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BUSINESS AND INVESTMENT BULLETIN

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Ontario—the place to be for R&D

Leading minds, world-class research facilities and generous tax credits

IBM. Nortel Networks. Aventis Pasteur. DaimlerChrysler. Magna International.
All very different companies, but with one thing in common.

They conduct a substantial amount of their research and development in Ontario.

So do thousands of other companies, large and small, multinational and home-grown, attracted, in part, by Ontario's bright minds.

"In today's knowledge-based economy the assets are people and Ontario is rich in assets," says Dr. Calvin Stiller, Chair, Ontario Research and Development Challenge Fund, a \$500 million program that promotes research excellence and partnerships between businesses and research institutions.

Whether you're talking biotech or info-tech, automotive or aerospace, machinery or manufacturing, Ontario boasts a critical mass of highly-educated scientists and engineers. And with Ontario's universities producing more than 17,000 graduates a year in mathematics, engineering, sciences and health professions—and its colleges graduating thousands more technicians and technologists—there's a steady supply of new talent.

And, as Dr. Stiller notes, Ontario's leading minds work within a substantial and sophisticated R&D infrastructure. It includes a number of government-funded research councils, 4 Centres of Excellence and several funding programs, including the R&D Challenge Fund and the Ontario Innovation Trust, to name just 2. Acting as catalysts and partners, these initiatives bring together uni-versities, public research institutes and private companies. Working together, they lever research funds to develop and apply knowledge and bring results to market.

Add to that more than a dozen business incubators and the availability of venture capital and it's clear why Ontario is such an attractive location for doing top-notch research and development.

But the province's R&D advantages don't stop there.

Ontario also offers some of the most generous R&D tax incentives in the world. In fact, when combined with those of the federal government, they can cut the after-tax cost of a \$100 R&D expenditure to less than \$42.

What's more, a wide range of activities qualify as research and development, as Paul Bertrand, a Principal with Ernst & Young LLP and an expert in the area of R&D tax credits, points out. Eligible activities include many areas of new product development,

development of new or improved materials, manufacturing process improvements, soft-ware development and clinical trials of new drugs and medical devices.

Moreover, Mr. Bertrand says, R&D per-formers in Ontario earn a tax credit on every dollar they spend on eligible R&D—which includes capital equipment and overhead—regardless of the level of R&D expenditures in prior years. The fact that R&D expenses can be carried forward indefinitely to reduce taxable income in future years is also a significant advantage, particularly for newly established R&D operations.

Ontario's tax rates are equally attractive, he says, a surprise to many corporations located outside the province. On the corporate side, the 2002 combined income tax rate of 33.12% on manufacturing income is lower than all the combined federal and state tax rates in the U.S. And when it comes to per-sonal tax rates, Mr. Bertrand notes that while they're a bit higher than in the U.S., when health care and education costs are taken into account, Ontario's personal tax rates often come in about the same or lower.

Then there are Ontario's business costs. KPMG's 2002 Competitive Alternatives report confirmed what astute companies already knew about conducting business in Ontario. When it comes to establishing, building and operating a company during its first 10 years, Canada and Ontario offer the lowest costs overall of any of the G-7 countries.

Finally, there's Ontario's lifestyle, a signifi-cant drawing card, according to both Dr. Stiller and Mr. Bertrand. Ontario offers vibrant cities and relaxed communities, with clean, safe streets. Health care is universal, publicly funded and cost-effective; and education is high-quality and affordable.

IBM's Toronto Lab gets a new home

Charged with global product missions

In the highly-competitive software development business, innovation and speed-to-market are critical to success—attributes Toronto's **IBM Software Laboratory** has in spades. A software industry research leader, the Toronto Lab was responsible for 24 software patents last year alone. Charged with global product missions for DB2 database development, WebSphere commerce and application development tools, the Toronto Lab recently moved into a new state-of-the-art \$150 million, 5,230 square metre facility. Home to 2,500 top-notch soft-ware developers and engineers, the Lab is expected to contribute to

more than 2001. "The Toronto Lab develops leading-edge software that's 'made in Canada' for a global marketplace," says Hershel Harris, the Toronto Lab's Director and Vice President, WebSphere Development. "Our success is directly linked to the level of computer science training and the quality of people we find in Ontario." The Toronto Lab also houses the Centre for Advanced Studies (strategic software products. industry. It's proved to be such a successful model for cooperative research among industry, academia and government that IBM is now duplicating the Toronto innovation at a number of sites around the world.1/3 of the company's worldwide software sales, which totalled \$20.3 billion in CAS), which facilitates the transfer of advanced research into CAS was established in 1990, the first of its kind in the computer **INSIDE**

- Ontario's \$500 million fund puts R&D to work
- When it comes to R&D tax credits, Ontario is tops in the world

- KPMG's new study finds Canada least expensive place to do business

All dollar figures are reflected in Canadian currency unless otherwise denoted.

