Eastern Ontario Auto Investment Initiative

Presentation to OEMC Sept 14, 2006

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Eastern Ontario Auto Investment Initiative

- An OEEDC and MSBE/MEDT regional initiative in partnership with OMAFRA, MTO, MTCU
- Working with existing auto parts suppliers in the region to identify new opportunities
- Positioning the Region's competitive advantages for an aggressive marketing campaign to attract new investment

Background

- 2005 DesRosiers Automotive Sector Report for Eastern Ontario commissioned by OEEDC
- Outlook for North American market is for long term stable but low growth, major changes for GM, Ford and Chrysler
- Asian and European vehicle companies increasing North American capacity
- Eastern Ontario needs to raise its profile within automotive community

Eastern Ontario Auto Investment Initiative Project Working Team

Guy Desjardins	Ministry of Small Business and Entrepreneurship, Regional Manager Eastern Ontario
Barbara Schurman	MSBE, Project Coordinator Eastern Ontario Auto Investment Initiative
Anne Croteau	MSBE
Greg Wootton	MEDT, Automotive and Manufacturing, Trade & Investment Division
Babi Banerjee	MEDT, Automotive Strategy Branch, Industry Division

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Eastern Ontario Auto Investment Initiative Project Working Team

Joyce Gravelle Chris King André Lafrenière Jay Amer	Ontario East Economic Development Commission
Hollee Kew Rita Byvelds	Regional Economic Development OMAFRA
Bob Boutilier	Ministry of Transportation (Kingston)
Patrick Donnelly John O'Rourke	Ministry of Training, Colleges & Universities

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Eastern Ontario Auto Investment Initiative

Project Components

- Call program
- ICT sector automotive suppliers
- Transportation and Logistics study
- Land Inventory
- Skills Survey
- Oct 19 Auto Parts Manufacturers Event
- Inventory of and opportunities for automotive R&D activity in Eastern Ontario

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Call Program

- 34 Companies surveyed
- Total of 6380 employees
- Company size ranged from 15 employees to 805 employees with average of 200
- Products manufactured very diverse

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ICT Companies

- Inventory of existing ICT companies in Eastern Region supplying to automotive sector

- 21 Companies identified in Ottawa area

- Examples of products include:
  - navigation and driver information systems
  - safety management systems used by commercial trucking fleets
  - automotive electronics
  - robots for automobile production lines
  - manufacturing process verification technology to isolate defects

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Land Inventory

- OEEDC is just completing inventory
- Assistance from MSBE
- Identified 35 Premium Investment Ready sites across Eastern Ontario
- Identified 24 Premium Automotive Industrial sites with rail access (8), with possible rail access (6) and without rail access (10)

Transportation and Logistics Competitive Analysis

- Analysis of transportation options for Eastern Ontario auto parts suppliers
- Competitive analysis of border crossing advantages in Eastern Ontario
- Analysis of highway distances and truck drive times to assembly plants in East, Southeast and Mid US
- Analysis will provide data for use by manufacturing sector more generally

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Skills Survey

- Provide opportunity for existing manufacturers to discuss issues and solutions in regards to workforce requirements

- Will work with broader manufacturing group than auto

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Other Activity

- Eastern Ontario Auto Manufacturers Summit
- Inventory of Eastern Ontario Automotive R&D
- Bioproducts and Bioprocessing activity
- Use for positioning in marketing efforts
- Identify new opportunities for Eastern Ontario companies and the region

OEEDC Auto Marketing Strategy

- OEEDC has linked Eastern Ontario Auto Investment Initiative to their Auto Sector Marketing Strategy

Call Program Overview

- Call Program objectives
- Survey Design, methodology and structure
- Overview of survey results
- Conclusions

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Call Program Objectives

- To get better intelligence regarding the Eastern Ontario Auto Parts Manufacturing sector;
- To identify opportunities for reinvestment;
- To gather information to support Eastern Ontario efforts to position and market the region to attract new investment and retain existing Auto Parts Manufacturers and help them grow;
- Identify barriers to new investment and growth;
- Determine opportunities to connect Auto Parts Manufacturers to local suppliers and each other.

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Survey Design, methodology and structure

- Survey with 6 core sections, 61 questions (Company information, Products, Customers, Contracts and Suppliers, Competition, Skilled Labour, Logistics, and Future);
- Questions were asked in person at the Company location (MEDT, OMAFRA regional staff and EDOs);
- Results were input electronically and summarized;
- Original target was 42 companies, 7 were eliminated due to closure or not supplying auto, final result was 35 eligible companies and 34 participated. 32 surveys were completed as three plants who were part of the same company did the survey jointly;
- Result percentages are based on the number of question respondents (companies may check more than one answer or just comment).

Overview of survey results

Company Information

34 Companies

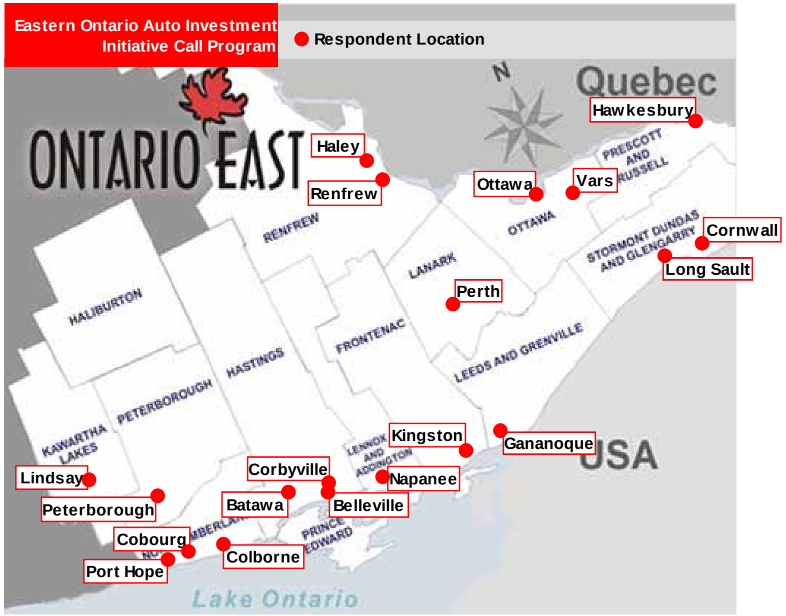
Total of 6380 employees

Average: 200 employees per company

Smallest Company: 15 employees

Largest Company: 805 employees

(includes full and part-time)



