



Community Economic Development Mission

Prepared for: The City of Kawartha Lakes

Prepared by: WCM Consulting Inc.
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CITY OF KAWARTHA LAKES COMMUNITY ECONOMIC DEVELOPMENT MISSION
EXECUTIVE SUMMARY

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WCM wishes to thank the many respondents to this project, who gave freely of their concerns, recommendations and ideas all of which, collectively, were valuable to this initiative

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CITY OF KAWARTHA LAKES COMMUNITY ECONOMIC DEVELOPMENT MISSION
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A The importance of Economic Development in the City of Kawartha Lakes

Economic Development is the most effective method by which to fuel the prosperity of the Community of the City of Kawartha Lakes. The resulting increased tax base of businesses and residents provides funds for all other services, enhancing the socio-economic well-being of the Community.

That which was originally conceived as a Long-term Economic Development **Strategy** has evolved into a Community Economic Development **Mission** for the City of Kawartha Lakes. This is an important distinction since the clear requirement is to create an **ongoing process** of economic development within the City that will serve and endure for at least the period from 2007 through 2017.

Contained within the Mission are several Strategic Thrusts, as described briefly on a later page.

Mission Drivers – Community Values and Vision

Vision Statements are most often created from the Values of the Community. In effect, a Vision Statement seeks to combine the Values into a short, memorable form. Extracting and understanding the Values underlying the Vision are critical when creating the Mission Statement for Economic Development.

Often, Missions can be broken into two parts – the affirmative goals and the limiting conditions: **“Achieve this within the bounds of that”**. For this initiative, two recent documents were used to identify the affirmative and limiting Values and these were supplemented by comments received in many of the Respondent discussions:

- Community Voices, Community Spirit, Community Matters – United Way et al - September 2006
- Community Vision – City of Kawartha Lakes – July 2002

Both were scrutinized in detail and affirmative actions towards which Economic Development may contribute and the boundaries within which it must operate, were listed. Without diluting these Values, the key elements were collected and recorded as the Values relevant to Economic Development. A formal Community Economic Development Mission Statement was then derived based upon these Values and this can be revisited from time to time as the needs and Values of the Community change.

Mission Statements should be neither prescriptive (‘how to do it’) or unnecessarily restrictive (‘what not to do’). **Only enough of either to guide the Mission and to define the outer boundaries of acceptability.** Failing this, innovative approaches may be deterred and needless limitations will restrict the possibilities.

The next section starts with this Mission Statement.

B The Community Economic Development Mission

City of Kawartha Lakes

Community Economic Development Mission Statement

The Mission of Community Economic Development in the City of Kawartha Lakes is to enhance our prosperity by providing accessible, well-paying employment opportunities, through a diversified and enduring economy, that builds upon the past, while embracing the potential of the future.

In so doing, the Mission will be executed in the most effective and efficient manner possible in order to provide excellent value to the tax-payer while contributing positively to the environmental and social well-being of the Community.

*“Economic development is an investment, not a cost. The idea is to bring money from the **outside** that can then be re-distributed **inside**”*

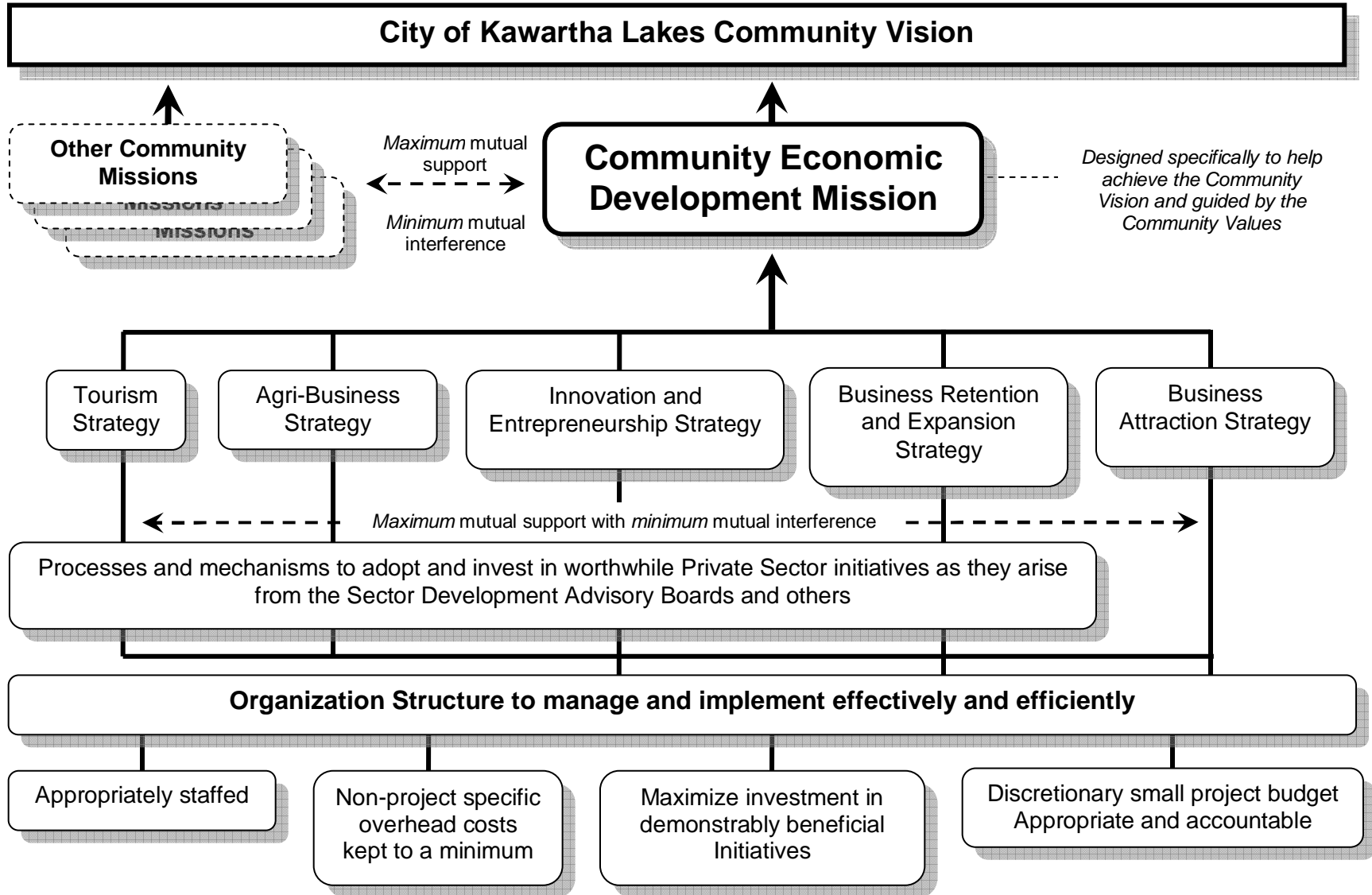
There are four main methods by which to bring in wealth to a Community: **agriculture, manufacturing, services** and **tourism**. Supporting these are the ‘local’ economic activities that help to re-distribute wealth more evenly throughout the Community – local retail, local services and local construction. These latter three tend to respond more to population growth and the prosperity of that population.

In order to bring in wealth to the Community it is necessary to create products and services that can be sold to the outside world or that will attract people to visit (and stay), thus sharing their wealth through the local re-distribution mechanisms described.

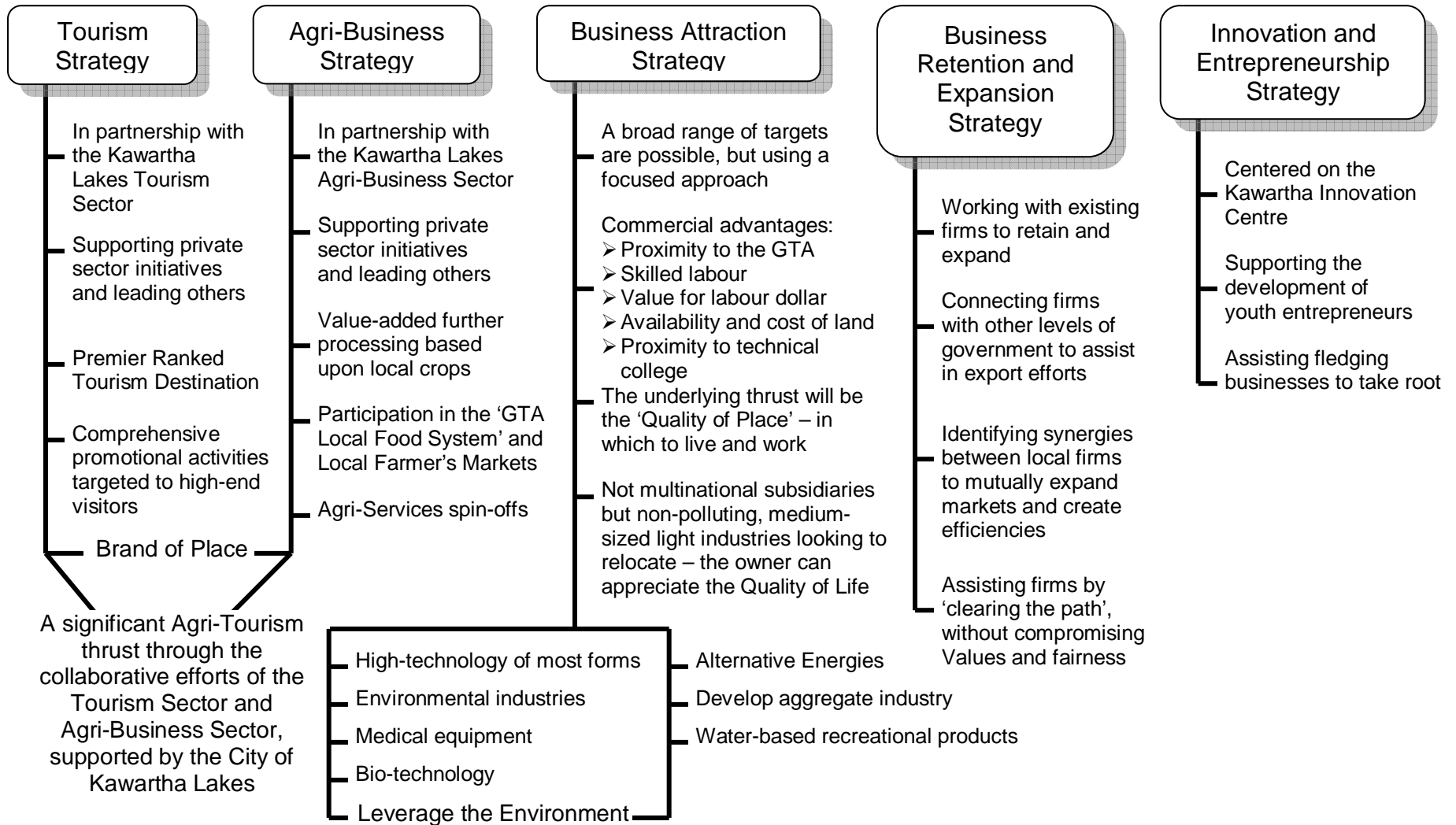
The City of Kawartha Lakes is fortunate in that it has the opportunity to engage successfully in all thrusts and these are all accorded strategies within the overall Mission. In addition, the development of new and innovative opportunities from within the Community can enhance each of these sectors and has a separate ‘nurturing’ strategy.

The diagram following shows the overall concept of the Mission.

CITY OF KAWARTHA LAKES COMMUNITY ECONOMIC DEVELOPMENT MISSION
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C Strategic thrusts



D Creating Economic Investment Cases

OLD WAY

Opinion-based

Lobbying ...wouldn't it be nice if...

"They got some, we want some"

What's a hard business case, anyway?

Grudging spending – due to little belief in the outcome

NEW WAY

Fact-based

Advocacy with justification

"They got some because they made a case (and so can we!)"

Hard business case

Eager investment – there is belief

The Private Sector Champions must...

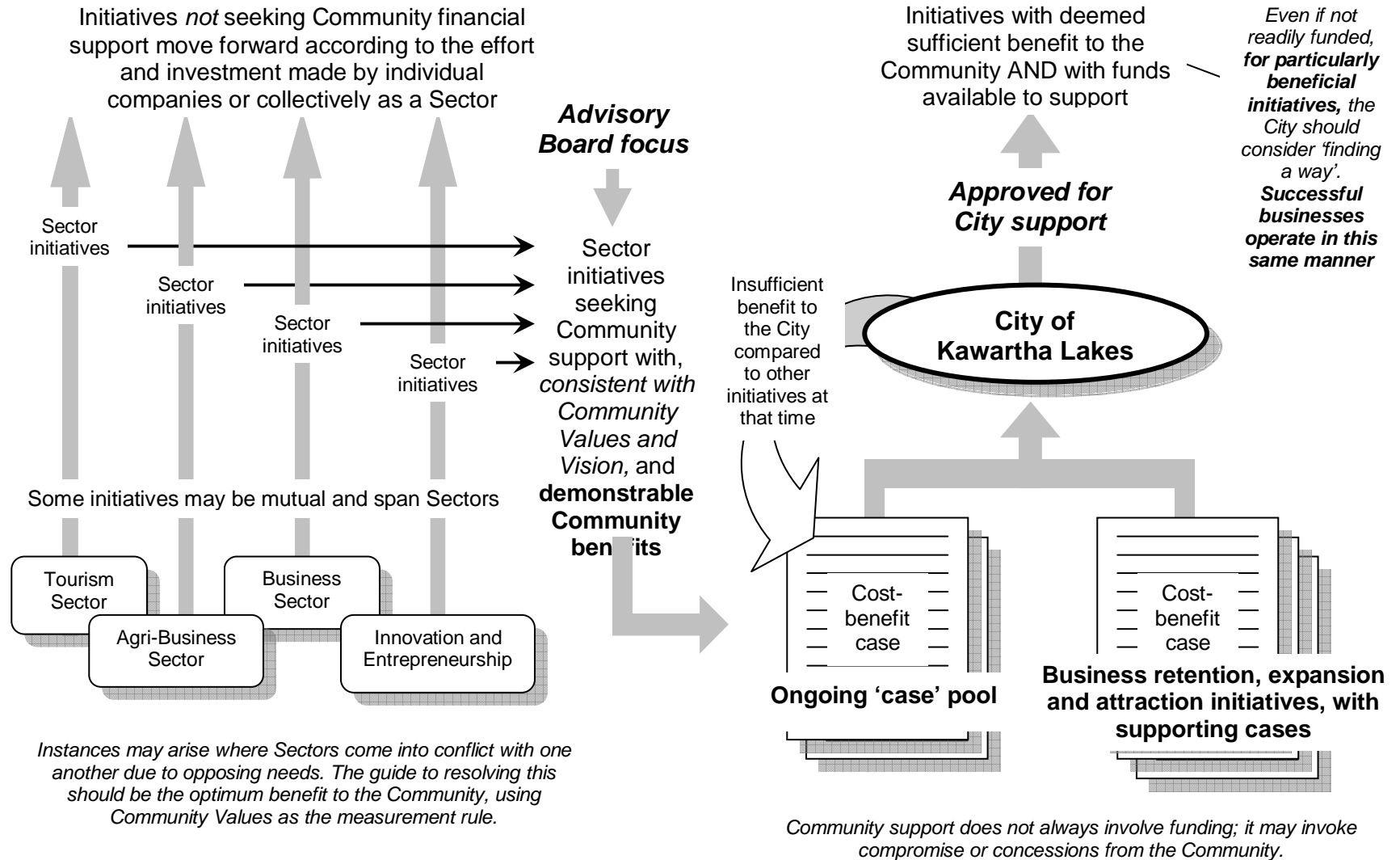
- Stop asking for the 'obvious'. While 'obvious' to the proponent and their particular interests, why should the taxpayer invest?
- What is the return to the taxpayer?
- How will it happen?
- What are the risks?
- What tangible contribution will the private sector make to the initiative? If there are business returns then some business investment is a reasonable expectation.
- Start **proving** the 'obvious' with a investment case. If you can't, then...would **you** invest **your** Taxpayer dollars?

All else (with apologies) is an **opinion-based 'handout'** – perhaps worthwhile for other reasons, but not an Economic Investment Case.

The Council must...

- **Demand** that the City Economic Development Function bring forth cases frequently.
- Be eager to invest in worthwhile cases but not invest a cent unless there is belief in the case.
- **When presented with a case:**
 - Meet **urgently** to review and make the decision.
 - Review the case based upon the merits to the City as a whole, not **a particular** Community.
 - Work with **a specific** Community to bring forward good cases.
 - If the case is not approved, then explain **why**, in detail,
 - Be specific and be fair.
- **When there is a worthwhile case then:**
 - Invest in it – find the funds, regardless.
 - ...else few opportunities will be brought forward from now demoralized staff.

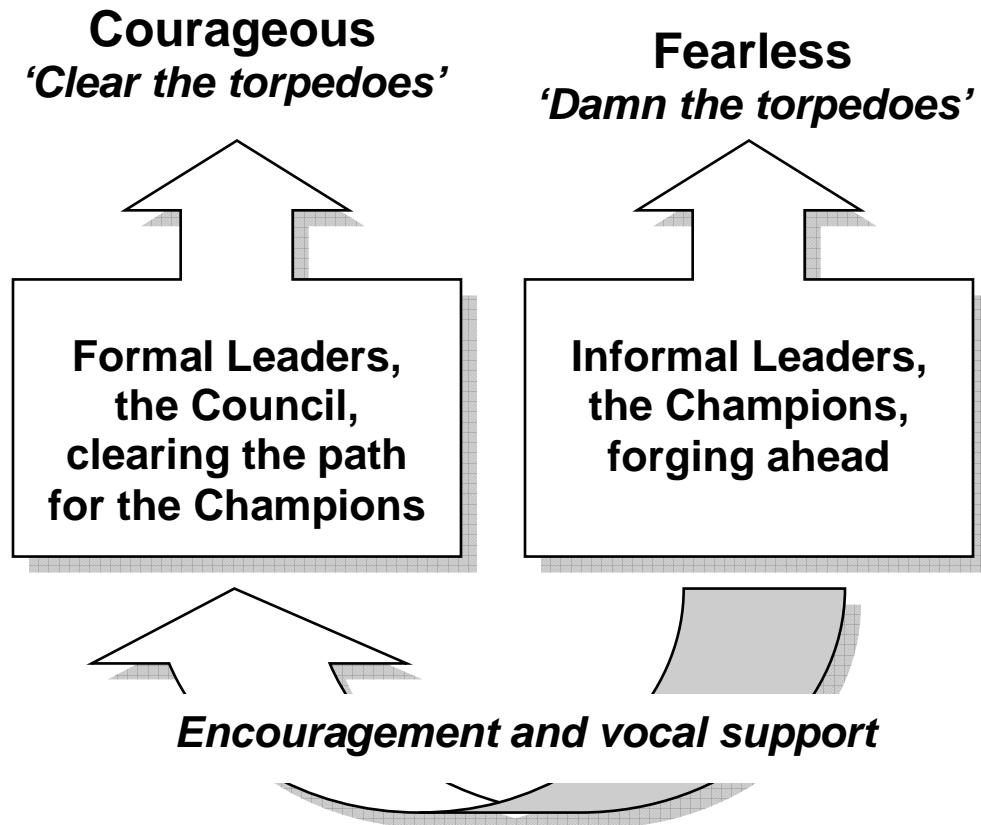
Gaining support for Sector Initiatives through demonstrable Community benefits



E Recommendations timeline

CKL EcoDev Mission activities - 2007	Jul	Aug	Sep	Oct	Nov	Dec	2008	2009	
Publicize the Mission and new organization ➤ Local media ➤ Presentations to key groups	●——●								
Review critical business retention issues and intervene if practical	●————●								
Review current activities of current Sector Coordinators and disposition for future resource allocations. ○ Worthwhile services that are not properly part of EcoDev should be 'housed' elsewhere in future budgeting processes.		●——●							
Review and disposition existing initiatives involving Sector Advisory Boards	●————●								
Review potential business expansion opportunities and intervene if practical		●————●							
Review reported business 'detraction' issues and create cases for adjustment if justified			●————●						
Review current business attraction efforts			●——●						
Confirm target sectors for attraction			●——●						
ONGOING - Serviced Employment Lands Plan ➤ Estimate requirements ➤ Identify locations ➤ Create time-based implementation plan ➤ Create Economic Investment Case			●	- - - - -					➤
ONGOING ECONOMIC INVESTMENT CASES ➤ With assistance from the EcoDev Function, Sector Advisory Boards and others devise and prepare Economic Investment Cases ➤ Review and disposition ○ Work with Proponents to properly document worthwhile cases ➤ Monthly Council Review of Economic Investment Cases brought forward			●	- - - - -					➤

F Leadership above all



Economic Development is the most effective method by which to increase the prosperity of the Community of the City of Kawartha Lakes. Through the increased tax base of businesses and residents, funds are raised to pay for all other services provided.

