



# DESTINATION SUCCESS

**A POCKET GUIDE  
TO SMALL BUSINESS  
IN ONTARIO, CANADA**

**MINISTRY OF SMALL BUSINESS AND ENTREPRENEURSHIP**



### Canada: Quick Profile

Population	33 million. Approximately 90% of the population is concentrated along the southern border with the United States.
Area	10 million square kilometres. The second largest country in the world.
Capital	Ottawa, Ontario.
Economy	In their forecast of the global business environment through to 2009, the Economist Intelligence Unit (EIU) ranked Canada as one of the best countries in the world to do business, thanks to our openness to foreign trade and capital, high-quality infrastructure and opportunities within the North American marketplace.
Environment	Canada ranked sixth for environmental sustainability in the 2005 Environmental Sustainability Index Report, jointly conducted by the Yale Center for Environmental Law & Policy and Columbia University Center for International Earth Science Information Network.
Competitiveness	The World Competitiveness Center ranked Canada 5th for business competitiveness in their 2005 Scorecard.
Languages	English (official) 59.3%, French (official) 23.2%, other 17.5%.

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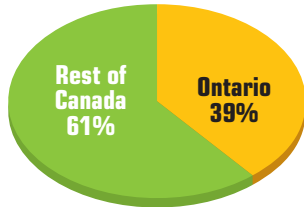
*Note: Every effort has been made to ensure the accuracy of the information in this publication at the time of writing; however, the programs referred to, and the data cited, are subject to change.*

# Ontario Quick Profile

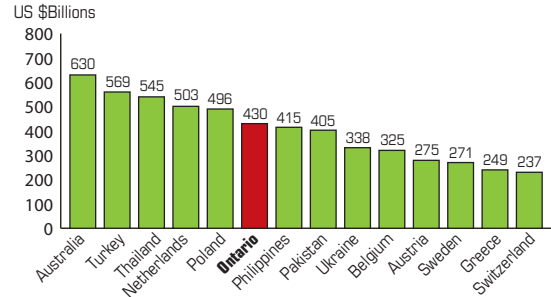
## Ontario Snapshot

- Ontario is Canada's second largest province, covering more than one million square kilometres – an area larger than France and Spain combined.
- Ontario's most southern border is at roughly the same latitude as Rome, Italy.
- Almost 40% of Canada's population – 12.7 million people – live in Ontario.
- Ontario has the largest economy in Canada, accounting for nearly 40% of the nation's economic activity.
- Ontario is home to almost 40% of all head offices in Canada and well over 50% of foreign head offices.

## Proportion of Head Offices in Ontario



## Gross Domestic Product International Comparison\*



\*Based on purchasing power parity valuation

Source: International Monetary Fund, OECD and Statistics Canada

- The Ontario economy is bigger than the economy of Belgium, Sweden, Switzerland, Austria or Greece.
- More than 1,000 multi-national corporations and 90% of foreign banks that do business in Canada have their Canadian headquarters in Ontario.
- Ontario is a multicultural society. More than half of all immigrants who come to Canada choose to live in Ontario. More than 100 languages are spoken in the province.

## Ontario's Economic Role in Canada

	GDP	EXP		GDP	EXP
1 Ontario	39.3%	45.9%	7 Nova Scotia	2.3%	1.4%
2 Quebec	19.9%	16.9%	8 New Brunswick	1.8%	2.4%
3 Alberta	15.9%	17.4%	9 Newfoundland & Labrador	1.6%	1.0%
4 British Columbia	12.3%	9.2%	10 P.E.I.	0.3%	0.2%
5 Saskatchewan	3.1%	3.0%	11 Territories	0.5%	0.4%
6 Manitoba	3.0%	2.2%			

GDP - % of Canada's Real GDP

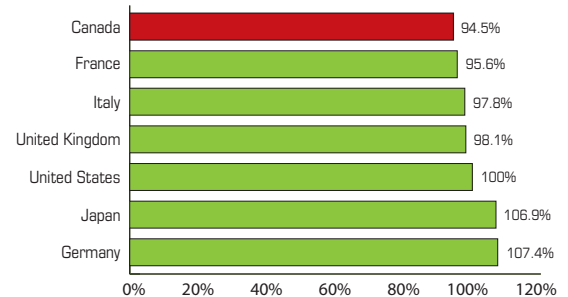
EXP - % of Canada's International Exports



## Canada is the G7's Lowest-cost Country for Business

Operating costs have a significant impact on a company's ability to compete. A recent KPMG international cost comparison study showed that Canada's business costs were the lowest of the G7 countries, and 5.5% lower than that of the United States.

