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Manufacturing in Ontario Change & Challenge

Jayson Myers
President
Canadian Manufacturers &
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September 12th, 2007





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The Importance of Manufacturing in Ontario

- Ontario accounts for half of Canada's total manufacturing output
- Manufacturing is the single largest business sector in Canada & Ontario
- Manufacturing directly accounts for 20% of Ontario's GDP
- Every \$1 of manufacturing output generates \$3.25 in total economic activity – largest economic multiplier
- \$290 billion in annual shipments (2006)
- 1 million Ontarians employed in manufacturing
- Wage levels 25% above provincial average
- Accounts for 75% of Ontario's goods & services exports
- Accounts for 72% of private sector R&D in Ontario
- Ontario manufacturers reduced GHG emissions 20% between 1990 and 2005.



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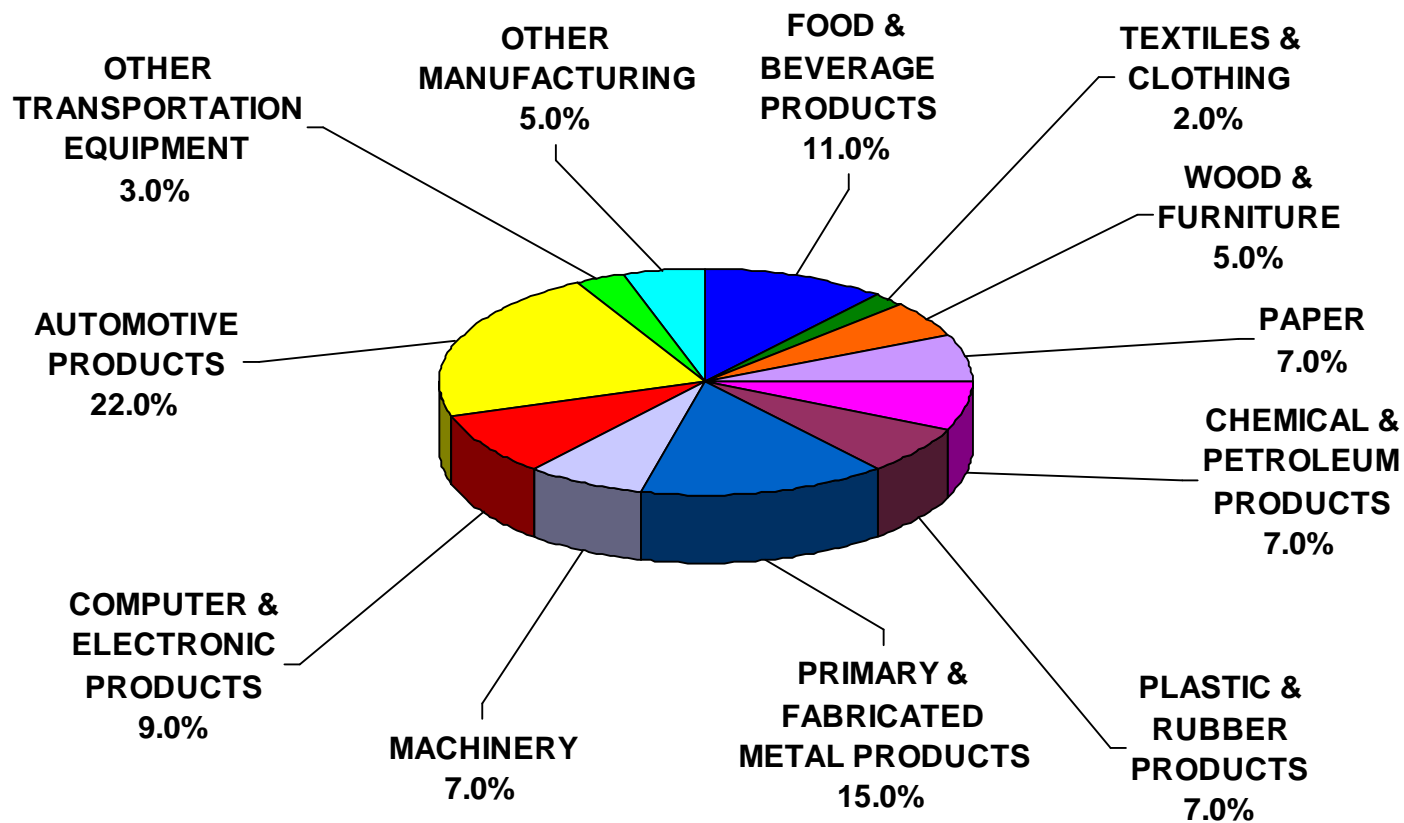
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Ontario: Manufacturing Profile