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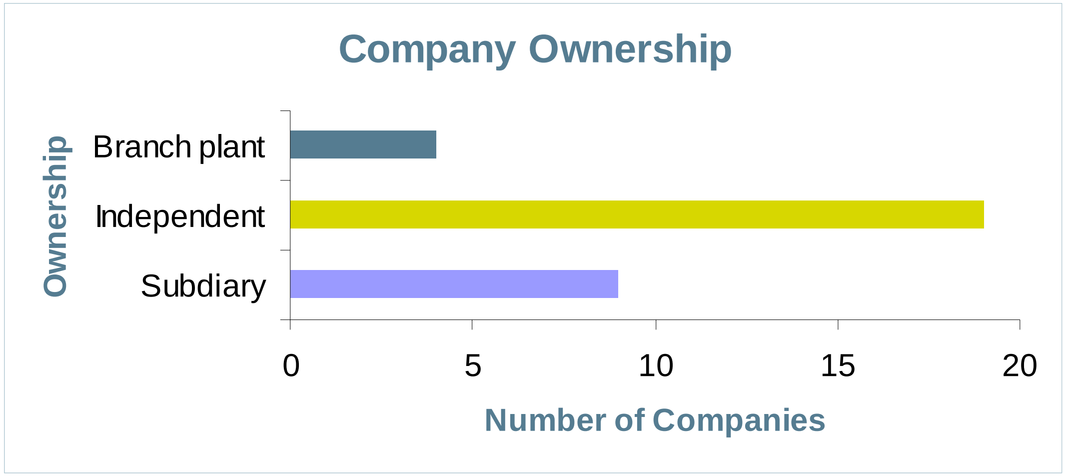
Overview of survey results

Company Information

55% of the Companies visited indicated being independently owned

28% reported being Subsidiaries and

12.5% reported being Branch plants



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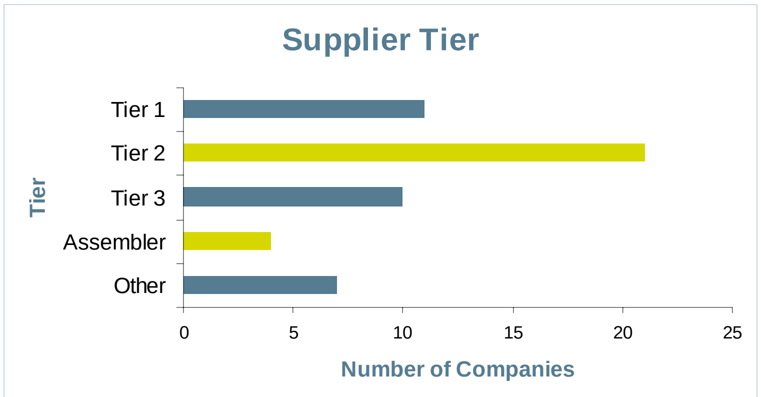
Company Information



(Respondents to this survey question indicated they were considered different Tiers to different customers and had the option to choose more than one Tier.)

Supplier Tier

	Response Percent	Response Total
Tier 1	35.5%	11
Tier 2	67.7%	21
Tier 3	32.3%	10
Assembler	12.9%	4
Other	22.6%	7
Total Respondents	31	
(skipped this question)	1	

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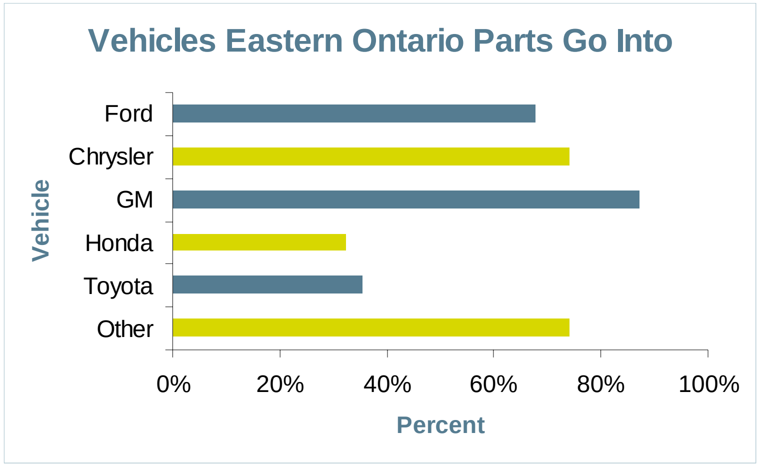
Products, Customers, Contracts and Suppliers



