Media Release: Friday, May 30, 2014, 4:30 p.m.

Regional Municipality of Waterloo

Administration and Finance Committee

Public Input Meeting

Agenda

Wednesday, June 4, 2014

6:00 p.m.

Regional Council Chamber

150 Frederick Street, Kitchener, Ontario

The purpose of the meeting is to receive public input on the 2014 Regional Development Charges Review

1. **Declarations of Pecuniary Interest Under "The Municipal Conflict Of Interest Act"**

2. **Public Meeting to Receive Public Input Concerning the 2014 Regional Development Charges Review**

   Councillors received information regarding the 2014 Development Charges Review (RDC Background Study and draft by-law) at the April 1, 2014 and May 27, 2014 meetings of the Administration and Finance Committee. These materials may be found on the Region's website:

   www.region.waterloo.on.ca

3. **Opening Remarks –** Chair Tom Galloway

4. **Staff Presentation**

   a) Calvin Barrett, Director, Financial Services/Development Financing, Re: Regional Development Charges Review

5. Delegations

a) Mary Ann Wasilka, Kitchener 1
b) Ian McNaughton, Canada's Technology Triangle Inc. 9
c) Kevin Fergin, Waterloo Region Home Builders' Association
d) Art Sinclair, Greater Kitchener Waterloo Chamber of Commerce
e) Paul Puopolo, Polocorp Inc. on behalf of Fusion Homes, King Street, Kitchener
f) Larry Kotseff, Vice President, Land Development, Fusion Homes

6. Information/Correspondence

7. Next Meeting

A further report on the 2014 Development Charges Review will be presented to the Administration and Finance Committee meeting on June 17, 2014.

8. Adjourn

Mary Ann Wasilka
Kitchener, Ontario

Region of Waterloo
150 Frederick Street
Kitchener
Ontario N2G 4J3

Finance Committee Region of Waterloo,
I would like provide these comments for your consideration, they include correspondence to the City of Kitchener (where I live). There is a copy of the original letter to Councillor Tom Galloway- October 2013. It would appear from reading the discussion paper that the Region of Waterloo - applies charges based on housing type and not distance from urban centre or service connections.
Thank you for the opportunity to speak to these issues.

City of Kitchener
200 King Street West
Kitchener, Ontario

Dear Finance Department,

I would like to make some additional comments regarding my recent submissions concerning your current review of City of Kitchener Development Charges.

The City of Kitchener has structured their development charges in the past by categories of suburban, inner city and community improvement plans (downtown core). This is a progressive practise.

Area specific charges allow the City of Kitchener to reflect different perceived infrastructure costs in the development charges. Some of the reasons for area specific charges could be distance from pumping stations and water treatment plants, existing infrastructure which new development can use, service standards (water efficiency, waste generation, automobile use etc.)

Whatever the initial reason for differential costs, if the development charge takes into consideration the full costs and benefit for the City of Kitchener, -developers are more likely to make efficient location and density choices. When development charges are applied like services rendered according to location and density this recognizes the higher cost to the City to provide or extend services in specific areas.

If the development charges are set by averaging costs across the city – the developer chooses the lowest cost site regardless of cost to the taxpayer. In contrast if the costs are area specific and recognize higher costs (services rendered) to the City – in more cases the developer will choose the lowest (municipal) cost site, shifting development to these areas.

While the property development sector will continue to lobby heavily against rising costs, the submission by the Ontario Farmland Trust, (to the Provincial Ministry of Municipal Affairs) quotes the study The High Cost of Sprawl, - Environmental Defense 2013, which found that 39% of the cost of new infrastructure and services for new development is passed on to existing properties resulting in higher property taxes to existing residents or cutting other municipal services.

New areas of interest are the social and environmental costs such as reduction in air quality or decreases in social services and increases in urban footprints. A comparison of Ontario municipal fees and development charges – looking for best practises could be encouraged for future discussion and consideration.

