



Canadian  
Manufacturers &  
Exporters

Manufacturiers et  
Exportateurs du  
Canada



# Manufacturing in Ontario

## Challenges & Opportunities

**Jayson Myers**

**President**

**Canadian Manufacturers & Exporters**

**April 23<sup>rd</sup>, 2009**





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# The Importance of Manufacturing & Exporting

- Single largest business sectors in Canada & Ontario
- Manufacturing directly accounts for 14% of Canada's GDP – 15% of GDP in Ontario.
- Every \$1 of manufacturing output generates \$3.25 in total economic activity – largest economic multiplier
- \$600 billion in annual manufacturing shipments (50% in Ontario)
- Canadian manufacturers:
  - Employ 1.8 million Canadians with wage levels 25% above national average
  - Account for two-thirds of Canada's goods & services exports
  - Account for 75% of private sector R&D
  - Bring 85% of new products to market
  - Have reduced GHG emissions by 9.3% between 1990 and 2005.

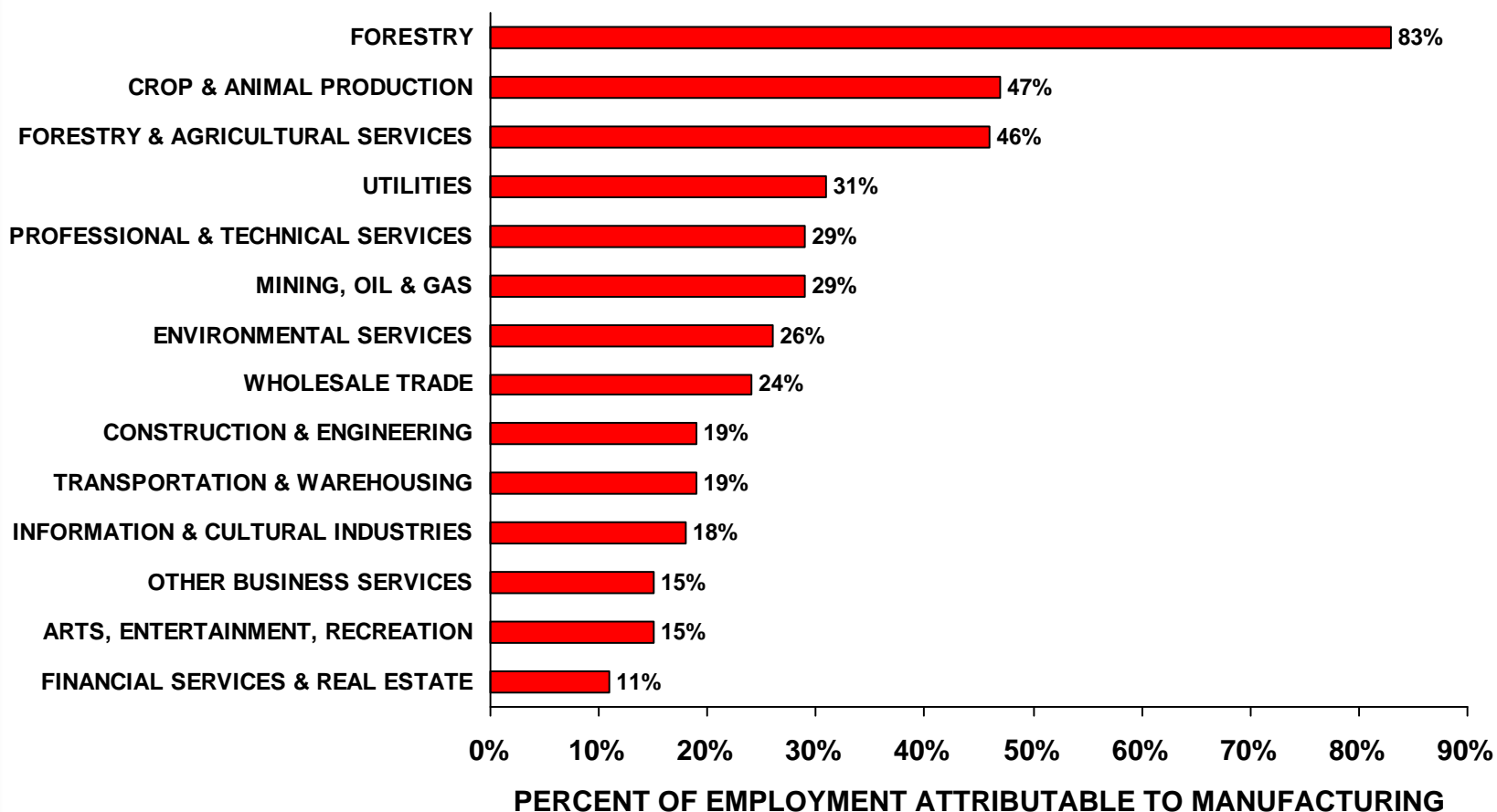


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# Jobs Depend on Manufacturing





