



CANADIAN  
MANUFACTURERS  
& EXPORTERS

MANUFACTURING  
B.C.'S  
FUTURE

OCTOBER 2024



# INTRODUCTION



## TOD GILBERT

B.C. CME Advisory Board Chair and President VMAC  
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CME

### Manufacturing in crisis

British Columbia's manufacturing sector is poised for significant growth, but a complex and challenging business environment is hindering its potential. Despite our province's many advantages — a skilled workforce, stable political climate, abundant natural resources, and a desirable place to live — manufacturing businesses are facing a business environment that drives investment away. Many well-intentioned initiatives have created disjointed regulations, inefficient programs and barriers to industrial development, resulting in long lead times and high costs. The resulting decline in GDP and number of manufacturers jeopardizes the province's economic health by reducing high-quality sustainable jobs and hampering economic growth limiting expansion and investment opportunities.

This report highlights the key barriers faced by our manufacturers and proposes actionable solutions to stimulate growth and investment. By working together, the government, the Canadian Manufacturers & Exporters (CME) and its member companies can create a thriving manufacturing sector that benefits all British Columbians.



## ANDREW WYNN-WILLIAMS

Divisional Vice President for British Columbia  
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Canadian Manufacturers & Exporters (CME) has been concerned for some time by the negative economic trends in British Columbia's manufacturing sector.

At the end of the 20th century, manufacturing represented over 9.5% of B.C.'s GDP. By 2023, that had dropped to only 5.7%, its lowest level since 1997. It declined by 4.6% in 2023 alone, ending the post covid rebound. This has also meant a decline in manufacturing jobs. The 171,800 jobs in the sector represent the lowest numbers in a decade.

This decline is not a surprise. It had been signalled by poor investment in the sector for years, an issue CME has regularly pointed to as a challenge. This is particularly notable in comparison to the United States. In 2022, US manufacturers invested nearly \$50,000 per worker, while in B.C., we invested less than \$14,000 per worker. This is a long-time trend and B.C.'s relative productivity has declined as a result.

To explore this trend CME held roundtables throughout British Columbia. We asked manufacturers what their challenges were, why they were not investing and what changes could help them bring money back to British Columbia.

It became clear on our travels that manufacturing in British Columbia is on the edge of a crisis. All the economic signals show that unless we act there could be even more significant negative economic impacts for the province.

Yet there is still tremendous potential for the industry. Our strong education system, favourable location for access to world markets, and abundant natural resources are all strengths we can build on.

This report details what we heard from manufacturers and makes a number of recommendations for change. CME and the manufacturing industry it represents looks forward to exploring these solutions with government to ensure manufacturing can provide prosperity to British Columbia for the years to come.



# WHO WE ARE

## ABOUT CANADIAN MANUFACTURERS & EXPORTERS

Since 1871, we have made a difference for Canada's manufacturing and exporting communities. Fighting for their future. Saving them money. Helping manufacturers grow.

The association directly represents more than 2,500 leading companies nationwide. More than 85 per cent of CME's members are small and medium-sized enterprises. As Canada's leading business network, CME, through various initiatives including the establishment of the Canadian Manufacturing Coalition, touches more than 100,000 companies from coast to coast, engaged in manufacturing, global business, and service-related industries.

CME's membership network accounts for an estimated 82 per cent of total manufacturing production and 90 per cent of Canada's exports.

## ABOUT THE CANADIAN MANUFACTURING COALITION

The Canadian Manufacturing Coalition is comprised of more than 50 major industry groups, united by a common vision for a world-class manufacturing sector in Canada. The Coalition speaks with one voice on priority issues affecting manufacturers, and what must be done to ensure all Canadians continue to enjoy economic growth, high-value outputs and high-paying jobs. The Canadian Manufacturing Coalition's member organizations represent roughly 100,000 companies through their collective networks.

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# EXECUTIVE SUMMARY

Manufacturing B.C.'s Future is a provincial strategy developed by Canadian Manufacturers & Exporters (CME) to leverage opportunities presented by British Columbia's manufacturing sector and usher in a new era of growth and prosperity in the province.

## MANUFACTURING OPPORTUNITY

Manufacturing in B.C. epitomizes innovation, producing state-of-the-art technologies, services, and products across our vital resource sectors in addition to others like agriculture, transportation, healthcare, and clean tech. These goods not only fulfill local needs but serve global markets, contributing significantly to the province's economic vitality. Last year alone, B.C.'s manufacturers exported over \$30 billion worth of value-added goods, highlighting the province's prowess on the global economic stage.

Although data shows the manufacturing sector in B.C. is struggling with investment that lags international competitors and declining job growth, the province still has strengths it can draw on. In addition to its strong resource sectors, collaboration between private enterprises and research institutions can fuel innovation and drive technological advancements, positioning the British Columbia as a leader in manufacturing excellence. By fostering an ecosystem that nurtures entrepreneurship and supports small and medium-sized enterprises, B.C.'s manufacturing sector can recover and flourish.

## DECLINING COMPETITIVENESS

The unfortunate counterpoint is that expenses associated with conducting business in British Columbia are on the rise. This escalation prompts manufacturers to consider relocating to more competitive regions and discourages foreign investment. These shifting dynamics pose a threat to the long-term viability of the manufacturing sector and to the livelihoods of middle-class British Columbians.

Policies aimed at fostering expansion and innovation must acknowledge that manufacturing propels innovation forward and generates strong career opportunities. The necessity for more supportive measures for manufacturers is evident in various key metrics that determine global success in the sector. Manufacturing productivity lags competitive jurisdictions around the world. Investment in new capital equipment and technologies is on the decline.

The business environment is deteriorating due to escalating regulatory and tax burdens. Innovation investments are dwindling, resulting in fewer new product developments. B.C. is importing more value-added goods than it is exporting, significantly limiting sales and growth prospects. Consequently, the province risks falling behind, potentially becoming too costly and lacking the necessary technological advancements and innovation to compete effectively in the global marketplace.

## THE SOLUTIONS

During the consultation process, manufacturers confirmed the longstanding issues confronting the sector: shortages in labour and skills, bureaucratic hurdles, a difficult tax burden and a dearth of incentives to invest in equipment. Additionally, fresh challenges emerged, including housing scarcity, municipal level barriers to growth, and mounting inflationary pressures.

B.C. companies are competing with not only the nation's best, but also the world's best. To prosper, they need a business environment that is equally world class. Manufacturing B.C.'s Future provides a clear pathway with proven solutions to bring British Columbia's manufactures into the future and provides recommendations organized under four main themes:

1. Reduce the regulatory and tax burden on B.C. manufacturers
2. Encourage, expand and upskill British Columbia's manufacturing workforce
3. Stimulate investment for B.C.'s Manufacturers
4. Ensure market access and better foreign protection for B.C.'s manufacturers
5. Reinvigorate our resource industries to foster the related manufacturing sector.

# MANUFACTURING B.C.'S FUTURE

Manufacturing B.C.'s Future began by asking two simple questions: What are the major roadblocks holding back growth and prosperity and what are some bold ideas or solutions that would jumpstart manufacturing in British Columbia?

These questions were at the beginning of the research and the province-wide consultation process that formed the heart of the study. CME heard about the issues, challenges and opportunities B.C. manufacturers see every day.

In addition to the in-person consultations, CME conducted rigorous economic analysis to identify where specific and direct action is needed to support and grow manufacturing in B.C. and reverse the concerning national trends of the past decade.

CME looks forward to working with association members, the Government of British Columbia and the broader manufacturing community to affect change, maximize the potential for the sector and drive growth and prosperity for the entire province.



# MANUFACTURING IN BRITISH COLUMBIA

The manufacturing sector is a key driver of B.C.'s economy, playing an essential role in job creation, innovation, and economic growth. The province's 7,500 manufacturers directly generate 5.7 per cent of B.C.'s real GDP and account for more than half of its exports. When considering the sector's direct, indirect, and induced impacts, its total contribution rises to 12.9 per cent of B.C.'s economic activity. Furthermore, the industry directly employs 171,800 British Columbians and supports an additional 220,600 jobs through supply chain activities and employee spending, making it a vital contributor to communities across the province.

This section provides a quantitative analysis of B.C.'s manufacturing sector, divided into two parts: provincial and regional. The provincial analysis examines the sector's overall economic impact, GDP trends, and industry structure. It also benchmarks B.C.'s performance against the U.S. by comparing key manufacturing indicators—investment, GDP, and labour productivity. The regional analysis focuses on manufacturing employment, broken down by census division and economic region, as defined by Statistics Canada.

## PROVINCIAL ANALYSIS

### The Economic Impact of the Manufacturing Sector

Manufacturing plays a crucial role in B.C.'s economy and contributes significantly to the living standards of all British Columbians. In 2023, the sector directly generated \$17.3 billion in real GDP, employed 171,800 people, and exported \$30.6 billion worth of goods. (See Table 1.) These figures establish manufacturing as one of B.C.'s largest business sectors, accounting for 5.7 per cent of total GDP, 6.2 per cent of total employment, and over half of the province's outbound goods.