### Cost-Competitiveness: 2006 Ranking by Country, Canada and the G7



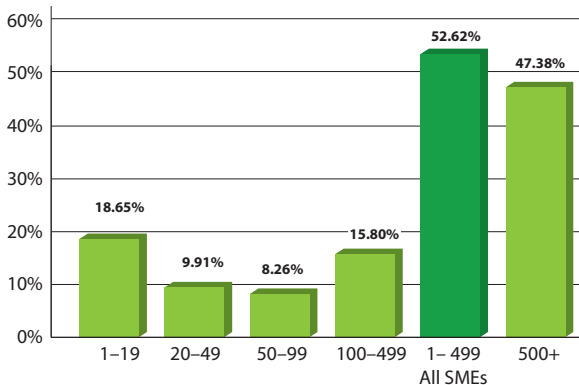
Source: KPMG's 2006 Competitive Alternatives Study

## Ontario SMEs at a Glance

Ontario is the engine of the Canadian economy, and small and medium-sized enterprises (SMEs) drive Ontario's economy.

There are more than 340,000 SME employers in Ontario. Together, they constitute more than 99% of all businesses in the province. More than half of all Ontarians work in these firms.

**Percent of Total Employment by Size of Firm (2005)**



Source: *Percent of Total Employment by Size of Firm 2005*

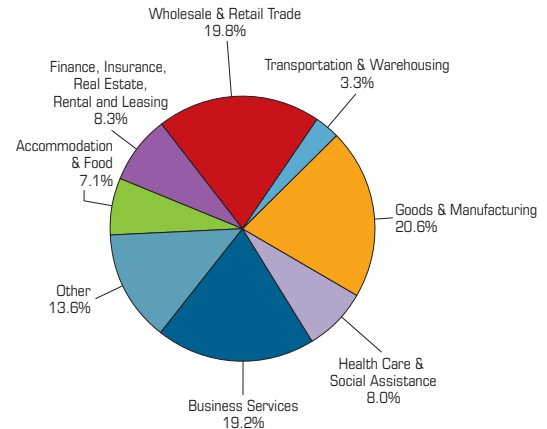
### Quick Fact:

A business is typically defined as “small” if it is a goods-producing firm with fewer than 100 employees, or a service firm with fewer than 50 employees. Companies above that size, with up to 499 employees, are considered medium-sized. The popular term “SME” (small and medium-sized enterprise) is a combination of all of these components of the economy.

Ontario's SME community is remarkably diverse, with firms across a range of sectors – financial and business services, manufacturing, retail, information and culture and construction.

Individual entrepreneurship also plays an important role in the province. Nearly one million people in Ontario describe themselves as self-employed business owners.

**Industry Distribution of SMEs in Ontario\* (2005)**



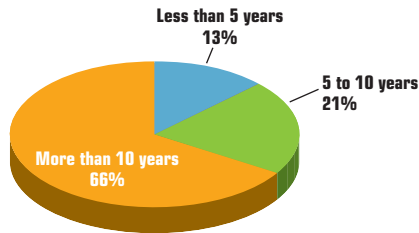
\*By Number of Firms

Source: Statistics Canada, *Canadian Business Patterns*

## Ontario's Dynamic SMEs Community

Ontario's dynamic SME marketplace generates thousands of new businesses each year, as Ontario entrepreneurs respond to market opportunities in Canada and around the globe. Many of Ontario's business owners are part of the "Baby Boom" generation and are actively pursuing prospects for strategic alliances, mergers or acquisitions to position their enterprise for long-term success.

**Ontario: Experience Profile of SME Owners  
Years Owning or Managing a Business**



Source: Statistics Canada, Survey on Financing of Small and Medium Enterprises

## Ontario's New Ministry of Small Business and Entrepreneurship

Recognizing the vital role played by SMEs, in May 2006, the Ontario government created a focal point for small business support and advocacy.

