



Manufacturing, Global Business, & the Future of the Canadian Economy

Jayson Myers
President & CEO
Canadian Manufacturers & Exporters

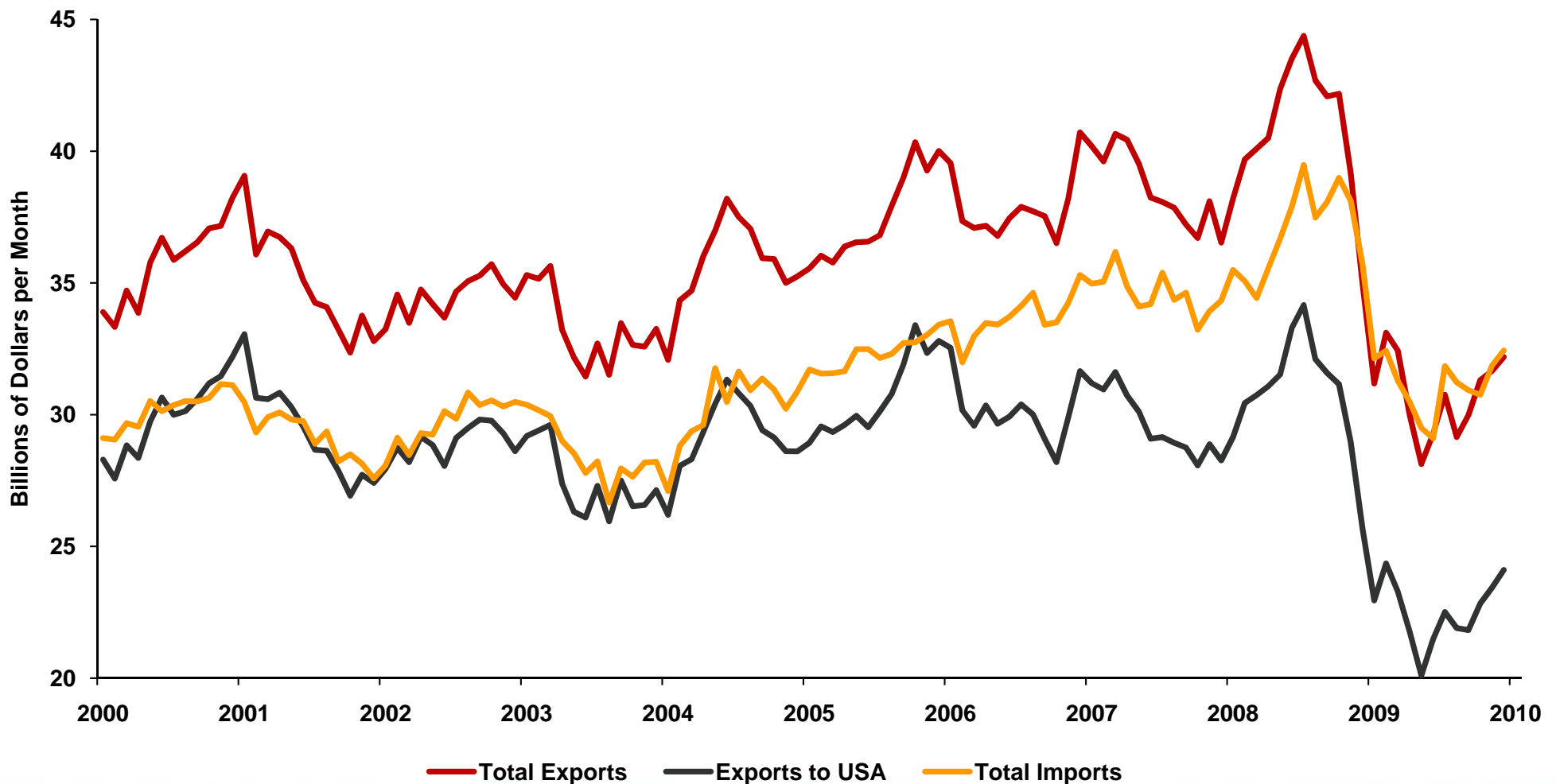
Business as Usual is not an Option

- The financial meltdown has led to the deepest global economic recession since the 1930s.
- Significant risks remain in financial markets.
- After more than a year of economic recession, demand is beginning to pick up – largely fueled by government fiscal and monetary stimulus.
- There are few indications yet of a sustained economic recovery based on consumer spending and business investment without government intervention – and more stimulus may be needed to avoid a double dip recession.
- Canada's manufacturers and exporters face significant challenges that will constrain their ability to take advantage of rising demand and slow Canada's economic recovery.
- Economic recovery will be slow and uncertain. It will bring structural changes that will reshape market conditions in Canada and around the world – and new challenges and opportunities for Canadian businesses.
- New strategies are required to ensure business success, enhanced productivity, and economic growth. They need to focus on what it takes for businesses to maximize value in global supply chains, improve manufacturing competitiveness, encourage investment and innovation, and take advantage of new opportunities in global markets.

