

Current and Future Prospects for Specific Industries

This section contains both general and sector-specific information on Richmond industrial activities. While time and resource constraints limited extensive data analysis, some further detail is included in Attachments 3, 4, 5, 6.

This sectoral analysis plays a key role in future planning because it helps us better understand and meet business needs.

Current Business Specialisations

Just over 38,000 people work in Richmond's industrial zones¹. The top five activities by employment include:

- Wholesale and Distribution;
- Traditional Manufacturing;
- Industrial Services (welding, auto repair, construction);
- High Technology Activities; and
- Business Services.

Half our industrial employment is concentrated in manufacturing, wholesale and distribution

While significant recent growth has occurred in Richmond's high technology sector, traditional industries still comprise the bulk of the City's industrial jobs. In fact, as shown in Figure 1, half of our industrial employment is concentrated in just two sectors - wholesale and manufacturing.

Within the top two activities, there are additional specialisations (shown in more detail in Attachment 3). Within wholesale and distribution, the top activities include consumer goods; food products; automobile-related products; construction-related goods, and health-related products. Within traditional manufacturing, food processing and garment manufacturing are the most significant specializations, followed by paper and plastic packaging, furniture and household items.

Figure 1 Total Staff and Businesses by Industrial Sector, Richmond Industrial Areas

Economic Activity	Total Businesses	% of Total Businesses	Total Employees	% of Total Employees
Wholesale & Distribution (non-high tech)	1084	30%	11252	29%
Manufacturing (non-high tech)	494	14%	7902	21%
Industrial Services (auto repair, welding, recycling, non-personal transportation)	776	22%	6216	16%
High Tech (mfg, services, distrib., aerospace & engineering)	318	9%	5583	15%
Business Services	395	11%	3694	10%
Retail	204	6%	1876	5%
Tourism & Hospitality	151	4%	1510	4%
Miscellaneous Personal Services	117	3%	651	2%
Film Industry & Related	14	-	265	1%
Resource Sector	11	-	156	-
Entertainment	17	-	135	-
TOTAL	3581		38,468	

Source: City of Richmond Business License Analysis, completed by Nadia Carvalho March 1999.

Business Views on Their Future Prospects

The business survey included questions to seek business views on their overall prospects for transition and growth within Richmond industrial areas:

- Q1: Total years that the firm has been in Richmond;
- Q5h: Does the firm have plans to relocate in the next 5 years?;
- Q5i: If there are plans to relocate, where would the firm most like to relocate?;
- and
- Q6: Future growth prospects for revenues and employment.

High Tech is most likely to relocate premises, but also the most eager to stay in Richmond.

Results show that many companies have had a stable, but not necessarily long history in Richmond, averaging close to nine years. (High technology firms had a shorter overall presence in Richmond - about seven years on average.) **Among all sectors, the majority (65%) plan to stay in their current facility over the next five years.** Of the remaining 35% planning to move, most are doing so in order to expand operations and most (61%) hope to stay in Richmond; but if unable to find space to meet their needs locally, might still leave the City.

Overall, respondents are optimistic about future prospects. A majority expect both revenues and staffing levels to grow over the next five years (61% and 54% respectively), and only a small proportion expect declines in revenues (15%) or staff (12% of the total).

Relocation prospects over the next five years for individual sectors are shown below. Wholesale and distribution companies were least likely to change location. High technology firms were the most likely to move, given tremendous anticipated growth and expansion potential (see below and also Figure 3); but most of these (79%) plan to stay in Richmond. Business Service firms were next most likely to move, with a similarly high proportion of this group intending to seek another Richmond location.

Growth prospects also varied by sector. Of those who responded to this question, high technology firms were the most likely to expect some sort of growth, with 69% expecting revenues and 65% expecting staff to increase over the next five years. Of those high technology firms projecting growth, 50% project that revenues will at least double.

