



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Accessing Domestic

Markets:

Utilizing the Alberta Example

Ron Subramanian

Canadian Manufacturers &
Exporters

Feb. 5, 2009





Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Introduction

- **CME – Brief Background**
- **Importance of Manufacturing**
- **Globalization of Business**
- **Alberta Manufacturing Project (2 yrs) – Overview, Trends, Lessons Learned**
- **Strategies for success**
- **Saskatchewan**
- **INWARDS/OUTWARDS approach**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Shared Trademark
MADE IN
FABRIQUÉ AU
Une vision mondiale
de l'excellence



The Importance of Manufacturing & Exporting

- Single largest business sectors in Canada
- Manufacturing directly accounts for 16% of Canada's GDP – Exporting for 21% of GDP.
- Every \$1 of manufacturing output generates \$3.05 in total economic activity – largest economic multiplier
- \$600 billion in annual manufacturing shipments
- \$460 billion in annual export sales
- Canadian manufacturers:
 - Employ 2 million Canadians with wage levels 25% above national average
 - Account for two-thirds of Canada's goods & services exports
 - Account for 75% of private sector R&D
 - Have reduced GHG emissions by 9.3% between 1990 and 2005.



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Current Situation

- **Business of manufacturing is changing rapidly**
- **Impact of the American recession**
- **Global competition**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



The Globalization of Business

- Global markets – Global competition
- Competitors, partners, & customers from around the world
- Global sourcing – Global presence
- Global value chains & business networks
- Supply chains compete – Extensive restructuring
- Global access to knowledge & new technologies
- Accelerating pace of technological change
- Need to escape the commoditization trap
- Value = Capitalize on knowledge
- Global competition for markets, investment, product mandates, natural resources, skills, & knowledge.



Canadian
Manufacturers &
Exporters

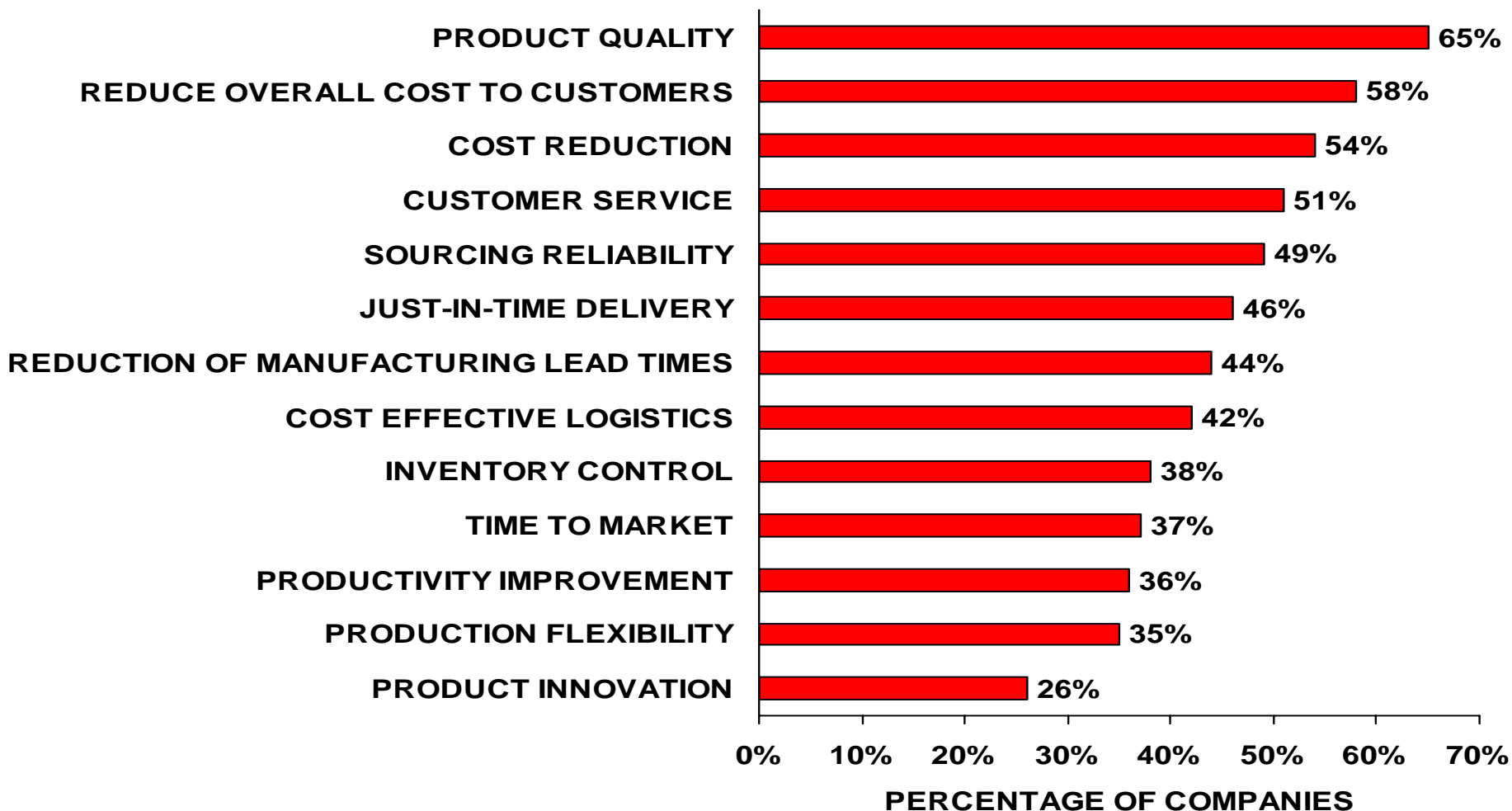
Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
20/20
FAÇONNER
NOTRE
AVENIR



