



THE AMERICAS

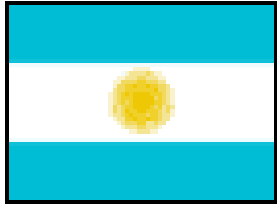
Challenges, Constraints and Opportunities

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Canadian Tooling & Machining Association

Figueira da Foz, Portugal
June 13th, 2006

THE MAJOR ECONOMIES OF:

- ARGENTINA
- BRAZIL
- CANADA
- MEXICO
- UNITED STATES OF AMERICA



ARGENTINA

POPULATION: 39.3 Million

CAPITAL: Buenos Aires

AREA: 2.8 Million Sq. Km.

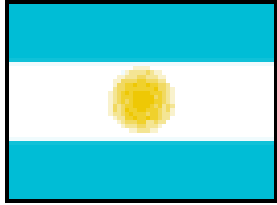
LANGUAGE: Spanish





ARGENTINA

- Argentina is rich in resources, has a well-educated workforce and is one of South America's largest economies.
- It has 2 major areas of manufacturing – Buenos Aires and Cordoba (west from Buenos Aires).
- Buenos Aires is the most European city in the world outside of Europe.
- Following the currency crash late in 2001, we lost Argentina as a member of ISTMA. The currency went from a pegged level of 1 Peso per \$1 USD to 3 Peso's per \$1 USD.
- This change in currency would reduce the opportunity to sell tooling into Argentina.
- I have visited Buenos Aires twice and Cordoba once and maintain contacts with their association – CAFHIM.



ARGENTINA

IGNACIO PORRO REPORTS:

- Current Business Conditions: Very Good
- Hourly Wage of Skilled Workers: \$12.00 USD (including social charge)
- Number of Hours Per Week: 40 Hours
- Amount of Overtime: 12%
- Company's Employment Figures: Up

“Economic indicators of the country are positive but the enterprise owners are worried about the raw material cost, service prices, and taxes.”



BRAZIL

POPULATION: 182.8 Million
(USA = 298 Million)

CAPITAL: Brasilia

AREA: 8.55 Million Sq. Km.
(USA = 9.8 Million)

LANGUAGE: Portuguese





BRAZIL

- Brazil is South America's biggest and most influential country and takes up almost half of the continent.
- Main areas of manufacturing are Rio de Janeiro and Sao Paulo.
- ISTMA Americas maintains contact with RHEA Participacoes and University of Caxlas do Su.
- At this time, we have been unsuccessful in obtaining Brazil as a member of ISTMA.
- I have visited Rio de Janeiro once – in 1998.



MEXICO

POPULATION: 106.4 Million

CAPITAL: Mexico City

AREA: 1.96 Million Sq. Km.

LANGUAGE: Spanish





MEXICO

- Mexico is a nation of affluence, poverty, natural splendor and urban blight.
- Mexico is a major oil producer with substantial reserves.
- At this time we have been unsuccessful in obtaining Mexico as a member of ISTMA.
- I have visited Cancun in Mexico once. I'm told that this is not the 'real' Mexico.



MEXICO

MIGUEL PETRUCCI REPORTS:

- Current Business Conditions: Good
- Hourly Wage of Skilled Workers: \$6.00 USD (plus benefits)
- Number of Hours Per Week: 48 Hours
- Amount of Overtime: Sometimes
- Company's Employment Figures: Up

Miguel is an Italian-born, Argentinean-trained mould maker, who moved to Canada, has plants in Toronto & Mexico, out-sources to Argentina ... and still plays Old timers Soccer.



CANADA

POPULATION: 32 Million

CAPITAL: Ottawa

AREA: 9.9 Million Sq. Km.

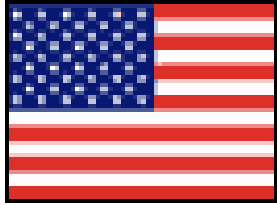
LANGUAGES: English / French





CANADA

- Canada is the second largest country in the world (after Russia). Our population is only about one-fifth of Russia's.
- Canada's latest business conditions of the general economy and the tooling sector were presented in yesterday's meetings.