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# Economic Overview

- Global financial deflation – uncertain asset values
- Overcapacity now aggravated by implosion of customer demand
- Global recession – centred on USA
- Recession will be deeper and last longer than consensus forecasts - Statistics not reliable for forecasting
- Financial stability a prerequisite for recovery
- Risks ahead – Further financial turmoil, China, US Treasury market, Canadian dollar appreciation



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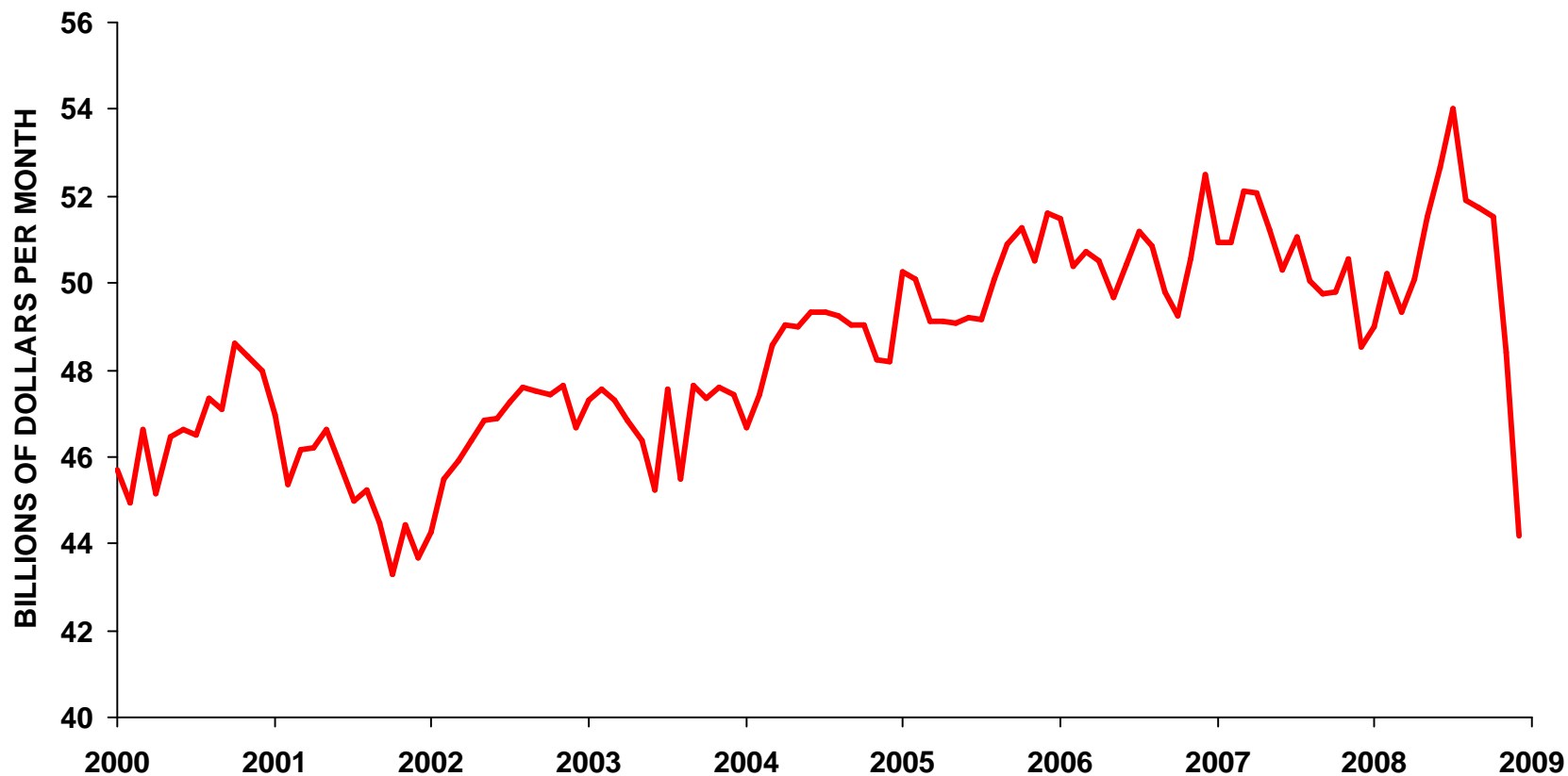
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# Canada: Manufacturing Sales





