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ONTARIO **BUSINESS REPORT**

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FOCUS ON EASTERN ONTARIO

Mitel CEO, Don Smith. Since assuming this role in 2001, Smith has led this eastern Ontario company's highly successful venture of bringing next-generation IP Communications solutions to the global marketplace.

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TEAM APPROACH BUILDS EASTERN ONTARIO ECONOMY

A sector-focused team approach makes eastern Ontario a full-strength investment magnet.

Stephen Paul doesn't hesitate for a second when asked to list some of the advantages of eastern Ontario.

"We offer a unique mix of urban and rural environments, with low-cost land, competitive wages, and an educated and motivated workforce that's tied to rural traditions," says the President of the Ontario East Economic Development Commission (OEEDC). "We have a wealth of strong colleges and universities, and solid infrastructure. And we offer a great quality of life."

Eastern Ontario Economic Council: **www.onteast.com/content.php/EN/Home.html**

Many jurisdictions can (and do) make the same boasts. What separates eastern Ontario from the pack is its approach to economic development and the marketing of the region as an investment destination. The OEEDC has 125 member communities, representing the vast area bounded by Kawartha Lakes – Haliburton and Prescott and Russell on the west and east, to the Ottawa River in the north and the St. Lawrence River in the south. Stephen Paul's full-time job is as Manager, Economic Development for Lennox and Addington County, but his first concern is the economic health of the entire region.

"We are branding eastern Ontario as an area," said Paul. "So for any given opportunity, we consider the best approach for the entire region first. It saves us money and gives us opportunities that we couldn't pursue on our own. At some point we may have two communities vying for the same project, but in the end we all win if the investment comes to any location in eastern Ontario."

The OEEDC draws on the particular strengths of its members, with sector-specific teams to attract investment in five priority areas: advanced manufacturing, food processing, logistics, tourism investment, and the creative rural economy. The investment attraction teams give eastern Ontario the best possible return on its sales and marketing spending.

"A recent example is a trade show in San Francisco for the food processing sector," said Paul. "We wanted to avoid a diluted effort from several communities. So by

focusing our shared resources, we could afford to hire a lead generation specialist. Before we went to the show, the research was done, the meetings were scheduled, and the appointments were booked. Travel costs are reduced. It's efficient and very productive."

The team approach is also used in dealing with government. Peterborough's Jay Amer heads up the OEEDC's investment attraction team for advanced manufacturing. Last fall, he organized a joint meeting between eastern Ontario development officials and representatives from Ontario government ministries.

"In the past, we visited all of the ministries separately for updates on our activities," he said. "This year, we took advantage of the great facilities at the Ontario Trade and Investment Centre and met with all of our Ontario government contacts at once. It was very productive, and we got some new leads from the Ministry of Economic Development and Trade (MEDT). We're all on the same team, and this is great for communication."

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GREEN ACRES: THE CREATIVE RURAL ECONOMY TAKES ROOT

More and more members of the "creative class" defined by Richard Florida are seeing the advantages (and possibility) of a rural lifestyle. The influence of Florida, the author of the *Rise of the Creative Classes* and currently Director of the Martin Prosperity Institute at the University of Toronto, is spreading to rural areas. Communities looking for sustainable development are applying Florida's concepts to attract new investment, one or two jobs at a time.

"As soon as I became familiar with Florida's principles, it struck me: why can't we make this concept work for eastern Ontario?" said Dan Taylor, Economic Development Officer for Prince Edward County and the OEEDC's lead on the creative rural economy. "Eastern Ontario already has an impressive pool of creative industry businesses, and with our strategic location at the centre of Toronto, Ottawa, and Montreal, there is great potential for growth."

Taylor emphasized that quality of place and lifestyle are the necessary attributes to attract members of this growing sector.

The goal is not to attract mass industry, but to lure the artists, artisans, consultants and other knowledge workers who are now able to work anywhere they please via tele-commuting.

"Our marketing and PR efforts shift to quality of life," he said. "To attract a factory, we talk about the tax base, infrastructure, the labour force. For the creative class, we talk about the unique qualities of life in each community. We've been successful here in Prince Edward County, and I think the concept can work well in many locations in eastern Ontario."