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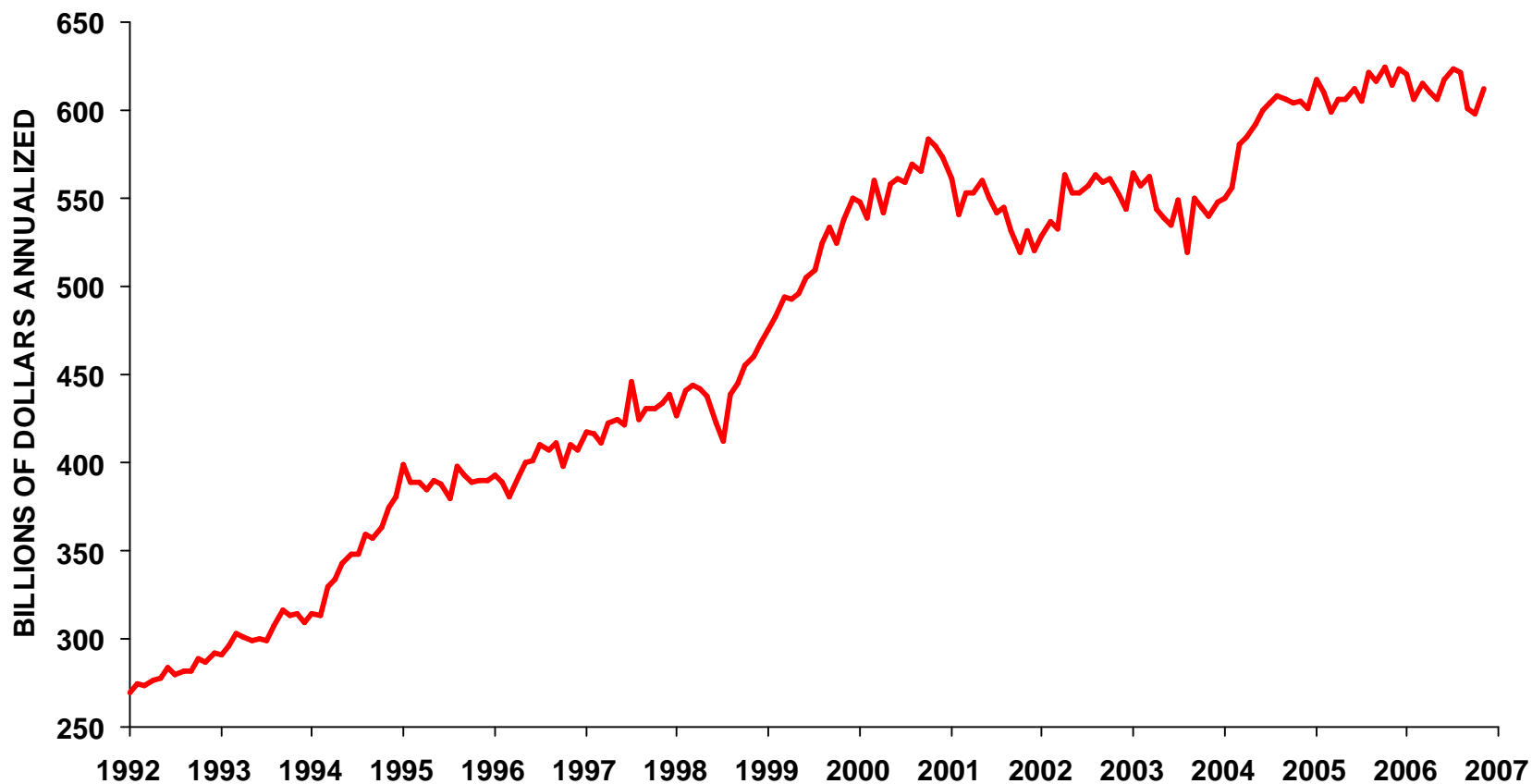
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Canada: Manufacturing Shipments





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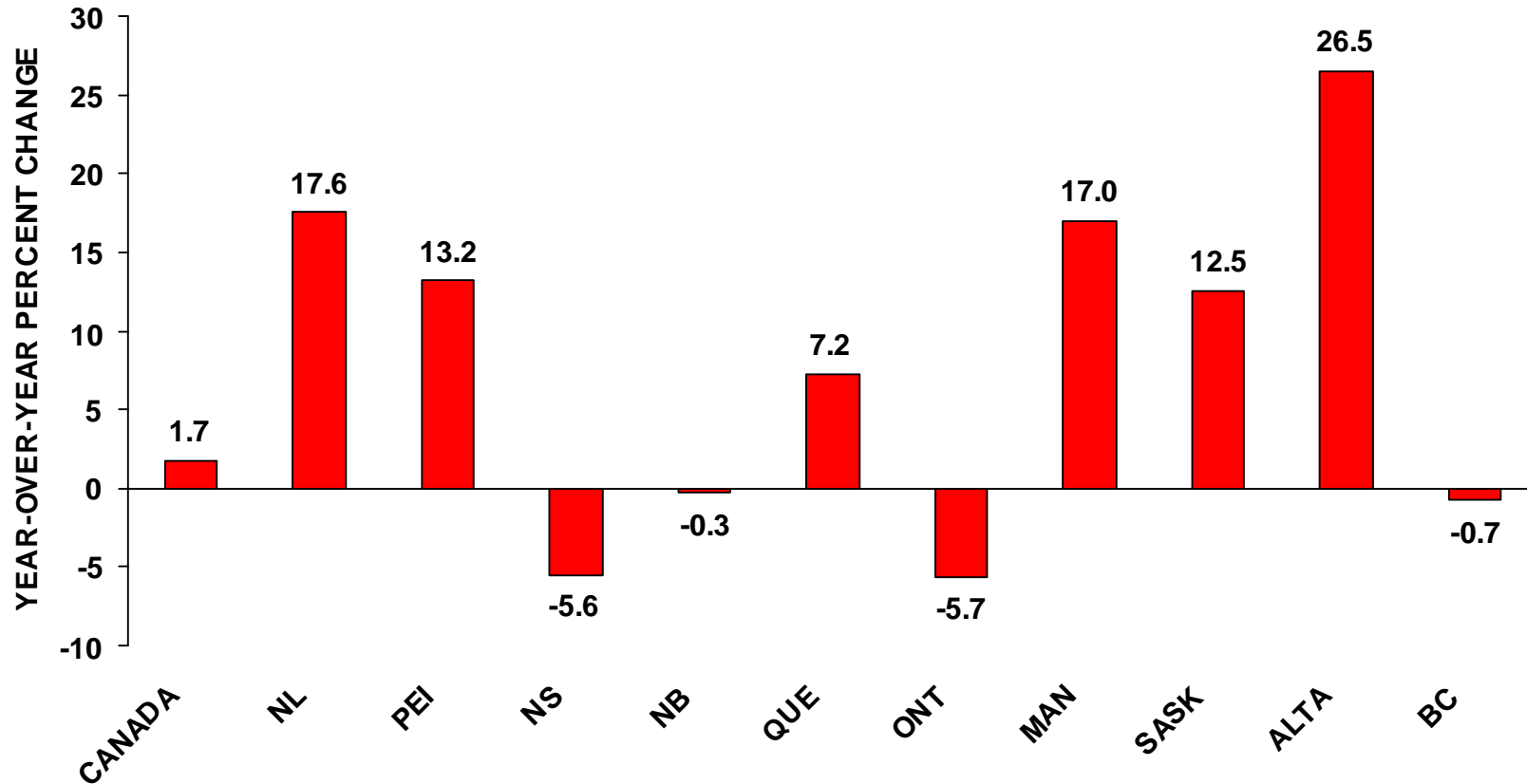
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Shipments Performance By Province (2004-2007)