Key Objectives in Supply Chain Management





Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

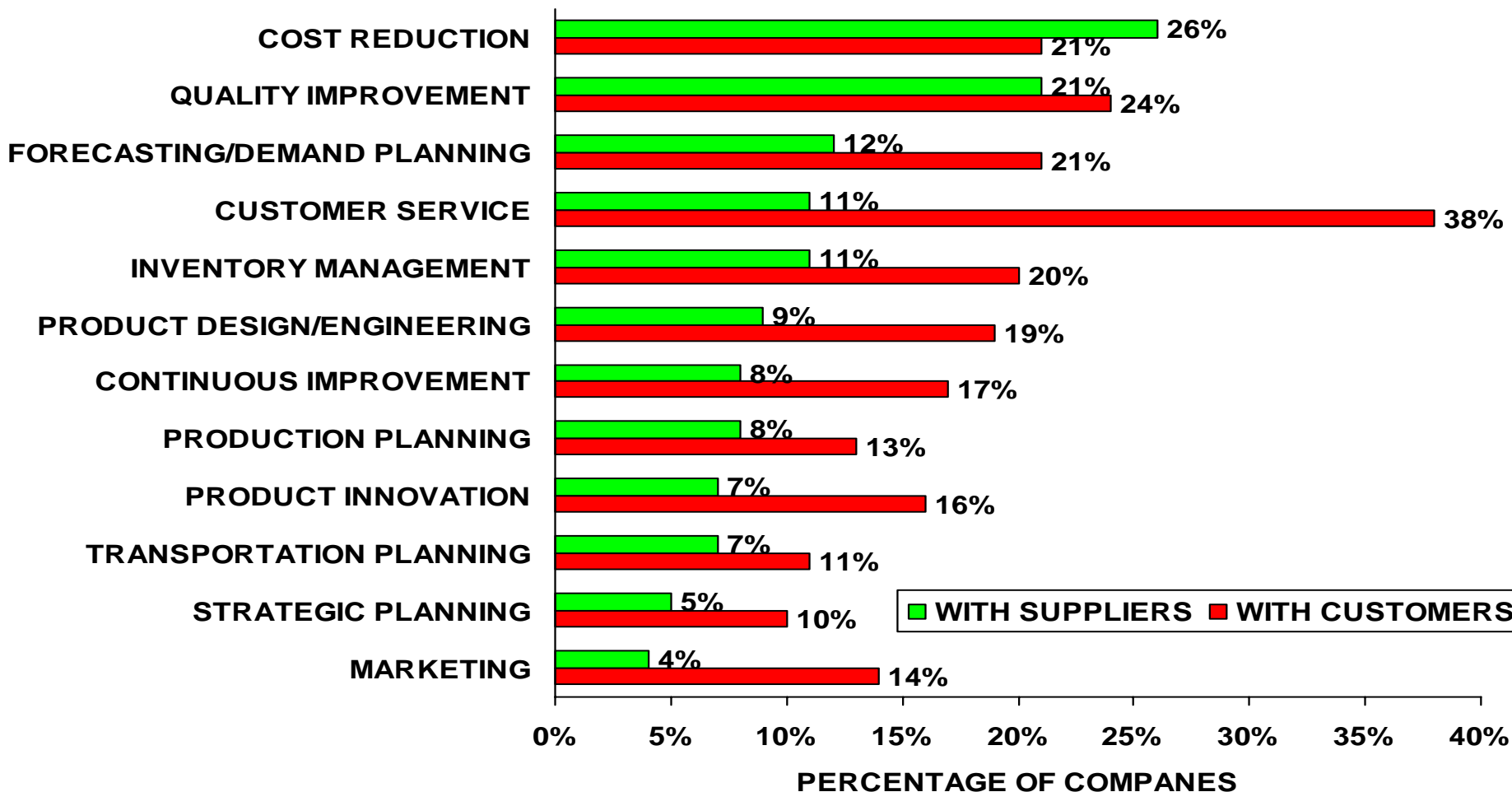
CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Shared Excellence
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Objectives in Supply Chain Collaboration





Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global Excellence
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Top Objectives in Supply Chain Collaboration

Suppliers	Customers
Cost reduction	Customer service
Quality improvement	Quality improvement
Forecasting/demand planning	Forecasting/demand planning
Customer service	Cost reduction
Inventory management	Inventory management



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING FOR
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global Trademark
MADE IN
FABRIQUÉ AU
Une vision mondiale
de l'excellence



Emerging Market

ALBERTA



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

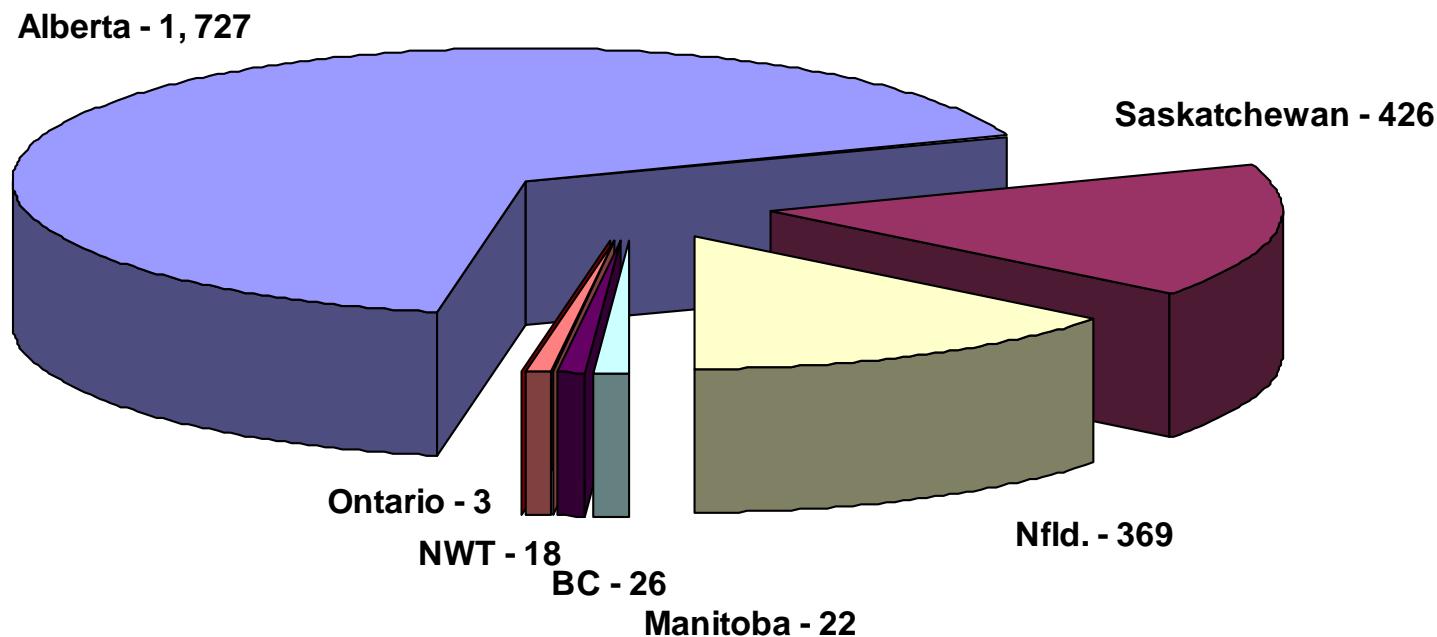
MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global TradeForum
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