Thank you for your time

Mary Ann Wasilka

P.S. I would like to thank City Staff for helping to keep me in the loop, during this process.

October /2013
Kitchener, Ontario

Tom Galloway
Member of Regional Council
Chair Finance Committee
Dear Tom Galloway,

I'm writing to you to propose some municipal funding alternatives regarding Development Charges and Municipal Financing in general. Regional policy makers are currently considering the issues of how to encourage responsible urban growth, how to pay and maintain it and at the same time minimize negative impacts on local natural resources. I would like to comment on how local governments could use Development Charges to encourage planning, financial and quality of life goals as well.

Studies* demonstrate that in most cases the Canadian municipal property tax systems, both user fees and property taxes encourages low density development. User fees which could be used as an effective tool for achieving desired development patterns and density are seldom applied.

Institutions and or businesses when choosing local properties only consider the their own expenses and benefits and not the impact on the public taxpayers. This frequently results in low density – high service cost land use. Findings (Downs, 1999) suggest that higher cost developments are being subsidized by low cost (higher density) development and that municipalities should consider reducing the over taxation of apartments and industries relative to single family properties. This is politically unpopular however user fees and development fees should address the reduction of fees and the over taxation of apartment and businesses relative to single family properties.

There are currently few studies which address the municipal revenue policies and their impact on types and locations of municipal development.

However over the past 20 years there has been frequently policy discussion, debate and direction favouring hard line urban area as opposed to urban growth and sprawl. Policy discussion on municipal costs related to density – high density vs low density is a newer consideration. Many studies indicate that hard services are generally cheaper to create and maintain in high density land use. (Policy and discussion on hard line urban areas policy speak to: market and land choice, spatial expansion, loss of agricultural and open space, land use which promotes car dependency and pollution. There is little policy discussion on expensive land use services being subsidized by cost effective/high quality land use.)

There is some evidence that if land use rate payers and developers were charged the higher marginal costs (actual cost/ unit as opposed to average cost/ unit) of services provided to them in low density land use and the rate payers of central – high density pay lower marginal costs of service , the result would be cost effective socially equitable land use. *Enid Slack,pg15

Development Charges are applied to growth to assure that development pays for itself and is not passed on the local tax payers. The Development Charges Act of 1997, gave municipalities the authority to impose development charges to account for capital and increased need for services.

If development charges reflect the full cost of and benefit, (private and social) then the developer chooses more efficient site locations because the charge is related to services provided. When development charges account for higher infrastructure costs, development will occur first on lower cost sites and thereby shifting development from higher cost sites to cost efficient sites. Municipal financing policy which under charges for hard services and over charges for higher density/ lower cost sites – results in market distortion and inefficient allocation of resources.

Reviewing current Waterloo Region Development Charges at this time should be used as a planning/financial tool to encourage high quality, socially equitable, cost effective land use.

Please consider these recommendations in your review of Waterloo Region Development Charges.

Yours Truly,

Mary Ann Wasilka

*Enid Slack Commentary 2002, Municipal Finance and the Pattern of Urban Growth,no.160 C.D. Howe Institute,

Costs of Sprawl, (1976) Real Estate Research Corporation and US Environmental Protection Agency

P.S. The Waterloo Region Healthy Communities Coalition received some assistance from the Public Good Initiative , School of Public Policy and Governance, University of Toronto, to review this issue in 2009/2010. This useful report -Municipal Financing Strategies- looked at current Regional Development Charges in Cambridge, Kitchener and Waterloo and is available through the Coalition.