Ontario's Research and Development Fund invests in innovation

A bold new approach is paying off

Its motto is 'Putting R&D to Work' and Ontario's Research and Development Challenge Fund is doing just that. The \$500 million fund was established in 1997 to promote partner-ships between academic research institutions and the private sector, and to date it's invested more than \$377 million in 88 research projects worth close to \$1.2 billion. "It's clear that this bold new approach to R&D is paying off," says Dr. Calvin Stiller, Chair, Ontario Research and Development Challenge Fund. "We've created research positions, kept bright scientists in Ontario, increased the visibility of our institutions and built an even stronger bridge between the academic and business communities." The Fund supports groundbreaking research in emerging fields like genomics/proteomics and photonics, as well as established sectors like automotive, agri-food, communications and information technology and biomedical.

For more information about Ontario's R&D and information technology industries, please call: 1 800 819-8701 or fill out the attached response card, or visit us at our website at www.2ontario.com.

Canada's first Human Computer Interaction Lab opens

Unique approach will benefit governments and businesses

Carleton University's HOTLab is up and running—and that's welcome news for Canadian businesses and governments.

The new facility, the 1st of its kind in Canada, is devoted to human-computer interaction (HCI) research. HCI is the study of what people like, want and need from interactive technology, including computers and software, office equipment, cell phones and the Personal Digital Assistant (PDA), with the ultimate goal being to develop products that are easier to understand and use.

While there are HCI labs at some U.S. universities, Carleton's HOTLab is unique in North America because it's part of the university's psychology department—as opposed to the computer science department—and concentrates on the human requirements to make technology easier to use. Research incorporates a number of disciplines including psychology, industrial design, computer and cognitive science, engineering, architecture, sociology, linguistics and music.

The study of HCI isn't new here at Carleton," says Gitte Lindgaard, HOTLab's Director. "We've been teaching it since 1978. But what this new lab will do is greatly enhance our ability to help fill a shortage of university grads with HCI skills—and help companies and governments get the research they need to improve the usability of their

technology products.

"One company that needs no convincing about the merits of HCI research is Ottawa-based Cognos Inc., the world leader in business intelligence solutions. Like a lot of big technology companies, Cognos conducts its own HCI research in-house, but that didn't stop it from helping to finance the lab at Carleton with a donation of more than \$1 million over the next 5 years.

"Our mission at Cognos is to make our customers the best decision-makers in the world," explains Rob Ashe, Cognos Senior Vice-President and Chief Corporate Officer. "Developing products that are intuitive and easy to use is paramount to that objective. This partnership with Carleton represents a critical investment in the long-term success of our business by enabling us to develop and tap into new sources of HCI expertise and to spur future innovation within this exciting area of R&D."

He adds, "Another big element of what we're hoping to get here is trained graduates who will help to fuel our needs."

Business Immigration Service ready to help

Expertise helps companies bring key personnel

Magna International has been a client. So have **Procter and Gamble**, **Tesma** and **ZF Lenksysteme**. Even the **Toronto Symphony Orchestra** has benefited from the Ministry of Enterprise, Opportunity and Innovation's Business Immigration service.

"With our expertise in immigration procedures we can help both international and Canadian companies transfer key technical and management staff into Ontario," explains Chantal Ramsay, Manager, Business Immigration.

The multilingual staff in the Business Immigration Section deal with individual business people immigrating to Canada on a regular basis. They are also familiar with associated transfer issues like accessing health care, driver's licenses, and employment authorization for spouses.

"Our role is to advise companies what the federal requirements are, both from a documentation and regulatory point of view. Canada's immigration program can be an advantage for companies establishing in Ontario, if a company knows how to interpret the rules."

The Section works with colleagues at Citizenship and Immigration Canada and Human Resources Development Canada to ensure the company's needs are understood.

An independent survey of client satisfaction shows that companies are highly-satisfied with the service they received.

A recent announcement by the federal government means significant changes to their Immigration Regulations, making the Business Immigration Section's role even more important—to ensure each individual transition goes as smoothly as possible.

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OTHER PUBLICATIONS AVAILABLE:

- Area Development Magazine, 2002 Ontario Feature
- Ontario: A Profile
- Ontario: Canada's Business Centre with regional and industry highlights—2002 Edition
- Trade & Commerce Magazine, 2002 Ontario Report

CD ROMS AVAILABLE:

- Biomed in Ontario
- Ontario: Consider the Advantages

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MDS Proteomics attracts top-notch talent from all over the world

Keeping them ahead of the Weld

MDS Proteomics has developed proprietary capabilities in large scale proteomic systems. High thru put robotics allows the automation of very repetitive tasks, eliminates errors and contamination.

"It's easier to recruit the best and brightest when you're a leader in your field," says Frank Gleeson, President and CEO of MDS Proteomics (MDSP).

He should know. In the burgeoning field of proteomics—the study of proteins and how they interact with one another—MDSP is well known for its innovative scientific approach and collaborative corporate culture. And they've proven to be important drawing cards in a field where qualified people are in high demand.

"At MDSP our purpose is to transform the productivity of drug discovery and accelerate development timelines by applying proteomics in revolutionary ways," explains Mr. Gleeson. "Our commitment to this goal has enabled us to create a world-class infrastructure that attracts the best minds in science and research from around the world."