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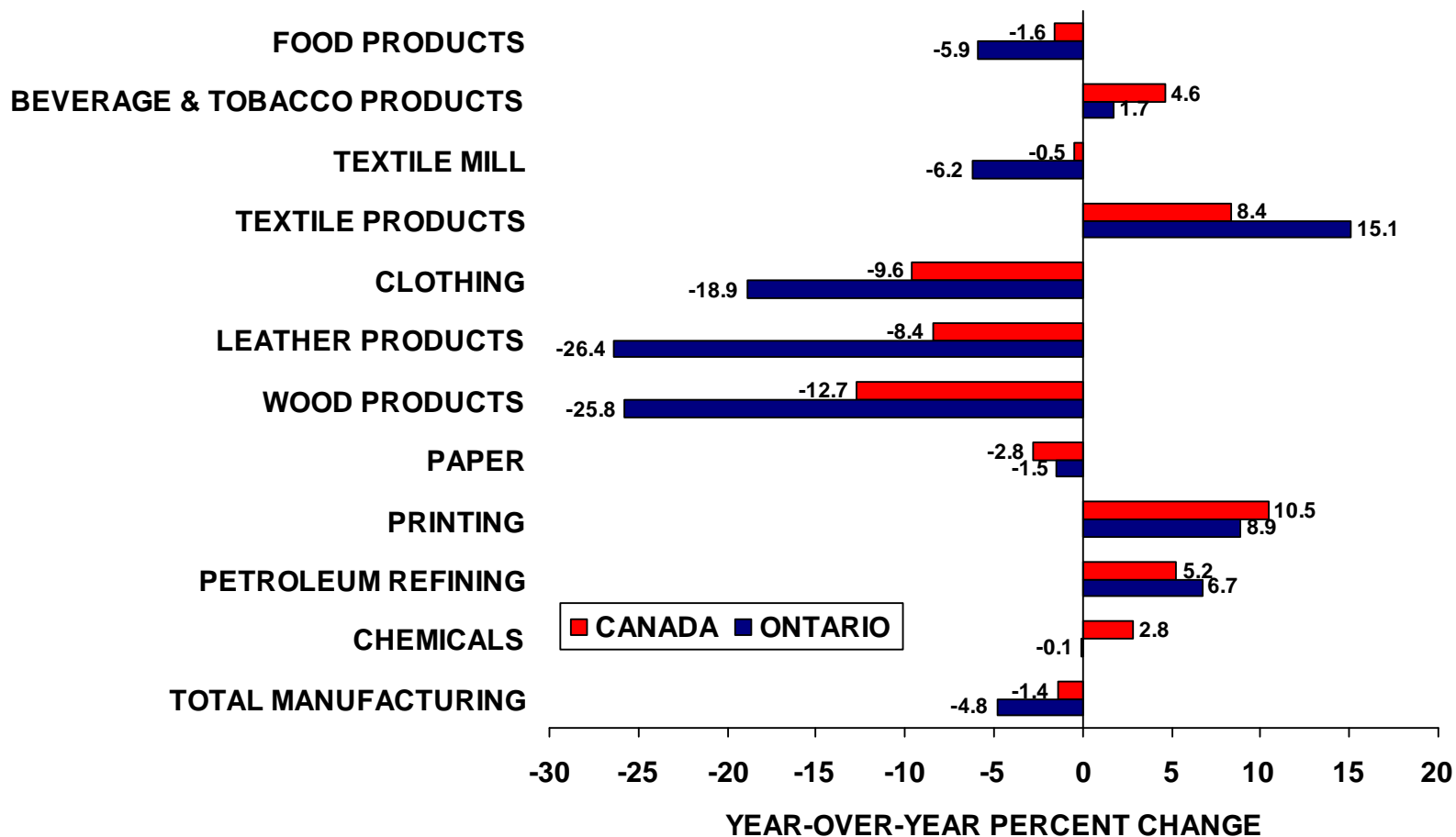
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Shipments Performance