This is hard work for all concerned but Economic Development must be regarded as one of the **foundation** Missions for the City and receive a high proportion of time and attention from Council as well as excellent resources and continued investment; in other words, ***unwavering support***.

**The City of Kawartha Lakes today has opportunities that are afforded to few jurisdictions and there may never be a better time to invest in and exploit these for the benefit of the Community.
*Seize the day and seize the decade.***

**City of Kawartha Lakes
Community
Economic Development
Mission**

Appendices



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I The Values of the City of Kawartha Lakes

There are three fundamental questions in the establishment of any mission:

- **Should there be a Mission?**
- **What is the Mission to achieve?**
- **What are the constraints of the Mission, if any?**

Kawartha Lakes is a beautiful area that attracts many visitors, with a rich heritage of agriculture. However, the future economic prosperity is best **not** left to chance – the Community needs a plan to map that future over the coming decade and one of the main themes in the 2006 Council election was that of economic development.

Economic development is not an end in itself; *it is a means to an end*: the improvement of the socio-economic well-being of the people of the City of Kawartha Lakes. The need for this Mission should be driven by the wishes of the Community in that regard.

Economic development is not an immediate process and communities must invest to create economic momentum before the positive impacts will be felt. While the nature of economic development will vary across the jurisdiction, it is expected that positive impacts will be felt throughout Kawartha Lakes, either directly or indirectly, some sooner and some later.

To the extent possible, activities undertaken today for near-future benefit should not detract from the longer term goals that will be sought over the coming years. At the same time, investment for the future should not unreasonably reduce the advantages that can accrue in the next 12-36 months. This trade-off is a common dilemma in economic development and, indeed, in most businesses. Nor, as in business, will all ventures be successful. The one certainty is that if no forward momentum is created then nothing will happen, apart from a gradual deterioration in the socio-economic well-being of the Community.

An ongoing examination of the evolving economic situation and analyses to estimate the future will result in effective steps being taken as the execution of the Mission evolves. However, the future cannot be seen with perfect clarity or the events that will affect it in the years to come. Hence it is vital that the longer term elements of the plan have an inherent flexibility that will **facilitate and encourage adjustment** as the targets move. This will allow the plan to become a living plan that adjusts with changing circumstance and, quite possibly, the changing goals of the City.

Sharing the ‘Community Plate’

This can be explained using an analogy. In a restaurant, a party of eight may have a hundred or more dishes from which to choose and each individual will tend to select their favourite. What is appealing to one may be ‘poison’ to another but that does not matter since each has their own ‘private plate’ from which to eat.

Contrast this with the banquet hall, catering for a party of 100: essentially everyone eats from the ‘same plate’ *Unlike* the restaurant manager, the catering manager is no longer trying to provide for the special favourites of the diners. On the contrary, the menu is developed *to least offend the diners*; that is, one or two choices, favourites of few but offensive to none. Airline food (now a thing of the past) is another such example.

Consider that while the restaurant owner tries to find out what people DO like, and provides that, the banquet manager determines what people DO NOT like and stays away from that.

Individuals in a Community can have the ‘restaurant experience’ if they live in a dormitory jurisdiction and work elsewhere. When the economy now comes to the Community, that experience transmutes into the ‘banquet hall’ and everyone shares the results of that development, whether it is their ‘favourite’, or not;. In effect, ***everyone eats from the same ‘Community Plate’.***

In economic development it is often better to take the ‘banquet manager’ approach and ask people what they DO NOT want rather than what they DO want. Gaining agreement ‘restaurant-style’ is not likely. Each person will have a certain set of ideas which are unlikely to mesh perfectly with those of others and each tends to lobby for their own position. While they might not *object* to many of the other ideas, they often see themselves as competing for their particular position; it is simply human nature.

It is more practical to help people to identify the core elements that they DO NOT wish to have and thereby open the door for many more elements which are at least acceptable, if not ideal.

The set of what people WANT is far smaller than the set of what people (WANT plus are O.K. with)

DON'T WANT	NEUTRAL “I’m O.K. with it”	WANT
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Realistically, not everyone in the community will get what they want

Realistically, the community can agree on what they DO NOT WANT

This leaves a much broader range of possibilities, few ideal, but all ‘acceptable to good’

Ask NOT what the Community DOES want, but what it DOES NOT want

This results in an outcome in which, while no one gets *everything* that they want, neither do they have strenuous objections to what is decided. **This is a realistic objective of the process.** Essentially, the Community Plate’ is ***acceptable*** to all, even if not the ***favourite of any.***

Interpreting the Values of the City of Kawartha Lakes

Without trivialising Vision Statements, it is often possible to create one without any reference to the Community itself and, generally, few people will argue with what is so provided. *This is not surprising*: we are all people, we all live in the same Province and, at the broad Community level, we all want much the same for our families. Why then are unique plans required? Simply, each Community starts from a different point, with different assets. Even when striving to achieve the same goal, a different route is required in order to get there.

Vision Statements are most often created from the Values of the Community. In effect, a Vision Statement seeks to combine the Values into a short, memorable form. Many Values and Vision Statements, especially the more extended and detailed versions, can be interpreted as ‘wish lists’ that may not be realizable in a practical manner. As is often the case, the Values derived from such processes can be vague. This is not a criticism per se and it does allow for broad interpretations that perhaps avoid the *potential* conflicts, such as: “maintain our rural way of life” and “diversify our economy”. It may be necessary to compromise that rural way of life to some extent in order to attract better than minimum wage jobs.

When such less precise statements are then used to *protest* a particular strategic initiative that could be interpreted as violating the Values, then the ambiguity is brought to bear by detractors of that strategy. This is most often done through interpretations that best meet their particular cause. ***This can result in stalemate – and absolutely nothing happens.***

Creating the boundaries of the Community Economic Development Mission

Often Missions can be broken into two parts – the affirmative goals and the limiting conditions: **“Achieve *this* within the bounds of *that*”**. For this initiative, two recent documents were used to identify the affirmative and limiting Values and these were supplemented by comments received in many of the Respondent discussions:

- Community Voices, Community Spirit, Community Matters – United Way et al - September 2006
- Community Vision – City of Kawartha Lakes – July 2002

Both were scrutinized in detail and affirmative actions towards which Economic Development may contribute and the boundaries, within which it must operate, were listed. Without in any manner diluting these Values, the key elements were collected and recorded as the Values relevant to Economic Development.

Values compendium for the city of Kawartha Lakes

The sources are:

- 'UW' – Community Voices, Community Spirit, Community Matters – United Way et al - September 2006 – entire document
- 'CV' – Community Vision – City of Kawartha Lakes – July 2002 – pages 8 through 10

Source	As described in the source	Implications for the Community Economic Development Mission
CW	Employment emerges as the most important requirement overall in most respondent age groups	Economic Development overall speaks to this directly
CW	'Better than minimum wage jobs' are a concern	Economic Development, especially <i>business attraction</i> , speaks to this directly
CW	Affordable housing appears as a concern	A consequence of Economic Development: <ul style="list-style-type: none"> ➤ If more people move into the industrial centre(s) this will create upward pressure on house prices. ➤ If wealthier residents are attracted then similar upward price pressure may result; this is a common concern in many communities ➤ This may require a plan in the future to require developers to build such a mix.
CW	Need for entrepreneurial support	<ul style="list-style-type: none"> ➤ General support – the Kawartha Innovation Centre should assist here ➤ 'Angel' investors or similar
CW	Need to develop information technology era knowledge and skills	Speaks to the need for skills training in the knowledge economy and the relatively lower level of educational attainment in the current population demographic
CW	Transportation is frequently a concern in the more remote areas to permit access to employment and for seniors without their own transportation	Similar to affordable housing, this will rise in importance with economic development success and may be an essential element in connecting people to emerging jobs
CW	"We have it all – yet we are not bringing it together" – quoted respondent	Kawartha Lakes DOES have it all and it MUST now be brought together
CW/CV	The survival of agriculture appears as a concern	The Mission addresses this to some extent

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Source	As described in the source	Implications for the Community Economic Development Mission
CW/CV	Protecting the environment appears as a concern	The environment is one of the stated boundary factors for the Mission
CV	Protecting the rural way of life	The Mission plans to do so, <i>in appropriate measure and places</i> ; some compromise may be necessary
CV	Tourism gets a scant mention but it is recognised	Tourism is a vital and growing industry for the City
CV	Controlled and managed growth	Economic Development will drive growth; this must be managed in concert with other city Missions
CV	Strategic infrastructure investments	To meet specific goals, with a strong case and as funds are made available
CV	Good value for tax-payers dollars	This relates to 1) the effectiveness and 2) the efficiency in the execution of Economic Development
CV	Economic growth and diversity	Key elements
CV	Young people that can and do work in the City	This relates to the availability of sufficiently well-paying jobs
CV	People are well-educated and prosperous	Economic Development will help achieve the latter and offer encouragement to the former
CV	Look to the future: be innovative and entrepreneurial	A thrust of the Mission
CV	Be a technologically connected community	No longer a bonus but an essential for Economic Development
CV	Communities cooperate City-wide for the benefit of all	This <i>is</i> a City-wide Mission

Values to guide the Community Economic Development Mission

Mission Statements should be neither prescriptive ('how to do it') or unnecessarily restrictive ('what not to do'). ***Only enough of either to guide the Mission and to define the outer boundaries of acceptability.*** Failing this, innovative approaches may be deterred and needless limitations will restrict the possibilities.

Distilling the above compendium into the key points results in the following Values to establish the objectives and boundaries of the Community Economic Development Mission for the City of Kawartha Lakes:

- Economic diversification that builds upon the successes of the past, yet embraces the future.
- Enduring employment opportunities, providing good compensation and, to the extent practical, accessible to all.

while:

- Executed in the most effective and efficient manner to achieve the Mission and to make the optimum use of tax payer investment.
- Implemented in a controlled and responsive manner that contributes positively to the economic, environmental and social well-being of the Community.

Note: Lying in wait in the compendium are at least two 'inter-Mission' issues that may result from the desired success in economic development – one is the need for adequate transportation to move people to and from work and the other is to ensure sufficient affordable housing for those employed. Although these should be *acknowledged* in economic development activities, they more properly belong in other Community Mission Statements such as a 'Community Housing Mission' and 'Community Transportation Mission'.

A formal Community Economic Development Mission Statement was derived from these Values, as shown in Appendix II, and this can be revisited from time to time as the needs and Values of the Community change.

II References and Respondent Comments

Main references used in this initiative

Apart from the documents listed previously that were used to derive the Values of the City, the following documents helped to frame the initiative. While no attempt is made to reproduce these reports here, each has significant value in its own right and should be regarded as strong reference and guidance material for any economic development activities undertaken in the City of Kawartha Lakes.

- “City of Kawartha Lakes and the Greater Peterborough Area – Agricultural Economic Impact & Development Study” 2005
- A Member survey conducted by the Lindsay Chamber of Commerce, specifically to inform this initiative
- The “Business Retention and Expansion” survey conducted by the City of Kawartha Lakes in March of 2006
- “Strategic Directions (through 2010): March 2006” - City of Kawartha Lakes Tourism Advisory Board
- Extracts from the “Vote Smart” survey and report carried out by the Chamber of Commerce prior to the municipal elections held in November of 2006
- “The Demographic Overlap of Agricultural and Rural” – Ray D. Bollman, Statistics Canada, January 2007
- “Trends Opportunities Priorities” report of the local Workforce Development Board – April 2006
- Jurisdictional Analysis and Best Practices for Land Use Planning Affecting Direct Marketing and Agri-tourism Operations in Ontario - Ontario Farm Fresh Marketing Association – May 2006

This report was also informed by original economic development work carried out by the Consultants throughout Ontario including South-western Ontario, the Niagara Region, Northern Ontario, Eastern Ontario and the Greater Toronto Area. In addition, general economic data were obtained from Statistics Canada and similar public sources.

Respondent comments

In all, almost 100 respondents were involved. This appendix describes the essence of the respondent comments recorded in this process. It is derived from:

- Meetings facilitated by the Consultants.
- Interviews conducted by the Consultants.
- Various current and recent reports provided by the City.
- Reference documents regarding the general state of and projections for the jurisdictions that relate most closely, geographically, to that of the City. Some of these are ‘competitors’ for economic development investment.

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Listed below are:

- **Perceived advantages** of Kawartha Lakes that may be relevant to economic development.
- **Perceived disadvantages** of Kawartha Lakes that may be relevant to economic development.
- **Ideas for economic development opportunities.** Each would require additional thought and discussion, ideally by the proponent or others that regard the benefits as worthwhile. An Economic Investment Case would have to be developed and the various opportunities prioritised against all other proposed thrusts and the funds available for such investments.
- **Concerns and perceived issues** regarding economic development or the lack hereof. Only those that were mentioned several times are listed.

Advantages	Consultant Comment
Inexpensive real estate	An advantage for new industrial buildings and new residences alike
Quality of life in all respects: <ul style="list-style-type: none"> ➤ Restful, small-town feeling ➤ Low crime rate ➤ Friendly people ➤ A good place to raise a family 	A definite plus for most people and industry attraction thrusts
No traffic jams	This may change as the population grows but the effects should be minimal for some time to come
Home-based businesses are already established	These can be parlayed into an 'Ambassador' program to attract similar businesses
Proximity to a larger centre such as Peterborough, without being too close	A plus when attracting new businesses and residences
Sufficiently close to the largest urban centre of Toronto	A plus when attracting new businesses and residences, especially for firms expanding from or relocating out of Toronto
An available work-force, many of whom are working currently in the larger industrial centres such as Oshawa	Many would be encouraged to work more locally with available local jobs that pay sufficiently well
A lower cost work-force than the Ontario average	A definite attractor, especially for more labour intensive industries
Well-positioned geographically between the major Ontario urban centres/trunk routes and the beauty of the Canadian Shield	An excellent position from which to attract business people who wish to work where they can also live well and play well
Neighbouring communities are limited by the Greenbelt and the Oak Ridges Moraine	Unquestionably this is an advantage but not so unless the land permitted to be developed IS developed for economic purposes. Else it is indistinguishable from these restricted areas as far as industry is concerned.

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Disadvantages	Consultant Comment
Lack of wide-ranging public transportation, ideally environmentally-friendly	This will become more acute as industries arrive and the population increases, most especially between the more remote centres and the expected major industrial focus of Lindsay
The age demographic (older than the Ontario average) is not an encouragement for industries	The retirees attracted to the area bring with them accumulated wealth and spending power. Some may start small businesses. However, eventually, the Community must retain and attract younger persons in order to service the industries that will be attracted
Higher business taxes in relation to Peterborough	The antidote to cost is value; increase the perceived value for what is paid. Further, as industry is attracted, the larger tax base can constrain increases in taxes to some extent.
Relatively scattered (geographically) population base	Industry is likely to focus in and around Lindsay. The City may prevent location but it cannot force it into particular area. This will raise the requirement for an effective public transportation system, preferably eco-friendly, to transport those living in the more remote areas to the centre(s) of industry.
A lack of formally skilled-trained people	Formal skills training increases as the need for these skills becomes apparent in local industries. This is a chicken and egg situation but one need not totally lead the other. As local industry needs increase for persons skilled in a particular trade then training can respond and people will be encouraged to become so trained.
A lack of amenities and stores compared to the larger urban centres such as Peterborough	Over time, this will occur and Newmarket is an example. In the late 80's it had a population base of some 30,000 persons. Twenty years later this is now approximately 80,000 and there are few amenities and stores missing.
A severe lack of industry-ready, service land	This is problematic and some investment is required. This is best based upon commitments made by the Economic Development function of the City to attract tenants for this land.
Lack of rail links	This would preclude industries that traditionally use rail for transportation purposes.
Lack of access to major commercial waterways	This would preclude industries that require such access.

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Disadvantages	Consultant Comment
Lack of four-lane highway access to main trunk roads	This is an impediment but, in time, the highways will come close due to other expansions. If the City could accelerate this process with the Province then the rate of economic development would tend to increase.
Uneven high-speed telecommunications access	This is an impediment to more remote businesses, such as home-based businesses that may be started by retirees. Such access is no longer an 'advantage'; not having it is a definite 'disadvantage'.

Economic Development Opportunities
Create more four-seasons attractions for tourists.
Focus on small to medium-sized firms that will take root because they want to locate in the City. More likely to be long-lasting and less likely to out-source.
A medical equipment manufacturer has moved into the City; build upon this success to start a related industry cluster. Pharmaceuticals also.
Based upon the 'Environment First' value of the City, eco-industries of all types can be targeted for attraction: <ul style="list-style-type: none"> ➤ Environmental remediation ➤ Alternative energy (perhaps based upon local crop production potential) ➤ Alternative building technologies The Fleming Campus School of Environmental and Natural Resource Sciences can be a significant leverage for such industries. The Kawartha Innovation Centre can also play a significant role in assisting fledgling companies in this field.
Aggregate minerals in the relatively unpopulated areas in the north of the jurisdiction.
The airport is an opportunity in hiatus – either develop a more useful airport or convert the land for other uses.
Eco-tourism, using the strong commitment to the environment that is apparent in the City.
Manufacturers of camping, fishing, boating and similar recreational products that link to the image of Kawartha Lakes.
Home-based businesses that are computer-based.
A luxury resort on the water with the attendant service sector employment spin-offs.
Call-centres, although not to be relied upon as the centre-piece of an economy, can provide employment opportunities at the entry level or for some second-income earners.

Concerns and Perceived Issues
A lack of municipal commitment to economic development.
A lack of positive City contact with existing businesses, leaving the impression that these are taken for granted.
A lack of water and sewage capacity for industrial purposes.
As the population grows then services such as health professionals must also be considered.
The growth in population has a large component of retirees. While welcome, this population growth must be balanced by additional jobs that can help fund the future needs of the population.
A planning approval process that appears to be protracted and not encouraging of business development.
Lack of a four-lane highway connection to the main trunk roads.
Essential to act in accordance with what we are – not try to be something beyond that until we grow into it. But we must grow into it.
A partnership, not acrimony, is needed between the public and private sectors to forward the economy.
A need to move rapidly towards economic development but within the means of the City. As success occurs then acceleration can occur.
The City is losing well-educated and trained younger persons due to the lack of new and emerging technology-based and advanced manufacturing businesses.

III The Community Economic Development Mission

Strategies are created typically to achieve certain **specific** goals over a period of time. Identifying hard, specific goals that will encompass a ten-year period is, for the most part, futile, due to the ever more rapidly changing economic landscape within which all communities find themselves today. Whereas many firms in the private sector had created five-year strategies in the 1960's and 1970's, most today devise specific plans for a 12-24 month period only, reviewing and revising these frequently such that their performance objectives are met, despite the changes in the business environment. The overall objective of the company may be constant but the particular strategies and initiatives of the organizations adjust to the current realities. **The need for such flexibility is no less critical in the public sector.**

The concept of the Mission has no time boundaries and it will adopt various strategies over time to best meet the current and future needs of the Community.

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Community Economic Development Mission Statement

The Mission of Community Economic Development in the City of Kawartha Lakes is to enhance our prosperity by providing accessible, well-paying employment opportunities, through a diversified and enduring economy, that builds upon the past, while embracing the potential of the future.