USA

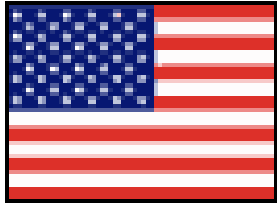
POPULATION: 298 Million
(Portugal = 10.5 Million)

CAPITAL: Washington D.C.

AREA: 9.8 Million Sq. Km.
(Portugal = 0.9 Million)

LANGUAGE: English





USA

- The United States of America is, of course, the world's foremost economy.
- Tom Garcia has provided the usual excellent business conditions report during our meetings yesterday.
- Harry Moser, President of Charmilles Corp. has sent me 3 reports:
 - Global Outlook for Mold Manufacturing (following our Australia meeting last year)
 - Survey of Job Openings – November 2005
 - Activity & Financial Indexes Staying Strong – April 2006

Anyone interested in copies of these reports ... please give Les Payne your card or send an email to lpayne@ctma.com.
- Terry Wohlers of Wohlers Associates sends his warm regards and reports that the market for additive fabrication (also known as rapid prototyping) grew 14.6% to an estimated \$808.5 million in 2005, up from \$705.2 million in 2004.

CONSTRAINTS & CHALLENGES

Globalization creates the fear that high wage countries will steadily lose jobs to the low wage countries, which will in the end extend to the very highest skilled jobs. We have all heard the need to let go of the low or semi-skilled jobs and concentrate on the high value-added, high-skilled projects. This bears little reality to today's low cost nations which are very competitive in all areas.

This negative or defeatist attitude to job losses is becoming a constraint in its own right. What we see is many companies are breaking their products into sections and out sourcing them to low cost countries. While this does reduce the need for tooling locally, it allows the producer the ability to lower its costs and therefore stay in the game.

A problem we see with globalization, certainly in Canada, is that many companies will disappear.

CONSTRAINTS & CHALLENGES (continued)

A Canadian Case Study:

A 26-year old Ontario mould shop with excellent equipment became very slow in May 2006. Employment went from a high of 15 employees to a recent low of 9. They submitted a quotation with a low value for them of \$28,000.00 CAD and the order went to China for \$6,000.00 CAD. The company's assets will be auctioned off on June 15, 2006.

This trend will continue for Canada.

CONSTRAINTS & CHALLENGES (continued)

