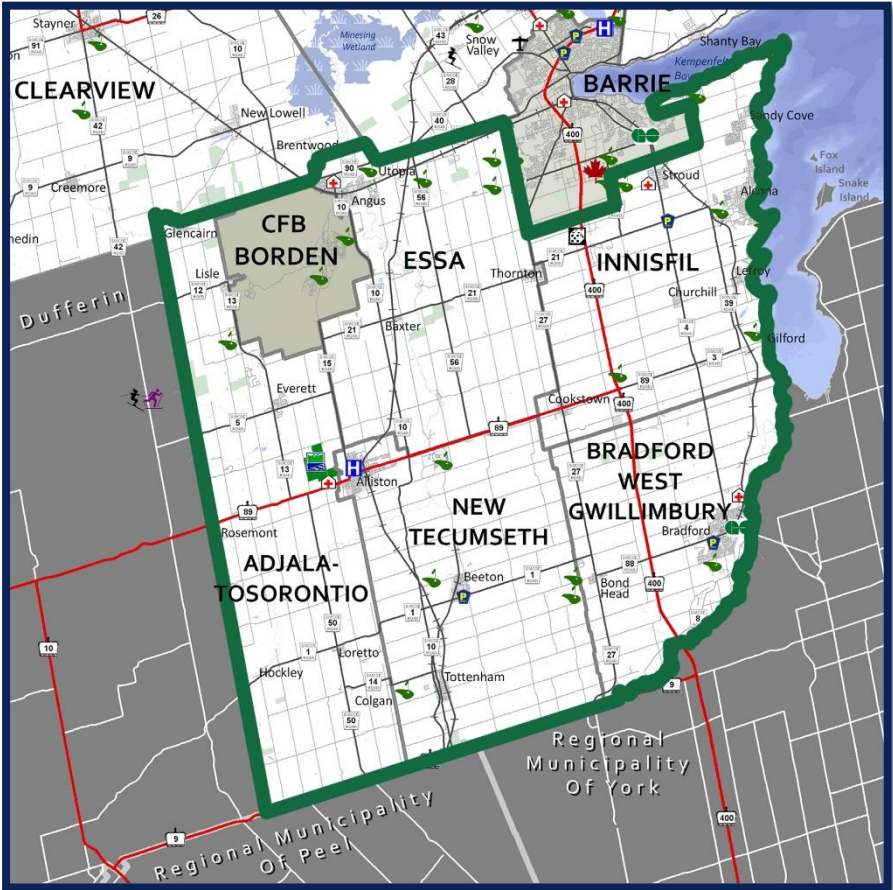




In Partnership with the
Municipalities of South Simcoe

South Simcoe Business Retention & Expansion Survey

Manufacturing Sector 2015



Map Courtesy of the County of Simcoe

Nottawasaga Futures would like to thank all of our partners who made this project a success.



Introduction

Nottawasaga Futures, in partnership with the County of Simcoe and the five municipalities of South Simcoe (Town of Innisfil, Town of New Tecumsth, Town of Bradford West Gwillimbury, Township of Essa and Township of Adjala-Tosorontio), conducted a business support program for the manufacturing sector of South Simcoe. The model used was the Business Retention and Expansion program (BR+E) adapted to the Ontario business environment by the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) and is intended to identify specific barriers to growth and highlight opportunities for expansion through a carefully designed survey.

This survey has been presented in each of the five South Simcoe municipalities with dedicated support and full participation.

Methodology

This report summarizes the results of a business visitation survey conducted with manufacturers from across the five municipalities of South Simcoe. In 2014, manufacturing accounted for 18.8% of all jobs in South Simcoe, making it the largest employment sector in the region. The auto manufacturing sector (including motor vehicle parts manufacturing) employed 5,869 people, accounting for 64% of all manufacturing jobs in the region. In regards to job growth, the manufacturing sector generated 952 new jobs between 2009 and 2014.

One hundred and twenty-eight businesses were selected as a representative sample of the various sub-sectors within the manufacturing sector, representing a diversity of operations and sizes within the region. Of the 128 selected, only 45 agreed to participate.¹ Many businesses across South Simcoe declined to participate, stating they were too busy, not interested, or did not need the assistance available to them. In an effort to increase uptake, Nottawasaga Futures and the municipalities tried a number of different approaches. Over 600 phone calls were made, as well as direct emails and phone calls from the municipalities to additional contacts, a targeted postcard mailed to all 128 businesses, and door-to-door visits to 27 businesses that had not responded by phone or email.

The Economic Development Office of the County of Simcoe and the five municipalities, in partnership with Nottawasaga Futures, interviewed business owners between September 2014 and February 2015 using the standardized OMAFRA Business Retention and Expansion questionnaire.

¹ Given that this survey was of a limited number of respondents, it cannot be definitively concluded that all manufacturing businesses in the area share similar experience.

The Business Retention and Expansion program focuses on existing businesses in a community. While the attraction of new business is an important aspect of a balanced economic development strategy, the Business Retention and Expansion process recognizes the need to do more to assist existing businesses, helping them to survive and grow. Through the BR+E process we were able to get a better understanding of business needs, including the necessary information and resources required to address those needs. Through the Nottawasaga Futures Business Resource Centre, businesses were able to access business resources and meet one-on-one with consultants. As well, individual businesses were provided information on grant programs available to them.

The survey is a tool used to gather information from businesses in the region with the intention of discerning the critical issues relevant to business retention and expansion. The survey was structured to identify Red Flag issues in key areas such as:

- Manufacturing Activities;
- Business Climate;
- Future Plans (downsize, relocate, expand/renovate, close);
- Business Development;
- Workforce Development;
- Training; and
- Local Community Advantages and Disadvantages.

The following report is a discussion of the key areas, with the results summarized and cross-tabulated to better understand the survey responses.² *Executive Pulse*, a data analysis software, was used to summarize the information gathered in the surveys. The survey included community based questions.

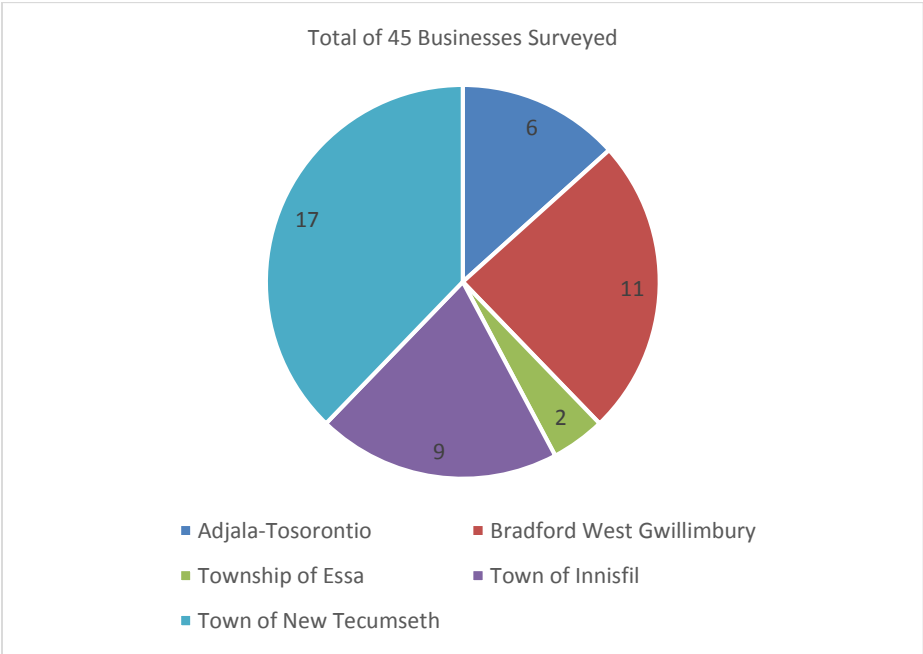
² Cross-tabulation refers to the investigation of one question based on the response of another question.