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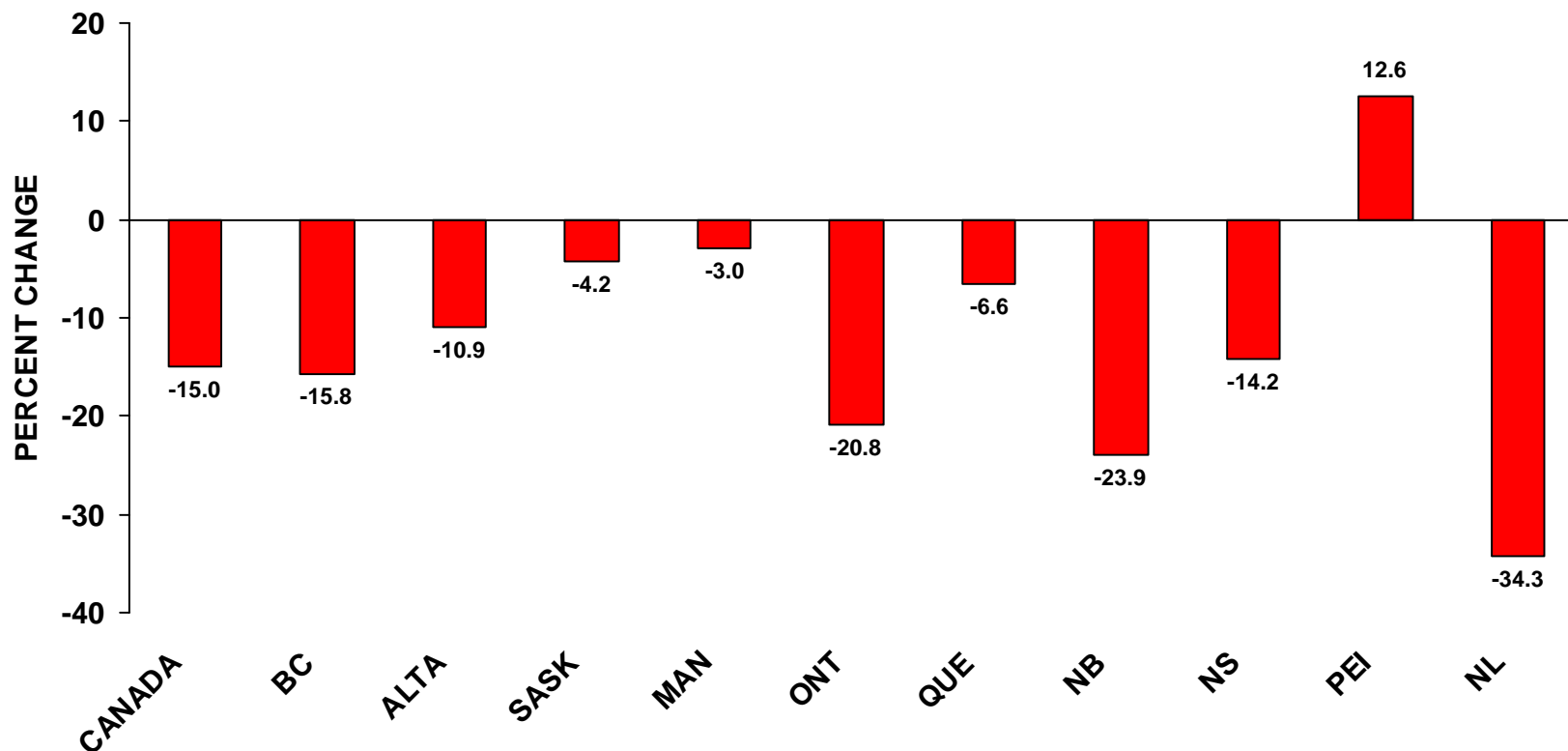
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# Manufacturing Sales (Jan 08 – Jan 09)







