

**TO:** Interested Parties

**FROM:** Association of Equipment Manufacturers

**DATE:** August 20, 2020

**SUBJECT:** Economic and Operational Impact of COVID-19 on Equipment Manufacturers in Canada

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The Association of Equipment Manufacturers (AEM) conducted a survey of member company executives (Presidents, CEOs, and Owners) on the continued impact of the COVID-19 pandemic on equipment manufacturers. The survey was in the field from June 22, 2020 to August 5, 2020. The 24 respondents weighed in on the effects on the economy, the industry, their companies, supply chain and manufacturing operations, and their financial expectations. Respondents also detailed the challenges they face and specific ways the Canadian government can keep equipment manufacturing strong and help ensure the country's economic comeback.

#### KEY FINDINGS

- Nearly half (forty-seven percent) of equipment manufacturers in Canada surveyed said it would take one year or more for their organization to recover to pre-COVID business levels.
- More than three out of four equipment manufacturers in Canada surveyed identified a decrease in demand (new orders) as the primary impact of COVID-19 on their business and manufacturing operations (seventy-six percent). Four out of ten (forty-three percent) respondents identified supply chain issues as a major impact.
- Fifty percent of Canadian equipment manufacturers say they have used or intend to use Canada's federal COVID-19 assistance programs to help their business, with the other fifty percent saying they have not or will not.
- Of the equipment manufacturers in Canada accessing the Canada Emergency Wage Subsidy (CEWS), fifty-five percent said it was "easy" while twenty-two percent said it was "relatively easy," and another twenty-two percent saying it was "moderately difficult."
- The top three additional policies equipment manufacturers believe the Government of Canada should undertake to help their businesses through the COVID-19 crisis are recognizing the

critical importance of Canadian manufacturing capacity, implement measures to increase the competitiveness of the sector, and reward innovative Canadian manufacturers (sixty-five percent), investing more federal money in infrastructure projects, including increasing the federal portion of funding for provincial and municipal projects (sixty percent), and creating a program to replace older equipment with new, lower emission equipment through tax credits or government grants and loans (sixty percent).

## DETAILED FINDINGS

### *The use, or intended use, of Canada's federal assistance programs during the COVID-19 crisis to help Canadian equipment manufacturers' businesses.*

Canadian equipment manufacturers were split as it relates to their use, or intended use, of Canada's federal assistance programs. **Fifty percent of Canadian equipment manufacturers say they have used or intend to use Canada's federal COVID-19 assistance programs to help their business, with the other fifty percent saying they have not or will not.**

Of those who indicated they used or intend to use Canada's federal COVID-19 assistance programs, 100 percent said they would use Canada's Emergency Wage Subsidy (CEWS), ten percent said they would use the temporary 10 percent Wage Subsidy, ten percent said they would use Canada's Work-Sharing program, ten percent said they would use Canada's Summer Jobs Program, ten percent said they would use Canada's Deferral of Customs Duty and Sales Tax for Importers, and ten percent said they would use Canada's Deferral of Taxes and GST/HST Remittances.

### *On how easy it's been to access the assistance program and obtain assistance*

Of those who indicated they are using assistance or intend to, equipment manufacturers in Canada mostly indicated accessing federal assistance was "easy" or "very easy." **Of the equipment manufacturers in Canada accessing the Canada Emergency Wage Subsidy (CEWS), fifty-five percent said it was "easy" while twenty-two percent said it was "relatively easy," and another twenty-two percent saying it was "moderately difficult."**

Of the equipment manufacturers in Canada accessing the temporary 10 percent Wage Subsidy, the Work-sharing Program, the Canada Summer Jobs Program, the deferral of Customs Duty and Sales Tax or the Deferral of Taxes and GST/HST Remittances, 100 percent said it was "easy."

### *On what other policies the Government of Canada should undertake to help your business through the COVID-19 crisis*

**The top three policies equipment manufacturers believe the Government of Canada should undertake to help their businesses through the COVID-19 crisis are recognizing the critical importance of Canadian manufacturing capacity, and implement measures to increase the competitiveness of the sector and to reward innovative Canadian manufacturers (sixty-five percent), investing more federal money in infrastructure projects, including increasing the federal portion of funding for provincial and municipal projects (sixty percent), and creating a program to replace older equipment with new, lower emission equipment through tax credits or government grants and loans (sixty percent).**

Additional actions that equipment manufacturers in Canada believe the Canadian government should take include expediting the permitting process for new infrastructure and resource development projects, and work with provinces and municipalities to remove duplication in their processes (forty percent), establishing a Canadian Secured Credit Facility to help businesses invest in capital equipment (thirty-five percent), providing greater support in exporting to new foreign markets (thirty percent), and reducing interprovincial trade barriers and regulations (fifteen percent).

*On the primary impact of COVID-19 to equipment manufacturers in Canada business and manufacturing operations*

**Most equipment manufacturers in Canada surveyed identified a decrease in demand (new orders) as the primary impact of COVID-19 on their business and manufacturing operations (seventy-six percent).**

The next largest impacts were employee absenteeism (forty-three percent), a decline in company financial situation (forty-three percent), cancellation of current orders (thirty-eight percent), reduction in employment levels (furlough) (twenty-nine percent), and reduction in employment (layoffs) (twenty-nine percent).

*On when equipment manufacturers in Canada anticipate their organization to recover to pre-COVID business levels*

**Nearly half (forty-seven percent) of equipment manufacturers in Canada said it would take one year or more for their organization to recover to pre-COVID business levels**, twenty-four percent said Q2 2021 would be when their organization would recover to pre-COVID business levels, fourteen percent said it would take until Q1 2021, ten percent said Q3 2020, and five percent said it would take until Q4 2020.

**ABOUT THE COMPANIES THAT PARTICIPATED IN THE SURVEY**

The companies participating in the survey included Association of Equipment Manufacturers (AEM) members based in Canada. This includes companies who build or manufacture equipment and parts used in the agriculture, construction, forestry, utility, and mining sectors.