

June 29, 2020

Hon. William Morneau, P.C., M.P.
Minister of Finance
90 Elgin, Ottawa, Ontario,
K1A 0G5

RE: The Need for a National Manufacturing Strategy

Dear Minister Morneau:

I want to thank you again for meeting with Canadian Manufacturers & Exporters' (CME) CEO Council to discuss the COVID-19 economic crisis and Canadian manufacturing. In this letter, I want to outline our vision for the future of our industry and the need for a national manufacturing strategy.

On our call earlier this month you heard leaders from manufacturing companies talk about how proud they were of their efforts during the COVID-19 crisis. As you know, thousands of manufacturers retooled their operations to produce desperately needed goods. We believe this has shown the true character and strength of the sector and why we want to ensure that it continues to be the backbone of Canada's economy for years to come.

CME has long called for a national manufacturing strategy as we believe it to be the best way to grow our essential sector to the benefit of all Canadians. And, the COVID-19 crisis affords us the opportunity to implement a recovery and growth strategy for manufacturing. This strategy should mirror the following steps:

1. Respond: Governments must continue to refine and expand support programs to ensure stability in the sector, extend tax deferral and duty programs, and introduce consumer spending incentives to drive demand for manufactured goods.
2. Recover: Additional actions will be needed over the course of the next year to stabilize the economic recovery and increase focus on domestic capacity and capabilities. This must include improving government procurement, supporting business investment, and launching a "Made in Canada" campaign that celebrates goods made here.
3. Prosper: Strategic long-term growth will come through a modern industrial strategy that focuses on strengthening Canada's business competitiveness. Focus must be placed on addressing historical challenges, including reducing the cost of doing business, improving regional value-chains, and leveraging our natural assets for economic development at home and abroad.

The first step should be to ensure that Canada's current COVID-19 emergency relief measures, especially the Canada Emergency Wage Subsidy (CEWS), help as many manufacturers as they can. In my letter to you on April 8, 2020, I explained the many problems manufacturers faced trying to qualify for this program. Issues surrounding the eligibility criteria for arms-length sources of revenue, and the exclusion of companies that grew through acquisition of assets vs the buying corporate shares, remain. In addition, the problematic interplay between CEWS and Work Share

and resultant clawbacks negatively, and disproportionately, impact manufacturers. This has meant that large Canadian companies, that employ thousands of Canadian workers in every province, are either excluded from CEWS or see benefits that they desperately need curtailed. We urge you to resolve these issues immediately. Furthermore, and because of the precarious economic conditions in Canada, the CEWS must be extended until January 2020 but be gradually wound down over this time.

Fixing the CEWS now will help create the necessary foundation for manufacturing to withstand the current economic crisis and position it to flourish later. Once we emerge from COVID-19, the recommendations mentioned above, contained within a national manufacturing strategy, should be pursued as a priority. This strategy must focus on fundamental reforms to Canada's approach to innovation and economic development by capitalizing on shifting societal needs for local manufacturing, the strategic opportunity to leverage health care and technology, and the long-term global opportunities in many of Canada's areas of historic strengths.

We hope to count on your help and support to see remaining challenges resolved and our manufacturing strategy initiative realized. I attach to this letter a copy of our strategy, *Manufacturing Our Future* that was released last week and presented to over 70 parliamentarians during our virtual lobby week. We would be happy to work with your office to ensure that we can move this all forward.

As always, our industry stands firmly with you and we are ready to ensure we all succeed. I look forward to your reply.

Yours sincerely,



Dennis A. Darby, P.Eng., ICD.D
President & CEO, Canadian Manufacturers & Exporters

CC: Hon. Mary Ng, PC., M.P.
Minister of Small Business, Export Promotion, and Trade