



Keeping a competitive edge

Tembec recently made a multi-million dollar investment to streamline its hardwood division facilities in Ontario, increasing recovering and making the company's hardwood operation more competitive against offshore competition.

By Tony Kryzanowski

Canada has a reputation for producing the best wood flooring in the world, according to Kenton Martin, vice-president and general manager of Tembec's hardwood flooring division. And a decision to streamline operations between the company's Toronto and Huntsville facilities is expected to maintain Tembec's position as a major producer of premium products in this important industry sector.

"The new line in Huntsville will further increase the superior quality of our products, which keeps us at the very top tier," says Martin. "Through the equipment and processes we use, we set a very high standard for quality wood flooring. Recovery from our raw material will notably improve, and we will have flexibility, right from the lumber side through to the warehousing."

In other words, the ability to offer customers a wide variety of high quality products in a timely manner and recovering more product from the raw material is Tembec's strategy to compete against offshore competition. The company has set a target of a four per cent recovery improvement with its multi-million dollar investment in both Huntsville and Toronto.

"Costs are a major challenge for Canadian producers against the flood of imports because of the wood costs and the currency factor," says Martin. "So we are addressing the costs in a major way mainly through recovery. Our productivity per person isn't going to change."

Recently, Tembec moved all of its hardwood flooring production to Huntsville while centralizing the finishing, administration and marketing in Toronto. The company feels it is now well positioned to remain competitive and offer customers superior product selection and service.

Hardwood flooring has enjoyed a renaissance over the past decade. Its natural beauty, anti-allergenic nature, and advances in the production of pre-finished hardwood flooring technology have all contributed to growing demand for the product.

A technological advance has been the development of engineered flooring products that now make it possible to install this style of flooring on concrete. Martin described this breakthrough as a "game changer" for the industry, as it has now opened the door to install engineered hardwood flooring in buildings such as condominiums in the southern half of the U.S. without the inconvenience of having to install extra plywood.

However, this trend toward growing demand has not gone unnoticed by offshore competitors.

"Almost half the hardwood flooring sold in the U.S. is made in China, depending on which report you read," says Martin. What offshore competitors can not offer is service and selection, and that's at the heart of Tembec's hardwood flooring business plan.



For example, the company is set up to be able to fill an order within three days to any customer in central Canada or as far as Chicago. In some cases, the turnaround for customer delivery from the arrival of an order is only 24 hours.

In the case of China, a special order may take anywhere from 60 to 80 days to arrive.

Secondly, Tembec offers its customers a selection of 5,000 stock keeping units (SKUs), featuring about 20 species that can be delivered in 140 colors. According to Martin, Chinese suppliers started with only two offerings and are still only up to about 12.

Even though Tembec's flooring plant is located in the heart of Ontario's hardwood forest, the company has not limited itself to the local timber supply. About 20 per cent of its products are manufactured from local supplies such as maple, cherry, ash and birch. The area around Huntsville consists of some of the highest quality hardwood fibre in Canada, partially because of what is known as the Georgian Bay effect.

The area from about North Bay as far as Parry Sound receives a lot of moisture, benefiting in winter from what is known as lake effect snow off the Great Lakes, and this results in the growth of high quality hardwood trees.

Martin says Tembec has been practicing responsible logging of the local resource to ensure it is sustainable and that the quality remains intact. The company stands as a global leader in FSC-certified forestlands and offers the largest range of FSC-certified products in the marketplace.

The remainder of Tembec's fibre supply comes from outside the region, with oaks, hickories, and walnuts sourced from the U.S., and more exotic species coming from Brazil. About 30 per cent of its line is engineered wood products, consisting primarily of a solid hardwood face glued to a plywood core.

Martin says it is gratifying that Huntsville, which is situated in the heart of Canada's prime hardwood forest, will continue to have a strong industry presence--something that it has had since the turn of the last century.

Tembec had given strong consideration to centralizing all hardwood flooring operations in Toronto, but opted to expand its manufacturing capabilities in Huntsville instead, which is about two hours north of Toronto.

Today's challenging economy and reduced housing starts in the United States made it difficult to set solid production targets, but the Huntsville plant intends to produce 10 million square feet of hardwood flooring annually.

Expansion of the manufacturing arm of Tembec's business in Huntsville was greeted warmly by community leaders. About 200 people applied for 30 new jobs at the Tembec hardwood flooring plant, which will bring the total plant complement to 125 full and part time jobs.

John Finley, Huntsville Economic Development/Grants Officer, says the average manufacturing job creates about a \$34,000 economic impact annually, so the 30 new jobs at Tembec are expected to generate over \$1 million in additional economic activity in the community.

Tembec had been operating one



shift at its Toronto plant and one shift in Huntsville on the manufacturing end.

Essentially, the manufacturing has now been consolidated to two shifts in Huntsville, reflecting current market demand.

The flooring plant is situated on the same site as Tembec's sawmill. It receives green lumber either from its own sawmill or area sawmills, as well as dry lumber from U.S. and Brazilian sources. Locally produced green lumber is dried in the onsite dry kilns to flooring specifications.

The first process once the lumber enters production is the rip process. The major change at this point is the relocation of an overhauled Yates surfacer from the Toronto plant as part of an inline, automated system. Previously, lumber wasn't pre-surfaced in Huntsville. Martin says installing this pre-surfacing capability will help the company create more precise product.

"The tongue and groove flooring bevels are more exact," he says. "There's less overwidth. The pre-surfacing is having a big impact on our finish quality as well as our recovery."

As part of this installation, Tembec purchased new automated infeed and outfeed equipment from Quebec-based, Lico Machinery. After the pre-surfacer, the lumber advances to a new scanning and optimizing system also provided by Lico Machinery.

"It optimizes for recovery and that's a key payback on the whole investment," says Martin.

The lumber is then processed through an existing automated Comact rip saw, a high production unit with five moveable saws. The partially finished flooring is then sorted and placed in storage.

The main purpose up to this point is to remove large defects and to rip the lumber to specific dimensions. Typically the lumber will remain in storage for just a few days, before it is processed through a relatively new Weinig side matcher, which was also overhauled and relocated from the Toronto plant.

After side matching, the lumber is manually inspected for defects. Tembec did include space in its design layout to potentially install an automatic defect detection system at some future time. After defect inspection, the lumber is processed through a new OSI end matcher, graded, then packaged for delivery to customers or transport to the Toronto plant for finishing.

In addition to relocation of administration and sales to Toronto, a number of investments have been made to the finishing line. A new Costa four-head sander has been installed, and a number of roller coaters have been added. There have been several feed enhancements, as well as an extension to the stain oven.

Tembec is highly computerized from sales to the warehouse so that it can achieve the challenging delivery targets it has established for itself. As part of the streamlining process, it has consolidated three warehouses into one, as distribution is a critical aspect to the overall efficiency of the system.

Like everyone else, Tembec is currently focusing on weathering the storm and believes that it is well positioned for a recovery in the demand for hardwood flooring.