The Ministry of Small Business and Entrepreneurship:

- Helps create a strong business climate for SME growth, export opportunities and innovation.
- Promotes Ontario as a premier location for small and medium-sized companies.
- Ensures that smaller firms are represented in the Ontario government and have a voice in the provincial legislature.
- Provides a variety of programs and services to help small businesses grow and succeed.
- Provides entrepreneurship initiatives and youth programs to help strengthen Ontario's innovation and business cultures.
- Offers a network of 44 Small Business Enterprise Centres and an additional nine service locations across the province. These centres operate in partnership with municipalities and provide new business owners information and advice through seminars and referrals to help them grow their companies.
- Helps companies gain market intelligence, export assistance, support for new technology and access to government programs through Business Advisory Services in twelve locations.

The Ministry website, [www.sbe.gov.on.ca](http://www.sbe.gov.on.ca) provides valuable information to business owners to help them grow their companies.

# The Ontario Advantage

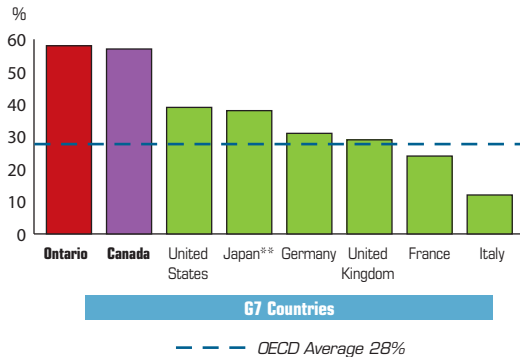
To succeed anywhere in the world, businesses need talented workers, good suppliers, access to customers and competitive costs.

Ontario offers all of these – a tremendous competitive advantage for Ontario SMEs.

## Skilled Workers

Today's growing businesses are knowledge-intensive. Ontario's workforce is one of the best educated in the world with a higher percentage of post-secondary degrees and diplomas than any other industrialized country.

Share of Adult Population with Post-Secondary Education in G7 Countries



\* defined as completed college or university education  
 \*\* 2003 data

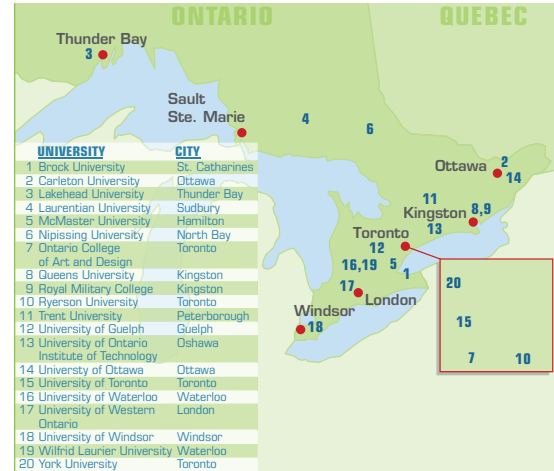
Sources: Organisation for Economic Co-operation and Development and Ontario Ministry of Finance.

Sources: Statistics Canada, Labour Force Survey, February 2006 (3/2006); Ministry of Education 2005; Ministry of Training, Colleges and Universities 2005; Ontario College Application Service 2002 (2/2006)

## Education

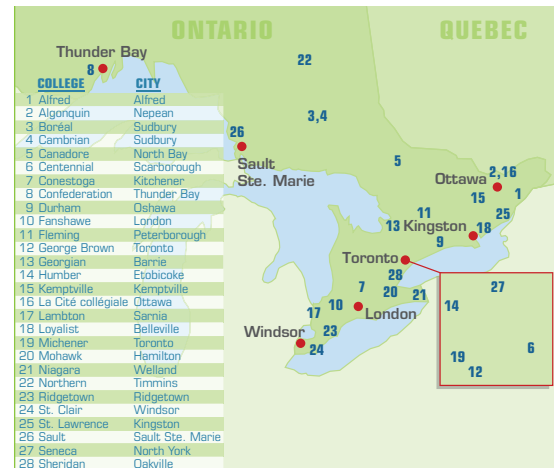
Ontario has 48 colleges and universities with over 100 campuses across the province. A culture of education and training boosts Ontario's research, innovation and business capabilities.

### Ontario Universities



Source: [www.2ontario.com](http://www.2ontario.com)

### Ontario Colleges



Source: [www.2ontario.com](http://www.2ontario.com)

## Health

Ontario has one of the best health care systems in the world. In 2005, the creation of 150 Family Health Teams was initiated in both urban and rural locations across the province to reduce wait times and provide better access to doctors and nurses. The province's Ontario Health Insurance Plan (OHIP) provides medical and hospital services to eligible residents of Ontario.

