

Current Account Problem Grows Again

By John Walley

Credit rating downgrades from Fitch and Standard and Poor's have once again highlighted New Zealand's problem with balancing its current account with the world. Low local savings and an appetite for asset backed offshore debt, combined with a lack of the focus on the tradable sector, are once again driving our current account deficit.

Fitch also identified the problem:

"The economy's high net external indebtedness reflects a persistent current account deficit, peaking at 8.9% of GDP in 2008. The deficit corrected sharply amid recession in 2009-2010, but Fitch projects it will widen again to 4.9% in 2012 and 5.5% in 2013 as domestic demand recovers," it said.

The graph below shows that indeed the current account has worsened over the past year after closing in the previous two years.

The credit rating downgrades have come soon after weak GDP figures of 0.1 percent growth in the June quarter. There has been a lot of talk from the Government about how New Zealand is in a stronger position to deal with another downturn than other countries, but even the northern economies with debt problems have managed better growth than New Zealand.

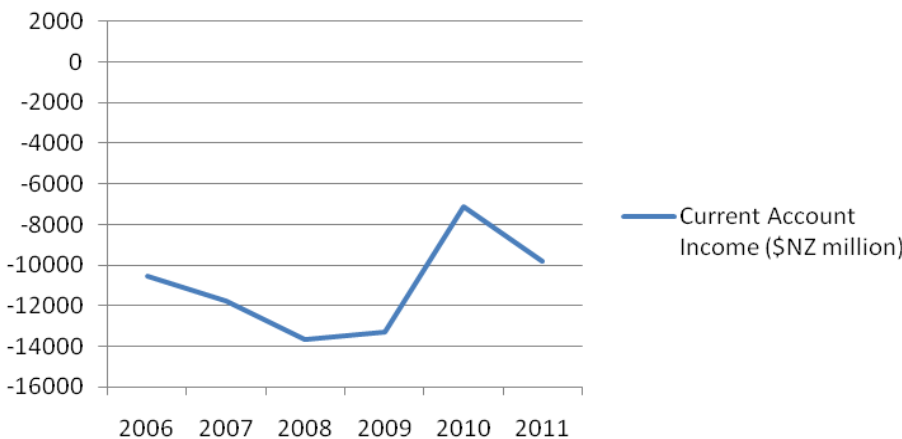
The currency issue tops the list for the Government to address as a recent drop in the dollar cannot mask the lasting impact of an overvalued currency. We will not see stable tradable sector growth, and the resulting debt turnaround, until Government policy issues in this area are sorted out. The highly skilled, well paid job base will continue to contract as exporting firms hold back on investment while the overvalued and volatile currency persists.

John Walley

October 2011

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Current Account Income (\$NZ million)



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Sales Continue to Bounce Along the Bottom

The latest New Zealand Manufacturers and Exporters Association (NZMEA) Survey of Business Conditions completed during September 2011, shows total sales in August 2011 decreased 5.7% (export sales decreased by 5.9% with domestic sales decreasing 5.6%) on August 2010.

The NZMEA survey sample this month covered NZ\$581m in annualised sales, with an export content of 42%.

Net confidence dropped to -30, down from -22 last month.

The current performance index (a combination of profitability and cash flow) is at 97.5, up from 96 in July, the change index (capacity utilisation, staff levels, orders and inventories) remained steady at 99, and the forecast index (investment, sales, profitability and staff) is at 100, down on July's result of 103. Anything less than 100 indicates a contraction.

Constraints reported were 60% markets, 20% skilled staff and 20% production capacity.

Staff numbers for August increased year on year by 10.9%.

"Sales are bouncing around from month to month reflecting uncertainty in most markets," says NZMEA Chief Executive John Walley. "The effects of the European crisis and the high dollar have seen sales and returns drop year on year."

"Manufacturers selling to Europe and the United States are reporting low margins and some firms have described those markets as a write off."

"Exports to Australia are still tracking well but forward orders have dried up and there are concerns that the construction sector is slowing."

"Construction sales are starting to pick up in Christchurch but cash finding its way into rebuild activity is still thin on the ground. Feedback from manufacturers suggests that insurance premiums have risen about 80 percent on average and earthquake damage excesses are rising steeply."

