

Plastics Sector Analysis & Competitive Positioning Study

Ontario East Economic Development Commission

Presentation to Ontario East Municipal Conference

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Purpose of the Report

- Identify the competitive advantages for the Plastics sector in Ontario East
- Clarify the base of operations
- Confirm the compatibility of Labour Force
- Determine the appropriateness as a target sector
- Compare costs and capabilities against other select jurisdictions

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Our Approach

- Review of available published data
 - Trade publications
 - Plastics industry associations
 - Local, provincial and federal government
 - Industry sector forecasts and analysis
 - External marketing and collateral material
- Document all existing plastics firms in OE
- Consult with business leaders
- Discussions with education administrators
- Consult with economic development practitioners

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Plastics Industry in Perspective

- Fastest growing sector of Canadian economy
- \$21 billion industry
 - Demand due to improved production technologies
 - Marketplace is replacing traditional materials – glass, wood & metal
 - Applications are evident in packaging, electronics, auto parts, construction, toys, household items etc.

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Three Major Segments in Ontario

- ***Manufacture of Plastic Resins***
 - In the form of granules, powders and liquids
- ***Manufacture of Equipment and Moulds***
 - for transforming resins into finished products
- ***Processing of Resins***
 - to manufacture finished plastic products or components

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Who Does What?

- ***Synthetic Resins Industry***
 - Large Multinationals – BASF, DuPont, Bayer, Dow Chemical, Invista, Nova Chemical
- ***Equipment and Moulds Manufacturing***
 - Small and medium sized enterprises, with strong Canadian ownership
 - Market segment has been consolidating – fewer and larger
- ***Plastic Products Manufacturing***
 - Small and medium sized enterprises in Ontario
 - Moving to export market focus

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Market Segmentation

- 40% packaging
 - Bottles, containers, stretch wrap, foam
- 25% Building and Construction
 - Window fittings, eaves, flooring, plumbing, lighting
- 5% Electrical Components
 - Sockets, switches, plugs, chip carriers, wire coating
- 10% Automobile & Transportation
 - Bumpers, grills, housings, seals, pipes, hoses, upholstery
- 10% Furnishings
 - Appliances, house wares, tableware, mattresses
- 10% Miscellaneous
 - Adhesives, textiles, medical supplies, surgical implants, toys, sporting goods

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Plastics is Out-pacing Ontario Economy

- 50% of all Canadian firms located in Ontario
 - Strong petrochemical cluster
 - Strong manufacturing base
 - Access to major centres of production in U.S
- Ontario is the third ranking jurisdiction in North America after California and Ohio
- Healthy growth rate of 7.8%
- 2250 firms employing 85,000 people
- Trade is growing - U.S., Mexico, Argentina, Brazil, Chile, Germany, UK, France, Italy, China & India

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Small to Medium Sized Firms Dominate

- 80% of Ontario's plastics businesses employ fewer than 100 workers
- 240 mould making companies, directly employing nearly 9,000 people
- 40 resin producers directly employing 3,800
- 29 manufacturers of processing equipment directly employing 3,800

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Strong Competitive Advantage

- Skilled Labour Force
 - Concentrated pool of workers, strong industry leadership
- Favourable System of R&D Tax Credits
 - Among the most generous in the world
- Location and Access to Markets
 - Proximity to U.S manufacturing heartland and full integration of transportation network
- Competitive Business Costs
 - Lowest operating costs of any G-8 country with corporate tax rate 4 points lower than U.S. and universal health care that is 1/6 the cost in the U.S.

