Appetite for Disruption

Change is Now: Machine Learning & the Auto Industry

What Three Decades of Honda Canada Manufacturing Really Means

Trump, Trade & Tax Reform: Campaign Threats Meet Governing Reality?

The Challenge of Labour Mobility Between Canada and the U.S.

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The 65th anniversary of the Automotive Parts Manufacturers’ Association is a milestone that calls for some reflection and introspection. In a year that APMA is leading the public discussion on the renegotiation of the North American Free Trade Agreement (NAFTA) with partners that represent the majority of our supply and demand, it seems appropriate Prime Minister of Canada Justin Trudeau and his Minister of Global Affairs Chrystia Freeland came to the APMA offices to talk trade, technology and our common future.

In many ways, that meeting, and subsequent ongoing discussions about NAFTA, result from the efforts of many people who have contributed to this organization’s mission since James Armour split the Automotive and Aviation arm of the Canadian Manufacturers Association (CMA) in 1952.

The CMA’s automotive mission was inspired in 1928, from the need for a voice for Canada’s nascent parts manufacturing sector. In the early part of this century, dozens of original equipment manufacturers (OEM) dotted the landscape in the Great Lakes region. Many were smaller volume, local players who manufactured everything in-house. The largest volume players, including those who form today’s Ford Motor Company, General Motors and FIAT Chrysler Automobiles, were running Compete Knock Down operations in Canada. This made securing OEM supply contracts challenging, and the CMA lobbied successfully for protective tariffs and regulations that forced the creation of a strong, local parts sector.

In 1952, in a post-war environment that spawned real discussion of a U.S.-United Kingdom free trade alliance, the leaders in a now-thriving Canadian parts supply sector had the foresight to recruit a Canadian trade commissioner in Washington, D.C. to be the first director of the new APMA. His mission? Work with the Canadian department of external affairs to identify where our sector could contribute to a Canadian proposal to enter this two-country accord that promised the creation of a strong, local parts sector.

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In the first official pivot of the new APMA, the organization submitted to then-Secretary of External Affairs, Lester B. Pearson, a schedule of tariff protections we no longer needed to foster growth and offered them to Canadian negotiators to help get a better deal. That free trade discussion failed, but the APMA signalled to top lawmakers that our sector was ready to lead this country’s enormous post-war boom.

As decades passed and different OEM players came in and out of the Canadian landscape (remember Renault, Volvo and Hyundai?), the supply sector established itself as a global player. Canada spawned a specialized jurisdiction in tool, die and mould, a population of hundreds of plastics and metal suppliers, and the growth of several massive global players like Magna, Linamar, Martinrea and Woodbridge.

Throughout that period, the APMA worked—sometimes in the background, sometimes in the foreground—to ensure the sector had a voice in Ottawa, Toronto, Quebec City and abroad. The Auto Pact in 1965, the Energy Crises of 1974 and 1979, and the Japanese automotive embargo of 1981 all saw the APMA speaking up, directing traffic and providing guidance.

When the Prime Minister was in the APMA office in February, I presented a letter from his father, Prime Minister Pierre Trudeau, to the APMA in 1979. The senior Mr. Trudeau thanked the APMA for its work in lobbying for a national automotive strategy. He had directed the Department of Industry to work with APMA on its reasoned, articulate position, and that led in 1983 to the formation of a Task Force on the Canadian Automotive Industry by the Minister of Industry, co-chaired by APMA President Pat Lavelle and United Automobile Workers President Bob White. I could have highlighted many examples of fruitful APMA efforts: the original NAFTA formulation of the 1990s, or the leadership during the Global Financial Crisis in 2009, but the PM understood we were not new to leadership in times of need.

Today, I proudly lead an organization that is building on the efforts of my predecessors to keep our voice front-and-centre. Whether we are leading investment meetings in Shanghai, trade discussions in Washington, or missions abroad in India, Germany or Mexico, the voice of the APMA proudly serves the interest of the most innovative, focused and tested supply sector in the world.

Regards,

Flavio Volpe
President
Automotive Parts Manufacturers’ Association
Congratulations on reaching this milestone!

SPECIALTY SECTION:
The Automotive Parts Manufacturers' Association is Celebrating 65 Years of Making a Difference in the Industry.

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APMA WEBSITE: Read along as APMA and industry experts post updates on APMA’s website about current issues affecting the automotive industry. Everything from environmental issues to international business dilemmas is covered in this space. Visit www.apma.ca.

TWITTER: Another social medium for you to stay connected with APMA. Check in from home or on the go with your smartphone (@APMACanada)!

LINKEDIN: Social networking, the professional way. Keep connected with APMA through our LinkedIn group and get the same great updates in a more professional setting than other social mediums (search for Automotive Parts Manufacturers’ Association (APMA) – Canada).

Join the discussion now!

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APMA is Canada’s national association representing OEM producers of parts, equipment, tools, supplies and services for the worldwide automotive industry. To learn more about the association, its mission and values, leadership and more, go to www.apma.ca.
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Dear Friends,

I am pleased to extend my warmest greetings to everyone who is attending the Annual Conference & Exhibition of the Automotive Parts Manufacturers' Association (APMA).

The automotive parts industry is among Canada’s leading employers and exporters. The Government of Canada is committed to keeping this sector competitive and innovative in order to attract investment in new vehicle technologies.

This year’s conference brings together professionals from every facet of the industry under the theme Appetite for Disruption to explore innovative and disruptive new technologies. Delegates will surely benefit from the networking opportunities available and will return to their work equipped with the knowledge and strategies necessary to succeed in a competitive global industry.

Please accept my best wishes for a productive and informative meeting.

Sincerely,

The Rt. Hon. Justin P.J. Trudeau, P.C., M.P.
Prime Minister of Canada
The automotive industry continues to evolve at an exponential pace. Technological advancements continue to “disrupt” the industry while improving its outputs. The convergence of manufacturing technologies and new product enhancements are changing the product offerings. Growing and maintaining innovative and competitive capacity is paramount for automotive suppliers to compete on the global stage.

The 2017 APMA Annual Conference & Exhibition brings together the Canadian automotive OE supplier industry and international delegates to cover key strategic issues and opportunities related to the future of the industry. This year’s theme, Appetite for Disruption, features a one-day format event of industry-leading speakers addressing key issues facing the industry while sharing strategic insights to focus on the opportunities, look at how globalization will affect your business, what the key drivers of future successes will be, and how innovation and technology demands will change all business models.

APMA’s concurrent sessions integrated within the conference format will highlight and discuss key strategic areas of focus for automotive suppliers that will shape the next generation of the auto industry.

Key focus areas
- Economic intelligence and industry insights.
- Innovation as a key business development strategy.
- Technology trends in vehicles.
- Globalization and impacts on suppliers.
- Supply chain opportunities.
- Industry insight from multinational corporations.
- OE perspectives on the industry and its future direction.

Speakers
The one-day format features plenary and concurrent sessions, providing a broad range of insight and technical information to attendees. Some of the incredible and educational speakers include:
- G. Mustafa Mohatarem, chief economist at General Motors Company, with an OEM forecast.
- Peter Hall, chief economist at Export Development Canada, and Joe McCabe, president and CEO of AutoForecast Solutions LLC, with an economic and industry outlook.
- An OEM CEO Panel providing insight on connected, autonomous, and self-driving vehicles.
- Deepak Anand, head of industry for auto at Google Canada.

Concurrent panels
This year’s concurrent panels feature technical insight on:
- Advanced Manufacturing Panel: Innovation, new technologies, improved processes and management methods to improve competitiveness in the manu-
facturing of products and assembly of vehicles. Featuring Toyota Motor Manufacturing Corporation; and Radix Inc.

- **Lightweighting Innovation Panel:** Reviewing key lightweighting innovations to help build lighter vehicles to achieve better designs, fuel efficiencies and handling. Featuring National Research Council; Airbus Helicopters Canada; and Alliance Magnesium.

- **Connected & Autonomous Vehicles:** Current activities and developments in this area focusing on the APMA / Stratford Pilot Program.

- **Industry 4.0:** The transformation of industrial and manufacturing worlds into the digital era. What are the opportunities? What are the risks? Are you ready? Featuring Longterm Technology Services Inc.; Siemens Industry Software Ltd.; M2M-Access; and Trumble Inc.

- **Appetite for Tooling Training:** Shortages in skilled labour can be key disruptors. Companies can disrupt traditional processes to help mitigate labour shortages to their benefit. Featuring Martinrea Automotive Structures; and St. Clair College.

