



Swiss-American Chamber of Commerce

DOING BUSINESS IN TICINO

“The attractiveness of the Ticino system
for multinational companies”

Wednesday, 10th June 2009

Field Project Master in Management – Università della Svizzera italiana

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OBJECTIVE OF THE PROJECT

Assessing the attractiveness of Ticino for multinational companies (MNCs)

- Definition of MNCs
- Analysing the presence and the contribution of MNCs in Ticino
- Detecting the drivers of choice of Ticino as a strategic location
- Supporting theoretical findings with empirical evidence through a survey and case studies



APPLIED METHODOLOGY

Building the Analytical framework

- Gathering secondary statistical data to describe Ticino

Opinion Leaders Point of View

- One-to-one interviews

Survey

- Brainstorming for the design and content
- Establishment of first contact by phone and then sending it via e-mail

Case Studies

- Interviews with insiders of selected MNCs



AGENDA

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- Ticino
 - MNCs
 - Drivers of Choice
 - Promotion
 - Survey and Case Studies
 - Conclusions and Recommendations
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ECONOMIC FIGURES

Workforce*	167'000
Cross-border commuters*	39'810 (25% of total workforce)
Unemployment rate (04.2009)*	4.5%
Number of firms**:	21'000
S&M enterprises	15'000
>50 employees	390
Yearly GDP***	23 billion CHF
GDP pro capita	70'000 CHF
- Primary sector	2% of GDP
- Industry	25%
- Services (Banking and Financial services)	73% (25%)
Export of goods (2008)**	8.9 billion CHF (70% EU, 10% USA, 10% Asia, 10% others)
Inflation (2008)*	2.4%



DEFINITION OF MNC

“Companies or entities established in more than one country and so linked that they may co-ordinate their operations in various ways. While one or more of these entities may be able to exercise a significant influence over the activities of the others, their degree of autonomy within the enterprise may vary widely from one multinational enterprise to another.”

OECD Guidelines for Multinational Enterprises



DEFINITION OF MNC

- In this project a multinational corporations is defined as an enterprise which manages production and/or delivers services in more than one country
- This study is focused on those firms that have established in the Canton either their headquarters or at least a commercial or operations branch
- The main objective of this research is to analyze the industry sector, therefore tourism, primary and financial sectors are not taken into consideration

RELEVANT MNCs IN TICINO

CHEMICALS AND PHARMACEUTICALS

- Abraxis Bioscience Switzerland GMBH
- Alpex Pharma SA
- APR Applied Pharma Research SA
- ATR Chemicals SA
- Chemo Lugano Branch
- Ginsana SA (Boehringer Ingelheim)
- Gnosis Bioresearch SA
- IBSA (Institut Biochimique SA)
- KerrHawe SA (Sybron Dental Specialities)
- Medacta International SA
- NAIE SA
- Rivopharm
- Zambon

METALWORKING AND METALMECHANICS

- Ambrosetti Ruote SA (BBV)
- Delta Stahlroehre BV Amsterdam
- Elti Suisse SA
- Fedegari Autoklaven AG
- Gruppo Fabbri (Svizzera) SA
- Precicast SA
- Riri SA (Sofipa)
- Rolla SP Propellers SA (Twin Disc Inc)
- Turbomach SA (Caterpillar)
- Valois Dispray SA

TEXTILE AND CLOTHING

- Abercrombie & Fitch Europe SA
- ALSCO Swiss Sagl (Steiner Corporation)
- Bally Schuhfabriken SA (Texas Pacific Group)
- Consitex SA (Gruppo Zegna)
- Filofibra SA
- Guess Europe Sagl
- Hugo Boss Ticino SA
- Luxury Goods International SA (Gruppo Gucci)
- Verim SA
- Zeze SA (JV Versace & Zegna Groups)
- VF International Sagl

SERVICES, FIN CONGLOMERATES & TRADING

- B-Source SA (BSI)
- Carbofer General Trading SA
- Cessna (Textron)
- CNH Global (Fiat S.p.A.)
- Duferco SA
- Fiat Group International
- Luxury Goods Logistics SA (Gruppo Gucci)
- Serin (Fincons Group)
- Würth Financial Services AG
- Zeco Trading SA (Gruppo Zegna)

MACHINERY AND ELECTRONICS

- GF AgieCharmilles (Georg Fischer)
- GE Consumer Industrial SA (ex Invertomatic)
- Minimotor SA (Faulhaber Group)
- Termogamma SA (Gruppo Merloni)
- Trasfor SA
- Tri-Star Electronics Europe SA
- Tyco Electronics Logistics AG

OTHERS

- AGB Nielsen Media Research MS SA
- Argor-Heraeus SA
- ChorusCall SA
- Ecotechnology & Financing B.V.
- ND Logistics Switzerland
- Pamp SA (MKS Group of Companies)
- Pioneer Hi-Bred Switzerland (DuPont)
- Pramac SA
- Valcambi SA (Newmont Mining Corporation)

