

# Lean firms defy strong buck

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Standard Staff

Mike Whatling sees it as a weeding-out effect.

For years, trade-dependent manufacturers in Niagara buckled under massive competitive pressures.

A surging loonie and the recession ripped away at them, with many failing to survive.

Now, with the Canadian dollar again nearing parity with the U.S. greenback, something has changed.

## DOLLAR

Remaining, and often smaller, leaner domestic manufacturers like Whaling's Niagara Precision Ltd. are starting to bloom.

Statistics Canada reported this week that factory shipments shot up 2.4% in January to \$44.4 billion, far surpassing economists' expectations of 0.6 per cent growth.

It's the fifth straight monthly gain for this sector.

Automotive products, building materials, machinery and electronic equipment were responsible for most of the growth.

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Mike Whatling, former head of the Niagara Industrial Association

relying a lot on the U.S. market are basically gone," said Whatling, general manager of Niagara Precision Ltd. and past head of the Niagara Industrial Association.

"The companies that emerged from this current recession are certainly a lot leaner, more efficient and are hungrier."

"These stronger companies are actually getting busy now," Whatling said. "And it's higher-end manufacturing ... there's a lot of innovation going on in Niagara."

Niagara Precision of St. Catharines, which does custom and prototype machining, is a case in point. It's getting more inquiries

from the United States for business than ever.

The company added three people to its 19-employee workforce in the last six weeks.

"We haven't done that for years," Whatling said.

It's a far cry from years past, when drastically lower costs in other countries and other economic factors caused many Niagara factories like VA Tech Ferranti-Packard and John Deere to shut down or relocate.

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## Surging loonie makes exports more expensive

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A surging buck worsened the manufacturing crisis, reaching a peak in late 2007 when the dollar briefly peaked at \$1.10 US.

That makes Canadian goods more expensive to sell across the border.

Meanwhile, Statistics Canada recently reported that labour productivity at Canadian businesses grew 1.4 per cent in the fourth quarter of 2009.

That's the first increase in productivity since the third quarter of 2008 and the biggest hike since 1998.

Jeff Carrey of Willcock Machines Inc. in St. Catharines is also noticing this turnaround.

"We're seeing a lot of people that are willing to deal with Canadian manufacturers," said Carrey, vice-president of the company that makes automotive components and other products. "And we're certainly included in there."

Willcock is adding seven jobs to meet demand — a 20% increase in the workforce.

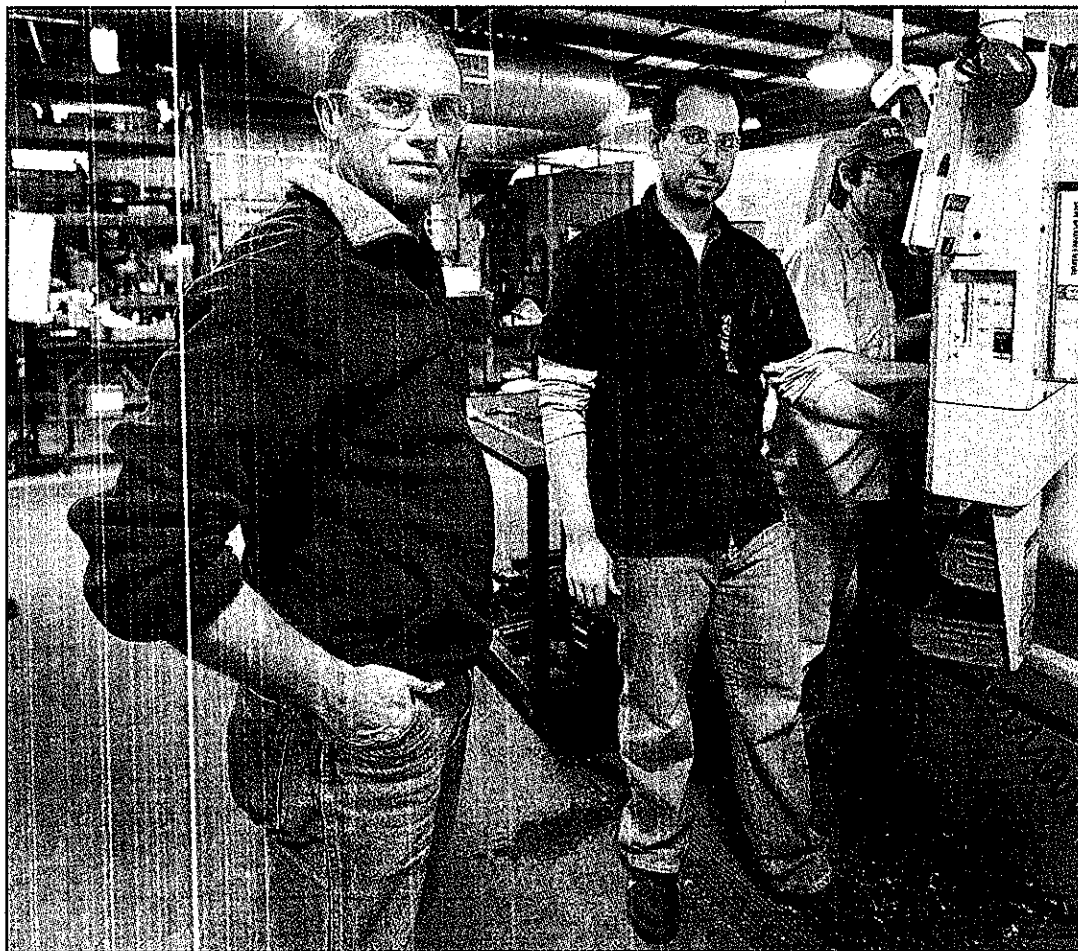
"The U.S. market still drives a lot of demand," Carrey added. "And we are cognizant of the impact the rising dollar has on us. We sell in both currencies."

Patrick Gedge, CEO of the Niagara Economic Development Corp., and other experts pin the turnaround in export-oriented manufacturing to company re-inventions over the past decade.

They include better efficiencies, reduced costs, smaller workforces and faster order turnarounds.

Others in Niagara are producing smaller-batch, higher-value products with superior customer service.

The Conference Board of Canada has also reported



Mike Whatling at Niagara Precision Ltd. with recent hires John Medaric, centre, and Scott Perrault, right.

BOB TYMCZYSZYN Standard Staff

Canadian plants are battling the rise in currency value by doing things like using a strong Canadian dollar to buy more raw materials overseas.

"The recession really accelerated a lot of things, as opposed to creating them," Gedige said, adding a lot of these trends in business started in 1999.

Things like tightening the supply chain and increasing a customer

base "have held those companies in good stead during the last two years."

It has made them more productive and cost-effective, with a near-parity dollar less of a variable than it used to be, Gedge said.

Lean is the key word to this sea-change, said Brock University business professor Michael Armstrong. That doesn't necessarily mean shrinking a workforce.

The point is to examine manufacturing processes and reduce waste. For example, many successful companies try to make only what they need in the short term.

"You make small batches rather than large batches and make things just in time," Armstrong said.

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