- **Additive Manufacturing:** Providing expert analysis and leadership on advanced technologies. Featuring MATSUURA Europe GmbH; and Jesse Garant Metrology Center.

- **CyberSecurity Risks in Manufacturing:** Digital technology is a key driver to future manufacturing innovation. Preventing cybersecurity breaches are key to sustainability in an Industry 4.0 world. Featuring TrustPoint Innovation Technologies, Ltd.; Canadian Centre for Cyber Risk Management; and Aon Risk Services.

- **SME Financing Best Practices:** Understanding financing solutions for SME companies to provide sustainability. Featuring Business Development Bank of Canada; and Export Development Canada.
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Change is a constant. Some industries experience more change than others, but across all sectors and businesses, we know change is happening. So why does it feel like the amount of change has been accelerating in recent years? The answer is technology. Technology is the enabler and driver of change. It not only makes change possible, it makes change necessary.

In just 10 years, we’ve seen consumer behaviour shift from a reliance on desktop computers to mobile devices. And now, we’ve begun the transition to the next era of computing, in which technology will play an even more seamless role in our lives, with machine learning and the cloud. Machine learning makes the impossible, possible. And the amazing thing about machine learning is that the more it does, the smarter it gets. By giving a machine lots of real-world examples, machine learning algorithms discover patterns and trends in the data and figure out how to handle new situations, oftentimes better than a human could.

Google is moving to become an artificial intelligence-first company. In fact, you’ve probably already experienced machine learning through some of our products. If you talk to Google on your smartphone, speech recognition turns sounds into words and natural language processing understands the meaning behind those words. Google Translate uses text, graphic and speech translation to help over 500 million people communicate in 103 different languages. And Google Photos uses image recognition technology to help you search your photos for anything from ‘hugs’ and ‘dogs’ to ‘mom’ and ‘kids.’

Google’s investment in machine learning also helps advertisers efficiently and effectively reach their target consumers. Smart Bidding analyzes millions of signals in real-time to determine the best bid for each and every ad auction. These bidding models are continuously updated and improved to make better predictions about how different bids will lead to more and better conversions for advertisers. What could become a very intense, manual
process of individually setting up bids can now be scaled and automated with smart technology.

Another hurdle the auto industry faces is finding leads beyond its current customer base. Similar Audiences, powered by machine learning, looks at the patterns and trends in the behaviour and characteristics of your current digital customers and finds new people who resemble that group. If we know your messaging resonates with people who are interested in X and do Y, then we will find you more people interested in X and doing Y. You can then tailor and amplify your messaging to these new, familiar leads.

But the big question for you is, how can machine learning help the auto industry? Let's first look at auto manufacturers, who know a great deal about their customers, yet can feel paralyzed by the sheer volume of data. Machine learning can sift through information that's traditionally been siloed and find patterns across customer segments, geographies, demographics, and more. Figure out what works at the most granular level and do more of it. Think about how you would change your product mix, advertising, and incentives if you knew exactly what each shopper wanted and the messaging that would be of most interest to them.

Now, imagine machine learning at the dealership. Imagine a deep learning system that interacts with a customer using speech recognition and natural language processing to understand what that customer wants—whether it’s to schedule a service appointment or book a test drive. And this system is available 24 hours a day, seven days a week. So, no matter what time your customers want to interact with you, you’re present and responsive, even though you may not be there at all. This helps address one of the key challenges facing the auto industry; servicing digital customers effectively.

Beyond interacting with customers, we need to think about the incredible amount of data the auto industry is about to have at its fingertips. The single biggest source of data won’t be the buyer or the buying process, but the car itself. With the rise in connected, smart cars, data will be recorded about vehicles and their drivers. In the past, a vehicle’s history was incomplete at best and often inaccurate, since it relied on human memories to recall what had taken place.

Now, when a car is brought in for maintenance, service departments can view the vehicle’s history. Not maintenance history—driving history! Machine learning will quickly determine what upkeep is necessary and schedule it accordingly. And it will get better with every car the dealer services. And imagine those dealers feed that learning to the OEM, which can then reform its manufacturing process to eliminate similar defects in the future.

Technology will continue to accelerate change throughout business and the world. There is tremendous potential for businesses that choose to engage with emerging technologies. Auto is the single biggest industry in Canada that will benefit the most from a deep relationship with machine learning. Safer cars, made better, sold faster. And we, at Google, are excited to be part of it.

Deepak Anand, head of industry for auto at Google Canada, manages the team responsible for helping OEMs and dealers understand the full value of Google for their business. After 10 years at Google, Deepak’s expertise in search, video, mobile and cross-platform digital strategies makes him an invaluable asset to the automotive industry.
As a global company with operations around the world, our goal is to never lose sight of the local roots of our success. The engine plant investment was part of a global strategy that we, at Honda, call "Glocalization," which means maintaining a local vision by building our products close to our customers. In fact, 53 per cent of all Honda vehicles sold in Canada in 2016 were built at our manufacturing facilities in Alliston, ON, further illustrating our commitment to building products in Canada, for Canadians, by Canadians.

Just two short years ago, this 'local' strategy was again put into practice, as Honda of Canada Mfg. (HCM), in part thanks to the many skilled and talented associates who work there, was selected as the global manufacturing lead for the all-new 2016 Civic. With an $857-million investment in new technologies and processes at the Alliston facilities, HCM was selected to lead development of the manufacturing equipment and processes that would form the manufacturing base at all Honda plants building the all-new Civic globally. It’s worth noting that that was

Last year was an inspiring one for Honda in Canada. Not only did we establish record sales levels for many of our product lines, but in November, our assembly plant in Alliston, ON celebrated three decades of building vehicles in Canada. For some, 30 is just a number, but for us, it speaks to a deep, unwavering commitment to manufacturing in this country and to our collective pride in contributing to communities across the country.

Our Canadian manufacturing story began in 1986, when we became the first Japanese automaker to manufacture in Canada. From our earliest days as a company, our approach has been to start small, build a fantastic product, and allow the resulting customer demand to dictate our growth. As a result of that growth, we cut the ribbon on a second manufacturing plant in 1998, which doubled our production capabilities in Canada. Demand for our vehicles continued so that in 2008, we injected more than $150 million into the construction of our four-cylinder engine facility.

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the first time ever a lead plant for a global platform had been located outside of Japan.

Suffice it to say, I believe our growth strategy has worked. In 1986, the population of Alliston, ON was 4,844. Thirty years later, that is roughly the same number of Honda associates and contractors who work in our Alliston facilities!

We built small, we grew within our community, and now, the outstanding team that’s been assembling Canada’s best-selling car for 19 years running is teaching other Honda facilities around the world how to build the award-winning Civic. We followed what the market and our customers told us, and our Canadian investments have increased at a pace that shows no signs of slowing.

At Honda, we’re not simply focused on expanding our award-winning manufacturing facilities for the sake of expanding. As we grow, we are diligent in our dedication to reducing our environmental footprint, which inspires how we work in every way. Earlier this year, we announced an additional $492-million investment to build a state-of-the-art paint shop at HCM, which will reduce the greenhouse gas emissions from our paint process by 44 per cent, further reducing our manufacturing carbon footprint in Canada, which is part of Honda’s global initiatives.

All told, Honda’s total investment in Canadian facilities tops $4.7 billion, which is something we are extremely proud of.

No doubt, there are challenges facing automobile manufacturing in Canada. Factors such as foreign exchange rates, competition from other jurisdictions for assembly plants, sub-national policy initiatives (e.g. high energy costs and cap-and-trade regulations) are all issues that the industry must address. Nevertheless, Honda continues to believe that investing in Canada makes a lot of good sense. Why?

The answer may seem obvious. Honda feels the Canadian business climate offers Honda a robust and stable marketplace to sell our quality, durable and reliable products; a highly skilled and dedicated workforce; and a prosperous and supportive economic and political environment.

We believe that by continuing investment in Canada and working closely with our stakeholders and all levels of government, we are doing our part to ensure the future of Canadian automotive manufacturing remains a strong, dynamic and innovative component of the Canadian economy.

I feel our significant investments in Canada solidifies our commitment and are a true reflection of the efforts of our associates and suppliers to produce the best Honda products for Canada and global markets. Recognition must also go to our Canadian Honda dealers who retail approximately 100,000 Canadian-built Civic and CR-V units every year.

Honda directly and indirectly employs more than 19,000 sales and manufacturing associates across the country and has a supplier network nearly 1,500 companies strong. We spend about $2.1 billion per year purchasing components and services from Canadian suppliers. Honda Canada is here to stay.