However, these numbers only partially capture the full impact of manufacturing in B.C. Every product manufactured in the province drives demand for raw materials, semi-finished goods, transportation, and various other goods and services. These indirect effects,

in turn, generate additional purchases up the supply chain, leading to more job creation, income generation, and tax revenue. The wages and salaries earned from these direct and indirect activities are then spent on other goods and services, leading to induced effects.

**TABLE 1**  
**MANUFACTURING SECTOR'S**  
**ECONOMIC FOOTPRINT**

B.C. (2023, 2020 multipliers)

	Total	Direct	Indirect	Induced
Real GDP (billions \$)	39.4	17.3	14.1	8.0
Employment (000s)	392.4	171.8	150.3	70.3

Sources: Statistics Canada; CME.

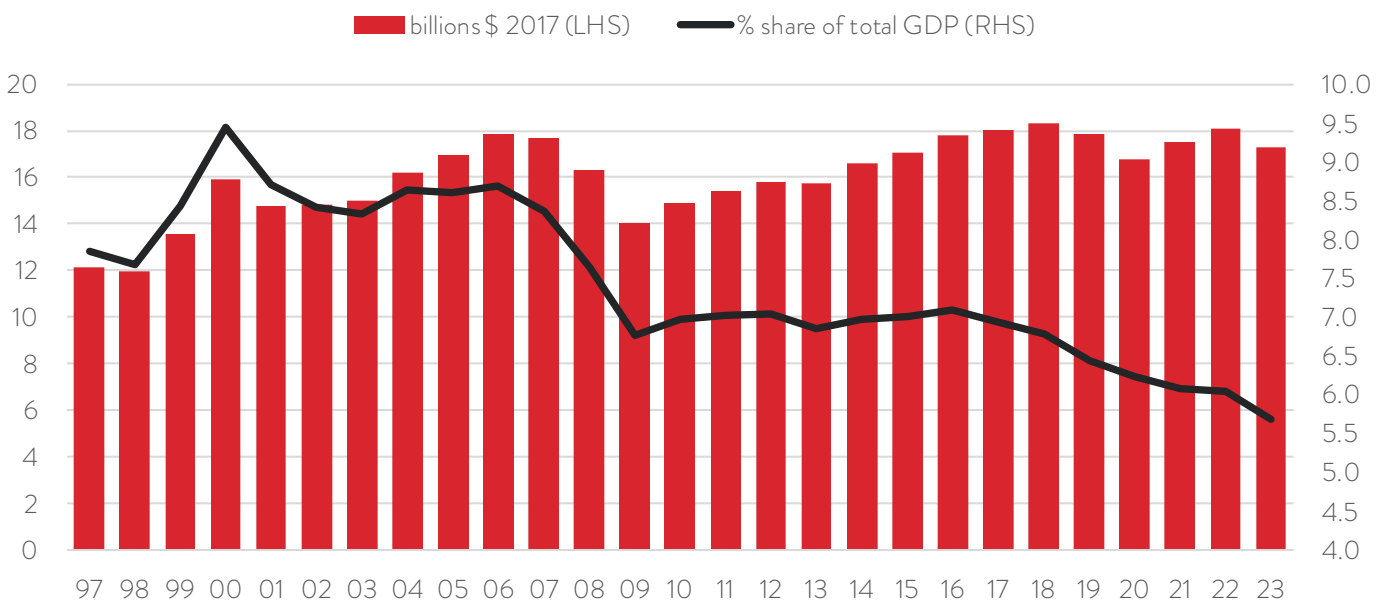
The total economic impact of manufacturing is the sum of the direct, indirect, and induced impacts. Accordingly, when the cumulative economic ripple effects are considered, the sector's total footprint rises to \$39.4 billion in value-added output, or 12.9 per cent of B.C.'s total GDP. Furthermore, the spin-off effects from manufacturing support an additional 220,600 jobs, bringing the total employment linked to the sector to 392,400, or 14.1 per cent of all jobs in the province.

## Manufacturing GDP Trends

Manufacturing GDP in B.C. has experienced considerable fluctuations over the years, influenced by various economic events and trends. In 1997, the sector's real GDP stood at \$12.1 billion, accounting for 7.8 per cent of the province's total economic output. (See Chart 1.) Over the next nine years, the sector expanded at a solid clip, posting an average annual

increase of 4.4 per cent between 1997 and 2006. By 2006, manufacturing GDP had reached \$17.9 billion, representing 8.7 per cent of overall economic activity. This period of expansion was bolstered by increased trade with the Asia-Pacific region, particularly China, with Vancouver serving as a critical gateway.

**CHART 1**  
**REAL MANUFACTURING GDP AND ITS SHARE OF OVERALL ECONOMIC ACTIVITY**  
 B.C.



Sources: Statistics Canada; CME.

However, the 2008-09 global financial crisis had a severe impact on the sector, causing manufacturing GDP to decline sharply from \$17.9 billion in 2006 to \$14.0 billion in 2009, an average annual contraction of 7.8 per cent. Manufacturing was hit harder than many other industries during this period, as evidenced by its share of total GDP falling from 8.4 per cent to 6.8 per cent over those two years.

A recovery began in 2010 and continued through 2018, during which the manufacturing sector experienced steady gains, reaching \$18.3 billion by 2018 with an average annual growth rate of 3.0 per cent. This expansion kept pace with the broader economy, allowing the sector to maintain its 6.8 per cent share of GDP in 2018. This nine-year period was marked by the ongoing expansion of trade with the Asia-Pacific region, which strengthened the export-oriented manufacturing sector. At the same time, exports of manufactured goods to B.C.'s most important trading partner, the U.S., nearly doubled during this time.

However, manufacturing GDP posted a modest decline in 2019, falling to \$17.9 billion, with its share of GDP decreasing to 6.4 per cent, signalling potential challenges ahead. The COVID-19 pandemic in 2020 further impacted the sector, with GDP dropping to \$16.8 billion—a 6.2 per cent decline from the previous year, marking the steepest one-year drop since the global financial crisis.

The downturn, however, was short-lived. The sector rebounded in 2021 and 2022, with GDP increasing to \$18.1 billion and posting average annual growth of 3.9 per cent. Despite this recovery, the sector's share of total economic activity continued to decline, reaching 6.0 per cent in 2022. This period demonstrated the sector's resilience amidst significant global disruptions, aided by strong performances in key manufacturing subsectors such as food and beverage manufacturing and wood product manufacturing, the latter benefiting from ultra-low interest rates and a housing boom in both Canada and the U.S.

In 2023, real manufacturing GDP contracted by 4.6 per cent to \$17.3 billion, reducing the sector's share of total GDP to 5.7 per cent, the lowest level recorded since 1997. This decline was primarily driven by difficulties in the food and beverage manufacturing and wood product manufacturing subsectors, which reversed the gains made over the previous two years. The wood sector, in particular, was severely impacted by a slowdown in residential construction across North America, triggered by rising interest rates. This cyclical downturn underscores the sector's vulnerability to macroeconomic conditions, especially those affecting its key subsectors.

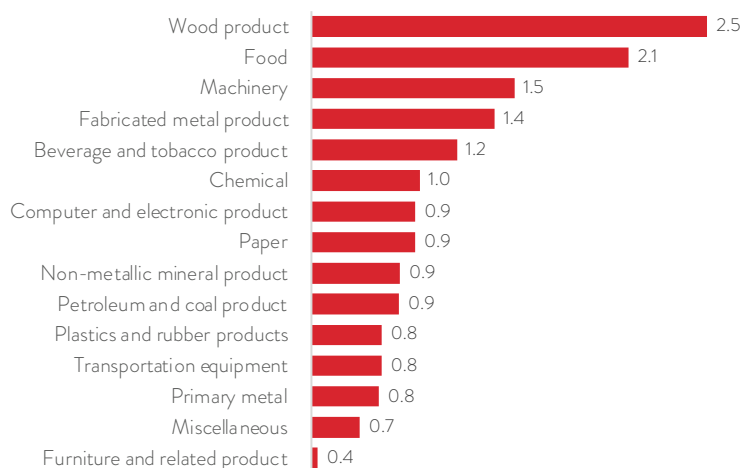
### Manufacturing Industry Structure

B.C.'s manufacturing industry is closely tied to the province's abundant natural resources, as well as its rapidly expanding life sciences and high-tech sectors. Key contributors include wood product manufacturing, food and beverage production, fabricated metal products, and chemical manufacturing. These subsectors not only account for a significant share of manufacturing GDP but also play a vital role in supporting the broader economy through their connections to industries such as forestry, agriculture, and construction.

