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## Out of Oberkirch

Competition among international production sites is tough. In America, Mexico attracts manufacturers with its low labour costs, while the southern US states beckon with enormous cash incentives. **CANADA's** counter-strategy is based on quality. An on-site visit in Ontario.

**K**arl Schreyer smiles. He was sent here from Oberkirch, near Ofenbourg. He came to Ontario with a three-year contract in his pocket, on a mission to bring the high art of metal forming to Brattan Tool Industries on behalf of German supplier Progress-Werke Oberkirch (PWO for short) which had just obtained a share in the Canadian business. That was in 1997. PWO has long since taken over Brattan Tools, but the manager is still here. By now, he is the President of PWO in North America. Schreyer remembers. One of the main reasons for the supplier's commitment to the region was the excellent exchange rate of Canadian to US dollars: "Back then, Ontario was kind of like a cheap production base for Detroit."

That's in the past now. At present, you get about 90 US cents for one Canadian dollar. Over the past 20 years, the PWO director had a front row seat for Canada's rise from a cheap manufacturing base for the Big Three to one of the world's best sites for high-quality technical production and expertise for complex tasks. Schreyer is extremely satisfied with his team of 250 employees. Hailing from over ten different nations, they are all outstandingly motivated; the company's revenue of approximately 64 million Canadian dollars is expected to increase even more this year, and "our efficiency is better than in Oberkirch."

### Pressure on suppliers

Schreyer does not intend this as a knock

against the company's headquarters at all; he only means to honour his people and the local conditions. All important suppliers are located within a radius of 150 kilometres; key customers such as Brose in nearby London, which PWO Canada supplies with seat structures, or Toyota Bushoku, are practically neighbours, as are manufacturers like Ford. As for automotive manufacturers in the US, the Canadian branch of the Oberkirch company ships more than a million cross beams to the Oakville factory in Ontario and from there across the border to Michigan. BMW is their only major customer located a bit farther afield in Spartanburg, and soon in Mexico as well. In North American terms, however, that still counts as short-distance traffic. But



**Highly motivated employees, excellent productivity:** Karl Schreyer, President of PWO North America, has seen Canada emerge as a world-class location for production.

PWO also delivers to Mexico and to Subaru in Japan. Word has spread about the quality of their products. Despite the nearly ideal conditions, Schreyer hesitates when it comes to talking about the future of the production site. An experienced manager, he knows the laws and trends of the industry well. Its highest mantra is profitability, and when it comes to expanding production capacities, trends clearly favour the emerging markets. The American continent is currently a hothouse of cutthroat competition, with a clear advantage for Mexico. Within only a few months, all major German OEMs announced their plans to establish production facilities in the Central American country. Meanwhile, the southern states of the US beckon with cash incentives of three-digit million amounts. The established Canadian production site finds itself in an increasingly tight spot. However, it is feasible to focus its efforts on the Province of Ontario.

#### Highway 401 - a main artery

The heartbeat of the Canadian automotive industry pulses along a corridor extending across 420 kilometres from Windsor in the southwest of the province to Oshawa, east of Toronto; its main artery is Highway 401. This metropolitan area of the world's second-largest country is home to twelve million of Canada's

population of 33 million. Of these, 6.6 million live in the Greater Toronto Area. At present, about 95,000 people are employed directly in automotive production; the indirect numbers reach well into the hundreds of thousands. In 2013, over 2.3 million cars were built in Ontario. Currently Ford, Chrysler, General Motors, Toyota, and Honda maintain twelve manufacturing sites here supported by 350 suppliers and about 300 parts manufacturers. The automotive industry is hugely significant for the Province of Ontario, which in turn is the pacemaker of the entire Canadian industry.

#### Averting the crisis through quality

More than 80 percent of cars produced here, however, are delivered to North America, specifically GM, Ford, and Chrysler. The implications of this extreme dependence on American car manufacturers was felt keenly in Ontario in the wake of the economic crisis of 2008/2009 when production figures dropped sharply from 2.54 million units to 1.48 million in 2009. Since then, they've almost made it back to pre-crisis numbers, with 2.4 million cars produced in 2013. "The automotive industry is truly back," says Rakesh Naidu, COO of the Windsor Essex Economic Development Corporation – as such, he works in business development in a region that is only separated from Detroit by a single bridge and was therefore hit hardest by the production crisis affecting the US car manufacturers. But he's also taken a lesson from past events: "We have to increase our global footprint." By "we," he definitely also refers to the joint marketing of those regions that are especially dependent on the automotive industry. Going

#### Important addresses in Ontario

For information on oACA, its members, and incentive programs in the individual regions of Ontario, please visit <http://www.ontarioautoalliance.com> or contact oACA representatives in Germany: CiC Caro Investment Consulting GmbH, Baierplatz 1, D-82131 Stockdorf, T: +49/ 89/8913649-0, F: +49/89/8913649-9; [www.cic-siteselection.com](http://www.cic-siteselection.com).

Another helpful contact in Germany: Dr. Terrie Romano. As Consul for Economic Affairs of the Province of Ontario, she is the contact person for German companies that want to invest in Ontario or develop business relationships in Ontario.

**Address:** Ontario International Marketing Centre, Tal 29, 80331 Munich, T: +49/89/21995760, F: +49/89/21995765, mail: [terrie.romano@international.gc.ca](mailto:terrie.romano@international.gc.ca)



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## INTERNATIONAL

beyond the promotion of economic development in Ontario, the regions of Durham, Hamilton, London, Waterloo, and Windsor-Essex have joined together to form the Ontario Automotive Communities Alliance (OACA) and focus on attracting new business to the automotive industry.