It’s important to add that while building and selling reliable, high-quality vehicles is what we do, being a company that Canadians want to exist is even more important, and achieving that goal goes well beyond the products we build. Every Honda associate is as proud of our community presence and what we have collectively given back as they are of our vehicles, plants and awards.

Our community involvement is driven by the organizations and causes that are most important to our associates. Every year, Honda of Canada Mfg.,
through the work of the Honda Canada Foundation, offers more than $750,000 in financial support to local organizations, and our teams have volunteered countless hours in support of groups right in their own backyard. These include the Sir Frederick Banting Legacy Foundation and The Gibson Centre for Community, Arts and Culture. Our efforts have also led to a very close relationship with Stevenson Memorial Hospital, and since 2005, HCM has contributed more than $700,000 to fund the purchase of advanced medical equipment, which is not only important to associates, but also benefits the entire local community.

The Honda Canada Foundation, founded in 2005, was created to enhance the social well-being of Canadians from coast-to-coast through grants to charities that focus on families, education, engineering and the environment. More than $1 million is awarded to groups across the country every year through more than 500 grants, and five million Canadians have benefitted from the hard work of these extraordinary organizations.

True to our DNA, we’re always looking for continuous improvement in how we do things, and the Honda Canada Foundation will guide our community engagement work for years to come.

In summary, 30 years isn’t just a number. We see Honda of Canada Mfg.’s longevity as a testament to our deep roots and firm commitment to growing within communities across the country. The return on our commitment to manufacturing in this country has been quite remarkable so far and we see it as a springboard to a long and successful future. What started as an investment to build Honda automobiles in this country has, in fact, helped build Honda’s Canadian legacy. ■

Dave Gardner is president and CEO of Honda Canada Inc. He is responsible for all business operations, including the Honda and Acura Automotive Divisions, and Honda Motorcycle, Power Equipment, ATV and Engine businesses. Additionally, he has overall responsibility for Honda’s Canadian manufacturing operations. Gardner is also a member of Honda’s North American Regional Operating Board, which oversees business development for all of North America, and he is a member of the Honda Canada Foundation. Gardner’s career at Honda Canada began in 1989 as a Honda district sales manager in the Central Zone office. Gardner’s passion for cars was evident at a young age. He spent hours playing with model cars, and by the time he was just two-years-old, Dave could name almost every vehicle he saw in the streets. His childhood fascination has evolved into a life-long love affair.
According to plate tectonics, earthquakes and volcanos are caused by the collision of plates beneath the earth's surface. Plate tectonics might also provide a view into the early challenges President Trump has faced in turning campaign rhetoric into policy reality. Nowhere is this more apparent than with tax and trade policy.

On the campaign trail, Trump threatened to impose a 45 per cent tax on imports from China and a 35 per cent tax on automobiles and parts imported from Mexico. During the transition period, he leveled several high-profile criticisms of General Motors, Ford and Toyota, arguing that imports were costing American jobs. Since being sworn into office, President Trump has used executive authority to withdraw the U.S. from the Trans-Pacific Partnership (TPP) trade agreement, triggered the 90-day notice period under the Trade Promotion Authority of his intent to renegotiate the North American Free Trade Agreement (NAFTA) and negotiated a narrow “100-day action plan” with China on trade issues.

President Trump has signed executive orders directing an omnibus report on significant trade deficits, establishing enhanced collection and enforcement of antidumping and countervailing duties and violations of trade and customs laws, directing U.S. agencies to “scrupulously monitor, enforce, and comply with ‘Buy American’ laws, initiating ‘performance reviews’ of all bilateral and multilateral trade and investment agreements, and establishing an Office of Trade and Manufacturing Policy to advise him ‘on policies to increase economic growth, decrease the trade deficit, and strengthen the United States manufacturing and defense industrial bases.’

President Trump's most immediate trade enforcement initiatives have been to impose new preliminary duties against Canadian softwood lumber imports and launch an investigation into whether aluminum imports “threaten to impair” U.S. national security. Despite the atmospherics surrounding trade, there are indications of a narrowing agenda. For instance, an early eight-page draft of the NAFTA renegotiation to Congress referenced “seeking a level playing field on tax treatment.” The actual two-page sent to Congress did not.

The intersection of trade and tax policy demonstrates how political plate tectonics may influence President Trump’s policy agenda. Having pulled back from the border taxes threatened in last year’s campaign, it seemed President Trump was prepared to adopt the House Republican leadership’s tax reform proposals, which included a destination-based cash flow tax (DBCFT).

The DBCFT debate is the latest installment of a long-running trade dispute between the U.S and its trading partners over the tax treatment of “direct” taxes (corporate) and “indirect” taxes (value-added tax (VAT)). The DBCFT aims to level the playing field between the U.S. that does not have a VAT and its partners that do, like the European Union (EU), Canada and Mexico. Under VAT, each firm collects tax at the prescribed rate from customers, claims credit for VAT paid on purchases and remits the difference to the national treasury. Destination adjustments for the VAT were accepted by all members of the General Agreement on Tariffs and Trade (GATT) in 1979, however GATT rules did not permit destination adjustments for corporate income taxes.

For example, Mexico rebates its 16 per cent VAT when Mexican goods are exported to the U.S. and collects the 16 per cent tax when U.S. goods are exported to Mexico. Notwithstanding arguments from economists that exchange rates adjust to cancel the trade advantage, this asymmetry has bedeviled U.S. policymakers since the 1970s and has led to a series of GATT and World Trade
Organization (WTO) disputes with the EU over previous U.S. initiatives to compensate first over the Domestic International Sales Corporation and later over the Foreign Sales Corporation.

Germany has indicated it—or the EU, on its behalf—will challenge any DGCFT in the WTO. Both Canada and Mexico have opposed. It is unlikely such threats have persuaded President Trump not to support the DGCFT. More likely, a DGCFT is complex by nature and prices will rise to consumers. Though the precise contours of the DBCFT remain to be worked out, big retailers who import are lined up against it, as are automotive companies and parts suppliers whose supply chains involve a lot of imported intermediate goods. On the other hand, large companies manufacturing in the U.S. with high export sales tend to be supportive.

President Trump and the GOP agree on an ambitious policy of tax reform, including significantly reducing the corporate tax rate. The outstanding question is how to fund those tax reductions without introducing something like the DBCFT. It seems unlikely most conservative House Republicans would go along with the DBCFT and the business-oriented members of the Trump Administration are also skeptical. In the wake of healthcare reform defeat, the Administration is keen to notch a significant legislative victory in tax reform, and achieving that seems clearer without the DBCFT.

With the clock ticking on the launch of NAFTA renegotiations, talk of a DBCFT would complicate discussions. Canada and Mexico would likely insist on a NAFTA exemption. It is difficult to see how the U.S. could differentiate between Mexico and Canada in the imposition of a DBCFT except perhaps on a sectoral basis.

President Trump’s early days have underscored the tremendous executive authority any President has to impose duties, whether through traditional trade remedy laws, in the case of softwood lumber, or national security reviews, in the case of aluminum. That authority does not extend as far as President Trump’s targeted threats to impose tariffs or taxes on particular companies.

These moving trade plates add up to costly uncertainty for companies planning investment and making supply chain decisions. Unfortunately, that uncertainty seems destined to continue until the outlines of a renegotiated NAFTA become clearer. A richer understanding of how the traditional export statistics used to measure trade balances tend to overstate the foreign content of imported autos assembled outside the U.S. and understate the domestic content of intermediate components may be helpful as NAFTA talks take shape. That, combined with tinkering with the regional value content for specific products, may suffice to insulate Canada and Mexico from any renewed interest in a border adjustment tax. The price for that may be the continuing threat of conventional trade remedies during the Trump Administration.

For Canada and Mexico, the primary competitive challenge may arise from the more competitive tax landscape if President Trump succeeds at tax reform even without a border adjustable tax.

Mark Warner is a Canadian and American trade, investment and competition lawyer and a former legal director of the Ontario Ministry of Economic Development and Trade.
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The Challenge of Labour Mobility Between Canada & the U.S.

By the Honourable Ahmed Hussen, Minister of Immigration, Refugees and Citizenship

More than almost any other North American industry, the automotive sector depends on labour mobility between Canada, the U.S., and Mexico.

Canada’s relationship with the U.S. is one of our most important. We share a common border, economic interests, and a long-standing trade partnership. Every day, more than 400,000 individuals cross the border between our two countries, and as Minister of Immigration, Refugees and Citizenship, one of my interests is to keep that movement flowing in a way that benefits Canadian businesses and our country’s economy.