Ontario's University Health Network (UHN) links Toronto General, Toronto Western and Princess Margaret Hospitals and their 2,500 scientists, technicians and students, forming the largest medical centre in Canada. With over \$250 million in combined funding, the UHN engages in pioneering biomedical research that delivers both global impact and the highest standards of regional care for the 211 hospital sites across the province.

## Supplier Chains

Ontario's business community is broad and diverse, able to supply growing companies with a spectrum of goods and services – from heavy construction equipment to interactive digital media services.

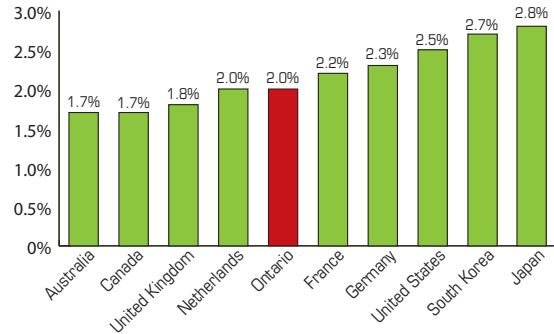
## Lower Taxes

Canada offers one of the lowest-cost business operating environments among industrialized countries. Ontario's corporate rates are several percentage points lower than the United States average. In addition, Ontario's general corporate income tax rate is reduced by up to 60% for small Canadian-controlled private corporations. Small businesses with assets of \$10 million or less are generally exempt from Ontario's capital tax. Firms with revenues under \$10 million or total assets less than \$5 million fall below the threshold of the corporate minimum tax.

## Innovation

Half of Canada's industrial R&D occurs in Ontario. Provincial and federal tax credits can cut the after-tax cost of a \$100 research and development (R&D) expenditure to \$43.47.

### World Ranking for R&D Spending as a Percent of GDP (2002)\*



\*Where GDP is greater than \$500 Billion PPP

## Market Access

Ontario companies have full and direct access to the North American Free Trade Agreement (NAFTA) market: 430 million consumers with a combined GDP of approximately US\$13.8 trillion. Ontario has a reliable transportation system that moves products easily to market. Fifteen road, rail and marine border crossings to the United States expedite trade with Ontario's largest trading partner.

## Security and Stability

Canada and Ontario are internationally recognized as safe, secure jurisdictions with a fair legal system based on common law. In an annual international poll, Canada ranked among the top five nations in the world for "friendly and favourable business culture", "ideal to do business with", and was listed as number one in safety.

Country Brand Index, 2006



## Culture

Ontario's cultural industries play a vital role in the economy. Films, books, magazines, live commercial theatre, television programs, digital media and music recordings generate more than \$6.7 billion in revenues and more than 36,000 jobs.

These industries also create culturally rich communities that attract talented workers who are innovators by nature, constantly adapting to new technologies and international markets. Their achievements attract other disciplines such as science, medicine, architecture and engineering, greatly increasing Ontario's competitiveness in the global economy, as well as fostering our reputation for cultural richness and artistic maturity.

Ontario's Entertainment and Creative Cluster is the third largest in North America, after Los Angeles and New York.

## Immigration and Diversity

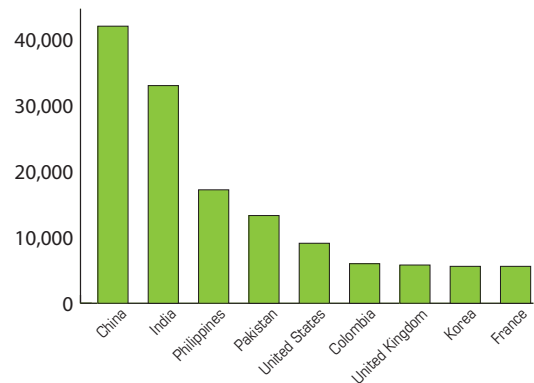
Each year, more than 125,000 newcomers choose Ontario as their new home. That's more than half of all immigrants to Canada. They come from over 200 countries, are educated and speak more than 100 languages. Ontario's diversity is a tremendous source of strength. It gives the province a powerful competitive advantage in the world economy.

The Ontario government is collaborating with professional regulatory bodies, employers, community groups, colleges and universities to help qualified newcomers establish themselves and work in their fields.

