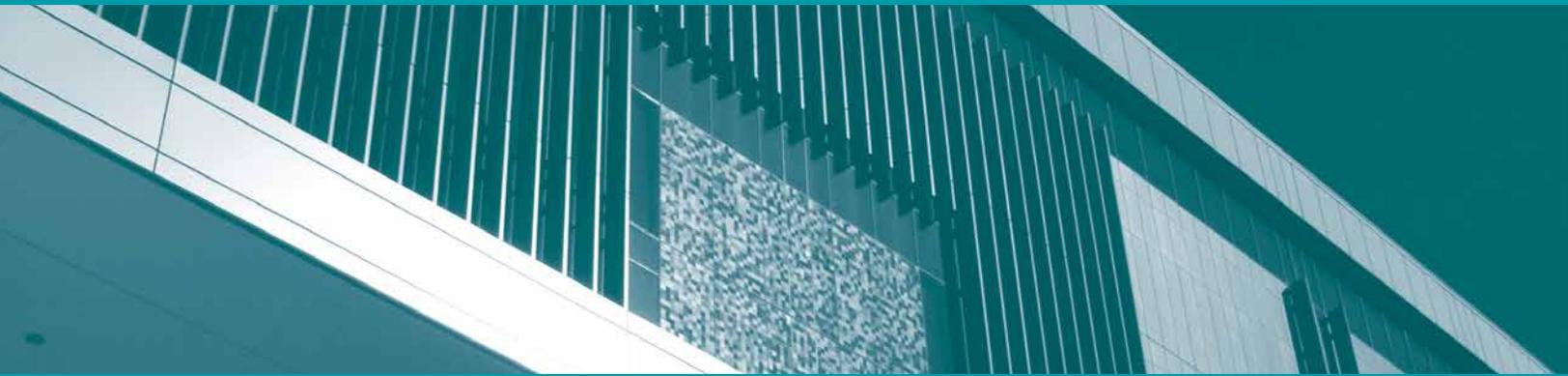


Chapter 9

Enhancing Our Relationship with Canada



Chapter

9

Expanding our geographic advantage in the Sun Corridor mega-region is critical, and Pima County is strategically positioned to capitalize on the increasing commerce between the United States, Mexico and Canada. The vigorous economic activity among these three nations is expected to accelerate under expanded trilateral trade treaties, increased nearshoring and the planning of the Interstate 11 (I-11) component of the CANAMEX corridor. Canadian investment in real estate, as well as Mexican and Canadian tourism, continues to be a significant economic factor within Pima County.

A. Expanded Foreign Direct Investment

Pima County has long benefited in its economy and employment base from Canadian-owned companies such as Bombardier, Stantec and Oracle Mining. More recently, one of Pima County's largest employers, Tucson-based UNS Energy (including its subsidiary Tucson Electric Power), was acquired for \$2.5 billion by Fortis Energy, Canada's largest investor-owned natural gas and electric utility. Mattamy Homes, one of the largest builders in Canada, recently purchased lots in northern and eastern Pima County and will soon be a major component of our homebuilding industry. The Canadian company Walton International Development and Management has become one of the largest landowners in Pinal County. Walton has acquired more than 900 acres along Interstate 10 for commercial and industrial development in anticipation of increased trilateral trade along the future I-11 corridor.

Over the past decade, Canada has experienced substantial growth in both inward and outward Foreign Direct Investment (FDI), reflecting its strong connection to global supply chains. FDI occurs when a foreign company invests in a United States business enterprise; either by opening a new operation or through a merger or acquisition. This type of economic investment is critically important to creating jobs in Pima County and moving outside capital into our region.



CANAMEX CORRIDOR

Going north, Tucson is the first location on the CANAMEX Corridor in the United States that provides a confluence of rail, air and highway.

A June 2014 report by the Brookings Institute's Global Cities Initiative ranked the Metropolitan Tucson region 45 out of 100 metropolitan areas in the percentage of jobs derived from foreign-owned establishments. The study found the number of jobs in the Tucson region in foreign-owned establishments had risen from 7,360 in 1991 to 13,690 in 2011. The top two source countries for these jobs were Canada (23.1 percent) and Mexico (18.3 percent.) Montreal, Canada was listed as the top source city for foreign-owned establishments providing employment in the greater Tucson



Canadian businesses like Bombardier comprise the \$3.7 billion in bilateral trade between Arizona and Canada.

region. It should be noted that Brookings' analysis was completed before Fortis acquired Unisource energy, and Fortis' approximately 1,200 local employees will significantly raise the foreign-owned establishment ranking of the metropolitan Tucson area.