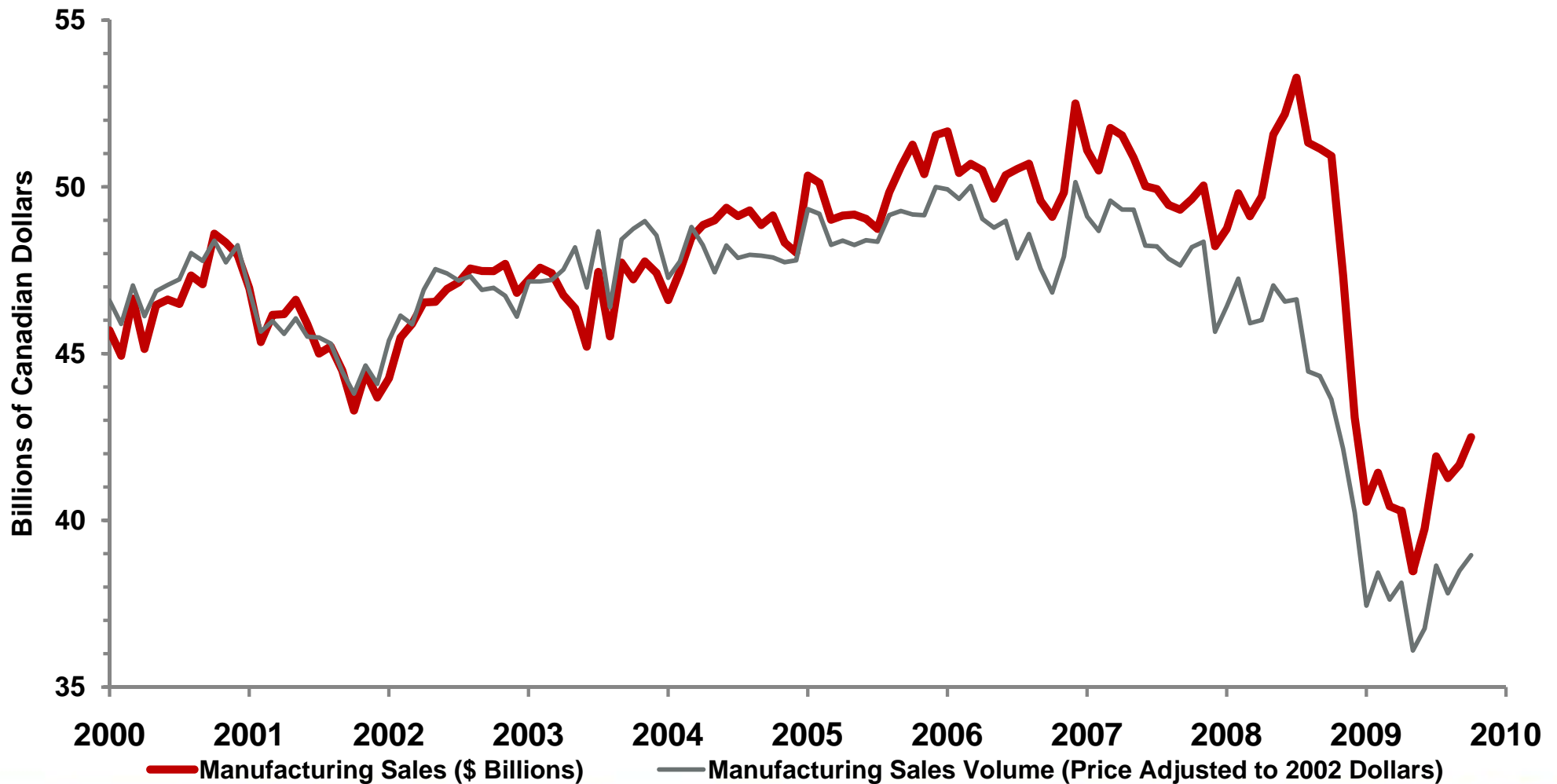
The Impact of Recession

- Between August 2008 and August 2009:
 - Canada's exports fell 32%
 - Manufacturing sales across Canada fell 20%
 - Manufacturing sales in BC fell 19%
 - 200,000 jobs lost in manufacturing across Canada – close to 50,000 jobs lost in BC manufacturing
 - 62% of manufacturers across Canada and 63% of BC manufacturers laid off workers
 - 21% of manufacturers across Canada and 7% of BC manufacturers cut their workforce by more than one-third.

