



 [Back to Previous Page](#)

BUSINESS AND INVESTMENT BULLETIN

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Ontario's plastics industry

A reputation for excellence and innovation

Assembly area at Engel North America's Guelph, Ontario facility

When Austrian-based Engel Machinery, one of the world's largest injection moulding machine manufacturers, decided to capitalize on the growing North American plastics market, it chose Guelph, Ontario as the site for its headquarters.

"Ontario offered a large pool of skilled labour, all the raw materials we required, proximity to major markets and available land," explains Reinhard Rieder, Engel's Executive Vice President of North American Operations. "Ontario was also well-known as a technology leader and both the city and the province were very welcoming."

That was in 1975. Today, Engel North America is responsible for one-third of the company's world-wide revenues.

And Engel is just one of more than 2,000 plastics companies thriving in Ontario. They encompass the full length of the supply chain—resins, moulds, machinery, equipment and processors—and include subsidiaries of foreign multinationals, home-grown giants and successful niche players. Among the companies operating in Ontario are Bayer, DuPont, Dow Chemical, Magna International, Royal Group Technologies, Husky Injection Moulding Systems, ABC Group, Automation Tooling Systems and Mold-Masters.

What makes Ontario so attractive to plastics industry leaders?

"The province has all the elements they require," says Faris Shammass, Executive Director of the Ontario division of the Canadian Plastics Industry Association, "and very few jurisdictions can make that claim."

"That's not patriotism talking. The fact is that Ontario's plastics industry, which was established early on, thanks to an influx of sophisticated and entrepreneurial European tool makers, is today one of the largest producers within North America's principal manufacturing belt. **North America's leader**

The industry's competitive advantages begin with an impressive infra-structure. In addition to world-scale petrochemical and oil-refining facilities and their support services—in the Sarnia, Ontario region alone there are five refineries and 19 chemical plants—the industry has access to assured feedstock supplies and reliable, economic electricity. Ontario's rail, road, air and water links are fully integrated into U.S. networks, and as part of the North American Free Trade Agreement, Ontario's plastics industry has immediate and secure access to suppliers and customers throughout the continent.

Ontario also offers diverse end-user markets—among them automotive, construction, machinery, electronics and packaging—and their demands for ingenious solutions have contributed to the industry's growth and reputation for innovation.

An industry like plastics can't succeed without skilled and productive workers—and Ontario provides them. With close to 100,000 people working in the industry, the province has one of the most concentrated pools of plastics-related labour in North America. And Ontario's 42 universities and colleges pump out a steady supply of new talent every year. Companies that require trained personnel can also turn to the Canadian Plastics Training Centre.

"Since we began in 1993, we've certified hundreds of operators, set-up technicians and plastics engineering technicians," says David Alcock, the Centre's General Manager.

When it comes to R&D, again, Ontario delivers. Home to some of the brightest minds in the industry—and some of the continent's leading research centres—the province offers tax credits that are among the most generous in the world. When combined with those of the federal government, they can cut the after-tax cost of a \$100 R&D expenditure to less than \$42. With that kind of support, many companies—DuPont, Magna International and Husky Injection Moulding Systems to name a few—have established their own R&D centres in Ontario.

Finally, the province offers significant cost advantages for plastics companies. As a 2002 KPMG study confirmed, when it comes to establishing, building and operating a company during its first 10 years, Canada offers the lowest costs of any G-7 country; and Ontario and Canada are the lowest-cost jurisdictions overall, offering the lowest costs in 12 high-growth sectors examined, including plastics.

"Despite a worldwide economic down-turn, Ontario's plastics industry has continued to perform well," says Shammass, "and to build on its reputation for excellence and innovation."