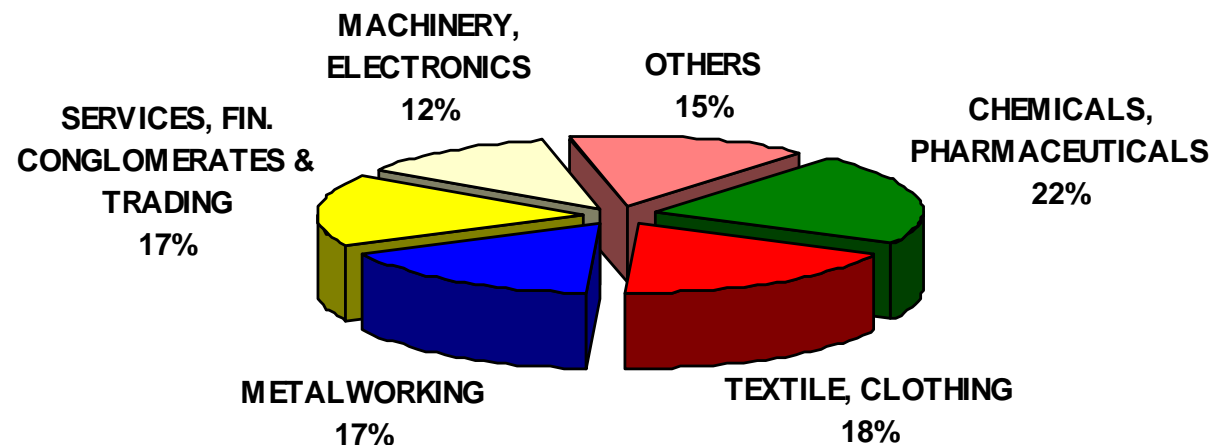
DISCLAIMER: this is not an exhaustive list of MNCs



MNCs SORTED BY SECTOR

MNCs Sorted by # of Companies

Total = 60



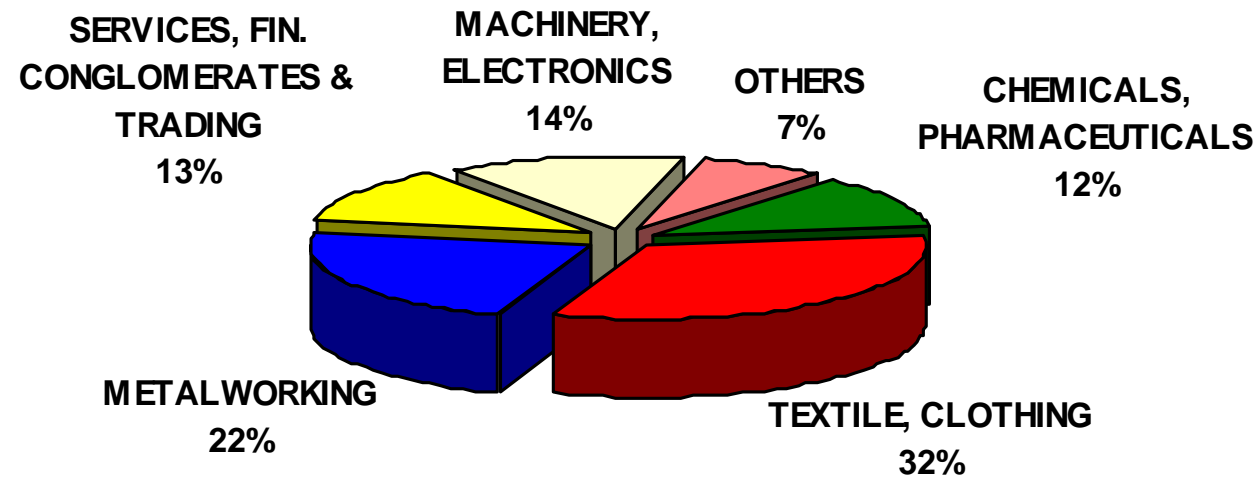
Aggregate Foreign Turnover Estimation = **8.5 billion CHF**



MNCs SORTED BY SECTOR

MNCs Sorted by # of Employees

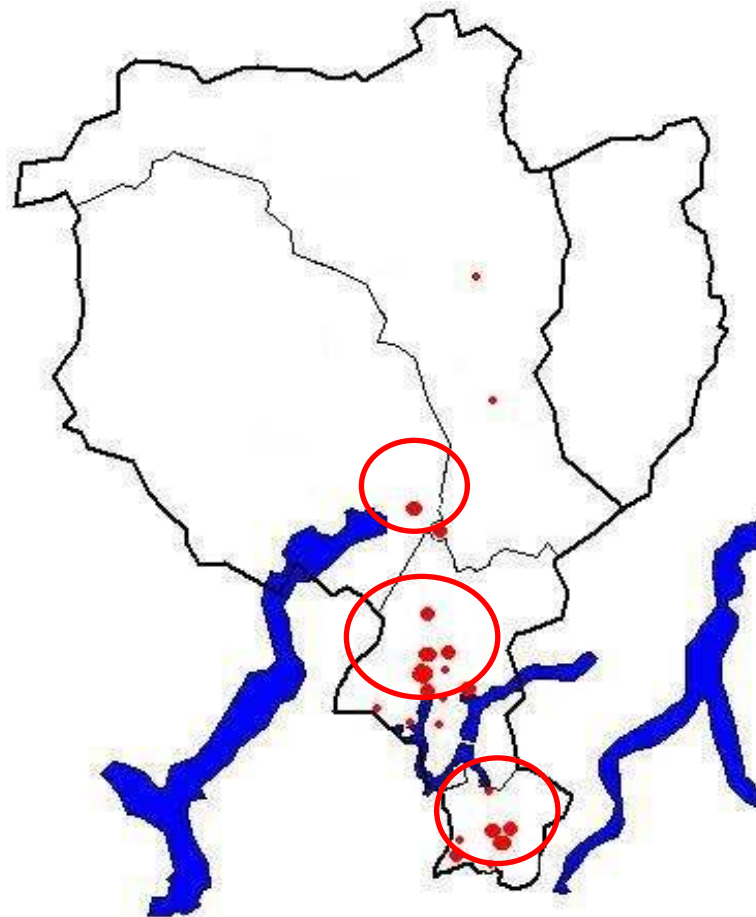
Total = 9'500





GEOGRAPHIC DISTRIBUTION OF MNCs IDENTIFIED IN TICINO

(in % of total firms)