Millions of jobs in Canada, the U.S., and Mexico depend on trade and investment flowing from the North American Free Trade Agreement. For instance, in 2016, trilateral trade reached nearly USD$1 trillion, more than a threefold increase since 1993.

Our Government is well aware of this, and we’re taking action to help you bring in the talent and skilled workers you need to succeed.

Canada’s work permit programs offer the opportunity to employers to bring workers to Canada when talented ones are needed on a temporary basis. Through the Temporary Foreign Worker Program, employers who need to fill labour and skills shortages because Canadians are in short supply for the available jobs can apply to Employment and Social Development Canada for approval to hire foreign workers. This application is called the Labour Market Impact Assessment (LMIA).

There is also the International Mobility Program, which brings together, under one umbrella, all streams of work permit applications that do not require LMIA. These exemptions come about for a variety of reasons, including trade agreements, as well as certain other specialized situations, such as emergency equipment repairs—an area that is crucial for your industry’s productivity.

It is also through the International Mobility Program that a worker with specialized and proprietary knowledge that is being transferred by their company from the U.S. to Canada can do so without their employer needing to apply for an LMIA.

By exempting some foreign nationals from needing an LMIA before being able to work in Canada, the International Mobility Program aims to provide competitive advantages to Canada and equal treatment abroad for Canadians.

Looking forward to June, we’ll be launching the Global Skills Strategy. As part of the strategy, we’ll set a new, two-week processing standard for work permit applications for select workers coming to Canada through the International Mobility Program.

In addition, we’ll drop the work permit requirement in situations where a select worker needs to come to Canada for a very short-term period of work. This change is the result of consultations with many employers in Canada, and we believe you will see reduced red tape in many situations as a result.
With the Global Skills Strategy, we are recognizing that while Canadian workers are among the most highly-educated and highly-skilled in the world, Canadian industries, including yours, still need to be able to access the skills and expertise of talented workers from around the world or across the border to succeed in the global marketplace.

Canada also has Express Entry, a permanent economic immigration option that employers can consider when they are hiring to meet their labour market needs.

Express Entry is Canada's flagship skilled-worker immigration application management system. Economic immigration programs managed through the Express Entry system attract high-skilled foreign workers who want to live in Canada permanently and whose in-demand skills are needed by employers—and as we know, in the automotive parts industry—across the country to help build businesses and grow the economy.

Under Express Entry, foreign skilled workers can create an online profile with details of their skills and experience to express their interest in coming to Canada permanently.

Applicants who meet the minimum criteria are entered into the pool, awarded points based on the information in their profile, and ranked by the Comprehensive Ranking System. Only top-ranking candidates are invited to apply for permanent residence.

Because applicants are awarded additional points if they have a job offer from a Canadian employer, Express Entry is an important tool your businesses can use to attract skilled tradespersons who want to work and live in Canada permanently.

Highly skilled immigrants, such as those who come through the Express Entry system, help strengthen Canada's competitiveness in the global marketplace and are able to quickly contribute to Canada's economy and society.

The Global Skills Strategy, as well as Canada's work permit programs and Express Entry are critical components of fostering labour mobility between Canada and the U.S.

They are all valuable tools your business can use to bring in the people you need to meet production targets, grow your business, and foster innovation. That being said, we know there is always room for improvement. For that reason, I am always open to discuss ways that my department can help you, and we are always looking for ways we can streamline our programs.

I look forward to continuing the productive dialogue between the government and your industry.

The Honourable Ahmed Hussen is Minister of Immigration, Refugees and Citizenship and MP for the riding of York South-Weston. A lawyer and social activist, he has a proven track record of leadership and community empowerment.
The modern automotive industry has evolved into a massively interconnected network of suppliers and distributors. The move toward just-in-time manufacturing has required deep integration of systems that directly connect suppliers to their manufacturing partners and the move toward faster, iterative design cycles is creating a need for deeper integration in the design and planning stage of new products. At the same time, the drive for efficiency has resulted in the migration of many formerly proprietary systems over to common platforms with internet facing interfaces.

These systematic changes across the industry have created a situation where cybersecurity in the automotive industry is dependent on the diligence and collaboration of all participants. It is no longer sufficient for participants to focus only on the threats and risks to their individual business—they must also pay attention to the capabilities of their business partners. In addition to the technical challenges imposed by integration, there is also an increased threat of liability as a breach in one system may cause significant production down-time or threats to consumer safety and privacy throughout the globally distributed value chain.

Global supply-chain cyber-interconnectedness

Global cyber risk has grown so fast it has become a major threat to the security and integrity of the automotive supply chain. Recent demonstrations of attacks against individual cars have greatly increased the visibility and awareness of the need for improved security across the industry, and major OEMs have all responded with rapid introductions of new policies and the deployment of new technology.

Recognizing the threat due to interconnected systems and common technology platforms, the industry has also taken the highly unusual step of forming collaborative forums for sharing information on threats such as the newly formed Automotive Information Sharing and Analysis Center (Auto-ISAC). Knowing how to engage with these groups and comply with rapidly evolving security requirements from OEMs has become a necessary skill for all automotive suppliers.

Cyber Risk Management by Design

Effective solutions for protecting the automotive value chain will require more than just targeted technical solutions. The scale of modern automotive networks require an approach that addresses the problem from multiple perspectives. Cyber Risk Management by Design (CRMbD), is an approach for managing the privacy and security risks associated with the use of cyber systems. The paper, which was published in April 2015 and written by Douglas Blakey, B.Math, and Ann Cavoukian, Ph.D., recommends a systematic approach to cybersecurity that addresses both internal operations and external interfaces.

CRMbD is based on seven foundational principles:

1. Proactive not reactive

CRMbD means applying cyber risk management best practices before a cyber-breach occurs, not after. For smaller automotive supplier companies, this means establishing a program from the outset, before the organization opens its doors. For larger companies, this means making sure the organization begins implementation and constant improvement of their security program as soon as possible.

2. CRMbD as the default setting

In its most basic form, the first step when creating a cybersecurity program is to confidently address one crucial question: When did the company last verify a trial restore of their secure off-site business system backups? This is not a sufficient condition for a complete CRMbD program, but it is an essential first step. Company leadership must know with confidence that they can recover from almost any calamity. Their systems and data, going back to a reasonably recent point in time, must be recoverable. Nothing less is acceptable. By default, make certain the organization will survive to live another day.

3. CRMbD embedded in the organization

All business leaders intuitively make risk management decisions every working day. Managing cyber risk is no different. Leaders must set the tone from the top. They must maintain oversight for the cyber risk management program in place and they must practice what they preach, thus setting the tone for the rest of the team. By embedding the notion of properly managing cyber risk into the corporate psyche, every leader and every employee will know their role in maintaining a strong cyber risk management posture for the company.

4. Full functionality: Positive-sum, not zero-sum

Often, cyber security threats overshadow the importance of privacy through means that focus solely...
on security. In any CRMbD, the goal is to achieve both privacy and security, without any trade-offs. There is no need to sacrifice one for the other, no room for half-baked solutions, and no net value in cutting corners. Maintaining a consistent, clear approach will result in the preservation of both the privacy and security attributes of personally identifiable information (PII) in systems.

5. End-to-end CRM: Full lifecycle protection
Cyber risk management is a never-ending cycle of constantly reviewing, refining, and improving workflows and practices, whether it involves data at rest or in motion. The automotive industry has a long history of careful control of physical parts and supplies, effective cybersecurity requires equal diligence in the management of data and information.

6. Visibility and transparency: Keep it open
The mark of a great organization is an organization functioning at peak performance. This is accomplished by knowing that processes and technology are designed and integrated in such a way as to ensure the existence of appropriate checks, balances, and oversight. If so, then allowing these traits to be known publicly will garner far greater trust and credibility of the organization.

7. Respect for people
People always come first. Above all else, remember why we develop systems and build companies: to improve safety and mobility for automotive customers. By applying practical CRMbD best-practices, the privacy and security of our employees, our clients, our partners, and everyone touched by the organization may be preserved, allowing the organization to thrive over the long-term.

Conclusion
The automotive industry has evolved into a globally connected value chain that has direct impact on a significant portion of the economy in Canada and the U.S. The vehicles and services delivered through that value chain can also have a direct impact on the safety and personal privacy of individual drivers and their passengers. It is critical that all participants in the automotive supply chain do their part to put in place a holistic approach to cybersecurity.

