ACTION COMMITTEE ON THE RURAL ECONOMY

Rural Manufacturing and Construction Subcommittee Report

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INTRODUCTION

Mandate

Identify opportunities and constraints in rural Saskatchewan and make recommendation to the ACRE committee to facilitate and encourage economic development through the establishment and retention of manufacturing and construction enterprises in rural areas."

Committee Membership

The membership of the RM&C included:

Industry Representatives

Loren Katzenberger - Chair
President of Precision Metal Fabricating and 2nd Vice President of the Prairie Implement Manufacturing Association

Ernie Barber - Co-Chair
Dean of the College of Agriculture University of Saskatchewan

Martin Gareau - Member
President of the Saskatchewan Herb and Spice Association and owner of Maple Ridge Farms Inc.

Bob Merasty - Member
FSIN Saskatoon, Sask

Resource Persons

John Babcock - Resource Person
Saskatchewan Agriculture and Food

Scott Summach - Resource Person
Saskatchewan Economic and Cooperative Development

Paul Gebhardt - Resource Person
Industrial Research and Assistance Program

Definition of the Sector

The non-agricultural construction and manufacturing industries located outside of Regina and Saskatoon.

RECOMMENDATION SUMMARY

I. Business Environment

- The major focus for rural Saskatchewan must be on how to retain and expand local businesses in the sector versus the emphasis on how to encourage new businesses to become established. Programs that educate and promote the RM&C industry on their contribution to the community as well as legislation and regulations that create a level playing field for local industries.
- The business climate and its competitiveness with respect to other jurisdictions (particularly Alberta) need to be addressed. It is essential that Saskatchewan be perceived as a low cost manufacturing and construction environment in order to grow the industry and attract other companies to the Province. As the mainline companies acquire smaller short-line companies and acquired or existing short-liners in the Province become much larger, it is imperative that the province ensures that government policies and programs are conducive to industry growth. The sector should be surveyed to identify issues and gaps. Effort to address the issues should be made.

II Leadership/Marketing Skills

- Emphasis should be on identifying and providing opportunities for businesses to assess their leadership skills and obtain on-site training in areas of confidence building, entrepreneurial spirit, global vision, and in financial and marketing skills. In addition there is a need to create and promote value of business success in the rural areas (education) to the general public.

III. Labour

- There is a need to reconcile the present labour legislation with the realities that exist in rural areas of the province. Most businesses and employees have a good working relationship that has been successful in developing jobs for rural residents and a margin of profit for the companies. In order to sustain this relationship there is a need for the direct involvement of all players in order to ensure a clear understanding and the development of legislation that is consistent with maintaining businesses in rural Saskatchewan. Education and training including the interpretation of the legislation for both employers and employees would be beneficial to all parties. It is noted that ACRE has established a committee to investigate labour issues based on the urging of several of the subcommittees including the RM&C subcommittee.

IV. Aboriginal and Metis Involvement

- There is clearly a need to provide an environment to ensure that all people can participate in the on-going economic well being of the province. The leaders for the Aboriginal and Metis as well as business leaders recognize that in order to build a strong work force for the future that education and training is required. We need to explore the best ways to engage the Aboriginal and Metis people in the work force.
- The aboriginal population represents about 6% of the total manufacturing workforce in Saskatchewan. There is definitely room to grow this percentage, which would fit in well with the ever-increasing aboriginal population. The biggest stumbling blocks to growth seem to be that aboriginals have traditionally been shut out of the higher paying jobs in manufacturing due to a lack of skills and education. They view manufacturing jobs as low paying and are not that excited to join the workforce in this sector. Aboriginal females represent only 1% of the total manufacturing workforce and have no reason to feel wanted in this sector.
- Another area where there is room for improvement is aboriginal ownership of businesses in this sector. The only aboriginal owned and based business in this sector is the Kahkewistanhaw Indian Nation custom metal fabrication company. One opportunity is the fact that the aboriginal people have a lot of land that could be used to house manufacturing facilities. This is an area that needs to be explored either from an aboriginal owned business view or in partnership with the private sector.