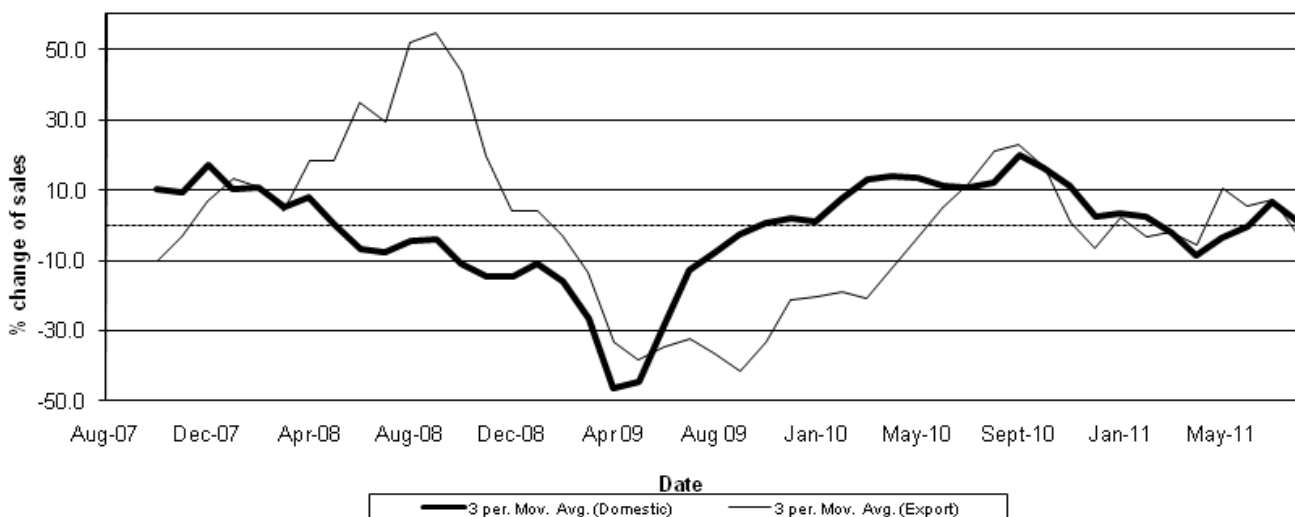
"Overall the exchange rate remains the biggest issue facing the tradable sector, and in the medium term, the New Zealand economy as demonstrated by our recent credit downgrade."

"Sales are variable due to market issues, but it is the exchange rate that is reducing margins on the export sales that remain. A lower and more stable exchange rate is crucial if we are to address a structural current account deficit without major pain across our economy."

The New Zealand Manufacturers and Exporters Association survey gathers results from members around New Zealand. It provides a monthly snapshot of manufacturers and exporters' sales and sentiment.

Sales

(3 month moving average of % change year to year)



Business Interruption Claims: Challenging “Depopulation” Adjustments

Two particular issues arise for Christchurch business owners affected by the recent earthquakes in relation to the extent of cover available under their business interruption insurance policies.

The first is the extent to which insurers are entitled to make deductions from the claim on the basis that the losses suffered are caused by depopulation, and so are not insured.

The second issue is whether cover may be restricted to the cover under a policy extension (such as an extension for acts of civil authorities or prevention of access), which limits cover to a much lower sub-limit than the total sum insured. This issue is particularly relevant for businesses located within the central business district (CBD) cordon.

It has been suggested that the 2010 decision of the English High Court in *Orient-Express Hotels Ltd v Assicurazioni Generali* provides support for insurers taking an unfavourable stance against their policy holders in respect of both of these issues.

Orient-Express involved the effects of Hurricane Katrina and Hurricane Rita in New Orleans in 2005. Orient-Express Hotels Limited (OEH) was the owner of a hotel in New Orleans CBD which was significantly damaged as a result of the hurricanes. As a result of the extensive devastation in New Orleans a state of emergency was declared and there was a mandatory evacuation of the CBD.

It was accepted that OEH was only covered under its business interruption insurance policy for business interruption losses caused by physical damage to the hotel and that it was not covered more generally for all business interruption losses caused by the hurricane.

The difficulty which arose in establishing the extent of business interruption insurance cover available was that OEH's business interruption losses were found to have two causes. One was the physical damage to the hotel, and the other was the consequences of the damage to the vicinity of the hotel, including the evacuation of New Orleans CBD.

The Court held that OEH was only entitled to recover for loss which it could be established would not have arisen if the hotel had not been damaged. That was determined by putting OEH in the position of an owner of an undamaged hotel in an otherwise damaged city. As an undamaged hotel would have suffered the same loss as a damaged hotel would have, this meant that OEH was unable to show it had suffered a loss as a result of the damage to the hotel. The effect for OEH was that the amount payable under its business interruption claim was restricted to the cover provided under the policy extensions for prevention of access to the hotel and loss of attraction, which provided a much lower lever of cover.

However, the Court indicated that if OEH would in fact have been better off because of the effects of the hurricanes, for example because all the rival hoteliers were unable to operate, then that could have been taken into account in assessing its loss.

Any such harsh stance taken by insurers in response to business interruption claims made following the Christchurch earthquake may well be open to challenge. Whether an insured business can successfully challenge an insurer will depend on all of the circumstances, including the nature of the business, the cause (or causes) of the interruption to its business and, most importantly, the particular policy wording. Many business interruption policies in force in New Zealand contain provisions which appear to be similar to the *Orient-Express* wording, but have significant differences, which may result in a different outcome.