2007 Canadian Crude Production

Thousands of barrels per day



Total – 2, 595 k bbd

Source: CAPP Canadian Crude Oil Forecast, June 2008



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Alberta Oil Sands - Capital Investment

- \$ 317 Billion expected from 2008 to 2030
 - \$ 80 Billion in next 4 years
- More than \$ 3 trillion in economic activity for Canada
 - Employment
 - New investment opportunities
 - Additional public sector revenue
- ✓ Equivalent of 86 years of exporting to China



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

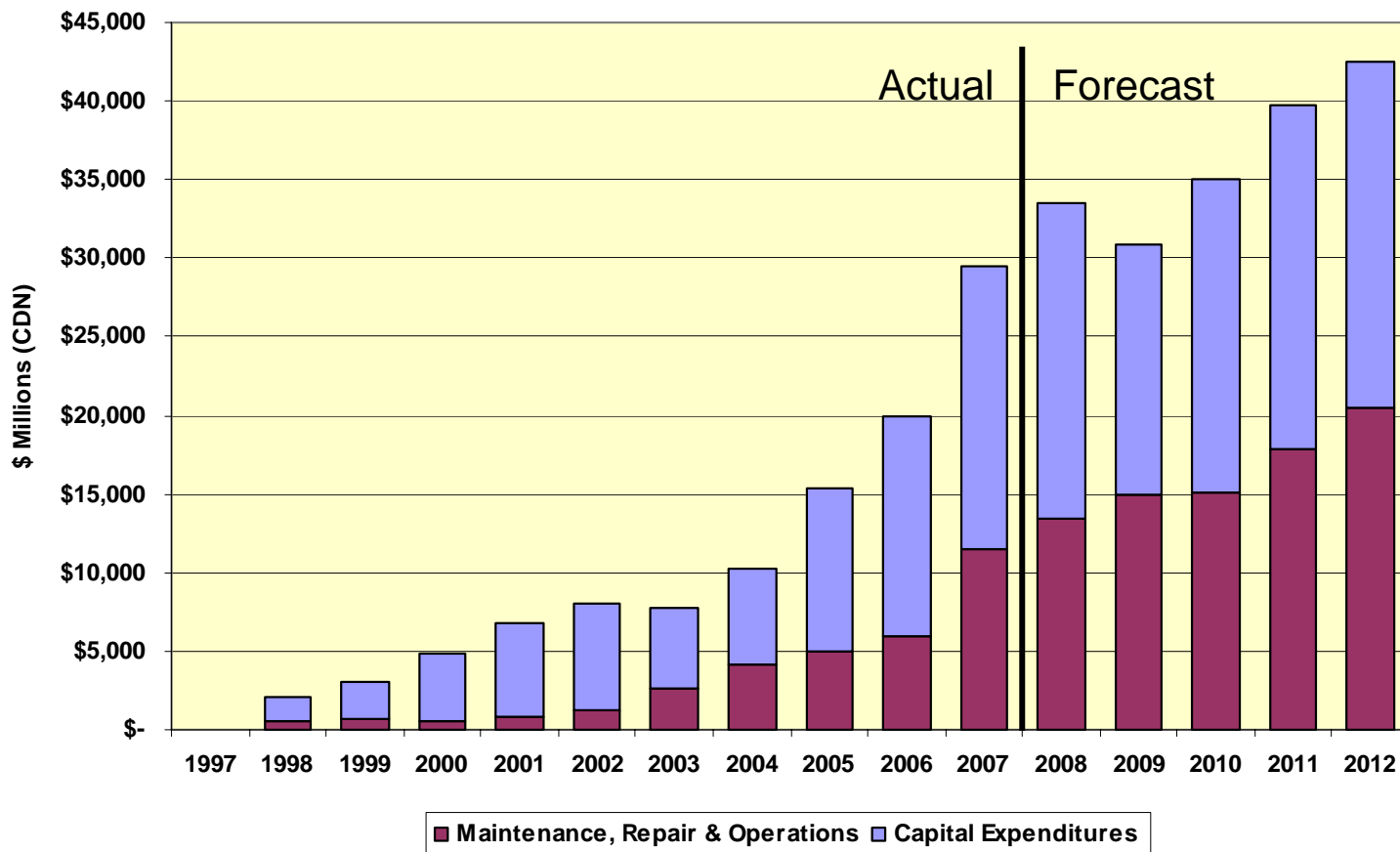
CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global Trademark
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Oil Sands Expenditure Forecast