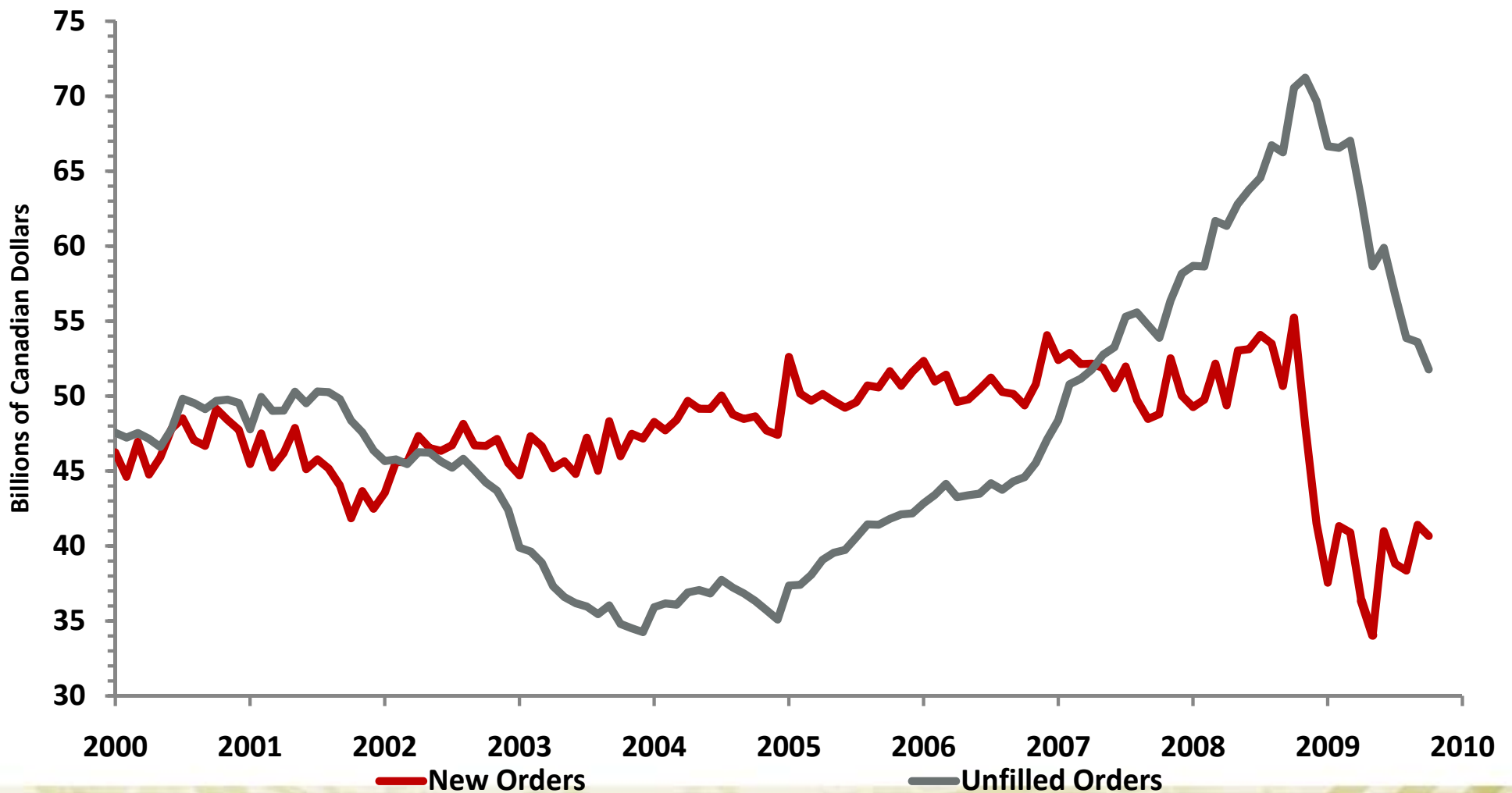
Canada: Merchandise Trade