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Industry will Face Some Challenges

- Softening Construction Market
 - Higher interest rates, higher construction costs
- Instability in the Automotive Market
 - Slow down in auto sales, major restructuring at GM
- Lower Levels of Technological Investment
 - Lagging behind in Capital Investment
- Prevalence of Small and Medium Size Firms
 - Not able to benefit from economies of scale
- Low Levels of Skills Training
 - Few firms conducting in house R&D

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Training and Labour Force Readiness Key to Future Success

- Various trends impacting the Plastics Sector
 - Knowledge intensive occupations
 - High rate of turnover
 - High demand for training
 - Few training and apprenticeship programs
 - Industry dominated by small-medium size firms
 - Gap between need for skilled workers and training opportunities
 - An aging workforce
 - Shortage of skilled employees – process engineers, tool and die makers, set up personnel and maintenance

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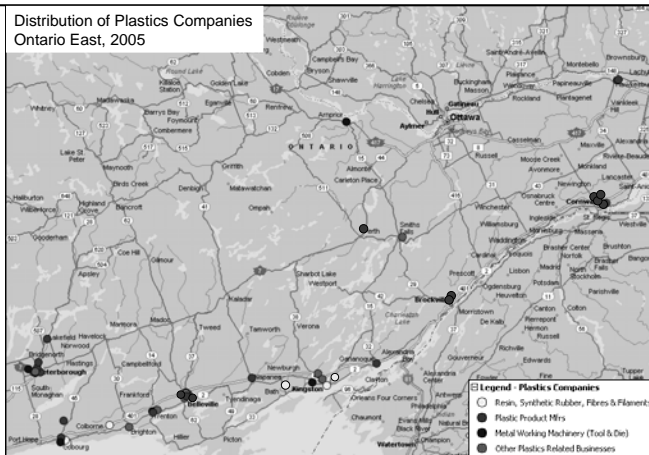
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CPSC looking at Skills Training and Recruitment

- Canadian Plastics Sector Council has developed
 - *Targeted Career Promotion Project* - designed to raise awareness of career and employment opportunities
 - *Employee Retention/Turnover and Knowledge Transfer Project* - focusing on best practices as it relates to occupational standards, training programs, apprenticeships programs, career awareness etc.
- CPSC has also suggested that in the future there will be an increased need/demand for apprenticeship programs to fill labour force gaps

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Ontario East Profile



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Characteristics of OE Plastics Sector

- OE comprises 63 firms and employs approximately 6,850 people
- Northumberland, Renfrew, Frontenac, Lennox-Addington Leeds & Grenville have strong presence within the resins, synthetic rubbers, fibres and filaments manufacturing sector
- Northumberland, Peterborough, Leeds and Grenville and Storemont Dundas & Glengarry have a strong presence in plastic product manufacturing

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Characteristics of OE Plastics Sector

- Peterborough and Cornwall comprise largest concentration of plastics firms
- 401 Corridor between Cobourg and Brockville comprise second largest concentration of plastics firms
- Remaining firms found in Smiths Falls, Perth, Hawkesbury and Arnprior

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Presence of High Profile Firms



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OE Delivering on Training Requirements

- **Queen's University** – Chemical Engineering and Mechanical and Materials Engineering
- **Carleton University** – School of Industrial Design
- **University of Ottawa** – Chemical Engineering and Mechanical Engineering
- **Fleming College** – Mechanical Techniques Program
- **St. Lawrence College** – Computer & Engineering Technology Studies
- **Loyalist College** – Chemical Engineering Technician and Technology Program
- **Algonquin College** – Mechanical Engineering Technology Program
- **Royal Military College** – Chemical and materials Engineering Program

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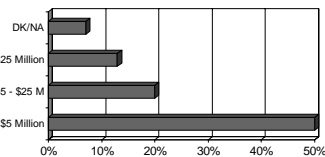
OE Competitive Advantages

- Two elements to determine competitive position to attract and expand plastics sector:
 - Survey of plastics firms through OE
 - Comparative Analysis of OE
 - Southwestern Ontario
 - GTA
 - Quebec
 - Ohio

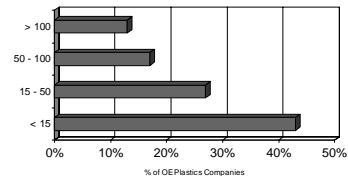
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Industry Growth is Anticipated

