

Ontario BUSINESS REPORT

BUILDING A STRONGER MORE PROSPEROUS ONTARIO

FEBRUARY/MARCH 2008



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Manufacturers Meet the Challenge: Innovating to Compete

Many factors influence the economy: private enterprise and job creation; **investment and trade**; **efficient public services**, **balanced budgets** and the **prudent management** of government finances. By delivering in all these areas, Ontario has been growing at a healthy rate.

Since 2003, Ontario's economy has added 422,000 net new jobs. Businesses have invested almost \$147 billion in business expansion. Private sector forecasters expect the province's growth to strengthen from 2007 to 2009, with the Ministry of Finance predicting overall growth of 1.6 per cent in 2007, 2.8 per cent in 2008 and 3.1 per cent in 2009.

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SUCCESS

Minister Leads Ontario's First Automotive Mission to India



Top: Minister Sandra Pupatello with Motorindia journalist Rajagopalan Natarajan

A recent trade mission has strengthened ties and forged new relationships between Ontario and India. With two-way trade that already surpasses \$1.4 billion annually, **India's importance as a key Ontario trading partner is expanding** as quickly as its booming economy.

"We're building the Ontario brand in India, helping Ontario companies sell into the lucrative Indian market to help bring jobs to Ontario," said Ontario

Minister of Economic Development and Trade Sandra Pupatello, addressing over 1000 of India's business and government leaders at the prestigious Confederation of Indian Industries (CII) Partnership Conference in Delhi. "Our province, our businesses and industries have the expertise and resources that India needs."

Pupatello noted the strong ties that already exist between the two jurisdictions, with about 500,000 South Asians currently living in Ontario. Building on that relationship to boost trade and investment is a top priority of the Ontario government, she said. Her speech to the CII Partnership Conference in January completed a successful week of high-level meetings, corporate calls and industry events that heightened Ontario's profile in the burgeoning Indian market.

Minister Pupatello began the week in India by leading the Ontario delegation to Auto Expo 2008, India's largest automotive trade show. The Ontario delegation (see sidebar) demonstrated the province's strengths in key automotive sectors and the industry's enthusiasm for new partnerships and investment.

"We also met with several automotive companies that are considering investing in Ontario," said Pupatello. "Our leadership in the automotive industry is well-recognized. We are the top auto manufacturers in North America, and I am confident that our work on this mission will pay dividends in both export sales and investment."

Minister Pupatello also co-hosted a networking reception for the Canadian and Indian companies in the automotive sector during Auto Expo at the official residence of the Canadian High Commissioner. Addressing the joint session, she noted that Ontario's automotive strategy has attracted \$7 billion in new investment and created thousands of new jobs in just three years. She emphasized the government's drive to position Ontario as a leader in managing the next generation of auto production, design and engineering.

"We want to leverage these strengths in the global economy," she said. "That's why we're here in India, supporting the auto industry and making connections, so that Ontario and India can work together to our mutual benefit. And it's already happening: the joint venture on powertrain production between Magna International and India's RICO Auto Industries is just one example."

Another highlight of the mission was the announcement of a new business council to stimulate economic activity between Ontario and Maharashtra, India's leading industrial state that is home to 96 million people. Minister Pupatello and Ashok Chavan, Maharashtra's Industries Minister, will co-chair the business council, comprising business and government leaders from both jurisdictions.

After video conference meetings this winter, the council will be officially launched in the spring when Minister Chavan visits Ontario.

While visiting Mumbai, Maharashtra's state capital, Minister Pupatello also participated in the opening ceremony for the first Four Seasons Hotel property in India. Founded as a single property in Toronto in 1960 by Isadore Sharp, Four Seasons now has 74 hotels in 31 countries, and more than 25 properties under development.

"Our business mission to India last year included more than 100 business leaders," said Pupatello. "And this mission has had great success in the automotive sector, along with forging new relationships and identifying opportunities for Ontario. All of this ground-breaking work will be supported by Ontario's International Marketing Centre in New Delhi, to transform these new relationships into new business contracts that will strengthen both our economies."



