

A LOOK AT THE CURRENT STATE OF MANUFACTURING IN ALBERTA:

INDUSTRY LEADERS WEIGH IN

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Data released in September 2019 shows a 2.8 per cent decline in (seasonally adjusted) manufacturing sales in July, following a 7 per cent contraction in June.

Although the first few months of 2019 were optimistic, the manufacturing sector in July finished up a full 5.7 per cent lower than where it was in 2018.

Behind these numbers are hardworking Albertans who are affected when issues like politics, and foreign relations affect their industry. Advocating for them is Alberta Enterprise Group (AEG), who seeks to influence and aid in the development of public policy, supporting market access for Alberta goods and services, interprovincial trade and cooperation and competitiveness. Today, several AEG members share the real-time effects of the changing state of the manufacturing industry.

Manufacturers' Input

Stream-Flo

Founded in Edmonton in 1962, Stream-Flo Industries Ltd. manufactures wellheads, gate valves, check valves and surface safety valves for the oil and gas industry worldwide. Guy Mersereau, director of business relations says:

"For the Stream-Flo Group, with 700+ in Edmonton, we have been able to maintain activity because we export to over 40 countries and therefore keep our machines reasonably busy. We have invested in new equipment and recently

opened a 40,000 square foot facility for rental of frac and remanufacturing equipment, reducing our cost and carbon footprint at the same time.

"We manufacture wellheads, chokes and specialty valves, so the sharp reduction in wells drilled and pipelines built mean equivalent reduction and increased pressure on pricing for the little business that remains.

"What the Federal Government does not realize is as we get pressured, we take our capital elsewhere and it will not come back. This is not our choice, but we have to develop our business to support our shareholders and staff. We have always been landlocked but in the past, the Provincial Governments have understood and tried to help. Policies from the Federal Government drastically impact all Canadians.

"The Red Tape reduction is a good start at the Alberta level; we need the same federally and to find a way to get pipelines and LNG plants built.

"Edmonton was a leading manufacturing centre and pushing out the middle class reduces the tax base and the standard of living for many other affiliated businesses."

Sil Industrial Minerals

In operation since 1971, Sil's diverse business lines support the energy, industrial and recreational markets in Canada, and is the nation's largest frac and industrial sand producer. Marlea Sleeman, president, says:

ABOVE: EUNIVERSE MACHINE CORPORATION SETS UP ITS NEW HYUNDAI KBN 135C HORIZONTAL BORING MILL.

“While the manufacturing sector may appear healthier than some other sectors in Alberta, it is in part reflective of the existing investment in the manufacturing facilities from which corporations fare best to continue operating in favour of relocation to other more attractive jurisdictions. However, it has not been without significant challenges compared to the same opportunities in other jurisdictions within North America, including unattractive headwinds such as:

- Challenges raising capital
- High transportation costs for both input materials and delivery of finished products, reflective of Alberta’s landlocked position
- Challenges and delays obtaining municipal or other regulatory approvals
- High cost of labour and difficulties accessing specific skilled labour
- Delays in accessing new utility services to support expansion
- High total tax obligations

“The manufacturing sector appreciates the value of the swift amendments completed under the new administration, which are starting to address some of the headwinds identified, and manufacturers look forward to seeing the value created to Albertans as they take advantage of action plans which will be derived from the Province’s collaboration with industry as part of Bill 4 (Red Tape Reduction Act), and tax breaks which will be offered by municipalities as recently enabled by Bill 7.”

Sleeman says going forward the manufacturing sector would like to see:

- Legislation that creates municipal accountability for their roles as stewards of economic growth in Alberta
- Removal of duplication of jurisdictions in order to reduce costs and delays associated with Red Tape
- Significant amendments to protect the right to develop Alberta’s resources, including but not limited to sand and gravel, minerals, metals, energy, and agriculture, together with appropriate policy to protect the economic structure of such development
- Legislation that supports development wherein proponents can mitigate science-based concerns raised by regulatory agencies or concerned stakeholders

CanTorque Inc.

Founded in 2000 by Colin Livingston, CanTorque offers a full line of bolting tools, sockets, accessories, pumps and calibration equipment. Livingston says:

“Edmonton is home to a world-leading manufacturing base. If a product can be conceived, it can be fabricated. We are fortunate to be supported by world-class material suppliers allowing rapid turn around, but as a province and as a nation we are sending a very poor message around the world. In my travels the comment that I receive more than any is: why can’t Canada develop its resources?”

