

Volume 12, Issue 44 ☐ October 31, 2005*Important Dates to add to your calendar...*

- ☐ **Nov 16, 8 am-12:30 pm: HPM Health & Safety Officers Exchange.** Host: Rockwell Automation – Raglin Facility. Bill Malus will host this freewheeling, exchange of issues for HPM Companies.
- ☐ **Nov 22, 9-11 am. HPM Employee Leveraging Tour # 3.** Member: Orenda Aerospace. Host: Brenda McIntosh. 12 seats only available – first come. Register with Nicole at info@hpmconsortium.com
- ☐ **Dec 1, HPM Share Showcase, GE HQ Mississauga.** If any HPM'ers did not get the Guidelines & Registration forms – contact Nicole. She needs the basic forms this week & names by Nov. 15th.
- ☐ **Dec 13, 9-11 am. HPM Employee Leveraging Tour # 4.** Member: Gerrie Electric. Host: Jenny Worthington. 12 seats only available – first come. Register with Nicole at info@hpmconsortium.com
- ☐ **June 12-15th, 2006 Second Canadian Regional Conference... Kitchener-Waterloo Region Canada.** Consider accelerating your Lean Journey. Download from www.hpmconsortium.com – Click "Resources" on the home site, and then "2006 CDN Conference"



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NOTICE: TO HPM HEALTH & SAFETY LEADERS**An Issues & Challenges Exchange**

The agenda is coming together now. It will be a frank and open discussion of common issues among HPM professionals responsible for Health and Safety concerns and culture in their plants.

We are planning a half day – from 8:30 to 12:30 – hosted at Rockwell Automation, and if there is synergy and an expressed need, a possible formation of a Special Interest Group (SIG) will be considered.

This half day will identify common concerns that will provide the opportunity to learn what other folks are doing, and, just who you might add as a new link in your personal "knowledge supply chain" around this very World Class topic.

To register – simply email Nicole at nsyvier@hpsinc.ca or call her at 519-893-6260.

Share Showcase December 1st

GE HQ – Mississauga - Are you ready, HPM'ers?

The Vision

- ▶ To enable HPM'ers to exchange ideas & best practices they have innovated – and to make them better through discussion in a safe and open environment.
- ▶ To provide a forum for exchange and mutual learning.

The Spirit

This day-long program is designed to facilitate an uncomplicated and fun format that consists of table-top displays, presentations, and much one-on-one interaction.

The spirit is to expose employees from each HPM Member company to 'A world beyond their own' as it provides a safe environment to stimulate new thought, ideas, and practical innovation. This event serves as an accelerant to informal interchange among motivated people with ideas who are in search of improvement.

The Process

Open to HPM Member Companies – one presentation per Member. Each company will select their own "Best Practice", Improvement, or Innovative Achievement.

Electronic presentations must be in PowerPoint, and submitted with the presentation entry form from Nicole in the HPM Office. Presentations are limited to **20 minutes** (including set up time).

DISPLAY FORMAT: Each HPM member company is assigned a table (approx. 30" x 5') in the breakout room to display photos or examples of their achievement and invite participants to review and discuss the ideas presented.

ENTRY PROCESS: Complete the entry form obtained from the HPM Office and return it to: info@hpmconsortium.com For questions – call Nicole or Dave at 519-893-6260.

What's that Sucking Noise?

Here are some real-world observations from a die caster who knows well what survival in a globally tough environment is all about. Dennis Brougham is VP/GM, of Kaba Ilco Inc., with worldwide operations. Here is his take on what is happening – and as always, he will be at the Kitchener conference looking for Best Practices to put to use.

Dear Dave

10 Years ago Ross Perot was talking about the "giant sucking sound" of jobs being pulled South to Mexico. Today the sound is still with us but much louder and is now coming from the East (China).

China has flooded North America with low cost products and to add insult to injury raw material prices have rocketed up due to the voracious appetite of China, as it becomes the manufacturing engine for the world economy.

The lead in the Globe and Mail last week was "The Loonie lifts off to 85 cents" primarily due to the escalating prices of energy and raw commodities. The Canadian dollar has seen a 40% increase against the US dollar in the last 2 years which devastates the bottom line of companies selling into the US market in US dollars.

Just to make sure you're really depressed by now there are several economists who believe the Canadian dollar will go to 87 cents (US) by year-end and 90 cents (US) next year!!

So what do we do? To my mind it's obvious we can't compete against low cost off shore suppliers on price. (Chinese production workers earn .40cents/hr) I also don't think we can rely on the politicians to create a level playing field. The Chinese have kept their currency (Yuan) artificially low by pegging it to the US\$ and despite tremendous pressure from the US government the Chinese have not budged significantly (they recently tied the Yuan to a basket of currencies resulting in a 2 1/2 % increase in the value of the Yuan.

Economists believe the market value of the Yuan should be probably 30/40% higher than it is presently.) The US trade deficit with China is \$200 billion and rising as is the number of lost manufacturing jobs. I also don't see the Canadian government putting in tariffs to protect Canadian manufacturers even though the Chinese would probably still keep buying our energy and resources.