Ontario Auto Parts Makers Explore Opportunities in India

India's Automotive Mission Plan makes a startling prediction: by 2016, India's output for the design and manufacture of automobiles and components will reach \$US 145 billion. Ontario's automotive industry is well-poised to tap that huge market. The Toronto-based Automotive Parts Manufacturers' Association (APMA) set clear objectives for its recent mission to India, gathering market intelligence, exploring business opportunities, and developing networks and partnerships. As APMA President Gerry Fedchun notes, "this mission to India will help Canadian companies benefit from this growth and help them diversify and reduce their dependence on the traditional North American markets."

Ontario companies that exhibited or participated at Auto Expo:

Arjune Engineering and Manufacturing Inc., Waterloo
www.arjune.com

Arcelor Mittal Tubular Products, Woodstock
www.arcelormittal.com

BLK Diesel Ltd., Windsor
www.blkdiesel.com

CSQR Inc., Toronto
www.csqrinc.com

De Boer Tool, Mississauga
www.deboertool.com

Leggett & Platt Automotive Group, Lakeshore
www.lpautomotive.com

Magna International Inc., Aurora
www.magna.com

Ontario Drive and Gear Ltd., New Hamburg
www.argoatv.com

Prodomax Automation Inc., Barrie
www.prodomax.com

Vannatter Group Inc., Wallaceburg
www.hevannatter.com

Wheelabrator Group, Burlington
www.wheelabrator.com

The Woodbridge Group, Mississauga
www.woodbridgegroup.com

Left to right:

Harshbeena S. Zaveri, President, NRB Bearings Limited, Mumbai, **Vishnu Mathur**, Director General, Automotive Component Manufacturers Association (ACMA), **Minister Papatello**, and **Gerry Fedchun**, President, Automotive Parts Manufacturers Association (APMA) Canada at Auto Expo India



Minister's Message

Competition, in the 21st century, is relentlessly fierce. Business success means having the best idea first, and being the first in the international marketplace with the latest product or service. It means research, innovation and the latest technologies. It means workers with the knowledge and skills to make complex operations soar.

Ontario businesses are making their mark. From automotive to food products, from aerospace to information and communications technology, from environmental to financial – success stories abound. Ontario has one of the fastest growing G7 economies. Its workforce is among the best educated the world. Each year, we welcome business immigrants and international investors who choose Ontario first.

There's no better place to do business. Yet the McGuinty government leaves nothing to chance.

We work aggressively to do even better, to help our diverse industries be even stronger. The manufacturing sector, for instance, is experiencing challenges. Our government is working side-by-side with industry leaders to help secure its position on the global stage, and ensure jobs and economic growth right here in Ontario.

This issue of the *Ontario Business Report* looks at advanced manufacturing and the way in which cutting-edge technologies and innovation are propelling Ontario into its future. We look at manufacturers that are introducing progressive techniques to their operations to improve productivity and competitiveness. We look at our government's strategies to support manufacturers as they meet the challenges of the new economy.

Ontarians have made it clear they appreciate the strong foundation our government has built over the past four years. Our promise is to build upon it further. And with a strong and growing economy, with quality education and training, with the continued partnership of business and government – together we will build an Ontario that can inspire the world.

Sandra Papatello

Minister of Economic Development and Trade

Challenges do exist. Ontario's manufacturing sector, in particular, has been facing difficulties, stemming fundamentally from global industry restructuring and increased competition from low-cost jurisdictions. But it is not facing these challenges alone. The McGuinty government is front-and-centre and working closely with industry leaders to ensure this key sector that

has long underpinned Ontario's economy, is able to compete, strengthen and grow.

"Our government continues to build an aggressive response and competitiveness strategy for Ontario manufacturers," says Economic Development and Trade Minister Sandra Pupatello. "Manufacturing is the foundation of the prosperity that our province knows today. It is crucial to our communities, our families and our economy that manufacturers are able to sustain and expand their businesses, and thrive in this fast-changing global market."