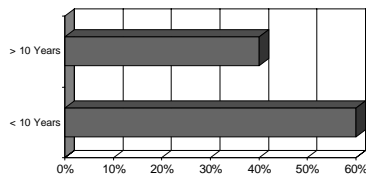
Company Revenues in 2004



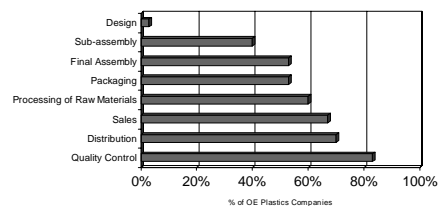
No. of Employees



No. of Years at Current Location

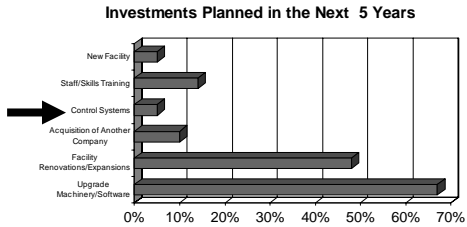
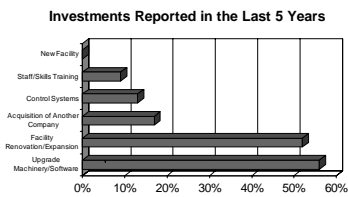
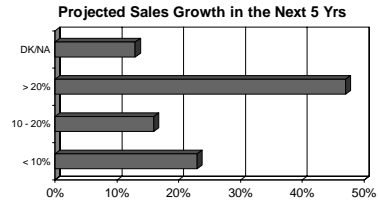
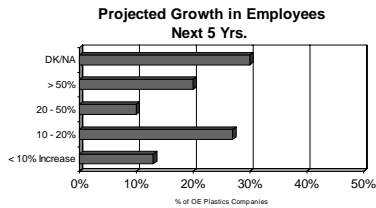


Business Functions Undertaken In-House



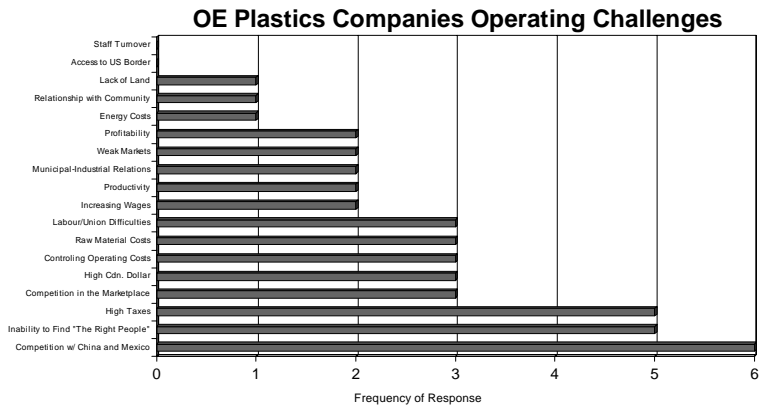
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Survey Confirms OE as Prime Location



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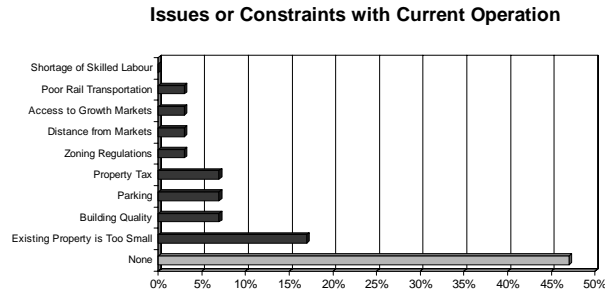
Challenges for OE Plastics Firms



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Majority Satisfied with Current Operations

- Almost half of all respondents said they had no issues or constraints with their current operations