Survey Findings

Company Information

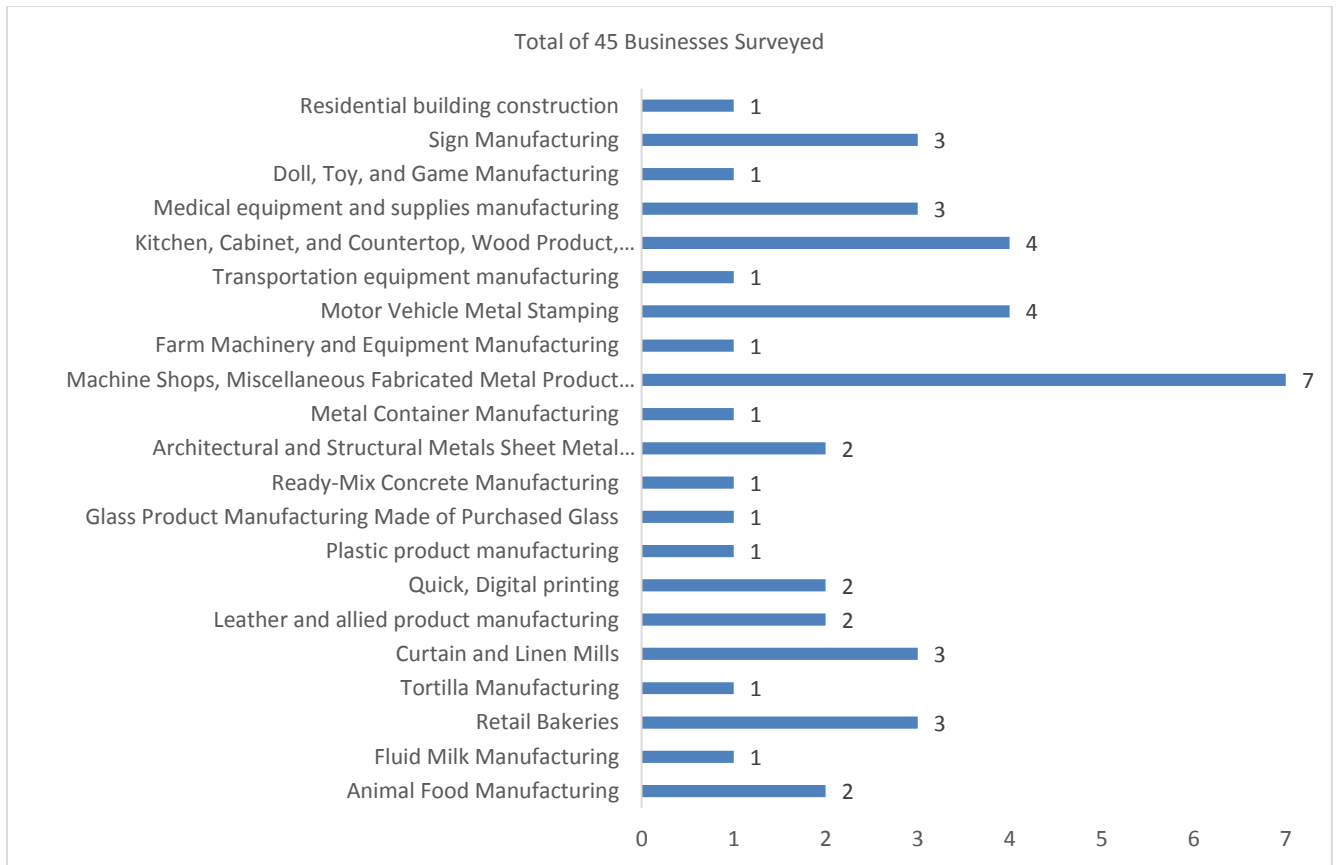
From the 45 respondents that participated in the survey, the proportion per municipality was as follows: the Township of Adjala-Tosorontio (13% or 6 respondents); the Town of Bradford West Gwillimbury (24% or 11 respondents); the Township of Essa (4% or 2 respondents); the Town of Innisfil (20% or 9 respondents); and the Town of New Tecumseth (38% or 17 respondents). The distribution of participation by municipality is summarized in Figure 1.

FIGURE 1: MANUFACTURING PARTICIPANT OPERATIONS BY LOCATION



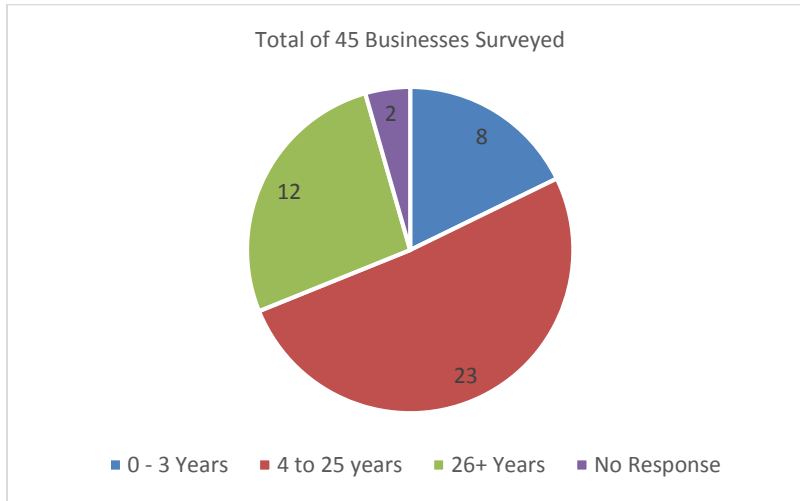
South Simcoe has a mix of businesses associated with the manufacturing sector that participated in the survey. Sixteen percent of respondents (7 businesses) identified as machine shops, miscellaneous fabricated metal product manufacturing, and 9% of respondents (4 businesses) identified as motor vehicle metal stamping. Figure 2 displays the different sectors that made up the list of surveyed businesses.