Three Clusters

LUGANO - VEDEGGIO AREA (61%)

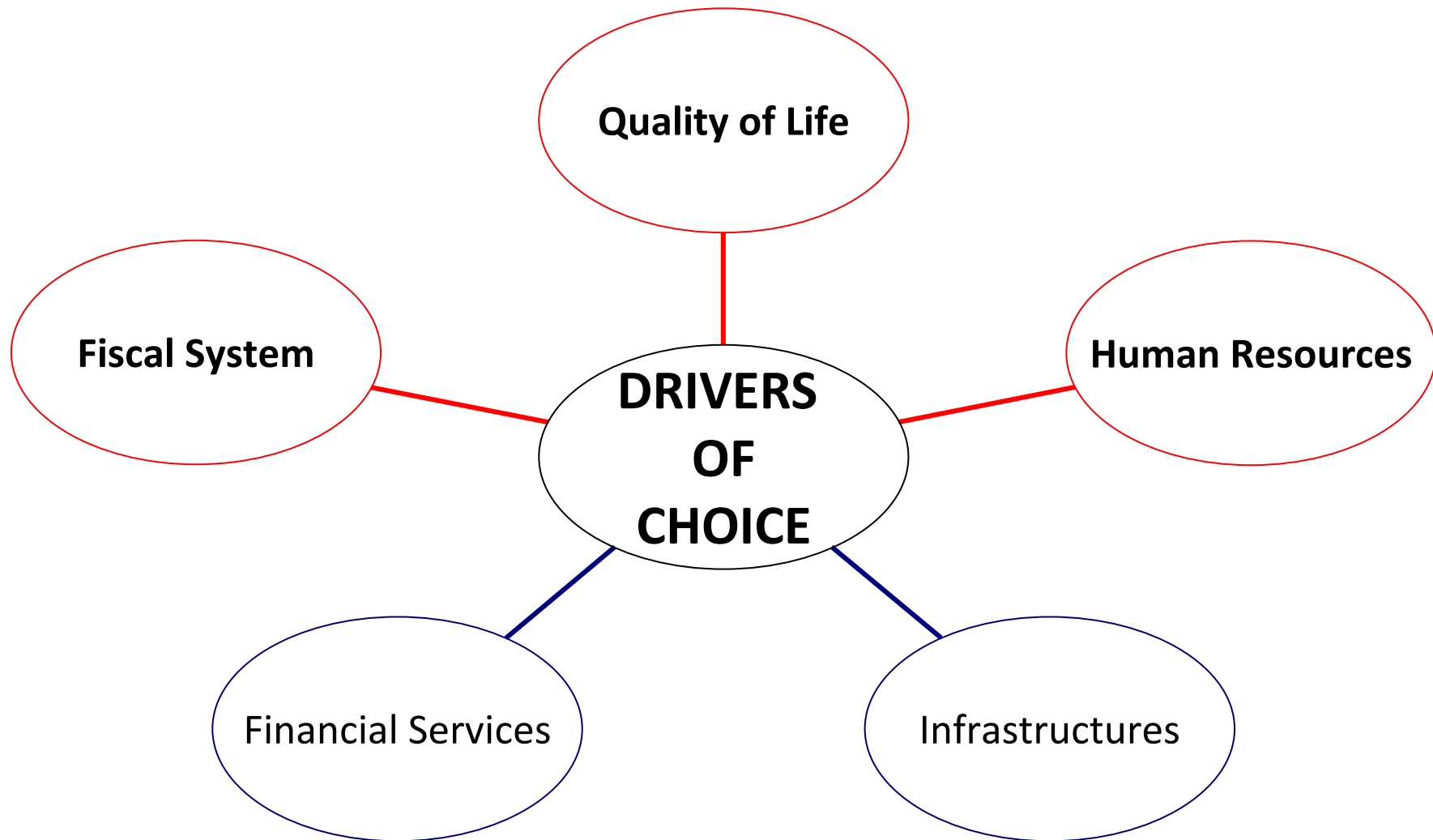
- Machinery, Metalworking, Clothing, Chemicals and Pharmaceutical, Services

MENDRISIO AREA (27%)

- Chemicals and Pharmaceutical, Metalworking, Clock and Precious Metals, Textile and Clothing

PIANO DI MAGADINO – LOCARNO (9%)