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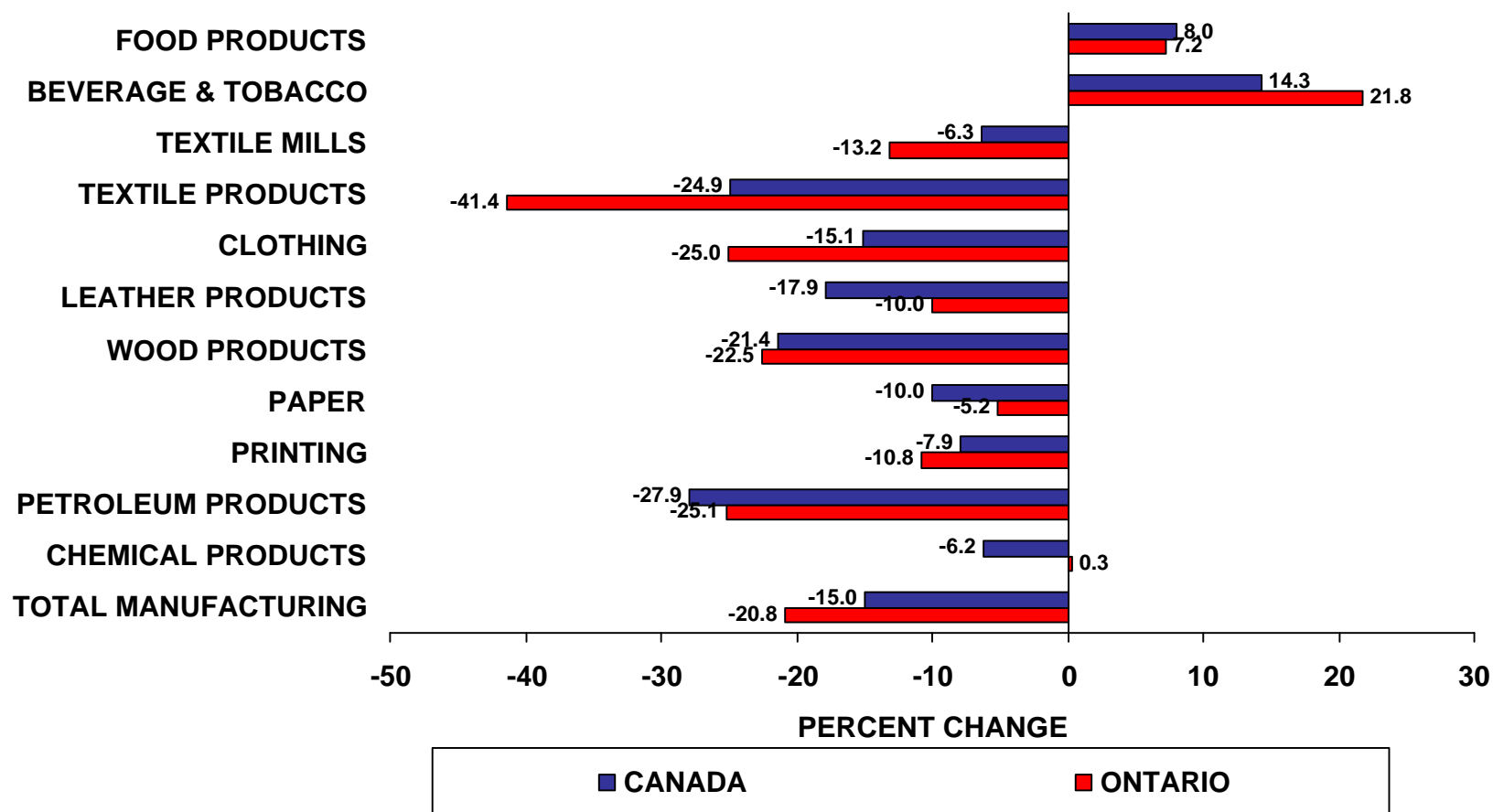