### Wood Product and Paper Manufacturing

Wood product manufacturing is B.C.'s largest subsector, generating \$2.5 billion in real GDP in 2023 and accounting for 14.3 per cent of the province's total manufacturing GDP. (See Chart 2.) This sector's significance is closely linked to B.C.'s vast forestry resources and its essential role in supplying construction materials both locally and internationally. Paper manufacturing, ranked eighth, also plays a crucial role, contributing \$943 million, or 5.5 per cent, to the province's manufacturing output. Together, these two subsectors underscore the critical connection between B.C.'s manufacturing industry and its key forestry sector.

**CHART 2**  
**TOP 15 MANUFACTURING SUBSECTORS IN B.C.**  
**IN 2023**  
Real GDP (millions \$)



Sources: CME; Statistics Canada.

### Food and Beverage Manufacturing

Food manufacturing is the second-largest subsector in B.C., contributing \$2.1 billion, or 11.9 per cent, to the province's manufacturing GDP. This sector is closely linked to B.C.'s agricultural industry, which supplies the essential raw materials for various food products. Within this subsector, meat product manufacturing is the largest industry. Beverage and tobacco product manufacturing, ranked fifth, contributed \$1.2 billion in 2023, representing 6.7 per cent of total manufacturing GDP. Breweries and wineries are the leading industries within this subsector, highlighting B.C.'s reputation as a maker of premium craft beers and world-class wines.

### **Machinery and Fabricated Metal Product Manufacturing**

Machinery manufacturing, which generated \$1.5 billion in GDP in 2023, ranks third and accounts for 8.5 per cent of B.C.'s total manufacturing output. Close behind is fabricated metal product manufacturing, ranking fourth with \$1.4 billion in GDP and a 7.9 per cent share. These sectors are vital to B.C.'s industrial base, providing essential machinery and metal products that support key industries such as agriculture, construction, and mining.

### **Chemical Manufacturing**

Chemical manufacturing, with a GDP of \$966 million in 2023, ranks sixth and accounts for 5.6 per cent of the province's manufacturing output. The pharmaceutical and medicine manufacturing industry is the dominant force within this subsector, accounting for nearly half of its total output. As one of the fastest-growing areas of manufacturing in B.C., pharmaceutical and medicine production is a cornerstone of the province's thriving life sciences sector. This industry not only drives significant economic activity but also plays a crucial role in advancing health care and innovation within the province.

### **Computer and Electronic Product Manufacturing**

Finally, computer and electronic product manufacturing, ranks seventh, contributing \$944 million to B.C.'s manufacturing GDP in 2023, accounting for 5.5 per cent of the sector's total output. This sector is a vital component of B.C.'s rapidly expanding high-tech industry, encompassing the production of electronic components and devices essential for communication, computing, and a wide range of other applications. Its role in driving innovation and supporting technological advancements underscores its significance to the province's broader economy.

# B.C. VS. THE U.S.

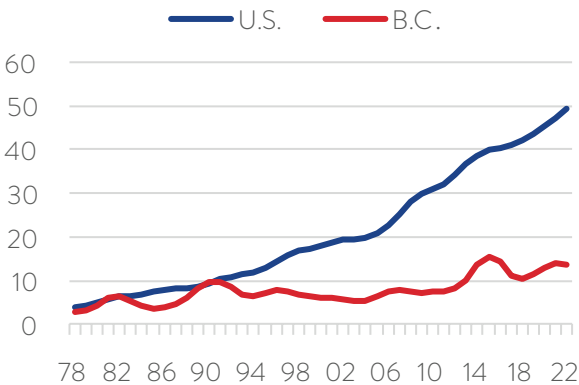
In this section, we compare the manufacturing sector in B.C. against that of the United States by examining three critical indicators: investment, labour productivity, and output. We aim to benchmark B.C.'s performance against the U.S. because it serves as a valuable reference point, offering insights into how B.C. can enhance its competitiveness in this critical industry.

## INVESTMENT

Capital investment is essential for long-term economic growth, providing the machinery, equipment, and infrastructure needed for the efficient production of goods and services. One key metric that highlights the challenge B.C. faces is non-residential investment per worker, or capital intensity. This measure is important because it indicates the degree to which the average employee is equipped with new capital that can boost productivity and enhance competitiveness relative to workers in other regions. Unfortunately, the data in Chart 3 reveal a concerning trend: non-residential business investment per worker in B.C.'s manufacturing sector is just one-third of that in the U.S. Specifically, in 2022, manufacturing investment per worker was \$49,500 in the U.S., compared to only \$13,800 in B.C. This low capital intensity signals potential challenges for B.C.'s future productivity growth and economic prosperity.

**CHART 3  
REAL MANUFACTURING INVESTMENT  
PER WORKER**

(Thousands of dollars, purchasing power parity basis, three-month moving average)



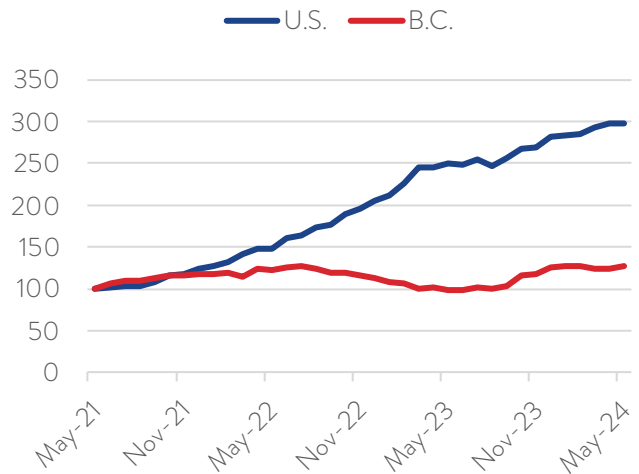
Sources: Statistics Canada; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; CME.

Recent trends suggest that the U.S. continues to widen this investment gap. The U.S. is currently experiencing a factory-building boom, fueled by generous incentives from the Inflation Reduction Act (IRA) and the CHIPS and Science Act, both enacted in August 2022.

Manufacturing construction has surged dramatically, nearly tripling over the past three years, as the sector expands capacity, driven by industrial policy and a strong push to reshore production. (See Chart 4.) This rapid increase in investment bodes well for future growth in U.S. manufacturing activity.

While manufacturing investment in B.C. is also recovering from pandemic lows, the increase has been much more modest, with a 27.7 per cent rise over the same period. Although the Government of Canada has introduced clean technology incentives through various investment tax credits, these measures do not fully match those available in the U.S. Moreover, U.S. companies are not burdened by the escalating carbon price or the increasing stringency of the Output-Based Pricing System (OBPS) or equivalent provincial policies. As a result, Canada and B.C.'s manufacturing sectors risk falling behind in the global race to develop and deploy clean technology.

**CHART 4  
U.S. INDUSTRIAL POLICY PAYING OFF**  
Manufacturing construction spending (May 2021=100)



## B.C. VS. THE U.S. (continued)

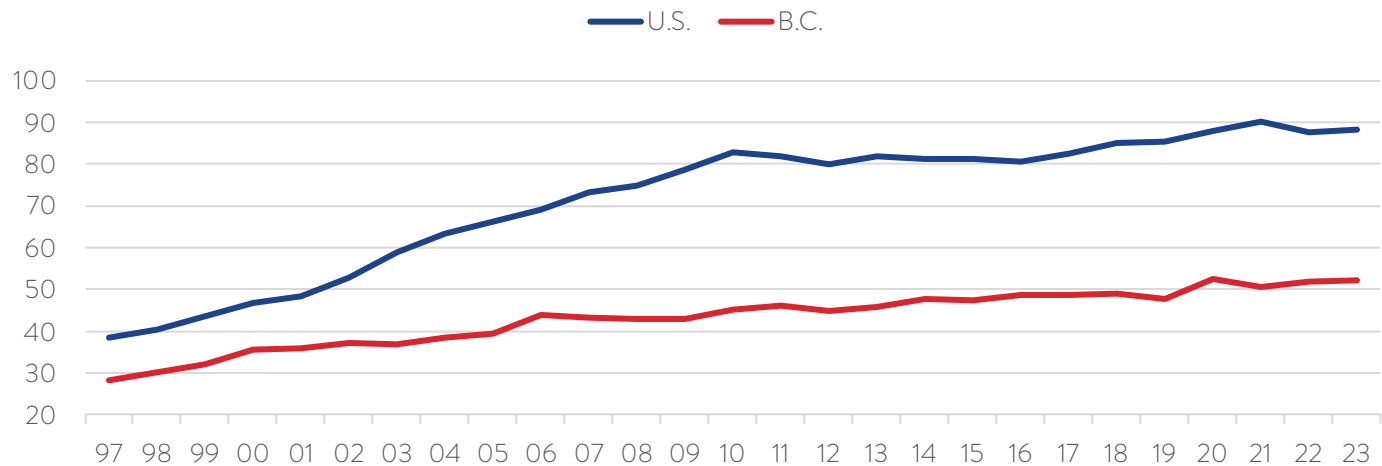
### LABOUR PRODUCTIVITY

Investment is a crucial driver of labour productivity (output per hour worked), which is essential for sustaining economic growth, enhancing global competitiveness, and improving living standards. The importance of productivity is why economists devote significant attention to this seemingly complex and technical subject.

