Roundtable Summary

A summary of the June 3, 2014 Manufacturing Roundtable with recommendations.
Manufacturers play an enormous role in the vibrancy of Toronto’s economy and the social fabric of our communities. It is essential that elected officials and governments partner with stakeholders to develop solutions that will promote a manufacturing-friendly climate.

At the Deputy Mayor’s Manufacturing Roundtable, we took an important step towards the formation of a stronger partnership with Toronto’s manufacturing sector. At the meeting, stakeholders took time out of their busy schedules to work with decision makers to develop solutions that address some of the issues facing their business community. The contributions from the participants form the basis for this report and for any initiatives that arise from it. The conversation has only just begun.

This report summarizes findings from the meeting and outlines important next steps to keep building this relationship with our partners and with others that drive our economy. I ask for your support in adopting these important recommendations so that we can give manufacturers the support they need.

Sincerely,

Deputy Mayor Norm Kelly
Toronto’s manufacturing sector plays a critical role in the health of our City’s economy. The quality jobs and the high economic multiplier that manufacturing generates are essential components of a strong local and regional economy.

Last year, each dollar invested in Canada’s internationally competitive manufacturing sector generated $3.25 in total economic activity. Toronto is well aware of the importance of this sector and continues to seek ways to preserve existing manufacturing activity and lay the groundwork for additional investment. Toronto’s long term prosperity depends on a strong manufacturing sector.

The Manufacturing Roundtable represents a renewed spirit of cooperation between the City and other key stakeholders that influence, support and benefit from a robust manufacturing sector. By remaining open to new ideas and opportunities, we hope to help the sector to preserve its vitality and viability in the years ahead.

Sincerely,

Councillor Michael Thompson
Chair, Economic Development & Culture Committee
Ward 37 – Scarborough Centre
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OVERVIEW
To be competitive in today's global economic climate companies are expected to remain or gravitate to areas where support for research, development and technological innovation are ample, and a skilled labour force is readily available. Research completed by the City of Toronto's Economic Development and Culture division has shown that Toronto-based manufacturers which can remain competitive, leverage opportunities connect with key supply chains and grow their export markets will be well positioned to capitalize on emerging trends in both North America and around the world.

With over 17 million square feet of office space and $70 billion in annually exported goods and services it comes as no surprise that Toronto is ranked as the second most "business friendly" city in North America¹, and one of the top three locations in the world to attract Foreign Direct Investment². In addition, Toronto's uniquely diverse labour pool and broad spectrum of expertise provides ample opportunity for business to push their proverbial envelope.

Toronto has maintained a rich manufacturing history and continues to be a prime location for individuals looking to start or expand their manufacturing businesses. With a presence in all areas of the City, Toronto exhibits an abundance of local manufacturing firms which range from aeronautics manufacturing to sugar refinement. And, with output increasing every year and a real estate vacancy rate less than 5%, Toronto's manufacturing firms show no sign of slowing down. Toronto's manufacturing industry alone represents 9% of the Toronto labour market, or roughly 120 000 jobs; and $13.5 Billion/ year (2002 dollars) in output, or roughly 11% of Toronto's total output of goods and services³.

Since the economic recession in 2008, the manufacturing industry in Toronto has exhibited a promising recovery, with employment and output levels expected to stabilize within the next decade⁴. Presently, low interest rates and an energized labour market provide an optimal environment for manufacturers to make large capital investments, and draw unique and specialized talent to the City.

CITY OF TORONTO: HELPING MANUFACTURERS SUCCEED
As part of its strategic plan, Collaborating for Competitiveness, the City of Toronto seeks strategies to accelerate economic growth and job creation. Included in the plan are two actions which strategically aim to boost manufacturing within Toronto: Creating an annual report on the state of manufacturing within Toronto, which examines annual stresses on the industry and areas in which the City could potentially improve upon; and a mandate to proactively engage and aid manufacturers in their effort to expand upon or seek international export of their product. This

¹ http://wx.toronto.ca/inter/it/newsrel.nsf/82f55f14f8d6b46285256ef500408475/25970B4734D52F1685257C08007247D8?opendocument
⁴ http://www23.hrsdc.gc.ca/l.3bd.2t.1lshtml@-eng.jsp?lid=14&fid=1&lang=en
includes but is not limited to accelerating the necessary approval processes and advocating for the Toronto manufacturing industry to and or with other orders of government.

In 2013, economic development specialists performed over 500 corporate calls and site visits, and resolved over 100 issues. Last year, the City solved 49 development-related issues, 18 issues pertaining to business operations and helped solve 16 investment inquiries. Other categories that City staff assisted with include: parking and transportation services, signs, Toronto Water, Toronto Hydro, property taxes and land use conflicts – among others.