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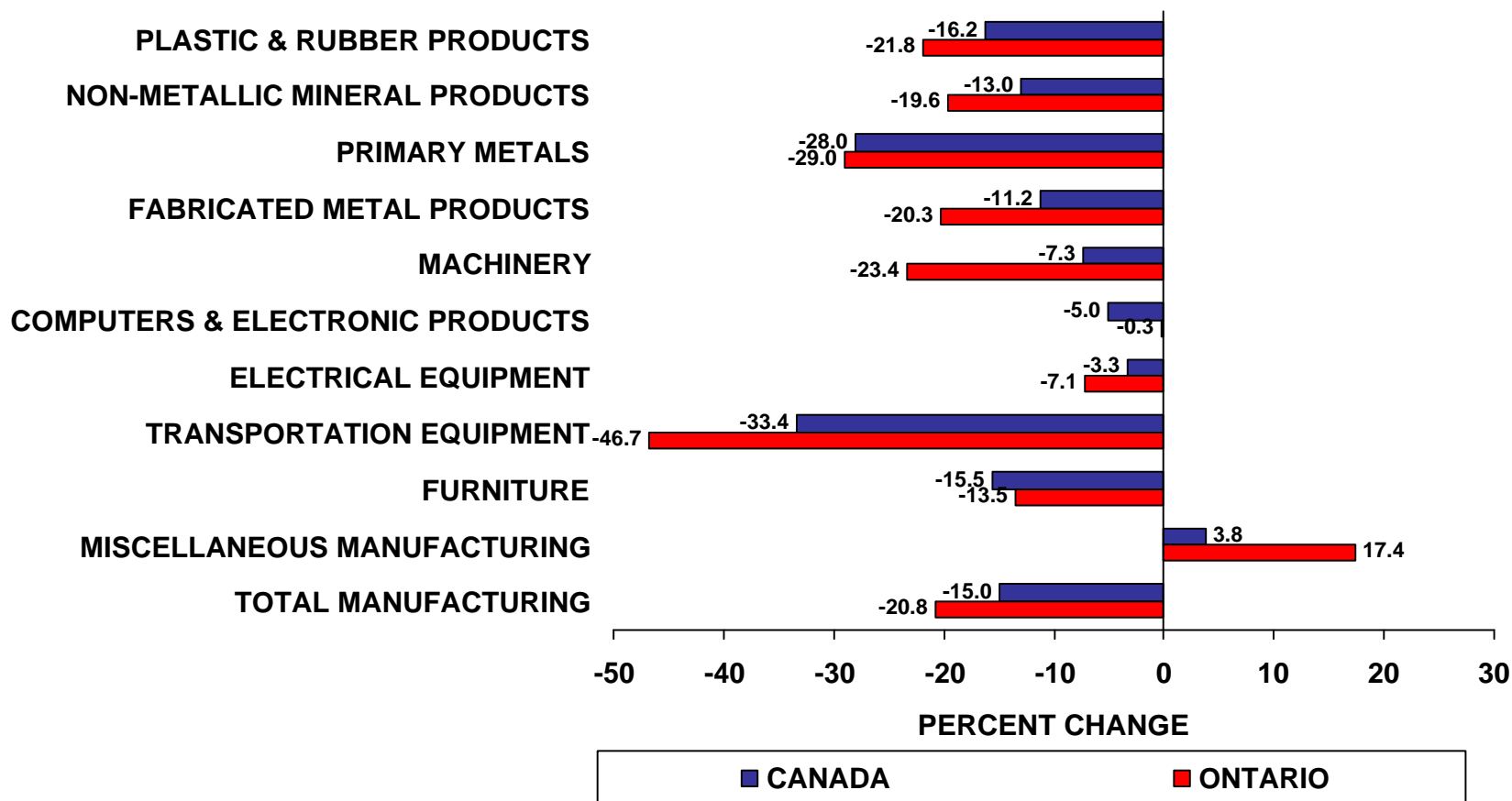


