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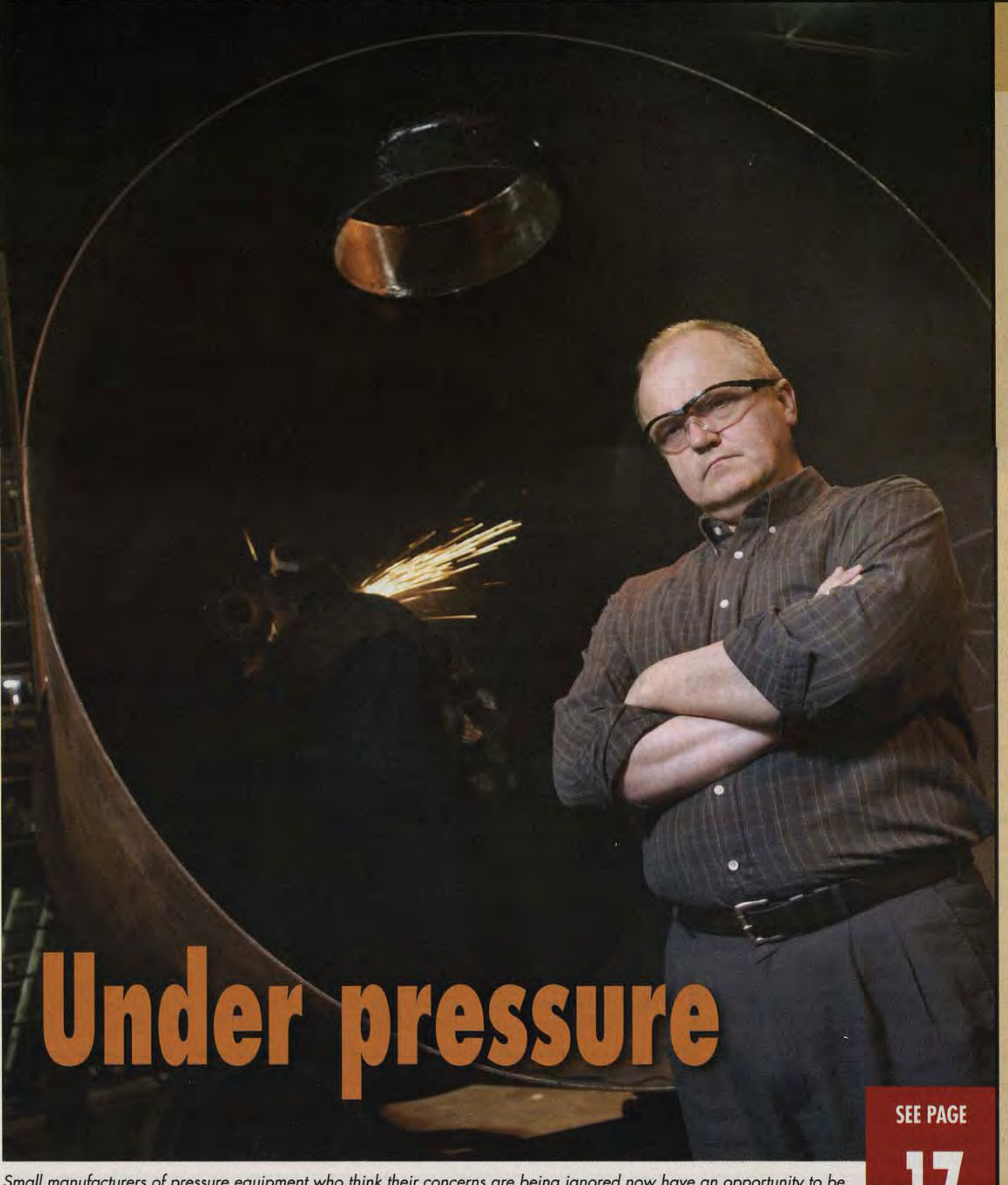
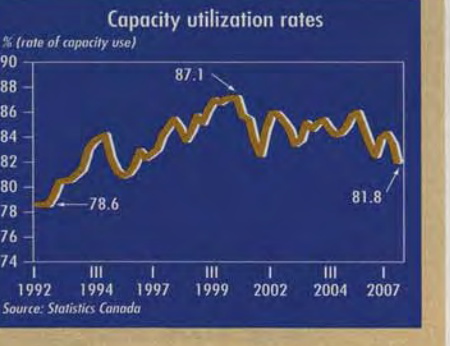


Under pressure

SEE PAGE 17

Small manufacturers of pressure equipment who think their concerns are being ignored now have an opportunity to be heard. Walter Widla, an engineer and the president of Fulton Engineered Specialties Inc., is forming Pressure Equipment Manufacturers of Canada (PEMoC), a new business association for like-minded small fabricators of pressure vessels, heat exchangers, boilers, piping and various fittings. PHOTO: STEPHEN UHRANEY

NEWS CLIPS



Capacity utilization in 2007 declined for a third straight year to 83.3%, its lowest level since 1996's 82 per cent.