Other recent letters of Endorsement
From:

Canadian Environmental Law Association
Citizens Environmental Alliance
Ecojustice
Environmental Defence
North Gwillimbury Forest Alliance
Ontario Nature
Pembina Institute for Appropriate Development

We submit that development charges should not serve as an inducement to sprawl type development[1]. Further, we submit that the costs of growth should be paid by growth. The following statements are supportive of these two principles. Unfortunately the current system of development charges is serving as an inducement to sprawl development. In addition to impacts on natural heritage, this also reduces availability of the need for open space for food production. Furthermore, under the current system, the costs of growth are being inappropriately placed on other residents and property tax payers who either subsidize these costs or receive reduced service levels as a result. Accordingly, we request that the Province of Ontario:

1) Amend the *Development Charges Act, 1997* to ensure that Growth pays the full cost of Growth. We endorse the Municipal Finance Officers' Association position that the province end the 10% mandatory discounts on development charges (*Development Charges Act, 1997*, section 5(1), paragraph 8), that the ineligible services list should be abolished (*Development Charges Act, 1997*, section 2(4)) and that historic average method of calculating service levels is updated to reflect future service levels (Development Charges Act, 1997, section 5(1), paragraph 4). The undersigned further agree with the MFOA that growth should pay 100% of growth[2]. This should include allowances for costs of increasing services such as libraries and recreation services so as to accommodate the increased populations relying on those services induced by new development.

2) Incentivize infill and higher density development over Greenfield development
Ensuring the right kind of development takes place in the right places is key. Use development charges to incentivize infill and higher density development through development charge discounting. Conversely, higher development charges should discourage Greenfield development, which is more costly to build, service and maintain.

2) Incentivize infill and higher density development over Greenfield development
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3) Encourage complete communities that are efficient, sustainable and green Use the development charge system to offer incentives to developers who use land efficiently, and who build to a higher order green building standard reducing water and waste water, energy, reduces paved surfaces, employs low impact development design to reduce capital costs inputs and related infrastructure costs. Such higher order land use should include incentives for use of land within the existing urban landscape such as for urban agriculture and community gardens, and retail space within urban footprints for sale of food, in order to avoid creating new food deserts where people without transportation cannot access food.

4) Maximize development charges on Class One or Class Two agricultural lands for non-agricultural development, and provide exemptions for farm buildings required for normal farm operations.

5) Increase transparency in the development charge process
Knowing what a municipal government charges in their development charges bylaw and how much discounting is allowed is a black box for most citizens in the province. The Government of Ontario should produce a yearly report outlining each municipality's eligible development charge amounts, which they are able to charge under their approved by-law, and compare it to what they are actually choosing to charge. This will bring transparency to the process and highlight where municipal discounting is occurring.

6) Allow some of the funds from higher development charges on greenfield sites to be used to provide the permanent protection of agricultural and natural heritage lands elsewhere in the community such as by existing municipal land securement funds (eg. Greenlands Securement Programs in Halton, Peel and York Regions, etc.), or used as seed funding for new land securement funds in regions where such municipal programs are underdeveloped. Land securement funds can be used collaboratively by land trusts,

conservation authorities, municipalities, and other land conservation groups to acquire land or conservation easements that provide permanent protection of significant agricultural and natural areas.

Ontario Farmland Trust c/o

University of Guelph, School of Environmental Design & Rural Development,

January 8, 2014
Dear Mr. Ballantine,

RE: Environmental Bill of Rights (EBR) Registry Number 012-0281
Development Charges Act, 1997 Consultation
We commend the Ministry of Municipal Affairs and Housing for opening dialogue and leading consultation on
Ontario's Development Charges Act, 1997,
. Several of OFT's recommendations are supportive of positions being put forward by the Canadian
Environmental Law Association and Ontario's major farm organizations as part of this consultation. OFT
brings a unique perspective to land use planning and related policy discussions, as the only province-wide
organization specifically dedicated to supporting and advancing the protection of Ontario's rich farmland
resources. Our Board of Directors includes stakeholders from the land conservation and agricultural sectors,
as well as planners and academics.