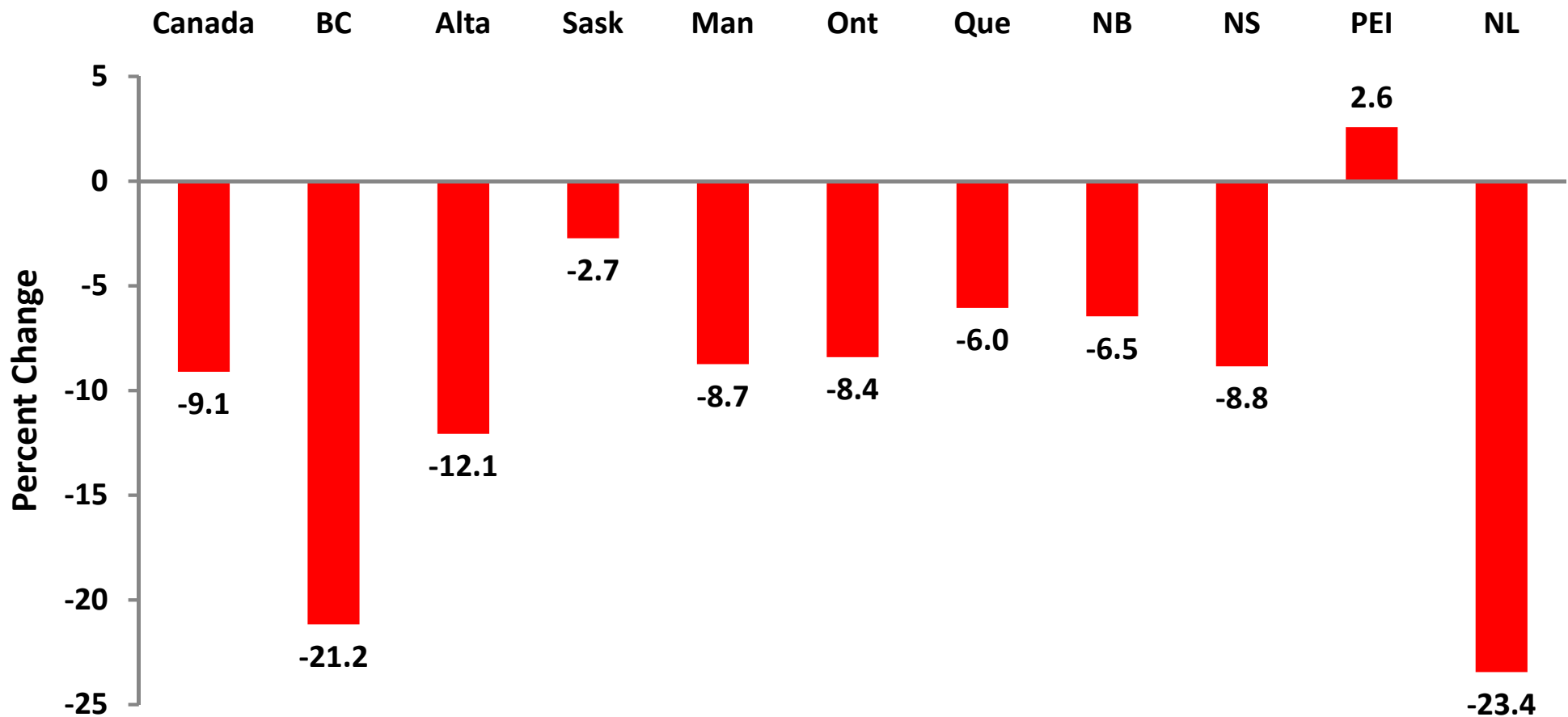
Canada: Manufacturing Sales



Canada: Manufacturing Orders

