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BRITISH COLUMBIA INDUSTRIAL DEVELOPMENT BULLETIN

A bulletin concerned with industrial advances affecting the B.C. economy

International Outlook

Inflation concerns have reasserted themselves with a vengeance in the first quarter of 1989. Central bankers in Japan, Italy, Britain, West Germany, the U.S. and Canada have all raised their rates in an attempt to stall any inflationary momentum.

Britain, which suffered from an unexpected surge in consumer demand in 1988, is battling persistent increases in inflation, currently running at 7%, despite the fact that the prime rate has been raised nine times, to 13% in the last year. European inflation as a whole also seems to be accelerating as forecasts call for an average of 4.25% in 1989, up from 3.5% in '88.

In the United States, Allen Greenspan's inflationary prophesies have been fulfilling themselves with alarming regularity as sharp increases in wholesale prices and the CPI have been accompanied by marginal productivity improvements and significant wage increases. These factors make the Bush Administration's 3.5% inflation and growth estimates appear to be so much wishful thinking.

This inflationary U.S. outlook must be tempered by the fact that there are also some indications

that the economy is slowing down, causing some economists to argue that higher interest rates will push the U.S. into a recession. Thus remains the difficult task of trying to dance on the knife's edge between runaway inflation and recession.

National Outlook

The Canadian economy faces many of the same problems seen in the U.S., namely

inflationary pressures tied to recessionary concerns.

As in the U.S., Canada has seen increases in its industrial and consumer price indices; as well, national accounts figures revealed that domestic demand rose sharply in the last quarter of 1988 despite rising interest rates. Some economists are suggesting, however, that the lag between higher interest rates and cooled consumer demand may be longer than John Crow expects. If this is so, further interest increases, made on top of decreased demand, would have clear recessionary impacts.

If there are continued signs that inflation is under control, interest rates will likely peak by mid-1989 and Canada can expect growth of around 3%.

Provincial Outlook

In contrast to the international and Canadian outlooks, British Columbia is in good shape. Fiscally, the province will deliver a balanced budget to its electorate later this year or early next. A feat no other province has been able to accomplish, and one that has drawn praise from the Dominion Bond Rating Service, which has raised B.C.'s credit rating.

Employment prospects will benefit from the growth of 1988; 43% of businesses recently polled expect to hire additional employees in the second quarter of 1989.

Construction activity continues to buck national trends in B.C. as hot residential housing markets continue to maintain 1988's frantic pace.

On the darker side, cyclical slow downs in B.C.'s forestry sector will likely moderate economic growth to 3% in 1989.

What's inside

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Sectoral trends and industry issues

Employee Involvement Payoffs

In searching for a method to make workers feel more connected with the ownership of the company - and subsequently more productive, more committed to quality and less adversarial - many firms have strived to adopt Japanese management techniques, such as "quality circles", with varying success. The Monsanto Corporation in the U.S., having experienced limited success with such techniques, did away with most of its foremen, supervisors and quality inspectors, and invited plant workers to oversee themselves.

To enhance this process, workers were given previously secret financial information on their section of the operation so that they could tell what contribution their section made to the business and whether they were performing well or poorly. This was followed by encouraging the workers to form teams on an ad hoc basis, in order to make improvements in process, packaging, maintenance, and general product quality. As a final step, teams were encouraged to compete through conferences where corresponding divisions from various factories vied to provide the cleverest, safest and most valuable operational schemes.

While these initiatives did not take effect overnight - largely because it took the company some time to convince the workers that they genuinely wanted to make improvements - the results were largely positive. More valuable to note, however, is that simply mimicking successful management techniques used in other countries or industries is far less likely to bring about any noticeable change than genuinely taking an interest in your workers' needs as well as their ideas.

A local employee involvement success story saw the transformation of Noranda's Bell copper mine from a money loser due to close to a profitable producer with an extended life. Mine manager Maurice Ethier attributes half of the improvements to the performance of the copper market and half to the increased productivity of the employees. The mine uses a participative management style which results in their continually receiving suggestions for working method improvements.

Since 1982, the Bell mine's production costs have been reduced by half and worker productivity has increased by nearly 40%. As a result of these improvements, the employees each

received \$10,170 in 1988 as their portion of the operation's profit-sharing plan.

Marketing with CAD/CAM

While the design and production benefits of CAD/CAM systems have been heralded for some time, their value as a marketing tool has gone largely unsung. However, as is revealed in a recent issue of CAN-MATE's "Technology Source", CAD/CAM systems allow manufacturers of custom products, or those with numerous options, to produce crisp, colourful scale drawings which help customers envision exactly what they will get, without having to do painstaking drawings by hand, resulting perhaps, in a marketing break-through.