Unfortunately, factory workers in B.C., like those across Canada, are significantly less productive than their American counterparts. This productivity gap can be attributed to several factors, including lower levels of capital investment and technology adoption, less

innovation, and smaller operational scales in Canadian companies. Since data collection began in 1997, labour productivity in B.C.'s manufacturing sector has consistently trailed that of the U.S., with the gap widening until around 2010 and then stabilizing thereafter. (See Chart 5.) In 2023, U.S. factory workers produced an average of \$88.10 worth of goods per hour, compared to just \$52.20 per hour for British Columbian workers. Compounding this issue, B.C.'s labour productivity also falls short of the Canadian average, where workers produced \$59.60 per hour in 2023.

**CHART 5**  
**LABOUR PRODUCTIVITY IN MANUFACTURING**  
Real Manufacturing GDP per hour worked (U.S.\$, purchasing power parity basis)



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

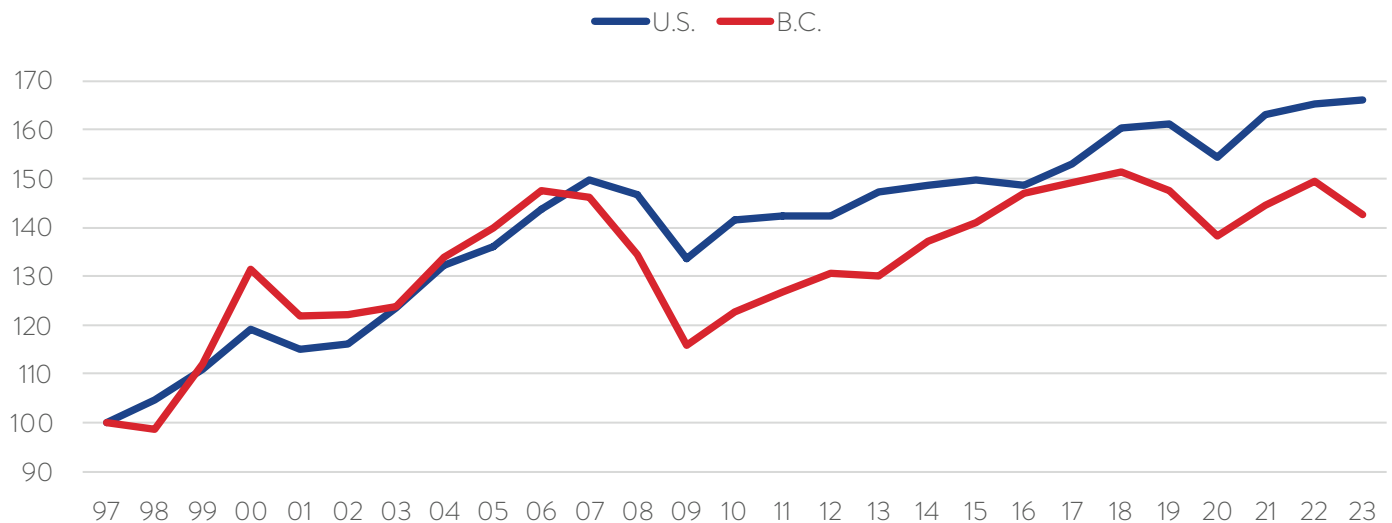
### MANUFACTURING OUTPUT

Chart 6 illustrates the trajectory of real manufacturing GDP in B.C. and the U.S. since 1997. Between 1997 and 2007, manufacturing output in both regions grew at comparable rates, with B.C. posting average annual growth of 3.9 per cent and the U.S. at 4.1 per cent.

However, this trend shifted dramatically in 2008 following the onset of the American subprime mortgage crisis and the ensuing global financial crisis, which had a severe impact on manufacturing in both countries. B.C.'s manufacturing sector was hit particularly hard, with real output contracting at an average annual rate of 11.0 per cent from 2008 to 2009, compared to a 5.6 per cent decline in the U.S.

Although both regions saw a recovery in manufacturing activity starting in 2010, the U.S. has consistently outpaced B.C., reflecting stronger investment trends south of the border. From 2010 to 2023, real manufacturing GDP in B.C. grew by an average of 1.1 per cent per year, significantly lagging behind the U.S., where growth averaged 2.6 per cent annually.

**CHART 6**  
**REAL MANUFACTURING GDP**  
 1997=100



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

What are the implications of this lagging growth for B.C.'s economy? If B.C.'s manufacturing sector had matched the U.S. growth rate from 1997 to 2023, real manufacturing GDP in B.C. would have reached \$20.1 billion in 2023—\$2.9 billion more than it actually did. However, this figure only captures part of the impact. When accounting for the industry's significant spin-off effects, the total loss in real economic output rises to \$6.5 billion, equivalent to nearly \$1,200 per person in B.C.

### REGIONAL ANALYSIS

Similar to the provincial data, the regional employment figures in this section underscore the manufacturing sector's strong connection to local resources. They also reveal an industry that not only serves local and national markets but also plays a key role in various segments of the global supply chain.

Statistics Canada provides provincial data across various geographic units, and this section focuses on two: census divisions (CDs) and economic regions (ERs). B.C.'s 29 census divisions correspond to the province's regional districts, which are second-level administrative divisions that include municipalities or equivalent areas, such as Indian reserves and settlements. Data at this level are available only for census years, the most recent being 2021.

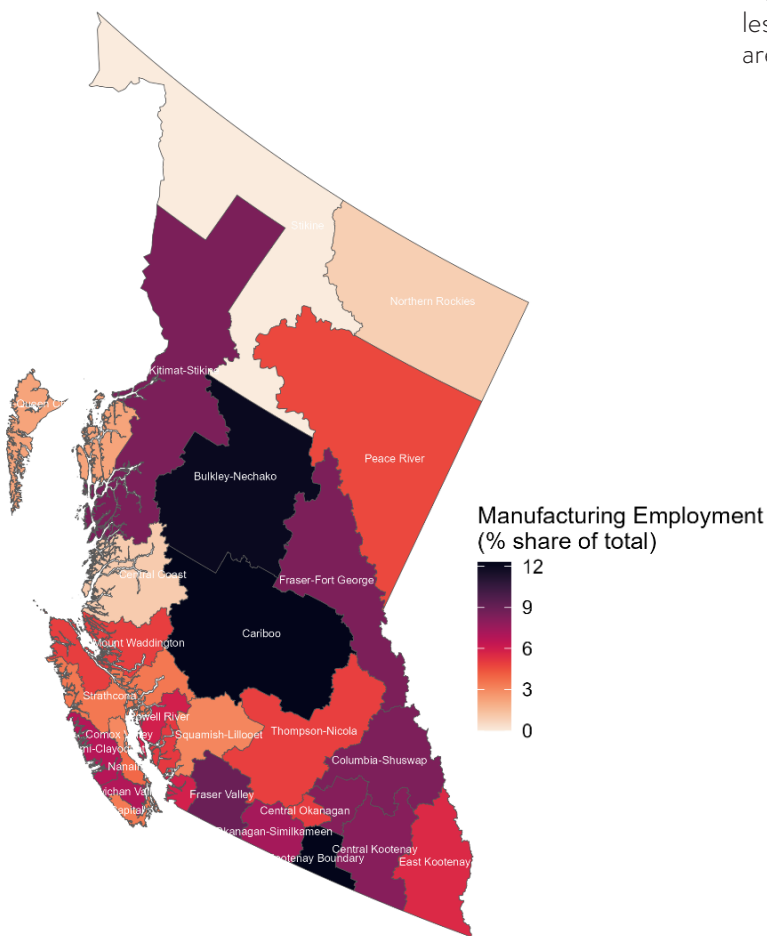
Economic regions, by contrast, are broader geographic areas composed of groups of census divisions. B.C. is divided into eight economic regions: Vancouver Island and Coast, Lower Mainland-Southwest, Thompson-Okanagan, Kootenay, Cariboo, North Coast, Nechako, and Northeast. However, Statistics Canada's dataset combines the North Coast and Nechako economic regions into a single unit, so the analysis below refers to seven ERs.