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# Business Challenges

- **Thin profit margins**
  - Impact of rapid appreciation of Canadian dollar, energy & commodity costs
- **Weakness in key markets**
  - Housing, automotive, industrial equipment, capital projects
  - Overcapacity in most industrial markets
- **Higher levels of risk and uncertainty**
  - Late payment, default, higher levels of receivables & inventory, orders postponed & cancelled
  - Currency and pricing volatility
- **Meltdown in customer demand**
  - Spreading across industry sectors
- **Financing difficulties**
  - US credit
  - Bank credit
  - Asset-backed financing
  - Venture & capital markets



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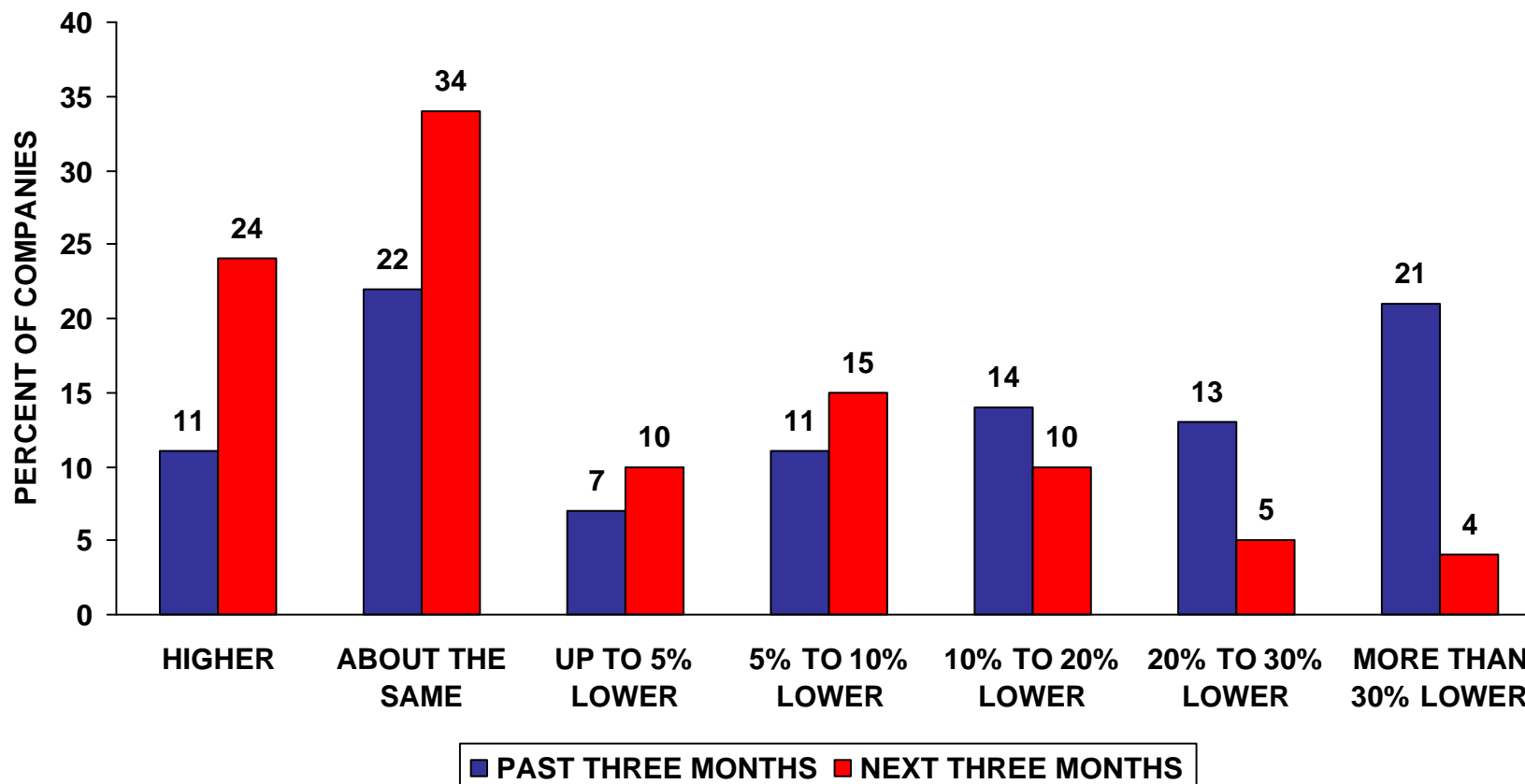
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# Canada: New Orders