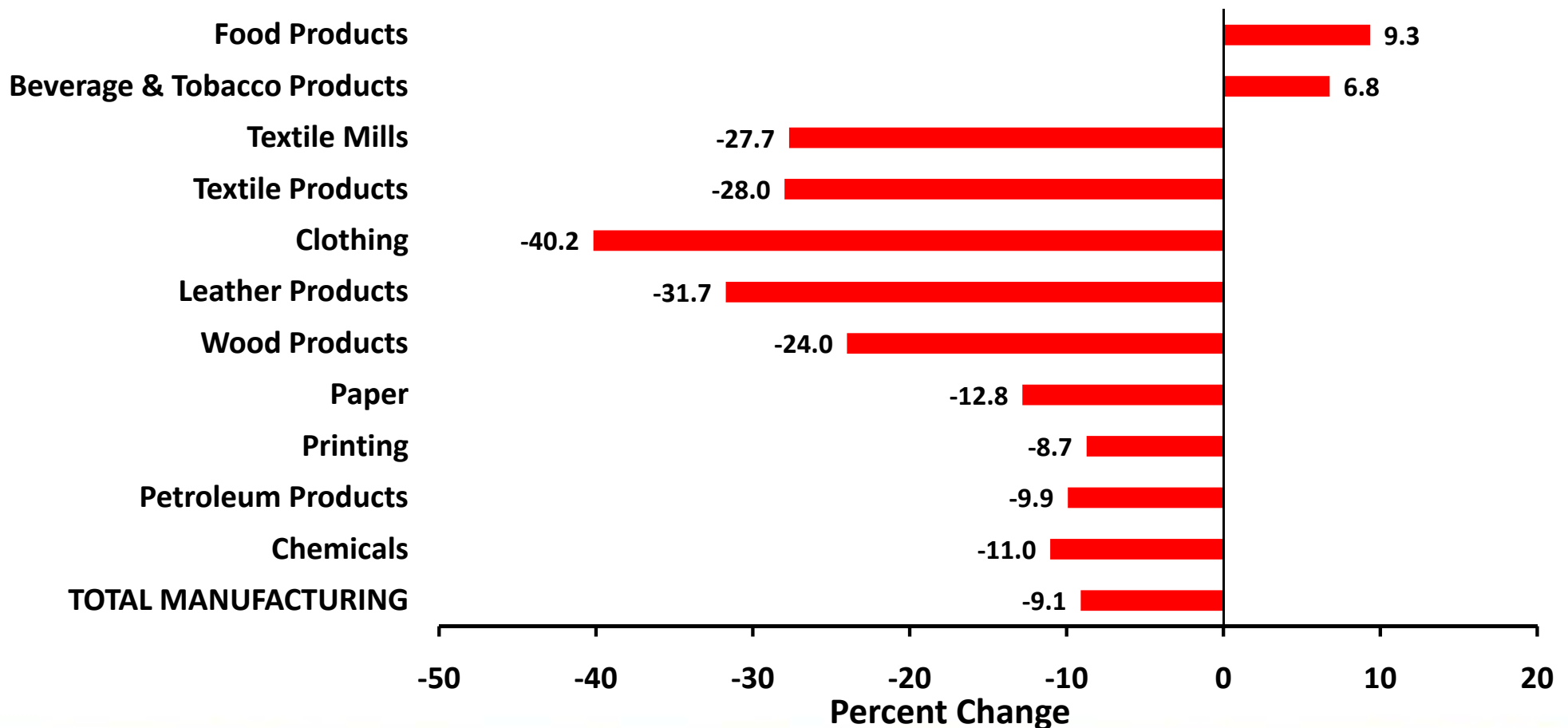


Manufacturing Sales By Province (Dec 2007 – Dec 2009)