V. Taxation

- Tax issues are of concern to rural businesses because it impacts on the bottom line. It is also recognized that the present tax structure for the manufacturing industry including: Investment Tax Credits, Sales Taxes, Payroll Taxes, Manufacturing and Processing Tax Rate, Research and Development Tax Credit are reasonably competitive with other jurisdictions. There is, however, a need to keep pace with other provinces regarding on all taxes e.g. personal income tax in Alberta. There is also an need to make some changes on how GST and PST are managed and reduce the bureaucracy of paying and refunding which ties up a large amount of money at all times.

VI Growth Stimulation in the Sector

- There is a need to address industry training needs, expose industry to best practices, the latest advanced technologies, providing adequate R&D infrastructure, maintaining a good transportation system, streamline provincial regulations and implementing a plan to ensure long-term competitiveness.

- The SRC diagnostics identified that 55% of the manufacturing firms surveyed were having difficulty with quality but only 12.5% of the group surveyed were ISO certified and 52.5% had no system for quality assurance. In general, the industry does not value the benefits of a formal quality system nor do their customers recognize or require such a system. More education is required to raise the awareness of the costs of defects and the benefits of continuous improvement and the benefits of managing quality. There is a need to continue to enhance the awareness of benefits of constant improvement and quality control and assist industry in implementing these principles.

VII Other Factors Affecting the Business Environment

- In general, the public does not have an appreciation of the benefits and the impact of this sector on the provincial economy. A program poised at elevating the awareness of this industry should be pursued. The creation of a manufacturing week should be considered to highlight the broad range of manufacturing that exists within Saskatchewan, to disband the perception that this industry is low-tech and to use it as a tool to reward our local players for the successes they have achieved. Information gathered in the promotional events could be further utilized to promotional literature for promoting our province abroad and for investment attraction purposes.

VIII Freer Trade

- Free trade is viewed as a reality and it is perceived as benefiting the sector allowing for greater participation in a global market place. We need to pursue freer trade in both Europe and South America and address some of the inter-provincial trade barriers that exist in Canada.

IX Transportation

- One of the key messages is that the fuel tax should be used exclusively to improve roads in the province. The is a need to apply a consistent set of regulation on the use of roads (business, farm and private) and develop a strategy that integrates the road, rail and air services in the province to support business development. This should include a program to provide access roads to rural businesses.

X Utilities/Communication Access

- In order to keep pace with technology rural businesses require access to high-speed phone lines and cellular coverage. There is a need for the province to take steps to put these services in place. In addition the installation of 3-phase power and gas required for this sector to expand needs to be considered as an overall strategy. The idea of a “business cluster” for this sector may have some merit.

XI Education and Training

- Industries need a pool of welders and advanced skilled people who can contribute to a company's continuous upgrading of its products. Saskatchewan companies have had difficulties with this issue. Programs should be designed with input from the industry that addresses their needs.
- The education system should focus more on the technical trades. The system generally focuses on an academic training as a means to developing a career. The promotion of trade jobs as a career would provide a greater number of skilled professional to address this sector's needs.

XII General Issues

- Need to develop a comprehensive business strategy for the province that looks at: taxes, labour laws, infrastructure (communication access, roads, rail, air service), training, public education, trade issues, Aboriginal issues as noted in some of the above recommendations. In general creating an environment that is stable (not changing every time a government changes) in which people are willing to make a long-term investment.

OVERVIEW OF THE SECTOR

Construction Sector

The construction sector is classified by Statistics Canada as a secondary goods-producing industry, the same kind of industry as manufacturing. In some senses, however, it can be considered as a service industry because it provides a service to businesses and consumers in the province. For example, the construction of a commercial or industrial building provides a service to the firm wishing to use the building. The construction of roads provides a service to firms wishing to transport goods by truck.

The construction sector is relatively easy to define although not all construction activity in the province is undertaken by the construction industry. Some larger corporations have in-house maintenance departments that do routine building maintenance and some of the work is performed by out-of-province firms.

There are more construction workers in the province than there are workers in the construction industry because the industry is well populated with individuals who take on construction work as a sideline to their other "main" jobs. Most of these are seasonal and concentrated in the residential renovations business.