However, depopulation and other effects of the earthquake, such as damage in the vicinity of a business, are factors which are likely to be relevant to determining the extent of cover available for business interruption losses in some cases. There is scope for these factors to increase or decrease the amount of the business interruption claim, depending on the effect these factors would have had on the business if it had not been interrupted. However this depends on factors which are different in each situation, such as:

- The type of business.
- Location.
- Extent of physical damage to premises.
- Policy wording.

Business owners should get independent legal advice on these issues if they have any concerns about the way their claims are being handled by their insurance company.

This article was provided by Lane Neave Lawyers. If you require further information relating to this topic please contact us on email: nzmea@nzmea.org.nz or phone us on 0800 353 2540.

The AIESEC Global Internship Programme enables organisations to source high potential students and recent graduates from over 2,100 Universities in 110 countries and territories. With over 4,000 exchange partners each year, sourcing AIESEC interns overseas is a proven solution for both short-term and long-term human resource needs. Interns come from a range of academic and working backgrounds and often have multi-lingual abilities combined with a 'can-do' attitude.

This programme will provide your organisation the opportunity to access fresh talent from emerging markets like China, India and Brazil. Many of the interns also have one or two years' work experience in their chosen field, making them even more qualified. As a result, they can be cost effectively recruited and trained to fit your organisation's existing and potential international network. AIESEC interns also have practical leadership skills gained throughout their involvement in AIESEC at their local universities.

Are You Advertising Vacancies or Directly Accessing Top International Talents?

AIESEC will arrange all logistics and all you will have to do is pick the right intern for your organisation! Companies of all sizes have used the Global Internship Programme to build their leadership pipeline, increase their competitiveness, and fuel their innovation.

"We have found this to be a great facility for accessing specialist graduates who are native language speakers from other countries, for little effort. The major issues with relocating someone from overseas such as applying for visas, helping organise accommodation, setting up bank accounts & registering with IRD, are all taken care of. There is also comfort in the knowledge that the new employee is supported socially in their new environment which ensures they are free to focus on work" - Greg Muirsmeath, Engineering Manager, Steelbro NZ Ltd.

This article was provided by AIESEC. If you require further information relating to this topic please contact us on email: nzmea@nzmea.org.nz or phone us on 0800 353 2540.



Opportunity Canterbury: International Recruitment Expos London and Manchester - November 2011

To make sure Canterbury is successful now and in the future we need to attract more skilled workers to our region. Part of that means going offshore to attract international talent and investment.

The Canterbury Employment and Skills Board is promoting Canterbury and its employment opportunities at two migration and employment expos in London and Manchester in November 2011. You have the chance to be part of this exciting opportunity for Canterbury businesses.

Contributing firms will receive:

- A list of attendees matched to your key personnel requirements.
- Exposure to networking opportunities with potential employees.
- A place on the Canterbury Opportunities Wall displaying:
 - Your company logo
 - Company profile
 - Your job vacancies
- Direct support from CESB to help progress you and your prospective employee's recruitment status for up to 12 months.

- Continue to forward enquiries from job seekers overseas that are relevant to your company for up to 12 months following the expo.

The key benefits:

- Make your firm visible and attractive to a broad range of international expo attendees considering migrating to New Zealand.
- A qualified list of sector-specific expo attendees that you are able to follow up directly without incurring expensive recruitment agency costs
- Broad exposure showcasing Opportunity Canterbury and your firms participation in New Zealand and UK media.

The Canterbury Employment and Skills Board is securing floor space at recruitment expos so that a broad range of regional employers and government agencies operating in Canterbury can showcase their organisations and attract the finest talent the UK has to offer.

If you are interested or want more information about the expo, please contact: Mark Dingle, CESB Secretariat, email: mark@cesb.org.nz or phone 0274 346 453. Space is limited.

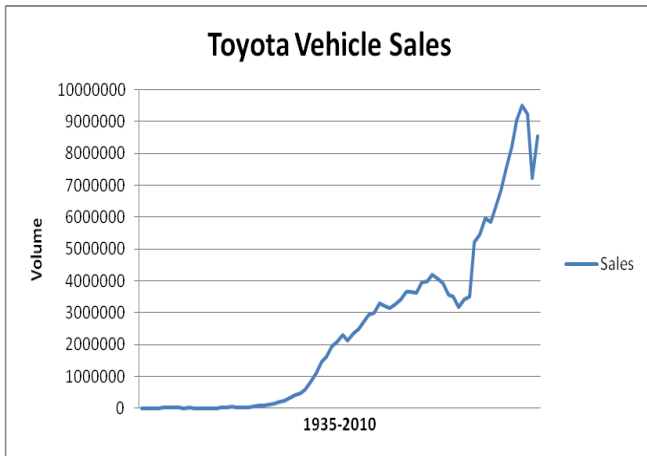
Business Prosperity with Toyota Production System

Toyota Production System (TPS), the main source for Lean programmes, is the universally applicable and accepted system to help increase productivity, efficiency and staff engagement to drive business gains.