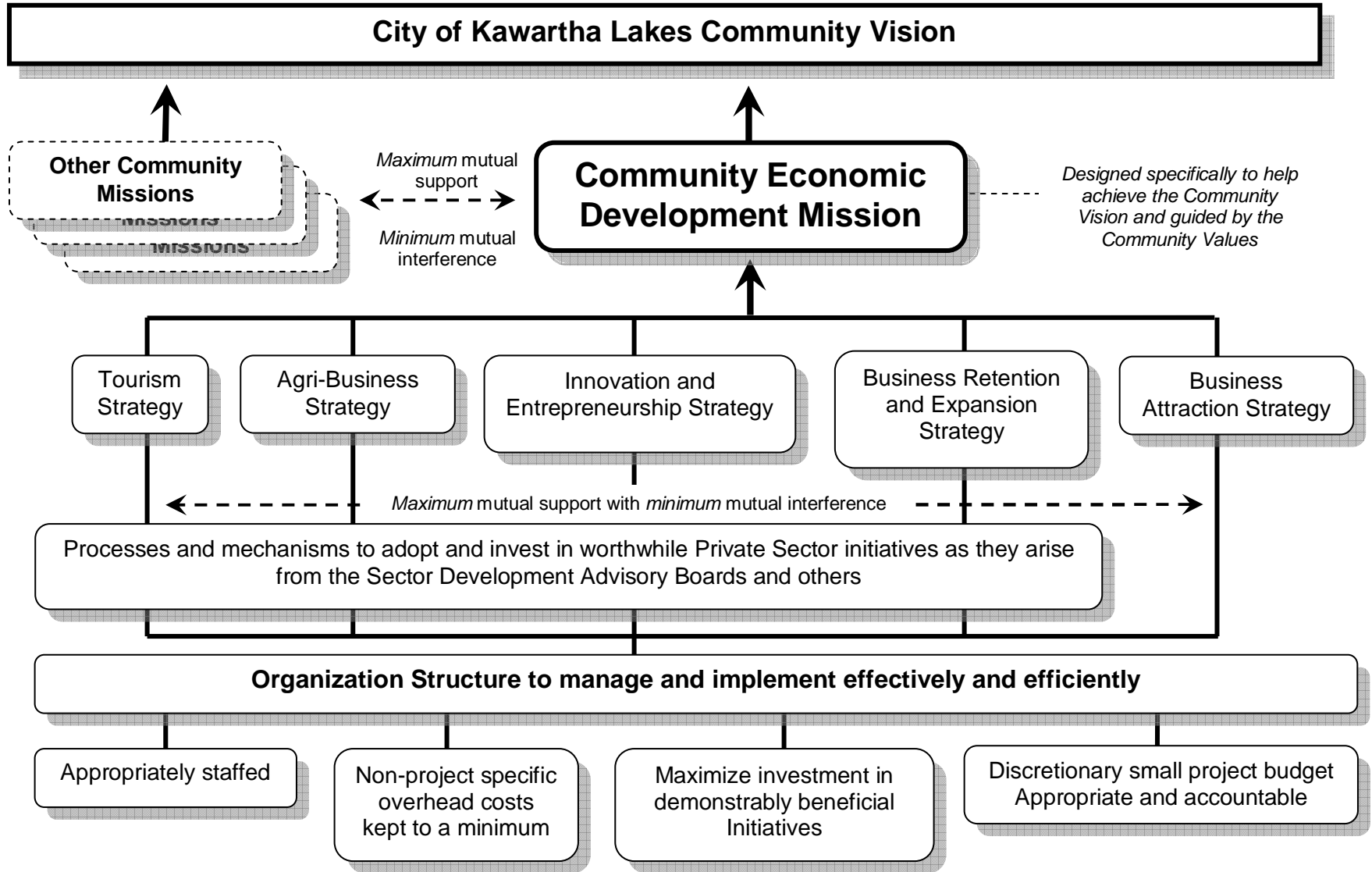
In so doing, the Mission will be executed in the most effective and efficient manner possible in order to provide excellent value to the tax-payer while contributing positively to the environmental and social well-being of the Community.

Creating the Economic Investment Case (EIC)

As with any other business case, many factors must be taken into consideration. Individually, none of these is difficult to understand but the research and assembling of a convincing case for investment **requires diligence and much effort.** This has several implications:

- That the City Economic Development function is unlikely to expend great effort on a case that they believe to have a poor return on investment and hence, little chance of being justifiable to Council. In fact, part of their mandate is to identify these cases at the earliest stage possible and, most certainly, not to waste the time of Council with such cases.
- Consequently, when the private sector approaches Economic Development it must be with a solid case that shows how the City will reap the rewards commensurate with the required investment by the City.

CITY OF KAWARTHA LAKES COMMUNITY ECONOMIC DEVELOPMENT MISSION
APPENDICES



- **This is a ‘two-edged sword’** in that, when presented with credible and worthwhile cases, the City must then make every possible effort to support that investment. If the City fails to do this then enthusiasm for the necessary hard work will be greatly diminished and the Economic Development Function will no longer be as effective.

A sample of the types of information needed for an Economic Investment Case is shown below.

- Background and Description
- Nature and Scope of Economic Benefit
- Other, non-economic benefits
- Feasibility and Barriers
- Key Actions and Milestones
- Risks
- Time to Effect
- Cost to Effect
- Expenditures and returns flow over time

With this approach, Economic Development is no longer seen as a demand for expenditures with little credence given to the returns and benefits. Instead of the door being grudgingly forced open once a year at budget time, it is struck off the hinges by Council and opened for the ongoing consideration of demonstrably worthwhile economic investments that can be made with a high level of justification and confidence.

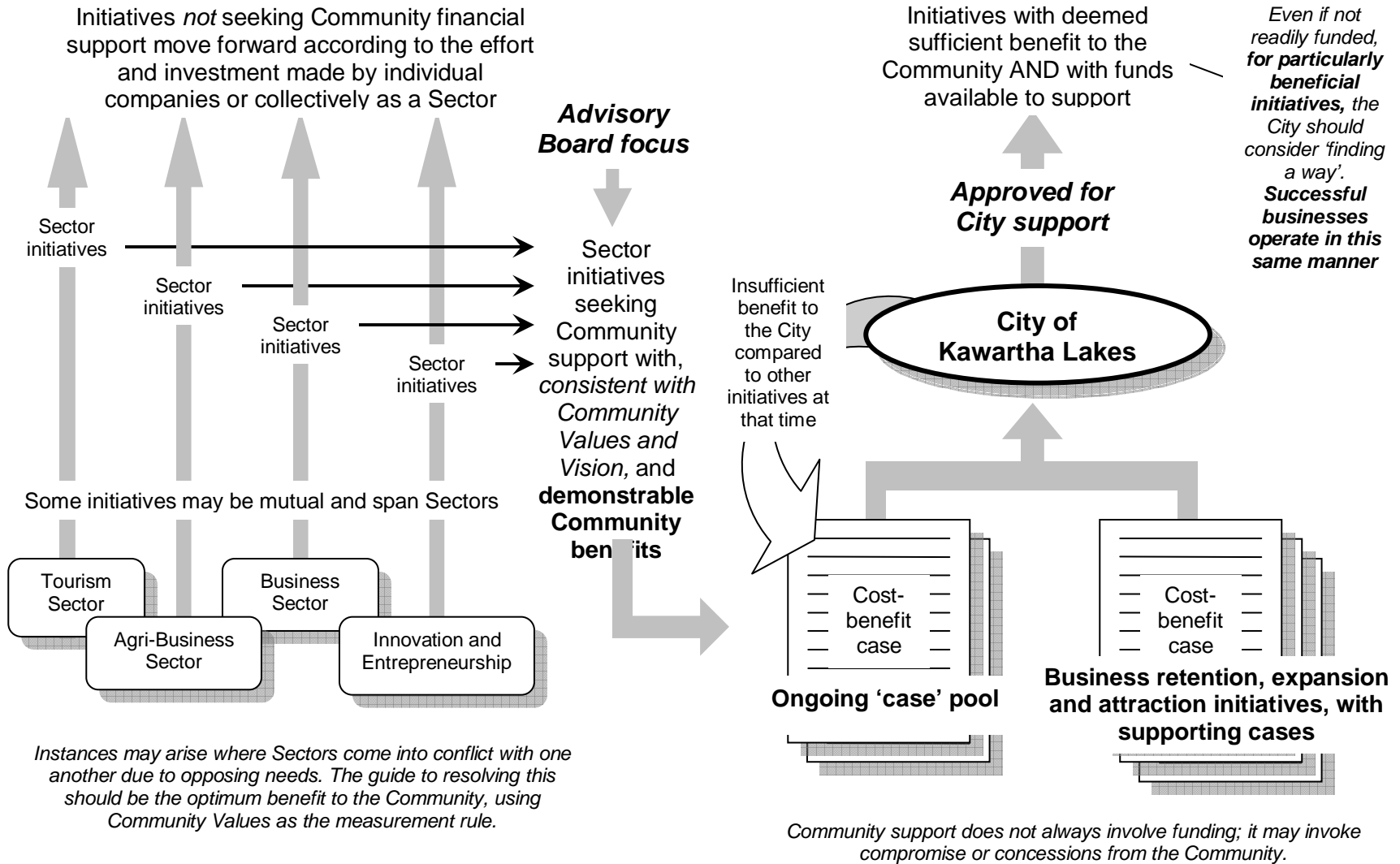
There are limitations. Private sector investment houses will borrow to invest in various ventures; this is ‘leveraging’ and involves borrowing money at a lower rate of interest than is expected to be return by investing it. It is the essence of making money in the world of investment.

Similarly, public sector funds are required to fuel the engine of economic development.. Just as individuals invest their savings for their own future, the use of City reserves is fully justifiable to gain momentum in economic development. This is the first instance where the voice of the Informal Leaders, the Champions, is vital in supporting such decisions of Council.

All current economic development efforts being supported with City funds must be subject to such a scrutiny and a decision made as to whether they can be justified and, hence, continued.

In so doing, careful attention should be paid as to the origins of the current efforts. Some activities addressing the Agricultural Sector have been adopted by the City Economic Development Function as a result of downloading from senior levels of government. These activities are valuable in their own right but may not be appropriately placed within the new mandate of the City Economic Development Function; ***equally, they should not simply be abandoned and a new ‘home’ must be found***

Gaining support for Sector Initiatives through demonstrable Community benefits



**Communicating what is happening in economic development
*Information is the best way to generate enthusiasm for and an
understanding of the Economic Development process.***

The most effective communicators of what is happening in economic development in the City of Kawartha Lakes are the Mayor and Council. Constituents will pay attention to what is being said.

By being well-informed, the Council can show their commitment to the Community Economic Development Mission and enthusiasm may be garnered throughout the Community. Further, Council are frequently asked questions by their constituents and the media. By reporting these questions to the Economic Development Function on a regular basis the latter can develop and maintain a 'Fact and Information' sheet that may be used by Council to respond and which may be posted or issued publicly from time to time.

Every major initiative should be well publicized and the assumptions stated that lie behind the initiative. As with all investments, not all ventures will prove to be successful. When this happens, it is best to state this publicly, early, simply and with reasons. ***Then move on.*** This is the second instance where the vocal support of the Champions is so critical. If the opposite occurs and unreasonable criticism is directed towards Council then these Formal Leaders may, over time, become unwilling to expose themselves to such criticism from supposed their allies in the private sector.

Supporting infrastructure within Economic Development

The most successful investors have a relatively small 'overhead' staff dedicated to the identification and justification of worthwhile investment cases. The Boards of such investment houses demand that their staff bring forward such cases on a regular and frequent basis; else the Staff has no purpose in, or value, to the investment house.

When worthwhile investments are pursued, the resources that brought the case forward then move on to find yet more opportunities and are not delayed in this process by working on the newly started initiative. Essentially, this base staff is the 'sales force'; once the order is taken then another part of the operation delivers the goods.

The City is also an 'investment house' using Taxpayers dollars as the grist for the mill. The City Economic Development Function should take the same approach with a small, aggressive and highly competent base staff dedicated to identifying and justifying worthwhile Economic Investment Cases. Similarly, the resources that will actually execute the initiatives that go forward are part of the ***investment cost*** of that initiative and should be separated clearly from these base staff, to permit the latter to continue their 'seek and justify' efforts.

Positive support is essential from all City Departments

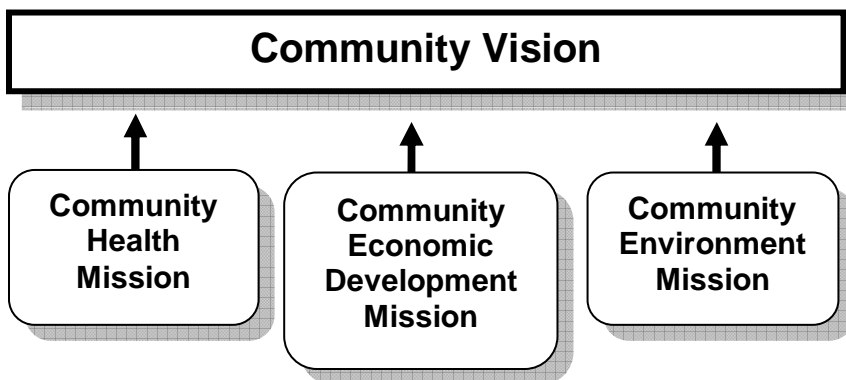
Economic Development is a Foundation Mission for the City and, as such, everyone has a positive role to play. As such it needs the support of all City Departments and the protocols between these and the Economic Development Function must be established clearly.

Economic Development is a function that is **expected** to push the envelope of operations; at the same time, other City Departments properly have a role to police such plans and ensure that all necessary considerations have been taken into account. It is essential that these other Departments approach perceived barriers in a positive light and, when they are encountered, to work with the Economic Development Function to find ways to overcome the blockage.

It will be important that any ongoing Economic Development Function not be seen as the 'one-stop shop' for all issues and complaints from the businesses within the City. Most City Departments will have some interface with businesses in one shape or form. If the situation develops wherein these other Departments are at odds with a business or businesses then the overall Management and Leadership of the City must step in to resolve this and not permit the Economic Development Function to become the buffer and repository for such acrimony. Failing that, the Economic Development Function will spend most of the time and resources available listening sympathetically to complaints and acting as a mediator between those businesses and the rest of the City Departments. This is an unnecessary waste of Taxpayer dollars when it can be averted simply by the courageous and assertive action of the City Leadership and the effective direction of Staff.

Mission conflicts

Generally, a Community may have several Missions relating to various aspects of the Community Visions and Values.



The Community may have many Missions, each designed to address particular thrusts in achieving the Community Vision

If such Missions existed in isolation, with no collateral impacts, then the Community need be concerned only with the effectiveness and efficiency of the individual Missions. Most often this is not the case and efforts towards one Mission may have positive or negative effects on those of another.

If everything could be measured and compared directly, as is the case, for example, when choosing between two investments, then there is no dilemma. Unfortunately, the measurements of success in one Mission are often different than those for another. It is not easy to reconcile directly a choice between creating higher-paying jobs and, potentially, impacting the environment. Opinion and individual preferences come to the fore and are often irreconcilable.

The same conflict may arise within the economic development Mission. Although Kawartha Lakes has abundant space to accommodate industry, agriculture and tourism, hypothetically, an initiative to locate industry may be seen as damaging to the Tourism Sector or to the Agricultural Sector.

An 'Executive Decision' is then necessary. Inevitably, some element of the Community will not be happy with that decision since one side will have been seen to be 'favoured' over the other, with little apparent founding or logic to the 'injured' party. However tempting it may be, a prolonged failure to make the decision may do more harm than good and reflects poorly on the Executive.

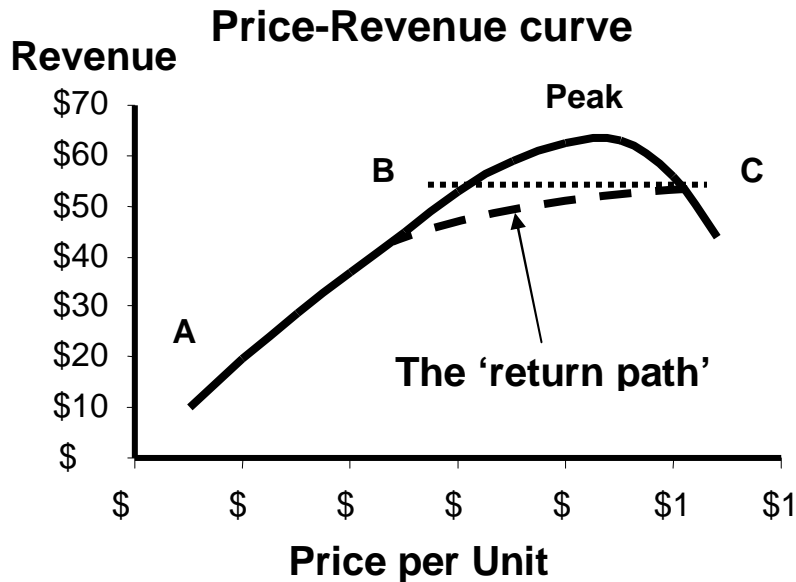
The criteria for these decisions should be the stated Values and Vision of the Community and which path best meets those criteria. It is also where the courage of the Formal Leaders to make those tough decisions is so essential and the third instance where the very visible support of the Informal Leaders can be so critical.

IV Economic factors relating to Kawartha Lakes

The jurisdictional competitiveness challenge

This is an analogy drawn from private sector product price positioning. Firms with a new product to market may attempt to drive a price higher and higher until the multiple *{revenue per unit times total units sold}* starts to drop off.

From A to B all is well but the effects of a rising price start to impact the number of units sold until a peak is reached. Beyond that peak, heading now towards C, a yet



higher price simply causes poorer financial performance for the company.

This is often an empirical test and much time and money are spent in determining when the curve starts to descend.

Unfortunately, if the downward momentum is not checked in time and prices are allowed to rise too far, when a

remedy is put into place the curve then does not generally follow the path taken to get there. In many respects, the market 'punishes' the company by forcing the price lower than it would otherwise have been.

The same effect can be seen in jurisdictions. It is very tempting to pass on a higher and higher tax burden to firms, since firms do not vote per se (except with their feet!). The same applies to higher and higher wages. As long as the peak is not reached, this brinkmanship will work to the short and mid-term benefit of the Community. However, the companies know what is happening and will look for remedies where possible. If the geographic or jurisdictional location of the business cannot be readily changed then the companies must bear with this but, for most companies, there *are* alternatives for businesses. Unfortunately, these intentions are not telegraphed directly to the jurisdiction, although complaints and other signs of discontent will be the first rumblings

Ultimately, the peak of the curve is reached, the companies start to fail or move on and the jurisdiction finds itself travelling 'backwards' along the return path, ultimately being somewhat worse off than before the peak was reached.

Critical factors in attracting industry

Some charts follow that are derived from a survey of site selector consultants, performed annually by Area Development magazine across North America (<http://www.area-development.com/>)

Site selector consultants are employed by firms wishing to relocate or expand into the jurisdiction that is optimum for their particular business performance. The optimum location will vary from industry to industry and the information shown is based upon an aggregate across all respondent industries.