Published statistics often break down the sector into two major components according to the type of work they do - building construction and engineering or " heavy" construction. The former includes residential, commercial, industrial, farm, and institutional buildings. The latter includes, for example, roads and bridges, pipelines, mines, and water/sewer projects. Statistics Canada also includes oil and gas exploration and development drilling as part of the construction industry according to the new North American Industry Classification System (NAICS).

Users of this information should be aware that a good portion of the construction industry provides services to consumers rather than businesses. In particular, about one third of activity and a higher proportion of employment are primarily involved in residential construction

The statistics show that the construction sector is recovering slowly from the downturn in activity that occurred in the early 1990s. At that time, the completion of a number of large projects, provincial government capital spending restraint, a general recession, and low demand for new housing combined to reduce the size of the industry in most measures.

- The value of building permits declined from $741 million in 1986 to $323 million in 1992.
- Total employment declined from 25,400 in 1987 to 18,400 persons in 1993.
- Industry payrolls declined from $348 million in 1987 to $306 million in 1992 largely because paid employment dropped from 15,000 to 11,300 over the period.
- The industry's GDP declined from $1.7 billion in 1985 to $1.1 billion in 1992.

Since that low point, most of the indicators show an upward trend. Using 1992 as the base year:

- the value of construction activity is increasing at 6.6% per year; the value of building permits to 12% per year;
- employment is growing at 2.4% per year and aggregate payrolls at 8% per year; and
- GDP is growing at an annual rate of 4.4% per year.

In 1999, the construction industry contributed just under $1.2 billion to the province's Gross Domestic Product, 6% of the total. Both overall GDP and the share of the total are below their highs in the mid 1980s although their have been modest increases in recent years. Relative to the overall economy, the construction industry in Saskatchewan is larger than in Canada as a whole but, until recently, was in a prolonged slump. In 1998, for example, the sector accounted for 5.6% of Canada's GDP compared with 6.2% in Saskatchewan.

There were 5,430 businesses in the construction industry as of December, 1998 of this 40% of these were single-person firms and three quarters have fewer than five employees. There were 272 or 5% of the firms with 20 or more employees in 1998. This is 61/2% of the businesses in the province but 8% of employers.

There are two measures of employment in the construction sector, both published by Statistics Canada. The first is the labour force survey (LFS) which measures, on a monthly basis, both paid employment and self-employment in the industry group. The second is the survey of employment, payrolls, and hours (SEPH) that is based on a sample of payroll records submitted to Revenue Canada. SEPH measures the number of paid employees only but it has the advantage of including payroll information so that average earnings can be calculated. The LFS data use the NAICS definition; SEPH uses the SIC.

In 1999, the LFS found 23,500 persons working in the construction sector whereas SEPH recorded paid employment at 15,750 so a good proportion of the industry's employment is among self-employed individuals.

NOTE: The overview of the Sector are exerts form a broader paper on the Construction industry in the province compiled by Saskatchewan Economic and Co-operative Development.

Machinery and Manufacturing Sector

The manufacturing of metal-based products is wide ranging in Saskatchewan. It includes the manufacture of agricultural machinery products, transportation equipment, mining equipment, industrial and agricultural storage products, oil & gas equipment, industrial power generation products, special service vehicles, lawn and turf equipment, heating and ventilating products and structural steel products for construction and other applications. The size of this sector and its impact on the Province are often underestimated because these industries are segregated into several SIC codes when reported by Statistics Canada. The corporations in this industry range from very small shops with less than 10 people to much larger production facilities in excess of 1500 employees. The industry is divided into two major sub-sectors, the custom fabricators and the discrete product manufacturers. The custom fabricators provide services (including machining, welding, punching, cutting and forming) to a wide range of industries including mining, oil & gas, construction, forestry, agriculture and other industries. The custom fabrication firms bid on building or rebuilding discrete products for their customers and typically rely on the production of relatively low volume, high margin products. These firms typically do not develop new products or re-invest a significant amount of their revenues into research and development activities. In most cases these manufacturers build to the specifications of their customers. Some of the more profitable firms in this sector have pursued niche markets and purchased specialized equipment that is not commonly available in Western Canada. This reduces the level of competition and allows the firms to charge higher margins.