Taylor points to The Edward, an upscale new mixed use development in Picton, as one example of a "creative hub" that attracts creative and knowledge workers. Since their salaries and earnings are markedly higher than those in the rural manufacturing and service industries, the local economic spin-offs are substantial.

"We are a live model of the concept," Taylor said. "We are a creative economy. We just don't know it yet."

Economic Development, Prince Edward County: **www.pecounty.on.ca/government/corporate_services/economic_development/index.php**

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MEDT's $80 million Eastern Ontario Development Fund (EODF) is a major player on that team. Businesses investing $500,000 or more in qualified projects are eligible for up to 15 per cent support, while economic development agencies can receive up 50 per cent for projects valued at $100,000 or more. Launched in July 2008, the fund has already helped achieve some major investment wins for eastern Ontario.

A look at just a few EODF-funded projects illustrates the region's diversity and potential. An EODF grant is helping Cornwall-based Seaway Yarns Limited expand its product line and create 10 jobs. In Kingston, KIMCO Steel Sales Limited is buying new automobile recycling equipment that will create 10 jobs and divert waste from landfills. Tulmar Safety Systems Inc. in Hawkesbury is using an EODF grant to design new safety systems for the aerospace and defence industries and pursue new overseas export opportunities. In Carleton Place, Powerbase Energy Systems Inc. is commercializing a small-scale biogas system and creating 23 jobs over four years.

Eastern Ontario is also taking advantage of its deep academic strength to help rural communities adapt to changing economic conditions. At Queen's University School of Business, the Knowledge Impact in Society (KIS) project connects academic knowledge with rural economic development needs. The project includes workshops to help communities evaluate their particular economic development challenges, an interactive website for economic developers and rural constituents, surveys to give companies feedback on their performance, and consulting support.

"We are very fortunate to have such a wealth of academic and training expertise right here in eastern Ontario," said the OEEDC's Stephen Paul. "We have six universities and seven community colleges, with over 100,000 students enrolled. Aside from the advantage that offers to potential employers, it also gives economic development agencies a huge advantage when it comes to creating the right conditions for the jobs of the future."

MITEL LEADS THE MARKET

On May 19th the Canadian Advanced Technology Alliance (CATA*Alliance*) held its annual Innovation Awards Gala Dinner.

One of the big winners was Ottawa-based Mitel. A leading provider of voice, video and collaborative communications solutions and services for businesses of all sizes, Mitel walked away with the Outstanding Product Achievement Award.

It was a sweet moment for CEO Don Smith, for despite having received a slew of industry accolades and awards in recent years, as Smith says, “It’s wonderful to get recognition here for what we do.”

The veteran businessman took over the reins at Mitel in 2001, just after the company restructured into three entities – and the Ottawa tech sector imploded.

What Smith inherited was largely a telecom hardware provider focused on digital communications. The company made a strategic decision – a “gamble” he calls it – that the future wasn’t digital. It was the Internet.

Within three years, a company that had been 95% focused on digital, had transformed into an IP (Internet Protocol) communications provider concentrated on developing the next-generation of IP-based products.

It’s proven to be a brilliant decision.

Today, with 2,500 employees, Mitel operates in 90 countries worldwide, has over 1,400 value-added resellers and partners around the world, and revenues of close to US$700 million in 2008.

And it’s a clear market leader in IP-based business communications. Mitel is number one in the U.S. IP SMB market, number one in the U.K. SMB telephony market and number two in enterprise IP telephony in the U.K.

“Our focus is on making communications simple,” says Smith. “Simple to buy, sell, use and manage.” He points to the product that won the CATA*Alliance* Award.

“Mitel Dynamic Extension is the first in a continuum of software products that delivers unprecedented flexibility, productivity and cost savings,” he says. “It’s redefining business mobility by making any device an extension of the corporate network.”

In other words, Dynamic Extension delivers single-number “reachability,” enabling a call to a user’s business number to simultaneously ring up to eight devices in a personal ring group and provide seamless hand off between devices. The software provides a single voice mailbox and simple access to business communications features from any device.

As with all of Mitel’s leading-edge solutions, Dynamic Extension was the result of listening to their customers, says Smith, and developing a solution that addressed their needs, while saving them money.

