



# Red Deer PROSPECTS

Winter 2006 - Volume V, Issue 2

## Red Deer's Red Hot Manufacturing Sector continues to Squeeze Efficiencies and Cost-Savings out of their Operations

High oil prices, keen interest and development in the oil sands, and the 'Alberta Advantage' continue to drive the local economy. Red Deer's strategic location, situated between two large markets, has stimulated unprecedented growth in the oil service industry and its secondary supply chain.

The Red Deer Regional Economic Partnership surveys the manufacturing industry at the end of each year, publishing results that give business leaders a broad view of the trends and developments in the local industry. The annual survey shows that in the past five years the Red Deer region has experienced tremendous growth in a number of areas:

- 86.59 per cent growth in sales,
- 48.65 per cent growth in payroll,
- 44.66 per cent increase in the number of manufacturing jobs, and
- 12.86 per cent increase in both the average annual wage and hourly wage.



Welder cutting Floor Grates at Enviro-Pads

Manufacturing Payroll Statistics	2001	2002	2003	2004	2005	2006	Growth***
Total Manufacturing Payroll	\$ 256,820,000	\$261,106,000	\$289,382,000	\$305,281,000	\$320,938,000	\$381,771,360	18.95%
Total Manufacturing Jobs	6595	7324	7865	8017	8851	9,540	7.78%
Average Annual Wages	\$ 35,457	\$ 33,589	\$ 36,100	\$ 37,185	\$ 37,703	\$ 40,018	6.14%
Average Hourly Wage	\$ 17.05	\$ 16.15	\$ 17.36	\$ 17.88	\$ 18.13	\$ 19.24	6.12%

\*\*\* Please note all growth percentages are based on the growth rate from 2005 to 2006 unless stated

According to Alberta Economic Development, The Red Deer Region is one of the hottest economic corridors in Canada and is expected to generate 9,300 jobs between 2005 and 2010, most of them in the trades, manufacturing, and service industries.

Over the past year, the number of manufacturing jobs in the Region has increased by 7.78 per cent, an increase of 689 jobs. This increase in employment is due to a booming economy in Central Alberta, a shortage of metal fabrication workers, and government programs that have encouraged skilled workers to move into the region. Most of the new jobs created have been in the primary and fabricated metals industry.

## Lee Specialties Ltd.

Looking forward into the future of Alberta's oil and gas industry, Lee Specialties Ltd. prides itself on designing and building products that are truly superior to those manufactured in other parts of the world.

"Sustaining growth in today's economy means diversifying your market," said Jim Lee, CEO, Lee Specialties Ltd. "We design and build products that are applicable in the international market. Our products are 'Made in Canada' and are built to withstand the extreme heat and frigid cold temperatures of our Canadian seasons; to international customers this truly makes a difference in the performance of our products."

For Lee Specialties the transition from a local manufacturing firm of 20 to a thriving international player in the cased hole wireline service industry is attributed to its ability to design and manufacture a quality product at the local level.

"The dedication and expertise of our staff truly makes the difference," concluded Lee.



*Jim Lee, Owner*

### Size of Manufacturers

Number of Employees	Number of Companies	
	2005	2006
0 - 25	147	149
26 - 50	29	28
51 - 75	9	10
76 - 100	4	6
101 - 150	4	4
150 +	14	15
Total	207	212

The average number of employees per operation grew by 7.78 percent from 44.49 in 2005 to 46.31 in 2006, while average hourly wages for non-management staff

saw an increase of 6.1 per cent from 2005 to \$19.24 per hour. In fact, Red Deer manufacturers paid out almost \$382 million in salaries during 2006. Critical labour shortages coupled with companies increasing salaries to attract and retain employees translated into an annual salary increase of 18.95 per cent.

As Alberta's manufacturing sector continues to struggle with labour shortages, Red Deer County's Silverado Certified Energy Equipment has embraced technology as a way to deal with little or no available labour.

"Adding automated components to our current manufacturing schedule allowed us to deal with the scarcity of labour while increasing productivity by almost double," said Randy Hofer, General Manager of Silverado Certified Energy Equipment. "We introduced our first automated piece in August of 2006 and by October we were ready to add our second piece. Our hope is to triple or even quadruple production with the same or a marginal increase in our staffing levels."



*Automated welding unit at Silverado*

Silverado's increase in automation was a positive step for the manufacturer and provider of oil & gas equipment; it was a way to improve quality and increase efficiency in a time where labour shortages are crippling the industry.

The oil and gas boom continued in 2006, resulting in a significant increase in total manufacturer sales in the Red Deer Region. Seven new manufacturing companies moved to Central Alberta, although these are mainly start-up manufacturing companies, it's our hope they will plant roots to become a large manufacturer in the future. Currently, we are only aware of one company that is no longer manufacturing in the Region.



