



CANADIAN  
MANUFACTURERS  
& EXPORTERS

# ALBERTA MANUFACTURING STRATEGY: POLICY RECOMMENDATION TO SPUR MANUFACTURING INVESTMENT, INNOVATION & JOB CREATION

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## SUMMARY OF RECOMMENDATIONS

### 1. Growing Alberta's Manufacturing Market Share

#### Recommendations

- Collaborate with industry launch an “Alberta Made” campaign to promote local manufacturing and supply chains, in a manner that builds on the “Made in Alberta Labelling Program.”
- Adopt a comprehensive approach to supporting Alberta’s strategic and emerging manufacturing sectors, including petrochemicals, food processing, fabricated metals, wood products, mineral value chains and machinery and electronic equipment.
- Invite the Canadian Manufacturers and Exporters Association to participate as a member of the Alberta Procurement Council to support competitive local procurement practices to drive provincial innovation, investment and job creation.

### 2. Encouraging Investment

#### Recommendation

- Introduce an “Alberta Made” matching investment tax credit or grant program to assist companies with plant expansion, upgrades, technology adoption, onshoring, re-tooling, improving environmental performance, and exporting.
- Implement a Patent Box tax exemption system to reward commercialization and production of goods and advanced technologies in Alberta.

### 3. A Manufacturing Labour Force Strategy

#### Recommendation

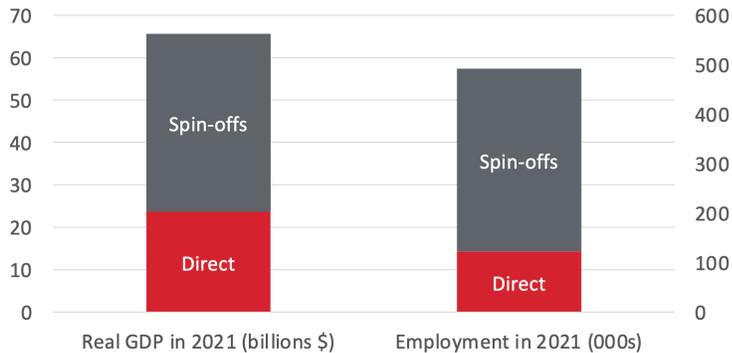
- Support CME members in expanding efforts to attract underrepresented groups to manufacturing through training and grant programs.
- Support manufacturers in encouraging Alberta’s education system to connect youth to manufacturing careers.
- Work with Alberta’s manufacturers to strengthen immigration programs to meet the labour market needs of industry.

## 1. ALBERTA MANUFACTURING INDUSTRY OVERVIEW

Canadian Manufacturers & Exporters (CME) represents manufacturers of all sizes and all sectors across the country. At nearly \$24 billion in direct GDP, we are Alberta’s third largest industry, and employ over 126,000 Albertans province-wide. In overall economic impact, we contribute over \$65 billion in direct, indirect and induced GDP, and nearly 500,000 jobs. We are proud to have achieved these accomplishments working in collaboration with the Alberta government.

### THE IMPACT OF ALBERTA’S MANUFACTURING SECTOR

Total economic impact



Sources: CME; Statistics Canada.

Our members are encouraged by the government’s commitment to “have a laser focus on job creation and strengthening Alberta’s economy,”<sup>1</sup> and would like to continue to play a critical role in supporting these objectives.

As such, CME is seeking to work with the Alberta government to advance a manufacturing strategy for the province that will grow investment our industry, strengthen our global competitiveness and create and sustain high paying jobs for Albertans long-term.

The strategy is threefold:

- Growing Alberta’s Manufacturing Market Share
- Encouraging Investment
- Advancing a Labour Force Strategy

<sup>1</sup> Government of Alberta. 2022. Cabinet Mandate letters.

## 1 GROWING ALBERTA'S MANUFACTURING MARKET SHARE

Our members continue to recover from the detrimental effects of the COVID-19 pandemic. In our 2022 Business Outlook Survey, Canadian manufacturers estimated that they lost \$10.5 billion in sales and incurred nearly \$1 billion in costs as a result of supply chain disruptions since 2020.<sup>2</sup> Two thirds of manufacturers do not expect their supply chain challenges to be resolved until 2023 or later. As such, there is a strategic need to support the industry as it continues to recover over from the events of the past years.