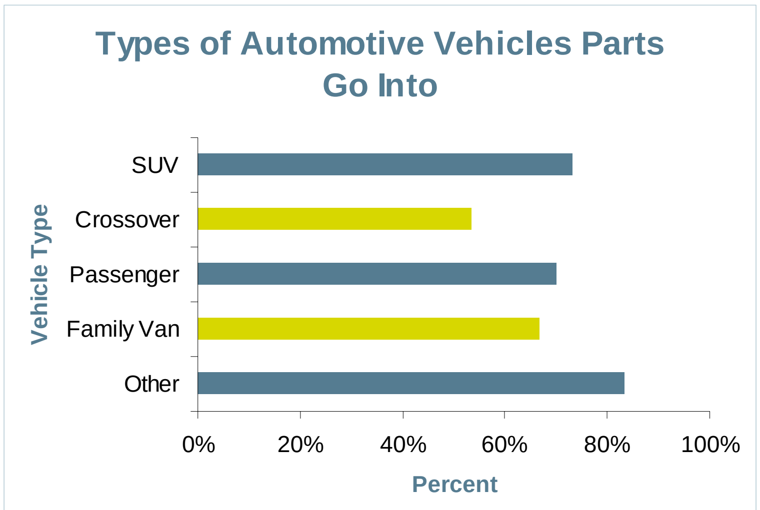
The other vehicles indicated were Audi, Kia, Lincoln, Hyundai, Porsche, Mercedes, Mitsubishi, Mazda, heavy-duty trucks and tractors, ATVs and motorcycles.

Vehicles Eastern Ontario Parts Go Into

	Response Percent	Response Total
Ford	67.7%	21
Chrysler	74.2%	23
GM	87.1%	27
Honda	32.3%	10
Toyota	35.5%	11
Other	74.2%	23
Total Respondents	31	
(skipped this question)	1	

Overview of survey results

Products, Customers, Contracts and Suppliers



Types of Automotive Vehicles Parts Go Into

	Response Percent	Response Total
SUV	73.3%	22
Crossover	53.3%	16
Passenger	70.0%	21
Family Van	66.7%	20
Other	83.3%	25
Total Respondents	30	
(skipped this question)	2	

83.3% indicated other vehicles such as Trucks pick-up and heavy duty.

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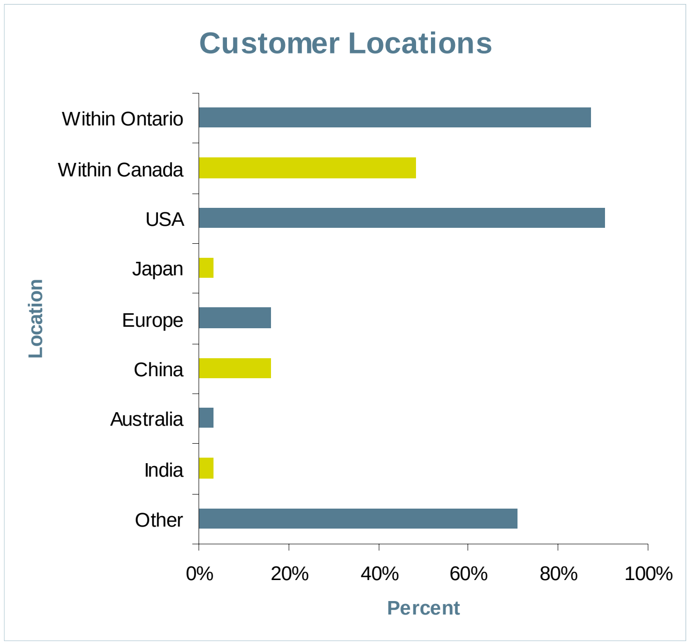
Overview of survey results

Products, Customers, Contracts and Suppliers



Many of the “Other” responses included Mexico.

Customer Locations

	Response Percent	Response Total
Within Ontario	87.1%	27
Within Canada	48.4%	15
USA	90.3%	28
Japan	3.2%	1
Europe	16.1%	5
China	16.1%	5
Australia	3.2%	1
India	3.2%	1
Other	71%	22
Total Respondents	31	
(skipped this question)	1	

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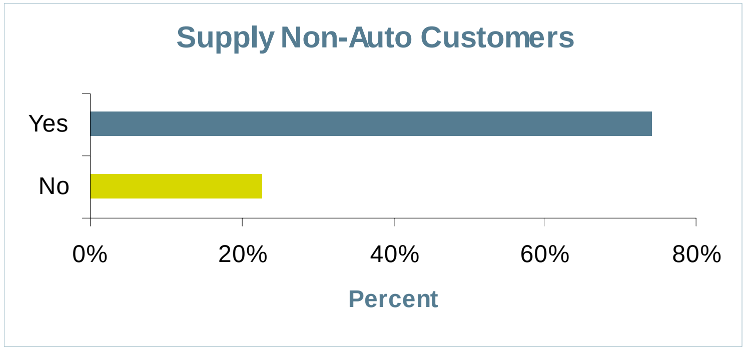

Supply Non-Auto Customers

	Response Percent	Response Total
Yes	74.2%	23
No	22.6%	7
Total Respondents	31	
(skipped this question)	1	

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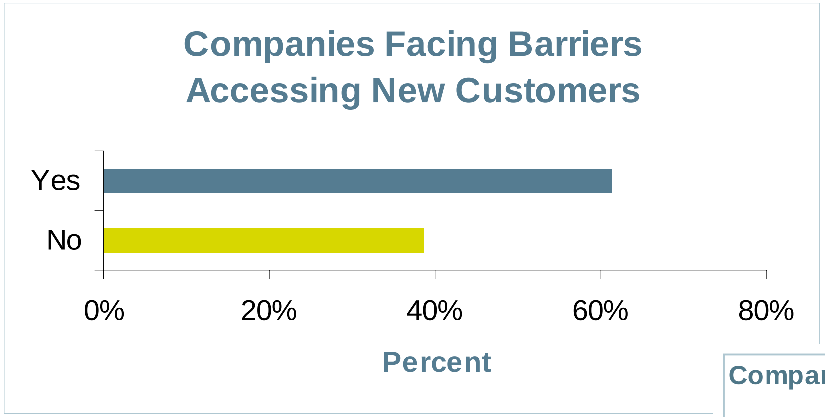

Companies Facing Barriers Accessing New Customers

	Response Percent	Response Total
Yes	61.3%	19
No	38.7%	12
Total Respondents	31	
(skipped this question)	1	

Examples of barriers that Companies indicated are that many USA owned Companies are now sourcing USA made products to support patriotism, the location in Eastern Ontario is sometimes a disadvantage, labour costs and the exchange rate.