Cloudy economic weather

The potential for recession in the US continues to cloud the economic climate, but CIBC says Canada will be somewhat sheltered from its effects because of increasing growth in the resource sector. **See page 11** for details. But manufacturers continue to take the brunt of the storm. Statistics Canada reports industries reduced their production capacity to 81.8%, down 1.6% in the fourth quarter as the utilization rate fell to its lowest level in more than 10 years. Manufacturing was a major factor in the decline. Companies expect to further scale back production during the first quarter of 2008.

RFP for intelligent R&D

Research and development efforts directed at technologies that help solve commercial problems in the environmental and manufacturing sectors are getting a boost from Precarn Inc. The Ottawa-based not-for-profit company that supports pre-commercial development of leading-edge technologies is kicking in $2.1 million for firms that develop or implement intelligent systems in areas related to clean technology and manufacturing, particularly automotive parts. Up to $700,000 is available per project. Access RFP information from **www.precarn.ca**. The deadline for submissions is May 9.

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Cutting costs at the back door

BY PAUL BRENT

Canadian manufacturers don't need to be told they're facing the perfect economic storm in the form of dollar parity, spiraling fuel costs and a slowing US economy. These factors, while impacting each facet of a company, have slammed manufacturers' transportation operations particularly hard.

For some manufacturers, however, these out-of-control shipping costs are somebody else's problem. Hubbell Canada, a Pickering, Ont.-based lighting manufacturer with global operations, hired a third-party logistics specialist seven years ago and has reaped major savings as a result.

"We didn't have the necessary in-house experience to manage traffic and the consolidation of shipments as the business grew," says Debbie Drozda, director of operations with Hubbell.

Rather than hire a full-time traffic and transportation manager, Hubbell Canada opted to interview a number of third-party logistics companies.

Trusting an outside firm to run its transportation operations was a tough decision philosophically for Hubbell. "It was the unknown," acknowledged Drozda. "You are asking someone to manage your business for you and ensure your customers are going to be happy to get their freight."

Hubbell's Canadian operation is big. Its 150,000 square-foot warehouse and head office in Pickering acts as the distribution hub for all of Canada and handles 7,500 products ranging from small lighting components to 50-foot lighting poles. The company has a Montreal-area manufacturing facility that ships product to the Canadian facility and US customers.

In 2001, Hubbell settled on C&S Logistics Solutions Ltd., a Toronto-based logistics specialist. C&S projected it could shave $150,000 from the lighting maker's transportation costs with initiatives such as consolidating shipments, getting better deals from trucking companies and switching the company's small parcel shipping firm. Hubbell was reluctant to switch its small parcel shipping supplier, "but the savings were so huge I couldn't ignore it," says Drozda.

Most third-party logistics suppliers have extensive knowledge of shipping trends that can provide manufacturers with major cost savings. PHOTO: YELLOW FREIGHT

In the end, C&S saved Hubbell $273,000, or 82% more than projected.

Managing freight

The outside logistics specialist also provided unexpected benefits. "By going to C&S I have been able to make my distribution centre work better," says Drozda. The 23-member team at the Pickering warehouse handle approximately 27,000 picks per month, which are all ultimately handled by its third-party firm.

"C&S manages our freight logistics for us, the whole kit and caboodle," she says. "We give the information to them and we just put the product at the door. I don't have to worry about my freight, I get to worry about other things."

While most manufacturers are geared to winning new business and landing new clients, major cost savings can be relatively easy to achieve and those dollars flow right to the bottom line.

"If you can save $1-million at a company that enjoys a 10% net margin, that is the same as a $10-million sale. The president would go nuts if he had a $10-million new client," says Brian Bertrand, president and chief executive of C&S Logistics.

Shaving a million dollars from a manufacturer's shipping bill sounds like a savings achievable only by the biggest of companies, however Bertrand says such savings are routinely obtained by his firm.

Third-party logistics outfits such as C&S analyze client's transportation networks and how they operate. They improve transportation system efficiency and renegotiate with suppliers to address current market conditions.

As experts on the up-and-down cycles of the estimated $700-billion North American trucking industry, third-party logistics companies exploit under-capacity shipping. "There is no carrier that is always perfectly balanced in terms of the load factors northbound and southbound," says Bertrand.

"You want to exploit where they really need freight as opposed to putting it with someone who has all the freight they need on a particular lane," he says. "You have got to find that guy that's hungry."

Besides US-Canadian dollar fluctuations and economic ebbs and flows, shipping rates vary widely based on seasonal conditions. Something as innocuous as the melon season in the US south can spike rates out of Florida and Georgia by 30% to 40% as trucking is dominated by melon shipments.

"In the industry, everyone knows about it," says Bertrand. "Practitioners know all about it, but the guy who is vice-president of distribution may not."

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