The City of Toronto provides a range of programs to help business communities that are tied to the manufacturing industry. Among these programs are: the Gold Star program to expedite industrial and commercial development; the IMIT (Imagination, Manufacturing, Innovation, Technology) property tax incentive program for manufacturing firms or other eligible businesses that are building or expanding in Toronto; a one-on-one company calling program and issues resolution service; assistance with hiring needs through referrals to various programs and Toronto Employment and Social Services; a preferred water rate for large industrial water users; development charge exemptions; and export development assistance, to name a few.

Programs like the Gold Star Program also help guide and expedite development by cutting through red tape at City Hall. Last year 47 projects were completed under the program. This and other programs have helped to support a total investment of $1.2 billion as well as 6 million square feet of new or expanded commercial and industrial space throughout the City and roughly 15,000 jobs remained in Toronto. There are also services available through Business Improvement Areas (BIAs) to connect local businesses and develop collaborative initiatives.

**Working with the Manufacturing Community**

The Deputy Mayor’s Manufacturing Roundtable provided an opportunity to sit down with many of Toronto’s business and community leaders to learn about how the City affects their operations on a day-to-day basis.
SUMMARY: COMMENTS FROM PARTICIPANTS

While the outlook for the manufacturing industry is promising, there are still a variety of challenges.

Permitting:
Without accurate knowledge of the length of time a permit will take, a business could be left financing large scale and costly equipment without the ability to carry a production to generate revenue. This can prove problematic as starting a business often involves extremely tight deadlines, requiring revenue injection at key points to finance the proceeding steps; if a step is not met at its designated time the outcome could be detrimental to the life of a business. Reducing, better estimating and communicating the length of time and cost a permit could take to get approved would allow businesses to be more confident in future investments, and have a concrete idea of required financing and production time lines.

Utilities:
In addition to raw materials, manufacturers also require a large amount of municipally serviced utilities such as electricity, water, and natural gas. It is crucial the utility supply remain consistent, as even the slightest of disruptions can not only halt production for hours, but also damage valuable capital infrastructure.

During discussion participants mentioned their utilities had, at multiple times, been turned off without notice. While participants understood that utilities need to be interrupted from time to time to complete repairs and upgrades, they were distressed by the lack of notice given ahead of time. Furthermore, some participants said that while they were given notice, the notice did not reach those who require the information in time for the proper adjustments to be made. To mitigate problems associated with utility shut offs; many thought it would be advantageous for the City to adopt a more proactive approach to notifying businesses and residents of utility service disruptions. Advanced notice would allow for businesses and manufacturers alike to both accurately account for any loss of revenue, and negate potential damage to capital.

Many also expressed a growing concern over the increasing cost volatility of utilities such as electricity, water and sewage. This places a tremendous onus on business owners who are unsure of the cost of doing business in the future. Without a gauge of future costs, businesses are unable to understand their financial exposure for the coming years or even months, and are therefore unable to make confident decisions. If businesses are to plan for a future in which they can grow and fully take advantage of opportunity, they must be able to gauge the cost of maintaining their businesses as accurately as possible.

Planning:
Perhaps the most obstructive issue inhibiting the manufacturing business is an inability to access cost effective property in employment lands that can accommodate a factory. Most of the roundtable attendants stressed that property values in employment lands are inflated beyond their intended
use. Prospective residential developers believe that once they acquire a property located on the perimeter in an employment area, they will be able to have the property re-zoned from employment to residential, which will in-turn drastically increase property value and potential profit from development.

To mitigate this occurrence many roundtable participants requested the City more concretely delineate employment lands, and weaken the ability of developers to be allotted variances. Doing so would allow for current employment lands to be maintained and more companies to enter the industry because property values would be commensurate with their intended purpose.

Manufacturers have also experienced problems finding routes to and from major transportation thoroughfares. Manufacturers and businesses are increasingly required to direct their trucks through residential areas, because developers are building closer to employment lands, and wide intersections needed to allow tractor trailers to complete right handed turns are shrinking. This is consequently causing an increased disruption to residents, and costing manufacturers more to transport materials throughout the City.

Many participants suggested that the City could again limit the proximity residential areas are allowed to encroach upon employment areas and alter roadways and intersections. It is imperative manufacturers maintain transportation routes to and from major thoroughfares, as an inability to do so would be detrimental to the manufacturer.

**Employment:**
Other participants conveyed frustration with their inability to win government contracts. During discussion, many attributed the problem to large unions who are able to unfairly influence the allotment of government contracts. Participants alleged that governments, specifically the municipal government, favour companies who are affiliated with a union or maintain a unionized labour force. Whereas, companies who enjoy a labour environment in which their employees are content and feel no need to unionize are unfairly penalized for their efforts to maintain a productive and harmonious relationship with employees. If the City is to truly maintain a diverse economy it must make a concerted effort to partner with businesses and manufacturers alike who take a progressive approach to the treatment of employees, and to also ensure that businesses are adequately informed of procurement restrictions and allowances and Fair Wage policies.