With the establishment of the Toyota Motor Company by Kiichiro Toyoda in 1937 and the Honsha Plant in 1938, the roots of TPS were formed. Toyota achieved production of 100,000 vehicles by 1947. In 1959, production started in Brazil, and 1962 saw the production of the millionth vehicle.

Kiichiro developed new processes for internal production and procurement that were “just-in-time” to avoid waste. With a new factory layout, a process flow was implemented that resulted in an improved flow of operations and a tremendous growth rate for the company.

The following chart shows sales of Toyota vehicles from 1935 to 2010. This success comes from focusing on customer value in terms of quality and cost.



The principles of TPS are not country specific and can be applied to any company’s processes. New Zealand has the challenge of being located far away from its customer base, and as a result it can be argued that going ‘Lean’ is of greater importance for us to remain competitive in today’s global market place.

Companies can expect to see improvements in quality and delivery whilst reducing costs when Lean programmes that use TPS are implemented correctly. They can also expect to see greater employee engagement and empowerment.

Key New Zealand companies who have benefitted from the Toyota Production System include Proform Plastics, Compac Sorting Equipment, Pacific Aerospace, Stainless Design, NuFarm and Image Holdings.

Alf McLaughlin, General Manager of Pacific Aerospace is immensely satisfied with the productivity outcomes for his company as a result of using this programme.

Image Holdings supplies specialty nutritional and agricultural compounds to the NZ and South Pacific markets. Andrew Murray, Managing Director, says in relation to their recent Lean programme, “Our skills training has been excellent. Morale has improved, lines of communication are open and organisation in the work place improves daily. With our on-going commitment we look forward to a prosperous future.”

This article was provided by Skills4Work. If you require further information relating to this topic please contact us on email: nzmea@nzmea.org.nz or phone us on 0800 353 2540.



By David Norris of the New Zealand Manufacturers and Exporters Association

Have You Seen our Screencasts?

This year we have recorded some of our forums in a video format that allows you to view the key content with an audio commentary to give more detail. These are essentially a combination of a PowerPoint presentation and a presenter speaking edited as a video. This enables companies from across New Zealand to view content shown at any of our event venues.

If you would like to see the videos head to www.meo.org.nz and click on the public comment and then video presentation icons.

If you require further information relating to this topic please contact us on email: mea@mea.org.nz or phone 0800 353 2540.



Forums / Workshops

Workshops are open to all members of your staff, members and non-members of the NZMEA. For more information and to register on-line visit: www.nzmea.org.nz, select **Events/Training** for the full list of events. Or you can contact us on 0800 353 2540 or email: nzmea@nzmea.org.nz.

Workshop: Proactive Selling **Wednesday, 19 October, 8:30am - Auckland**

We are delighted to bring to members, this “proactive selling” training course tailored specifically for manufacturing organisations. This highly interactive workshop focuses on learning and practicing the fundamentals of a consultative, yet persuasive approach to selling. The course features customised role plays, skill practice and feedback, team and individual exercises, and a comprehensive participant's workbook/reference guide.

Topics to be covered:

- What is selling? Negative connotations and positive realities.
- Ten secrets of master salespeople.
- Setting sales contact objectives.
- Approaching the customer/client; optimising the first 30 seconds.
- Asking the "right" questions to identify needs.
- Listening techniques that really work.
- Presenting your recommendation (features/benefits).
- Handling resistance and objections.
- Closing skills / gaining commitments to next steps.

Advantages of the programme offered include:

- Highly interactive, learner-centred training experience.
- Practical, tactical training with “next day applicability”.
- Total learning systems help institutionalise and reinforce new skills and behaviours in the field.

Who should attend: This workshop is designed for newly appointed sales representatives or currently active representatives needing a refresher.

For further details on this workshop and to register online visit www.nzmea.org.nz and go to Events/Training.

Forum: Lean Thinking for a Lean Business **Wednesday, 26 October, 4:00pm - Auckland**

Lean manufacturing is just a small part of Lean business thinking that drives waste reduction and continuous improvement. Tools and techniques form about 20% of the total effort and the real challenge is cultural.

This Forum deals with Lean implementation that not only works with reducing inventories and changeovers or enhancing quality and recoveries but also reducing lead times, developing long term sustenance, enhancing employee and supplier participation and driving all-round innovation.

This Forum will give an overview on the following:

- How is effective implementation accomplished? Is it really possible?
- Are there any real life examples which are truly Lean?
- Increase capacity further by finding out how to subordinate other business activities to the constraint.
- Discuss the three areas involved with Lean: manufacturing or service, office and administration, information systems and knowledge management.