Royal Group Technologies

Succeeding through recycling

Plastic materials are incorporated into the Canadian-made Canadarm2 system which was designed, developed, integrated and tested at MD Robotics in Brampton, Ontario

The future is looking bright for Royal Group Technologies. The Woodbridge, Ontario-based company is a world leader in polymer-based home improvement, consumer and construction products—a fast-growing market. With 9,400 employees, 50+ manufacturing facilities in Canada, the U.S., Mexico, Asia, Europe and South America, Royal recorded sales of close to \$1.7 billion in 2001—an 8 per cent increase over 2000. Equally impressive is the fact that a number of Royal's products are manufactured using recycled plastic materials—Royal is one of the continued on back page

Royal Group Technologies' state-of-the-art 372,000m² industrial complex in Woodbridge, Ontario

largest recyclers of rigid PVC in the world—and other waste, including automobile trim,

carpet and construction site waste. The secret to Royal's success? "Continuous innovation," says Mark Badger, Royal's Vice President of Corporate Communications, "and, of course, being headquartered in Ontario. The province gives us access to a skilled and dedicated workforce, proximity to major U.S. markets and an excellent transportation infrastructure."

INSIDE

- Ground Zero clean-up relies on Ontario firm
- New Ontario food test will save lives
- Quality of science attracts big-name CEO

All dollar figures are reflected in Canadian currency unless otherwise denoted.

The Canadian Plastics Training Centre:

Training for the industry

The Mytox composite moulding installation

When Ford Canada asked Mytox Manufacturing to produce thermal plastic running boards for its Ford Explorer, the company jumped at the opportunity. While Mytox, a division of Decoma International, had been making roll-form steel running boards for years, producing them in plastic was a departure for the Woodbridge, Ontario-based company, which is part of Canadian auto parts giant Magna International. "We needed to set up a plastics operation and do it very quickly," explains Rob Lydan, Composite Technology Group Manager. To recruit the necessary skilled employees, he turned to the Canadian Plastics Training Centre (CPTC) at Humber College in Toronto, Ontario. "I didn't bother to advertise," says Lydan. "I'd worked at Decoma so I knew about the CPTC and its capabilities." Established in 1993 to support Ontario's plastics industry, the CPTC offers customized technical training for people in the industry in a wide range of areas, including film extrusion, blow moulding, foam processing and injection moulding, as well as full and part-time diploma and certificate technician courses. CPTC's clients—Husky Injection Moulding Systems, Plydex, Decoma International, among them—are a who's who of the plastics industry. It's not hard to see why. "The CPTC made it so easy for us," says Lydan, who had no trouble hiring all the employees he needed.

For more information about Ontario's plastics and chemical industries, please call: 1 800 819-8701 or fill out the attached response card, or visit us at our website at www.2ontario.com.

Quality of science entices top-notch biotech CEO to Toronto

Affinium CEO John Mendlein in the company's Toronto R&D facility

Two years ago Toronto, Ontario-based Affinium Pharmaceuticals was a promising proteomics-enabled drug discovery company in search of a CEO. Convinced it had found the right person in Dr. John Mendlein, an experienced biotech executive working for San Diego-based Aurora Biosciences Corp. (now Vertex Pharmaceuticals), Affinium

knew the challenge would be enticing Mendlein to leave a big job and house on the beach in California for “the great white north”.

It proved to be easier than expected, thanks to the quality of Affinium’s science and the concentration of biotech talent in Toronto.

“One of the things I’d always thought was that there was a real need for a set of technologies that would allow you to develop drugs faster,” says Mendlein. “I never expected to find that set of tech-nologies and insights in Canada. I just hadn’t looked here before.”

Impressed by both Affinium and Toronto’s vibrant biotech com-munity, Mendlein decided to make the move. He and the company have never looked back. In two years, he’s raised US\$33 million, recruited other American and international biotech management to help build the company and signed a US\$30 million deal with American pharmaceutical giant Pfizer Inc., beating out other major global companies in the process.

And how does Mendlein like living in Toronto? “I like it here. It’s a great place to live, much more diverse and cosmopolitan than I expect-ed. I was pleasantly surprised. I love walking to work.” He adds, “And it’s incredibly exciting to be part of the next big biotech community.”

