



Canadian Metals Outlook '10

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Manufacturing in Canada Implications for Recovery

November 10th, 2009





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Canada: Manufacturing Sales





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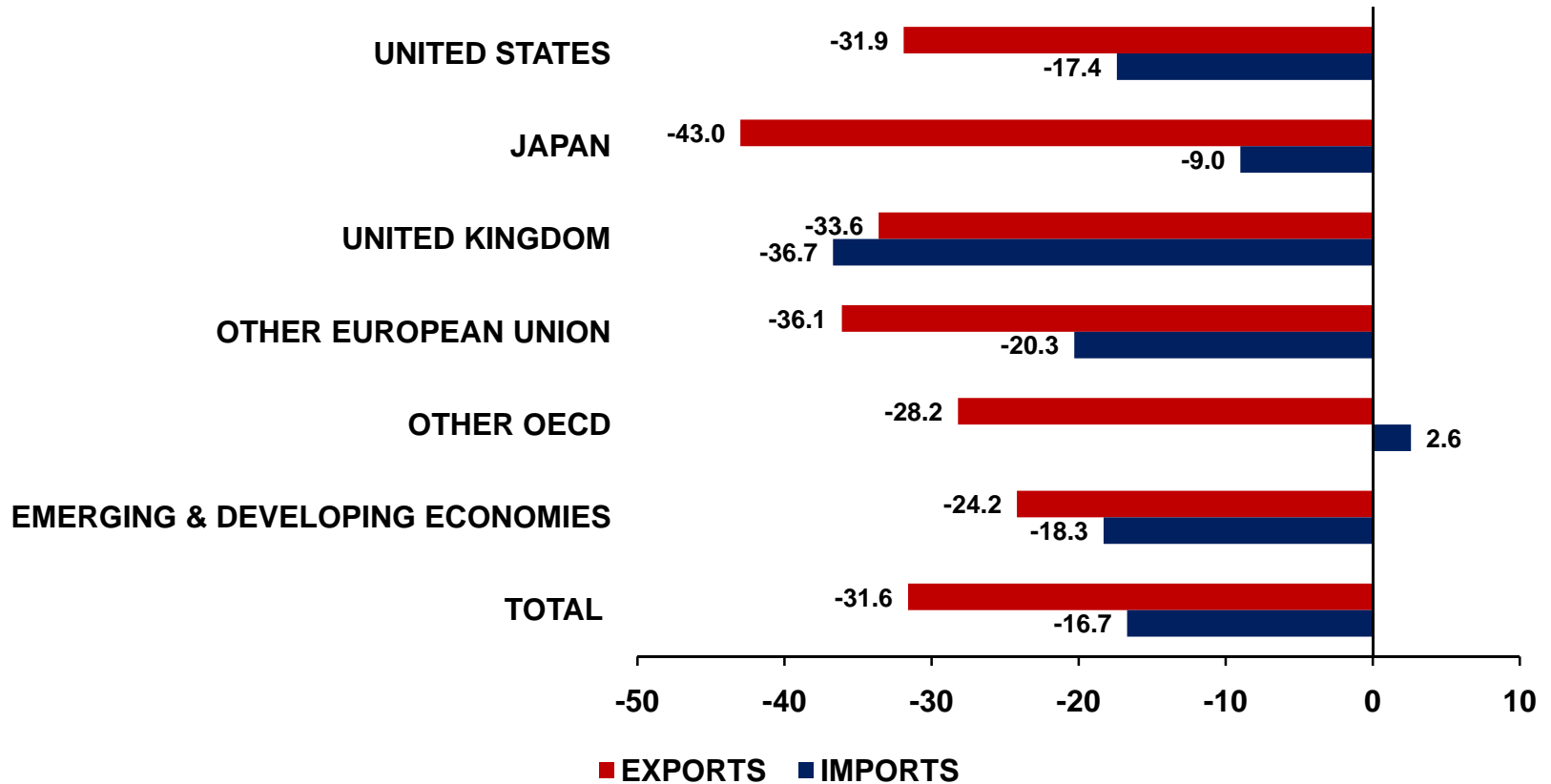
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Merchandise Trade (August 2008 – August 2009)