## B.C. VS. THE U.S. (continued)

### B.C.'S CENSUS DIVISIONS

Figure 1 is a heat map that visually illustrates the percentage of total workers employed in the manufacturing sector across the province, highlighting the concentration of manufacturing employment by census division. Areas with higher concentrations of manufacturing jobs are represented in darker tones, while those with lower concentrations are shown in lighter tones. This map offers a clear, at-a-glance overview of which parts of B.C. have the highest and lowest shares of manufacturing employment, providing valuable insight into the province's regional job distribution.

**FIGURE 1**  
**MANUFACTURING JOBS AS A SHARE**  
**OF TOTAL EMPLOYMENT IN 2021**  
B.C. Census Divisions



Sources: CME; Statistics Canada, 2021 Census.

According to the 2021 Census, manufacturing employment represents 12 per cent or more of total employment in three census divisions: Kootenay Boundary, Cariboo, and Bulkley-Nechako. However, the actual number of manufacturing jobs in these regions is relatively modest, with employment ranging from 1,700 in Kootenay Boundary to 3,200 in Cariboo. Six other census divisions have manufacturing employment concentrations of at least 8 per cent: Fraser Valley, Kitimat-Stikine, Fraser-Fort George, Columbia-Shuswap, North Okanagan, and Central Kootenay. Manufacturing also plays a relatively significant role in eight additional census divisions, where it constitutes between 5 and 7 per cent of total employment: Okanagan-Similkameen, Cowichan Valley, Alberni-Clayoquot, Powell River, Greater Vancouver, East Kootenay, Sunshine Coast, and Central Okanagan. In contrast, manufacturing employment concentrations are relatively lower in Skeena-Queen Charlotte, Central Coast, Northern Rockies, and Stikine, where it accounts for 2 per cent or less of total jobs. Notably, Northern Rockies and Stikine are the province's two northernmost census divisions.



## B.C.'S ECONOMIC REGIONS

This analysis of economic regions relies on two distinct datasets: the Labour Force Survey (LFS) and the 2021 Census. Table 2 presents LFS data, showing total manufacturing employment by economic region from 2006 to 2023, which allows us to examine overall trends across various areas of B.C. Table 3 contains data from the 2021 Census, detailing manufacturing employment by subsector within each economic region, providing insight into the sector's economic structure across different regions of the province.

### Industry Trends

The LFS data reveal a pattern of fluctuations closely aligned with B.C.'s broader economic conditions. Manufacturing employment in the province experienced three notable declines between 2006 and 2023: during the global financial crisis in 2008-09, in 2013 due to dips in output in several manufacturing subsectors, and from 2018 to 2020, partly as a result of the COVID-19 pandemic. Over the entire period, manufacturing employment in B.C. decreased from 189,800 in 2006 to 171,800 in 2023, resulting in a net loss of 18,000 jobs. This decline is attributable to a combination of slightly lower output and rising labour productivity.

The Lower Mainland-Southwest region has by far the largest manufacturing workforce, typically accounting for nearly two-thirds of B.C.'s factory jobs. Employment patterns in this region largely mirror overall provincial trends, underscoring its central role in B.C.'s manufacturing sector. The region's strong ties to global trade, particularly with Asia through the Port of Vancouver, have bolstered its manufacturing employment. Additionally, the region benefits from its proximity to the U.S., B.C.'s largest trading partner and the destination for about two-thirds of the province's manufacturing exports.

The Thompson-Okanagan and Vancouver Island and Coast regions are the second and third largest manufacturing centers in B.C., respectively. The Vancouver Island and Coast region has experienced relatively modest fluctuations, with employment decreasing from 21,000 in 2006 to 19,000 in 2023. In contrast, Thompson-Okanagan has seen more significant shifts, particularly during economic downturns, with payrolls falling from 24,100 to 21,600 over the same period.

The next three largest manufacturing areas—Cariboo, Kootenay, and North Coast and Nechako—are all dominated by the wood, pulp, and paper manufacturing subsector, making them highly sensitive to interest rate changes and, therefore, very cyclical. As in other regions, manufacturing employment in these areas in 2023 was lower than in 2006. Notably, all three regions experienced job losses in 2023, likely due to the dramatic increase in interest rates and accompanying downturn in new home construction.

Finally, the Northeast economic region has the fewest manufacturing jobs in B.C. Employment in the region declined from 1,600 workers in 2006 to 1,300 in 2023, representing less than 1.0 per cent of the province's total manufacturing workforce. Overall, manufacturing employment in 2023 was lower than in 2006 across all regions, highlighting ongoing challenges and the sector's vulnerability to global economic conditions and interest rate fluctuations.

### Industry Structure

This section presents a brief overview of the manufacturing sector in each of B.C.'s seven economic regions as of 2021, emphasizing the varying importance of key subsectors. The analysis reflects the distinct economic landscapes of these regions and the unique contributions of each subsector to the overall manufacturing industry.

#### Vancouver Island and Coast

The Vancouver Island and Coast region's manufacturing sector is primarily driven by food and beverage manufacturing, as well as wood, pulp, and paper manufacturing, mirroring the broader provincial industry structure and the region's strong ties to B.C.'s agriculture, aquaculture, and forestry industries. In 2021, wood, pulp and paper manufacturing employed 3,360 workers, accounting for 21.1 per cent of the region's manufacturing employment. The food and beverage manufacturing sector, with 3,270 workers, represented 20.6 per cent of the manufacturing workforce. Additionally, transportation equipment manufacturing, particularly ship and boat building, plays a significant role in the region. This subsector employed 1,850 workers in 2021, comprising 11.6 per cent of total manufacturing employment.

### Lower Mainland-Southwest

The Lower Mainland-Southwest region, encompassing Vancouver and the Fraser Valley, boasts the largest and most diverse manufacturing sector in B.C., bolstered by its strategic location as a gateway to the Asia-Pacific region and its proximity to the U.S. Food and beverage manufacturing is the leading subsector, employing 22,940 workers in 2021, which accounts for 24.4 per cent of the region's manufacturing workforce. The wood, pulp, and paper manufacturing sector also plays a significant role, with 9,510 workers making up 10.1 per cent of manufacturing employment. Fabricated metal product manufacturing is another key industry, employing 9,200 workers, or 9.8 per cent of the total. Additional subsectors contributing at least 6 per cent to total manufacturing employment include the miscellaneous, transportation equipment, and furniture and related product industries.

### Thompson-Okanagan

In the Thompson-Okanagan region, which includes the City of Kelowna, wood, pulp, and paper manufacturing is the most significant sector, employing 5,365 workers and accounting for nearly one-third of the region's manufacturing jobs. Food and beverage manufacturing is also a vital sector, with 3,690 workers representing 22.0 per cent of the manufacturing workforce. The dominance of these two subsectors reflects the region's strong ties to the local forestry and agricultural industries, including the area's numerous wineries. Fabricated metal product manufacturing is the third most important subsector, employing 1,300 workers and comprising 7.8 per cent of the region's manufacturing employment.

### Kootenay

The Kootenay region's manufacturing sector is heavily reliant on wood, pulp, and paper manufacturing, which employed 2,345 workers in 2021, accounting for 41.3 per cent of the region's manufacturing employment. This underscores the region's strong connection to the forestry industry. Primary metal manufacturing is the second most significant subsector, with 1,325 workers, or 23.3 per cent of total manufacturing jobs. Food and beverage manufacturing, employing 690 workers, contributes 12.2 per cent to the region's manufacturing employment, making it the third largest subsector.

### Cariboo

In the Cariboo economic region, which includes the City of Prince George, the manufacturing sector is overwhelmingly dominated by wood, pulp, and paper manufacturing, which employed 5,565 workers in 2021, accounting for a substantial 78.0 per cent of the area's manufacturing employment. Food and beverage manufacturing, though the second largest subsector, is much smaller in comparison, employing 310 workers and representing 4.3 per cent of total manufacturing jobs. The region's manufacturing activities are clearly deeply intertwined with its extensive forestry resources.

### North Coast and Nechako

Wood, pulp, and paper manufacturing is also the largest subsector in the North Coast and Nechako region, employing 2,000 workers in 2021 and accounting for more than half of the region's manufacturing workforce. Primary metal manufacturing is the second most prominent subsector, employing 945 workers and making up greater than one-quarter of total manufacturing employment. The food and beverage manufacturing industry employed 225 workers, representing 6.1 per cent of all factory jobs. Notably, seafood processing is a critical component of the manufacturing industry in the North Coast region.

### Northeast

Finally, the Northeast region, which includes Fort St. John and Dawson Creek, has a relatively small manufacturing sector. Wood, pulp, and paper manufacturing is by far the most significant subsector, employing 910 workers in 2021 and accounting for 62.8 per cent of the region's manufacturing employment. Food and beverage manufacturing, the second-largest subsector, employed 110 workers, comprising 7.6 per cent of the manufacturing workforce.