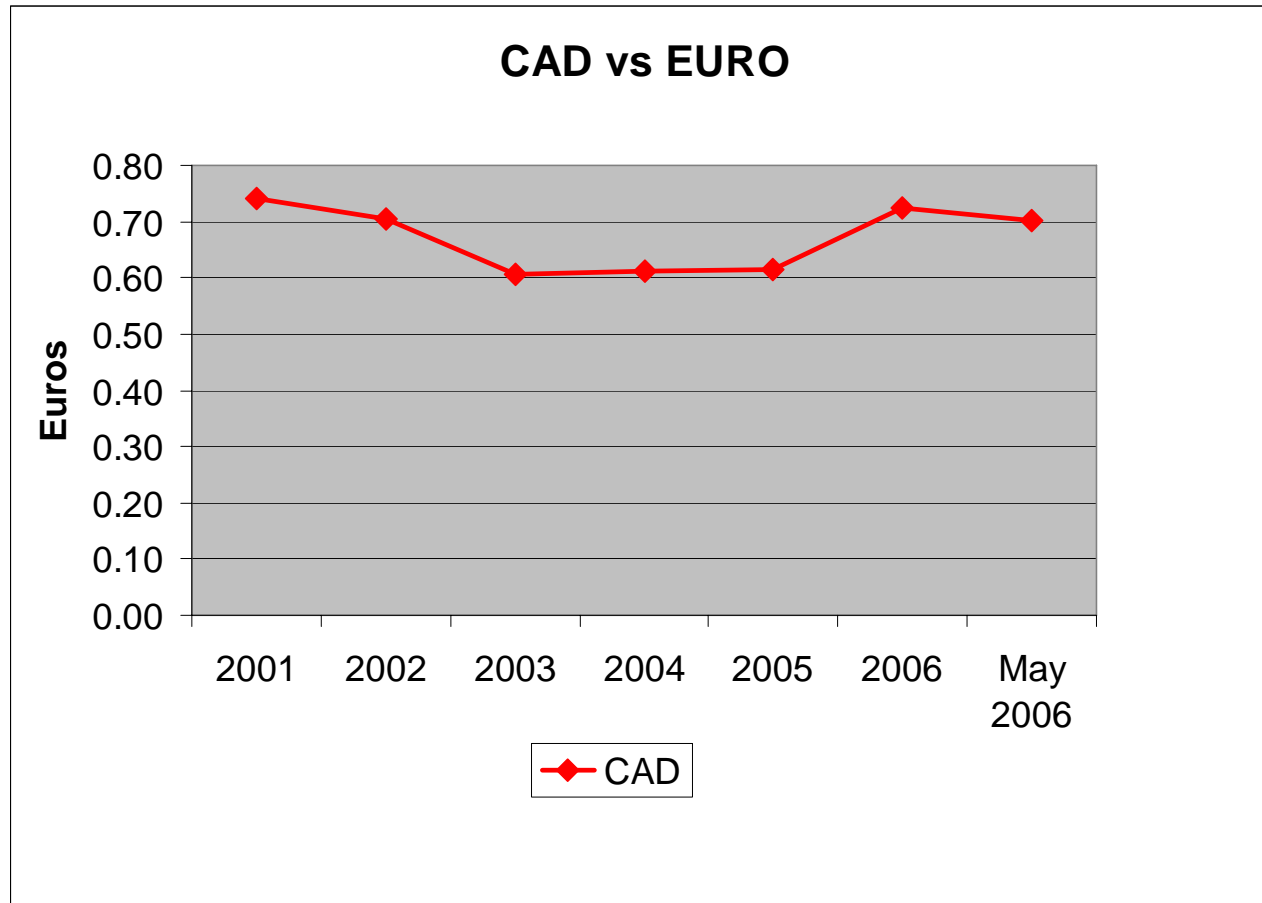
USA Currency History:

Much the same opportunities for Euro-based nations and Canadian companies to supply tooling into the USA existed in 2001-2003. Things have certainly changed since 2003.