P.T. Up and Rising

In examining the use of part-time employees, an article recently published by the Conference Board of Canada revealed that such employment has increased steadily, rising from 12.6% of total employment in 1979 to 15.6% in 1986. However, the composition of part-time employment has remained remarkably stable as about 70% of part-time workers both in 1979 and 1986, were women and about 86% of the part-time jobs were in the services sector.

The use of part-time workers is attractive to employers because they can bring in such workers only as needed, and not have to pay usual benefit costs - costs estimated to have risen from 5.6% of total compensation in 1966 to 9.6% in 1985. From the employees perspective, part-time work allows for job sharing so that work and family responsibilities may be balanced.

The U.S. National Planning Association recently completed a study of part-time employment in 15 industrialized countries. The study found that while U.S. part-time workers represented a greater proportion of the work force than in Canada - 17.4% vs 15.6% - seven countries used greater proportions of part-time workers than the U.S. Countries such as Denmark, Sweden, Norway, the Netherlands and Britain have over 20% of their work force employed on a part-time basis.

In light of the increasing globalization of economic markets, the push towards increased competitiveness will likely mean the continued expansion of part-time labour. However, the absence of benefits such as medical coverage in

countries without state-run programs will put added pressure on the social safety net, and may result in increased pressure for some enhancement by industry of benefits packages for part-time workers.

Relax

In an attempt to tone down its embarrassingly high trade surplus, the Japanese government is endeavouring to move the country to a five-day work week from the present six, and reduce the average number of hours worked annually from 2100 to 1800 by 1992. The move is designed to boost imports as people spend more during their increased leisure time.

However, the government's plans are meeting considerable opposition from both industry and labour, as business owners feel closing Saturdays will damage their competitive position, while unionists say the reduced hours are actually a disguised pay cut. Younger Japanese, who are otherwise said to be rebelling against their hard-working parents, show no signs of wanting the day off either. Nevertheless, the younger Japanese are assuming the desired behavioral patterns during their time off, spending on clothes, entertainment and sporting goods, which is helping to fuel the country's current leisure industry boom. In contrast, older Japanese often tend to spend most of their new-found free time in a practised North American pursuit - parked in front of the television set.

Intelligence by the Quarter

The people at Custom Design Technologies Inc. of San Jose, California believe that coin-operated computers will be the next rage in vending. Models have been installed in five libraries that provide access to compact-disk data bases. Plans are currently in the works for drug store and airport models that will provide drug and financial data respectively.

Economic Showboat

18,875 man years of employment annually, \$895 million in labour income, \$442 million worth of industrial production, \$215 million in value added GDP and \$362 million in government payments were the total direct and indirect economic impacts associated with the Port of Vancouver, according to a recent study by Coopers & Lybrand. The study also indicates that the \$389 million in planned capital investment over the next five years will bring an

additional 6,550 man-years of employment across the country.

The Port of Vancouver is primarily a handler of bulk commodities as evidenced by the fact that coal, lumber, grain and sulphur shipments cumulatively represent 3/4 of the 64 million tonnes of cargo handled in 1987. However, a more interesting statistic is that while container traffic only represents 4% of the Port's cargo in terms of weight, it represents 42% of total cargo value at \$10.2 billion, and accounts for 21% of the Port's direct employment.

These figures clearly suggest that container traffic is of increasing importance to the economic growth of the Port and the Province, particularly in light of the push to further process more of our resource commodities, which will presumably require more containerized transport. Presently, however, Vancouver is losing container business to the ports of Seattle and Tacoma which handle more than five times as much container traffic. This loss is said to stem from differences in the efficiency of our respective rail and truck transport systems, as the U.S. got the deregulation jump on Canada.

Indoor Skiing

A Seattle company, North Star Ice Equipment Corporation, has developed the technology to create an indoor ski dome facility complete with a lift. The company plans to built such a complex in the southern U.S. sometime in the 1990's. The Japanese currently have a ski dome located outside Tokyo. If the increased temperatures of the greenhouse effect materialize as forecast, such facilities could become very popular by 2050.

Smelling Stress

An article that recently appeared in Marketing Week described how some Japanese executives are using aroma therapy to relieve stress. Sniffers the size of lipstick cases are available for those seeking to create the sensation of stopping to smell the roses before cramming themselves onto a commuter train.

Seizing on this development, a Japanese construction company has teamed up with one of the country's largest fragrance manufacturers to design hotel and office air-conditioning equipment that releases odours which create a merry, relaxed environment. Tests conducted on the productivity effects of aromatically

engineered environments revealed that when lemon fragrance was released in a room of keypunch operators, errors declined by 50%.