June 2006 – June 2007





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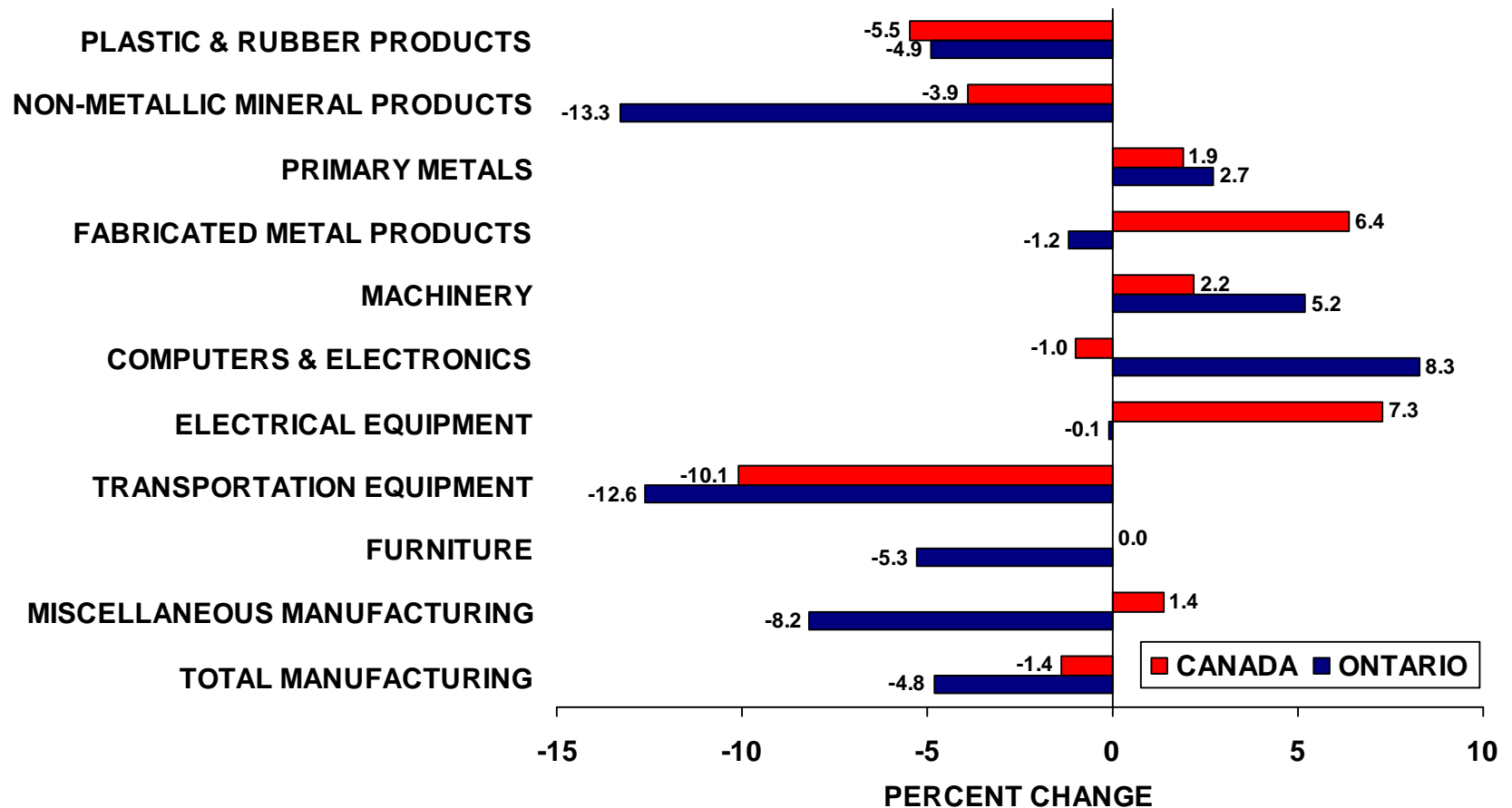
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Shipments Performance

June 2006 – June 2007





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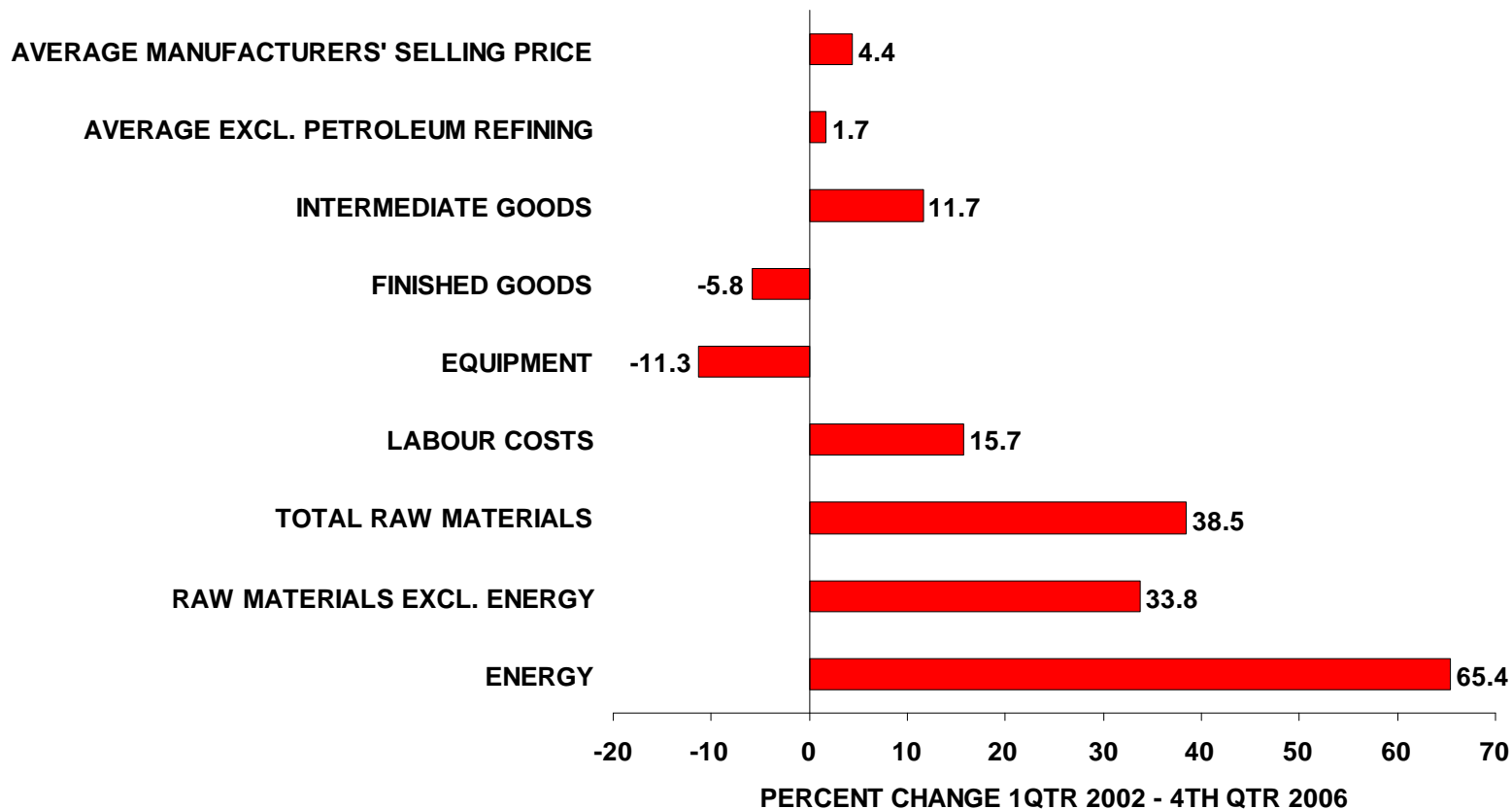
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Manufacturers' Cost Squeeze (1st Qtr 2002 – 4th Qtr 2006)