*Dan Murdock, Co-Owner of Door Masters*

In terms of individual operations, metal fabrication is still our largest cluster of manufacturers. Machinery, wood cabinetry and food processing, make up the next largest groupings. The electrical and electronic products, indicating, recording, and controlling instruments, and wood and furniture experienced the most growth in 2006. At the same time, printing and publishing, transportation and equipment, stone, clay, glass and concrete, demonstrated marginal growth.



*Door Master's Shop*

In 2006, there was a significant increase in total manufacture sales in the Red Deer Region; companies like Door Masters and Lee Specialties Ltd. increased their Canadian and international market shares dramatically, causing manufacturing sales to rise almost 9.10 per cent from 2005.

According to Alberta Venture's November 2006 article on Manufacturing and Exporting, Alberta's production plants have seen a 40 per cent jump in input costs over the past four years. Despite these startling statistics, the Red Deer Corridor is not only maintaining its share of the provinces manufacturing sector, but is also taking steps to break into new markets both nationally and internationally.

## Door Masters Inc.

Ten years ago Dan Murdock and partner Audrey Egilsson found a way to turn a basic overhead door into a translucent, insulated door that allows 87 per cent or natural light into a building with the door closed.

When the company started manufacturing 'Sunshine Doors' 10 years ago they concentrated on their local market, but like any great idea the concept of an overhead door that allows light and heat into a building in the dead of winter took off.

"Through our buy and sell relationship with companies like Creative Doors we've been able to market and distribute our 'Sunshine Door' to commercial and industrial businesses all over Western Canada," said Dan Murdock, Co-owner of Door Masters. "Over the past year our growth in the Western Canadian market has increased by 60 per cent."

Although the company saw tremendous growth in Western Canada in 2006, the upcoming year will see sales moving into the international market with interest already generated in Maui, Hawaii.



## CARE Industries Ltd.

The oil and gas service sector has experienced exceptional growth over the last few years and so has CARE Industries; a Red Deer based service rig manufacturer.

During the past three years CARE has grown from 24 to 46 employees and the commitment and dedication of these employees has enabled CARE to experience domestic growth in excess of 205 per cent.

"2006 was another year of tremendous growth for our company," said Barry Anderson, President of CARE Industries. "We're to the point where our standing orders have us booked through 2007 and into 2008."

"Our challenge to find qualified trades people is ongoing, and once we find people to fill the open positions they struggle to find a place to live," said Anderson. "We're optimistic that a 10-15 per cent correction in the market will give us the break we need."

Prospects is a quarterly publication of the City of Red Deer, Red Deer County and the Red Deer Chamber of Commerce describing economic development issues. Prospects is compiled in a manner to ensure accuracy. However, the partners do not guarantee the correctness of all information herein, nor the absence of errors or omissions. No responsibility can or shall be assured.

### Published By:

City of Red Deer	403.342.8106
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Annual Sales 2001 - 2006	
Year	Annual Sales
2001	\$ 3,323,881,000
2002	\$ 3,288,779,000
2003	\$ 3,353,794,000
2004	\$ 5,322,937,000
2005	\$ 5,684,412,500
2006	\$ 6,201,875,074
Growth from 2005 - 06	9.10%
Growth from '01 to '06	86.59%

the international market had an increase of \$193 million dollars. This significant hike in manufacturing sales is a positive step for Central Alberta manufacturers as it indicates that companies are exporting to foreign markets and selling their manufactured goods locally.



Mike Tisdale, General Manager and David Leonard, CEO of CARE Industries

capacity to develop and supply products in Central Alberta; surprisingly only 5.35 per cent of supplier's goods are bought from United States or international markets. Red Deer companies are encouraged to purchase their goods locally to improve import replacement opportunities, retain the dollars within the community, and to save on transportation costs.

As production plants continue to compete for many of the same workers as the oil and gas and construction sectors, Red Deer's manufactures continue to squeeze efficiencies and cost-savings out of their operations. This aggressive approach to thriving in Alberta's demanding economy is just another reason TD Economics has called the Red Deer Region *Canada's Western Tiger*.

In 2006, Red Deer manufacturing sales were 517 million dollars more than 2005. Sales of goods increased by \$175 million locally; Alberta saw an increase of 144 million dollars, while Canada saw an increased of \$4.4 million, and lastly,

The Red Deer Region increased its purchases by 9.10 per cent from 2005, which is a 258 million dollar increase from the previous year (this is an interesting statistic given the 2005 decrease in purchases). Local purchases have increased significantly due to an increased