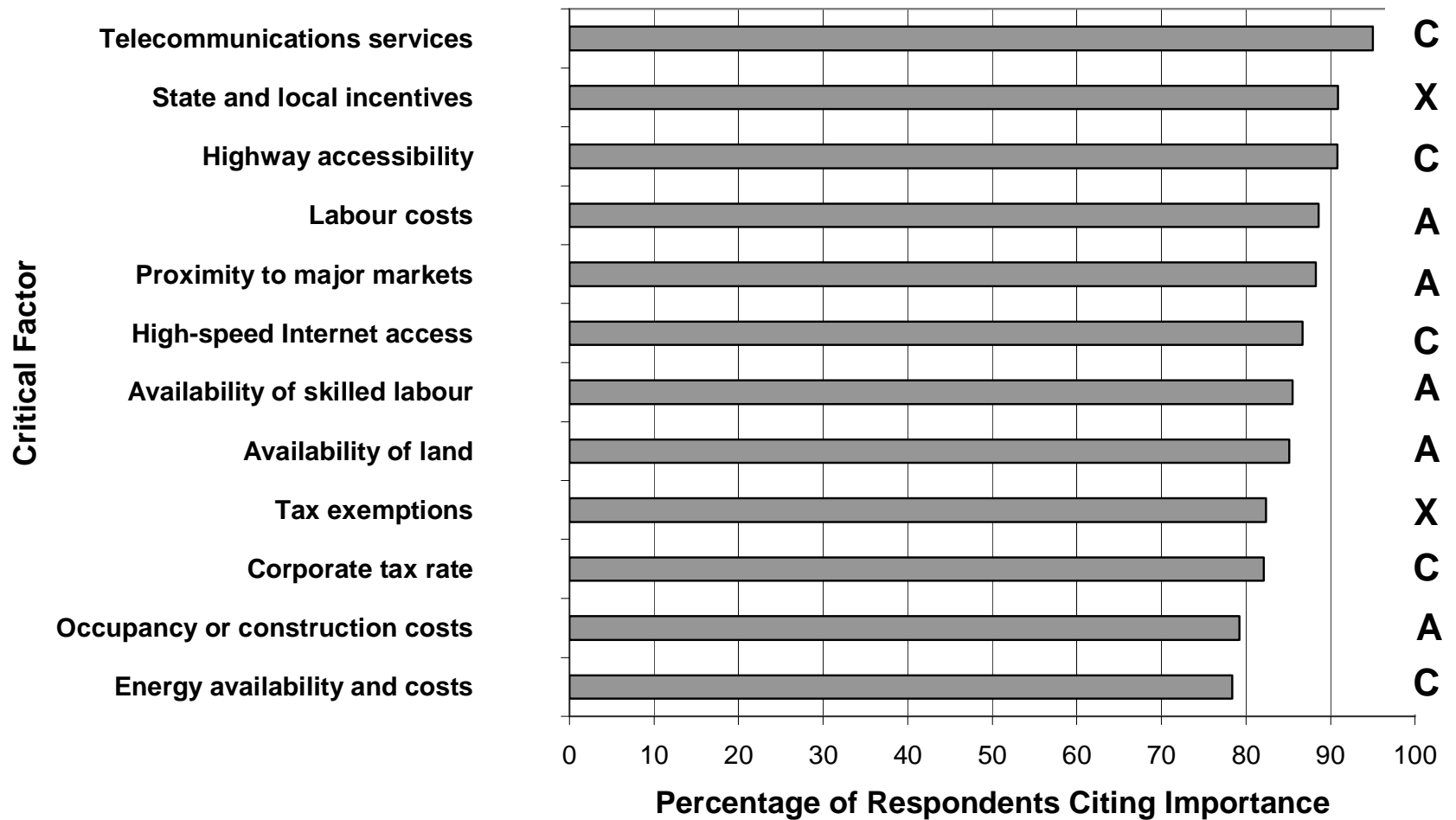
The Consultants have rated the City of Kawartha Lakes for each element.

Statistical information

For information purposes the subsequent charts show some statistics for Kawartha Lakes drawn from the 2001 Statistics Canada Census. The results of the 2006 Statistics Canada Census for individual communities, when available, may change this picture to some extent.

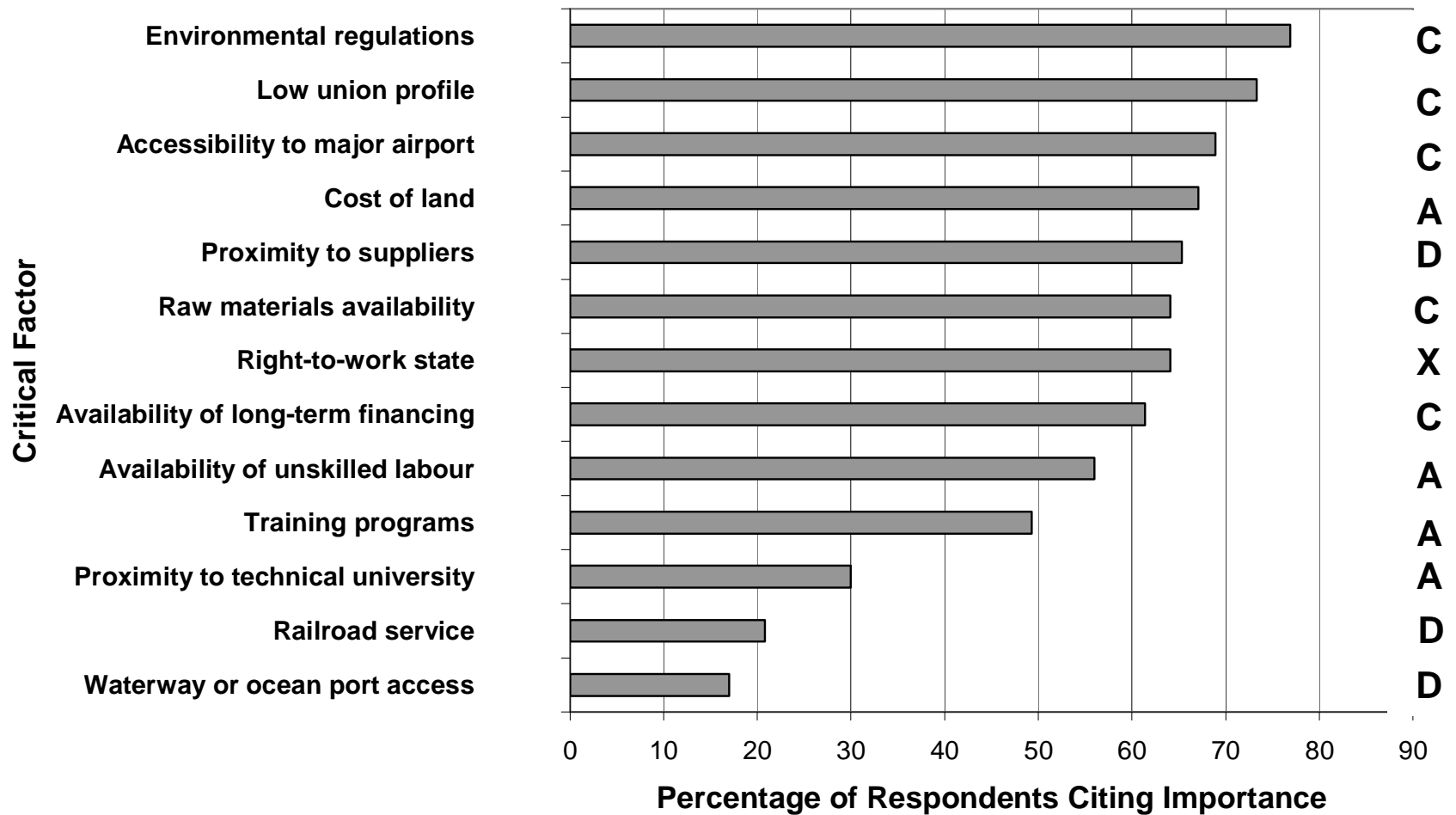
**Site Locator Most Critical Factors
(Area Development magazine - 2006 survey)**

Advantage	A	Disadvantage	D
Competitive	C	Not Applicable	X

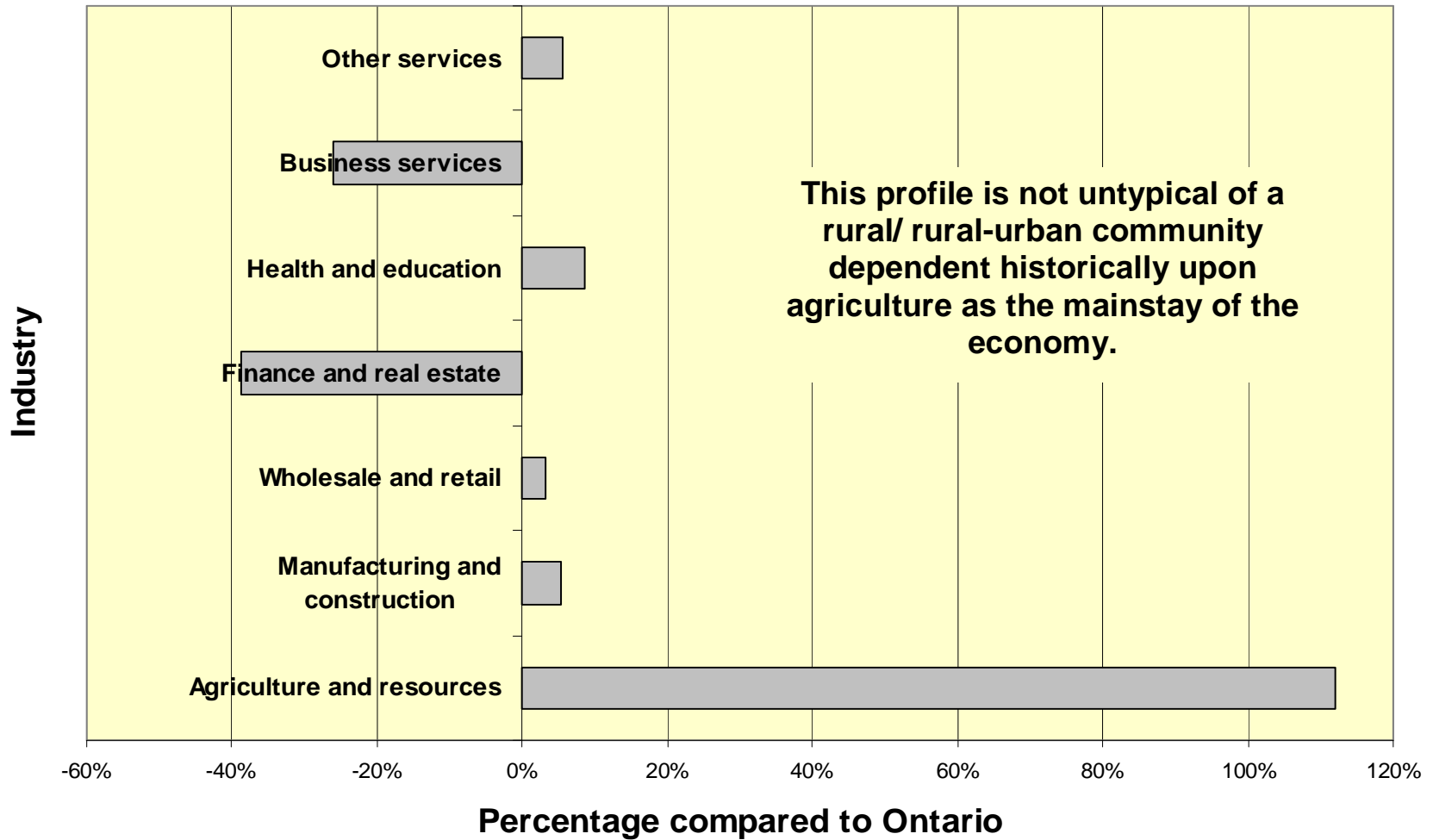


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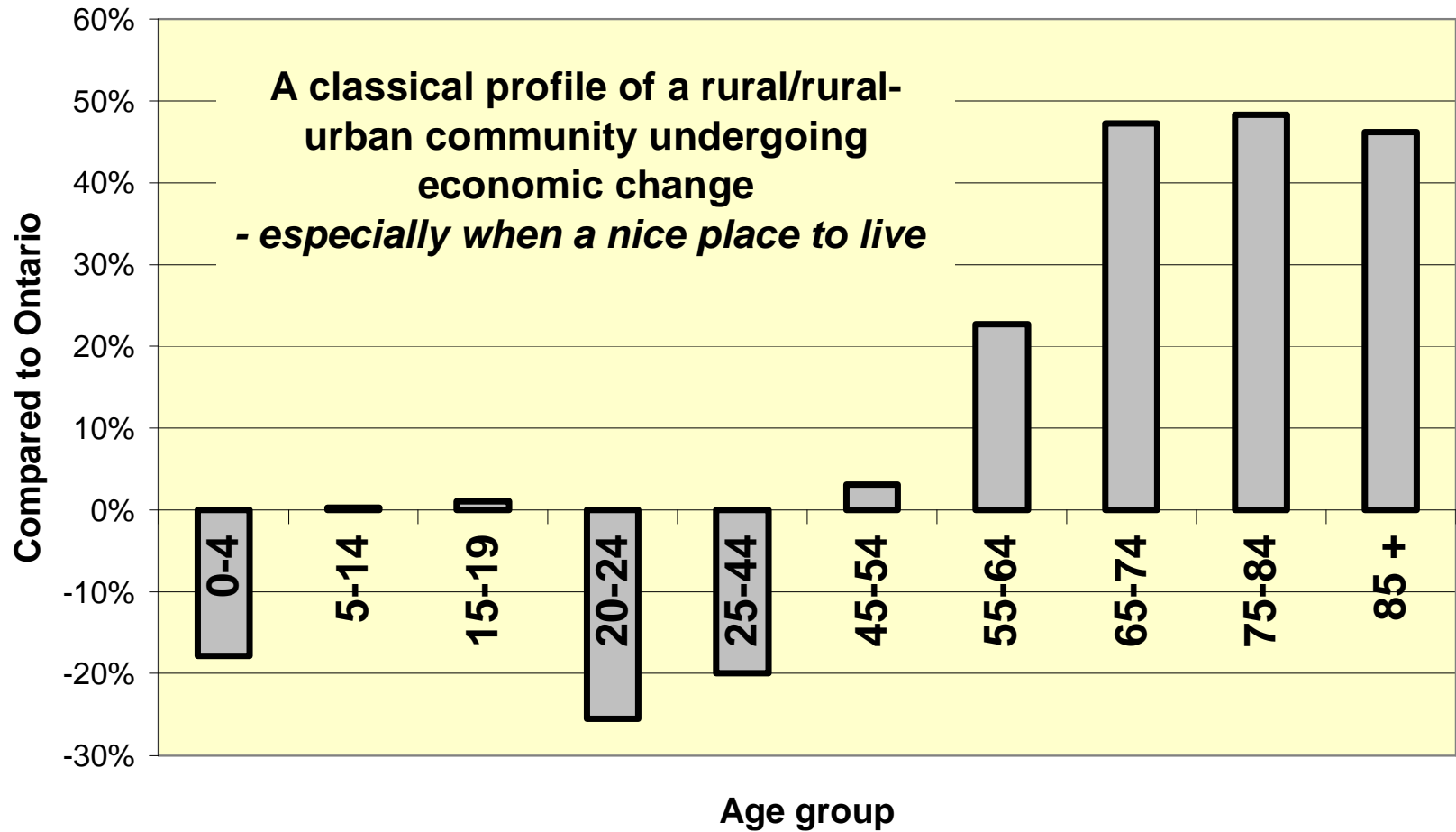
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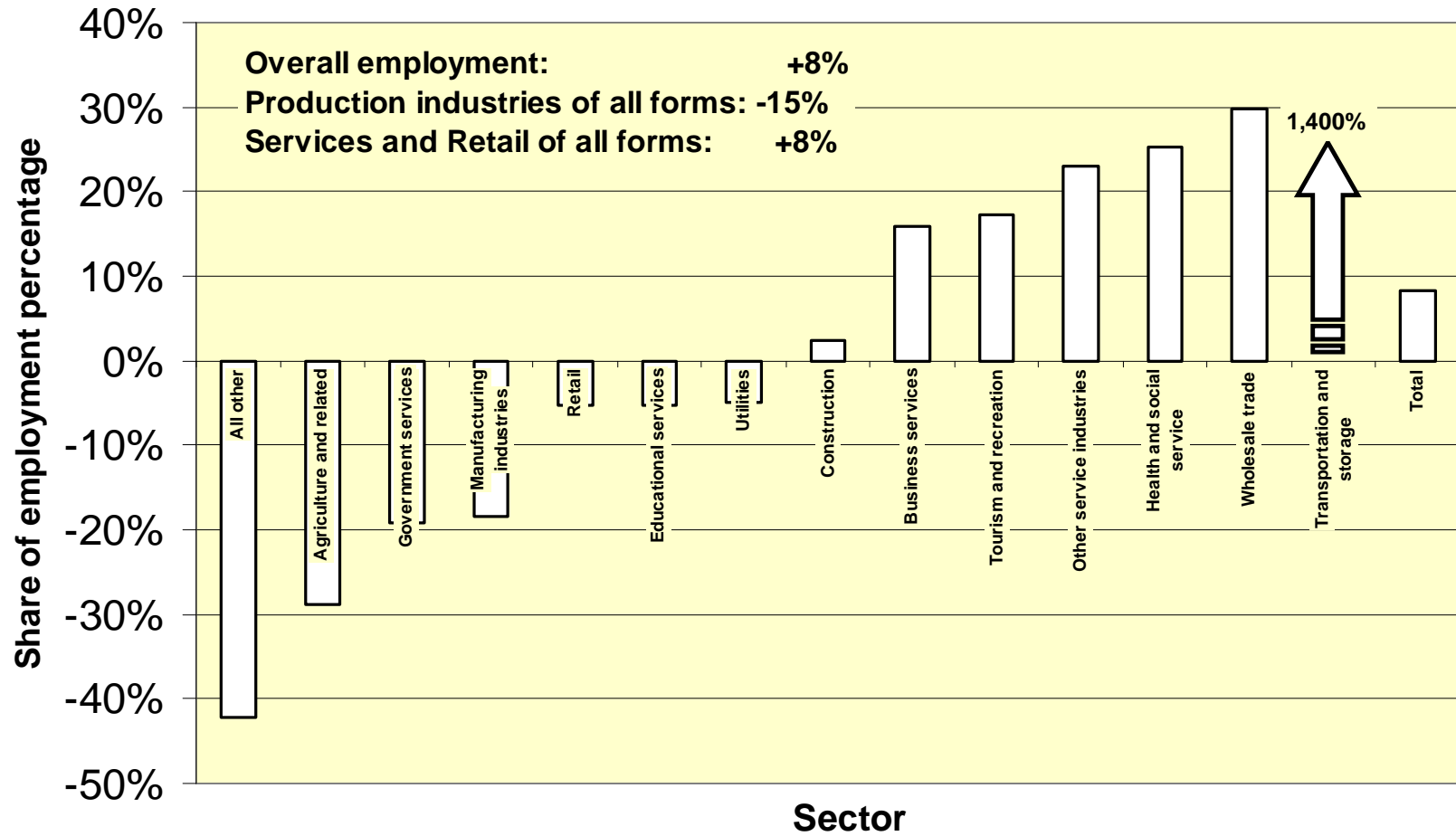
Workforce by industry



