RESULTS OF PHASE 1 QUANTITATIVE ANALYSIS

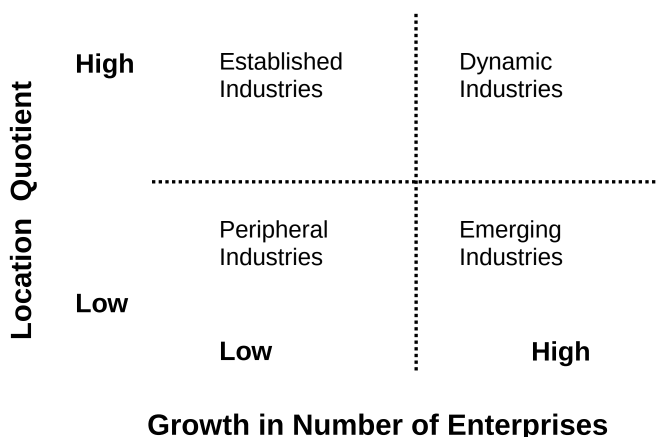
The analysis conducted in Phase 1 identified the strong and potential sectors and the support industries that will drive the growth of the Region's economy. Provided is a review of that analysis for the framework for strategy formulation for years 2008-2010.

LOCATION QUOTIENT AND ENTERPRISE GROWTH

As part of the quantitative analysis, Location Quotients (LQ) were calculated for business enterprise data broken down by the North American Industry Classification System (NAICS). The enterprise data is the most comprehensive count of York Region's enterprises provided by Statistics Canada's "Canadian Business Patterns," which identifies the number of enterprises by employee size range within an industry. The "Canadian Business Patterns" database is derived from Canada Revenue Agency business numbers and from payroll remittance numbers.

Business enterprises in the Region are then grouped based on their Location Quotients and growth relative to Ontario. The result of Phase 1 was a classification of industry sectors into the following categories, as illustrated in Figure 1.

Figure 1
Approach to Classifying Industry Clusters



The classification scheme is as follows:

- **Established Industries** – Sectors with a high Location Quotient and low growth represent segments of the economy that already have a stronghold in the Region.
- **Dynamic Industries** – Industries with a high Location Quotient and high growth are important growth industries. Their concentration in the Region gives them a competitive advantage over other parts of the Province.
- **Emerging Industries** – Industries with a low Location Quotient but high growth have the potential to develop a strong market presence. High growth indicates that their products or services are in demand.
- **Peripheral Industries** – Sectors with a low Location Quotient and low growth could be important support industries.

ANALYSIS OF 3-DIGIT INDUSTRY CLASSIFICATIONS

As of June 2005, York Region had 86,101 business establishments operating across 103 different 3-digit industry classifications. Location Quotients were calculated based on the total number of enterprises in each 3-digit industry. Overall, 19 different 3-digit industries were found to have high concentrations of businesses. These 19 industries accounted for a combined 14,647 enterprises, or 17.0 percent of the total number of businesses in the Region.

Of the 19 3-digit industry classifications presented in Phase 1 which indicate that York Region has a significant concentration of business enterprises (defined by Location Quotient values of 1.25 or greater), these industry classifications have the more significant number of enterprises:

- The Management of Companies and Enterprises industry accounts for the largest number of enterprises with 4,392 (a service industry)
- Machinery, Equipment and Supplies has 1,550 businesses
- Heavy and Civil Engineering Construction industry includes 1,491 enterprises
- Miscellaneous Wholesaler-Distributors contains 1,415 companies
- Personal and Household Goods industry includes 1,363 business enterprises.

Five industry classifications have high Location Quotients in every employee size range, indicating a significant concentration of economic activity. These include:

- Heavy and Civil Engineering Construction
- Computer and Electronic Product Manufacturing
- Personal and Household Goods Wholesalers and Distributors
- Machinery, Equipment and Supplies Wholesaler and Distributors
- Wholesale Agents and Brokers

Based on the Location Quotients and the growth in the number of enterprises, industry sectors in the Region are now classified in the following 4 categories.

ESTABLISHED INDUSTRIES (HIGH LQ AND LOW GROWTH)

- Computer and Electronic Product Manufacturing
- Funds and Other Financial Vehicles
- Non-Financial Intangible Asset Leasing

DYNAMIC INDUSTRIES (HIGH LQ AND HIGH GROWTH)

A total of 16 industry sectors were found in this category. It is anticipated that these industries will continue to grow and expand in the Region. The notable industries in this group include:

- Heavy and Civil Engineering Construction
- Furniture & Related Product Manufacturing
- Electrical Equipment, Appliance & Component Manufacturing
- Internet Service Providers, Web Search Portals, & Data Processing Services
- Management of Companies and Enterprises

EMERGING INDUSTRIES (LOW LQ AND HIGH GROWTH)

The largest group of 59 industries encompasses a wide variety of sectors, which is representative of the diverse nature of the Region's economy. These industries have experienced above-average growth and represent important areas of focus for the Region's cluster-based strategy. Among the high growth sectors are:

- Beverage & Tobacco Product Manufacturing (food and beverage)
- Chemical Manufacturing (which relates to biotechnology production)
- Professional, Scientific & Technical Services (intellectual capital and R&D)
- Performing Arts, Spectator Sports & Related Industries (tourism)
- Truck Transportation (logistics)

PERIPHERAL INDUSTRIES (LOW LQ AND LOW GROWTH)

There are 25 industries in this category and include the low concentration and declining/low growth sectors, but they could be important support industries for more developed clusters. The declining industries in this category include:

- Broadcasting (except Internet)
- Primary Metal Manufacturing
- Petroleum Product Wholesaler-Distributors
- Securities, Commodity Contract, & Other Financial Investment & Related Activities
- Telecommunications

ANALYSIS OF 4-DIGIT INDUSTRY CLASSIFICATIONS

The 303 industry classifications contained in the 4-digit North American Industry Classification System provided a more in-depth understanding of York Region's industry concentrations. Both of these industry classifications with a significant number of enterprises, are service as opposed to product based indicating the value of professional expertise to the Region:

- Computer Systems Design and Related Services industry (5,282 enterprises), and the
- Management of Companies and Enterprises industry (4,392 enterprises).

Analysis at the 4-digit level industry classifications found industries with high Location Quotients that were not identified at the 3-digit analysis. When growth is taken into account, most of these industries are found to be high growth, Dynamic sectors that merit attention. Significant sub-sectors showing high concentration at the 4-digit level include:

- Sugar and Confectionery Product Manufacturing
- Bakeries and Tortilla Manufacturing
- Spa, Cleaning Compound and Toilet Preparation Manufacturing
- Footwear Manufacturing
- Glass and Glass Product Manufacturing
- Forging and Stamping
- Industrial Machinery Manufacturing
- Motor Vehicle Parts Manufacturing
- Software Publishers
- Computer Systems Design and Related Services

A complete Location Quotient and enterprise growth analysis, together with a breakdown by employee size ranges and an industry classification, are available for consultation in the Planning and Development Services Department.