Toxin Alert

It’s called Toxin Guard™ and it’s a unique chemical test developed by Toronto, Ontario-based Toxin Alert that identifies bacteria pathogens in food stored in plastic wrap.

Using antibodies for specific pathogens such as listeria, E. coli, salmonella and campylobacter—which account for more than 80 per cent of food-related deaths according to the Atlanta, Georgia-based Center for Disease Control and Prevention—Toxin Guard’s™ technology consists of 144 invisible antibody tests attached to each square foot of wrap. When a test site detects the presence of bacteria or toxins, it chemically changes the colour or activates a fluorescent icon on the wrap, warning consumers of danger.

“What we’ve done is develop a commercial application for a science that’s been available for a long time,” says Georgia native Bill Bodenhamer, Toxin Alert’s President and CEO, who credits Ontario’s R&D capabilities and support-ive business environment for the company’s success.

Toxin Guard™, which has captured the attention of agriculture officials in both the U.S. and Canada, is set to launch commercially by the end of this year.

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Toronto company credited with speeding up World Trade Center clean-up

**PowerLOC Technologies was chosen to help track recovery vehicles at the
World Trade Center disaster recovery site**

It was big news in the U.S.—and around the world—when the Trade Center clean-up concluded May 30th, at least three months ahead of schedule and at one-tenth of the estimated cost.

A large part of the credit goes to Toronto-based PowerLOC Technologies. Its tracking technology dramatically improved the recovery process by organizing the flow of clean-up operations.

It was just after the clean-up began that New York City officials realized there were big problems because there was no way to monitor and track the hundreds of trucks hauling debris away from the site. They began a search for bidders on a wireless tracking system—and PowerLOC came up the winner. PowerLOC's tracking technology consists of highly sensitive vehicle locating devices (VLDs) which were installed in the truck cabs and communicated with 24 dedicated satel-lites circling the earth, and custom-designed software for locating, tracking and monitoring.

"Within 48 hours, PowerLOC demonstrated its Tracker™ Server and VLDs on site, and within 2 weeks, we had trucks installed with a customized device and an on-site fully operational call-centre," says Yoram Shalmon, Director of Product Management. "The City of New York and FEMA (Federal Emergency Management Agency) were amazed at the accurate location information PowerLOC tech-nology provided.

"Thanks to PowerLOC, the number of trucks at the site went from 120 to less than 50 and the number of loads each truck hauled in a day went from four to 10.

"PowerLOC's location in Richmond Hill, Ontario (part of the Greater Toronto Area) provided for easy access to skilled engineering and manufacturing resources," notes Shalmon. "We're very thankful of our local suppliers who were able to support the activities in Ground Zero and ensure that we were ahead of targets.

"In addition to tracking vehicles, PowerLOC's technology can track individuals, animals and assets—and the company is busy capitalizing on the international exposure it's been receiving for the World Trade Center job.

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FACTS & SURVEYS

VOLUME 5 / ISSUE 4 SPECIAL ISSUE 2002 / 2003**Canada Offers a Significant Cost Advantage for Plastics Producers**

KPMG Competitive Alternatives study measured the combined impact of 27 cost components as applied to 12 specific business operations, including plastic products, in North America, Europe and Japan.

Manufacturing

Country	Advantages
U.S.	0.0%
France	6.2%
Austria	6.3%
Netherlands	7.7%
Italy	9.7%
Canada	10.0 %
United Kingdom	10.3%
Japan	-15.8%
Germany	-2.2%

Canada enjoys a 10% cost advantage relative to the United States

Source: KPMG Competitive Alternatives, 2002

Cost Comparison of Plastic Manufacturing by North American City

More than 85 cities were included in the KPMG Competitive Alternatives study, which showed that Ontario-based cities were most cost-effective for plastics producers.

Whether they're in plastics or machinery, aerospace or automotive, infotech or biotech, industry leaders want well-educated, productive workers, competitive taxes and business costs, access to innovative research and development, proximity to major markets and efficient cost-effective transportation to deliver their goods and services.