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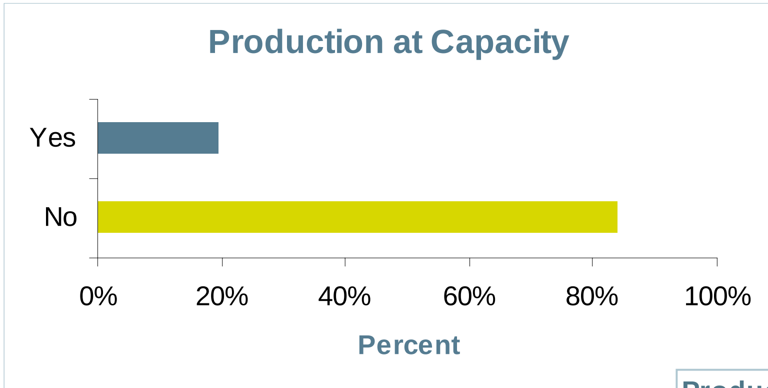


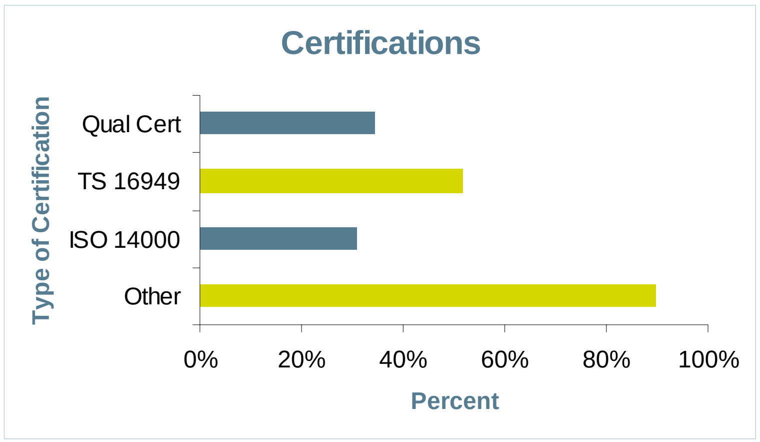
Production at Capacity

	Response Percent	Response Total
Yes	19.4%	6
No	83.9%	26
Total Respondents	31	
(skipped this question)	1	

Companies could indicate both if they had more than one core business.

Overview of survey results

Products, Customers, Contracts and Suppliers



Certifications

	Response Percent	Response Total
Quality Certified by Auto Manufacturer	34.5%	10
TS 16949	51.7%	15
ISO 14000	31.0%	9
Other	89.7%	26
Total Respondents	29	
(skipped this question)	3	

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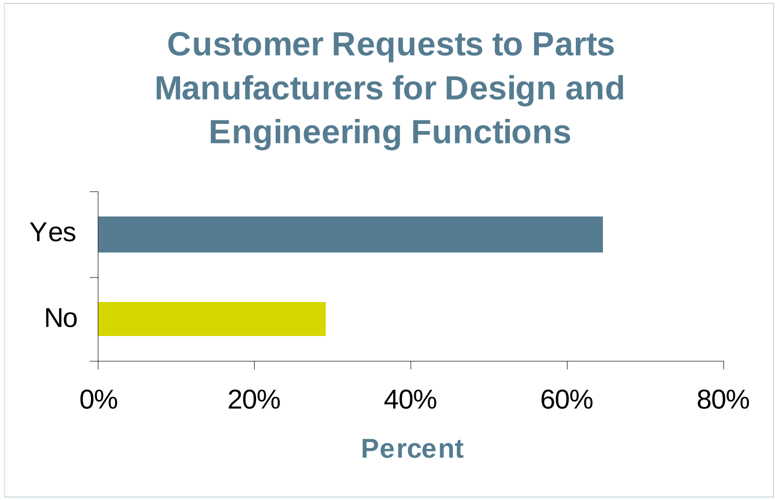

Customer Requests to Parts Manufacturers for Design and Engineering Functions

	Response Percent	Response Total
Yes	64.5%	20
No	29.0%	9
Total Respondents	31	
(skipped this question)	1	

Respondents could also provide comment to this question, 2 Companies provided comment in addition to those who responded Yes or No.

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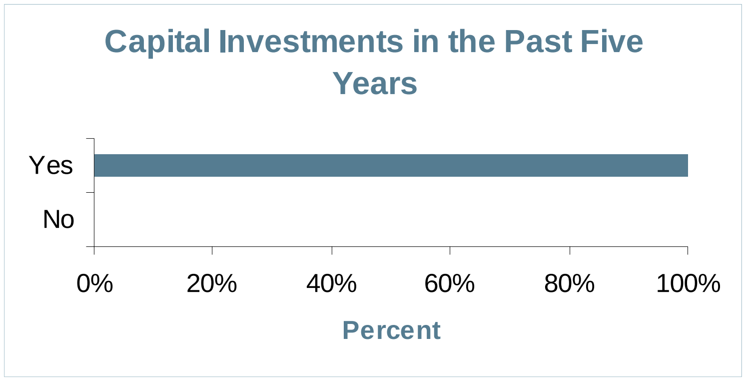

Capital Investments in the Past Five Years

	Response Percent	Response Total
Yes	100%	31
No	0%	0
Total Respondents	31	
(skipped this question)	1	

Investments reported were over $115 Million in new building construction, building expansions, new equipment and automation.