Who should attend: Any business managers responsible for achieving hard business KPIs (Key Performance Indicators) from any field of management namely operations, finance, marketing or personnel, and business owners with overall responsibility should attend.

For further details on this workshop and to register online visit www.nzmea.org.nz and go to Events/Training.

Invitation: Labour Breakfast **Wednesday, 19 October, 7:30am - Christchurch**

The New Zealand Manufacturers and Exporters Association, in conjunction with the Bank of New Zealand, are hosting a breakfast meeting with the Canterbury representatives of the Labour Party. Join us over breakfast to hear how the Labour Party want to grow the New Zealand economy.

Invitation: National Breakfast **Friday 21 October, 7:30am - Christchurch**

The New Zealand Manufacturers and Exporters Association, in conjunction with the Bank of New Zealand, are hosting a breakfast meeting with the Canterbury representatives of the National Party. To find out more join us over breakfast and hear how the National Party will continue to grow the New Zealand economy.

Workshops/Programmes

Workshops are open to all members of your staff, members and non-members of the NZMEA. For more information and to register on-line visit: www.nzmea.org.nz, select **Events/Training** for the full list of events. Or you can contact us on 0800 353 2540 or email: nzmea@nzmea.org.nz.

Certified in Production & Inventory Management (CPIM): Detailed Scheduling and Planning (DSP) The 3rd CPIM Module for Supply Chain Professionals Starts Monday 17 October, Christchurch, 5 half days.

This is the third module in a series of five that make up the Certified in Production and Inventory Management (CPIM) programme, the internationally recognised qualification from APICS.

This module focuses on the various techniques for material and capacity scheduling. You will study detailed descriptions of Material Requirement Planning (MRP), Capacity Requirement Planning (CRP), inventory management practices, and procurement and supplier planning.

Who should attend: Supply chain professionals wanting to continue their CPIM studies, Master Planners and Schedulers, Operations Managers, Sales and Marketing Managers (because of the depth on demand planning).

For further details on this programme and to register online visit www.nzmea.org.nz and go to Events/Training.

Certified in Production & Inventory Management (CPIM): Basics of Supply Chain Management (BSCM) The 1st CPIM Module for Supply Chain Professionals Starts Thursday, 27 October, Christchurch, 5 half days.

This is the first module in a series of five that make up the Certified in Production and Inventory Management (CPIM) programme, the internationally recognised qualification from APICS.

This module is often taken on its own by employees of all functions. All employees, regardless of job title, can benefit from this course and gain a better understanding of manufacturing business processes.

You will explore the basic concepts in managing the flow of materials in a supply chain. In this programme, you get a complete overview of material flow from internal and external suppliers to and from your organisation.

Who should attend: Supply chain professionals wanting the CPIM qualification, Master Planners and Schedulers, Operations Managers, All other employees including managers and supervisors requiring an understanding of supply chains and their role in them.

For further details on this programme and to register online visit www.nzmea.org.nz and go to Events/Training.



Monthly Survey of Business Conditions

The NZMEA would like to thank it's members that submit their Business Survey every month.

The Association's survey is the only survey that we are aware of in New Zealand that compares actual sales performance current month against the same month last year and contrasts that with a current measurement of confidence. As such the NZMEA's survey has unique value when compared to the other "opinion and feeling" surveys conducted by other organisations. Without the open support of our members the NZMEA survey would not be possible.

If you could like to participate please contact the Association on 0800 353 2540 or email nzmea@nzmea.org.nz.



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Bull by the Horns: New Zealand Industry Addressing Health and Productivity

In 2010, the New Zealand national body, HAPINZ (Health and Productivity Institute New Zealand) was established. Its role is to establish Best Practice in the area of workplace health promotion, to grow the industry and offer an experienced voice at a policy level.

The establishment of HAPINZ follows in the foot steps of America, the United Kingdom, Germany and our neighbours across the ditch. Its establishment is in response to the trend that acknowledges the health of the individual in the workplace and the health of the business itself are directly related to its productivity.

2011 saw HAPINZ host this country's second annual Health and Productivity Conference in Auckland.

Christchurch based Sarah Jimmink, Director of TriEx Health, Safety and Wellness and steering committee member for HAPINZ since 2010, discusses trends and relationships between the health of our workforce and the ability for a workplace and in fact an entire industry to increase productivity.

"Health promotion, or workplace wellness, is being addressed by employers for many reasons" says Sarah; "from a commercial perspective it's about recognising the value of our employee's health as a business asset, as human capital and an investment in business performance".

This year's conference produced a grim picture in relation to our nation's declining performance on the OECD productivity scale. Whilst as a nation we consider ourselves hard working, Jimmink says statistics show that as far as our effectiveness in contribution to our GDP, we are failing. New Zealanders work longer hours than any other OECD country yet are also one of the least productive countries.

