Summary Report
WEST KOOTENAY & BOUNDARY
MANUFACTURING & TECHNOLOGY INDUSTRY SURVEY

Sector Inventory
and Database, December, 2007

Prepared By:
Ference Weicker & Company Ltd.
550 - 475 West Georgia Street
Vancouver, BC   V6B 4M9
Telephone: 604-688-2424

Summary Report:
George Penfold, Regional Innovation Chair, Selkirk College

INTRODUCTION

This study was undertaken in conjunction with a province wide investigation by the BC Innovation Council. In the West Kootenay the BC Ministry of Economic Development sponsored the expansion of this study in the region to include addition detail. This expansion of the provincial effort was also supported in the East Kootenay, and will be part of the foundation used by the Kootenay Rockies Regional Economic Alliance to develop a Regional Industry Development Plan. In the West Kootenay, the study was sponsored by the Kootenay Association of Science and Technology with the support of the Regional Innovation Chair in Rural Economic Development at Selkirk College, and the work was completed by Ference Weicker & Company Ltd., Vancouver.

PURPOSE OF THE PROJECT

The purpose of the project was to gain a better understanding of the challenges and opportunities faced by the manufacturing and technology based businesses in the West Kootenay region. The objectives of this project were to:

- Prepare an inventory of West Kootenay & Boundary businesses in the target sectors;
- Conduct a survey of a sample of these companies and summarize the findings; and
- Provide preliminary analysis and recommendations that could lead to the development of strategies to address issues and develop opportunities.

METHOD OF STUDY

To implement the study, we developed an inventory of 462 manufacturing and technology businesses in the region based on information provided by the project partners and obtained from a variety of published industry directories, telephone books, online business and trade directories and contact with representatives of local economic development offices, Chambers of Commerce, and various government agencies. Along with that inventory, we conducted an extensive internet search to fill specific gaps in the data (i.e. where partial listings were obtained, the internet was used to fill in data such as contact names, addresses, postal codes, phone numbers, and/or e-mail addresses for the organizations on the list).

A questionnaire for the survey, an introductory letter, and a website for the project (www.ki2i.ca) were prepared and the survey form was available on-line. Follow up interviews by telephone were also undertaken.

In total, 209 interviews were conducted with companies in the region. There were 187 companies that did not complete interviews in the available time despite repeated call backs while 37 declined participation and 29 appeared to no longer be in operation. The overall response rate for active companies was 48%. The results were analyzed and the contact and other information gathered in the survey was used to update the company database and prepare a West Kootenay Boundary region report.

DESCRIPTION OF THE COMPANIES

The 209 companies surveyed covered 19 different categories of businesses including information and technology (19.1%), forestry or wood products (14.8%), other services (11.9%), Mining, gas, oil (8.1%), printing (8.1%), and environmental services or technology (5.7%). The companies (not including the large major employers in the region) were on average small in scale, with an average of 10 employees. The largest 5% of the companies accounted for 94% of the revenues of all the companies surveyed. Most of the businesses are small, with 88% having less than $1 million in annual sales. Most had less than 10 employees and operations in only one location in the Kootenays.

Company locations were distributed throughout the region, including the urban centres (80%) as well as rural settings (20%).

The 209 company's surveyed employ about 4,654 people and generate about $2.2 billion in revenues annually from operations in the West Kootenay/Boundary. If all 433 active companies believed to be active in the database had been surveyed, it is estimated that these companies would employ over 6,950 people and generate about $2.5 billion in annual revenues. Those 6,950 employees represent approximately 19% of the employed labour force in the West Kootenay in 2007.

There is considerable dynamic in these businesses, with 29% establishing in the past six years including 10% which have been established since the beginning of 2005. On average companies have been established since 1991. The smaller businesses serve a wide range of geographic and sector markets including the Kootenays, the rest of BC, the US, Alberta, and Europe. Larger business markets focus is more toward the US and Asia. Smaller companies were more likely to report sales to the natural resources and wholesale/retail trade and consumer industry. For companies with less than $3 million in revenues, 44% of sales came from the wholesale/retail trade and end consumers, 24% from the natural resource industry, 15% from the construction industry, and 7% from the service sector. Larger business sales are primarily focussed on the manufacturing sector.