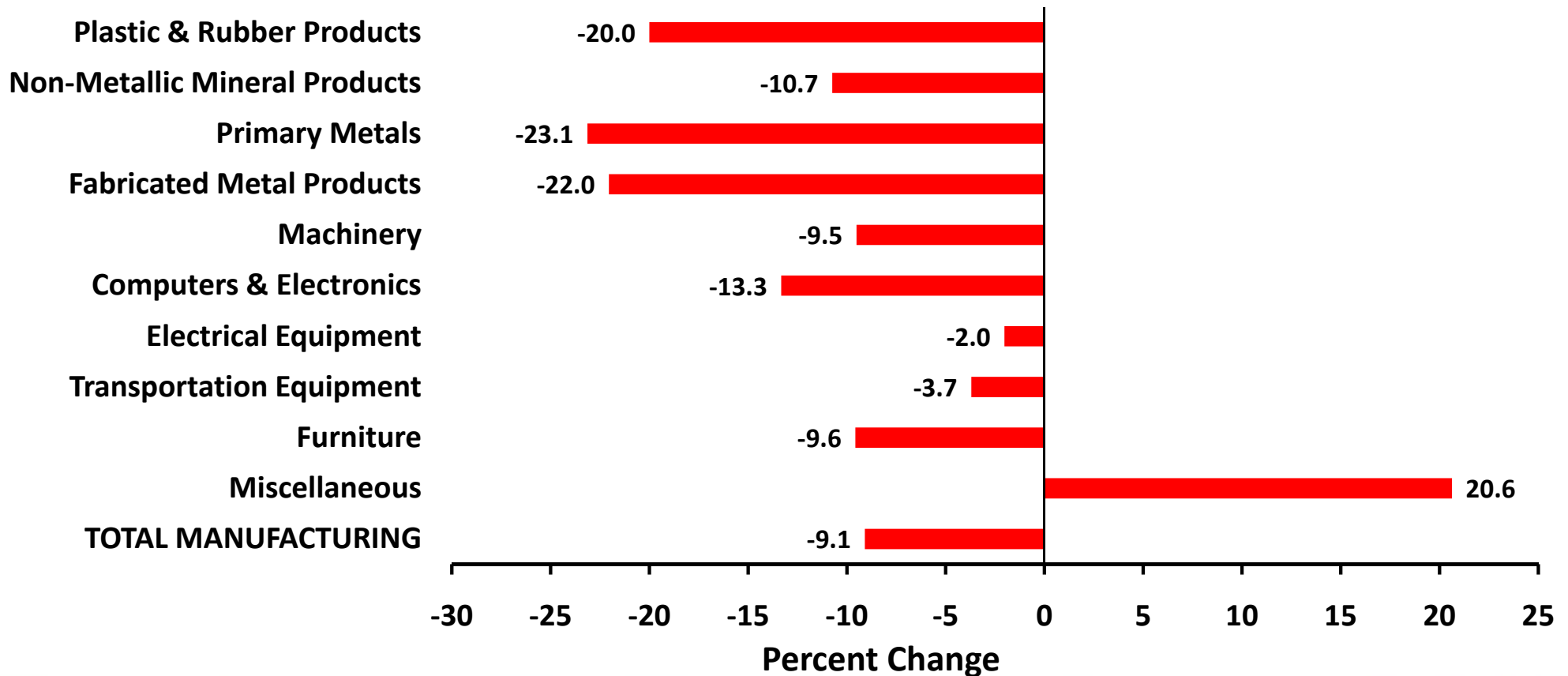


Manufacturing Sales

By Sector (Dec 2007 – Dec 2009)



Manufacturing Sales By Sector (Dec 2007 – Dec 2009)



Current Challenges & Constraints

- Faltering Rebound in Customer Demand
- International overcapacity
- Business consolidation
- Appreciation and volatility of the Canadian dollar
- Rising cost of energy and materials
- Availability and cost of financing
- Protectionism in the USA and other markets
- Mandatory overheads – increasing costs of regulatory compliance

Reset: “The New Normal?”

- Changing consumer attitudes & restrained spending behaviour
- Economic power shift to Asia
- Global overcapacity = intense competition, rapid commoditization
- Corporate consolidation & supply chain restructuring
- Rising government debt = future inflation? higher taxes?
- Energy & environment = Carbon constraints
- Aging population = wide ranging impacts on customer demand, availability of skilled and experienced personnel, cost of health care, etc.
- Advance of new technologies

Business Priorities

- Leadership – New strategies & effective implementation
- Cash Flow – Cash management, financing, hedging, pricing, outsourcing
- LEAN 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

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
- Environmental sustainability
- Time – Product Development to Customer Response
- Lean – Products, Processes, Enterprise, Business Networks
- Total Delivered Cost

Strategic Objectives

- **What needs to be done to:**
 - Maximize value in global supply chains?
 - Improve manufacturing competitiveness?
 - Encourage investment and industrial innovation?
 - Help Canadian businesses take advantage of new opportunities in international markets?
 - Enable Canadian manufacturers and exporters to compete and grow in global markets?

Policy Priorities

- **Develop new strategies to enable Canadian manufacturers & exporters to compete and grow in international markets**
- **Improve the tax system to encourage investment in:**
 - **Advanced manufacturing, processing, and information technologies**
 - **Product and process innovation**
 - **Workforce skills development**
 - **International business opportunities**
- **Improve Canadian skills and R&D base**
- **Reduce unnecessary regulatory costs**
- **Improve access to world class logistics, energy infrastructure**
- **Facilitate improvements in energy, environmental, health & safety performance**
- **Fight protectionism, open markets around the world, and effectively enforce trade rules**