FIGURE 2: TYPES OF MANUFACTURING FIRMS



This section provides an overview of the general business landscape in South Simcoe. As shown, there is a mix of businesses associated with the manufacturing sector that participated in the survey. Many of the businesses that participated in the survey (51% of the respondents) indicated that they have been in operation between four to twenty-five years. In addition, 73% of the respondents (33 businesses) indicated that the owners live in the local community. This indicates that over the long-term, business owners have viewed South Simcoe as a great place to operate their venture. Some of the comments from businesses are “*great access to highway 400,*” and “*excellent proximity to larger markets.*” The overall age of respondents’ businesses is summarized in Figure 3.

FIGURE 3: YEARS OF BUSINESS OPERATING IN COMMUNITY BY PROPORTION OF TOTAL RESPONDENTS

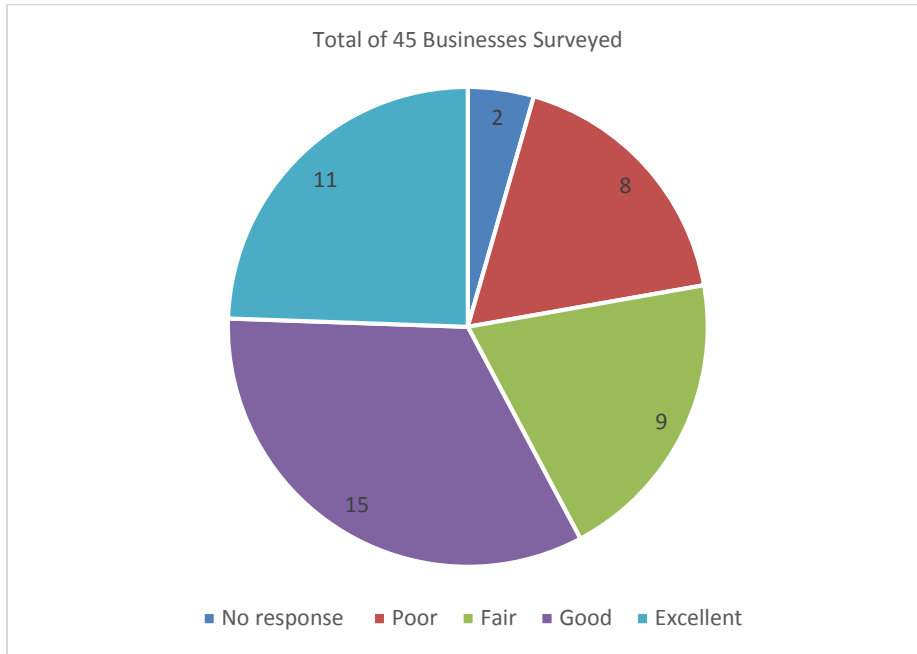


Nearly three quarters of the businesses do not have locations outside of South Simcoe and 7% of respondents (3 businesses) have at least one. During the interview process 18% of respondents (8 businesses) indicated they are branches or divisions of regional, national or international companies.

The majority of the businesses surveyed (55% of respondents) identified the region as the primary market of their business, while 20% of respondents (9 businesses) served the local market. Twelve businesses currently export their products to multiple markets around the world. Of those businesses, the majority (10 businesses) have seen their export rate remain the same or increase when compared to the two previous years. Two businesses have experienced a decrease in exports, with these decreases being directly related to changing US Food and Drug Administration regulations and the exchange rate. Seven additional businesses identified themselves as potential exporters with all seven identifying the United States as their potential export market. These businesses cited freight and exchange rates as well as difficulty sourcing potential buyers as the barriers to their international expansion plans.

As Figure 4 illustrates, 51% of respondents consider South Simcoe to be an excellent or good place in which to do business (23 businesses), while 38% of respondents (17 businesses) consider South Simcoe to be fair to poor as a place to do business. Five respondents provided no response or feedback on the question. During the survey it was determined that 13 businesses experienced a positive change in attitude over the last three years towards their community as a place in which to do business.

FIGURE 4: GENERAL IMPRESSION OF SOUTH SIMCOE AS A PLACE TO DO BUSINESS

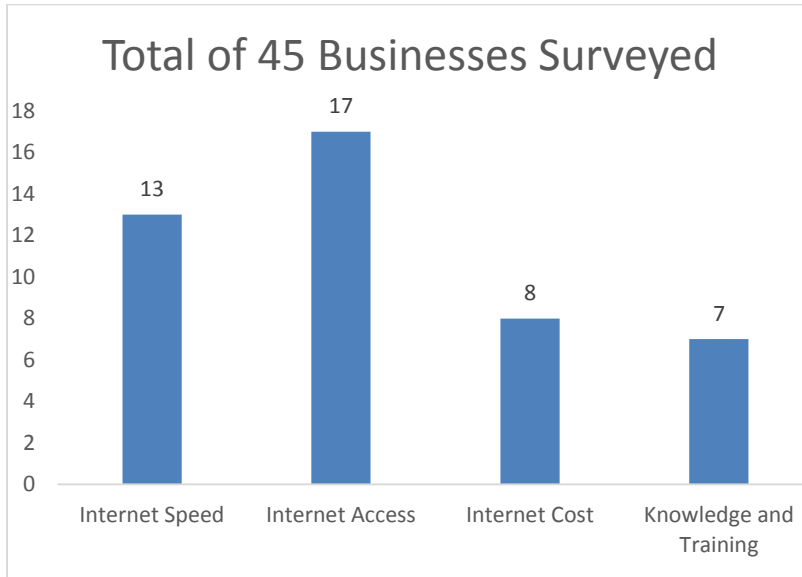


Some of the comments about their discontent were around issues related to:

- High land costs;
- Poor internet service;
- No curbside garbage/recycling pickup;
- Uncompetitive development charges;
- Prolonged building permit application processes for expansion;
- Lack of municipal support;
- Availability of serviced land;
- Lack of space for lease;
- Street/road repair; and
- Issues around the workforce.

Throughout all of the municipalities one of the major issues mentioned of concern by the local businesses was the poor access to and quality of internet service. Due to the lack of quality and reliable internet, over half of the respondents indicated that they are facing barriers in the technology requirements of their business. Figure 5 highlights the most common barriers across the various technological requirements.