The discrete product manufacturers in Saskatchewan typically rely on lower margins but higher production levels. Firms in the production industry have a discreet line of products which they service and sell through the their established distribution lines. Tighter margins force these firms to place priority on reducing production costs. Research and development is also much more important to these firms as they are forced to develop new products or improve their processes to gain an advantage on their competitors.

The custom fabricators and discreet product manufacturers require the same basic skills and technology to produce their products. Value is added by taking raw metal and transforming it into a discreet product through the process of cutting, welding, forming, punching, machining and/or milling. The raw materials, the skills and technology, and the processes required to build the product, are much similar and result in interdependencies between these manufacturers.

International Environment

The market for farm machinery has become increasingly global, as manufacturers strive to reduce costs with large-scale manufacturing to serve worldwide requirements. The bulk of farm equipment manufacturing is performed in the United States, the United Kingdom, Germany, France, Italy, Japan and Canada. The world market, which was about $34 billion in 1998, is divided into three roughly equal parts, the EU, North America and the rest of the World. Canada's share of this market is about 7 percent.

Canadian Environment

Western Canada (Manitoba, Saskatchewan, Alberta and British Columbia) represents nearly 60 percent of Canadian production of agriculture machinery. In western Canada alone, some 200 manufacturers employ over 11,000 people and have total sales in excess of $1.5 billion. The Canadian industry has successfully developed livestock-raising equipment and specialized machinery for the production and harvesting of forage crops, cereal grains and pulse crops. Certain companies have even produced specialized equipment for particular crops (tobacco, corn and soybeans).

Provincial Environment

The agricultural machinery-manufacturing sector in Saskatchewan has evolved over the last 40 years from very modest beginnings consisting of a number of small entrepreneurial companies having developed a variety of pieces of equipment to address specific dry land farming needs or problems. These products were relatively basic and unsophisticated. Over time, the number of manufacturers and the product range has expanded. The products have become more sophisticated and have grown larger in size and value. Saskatchewan has become a world leader in air seeding technology, with Flexi-Coil, Bourgault and Morris Industries leading the way.

In 1999, during a downturn, the industry still had $477 million in sales and 4,200 employees. Combined with the Metal Fabrication sector numbers of $283 million in sales and 2,000 employees you have a sector that represents 13% of province-wide manufacturing sales and employees over one quarter of all manufacturing employees in the province.

Rural Environment

A good portion of the agricultural machinery manufacturing industry still exists in smaller centres within rural Saskatchewan and has created thousands of jobs for areas of the province where other economic activities do not exist or are not feasible. In 1998, approximately 3/4 of the companies representing one half the workforce, were located outside the major centres of Saskatoon and Regina. The growth of these companies and increasing sophistication of products and manufacturing processes is creating multi-skilled, high value jobs, which are of great importance to the sustainability of rural economy of Saskatchewan. In the metal fabrication sector, the situation is the opposite, with most of the companies located in either Saskatoon or Regina.

Provincial Impact

Please note that the following statistical information represents the machinery and metal fabrication industry portion only under SIC # 3000 & 3100; NAIC # 332 & 333.

Gross Domestic Product

- GDP % growth from 1986-1998 was 121.7%.
- In 1998 the sector represented $305.5 Million of the provincial GDP or 1.3 %.
- In 1998 the sector represented 20.4% of the provincial GDP in all of manufacturing.

Employment

- Employment % growth from 1986-1998 was 342.9%.
- In 1998 the sector had 6,200 direct employees that represented 1.3% of all Saskatchewan employment.
- In 1998 the sector represented 25.6% of the total provincial employment in manufacturing.
- One concern in the value added employment category is that GDP per employee reached a 10 year low in 1998 at $49,274.00 per employee.

Wages & Salaries

- Wages & salaries % growth from 1991-1997 was 128%
- Total sector wages & salaries in 1997 were $231.2 Million.
- Average sector salary in 1997 was $29,932.70 and average hourly wage in 1998 was $13.68.