Figure 2 Relocation Prospects of Top Five Richmond Industry Sectors

Specialisation	% Planning to Move	% of Movers Hoping to Stay in Richmond
High Technology Firms	52%	79%
Business Service Firms	40%	66%
Industrial Service Firms	36%	63%
Traditional Manufacturing Firms	36%	59%
Wholesale & Distribution	27%	54%

Source: Richmond Industrial Business Survey, 1999

Figure 3 Growth Prospects of Top Five Richmond Industry Sectors

Specialisation	% Expecting some Revenue Growth	% Expecting Some Staff Increases
High Technology Firms	69%	66%
Business Service Firms	69%	62%
Industrial Service Firms	58%	51%
Traditional Manufacturing Firms	58%	50%
Wholesale & Distribution	57%	49%

After high technology, business services were the next most likely to expect growth, with 69% expecting revenues and 62% expecting staff to increase. The wholesale sector was the least likely to anticipate growth, with 57% expecting revenue and 49% expecting staff increases.

Regional Prospects for Specific Sectors

Findings in this section are based on documents, interviews, and seminars which are listed under Sources in this working paper. This information provides a “reality check” by helping to compare current industry conditions with broader trends outside the City likely to affect the future of local industry.

Manufacturing

The future outlook for this sector is varied and highly influenced by regional demographics. On a global level, population aging is expected to yield long term declines in consumer goods purchasing: as people age, their demand for household durables and clothing is projected to drop sharply. This will, in turn, affect the manufacturers of such goods. The sector is also influenced by regional competitiveness with established manufacturing centres. Even without the issue of population aging, traditional manufacturing within the Lower Mainland is not expected to become a dominant activity, due to the area’s higher labour costs, land costs, and taxation rates relative to other competing regions.

High Tech and Business Services are the most optimistic about future growth.

Despite these issues, **a selected group of manufacturing activities are expected to perform well regionally in the future.** Given that regional forecasts project continued in-migration of people of household formation age, this will reduce some of the market impact of population aging. Specializations with strong future potential in the region include: speciality food processing, garment manufacturing, value-added wood products, and light manufacturing aimed at local markets (see also Attachments 3 and 4).

Food processing and garment manufacturing have a bright future.

The Current Business Specialisations Section of this working paper confirms that these activities already exist in Richmond; and surveys from firms in these specializations also show continued future growth potential. Furthermore, within the region some shifts may boost the share of some of these industries within Richmond. While some of the larger, heavy manufacturing industries will likely move further east to benefit from lower land costs, those with:

- More compact operations;
- Staff living in more urbanised parts of the region; and
- A strong need to be close to the airport,

have the potential to become more significant in Richmond. The growth of the Richmond garment industry demonstrates that this is already happened: several significant Vancouver garment firms have recently relocated to Richmond (interview with staff of CB Richard Ellis, May 20, 1999).

Wholesale and Distribution

Due to Richmond’s proximity to both the Airport and downtown Vancouver, the wholesaling sector will remain a key part of the local economy, albeit in a different form. As rising land costs continue to push larger wholesale firms eastward, those who stay in Richmond will likely rely even more on the airport than before, while focussing on new niches at new scales of operation. For while the long term outlook for air transportation is strong, air cargo tends toward smaller, high value, time-sensitive manufactured goods travelling longer distances (Standard and Poors, January 1999).

In addition to land costs, there is another factor which could negatively affect some Richmond wholesalers. The trend towards just-in-time manufacturing (which involves shipping directly from manufacturer to client, without the use of wholesalers) will likely diminish the overall importance of wholesaling on a global basis; and other changes in technology will mean that those activities which remain could substantially revise their operations and need for space.

Good outlook for airport dependent wholesalers, but some rationalisation expected regionally

Yet at the same time, the desire of both Fraser River Port Authority and the North Fraser Port Authority to establish free trade zones on their lands could have some beneficial impacts on local wholesalers, particularly if such zones are located

within Richmond.

Thus **as generally smaller wholesale operations will continue to desire a Richmond presence, and will flourish here, some larger wholesaling operations may close due to global pressures, or move elsewhere** to restructure operations and benefit from cheaper land.

