

businessday

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BUSINESS THIS WEEK



Snow business: Skifield operators are expecting record numbers. Photo: IAIN MCGREGOR

SNOW STORM

Skiers and snowboarders are expected to hit the North Island's skifields in record numbers this year, despite talk of a recession hitting tourism operators in the pocket. Ruapehu Alpine Lifts, which operates the Whakapapa and Turoa Skifields, is preparing to sell about 25,000 season passes for 2009.

» The number of Hamilton jobs under threat continues to grow with news this week that the axe is hanging over almost 70 at a city caravan and campervan manufacturing firm. Shrinking order books caused by the recession are hitting factory floors. Nearly 50 Hamilton jobs went in April, and Caravans International Munro, in Pukete, has given 67 of its 110 staff until Tuesday to make submissions on keeping their jobs. Independent Extrusions Ltd, in Te Rapa, made 23 of its 100 staff redundant on April 17, and the Gallagher Group, in Kahikatea Drive, followed with 20 job losses last Friday.

» Waikato's black beetle population has quadrupled to a one-year high, costing Morrinsville farmers John and Carol Ralph, with the drought, an estimated \$100,000 in lost milk production alone. The beetle larvae feed on grass roots, killing whole paddocks. The only solution is to resow with a black beetle-resistant variety.

» Sport and recreation groups have been told by funding providers that relying on gaming and lottery funds could be fatal as they take a hard line on who will receive their shrinking profits. The outlook is grim for those relying on poker machines for funding that has dropped 4.5 per cent in the financial year ending March 31, 2009, compared to the previous year. Sports and recreation organisations could be hit hardest as they are the biggest beneficiaries of funds distributed by New Zealand Community Trust, Trust Waikato, Perry Foundation and Lotto.

THEY SAID IT

» "It will test our ability to come together and find a way through. But none of us can do this on our own, it was always going to be a collective fight."

– Hamilton Mayor Bob Simcock speaking on the recession at the launch of the Get A Life! career campaign on Thursday.

Flying high

When Damian Camp joined Pacific Aerospace three years ago, the company was staving off the receivers, the order book had backed up to two years and the workshops were a mess.

A year after introducing lean manufacturing to the business, sold to staff as the Pacific Aerospace Competitive Edge (PACE) scheme, the company has raised productivity by 42 per cent and added \$10 million to the bottom line, according to chief executive Damian Camp.

Thanks to lean manufacturing, Mr Camp said, the company, which employs 155, will soon be in a position to employ another dozen.

This week, six Waikato businesses began learning about lean manufacturing after hearing about Pacific Aerospace's success at the Waikato Job Summit. They are Donovans Chocolates, Precision Component Machinery, SmarTrak GPS Solutions, Social Enterprise Ltd, Thames Natural and Viking Kayaks. The workshops, which will run for six weeks, have been organised by the Business Development Centre, which also organised the summit.

Richard Brathwaite, of Strategia Ltd, which is running the workshops, said companies were getting a practical overview of "lean", how to implement it, and how various tools within "lean" could be applied to them.

"A company that has never applied the principles before can often gain considerable productivity. The amount that can be gained is limited by the effort the company is willing to apply to what they do."

Mr Brathwaite said the methodology was about value chains, and applied in all areas and types of business.

"We have seen companies who have applied 'lean' fully achieve 100 per cent productivity improvements across the board recently, but most could expect 20 to 30 per cent, with commensurate improvements in quality, delivery times, stock reduction and safety."

Mr Camp, who joined Pacific Aerospace in 2006 when it was bought out by a group of out-of-town aviation investors, said the firm was only just keeping the receiver from the door when he arrived.

"The company was in financial difficulties, which gave the new shareholders the opportunity to buy it out, and I came in shortly after that shareholding change," Mr Camp said.

Pacific Aerospace is known internationally for the P-750 XSTOL (Xtreme Take Off and Landing) – a 10-seater work-horse capable of taking off and landing in less than 244 metres. Each plane is made to order and is configured for passengers, freight haulage, sky diving or whatever the customer requires.