### 1.1 Advancing an “Alberta Made” Manufacturing Program

Alberta has a strategic opportunity to support the provincial manufacturing sector through an “Alberta Made” manufacturing program.

- Many provinces run promotional campaigns celebrating domestic agriculture production, such as “Good Things Grow in Ontario.” CME has partnered with the Ontario government post-pandemic to launch an extraordinarily successful Ontario-made program. In just a few months, CME enlisted 1,200 companies into the program.
- CME has been leading a similar program in Newfoundland and Labrador under the name “Manufactured Right Here” for decades. The CME Newfoundland and Labrador Manufactured Right Here program has been universally adopted across the province. Manufacturers of all sizes and sectors such as PepsiCo and Molson proudly display the Manufactured Right Here NL label.

A similar “Alberta Made” campaign could be created to draw awareness to Alberta manufactured goods and enhance Alberta products in the marketplace. It could build off or work in conjunction with the proposed “Made in Alberta Labelling Program” being led by the Minister of Agriculture and Irrigation. .

The program could focus on raising awareness with consumers of goods made in Alberta through a social media campaign and providing a one-stop web portal to search for Alberta products. It would also provide Alberta manufacturers with a label to identify products that are manufactured right here.

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<sup>2</sup> CME Supply Chain survey. 2022. Available at <https://cme-mec.ca/wp-content/uploads/2022/03/CME-Supply-Chain-Survey-2022-CAN.pdf>

In addition, the province could work with CME, manufacturers and their current and prospective clients to identify and overcome barriers to increasing provincial manufacturing demand and capacity in the province.

### Recommendation

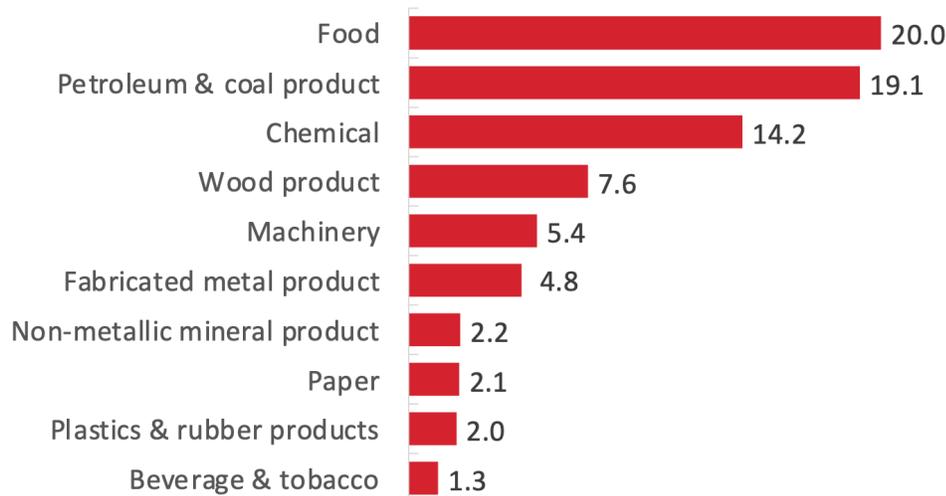
- Collaborate with industry launch an “Alberta Made” campaign to promote local manufacturing and supply chains, in a manner that builds on the “Made in Alberta Labelling Program.”

## 1.2 Building a Competitive Value-Added Manufacturing Strategy

Alberta has a strong manufacturing base across a breadth of sectors, including food, petroleum and chemicals.

# ALBERTA'S TOP MANUFACTURING INDUSTRIES

Sales by major industry in 2021 (billions \$)



Sources: CME; Statistics Canada.

CME is encouraged by the province’s commitment to develop a “Competitive Agri-Food Value-Added Processing and Manufacturing program.”<sup>3</sup> Food manufacturing is a large and strategic

<sup>3</sup> Alberta Minister of Agriculture and Irrigation 2022 Mandate Letter.

component of Alberta's manufacturing industry, and CME is looking forward to working with the province in contributing to the development implementation of this program.