Shipments

- The % growth in the value of shipments from 1987-1998 was 177.8%.
- The total value of shipments in 1998 for this sector was $761.3 Million dollars.
- The sector represented 12.9% of total manufacturing shipments for 1998 in the province.

Exports

- The % growth in the exports from 1994-1998 was 35.6%.
- The total value of exports in 1998 from this sector was $205.3 Million dollars.
- Exports represented 27% of the total shipments from this sector.
- This sector represented 5.3% of the total exports for the province in 1998.

Companies

- The % growth in number of companies from 1991-1997 was 13%.
- The total number of companies representing this sector in 1997 was 191.

Aboriginal Participation

- In 1996, aboriginal people represented 6% of the total workforce in manufacturing for the province. This % equates to 372 aboriginal employees within the machinery and metal fabrication sector.

NOTE: The overview of the Sector are exerts form a broader paper on the machinery manufacturing and metal fabrication industry in the province compiled by Saskatchewan Economic and Co- operative Development.

CONSULTATION INFORMATION

The RM&C was requested is to [SAF1]provide recommendations to the ACRE Committee that to advise government on possible strategies, programs and services to help rejuvenate rural Saskatchewan.

Prior to preparing the final report, the RM&C consulted with rural businesses, organizations and residents. This consultation process included a survey of the sector, personal interviews with representative from the industry, information available from other sectors, statistics provided by Doug Elliott and written submissions. This consultation process was designed to gather opinions and information from leaders in rural Saskatchewan to identify issues and opportunities to assist in the rejuvenation of rural areas. (Reference material available as noted below)

Reference Material

- Open Discussion RM&C Members
- Interviews with Sector Representatives
- Sector Survey Results
- Sector Survey - Open-ended Question from the RM&C Sector
- ACRE Statistics - Construction and Manufacturing Sector - Elliott
- Comparative Analysis of Business Costs - Johnson
- Summary of Written Submission

OUTLINE FOR THE FINAL REPORT

This Committee was challenged to consult with the Rural Manufacturing and Construction Sector and attempt to answer the 5 major questions that were set out in the original terms of reference. The questions are noted below.

1. With the trends occurring in this sector in rural areas, what will it look like 10 to 15 years from now? What are the constraints that must be overcome and the opportunities that can be seized to maximize the benefits of the manufacturing and construction sector to the rural economy?

2. Given the trends in the sector, what programs, policies or services might be implemented to remove constraints or to maximize opportunities?

3. In order to maximize opportunities, which issues must be addressed (e.g. transportation/ infrastructure, investment, environmental/Kyoto implications, trade, education/training, labour, research, adaptation of new technology and quality/safety)?

4. Do the opportunities capitalize on Saskatchewan's competitive advantages? Are the opportunities viable when they are subjected to rigorous economic and financial scrutiny?

5. Are we recognizing our disadvantages and understanding when to be cautious about investment?

The recommendations in this report will focus on those areas that were identified through the consultation process as major issue area for the Sector. It is noted that the results of the consultation process is weighted in favour of the manufacturing sector where the committee members seemed to have the greatest access. Issue areas were identified as follows:

I. Business Environment
II. Leadership/Marketing Skills
III. Labour
IV. Aboriginal and Metis Involvement
V. Taxation
VI. Growth Stimulation in the Sector
VII. Other Factors Affecting the Business Environment
VIII. Freer Trade
IX. Transportation
X. Utilities/Communication Access
XI. Education and Training
XII. General issues

SUMMARY OF CONSULTATION RESULTS AND RECOMMENDATIONS

I. Business Environment

Based on the information obtained the attitude by Saskatchewan people towards business is viewed as negative. The culture of Saskatchewan people seems to be that they would prefer not to have others get too far ahead of them and they are envious of success. One of the threats is that we are located next to Alberta who is perceived to have some advantages in the business world and with the potential of reducing the income tax level to zero there will be an accelerated move out of the province of skilled workers and businesses. There is a feeling that there are anti-business labour laws and it creates an uneven playing field when compared to other jurisdictions. There is an overall negative view in the agriculture sector because of the prolonged down turn in commodity prices. Most of the local businesses that we interviewed have no desire to move to larger urban center or out of the province. The reason they give is that their families started the business and they don't feel that a move would be of any significant financial benefit. On the other side it would be difficult for any business to become established in rural Saskatchewan requiring greater than 20 employees in the professional and skilled labour area.

