



Subject: Budget White Paper - Review of Southwestern Ontario Marketing Alliance

Report Number: EDM 23-02

Department: Economic Development Department

Submitted by: Cephas Panschow, Development Commissioner

Meeting Type: Council Meeting

Meeting Date: Monday, January 9, 2023

RECOMMENDATION

THAT report EDM 23-02 Review of Southwestern Ontario Marketing Alliance Budget White Paper be received for information.

BACKGROUND

Council passed the following resolution at their December 7, 2022 meeting:

THAT a white paper be brought back to Council regarding the SOMA program and the benefits of a SOMA membership.

DISCUSSION

Since Tillsonburg Town Council passed a by-law to authorize a Shareholders' Agreement with the Southwestern Ontario Marketing Alliance (SOMA) in July of 2003, the Town has periodically reviewed its membership in SOMA.

For example, Town Council approved the following resolution at their August 12, 2013 meeting:

RESOLVED THAT Council receive Report DCS 13-10 Southern Ontario Marketing Alliance (SOMA) Report;

AND THAT Staff implement the following recommendations:

- *Advise SOMA that the municipality will take up to an additional two year leave from SOMA;*
- *Maintain the \$20,000 SOMA Membership fee in reserve for the purposes of economic development;*
- *Direct staff to report to Council by the first Council meeting in November 2013 the following:*
 - *what other options may exist to address the scope of work that SOMA addresses;*
 - *to assess what regional alliances may exist if any to accomplish the same focus as SOMA; and,*
 - *report on meetings with SOMA and if a change could occur in their structure or to create alliances.*

During the earlier two year hiatus (2013 to 2015) from SOMA, staff used the opportunity to refocus Economic Development efforts to be more effective through the development of a “grassroots” focused investment attraction activities. Staff defined this type of plan as one that is based on the communities existing assets, and specifically, its existing opportunities. This means first developing a list of local investment opportunities and then prospecting companies that could possibly undertake the investments. The outcome of this change in tactics has been apparent in both the more practical investment interest cultivated as well as desirable development opportunities like the 253 Broadway project (among others).

In reviewing other regional economic development groups (see below table), it became apparent that none offered the same benefits as SOMA in terms of generating investment leads and at a reasonable cost to taxpayers.

Organization	Comment
Ontario Food Cluster (OFC)	Initiation fee plus annual membership fee. Note: Included in SOMA membership at no extra cost.
Ontario Manufacturing Communities Alliance (OMCA)	Initiation fee plus annual membership fee. Note: Included in SOMA membership at no extra cost.
South Central Ontario Region Economic Development Corporation	Annual contribution of \$35,000 paid by the County of Oxford, but no investment attraction activities.

At that time, it also became clear that the Town of Tillsonburg had missed some substantial investment opportunities that have been filtered from the Province and other levels of Government/agencies down to the local level through regional partnerships.

There was also an argument that it didn't make economic sense for the Town to try and join any of the groups mentioned above on its own as the costs of doing so – from initiation fees to annual fees to non-reimbursed travel costs – are close to or more than the annual SOMA membership fee, especially once SOMA Per Diems refunds are credited towards the overall membership cost.

Based on this, staff made a recommendation to Council that the Town would again participate in the SOMA group based on the philosophy that local investment projects and lead generation should take primary focus and participation in foreign investment attraction events should be limited in number and to those that promise to provide the maximum benefits to the Town of Tillsonburg.

Town Council subsequently passed the following resolution at their January 22, 2015 Council meeting:

THAT Council receive Report DCS 15-10 Membership in the Southwestern Ontario Marketing Alliance;

AND THAT the Town of Tillsonburg become a member in the Southwestern Ontario Marketing Alliance subject to the following conditions:

- 1. SOMA agrees to discuss and find a solution to centralized lead follow up by June 30, 2015;*
- 2. SOMA agrees to review need for policy on investment attraction/support for smaller members by December 31, 2015; and,*
- 3. 1 year term for membership with review at the end of 2015.*

The Southwestern Ontario Marketing Alliance agreed to these conditions, which were subsequently implemented, including retaining the Town to support centralized lead management with an hourly rate reimbursement.