High Technology (e.g. biotechnology, software development & aerospace)

The future regional outlook for this sector is guardedly optimistic. This type of activity is highly desired by most cities globally and within BC and the Lower Mainland, including Richmond, due to its clean reputation, prestige, and highly skilled, well-paying jobs. Across BC, a total of 41,850 worked in this sector (BC Stats, 1996), accounting for about 3% of total provincial workforce. Recent growth rates for the sector across BC have been averaging 22% per year (BC Technology Industries Association). A draft study by Coriolis Consulting and Dr Tom Hutton (FVRD, GVRD May 1999) projects that between now and 2021, Lower Mainland growth rates for the sector will average between 7%-8% per year.

Four major factors help make BC and the Lower Mainland attractive for high technology industries:

1. A skilled labour force;
2. Existing leading high technology firms;
3. World class universities
4. A competitive research and development tax environment; and
5. Quality urban services and amenities.

Yet industry experts warn that this is a critical time for the sector. They note that the recent annual growth rate of 22% must be maintained for a sufficient length of time to firm up BC's high technology sector. There are also many recent developments within the province which are a source of industry concern:

- Loss of high technology workers / difficulties in recruiting;
- Strong recruitment competition from American companies (where workers enjoy lower income taxes and salaries in US dollars);
- Loss of some high technology companies;
- Redirected company growth; and
- Decreasing research and development capabilities.

Regionally high tech is off to a good start, but provincial conditions pose concern.

Thus while Richmond has a strong base of high technology companies (many are optimistic about their growth prospects), the City should consider working with other stakeholders and agencies to help address or counter the above negative trends at a provincial level.

Film Industry

This industry has significant growth potential, both regionally and locally. Besides BC's spectacular environment, low Canadian dollar and well trained film labour, the *Film Incentive BC* tax credit program helps enhance the province's attractiveness to the film community. In 1998 over \$800 million in film work was done in BC and, at that time, the Lower Mainland overtook Toronto as North America's third largest film centre. In 1999, BC film and TV production is expected to reach \$1 billion (*Vancouver Sun*, June 24, 1999). A consultant report prepared for the provincial government indicates that growth in film could reach 10% per year over the next decade (Ellis Foster Chartered Accountants, April 1998).

Vancouver is a major North American film centre – Richmond could benefit more.

While the sector is mainly concentrated in Vancouver, North Vancouver and Burnaby, Richmond is beginning to benefit as well. From 1996 to 1998, salaries paid to Richmond film crew employees grew from \$8.8 million to \$10.9 million (Interview with BC Film Commission Representative, May 1999).

Thus, an opportunity exists for the City to attract film activities and studios to Richmond, through targeted customer service improvements and locational assistance. For example, by boosting location marketing and dedicating one staff position to film liaison, Surrey film permit revenues in one year grew from \$33,000 to \$120,000. On the location side, there are currently only two Lower Mainland studios, and the industry has identified a need for more studio space to accommodate growth. Some criteria for studio space vary, but important features include:

- Good vehicle access;
- Quiet location;
- Proximity to suppliers and support services; and
- Quick access to outdoor shooting locations.

Tom Crowe of the BC Film Commission has suggested that some stand-alone buildings on Horseshoe Way could be converted to studio space. One potential difficulty, however, is in obtaining better short-term lease conditions, as required by the industry. Even short-term leases pose considerable benefits for Richmond, as consecutive short term leases in the same geographic area could eventually lead to more long term arrangements. **The City's Business Liaison and Development Officer could work with local realtors to identify creative solutions to better meet the film industry's needs.**

City-Serving Industrial Services

This sector will experience some shrinkage, but will continue to play a role in the local and regional industrial base. Industrial service activities include auto repair, heavy equipment repair, welding, recycling yards, non-personal transportation, and a range of related activities. For those industrial services whose customers are in the resource industry, declines are expected over the medium term, as resource-related activities are expected to stabilize or decline in the future (Coriolis / Hutton). Those activities whose customers are private households will likely continue to remain in Richmond; however, there may still be some sensitivity to land prices. **If Council wishes to encourage these industries, more detailed study of their needs is recommended.**

Business Service Firms

This sector provides support to industrial and commercial activities and its future is highly dependent on those of its clients. Business Service firms include professional and technical activities, including graphic design, accounting and marketing, legal, financial, and other activities.