From a health perspective we have several significant factors to consider. Some of these we have a greater influence over than others. New Zealand's aging population is a factor we have little influence over. How we manage the increasing health risks of our aging population is something we can influence. Genetic disposition for illness is not easily influenced. National levels of obesity are something we can influence. Smoking trends can be influenced. How we deal with stress and address our need for resilience: the same.

The responsibility for the health of a workforce is increasingly becoming a joint relationship between the individual and the organisation. Whether employers presently address it as part of their corporate responsibility or as part of their risk management, its need for attention is not going to go away.

The workplace is a natural place to support health education and the related behaviour change. It's where groups gather. It's where peers effect each other and cultures are established. And it is these gatherings (workplaces) that are at the heart of our country's economic success.

There is a plethora of data internationally supporting the science of employee health and its relationship to productivity. There is also a lot of common sense. Workers that are emotionally, physically and spiritually healthy are inclined to be more engaged in their work.

Of course not all work places are the same and workplaces often require customised strategies. Industry, age, culture and ethnicity create different challenges and opportunities in addressing health.

Historically productivity has been a topic weighted by absenteeism in the workplace. A working paper produced in conjunction with the New Zealand Treasury and Department of Finance published November 2010 mentioned the cost of 'presenteeism' (employees physically at work but not functioning well). The paper stated cost estimates of up to 15 times greater of presenteeism in some countries studied than that of absenteeism. New Zealand statistics are shown to follow international trends.

*One example of the cost of illness study for all illnesses in New Zealand approach was conducted by Southern Cross Medical Care Society (2009).

This study aimed to assess the costs to employers of illness. It therefore only included costs owing to absenteeism and presenteeism, rather than the wider costs to the economy from people not working, working fewer hours or as a result of treatment costs.

The results were based on a small online survey of New Zealand workers which asked general lifestyle questions along with a number of health-related and workplace-related questions. Using these results the cost of illness to New Zealand employers was estimated to be over \$2 billion per year across the whole workforce. *(Cost of Ill Health – Heather Holt 2010).

"New Zealand and its industries have the reputation of being innovative and pioneering in many fields," says Jimmink. "Let's ask ourselves how we can tackle this opportunity with the same vigour".

This article was provided by TriEx Workplace Health, Safety & Wellness . If you require further information relating to this topic please contact us on email: nzmea@nzmea.org.nz or phone 0800 353 2540.

Strengthening Your Product Through Licensing In

There is much talk about commercialising ideas but very little talk about strengthening what you already have. A licensing in strategy can strengthen your bargaining power and help you hold onto attractive margins when the competition arrives.

The scenario is this: You have an innovative product, proven in New Zealand, and you want to sell the product offshore. However, you find that the international competition is aggressive and competitors will either sue you or copy you. Unfortunately your idea is novel but not inventive enough to secure a patent. Your strategy has always been speed to market. The questions are:

- How do you slow the competition down so that you can recover the costs associated with international expansion?
- How do you give distributors the comfort that you have something unique that is worthy of their commitment?
- How do you stop the competition from copying you?

The answer is to find a proprietary and useful piece of technology that is sitting in a research institute and license the technology in. For example, say you are selling a machine with a particularly novel feature that benefits the apple growing market. You find a patent owned by a University research office that covers a material that has features that makes your idea work even better. It makes your machine go faster and reduces the need for replacement parts over time. You reach agreement with the owner of the intellectual property.

Assuming that they are already using this material for another application and market, they would only be too happy to license to you an exclusive license for the apple growing market. They are likely to offer you very generous terms i.e. it is a little like having spare seats on an aeroplane before the plane is about to take off. The owner of the patent knows that the clock is ticking and that their patent's useful life is reducing every day.

The outcome of the above scenario is "bundled intellectual property" that combines know how, and patent(s) and most likely trademarks. This bundled intellectual property makes it harder for a competitor to copy you and provides you with an opportunity to attract a serious distributor that is prepared to fight, on your behalf, against those that infringe your intellectual property rights. You will be paying a small percentage of your revenue in return for the license agreement and all commercial parties to this agreement will win.

This article was provided by Everedge IP. If you require further information relating to this topic please contact us on email: nzmea@nzmea.org.nz or phone us on 0800 353 2540.

Department of Labour
TE TARI MAHI



Last year 75 people died at work in New Zealand and hundreds more were seriously injured. How can you and your workplace help to make a difference to the toll of work-related injury, fatality and disease ('the work toll')?

The Department of Labour is calling for stakeholders to play their part in reducing New Zealand's work toll and sign the Partners in Action Pledge (www.dol.govt.nz/whss/pledge.asp). The Pledge is a symbolic acknowledgement of the joint effort needed to reduce New Zealand's work toll.

