

Meticulous: Employee at H2Scan works on hydrogen sensor.



PANDEMIC PROBLEMS

Valley-area manufacturers cope with decreased business and increased regulations as they work through coronavirus era.

By MARK R. MADLER *Staff Reporter*

As president of **Schrilo Co.**, **Bill Christensen** has had to take on a new role at the North Hills aerospace parts manufacturer during the coronavirus outbreak – that of making sure all the employees are following safety guidelines and procedures.

It is, after all, easy to lose attention even at a company that precisely produces screws, bars, tubes and actuators for military and commercial aircraft.

“As long as it’s a major issue in our area and our country we need to stay vigilant,” Christensen said.

That vigilance is on display at manufacturing companies from the San Fernando Valley to the Santa Clarita Valley as company executives do what it takes to keep their employees safe during this unprecedented health crisis.

Manufacturing in the San Fernando Valley remains a big job creator and contributor to the economy.

Durable and non-durable goods manufacturing employed about 43,200 workers in the Valley last year, the fifth highest total, according to data from the **Center for Economic Research and Forecasting** at **California Lutheran University**.

Education and health led in jobs with 153,000, followed by professional and business services, leisure and hospitality and the retail trades.

The same two manufacturing categories brought in

a combined \$7.9 billion in gross domestic product last year, making it the fifth highest total behind financial activities, technology, professional and business services and education and health, according to the Thousand Oaks school’s research center.

For a list of the Valley region’s largest manufacturers ranked by number of employees, see page 13.

At **H2Scan Corp.**, a Valencia company that manufactures sensors that measure the amount of hydrogen in the oil inside transformers used by utilities, petrochemical companies and nuclear power plants, Chief Executive **Dennis Reid** estimated that revenue would be down by \$6 million this year compared to last year.

In May, after one employee came down with COVID-19, the company shut down for several days to get all the other employees tested. While everyone else came back negative for the virus, the result of the shut down was to affect about 50 percent of shipments that month, Reid said.

As a supplier to essential industries such as utilities and oil and gas production, H2Scan has been operating since the state imposed stay-at-home orders came down five months ago.

Employees in production, the supply chain and quality assurance, along with two engineers have been coming to the Valencia location. The majority have been working offsite, said Reid, who has been working from

his home in Oregon since March.

“I personally do not see this changing until 2021,” Reid said. “I’d like to be surprised but we are not going to put employees into danger. We are going to do whatever we can to protect employees first.”

Always-changing regulations

At **Schrilo**, Christensen said that for the first months of the outbreak, he would spend considerable time on the internet researching the new laws and regulations from the federal and state governments, as well as city and county requirements.

“They would change daily,” he said. “We did our best to stay on top of those.”

The company worked with an employment law firm to be kept up to the date on its responsibilities as well as staying in touch with manufacturing trade groups.

“There were a lot of phone calls to other people in my network as far as what are you doing, how are you cleaning things, how are you maintaining physical distancing between people,” Christensen added. “There were a lot of those conversations that happened, and we were all commiserating together and figuring how to deal with these issues.”

David DeVandry, the chief executive of **DeKing**

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Screw Products Inc., a Chatsworth company that supplies to the aerospace, medical device and transportation industries, said its aircraft work has dropped off some.

"In the last weeks we have seen an increase in quotes, but we have not seen that translate into orders yet," DeVandry said. "We are still waiting on those."

Like H2Scan, DeKing has had two employees test positive for the virus. It closed down a portion of its 18,000 square foot shop to the point where the workforce was reduced from 45 employees to 26 total, DeVandry said.

On the positive side, however, there is a new virtual video tour available of the DeKing shop. After all, why not go to the customer if they cannot come to you, DeVandry said.

The video tour had its origins in the company making a transition on its equipment and customers were not aware of the new capabilities, he said.

"We were planning on having an open house," DeVandry added. "Covid hit, so the open house was no longer an option. We've been thinking about this photo tour for a while and we decided to pull the trigger on the tour as an alternate."

Unexpected help

From the perspective of H2Scan's Reid, there is also a silver lining from a business standpoint when it comes to the company's products, particularly its Gen5 System that provides real-time monitoring of hydrogen in transformer oil.

Utilities have always relied on dissolved gas analysis samples taken out of the transformers. But with a reduction in personnel at utilities they don't have the people to do that as much, so real

time monitoring takes its place, Reid explained.

The company is hearing comments about how the coronavirus pandemic can be the way for utilities to move away from the policy of taking samples and doing real time monitoring instead, he said.

"It will help the whole industry," Reid added. "There will be less outages and less catastrophic events, less explosions. There could be a big benefit unseen here going forward from what is happening with the COVID-19."

As for its employees, the company did training on the new protocols of making sure the production stations in the manufacturing area were 6 feet apart.

A cleaning crew comes in every night to disinfect the building – wiping down even the handles on the microwaves and refrigerators, as well as the employee's desks, computers and keyboards, Reid said.

"Anyplace that somebody might have touched during the day is being completely wiped down and cleaned," Reid said.

The company bought laser thermometers so it can take the temperature of the employees who still come into the building. Each employee is given a mask, which must be worn 100 percent of the time, he added.

Reid said that he has not calculated how much the company has spent on its preventative measures.

"But it would be fairly significant if you take into consideration the cleaning crew coming in as often as they are now compared to what they did before, the mask costs and the disinfectant that we choose to provide," Reid added.

Different challenges

Lisa Anderson is a consultant who works with manufacturing, distribution and logistics companies throughout Southern California.

Manufacturers were able to stay open as



Inspection: Congressman Tony Cardenas visits Schirillo in 2017.

essential businesses and many discovered how to continue operating under the new environment that included keeping employees at least six feet away from each other.

"The manufacturers that were more set up to be able to space out people and utilizing automation had an easier time of it," said Anderson, president of **LMA Consulting Group Inc.** in Claremont

But other challenges faced by those in the industry involved both customers and suppliers. Namely, taking a look at who their customer's customers are and who was supplying to their suppliers.

When it comes to customers, Anderson said that it is all about understanding the demand of the customers' customers.

She was working recently with a food bar manufacturer, whose customer's customers

could be a Starbucks, where sales plummeted after the stores were closed. Other retailers it provided product to, such as Costco, had a spike in sales before leveling off.

"Some of the customer's customers serve e-commerce, and e-commerce has been wildly successful in this environment because shipping to homes is what everybody wants," Anderson said.

On the supplier side it is the same things of knowing who your supplier's suppliers are.

Even if you thought you had the most stable supplier, one that never had any problems in the past a global pandemic like the one the world currently faces could change that, Anderson said.

"There are whole sorts of things that can go wrong," Anderson said.

A Valley client that Anderson has worked with is a Chatsworth manufacturer and distributor of motorcycle helmets and gear.

They have found that their orders are doubling but that there are fewer items being shipped per order, she said.

As a result, the company is not making more money.

"They are looking at that and saying, should I automate, utilize technology, should I reshore? What should I do?" Anderson said.

Reshoring – the concept of bringing manufacturing back to the U.S. from a foreign country – is something that manufacturing executives have thought about since the start of the coronavirus pandemic, Anderson continued.

"They are seeing the risk of what can happen when they don't have supply located closer to their customers," Anderson said. "It doesn't mean they have to move it all. They are thinking should I have a backup supply, can I produce it internally, what should I do? But I should do something because I realize there is too much risk."

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