**Kawartha Lakes age distribution as a percentage of Ontario
2001 StatsCan Census Data**

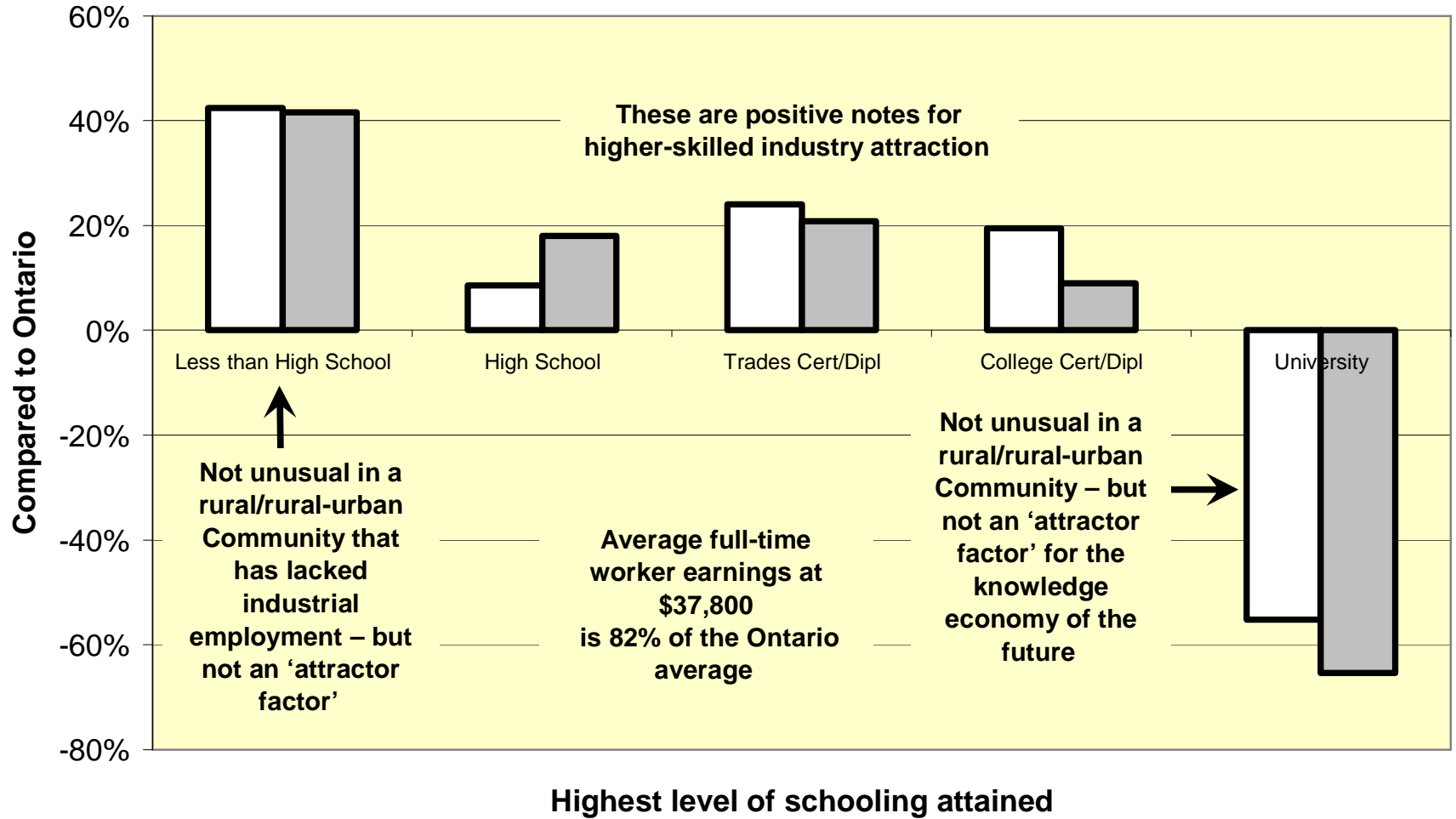


Kawartha Lakes employment change: 1991 to 2001



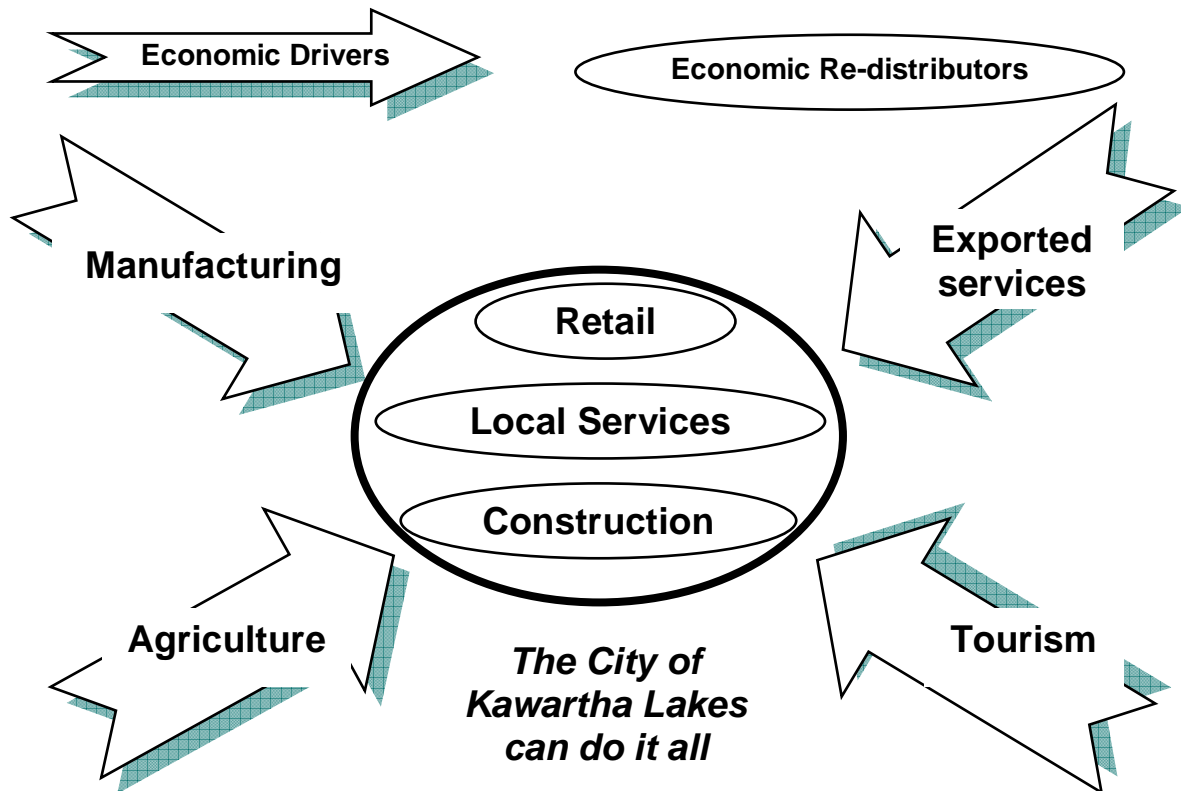
**Kawartha Lakes highest level of schooling attained compared to Ontario
2001 StatsCan Census Data**

□ Age 20-34 ■ Age 35-44



V Economic development principles employed

*“Economic development is an investment, not a cost.
The idea is to bring money in from the **outside** that can then be re-distributed **inside**”*



The above diagram shows the **drivers** and **re-distributors** of prosperity in an economy and both are necessary: the drivers in order to bring in additional wealth and the re-distributors to circulate it within the economy to achieve a balance. In basic terms:

- **‘Manufacturing’** is the production of goods which are then sold outside of the community for which the company and workers receive money which is then spent, for the most part, within the community.
- **‘Exported Services’** is the provision of services to those outside of the community for which the company and workers receive money which is then spent, for the most part, within the community.
- **‘Agriculture’** is the production of agricultural goods which are then sold outside of the community for which the farmers receive money which is then spent, for the most part, within the community.
- **‘Tourism’** is the attraction of people from outside the community who then spend money within the community.

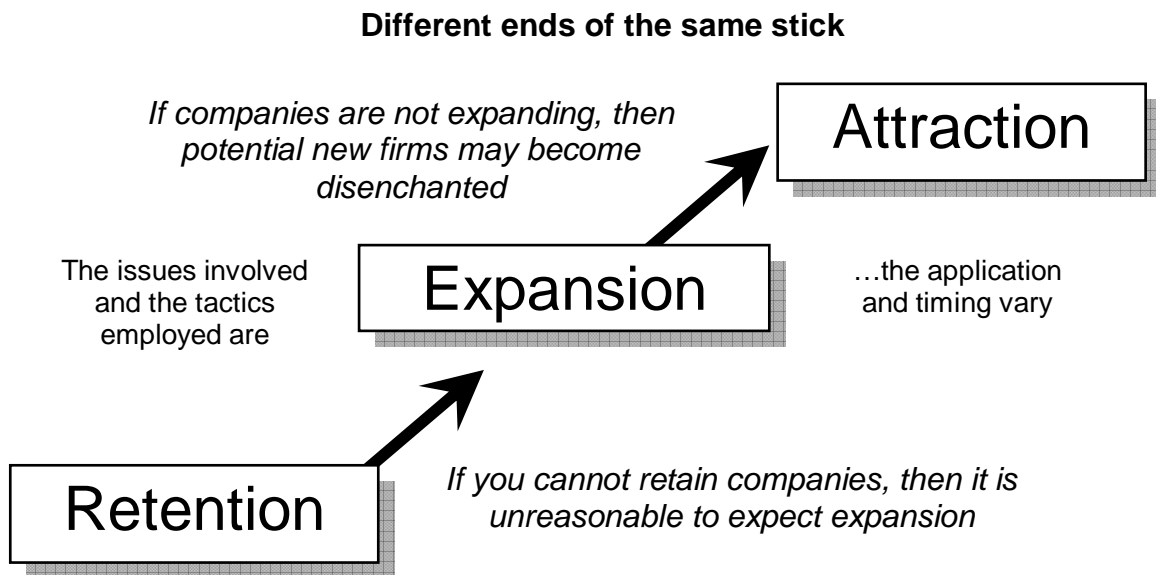
The common theme throughout is that money comes in from the outside for work performed inside which is then re-distributed inside.

Retail, local construction and local services affect the essential re-distribution of the wealth generated by the above four economic drivers and in general, such re-distributor elements will follow the growth of the local population. Having a **growing and increasingly prosperous population** is the best manner by which to stimulate growth in these re-distributor industries.

The following are the principles upon which particular strategic thrusts are based and which may be used, over time, to adjust and redirect the efforts against a changing economic backdrop.

Attracting industry through competitive factors

In general, the same conditions that will encourage the retention and expansion of existing businesses will also be the essential fundamentals in attracting new businesses. More specifically, the **absence** of such fundamentals will be a deterrent to new investment and, alone, they will not be sufficient to attract new investors. A comprehensive economic development plan must consider these elements. In reality these are all ‘different ends of the same stick’ and the variability is in how each element is approached and the emphases placed on each activity.



‘Being competitive’ is often sufficient to retain and permit business expansion; *having an advantage* is the key to winning new investment.

All sectors have key economic requirements that must be compared to the characteristics available in the jurisdiction, in order to assess the ‘fit’. While this will vary from one sector to the next, the same factors will generally apply broadly within a given business sector.

Retention of the existing business base

In the highly competitive market of Ontario (and North America), many firms make location decisions based upon market proximity and cost advantages in labour and raw material; however, the **existing local firm** is the best barometer of local competitive factors.

Some tough questions need to be asked of these firms, such as: Why are you located in this jurisdiction? Was there an attractor or is it simply 'home'? Would you choose to locate here again? Are multinational subsidiaries secured by a product mandate? These questions are essential to separate the 'inertia' of *being there already* from the factors that can generate momentum for others to *come there*.

When retention is threatened, this becomes the main priority of any jurisdiction. As such, it immediately has the most resources attached to the effort and the impact can be significant. Retention efforts, although often purely reactive and late, are relatively easy to organize since the targets are few and are present locally. Retention efforts offer the dual advantages of

- Developing partners and references to work with the jurisdiction in attracting new investment. It is difficult to claim superiority over other locations when significant existing companies are leaving, no matter what the reason.
- Sets the stage for economic growth based upon the expansion of individual firms. Programs directed toward local companies, especially when combined with business climate reforms, set the stage for more successful business attraction.

Expanding the existing business base

Jurisdictional efforts towards expansion are generally focused on efforts to help firms by assisting with export markets (anything outside of their current market area) or by assisting firms to create joint ventures. In terms of new export markets, additional tough questions must be asked: Which firms are 'export-ready'? Is there spare capacity to handle additional volumes of similar products? Are the existing unused facilities of value?

Joint ventures are mutual agreements between firms to share certain resources to increase growth at both firms. For example, a firm in the jurisdiction with a certain type of technology and surplus capacity could manufacture under license for a European or Asian firm that is currently exporting product into Canada or North America as a whole. Matching can be done by means of detailed profiles of particular local firms that are then compared with known characteristics of other firms in the target group for a joint venture.

Despite their effectiveness, Retention and Expansion Programs are sometimes less attractive to jurisdictions. They are usually less visible to the public eye because so much work is being done 'behind the scenes'. It is only natural that jurisdictions prefer to demonstrate to citizens that concrete actions are being taken to build the economy and cutting the ribbon at a new site provides that recognition better than the retention of what is already in place.

However, in the long run, programs built upon *existing* local firms strengthen credibility and goodwill with these firms, develop instant ‘ambassadors’ and demonstrate ‘satisfied customers’. The latter is vital since no company will relocate simply due to the propaganda of glossy brochure extolling the local virtues; they will *consider* relocating if those firms already located in the municipality are prepared to give a good report card.

Everything carried out in retention/expansion **must** be in concert with the needs of these existing firms. The process is remarkably simple, although not easy to execute at all times:

- Understand the issues of the existing firms
- Work with them where possible to address these issues
- Under their guidance, find opportunities for joint ventures, co-manufacturing, new supplies of raw material and new markets

The retention/expansion strategy comes down simply to **choosing to do this**, rather than taking these firms for granted. The tactics required to assist are identical to those used to attract new investment but applied in a selective and focused manner.

Attraction of new investment

The attraction of new investment evolves from well-structured efforts in retention and expansion - *the ‘other end of the same stick’*. In developing a comprehensive investment attraction program, a jurisdiction must carefully identify its advantages and disadvantages. The following statement is as true today as it was a decade ago:

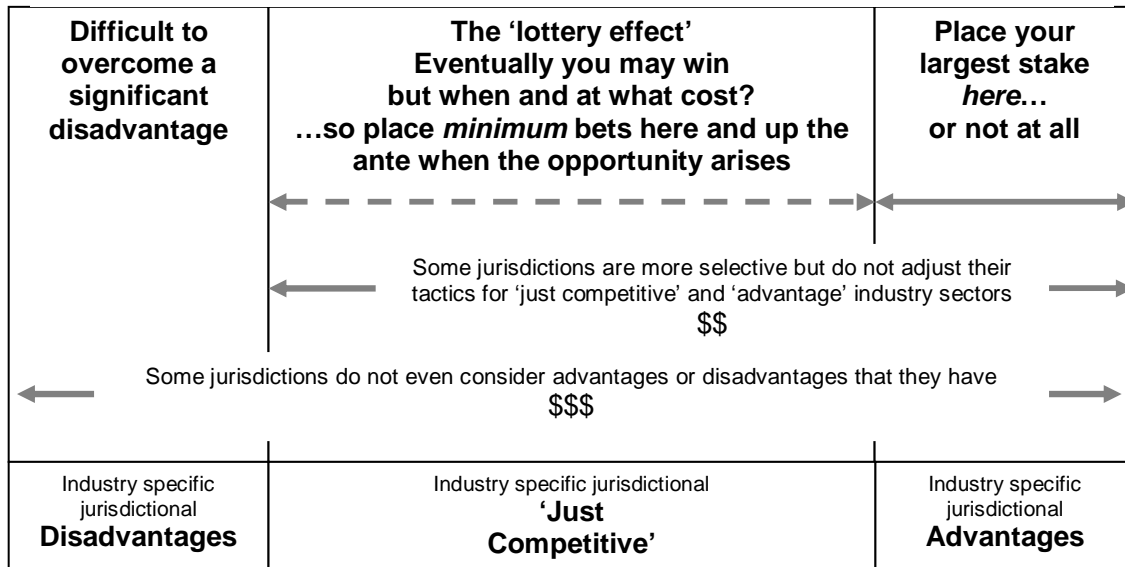
“Successful business attraction is almost impossible unless existing businesses are content with the overall operating environment.” (Report prepared for Ministry of Economic Development and Trade on Investment Marketing Practices. 1995)

The fundamental difference between *retention/expansion* and *attraction* programs is that, in the former, the economic development team is driven by the existing firms whereas, when attracting new investment, the local Economic Development Team must seek the prospective investor.

‘Having an advantage’ is *much* more than ‘being competitive’

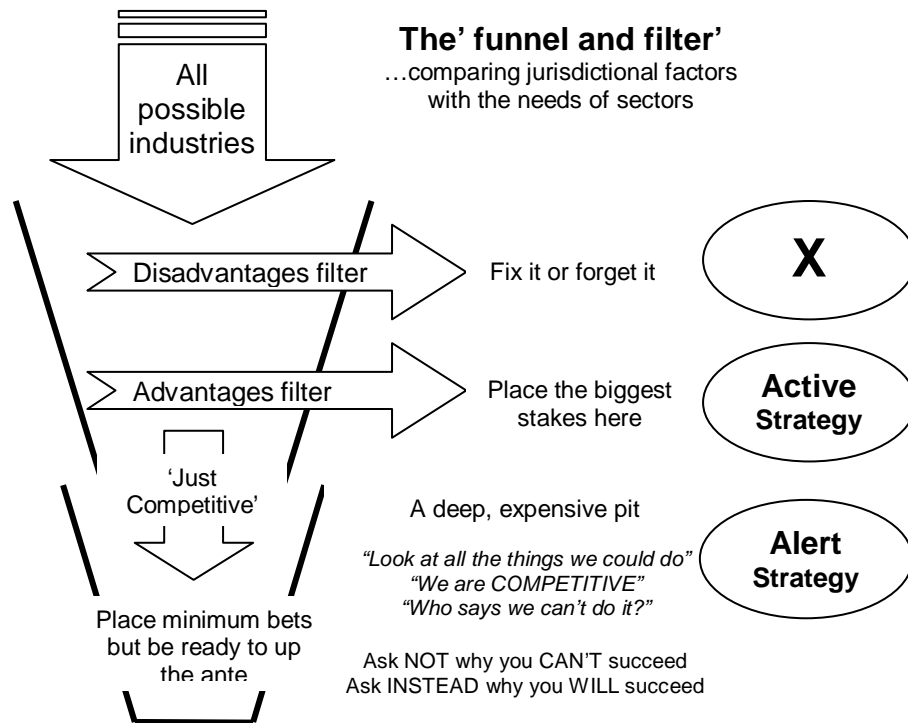
We hear frequently that this jurisdiction or that province is ‘competitive’. Often this is said in connection with attracting new investment or in response to some criticism levelled at government by the public or media having lost such investment. What does ‘competitive’ really mean and how do misconceptions sometimes cause jurisdictions to spend money in attracting investment when they have little hope in succeeding due to these efforts alone?

Choose investment attraction targets with care; there is little ammunition



These factors can vary greatly from one industry to the next...each must be assessed

The most obvious example is the final of a foot race. All of the participants will, in general, be competitive; that is, they have some chance of winning. If not, they would not have qualified for the race. Yet, all else being equal on a given day, the



competitor with an *advantage* will win. This advantage could be fundamental in terms of speed and stamina or it could be temporary due to weather conditions or the 'Ben Johnson effect'. Regardless, on a wagering basis, the competitor with the advantage will win.

The vital importance of assessing the strengths and weaknesses of the jurisdiction cannot be over-stated and these form the very basis for a practical and effective attraction strategy, founded in hard facts and economic reality. Failing this, prospective investors will 'see through' the glitter. Further, since there will be many sectors in which the jurisdiction is 'just competitive', it will be very tempting to focus on all of these.

All industries in which the jurisdiction is overall 'just competitive', or has advantages, are kept on the table, but the initial treatment and effort are different.

Assessing the best opportunities requires an honest inspection of the strengths and weaknesses of the jurisdiction.

Where the weaknesses can be mitigated then well and good; where not, this must be accepted and those industries that would find this to be a disadvantage removed from the focus.

In the case where there are clear advantages, the majority of the effort and resources are so focused since the probability of success is greater. Where the factors are 'just competitive', a more *alert*, rather than active, approach is taken, ready to expend greater effort should the opportunity arise. This promotes cost effectiveness in the overall execution.

Being competitive is not the same as winning. It is a buyer's market in that there are usually far fewer opportunities than jurisdictions wanting those opportunities. ***So only the 'demonstrably best' are likely to win.***

**For the resource limited jurisdiction, the clear separation of
'advantages' from 'just competitive' factors is essential
for an effective, yet efficient, campaign.**

Which jurisdictional advantages matter?

Only those important to the targeted industry and unrelated to the wishful thinking of the jurisdiction.

Advantage Factors will vary from one industry to another depending upon the characteristics of that industry. Generically these can fall into one of several primary categories but all have a single common denominator: *they must have a direct, beneficial effect on the profitability of the company.* Any one alone can be sufficient; two or more are rare but will likely clinch the deal.