The company also makes the much smaller C74 trainer.

Ninety-five per cent of its planes are exported.

"Of the 1000 aircraft produced by the Waikato Aviation Cluster, we have built 625 of those," Mr Camp said.

Whipping the business into shape was Mr Camp's focus when he first arrived.

"I spent 12 months getting the order book sorted out. After 12 months, we had a long order backlog of two years, a production line that was not keeping up and a need for a culture change," he said.

"You don't want the order book to be two years. That's too far out, as customers lose interest and cancel orders. Our ideal range is between five to 12 months. We want to make sure that we can get more aircraft out there and take a larger share of the market. I knew we were not going to do that with more people, but by joining the lean manufacturing programme."

Mr Camp had learned about lean manufacturing, pioneered by Henry Ford of motor company fame, from a New Zealand Trade and Enterprise workshop, but the challenge was adapting it to a highly regulated aircraft manufacturer.

"I thought, right from the get-go, that this is what we were going to do. I was not quite sure how it would look on the shop floor but I knew we had to do it. I was wondering how these processes could be improved."

"A lot of these processes are absolutely essential."

After learning more, and getting his management team on board with training sessions, Mr Camp bought in Skills4Work consultant Clinton Yeats and adapted lean manufacturing to suit the business.

"PACE created a sense of

Pacific Aerospace was held up as a shining example of what lean manufacturing could do for a business at the Waikato Job Summit in March. Chief executive Damian Camp speaks to business editor Chris Gardner about how lean manufacturing boosted productivity in a year, by 42 per cent.



Going leaner: Pacific Aerospace chief executive Damian Camp stands by one of the company's products, a P-750 XSTOL plane. Photos: DONNA WALSH



More efficient: Mr Camp says the time taken to build a fuselage has been cut dramatically.

identity for us and we were able to modify lean manufacturing to suit our needs. It was not an off-the-shelf thing.

"Guys on the shop floor understand the process. It's about creating further capacity, not about investing in more."

The company has studied the workflow of every part involved in its operation.

Pacific Aerospace has also made small changes, like removing internal walls to reduce distance travelled on the shop floor from 120 paces to 66.

Mr Camp said the time required to build each fuselage has been cut from 1200 hours a year ago to around 700 hours.

At Pacific Aerospace it's about the Five S's – Sort, Set in Order, Shine, Sustain and Standardise.

Workers no longer need to walk to the opposite end of the factory to pick up tools and components necessary for the production line. And, in case anyone decides to take the change for granted, notice boards are full of photographs of how cluttered the workshops once were.

» GOLDEN RULES

Sort, Set in Order, Shine, Sustain and Standardise. The Five S's at Pacific Aerospace helped raise productivity by 42 per cent and added \$10 million to the bottom line in the past year.

Sort
"Engineers are terrible hoarders," Mr Camp said. Staff were required to sort out their work space. Staff told management there was no rubbish in their workshops but when Mr Camp hired some rubbish skips, two skiploads were removed. Anything not used regularly was given a red tag and, if it wasn't used within a set time, it was disposed off or stored.

Set In Order
"It's about having the important tools at arm's length rather than stuck in a box. It's about organising the workspace so tools that are used every day are close to hand, while those that are not are further away."

Shine
"It's about your work equipment [and] a clean and tidy workplace."

Sustain
"Keep it going."

Standardise
"This is not a one off project. It's got to be part of your day-to-day process."

Through PACE, Pacific Aviation is also encouraging staff to fill out Opportunity for Improvement forms. The two-page form asks about problems and solutions which are then ranked before being posted on the notice board so that workers can track how management deals with their suggestions.

"They're simple things to do, not big and meaty things," Mr Camp said.

Mr Camp said when he first mentioned lean manufacturing to staff, the Engineering, Printing

and Manufacturing Union criticised him.

"They said it would massage the profits for shareholders at the expense of the workforce, but it turned out to be the exact opposite."

"If we had got into this eight months earlier it would have been wrong for the business – sceptics would have stopped it. The timing has got to be right. My belief is that you will only get one shot at it."

□ Job summit C3

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