OFT's primary concern is the ongoing and permanent loss of tens of thousands of acres of farmland every
year to urban sprawl and other non-agricultural developments across the province. With over 2.8 million
acres lost since 1976, and an additional 350 acres leaving production each day, this trend is highly unsustainable. It must be reversed for Ontario's foundational $34 billion food and farming sector to remain strong, vibrant, profitable and productive as a key driver of the provincial economy.
The Development Charges Act influences the patterns and types of development we see in Ontario, and can have significant impact on the extent of greenfield development and efficiency of land use in communities across the province. By restructuring elements of the Act, municipalities can be given the opportunity to develop new incentives and mechanisms to direct growth and development in a way that:

- Accounts for the full cost of required new municipal services;

- Encourages compact development in existing settlement areas; and,
- Emphasizes the use and improvement of existing infrastructure.

As a result, municipalities can be empowered to limit new greenfield development and better protect working farmlands – a priority for many communities and a core provincial interest.
Environmental Defence's 2013 development charges study, *The High Cost of Sprawl*, shows that the application of development charges in most Ontario municipalities is encouraging urban sprawl and inefficient land development, and increasing the costs of municipal servicing at the expense of existing taxpayers. The result is unnecessary or premature urban development on productive farmland and a waste of land resources. It is also contrary to provincial land use plans and policies like the Places to Grow Act and Provincial Policy Statement that emphasizes compact, higher density forms of development and preservation of agricultural lands.

The study also finds that 39 percent of the cost of new infrastructure and services required for new developments in Greater Golden Horseshoe municipalities falls to existing taxpayers, resulting in higher property taxes and/or fewer municipal services. The current Development Charges Act does not allow municipalities to collect enough money from development charges to offset all new servicing costs.
Some types of land development are more costly for a municipality to service than others, yet development charges may not adequately incentivize land use efficiency. Building in existing urbanized areas usually requires fewer municipal resources, assuming capacity of the existing network is sufficient, as much of the infrastructure and servicing is already in place. Greenfield development requires all services to be installed from scratch. Unfortunately, development charges are usually averaged across all building units, regardless of whether it costs more to provide services to some locations. This approach means higher density units built in locations that are easier to service end up subsidizing units that use land less efficiently and are located on sites that are expensive to service. For example, developers building large houses on large lots often don't pay the full costs of installing the services these homes need. In contrast developers and purchasers of smaller houses built on modest lots may overpay in development charges and inadvertently subsidize sprawl developers and homebuyers.

passed by Regional Council on January 7th
F-14-004, Region of Waterloo Response to Provincial Review of Development Charges System
The following motion was carried as part of the report:
That Report F-14-004 be forwarded to the Province of Ontario as Waterloo Regional Council's response to the Ministry of Municipal Affairs and Housing's consultation on the Development Charges System in Ontario;
And That the Province be requested to make changes to the "Development Charges Act, 1997", to support the Region's transition to higher order light rail transit system by:
· Allowing the use of a 10-year forward looking level of service as the baseline for calculating development charges for transit; and

· Eliminating the 10% mandatory discount on development charges to pay for transit infrastructure;

And That the Province be requested to make changes to the "Development Charges Act, 1997", consistent with the principle that "growth pays for growth," including the following:

· Include all services funded by a municipality;
· Remove the 10% discount for all services; and
· Replace the 10 year average historic service level limits with a service level that is forward looking;

And Further That Report F-14-004 be circulated to the Area Municipalities within Waterloo Region for information.

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[1] Priced Out, http://www.pembina.org/pub/2502, Burda, Cherise; Live Where You Go, Encouraging Location Efficient Development in Ontario, Burda, Allen, Dunn, Lintner, Zizzo, McClenaghan http://www.cela.ca/sites/cela.ca/files/live-where-you-go.pdf; The High Costs of Sprawl, Environmental Defence, http://environmentaldefence.ca/sprawl-costs

[2] See the recent statement of the Municipal Finance Officers Association on development charges posted at http://www.municipalinfonet.com/detail_news.php?ID=464249&cat=;81.