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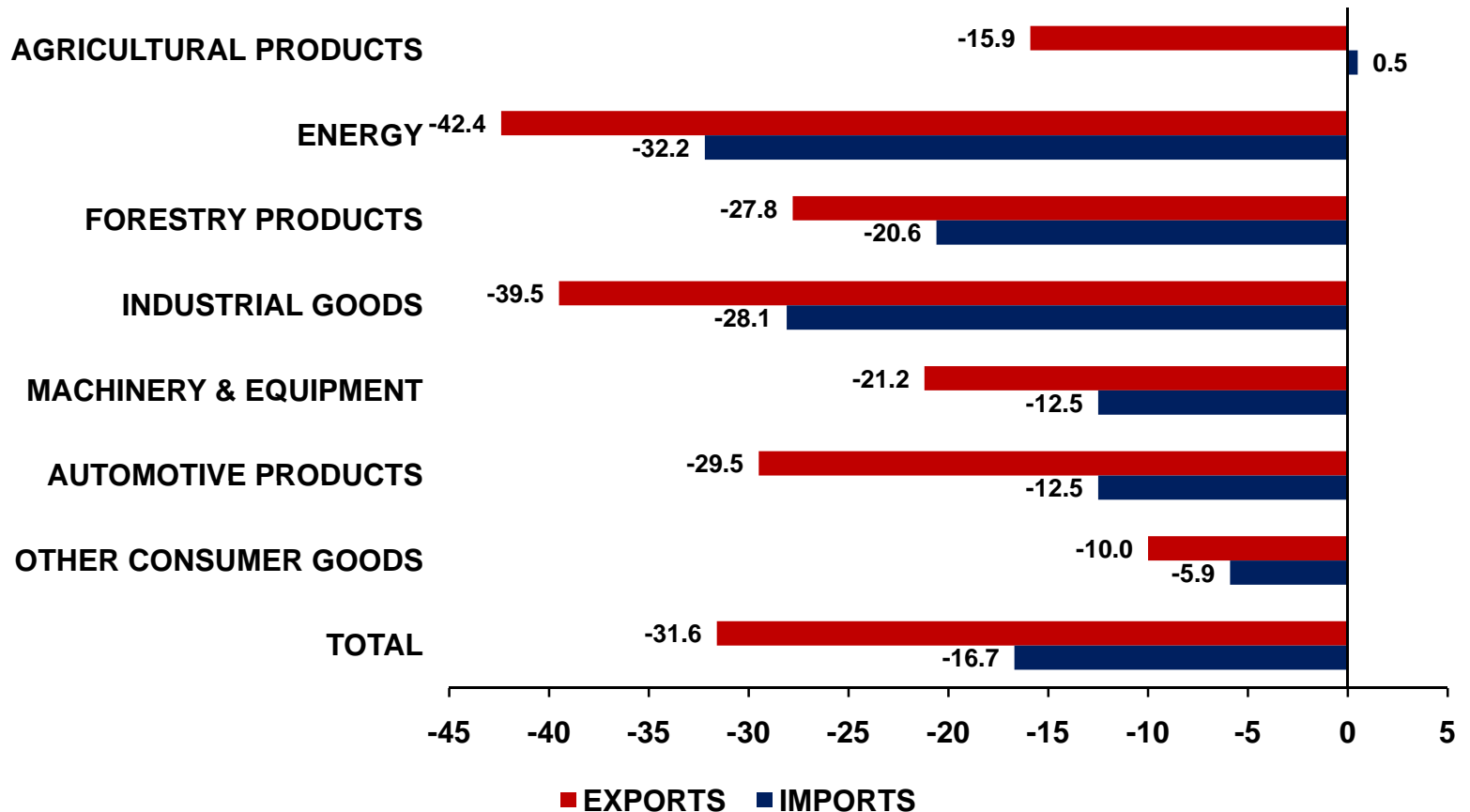
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Merchandise Trade (August 2008 – August 2009)