Golf Tourism

At least 3.8 million rounds of golf are played in British Columbia each year and more than 500,000 of these rounds are played by tourist golfers. There are twice as many golfers in America than there are skiers: 20.7 million Americans played golf in 1985 and spent \$7.4 billion on the sport. Golf is growing at an average rate of 6% per year. The figures were revealed in a study jointly commissioned by Industry, Science and Technology Canada and the provincial Ministries of Tourism and Regional Development.

The study, entitled "Golf Tourism in British Columbia", found that there is a good deal of tourist potential to be had by appealing to the ardent recreational golfer. These golfers look for package vacations that combine green fees, accommodation and travel. Such ardent golfers often play more than 40 rounds of golf per year and consequently demand challenging, well-known courses and quality accommodation and service. However, once this kind of quality is assured, these golfers are prepared to pay correspondingly.

Golfers from Alberta, California, Washington, Oregon and Japan see the B.C. golf product as attractive due to the province's natural beauty, its price competitiveness and its relative lack of crowding.

Frozen Panty Hose

Cryogenics, a branch of physics that deals with the production and effects of very low temperatures, has been taken out of the laboratory by a Newton, Massachusetts firm called, appropriately, Applied Cryogenics. The firm claims that freezing various products at extremely low temperatures improves their performance.

The firm's primary interest is in enhancing the effectiveness of machine tools. However, cryogenically treated panty hose reportedly wear longer and freezing musical instruments has been said to improve their tone clarity.

The company is rumoured to be developing a solution to keep musician's lips from sticking to the mouthpieces.

Did You Know ?

Amount spent annually in Canada on forest management:	\$6/hectare
Scandinavian countries:	\$18/hectare

Per centage of sales the Canadian forest industry spends on R&D:	0.6%
In other developed countries:	2.5%

Biggest foreign investors in the U.S.:	
British:	\$75 bil
Dutch:	\$47 bil
Japanese:	\$33 bil
Canadians:	\$25 bil

Proportion of Canadians who believe water is getting worse every day:	1/3
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Per centage of Canadians who thought the environment should top the government's agenda. 1 year ago:	4%
Today:	24%

Proportion of American home computer owners who don't use them at all:	1/2
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Number of floppy disks required to store as much data as 1 CD-ROM:	1,500
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Average statistics on Canada's 50 most powerful business persons:	
Proportion male:	98%
Height:	5'11"
Number of children:	3.7
Favorite sport:	tennis
Length of work day:	11 hrs.
Revenue generated per minute:	\$29,558

Time required for a disposable diaper to biodegrade:	200 - 400 yrs.
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Per centage of American girls aged 4 -10 that own at least 1 Barbie doll:	90%
Barbie's life-size measurements:	55-22-36

Quotes

"It's innovate, autotmate or evaporate"

Bruce Merrifield
U.S. Assistant Commerce Secretary

Canada Awards for Business Excellence & the Canada Export Award Recognition for the Achievements of Today - The Keys to Achievements of Tomorrow

The Canada Awards for Business Excellence were created by the Government of Canada to reward and honour outstanding business achievers. Each year gold, silver and bronze awards go to businesses from across the country who compete in one or more of nine categories:

- Small Business;
- Productivity;
- Quality;
- Marketing;
- Entrepreneurship;
- Labour/Management Cooperation;
- Innovation;
- Invention; and,
- Industrial Design.

The benefits of winning an Award for Business Excellence include:

- national and international recognition through media exposure, a national advertising campaign, and promotion through federal government offices;
- the exclusive use of the Canada Awards for Business Excellence logo on products and publications;
- enhanced prestige within the business community;
- heightened employee morale; and,
- a competitive edge in domestic and foreign markets. In many countries a Canada Award for Business Excellence is seen as a clear competitive advantage.

There is no registration fee for the 1989 Awards and simply entering the competition has been found to increase employee awareness of achievements and develop a greater sense of team spirit. Additionally, every 1989 entrant will receive a complimentary copy of the new publication "Winning Strategies", based on the experience of past program winners and prepared by the Conference Board of Canada.

To get in on the 1989 competition, however, you will have to act fast as the closing date for entries is April 14, 1989. For further information contact: Joan Enman at (604) 666-1419 or drop in or write to:

Industry, Science and Technology Canada
P.O. Box 11610
Suite 900 - 650 West Georgia Street
Vancouver, B.C.
V6B 5H8

Like the Canada Awards for Business Excellence, The Canada Export Awards have been developed by the Government of Canada to honour Canada's finest exporting firms. Since the program's inception in 1983, eighty companies, ranging from the small to the large multinationals, have been the proud recipients of a Canada Export Award. They represent every region of Canada and a diverse cross-section of industry sectors including commodities, resource industries, electronics, aerospace, industrial equipment, food products and engineering consulting services.