Source: OSDG Forecast, Aug 08 & CAPP 2009 Outlook, Nov 08



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global Trademark
MADE IN
FABRIQUÉ AU
Une vision mondiale
de l'excellence



Oil Sands Capital Projects

- Percentage of total capital spent on equipment
 - Mining projects
 - Equipment represents ~ 30% of capital costs
 - In Situ projects
 - Equipment represents ~ 20% of capital costs
 - Upgraders
 - Equipment represents ~ 70% of capital costs



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Capital Projects

- Oil Sands Extraction/Upgrading
 - Athabasca
 - Cold Lake
 - Peace River
- Upgrading
 - Greater Edmonton Area



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Alberta Project (REW to 2 Years Ago)

- **Successes and Challenges**
- **Lessons learned**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global Trademark
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Critical Challenges: Oil Sands Supply Chain

- **Cost overruns**
- **Lead Times**
- **Productivity**
- **Labour Shortages**
- **Customization & Flexibility**
- **Capacity**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Canadian Oil Sands Initiative

- Raise awareness and education
- Help Alberta companies expand their supply chain
- Help Canadian companies become market ready



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Lessons Learned: Alberta Perspective

- **Disliked seller approach**
- **Overwhelmed by requests**
- **Did not have access to the right information required for pre-qual (sellers did not know how to market themselves)**
- **Some sellers just didn't understand**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global Trademark
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Challenges to Supplier Development

- **NOT a “Gold-Rush”**
- **Long-term strategy**
- **Both sides must buy-in and understand**
- **Market research, awareness, trust**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Keys to Success for Supplying to Alberta: Approach

- Building trust
- Long-term strategy
- Dispelling the myths – AB is NOT a Gold Rush
- Being honest with yourself
- Understanding the market AND culture
- Identifying your customer
- Knowing your competitive advantages
- Marketing yourself appropriately
- Being THERE and being there TO HELP



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Keys to Success: Delivery

- Marketing
- Pricing
- Re-tooling
- Logistics
- Customer Service
- Project Management
- Supply Chain Management