Almost one million people across Ontario work in the manufacturing sector, representing about 16 per cent of Ontario's total employment. The Canadian Manufacturers and Exporters estimate that every \$1 of manufacturing output generates \$3 in total economic activity.

Advanced Manufacturing Investment Strategy

Ontario's Advanced Manufacturing Investment Strategy (AMIS), which was launched by the McGuinty government in December 2005, gets top marks for its novel approach to strengthening this key sector.

The \$500-million strategy provides repayable loans, interest-free for up to five years, to help manufacturers increase productivity and competitiveness. As Pupatello explains, "Investments in research and development, advanced technology and innovation are essential for Ontario manufacturers to compete and to secure the sector's long-term prosperity. AMIS is designed to help companies take that next step and rise to the next level."

To date, more than one dozen projects have been announced through the strategy. Together, they are expected to generate more than \$720 million in new investment and create or retain about 3,500 jobs across the province.

Graeme McRae, President and CEO of Bioniche Life Sciences Inc. in Belleville recently received word that the government will invest \$10 million through AMIS to help his company produce its bovine E. coli cattle vaccine and

deliver it to national and international markets. He says, "We are the first company in the world to produce and distribute this vaccine, and manufacturing it in large scale would not have been possible without the support from the Ontario government."

The government is currently accepting proposals for AMIS round 5, with a submission deadline of February 14, 2008.

Committed to an Innovative, Competitive Manufacturing Sector

AMIS is one part of the multi-pronged strategy developed by the McGuinty government to support Ontario's manufacturing sector.

The government has actively engaged with the auto sector – again using the multiplier effect to leverage industry expansion, innovation and job creation. Ontario's pioneering Automotive Investment Strategy (OAIS) has translated about \$500 million in public funds into more than \$7 billion in new auto industry investment. Pupatello expresses pride in the program's success stating, "Our auto investments have boosted Ontario to the number one automotive producer in North America for three years running. This achievement is particularly notable in that it has occurred during a time of major restructuring across the industry."

The success of this strategy led directly to the recent launch of Ontario's \$1.15 billion Next Generation of Jobs Fund, modeled after OAIS. This fund will support innovation and environmentally friendly projects in key sectors including advanced manufacturing and automotive. It will help position Ontario as a global leader in the development of green technologies and processes.

The government is also looking to the west. Alberta's oil sands will generate capital projects worth more than \$100 billion by 2020. Ontario firms specializing in metal products, industrial machinery and equipment, and engineering and construction are well placed to help meet the demand. Last year, Minister Pupatello led more than 130 Ontario manufacturers to Edmonton for the National Buyer/Seller Forum, the foremost event for oil sands procurement, resulting in significant new contacts and business leads. In March, Minister Pupatello will again lead another delegation to the Forum to help Ontario companies secure more lucrative deals.

"Our government is committed to bringing new opportunities and new markets to the manufacturing sector," says Pupatello. "We will continue to work with industry leaders and support our manufacturers as they innovate and introduce advanced manufacturing techniques; as they seek out and win contracts domestically and internationally – and as they continue to leverage their unique strengths and advantages."



Skyjack Reaches for the Top

When the New York Times recently carried a story and picture of a rare tapestry being hung at New York's Metropolitan Museum of Art, it's safe to say most readers focused on the 400-year-old piece. But what captured the attention of executives at Guelph's Skyjack Inc. were the two scissor lifts used to put the 300-pound tapestry in place.

The distinctive grey and orange coloured lifts were designed and manufactured by the Ontario-based company.

"It's not every day we see one of our products on the front page of the Arts section of a major newspaper," says Group President Ken McDougall.

That may be, but Skyjack's aerial work platforms can be seen all over the place, from construction sites to malls, airports, arenas, museums and art galleries. They also star behind the scenes in feature film, television and theatrical productions – ever wonder how the director gets those overhead shots of dead bodies on CSI? – and even at NASA where they help to assemble parts of the space shuttle.