## Countries of Origin

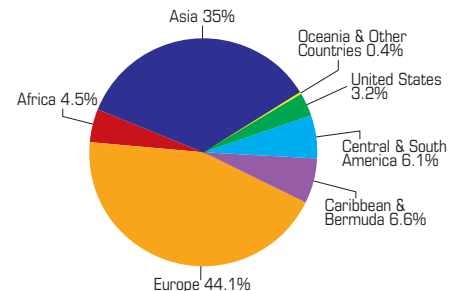
Of all the immigrants who came to Canada in 2005, China and India led as the countries of origin for the eighth consecutive year. China accounted for 16% of immigrants (42,291) and India, for 13% (33,146). The Philippines (17,525) and Pakistan (13,576) were the third and fourth largest source countries, accounting for seven percent and five percent of immigrants, respectively. The United States followed with 9,262 immigrants, or over three percent of the national total.

### Immigration from Top Ten Source Countries (2005)



Source: CIC, Facts and Figures 2005

### Immigrant Population by Place of Birth



Sources: Statistics Canada (2001 Census) Canadian Citizenship and Immigration

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### **Transportation Infrastructure**

Located in the heart of North America, Ontario businesses have easy access to prosperous consumer and industrial markets. The province has an up-to-date, integrated transportation infrastructure, including highways, commuter and urban public transit, province-wide and internationally connected railways, worldwide cargo aviation systems and some of the most extensive in-land and international marine shipping facilities anywhere.

The Economist Intelligence Unit ranked Canada's transportation infrastructure as #1 relative to other G7 countries in 2001-2005.

Manufacturers located in Ontario are close to major North American industrial markets. Ontario shares 15 border crossings with the United States.

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### **Road**

Almost 40% of the population of North America is within one day's drive of Southern Ontario. Ontario has an extensive, 72,000 kilometre (45,000 mile) network of paved roads and highways, including four-lane highways, with advanced freeway traffic management systems for improved efficiency and safety. Highway 401 runs from Windsor, Ontario to Montreal, Quebec. Ontario has an extremely competitive trucking industry. Some two-thirds of the value of all Ontario exports moves by truck.

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### **Rail**

Transcontinental railway lines provide freight service to Eastern and Western Canada and to the United States. The Ontario rail system has over 13,351 kilometres (8,296 miles) of track.

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### **Air**

Ontario has over 60 airports receiving scheduled flights and 20 that can service jet aircrafts. Ontario airports service 40% of the total national passenger traffic.

Toronto's Lester B. Pearson International Airport is Canada's largest, serving approximately 25 million passengers annually. It ranks fourth in North America by the number of international passengers. Pearson provides direct service to 43 United States markets daily, and to over 42 countries worldwide. Over 65 international airlines provide scheduled service.

## Telecommunications Infrastructure

Ontario's communications networks are efficient, affordable and among the best in world. The province offers a full range of voice and data telecommunications, and Ontario firms are leaders in communications technologies.

Canada is ahead of the United States in digitization and has maintained its position relative to other industrialized nations. The conversion to digital technology is almost 100%.

Canada has also constructed the longest terrestrial fibre optic network in the world using state-of-the-art design, manufacturing capability and construction methods.

## Ontario Infrastructure Points and Border Crossings



Source: CIC, Facts and Figures 2005

## The NAFTA Advantage

Ontario's geographical location makes the province a natural manufacturing and distribution centre for important markets in Canada, the United States and Mexico. More than 40% of the combined population of Canada and the United States lives within 800 kilometres of Toronto, Canada's largest city. Major centres such as Boston, New York, Detroit and Chicago are just a short flight from Toronto.



NAFTA, signed by Canada, the United States and Mexico with the goal of increasing trade among the three nations, provides Ontario goods, services and capital, barrier-free access to the United States and Mexican markets.

Trade between Canada and the United States is close to \$2 billion each day.

## Quick Fact:

Canada is ranked as one of the world's most business-friendly nations according to a World Bank survey of 175 countries that rated the steps, time and costs involved in registering a new business.

# Ontario's Regional Strengths

Different cities and regions across Ontario are recognized for their strengths in specific sectors. For example, Toronto is Canada's financial centre and continues to attract new companies in that sector, while Ottawa is known for its high tech companies and Sudbury as an international centre for mining.

Most Ontario communities include a wide range of businesses and industries.