FIGURE 5: NUMBER OF COMPANIES EXPERIENCING INTERNET RELATED BARRIERS

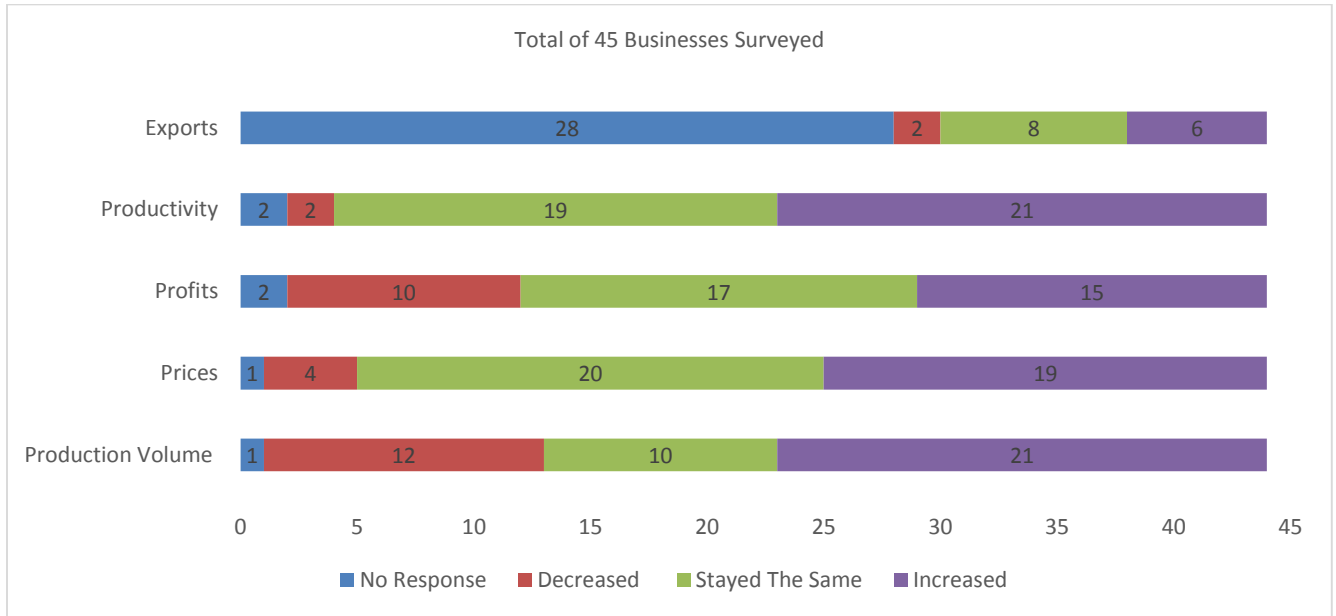


Manufacturing

This section provides an overview on how the manufacturing businesses are faring in the present economy. Nearly half of the respondents (21 businesses), experienced an increase in production volume, while 19 businesses saw an increase in prices over the last two years. Over the same period, 33% of businesses saw their profits increase (15 businesses) and 47% of respondents (21 businesses) increased their productivity, which is in line with the national trend for manufacturers. The national trend for manufacturers for the period from 2011 to 2013 has been a 7% increase in profit.³ This is typical during the recovery period from a significant downturn such as the manufacturing sector experienced in South Simcoe between 2008-2011. At this point we still see employment is lagging with minor or no job increases. Accordingly, there is a substantial improvement in productivity and productive capacity utilization. These developments positively impact on profit and on the willingness of firms to invest.

³ Quarterly Balance Sheet & Income Statement, Industry Classification System by North American (NAICS), Statistics Canada, Table 187-0001.

FIGURE 6: COMPARED TO 2 YEARS AGO: HOW HAVE THE FOLLOWING ASPECTS CHANGED?



Every product has a life cycle and it is essential for businesses to know where their product(s) are in that cycle to plan for the future. Over half of respondents have indicated that their primary product is either emerging (11% or 5 businesses) or growing (47% or 21 businesses). Furthermore, a business with its product nearing the end of its cycle is at risk of declining sales, and 22% of respondents (10 businesses) have stated that their primary product is maturing while a further 11% of respondents (5 businesses) see their primary product declining.

South Simcoe businesses are responding to this challenge by developing new products. It is encouraging to see over half of the respondents have either introduced a new product to the market within the last 12 months (33%) or have a new product in development (20%).

In the last two years, 64% of respondents (29 businesses) have made major investments in equipment or machinery. However, 38% of the respondents (17 businesses) indicated that company facilities are underutilized. Of those 17 businesses, 59% (10 businesses) are interested in cooperating with another business to bring their plant(s) to full capacity.

The main focus of process improvements currently is geared toward energy efficiency and productivity improvement (lean manufacturing), with more companies pushing toward a green future. Another significant focus of businesses is improving their health and safety practices to come into line with WSIB and Ministry of Labour standards. Survey results showed ISO certification and vendor/supplier networks appear to be the lowest area of concern for improvement with local manufacturing businesses.

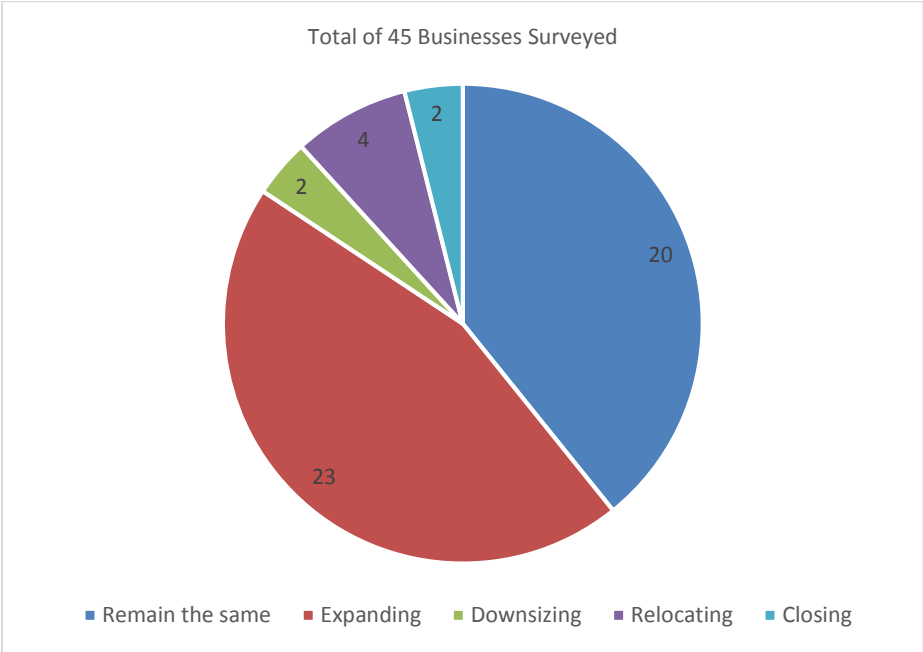
During the surveys it was learned that 73% of respondents (33 businesses) outsource some of their product components from other manufacturers, with 29% of respondents (13 businesses) outsourcing more than 50%. This consists of products and services such as: steel materials, plastic components, fabricated and cast products, laser cutting, screen printing, and glass.

Future Plans

This section provides a review of predicted future prospects for surveyed companies over the next 18 months. A primary question asked if respondents were expected to remain the same in production, downsize, relocate, expand or close; details are shown in Figure 7. From the 45 respondents, more than half of indicated that they would be expanding and 44% indicated that they would remain the same. Nearly half of the respondents (21 businesses) feel that the outlook for their industry is growth.

