

Panel on Policy to Improve Manufacturing Productivity Performance

Thanks Bryne. My presentation is in 3 parts, a brief introduction then I come right to my recommendations as a manufacturing person. I'll share a couple of experiences from my 30-year career in manufacturing. First of all, by means of introduction, I am a recovering engineer. I graduated in applied science from Queen's University in 1970. But actually before I even achieved that degree I had found that my true avocation wasn't engineering but business and most of my enthusiasm has been relative to business and more specifically the subset of business called manufacturing. I'm not an economist. I'm not an academic. Going through the credentials of other presenters and indeed the delegates is intimidating and awe inspiring. So I'm before you as a simple production guy to share some insights. It make me think of a couple of things. One is a quote and the other is a cartoon. First, having listened yesterday evening and today, attempting to glean useful knowledge from the presentations and papers, is the quote about historians. That should be safe here. "That history doesn't repeat itself, but historians repeat themselves". The other is a cartoon. It's kind of a paraphrase of a Dilbert cartoon that caught my eye when I knew that we would be here talking about productivity. The boss, addressing his reports says "we have a productivity problem, I need someone to volunteer to investigate the productivity problem". One poor suspect puts up his hand and the boss says "I now know the problem."

My recommendations are non-technical. I have no charts, graphs or overheads, but I have formed some opinions. I have three recommendations to you as individuals and as a body who will advise government on policy as it relates to productivity, competitiveness and our standard of living in Canada.

The first one is confidence. Do those things that raise the confidence of people like me. That will raise the confidence of people that lead, own, manage and invest in Canadian manufacturing businesses to believe that we can compete in North America and ultimately the global economy.

The second is similarly succinct and that is relative to barriers. Remove the barriers that make it difficult to compete. The Free Trade Agreement and NAFTA are definitely steps in the right direction. Willing or unwittingly, these agreements certainly expose Canadian manufacturing to the need to compete. And the best ones have determined to their relief and ultimately to their pleasure and progress that they can compete when they choose the right approaches and stay committed.

Let's recap; confidence – raise it, barriers – lower them. The organization that I work for now, is a branch plant of a North American company centered in West Michigan. 90% of what we manufacture in Canada, we export. And you know, we're under the free trade agreement, have been for a decade. So it's not the tariffs that are impediment, it's the bureaucracy, and it's astonishing...I think that perhaps 1% of my cost is administrative relative to moving goods across that free trade, longest undefended border in the world. As well as being expensive, it's frankly irksome. So Barriers, remove them. The barriers at the 49th parallel aren't the only ones that we have for movement of goods and commerce in Canada; we've got those pesky provincial barriers that are even harder to comprehend.

The last point would be relative to strategy. I share the concern of those who wonder that our governments would be in a position to pick the right spots, the right industries, determine the right clusters and so on in comparison to the free market working by its own purposes. Having said that, we can at least observe the successes that are evident and can perhaps, through research anticipate the future successes and create an environment again, in which the probability of these critical masses, these success stories, these confidence-building experiences will grow.

My observations are relative to the auto industry and the furniture industry, which is basically where I've spent my career. 1918 in the auto industry was a key date in Canada. Do you remember why? Well that's the year that Sam McLaughlin, who had a thriving motor carriage business in Oshawa, decided he would sell McLaughlin Buick to General Motors. You wonder just how wise, how necessary that was. Sweden

has two of their own brands of cars and Canada has none. The next key event was the Auto Trade Pact in 1965 and you know the requirements of that. It protected the weak Canadian assembly and manufacturers and so on. Gradually over time, with confidence, progress, success and performance, we no longer needed it. We didn't need those guarantees. I read an article in the Toronto Star a few weeks ago, which announced that we had a very good year in Canadian automotive sales of 1.5 million, second best year in our history. In a separate article it cited that we had assembled just over 3 million vehicles. Remember those numbers. We assemble in Canada, mainly in Ontario, clustered in the Michigan-Ohio-Ontario area, a disproportionate number of the world's and the North American vehicles relative to our market size. The lesson there – Sam had the right strategy. What subsequently happened with the Free Trade pact was rationalization that built confidence. Persistence and patience relative to that approach has led to one of our greatest, to date, success stories.

The furniture industry is smaller, much more fragmented and you know, its thrust to compete is much more recent, having been protected forever behind tariff barriers. In fact, it's mainly about the last 10 years after the Free Trade Agreement and then NAFTA. But the success is the same. Rationalization meant that the best have not only survived, but they've survived to thrive and grow and that's both in domestic furniture and in contract furniture where Steelcase competes. The lesson here is – it is a North American market. All of these industries compete in the North American market. That's the reality. You can either do a pretty good job as a niche regional player or you can get on the big stage and compete as a North American manufacturer and supplier. There really is no middle ground. There is no reason that Canadian based manufacturing can't actually play both of those, but it's a lot more fun playing on the North American stage. Specialization, clustering, rationalization.

Other examples – Bombardier (transportation, aerospace), and Nortel (communications). IBM is a huge net exporter of technical products. Our own health care industry is a model that I fear we may squander in terms of efficiency relative to our neighbours to the south.

Finally relative to strategy. The only thing I really know about that is that we have to identify our strengths and leverage them. Canada has three strengths, competitively – geology, geography and genealogy. Geology is relative, it's a metaphor for the natural resources that we have here. I know that we no longer want to be known as hewers or wooden drawers of water, but those are inherited resources and we have the opportunity to determine how we should use them. Geography is absolutely crucial. No other nation has better access to the largest, most buoyant, most robust economy in the world than Canada. Think about it. Not even Mexico. We've got the advantage of geography. The longest undefended border that stretches coast to coast. We need to take advantage of that. Genealogy is really talking about the metaphor for human resources. What we have here in terms of everything from bilingualism to multiculturalism gives us a huge, huge differentiation and I submit it, it's an opportunity of innovation and leverage.

If you take geology, geography and genealogy, what else could they represent? This might get a little closer to economics in that geology is relative to the supply chain, so that's value. Geography is relative to logistics, so that's where we have the opportunity to take that value and convert it to value add. And then finally, genealogy, the human resource, developing our social infrastructure equals us being valuable. So now we move from productivity in conclusion to poetry.

A large number of companies are working on becoming global. There are few truly global corporations, but a lot of companies would like to be. My own company is an international company, working to become global so it's really North American, with Europe as a separate business unit. But as we move from becoming national, Canadian to being North American and ultimately to being global competitors then I would draw your attention to Leonard Cohen and quote him as saying "first we take Manhattan, then we take Berlin".