Recommendation:

- The major focus for rural Saskatchewan must be on how to retain and expand local businesses in the sector versus the emphasis on how to encourage new businesses to become established. Programs that educate and promote the RM&C industry on their contribution to the community as well as legislation and regulations that create a level playing field for local industries.
- The business climate and its competitiveness with respect to other jurisdictions (particularly Alberta) need to be addressed. It is essential that Saskatchewan be perceived as a low cost manufacturing and construction environment in order to grow the industry and attract other companies to the Province. As the mainline companies acquire smaller short-line companies and acquired or existing short-liners in the Province become much larger, it is imperative that the province ensures that government policies and programs are conducive to industry growth. The sector should be surveyed to identify issues and gaps. Effort to address the issues should be made.

II. Leadership/Marketing Skills

In general there was a feeling that there was a lack of good leadership skills to look beyond the borders of Saskatchewan and a feeling that Saskatchewan people do not reward and respect success. The areas that we lack leadership skills includes; confidence, entrepreneurial spirit, vision, financial and marketing skills - a lack of the Alberta attitude. Government attitude is viewed as having contributed the lack of these skills and calls for the development of leadership skills in non-government personnel with less direct government involvement.

Recommendation:

- Emphasis should be on identifying and providing opportunities for businesses to assess their leadership skills and obtain on-site training in areas of confidence building, entrepreneurial spirit, global vision, and in financial and marketing skills. In addition there is a need to create and promote value of business success in the rural areas (education) to the general public.

III. Labour

Saskatchewan is viewed as having a strong work ethic that is recognized throughout Canada and into the USA. Most rural industries have no problem in attracting a work force at the production worker level. It seems to be more difficult to attract managerial and skilled people in rural Saskatchewan. Local businesses recognize the importance of maintaining harmony with workers and the community. They all expect to pay good wages, provide good working conditions, incentives and training. There is a very strong view that the present labour legislation should be changed. There also is a view that the present legislation favours unions and that the Labour Relations Board also works in favour of unions. Businesses are calling for a level playing field for example if a secret ballot is required for decertification of a union then it should be the same for the certification of a Union. Alberta and Ontario are sited as areas that have more progressive legislation. In a letter to the Minister of Labour in June of 2000 the Construction Association through its membership on the Saskatchewan Alliance for Economic Growth expressed similar concerns regarding Labour legislation in the province citing several examples of how the legislation could be changed to foster business development in the province.

Recommendation:

- There is a need to reconcile the present labour legislation with the realities that exist in rural areas of the province. Most businesses and employees have a good working relationship that has been successful in developing jobs for rural residents and a margin of profit for the companies. In order to sustain this relationship there is a need for the direct involvement of all players in order to ensure a clear understanding and the development of legislation that is consistent with maintaining businesses in rural Saskatchewan. Education and training including the interpretation of the legislation for both employers and employees would be beneficial to all parties. It is noted that ACRE has established a committee to investigate labour issues based on the urging of several of the subcommittees including the RM&C subcommittee.

IV. Aboriginal and Metis Involvement

Some of the companies interviewed had been involved in the past with aboriginal training programs. The individuals that were hired were able to satisfactorily carryout the work they were assigned, however, there was no long-term commitment to the job. Companies recognized the long term need to involve aboriginal workers in there businesses but were of the opinion that there was a need to bring the closure to land claims and on-going issues and get on with education and training programs.