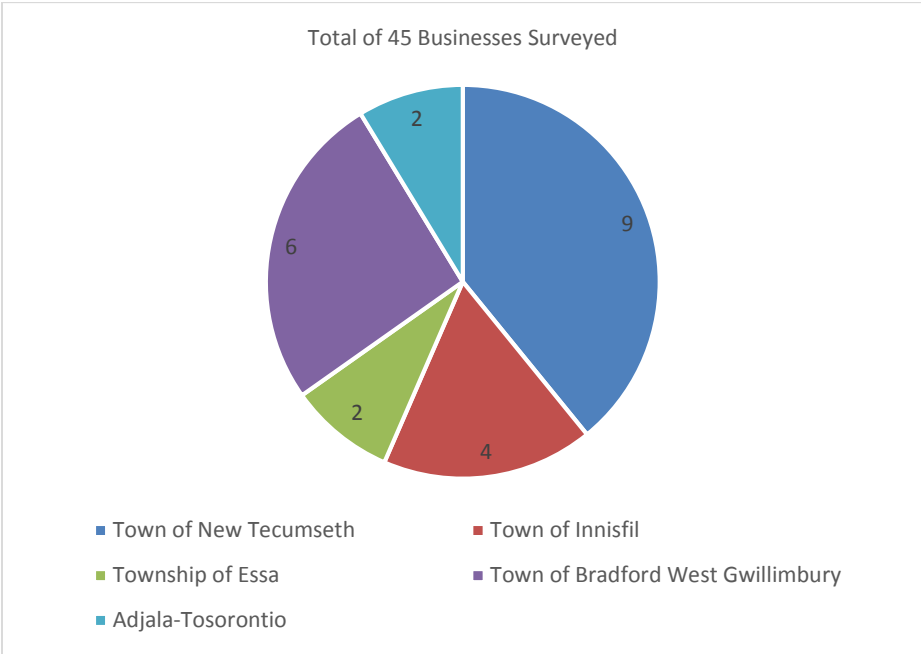
From the businesses that are expanding, four respondents have stated that their planned expansion will lead them to relocate their businesses. Furthermore, two of the respondents are planning on relocating within the community and two are exploring their options in different communities. Most businesses have stated that the community could help with their expansion and some areas of help include: more efficient building permit processes and reductions in development charges related to expansions and site selection.

FIGURE 7: PLANNED BUSINESS UNDERTAKINGS WITHIN THE NEXT 18 MONTHS



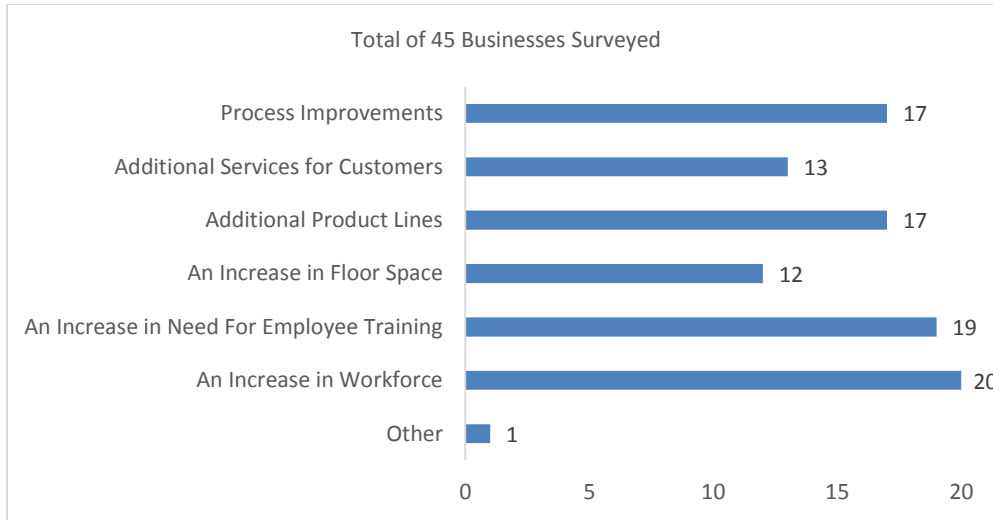
Business expansion is expected by at least one company in each municipality. Of the 23 businesses expecting to increase, the highest concentration is in the Town of New Tecumseth (39% or 9 businesses), followed by the Town of Bradford West Gwillimbury (26% or 6 businesses). Figure 8 illustrates the distribution of areas where businesses are expecting to expand.

FIGURE 8: LOCATION OF BUSINESSES PLANNING TO EXPAND



Overall respondents feel positive about the short-term prospects for their businesses, with 53% of respondents (24 businesses) expecting their sales to increase in the next year. Business expansion is expected to have a number of positive ramifications, as Figure 9 summarizes. Of those who are expanding, 44% of the respondents (20 businesses) indicated their expansions would lead to an increase in workforce, with a total of 133 new jobs created. Also, one quarter of businesses expect the planned expansion will lead to additional floor space totaling over 91,000 square feet. Businesses also believe that the expansion and upgrade in equipment will lead to an increase in the need for employee training.

FIGURE 9: WILL YOUR EXPANSION REQUIRE OR LEAD TO...

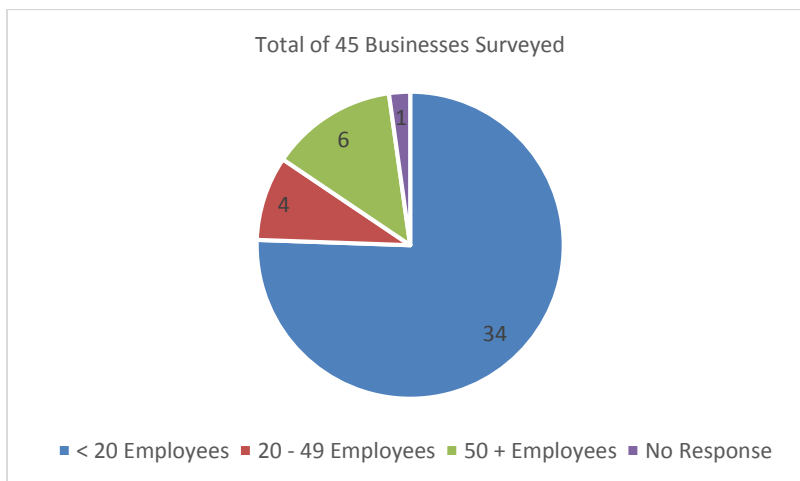


Workforce Development

The workforce development section of the survey focuses on past and expected changes in workforce size, while examining the factors responsible for these changes. This section further assesses the perceived quality and availability of the labour force for businesses responding to the survey.