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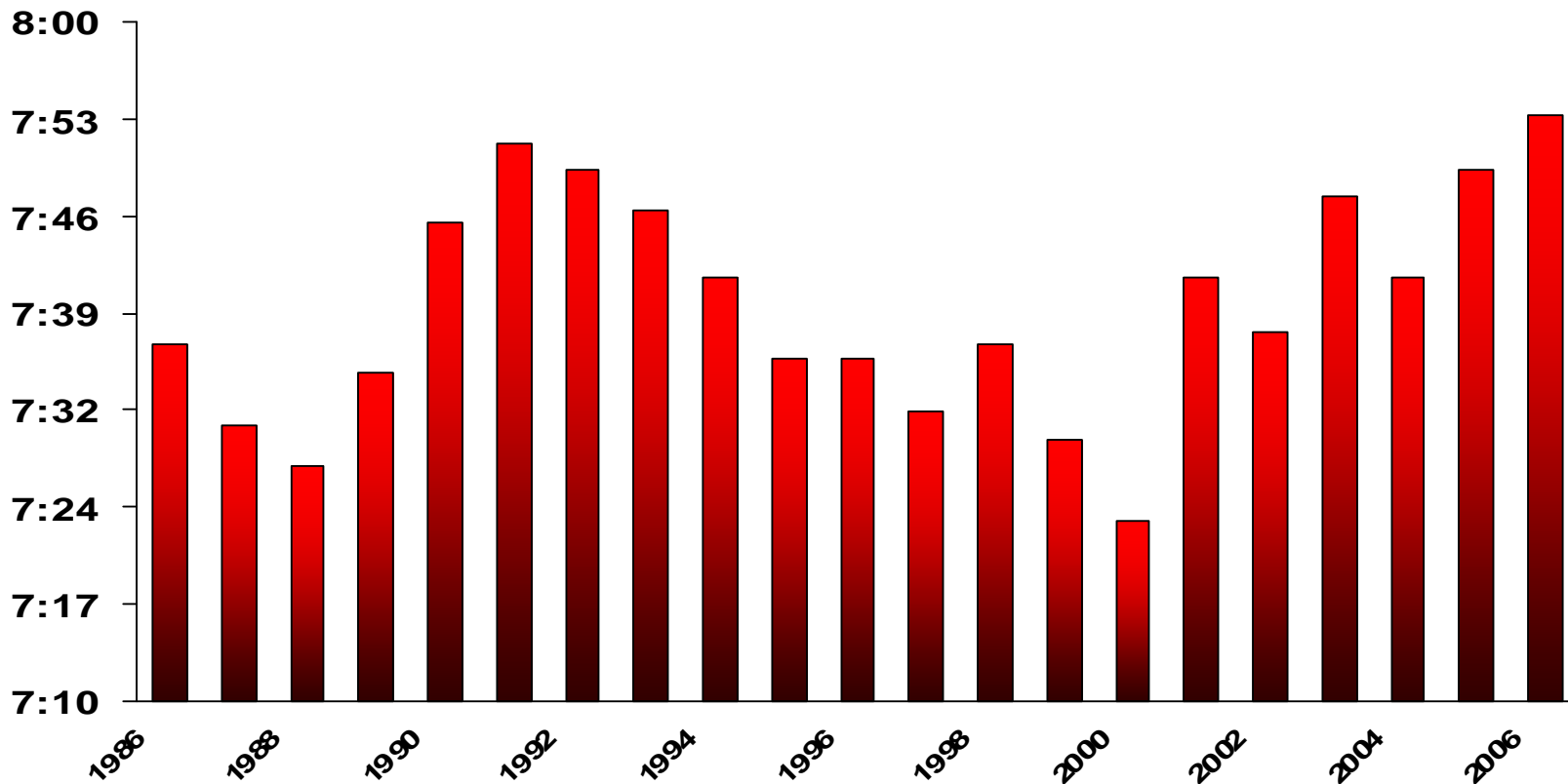
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Breakeven Time