One of those world-class researchers is Dr. Gregg Morin, MDSP's VP Biology. "The unique proteomics technologies that MDSP has developed and the opportunity to have as colleagues the leaders in these fields, make MDSP a very attractive place to pursue a career in drug discovery." He adds, "Getting to work in a physical and cultural environment as pleasing and rich as Toronto's is a bonus."

MDS Proteomics, a subsidiary of Canadian life sciences giant MDS Inc., got its start in 1999 and has grown quickly since then. Headquartered in Toronto—where it recently opened a new \$40 million, 4,831 square metre facility—MDS Proteomics has more than 200 employees and important partnerships with computer giant IBM, drug maker Abgenix and analytical equipment maker Agilent Technologies.

All that gives MDS Proteomics a clear advantage in the estimated \$1.57 billion proteomics-enabled drug market.

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FACTS & SURVEYS

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KPMG Finds Canada—and Ontario—Most Cost Competitive Location

Canada is the least costly place to do business according to a 2002 study conducted by professional services firm KPMG.

The study, entitled Competitive Alternatives, measured 27 components such as labour, taxes and utility costs applied to business operations in Austria, Canada, France, Germany, Italy, Japan, the Netherlands, the U.K. and the U.S. The study's basis for comparison was the after-tax cost of startup and operation for 12 specific types of business—including biotechnology and information technology—over a 10-year time span.

When it came to cities with populations of more than 2 million, Toronto, Ontario ranked 2nd least expensive—compared to New York and San Jose, California, which tied for 2nd most expensive cities.

“In relocating, it is important for companies to explore all geographic options in order to pinpoint those jurisdictions that represent cost-competitive locations,” explained Kerstin Nemec, partner-in-charge of KPMG’s Strategic Relocations and Expansion Services. “Selecting the best site for a business operation requires a balanced consideration of many factors, including business costs, the business environment, personnel costs and quality of life issues. The study allows companies to perform a ‘quick scan’ of jurisdictions to determine which can offer a cost-competitive business environment.”

Find out more about Ontario’s cost competitive advantages. Read the complete study at www.competitivealternatives.com. (Source: KPMG)

Canadian Researchers are Among the Most Prolific and Respected in Their Fields

The publications per capita are 2nd only to the U.S.—and Canadian scientists lead the world in citations (references and quotes) per capita.

Toronto and Ottawa are the Best Value North American Locations for High-Tech Businesses

Total Annual Operating Costs (in Millions, US\$) for a 500-Employee High-Tech R&D Facility

City	Cost
Ottawa	30.4
Toronto	31.6

Baltimore	34.4
Dallas	34.9
Denver	35.4
Sacramento	35.9
Hartford	36.0
San Diego	36.4
Philadelphia	36.4
Fairfax County, VA	36.8
Los Angeles/ Long Beach	37.8
Princeton	37.8
Stamford-Fairfield County, CN	38.5
Boston	39.0
New York	40.9
Santa Clara County, CA	41.7
San Francisco	43.0

Source: The Boyd Co.

INVESTING IN ONTARIO

London

A \$34 million, 3,716 square metre state-of-the-art animal care facility will be built at the University of Western Ontario. Known as the London Regional Innovarium, it will consolidate animal research across the city and further develop robotic surgery and transplantation research.

Austria-based **Starlim Sterner**, which produces silicone products for the auto industry, is building a new \$17.6 million plant in London.

Port Colborne

Swiss-based **Jungbunzlauer International**, a producer of natural, biodegradable ingredients for the food, beverage, pharmaceutical and cosmetic industries as well as for industrial applications, has opened a \$100 million citric acid plant in Port Colborne.

Kitchener / Waterloo

The **University of Waterloo** will soon begin construction of its 40.47 square hectares, \$214 million Research & Technology (R&T) Park. The park will include office space for high-tech companies and an “accelerator centre” to assist technology transfer, and promises to generate an estimated 6,000 new jobs and up to \$10 billion in economic impact over the next decade.

In partnership with information technology services firm CGI Group, the University of Waterloo is creating an R&D chair to advance research in e-commerce.

Windsor

DaimlerChrysler is investing \$460 million in its Windsor, Ontario plant to build the Pacifica, a brand that will launch the company's new Sports Tourer line. The Tourer will be built on the same production line that assembles the Dodge Grand Caravan and Chrysler Town and Country minivans.

Nemak of Canada Corporation is spending \$90 million to expand its Windsor Aluminum Plant from 29,728 square metres to 39,947 and is expected to generate up to 100 new jobs. The plant makes block castings to supply Ford engine plants across North America, and will begin shipping parts from the expanded plant in September of 2003.

Welland

Convergys Customer Management, a Cincinnati, Ohio-based leader in outsourcing client billing services, opened a 700-agent centre in Welland, Ontario in May 2002.

Stratford

Japanese-based **Futaba Industrial Co. Ltd.** is investing \$31 million in a Stratford, Ontario facility which will produce 33 different Toyota Lexus RX300 components for supply to the North American market.

Toronto

Microsoft Canada is boosting its investment in Ontario with a new Global Technical Support Centre (GSTC) and a new \$73 million head office, both located in the Greater Toronto Area.

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