B. Canadian Investments in Mexico

Canadian investment in Mexico is substantial, with more than 2,400 Canadian companies now doing business on Mexican soil. This presents numerous opportunities to position Pima County as a logistics hub for Canadian companies in the same manner as many County companies provide support to United States firms now operating in Mexico. For example, EDC, Canada's export credit agency, recently reported that 200 of the 260 foreign mining companies operating in Mexico are Canadian-owned and now account for 78 percent of the total FDI in the Mexican mining sector. Pima County is uniquely positioned to be further involved in the supply chain for these Canadian companies in Mexico; particularly in the areas of manufacturing, equipment provision, and engineering and consultation services.

C. Canada, Arizona and Pima County

Arizona currently conducts \$3.7 billion in bilateral trade with Canada, and more than 132,200 jobs in the state depend on trade or investment from Canadian companies. Approximately 350 Canadian companies currently operate in Arizona, and the state received more than 1 million Canadian visitors in 2015. Trade, combined with FDI and tourism, results in a \$6 billion bilateral footprint for Arizona and Canada. One excellent example of Pima County's relationship with Canada is Montreal-based aircraft manufacturer Bombardier Aerospace. Since Bombardier's Tucson aircraft maintenance and modification facility opened in 1976, it has contributed significantly to the County's workforce and economy. In 2013, Bombardier expanded its maintenance capacity at its commercial aircraft service center facility in Tucson and opened three new lines of maintenance for its Q400 and Q400 NextGen turboprops to support long-term maintenance contracts with various North American carriers. The company now employs more than 900 skilled aerospace workers at its Tucson facility.

Canadian tourism continues to be a major economic factor in Pima County. Analysis by Visit Tucson and the Arizona Office of Tourism indicates more Canadians are visiting southern Arizona, spend more than United States domestic tourists, and stay longer than most visitors – particularly for extended stays in the winter. In 2015, 1 million Canadians visited Arizona and spent \$1 billion in the State. Visit

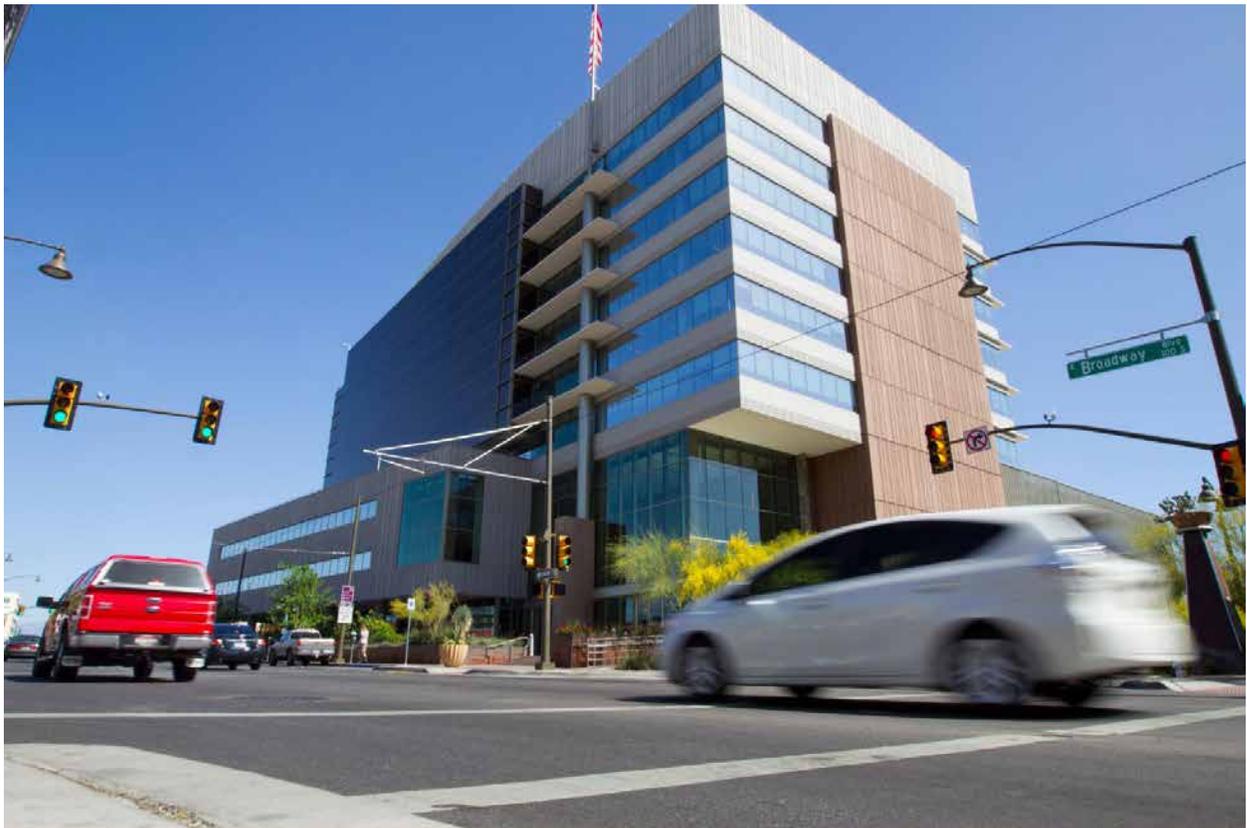
One currently identified weakness in the strategy to attract increased tourism from Canada is the lack of direct air service from the Canadian provinces that have historically drawn the most visitors to Arizona (Alberta, Ontario, British Columbia and Quebec) and to TIA.