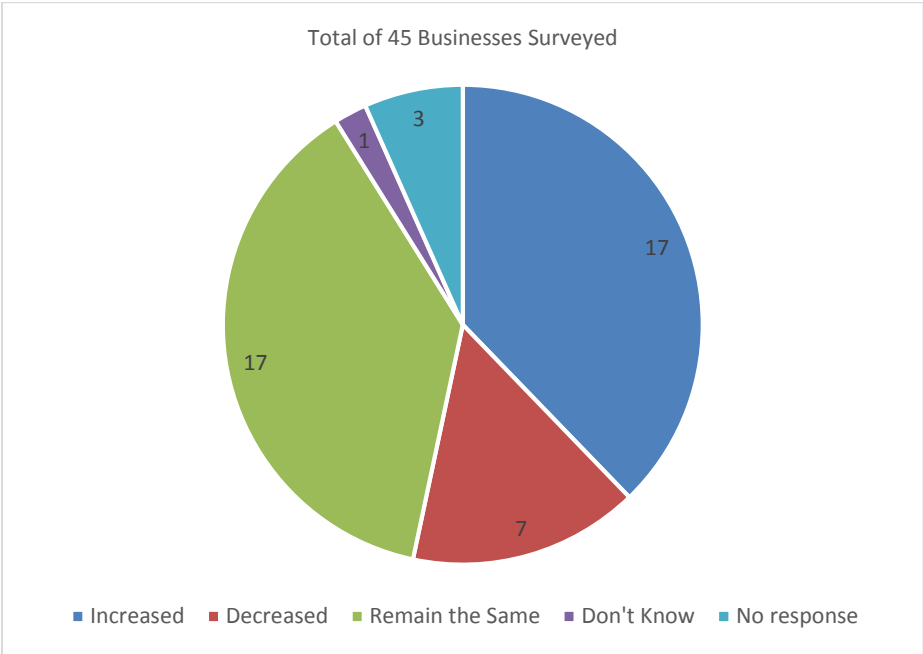
Figure 10 provides an overview of the number of personnel currently employed with the 45 respondents. Over three-quarters of the businesses surveyed (34 businesses) are small with less than 20 employees, there are 9% (4 businesses) that have between 20 and 50 employees, and 13% (6 businesses) with more than 50 (Figure 10).

FIGURE 10: NUMBER OF EMPLOYEES



From the 45 businesses surveyed, 38% have indicated that they have increased the number of employees over the last three years, as seen in Figure 11. Thirteen of the businesses indicated increasing by less than ten employees, three businesses indicated an increase of between 10 and 49 employees, and one business indicated an increase of over 50 employees. Seven respondents saw declines in the number of employees, with a reduction in sales as well as employee retirement being the main factors, while 17 respondents indicated the number of employees remained the same. The net effect of these actions was the creation of 104 new jobs over the last three years.

FIGURE 11: EMPLOYMENT IN SOUTH SIMCOE OVER THE LAST 3 YEARS



There were several employment issues that did emerge from the survey responses. When asked if the business currently had any difficulty hiring, of the 39 businesses that answered, 70% (27 businesses) said yes. Of these 27 businesses who are experiencing difficulty, more than three-quarters of respondents (21 businesses) identified lack of appropriate skills and training, 70% (19 businesses) identified lack of relevant experience, and 44% (12 businesses) identified too few applicants as the major hiring challenges for their companies. The identified hiring difficulties were spread evenly across the manufacturing sector, with all NAICS subsectors experiencing the same type of challenges. One-third of businesses feel that the hiring challenges are related to the community, and two-thirds feel they are related to the industry.

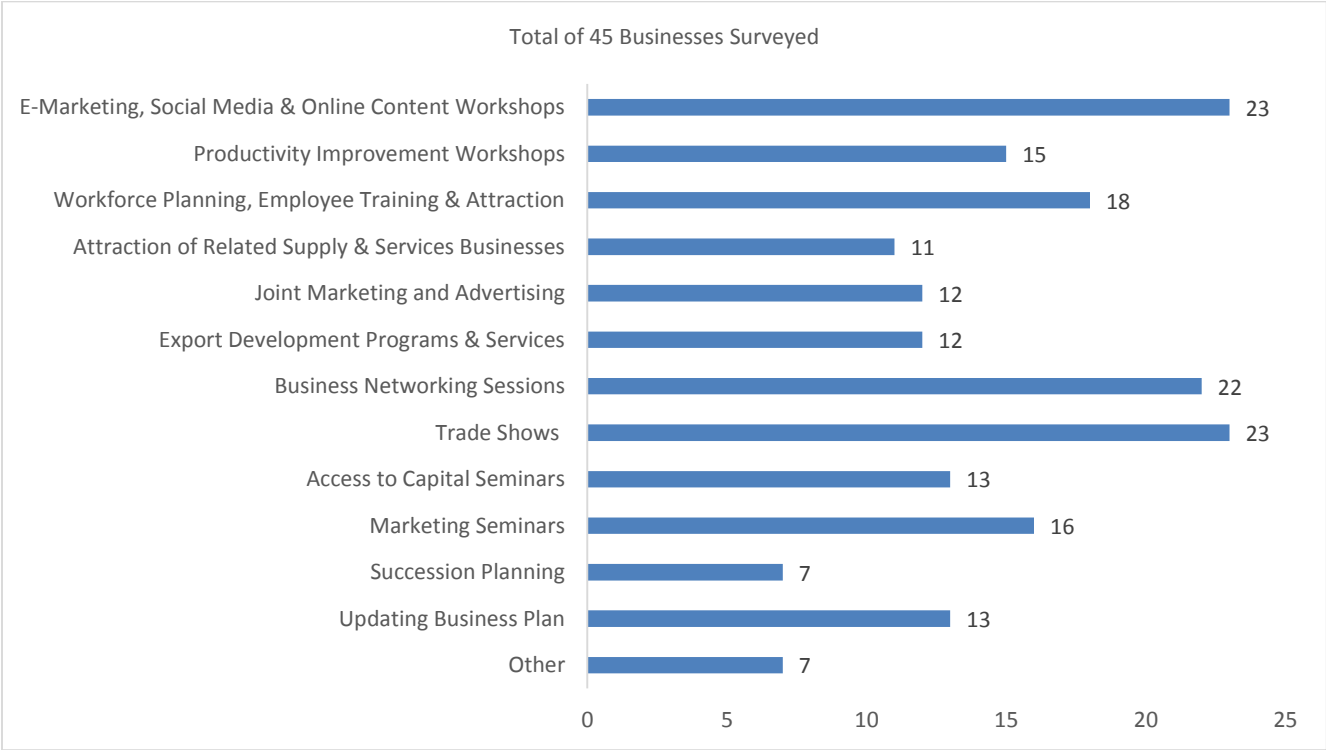
Looking deeper, in terms of attracting new employees, one quarter of respondents (11 businesses) rated the community as poor. Survey respondents indicated that they require assistance in finding and attracting qualified workers to the community.