"Our platforms are the solution wherever people need to work up in the air," says McDougall.

Skyjack, which started manufacturing aerial work platforms less than 20 years ago, is best known for its scissor lifts. The company makes 20 models of them, which are used for overhead work. Skyjack also produces two models of booms, which are used for applications where reach and extension are required. And in August, the company added a full line of forklifts by purchasing CareLift Equipment of Breslau. Skyjack's products sell for between \$14,000 and \$300,000, depending on their size and complexity.

In a sector that's growing and evolving quickly to meet an increasing range of needs, Guelph-based Skyjack is

a leader, in large part because of the reputation it has built for quality, reliability and innovation.

And Skyjack is moving forward aggressively to increase its presence worldwide by adding new models and new markets. The company is establishing a \$25 million Centre of Excellence in Guelph with help from a \$2.4-plus million loan from the Ministry of Economic Development and Trade's Advanced Manufacturing Investment Strategy.

"The centre, which will include a test track for prototyping and testing, will help us enhance our product line and strengthen our position as a world leader in the design and manufacture of innovative mobile industrial products," says McDougall. "We're number one worldwide in scissor lifts, so to start, our R&D focus will be on developing new boom lift models. We want to be a leader in that segment as well."

With three manufacturing facilities in Ontario and one in Iowa, Skyjack produces tens of thousands of products a year which are sold in North America, Europe, Asia and Australia. The company is focused on expanding further into those markets and developing new ones.

"We want our name to be synonymous with aerial work platforms," says McDougall.

Considering how far Skyjack has come in less than 20 years, that doesn't seem like such a stretch.



Skyjack's scissor lift at work at New York's Metropolitan Museum of Art

A collage of 12 images illustrating various industrial and manufacturing processes. The images include: large blue and yellow storage tanks; a worker on a large white structure; a yellow mining truck; a sunset over a desert; a large white storage tank; a worker on a large white structure; a large white storage tank; a worker on a large white structure; a large white storage tank; a worker on a large white structure; a large white storage tank; and a worker on a large white structure.

To learn more about the National Buyer/Seller Forum and Ontario's oil sands initiative, please visit www.ontariocanada.com/oilsands.

- **Alberta companies:** Ron Subramanian, Director, Business Development, Alberta Division, ron.subramanian@cme-mec.ca
- **Ontario companies:** Stephen Rach, Director, Oil Sands Partnerships, Ontario Division, stephen.rach@cme-mec.ca
- **Both Mr. Subramanian and Mr. Rach can also be reached via CME's dedicated oil sands hotline 1-877-241-3649 (toll free).**

Go West, New Home

An MEDT-sponsored trade mission to the Edmonton area last June is already producing new sales for Royal Homes of Wingham, Ontario. Royal's modular homes offer an efficient solution to housing shortages in Alberta's booming oil patch.



All Royal Homes are built indoors in sections which are assembled on-site. Everything from interior finishing to electrical, plumbing and flooring is installed before the house is transported to the foundation.

"We got a call from the Minister's office asking if we'd be interested in a trade mission to Alberta," says Royal Homes Vice President of Operations Klaas Jorritsma, "and of course we were. We've done some work in Quebec and exported to the U.S., but this was an entirely new opportunity. We saw a number housing hot spots in Alberta on the mission, and we confirmed a real need for our products."

benefit from a highly-skilled workforce here in Ontario. We're going to foster the relationships we formed on the trade mission to grow that market in Alberta."

With its chronic labour shortages and high demand for housing, Alberta's oil patch offers an ideal market for Royal's custom homes. Since most of the labour is performed in Ontario, the company can easily meet tight construction schedules.

"The best analogy I've heard is comparing it to the auto industry," says Jorritsma. "Would you have all the parts for your new car dropped off in your driveway, and have them come out and put it together on-site? With our home-building method, weather is never a factor. And we offer our customers a very high degree of customization. We encourage people to give us their own plans, and we design it and build it to meet their needs."