Recommendation:

- There is clearly a need to provide an environment to ensure that all people can participate in the on-going economic well being of the province. The leaders for the Aboriginal and Metis as well as business leaders recognize that in order to build a strong work force for the future that education and training is required. We need to explore the best ways to engage the Aboriginal and Metis people in the work force.
- The aboriginal population represents about 6% of the total manufacturing workforce in Saskatchewan. There is definitely room to grow this percentage, which would fit in well with the ever-increasing aboriginal population. The biggest stumbling blocks to growth seem to be that aboriginals have traditionally been shut out of the higher paying jobs in manufacturing due to a lack of skills and education. They view manufacturing jobs as low paying and are not that excited to join the workforce in this sector. Aboriginal females represent only 1% of the total manufacturing workforce and have no reason to feel wanted in this sector.
- Another area where there is room for improvement is aboriginal ownership of businesses in this sector. The only aboriginal owned and based business in this sector is the Kahkewistanhaw Indian Nation custom metal fabrication company. One opportunity is the fact that the aboriginal people have a lot of land that could be used to house manufacturing facilities. This is an area that needs to be explored either from an aboriginal owned business view or in partnership with the private sector.

V. Taxation

In general all respondents felt that taxes were a burden to operating businesses in the province. They felt that workers were likely to move out of the province. Taxes limit the opportunity to reinvest in the business such as research and development and make it difficult to hire management level people and we are therefore less competitive when compared to other jurisdictions. A reduction in personal income tax and the elimination of corporate capital tax would encourage capital investment and reduce outflow of investment money. The elimination of education tax on property would also encourage investment in property. The M&P tax credits were viewed as positive. GST and PST are seen as a bureaucratic nightmare - the paying and refunding seems to be created for no reason and it ties up a large amount of money at all time.

Recommendation:

- Tax issues are of concern to rural businesses because it impacts on the bottom line. It is also recognized that the present tax structure for the manufacturing industry including: Investment Tax Credits, Sales Taxes, Payroll Taxes, Manufacturing and Processing Tax Rate, Research and Development Tax Credit are reasonably competitive with other jurisdictions. There is, however, a need to keep pace with other provinces regarding on all taxes e.g. personal income tax in Alberta. There is also an need to make some changes on how GST and PST are managed and reduce the bureaucracy of paying and refunding which ties up a large amount of money at all times.

VI. Growth Stimulation in the Sector

The focus should be on creating a business environment where business can prosper and create the jobs rather than government creation of jobs because this approach doesn't work. Build on supporting businesses that are already here rather than chasing new businesses. This could be accomplished by changes to labour legislation and other changes such as providing subsidies for up to 3 years for experienced and professional people to fill key management positions such as sales, accounting and engineering. There is recognition that a strong farm economy has a significant impact on local industries. In addition there is a need to educate the public that success is a good thing created by good people.

Recommendation:

- There is a need to address industry training needs, expose industry to best practices, the latest advanced technologies, providing adequate R&D infrastructure, maintaining a good transportation system, streamline provincial regulations and implementing a plan to ensure long-term competitiveness.
- The SRC diagnostics identified that 55% of the manufacturing firms surveyed were having difficulty with quality but only 12.5% of the group surveyed were ISO certified and 52.5% had no system for quality assurance. In general, the industry does not value the benefits of a formal quality system nor do their customers recognize or require such a system. More education is required to raise the awareness of the costs of defects and the benefits of continuous improvement and the benefits of managing quality. There is a need to continue to enhance the awareness of benefits of constant improvement and quality control and assist industry in implementing these principles.

VII. Other Factors Affecting the Business Environment

There is need to maintain basic services in the local community where businesses are located like schools and health care. Our province is viewed as a province where companies looking to invest apply the "Saskatchewan Discount factors" which includes old labour laws, high taxes, poor infrastructure (roads, services) and shortage of skilled people. Most people stay in the province because of family ties - not money. The environmental regulations (all regulations) need to set out in plain language and applied in a logical manner so they are simple to follow. There is a need for a free service that could assist smaller businesses (with limited resources) to access this information.

The removal of the Crow Rate has created a more positive environment for value-added in the province and we need to move beyond basic production in agriculture. Rural Saskatchewan feels that governments have abandoned them - loss of schools, hospitals, deteriorating roads and other infrastructure - the view is that rural Saskatchewan is falling apart and no one cares.

