles’ or high growth firms in 21<sup>st</sup> century North America are the most innovative and most closely partnered with university research.**
- **Canada differs from the OECD (Organisation for Economic Co-operation and Development – which includes the most advanced industrial countries in the world including Europe, the United States and Japan) in that a higher percentage of ‘research and development’ in Canada is performed by the higher education sector:**
  - % of R & D performed by higher education sector:

– Canada	31 %
– U.S.	13.6%
– U.K.	20.7%
  - Source: OECD. May 2002. Main Science and Technology Indicators. [www.oecd.org](http://www.oecd.org)
- **This makes partnering with researchers in universities even more crucial for the success and innovation of firms than it is in similar countries.**

# COMPONENTS OF AN INNOVATION SYSTEM

- **Definition of Innovation**

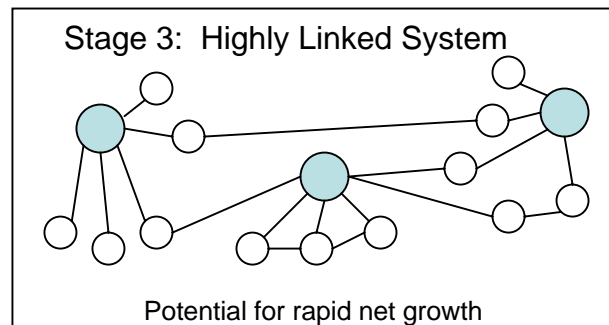
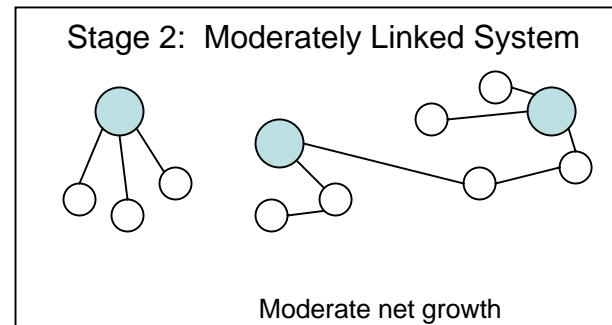
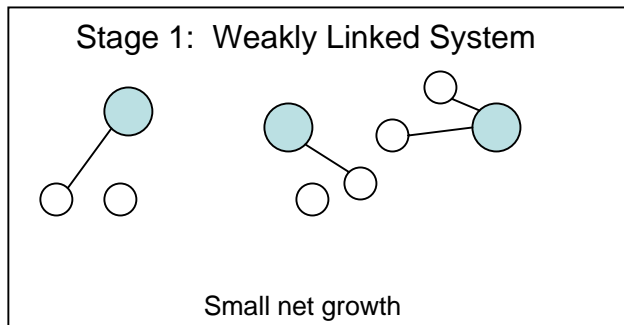
- **A process from knowledge to produce new or improved products, processes, and services.**

- An innovation system is a set of institutions whose interactions positively influence the innovative performance of firms. Examples of components of an innovation system are:

- Entrepreneurs
  - Businesses at differing levels of development (stages of growth)
  - Institutions such as universities, research centres and laboratories
  - Tech transfer agencies
  - Government programs and actions
  - Educational and training institutions
  - Art, design and cultural organizations
  - Business, labour and industry associations
  - Business support service providers (marketing, advertising, accounting, communications, legal, etc.)
  - Financial support systems (venture capitalists, institutional financing, etc.)
  - Science and technology infrastructure (test facilities, etc.)
  - Networks that facilitate the exchange and transfer of business, trade, technology and technical information.

# COMPONENTS OF AN INNOVATION SYSTEM (Continued)

- The performance of an innovation system is predetermined by how these components interact. Innovation systems tend to pass through 3 stages:



Social capital and co-operative activity increases as we move from stage 1 to 3.

# **Through Innovation We are Simply Leveraging Assets that We Already Have**

Windsor and Essex County have the  
components of an innovation system

# OUR INNOVATION/RESEARCH CAPABILITY

- We have a number of strengths and ongoing activities in the area of research and innovation within the region, most notably:
  - **Southwestern Ontario Bio Products Innovation Network (SOBIN)** – over \$1,000,000 funding ready to be drawn down.
  - **Auto 21**: A national research initiative supported by the Government of Canada through the Networks of Centres of Excellence Directorate and more than 110 industry, government and institutional partners.
  - **Automotive Research & Development Centre (ARDC)** (DaimlerChrysler & University of Windsor).
  - **Ford Centre of Excellence in Manufacturing**, St. Clair College.
  - The **Greenhouse and Processing Crops Research Centre (GPCRC)**, Harrow.
  - **International Truck – R&D Centre for Advanced Truck Manufacturing Clean Diesel Engine Technology.**
- Other broader super regional economic clusters (e.g., Southeast Michigan/Northwest Ohio, Great Lakes Region, etc.)