The Pledge forms part of the National Action Agenda (www.dol.govt.nz/whss/action-agenda.asp) developed by the Department of Labour. It focuses on reducing the work toll in the five sectors with consistently high levels of injuries and fatalities - construction, agriculture, forestry, manufacturing and fishing.

Pledge Your Support to Reduce the Work Toll

The Pledge was launched at the release of the Construction Sector Action Plan in May 2011 - where the Minister of Labour, Construction Safety Council and the Council of Trade Unions signed up, alongside the Department and ACC. Since then more than 150 stakeholders have also signed the Pledge - by doing so they commit to working towards achieving zero harm in New Zealand workplaces.

In return for pledging your commitment, your organisation will be recognised on the Department's website and you will be kept in the loop about workplace health and safety activities via email newsletters.

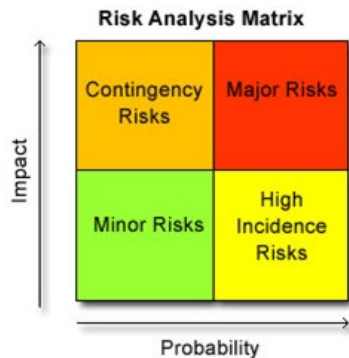
Signing up is easy, simply email pledge@dol.govt.nz and we'll send you the details. Help make a difference to the work toll and commit to helping us create safer and healthier workplaces.

If you require further information relating to this topic please contact us on email: nzmea@nzmea.org.nz or phone us on 0800 353 2540.

The Japan Quake and Tsunami

The Importance of Design Redundancy in Support of Your Brand

Following on from our article in March's NZMEA newsletter regarding the February earthquake, the final comment was that sometimes failures occur that are well outside the scope of existing standards. One lesson we can take from the (only just) averted nuclear crisis in Japan is the importance of design redundancy.



The Fukushima engineers had obviously made provision for both earthquakes and tsunamis, but somehow the overall system still failed. It seems the damage to the reactors was primarily due to the failing of the cooling system as a result of the tsunami, rather than the magnitude 9.0 earthquake. Sometimes, when a product fails it is deemed acceptable to the consumer, for example a cell phone not working after being dropped in water. Other times, as in the case of the troubled power plant, failure is not acceptable.

In our experience designing the likes of agricultural harvesting machines, there doesn't seem much that the machines were not expected to be able to handle. Whether it was snapping off fence posts at their base with the machine while turning on the headlands, or being able to support someone (with sufficiently low intelligence) while they walked out on a six metre long boom conveyor, the product was expected to take it or your brand name suffered.

Product reliability can make or break a brand. Using the cell phone as an example again, the Nokia brand has achieved legendary status as a provider of robust products that exceed consumer expectations in a throw-away society, and have been rewarded with enviable consumer loyalty. The Nokia brand, valued at \$29.5 billion, is listed as the eighth most valuable global brand in the Interbrand/BusinessWeek Best Global Brands list of 2010 (first non-US company). See <http://en.wikipedia.org/wiki/Nokia>

Small design changes can make a large difference to product reliability, often at little or no added cost. At a grass roots level, some examples for manufacturers could include such simple (but very effective) things as:

- Include crack arresting details such as 'doubler' plates under gussets.
- Use ductile materials and assess the possibility of impact.
- Add pressings or ribs to stiffen sheet metal parts.
- Use more than one bolt/pin/member to carry a load for redundancy.
- Use safety wires and/or split pins to prevent items 'falling off' and potentially damaging life or property.
- Using Nylock nuts will also provide an opportunity to identify loose bolts before they fall out.
- Make the design relatively strong in all modes, even if they are not expected to occur.
- Use members that are relatively strong in all directions, i.e. RHS over structural "I" beams.
- Use corrosion resistant materials if possible.
- Provide additional shielding to electrical components to help prevent ingress of water etc.
- Carry out a thorough Risk Analysis, and have a Plan B (or even C and D...).
- Introduce a regular service requirement to your product warranty.
- Consider how someone could use your product, not just how they should use it. Remember, there is a Murphy's Law equivalent for product design: *If someone can use your product incorrectly, they will.*

Whilst some of this may seem fairly rudimentary, it's interesting how often we're asked to assess a design failure where simple guidelines such as outlined above have been overlooked. One very simple way of avoiding this is a peer review of your design. Another set of qualified, objective eyes external from the project can add a huge amount of value and pick up issues that were never even thought of.

The Fukushima plant engineers had identified both the earthquake and tsunami as potential hazards, although they possibly underestimated the magnitudes of the events - and hardly surprising in this case! There also seems to have been a cumulative sequence of events which have contributed to the failure and leakage of radioactive material. In any case, society (just like consumers) probably expected more, and the nuclear 'brand' has been extensively damaged as a result - again! Not that I'm particularly unhappy about that as it was fast becoming another hot topic in NZ's energy debate!