I know, because I've met with CEOs at home and abroad and listened carefully to what they have to say. As Minister of Enterprise, Opportunity and Innovation, I've committed to ensuring that Ontario continues to deliver all that-and more-by building on our strengths.

Through initiatives such as our Strategic Skills Investment Program, we'll make sure Ontario workers acquire the skills industry needs. We'll keep our research centres at the leading-edge, and deliver industry-focused research, through investments in programs like our \$750 million R&D Challenge Fund.

We'll continue to upgrade our transportation infrastructure through investments like

our recent \$401 million for Highway 401, a vital route for business.

And we'll keep listening to what industry leaders have to say because we're determined to keep Ontario competitive in the global marketplace, and to attract innovators from all over the world to do business here.

Jim Flaherty
Minister of Enterprise, Opportunity and Innovation

Canada Widens Productivity Advantage in Vehicle Assembly

Canadian assembly facilities continue to widen their productivity advantage over the U.S., according to the latest Canadian Auto Report prepared by Scotiabank Group. On average, Canadian plants have nearly a seven per cent advantage over plants in the U.S., up from five per cent in 2000. Assembly facilities in the Greater Toronto Area are the most productive on the continent, with a 15 per cent edge over facilities in the U.S. and a 40 per cent advantage over operations in Mexico. (Source: Scotiabank)

INVESTING IN ONTARIO

Brantford

Brantford Chemicals of Brantford, Ontario, a member of the Apotex Group of Pharmaceutical Companies, has opened the first phase of a two-part \$22 million expansion. When phase two is complete, the company will be the largest pharmaceutical fine chemicals R&D and manufacturing facility in Canada.

Western Waffles Ltd., the world's largest private label waffle manufacturer, is building a 13,471m², \$25 million manufacturing plant in Brantford, Ontario. The Brantford Western Waffles facility will employ 125 from the area over the next three years.

Cambridge

Ohio-based **Exact Macola Software**, the U.S. arm of Netherlands-based Exact Software, is opening a new office in Cambridge, Ontario. The office will be responsible for all operations from Ontario to Atlantic Canada.

Elmira

Kentucky-based **Trim Masters Inc.** is establishing a new 18,023m² facility in Elmira, Ontario. The plant, which will make seating systems and door panels for Toyota's Cambridge, Ontario plant, will employ up to 150 people.

Alliston

Honda Canada is investing an additional \$32 million at its facilities in Alliston, Ontario to increase annual production capacity from 360,000 to 390,000 units by Spring 2003, bringing the total capital investment of Honda's Alliston plant to \$1.7 billion.

Brockville

NuComm International is opening a call centre in Brockville, Ontario. The 225-seat centre will employ more than 500 people when fully operational. This is the company's fifth Ontario-based call centre.

London

Austrian-based **Starlim Sterner**, which specializes in LSR (liquid silicone rubber) injection moulding, is building its North American headquarters in London, Ontario. When complete, the 6,503m² facility will produce silicone parts for the automotive, consumer, electronics and health care industries. Starlim will invest about \$27 million in London over the next five years.

Michigan-based **Market Strategies**, a leading market research and consulting firm for the pharmaceutical, high-tech and financial industries, is opening its first Canadian office in London, Ontario. It will employ 125 market research interviewers.

Niagara Falls

Bodycote Materials Testing, one of the four business units forming UK-based Bodycote International PLC has opened a new facility in Niagara Falls, Ontario. Bodycote is a leading outsourcer to the plastics industry and this new facility will provide testing, R&D and consulting services.

Peterborough

ICT Group, a Pennsylvania-based provider of customer relationship management solutions, is opening a new contact centre in Peterborough, its second in Ontario. When fully staffed, the centre will employ up to 500 people.

Ottawa

The Ottawa, Ontario-based **Bioprocesses Institute** has received \$450,000 in seed funding from the Ontario government. When complete, the facility, which will produce Phase I/II therapeutic proteins for human clinical trials, will give Ontario and Canadian biotech firms a huge competitive advantage.

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 [Top of the Page](#)

 [Back to Previous Page](#)