On the more positive side association programs like the PIMA safety program is recognized as very worthwhile and keeps workman compensation in check.

Recommendation:

- In general, the public does not have an appreciation of the benefits and the impact of this sector on the provincial economy. A program poised at elevating the awareness of this industry should be pursued. The creation of a manufacturing week should be considered to highlight the broad range of manufacturing that exists within Saskatchewan, to disband the perception that this industry is low-tech and to use it as a tool to reward our local players for the successes they have achieved. Information gathered in the promotional events could be further utilized to promotional literature for promoting our province abroad and for investment attraction purposes.

VIII. Freer Trade

In general respondents supported free trade and viewed it is as the reality of the market place. They felt it is better for business because of our small population and it allows better access to the global markets. We need to look for opportunities for freer trade into Europe and South America as well. All provinces should have the same rules and be open for free trade as well (issue of inter-provincial trade barriers).

Recommendation:

- Free trade is viewed as a reality and it is perceived as benefiting the sector allowing for greater participation in a global market place. We need to pursue freer trade in both Europe and South America and address some of the inter-provincial trade barriers that exist in Canada.

IX. Transportation

The key message is that we need to improve the road, rail and air services in the province to support business development. The fuel tax should be used to fix and improve roads. Regulations on roads should be the same for business, farm and private and consistent between provinces. It is recognized that if we move heavy freight by rail it would relieve the abuse of our highway systems. Rail competition may serve to reduce freight costs. There is a need to provide access roads to local businesses.

Recommendation:

- One of the key messages is that the fuel tax should be used exclusively to improve roads in the province. The is a need to apply a consistent set of regulation on the use of roads (business, farm and private) and develop a strategy that integrates the road, rail and air services in the province to support business development. This should include a program to provide access roads to rural businesses.

X. Utilities/Communication Access

There is a need to improve communication access in rural Saskatchewan through high-speed phone lines and cellular coverage. The installation of 3-phase power and gas connection is very expensive for small business to get started.

Recommendation:

- In order to keep pace with technology rural businesses require access to high-speed phone lines and cellular coverage. There is a need for the province to take steps to put these services in place. In addition the installation of 3-phase power and gas required for this sector to expand needs to be considered as an overall strategy. The idea of a “business cluster” for this sector may have some merit.

XI. Education and Training

There is a view that SIAST should direct more effort in providing welding skills that are needed by Saskatchewan manufacturing businesses. This sector needs people on the production line that can weld - not journeyman. They need people with basic welding skills not gas line welders. In most cases journeyman welders leave the province after training. The respondents viewed support from government for programs like Buy Saskatchewan, Job Starts/Future Skills (should include upgrading as well as just new applicants) as positive. In order to hire management and skilled labour companies need to emphasize Saskatchewan's attributes such as clean air, fishing, close to work.

Recommendation:

- Industries need a pool of welders and advanced skilled people who can contribute to a company's continuous upgrading of its products. Saskatchewan companies have had difficulties with this issue. Programs should be designed with input from the industry that addresses their needs.
- The education system should focus more on the technical trades. The system generally focuses on an academic training as a means to developing a career. The promotion of trade jobs as a career would provide a greater number of skilled professional to address this sector's needs.

XII. General Issues

Companies stay in Saskatchewan because they started here and it is a way of life, the respondents prefer to stay in rural Saskatchewan because they like the people, the local community, weather and being close to lakes and other recreation opportunities. Most people stay in the province because of family ties - not money. Taxes and politics are problems but they are the same at any location. In addition there seems to be some excitement in expanding and operating a business in Saskatchewan

There is a general feeling that less government would be better for the Sector and that governments need to develop a better business environment. We need to be competitive and a place where people want to do business.

Recommendation

- Need to develop a comprehensive business strategy for the province that looks at: taxes, labour laws, infrastructure (communication access, roads, rail, air service), training, public education, trade issues, Aboriginal issues as noted in some of the above recommendations. In general creating an environment that is stable (not changing every time a government changes) in which people are willing to make a long-term business investments.