- Metalworking, Machinery and Electronics, Chemicals and Pharmaceutical



Promotion

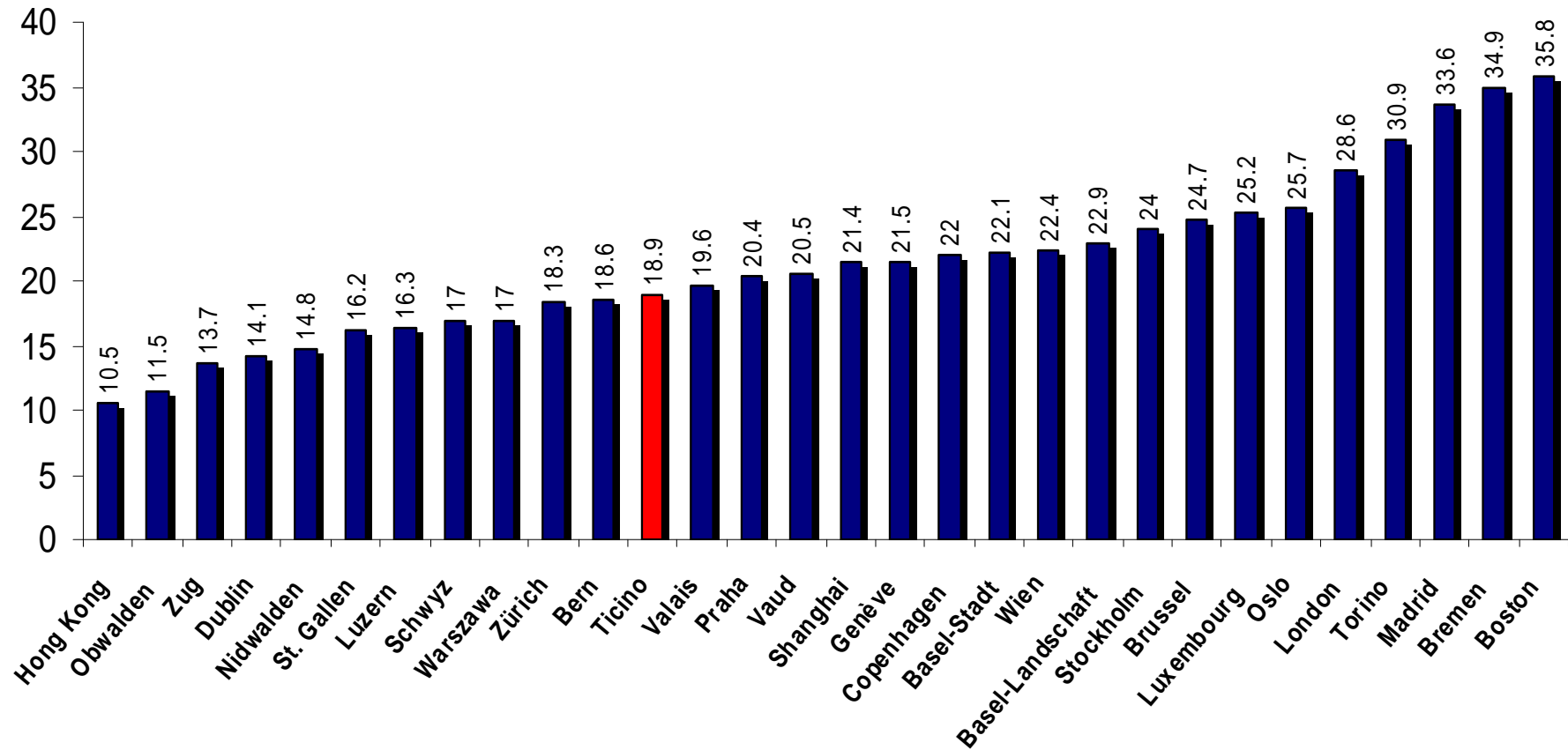


FISCAL SYSTEM DESCRIPTION

- Ticino has the third-lowest tax burden in Switzerland (average between natural person and corporate taxes)
- In 2007 the effective average corporate tax rate was 18.9%
- The normal Value Added Tax (VAT) is 7.6%, very low compared to the other European countries