# STEPS TO BUILDING A REGIONAL CULTURE OF INNOVATION

- work to develop the Region's **R&D clusters** to improve cooperation and innovation culture
- establish a **Leadership Programme** to promote an innovation culture
- set up an **Innovation Fund** to improve access to risk capital
- develop a **Datanet** to improve on the awareness of support services
- continue to develop a **Regional Technology Network** (Smart Community/Smart Services) to improve the awareness of support services and the transparency of the supply side
- build a **Knowledge Bridge** to promote an innovation culture & the transparency of the supply side
- develop a **Technology Management Resource** to tackle the issues raised above and develop specialist support for those involved in technology such as marketing
- promote the development of start-ups & spin-offs

# INNOVATION CULTURE REQUIRES COMPONENTS OF A VIBRANT COMMUNITY

- To compete globally in this increasingly competitive realm, we must build and demonstrate that our region has the amenities to attract and retain world class researchers and innovators.
- Existence of Arts & Culture is important to a community.
- We must focus on continually improving Quality of Life issues.
  - Safe community
  - Good place to raise a family
  - Ready access to top-notch medical care
  - Ready access to top-notch education & training
  - Advanced Information Technology capability
  - Wide-range of activities in the community and appeals to the diverse participants within the community

***“When every place looks the same, there is no such thing as place anymore. Municipal cultural planning combats the geography of nowhere.”***

*(Former Winnipeg Mayor, Glen Murray)*

# HOW WE CAN HELP INNOVATION

- **Development of a long-term strategy for change in the economic base. More of what we have had, and done, in the past will NOT get us to the economically secure future we want and could have in this region.**
- **Business incubators** are known to be instrumental in assisting local and regional economies to diversify and to grow stronger, acting as catalysts for the creation of small and medium size businesses. Such an incubator could be developed by the region in collaboration with the University of Windsor and St. Clair College, if all could get ‘on the same page’ with the project.
- **Creation of innovative ongoing ‘meeting places’ for business and university researchers – one model is the CONNECT model developed in San Diego whereby players pay a nominal fee to meet regularly and discuss ideas as ideas and needs develop both in industry/business and in university laboratories/ research offices.**
- **Promotion of success stories** – The success of innovation centres, of spin-off small and medium sized firms from university-based research must be made widely known. Success builds on success, and attracts more success. The Waterloo model provides clear evidence of this, as does the model of San Diego in the U.S.

# HOW WE CAN HELP INNOVATION

(Continued)

- **Working with government initiatives –federal, provincial and regional – to take full advantage of opportunities and insights.** The Ontario Gov't has set up a Ministry of Research and Innovation, of which the Premier is the Minister himself.
  - The V.P. of Research for the University of Windsor serves on the Ontario Council of University Research, a body that works closely with the Ontario gov't to plan innovation strategies and to participate in collaborative opportunities.
  - That Council has been to San Diego and may be part of the Premier's Trade visit to China in early 2006.
  - The President of the U of Windsor is incumbent Chair of the Council of Ontario Universities, a role which gives us prominence on the Provincial scene.
- Federally, a number of initiatives are underway including a newly released report, with implications for innovation strategies: *Towards an Integrated Knowledge Ecosystem: A Canadian Research Strategy*  
[www.kdstudy.ca/results.html](http://www.kdstudy.ca/results.html) As well, Statistics Canada has produced a wealth of evidence on innovation

# INNOVATION

## *(Possible Action Items)*

1. Identify ‘Partners of Innovation’ across the region (e.g., post-secondary institutions, private sector, etc.) and at the various levels of government.
2. Design a protocol for collaboration and entrepreneurialism for the purposes of creating an environment of collaboration and entrepreneurialism across all sectors.
3. Inventory what we do best, existing/emerging growth opportunities and resources.
4. Select specific innovative projects that align with local business strengths and growth opportunities (i.e., includes product, service and process innovation).
5. Obtain necessary funding from various sources (e.g., investors, entrepreneurs, public/private sectors, etc.)
6. Develop contractual agreements among private/public sector partners.
7. Establish the Regional Economic Development Organization as an **“agent”** or **“facilitator”** for innovation.
8. Create the infrastructure and conditions that will enable innovation.
9. Map out a process from the germination of ideas in the laboratory (i.e., research) **or** the creation of an invention, product, technology development **to** the commercialization of products in the marketplace.
10. Develop patent and intellectual property policies.
11. Establish ‘Working Groups’ to undertake innovative projects.
12. Continue to build on competitive advantages in highly productive aspects of the value chain (e.g., design, engineering and machinery manufacturing)
13. Define/develop services to access innovative products and process improvement techniques.

# KEY DRIVERS TO BECOMING A R&D CENTRE

## Access to talent

- Access to talent for recruiting
- Very good university with a big pool of graduates
- Strong collaboration with other research universities and institutions
- Intellectual capacity, skill sets, and grads to succeed globally

## Quality of life

- International reputation
- Urban centre, with relatively low cost of living compared to similar large cities
- Ability to work and live downtown
- Stable social system – not a bad place to live and raise a family

## Diversity & tolerance

- Highly diverse, multicultural society
- Highly tolerant society

## Presence of related companies

- Range of high-end opportunities – very important to researchers who are looking for the best companies, colleagues and challenges.