**TABLE 2**  
**MANUFACTURING EMPLOYMENT BY ECONOMIC REGION**  
 B.C. (000s)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>British Columbia</b>	189.8	189.8	179.6	160.7	164.4	165.4	173.7	158.8	167.7	177.2	177.8	184.2	181.4	172.7	167.8	183.4	184.1	171.8
<b>Vancouver Island and Coast</b>	21.0	17.6	18.9	18.5	18.6	18.7	17.9	17.1	18.4	17.0	19.1	20.6	16.3	18.2	16.0	18.0	19.3	19.0
<b>Lower Mainland-Southwest</b>	115.3	118.5	115.9	102.5	101.4	103.0	114.7	102.2	107.7	114.7	117.6	122.1	124.1	111.9	108.9	122.8	121.0	112.0
<b>Thompson-Okanagan</b>	24.1	23.1	21.9	18.6	20.6	21.5	17.6	19.0	21.8	24.0	19.4	17.3	15.0	19.2	20.0	21.2	22.1	21.6
<b>Kootenay</b>	7.6	8.2	4.6	5.1	7.6	5.6	4.8	5.5	5.1	5.4	6.2	7.3	7.1	6.9	7.4	6.0	7.1	5.2
<b>Cariboo</b>	13.9	14.1	10.3	8.3	8.4	9.2	11.9	10.1	9.8	9.4	9.7	9.9	11.4	9.7	9.1	9.9	9.2	8.9
<b>North Coast and Nechako</b>	6.3	6.8	6.9	6.5	6.0	5.4	4.9	4.1	3.3	5.1	4.1	5.0	5.9	4.7	4.8	4.0	3.5	3.8
<b>Northeast</b>	1.6	1.5	1.1	1.2	1.8	2.0	1.9	0.8	1.6	1.6	1.7	2.0	1.6	2.1	1.6	1.5	1.9	1.3

Sources: CME; Statistics Canada.

**TABLE 3**  
**MANUFACTURING EMPLOYMENT BY SUBSECTOR BY ECONOMIC REGION IN 2021**  
 B.C. (000s)

	British Columbia	Vancouver Island and Coast	Lower Mainland-Southwest	Thompson-Okanagan	Kootenay	Cariboo	North Coast and Nechako	Northeast
Food and beverage manufacturing	31.3	3.3	22.9	3.7	0.7	0.3	0.2	0.1
Wood, pulp and paper manufacturing	29.1	3.4	9.5	5.4	2.3	5.6	2.0	0.9
Fabricated metal product manufacturing	12.4	1.1	9.2	1.3	0.2	0.3	0.2	0.1
Miscellaneous manufacturing	8.9	1.1	6.4	0.8	0.2	0.2	0.1	0.0
Transportation equipment manufacturing	8.8	1.9	5.9	0.9	0.1	0.1	0.0	0.0
Furniture and related product manufacturing	8.1	1.1	5.8	0.9	0.1	0.1	0.0	0.0
Machinery manufacturing	7.5	0.9	5.5	0.8	0.2	0.1	0.0	0.1
Chemical manufacturing	6.2	0.4	5.1	0.4	0.1	0.1	0.0	0.0
Computer and electronic product manufacturing	5.9	0.6	4.9	0.3	0.0	0.0	0.0	0.0
Non-metallic mineral product manufacturing	5.5	0.8	3.8	0.5	0.2	0.1	0.1	0.0
Plastics and rubber products manufacturing	4.9	0.2	4.0	0.6	0.0	0.0	0.0	0.0
Printing and related support activities	4.6	0.4	3.8	0.3	0.1	0.0	0.0	0.0
Primary metal manufacturing	4.4	0.1	1.6	0.3	1.3	0.1	0.9	0.0
Electrical equipment, appliance and component manufacturing	3.3	0.3	2.7	0.3	0.0	0.0	0.0	0.0
Apparel and textile manufacturing	3.0	0.3	2.4	0.1	0.0	0.0	0.0	0.0
Petroleum and coal product manufacturing	0.8	0.1	0.5	0.1	0.0	0.1	0.0	0.0

Sources: CME; Statistics Canada.

# BARRIERS TO GROWTH

To ensure this report is relevant to manufacturers in all parts of the province, CME embarked on a wide-ranging consultation process. CME began by asking a simple question: What are the major roadblocks holding back your company's growth and prosperity?

This question was the beginning of the research and consultation process that formed the heart of the exercise. CME learned about the issues and challenges manufacturers see everyday while running their businesses.

## COST OF DOING BUSINESS

From increasing taxes placed on manufacturers, to layers of regulatory compliance, to the high costs of land, many manufacturers cited the high cost of doing business in British Columbia to be a limit to their growth. Although some manufacturers focused on one specific cost issue, most cited the incredible range of costs and impediments, many generated by government. The phrase that was regularly used by manufacturers was "death by a thousand cuts".

In particular, manufacturers have noted the increase in costs over the past five years. One Surrey manufacturer with 80 employees and 79 years of operation estimated the combined cost of increases to minimum wage, added sick days, an additional statutory holiday, the health employer tax, increased property taxes and increased insurance represented nearly \$500,000 in added direct costs annually. The challenge is amplified as the new holiday and sick days decrease production causing an estimated additional revenue loss of \$200,000.

Layered on top of these taxation costs is the complex regulatory burden. Canada's regulatory landscape presents a challenging environment for businesses, particularly small enterprises, due to its inconsistent and ever-changing nature. The lack of uniformity in prescribing regulatory frameworks across different provinces adds complexity and confusion for businesses aiming to comply with constant new directives and regulations.

Governments are trying to meet mandates of protecting the environment and the public, yet the sheer variety of departments and levels of government leads to frequent alterations and updates to regulations, requirements, and directives. This further exacerbates the compliance burden, creating an array of obligations for businesses to navigate. This volatility adds to the administrative cost burden and poses significant challenges for small businesses with limited resources and capacity to adapt swiftly to regulatory changes.

During our Richmond roundtable one significant food manufacturer provided the following list of regulations that had been recently implemented or changed.

- Food Safe For Canadians Act
- Front of Package Labelling
- Modern Slavery Act / Forced Labour Reporting
- Single-use plastics bans
- Changes to Competition Act giving wide regulatory tools to crack down on "unfair" grocery and food pricing initiatives
- Marketing to Children regulations and advocacy work
- CRA changes including Bare Trust and the increasing complexity of the Income Tax Act.
- Changes to the Employment Standards Act including increased sick days.
- Municipal changes to building codes and operating (examples include grease interceptors, water backflow preventors, single flow through water cooling)
- Payment Card Industry compliance and certifications (important but constantly changing)
- Provincial pay transparency reporting
- WorksafeBC's increased "duty to maintain employment" regulations

This was by no means an exhaustive list. Governments must find a way to mitigate the regulatory burden through collaboration to avoid duplication, eliminating needless regulation.

An additional challenge facing B.C. manufacturers, particularly in the Lower Mainland, is the increasing cost of land. The cost manifests itself in the direct cost of rent and the challenge it represents to expansion and investment. In Richmond, for example, a report to the city in August of 2023 noted the average cost to lease industrial land was \$21.31 per square foot. This was an increase of nearly 220% over the fall 2018 average cost of \$9.69 per square foot.

This cost is amplified as the increase in land costs creates a commensurate increase in property tax. Whether the manufacturer owns its own property, or is leasing, the property tax will be part of its burden. As the property tax has increased exponentially over the past number of years, municipal services have remained similar in scope.

The cost of industrial land is further increased by municipal regulatory complexity that slows development of new industrial land and increases its cost. Zoning, permitting, development cost charges, are all cumbersome barriers that impede industrial economic development. These tools are wielded ineffectively by municipalities, unless the objective is to block development.

One manufacturer noted a requirement to rezone a property from light to medium industrial, a process that is projected to take six years. Another manufacturer had their business license delayed by six months because an overhead crane projected out of the building and into their yard. A third manufacturer had lengthy and costly delays for a \$400,000 project because the local government required amendments that fell outside of the original permit requirements. These regulatory land restrictions are not limited to municipal governments. In Richmond, one manufacturer with three hundred employees would like to expand on to non-productive agricultural land currently in the Agricultural Land Reserve. The inflexibility of the ALR means this manufacturer will likely choose to locate elsewhere.

All these factors are combining to force manufacturers to consider other locations either for expansion or to move their entire operation. Once a manufacturer has made this decision they will not limit their location search to British Columbia and will look instead to other, more welcoming jurisdictions.

Unfortunately, these cost increases and regulatory barriers are juxtaposed with a decrease in tax rates and a more welcoming environment in some of our key competing jurisdictions, particularly the United States. This has made it more difficult to compete, and to attract investment.

These are just some examples of the cost increases to manufacturers. We have already shown that manufacturing brings financial advantages to the communities in which it operates. These include job creation, wealth generation and economic growth. Yet the seemingly punitive costs placed on successful manufacturers continue to undermine the ability to operate successfully and profitably. They often feel unwelcome while in contrast, manufacturers cited other jurisdictions as regularly approaching with significant financial incentives. Manufacturers in B.C. are beginning to listen to these offers much more seriously.