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

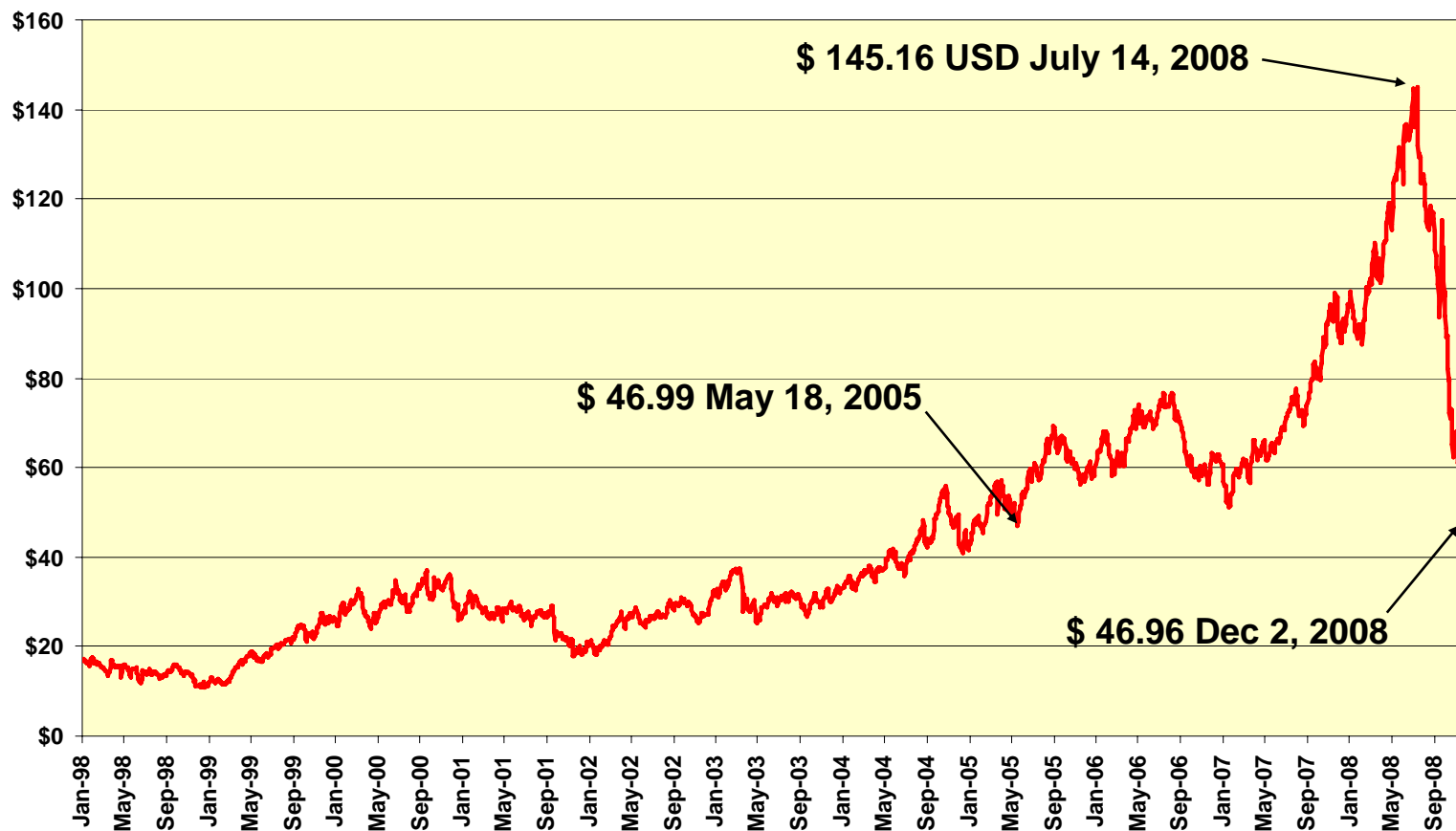
CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

**MANUFACTURIERS
ET EXPORTATEURS
DU CANADA**
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global Trademark
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Crude Oil Price History





Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Current Crude Market Conditions

- November 08: ~ \$ 55 per barrel
 - Global credit markets crisis
 - US & OECD are in recession
 - Potential global recession