### A region pooling its resources

Together, the Province of Ontario and OACA pursue their goal of establishing the region as a quality trademark in the

automotive world, states Kapil Lakothia, chair of OACA. Quality in production, quality of employees, and quality in the combination of science and industry. Given the extremely pro-business conditions – among the G7 states, Canada has top rankings in banking, openness towards new businesses, lowest hourly wages and lowest taxes for the incorporation of new enterprises – the goal is to obtain a top position when it comes to themes of innovation in the automotive industry. Accordingly, federal and regio-

nal incentive programs strongly focus on the area of research and development (R&D). As a result, companies are able to reduce their R&D costs to less than 45 percent of their original expenses. As a recent measure that is part of an “anti-poaching strategy” to address attempts to lure companies away to other regions, according to Terrie Romano, Consul for Economic Affairs of the Province of Ontario, based in Munich, a so-called “Jobs and Prosperity Fund” (JPF) has just been announced as part of the recently appro-

### Interview with Steve Wilkins, President of Brose Canada Inc.

#### „Strategic location with high added value“

**AUTOMOBIL PRODUKTION:** Mr. Wilkins, Brose recently invested another seven million Euros here in London. What do you currently produce here, and what are the volumes?

Two of Brose’s three business areas – door and seating systems and electric motors – are currently represented in Canada: Our London plant produces over 24,000 backrests per week for Chrysler and Mercedes, about 65,000 seat adjustment systems and 18,000 door systems for Ford in Oakville, Canada. We also supply Nissan and Suzuki and other factories within the Brose Group with seating components.

**AUTOMOBIL PRODUKTION:** What were the motives for choosing this location in 2005?

Brose London is a strategic location with high added value where we manufacture different products for various customers, using complex technologies. That’s why our criteria for site selection were varied as well: For example, location and infrastructure played a crucial part. Here in Ontario, we are close to our customers, which is essential considering the size of some parts such as seating structures and door systems that we deliver just-in-time or just-in-sequence. In addition, we were able to rely on an established supplier base and a highly qualified workforce.

**AUTOMOBIL PRODUKTION:** And you continue to invest here although Canada is not a low-wage country?

With the products we manufacture here, we are primarily driven by technology and qualification. That means we need a reliable base and future-oriented structures that ensure our long-term delivery capabilities. That starts with the standard of education.

The people we hire here are highly qualified. That means less training required for our high-tech processes, which helps us keep manufacturing processes running with no issues. Another advantage of our location in Ontario is the well-established supplier network. In addition to our assembly lines, we were also able to fully rely on local production sources while maintaining a globally consistent standard of quality.

**AUTOMOBIL PRODUKTION:** You mentioned the high standard of education. How important is that?

In Ontario, just like the US states of Michigan and Ohio, we have an environment with a strong automotive background. That means we have an ideal structure of customers, suppliers and universities here. That’s why this region is particularly well suited to manufacturing our complex systems and component.

**AUTOMOBIL PRODUKTION:** You mentioned productivity. What is your rate of production like?

Our site here consists of two plants. At one of them, we currently work six and a half days per week. That enables us to optimize our capacities and workload. At the other production site, we work in shifts of fifteen, that’s three shifts, five days per week. As the workload varies, we partially also vary our employees’ hours. At present, we have about 900 employees.

**AUTOMOBIL PRODUKTION:** Many manufacturers are currently being lured to Mexico. Did you never consider investing the seven million there instead?

The Brose Group also has three production facilities in Mexico. So it’s not a one-or-the-other decision. We’ve significantly expan-



Image: Steve Wilkins: The standard of education in Ontario is one of the key factors in choosing this location.

ded our capacities in Mexico over the past few years and will continue to invest there. It’s more about planning and utilizing our locations strategically and logistically. But it’s also clear that we need to maximize our automation competencies in London and remain competitive in order to continuously increase our standard of production. After all, we want to keep attracting our Canadian customers’ business.

**AUTOMOBIL PRODUKTION:** How helpful is the support of the region when it comes to making location decisions?

It’s a significant factor. Ever since we’ve been here, we’ve collaborated very closely with the London Economic Development Corporation (LEDC), which is in charge of promoting the economy and location here. It was one of the reasons we chose to settle in London in 2005. The LEDC supported us actively in choosing a site and recruiting full-time employees for administration and production. When we relocated our component manufacturing site from Germany to Canada, we were also able to rely on the LEDC. Our most recent investment of ten million dollars was supported by the government. Naturally, that helps with expanding the plant and securing employment.





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## INTERNATIONAL

source Center (MARC), the Canadian province would not be a significant location for the development of hybrid technology. One need not even look that far, however. PWO President Schreyer and Steve Wilkins, President of Brose Canada Inc. (see interview), clearly state, “When it comes to production quality, we obviously benefit from the high standard of education here.” This is also reflected in the current JD Power Report, which lists Toyota, with its production facilities in Cambridge and Woodstock, and General Motors with its Ingersoll site, as the major winners. To Terrie Romano, results such as these validate the basic strategy to support the location. She is convinced that even more automotive companies can be attracted to Ontario: “Endorsements such as JD Power’s of our excellence in quality clearly speak for us. Low hourly wages and land subsidies are just isolated factors that sound attractive when taken by themselves. A decision in favour of or against a location, however, requires a more comprehensive and differentiated consideration. Our strategy of adding value to Ontario’s status as a location for technology has been successful – and we will continue to pursue it.” Karl Schreyer is sure to agree with this assessment – especially when it comes to acknowledging that in order to make a location truly effective, one needs more than just low wages.

*Frank Volk* ■