In addition to food manufacturing, there are a number of other strategic manufacturing sectors in the province. While the province is advancing strategies for sub-sectors such as natural gas and petroleum products, other sub-sectors such as fabricated metals, forestry/ wood products and machinery could benefit from an additional strategic focus. Such an approach could be part of a comprehensive manufacturing strategy to drive investment and job creation in the province.

### Recommendation

- Adopt a comprehensive approach to supporting Alberta's strategic and emerging manufacturing sectors, including petrochemicals, food processing, fabricated metals, wood products, mineral value chains and machinery and electronic equipment.

### 1.3 Support Competitive Local Procurement Policies

CME is encouraged by the government's focus on continuing "...to act on the MacKinnon Panel's recommendation by forming a Procurement Council to provide a regular forum for conducting ongoing dialogue among representatives from major procurement ministries and industry organizations whose members supply goods, consulting services and construction services."<sup>4</sup>

The government can play a critical role by leveraging its purchasing power to support local manufacturing innovation and production, through tools such as the use of local knowledge provisions and local content requirements for infrastructure procurement. These measures are common globally and are known to drive local innovation and investment.

In addition, the *Procurement Council Forum* could serve as an important industry forum to ensure Alberta maintains globally-competitive, transparent and consistent procurement purchasing requirements.

### Recommendation

- Invite Canadian Manufacturers & Exporters to participate as a member of the Alberta Procurement Council to support competitive local procurement practices to drive provincial innovation, investment and job creation.

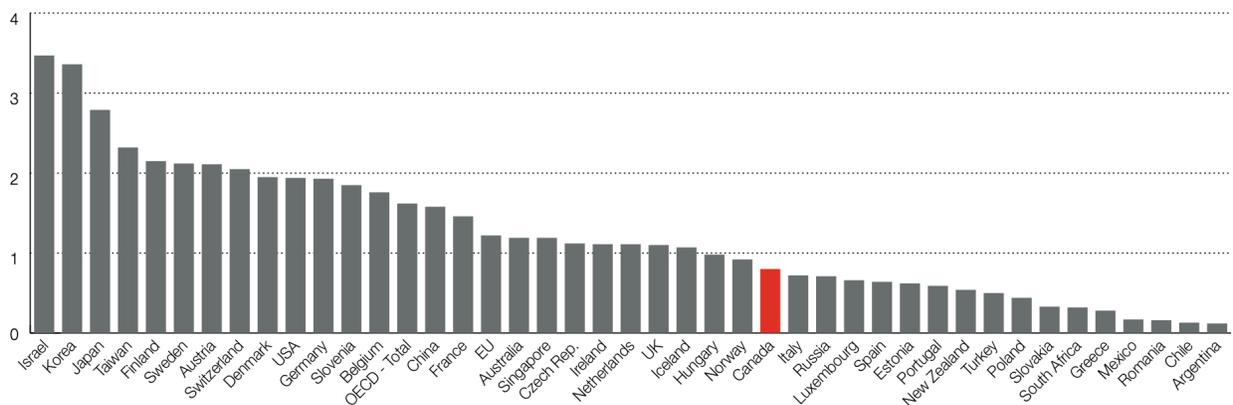
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<sup>4</sup> Alberta Minister of Service Alberta 2022 Mandate Letter.

## 2 ENCOURAGING INVESTMENT

Industrial research and development is an important driver of innovation and new product commercialization. However, R&D investment by Canadian manufacturers is low by international standards and falling. For the business sector as a whole, business enterprise research and development (BERD) spending in Canada is half the OECD average (as a percentage of GDP) and BERD spending in the United States is 143 per cent higher than in Canada. This gap is getting worse, not better; BERD investment in Canadian manufacturing has dropped by nearly 25 per cent in the past 15 years.<sup>5</sup>

**CANADIAN BUSINESSES UNDERINVEST IN R&D**  
(BERD expenditures, as a % of GDP)



There is much that the Alberta government can do to improve the province's innovation performance. One of the biggest hurdles facing Alberta manufacturers is a lack of available capital and financing, coupled with insufficient supports from government to fill these gaps. There are several measures Alberta could consider taking to address this challenge.

