

October 10, 2023

Honourable Peter Bethlenfalvy  
Minister of Finance  
[Minister.fin@ontario.ca](mailto:Minister.fin@ontario.ca)

**Re: Supporting Ontario's Advanced Manufacturing Strategy in the 2023 Fall Economic Statement**

Dear Minister Bethlenfalvy,

When you stand up to deliver your Fall Economic Statement, Ontario will speak with a position of added authority, having spent the last six months developing an Advanced Manufacturing Strategy with industry. As you do so, manufacturers will test our collective work with a simple question – is my company better off? This highlights the need to include tangible measures that benefit industry. This letter includes a few recommendations for your consideration.

While much has been done to pave the way for a net zero transition that preserves profitability, our competitive position remains challenging. Manufacturers continue to struggle to reconcile the policy pathway to net zero with the incentives concretely available to them. One year on, the *Inflation Reduction Act* (IRA) has greatly increased the amount of federal funding for manufacturing firms in the US, and our largest trading partner has seen a factory-building boom as a result. As of July 2023, US private manufacturing construction was up 76.5% year-to-date compared to the same period in 2022. In Canada, investment at factories and plants was up a more moderate 35.6%.

As the backbone of the province's economy, Ontario manufacturers would like to see increased Government support in two targeted policy areas for the 2023 Fall Economic Statement: namely, labour and workforce development, and investment incentives.

**Getting the Workers We Need**

The revitalization of Ontario manufacturing will largely depend on manufacturers across the province having access to skilled workers. The following actions can help:

- **Complement the Ontario Made Manufacturing Investment Tax Credit (OMMITC) with support for work-integrated learning.** This can be achieved with a new tax credit for on-the-job training related to technology adoption and integration (covering 50% of expenditures). This will benefit both individual manufacturers and the sector, as it boosts labour productivity.
- **Preserve and further augment funding available to upskill manufacturing workers and attract new ones through the Skills Development Fund (SDF).** This will ensure workers have the skills they need to succeed in the industry and support the ongoing outreach to increase the participation of youth, immigrants and women working in manufacturing.
- **Support a 2024 provincial roll-out for Regional Industry Councils.** This initiative is currently being piloted by CME in Southwestern Ontario, ushering in a new era of collaboration between manufacturers and local schools. This is critical to ensure youth are exposed to careers in manufacturing and trained in the skills employers need.

### Competitive Incentives to Reduce Carbon, Lower Costs and Increase Technology Adoption

CME applauds the Government's tireless work in supporting the manufacturing industry, especially with the OMMITC. Unlike some ITCs announced by the federal Government, this measure was promptly implemented, and its design confirmed in regulations within days after the Budget. This is a sound approach to build on. To ensure we can see the benefits in terms of investment and reduced cost of doing business, Ontario should adjust incentives as follows:

- **Make the OMMITC tax free and expand it to cover more companies with a strong local footprint.** The restriction of the credit to Canadian Controlled Private Corporation (excluding even medium-sized firms that have operated in Ontario for 100 years or more) has been frequently raised by manufacturers as a barrier to uptake. To better compete with US incentives under the IRA and increase impact for homegrown manufacturers who fight to secure investment from parent companies, the credit should be expanded. This expansion should cover moulds and dies, as well as computer hardware and software used to support advanced manufacturing.
- **Increase access to affordable low carbon energy.** By 2030, the US Department of Energy [estimates](#) current subsidies will reduce the price of electricity in the US by as much as 9%. In the same timeframe, the Canadian tax on carbon is set to increase to \$170 per ton of GHG. To compete, Ontario needs to aggressively consider all mechanisms to reduce overall industrial energy costs, including electricity rates and the cost of dispatchable low-carbon fuel alternatives like hydrogen and renewable natural gas. The Government should also accelerate work with manufacturers to better understand how they can secure the supply, expertise and infrastructure needed to adopt those alternatives.
- **Focus on competitiveness of tax and pension rules in the review announced in Budget 2023.** With real estate costs at a high point, the transition to an annual property tax assessment should be balanced with appropriate offsetting measures, such as phasing out the outdated Business Education Tax (BET), equalizing rates across business classes and providing abatements to incentivize investment. To ensure Defined Benefit (DB) plans can be there for the next generation of workers, Ontario should eliminate solvency funding for single employer sponsored plans. This will increase cash flow for manufacturers at no cost to taxpayers.
- **Progressively increase the Ontario Innovation Tax Credit to 15%, 20% and 25%.** Consistent with the OMMITC, this tax credit should be broadened for Canadian companies of all sizes. This will improve Ontario's performance in terms of commercialization.
- **Make the Ontario Made Program funding stable over multiple years.** The program is currently renewed annually, often several months after the beginning of the fiscal year. To fulfill its potential as the brand of the Ontario reshoring movement, it needs stable funding for the long-term, a larger scale awareness campaign and more explicit linkages with the procurement strategy.

We hope that you consider our recommendations. Please do not hesitate to contact us if you wish to discuss these further; we would welcome the opportunity to meet with you and your staff at the earliest.

Sincerely,



Dennis A. Darby, P.Eng., ICD.D  
President and CEO