



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Southern Alberta Institute of Technology (SAIT)

Introduction

This session was held at the Southern Alberta Institute of Technology, Calgary, Alberta on June 28, 2004. The meeting convened a group of senior manufacturing executives to generate viewpoint and opinion for the **Manufacturing 20/20** program, launched by the Canadian Manufacturers and Exporters in 2004. The combined results of these sessions will form the basis of a set of recommendations, which will be delivered in October to the multiple levels of government in Canada. This paper documents the results of that session.

Session outcomes

The intended outcomes of the session were to develop a shared understanding of:

- The challenges and opportunities facing Alberta manufacturers;
- A “preferred future” for manufacturing in Canada; and
- What needs to be in place to ensure a thriving competitive manufacturing sector.

Launched by a presentation providing some background for the program, the session took the form of dialogue, driven by a set of questions reflecting the above three outcomes.

Participants

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|---------------------|------------------------|-------------------------------|
| • Adrian Trudeau | President | Almita Manufacturing Ltd. |
| • Yolanda Bilger | Business Dev Mgr (Mfg) | Calgary Economic Development |
| • Ray Mills | CEO | Kudu Industries Inc. |
| • Bruce Borstmayer | President | Qualicase Ltd. |
| • Louis Kelemen Jr. | President | Simo Corporation |
| • Peter Bagg | Dean Coordinator | SAIT-Automation |
| • Paul Layte | VP Eng. Prod & Service | Alberta Research Council |
| • Brad Moore | President | Cam Tech Industries Inc. |
| • Wade Adams | Mgr QA/Product Dev | ATCO Structures Inc. |
| • David Martin | Chairman & CEO | Smart Technologies Inc. |
| • Mike Selkirk | | NATCO Canada |
| • Kelly McNeil | | SMED International |
| • Paul Dean | VP Information Systems | Gienow Building Products Ltd. |
| • Guy Cocquyt | | Prudential Steel |
| • Mel Svendsen | President | Standens |

Challenges and opportunities

What are the major challenges and opportunities we are currently facing as manufacturers in Canada?

Currency fluctuations

- Canada vs. world

Cost of raw products

- Availability – supply chains being stretched
- Play off increase in commodity prices against value-added gains
- Use opportunity of commodity spike to raise price and value
- Risk devaluation
- Commodity prices have actually dropped over time
- Management not experienced in spiking of commodity prices. Are we managing manufacturing business as well as we can?
- Our geographic location (far from raw materials) causes double transportation charges – raw materials in, product out
- Volatility of commodity prices makes quoting difficult

CME can help linkages among members. CME doing this through Calgary manufacturing consortia in non-competitive situations

Most manufacturing countries more sophisticated or ahead of Canada due to automation on larger volumes

Canadian manufacturers are competing against unequal financial incentives

- Other companies in other countries are not carrying as much debt due to tax and other incentives
- Harder to operate with buyout debt as manufacturing entrepreneurs pass on business to family members or employees
- Don't have financial instruments of other countries, i.e., 10 year moratorium on taxes, rapid equipment write-off, and wealth creation
- Competing against tax moratoriums etc. in other countries/markets – US, China. Why not regional or federal government tax incentives?
- Used to have rapid write off against equipment – 50% CCA
- Need for financing story to be told differently so public understands business issues

Manufacturers not good storytellers – public doesn't understand concept that business is the agent of growth and that we have to become nation of traders

Disconnect between industry and government, not communicating well

No ability or opportunity taken to influence levels of government, i.e. advocacy

CME could have discussed job loss during campaign

Should CME be more proactive – i.e. "crisis message" teller

Quality presentations are a part of whole image of business

Public doesn't break out manufacturing from other industries

Alberta Economic Development authority

- Focused on oil/gas manufacturing etc. Where do other manufacturers fit in? Have to have ability to access Ingenuity Fund in future