### 2.1 Matching Investment Tax Credits or Grants

Investing in capital equipment and adopting the latest technologies is critical to improve global competitiveness for manufacturers. New technologies allow for higher rates of efficiency, lower operating costs, improved energy use and environmental performance, and allow for greater flexibility to match changing consumer demands.

Globally, the race for securing capital for manufacturing is fierce. Not only do companies compete against each other for market share and new sales that drive investment, but subsidiaries of multinational corporations compete internally against each other for investment dollars. Alberta must

<sup>5</sup> Canadian Manufacturers and Exporters. Fostering Innovation, Commercialization and New Product Development in Canadian Manufacturing. 2030.

have globally competitive and effective investment support measures to strengthen the sector, improve its resiliency, and productivity.

Many manufacturers do not have the necessary capital to invest in new product development and innovations to improve business processes and create efficiencies to be competitive with other jurisdictions. Government programs can play a significant role in leveraging the private-sector to invest in efficiency enhancing capital and process improvements, and there is merit designing the program to encourage joint investment with other Canadian governments.

### **Recommendation**

2. Introduce an “Alberta Made” matching investment tax credit or grant program to assist companies with plant expansion, upgrades, technology adoption, onshoring, re-tooling, improving environmental performance, and exporting.

## **2.2 Encouraging Innovation Through a Patent Box Approach**

Patent boxes allow corporate profits related to the sale of patented products or the use of intellectual property to manufacture products to be taxed at significantly lower rates than those applied to ordinary business income, thus providing firms with a strong incentive to undertake innovation and commercialization and/or production activities locally. Indeed, most studies have found that patent box regimes are associated with an increase in patents, a proxy for innovative activities as well as production activities. Given their apparent effectiveness, patent boxes are growing in popularity, with at least 17 countries having some form of patent box system today. Although Canada is not among this group, Quebec adopted a patent box regime in 2017.

A well-thought out and carefully structured “patent box” tax exemption system will pay dividends in the long run. Manufacturers would be encouraged to conduct R&D, create intellectual property, and turn it into leading edge commercial products, right here in Alberta. This would, in turn, help drive investment growth in the province, and lead to the creation of well-paying manufacturing jobs. It would also help to stop the erosion of Alberta’s tax base by discouraging the transfer of IP to other jurisdictions with patent box regimes and thus lower tax rates.

### **Recommendation:**

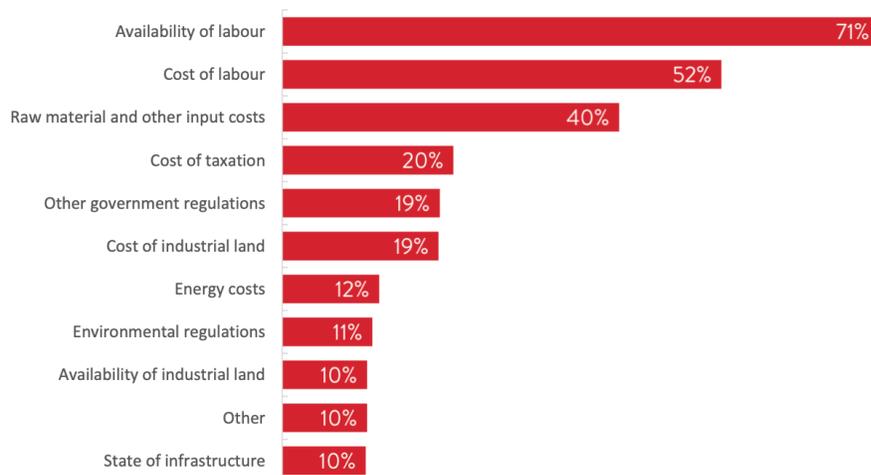
- Implement a Patent Box tax exemption system to reward commercialization and production of goods and advanced technologies in Alberta.