Market attraction

The market is the place to start many conversations with international firms since it conjures the concept of selling their existing goods, rather than investing in a 'risky' foreign venture.

Many opportunities can be derived from 'market attraction', backed up by any raw material advantages and conversion costs. Note that when talking with prospective investors from outside North America, it is important to *start* with the North American market (Canada maybe too small, let alone the province or jurisdiction). Once the market is established in the mind of the target, emphasizing the advantages of Ontario and the local jurisdiction over the U.S. will shift the focus to where they should locate in that market. For this, any Canadian advantages over the U.S., as well as local advantages, should be used.

The nature of the product and raw material will have a great effect on the most advantageous location. The lower the value-to-weight (or volume) ratio of the finished product, the more the trend to locate the manufacturing or processing nearer to the market rather than the source of raw material. Therefore, where the jurisdiction is not a major market centre it is better to look for the higher value-to-weight ratio finished products (these are often customized products and not commodities). Although not universally the case, the manufacture of such products is frequently accompanied by the need for a higher skilled work force.

Raw material

Abundant locally available raw material, at a competitive or cheaper cost, is a definite advantage. This can be the single most important factor after the market and, depending upon the nature of the raw material and the goods produced, it is sometimes more important than the market and can overcome other disadvantages to some extent. The forestry and mining industries are good examples of this.

When using raw material as an advantage to encourage *inward investment* into the jurisdiction it is essential that it is more economical to build a processing facility in the jurisdiction rather than exporting the raw material to an existing facility elsewhere. It is also essential that the products so produced are readily and economically transportable to the destination markets. If these are not true then the jurisdiction may well create a raw material *export* opportunity, but no direct investment (the 'drawers of water and hewers of wood' syndrome).

Iowa, Indiana and Nebraska have successfully translated their historical and continuing abundance of raw material into a strong investment strategy. Clearly, here are cases where the raw material availability and usage are unquestioned and there are long standing markets. Grains and the like are readily transported and processing firms originally built closer to the main markets. Today, these agrarian states have been able to attract processors from the more populated states through a combination of competitive costs and incentives. The growing markets on the west coast have 'balanced' the distribution network geographically across North America and have alleviated the question of the transporting of finished goods versus raw materials.

If there is an abundance of raw material, but an undeveloped market, then that market must first be developed. It is highly unlikely that any outside firm will invest in a facility until the market intended to be served by that facility is first proven. On the other hand, if a local firm chooses to develop the market and shows signs of success, then foreign entities may be encouraged to join forces with (or take over) and expand that local firm, thus creating inward investment. This is how clusters develop. The basis here is that the local firm proves the market and the associated business opportunity, since an outside firm may not take such a risk on an unproven product.

Where there is a proven market and a good supply of raw material then the outside firm will, if at all possible, first test the quality of the product through the export of raw material to an existing facility elsewhere, before investing locally in the attendant capital facilities and equipment required.

Conversion costs

A conversion cost is any cost incurred in converting input raw material and/or subassemblies into the product that is output from that factory. These costs are directly related to the impact of the jurisdictional characteristics on the cost to implement the conversion process. There are usually two main elements – utility costs and labour value ('output for pay').

Unless there are very significant labour or input energy costs the differential between conversion costs in a given jurisdiction and other areas of North America may be too small to be crucial. Between international firms (in Europe and Japan) and a North American jurisdiction, however, they can be very valuable as part of an investment strategy.

Examples of other jurisdiction-based factors

Abundant land can be beneficial for certain industries but this will not overcome fundamental disadvantages in other factors unless the land itself is the focus of the business. There are few such industries that will produce a considerable number of well-paying jobs. Farms, despite the many problems being faced, have far outstripped other industries in the growth of productivity, the work is seasonal and worker-immigration programs are very commonplace.

Good telecommunications are now available in most locales, are no longer an advantage and will serve as a barrier if they are not available. Certain industries require very high bandwidth capabilities and to these few industries the availability of very high capacity telecommunication lines is an advantage. Equally, such capacities are becoming ubiquitous.

Very few government programs or subsidies will create a primary attraction to industries but they can act as 'sweeteners' if all else is equal. Governments change as do their promises and no company wants to be lured into making major capital investments only to find that the 'rules' have changed within a few years. If agreements can be reached that guarantee advantageous jurisdictional costs over time then this can be an attractor but these are uncommon in Ontario.

Secondary factors

Certain secondary factors can come into play but these are of no consequence except when differentiating between two or more jurisdictions with, on aggregate, similar profitability advantages. These secondary factors are more varied and intangible, like icing on the cake, but they should not be dismissed. The following is only a small sample:

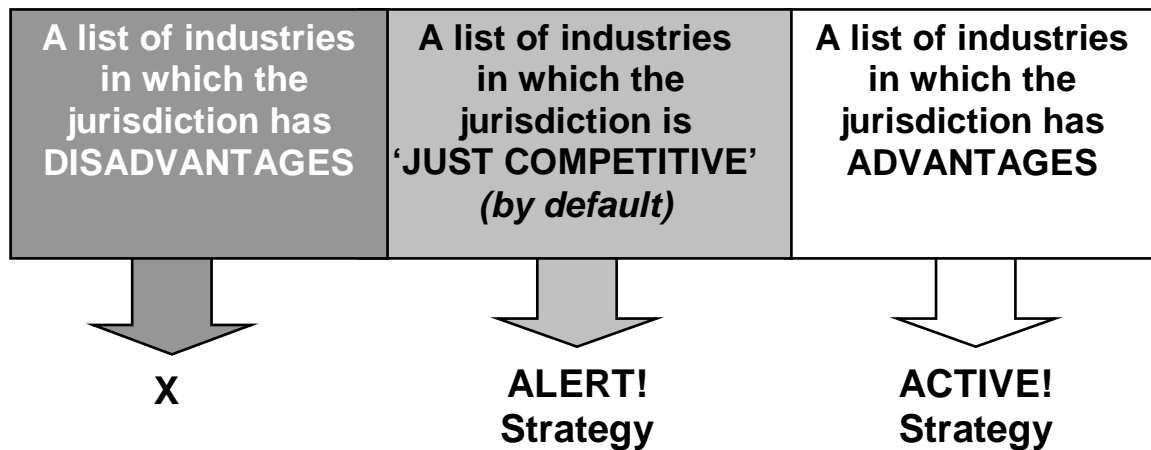
- Lifestyle and the ability to attract skilled workers
- Climate
- Local attractions and amenities
- Schools
- Reputation as a safe place in which to live and raise a family

These secondary factors are more often *quoted* as the reason for so locating but they are usually built upon the fundamental primary (business) factors. For some reason, executives of the newly arrived firm prefer not to state that they will ‘make more money’ (almost implying an ‘exploitation’ of the locale) and would rather quote the nicer and politically correct ‘this is a good community in which to prosper and raise children’. These *can* become primary factors in a situation where the person and their family are attracted to the locale for life-style considerations – Quality of Place - and then set-up business as a result.

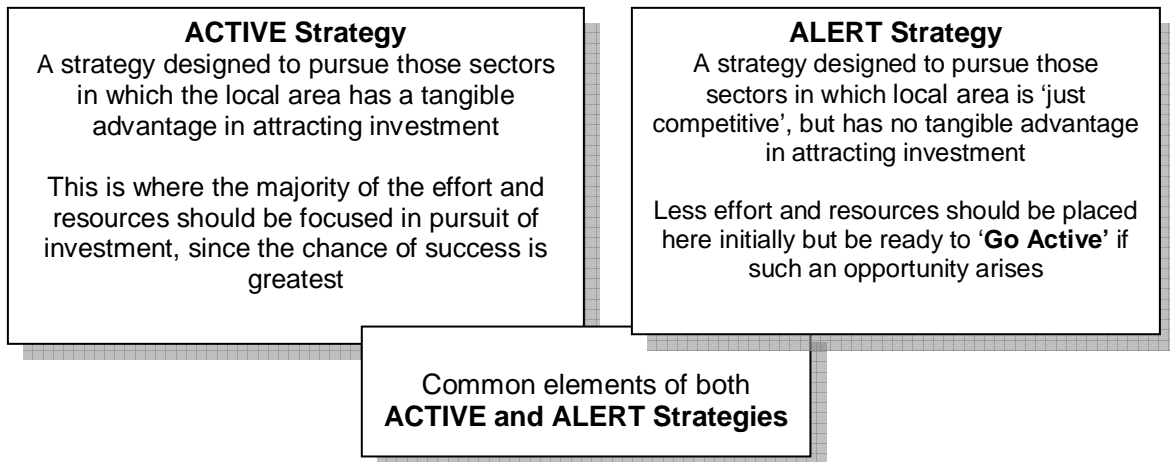
The Active and Alert Strategies

“The hunter will not waste energy in pursuit of prey that it cannot catch, but it is not averse to a feast if such may chance to stumble within reach.”

Having considered the various possible industries and compared them to the prevailing jurisdictional factors, three categories of business sectors can be created, which form the launch-point for the strategy itself.



The difference between the **Active** and **Alert** Strategies is conceptually simple; applying the distinction can make a significant difference to the effective utilization of scarce investment attraction resources.



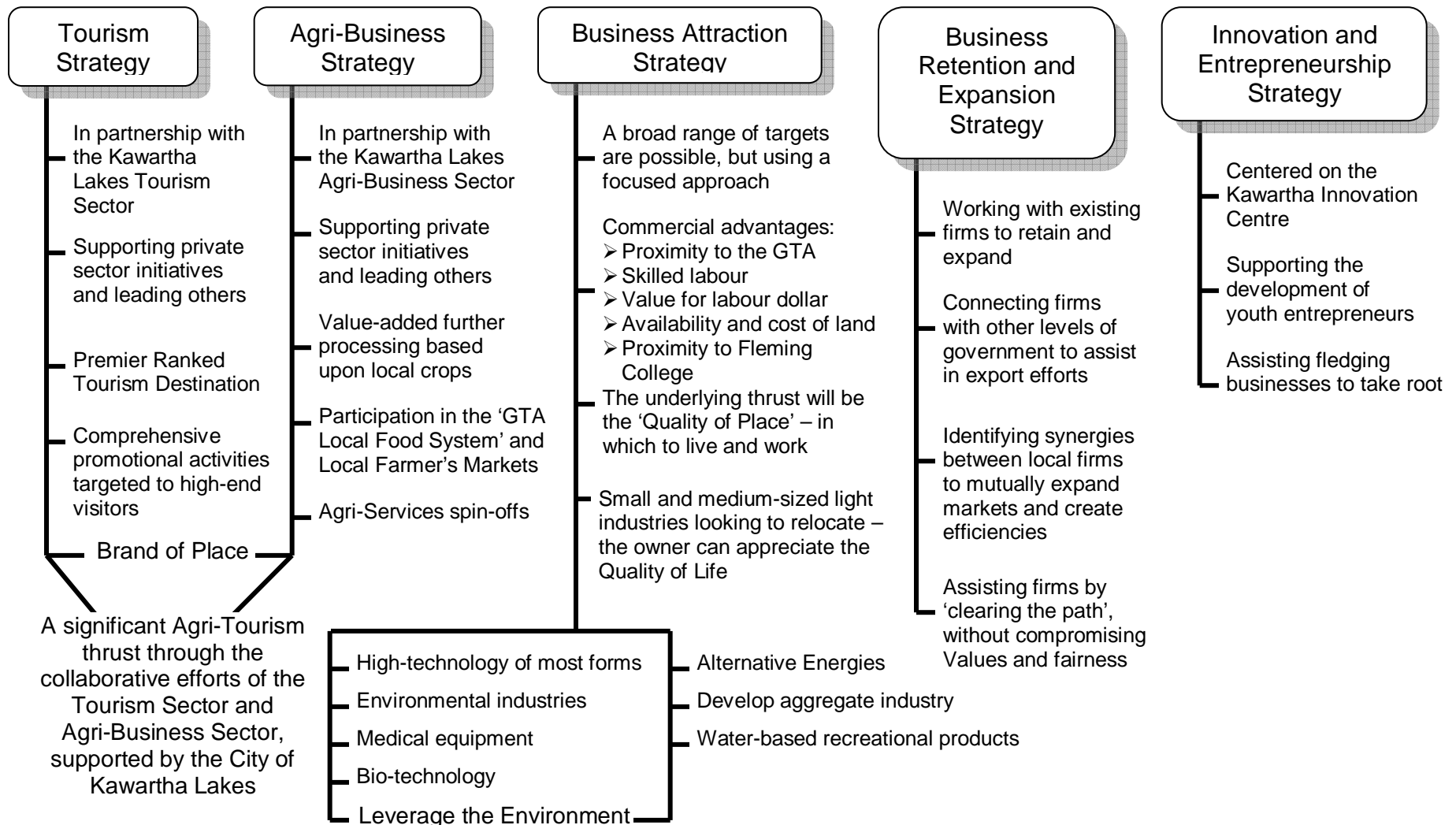
In the **Active Strategy**, the tangible advantages of the jurisdiction are used to create a positive investment attraction business case that should be taken to the potential investor market. This is where the majority of the resources available for investment attraction should be devoted since there are tangible advantages, compared to other jurisdictions, which can be used to attract the prospect through differentiation.

In the case of the **Alert Strategy**, less resources should be invested in non-targeted sectors but be ready to act with as much vigour as in the Active Strategy should the opportunity arise. This will happen from time to time (the 'lottery effect') since the area may be competitive in several industries and should receive a fair portion of the attention from prospective investors.

Thus the only difference between the Active and Alert Strategies is in how the prospect is uncovered. In the case of the Active Strategy the prospect is actively sought with resources applied, since the chances for success are highest. In the case of the Alert Strategy, the prospective is identified when they come along but relatively little effort is applied to find them, since the area cannot readily differentiate itself from other jurisdictions and has a lesser chance of an efficient and successful active campaign.

“The most effective Strategies describe what do to tomorrow and have a process to determine what to do the day after.”

VI Strategic thrusts for Kawartha Lakes



The elements of the **'Active Strategy'** for the city are now outlined. While the direction is made clear, specific initiatives must first undergo the scrutiny necessary for the Economic Investment Case as these thrusts are developed.

It is rare to see a Community that can 'do it all' and in a manner that need not disrupt the cherished values of the environment and the rural way of life. **Kawartha Lakes can do it all.** There is an existing industrial centre, well located to attract new businesses, agricultural land in abundance and opportunities for the tourist to experience unique beauty.

Manufacturing and Exported Services

With respect to the attraction of manufacturing and exported services industries, the main economic advantages of the City of Kawartha Lakes are as follows, derived from the charts in Appendix IV:

- Proximity to the GTA
- 'Quality of Life' – a great place to live and work
- Labour costs that are lower than the Ontario average
- Cost and availability of land
- Lower construction costs
- An institute of higher education

With these factors in mind there are many possibilities to attract both manufacturing and exported services industries, most especially those expanding or relocating from the larger, more congested and more costly urban centres.

The thrust for such attraction efforts should focus on the above positive attributes and research performed to identify specific sectors. Then individual companies can be targeted that may be considering, or that may be persuaded to consider, such a move.

The nature of the most likely, beneficial and enduring target businesses may be as follows:

- **Small and medium-sized owner-operator businesses**
 - The owners will relocate with the company and the attractiveness of the City is then a most effective lure.
 - Contrast this with the location of a multinational subsidiary in which the decision-maker is likely to live hundreds or thousands of miles away and may care nothing for the benefits of living in Kawartha Lakes.
 - Smaller firms are also more likely to be niche in their products and are less likely to outsource production
- **Businesses that rely upon highly skilled staff who are, inherently, more mobile**
 - Such businesses wish to retain skilled staff and the more pleasant the living environment, the more likely they are not to seek relocation to another area and another company.

➤ **Businesses with an image that fits well with the pristine environment of Kawartha Lakes**

- Light manufacturing of all types
- Exported services businesses such as regional or national headquarters of service firms
- Environmental businesses
- Medical equipment
- Pharmaceutical businesses

Tourism – the “people attractor”

Tourism is a ‘natural’ industry for Kawartha Lakes and it is growing in importance and impact. Tourism serves two main purposes:

- The direct economic benefit to those involved
- As the main mechanism to showcase and display the area to would-be residents who, in turn, may be the future entrepreneurs needed in Kawartha Lakes.

Tourism must operate at its peak for the best possible experience...

...that will bring them back again.

....that will attract new residents...

...who in turn will invest...

...that will develop the desired industries...

...that will create the jobs and prosperity.

Apart from the enticing environment, excellent accommodation and fine dining are strong assets of any local tourism industry. Bolstering this through refurbished country inns, the presence of chefs with world-wide reputations and a network of bed and breakfast operations will do much to create an inviting and appetizing region for the traveller.

Close alliances with the Agricultural Sector to promote ‘Agri-Tourism’ and to link fine dining experiences with fine quality local products, such as beef, can have benefits across both of these sectors. Farmer’s Markets are another added attraction that can benefit both sectors.

The quality of the first and subsequent visits must be conducive to developing a continued desire to return. Kawartha Lakes must assure that all elements of its tourism and attraction assets are effectively organized to this end. Each of these critical elements can and should be upgraded to assure the continued attractiveness of the area. This does not mean limiting the individual creativity of the independent operators; far from it, since such creativity is the foundation of the attractiveness to many similar ‘Creative Class’ people. However, it does mean establishing a common ‘Tourism Vision’ of what the region is and will become, aligning all facets of the tourism industry towards achieving that common goal.

The Tourism Advisory Board and the City are working towards the designation of a **‘Premier Ranked Tourism Destination’** and this should be moved forward as quickly as possible. Other initiatives for this critical sector are also being developed for consideration.

Local branding

Hand-in-hand with tourism, charming accommodation and fine dining is the creation of a 'brand'. Brands are readily associated with food products **but the need here is to create a brand for Kawartha Lakes as a whole.**

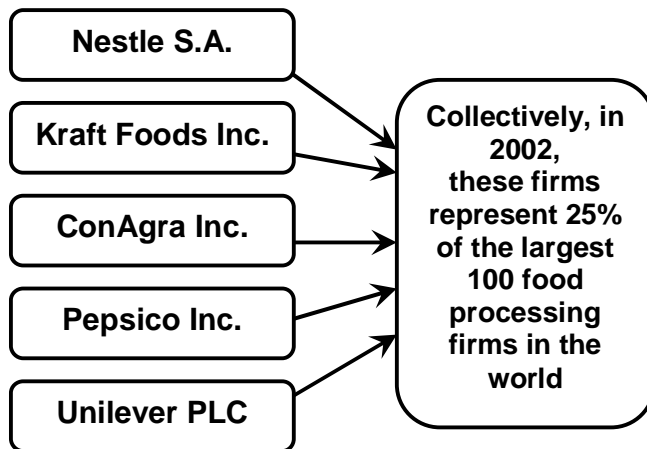
The brand should evoke the very best of all aspects of Kawartha Lakes – the 'Quality of Place' must shine through. Further, the usage of the brand must be 'earned' in order to maintain the high status and quality that the brand is meant to evoke; failing this relegates the brand to a mere label.

Agriculture

Agriculture is facing severe challenges at the local farm level throughout Ontario. A change of direction is needed and an explanation of the current situation is in order to encourage new thinking about this fundamental and vital industry.

This section summarizes some economic trends in the broader agri-industry that have an impact on this same industry in Kawartha Lakes. These are important to understand since any redirection of the local industry must take place in the context of these trends.