Increasingly, some of these firms have begun to explore export markets. To the extent that:

- Exporting by these firms increases;
- Both Richmond and international markets that consume these services remain healthy; and
- Richmond firms continue to embrace new technologies which keep them competitive,

the growth prospects for this sector should also remain positive.

Water Dependent Industry

Water dependent industry consists of a range of activities including:

- Marine transportation;
- Marinas and water-oriented tourist uses;
- Shipbuilding;
- Bulk cargo handling (e.g. grain, cars, etc.)
- Steel manufacturing; and
- Resource-based activities (log storage, fishing, transport of aggregates)

Future prospects for these activities are mixed. While resource-based industries such as forestry and fishing are expected to decline, it is **still important to accommodate at least some of these uses** as it is difficult to find alternative means of transport (e.g. non-water) for these commodities. On the other hand, **given the low costs associated with waterborne transport**, and with global trends towards increasing containerization and multi-modal shipment of goods, **there may be a need for existing and additional waterfront facilities** which can process large amounts of containerized cargo (Arthur Anderson, December 1998).

Mixed outlook for water dependent industry, but waterfront lands are an important resource.

Issues and Opportunities

A number of issues and opportunities arise as a result of business surveys and the regional outlook for various industrial sectors. While the City should: anticipate the continued presence of all top five industrial activities; recognize the importance

of waterfront industry; and boost its efforts to attract the film industry; some additional efforts may help ensure a continued presence for these sectors. They are listed under the following sections, and summarized with findings from other sections in attachment 8.

Manufacturing

- **Within the manufacturing sector, special efforts should be made to address the needs of food processing and garment manufacturing sectors, which appear to be growing in importance on both a local and regional basis.**
- Given the nature of the garment trade workforce, improved rapid transit service will play an important role in furthering this sector with growth potential.
- **Further research on where garment employees live would assist in planning for appropriate transit.**
- Opportunities may also exist to work with Kwantlen University College to further promote the College's existing fashion design training programs which would foster the development of local entrepreneurs and reinforce this industry in Richmond.

Wholesale and Distribution

Given the expected shifts in the wholesale industry, staff should conduct more detailed study on the types of facilities needed by newer forms of this sector, to determine whether the current local facilities can continue to meet this need in the future;

High Technology (e.g. biotechnology, software development & aerospace)

While both the high technology and business service sectors show the strongest growth prospects, they also show higher propensities for moving (mainly for expansion purposes). Even though most intend to stay in Richmond, the sectors' propensity to relocate underscores **the importance of ensuring that sufficient high quality facilities and complementary services / amenities are available within the city for such firms. Given the importance of skilled labour to this industry, partnerships between the City and local post-secondary institutions delivering programs in this sector are also worth investigating.**

Film Industry

- The film industry has good regional growth potential, and Richmond has an opportunity to tap into this growth by helping studios find quiet industrial space at short term leases.
- The City could also consider providing dedicated staff to promote and facilitate local film industry opportunities.
- Finally, opportunities may exist to work with local post-secondary institutions in developing and promoting film-related educational opportunities.

Industrial Service (e.g. Auto repair, welding, etc.)

As many firms in this sector serve a considerable proportion of non-Richmond customers, and the land they occupy may be suited for other (higher) forms of industry needing their land, **the City may wish to examine the amount and type of industrial service required to meet Richmond's needs.**

Business Service Firms (e.g. marketing & accounting)

Given the importance of advanced technology in keeping these types of firms competitive, **the City may consider investigating ways to partner with other agencies, such as the Chamber of Commerce, to deliver programs and services that would assist with technology upgrading - for example, employee retraining packages available and funded at the provincial and federal levels.**

Water-Dependent Industry

The outlook for water-dependent industry is mixed, but given the uniqueness of waterfront industrial land, **there is value in strategic preservation of some of this land to allow for future opportunities.**

Further investigation into the amount required and type of uses best suited for Richmond's waterfront is required.