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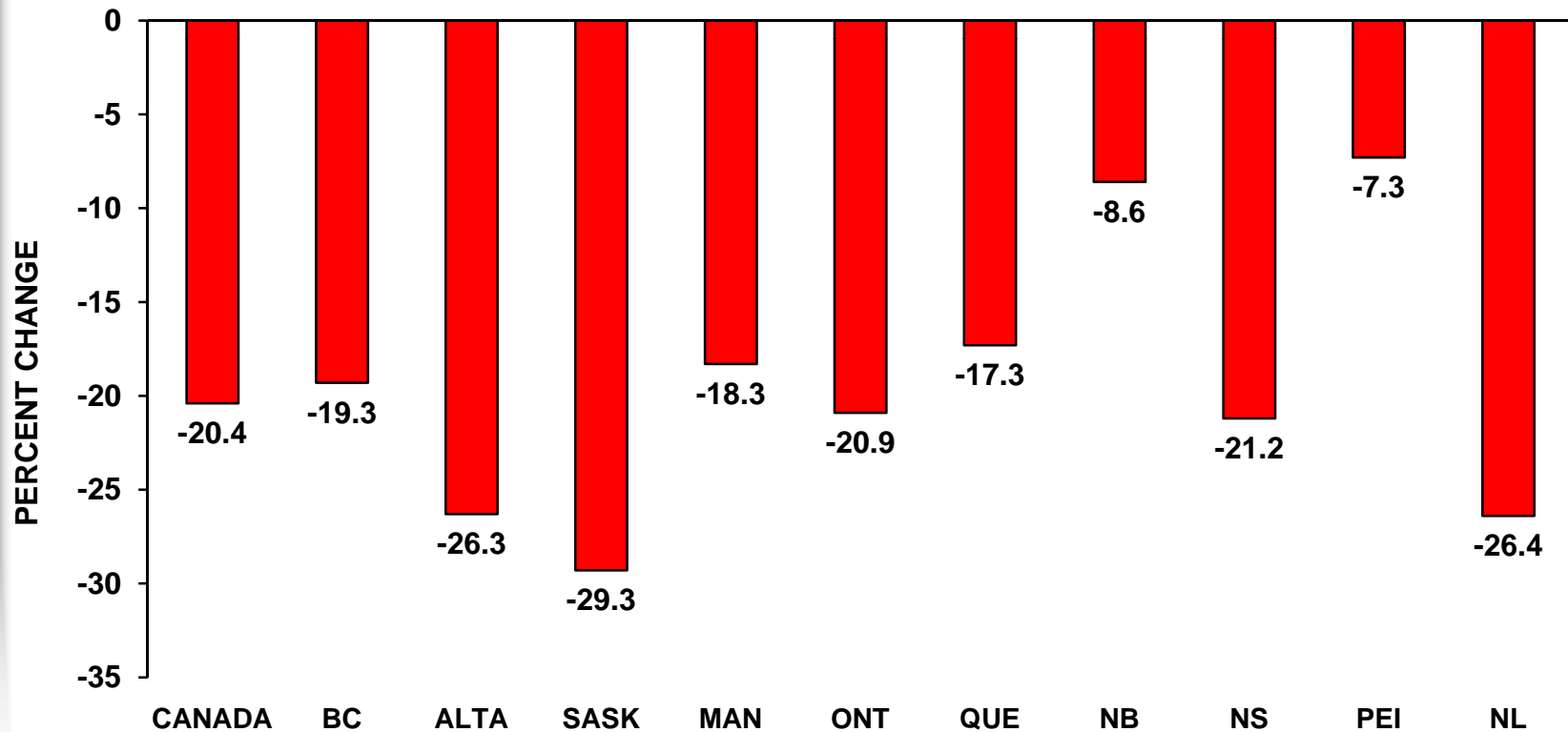
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Sales by Province (Aug 2008 – Aug 2009)