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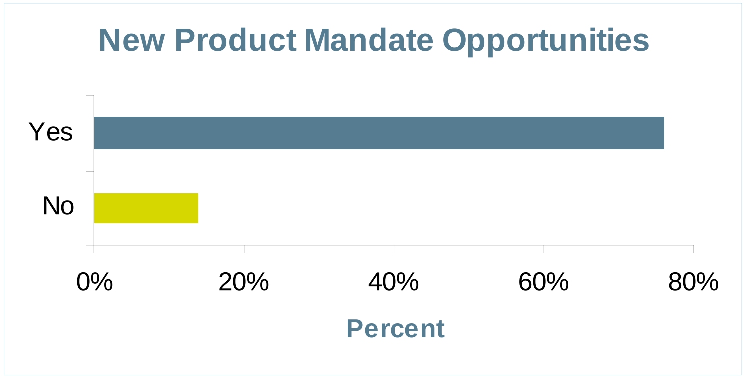

New Product Mandate Opportunities

	Response Percent	Response Total
Yes	75.9%	22
No	13.8%	4
Total Respondents	29	
(skipped this question)	3	

Respondents had the opportunity to provide details and timelines, 29 Companies provided these details, 26 Companies provided Yes or No responses to the question.

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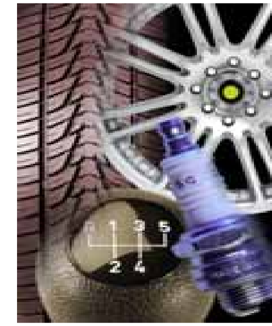

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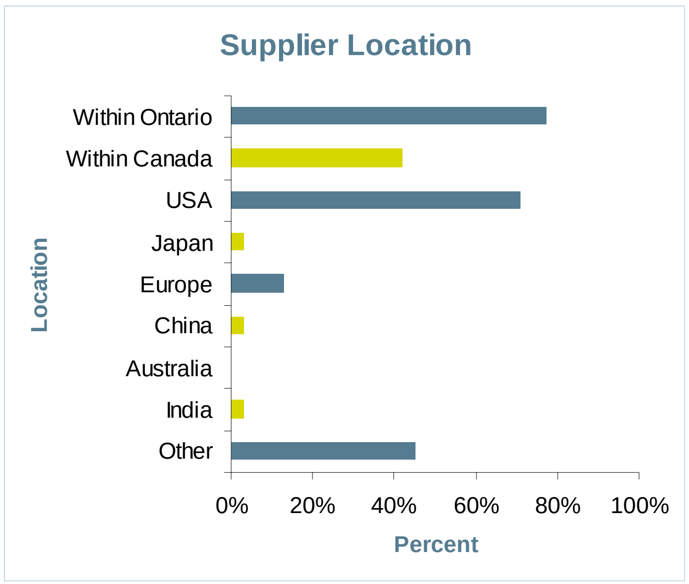

Other locations included Mexico and Korea.

Supplier Location

	Response Percent	Response Total
Within Ontario	77.4%	24
Within Canada	41.9%	13
USA	71.0%	22
Japan	3.2%	1
Europe	12.9%	4
China	3.2%	1
Australia	0%	0
India	3.2%	1
Other	45.2%	14
Total Respondents	31	
(skipped this question)	1	

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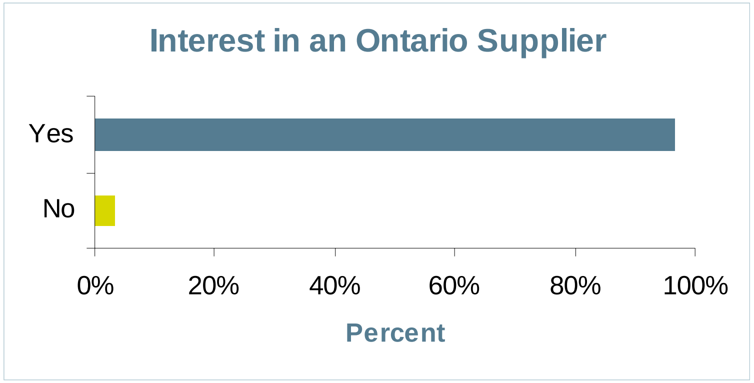

Interest in an Ontario Supplier

	Response Percent	Response Total
Yes	96.6%	28
No	3.4%	1
Total Respondents	29	
(skipped this question)	3	

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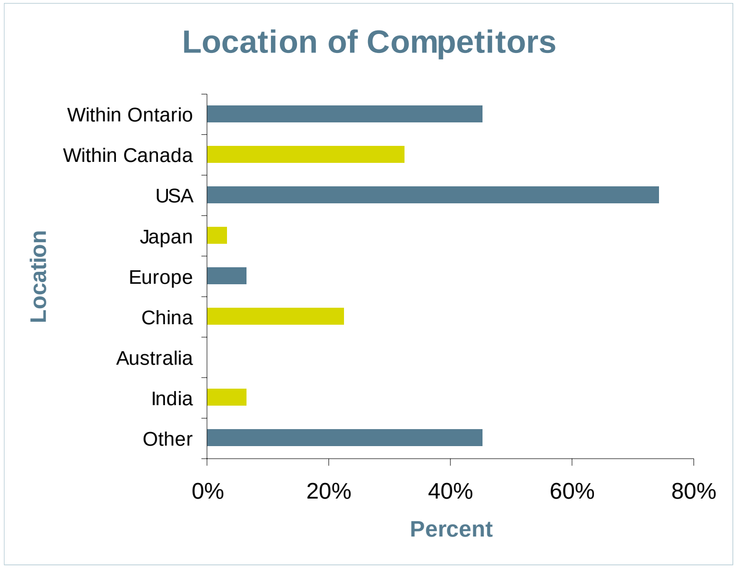
Competition