Many of those solutions are designed and developed by scientists in Mitel’s Ottawa R&D centre.

Though the company is definitely multinational, its headquarters and main R&D centre remain in Ottawa, another strategic decision that seems to have paid off.

website: **www.mitel.com**

OTTAWA: CANADA'S INNOVATION CAPITAL

"Ottawa is one of the best places in the world to do business if you're part of the knowledge-based economy," says Mike Darch. "We're an innovative, entrepreneurial, talent-rich global technology centre."

As Executive Director for Ottawa Global Marketing, Darch might be perceived as being a bit biased. But he's not alone in his assessment of Ottawa. Urban theorist Richard Florida, author of the best-selling book *The Rise of the Creative Class*, considers Ottawa a "world leader" in what he calls a new, creative economy.

Once largely a government town, Ottawa burst onto the high-tech scene in the mid 1980s – an instant miracle 30 years in the making – firmly establishing itself as Silicon Valley North. Then, in 2001, the unthinkable happened. The bubble burst. Companies like Nortel, JDS, and Newbridge Technologies pulled back, causing record layoffs.

But a lot of those people who were suddenly out of work opted to stay in Ottawa and went on to launch their own high-tech enterprises, the majority of which have been highly successful.

In fact, today there are more than 1,800 technology companies in Ottawa, employing close to 80,000 people, and they include firms in telecommunications, photonics, semiconductors, wireless, software, digital gaming and clean tech.

Most of them are small operations of 50 or fewer employees, but there are multinational giants as well, companies like IBM, Mitel Networks, Cisco Systems, MDS Nordion, Alcatel Lucent and RIM.

Darch says the number one reason companies start in Ottawa or come there – and stay there – is the talent pool.

"Our workforce is extremely well educated, service oriented and entrepreneurial," says Darch, who points out that Ottawa has a much higher concentration of people in the knowledge driven economy than anywhere else in the province. Four in ten Ottawa workers are "creative" workers – researchers, scientists, business people, analysts, teachers – the products of Ontario based universities and an immigration system that fast-tracks high-value technology workers.

Ottawa also has the communications infrastructure that technology companies need to stay ahead of the competition. Virtually 100% of the city's schools, universities, hospitals, libraries, research institutes and municipal facilities are wired with high-speed Internet access. This sophisticated infrastructure not only facilitates development of new products and services, it provides access to global markets.

Finally, Ottawa offers tech workers an unparalleled quality of life that combines small-city charm with big city amenities. A city for culture and the arts – the Museum of Civilization, the Museum of Nature, the Museum of Science and Technology, the National Art Gallery and the National Arts Centre are just a few of its offerings – Ottawa also has a giant outdoor playground minutes from downtown, featuring mountains, beaches, camping, skiing, golfing and hundreds of freshwater lakes.

"We've got everything high-tech companies need to succeed, including 50 years of experience in incubating start-ups and spin-off companies " says Darch. "That's the message we want to get out."

And, in typical Ottawa fashion, the city found an innovative way to do it. In April 2008, to celebrate its resounding recovery, Ottawa launched a website called 82000 reasons that chronicles one business success story after another.

What better way to attract new technology businesses?

website: **www.ottawaregion.com/About_Ottawa/index.php**

www.82000reasons.com

EASTERN ONTARIO DEVELOPMENT FUND: REVVING UP THE ECONOMIC ENGINE

Eastern Ontario is an important contributor to Ontario's economy, representing 11 per cent of the total Gross Domestic Product for the province.

It also has unlimited potential for growth.

The Ontario government is helping the region leap forward. It has created a four-year, $80 million Eastern Ontario Development Fund (EODF) to drive competitiveness, strengthen local economies and create jobs.

"Our government wants eastern Ontario to fully benefit from the diverse opportunities of the new economy and be well-positioned for prosperity into the future," says Jean-Marc Lalonde, MPP Glengarry-Prescott-Russell and Parliamentary Assistant to the Minister of Economic Development and Trade. "Working together, we can continue to strengthen this vibrant and unique part of our province."

