

Shop

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THE Sky's the LIMIT

Finding opportunity in
Canada's aerospace industry

BY TIM WILSON

AS CANADIAN JOB SHOPS read the sobering tea leaves on the ups and downs of the manufacturing sector, here are some stats that might make them tipsy: in the next twenty years the big aircraft manufacturers are expecting \$4 trillion in global orders from 34,000 new aircraft. And Canada might be in good shape to take advantage of that opportunity, though it won't be easy.

"Canada is well positioned, and that is why it remains number five in the world for aerospace," says Kevin Russell, vice president and general manager of Asco Aerospace in Delta, BC. "But the cycle times are extremely long, which means a lot of investment is required."

Aircraft manufacturers are looking to reduce the number of suppliers and to refine the request for proposal (RFP) process. This rationalization of the supply chain can be seen as a barrier to entry, but it is also true that the industry will continue to need new participants, and that they can partner at the second tier to get access to major manufacturers.

"We have a good supply chain development program," says Jim Quick, president and CEO at the Aerospace Industries Association of Canada (AIAC). "At our aerospace summit, which the AIAC hosts every year, there is a tremendous opportunity to explore B2B opportunities, as several of our Primes are looking for new manufacturing processes and new

technologies that are used in, and by other, manufacturing sectors."

Despite the opportunity for small to mid-size job shops to get into aerospace, it is important to realize that the industry has unique regulatory requirements. They include Transport Canada (FAA), NADCAP, EASA, AS9100, as well as those specific to the manufacturers themselves. The regulations may be onerous, but they have their place. And if a shop makes that hurdle it joins some select companies in a very lucrative market.

"I have seen companies successfully make the transition," says Linda Wolstencroft, president of Aerospace BizDev Inc., a consultancy in Delta, BC. "But the regulatory environment is very important to understand and to comply with."

Wolstencroft says that part of that

understanding includes developing the right relationships and assessing the costs involved. If this all sounds a little daunting, she notes that the manufacturers, in narrowing the supply chain, are also looking for suppliers to share risk. That can provide opportunity for specialty shops with the right partner profile.

"A company with a cockpit solution to a major OEM may parcel out smaller components to the next tier down," says Wolstencroft. "As well, a job shop that doesn't do a lot of engineering may want to partner with a design firm that lacks metal finishing capabilities."

But regulatory requirements and specific customer approvals mean that an established player would tend not to embark on a new relationship with an untested company.

"A new entrant certainly could benefit



from having a mentor company already in aerospace who identifies that it has a required capability,” says Russell from Asco Aerospace. “With no sponsor it would be very difficult.”

The key seems to be to take a deliberate view of a specific opportunity. For example, a shop with a solid business in the automotive sector would be unwise to embark on a full-scale transition. Patience is a must.

“If you got inside the supply chain in four years you’d be doing very well,” says Rod Jones, executive director, Ontario Aerospace Council. “It’s not impossible, but the barriers to entry are pretty high.”

The wise approach involves judicious allocation of select resources to examine future opportunity. This lowers risk while also, over time, helping to develop specific industry knowledge—and perhaps even a reputation as a company of interest. However, one thing is certain: business as usual won’t cut it. “If you are good at precision parts, with decent quality, and at reasonable cost, that isn’t going to get you very far,” says Jones. “The simpler, non-differentiated stuff is being sourced from lower-cost areas. You have to have something that really sets you apart and that has high value.”

Jones says that companies interested in exposure to aerospace need to take a

hard look at their strengths and value propositions. There is a contradictory message here, too, because despite the emphasis on research and development, and the central role of governments and academic institutions, from a manufacturing perspective aerospace is a very conservative industry. That bodes well for a job shop that can establish a niche.

“Aerospace is not one to take flyers on new things,” says Jones. “Predictability is what we want; everything needs to be very well proven.

But that is also what makes it attractive, because once you are in a program you are there for twenty or thirty years. You can build a business for the long haul.”

Once an aerospace capability is established, it is important also to spread exposure across the industry itself. Investing in the right aircraft programs, and diversifying between the different aircraft sectors such as commercial, regional, business and military, is a good idea, as all of these tend to have different cycles. And throughout all of this, cost control is a must.

“We are not a low cost country,” says Russell from Asco Aerospace.

“A company has to have the ability to support ongoing research and development to stay ahead of the technology curve.”

With a strong dollar and relatively high labour costs, it can be a challenge for Canadian metalworking shops to capture the low hanging fruit from a technology perspective, which is mostly on the repair and maintenance side of the equation. “Now with a high dollar and a high standard of living we need to look at research and development and intellectual capacity,” says Wolstencroft.

That means moving beyond welding for maintenance and repair and getting comfortable with digital technologies and cutting edge materials such as composites and titanium. It also means reaching out for help and advice.

“We have the Canadian Aerospace Summit coming up at the Ottawa Convention Centre on December 5th and 6th,” says Quick from the AIAC. “Non-members can attend; they’ll see the benefit from a B2B and policy standpoint, as well as the programs and activities that support small businesses wanting access to the supply chain.” **SMT**

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