Location of Competitors

	Response Percent	Response Total
Within Ontario	45.2%	14
Within Canada	32.3%	10
USA	74.2%	23
Japan	3.2%	1
Europe	6.5%	2
China	22.6%	7
Australia	0%	0
India	6.5%	2
Other	45.2%	14
Total Respondents	31	
(skipped this question)	1	

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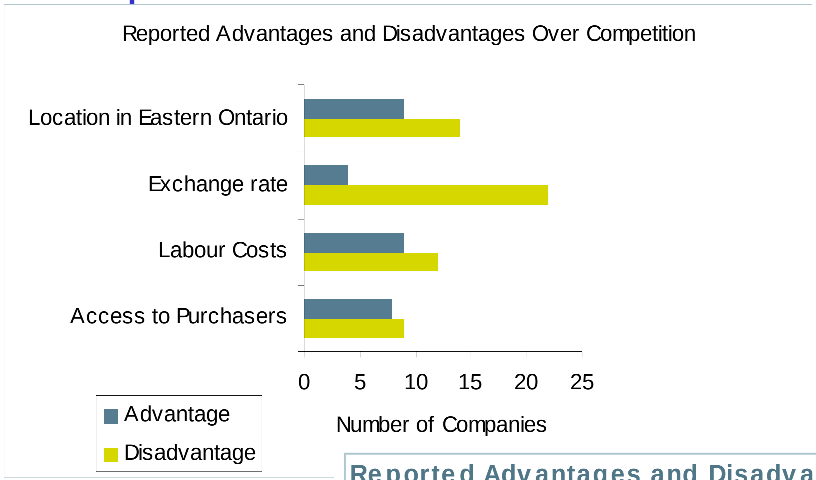

76.0% of Companies indicated that the exchange rate is a disadvantage for them over their competition, 14% claimed this to be an advantage as they obtained their raw materials from the USA.

Reported Advantages and Disadvantages Over Competition

	Location in Eastern Ontario	Exchange Rate	Labour Costs	Access to Purchasers	Respondent Total
Advantage	31% (9)	14% (4)	31% (9)	28% (8)	16
Disadvantage	48% (14)	76% (22)	41% (12)	31% (9)	27
Total Respondents			29		
(skipped this question)			3		

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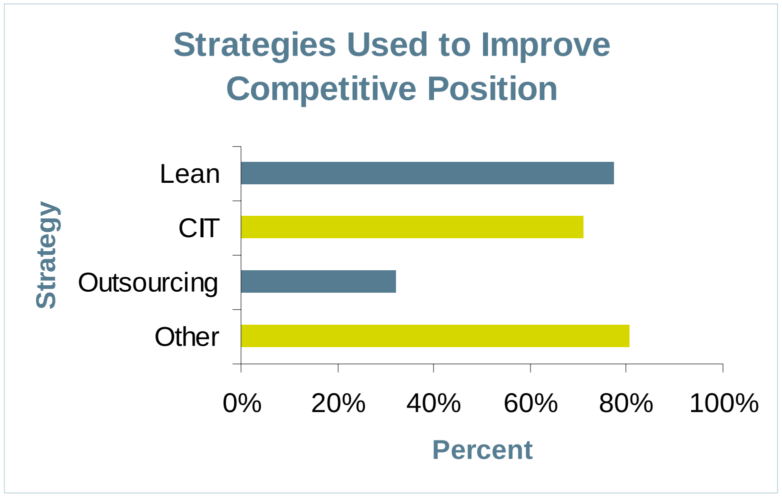
Competition



Strategies Used to Improve Competitive Position

	Response Percent	Response Total
Lean Manufacturing Strategies	77.4%	24
Continuous Improvement Teams	71.0%	22
Outsourcing	32.3%	10
Other	80.6%	25
Total Respondents	31	
(skipped this question)	1	

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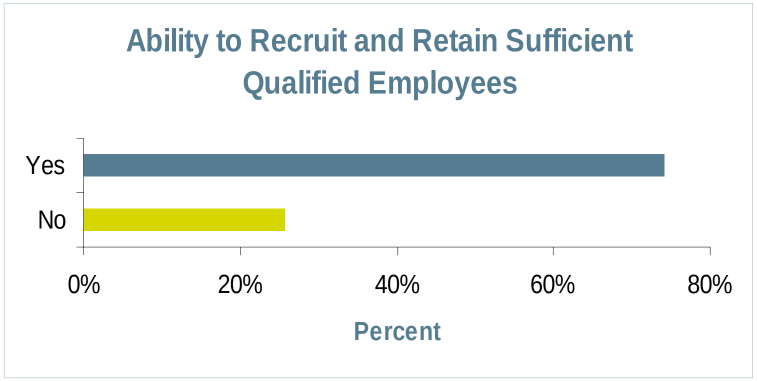
Skilled Labour



Ability to Recruit and Retain Sufficient Qualified Employees

	Response Percent	Response Total
Yes	74.2%	23
No	25.8%	8
Total Respondents	31	
(skipped this question)	1	

Respondents indicated that skilled trades are often difficult to retain and sourcing professional staff in engineering or supervisory positions is challenging.