Cyber Risk Management by Design establishes seven foundational principles for managing cyber risk: carefully considering the risk and addressing how to contain it from the very beginning. It also means remembering why we create new companies, build new systems, and develop new technology: to improve the quality of life for everyone.

Brian Romansky is vice-president of strategic technology at TrustPoint Innovation. He leads TrustPoint Innovation’s vehicle-to-vehicle initiatives and technology strategy.
“May you live in interesting times.”

For years, historians have been trying to determine the origin of this statement. Some believe it is an ancient Chinese proverb, while others attribute its genesis to the 20th century, with no ties to Asia. Regardless, a statement that—on the surface—may seem positive is—on the contrary—really designed to indicate danger and uncertainty. And for those competing in the global automotive industry, these words have never rung truer.

There was a time when consumer preference was the primary driver in determining what was built. Now, this factor is overshadowed by regulation, environmental concerns, infrastructure, disruptive market players, and a constantly expanding global marketplace with varying preferences and tastes. Automakers are forced to focus on not only the next three years, but on the next 30. Electrification, autonomy, and vehicle-to-vehicle interaction are the new frontier. This is above and beyond fuel economy, safety, lightweighting, and powertrain advancements. All of which take time, money, innovation, and most importantly patience from shareholders. Each manufacturer, whether in the industry for over 100 years or new to the market, needs to understand their competitive position and how to meet these lofty goals while remaining profitable enough to be able to introduce them. Throw in the current geopolitical climate and you can truly say we are living in interesting times.

To say we are competing in a disruptive market is an understatement. Automotive competition is not just centered around the car manufacturers but is also focused heavily on the jurisdictions in which they invest. Those jurisdictions that adapt to this ever-changing landscape will be rewarded with long-term success. However, adaptation doesn’t necessarily mean gaining new manufacturers. It is now much more than that. In most of the articles I write about Canada, several underlying value-propositions are highlighted, including a highly skilled/educated labour force, an innovation-focused culture, and a business-friendly government. However, even with these positive factors intact, the vehicle production landscape in Canada is forecasted to decline over time (see Figure 1 on this page).

Canada is an important market, not only to the North American Free Trade Agreement (NAFTA) but to the global community. It is home to vehicles shipped globally, including the Ford Edge and Honda Civic, as well as key products within an OEM’s portfolio, such as the Chrysler Pacifica. In fact, according to Figure 1, Ontario is the largest North American production jurisdiction and will be a close second starting in 2021. Although GM recently made a significant investment in Oshawa for the final assembly of trucks, there are no guarantees for the plant’s long-term future (but it creates a valuable playing card for UNIFOR in 2020). However, if Oshawa maintains production beyond 2020, Ontario will hold the number-one position for the next seven years. Add the fact that Canada is home to some of the largest and most innovative suppliers, and Canada’s competitiveness capital is on the rise.

In our industry, when an automaker decides to invest in new production or increase investment, it is publicized as a major win for the selected jurisdiction.
However, it doesn’t mean the lack of new investment equates to a failure in the jurisdiction’s ability to compete. On the contrary, it means the jurisdiction must seize the opportunity to double-down and invest in its key strengths to maintain a healthy market position. The Honourable Navdeep Bains, Minister of Innovation, Science and Economic Development for the Government of Canada, stated it perfectly in an interview with Automotive News Canada when he said, “People think of the automotive sector very much in the context of the past. I think it represents a very bright future in terms of connectivity, mobility, technology and innovation jobs.” He went further, saying he does not see any investment by any automaker [in Canada] in the short-term, and that is why he is more focused on the technological advancements of the future.

This is where Canada is doubling down, by leveraging a cohesive force from all stakeholders, including... continued on 32
the supplier community, government, vehicle manufacturers, and universities. Funding programs targeting growth in the automotive industry, including the Jobs and Prosperity Fund, Automotive Innovation Fund, and the Automotive Supplier Innovation Program, are focused on advancements in innovation, education, and productivity. These are all designed to strengthen the automotive investment differentiators in Canada.

Now, the elephant in the room. Yes, newly elected President Trump is a wildcard for the future of NAFTA. Yes, President Trump is unlike any other president the U.S. has had in several decades. And yes, he has very strong supporters and very strong detractors to his shoot-first-ask-questions-later style. At the end of the day, his business-style approach rather than his unpolished political approach should actually be beneficial to the U.S.-Canada relationship.

In terms of NAFTA, automotive trade between the U.S. and Canada is healthy and balanced (see Figure 2 on page 30). This should be a significant factor in easing discussions on border-related automotive tax penalties. Additionally, Canada’s Foreign Direct Investment (FDI) in the U.S. demonstrates its commitment and should provide additional insulation from potential trade penalties. Canada invested over $261 billion in the U.S. compared to Mexico’s $18 billion in 2015. If the true intention of the U.S. is to strengthen relationships with existing, strong, and balanced trade partners, Canada remains on the top of that list.

With heavy investment to make Ontario the Silicon Valley of the North, Canada is positioned for automotive-related growth. This growth comes in the form of a strong supply base, strong research and development, and a strong push in technology and mobility solutions. Just as the U.S. is looking to protect American jobs and its domestic manufacturing footprint, Canada should work from a similar playbook.

In the 1980s, the U.S. tried to apply protectionist forces that resulted in a heavy domestic investment from Japanese-based OEMs. Soon, this same nationalistic approach will attract Chinese manufacturers. With its accepting culture, ethnically diverse population, focus on innovation, and flexibility and willingness to attract new players, Canada is the prime location for these candidates.

So, the jurisdiction willing to adapt in these “interesting times” will be around for many more to come.

Joe McCabe is president and CEO of AutoForecast Solutions LLC, a leading provider of automotive production forecasting and business intelligence solutions, as well as advisory services for the global automotive community. He can be reached at jmccabe@autoforecastsolutions.com.
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As I settle back into the grind in Toronto from an automotive investment trip last week to Shanghai, Hangzhou and Wuhan, I am reflecting on how much the roads, the products, and the country have changed since my first trip China almost 20 years ago.

In 1997, the country had recently opened its doors and its market to the outside world and welcomed back Hong Kong into its fold. Shenzhen was a confusing, exploding gateway into the mainland, and Shanghai was just starting to re-emerge as a global trading centre it had been through the 1930s. On the road, we saw flocks of bicycles interspersed with late model mixes of local brands and international VW/Audi joint venture builds of past models. It was evident that major infrastructure spending was being mobilized, but secondary roadways did not all meet the standard.

Fast forward to 2017, to a mission centered on speaking at the International Auto Key Tech Forum at the Shanghai Auto Show, it was easy to see the automotive sea change that has taken place in China over the past 20 years. On the floor of the show, which spanned an incredible 4.5-million square feet, it would have been difficult to distinguish the displays from Detroit, Frankfurt, Toronto, Los Angeles, or any major international consumer auto exhibition.

The mix of product on display could have been classified into four major groups:
1. Domestic market-focused brands;
2. Domestic market joint venture build for international brands (i.e., SAIC VW);
3. Foreign importers (i.e., Lexus); and

This fourth group gave me pause for thought.

Today, the congested roads of Shanghai look like Toronto and Los Angeles. People spend a lot of time in their cars and those cars look like the ones you would see in any wealthy Western city. Apart from the very high incidence of foreign luxury product from Europe, Asia and the U.S., there are now some very good—and, I think, export-ready—products from domestic firms like SAIC, GAC, BYD, Donfeng and others. Well-designed, comfortable, efficient and, in many cases, new energy (electric drive) cars are designed in China, built in China, and desired by increasingly discerning Chinese consumers. Today, domestic production and consumption in China far exceeds each of the North American and EU markets. However, they have yet to export to those two markets or invest in production there.

For the last 10 years or so, Chinese automakers have floated the idea of North American market entry. They have demonstrated in Detroit at the NAIAS, they have contemplated entry through transit markets, they have financed entry through European subsidiaries and have sold cars they built in China under contract for U.S.-based brands.

Still, today, in 2017, we have yet to see a Chinese-branded vehicle for sale on our shores. Will they come? I think it is imminent. Chinese technological leadership in New Energy platforms, the burgeoning growth of their largest domestic firms, their increasing excellence in manufacturing processes and Western consumer comfort with high-cost, Chinese-manufactured goods like my new iPhone 7 means the conditions are now ripe.

The domestic Chinese market has evolved so rapidly over the past 20 years, my first visit now seems like 100 years ago. The Chinese consumers’ maturation has pulled the domestic auto-making business up—and, in some technological cases, past—the global standard. Twenty years ago, an automobile may have been the aspiration of an emerging Chinese middle class. That same consumer group is now demanding the best features and the best value—and, in many cases, Chinese car makers are providing the product.

