

JDI ROUNDTABLE **ON MANUFACTURING** **COMPETITIVENESS IN NEW** **BRUNSWICK FORUM**



RECOMMENDATIONS FROM THE 2019 **JDI ROUNDTABLE ON MANUFACTURING** **COMPETITIVENESS IN NEW BRUNSWICK FORUM**

Sept. 25-26, 2019
Fredericton, New Brunswick

Recommendations for Action

The following recommended actions to improve manufacturing competitiveness in New Brunswick are based on the research, presentations and discussions at the JDI Roundtable on Manufacturing Competitiveness in New Brunswick on September 25-26, 2019.

These are recommended actions that Government can take to demonstrate some short-term results, with the intent of creating momentum towards more specific changes and actions.

To use a baseball analogy, the goal of these recommendations is to get some runners on base rather than swing for the bleachers.

The View from 30,000 Feet: Needs for Investment and Growth

In the six months prior to the JDI Roundtable Forum on September 25-26, the JDI Roundtable research team met with manufacturers from almost every region of the province. Some common themes emerged from those conversations. Those same themes were then reiterated in the panel discussions, comments, and survey responses at the JDI Roundtable Forum.

- **Reduce headwinds:** In both panel discussions and post-event survey responses, manufacturers clearly indicated that they need government to make it easier— not just cheaper— to produce in and export from New Brunswick.
- **Stability:** New Brunswick's brand has an impact on its businesses—both in terms of their ability to penetrate new markets and their willingness to invest domestically in growth and expansion. Build New Brunswick's reputation as a fiscally stable and predictable environment to do business.
- **Transparency:** NB manufacturers have indicated they want to understand the long-term objectives of economic development policy and be confident that everyone is playing from the same rule book. Establish clear priority setting criteria for investment in infrastructure, R&D, and supported economic development projects.
- **Capacity:** Limited domestic capacity limits the potential for growth. Government policy should focus on:
 - building the workforce;
 - ensuring secure supplies of energy;
 - developing access to markets, financial capital and state of the art technology.

Recommended 2019-2020 Actions to Drive Growth and Competitiveness

Each of the action items below was developed directly from research, manufacturer feedback, and expert discussion that was part of the 2019 JDI Roundtable on Manufacturing Competitiveness in New Brunswick program.

Action 1: Identify a manufacturing export focus for NB economic development

An export-driven manufacturing focus has been absent from NB economic development plans for decades, likely because New Brunswick policymakers have been operating under the common but mistaken assumption that North American manufacturing is a sunset industry.

Economic data through two recessions shows that manufacturing is one of New Brunswick's most geographically diverse, resilient, and productive sectors. The sector supports higher-than-average paying jobs for New Brunswickers in almost every corner of the province. And manufacturing, with its capital intensity and deep supply chains, has the potential to drive more economic growth than any other sector of the economy.

To an objective outside observer, manufacturing would be considered the low-hanging fruit for economic development success if your strategy is to build on existing strengths.

As referenced at the JDI Roundtable Forum by keynote speaker Bruce Simpson of McKinsey and Company, high impact economic policy identifies the economy's Lighthouses—firms that stand out as being more advanced, competitive, and ready for innovation, adaptation and growth—and deliberately and systematically addresses the conditions needed to grow them. Lighthouse firms drive more growth for the economy and pull domestic supply chain and enabling sectors with them.

To implement a **Lighthouse Strategy**, government should ask and answer the following:

- Identify NB's globally competitive advantages and opportunities for export-led growth by analyzing existing export-driven manufacturing firms.
- **Find Lighthouse firms or clusters** by identifying which producers are already good but have the potential to become great. A Lighthouse Strategy requires the identification of good facilities on which to focus energies and investment to make them world class
- Which firms and/or sectors are the rising tide that can float other boats? Firms with already robust export focus and highly developed domestic supply chains have higher potential to raise productivity and GDP.
- What **investments in infrastructure and R&D** will enable Lighthouses to grow? New Brunswick requires R&D to support manufacturing, not pivot economy away from it.
- Which **enabling sectors** will experience the most growth if a lighthouse sector grows?
- Given the above, for \$1 growth in a lighthouse sector, what is the impact to all other sectors and provincial economy?

A Lighthouse Strategy is not about picking winners at the expense of others. It's about leveraging the impact of those who are already winning in order to create the conditions, capacity, and expertise needed for others to achieve the same status.

Action 2: develop, lead and implement a manufacturing-focused growth strategy

New Brunswick should be prepared to facilitate a manufacturing-focused growth strategy. This will require Government to systematically identify and address policies and regulations that impact New Brunswick manufacturers and contribute to economic headwinds, such as:

- Red tape reduction and regional regulatory harmonization
- Taxes, investment incentives, services to address locational disadvantages relative to other jurisdictions

- Policy consistency with an arms-length economic development agency
- Flexibility in programs supporting growth
- Energy supply/cost
- Transportation services

Action 3: Identify who owns and/or leads workforce development in New Brunswick

Labor force challenges are a recurring theme for New Brunswick manufacturers, to the point where labor force challenges are forcing investment out of the province.

In both research interviews and panel discussions, it was clear from the employer's perspective that there is a lack of clarity about which arm of government is responsible for labor force development, with various pieces of the puzzle residing in different arms of government and little accountability to a focused, overall plan.

Government needs to establish one clear and unambiguous owner/leader of workforce development in New Brunswick, with direct reporting lines from other departments if necessary. Government should require the owner/department responsible for workforce development to:

- Set employer-focused priorities and measures for investments in training and immigration strategies
- Lead government, education/academia, and employers in action-oriented discussions to identify workforce needs
- Direct action on workforce needs through education, post-secondary education, training and immigration programs
- Promote jobs/needs in demand and increase the value and perception of trades and jobs in manufacturing.
- Increase the diversity of the manufacturing workforce.

Successful workforce development programs have been implemented in other jurisdictions with significant impact on the local economy. New Brunswick should study the Georgia and Virginia workforce development models with a view of determining whether a similar model is feasible in New Brunswick. If not, find a better model and make it happen.