Former B.C. winners of the Canada Export Award include some of B.C.'s most outstanding firms: MacDonald Dettwiler, Cansulex Ltd., Epic Data, Seaboard Lumber Sales, International Submarine Engineering, Fletcher's Fine Foods, and last year's winner, Macmillian Bloedel Custom Processing Division.

If your company has been exporting for three years or more and has shown a significant increase in export sales, success in breaking into new markets, or success in introducing new export products to world markets, then you're a potential winner.

Application forms will be available from Industry, Science and Technology Canada's International Trade Centre, at the address noted above, in April. Application deadline is May 31, 1989. For further information, write or phone:

Canada Export Award Program
Trade Development Liaison and Special Projects
Division
Department of External Affairs
125 Sussex Drive
Ottawa, Ontario
K1A 0G2

Telephone toll-free: 1-800-267-8376

Calendar of selected events

Business Opportunity Seminar - International Aid-Financed Projects, Tuesday, April 11, 1989, 8:45 - 4:30. Crystal Ballroom, Pan Pacific Hotel, Vancouver, British Columbia. Meet with representatives from the World Bank in Washington, the Canadian International Development Agency, the Export Finance and Capital Project Division of External Affairs and the Canadian Embassy in Washington. Luncheon Speaker: Hon. Monique Landry, Minister Responsible for CIDA. Sponsored by the Department of External Affairs and the International Trade Centre of Industry, Science and Technology Canada in Vancouver. Cost: \$75 (includes lunch). Contact: Gillian Hunt (604) 681-7463, Fax (604) 689-7957.

Franchise and Business Opportunity Trade Show, April 21 - 23, 1989, P.N.E. Rollerland Building, Vancouver, British Columbia. Contact: Sandy Duff (604) 861-3663, Fax (604) 861-3031.

Financing Facilities to Support Exports to the United States Market, Monday, April 24, 1989, 8:15 - 1:30, Four Seasons Hotel, Vancouver, British Columbia. The seminar will provide information on all the financing and insurance facilities available to support your export to the United States. Sponsored by the Canadian Exporters' Association and the Department of External Affairs. Cost: \$75. Contact: Douglas R. Helmcken (604) 665-1902, Fax (604) 665-1449.

Canadian Advanced Technology Association Conference, April 24 - 25, 1989, Montreal, Quebec, Contact: John Ried (613) 236-3754.

The Canadian High Technology Show, April 25 - 26, 1989, Place Bonaventure, Montreal, Quebec. Major electronics event featuring components, test, measurement and instrumentation products, CAD/CAM/CAE and computer systems. Contact: Manager, Place Bonaventure Exhibition Hall (514) 397-2222, Fax (514) 397-2384.

AMS '89 - Advanced Manufacturing Systems Exposition, April 25 - 27, 1989, Chicago, Illinois. The exposition is running concurrent with the 1989 Advanced Manufacturing Systems Conference. Contact: Cahners Exposition Group (312) 299-9311.

Update '89 Seminar, May 11 - 14, 1989, Sheraton Centre, Toronto, Ontario. Institute of Industrial Engineers seminar series covering such topics as: Competitive Manufacturing with CIM, Simulation: Improving Your Manufacturing Productivity, Total Quality and Productivity Management, Applying Just-in-Time: the American/Japanese Experience and Successful Cost Reduction Programs for Engineers and Managers. Contact: The Institute of Industrial Engineers (404) 449-0460, Fax (404) 263-8532.

Seventh Annual Canadian Minerals Outlook Conference, May 25, 1989, Ottawa, Ontario. The theme of the conference is "Expanding Horizons", and will cover topics of importance to the mining industry. Co-sponsored by the Federal Department of Energy, Mines and Resources and the Mining Association of Canada. Contact: Dorothy Fyfe (613) 996-7788.

The Office That Works: A Forum on the Working Environment, May 29 - 30, 1989, Metro Toronto Convention Centre, Toronto, Ontario. Sponsored by the Ministry of Government Services. Contact: Corporate Events Management Inc. (416) 869-0141.

World Trade Forum: Free Trade, GATT and Trading Blocks, June 22 - 23, 1989, Pan Pacific Hotel, Vancouver, British Columbia. Sponsored by The Financial Post. Cost: \$450. Contact: The Financial Post Conferences (416) 596-5681.

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