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Business Survey Findings

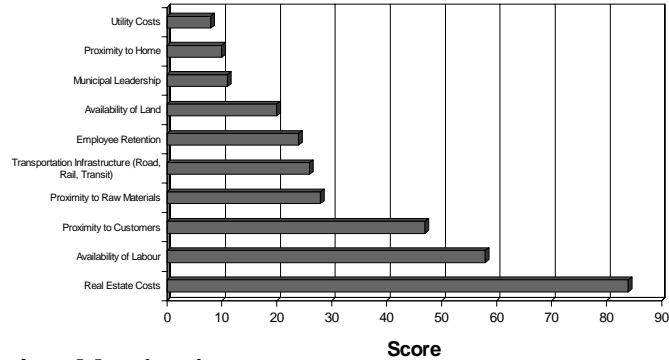
- Revenue and employment are expected to increase
- Ongoing investments in capital equipment and real estate will continue
- Local labour market is able to satisfy needs of industry
- OE is a high quality location for plastics manufacturing

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Competing with Other Jurisdictions

Key Location Factors

10 Most Important Location Criteria for OE Plastics



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OE Communities Rank Favourably

- 2004 KPMG Competitive Alternatives Study provides a detailed evaluation of comparative costs of a plastics operation in North America
- OE communities of Belleville, Peterborough and Kawartha Lakes all rank very favourably

FIGURE 5-1
Competitive Cost Analysis Plastics Manufacturing (100 = Benchmark)

	Ontario East			Southwestern Ontario			GTA	Quebec		Ohio
	Belleville	Peterborough	Kawartha Lakes	Woodstock-Ingerso	Chatham-Kent	Waterloo	Toronto	Sherbrooke	Montreal	Columbus
Plastics Manufacturing	91.6	93.1	91.1	92.0	91.1	92.8	93.5	88.9	92.2	97.5

Source: KPMG, 2004 Competitive Alternatives

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Forging an Investment Attraction Plan

- Need to deliver the message locally, provincially:
 - *THAT revenue and employment levels among existing OE plastics plants is increasing*
 - *THAT capital investment in equipment and real estate is increasing among OE firms*
 - *THAT the local labour market is fully supportive of the needs of the plastics sector*
 - *THAT OE is regarded by local plastics firms as a high quality location providing exceptional access to both customer and supplier markets*

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Setting Goals for Ontario East

1. Work collaboratively with other partners to share and manage economic development opportunities in Plastics Sector
 - Ongoing communication between practitioners, media, government and industry
 - Regular contact with trade representatives and sector specialists
 - Work with high schools, colleges and universities and other training facilities to customize HR training solutions
 - Meet regularly with manufacturers to determine ongoing needs, gaps in local/regional supply chain
 - Collaborate with other industries that depend on plastics companies on roundtables, marketing, trade shows

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Setting Goals for Ontario East

- Work in partnership with industry representatives to promote use of R&D funding, government relations, training support, conference attendance
- Initiate a round table that brings together industry leaders, government and practitioners to explore issues and gaps within the market
- Establish a plastics industry response team made that would take the lead in developing the key messaging, branding and trade show attendance in Ontario, Quebec and the U.S

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Setting Goals for Ontario East

2. Implement and Maintain a Business Recruiting Process

- Place advertising in feature sections or next to stories related to the plastics sector
- Prepare feature pieces on areas in Ontario East that showcase the importance on local communities
- Showcase your best companies/institutions in all marketing material and look for opportunities to cross promote OE with leading manufacturers
- Over time the OEEDC should reinforce the OE brand through its collateral materials particularly its website
- Develop OE sector profiles to be used for marketing and website content

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Setting Goals for Ontario East

3. Raise the Profile of Key Areas in Ontario East for Plastics Industry

- Establish more formalized relationships with local/regional ICI brokers through regular meetings and email
- OE municipalities should ensure that all relevant local data is available on the Ontario website
- Develop better relationships with leading trade representatives at MEDT and the building products team at Industry Canada
- Participate in trade shows with local industry representatives
- Publicity equals advertising – publish your successes beyond your community

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Ontario East Plastics Study

Thank you

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