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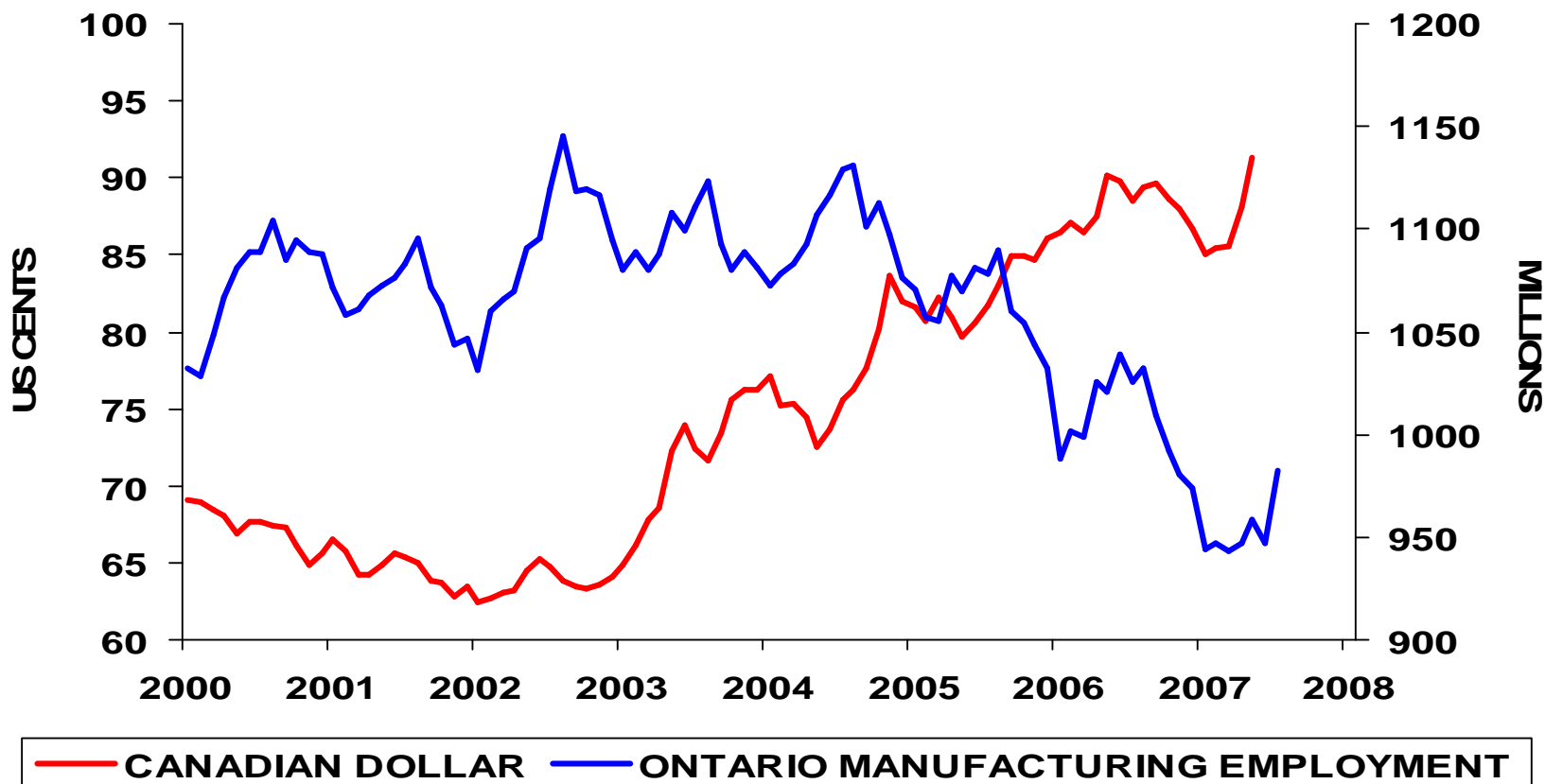
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The Dollar & Employment





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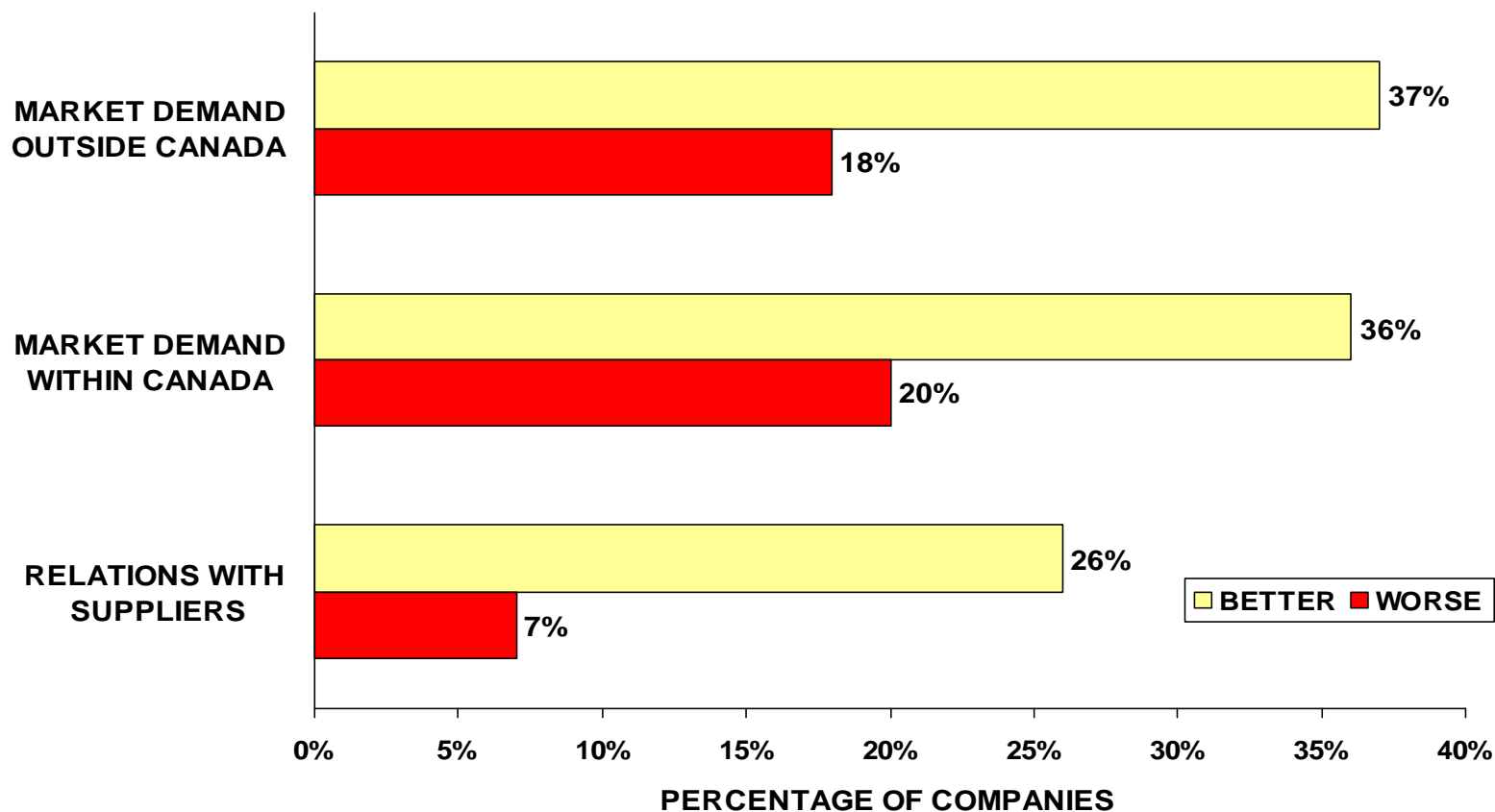
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Improving Conditions





