

Recession an opportunity to retool manufacturing

Lower taxes and HST help sharpen competitive edge

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For Jim Pratt, the U.S. recession hasn't hurt business.

"It's actually helped us," said the CEO of Delta's Sepp's Gourmet Foods Ltd.

Revenue for the producer of frozen waffles, pancakes and french toast has grown 20% over the past two years, he said, because of increasingly price-conscious consumers switching from name-brand breakfast products to private-label brands offered by major retailers all over North America.

The company employs about 160 staff for its three manufacturing facilities, located in Ontario, Oklahoma and B.C. Pratt plans to increase production at its 60-employee Delta facility given trends suggesting continued growth in the private-label market.

"Many in the industry believe that even when things pick up, people won't return to

the name brands and they'll be happy with private-label products."

That kind of opportunity to increase market share needs to be nurtured and developed for other manufacturers, according to Craig Williams, vice-president of the Canadian Manufacturers and Exporters Association in B.C.

"We can't keep going through this six- to seven-year cycle where we keep hoping and waiting that the U.S. market will come back."

While food processors and manufacturers usually fare relatively well in a downturn, Williams noted the same can't be said for the rest of the industry. Since 2008, manufacturing sales have fallen 30% nationally from its peak of roughly \$600 billion in Canada in 2008.

The B.C. manufacturing sector has fared slightly better, with a 20% decline in sales and a 15% decline in employment.

B.C.'s manufacturing sector has fared better, in part, because of its reduced reliance on sales to the U.S., with about 65% of B.C. products being sold south of the border versus 75% in the country's other manufacturing powerhouses like Ontario and Quebec.

But he said the sector must continue to wean itself from the U.S. economy, especially given an increasing culture of protectionism in the U.S.

One way to expand markets is to make Canada's manufacturers much more productive and efficient, allowing them to invest in new technology and improve the skills of employed workers.

"Productivity in this province is terrible," he said.

"Canada lags behind the U.S., and B.C. lags in Canada, because we haven't made investments to make us more productive."

He said declines in corpor-

ate and personal income taxes and the move toward the harmonized sales tax are some of the most significant initiatives by government to improve Canada's competitive edge. However, new policies and improved incentives should be developed to help increase the value proposition of the manufacturing sector.

"What B.C. has to do is find a way so we're more innovative, so we can compete globally on value as opposed to competing on price. That's going to come by being in niche markets, value-added products, because we don't have a comparative advantage for low wages."

Part of this, he suggests, should come from a new industrial strategy at the provincial and regional levels.

He noted Finland, which shares many similar socio-economic characteristics with B.C., has become one of the top-10 jurisdictions for global competitiveness because there was an in-depth and detailed policy of creating such an economy.

It focused heavily on improving operational efficiency, investing in research and development as well as technology to create niches for its manufacturing sector. ■

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