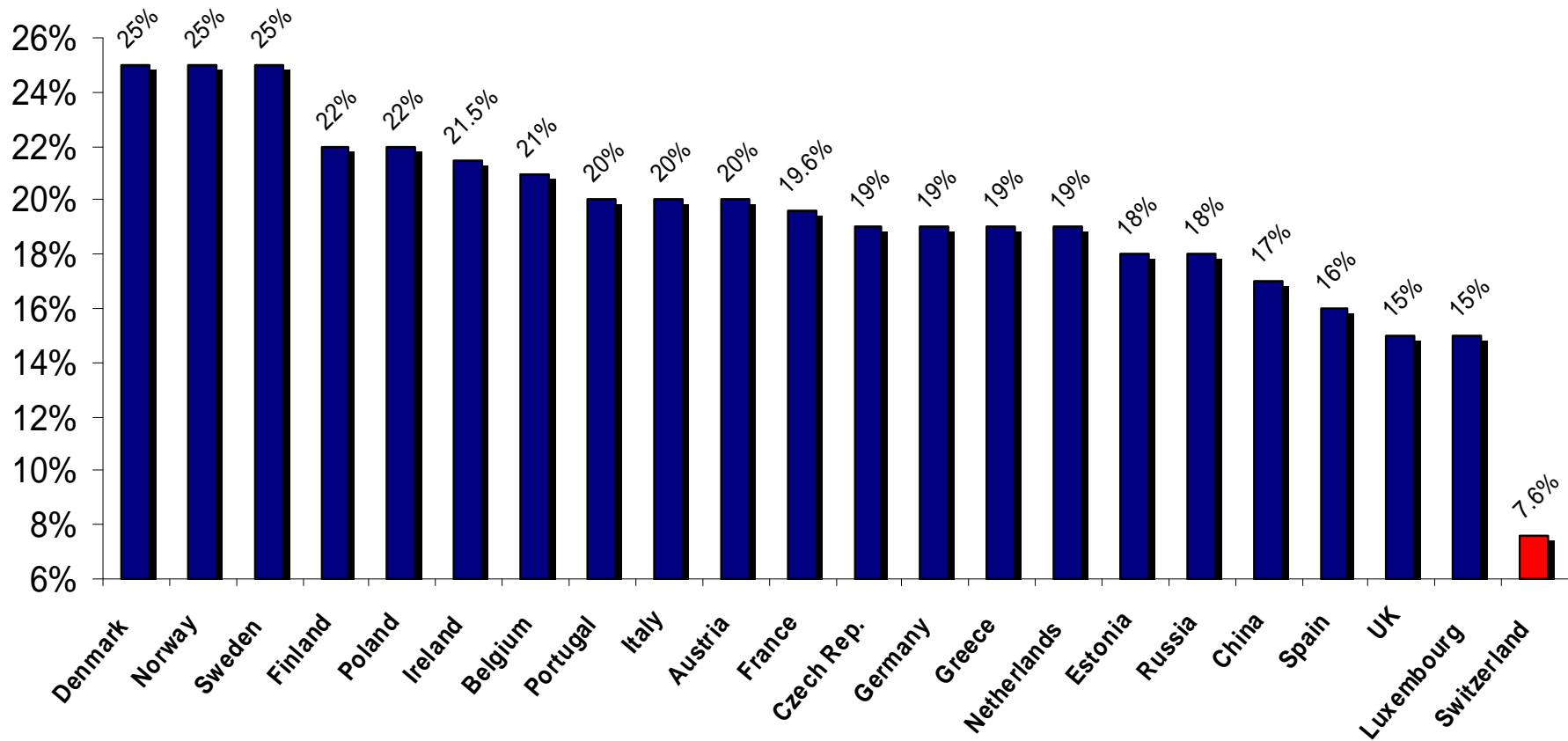


EFFECTIVE AVERAGE CORPORATE TAX





VALUE ADDED TAX COMPARISON





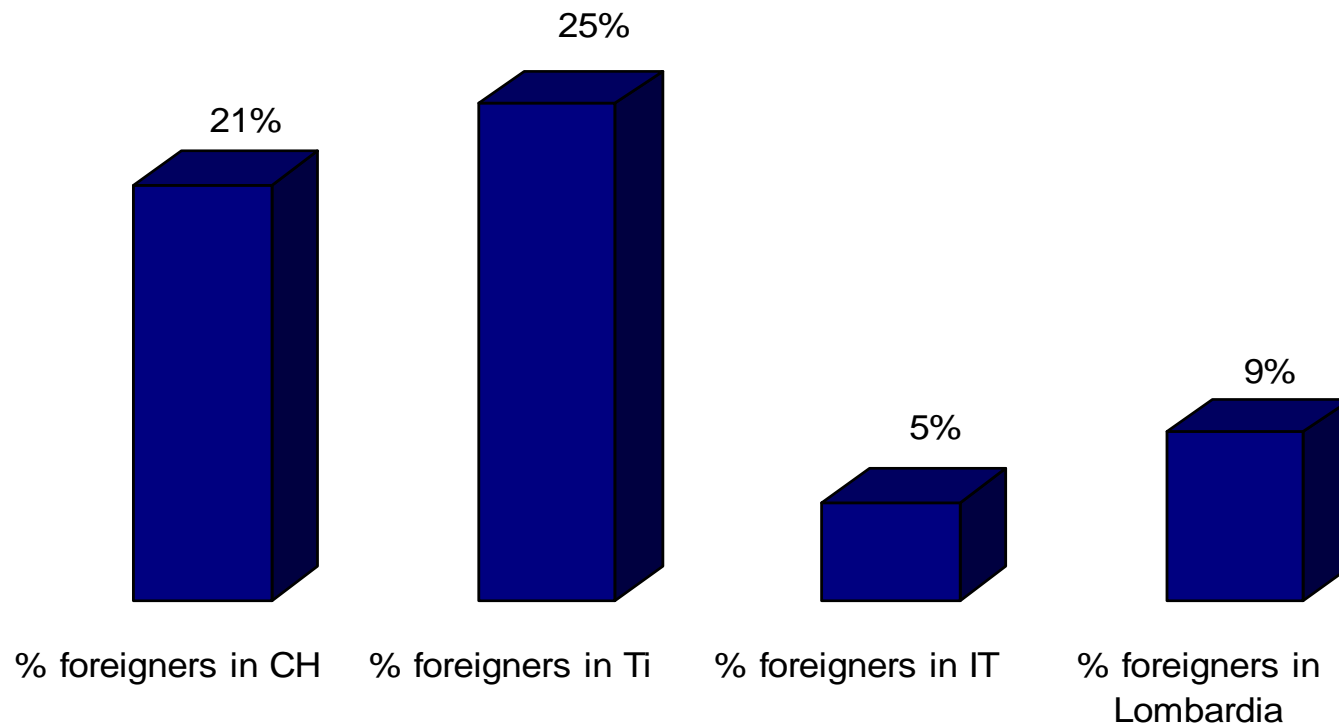
HUMAN RESOURCES (I): Education

- The educational system offers the students a diversified and complete range of schools among which to choose:
 - Superior middle schools 2
 - Professional schools 14
 - Superior professional schools 7
 - American schools 2
 - University schools
 - USI
 - SUPSI
 - High pedagogical school
- The supply of workforce is highly specialized
- For the families of relocated MNCs managers the presence of two American schools (TASIS and Franklin College) plays a very important role