The Eastern Ontario Development Fund covers the 13 counties of eastern Ontario and the rural area of the City of Ottawa. The program is divided into two streams: the first designed to help businesses invest in new technologies, equipment and skills training for employees; the second targeted to economic development projects that attract investment and new types of economic activity.

Interest in the program is booming.

Since EODF's launch last summer, the Ministry of Economic Development and Trade has received more than 175 submissions to determine eligibility of project ideas and more than 50 full applications. The government has already approved 10 innovative projects (see sidebar). More than $4 million invested to date will leverage an additional $28.6 million in new investment and create 162 new jobs in communities across the region.

"We are very pleased with the level of interest and program activity," says Kim Wingrove, Director of Regional Economic Development Programming with the Ministry of Economic Development and Trade. She notes that project proposals cross all sectors.

How does the program work? Businesses that invest $500,000 or more in projects that create or retain at least 10 jobs over five years are eligible for up to 15 per cent support. Agencies, associations and non-government organizations can qualify for 50 per cent support of economic development projects valued at $100,000 or more. Applicants will know if their proposals are successful within 45 days of submitting a complete application.

"We encourage eastern Ontario companies that are innovative, creative and focused on building for the future to contact us," says Wingrove. "We'd like to talk to you about how our program can help your business grow."

For more information, visit **www.ontario.ca/economy**.

GROWING FOR THE FUTURE

The Ontario government has approved the following projects through the Eastern Ontario Development Fund:

- *DICA Electronics Ltd.*, Carleton Place: $133,050 to expand its services to Ottawa-area high-tech companies
- *Electrolab Training Systems*, Belleville: $178,000 to take its safety awareness and training products to international markets
- *KIMCO Steel Sales Ltd.*, Kingston: $129,153 for new equipment to increase the competitiveness of its automobile recycling operation
- *Minimax Express Transportation Inc.*, Cornwall: $150,000 to double its warehouse capacity and offer enhanced logistics services
- *Powerbase Energy Systems Inc.*, Carleton Place: $213,000 to commercialize a small-scale biogas system for agricultural use
- *Ross Video Ltd.*, Iroquois: $654,707 to purchase new production equipment and support specialized training of employees
- *St. Albert Cheese Co-operative*, St. Albert: $1.3 million to modernize operations and serve larger regional markets
- *Scott Environmental Group Ltd.*, Kingston: $896,950 to establish eastern Ontario's first state-of-the-art organic processing plant
- *Seaway Yarns Ltd*, Cornwall: $315,300 to modernize equipment and expand its product line of high-performance yarns
- *Tulmar Safety Systems Inc.*, Hawkesbury: $101,625 to expand export opportunities for safety systems targeting the aerospace and defence industries
- *Scapa North America*, Renfrew: $256,329 to improve efficiencies through new equipment purchase and employee training
- *MIG Structural*, St. Isidore: $97,500 to purchase new equipment and software and to create new jobs
- *Kawartha Trans Canada*, Lindsay: $169,450 to create jobs, enhance tourism revenues and provide more family recreation and fitness opportunities
- *EIP Mfg*, Pembroke: $184,135 to support building expansion, purchase new equipment and upgrade employee skills
- *Greater Peterborough Area Economic Development Corporation*, Peterborough: $530,025 to support tourism development, to create jobs, and to strengthen the local economy

MODERNIZING OPERATIONS WHILE MAINTAINING QUALITY TRADITIONS

You don't have to be huge to make a difference. At St. Albert Cheese, the proof is in the pudding… well, it's more in the curds really.

After you read this story, you'll never think of cheese in the same way again. There is cheese and then there is St. Albert cheese. Since 1894, the 40-member cooperative, representing 23 area farms, has been producing exceptional quality cheeses from 100 per cent pure milk. No modified ingredients. No fillers.

Five generations of Ontario farmers and craftsmen have resisted lowering their product and service standards, choosing instead to faithfully live up to the long-standing St. Albert quality traditions. These traditions are complemented by unfailing cooperation among members, unrivalled know-how, unrelenting customer service, and unequivocal respect for the environment – all ingredients for growth.

Three factors contribute to the quality of St. Albert Cheese products: (1) the excellent milk produced by local farmers; (2) the process used to make the various types of cheese from ancestral recipes; and, (3) the purity and freshness of ingredients.

