CANADIAN MANUFACTURERS & EXPORTERS

MANUFACTURIERS & EXPORTATEURS DU CANADA

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

BILL 229, THE PROTECT, SUPPORT AND RECOVER FROM COVID-19 ACT (BUDGET MEASURES), 2020

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ALEX GRECO
DIRECTOR, MANUFACTURING POLICY
Canadian Manufacturers & Exporters
Alex.greco@cme-mec.ca

Good morning. Thank you for inviting me here today on behalf of our associations 2,500 direct members and 780,000 manufacturers across Ontario to discuss Bill 229, and additional measures that need to be taken to drive growth and output for the manufacturing sector in the 2021 budget.

CME has been proud to partner with the government on the deployment of Ontario Made, a program to identify, celebrate, and promote locally manufactured products to Ontarians. To date, over 6,700 products and 1,700 manufacturers have been registered on supportontariomade.ca. Earlier this week, we launched our holiday gift guide to assist Ontarians with purchasing gifts for their friends, family, and significant others this holiday season. We want to thank the government for their ongoing support of the program and for including the Ontario Made logo on the cover of the budget document. We encourage all members of provincial parliament (MPP's) on this committee and within the Legislature to share the details of the program with your constituents.

Over the last several months, we have been thinking about the COVID-19 crisis and about Ontario's economic recovery and prosperity. In June, CME issued a report that outlined what we believed was the foundation for economic recovery and prosperity called *Manufacturing our Future*.

Even before the COVID-19 pandemic, the Ontario economy, and the manufacturing sector, were showing signs of strain. Years of underinvestment in capital equipment and technology left many companies too small and uncompetitive in an increasingly globalized economy. While manufactures in Ontario have survived the pandemic largely intact, they are in a much weaker state today. With the second wave of COVID-19 infections, combined with uncertainty around the timing and efficacy of a vaccine, business investment will remain restrained.

The data supports this. In CME's 2020 Management Issues Survey report, over 42 per cent of manufacturers reported that their current level of production was lower today than one year ago. Additionally, an overwhelming majority of our members are anticipating a more drawn-out recovery, have a negative view of business conditions and are concerned about the future of the sector.

To that end, this budget needed to introduce two objectives: support investment and support economic growth. In our view, this budget began to address these two objectives. We would like to highlight five reasons as to why we support this budget.

First, the measures to make industrial electricity rates more competitive with other US jurisdictions will lower electricity costs for manufacturers. Such a measure is necessary as before the pandemic Ontario manufacturers were paying upto 75 per cent more in electricity rates compared to major US jurisdictions. Lower electricity costs equal more investment. And with the Independent Electricity System Operator (IESO) estimating that electricity demand would not reach pre COVID-19 levels until 2024, timing was of the essence.

Second, the reduction of the Business Education Tax (BET) to 0.88 per cent in the most expensive Ontario jurisdictions is a long overdue and welcome step. Ontario manufacturers are paying among the highest industrial property tax rates across North America. In recent years, adjustments have been made to a wide range of taxes, but little attention has been paid to property taxes. These measures will begin to lower property taxes for manufacturers and introduce more fairness in the property tax system.

Third, we welcome the creation of a skilled trades strategy, and funding for micro-credentialing and training. The manufacturing sector faces still struggles with labour and skills shortages. Simply put, they are limiting manufacturers' ability to innovate and invest in technology. As advanced manufacturing technologies become more commonplace and as production processes become more sophisticated, the skillsets that businesses need are changing rapidly. Not only do new entrants need up-to-date specialized training, but also the ability to adapt and evolve with future technological advancements. These measures will start to help address these challenges.

Fourth, the introduction of Supply Ontario is an important step to modernize Ontario's procurement system. For years, the system has needed to be modernized to ensure more goods to market, new innovation of emerging technologies, and a connection between businesses and its customers and the government. We look forward to working with the government in the weeks to come on the launch of this agency and to begin to implement new initiatives that modernize Ontario's procurement system.

Fifth, and finally, we were pleased that the government took the step to make the $1 million threshold on the Employer Health Tax (EHT) permanent. Many manufacturers suffered a simultaneous fall in demand and rise in supply chain disruptions in the early weeks of the pandemic. While the overall industry experienced a strong rebound coming out of the lockdown, activity has cooled markedly in line with exhausted pent-up demand and a second wave of infections. This measure allows manufacturers to have more liquidity on hand for their businesses. The more liquidity manufacturers have on hand, the better position they will be in to recover from the crisis.

As we look ahead to the 2021 spring budget, we must take additional steps to drive growth and manufacturing output in our sector. To that end, CME is calling for a broad-based industrial strategy.

The strategy needs to leverage the strength of the manufacturing sector and focus on the growth and scale-up of companies, the creation and adoption of new technology, and the leveraging our natural advantages and resources. We also need to modernize Ontario's tax and regulatory system by introducing new investment support incentives that support capital expansion and help de-risk technology adoption, implement new measures to protect employment lands and zones, and undertake additional reforms to Ontario's property tax system. These measures are needed to create even more manufacturing jobs, promote domestic manufacturing, and further reduce business costs.

Now is not the time to be complacent. Once the current crisis has passed, Ontario has an enormous opportunity to win back manufacturing investment. Due to the disruptions in supply at the beginning of the pandemic, many manufacturers are looking to diversify supply chains to avoid overreliance on a limited range of markets. This should elicit a strong response from Ontario to step up its global competitiveness so it can attract investment from firms looking to re-shore manufacturing. But to stand any chance of success, attention must turn quickly to addressing the main issues hindering our sector—labour and skills shortages, an uncompetitive tax and regulatory environment, new technology adoption and export growth.

I thank you for the opportunity to present here today. I look forward to your questions.