Rationalization, consolidation and integration



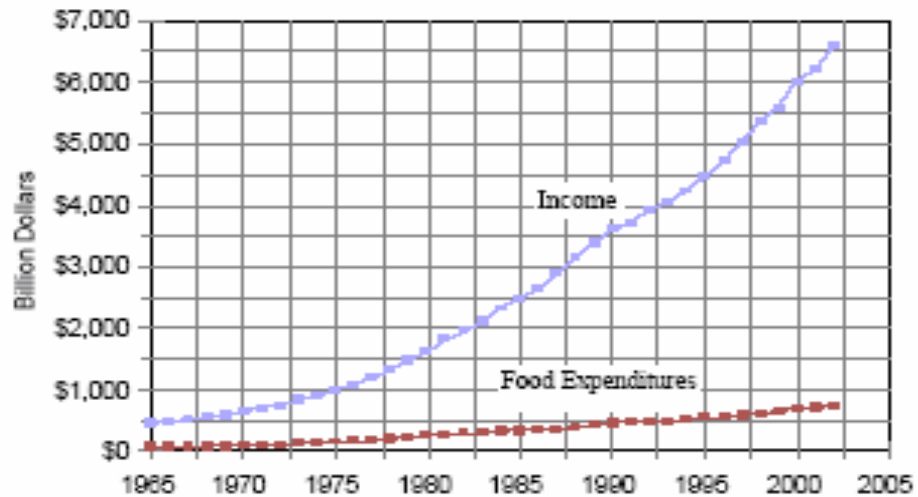
The entire mainstream agri-industry food chain has been experiencing and will continue to experience an increase in the level of consolidation, rationalization and integration. Between Canada and the U.S. this has been amplified since the Free Trade Agreement of 1988. The demand for increased profits coupled with the impact of the continued development of emerging nations as global producers of both raw materials and processed food products,

has caused the industry to drive towards higher economies of scale and resultant lower costs per unit produced.

As one part of the food chain consolidates, the resulting 'mega-firms' also exhibit greater power in dealing with other elements of the chain, both upstream and downstream. As a domino effect, these other elements must now also grow in power in order not to be overwhelmed by the larger entities. This helps to ensure a consistent supply of input materials of the right quality on one side and a continued access to their market on the other side.

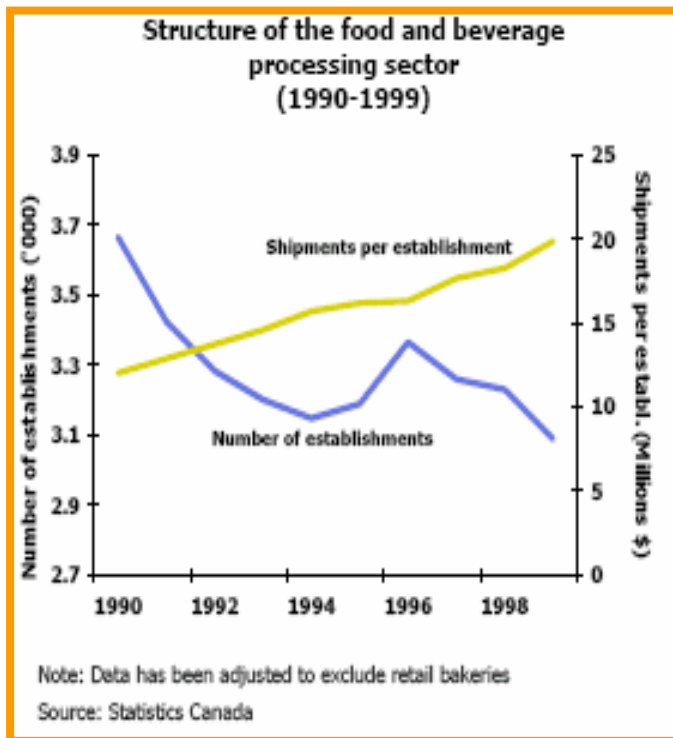
The number of farms and plants is going down while the amount that each produces is going up

At the retail level, the traditional food retailers are also facing increasing pressure from non-traditional outlets such as Wal-Mart and Costco; cost is a constant factor in this form of competition.



Source: USDA, Economic Research Service²

Consumers themselves have also contributed to the need for larger size firms. Rapidly changing preferences, the demand for high levels of choice and changing demographics are most economically brought to bear by firms large enough to



handle and retail thousands of unique items, with the attendant operating capital needs.

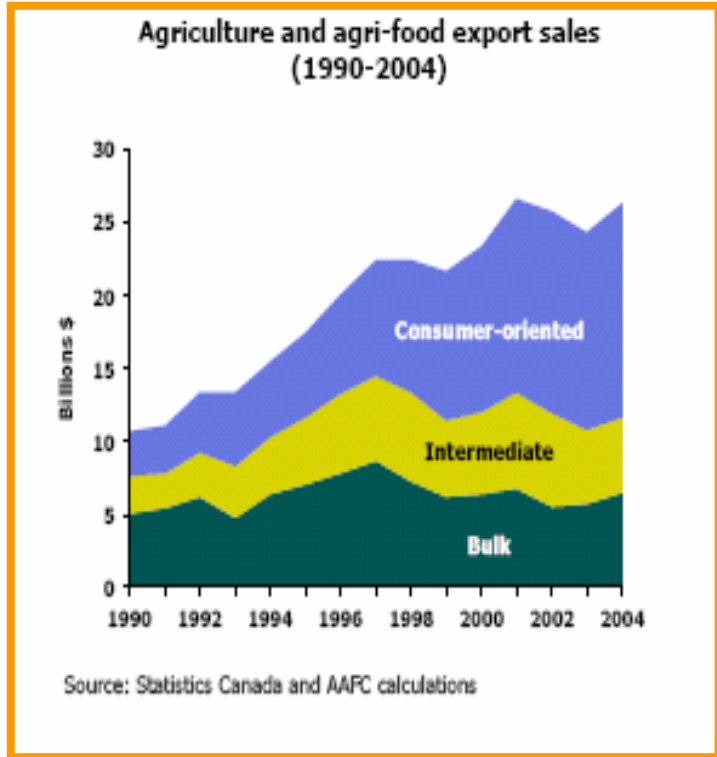
Finally, the precautions and systems required to address the ever-increasing food safety regulations and food security concerns require levels of investment that few small companies can afford.

Essentially, there are *fewer*, but *much larger*, companies and this consolidation is occurring in all levels of the food chain in North America: from the farm, through processing to the distributors and finally onto retail shelves. In the U.S. just five firms hold 45% of the national market share while in Canada, three firms hold a 65% share: Loblaw's, Sobeys and Metro-Richlieu. Also

in Canada, just five plants supply over 90% of the beef consumed in Canada.

The food industry in Canada continues to be an important sector but, on a comparative basis with the overall economy, it has declined in relative importance over the last fifty years in terms of both gross domestic product percentage and employment. The change here is more a function of the relative growth of other sectors, rather than a decline in primary agriculture production but the latter is limited by consumption.

While the above chart represents U.S. statistics, Canada is likely to parallel this trend. Over the shorter time-frame food expenditures tend to remain relatively constant as the economy waxes and wanes. Spending on food over the longer term has risen over the past decades but this has been at a far lower rate than the rise in incomes.



The good news here is that there has been no lack of wealth in the population to limit this spending. Rather, while people must always eat, there is a limit to how much. A small amount of the additional income has gone towards higher priced foods while the balance reflects the growing population. The less good news is that the producers of this food are receiving a much lower percentage of the national income yet must exist within the same economy.

Value-added agri-food exports
1990: 52%
2004: 80%
of ALL agriculture/agri-food exports

Since 1990, the nature of the agri-food sector has changed considerably in Canada. At the export level, while the value of bulk production (farm-gate, commodity) has remained essentially flat, there have been significant increases in the value of intermediate processed food and 'consumer-oriented' food product.

All processed food exports had risen from a value-parity position with bulk food in 1990 to approximately five times that value in 2004. This strong gain in value-added output is a trend that is unlikely to diminish and this is where the growth and future profit potential is strongest.

Productivity growth from 1997 to 2001

In primary agriculture

- Canada 23%
- U.S. 15%

In food-processing

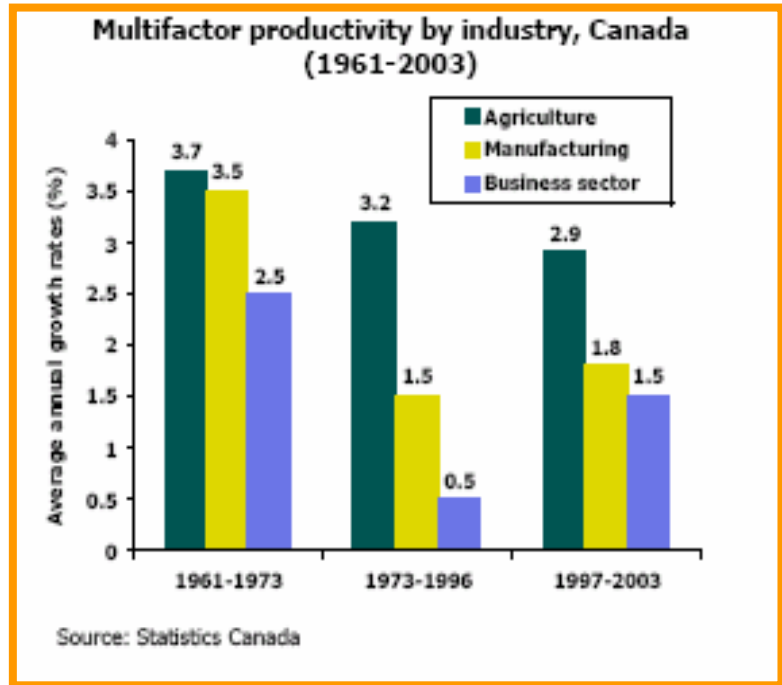
- Canada 9%
- U.S. -18%

However, the farmer has not sat back in the face of these challenges. Outside of the farm community it is little known that the farm has seen the most significant increases in productivity.

Productivity is simply a measure of *'how much you get out, for how much you put in'*. The multi-factor productivity statistics make it clear that productivity gains in the agriculture sector have far outstripped those of the manufacturing and business sectors.

These improvements have come through farm concentration, the adoption of new technologies and significant investments in capital equipment.

This is good news for Canadian farmers but, relatively, not so positive for job creation since the resulting labour productivity improvement has been significant, requiring few person-hours to achieve the same output.



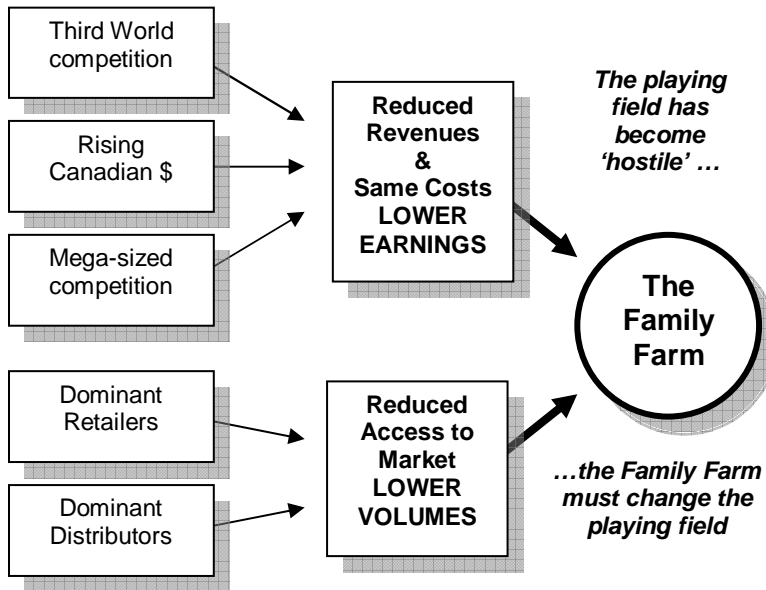
Yet, despite these clear efficiencies, family farm incomes are dropping. Why? This can be likened to an escalator. The farmer is running ever faster up the escalator while other forces are turning the escalator even faster in the *opposite* direction, producing net erosion in the position of the family farm. These other forces are partially the effects of industry concentration as described above but are also greatly impacted by global trade and the rapidly rising export capabilities of third world countries with very much lower labour costs and income expectations. The relative rise in the value of the Canadian dollar has also affected this in recent years since many commodity products trade in U.S. dollars and Canadian exports have become, relatively speaking, 20-30% more expensive in the past three years compared to the latter part of the previous decade.

Few, if any of the factors affecting the farm community are under the direct control of local governments and some are beyond the effective control at the Federal level. Consequently, agriculture is being increasingly seen as less an opportunity for economic development, since few additional jobs are created and much more as:

- A case for the retention of an essential industry that supports numerous families as well as the service industries used by farmers.
- An 'insurance policy' against a future which may see Ontario (and Canada) lacking self-sufficiency in food and being subject to the pressures and policies of suppliers and countries elsewhere.

Changing the playing field for the farmer

There are some paths forward for the agricultural community but these are not likely to address all of the needs unless a very concerted effort is made, not only in the farm community but by governments and, above all, **by the consuming public.**



Value-added products can be developed by the farmer, alone or in partnership with local food processors, in order to derive additional profitability from the basic agricultural product.

This requires a degree of entrepreneurship and a willingness to accept risk that, in common with the rest of the population, will not be found in every farmer. This is likely to be most especially true for farmers who are later in their lives and who have less working-time to invest

and reap the rewards of such ventures. This factor is somewhat modified if the younger farm generation is continuing the livelihood of their parents.

Raising specialized beef and custom slaughtering through local abattoirs can provide a lucrative product to supply high-end local inns and restaurants. Close cooperation between the farmer, abattoir and restaurant are essential in order to develop such an opportunity.

Alternative energies are another value-added opportunity. The use of biological material in manufactured products and processes is one of the fastest-growing industries in the world. This demand is expected to triple during the next five to ten years. Interest in the use of bio-based products versus fossil fuel-based products is emerging due to environmental initiatives and the decreasing and unstable supply of oil. This asset has growth potential in the new bio-based economy.

There are two main types of biomass:

Raw biomass

- Trees and shrubs from forests
- Crops such as grasses, legumes, oilseeds, cereal grains
- From aquatic materials such as kelp, seaweed, algae
- Animal manure
- Poplar, willow, switch-grass

Secondary biomass

Paper and cardboard, leather, pulping liquors, cotton, linen, hemp, natural rubber products, cellulose-derived casings, used cooking oils, tall oil, cheese whey, etc.

A third source of biomass is the residues produced during the processing of a product that is unrelated to energy:

- Forestry residue
- Agriculture residue
- Food processing residue
- Municipal residue

The technologies to convert many of the input materials on a large scale into energy are still in their early stages but there is little doubt that they will develop into efficient processes in the not too distant future.

Agri-tourism can be an added source of income for some farmers, most especially when they provide a 'total farm experience' for families. Excellent accommodations and home-style meals with a rural 'feel' are ideal.

Local food systems are springing up in many parts of the world, including Ontario. This grass-roots movement is founded in the trend towards consuming less processed, fresher foods, grown and supplied locally with fewer intermediaries to take profit away from the producer. In the simplest form these are farm-gate products or, in a more organized fashion, farmers' markets. However, local retailers and many of the larger chains are paying attention to this demand and are responding in kind by stocking such products to some degree.

The benefits of local food systems include the support of local producers and processors as well as a reduction in 'food miles': the environmental cost of transporting food from elsewhere in the world. This is the area in which the consuming public can have the greatest beneficial effect on the local farm community but it requires a commitment to a change in consumption habits.

Other Economic Development Thrusts

Attracting Entrepreneurial Residents

Statistics Canada and other commentators have documented the demographics of the 'Baby Boomers' and how this has had a profound effect on the out-migration from cities to rural locations, especially in Central Canada. The key facts are as follows:

- In Canada, in 2002, some 14 million people were in the age range of 29-65.
- It is estimated that about half of these people lived in the 'Golden Triangle' of Toronto, Ottawa and Montreal.
- Within this 'triangle group', those in the 50-65 category controlled 50% of the wealth in Canada, their residential property was valued at over \$230 billion and they had a combined net worth estimated to be over \$550 billion.

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- Members of this demographic group are usually at the peak of their income earning cycle, have low fixed expenses and, as a rule, the mortgage is already paid off.
- They have often moved out of the 'family' home and prefer either condominium/townhouse living or living in rural settings
- They might have retired officially but want to continue to take an active part in their investments and may start up a new business. They are usually entrepreneurs of some form.
- This group shops for value and looks for deals; they are not extravagant.
- Travel and vacations must include culture, education and history.

These demographics describe a large cohort which is 'on the move' and who may wish to spend more time in rural settings but who also want to stay in touch with 'the larger urban centres' from a cultural and entertainment point of view.

Some of the potential businesses are:

- Virtual businesses in almost any sector which can be conducted in the home or office
- Professionals such as lawyers, doctors, therapists, engineers, accountants
- Knowledge-based industries, which are identified as high growth
- Information technology and software
- Life sciences, health care and biotechnology
- Media and entertainment
- Motion picture and video production
- Computer systems design
- Environmental consulting and services
- Services for the aged
- Private health advisory services and spas
- Research and development in any number of scientific fields

Attracting skilled new immigrants to Canada to the City is another potential avenue for exploration.

Promoting business mentoring services for fledgling entrepreneurs

Promote business mentoring assistance for local entrepreneurs, especially fledglings:

- The Kawartha Innovation Centre can play a vital role here.
- Follow-up pro-actively, since many entrepreneurs do not realize when they need help or redirection.
- Offer an honorarium, if need be, to retirees and others to provide such mentoring but pre-qualify the mentor to ensure that value for money is obtained.
- Consider a business incubator along the lines of the Toronto Business Development Centre, but smaller.
- Fleming College may be able to refine courses to suit emerging needs.

- On-line learning is another mechanism to be promoted.

Providing business financial assistance for local entrepreneurs to spread their risk

The private sector is quite good at identifying opportunities and acting upon them. Entrepreneurs, almost by definition, take risks and have a belief that the risks (\$\$) can be overcome for a sufficient reward (\$\$\$\$). Entrepreneurs will tend to optimize their chances for success by operating in a manner and in an environment most conducive to that success. Anything that can mitigate, reduce or spread that risk increases the risk-bearing capacity of the entrepreneur and should be considered in order to promote such risk-taking locally.

- Make it clear that the Community is prepared to share the risk.
- Establish a clear set of financial performance guidelines (covenants) and monitor rigorously. Help the firms to meet the requirements and foreclose only as a last resort; but do take that final step if need be to maintain public credibility.
- Ensure public awareness of the risks and rewards of such ventures
 - Not all businesses succeed. When no public sector funds are involved then it is a non-event for many people other than those involved directly. When public sector funds are involved then concerns may be raised regarding the advisability of such support.
 - These concerns should not dissuade such support and the more that the public understands the risks and benefits then the more support will be achieved for such an investment in the Community.

Revitalizing 'retiring' businesses

Develop a 'Passing the Baton' program to sustain and develop existing retiree businesses and offer them to potential entrepreneurs to encourage continuance.

- Consider small grants to bridge the transition cash demands.
- Consider larger subordinated loans to foster growth, standing behind the senior lending institutions.
- Provide the retiree with an equity 'kicker' for a period of years to encourage mentoring of the new owners.

Youth entrepreneurs

Youth entrepreneurship should also be emphasized through the promotion of existing support programs. Symposiums or similar information sessions directed towards youth entrepreneurs should be considered.

Retiree Skills

Today, many people retire at a younger age than in previous generations. Many of these people are still interested in opportunities, are most capable and could be tapped as a powerful source of skilled workers, as well as mentors for younger people.

Infrastructure improvements

Lobby for targeted and modest infrastructure improvements (rather than billion-dollar blanket investments) designed to support demonstrated private sector potential and initial success. 'Bootstrap' the private sector successes to win additional infrastructure enhancements and then repeat this on an ongoing basis, each building upon the other.

Appendix VII Cluster development

The following is extracted and derived from:

“Creating smart systems: A guide to cluster strategies in less-favoured regions”

Stuart A. Rosenfeld - Regional Technology Strategies - Carrboro, North Carolina, U.S.A.

www.rtsinc.org

<http://www.rtsinc.org/publications.html>

April 2002

This is an excellent paper, very pragmatic, with many valuable ideas to help the ‘less-favoured region’. Equally, it has no magic bullets to offer and emphasizes much that the public sector must do to lay the ground-work. The entire site has some valuable papers for review. Below, the highlights, emphases and comments are from the Consultants.

