

# Healthy manufacturing sector and smart policies are key to keeping economy strong

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**F**irst and foremost, let's dispel the myth that the manufacturing industry is anything but a vibrant and vital part of the B.C. economy.

What may come as a surprise to many British Columbians is that the taxes paid by the manufacturing sector account for almost 1/3 of total business tax revenues, and that for every \$1 spent in manufacturing, a total of \$3 in total economic activity is generated — three times the impact of the tourism industry, and twice that of the high-tech sector. A healthy manufacturing sector in B.C. is essential to the well-being of all of us.

Manufacturing has the biggest economic footprint in the province, with over 12,000 B.C. firms, supporting almost 400,000 jobs spread throughout the province and some \$40 billion in annual production. An economic driver of the province, manufacturing represents \$8.6 billion in wages, at levels 15-per-cent higher than the overall average wage for all industries. The sector has expanded 43 per cent since 1997, and currently accounts for 11.2 per cent of total GDP and 75 per cent of all merchandise exports.

Manufacturers also account for a whopping 42 per cent of all private sector research and development, helping to cement their status as B.C.'s "greenest" firms. The province's manufacturing sector has come a long way from the dirty, smelly, minimum-wage smoke-stack industries of the past. Manufacturing is the one key industry sector that actually meets stringent Kyoto targets.

However, using a number of key indicators such as labour productivity and manufacturing production and export growth, B.C. manufacturers turn in a failing grade on global competitiveness. The global financial crisis and subsequent deep economic recession, as well as the appreciating Canadian dollar,

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are accelerating both the challenges to B.C. firms and the need for immediate action to assist the sector. The manufacturing sector, in collaboration with government, academia and labour, will have to work together to promote and adapt to the required changes.

The first key is what B.C. manufacturers must do for themselves.

In B.C., the Canadian Manufacturers and Exporters (CME) is actively working with businesses across the province to improve competitiveness, increase productivity, and inspire innovation through a number of programs that will encourage manufacturers to work leaner and smarter, use energy more efficiently, as well as programming that will promote worker health and safety, worker skill upgrading, and encourage industrial technology clustering.

These programs will translate into business growth and investment, job creation, higher worker wages, and increased tax revenues for the province — all of which will strengthen the standard of living we all enjoy here in B.C..

The second key requires leadership at the provincial government level.

The CME strongly supports the B.C. government's intentions to introduce the harmonized sales tax (HST). Arguably the most important tax reform in a generation, it will reduce costs for both manufactured goods and investment in production capacity, as well as lower compliance costs at the firm and provincial level. This will lead to improved competitiveness and productivity for manufacturers, stronger economic growth, more exports, and growing employment and wages for workers.

The CME is looking forward to work-

ing with the B.C. government on a timely and workable implementation of the HST, along with other key initiatives to help our members create a culture of innovation, accelerate labour force productivity, and to become the most cost effective users of energy in the world. To keep pace with global competition, CME advocates the following:

Develop the "B.C. Advantage" where government commits to develop strong industrial policy based on the Finnish knowledge-based model, invest at least 3.5 per cent of GDP into research, development and commercialization of technologies, enhance the SRED program, accelerate depreciation allowances, provide tax credits to certain types of equipment and improve infrastructure links with the province's dominant trading partner, the U.S.

Encourage a "Work Smart" approach to accelerate labour force productivity by encouraging businesses to take more of a lead in workforce training and development (specifically the tools and techniques of "Lean" manufacturing) through a collaboration of government, educational institutions and businesses and through enhanced tax incentives for businesses and employees to do more skills upgrading.

Create a "Carbon Smart" approach where manufacturers accelerate their leadership role in B.C. in mitigating greenhouse emissions while reducing, reusing and recycling . . . and improving their global competitiveness. This can be done by creating a cradle-to-grave Green Energy program of capital tax credits to support efforts of manufacturers to modernize energy consumption and emission control systems and/or take advantage of alternative GHG-reducing energy and fuels. Further, use directed carbon tax funds to provide target-based financial rewards for manufacturers who implement carbon-reducing measures.

*Craig Williams is the vice-president of the Canadian Manufacturers and Exporters, B.C. Division. This paper is being presented at the third Outlook 2020 Summit taking place today in Vancouver. Full discussion papers can be found at BCBC.com*