## BARRIERS TO GROWTH (continued)

### LABOUR

Manufacturers province-wide consistently highlight the pressing issue of labour scarcity, encompassing both skilled and unskilled workers. This manifests itself in hurdles to recruitment, training, and retention. Despite innovative practices like signing bonuses, smaller manufacturers find themselves at a disadvantage in attracting labour. This is compounded by insufficient skilled labour pipelines from trade schools and technical programs. Manufacturers expressed concerns not only with the quantity of candidates but with the quality. In more than one roundtable manufacturers noted that candidates are exiting trade schools with tickets but are unable to perform effectively.

Another factor that contributes to the challenge is the high cost of living, particularly in the lower mainland. Housing costs are problematic leading to workers having to live farther and farther away from places of employment. Initially this created difficulty in attracting the lower skilled labour, but the even the more skilled workers are now looking to opportunities in other provinces where the cost of living is lower and their wages go further.

Another labour and skills related issue impacting on the ability of manufacturers to invest is the lack of skills to service and operate the most advanced manufacturing equipment. The most productive equipment available may still not be worth the investment if service technicians need to be brought from other provinces or countries costing both time and money.

Immigration can be part of the solution, but it faces its own challenges, as immigrants often arrive in British Columbia with relevant skills but encounter barriers due to unrecognized credentials and high living costs. New restrictions on the ability to use Temporary Foreign Workers further limits access to some specific skills that simply are not available in Canada. These challenges are particularly acute in rural areas, where communities grappling with their own youth outmigration struggle to entice new labourers.

This shortage is structural in nature. It is exacerbated by societal influences steering young British Columbians away from skilled trades and other “hands on” career options. Government must consider all the tools at its disposal in addressing skills shortages.

### MADE IN B.C.

The procurement practices of Canadian governments at all levels are not structured to support local manufacturers. There are different elements to this challenge. The first is that by favoring a lowest-cost bidding system, rather than prioritizing Canadian suppliers, the government undermines local producers. Yes, there are international agreements to be met, but other jurisdictions find creative ways to promote local products, like factoring the ongoing cost of maintenance into a procurement plan. The insufficient promotion of “Buy Canadian” initiatives fails to stimulate domestic demand for locally manufactured goods, further eroding the market share and viability of Canadian manufacturers. This is particularly notable when compared to measures in the United States like Buy America and the Inflation Reduction Act.

The second element with respect to procurement is the inconsistency of procurement requirements and practices across jurisdictions. This varies not only between the federal and different provincial governments but also across the important municipal sector. Greater standardization among the different governments in how they manage procurement would be particularly beneficial to smaller operators.

Beyond procurement, government does little else to promote or profile B.C. made products. Buy BC is a recognized brand for agricultural products but other manufactured goods do not share any similar programs. Finding ways to profile and promote B.C. made products both to consumers and from business to business would help B.C. manufacturers grow their market share at home.

## RESOURCE INDUSTRIES AND MAJOR PROJECTS

Our financial analysis highlights the importance of the resource base for our manufacturing industries. Wood products, paper products, mineral products, petroleum, and primary metals are all critical manufacturing sectors. Food products are also key, and although not considered a resource sector, food manufacturing is tied to the land base in a very similar way.

The supply chain for our resource base is equally important. Key sectors like metal fabrication, machinery, and particularly transportation equipment are often tied to and dependent on thriving resource industries for their market. This is particularly true in the regions outside of the lower mainland. Proximity is a key advantage for manufacturers who make and service equipment for the resource sector.

In our roundtables many manufacturers raised the issue of the struggling resource sector. Whether it was slow approval processes for mines, poor access to fibre, or public sentiment undermining previously approved projects, many manufacturers worried about the dwindling of this market.

Related to this challenge is the lack of any major projects, particularly in the energy sector. Many of the manufacturers, particularly metal fabrication are key parts of the supply chain for major projects and for all the construction that is associated with such projects. In addition to the project itself, this includes the supporting infrastructure. Whether it is infrastructure for the forest or mining sector or for other major projects, manufacturers are very concerned by the dearth of future investment on the horizon.

In rural areas that rely on these key industries, their decline exacerbates other key challenges for manufacturers. With a smaller population base, rural municipalities around the province find themselves unable to attract and retain talent for the many trades needed to continue operations. This holds true for the challenge of servicing equipment as well. There are also unique logistical challenges inherent to operating in a rural area. Without economies of scale, the transportation costs of the supply chain or of shipping product are acute. Government infrastructure costs are also increased. When government infrastructure costs are downloaded to rural municipalities, the smaller population base means there is no economy of scale. This increases the cost for workers but also means a greater proportion of this infrastructure cost is borne by the local industrial operations.

While discussing these challenges with rural manufacturers there was one important nuance that must be emphasized. The challenges these communities face cannot be looked at with the same lens as those in urban municipalities. These communities believe policy to address these challenges has to be developed with direct input from the affected communities, and that implementation should be decentralized and any programs be delivered locally. This kind of broader economic development is not an area of expertise for CME, yet in smaller more remote regions the local manufacturing is too closely intertwined with the economy and the community for us to ignore it. We must acknowledge that failing to address this rural development challenge will undermine the manufacturing sector outside of our urban centres.

# A STRATEGY TO FUTURE-PROOF BRITISH COLUMBIA'S MANUFACTURING FOR GROWTH

Upon identifying the problem areas that manufacturers face in B.C., CME asked participants the following question: What are some bold ideas or solutions that would jumpstart manufacturing production and exports in Canada? Although there were nuances among the solutions, manufacturers throughout the province came to fairly similar conclusions on where the solutions lie.

We took the ideas garnered through this consultation and combined it with in-depth analysis by CME economists and researchers. As a result, Manufacturing B.C.'s Future provides a clear pathway with proven solutions to bring our province's manufactures into the future. It provides recommendations organized under five main themes:

1. Reduce the regulatory and tax burden on B.C. manufacturers
2. Encourage, expand and upskill British Columbia's manufacturing workforce
3. Stimulate investment for B.C.'s Manufacturers
4. Ensure market access and better foreign protection for B.C.'s manufacturers
5. Reinvigorate our resource industries to foster the related manufacturing sector.

Implementing these recommendations will result in a more competitive business environment, lead to higher levels of investment, innovation, and productivity, boost the sector's production and exports, contribute to emissions reductions, and secure manufacturing's rightful place as a key driver of British Columbia's economic growth and prosperity. If manufacturing had grown at the same rate as that of the US, then the sector would be 12% larger today with a commensurate increase in jobs, taxes and spin-off benefits.

The detailed recommendations below represent a suite of tools by which B.C. can encourage, support and grow its manufacturing sector. It is important to consider however that a piecemeal approach could simply shift the challenges around without creating overall solutions. Often elements of one challenge can impact on elements of another. This leads to our first recommendation.

**1. The government of British Columbia develop a manufacturing strategy that will support measures across different ministries and government supported organizations to support and coordinate the sector.**

This strategy, which is detailed below, will form the basis of CME's advocacy efforts in B.C. going forward.

## 1. REDUCE THE REGULATORY AND TAX BURDEN ON B.C.'S MANUFACTURERS

Costs will always be a barrier to investment, both in the form of regulation and taxation. CME has identified the following measures as avenues to reduce that cost burden and encourage our industry to grow.

**2. The B.C. government match Alberta's commitment to reduce regulations by one third to reduce costs, and speed up approvals.**

**3. Conduct a full review of the tax system, ideally in coordination with the federal government, to modernize and simplify it, to ensure it is supporting both economic and social objectives.**

In 2018, CME released a special report on taxation entitled Restoring Canada's Tax Advantage: The need for tax reform. That report highlighted Canada's eroding tax advantage relative to our global competitors, and pointed to the importance of restoring that advantage to help offset the high cost of doing business in this country. In particular, Canada's former tax advantage over the US had disappeared because of general corporate tax cuts in that country, as well as the introduction of immediate accelerated capital cost allowances.

## 2. ENCOURAGE, EXPAND AND UPSKILL B.C.'S MANUFACTURING WORKFORCE

Manufacturers province-wide consistently highlight labour scarcity, spanning skilled and unskilled workers.

To address the labour and skills shortages in the manufacturing sector, CME recommends measures that will both bring the right skills to our province and educate British Columbians with the skillsets that will make them high earners in a modern manufacturing economy.