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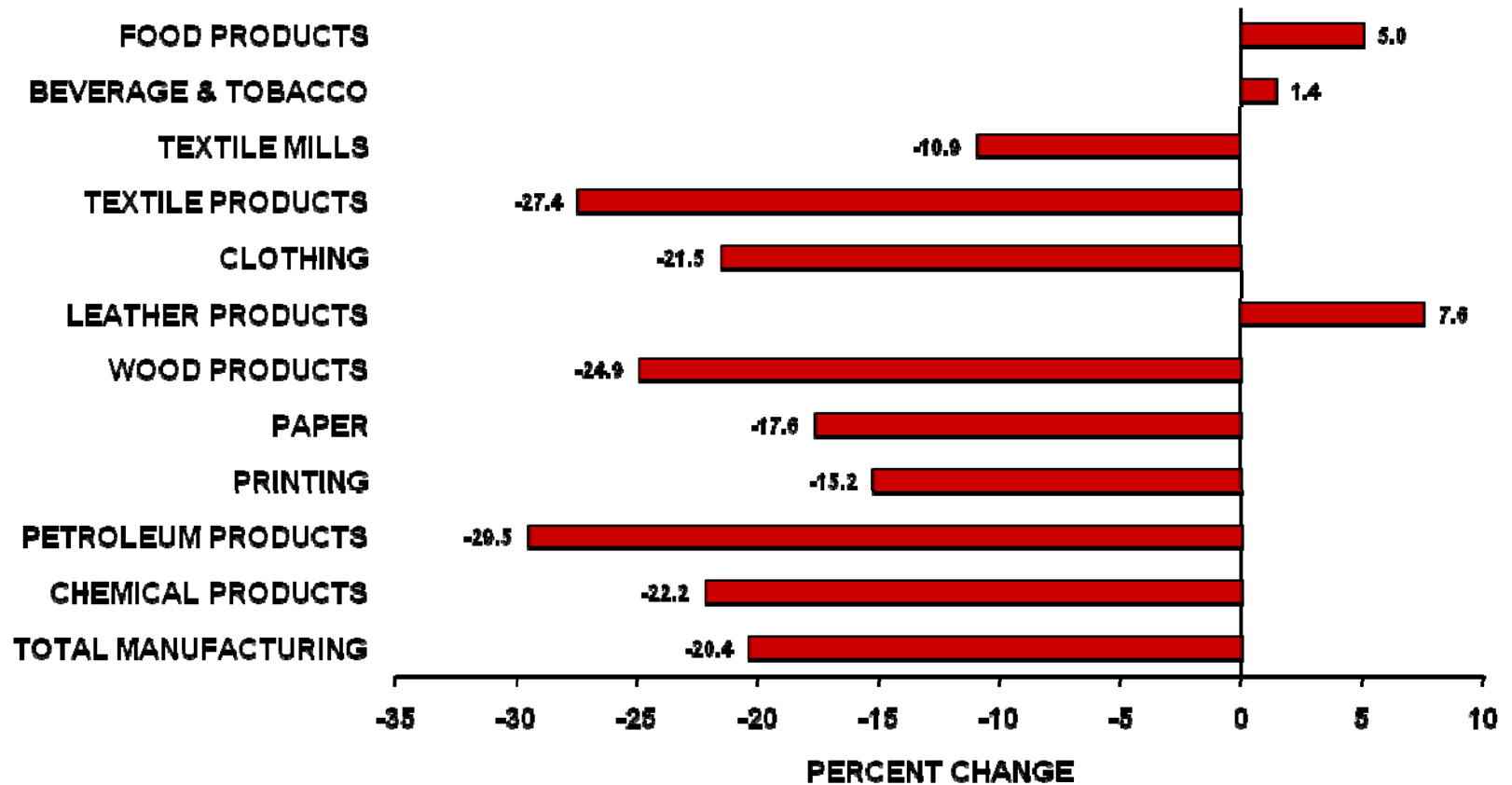
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Sales by Sector (Aug2008 – Aug2009)





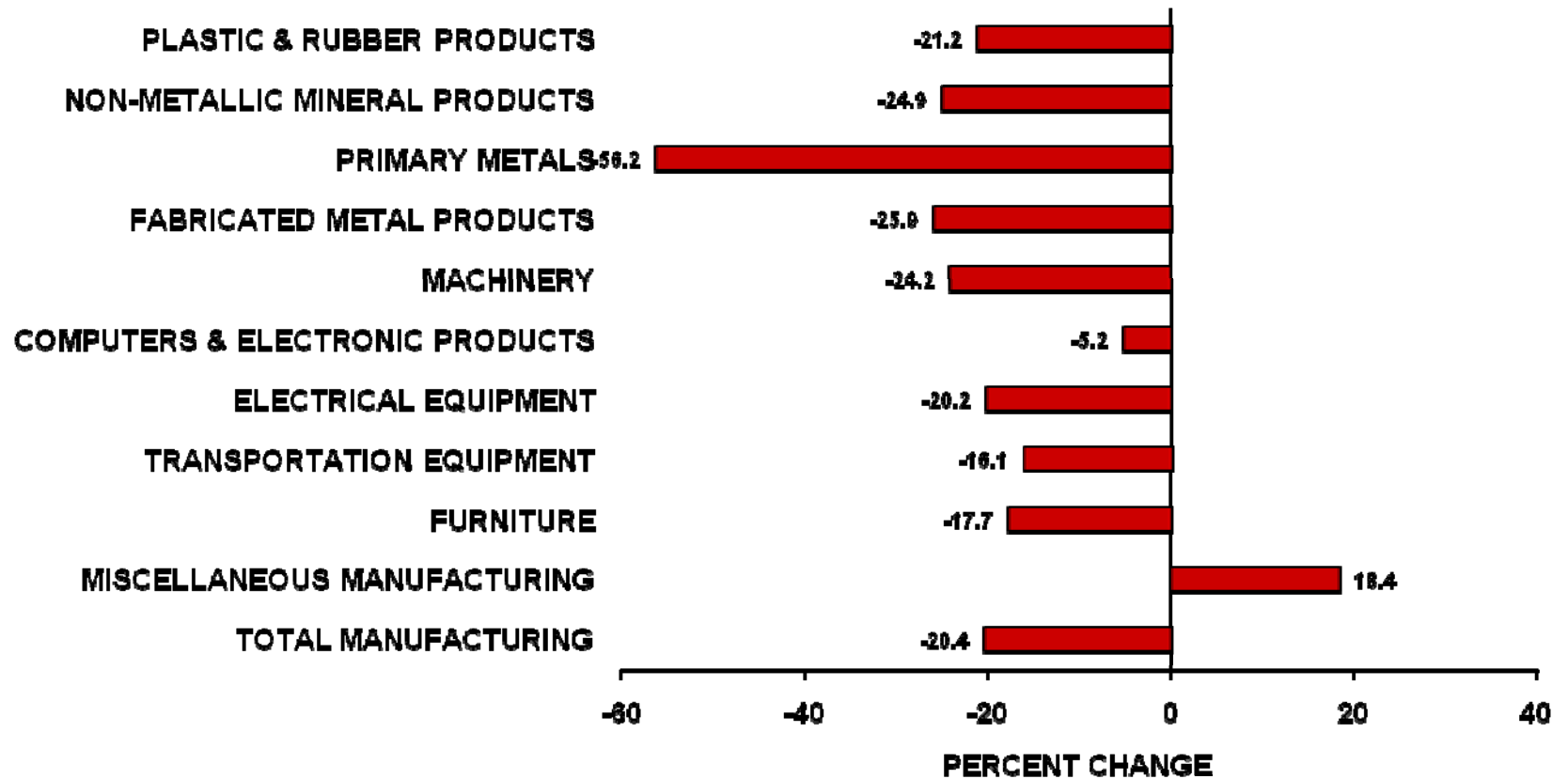
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Sales by Sector (Aug2008 – Aug2009)