Canadian tourism often leads to Canadian real estate investment in Pima County. Mort-

1 million Canadians visited Arizona in 2015 and spent \$1 billion in the State.

Tucson has been working directly with Canadian tour operators and travel agents to increase Canadian tourism to Pima County and expand sports tourism at Kino Sports Complex. Visit Tucson helped bring the Ontario Terriers club baseball team to the Kino complex in October 2014 and is pursuing the Toronto Blue Jays of Major League Baseball as a possible candidate for spring training exhibition games at Kino.

gage lending rules remain tight in Canada, and home prices across the provinces are significantly higher than in Arizona. Canadian government studies have ranked the country's residential real estate as the third most over-valued in the world, with home prices 62 percent higher than those in the United States for similar homes. A 2014 study by the Maricopa Association of Governments found



Tucson-based UNS Energy (including its subsidiary Tucson Electric Power), was acquired for \$2.5 billion by Fortis Energy, Canada's largest investor-owned natural gas and electric utility.

that 93 percent of the internationally-owned residential properties in Maricopa County belonged to Canadians, and most of the acquisitions were cash purchases. The study noted the beneficial impact of Canadian real estate investment in reducing the number of distressed and foreclosed properties in the county and noted the economic benefit of the more than 275 Canadian-owned businesses located in the Phoenix area.

D. Canada Arizona Business Council

The metropolitan Phoenix area, which hosts Canadian companies such as Circle K, Magellan Aerospace and Sunlife Financial, has long recognized the value of working collaboratively with Canada and Canadian businesses. A key organization in facilitating direct trade and commerce between Canada and Arizona has

been the Canada Arizona Business Council (CABC) based in Phoenix.

In furtherance of our economic development goals, Pima County has formally joined the CABC as the first governmental entity from southern Arizona to be accepted to the predominately private-sector organization. The CABC is sanctioned by both the State of Arizona and the Canadian government with a mission to facilitate business, trade and investment between the State and Canada. The CABC recently met with representatives of the City of Tucson, The University of Arizona and PAG but has stated they will work primarily with Pima County to facilitate commerce and trade with Canada for the southern Arizona region. Pima County will serve as the connection between the CABC, our governmental partners in the region and the private sector.

ACTION ITEMS

9.1 Quantify the economic impact of Canadian real estate investment in Pima County and develop a strategy to increase it.

9.2 Coordinate directly with the CABC to facilitate Canadian FDI in Pima County, promote Pima County exports and enhance tourism.

9.3 Work with Canadian and Mexican business interests to identify economic development opportunities in Pima County for Canadian companies seeking proximity to the markets and industries of Mexico.

9.4 Conduct a comprehensive inventory of Canadian companies in Pima County to identify corporate expansion

and retention opportunities and to identify supply chain needs that could lead to expanded economic development in the region.

9.5 Work with Visit Tucson and other interested parties to expand air service between Pima County and Canadian airports.

9.6 Work with the CABC, Visit Tucson, Tucson Airport Authority and other interested parties to create opportunities for sports training at Kino Sports Complex.

9.7 Work with the Tucson Airport Authority to prioritize a direct flight to one of the key provinces in Canada once a direct East Coast flight is attained.