"Like many other cheese producers who choose to make more cheese faster, we could fully automate our systems and include MPC (milk protein concentrate) to our cheese," said Réjean Ouimet, General Manager of St. Albert Cheese. "But that's not in our game plan… we prefer to maintain our high-quality standards by producing 100% pure milk cheese."

St. Albert Cheese is implementing new "clean-in-place" control technologies, which will contribute to:

- Upgrading 26 jobs and creating 10 new ones over five years.
- Expanding its production capacity to serve larger regional markets, including Toronto.
- Enhancing its competitiveness.
- Increasing sales and expanding its markets.
- Reducing the amount of solids and effluent entering the waste stream.

The plant modernization project is made possible in part through the Ministry of Economic Development's $80 million, four-year Eastern Ontario Development Fund.

"With over 75 employees and a long list of loyal customers, St. Albert Cheese is the largest employer in the Nation's Municipality and an active community and economic contributor," said Lynda Moffat, President and CEO of the St. Albert Chamber of Commerce.

St. Albert Cheese President Jean Gour is enthusiastic about the investment and the benefits to the community. "We do our best to keep up with the competition, industry trends and best practices in business management, but our number one priority is making sure our customers are satisfied."

"It's getting harder and harder to make sure my kids have a good lunch to bring to school," said Nicole Potvin of Casselman. "Thanks to St. Albert Cheese, they can enjoy 100 per cent pure milk goodness and stay healthy."

People of all ages enjoy the unique taste, freshness and wide selection of St. Albert cheeses. Mr. Gour welcomes visitors to drop by for a sampling at St. Albert, Orleans and Sarsfield stores, and soon at more Ontario locations.

Bon appétit!

website: **www.fromage-st-albert.com**

BUILDING ONTARIO'S ECONOMY OF TOMORROW

These are challenging economic times. The global economy is unsettled. Ontario's economy is transforming. Eastern Ontario has been affected, as have regions across the province.

The McGuinty government is working hard to help families and businesses as it positions Ontario to be more competitive for a prosperous future.

In the 2009 Ontario Budget, the government set out its plan to invest $34 billion over two years to stimulate the economy.

This includes $32.5 billion for infrastructure projects that will support an estimated 300,000 jobs in the short-term, and build a long-term foundation for the future. Major investments will also be made in innovation, education and skills training for Ontarians through strategic projects designed to propel economic renewal.

The value-added sales tax will be harmonized into a Single Sales Tax (SST) by 2010 to a combined rate of 13%.

Personal tax relief for Ontarians will total $10.6 billion over three years, including $4 billion in direct cash payments to help with this transition.

With this harmonized Single Sales Tax, businesses will see taxes reduced by $4.5 billion. Once the tax reform package is fully implemented, the marginal effective tax rate on new business investment will be half its current rate, making Ontario one of the most competitive jurisdictions in the industrialized world for new investments.

Ontario has several innovative programs already underway, successfully helping businesses and industries meet the demands of the 21st century global marketplace. These programs are designed to create jobs and boost the economy and they are making a difference. They include:

- **Next Generation of Jobs Fund** to support environmental advances in all areas of the economy, including advanced manufacturing and energy production.
- **Advanced Manufacturing Investment Strategy** to provide manufacturing companies with loans to invest in leading-edge technologies and processes.
- **Eastern Ontario Development Fund** to help attract investment and create jobs in eastern Ontario.
- **Communities in Transition Initiative** to provide assistance to communities and industry sectors facing economic development challenges, including plant closures and industry wide restructuring.

SINGLE SALES TAX – WHAT IT MEANS FOR BUSINESS

As part of its comprehensive tax reform package, Ontario will move to a single, value-added sales tax at a combined rate of 13 per cent. Effective July 1, 2010, this move will reduce the overall tax burden on businesses and allow companies to become more competitive. A single sales tax would also reduce paperwork costs for business by more than $500 million a year.

Four Canadian provinces and more than 130 countries have adopted a valued-added tax structure. Implementation of a single sales tax will bring Ontario into line with what is viewed as the most efficient form of sales taxation around the world. The sales tax will be federally administered.

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