City/Region	Strengths
Hamilton	Steel and metal manufacturing, biotechnology, information and communications technology (ICT).
Kingston	ICT, research and development.
Kitchener / Waterloo	Education, knowledge creation, health sciences and ICT.
London	Life sciences, manufacturing and transportation.
Ottawa	Ottawa is the Canadian capital and has industries in advanced technology (telecom, photonics, software, microelectronics and biotechnology), life sciences and tourism.
St. Catharines-Niagara	Tourism, wine production and manufacturing.
Sudbury	Mining and forestry resource and product development, medical and environmental technology and research.
Thunder Bay	Forestry, education and knowledge creation.
Greater Toronto Area (GTA)	The GTA consists of the City of Toronto and the regions of Durham, Halton, Peel and York, creating Canada's undisputed business and manufacturing centre. Key sectors include pharmaceuticals, financial services, biomedical technology, ICT, manufacturing and auto production.
Windsor	Research and development, auto production and supply, manufacturing and bio-sciences.

## Regional Strengths

**Northwestern Ontario:**  
2% of total employment  
62% of forestry employment

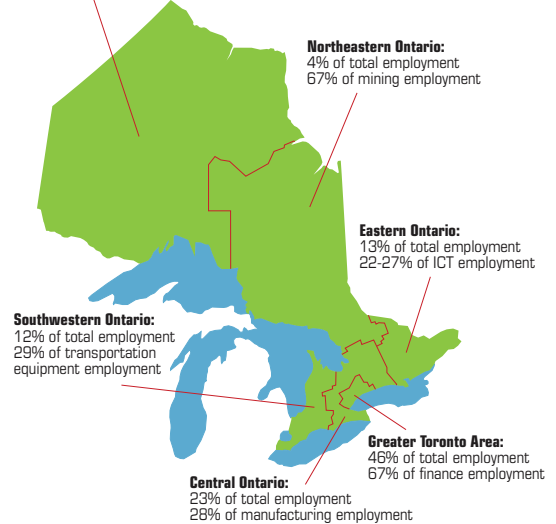
**Northeastern Ontario:**  
4% of total employment  
67% of mining employment

**Eastern Ontario:**  
13% of total employment  
22-27% of ICT employment

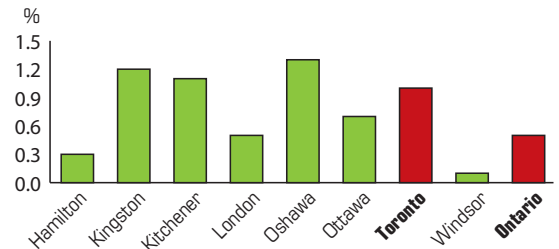
**Southwestern Ontario:**  
12% of total employment  
29% of transportation equipment employment

**Central Ontario:**  
23% of total employment  
28% of manufacturing employment

**Greater Toronto Area:**  
46% of total employment  
67% of finance employment



## SMEs Growth Regions



Source: Statistics Canada, Canadian Business Patterns, 2000-2005

## Greater Toronto Area (GTA)



### Quick Fact:

Toronto is the provincial capital and is a major international centre for business and finance, home to the country's five biggest banks and the world's seventh largest stock exchange. The city is a national centre for media, publishing, telecommunications and information technology and is also an important wholesale and distribution point for the industrial sector.

There are over a quarter of a million small and medium-sized enterprises located in large metropolitan areas across Ontario, accounting for close to three-quarters of the SMEs in the province.

# Key Growth Sectors for Ontario SMEs

A wide range of new businesses flourish in Ontario every year, from cutting-edge biotechs to fly-in camps and everything in-between.

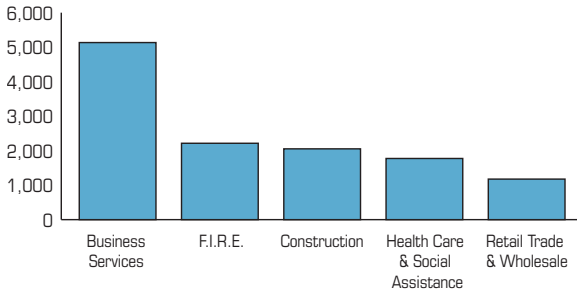
The province's strong, internationally competitive advantages as a prime business location give Ontario firms an edge in domestic and international markets.

While success stories are found in every field, in recent years five sectors have demonstrated very strong growth in Ontario:

- Business Services
- Finance, Insurance and Real Estate, Rental and Leasing
- Construction
- Health Care and Social Assistance
- Wholesale and Retail Trade

The Business Services sector led all the others, attracting 38% of the total increase in the number of SMEs.