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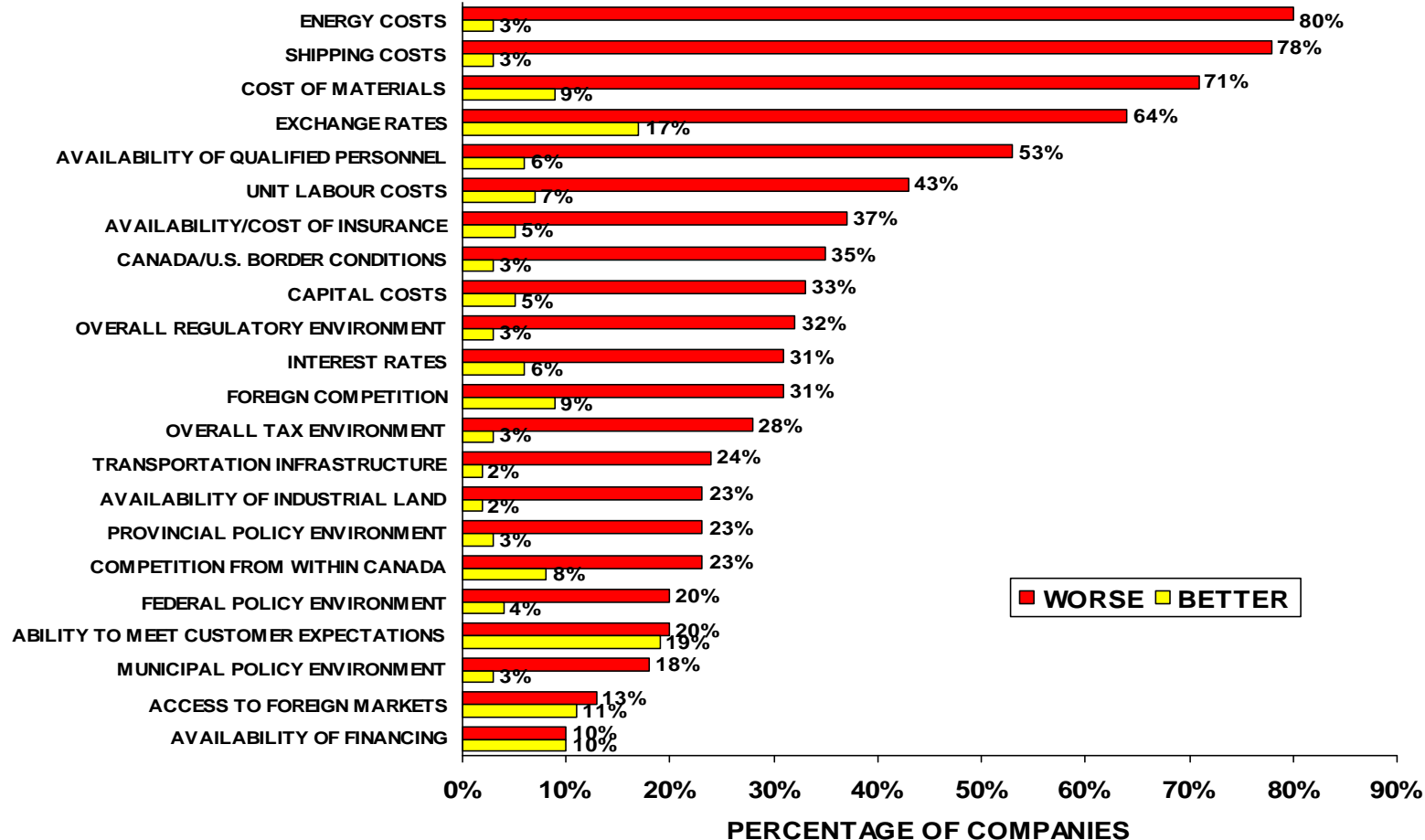
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Deteriorating Conditions





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Outlook for 2007

- The Good News
 - Canadian dollar (?)
 - Lower commodity & energy prices
 - The boom will continue to Western Canada
- The Bad News
 - Canadian dollar (?)
 - Weaker overall economic growth across North America
 - Continuing competitive pressures