The main types of occupations businesses are having difficulty recruiting for are skilled trades (CNC operators, machinists, millwrights, and welders), management positions, technicians, engineers and general labour. The majority of businesses (53%) are recruiting employees through their personal network and referrals from friends or current employees, while 46% of respondents have also used employment centres and websites in their search for employees. Respondents have suggested that the community could assist them with their hiring issues by providing incentives to train younger people, as well as including employment information (i.e. who’s hiring) on the municipality websites.

Business Assistance

From a business management perspective, businesses would like advice/workshops related to marketing/e-marketing, social media, and online content. They are also interested in business networking events, trade shows and support workforce planning, training and attraction. A low number of businesses were looking for outside help with updating their business plan, succession planning, and the attraction of related supply and service businesses (Figure 12). The identified areas of assistance were spread evenly across the manufacturing sector, with all NAICS subsectors looking for the same type of opportunities and assistance.

FIGURE 12: WHAT ASSISTANCE OR OPPORTUNITIES WOULD BE BENEFICIAL TO SUPPORT YOUR BUSINESS?



Municipal and Community Services

When considering the services of the municipalities that make up South Simcoe, businesses were satisfied with the essential police/fire services, support from other businesses, support from local residents, and cellular phone service.

Respondents did however express dissatisfaction with a lack of adequate industrial space for rent or lease, development zoning/building permits process, uncompetitive development charges and property taxes.

Businesses were equally satisfied and dissatisfied when it came to issues of street/road repair, municipal support, internet service, and recycling/garbage curbside pickup. The satisfaction and dissatisfaction was dependant on where businesses operated within South Simcoe. Businesses surveyed in the rural areas of South Simcoe cited greater barriers to internet service than those in more urban areas.

Overall the business community was happy with the state of business in South Simcoe. They valued their quality of life and feel there is good availability of adequate housing, recreational and cultural spaces. The businesses were content to remain in the community and for many of them expansion will continue to be in their plans for the future.

FIGURE 13: ADVANTAGES AND DISADVANTAGES OF SOUTH SIMCOE AS A PLACE TO DO BUSINESS

Top 3 Advantages	Top 3 Disadvantages
Proximity to Markets	Municipal processes, specifically zoning and planning, are slow
Quality of Life	Ability to Attract New Employees
Growth of Community	Internet Access

A number of advantages and disadvantages of South Simcoe were highlighted by the survey respondents (Figure 13). Businesses view the location of the municipalities, quality of life and continual growth as major advantages this region offers as a place in which to do business. In contrast, the respondents feel that there are issues with municipal processes, the labour force and internet access in the area. There was some difference of opinion from municipality to municipality, generally related to whether they are a rural or urban area. Figure 14 and Figure 15 highlight the breakdown of these advantages and disadvantages across the various municipalities.

FIGURE 14: ADVANTAGES BREAKDOWN BY MUNICIPALITY

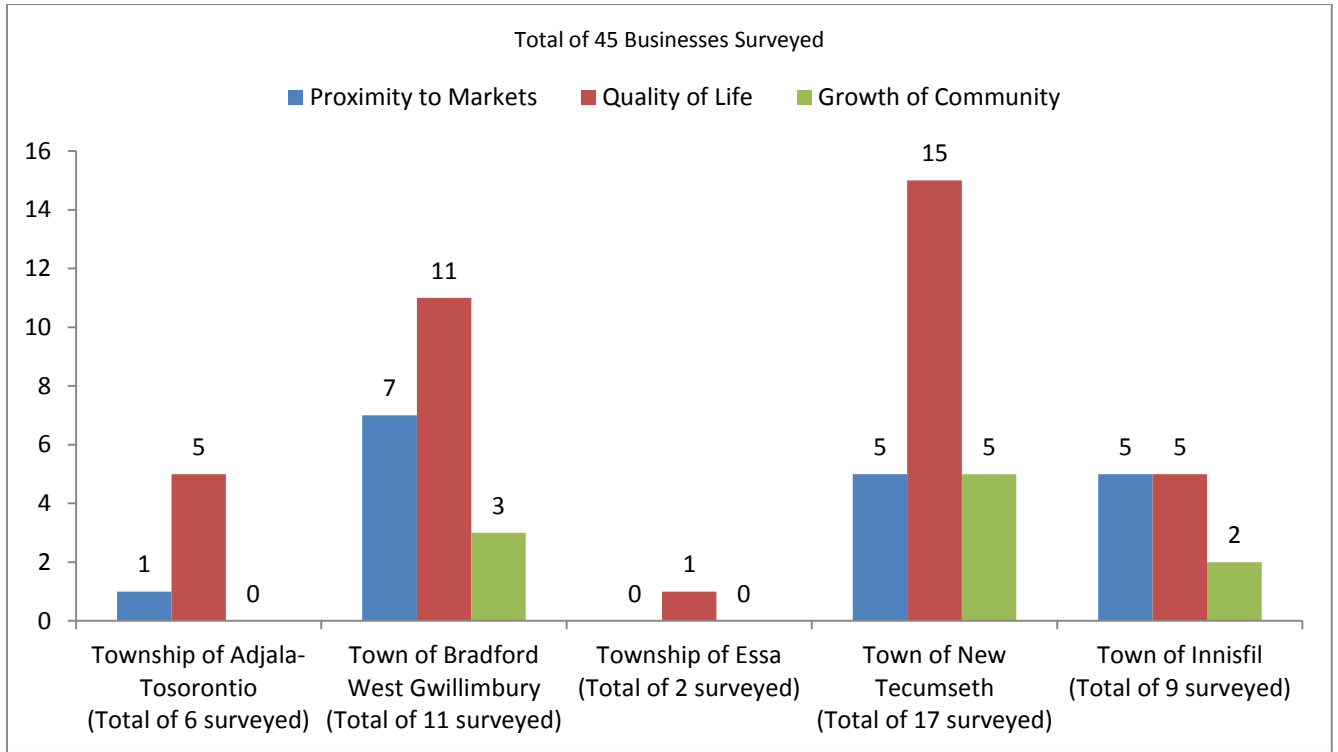
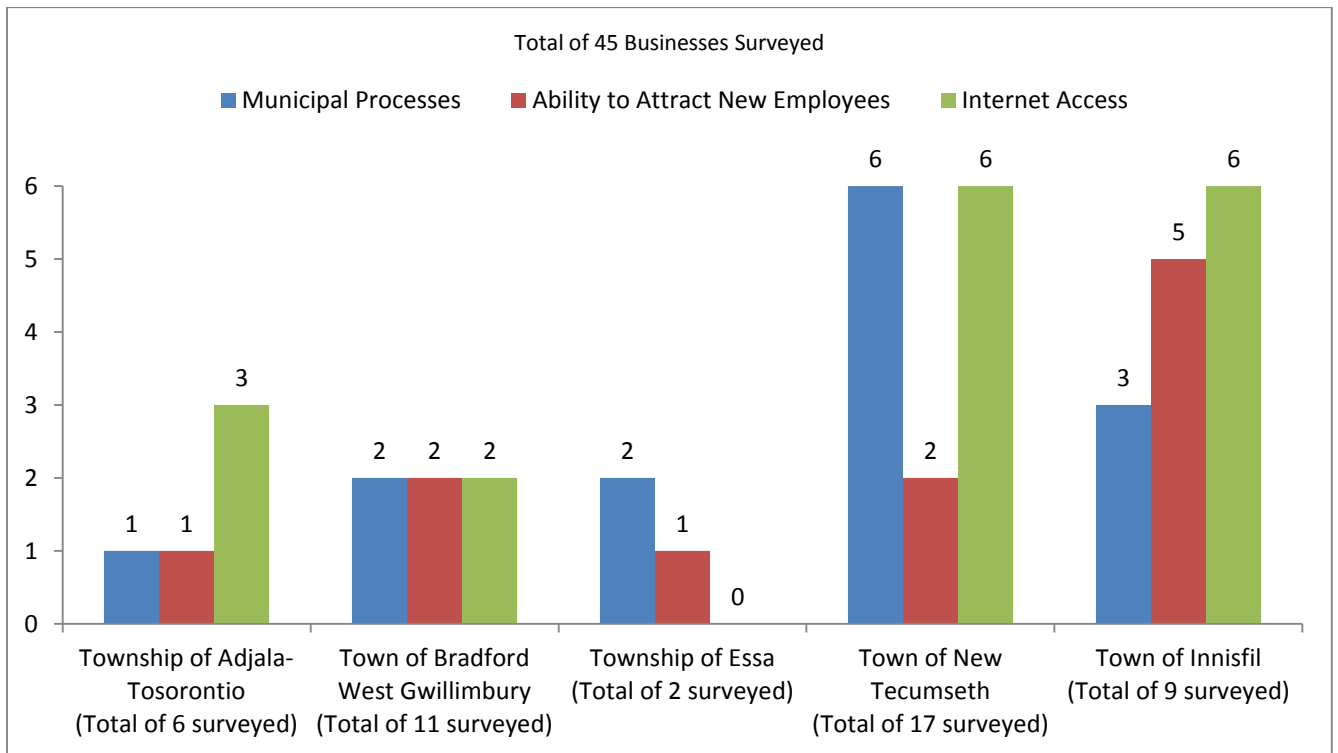