## Top 5 SME Growth Sectors in Ontario



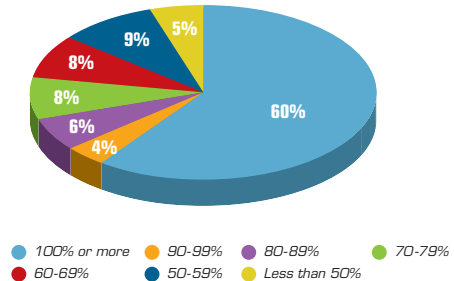
F.I.R.E.: Finance, Insurance and Real Estate, Rental and Leasing  
Source: Statistics Canada, Survey of Employment, Payrolls and Hours

## Ontario's Leading Growth Firms

Approximately 9,000 Ontario firms enjoy remarkable levels of growth, and create a disproportionately high number of new jobs.

These leading growth firms are generally small businesses with fewer than 100 employees and sales under \$25 million. They may be found in any sector. Typically they realize exceptional sales growth, doubling their sales every three years, with job growth of about 10% annually.

## Leading Growth Firms - Sales Growth



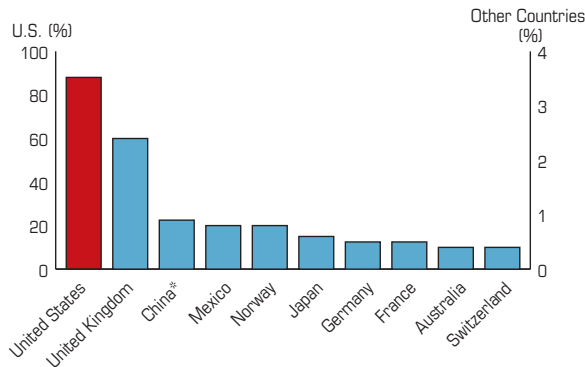
Source: Leading Growth Firms; Current and Historical Trends; Prepared by Business Advisory Services Branch – October 2006; Ministry of Small Business and Entrepreneurship

# Reaching into Global Markets

Ontario's business community thrives through international trade. The province exports more, on a per capita basis, than any G7 nation.

Through the North American Free Trade Agreement, Ontario businesses have full and direct access to the United States and Mexican markets. They also have strong historical trade ties with Europe, and rapidly growing trade partnerships with Asian countries.

## Top 10 Export Partners



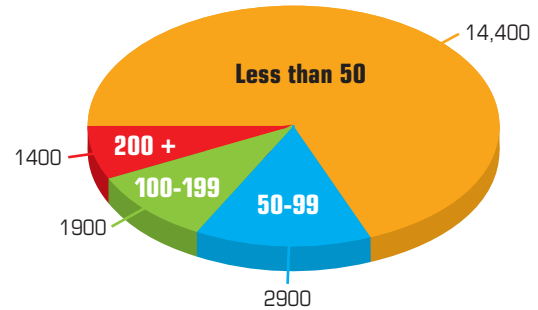
\* China includes Hong Kong  
Source: Industry Strategy, Canada Database.

## More than 93% of Exporters are SMEs

Small and medium-sized businesses play a major role in Ontario's export success. Of all the Ontario firms that export goods internationally, they account for exports totalling almost \$64 billion.

The United States is usually the first and largest export market for Ontario SMEs. As these companies grow, they often expand into international markets such as Asia, Europe, South America and the Middle East.

## Number of Ontario Exporters by Firm Size



Source: Statistics Canada, Exporter Registry

A wealth of resources is available to help SMEs begin or expand their export marketing. The provincial and federal governments, along with many municipal governments, provide information, advice and international connections to help SMEs market globally.

## Export Resources for SMEs

These websites offer current business data, market intelligence and export tips to help individuals and firms explore and implement their growth strategies. They also include links to other organizations and export resources.

### Ontario Ministry of Small Business and Entrepreneurship

[www.sbe.gov.on.ca](http://www.sbe.gov.on.ca)

### Government of Canada

[www.canadabusiness.ca](http://www.canadabusiness.ca)

### Canadian Manufacturers and Exporters

[www.cme-mec.ca](http://www.cme-mec.ca)

### Export Development Canada

[www.edc.ca](http://www.edc.ca)

# Financing Growth

## North America's Third Largest Financial Services Centre

Ontario – and Toronto in particular – has become one of North America's top three financial services hubs.