This article was provided by Motovated Design & Analysis Ltd. If you require further information relating to this topic please contact us on email: nzmea@nzmea.org.nz or phone 0800 353 2540.


MEAssist

To network with other Members or get assistance from our Associate Membership contact:
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Our Associate Membership includes a wide range of specialists, consultants
and service providers who can assist Association Members with:

Management and Human Resources Recruitment and Selection Operations Management Project Management Conflict Resolution & Mediation Employee and Immigrant Settlement Management, Leadership & Team Training Temporary Staff Employment Law Change Management Training Analysis ERP, MRP Solutions	Manufacturing Efficiency Lean Manufacturing Programmes Theory of Constraints Competitive and Agile Manufacturing Factory and Plant Efficiency & Utilisation Supply Chain Management & Certified in Production and Inventory Management (CPIM) Kanban, Production Planning & Scheduling Maintenance and Asset Management QC, QS and TQM Industrial Automation & Control
Business Governance Risk Management Business Sales & Valuation Strategic Development Business Coaching Company Boards Business and Technology Planning	Marketing and PR Advertising and Branding Market Research and Marketing Export Marketing Communications and PR Strategic Pricing
Finance Accounting, Payroll and Tax Debt Collection FOREX and Banking Investment Capital Insurance Services	Product Design and Development Research and Development Services Product and Prototype Development New Product Design Process Engineering Analysis, CAD and FEA
Safety and Compliance Security Advice, Internal & External Drug Testing and Policy Health and Safety Systems & Training Energy, Water & Waste Auditing	Intellectual Property Knowledge & Information Management Intellectual Property Risk Assessment and Commercialisation Intellectual Property Patent Registration
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We facilitate relationships and transactions between manufacturers and exporters free of charge. Where the Association facilitates a transaction with Associate Members a standard charge, or referral fee applies. This is invoiced to the Associate Member providing the service. These fees vary between Associates and is constructed to be less than the usual marketing overhead recovery component of an Associate's pricing.



Membership Benefits

Awareness and Development: We arrange our programmes to expose as many new ideas, and repeat a lot of the old ones, quickly and clearly. This enables members to decide what ideas are most appropriate or useful for their business.

Representation: Your views having a platform, face to face with politicians, documented in submissions and discussed in any number of different gatherings.

If you have any questions regarding our Membership Benefits please contact us:
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Events and Training

www.nzmea.org.nz/events.aspx

Monday	Tuesday	Wednesday	Thursday	Friday
3 October	4 Programme: CPIM Strategic Management of Resources (Christchurch)	5 Workshop: HSNO Approved Handler Training (Christchurch)	6 Workshop: Value Added Negotiating (Christchurch) Forum: Using Open Source Software (Christchurch)	7
10	11 Forum: Health and Safety in the Workplace: Why Does it Matter? (Auckland)	12	13 Forum: Developing Products to Deliver Value (Christchurch) Workshop: Proactive Selling (Christchurch)	14
17 Programme: CPIM - Detailed Scheduling and Planning (Christchurch) NZMEA CEO Forum (Christchurch)	18 Programme: CPIM Strategic Management of Resources (Christchurch)	19 Workshop: Proactive Selling (Auckland) Breakfast Meeting with Labour (Christchurch)	20 Forum: Occupational Hygiene and Safety : Minimising Workplace Exposure (Christchurch)	21 Breakfast Meeting with National (Christchurch)
24	25	26	27 Programme: CPIM Basics in Supply Chain Management (Christchurch) Forum: Lean Thinking for a Lean Business (Auckland)	28
31 Programme: CPIM Detailed Scheduling and Planning (Christchurch)	1 Programme: CPIM Strategic Management of Resources (Christchurch) November	2 Workshop: Key Account Selling / Strategic Development (Christchurch)	3 Programme: CPIM Basics in Supply Chain Management (Christchurch)	4
7 Programme: CPIM Detailed Scheduling and Planning (Christchurch)	8	9 Workshop: HSNO Approved Handler Training (Christchurch) Forum: Succession for Business Owners (Christchurch)	10 Programme: CPIM Basics in Supply Chain Management (Christchurch)	11
14 Programme: CPIM Detailed Scheduling and Planning (Christchurch)	15 Programme: CPIM Strategic Management of Resources (Christchurch) Workshop: Telephone Selling (Christchurch)	16	17 Programme: CPIM Basics in Supply Chain Management (Christchurch)	18
21 Programme: CPIM Detailed Scheduling and Planning (Christchurch) NZMEA CEO Forum (Auckland)	22 Programme: CPIM Strategic Management of Resources (Christchurch)	23 Workshop: Value Added Negotiation (Auckland)	24 Programme: CPIM Basics in Supply Chain Management (Christchurch)	25
28	29	30	31	

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