CANADA'S TECHNOLOGY TRIANGLE
Waterloo Region
Cambridge
Kitchener
Waterloo

Tom Galloway
Chair Administration and Finance Committee
Region of Waterloo

Re: Regional Development Charges

May 8, 2014

Dear Mr. Galloway,

Canada's Technology Triangle Inc. acts as the foreign direct investment attraction arm of the Region of Waterloo, and works tirelessly to promote Waterloo Region abroad as an ideal location to set up operations, either as an entry point to the U.S. or central location for Canada. We work in a very competitive global marketplace where neighbouring jurisdictions are not necessarily our main competitors.

Our main target markets include the United States and Germany. These countries are largely unfamiliar with the concept of burdening servicing charges on companies. Waterloo Region has a long history of German investment due cultural commonalities as well as our strategic location and access to skilled talent. Over the past decades many successful Mittelstand manufacturing companies have set up operations here and have grown to be amongst the anchors in their respective communities. The Mittelstand company is often multi-generational, highly profitable, well respected and the engine of the German economy. German companies typically like to build their own structures and very much have a brick and mortar mentality. These are the types of companies we want to attract here because once they sink their roots, they stay, provide employment, stability and prosperity to the area.

Well known examples here include PWO, Rimowa, Leoni Elocab, Viessmann, fischer Stainless Steel and ODG to name but a few. Canada's Technology Triangle Inc. has been in conversation with several CEOs of these local companies as they express their concerns over municipal and regional development charges.

The firms export almost all their product to the U.S. making it increasingly difficult for them to justify prohibitive expansion costs to their headquarters. They are also continuously being contacted by jurisdictions south of the border with very attractive incentives to establish operations there.

Development charges in general are a deficiency in our toolkit and they affect our ability to sell the region to a global audience. High upfront charges are disincentives for companies to invest in greenfield development. Manufacturing and specifically advanced manufacturing remains a key economic component to Waterloo Region's prosperity.

CANADA'S TECHNOLOGY TRIANGLE | Waterloo Region Cambridge Kitchener Waterloo

In a letter to CTT Inc. PWO's CEO Karl Schreyer stated that "since the end of the financial crisis we invested a total of $16 million here in our Kitchener facility and intend to invest $8 million over the next 2 years. … In our 2013/14 expansion we had a building investment of $3.5 million planned. This investment was loaded with additional charges of $887,652 to the city for permit, DC charges etc. This represents more than 25% of the building cost. These costs have outraged our German investors. … Unfortunately the German car makers and Tier 1 suppliers seem to cluster in the South of the USA. Ontario with its current exchange rate has no obvious advantage and clearly with the location at the very north of the market, it has a disadvantage. To stay in the market we have to overcome this disadvantage with high tech solutions, higher efficiencies and quality. This is clearly our responsibility as business leaders.

If the government, the cities and regions are interested to attract and to keep the German automotive suppliers in Ontario, they also have to make competitive offers. They should think about helping to develop a site. Development charges are counterproductive and present a position of "no interest." … The City of Kitchener and Waterloo Region have to change their policies in regards to development charges if they want to keep the German automotive supplier in their region. " (Letter herewith attached)

We look forward to facilitate the communication between foreign multi-nationals and the Region of Waterloo in this regard. It is in everyone's best interest to create a climate of growth and stability for companies, employees and the public at large.

Regards,

John Jung, CEO
Canada's Technology Triangle Inc.
260 King Street West
Kitchener, ON N2G 1B6
519-747-2541
john@techtriangle.com

Canadian Manufacturers & Exporters
Manufacturiers et Exportateurs du Canada

May 7, 2014

Tom Galloway
Chair of the Administration and Finance Committee
Region of Waterloo
150 Frederick St.
Kitchener, ON N2G 4J3

Re: Region of Waterloo Development Charges

Dear Mr. Galloway:

It has come to my attention that the Region of Waterloo Council is reviewing the issue of levying development charges on investments that businesses are planning to make in the municipality.