### 3 A MANUFACTURING LABOUR FORCE STRATEGY

According to CME’s 2022 Business Outlook Survey, labour availability and costs are the top barriers to manufacturers when considering re-locating or scaling up production into Canada.

WHAT WOULD YOU CONSIDER THE TOP THREE CHALLENGES OF RELOCATING PRODUCTION TO OR SCALING UP PRODUCTION IN CANADA?

Canada



Source: CME.

Addressing these challenges requires a multi-faceted approach targeting multiple labour market segments.

#### 3.1 Supporting Under-Represented Groups in Manufacturing

Alberta’s manufacturers stand to gain by recruiting more diverse workforces. Investing in integration, setting up inclusive workplaces, and offering specific training are critical steps to attract more workers from these groups. Along these lines, a concerted effort should be made to recruit and upskill Indigenous peoples, second career Canadians, and recent immigrants, as these groups tend to be most affected by cultural biases that prevent more active participation in the manufacturing workforce. While more outreach to underrepresented groups is clearly needed, government support is an essential element to the success of these efforts. A successful case in point is CME’s Women in Manufacturing (WIM) initiative, which launched in 2018 thanks to generous support from Women and Gender Equality Canada, the Government of Alberta, and private sector partners. Through the WIM program, CME launched the We Can Do It! campaign, aimed at increasing the number of women in

manufacturing by 100,000 in five years. Continued support of this program and others like it would help us achieve this ambitious objective and much more.

### Recommendation

3. Support CME members in expanding efforts to attract underrepresented groups to manufacturing through training and grant programs.

## 3.2 Refocus Alberta's Education System to Encourage Trades

Past survey results and research suggest that when it comes to Canada's educational system there is a gap between the skills needed and the skills taught, resulting in too many graduates entering the workforce unprepared for the jobs available to them. This includes the fact that not enough young Canadians appear to be choosing a career in manufacturing, in part because the education system puts a premium on university paths at the expense of skilled trades.

CME asserts that the education system must do more to expose students to all types of job possibilities available to them. At the primary level, this could be accomplished by actively promoting manufacturing as a viable option for a rewarding career. This could be expanded on at the high school level by bringing back shop classes, which would provide vocational training for those who were interested in pursuing a trade upon graduation. At the post-secondary level, a greater emphasis could be placed on work-integrated learning (WIL), thus helping to ensure that students get valuable work experience and launch successful careers after graduation.

### Recommendation

4. Support manufacturers in encouraging Alberta's education system to connect youth to manufacturing careers.

## 3.3 Enhance Immigration Programs to Support Industry

Immigration is a key solution to addressing the labour market challenges confronting the Canadian economy

CME's 2022 Labour and Skills Survey collected data from 563 manufacturers across the country and revealed that, in the last year alone, the deepening labour and skills shortages have resulted in economic losses totalling nearly \$13 billion. Additionally, these shortages constrain future growth

prospects, as 15 per cent of manufacturers are considering moving some or all their production outside of Canada, citing a lack of workers.<sup>6</sup>

CME is asking the government to increase the intake of economic-class immigrants to 500,000 per year by 2025, to address application backlogs, to speed up the Temporary Foreign Worker Program by adopting a trusted employer system and streamlining the Labour Market Impact Assessment (LMIA) application.

CME is encouraged by the Alberta Government's commitment to "work with the federal government to significantly expand the number of immigrants accepted under the Provincial Nominee Program and develop new pathways for Alberta companies to directly recruit workers."<sup>7</sup> We are looking forward to working with the province to strengthen immigration programs to meet the labour market needs of manufacturers.

### Recommendation

5. Work with Alberta's manufacturers to strengthen immigration programs to meet the labour market needs of industry.

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<sup>6</sup> CME 2022 Labour and Skills Survey. Available at: <https://cme-mec.ca/wp-content/uploads/2022/10/2022-CME-Skills-Labour-Survey-Report-1.pdf>

<sup>7</sup> Alberta Minister of Minister of Trade, Immigration and Multiculturalism 2022 Mandate Letter.