

WHAT THE REPORT IS ABOUT AND WHY IT MATTERS

THE WORLD HAS CHANGED

The COVID-19 pandemic, Russia's invasion of Ukraine, the deepening geopolitical conflict between the US and China, and the clean energy transition have all brought renewed attention to the importance of the manufacturing sector and the role it plays in the production of critical goods.

WARNING SIGNS ABOUT THE CANADIAN ECONOMY ARE FLASHING RED

Business investment is weak, productivity is falling, and living standards are stagnant.

THERE IS A SOLUTION

Implementing CME's manufacturing strategy would address the sector's key challenges, seize new and emerging opportunities, and enhance Canada's long-term prosperity.

EVIDENCE-BASED

The strategy was developed through comprehensive consultations with CME's members that leveraged their expertise and industry experience, and then combined this with own rigorous research and analysis.



CME'S MANUFACTURING STRATEGY: PILLARS AND RECOMMENDATIONS



PILLAR 1:

Expand and Upskill
the Manufacturing
Workforce



PILLAR 2:

Stimulate Innovation,
Investment and the
Adoption of Advanced
Technologies



PILLAR 3:

Encourage Domestic
Production and
Value-Added Exports



PILLAR 4:

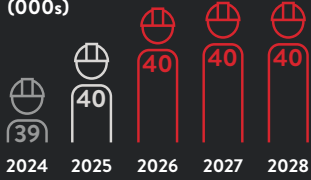
Speed Up and Expand
Clean Technology
Incentives to Help
Manufacturers Adapt
to Advance Canada's
Climate Change Plan

Labour shortages keeping manufacturing wage growth high (%)



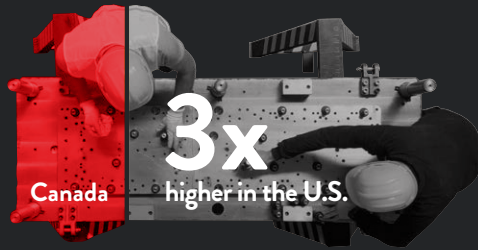
Source: Statistics Canada.

Projected retirements in manufacturing (000s)



Source: Employment and Social Development Canada.

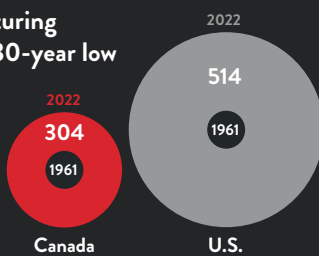
Manufacturing investment per worker



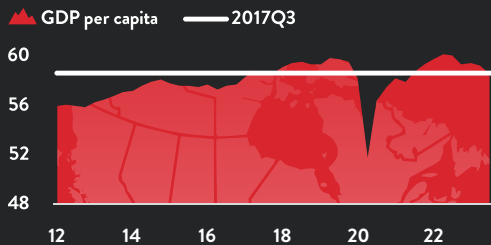
Sources: Statistics Canada; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; CME.

Canada's manufacturing capital stock near 30-year low (1961=100)

Sources: Statistics Canada; U.S. Bureau of Economic Analysis; CME.

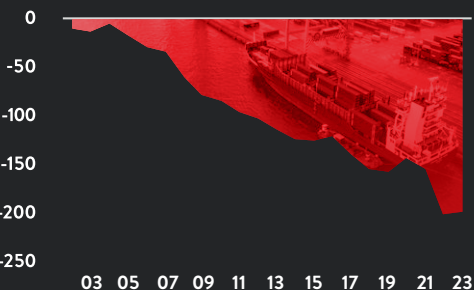


Living standards in Canada stagnant (\$000s)



Sources: Statistics Canada; CME.

Canada's trade deficit in manufactured goods continues to expand (billions \$)



Source: Statistics Canada.

Current investment trends in manufacturing won't cut it (billions \$)



Sources: Statistics Canada; CME.



PILLAR 1: EXPAND AND UPSKILL THE MANUFACTURING WORKFORCE

Recommendation 1: Modernize Canada's immigration and temporary foreign worker programs to ensure manufacturers have access to a talent pool with the knowledge, skills, and abilities they need to grow and thrive.

Recommendation 2: Address Canada's housing shortage to ensure affordable housing near manufacturing jobs, mandate modular construction to help meet housing targets, and avoid encroachment on industrial lands.

Recommendation 3: Provide employer-led training benefits, including a 50 per cent tax credit that offsets half the costs of employee training.

Recommendation 4: Refocus Canada's education system to connect youth to manufacturing and skilled trades jobs.

Recommendation 5: Renew and increase funding for programs that encourage more members of underrepresented groups to seek a career in manufacturing.

Recommendation 6: Reform the Employment Insurance (EI) system to encourage labour force participation and labour mobility.

Recommendation 7: Increase incentives to encourage the adoption and integration of automation technology.



PILLAR 2: STIMULATE INNOVATION, INVESTMENT AND THE ADOPTION OF ADVANCED TECHNOLOGIES

Recommendation 8: Introduce a shared federal/provincial 20 per cent refundable manufacturing investment tax credit (ITC).

Recommendation 9: Enhance and reform the Scientific Research and Experimental Development (SR&ED) program and implement a complementary patent box regime.

Recommendation 10: Recapitalize and extend the Strategic Innovation Fund (SIF) program for at least ten more years, providing a minimum of \$2.5 billion in annual funding to support large capital projects in manufacturing.

Recommendation 11: Provide targeted program support for small and medium-sized enterprises (SMEs), including providing funding for technology demonstration tours and site visits that showcase leading technologies.

Recommendation 12: Increase coordination across all levels of government to remove interprovincial trade barriers, harmonize regulations, and reduce red tape.



PILLAR 3: ENCOURAGE DOMESTIC PRODUCTION AND VALUE-ADDED EXPORTS

Recommendation 13: Accelerate commitments to improve the reliability of our transportation system by investing more heavily in and proactively preventing disruptions of critical infrastructure.

Recommendation 14: Increase funding, expand awareness, and make it easier for SMEs to access programs that help them go global.

Recommendation 15: Leverage CUSMA and other policy tools to maintain market access and better protect Canadian manufacturers from unfair trade practices.

Recommendation 16: Introduce government procurement reforms that promote domestic innovation and production by eliminating the lowest bidder rule.

Recommendation 17: Ensure Canadian industry has access to predictable, reliable and affordable energy to power its operations.



PILLAR 4: SPEED UP AND EXPAND CLEAN TECHNOLOGY INCENTIVES TO HELP MANUFACTURERS ADAPT TO ADVANCE CANADA'S CLIMATE CHANGE PLAN

Recommendation 18: Speed up implementation of the new and expanded investment tax credits (ITCs) proposed in Budget 2023 and introduce additional measures to further close the gap in incentives relative to the U.S. Inflation Reduction Act.

Recommendation 19: Expand and extend the Net Zero Accelerator (NZA) initiative for at least ten more years, providing a minimum of \$5.0 billion in annual funding to support large-scale carbon reduction investments.

Recommendation 20: Create an SME net-zero transition strategy that focuses on education and awareness campaigns, operational assessments, and dedicated funding to secure their participation in global supply chains.

Recommendation 21: Return all revenues from the federal fuel charge and Output-Based Pricing System (OBPS) to manufacturers.

Recommendation 22: Simplify and accelerate the approval process for new projects by enacting comprehensive permitting and regulatory reform and by identifying and eliminating redundant and outdated regulations.