FIGURE 15: DISADVANTAGES BREAKDOWN BY MUNICIPALITY

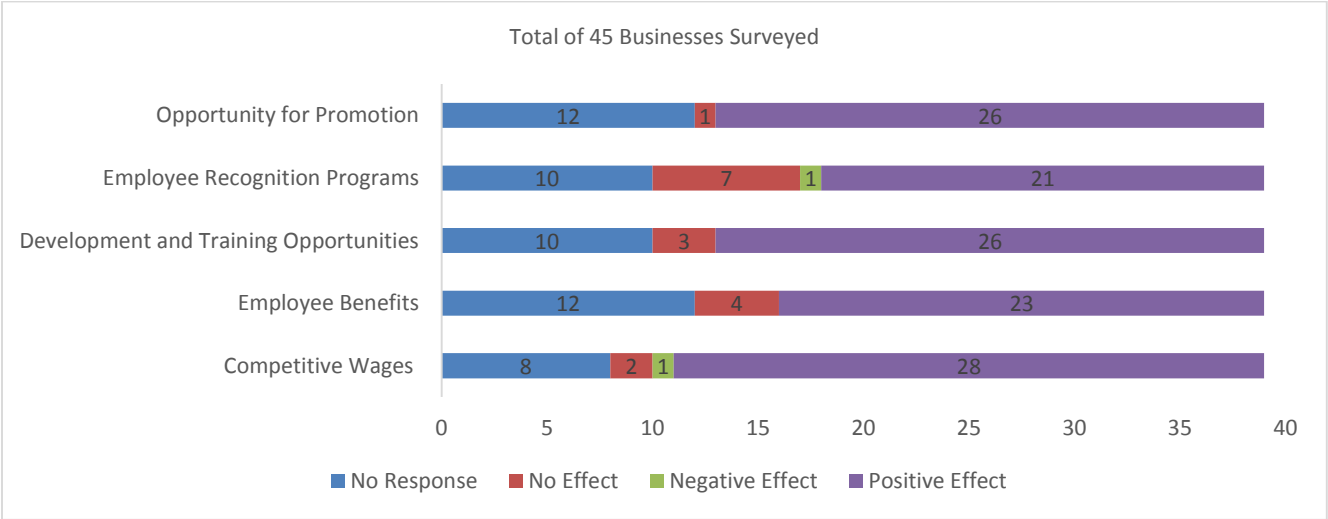


Community Questions

The Business Retention and Expansion survey method allows communities to design and include additional questions for the survey. The Economic Development Office at the County of Simcoe included questions covering employee retention/attraction, networking, and learning opportunities for the manufacturing sector.

A skilled workforce is essential to ensuring competitive firms and a strong economy. The development and maintenance of a skilled workforce is key to retaining and growing local business. Thus, a majority of firms identified opportunities for the education and training of employees, and competitive wages as strategic necessities to effective employee retention and attraction.

FIGURE 16: EFFECTIVENESS AS TOOLS FOR EMPLOYEE RETENTION AND ATTRACTION



Nearly three quarters of the respondents expressed an interest in participating in regional networking or learning opportunities for the manufacturing sector. The suggested areas of focus were human resources, health & safety, customer service, the exporting process, small business operation seminars and networking events for new entrepreneurs.

Conclusion: Looking Forward

The results of the business visitation surveys have given some important insight into the realities and short-term expectations of the local manufacturers in South Simcoe. A number of key issues have emerged from the survey results, each deserving of consideration as South Simcoe moves to strengthen its manufacturing sector. Many of the respondents have suggested the following as priority issues:

- More industrial units available for rent, lease or purchase;
- Improvements to the infrastructure;
- Buffers between industrial and residential areas;
- Development of the Highway 400 Corridor employment lands; and
- An economic development plan to attract other businesses.

Businesses from across the region are expecting to expand and there is a need for infrastructure development or improvement to suit increased servicing requirements in specific areas.

Municipal processes were also identified as a disadvantage across the region citing challenges with local governments as a source of frustration.

Internet access across the region has been rated as poor, with survey respondents indicating the need for increased broadband across the region. One thing that municipalities can do is to make it easier for companies to come in and build new network infrastructure.

Issues associated with hiring new employees became evident at various points in the survey.

Availability of skilled labour and attraction of skilled workers were areas of concern.

Respondents have expressed a desire to work with the municipalities on the promotion of employment opportunities in the communities. With the majority of expanding manufacturers anticipating a need for more employees over the next the 18 months, it is apparent that overall labour force demands in manufacturing can be expected to increase in parallel.

Many businesses are interested in expanding in the near future. Despite the interest, respondents indicate that business taxes, development charges, imposed fees and related costs of expansion remain barriers to their expansion plans. It is important to ensure that these remain competitive.



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