The Region of Waterloo is renowned around the world as a centre of advanced manufacturing technologies – including information, environmental, software, and new production technologies. It is also a hub of a vibrant manufacturing sector that accounts for more than twenty percent of total employment in the region.

The future prosperity of Waterloo Region depends on attracting and retaining investments on the part of manufacturing and technology companies that generate jobs and value-creating businesses over a wide range of industrial and services sectors. These investments are an anchor for business creation, high-paying jobs, and a sustainable and healthy tax base.

However, the reality today is that those investments do not come easily. Local municipalities are in fierce competition to retain and attract the presence of high value businesses in the manufacturing sector, together with the jobs they create and benefits they bring across the community. Development charges are a tax on the very investments that your community needs to sustain a healthy local economy.

U.S. jurisdictions are notably successful in courting business investments with a variety of incentives. They make a point of avoiding development charges because they act as a disincentive for investment. I can tell you that from a foreign direct investment perspective, firms first look to the United States and only secondarily to Canada for greenfield investment opportunities. For that reason, we need to make an even more attractive investment pitch for investment in this country. Any barriers to entry place Canada at a disadvantage.

Companies that invest in brick and mortar, especially advanced manufacturing companies that are the backbone of economic prosperity in Waterloo Region, should not be discouraged from establishing or expanding their operations in municipalities

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T 613-238-8888 **F** 613-563-9218 **www.cme-mec.ca**

Canadian Manufacturers & Exporters

Manufacturiers et Exportateurs du Canada

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with upfront costs that pose a significant burden to their bottom line. Development charges in combination with high business real estate taxes are a hindrance to investment, growth, and the economic viability of any region.

On behalf of Canadian Manufacturers & Exporters, I urge Council to ensure that the Region of Waterloo is able to present the most attractive proposition possible for investments in new manufacturing facilities. Development charges can play no part in a modern strategy aimed at growing value-adding manufacturing investment.

Respectfully,

Jayson Myers
President & Chief Executive Officer

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April-21, 2014

PWO Canada Inc.
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info@pwocanada.com
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PWO Canada Inc. · 255 McBrine Drive · Kitchener ON N2R 1G7

Canada's Technology Triangle Inc.
Att. Catherine Bischoff
260 King St. W., Suite 201
Kitchener, ON N2G 1B6

Development Charges in Kitchener and Waterloo Region

To whom it may concern

PWO Canada is a Tier 2 automotive manufacturing company. Our core competence is stamping and deep draw forming with fully automated presses up to 1200 metric tons with CNC driven transfer technology. After stamping, we have up to seven subsequent operations like roll forming, resistance welding, MIG welding, friction welding, crimping and helium leak testing in our processes. We deliver most of our products as sub-assemblies to Tier 1 customers, a smaller portion of our parts are directly sold to OEM's like BMW and FORD. Our OEM customers involve us in the design and engineering of their customized products in a very early stage of a car platform development. Part prices and contracts for those products are negotiated directly with the OEMs who in return specify our products to our Tier 1 customers.

PWO Canada is a 100 % subsidiary of PWO AG, a German automotive supplier with 380 Mio EUR in world- wide sales and subsidiaries in Canada, Mexico, Czech Republic and China. PWO AG bought the Kitchener facility in 1997 (49%), at that time Brattan Tool Industries and took over 100% of the shares up to Dec.-31, 2000.

The facility in 1997 had 80,000 sqfeet and about 100 employees, PWO Canada expanded in 2003 by 65,000 sqfeet and is now in progress to expand by another 50,000 sqfeet to a total of 195,000 sqfeet. We have abutting land to develop this site to a total of **270,000 sqfeet**.

We had no layoffs during the financial crises in 2008 and 2009 and we grew our number of employees from 110 in early 2010 to currently 265.