Manufacturers also expressed concern over their inability to secure individuals and labourers with specific skill sets. The processes required to produce many of the goods created by manufacturers in Toronto often require expertise in a very focused area. While Toronto exhibits a large pool of talent, many participants claimed that the professionals with the skills they require often leave Toronto and even Canada in search of more profitable and impactful opportunities elsewhere.

While Toronto remains an excellent city to live in, many of the opportunities available to those interested in manufacturing are located in the outskirts of the City. Participants claimed employees
and potential employees were hesitant to accept positions in remote areas of Toronto due to lack of adequate transportation and public transit infrastructure.

**Taxes:**
Participants also mentioned they felt there was a disconnect between the property taxes which manufacturers paid and the public services they received. Many claimed a lack of sidewalks and public transportation within many employment zones created a double standard for employees working in business parks and those in retail centres. Though they would like to, employees are unable to leave the business property during work day breaks to either exercise or eat lunch simply because there is nowhere to go. Many felt that with greater public infrastructure, other businesses which serve the recreational needs of employees, much like downtown eateries and restaurants focused on lunch hour consumers, would be drawn to what is a relatively untapped market. Employment zones do not need to be desolate areas; there is plenty of opportunity to re-invent employment zones into places in which individuals would like to work.

**Transportation:**

**Gridlock:** Many attendees expressed great frustration with growing congestion around the City, claiming it is becoming increasingly more expensive to transport raw materials and finished materials at a convenient time. Not only do manufacturers have to commit more funding to transportation by purchasing more vehicles and drivers, but also to store products and materials waiting to be processed and shipped.

**Public Transportation:** Manufacturers who require a large labour force are finding their employees are having greater difficulty getting to work. Employment lands are receiving less public transportation service, and in the absence of sidewalks employees are being forced to walk to work on the road amongst heavy machinery. Many felt the lack of service received by employment lands was unjust considering the large amount manufacturers pay in taxes.
IN CONCLUSION:

Competing on a global scale, Toronto manufactures are continually faced with the challenge of working within thin margins, while making the necessary capital investments to be able to grow their business. Manufactures who participated in the roundtable stressed the need to make costs associated with the City more predictable. In turn, this would assist manufactures operations in being able to re-invest and meet future costs.

For Toronto to remain a leader and competitive, it must work to cultivate an environment that is business friendly and encourages growth. By minimizing unpredictable costs as they pertain to utilities, permits, approvals and infrastructure, manufactures will be able to maximize investments into their business and stimulate growth in the sector. As best said by former General Electric CEO, Jack Welch, “the essence of competitiveness is liberated when we make people believe that what they think and do is important – and then you get out of the way.”

The leadership experience showcased by the participants at the Manufacturing Roundtable demonstrated the widespread desire of Toronto’s manufacturing sector to work with the City to help ensure the sector’s success. Special thanks are given to all participants who contributed their ever more valuable time to aid the City in its effort to better understand the many communities and individuals which comprise it.
RECOMMENDATIONS

In an effort to allow for businesses to counter potential revenue loss and damage which may occur from a temporary disruption in utility service this report recommends:

1. Direct the General Manager of Economic Development and Culture to formally request the CEO of Hydro One; the General Manager of Toronto Water; the CEO of Toronto Hydro; and the CEO of Enbridge Gas to in consultation with the Deputy City Manager Cluster B, examine more timely and pervasive methods to inform businesses within employment lands of routine utility shut offs, the duration of the shut off, and reasons as to why the shut off is occurring.

2. City Council provide standing direction to City Legal and the appropriate City staff to appeal decisions of the Committee of Adjustment to the Ontario Municipal Board which do not conform with the Official Plan’s Employment Areas policies.

3. City Council continue to protect lands designated Employment Areas by maintaining the designations it approved when it considered the Five Year Review of the Official Plan, which is reflected in Official Plan Amendment 231.

In an effort to better fill available positions which require specialized talent this report recommends the Economic Development and Culture Committee:

4. Direct the General Manager of Toronto Employment and Social Services, in consultation with the General Manager of Economic Development and Culture to report to the Economic Development and Culture Committee in the first quarter of 2015 on the development of a strategy that would foster collaboration between the manufacturing sector and local post-secondary educational institutions with the goal of filling labour market needs – both now and in the future.

5. Direct the General Manager of Toronto Employment and Social Services to report to the Economic Development and Culture Committee in the first quarter of 2015 on the feasibility of extending the Partnership to Advance Youth Employment Program (PAYE) to the manufacturing sector.

6. Direct the General Manager of Toronto Employment and Social Services to write the appropriate Ontario and Federal government counterparts advocating for more informative labour market data in order to better match skills to jobs.