The Greater Toronto Area (GTA) is headquarters to:

- Canada's top five domestic banks, by revenues
- Five of Canada's largest pension funds, by assets under management
- Six of Canada's top ten life insurers, by revenue
- Seven of Canada's ten largest retail brokerage houses
- 90% of all Canadian mutual funds

The GTA is also the Canadian home for many of the international leaders in financial services – American Express, CitiGroup, HSBC, ING, Morgan Stanley, UBS and many others. Among the 41 foreign banks operating in Canada, 35 have their Canadian headquarters in the Greater Toronto Area.

## SME Approaches to Financing

More than 78% of Ontario's small and medium-sized business owners start their firms from scratch. Another 14% purchase an existing business from a non-family member.

The vast majority of Ontario start-ups are financed at least partially by the personal savings of the business owners, often augmented by personal credit cards and lines of credit.

When it comes to commercial loans, Ontario SMEs rely overwhelmingly on banks for debt financing.

## Types of Financing Instruments Used by Start-up and Established Ontario SMEs

Percentage of Ontario SMEs using financing instruments

Types of Financing Instruments	Start-ups	Established
Personal savings of business owner(s)	76.1	54.7
Personal credit cards of business owner(s)	46.9	47.7
Personal lines of credit of business owner(s)	45.6	47.1
Trade credit owing to suppliers	38.1	47.8
Commercial loans from financial institutions	34.8	34.5
Commercial credit cards	34.4	45.6
Lines of credit from financial institutions	33.2	40.9
Leasing	25.3	28.2
Personal loans of business owner(s)	23.7	26.7
Loans from friends and relatives of business owner(s)	19.3	24.5
Government lending agencies/grants	14.9	16.2
Loans from individuals unrelated to the firm or its owner ("angels")	11.6	10.6
Micro-credit	11.1	8.7
Other sources of financing	10.5	13.3
Venture capital funds	7.6	8.1
Retained earnings	N/A	50.9
Loans from employees	N/A	15.7
Factoring	N/A	8.7

Source: Statistics Canada, Survey on Financing of Small and Medium Enterprises (2004)



## Ontario: A Leading Choice for Venture Capital

Ontario companies attract more than 40% of venture capital investment in Canada. Most of this venture capital investment is made in companies in the innovative fields of information technologies and life sciences.

### Venture Capital Investment in Ontario by Sector (2005)

	Number of companies	Dollars invested (\$ Millions)	Share of dollars invested (Percent)	Average amount invested per company (\$ Millions)
<b>Ontario</b>				
Information Technology	100	564.3	74.3	5.6
Life Sciences	24	125.1	16.5	5.2
Traditional Industries	21	50.2	6.6	2.4
Other Technologies	11	19.8	2.6	1.8
All Sectors	156	759.5	100	4.9
<b>Canada</b>				
All Sectors	582	1,819.8	100	3.1

Source: Thomson Financial (2006)

The Toronto Stock Exchange (TSX) and the TSX Venture Exchange combined, make-up the third largest exchange in North America, by market capitalization. They are global leaders in mining, oil and gas resource sectors and form the second largest technology market, and the third largest life sciences market in the world.

## Notes

## Resources

Numerous resources are available online, by telephone and in-person to help you start and grow your business.

The following websites can help you find the more detailed and specialized information you may need for your company.

### ***Ontario Ministry of Small Business and Entrepreneurship***

The Ministry is Ontario's focal point for services that help small and medium-sized businesses grow and prosper, with extensive resources that meet the needs of Ontario's entrepreneurs.

[www.sbe.gov.on.ca](http://www.sbe.gov.on.ca)

### ***Government of Canada***

Canada Business Services for Entrepreneurs is the primary source for up-to-date and accurate business-related information, providing referrals on government programs, services and regulations, in all regions of Canada.

[www.canadabusiness.ca](http://www.canadabusiness.ca)

### ***Service Ontario***

Service Ontario is an online portal and a network of public kiosks across the province designed for easy access to the Ontario government for information, services and resources – from getting married to starting a business.

[www.serviceontario.ca](http://www.serviceontario.ca)

### ***Ontario Centres of Excellence***

Ontario Centres of Excellence help innovative companies grow by connecting them with emerging technologies and leading researchers.

[www.oce-ontario.org](http://www.oce-ontario.org)

## Contact

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### ***Ministry of Small Business and Entrepreneurship***

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