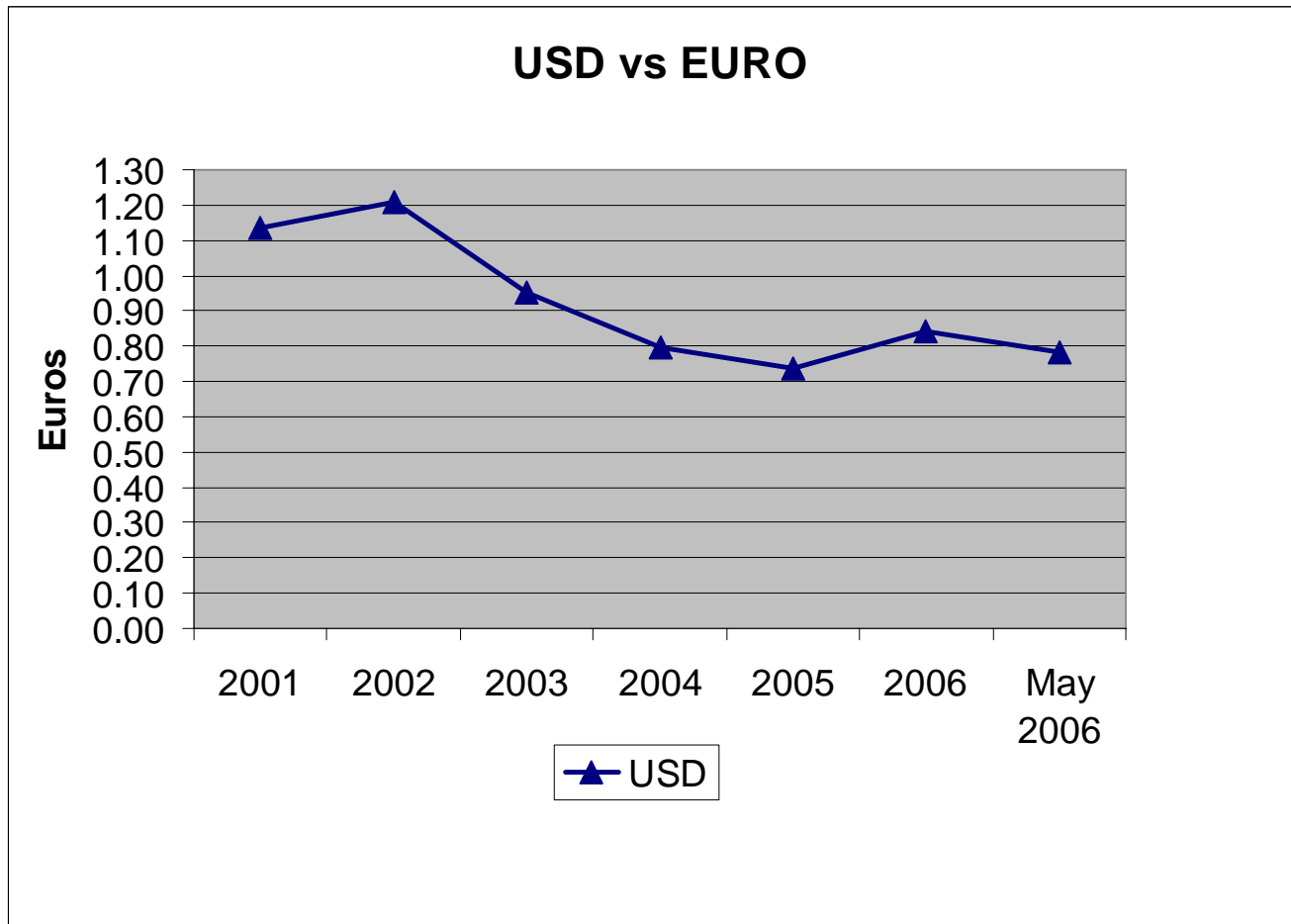
- 1) CAD vs EURO – the two currencies have remained within a narrow band of 0.605 Euro to 0.740 Euro per Canadian dollar.
- 2) USD vs EURO – the American dollar has weakened greatly since 2001, going from 1.135 Euros to 0.783 Euro.
- 3) CAD & EURO vs USD – The Canadian dollar has mirrored the Euro over this same period, going from 0.65¢ to 0.89¢ USD.

CONSTRAINTS & CHALLENGES (continued)

The Canadian Dollar has remained constant with the Euro over the last 5 years. One way of looking at the constraints and opportunities for Europe would be the fact that Europe and Canada shared the same competitive edge and erosion of this competitive edge over the last 5 years vis-à-vis the US Dollar.