- Production – Fall 2008
 - ~ 85 million bbd
 - OPEC – 30 million bbd
 - Decreased production by 1.5 million bbd on Nov. 1
 - Production capacity ~ 35.7 million bbd -- ~ 39.7 million bbd by 2010
 - Rest of the world - 55 mb/d



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Global Crude Oil Outlook

➤ SHORT TERM

- Demand growth will be weak
- Price of oil will continue to be undervalued

➤ LONG TERM

- Conventional oil reserves are decreasing
- The price of oil will rebound and continue to climb
- US policy for secure oil will ensure demand for Canadian crude
- Non-conventional reserves will continue to become viable



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



1. Become an Expert

- Oil Sands Review Magazine
- Alberta Oil Magazine
- The Energy News
- Canadian Association of Petroleum Producers (CAPP)
- The Oil Sands Developers Group
- Alberta-Canada.com
- icosmo.ca
- Local Alberta News Sources



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



2. Develop an Effective Market Strategy

- Understand:
 - The opportunity for your business
 - Where you fit
 - Your customer
 - Your competition
 - How to win contracts



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



3. Develop a Strong Marketing Plan

- A professional, suite of active, *targeted* tools will give you an edge over your competition:
 - Oil Sands Webpage
 - All-line brochure
 - Oil sands brochure
 - Tradeshow tools
 - Buyer Kit
 - Communications tools



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



4. Active Sales Execution Wins

- Attend & Exhibit at Trade Shows
 - National Buyer Seller Forum
 - Oil Sands Tradeshow & Conference
 - Global Petroleum Show
 - Go Expo
- Take Regular Business Trips
- Utilize Representatives



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



5. You Don't Need to go it Alone

- MED Oil Sands Team & Directory
- MSBCS Advisors & Resources
- Economic Development Organizations
- CME
- Form Consortia
- Learn from others



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING FOR
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR



Emerging Market

SASKATCHEWAN



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global TradeMark
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Emerging Market - Saskatchewan

- **Projected \$70 billion over next 5-7 years**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Saskatchewan – Industries

- Food, Crop, and Beverage Processing - \$2.5 billion
- Machinery, Transportation, and Industrial Equipment - \$3.8 billion
- Mining – Potash, Uranium (McArthur River)
- Wood Products, Chemicals
- Emerging industries – Aerospace, telecommunications



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada



Future of Manufacturing in Canada

- **Specialized**
- **Flexible**
- **Mass customization**
- **Responsive**
- **Customer Value – Design, Engineering, Service, Financing**
- **AGILE**
- **Time – Product Development to Customer Response**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global TradeMark
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Strategies for Success

INWARDS/OUTWARDS Approach



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global Trademark
**MADE IN
FABRIQUÉ AU**
Une vision mondiale
de l'excellence



Strategies for Success - INWARDS

- **Lean Manufacturing**
- **Operational Efficiency**
- **Reduction of Costs**
- **Improving Productivity**
- **Investment in new equipment and new processes**
- **Automation**
- **Innovation and Continuous Improvement**
- **Investment in HR - Training, Retention, etc.**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING FOR
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global TradeMark
MADE IN
FABRIQUÉ AU
Une vision mondiale
de l'excellence



Strategies for Success - OUTWARDS

- **Diversifying**
- **New products, new industries, new markets**
- **Developing and managing your supply chain**
- **Attraction/recruitment of labour**
- **Access to financial assistance**
- **Marketing/Branding**
- **GOING GLOBAL – Practice in Canada**



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

CANADIAN
MANUFACTURERS
AND EXPORTERS
20/20
BUILDING
OUR VISION FOR
THE FUTURE

MANUFACTURIERS
ET EXPORTATEURS
DU CANADA
20/20
FAÇONNER
NOTRE
AVENIR

Canadian Vision
Global TradeMark
MADE IN
FABRIQUÉ AU
Une vision mondiale
de l'excellence



THANK YOU!

- Ron Subramanian
- ron.subramanian@cme-mec.ca
- (647) 339-0505