



It's Time to *"Take Back Manufacturing"*

Initiative looks to reverse manufacturing industry's declining trend

BY NIGEL SOUTHWAY

IT'S NOW CLEAR to many Canadians that it's time to rescue our declining manufacturing industries. Many now believe that our sinking prosperity, especially in Ontario and Quebec, requires an awareness of the important part the manufacturing sector plays in our economies.

The Take Back Manufacturing (TBM) initiative is about getting everyone—government, educators, industry and the general population—to embrace this need.

The Society of Manufacturing Engineers (SME) is spearheading this initiative with support from other management associations and technical societies. We called the initiative "Take Back Manufacturing" because we literally need to "take" it back for our future prosperity and a balanced economy, with a combination of policy change, education renewal and business case re-planning, and by understanding the true value of the manufacturing environment.

We need to ensure policy makers re-visit and grasp the multiplier effect manufacturing has on other jobs in an economy—it's three to one. For every manufacturing

job you get, three are support or service related jobs. This advantage needs to be woven into our policy and capitalization models when we look toward building capacity and infrastructure and providing tax incentives.

To undertake this transformation we need business leaders and engineers who run companies to understand the total cost of ownership of offshore versus onshoring, and be able to review these global sourcing factors and direct their business plans correctly to become competitive.

The true cost of ownership is not just labour rate differential; it's much more complex, and involves an understanding of the costs of manufacturing, technology, logistics, fuel, quality, tariff, exchange rate, distribution and product support, and must include risk to Intellectual Property and lost innovation incubation capability.

We must study total global manufacturing cost structures and global market economics to reach a balanced sourcing strategy and a maximum opportunity for a prosperous economy.

It's our leaders in industry with strong unified support

from all levels of government that will address this issue better than anyone else.

A reshoring initiative alone is not enough for Canada. A lot of press has been released on the reshoring initiative in the US, where some natural reshoring of manufacturing capacity back to the US from offshore is now happening. The lowered US dollar, some depressed pay rates, and the nature of some commodities place the decision to bring manufacturing back to the US at the tipping point for some sectors.

“A reshoring initiative alone is not enough for Canada... this means we must be much more structured and deliberate to take back our manufacturing industry.”

The high Canadian dollar is an added challenge to reach a justification for reshoring in Canada as we have a resource-escalated dollar. So we are not at the same reshoring tipping point as some of the manufacturing sectors are in the US. This means we must be much more structured and deliberate to take back our manufacturing industry. Allowing a more natural reshoring process to take place in a passive way will not work for Canada.

The TBM initiative applies to all manufacturing sectors, but it will require metalworking businesses to pursue a competitive analysis to enable them to take advantage of the escalating offshore costs and create the opportunity to gain a true price advantage.

Recently the tipping point has been reached with the

current offshore cost increases in wage, transportation and exchange. What the local supplier needs to do is have a solid understanding of his costs to keep the quotation pencil sharp.

The real challenge will be tooling costs, as offshore suppliers design and cost tooling that is simple and more easily absorbed into the unit price, or they offer discounted tooling prices and very competitive early prototype pricing to attract the buyer in the early phases of a product introduction.

Even lead-times offered by local toolmakers in the past will not be competitive, as offshore rapid toolmaking with fast courier services can land a trial sample quicker than some traditional tooling lead-times offered onshore. It calls for flexibility and agile local toolmaking organizations that can add value close to the customer to beat out this competitor.

Another advantage is to use flexible automation with limited or no upfront tooling charges and integrate this with advanced CAD/CAM toolmaking systems to streamline and reduce costs.

Pricing and cost structures must be more competitive; it's the weak link in the local supply chain and more must be done in the tooling industry to gain a competitive position. Solid efficiencies and productivity improvements in toolmaking practices and utilization of advanced tool making technology are necessary tools.

For more on the Take Back Manufacturing initiative go to www.sme-tbm.org SMT

Nigel Southway, Toronto Chair, Society of Manufacturing Engineers, will be speaking at Shop Metalworking Technology's INSIGHTS 2012 conference. Visit us online for more details. www.ShopMTinsights.ca.

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