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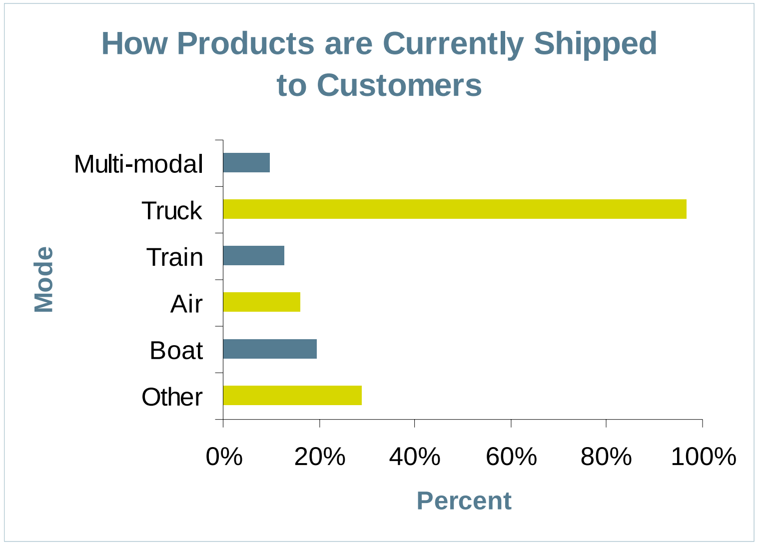
Logistics



How Products are Currently Shipped to Customers

	Response Percent	Response Total
Multi-modal approach	9.7%	3
Truck	96.8%	30
Train	12.9%	4
Air	16.1%	5
Boat	19.4%	6
Other	29.0%	9
Total Respondents	31	
(skipped this question)	1	

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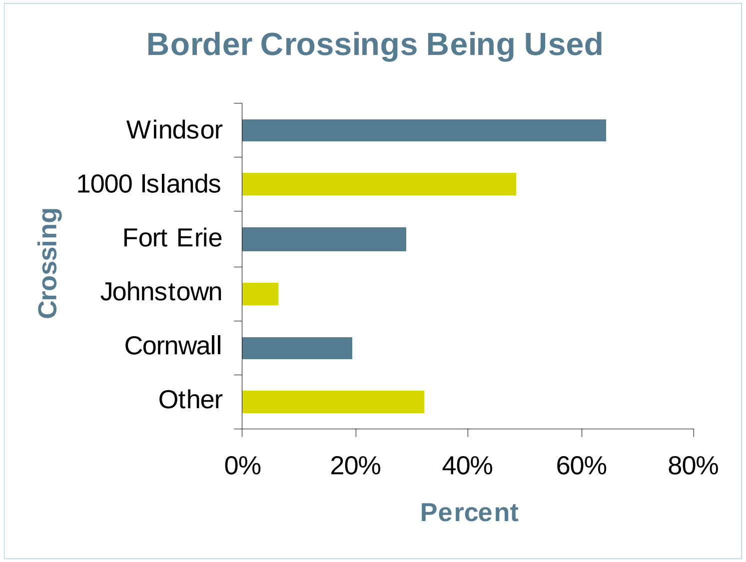
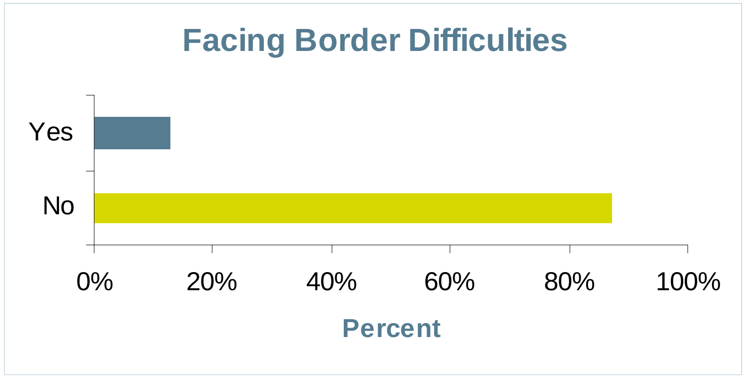


Border Crossings Being Used

	Response Percent	Response Total
Windsor	64.5%	20
1000 Islands	48.4%	15
Fort Erie	29.0%	9
Johnstown	6.5%	2
Cornwall	19.4%	6
Other	32.3%	10
Total Respondents	31	
(skipped this question)	1	

Overview of survey results

Logistics



Facing Border Difficulties

	Response Percent	Response Total
Yes	12.9%	4
No	87.1%	27
Total Respondents	31	
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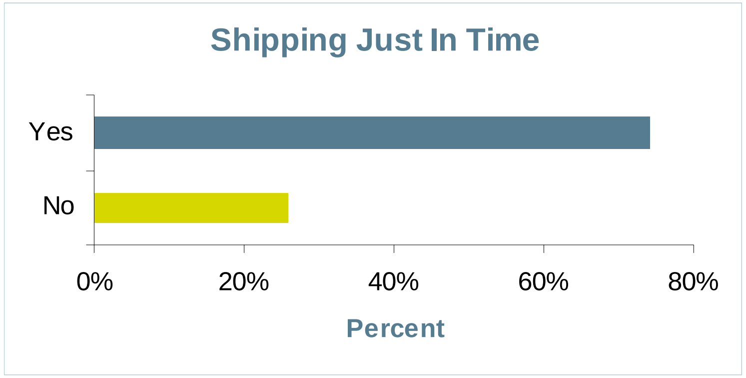

Shipping Just In Time

	Response Percent	Response Total
Yes	74.2%	23
No	25.8%	8
Total Respondents	31	
(skipped this question)	1	