HUMAN RESOURCES (II): Population

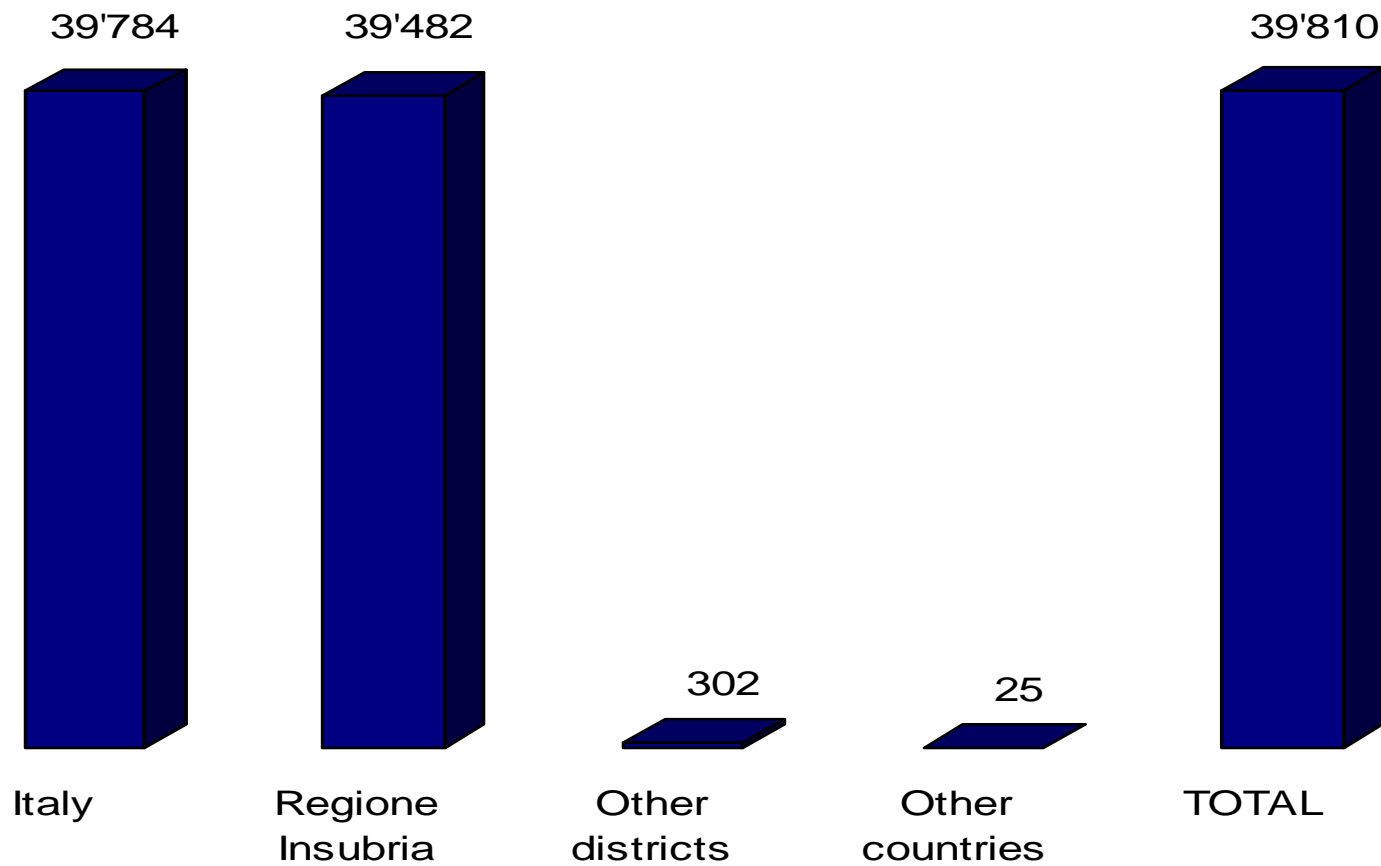
Percentages of foreigner over registered population in Switzerland, Ticino, Italy and Lombardia in 2007





HUMAN RESOURCES (III): Work & Occupation

Cross-border commuters in Ticino in 2007



Source: Annuario statistico ticinese 2008, Cantone



DIMENSION OF QUALITY OF LIFE

- Political stability and freedom
- Security and safety
- Excellent health services
- Multicultural environment
- Active cultural and social life
- Wide offers for tourism
- Warm and relaxing climate with stunning scenery and vegetation
- Attractive location for family life



FINANCIAL SERVICES

- Lugano is the third most important financial center in Switzerland
- 70 banks employing over 8'400 people
- It generates 3.23 billion CHF or 15% of the GDP
- Other organizations in the sector are management, industrial and commercial credit; tax, legal and corporate consultancy companies and other wealth management institutions
- *Centro di studi bancari* (Center for Banking Studies) contributes significantly to the development of this sector



BANKING SERVICE

Some of the most important national and international banks have branches in Ticino:

NATIONAL

- Bank Julius Baer
- Credit Suisse
- UBP (Union Bancaire Privée)
- UBS

INTERNATIONAL

- Barclays Capital
- BNP Paribas
- Crédit Agricole
- Deutsche Bank
- HSBC Private Bank
- SG Private Banking
- UniCredit Bank

In addition, some strong banking institutions headquartered in Ticino with international operations and activities:

- Banca dello Stato del Cantone Ticino
- BSI SA
- Cornèr Banca



INFRASTRUCTURES (III)

Airway

- **Lugano-Agno City Airport**

10 km away from the city center of Lugano, reachable by car, train (FLP), shuttle and taxi with an expenditure between 15 and 70 CHF (round-trip)

Mainly function is to link Lugano with Geneva and Zurich

Check-in time 20' (Linate 1h national flights, 2h international one)

Its importance is underestimated

- **Malpensa Airport**

45 km away from Lugano, reachable by car and bus-shuttle (50 CHF round-trip) within 1-1.5h

Yearly 19 mln passengers

Function as hub of the Italian air traffic (together with Rome)

- **Zurich Airport**

277 km away from Lugano, reachable by car or train (120 CHF round-trip) within 3h

Yearly 22 mln passengers

Function as hub of the Swiss air traffic



PROMOTION: Copernico

- Regional marketing initiative
- To promote local economy and improve the image of Ticino abroad
- Build awareness of investment opportunities
- Creation of a database of available real estates and plots of land
- www.copernico.ch



PROMOTION: Other Initiatives

- Associazione sapere come (ASSCOPROFI)
- Biopolo Ticino
- Centro Promozione Start-up
- Formika
- Ostschweizerische Bürgschaftsgenossenschaft (OBTG)
- Tecnopolo Ticino
- TicinoTransfer

DISADVANTAGE: all directed to SMEs and to foster innovation



STRENGTHS & WEAKNESSES OF TICINO

Positive Elements

- Moderate taxation policy
- Business friendly regulations
- Slim administration
- Social peace and political stability
- Exploiting “Swiss made” worldwide recognition
- Excellent educational system
- Location (heart of Europe)
- Lugano as small Milan (people-oriented)
- Quality of life

Negative Elements

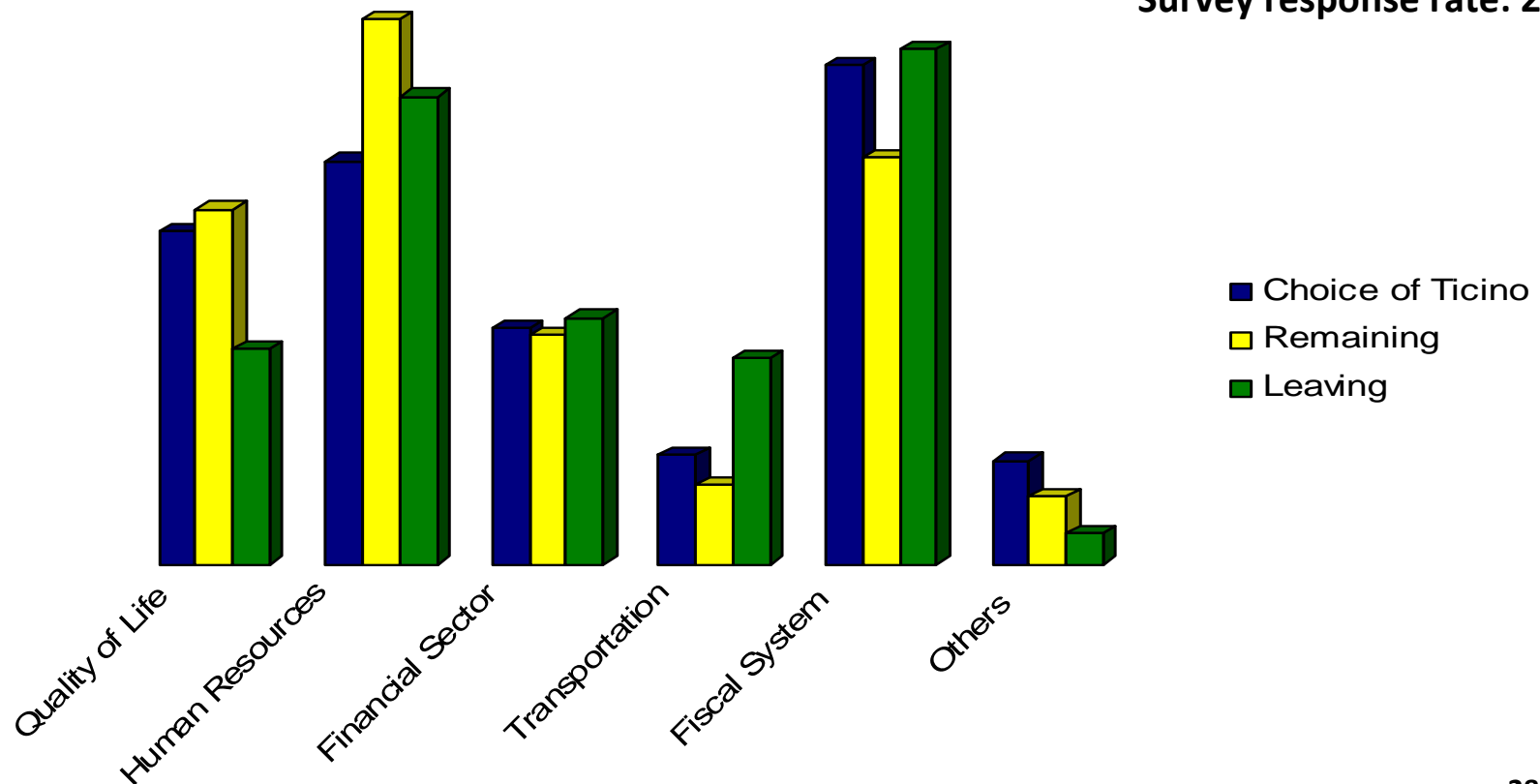
- Extra bureaucracy caused by non EU membership
- Public policies not as active as the one of other Cantons to promote economic activities towards MNCs
- Short-sided local entrepreneurship
- Relative reluctance of locals to work-mobility
- Poor worldwide awareness of investment and relocation opportunities
- Lack of advertising