Skilled labour

- None available
- Cannot propagate management skill, actively training all those that are provided to industry
- Need people who can think and have a positive attitude to work
- Education is to improve thinking skills
- Reason people do not come without baggage – drugs, lack of work skills, lack of focus
- No staff available for union position currently
 - Seniority; workers are aging
 - Having to recruit out of province
- We must be prepared to hire apprentices to make journeymen
- European model – streaming -tech school, university, semi skilled available
- Must become better at forecasting needs to technology schools which provide the first training towards apprenticeship
- Need unique in-house training in manufacturing companies
- High-tech - sell more to innovative Canadians before going to world markets – need more Canadian customers as mentors or champions

Need more business- to-business training

Labour needs depend on type of business, i.e. trades vs. high-tech

Aboriginal potential – Alberta government require aboriginal programs to be in place before temporary work permits are granted to immigrants in companies

Concern about immigrants coming in without potential short term trainable skills, i.e. engineers rank highly on Canadian immigration service point system but do not have necessary hands-on-skills

Trades are not seen as cool by parents, educators and students

School a feeder system for universities – can't we feed kids into trade stream earlier?

Management teams key – why not taught in education system?

Management in manufacturing learned in trenches – don't have proper business skills

- Must hire management skills, can't promote off floor, don't have perspective
- How to be a manufacturing manager – critical skill today
- Spend dollars to educate managers who do not have fundamentals – must teach basic management in companies – takes too long
- Networking and building on ideas key among manufacturers
- Skills needed to be quality managers usually acquired by workforce and training – outside company and by technical schools

Importance of supply chain forces manufacturing offshore

- Are losing manufacturing to offshore due to products being treated as components
- Not because of labour dollars/hour costs but due to supply chain not being able to provide necessary components in North America
- Challenge is to control reliability and quality within North America

A “preferred future” for the manufacturing sector

What would we like the manufacturing sector to look like in the 5 to 10 year time frame?what are the main characteristics of manufacturing in Canada in that time frame?

Manufacturing is changing

- Lean processing is changing methods of operations favourably
- Tighter margins create innovation (Canadian dollar exchange forces closer look at process)
- Change to mass customization (one off manufacturing) increasing demand for high specifications – end product now has responsibilities of technology
- Far more technology
- The customer has pushed responsibilities for certain services to the manufacturer – manufacturers took over parts of supply chain, i.e. vendor managed inventories
- Cost increasing everywhere
- “Green” concept – environmental codes increasing cost of construction materials

Change constant – is the norm in all areas

- Technology
- Employees always retraining
- Manufacturers must react appropriately to constant change to survive

Technology will change quickly – Europe ahead - Has a different mentality

- In Europe work for company for life
- Are more sophisticated with processes and products
- They have looked at more automation for gains

Canadian manufacturers must use value-added strategies and more technology

Robotics – less tedious jobs can be done by same employee

Must grow more medium size companies from small, i.e. tax policies

Must generate more GDP from medium-sized companies

Calgary is putting more emphasis on North/South trade and global marketplace

Will no longer be low-end manufacturers

More assembly of offshore parts, becoming more complete integrators

There will be higher barriers of entry to manufacturing in future

- Better usage of raw materials
- More sophisticated management and process
- Service component will be a higher priority
- Faster conception, R & D, development, delivery
- Will use different materials than today
- Re-examine value chain in business – must be high value added
- Look through customer to customer’s customer – must be totally future oriented

Next steps

What steps do we need to take as manufacturers to help create our “preferred future”?

Focus

- Reinvesting in business – tax packages must be available

Work through associations with clear message, i.e. CME, Canadian Federation of Independent Business (CFIB). Advocate

Stay in continuous learning mode – be constantly aware of other manufacturing models

Long-range skill sets – continue to develop education programs at SAIT and universities

Education not an attractive profession to educators – make it so to gain positive attitude

Create a strategic process on manufacturing within province

Engage with stakeholders more thoroughly

Take the role of storytellers

Tell story to schools, government, and community

Strategies must be simple

- Few objectives- i.e. invest (tax), celebrate success