Very soon, North American consumers will be syncing their iPhones to their Chinese-built new energy vehicles and the Chinese automakers will take up their post alongside Japanese, German, Korean and American manufacturers on North American soil. Count on it.
As pioneers in advanced high-strength steel we’re a trusted partner to the automotive industry, delivering products and services that make cars safer and more eco-friendly. No matter where you are in the world, our team of automotive experts always stands ready to help you with production and logistics.

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2017 APMA Highlights

FEBRUARY 2017
Automotive Supplier Competitiveness Improvement Program (ASCIP)
ASCIP is a partnership between the APMA, OCE and the Province of Ontario’s Ministry of Economic Development and Growth (MEDG) seeking to increase the sourcing capabilities of Ontario-based small- and medium-sized automotive suppliers, while encouraging innovation and productivity initiatives that increase success in growing export markets. In February 2017, the ASCIP program announced funding for 20 new technology innovation projects that will advance Ontario’s global competitiveness in the automotive sector. Projects were eligible for up to $100,000 in project funding, to be matched by the industry and contribute to the adoption of industry-leading IT.

FEBRUARY 16-17, 2017
Automotive News Canada Congress
The inaugural Automotive News Canada Congress was co-produced in partnership with APMA in February 2017 within the Canadian International AutoShow in Toronto, ON.

The Canadian automotive industry is widely recognized by international leading automotive companies for its best-in-class manufacturing expertise and innovation. Canada is also a global leader in research and development expertise.

Launched as a forum to address all subjects pertaining to the vitality of the Canadian industry, from manufacturers, to the original equipment suppliers and the overall market, the event featured 11 senior OEM, Tier 1 and Industry Supplier Executives addressing the audience of over 350 industry professionals.

FEBRUARY 27, 2017
Prime Minister Justin Trudeau and Foreign Affairs Minister Chrystia Freeland visit APMA
Prime Minister Justin Trudeau and Foreign Affairs Minister Chrystia Freeland visited APMA’s offices on February 27, 2017 to meet with Canadian Automotive Supplier representatives to discuss the North American Free Trade Agreement (NAFTA) and other trade and investment-related matters.

With a possible renegotiation of NAFTA looming, the Prime Minister and Foreign Affairs Minister wanted to obtain direct input from APMA and key original equipment suppliers headquartered in Canada.

“This is obviously an issue that matters to you. It matters to us and it matters to all Canadians—how we can ensure a good trading relationship with the United States,” said Prime Minister Justin Trudeau. “You all are extremely important drivers of jobs, innovation and opportunities.”

MARCH 6, 2017
The 29th Annual Canada-U.S. Automotive Dinner
Automotive Parts Manufacturers’ Association (APMA) and OESA hosted the 29th Annual Canada-U.S. Automotive Dinner on continued on 38
March 6, 2017 in Dearborn, MI in cooperation with the Consul General of Canada, Detroit. This event featured keynote speaker Hau Thai-Tang, group vice-president of global purchasing at Ford Motor Company. Mr. Thai-Tang shared his unique perspectives on the future of the automotive industry and the role Ford will play as a mobility company. The event was well-attended, with over 400 industry executives present.

MARCH 2017
APMA’s Canadian Supplier Footprint, USA/Mexico Report

In March 2017, and in the context of the discussion regarding the future of NAFTA, the APMA sought to inventory Canadian supplier facilities and employment numbers in the U.S. and Mexico. APMA produced a report summarizing a footprint of Canadian assets in those two countries. OEM Automotive supply firms with headquarters in Canada—both in volume supply and machine, tool, die and mould—were included in the study. The final numbers tell a story of the great reach of Canadian auto supply investment outside of Canada.

As a baseline comparison, total employment in Canada’s automotive manufacturing sector is approximately 81,000, comprised of both Canadian and foreign-led firms. The number is a compilation of the supply-based employment, an estimated 71,000 in 2016, and accounting for 50 per cent of the machine, tool, die and mould employment figure, estimated to be 20,000 in 2016.

APRIL 20, 2017
APMA presents twice on Canadian capabilities and initiatives at Shanghai Auto Show in China

APMA President Flavio Volpe delivered a 30-minute speech touting Canada’s auto sector and what it offers at the recently completed Shanghai Auto Show. The Shanghai Auto Show, the largest on the planet, covers nearly 420,000-square-metres (4.5-million-square-feet), equal to the size of the Detroit and Frankfurt auto shows combined.

Volpe delivered his address on the main stage of the International Auto Key Tech Forum, which is part of the show. APMA’s message focused on Canadian capabilities and the willingness to build and supply components for Chinese-made vehicles whether in China or abroad, and more specifically, when they are ready to enter the North American marketplace in the very near future.

Separately, APMA presented on the connected/autonomous vehicle industry in Canada and key initiatives, with specific emphasis to the ongoing and planned initiatives associated with the Stratford Demonstration Hub project. The audiences consisted of the Chinese auto leadership from the OEMs and parts sector to the most important Chinese government representatives. While in China, APMA had occasion to meet with three of China’s biggest automakers.

APRIL 24, 2017
Navdeep Singh Bains, Minister of Innovation, Science and Economic Development visits APMA

Navdeep Singh Bains, Minister of Innovation, Science and Economic Development,
visited APMA’s offices on April 24, 2017 to meet with Canadian Automotive Supplier representatives to discuss NAFTA trade matters and future investment-related matters.

Minister Bains wanted to highlight key strategic points his Ministry is focusing on to ensure they were consistent with those of Canada’s leading original automotive suppliers.

**JUNE 13-14, 2017**
**APMA Annual Conference & Exhibition and APMA-CAMM B2B Meetings**

The 2017 APMA Annual Conference & Exhibition occurred on Wednesday, June 14, 2017 at Caesars Windsor, in Windsor, ON, with APMA-CAMM B2B Meetings occurring on Tuesday, June 13, 2017. The event was themed Appetite for Disruption and featured a one-day new conference format and floorplan to strengthen the conference value proposition for participants, speakers, exhibitors and sponsors, while increasing engagement and education.

**FEBRUARY 8-11, 2018**
**India Auto Expo**

APMA will be facilitating a Canadian Pavilion at the India Auto Expo in collaboration with the Governments of Canada and Ontario. APMA will secure a sizable Canadian pavilion to house key Canadian companies, an information kiosk and a meeting area at the event. The event allows participating exhibitors to make excellent connections with Indian OEMs or to examine the India marketplace for entry.
IN EVERY ISSUE

Meet APMA’s Newest Members

Please join us in welcoming the following companies as new members of the APMA. We salute these new members, along with all of our faithful existing members, who continue to provide us with their support.

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P.O. Box 250
Fort Erie, ON L2A 5M9

- Representative: Dwayne Charlette, Director
- Alternate: Scott Hickey, Manager of Manufacturing
  Tel: (905) 994-2911
  Fax: (905) 871-8535
  E-mail: dwayne.charlette@airbus.com
  Website: www.airbushelicopters.ca

Products: Manufacturer of composite structures, aircraft assembly and maintenance, dynamic component repair.

Bowman Precision Tooling

55 Sinclair Boulevard
Brantford, ON N3S 7X6

- Representative: Jamie Bowman, President
  Tel: (519) 752-8933
  Fax: (519) 752-8972
  E-mail: info@boglobomtol.com
  Website: www.bgtool.com

Products: Engineering and manufacturing of Automotive Metal Stamping dies for advanced materials to run in presses up to 3,000 tons.

Erwin Hymer Group North America, Inc.

100 Shirley Avenue
Windsor, ON N8W 4J5

- Representative: Joel Adams, Director of Engineering & Innovation
- Alternate: Howard Stratton, Chief Operating Officer
  Tel: (519) 745-0711
  Fax: (519) 745-1160
  E-mail: joel.adams@erwinhymer.com
  Website: www.roadtrek.com | www.gohymer.com

Products: RVs, motorhomes, trailers, batteries, and accessories.

Exco Technologies Ltd.

130 Spy Court, 2nd Floor
Markham, ON L3R 5H6

- Representative: Paul Raganelli, Senior Vice-President & Chief Operating Officer
- Alternate: Darren Kirk, Executive Vice-President
  Tel: (905) 477-3065
  Fax: (905) 477-2449
  E-mail: raganelli@exco.com
  Website: www.exco.com


Int’l Chain Corp.