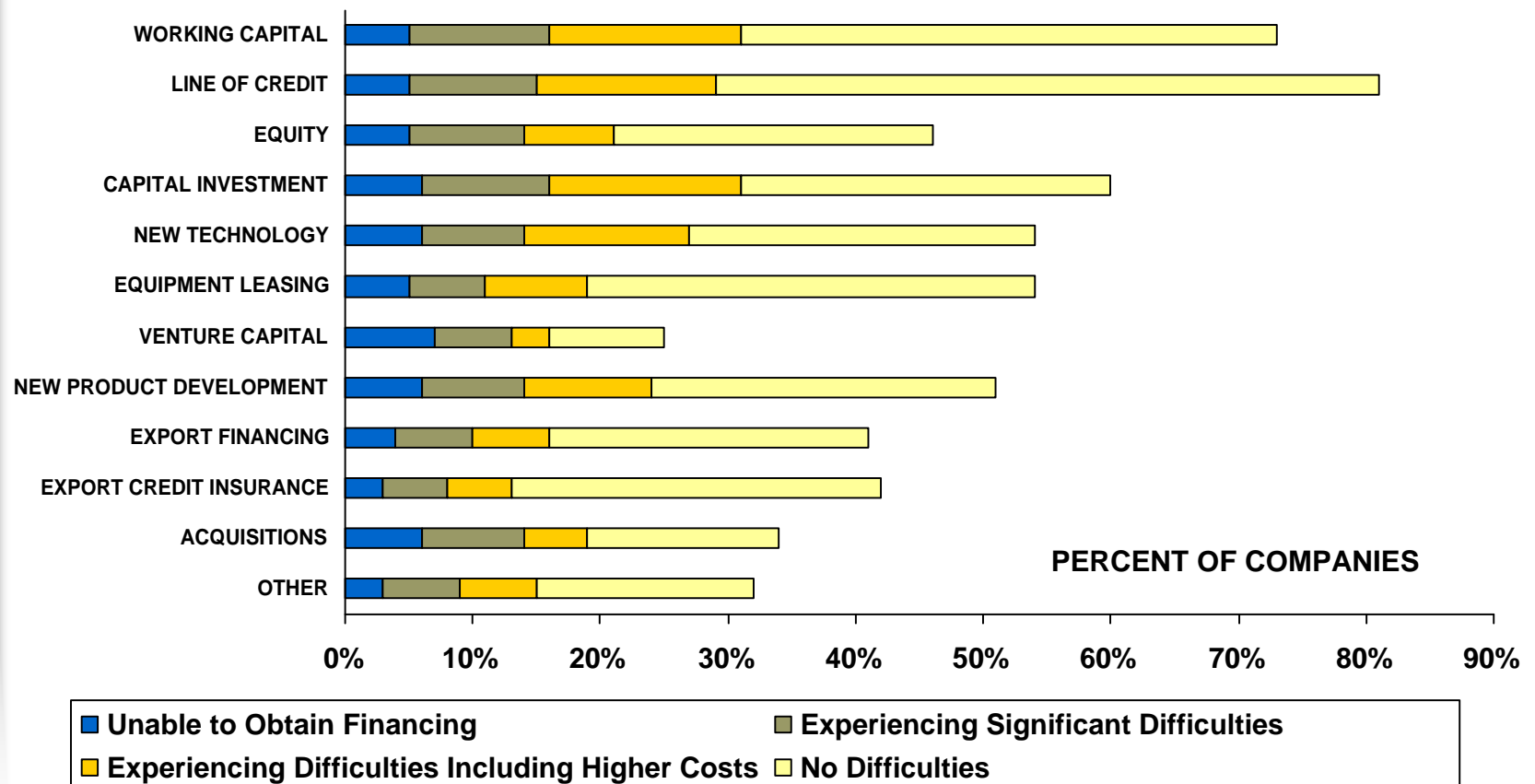


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# Financing Challenges





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# Business Opportunities

- Cash and investment strengths
- Replace competition
- Acquisitions
- New product & market development
- Infrastructure & innovation
- Product specialization, services, new processes, new skills
- Respond to new & emerging customer demand



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# Responding to the Challenge

- **Leadership – New strategies & effective implementation**
- **Cash Flow – Cash management, financing, hedging, pricing, contracting, outsourcing**
- **Cost reduction – Focus on what customers value & eliminate waste**
- **Innovation – Solutions, specialized products & services, customization**
- **New market development – In Canada & around the world**
- **Logistics – Leveraging logistics advantages**
- **Achieving results through people – skills and workforce capabilities**



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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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# Policy Priorities for Toronto

- Importance of manufacturing & wealth creation
- Access to financing
- Competitive tax structure that encourages investment in productive assets:
  - Manufacturing technologies
  - Skills
  - Innovation
- Cost effective, timely regulatory environment
- Competitive infrastructure
- Highly qualified personnel
- World class research, design, and development
- Support for industry networks/consortia
- A community that works - together