Canada's largest modular home builder, Royal, has been in business for 35 years. Owned and operated by a small group of owner/managers, the company has 100,000 sq.ft. of production space at its Wingham, Ontario facility, and employs upward of 200 people. Each modular home is built indoors and only leaves the assembly facility once the floors, walls, roof, interior finishing, electrical, plumbing and flooring are complete. The custom home is delivered to the lot on "air-lift" trucks and set on the foundation by a professional crew. Garages and porches are added on-site.

Building homes off-site also provides many other advantages, including higher energy efficiency standards, no cost over-runs, full customization, and high-quality construction, because of the precision tools and mechanisms used in indoor home construction. Royal Homes has a superior record from the Tarion Warranty Corporation that administers the Ontario New Home Warranties Plan Act.

"We just shipped the first of three homes to Alberta in early December," says Jorritsma, a master carpenter who has been with Royal Homes for more than 20 years. "And we hope to build many more. We're very fortunate to

"Ontario's manufacturers are leaders in innovation and advanced technologies," says Minister of Economic Development and Trade Sandra Pupatello. "Royal Homes is a great example of that, and I'm not surprised at their early success in this exciting new market."

Above, one of Royal's newest models, the 2,560 sq. ft. Citadel. Royal's homes are directly comparable in cost to custom-built homes.



When Italian confectionary company Ferrero decided it was time to grow its North American market more aggressively, it knew the first step would be to build a state-of-the-art manufacturing plant on the continent.

Brantford Facility Key to Ferrero's North American Growth



In October 2006, Ferrero opened a \$200 million, 900,000 square foot facility in Brantford, Ontario, marking the latest step in a journey that began in the small town of Alba, Italy in 1946. Candy and confections were in short supply after the war, but master confectioner Pietro Ferrero set out to change that. He developed a system that enabled him to mass-produce quality confections at a reasonable price.

The key to the family-run company's success then – and now – is based on three principles: use only the highest quality ingredients, be unique and never copy anyone, and manufacture with the latest technology.

Those principles, together with procedures for ensuring consumers taste only the freshest possible product and some clever marketing, have made Ferrero one of the world's largest confectionary companies, with 20,000 employees and 18 production facilities worldwide.

The Brantford plant is the company's most recent addition – and it boasts the most up-to-date technology available.

At the new facility, over 600 employees produce the company's popular Ferrero Rocher, a chocolate and hazelnut "praline;" Nutella, a chocolate hazelnut sweet spread; and Tic Tac, a breath mint. Seventy-five per cent of production is destined for chocolate and candy lovers in the U.S. and Mexico.

Why was Brantford chosen to be the home of Ferrero's North American production facility?

"We had an extensive site selection process that looked at locations in the U.S., Mexico and Canada," says Ferrero Canada President and CEO Allan Cosman, "We chose Brantford because the key ingredients to success were in place, including an excellent site, a central North American location with the infrastructure to get our products to market, a strong local consumer goods material infrastructure and a hard-working and supportive Economic Development Office."

In addition to manufacturing top-quality products, the Brantford facility will also be conducting research and development into new products and processes at its Confectionary Centre of Excellence. The company's \$55 million investment in the new centre includes a \$5.5 million repayable loan made through the Ontario government's Advanced Manufacturing Investment Strategy.

“ With this new facility we can support exceptional levels of future growth, ”
says Cosman.

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The focus of this newsletter is on business—successes, news, trends, opportunities, challenges and issues affecting Ontario's business climate. Information is drawn from ministries and agencies across government and from other public sources believed to be reliable. All efforts are made to ensure timeliness and accuracy.

La version française du *Ontario Business Report* est disponible sous le titre *Rapport d'activités de l'Ontario*.

We want to hear from you.

Comments and contributions are welcomed. Please write us by mail, fax or e-mail.