“Canada is regarded as a world leader for environmental energy production. We are also highly regarded for our standard of living. The blockades to our energy industry do not make sense abroad and it’s all but ceased foreign investment.

“As an Edmonton-based manufacturer I’d like to see more incentive for Canadian companies to use Canadian made products. Far too often we see construction sites being built with tools and equipment moved from the US or overseas.”

Argus Machine Co. Ltd.

For more than 60 years, major oil corporations, wellhead manufacturers, and service companies have used Argus Machine’s products. Kris Mauthe, president and CEO, says:

“The Alberta manufacturing community is diverse in its capabilities, supporting all facets of our economy from oil and gas production, mining, and agriculture through retail and nanotechnology. Generating a 3:1 multiple in economic impact for every revenue dollar, manufacturing brings prosperity to Alberta like no other industry.

“With a full four years since investment began to pour out of the province and our country, due to declining commodity prices, implementation of the carbon tax and loss in political confidence, there has been a significant shift in the manufacturing landscape. Organizations that lacked geographic diversification, ability to embrace technological advancements or adapt in challenging times have closed their doors for good. Numerous organizations with satellite facilities in Alberta, have chosen to retract their operations to more stable and favourable jurisdictions.

“The Edmonton area offers opportunity for those that remain and encourages a culture that embraces change, invests in its future and reaches broader geographic markets.

Recent retraction of the carbon tax offers a tremendous boost to competitiveness, alongside innovation and research initiatives. Bringing confidence back to the industry spurs investment and renewed optimism to the entrepreneurial spirit of Albertans.”

Universe Machine

Founded in 1965, Universe Machine provides services and products to many industries including oilfield, mining, and forestry. Ron Feigel, business development, says:

“Since our business was founded in 1965, Universe Machine has faced several economic downturns, but the current one, stretching from 2015 to now, ranks among the most difficult.

“We have heard, repeatedly, from customers and vendors that the damaging policies of our provincial and federal governments over the last four years have deeply hindered business recovery in Alberta.

Unless our governments, at every level, are more pro-business, it is unlikely investment dollars will flow back into Alberta to strengthen our companies, create long-lasting jobs and boost our flagging economy.

“Effective government should manage our country’s finances and resources wisely rather than continuously raising taxes, should remove hindrances for business rather than adding red tape, and should help unify the country rather than creating policies that tear the provinces apart.

“Provincially we are pleased with our recent change of government and are much more hopeful that the UCP will help remove roadblocks, support businesses, encourage investment and help Albertans move forward!

“We must all be aware that reducing the output of oil from Alberta does not reduce the amount of oil consumed around the world. The USA and Middle East will gladly meet the world market demand for more oil. If Alberta, an ethical and innovative clean energy leader, was allowed to produce more oil, the wealth generated would fund research leading to even cleaner energy alternatives and would also continue supporting our high standard of living in Canada.

“Our manufacturing costs have increased due to rapidly rising taxes, including the carbon tax. In the past, Universe produced large batch parts, but many of those parts have shifted to being produced in Asia where emission standards are lower. This movement in production results in loss of jobs for Canadians and more emissions per part being produced, therefore taxing carbon is making things worse in the world and not better.”

Universe adapts to the changing economy. Feigel explains, “Focus has been on remaining lean and efficient, and staff have been more willing to adjust their expectations and be flexible by filling various roles or positions as we navigate through this downturn. Universe has also taken the opportunity to invest in research and development. We have increased the number of apprentices we train and offer more opportunities for staff to learn new skills and grow within the organization.

“While we happily acknowledge our local Western Canadian customers and markets that supported and helped build our business, Universe Machine has found it important to focus on developing a global presence and international customers.”

Universe Machine is optimistic about, and continues to invest in, Alberta’s future.

“We are feeling more positive that the worst of this Alberta recession is behind us and excited to add more efficient manufacturing capability. Our brand new Hyundai CNC horizontal boring mill will be used on a wide variety of larger, precision machining work required for both new parts manufacturing and repair/modification services.”

The Path Forward

Alberta’s manufactures have always risen to meet their industry-specific challenges and will continue to do so as they face issues with changing political leadership, climate change, and foreign relations. Despite it all our manufacturers have something that will see them through anything: the determination, expertise, innovation, and optimism to succeed. It has been, and always will be, the Alberta way! **B**