Since the end of the financial crises we invested in 4 years from 2010 to 2013 in total 16 Mio CAD here in our Kitchener facility and we intend to invest 8 Mio CAD over the next 2 years in 2014/15.

Our global business is defined by major projects. The latest FORD cross car business was awarded in 2009 for production in Europe and NA. In Kitchener we launched the production of 800,000 CCB for NA in 2011 with an annual sales of 35 Mio CAD. The products are shipped to Michigan and Kentucky, USA. This business will phase out in 2019.

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New business with global platforms is usually generated in Germany with the co-design responsibilities of the PWO's R&D department in Germany. The production facility will be chosen by our head-quarter, according to the cost structure of each facility in one and the same region and to a possible new site especially developed for the new business.

Our Kitchener site has the second best EBIT margin within our group, has a high efficiency and a high technological standard which allows us to produce any product out of the entire portfolio of PWO's process capability.

All of our new business is exported to the USA, our advantage in efficiency and our strong launch capabilities can almost balance the cost for freight to Kentucky or North Carolina, USA to the additional and higher production cost of a local new site.

If we are competitive in part production, a decision will be made based on overall investment cost.

For most of our global projects in the range of 35 Mio CAD annually an expansion is necessary and most of the time welding or other machineries for joining techniques are purchased. The machinery is globally very competitive in every location. The building cost are very different from country to country and within the regions.

In our 2013/2014 expansion, PWO Canada had a building investment of 3.5 Mio CAD planned. This investment was loaded with **additional charges of CAD 887,652.12 to the City** for permit, DC charges, storm water management charges "Cash in Lieu", park dedication "Cash in Lieu", Site plan review fees and legal fees. This represents more than 25% of the building cost.

These costs have outraged our German Investors. The overall investment to launch the project was calculated with 7 Mio CAD, the additional unplanned 900 kCAD is a significant deviation of the plan and could have led to another decision if known earlier. Through this unknown extraordinary cost the project was delayed. Compensation and other measurements were required and we will now take possession of the building 9 month later than planned. Additional cost for winter-heat and outside storage was required.

Furthermore the city and region could not clearly specify the cost upfront. In May 2013 an amount of probably CAD 600,000 was verbally communicated. During the process a lot of additional charges were announced by various departments and ridiculous requirements to upgrade and beautify existing buildings and parking lots came up. The process was not customer oriented and not investor friendly at all and it had sent a strong message to the Executive Team of PWO.

The potential for PWO's growth in NA is high. The automotive industry in NA is growing and the German car makers seem to achieve a stronger than average portion of this growth. PWO in Germany is working with several German OEMs and major Tier 1s together. PWO is well known for precision metal components in high volume and has a strong support from the design and engineering teams of German companies. We compete with innovative solutions in steel against Magnesium and other high cost alternatives. We are able to supply one design all over the world in one company. Our customers don't resource their products in different production regions, whether it is in Europe, Asia or North America.

Unfortunately the German car makers and Tier 1 suppliers seem to cluster in the South of the USA. Ontario with its current exchange rate has no obvious advantage and clearly with the location at the very North of the market, it has a disadvantage.

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To stay in the market we have to overcome this disadvantage with high tech solutions, higher efficiencies and quality. This is clearly in our responsibility as business leaders.

If the government, the cities and regions are interested to attract and to keep the German automotive suppliers in Ontario, they also have to make competitive offers. They should think about helping to develop a site. Development Charges are counterproductive and present a position of "no interest".

Good Public Transportation to the production site is important, a safe environment for people at night at shift changes at 11.00 pm is also important. The automotive industry, if competitive and profitable, is working 3 shifts per day and at least 2 shifts on Saturdays.

If we want to defend Ontario as a good place for automotive suppliers, we need to work together and we need every level of administration behind this task.

The City of Kitchener and Waterloo Region have to change their policies in regards to development charges if they want to keep the German automotive part supplier in their region.

Thank you for your interest

Karl Schreyer
President