The timing of Tillsonburg's re-engagement with SOMA in 2015 was good as the former TRW Links & Suspension Plant on Bell Mill Side Road was purchased by THK Co. Ltd. of Japan that year. The Town of Tillsonburg was able to leverage SOMA's experience in the Japanese market to be part of a Trade and Investment mission in Fall 2015. This relationship was fostered with subsequent visits and trade missions over a five year

period in support of such investments in the local community and in January 2022, THK announced a \$27 million expansion plan for Ontario with a significant portion of that investment taking place at their Tillsonburg facility.

THK is currently in the process of implementing advanced manufacturing equipment, including automated machining and assembly centres, to manufacture steering and linkage components and their Tillsonburg facility was also expanded by 13,000 square feet. The expansion also received \$1 million in funding support from the Southwestern Ontario Development Fund.

THK Rhythm Automotive Canada Limited recently celebrated the company's 50th Anniversary and staff believe that a major reason for the investment here is due to the relationships built through international travel.

In summary, the Town has participated in SOMA on an ongoing basis since 2015. Based on the THK investment, the up to 200 leads generated annually by SOMA for its members, its centralized lead management and efficient/effective leveraging of municipal tax dollars for Foreign Direct Investment attraction, the Development Commissioner fully supports ongoing membership in SOMA.

CONSULTATION

The Development Commissioner has discussed various aspects of participation in regional groups like SOMA with the SOMA Board members that are the lead or participate in these groups, i.e. OFC, OMCA, etc.

FINANCIAL IMPACT/FUNDING SOURCE

Membership in SOMA is based on community size and Tillsonburg's fee has been \$20,000 annually, which is offset by Per Diem honorariums that are rebated based on overnight stays, i.e. each day that a member is away on SOMA business is reimbursed at either \$250/day (events within 500 kms) or \$500/day (events greater than a 500 km radius). For example, if a member is away on SOMA business for 10 days, the community would be reimbursed \$5,000.

Since the Town of Tillsonburg is reimbursed for Lead Management, it can invoice SOMA for these costs, which typically have been around \$3,000 to \$4,000 annually.

In addition to this, SOMA provides an additional Per Diem “top-up” for International Missions (typically to Asia) of \$4,000, which is intended to offset the higher costs of travel to Asia.

It is not unusual for SOMA members to receive 25% to 50% of their annual membership fee back in the form of Per Diem rebates. Hence, SOMA provides a very low cost of lead generation, i.e. using the Tillsonburg membership fee of \$20,000 annually and the 200 leads generated, the cost per lead to Tillsonburg is \$100. When one compares this to an advertisement in an Economic Development magazine, which can often range from \$1,000 to \$5,000 with no guarantee of even one lead being received by the Town, one can see how SOMA is able to leverage its funding and activities to generate low cost opportunities for all of its members.

The Town of Tillsonburg’s participation in SOMA also builds credibility for the Town with International Consulates, International investors, and even the Province of Ontario. Even opportunities that may not have been a result of SOMA’s efforts are often impressed with the presence and activities of the alliance, which can help them feel more comfortable investing in a smaller community (rather than the Greater Toronto Area).

It should be noted that SOMA, after holding its membership fees static since inception in 2001, has requested that members consider a 10% increase in their fee to reflect the increase in cost over the past two decades, including most notably, over the past two years.

CORPORATE GOALS

How does this report support the corporate goals identified in the Community Strategic Plan?

- ☐ Lifestyle and amenities
- ☐ Customer service, communication and engagement
- ☒ Business attraction, retention and expansion
- ☐ Community growth
- ☐ Connectivity and transportation
- ☐ Not Applicable

Does this report relate to a specific strategic direction or project identified in the Community Strategic Plan? Please indicate section number and/or any priority projects identified in the plan.

Goal – Through community and regional partnerships, Tillsonburg will attract and retain a diverse range of businesses, creating employment opportunities for residents and a balanced tax base.

Strategic Direction – Ensure adequate supply of “shovel ready” land for business attraction and expansion

Priority Project – *Ongoing* - Increase diversity in manufacturing and other key sectors

ATTACHMENTS

None