2562 Central Avenue, Unit A
Windsor, ON N8W 4J5

- Representative: Kang Zhu, President
- Alternate: Zheng Yong Quan
  Tel: (519) 948-2726
  Fax: (519) 948-2726

Products: Steel tubing, steel tubing parts, automotive parts.

Omtom Automation Americas

100 Consilium Place, Suite 802
Toronto, ON M3J 3E3

- Representative: Chris Parks, Industry Account Manager
- Alternate: Brett Lupton, Marketing Manager
  Tel: (416) 286-6465
  Fax: (416) 286-6648
  Website: www.omron247.com

Products: Industrial control systems, industrial robotics, motion control products, PLC products, and safety systems and components.

Patrick Plastics Inc.

1495 Denison Street
Markham, ON L3R 3H1

- Representative: Linda Young, General Manager
- Alternate: Henry Lau, M&S Supervisor
  Tel: (905) 686-9866
  Fax: (905) 660-9261
  E-mail: info@ppi-stech.com
  Website: www.ppi-stech.com

Products: Tool and die making, injection moulding, assembly, secondary processes.

Precision Resource Canada Ltd.

4 Cherry Blossom Road
Cambridge, ON N3H 4R7

- Representative: Paul Bolzoni, Sales Manager
- Alternate: Norm Dickson, Sales / Business Development
  Tel: (519) 635-7777
  Fax: (519) 653-0333
  E-mail: paul.bolzoni@precisionsource.com
  Website: www.precisionsource.com

Products: Fine blanked components and assemblies.

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115 East Drive
Brantford, ON L6T 1B7

- Representative: Paul Mitro, General Manager, Canada
- Alternate: Daniel Martinez, North America Automotive Segment Business Manager
  Tel: (905) 791-1628
  Fax: (905) 791-1459
  E-mail: paul.mitro@chemetall.com
  Website: www.chemetall.com

Products: Metal working fluids, cleaners, rust preventative, NDT, paint deactivation, wastewater treatment, paint strippers, zinc and manganese phosphates, descaling/passivating, and passivation.

City of Brampton

2 Wellington Street West
Brampton, ON L6Y 4R2

- Representative: Daniel Bishun, Sector Manager of Advanced Manufacturing
- Alternate: Denise McClure, Senior Manager of Economic Development
  Tel: (905) 874-2094
  Fax: (905) 874-2670
  E-mail: daniel.bishun@brampton.ca
  Website: www.brampton.ca

Products: City of Brampton economic development office.

CW Bearing Canada, Inc.

250 Consumers Road, #310
Toronto, ON M2J 4R4

- Representative: Dave Strutt, National Sales Manager
- Alternate: Noel Yang, Engineering Manager
  Tel: (416) 806-3283
  E-mail: david.strutt@cwbearing.com
  Website: www.cwbearing.com

Products: Complete line bearing manufacturer.

FreePoint Technologies Inc.

25 Invicta Court
London, ON N6E 2T4

- Representative: Paul Hogendoom, President
- Alternate: Randy Hess, CFO
  Tel: (226) 271-5912
  E-mail: randy.hess@getfreepoint.com
  Website: www.getfreepoint.com

Products: Hardware / software to connect and remotely monitor all manufacturing processes and inventories in the cloud. Real-time operator value added and performance feedback.

Grande International Services

1501 South Cape Boulevard
Pharr, TX, USA 78577

- Representative: Joe Castellanos, Vice-President of Business Development
- Alternate: Eduardo Covarrubias, Managing Director
  Tel: (956) 578-9806
  E-mail: yourmexicoteam@elgrandegroup.com
  Website: www.elgrandegroup.com

Products: Mexican shelter service provider with an industrial park development in Apaseo El Grande, Guanajuato, Mexico.

Group Sector Canada Inc.

1455, rue Drummond
Montreal, QC H3C 1H5

- Representative: Arnaud Rousset, Business Development Manager
- Alternate: Charles Reboul, Manager, North America
  Tel: (514) 798-7436
  Website: www.sectorsa.net

Products: Sectors brings its expertise in risk management and functional safety (ISO 26262) to improve the systems’ performance by optimizing reliability, availability, maintenance philosophy and ensure the safety of the system. The company mostly works with parts suppliers (design architecture assessment, risk analysis, RAMS), car manufacturers (integration, validation, traceability) and production plants (production tools optimization, production line performance improvement). Sectors’ expertise can be applied on new design and updates (hardware and software) or systems already in operation. The company’s approach relies on modeling the systems to understand its functions, identify its possible failures, impact their mitigation plan (functional analysis, PHA, FMEA, FTA).

InvestStratford (Stratford Economic Enterprise Development Corp.)

6 Wellington Street
Stratford, ON N5A 2L3

- Representative: Mike Pulkin, Manager Director
- Alternate: Joani Gerber, CEO
  Tel: (519) 305-5055
  E-mail: mpulkin@investstratford.com
  Website: www.investstratford.com

Products: Municipal economic development corporation.

KUKA Robotics Canada

6710 Mintz Drive, Unit #4
Mississauga, ON L5V 0A1

- Representative: Ed Manera, Regional Sales Manager
- Alternate: Steve Green, President
  Tel: (905) 670-8600
  Fax: (905) 670-8604
  E-mail: chrishatching@kukarobotics.com
  Website: www.kukarobotics.com

Products: Manufacturer of robots, slides, positioners and related components for automation solutions for a wide range of applications, including welding, machining, handling, palletizing and more.

Supply Chain Optimizers

280 Cimmerand Court
Georgetown, ON L7A 1G6

- Representative: John Hogg, Vice-President
- Alternate: Peter String, Executive Vice-President
  Tel: (716) 574-0121
  Fax: (716) 286-8206
  E-mail: rumpujp@supplychainoptimizers.com
  Website: www.supplychainoptimizers.com

Products: Freight buying consortium that delivers lower transportation costs and packaging optimization that decreases dimensional weight cost of parcel shipments.

Wesbell Logistics Services Inc.

6300 Ordain Drive
Mississauga, ON L5T 1W6

- Representative: Alan Bottomley, Vice-President
  Alternate: Paul Muzz, President
  Tel: (905) 595-8000
  Fax: (905) 595-7886
  E-mail: pmuzz@wesbell.com
  Website: www.wesbellogistics.com

Products: Wesbell Logistics Services provides custom-tailored logistics (transportation, warehousing and distribution) services that are customer-specific and optimize supply chain networks. Improved customer service performance is delivered through effectively-managed processes, lean operational practices for continuous improvement, and enhanced end-to-end visibility through e-portal protocol. The company’s objective is to provide customers with cost-effective, robust and innovative solutions to enhance their performance and value.

www.apma.ca Summer 2017
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Meet CAMM’s Members

The Automotive Parts Manufacturers’ Association (APMA) and the Canadian Association of Mold Makers (CAMM) have teamed up to offer members an even better member experience!
Please join us in welcoming the following CAMM members. We salute them for their support.

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Managing Growth

Financing a quickly growing company can be tricky, especially in times of tight credit. Here’s how two entrepreneurs navigated the challenges.

The seeds of John Pavanel’s success were planted during one of the most difficult periods his business has ever experienced. It was the middle of the last economic downturn, and Pavanel had just been forced to lay off half of the workforce at his Guelph, ON-based auto parts company, Hematite Manufacturing, which makes recycled sound insulators and air/water barriers for vehicles.

Despite the tough times, Pavanel also saw opportunity. He wanted to offer new high-tech vehicle parts that improved fuel economy and acoustics. The products were doubly attractive because they would be made from recycled auto trim scrap. That meant they would reduce the industry’s environmental footprint.

“Recycling is very much who we are, and we’re proud of that,” says Pavanel.

The problem was financing. Canadian financial institutions had significantly curtailed financing to the sector. “There was a lot of concern and caution,” he adds. “Some people were questioning whether the industry would survive.”

Drawing on his working capital wasn’t an option either. Pavanel didn’t have enough cash on-hand to make the large investments needed for facilities, hiring and equipment to launch the new product line.

Tips for Financing Growth

Financing is a critical component when embarking on a growth project, says BDC’s Mary Ann Wenzler-Wiebe. It’s vital for businesses to make sure beforehand that they have adequate and appropriate financing and that they are well diversified in their financing sources. Here are Wenzler-Wiebe’s tips for financing growth.

Ensure adequate financing:

Relying on working capital to pay for long-term growth investments can leave you vulnerable to a cash crunch. Instead, make cash flow projections based on your growth expectations, and seek adequate financing to cover any shortfalls. One rule of thumb: When financing a long-term asset, seek an amortization period that is the same as the asset’s expected lifespan.