#### **4. Governments should collaborate to modernize Canada's immigration and temporary foreign worker programs and ensure manufacturers have access to a talent pool with the knowledge, skills, and abilities to grow and thrive.**

- a. Speed up the Temporary Foreign Worker (TFW) program by creating a trusted employer program that pre-approves qualifying companies and by streamlining the Labour Market Impact Assessment (LMIA) application.**
- b. Encourage the government to maintain a voluntary database of employer-identified skills shortages alongside a database of immigrant skills availability to bridge the labour shortage gap and use this data base to regularly update criteria for the B.C. Provincial Nominee Program.**
- c. Increase employer-driven, skills-focused trade missions abroad to target immigrants with skills needed by B.C.'s large manufacturers.**

In 2023, the Government of Saskatchewan led a recruitment mission to Manila, which included 26 Saskatchewan employers and resulted in over 1,000 anticipated nominations for permanent residency through the Saskatchewan Immigrant Nominee Program (SINP) in occupations in demand in the province.

#### **5. Refocus B.C.'s education system to connect youth to manufacturing and skilled trades jobs.**

- a. Create a skilled-trades bursary beginning in grade-11 focused on skilled trades to provide financial support to train and complete apprenticeships, purchase tools, and cover basic living expenses.**

B.C. can draw on the success of the Ontario Skilled Trades Bursary through the Ministry of Labour, Immigration, Training and Skills Development. In 2023, the Ontario government announced an increased apprenticeship registrations by 24 per cent in the last year – from 21,971 to 27,319 – as more people decide to pursue rewarding, well-paying careers in the skilled trades.

- b. Work with the Government of Canada to expand and improve the Canada-B.C. Job Grant by making it permanent, increasing the funds available including for multi-year training, providing for more frequent reimbursements during the grant period, expanding the range of eligible on-the-job training, and speeding up application approval times.**

Government incentives can play a critical role in addressing this challenge. Financial support for workforce training helps to offset the risk and uncertainty associated with making these critical investments in worker training. Thankfully, a solution to these problems exists: expand the Canada Job Grant (CJG). This program offsets two-thirds of the cost of training, reduces the risks associated with training expenditures, and it gives businesses the freedom to pursue the training most suited to their individual needs. Provincial government criteria for program qualification is quite limited for most manufacturers. It is targeted at less experienced or effective workers and has no component that supports living expenses for a worker on extended training leave.

#### **6. Governments should collaborate to develop an interprovincially recognized Agreement on Mutual Recognition for skilled trades workers to acknowledge equal competencies between jurisdictions to help the flow of capital and qualified workers to eliminate barriers.**

### **3. STIMULATE INVESTMENT FOR B.C.'S MANUFACTURERS**

To unleash B.C.'s manufacturing sector for innovation and growth, access to capital must not hinder daily operations. Manufacturers face barriers like complex grant applications and inconsistent equipment valuation, constraining their potential.

Both federal and provincial governments offer export-related support programs, yet CME surveys consistently reveal low participation rates. Governments must adapt these programs to better align with business needs, addressing factors like low awareness and rigid eligibility criteria. Limited uptake is also due to the smaller scale of Canadian manufacturing firms, which lack resources and managerial capacity compared to larger counterparts, hindering their ability to access support.

In working with both the private and public sector to enhance and simplify funding and investment to B.C.'s manufacturers, CME recommends the following:

## A STRATEGY TO FUTURE-PROOF B.C.'S MANUFACTURING FOR GROWTH (continued)

### 7. Explore ways to mitigate the cost and availability of industrial land. This could include:

- a. The creation of an Industrial Land Reserve and industrial technology hubs;
- b. Working with municipalities to streamline approval processes for industrial land development: and
- c. Subsidizing the cost of industrial land in certain conditions.

### 8. Encourage the government to increase awareness of funding available to SMEs through proactive targeting and provide concierge services to identified companies during application process.

### 9. Where applicable, direct grants covering consultation costs should be made available to provide SMEs support to purchase capital equipment upfront. The grants should be flexible enough to cover non-equipment costs associated with Smart Manufacturing. The B.C. Technology Assessment Program, while useful, is underutilized because it is not directly connected to a capital program.

CME partnered with the Government of Ontario, Canada's FedDev Ontario and FedNor Agencies to provide direct funding to over 1,400 manufacturing projects in Ontario. Funds from the CME SMART Programs facilitated improved productivity and allowed SMEs to invest in their futures.

### 10. Create a B.C.-based manufacturing centre of excellence to provide in-province manufacturing equipment support and encourage adoption of new technologies.

The Technology Visits Program (TVP) and Innovation Insights Program (IIP) was organized by CME and funded in part by IRAP, designed to promote best manufacturing practices and peer-to-peer exchanges. The TVP provided support for educational opportunities for manufacturing executives to learn more about modern advanced technology platforms through global outreach, education tours, and technology showcases.

### 11. Introduce a shared federal/provincial manufacturing investment tax credit (ITC) for investments in new buildings and new machinery, equipment, and software.

Achieved in part through CME advocacy, the Ontario Made Manufacturing Investment Tax Credit is a 10%

refundable Corporate Income Tax credit for eligible corporations on qualifying investments in buildings, machinery and equipment for use in manufacturing or processing in the province. An eligible corporation could receive a tax credit of up to \$2 million a year.

## 4. ENSURE MARKET ACCESS AND BETTER FOREIGN PROTECTION FOR B.C.'S MANUFACTURERS

British Columbia has a small domestic market, making international trade a critical component of the economy and a primary way for B.C. companies to grow their business. By providing export incentives and assistance to companies looking to go global and by increasing access to foreign markets, governments can drive economic growth, innovation, and job creation.

Within our borders, to encourage domestic production and to help companies scale-up and commercialize made-in-Canada technologies, governments can do a better job of leveraging procurement. This could best be accomplished by taking more than cost into consideration and by broadening assessment criteria to include local economic, societal, and environmental benefits.

In growing B.C.'s presence globally, while protecting ourselves at home, CME recommends the following:

### 12. Grow and leverage our position with our counterparts south of the border by enhancing policy tools like reciprocal procurement to maintain market access and create an equitable environment for Canadian Manufacturers.

### 13. Create and fund a provincially driven campaign to identify, promote, and celebrate locally made goods, aimed at helping consumers identify, align within business-to-business sales, and providing avenues for government procurement opportunities.

Created and managed by CME, the #OntarioMade program has been a large success, which brings together manufacturers and makers, retailers, and consumers to celebrate and promote the many world-class products that are made in the province. It is dedicated to helping consumers identify Ontario-made products, celebrate what is Ontario Made, and support the purchase of Ontario-made products

**14. Introduce government procurement reforms that promote domestic innovation and production by including criteria beyond the lowest cost and work with municipal and regional governments to create a more uniform, province-wide procurement process.**

**15. Encourage procurement innovation through an innovation fund administered by the provincial government.**

The US Defense Advanced Research Projects Agency (DARPA) provides a useful model for government leadership in basic and applied research. Designed on the principles of public-private partnerships and demand-driven generation, DARPA was created to solve technological issues for the US government, underpinning that publicly funded R&D must be closely tied to industry to ensure better technology transfers.

## 5. REINVIGORATE RESOURCE INDUSTRIES

British Columbia was built on its natural resources and although our economy has become more diverse, forestry, mining and energy remain cornerstones of our economy. In addition to manufacturing products made from these resources, a significant component of our manufacturing sector is part of the supply chain.

The Council of Forest Industries (COFI) released its own report, *Building for the Future* in September of 2024. This report highlighted the challenges it faces and made a variety of recommendations.

**16. Implement the recommendations of COFI's *Building the Future Report*, with a particular focus on speeding up harvesting permits and securing a predictable timber supply.**

**17. Work with the federal government to ensure permitting and approval processes for mines and other major projects are timely, predictable, and consistent and not unnecessarily delayed.**

## CONCLUSION

Manufacturing is a critical element of the province's economy yet is often overlooked because of the strength of our natural resource space. Yet it is the value-added manufacturing that will lever the most stable economic growth. However, like the rest of Canada, our manufacturing sector is facing increasing challenges in a fierce global competition and we are failing to meet that challenge. Manufacturing in B.C. is in a crisis. Yet if we can address these issues, and given manufacturing's far-reaching impact, its revival will help secure B.C.'s prosperity for generations to come.

Manufacturing is a critical anchor industry because it is less mobile than other industries. It is challenging to attract the initial investment, but once it is made, it acts as an anchor to keep those jobs in British Columbia. The net result is that the benefits of a strong tax base and higher than median average wage are sustainable in the longer term.

Manufacturing B.C.'s Future began by asking manufacturers about the barriers holding back their growth and prosperity. CME believes that any economic analysis must begin with a grassroots conversation among those most affected, and those making the investment decisions. Only by listening to manufacturers can we create solutions for manufacturers.

Within our province we have the people, the natural resources, the supporting infrastructure and the technology to accelerate growth in British Columbia's manufacturing sector. A coordinated plan that addresses a variety of issues will be more effective than individual measures in isolation. The recommendations in this report can form the basis of a plan to manufacture growth, innovation and prosperity for the province.

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