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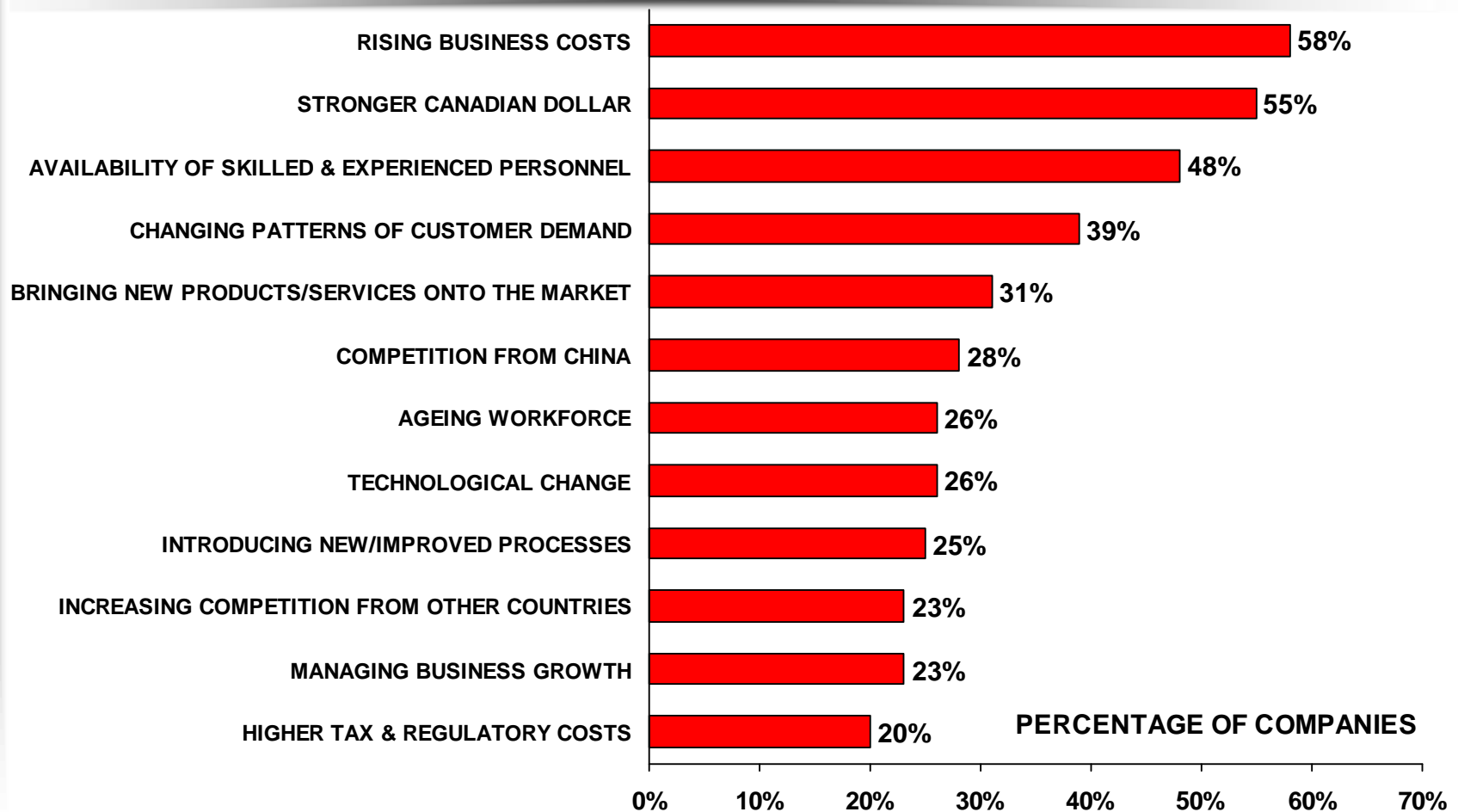
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Top Strategic Challenges





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The Globalization of Business

- Global markets – Global competition
- Competitors, partners, & customers from around the world
- Global sourcing – Global presence
- Global value chains & business networks
- Supply chains compete – Extensive restructuring
- Global competition for investment & product mandates
- Global access to knowledge & new technologies
- Accelerating pace of technological change
- Need to escape the commoditization trap
- Value = Capitalize on knowledge



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Future Competitive Advantage?

- Focus on Customer & Supplier Success
- Mastering global supply chains
- Knowledge management
- Specialized products & services
- Innovation – Continuous commercialization of new and improved products & processes
 - New technologies & automation systems
 - New business models and global value networks
 - New market opportunities
- Agility & Customization
- Customer Value – Design, Engineering, Service, Financing
- Time – Product Development to Customer Response
- Lean – Products, Processes, Enterprise, Business Networks
- Total Delivered Cost



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Business Strategies Have to Change

- *“It’s never easy to climb into the crow’s nest in the midst of a storm...”*
- Focus on Customer & Supplier Success
- Focus on Solutions not Products
- Focus on new Global Opportunities
- Focus on Internal Excellence
 - Process Perfection
 - Elimination of Waste Everywhere
 - Bottom Line Results
- Focus on Achieving Results through People



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Critical Success Factors

- Leadership & Image of Manufacturing
- Workforce Capabilities
 - Availability of Skilled Personnel
 - Workforce Mobilization
- Innovation & Continuous Improvement
- International Business Opportunities
- Competitive Business Services & Financing
- Available & Competitive Infrastructure
 - Energy, Transportation, Communication
- Competitive Business Environment
 - Tax & Regulatory Environment



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CME Policy Priorities

- **An Integrated Strategy for Manufacturing in Ontario**
- **Tax treatment of investment**
- **Skills & Education**
- **Strengthening links between research & industrial innovation**
- **Smart Regulation**
 - **Feasible, simple, low-cost compliance = More effective regulation**
- **Reliable, Cost-Competitive Infrastructure**
 - **Transportation, security, borders, energy**
- **Outcomes based procurement**
- **Market Opportunities & Leveraging Capabilities**
 - **Oil Sands**



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Local Priorities for Manufacturing

- Tax environment
- Smart & speedy regulations
- Zoning
- Infrastructure – land, transportation
- Buy-Canada procurement
- Local business & education networks
- Skills & training
- Consortia & leadership development



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Competing for Investment

- **Empire Zone Program**
 - **10-year property tax exemption**
 - **Reduced electricity rates**
 - **Employee wage tax credit**
 - **Investment tax credit**
 - **Sales tax credits & exemption**
 - **Tax reduction tax credit**
 - **Zone capital credit**



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Competing for Investment

- **Ontario Advantage (?)**
 - **Skills**
 - **Industrial base**
 - **Innovation infrastructure**
 - **Community**



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Working Together

- **Local & regional manufacturing & investment strategies**
- **Identify critical manufacturing issues/needs assessment**
- **Joint advocacy**
- **Skills & education**
- **Best practices networks**