## Infrastructure

- Transportation
- Ease of access to the world

## Location

- Access to early adopters of new technology, so a good proving ground in which to test new products

## Cost of doing business

- Cost of R&D
- Capital taxes
- Low cost of business
- Low property taxes
- Easy access to capital for R&D start-ups
- Access to strong pool of commerce savvy people

# **COMPONENTS OF AN EFFECTIVE ECONOMIC DEVELOPMENT ORGANIZATION**

# WHAT THE ORGANIZATION MUST BE ABLE TO DO WELL

The recommended strategy calls for attracting new business & industry and retaining whatever existing basic industry that can be retained. An economic development organization with the ability to promote that the Region is open for business is essential. In order to compete in this highly competitive sector the organization must be seen to have its pulse on the key and developing components of the regional economy, with a superior ability to:

- Act as the primary economic development body on behalf of the region
- Provide complete expansion and relocation assistance, including site selection and workforce development assistance
- Provide guidance in accessing local, provincial and federal government programs and services
- Assist local businesses with expansions, relocation within the region and retaining their existing operations within the region.
- Market and promote the region to existing and potential new business ventures to enhance the economic prosperity for the region
- Help create an environment that helps build the confidence of existing businesses and labour force participants in the community.
- Help businesses cut through red tape.
- Connect existing businesses and potential new businesses to the area with key decision-makers within the community where it will enhance their success, such as:
  - potential funders
  - partners and allies
  - educational and training resources
  - the innovation and research and development community



# GOVERNANCE BOARD QUALIFICATIONS

- An ability to think strategically and take a long term perspective
- An ability to understand (with experience in having seen) what the globalization of the world economy means to a region like ours and how it might shape our responses
- An established and significant network that spans existing business organizations, international business organizations, all key levels of the federal, provincial and local tiers of government, key educational institutions and key community players
- A commitment to growing and developing the region for the benefits of the region (not a resume builder)
- An ability to see a new vision for the region and an ability to honestly and objectively see current reality for what it is.
- An ability to think out of the box
- An ability to influence longer business decisions

# ECONOMIC DEVELOPMENT OFFICER QUALIFICATIONS

- A person who understands the implications of a global economy
- Well-liked (and likable)
- A regional booster
- Must demonstrate a strong entrepreneurial spirit
- Extensively networked
- Able to communicate effectively with research, government, financial community and business stakeholders
- Able to balance core operations and high profile initiatives
- Excellent business person with good political skills
- Capable of maintaining a united team

# RESOURCES

## CURRENT RESOURCES

	<u>Actual 2004</u>	<u>Actual 2003</u>
Total Revenue	\$1,094,252	\$1,075,189
<b>Expenses</b>		
Program Expenses (including contact, research, promotion and communication)	\$190,607	\$163,667
Administration Expense (including salaries, benefits and office operations)	\$849,778	\$904,143
<b>Revenue Over (Under) Expenses</b>	<u><b>\$53,867</b></u>	<u><b>\$7,379</b></u>

Probably need to increase by 30% - 50% at a minimum.

# OUR CHALLENGES COMPARED TO OTHER REGIONS

The following challenges were identified by comparing economic development activities in our region to those of the economic development programs we examined (i.e., London; Niagara; Peterborough; Grand Rapids, Michigan)

- Degree to which we can act before we reach the impact of a major crisis.
- The identification and recruitment of a “**Champion**” of the initiative; a true visionary and a social community entrepreneur.
- Ability to attract the right and influential people who will actually make things happen.
- Ability to attract the right people on the Board.
- The degree to which we can increase the resources committed to the economic development organization and its initiatives.
- Our ability to recruit an effective leader of the economic development organization.
- The degree to which business organizations, the educational sector and the regional local governments can work collaboratively.
- The degree to which we can establish the focus of what to target and pursue.
- The degree to which we can take a long-term perspective as we go through this transition without being sidetracked by unexpected bumps in the road.

# SOME THOUGHTS ABOUT CHANGE

**If you keep on doing what you've always done, you'll always get what you've always got.**

- There is no mother of invention like necessity.
- People don't change when you tell them they should. They change when they tell themselves they must.
- People don't change when you tell them there is a better option. They change when they conclude that they have no other option.
- People change as a result of what they now notice, not just what they are told especially when what they notice is someone just like them doing well.

*Thomas Friedman, "The World Is Flat"*

# EXPECTATIONS

Overall, we must understand that there is no silver bullet in this situation. Many of the significant components of our market offering (the Canadian dollar, rising energy costs, the perception or fact of a difficult border crossing, globalization of the manufacturing economy, the current overcapacity and underperforming situation of the Original Equipment Makers, and the entrepreneurial makeup of the business community) are simply beyond the scope of influence of a regional economic development organization. We also understand that such an organization will not have endless resources with which to operate. We believe that the major role for an economic development organization will be that of connector and information provider.