In terms of telecommunication use, 91% use high speed internet (DSL, cable, broadband) and 29% have purchased a product online, 39% have developed or updated their website, and 34% have completed a sales transaction online over the past year.

SURVEY RESULTS

Based on the survey responses, following are the key observations about the manufacturing and technology sector in the West Kootenay region.

Most companies are projected to grow. Of the companies surveyed:

- 79% definitely expect (a 100% likelihood) to still be operating at their current location in five years.
- 24% are planning to make significant new investments over the next three years.
- 68 % project that their revenues will increase over the next three years, 29% expect them to remain the same, 2% expect revenues to decrease and 2% were not sure. On average, the companies expected their revenues to increase by an average of 10.1% over the next three years.
- 44% expect their full-time employment levels to increase, 42% expect employment levels will remain the same, 3% project a decrease, and 11% did not provide an estimate of projected employment. On average, the companies project that they will employ a total average of 21.1 people on a full-time basis in three years.

The companies generate significant direct economic spin-offs for the region. On average, the companies indicated that they purchased about $1.7 million in goods and services annually, of which an average of about 56% is purchased from companies located in the Kootenays. Many of the companies noted that they also purchase goods and services from suppliers in other parts of BC and Alberta.

There are some significant competitive advantages associated with being located in the West Kootenay/Boundary. When asked to identify the competitive advantages of being located in the Kootenays, the companies most commonly identified strong community support, being the only local company serving clients' needs in the area, proximity to clients and markets (particularly in terms of access to local markets as well as the US and Alberta), strength of the economy (construction, tourism, mining, technology, forestry) and the high quality of life to be relevant factors.

A number of other factors also contribute to the success of the companies. These include the quality and range of their products, their reputation and strong presence in the region, the level of service, specialized skills and expertise, and a strong, qualified staff.

Many companies are involved in research and development. Thirty-seven companies (18% of those surveyed) invested in research and development over the past year. Thirty-one companies (15%) reported the value of their investment and 9% have claimed or are planning to claim an SR&ED tax credit for part or all of their R&D expenditures.

Access to room for expansion is an issue for some companies. 24% of the companies have plans to make a significant capital investment to expand operations. Of those, 46% said that they have sufficient room to expand at their current location(s), 48% indicated that they do not, and 6% were not sure.

One of the biggest issues affecting companies is difficulties in finding or keeping qualified, capable workers. Particular shortages were identified in a variety of areas including technical and trades people (e.g. heavy machinery and equipment operators, forestry workers, drivers, etc); management, marketing, and sales people; IT workers (computer technologists, graphic design and electronic media), and engineers. The companies attributed the shortages to a variety of reasons including strong competition from other employers both regionally and in Alberta, low unemployment rates, a lack of or cost of training and apprenticeship programs, and difficulties in luring potential employees to smaller communities and increasing cost of living,

Other issues that were identified as affecting the businesses include:

- transportation issues related to shipping of goods and ability of staff to travel,
- telecommunications,
- high cost of labour,
- government regulations,
- marketing capabilities and expertise in the market.

OPPORTUNITIES FOR DEVELOPMENT

The results of survey indicate that companies are growing, committed to the Kootenays and, in many cases, are planning to make further investment. That being said, there are a variety of actions that could help accelerate development and ease some of the issues facing local businesses. Some of the actions that were recommended by industry which could be considered for the region include working to:

- Improve the supporting infrastructure, particularly in the areas transportation capabilities (roads and airports), making high speed internet more accessible and increasing access to the land and facilities needed for business expansion;

- Provide incentives and increase support services for small businesses operating in the Kootenays, particularly related to sales and marketing;

- Facilitate, develop and promote development a regional labour supply appropriate to the demands of local business;

- Host local business seminars and conferences for small businesses that create business opportunities and foster collaboration and coordination, especially in the areas of regional input supply and distribution;

- Address key regulatory issues facing industry (e.g. import, export, WCB, and local building regulations);

- Streamline the impact of red tape on business owners; and

- Undertake initiatives to attract businesses and residents to the region.