Look at loan terms:

Look at more than the interest rate when seeking a loan. Also explore terms, such as flexible repayment and collateral requirements. Those can give you breathing room at the start of your growth project or later on if you run into difficulties.

Diversify financing sources:

Consider diversifying your financing sources. This can give you more options for planning growth projects. It may also be useful in the event of a slowdown, when lenders could get more risk averse.
His solution was to seek financing from the Business Development Bank of Canada, which maintained active support for the automotive sector amid the downturn.

BDC agreed to finance Hematite’s purchase and renovation of a bigger, new facility to accommodate new production facilities. BDC’s involvement also helped convince Pavanel’s other banking partner to kick in additional needed financing.

The project proved to be a success. Over the last five years, Hematite has doubled both its revenues and workforce; it now employs 250 people. “It can be challenging to grow,” says Pavanel. “The revenue only comes at the tail-end of the process. You need banking partners to believe in you.”

Pavanel’s challenges have been common in the auto parts sector since the downturn. Tighter liquidity has prevented many businesses from being able to jump on emerging business opportunities and grow as quickly as they would like.

Today, even as credit conditions have eased, the question of how to finance growth is still a critical concern. Many businesses pay for growth projects out of everyday cash instead of seeking financing. That can lead to a cash squeeze if the company experiences unexpected costs or sales declines.

Rapidly growing companies can be especially vulnerable because the greater expected cash inflows often significantly lag behind the outlays needed for new machines, employees, and raw material.

“Even if a business is flush with cash, it shouldn’t finance long-term investments with working capital,” says Mary Ann Wenzler-Wiebe, BDC’s vice-president of financing and consulting for Southwest Ontario. “That’s when we often see companies getting into hot water.”

And when they do seek financing, businesses should look at not only interest rates, but also the loan terms, such as repayment flexibility and collateral requirements, says Wenzler-Wiebe, who is BDC’s executive sponsor for the automotive sector. “Dig in and read the fine print of the loan agreement,” she says.

For example, a lender may offer a principal repayment holiday during the first six
or 12 months of the loan. That can let the company keep more cash on-hand during the critical initial phase of an expansion or acquisition—a time often fraught with surprise delays and expenses.

The bank may also allow a longer amortization period or a temporary repayment holiday in the event of a cash shortage later on. Lower collateral requirements can be handy, too; they let the business retain more working capital to see the growth project through to success. It’s also useful to ask the lending institution how flexible it is about rene-gotiating loan terms if a company’s situation changes.

"If repayment terms are very tight and inflexible, that can impact working capital at a time when you need breathing room," says Wenzler-Wiebe.

She advises businesses to diversify their financing sources and maintain good communication with bankers. "Doing that can help you not only take advantage of growth opportunities but also be well-positioned for any changes in business conditions," she adds.

Mohamed Gharib put many of these lessons into practice at his auto parts machinery and tooling company, Upland Technologies, based in Cambridge, ON. Like Hemate's John Pavanel, Gharib had to lay off staff in the last downturn, shedding seven of 16 employees.

But it wasn’t long before Gharib also saw growth opportunities for his business, which makes machinery and tooling for the production of mufflers and exhaust systems. He wanted to expand production and acquire his own building for the company. However, credit remained tight. "We needed more financing than the banks would give," he says.

Gharib turned to BDC to finance the building acquisition. The terms allowed him to make a lower down payment than other lenders sought. Gharib also obtained capital equipment financing from BDC, which loaned 125 per cent of the assets' purchase value. In addition, BDC offered an unsecured loan to finance work in progress and other financing for technology purchases.

The custom-tailored mix of loans fuelled rapid growth. Since 2009, Upland’s sales have shot up, while its labour force has ballooned fourfold to 38 employees.

“Our business exploded," says Gharib. "It was a very attractive financing arrangement that allowed us to continue to grow.”

What’s more, Gharib likes the fact that the financing helped him maintain stable cash flow despite the pressures of rapid growth. "When you’re growing quickly, you have to be very, very careful with your working capital," he says. "You can’t do it with internal financing alone. If we had relied only on our working capital, we would be a small fraction of where we are today."

Another bonus: Gharib now feels better prepared for any coming slowdown.

“We make sure to keep revenue in the business and remain financially stable so that when the next downturn comes, we are able to react and take advantage of opportunities," he says.

Pavanel agrees. "The automotive sector is very cyclical," he says. "Having the right financing and partners is key to being ready and having the ability to grow.”

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ABRASIVES
Boride Engineered Abrasives ............................................. 12

ADVANCED MANUFACTURING PROCESSORS, CUSTOM
AUTOMATED ASSEMBLY SYSTEMS & SUPPLIES
Centerline (Windsor) Ltd. .................................................. 22

ALUMINUM LIGHTWEIGHT SUSPENSION
COMPONENTS
APMA, Raufooss Technology ............................................. 41

ALUMINUM MATERIAL MANUFACTURER
Alcan Aluminum / Rio Tinto Alcan ...................................... 13

ASSEMBLY MODULES & FLUID MANAGEMENT
SOLUTIONS
APMA, Martinrea International Inc. .................................. 44

AUTOMATED INSPECTION MACHINES
Attica Automation ............................................................ 24, 25

AUTOMATED PRODUCTION SYSTEMS & TOOLING
APMA, Valiant TMS ......................................................... 8

AUTOMATIC SCREWDRIVING SYSTEMS
DEPRAG USA ................................................................ 6

AUTOMOTIVE PARTS & SERVICE
APMA, Magna International Inc. ...................................... 10

BLOW MOLDING & PLASTIC PARTS
APMA, ABC Group ....................................................... 32

CONSULTING & TRAINING
GRT .............................................................................. 32

DESIGN & DEVELOPMENT OF OIL PUMPS
APMA, SHW Pumps & Engine Components Inc. .................. 15

DESIGN, MOULD & PROTOTYPE SOLUTIONS
Laval ................................................................................ 8

DRIVE TRAIN COMPONENTS
APMA, Poltras Foundry Ltd ............................................... 27

ELECTROPLATING
APMA, Dovercourt Management Corp. .......................... 8

ENGINEERED RUBBER PRODUCTS
AirBoss of America ......................................................... 23

ENGINEERING PROGRAM
APMA, University of Windsor ........................................ 45

GOVERNMENT FUNDING SPECIALISTS
APMA, Mentor Works Ltd. ................................................ 31

HIGH PERFORMANCE STEEL
SSAB EMEA AB ............................................................ 36

HIGH-STRENGTH FLAT CARBON
APMA, ArcelorMittal ......................................................... 36

IMPORTER OF SPECIAL CHEMICAL & RUBBERS
APMA, Sanyo Corporation of America ........................... 32

INJECTION MOLDING & ASSEMBLY
APMA, Sle-Co Plastics ..................................................... 3, 8

LIGHTWEIGHT INNOVATION
APMA, Matcor-Matsu Group Inc. ...................................... 20

MACHINE TOOLS, METAL PROCESS, MACHINERY &
ACCESSORIES
Index Corp. ....................................................................... 23

MACHINERY TOOLS SUPPLIER
Elliott-Matsuura Canada Inc. ........................................... 4

MANUFACTURER OF AUTO COMPONENTS
APMA, Linamar Corp. ...................................................... 14

PLASTIC TOOLING SOLUTIONS
Arlen Tool Co. Ltd. .......................................................... 29

PRECISION TOOLING
APMA, Bowman Precision Tooling .................................. 8

PRESSES
APMA, Eagle Press & Equipment Co. Ltd. .................. 34

PROTECTIVE PACKAGING
Samuel Strapping Systems ............................................... 46

PROTOTYPING & TESTING SERVICES
APMA, Canadian Centre for Product Validation .................. 27, 29, 31

RIGGING
Spartan Sling Manufacturing Inc. ....................................... 8

RISK MANAGEMENT
APMA, Banco BASE ......................................................... 8

SEATING
APMA, Schukra of North America Ltd. .......................... 42

SENSOR TECHNOLOGY
APMA, Balluff Canada Inc. ............................................... 38

SPECIALTY PARTS FORMING
Formnet Inc. ................................................................. 33

STEEL & ALUMINUM DISTRIBUTION
Ellwood Specialty Metals .................................................. 39

STRUCTURAL METAL STAMPINGS
APMA, NARMCO Group ................................................... 23

WELDING PRODUCTS
Tregaskiss ................................................................. 23

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