What the Canadian government should do is to reduce personal taxation and corporate taxes. Canada is heavily overtaxed at all levels but help has to be given to business by improving the tax treatment of machinery equipment to assist in raising our productivity All levels of government can help manufacturing by reviewing the tax situation.

In order to compete with China (and India) we have to maximize our strengths of which the major one is our

Announcement of Adjustments at HPS

Beginning October 31st HPS's Bob Kerr – your editor's business partner and long- time friend and colleague – will be taking his passion of 'making a difference that matters' to a whole new level as he becomes **Vice President of Manufacturing for Image Craft in Cambridge** – Canada's largest maker of greeting cards. They are now in the process of shutting down some 300 jobs in Rhode Island and moving the work to Cambridge. And that is on top of their explosive expansion over the past 4 years in which they have taken over a number of competitors, including a 550 store chain extending across the US.

This explosion has generated a massive challenge to Image Craft to transform its organization's capability to meet the demand for millions more cards. They have tapped Bob to help make it happen as they take over the huge "Inglis Plant" in Cambridge to handle the capacity and consolidate their operations.

They have connected with Bob's passion of transforming plants - and of always doing it with the vision of achieving it through people. This will be his 4th transformation, and it will be his biggest by far. It's a personal challenge which he is finding thoroughly exciting since it gives rise to his second passion which is to teach, coach, and build incredible team capability.

Bob will remain on the Board of HPS to continue guiding it forward with his long- time business partner Dave Hogg - so his sage counsel and positive energy will certainly still be present. He is quite serious as he chuckles about the distinct possibility of having the top "World Class story to tell – at the 2008 AME International Conference in Toronto"... with the story being told by the men and women of Image Craft, of course.

The good news for all AfEE Consortium members is that Bob will now be a colleague in the months and years ahead as he will join Donna George and Doug Robertson representing Image Craft on the Board.

Bob will certainly look forward to hearing from all the Consortium friends he has made in North America and Australia – you can reach him at bkerr@hpsinc.ca Many of you may know Image Craft's president, John Saunders, who acquired his **Six Sigma prowess from Multilin (and as an HPM'er)** before joining **Image Craft and the AfEE Consortium**. John is an old friend, going back to his days with the Kawartha Manufacturers and Binney & Smith or Crayola as we knew them.

We can all look forward to 'joining Bob and Team Image Craft' in the months to come - as this almost certain Best Practice begins to emerge. All of us at HPS, HPM, AfEE and across the country wish Bob all the very best in his quest of continuing to 'Make a difference that matters'.

location. We are close to the customer; we speak the same language and we can physically visit his plant easily and cheaply.

The vulnerability of China is that the supply pipeline is long (2 to 3 months shipping time), freight costs are escalating and inventories have to be kept higher. This is the soft underbelly we have to attack and I am utterly convinced the best way is applying Lean principals to your plant, office, and enterprise.

I am assuming that all the readers of this article are already implementing lean to some degree and if you haven't, then my friend, you are contemplating business suicide!

The only way to compete against low cost offshore suppliers is to significantly reduce the hours of labor for a single part and attack the underbelly of the long supply pipeline (identified above), using speed and flexibility. Remember also that there are hidden costs associated with offshore sourcing which can add up to 25-30% to the original quote.

Lean manufacturing techniques have been successful in helping companies reduce lead times, eliminate waste, reduce inventories, improve quality, increase capacity, reduce total cost and deliver increased value to customers.

We have a tendency to extrapolate today's situation into the future i.e. China's apparent overwhelming capacity to generate low cost products with an artificially low currency will go on for ever. This could happen but China has many problems that could quickly change that prognosis, for example:

- the increasing social pressures within China;
- the horrendous environmental problems;
- the energy shortage;
- the weak financial institutions;
- the inflexibility of a central state controlled government;
- the political problems with the U.S. as China prepares the long journey to go head to head against the US for world supremacy.
- An ageing society due to the one child policy

No one knows when or if these scenarios will happen but in order to see if they do then you have to survive. To do that you have to go Lean in a serious, meaningful way and the best thing about Lean is that you can achieve tremendous results without any large capital outlays.

To my mind the message is clear: if you want a future, then you're going to have to create it yourself

So the message is GO DO LEAN!!

Dennis Brougham, VP/GM Kaba Ilco Inc. Capitol

A glimpse into another world: "Capitol is an ISO certified zinc die caster that designs and makes miniature products for the global market. Dennis believes his company has - and still is - experiencing it's own version of the Perfect Storm that includes the mfg recession, the explosion of low cost Chinese imports, and rapid raw material cost increases. He feels that the real killer is the 40% strengthening of the Canadian dollar against the US dollar. "Some say that you need a crisis to get into Lean and we had one in spades," Brian quotes quickly.

His company, Capitol, began their Lean journey in earnest about 3 years ago and have made significant improvements since then - primarily in inventory reductions, customer lead time reduction and overall throughput flow. He still finds the competitive pressures enormous and unrelenting. He realizes that only his people can save Capitol along with Lean to provide the tools achieve continuing improvement. You can reach Dennis at 514-273-0451