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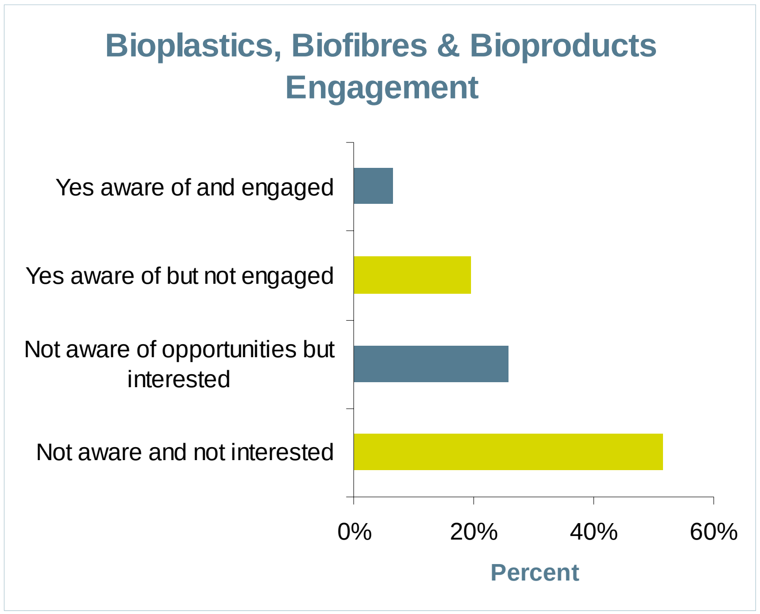
Future

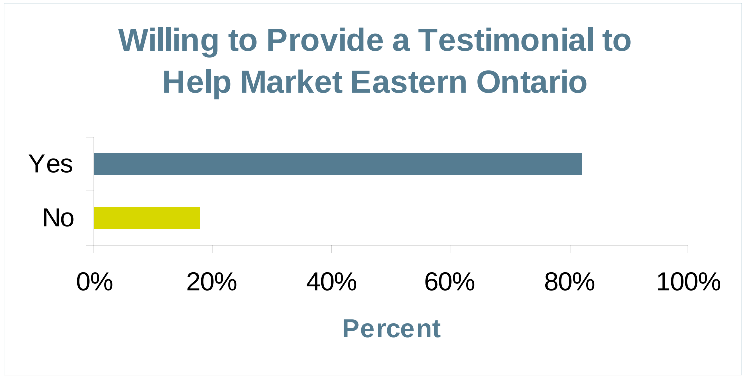


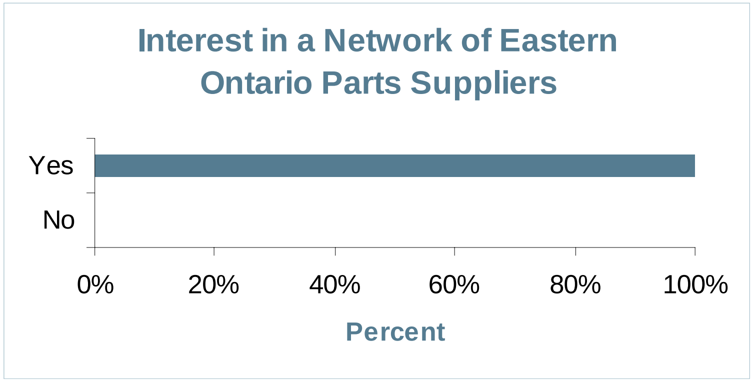
Bioplastics, Biofibres & Bioproducts Engagement

	Response Percent	Response Total
Yes aware of and engaged	6.5%	2
Yes aware of but not engaged	19.4%	6
Not aware of opportunities but interested	25.8%	8
Not aware and not interested	51.6%	16
Total Respondents	31	
(skipped this question)	1	

Overview of survey results

Future





Willing to Provide a Testimonial to Help Market Eastern Ontario

	Response Percent	Response Total
Yes	82.1%	23
No	17.9%	5
Total Respondents	28	
(skipped this question)	4	

Overview of survey results

Future

Top of mind issues…

- Increasing costs of raw materials
- High Canadian dollar
- OEMs going to China to source parts
- Loss of control in getting contracts
- Difficult to remain competitive
- Becoming a low cost producer
- Finding new markets
- Bankruptcy of larger tiers
- Getting cost structure competitive at an 80 cent dollar

- Hiring quality people
- Work ethic of new hires
- Competition from China
- Need to continue to reduce costs
- Need for more business to remain profitable
- Need to become leaner
- Where will the business come from
- Need to increase innovation

Ontario Ministry of Economic Development and Trade
Ontario Ministry of Agriculture, Food and Rural Affairs
Ontario Ministry of Training, Colleges and Universities
Ontario Ministry of Transportation
Ontario East Economic Development Commission

Conclusions

What we have learned…

1. Auto Parts Manufacturers’ in Eastern Ontario are tied to the big three auto manufacturers;
2. Shipping is within Ontario, Canada, USA, Europe, Mexico and other destinations;
3. Auto Parts Manufacturers’ are under production capacity;
4. Larger companies tend to have head offices out of Canada making decisions;
5. Decision making does not always rest with company when it comes to creating or leveraging new opportunities;

Conclusions

What we have learned…

6. Auto parts manufacturing in Eastern Ontario is very diverse;
7. Companies have high levels of certification, highly experienced employees and are award winners;
8. Auto Parts Manufacturers' will advocate for Eastern Ontario as a good location;
9. Auto Parts Manufacturers' want networking opportunities; and
10. Many of the Auto Parts Manufacturers' are located in rural communities.

Ontario

ONTARIO EAST
ECONOMIC DEVELOPMENT

Ontario Ministry of Economic Development and Trade
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Questions?

Ontario

ONTARIO EAST
ECONOMIC DEVELOPMENT

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