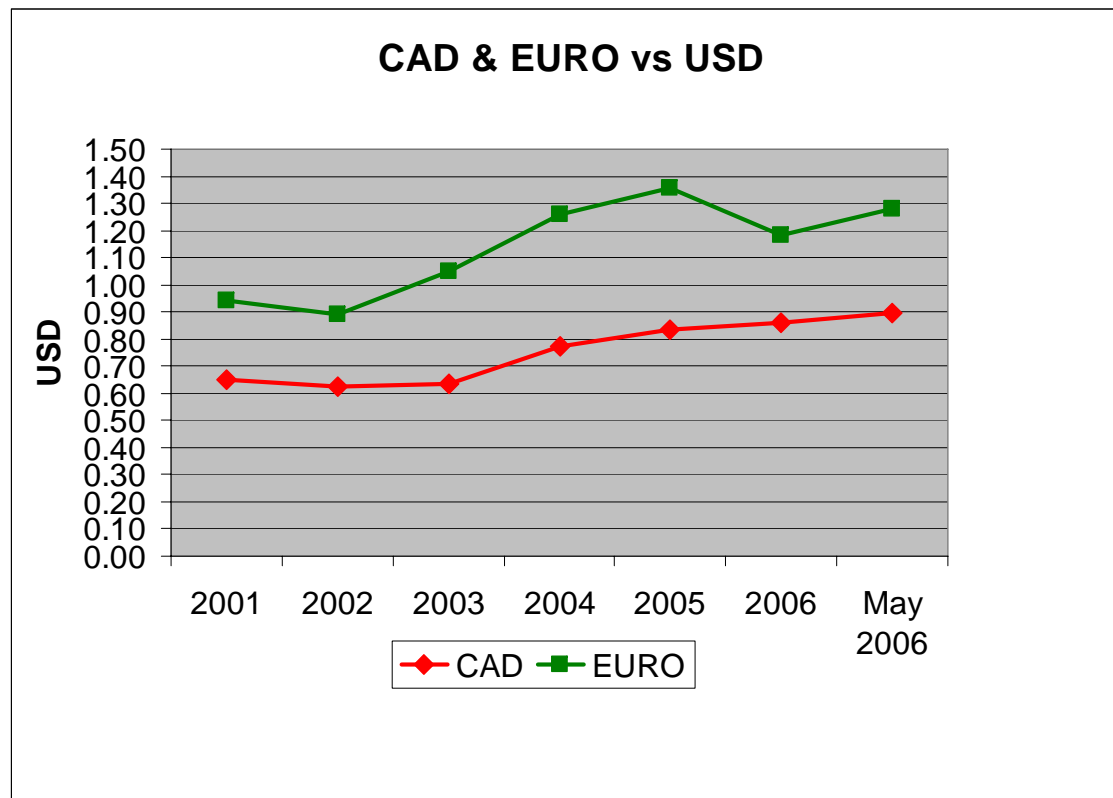


CONSTRAINTS & CHALLENGES (continued)



CONSTRAINTS & CHALLENGES (continued)

In the first few years of the period between 2001-2003 Canada enjoyed a highly competitive advantage. We enjoyed robust business conditions at the same time as the USA tooling sector was contracting. The USA tooling sector lost 30% of its capacity to plant closures and even as high as 40% in the Chicago area. ISTMA member NTMA went from a high of 3,600 member companies to almost half this number today.



CONSTRAINTS & CHALLENGES (continued)

From a recent survey of Mould Making Issues in Canada, here are the highlights of the most serious 6 problems that were identified:

IDENTIFIED ISSUES	No Problem	Moderate Problem	Serious Problem
Falling Tooling Prices	4%	26%	68%
Offshore Competition	3%	32%	65%
Disconnection Between the Market Value and the Selling Price	3%	33%	64%
Rising Steel Prices	4%	39%	57%
Automotive Tier 1 Bankruptcies	10%	36%	54%
Delayed Payment Terms (affects cash flow)	6%	41%	53%

OPPORTUNITIES

ARGENTINA:

While the low value of the Peso may limit the opportunities for tooling to be shipped to Argentina, many Spanish-speaking European companies are quite successful. Many tool shops in Argentina have multiple product lines to survive within a small market place. This provides well-equipped, single-focused European tool shops with the opportunity to supply tooling.

BRAZIL:

With a population almost the same size as the USA, one would assume that many opportunities exist – certainly for Portuguese-speaking European tool shops. Sao Paulo is the major manufacturing centre.

MEXICO:

With such a large population, the need for consumer products will increase as incomes increase. The same advantage for Spanish-speaking tool shops exist here ... to supply tooling to the consumer product producing companies located in Mexico.

OPPORTUNITIES

USA and CANADA:

American tooling companies that have survived are reporting very busy order books at this time. With approximately 30% of capacity gone, the question becomes ... can they supply all of the USA's tooling needs?

North America has no customer loyalty towards any supplier, therefore the opportunity almost always goes to the lowest cost supplier.

The only security that exists today is the ability to produce a unique product or service. We call this a '*niche*' product or service.

The USA is at capacity and may need to outsource tooling.

Canadian shops can now better afford to purchase new equipment due to the higher valued Canadian dollar, however we see more closures and therefore the opportunity to purchase whole Canadian companies is very good at this time. Most Canadian tool shops are looking for joint-venture opportunities.