“We assume there are three basic categories of less advantaged regions:

- The first is the older industrialized region dominated by labour intensive industries that have lost their cost advantage to newly industrialized nations.
- The second is the semi-industrialized region that had many small craft industries that operate with very low levels of technology.
- ***The last is the peripheral or less populated region that has been dependent on resource-based industries but which must, with rising productivity, the out-migration of youth and reducing employment, find new clusters with growth opportunities.”***

Note: While Kawartha Lakes is hardly disadvantaged, it is well to consider it so in terms of cluster development; then fewer assumptions will be made and greater effort applied.

“The most successful clusters build mechanisms that can speed the movement of ideas, innovations, and information from firm to firm throughout the economy. The dynamics of clusters, not the individual accomplishments, create the learning region and innovation cluster. The mechanisms and entities for collecting and disseminating knowledge - the gatekeepers, brokers, and intermediaries that encourage and facilitate all forms of associative behaviour - provide the value embodied in social capital that is so important to cluster competitiveness.”

“The limits or constraints to active participation in a successful cluster are largely a function of lack of ‘connections’, or deficits in social capital. Some of a region’s stock of social capital resides in its civic and professional associations, and its economic value is deeply embedded in the functions of groups that bring people together to share ideas and knowledge. A variety of entities that work with clusters, including technology centres, NGOs, or skills councils, serve as gateways to information, knowledge, and labour and as linking agents.”

“Regions are beginning to use incentives to recruit talent as they once recruited branch plants. Universities want faculty who will attract research dollars and bright graduate students, and clusters - especially in knowledge intensive sectors - need bright young people to attract other new firms and young companies. Talent is attracted not just by salaries but by the chance to interact with peers in their field, opportunities for professional development, and membership in local professional associations. ***Less advantaged and peripheral regions (or even low-income communities in relatively advantaged regions) have trouble keeping their best and their brightest graduates from moving to the ‘cool’ places that can offer recreation activities, high culture, choices of good jobs, and that cater to diversity.***”

“Clusters live or die with the entrepreneurial and innovative abilities of local employees and companies. The development and commercialization of new ideas requires resources and capital. But capital markets often prefer New Economy companies to mature and low technology companies and innovation centres over more remote places that are difficult to monitor and assist. ***Some clusters, especially in smaller communities, have been able to find local sources of capital that understand their business and are willing to invest in building the economy.***”

What if there are no clusters in a region? After an analysis of the industry data and observation of the businesses in a region, there may not be any set of industries that appears to have either the scale or concentration to be a typical cluster. But there may be clusters that are not easily found without expanding the catchments area to include surrounding areas, looking for connections (umbilical cords) to clusters in adjacent areas, considering less obvious commonalities and more generic needs, or considering micro-clusters that lack scale but represent unique local competencies. Re-orienting the central theme of the cluster from some commonality of production process to a commonality related to knowledge, innovation or entrepreneurship may also open up new possibilities for generating externalities and taking collective actions in a region.

Knowing and understanding clusters are of value to regions only if that knowledge leads to actions that grow economies and raise standards of living. Unfortunately, there is no single recipe for less favoured regions to follow that will meet the needs of all clusters, which embody many types of systemic relationships and kinds of industries. But there is a menu of actions from which to choose. The choices regions make depend on many factors, including geography, stage of development, resource constraints, special societal needs, cluster priorities, market imperfections, and local preferences.

'Multipliers' {or a form of Champions} are people intimately familiar with the companies and able to detect and assess opportunities for collaboration that can be passed on to brokers. Referred to as "scouts," they include staff of chambers of commerce, trade associations, banks, accounting firms, law offices, trade centres, technical colleges, and technology extension services.

Entrepreneurs and young firms have a greater need for networking than existing companies because they have less experience and no established routines. They thrive on information, advice, and knowledge. The most effective networks are based on some sort of existing relationships among entrepreneurs, ***such as incubators, economic development programmes, common sources of capital, or associations.***

The most successful clusters result in a brand that identifies a place with quality, establishes customer loyalty, and becomes a prime destination of retail and wholesale buyers. Brands have been common in agriculture, with French champagne, Scotch whiskey, Belgian chocolates, Vermont maple syrup, Modena balsamic, and Parma's cheese and ham - all globally recognised brands associated with clusters. In other fields, Finland has become internationally known for cell phones, southern California for movies, Germany for machine tools, Denmark for modern furniture, New York for publishing, Waterford for crystal, Venice for glass, Orlando for theme parks, and Boston for education.

It goes almost without saying that all governments must commit the resources to support the basic foundations for economic growth that are required by any cluster. These include a universal basic education from early childhood through secondary; the infrastructure of roads, ports, public transportation, utilities, water, waste disposal and sanitation; health care and a healthy environment; and adequate housing. ***Less favoured regions are often stuck in a cycle of economic distress because they lack the tax base and resources to pay for the basic conditions for growth and the economic wealth that would give them the resources.***

What does this mean for Kawartha Lakes? Clusters do not appear out of thin air, but are usually built upon pre-existing attributes in the area that provide a positive growth environment for certain related activities. Kawartha Lakes has certain attributes and these can be leveraged. **However, this effort also requires a vigorous and cooperative private/public effort to reinforce any momentum achieved and a commitment to focused improvement of the infrastructure that would support the growth of the desired clusters.**

It is far more **difficult, costly and risky** to foster sector competence in a region where there is **no pre-existing activity** upon which to build. The cost and risk outweigh whatever rewards may accrue to such a 'zero-based' strategy. Clusters exist in certain areas only because those areas have assembled competence, consciously or otherwise, to support them. A more effective strategy is for the region to 'play to existing strengths' **in order to build upon the competence which is already present.**

Appendix VIII Tactics for Economic Development

In this section the term 'EDO' is used as a short-form for the any Economic Development Officer in the role as a Kawartha Lakes representative.

Making the best use of senior levels of government

To a greater or lesser extent, the senior levels of government engage in investment attraction initiatives and will be in contact with potential foreign investors. In some cases the potential investor already has a set of target jurisdictions and areas, and the senior levels of government will generally not oppose this preference, unless the potential investor has made a clear error in assessment.

However, when there is no preference shown, the senior government must then determine where to best direct the investor. Frequently, the investor may be considering several different geographic locations sometimes within Canada and sometimes in North America as a whole. In such a competitive situation the most obvious choice is to direct the opportunity to those geographic regions with the best advantages for the investor, encouraging them to select Canada/Ontario over a competing jurisdiction.

While identifying the region with the most apparent advantages may increase the chances of success, at least two other factors can come into play. Note that the consultants have observed all at one time or another and are recording, rather than judging, these and their impacts:

- An imperative in senior governments of being seen to be even-handed in directing these opportunities to various geographies within Canada/Ontario.
- Policies that may direct investment to under-invested areas of the country or province.

These two factors will tend to diminish the chances of investment success unless, by coincidence, these same areas offer the best advantages for the investor. If one criteria for attraction is a vibrant economy, with successful examples of existing identical or similar firms, then such a jurisdiction is likely a 'have', rather than a 'have not' region of the country or province. Yet such a region may also not be the best target if one or both of the policies above are in effect.

One solution is to step up the direct investment-seeking activities of the jurisdiction, essentially by-passing the reliance upon senior levels of government. This is clearly a relatively expensive proposition and, regardless, the number of opportunities coming the way of senior governments is likely to be higher than any local jurisdiction could reasonably achieve. Therefore, some reliance upon senior governments is inevitable.

The following is not known to reflect policy or any particular branch of dealings with senior governments; instead they are based more on addressing the human relations of successful cooperation. The key is to be on the 'call-list' of the officer in senior government, when opportunities are to be passed down to local jurisdictions. Then following may help to maintain a presence, perhaps near the top end, of such a call list:

- Maintain a positive face at all times

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- If by-passed on an opportunity that you thought would be ideal then discuss it to learn why but never complain. Nor have the local elected officials complain; discourage this even if they are insistent. Far better to raise the topic with the local member of the senior government in a positive and understanding manner and ask what might be done locally to have the opportunity filter through next time.
- Always put on the best show possible; the officer of senior government will want to ensure that their prospect deals with top-flight professionals who have something to offer the prospect.
- Stay in touch with the officer from senior government to keep them informed of what the local jurisdiction is doing and to learn of new developments that the other party may be aware of. Invite them to visit you informally whenever they are able. In other words, invest in the relationship *without the prior need* for an opportunity to be on the table. This develops mutual trust that, ultimately, is likely to be repaid.

Creation of an Investment Business Case

If at all possible the EDO should place themselves in the role of the company or private sector investor, and determine what is important to the company. Then create the business case that shows how the region can meet those needs and how much better the region is compared to competitors.

The KPMG methodology is very solid and the EDO should ensure that they understand the principles behind this and that they can reproduce such a work for their local area. Gathering local data such as transportation costs, utility costs, etc. is required but the comparison data are already available from KPMG.

These business cases can be created initially in the form of generic menus, from which a particular case, targeted towards the specific Client and their needs, can be developed easily. These should be prepared, once the full needs and emphases of the prospective investor are clearly understood.

These are not glossy brochures to be printed in the thousands, Keep a few generic copies on hand, but print as needed on a high quality colour printer located in the EDO office. Such high quality laser printers are readily available at a low price. This enables the EDO to customize the business cases and make later changes as required.

Preparing the business case *in the language of the prospect* shows that you are serious and care about their needs.

Decision-makers in the multinational corporations

In the case of the multinational subsidiary it is imperative to approach the right targets when attempting to encourage the location of a new plant into a particular region, and ways must be found to access, become familiar with and influence these key people.

If there is an existing plant in the locale then such an approach to the parent should be carried out through the local plant manager. If the local manager does not agree with the approach then the merits of proceeding should be weighed *very carefully indeed* before going against such wishes. The local plant manager has a first obligation towards the investors of the parent company and is seldom in a position to be completely open with a third party on all issues and concerns.

If the plant manager seems indifferent or unwilling to support such a direct contact 'up the ladder' then this may be due to pressures and concerns about the plant that they may not disclose. In such an instance any highlighting of the plant at that time may do more damage than good. On the other hand, such an approach may be beneficial but the local plant manager may not see it that way; judgment at the time and in the particular circumstances is the only solution, but it must be applied with extreme care.

Where there is no existing plant in the locale then direct contact must be made with the most senior person possible in the target organization. There is no guarantee of success, but there is a guarantee of failure, **and that is to not even try.**

'Top-to-top' discussions are a valuable end result, but these should be prefaced or supported, by significant behind the scenes work by the EDO and associated economic development organizations in the senior levels of government. This work should have laid the ground for the investment case in the region and it should have resulted in a positive response from the decision-makers in the parent company. If this preparation is not done ahead of time then organizing such a meeting will be very difficult in the first instance and, apart from glad-handing, it will serve very little purpose. Remember that, despite what firms may cite as their reasons for investing in this or that locale when they cut the ribbon, the **real reason** is that they expect to make more money.

Linkages between EDOs in other jurisdictions and senior levels of government

Cooperative linkages between EDOs and the agencies of senior government essential if the maximum service is to be provided to the local firm. Naturally, the senior levels of government have a greater depth in expertise in specific areas while the EDO must have a more general breadth across more industries. *Working together is the most effective and efficient approach.*

While the EDO may be the first interface to the firm, once a specific need has been identified, then senior expertise may be contacted. Direct contact between the firm and, for instance, MEDT, is often necessary. As long as either the EDO or MEDT 'has the ball' at any one, time then the Client will receive good service; it behoves the organization currently in contact with the Client to positively pass that Client back to the other body to ensure continuity.

Some EDO officers have developed niche expertise in various facets of doing business - export markets may be one such field of expertise. Offering that expertise for occasional use by the senior level of government may result in a quid pro quo arrangement that will benefit the local region.

The posture of existing firms, testimonials and references

Existing firms in the region are the most important reference that the jurisdiction has available and it is vital to cultivate these references. Overall, the factors will vary from location to location and will depend heavily on the attitude of the particular plant manager or owner. Bear in mind that the existing firms in the region may or may not welcome the arrival of new large-scale operations into the area. This is especially true for regions with a smaller population base. In large urban centres where there is, generally, a plentiful supply of labour, this may not be such an issue.

Understanding and mitigating jurisdictional impacts on local industry

Mitigating or removing barriers and other negative impacts is an activity generally welcomed by industry of any type and of any size; such activities are expected of the EDO by many firms and the EDO is seen as their advocate in local government affairs. The conflict arises when the jurisdiction, at any level, must act in what it believes to be the best interest of the community and when such actions are not always in the best interests of the local companies. This constant trade-off, waged at all levels of government, emphasizes that the goals of the private sector and those of the public sector are not always aligned, especially in the short to mid-term.

At least, the EDO should consider the impact of pending changes in relation to their flock of companies, and discuss these with a representative sample, when some negative consequences are predicted. If the potential impacts are significant then a more rigorous analysis is called for with more consultations with the potentially affected firms. Feedback on these issues should be written up in a complete but concise manner, and the key government players in the jurisdiction made aware of the concerns and the implications.

Such activities may not always result in mitigation but it *will* heighten the awareness with the governing jurisdiction, that there are impacts of some changes and that these are not always without consequence to the business community and, by extension, the local economy. The EDO has a prime role in being the collector and conduit of such information.

Stimulating growth in the small and medium size companies

The EDO can take a pro-active approach by helping the local small and medium-size firms to find and enter new markets outside of the locale. On the surface this is a beneficial concept but it is not easy to implement. Whereas companies are generally prepared to assist in removing tangible costs and barriers, the prospect of entering new markets brings with it the up-front costs, distractions from the core day-to-day business and the uncertainty of that investment of time and resources.

It is not for all companies and efforts here by the EDO must be in concert not only with the clear aspirations of the business owner and/or management, but also with the *timing* of this effort. Other more pressing concerns will generally over-ride tentative market explorations, unless the business is sufficiently large so as to dedicate competent resources to the task. More often than not, in the small-to-medium size companies, these competent resources are restricted to the owner or close associates/family and much of their time is, necessarily, consumed with current activities.

Further, to be of real value, the EDO must have a reasonable knowledge of the specific industry as a whole, and few local jurisdictions can afford an EDO largely dedicated to a single industry. This does not mean that progress cannot be made but the company must be willing to devote the time and effort, make the running and help to guide the EDO in whatever role is agreed upon. It is very difficult for the EDO to be effective with an unenthusiastic private sector partner in tow.

Inertia as a detracting factor

Inertia is a force that resists movement. In the case of large operations, the inertia is the cost impact of moving, and it is considerable. When most large plants move, there are several major costs to be considered:

- The physical cost of building the new facility or refurbishing an existing building that has been newly purchased. While assets, such as processing equipment may be moved, infrastructure, such as feeder pipes, electrical and gas connections and, in many cases, customized inter-processing conveyance equipment, will be lost and must be replaced in the new building. Costs will vary widely but can be considerable.
- The lost production time and lost opportunity cost attached to this move. Unless the new facility is built and prepared for production *in parallel* with the continued operation of the existing building (implying even more cost attached to replacing *all* processing equipment), then the operation will be out of commission (partially or completely) for the full duration of the move. This may take several weeks and represents a considerable financial impact. If a plant with annual revenues of \$600 million is out of commission for just one month, then the lost revenue will be \$50 million and the overall financial impact may be 30-60% of this figure.

This cost must be contrasted to the bottom-line savings that such an operation can gain from relocating. In some cases these will be relatively insubstantial in comparison to the cost, and the time required to regain the cost is very long. This is the inertia factor that tends to keep large processing facilities in place, long after the original decision to so locate was made, and long after the reasons that made the jurisdiction so attractive have evaporated.

Jurisdictions may sometime use this inertia to their advantage. Believing that such plants will not readily move, it is tempting to pay little attention to their issues and, in some cases, to take advantage of that position, to the eventual detriment of the competitiveness of the operation. In the short term this may not create a backlash that the jurisdiction must absorb but, in the longer run, the processing facility will be lost to the region.

The real opportunity comes about when factors force the multinational parent company to consider establishing a new plant; either to replace an existing plant that has no space to expand or that is too old to renovate, to start a new business division or to expand an existing one. If the present location(s) cannot handle the increase, or it is uneconomical to introduce the new process into that existing plant, then the parent will look for a new location.

This represents an entirely zero-based analysis for the parent - that is, they will start from scratch and consider all possible locations for the new entity. The fact that the existing plant may be located in a particular jurisdiction will help the case of that jurisdiction (existing suppliers, services and trained staff are present), but these may not be the overriding factors. Overall cost will be the likely criteria in most cases.

General interactions with companies

Most firms will want the EDO to be available when they need them and relatively inconspicuous when they do not. Where agreeable to the firm, establish a regular visit routine but also offer to do so by telephone on a regular basis. The effort can always be upgraded to a visit if opportunities and issues so demand.

E-Mail offers a convenient and non-intrusive mechanism by which to make contact. A simple one or two line E-Mail to ask how things are going, and whether the company has a need to meet with the EDO, is easy to prepare and will not distract the recipient from their busy schedule. If there are items of interest these can be attached to the E-Mail for reading at the leisure of the recipient. It is also polite to state that the EDO is simply staying in touch and that no reply is needed.

Above all, when there is a need, then be available and responsive to the demands.

Awareness of and application to government assistance programs

Making the smaller and medium size companies aware of assistance programs is a valuable service. If available, a link on the jurisdictional web-site could re-direct the business to the appropriate government web-site link, from which to obtain information and application forms.

An even greater service can be rendered by the EDO interpreting the program and providing an assessment of the value to the company. The value is really the product of

$$\frac{\{\text{POSSIBLE BENEFIT OBTAINED}\} \text{ times}}{\{\text{THE PROBABILITY THAT THE BENEFIT WILL BE OBTAINED}\} \text{ divided by}} \\ \{\text{THE EFFORT REQUIRED}\}$$

Understandably, from the public sector perspective, most programs are surrounded by a seemingly complex set of barriers and conditions, as well as caveats and exclusions, none of which will encourage usage by the private sector. The EDO can simplify this, based upon their own experience, to permit the business to decide whether it will be of value to apply.

Assistance in completing applications for government programs

Some applications require information to be filled in that, at first glance, may seem to be unnecessary or even intrusive. While the larger firms will find staff to complete most of this, the medium size and smaller enterprises will not have the same resources and often the owner will be the key person to do this. With a business to run and an uncertain return on the effort involved, that business owner may never complete the task. Nor are all business owners creative and articulate writers, and when asked to describe their business and opportunities in depth, they may find this to be a daunting task that they do not enjoy. Language barriers may also apply in some cases.

The EDO can serve well by becoming proficient in completing these forms based upon information obtained from the business. The EDO should use a 'question and answer' technique to gain the required information and then present this back to the business owner for review and correction. This is also an excellent way to learn about that business and to build good relations. It does take considerable discipline and effort, however, on the part of the EDO.

Where a local industry association is lacking, in an even more pro-active approach, the EDO can step into this role and provide the necessary focus and drive to achieve a successful application. The EDO can identify industry sub-sectors and groups of firms that might benefit from such assistance. Promoting the benefits of the program to such a group, recruiting participant firms and coordinating the application, can bring benefits to multiple companies in the area that might not have been eligible individually.

Creating linkages between the smaller food-processor and the regional tourism sector

Areas of Ontario and some locales with Eastern Ontario have successfully promoted linkages between the smaller food-processor and the local tourism sector, since they can offer mutual synergy in economic development. Both industries have a direct and immediate connection to people and can be 'sampled' at the same time.

Maintaining lists of available buildings

Although the availability of a building at a low cost is not an overriding factor, it can make the difference in selecting between two jurisdictions that otherwise offer similar conditions. Bear in mind, however, that the older a building is, the less suitable it will be for immediate use as a food-processing facility, even if it was originally used for such a purpose. A recent study in Toronto found that the cost of refurbishing older buildings, and bringing them up to current food safety and inspection criteria, was almost as high as starting afresh from empty land.

Marketing such buildings actively is not likely to result in a successful attraction, unless the target is already interested in the locale to some extent; at that time this card can be played for all that it is worth. The list maintained can be informal and serve as a reference document for the EDO community when opportunities arise to play that card.