SURVEY RESULTS (I)

Factors that influence MNCs to settle, remain or leave businesses in Ticino

Survey response rate: 28%





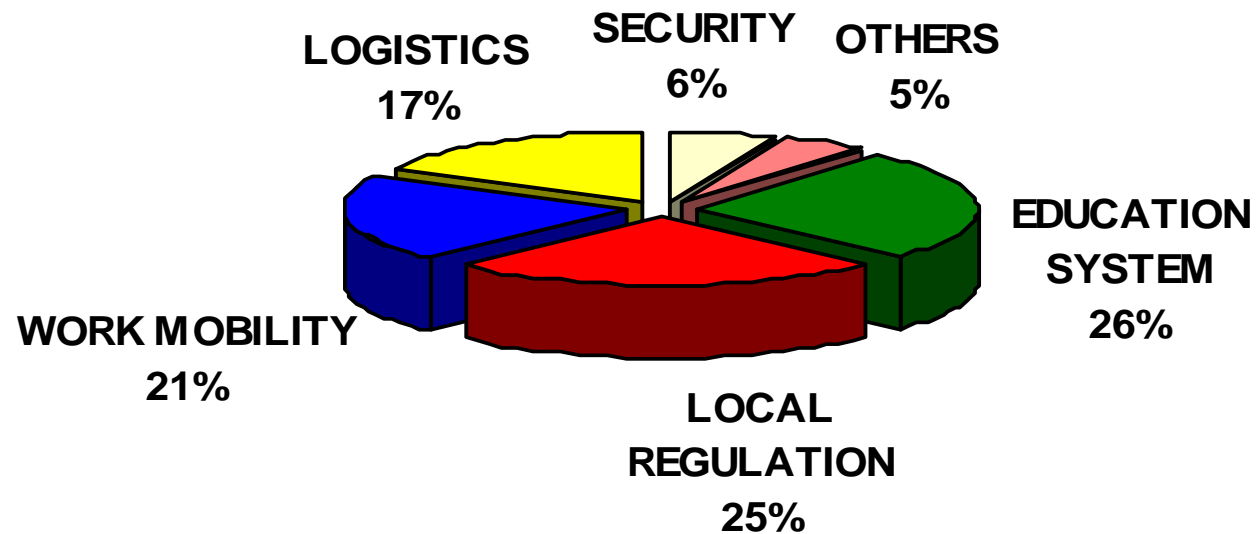
SURVEY RESULTS (II)

- The MNCs main driver of **choice of Ticino** as a business location are the *tax burden* and the available *human resources*
- The reason to **continue operating in Ticino** for MNCs are the *human resources* and the moderate *tax system*
- MNCs' decision to **leave Ticino** would be influenced by *corporate taxes increase* and erosion of the competitive advantage due to the *local human resources*



SURVEY RESULTS (III)

Areas to be improved





SURVEY CONCLUSION

Areas to be improved:

Educational system

- Only school with primary education held in English is the TASIS
- The entire educational system is not as good as the ones in other Swiss Cantons

Ticino Government

- Increase flexibility -> i.e. working permits
- Should continue the dialogue with the EU to achieve improvements of bilateral agreements

Logistics

- Bureaucratic constraints at the border with EU states



CASE STUDIES SUMMARY

Key advantages of Ticino:

- Fiscal system
- Quality of life
- Geographical location
- Public services

Problematic indicators:

- Bureaucracy
- Custom procedures
- Languages



AGB Nielsen
Media Research

+GF+ AgieCharmilles





CONCLUSIONS

- MNCs located in Ticino operate in activities with high added value and often also with a very innovative technological content
- They attract and contribute to develop very high qualified workers
- They put the Canton Ticino in a global economic network



RECOMMENDATIONS

- Development of a marketing plan
- Create awareness of Ticino in the professional and financial consulting network
- Improve custom's procedures and the granting of permits



ACKNOWLEDGEMENTS

Università della Svizzera Italiana

- Gianluca Colombo
- Carmine Garzia

Swiss-American Chamber of Commerce

- Marco Haefliger
- Marco Netzer

Opinion Leaders

- Fausto Casolin (Actor Coordinator, AITI)
- Arnaldo Coduri (Direttore della Divisione dell'economia, DFE Ticino)
- Max Gygax (Business Manager, TASIS)
- Alberto Largader (Senior Partner, LWP)
- Stefano Rizzi (Consulente economico, Ufficio della promozione DFE Ticino)



ACKNOWLEDGEMENTS



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