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Current Challenges

- **Meltdown in Customer Demand**
 - Overcapacity leading to intensified competition, consolidation, closures
 - 500,000 job losses since 2004 (25% of manufacturing workforce)
- **Sustaining the Recovery**
 - Rebound in demand driven by fiscal & monetary stimulus in both Canada & USA
 - Housing market – renovations
 - Automotive market – Cash for Clunkers
 - Infrastructure projects
 - No indication yet of sustained recovery in consumer spending or business investment
- **Appreciation and volatility of Canadian dollar**
- **Cost & Availability of Financing**
- **Protectionism**
 - Buy American
 - Protectionism in other countries



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Reset: “The New Normal?”

- Changing consumer attitudes & restrained spending behaviour
- Global overcapacity = intense competition, rapid commoditization, consolidation, supply chain restructuring
- Energy & environment = Carbon constraints
- Aging population = wide ranging impacts on customer demand, availability of skilled and experienced personnel, cost of health care, etc
- Advance of new technologies



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Structural Challenges

- Weak demand & high risk in traditional US market = Need to develop new markets
- Global overcapacity = Need to differentiate products/services to overcome commoditization pressures
- Multinational consolidation = Need to rebuild access to global supply chains
- Small & medium sized manufacturing base = Need to build capacity & partnerships



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Responding to the Challenge

- **Leadership – New strategies & effective implementation**
 - *“The business of manufacturing is not getting product out the door, but providing a solution to customers through product supply chains. It is about creating value in those global supply chains.”*
- **Cash Flow – Cash management, financing, hedging, pricing, outsourcing**
- **Lean cost reduction – Focus on what customers value & eliminate waste**
- **Innovation – Solutions, specialized products & services, customization**
- **New market development – In Canada & around the world**
- **Logistics – Leveraging logistics advantages**
- **Achieving results through people – skills and workforce capabilities**



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Business Opportunities

- Cash and investment strengths
- Survival is a good growth strategy – Replace competition
- Acquisitions
- Respond to new & emerging customer demand
- New product & market development
- Infrastructure & innovation
- Product specialization, services, new processes, new skills



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Future Competitive Advantage

- Focus on Customer & Supplier Success
- Mastering global supply chains
- Knowledge management
- Specialized products & services
- Innovation – Continuous commercialization of new and improved products & processes
 - New technologies & automation systems
 - New business models and global value networks
 - New market opportunities
- Agility & Customization
- Customer Value – Design, Engineering, Service, Financing
- Time – Product Development to Customer Response
- Lean – Products, Processes, Enterprise, Business Networks
- Total Delivered Cost