



Cabo Drilling Corp. in North Vancouver, British Columbia, Canada, has increased its overseas presence and streamlined its processes to overcome the current market challenges in Canada. However, President and CEO John Versfelt says there are positive signs - such as metal prices and loosening credit - that show that the economy is "on the right track" and could turn around later this year.

Staying Competitive

To combat the economic crisis, Cabo Drilling Corp. has focused on quality and competitive pricing. It also has streamlined processes and implemented cost-cutting measures. — *By Libby John*

The economic challenges facing the mining industry in Canada have forced Cabo Drilling Corp. to be more aggressive in terms of operating and managing its business. "We have made some changes to make us quite competitive," President and CEO John Versfelt says. "With the mining industry down, there is more and more competition for fewer projects. The only way you can secure contracts is through higher quality and lower pricing."

Cabo Drilling provides services – such as surface and underground coring, directional, reverse circulation and geotechnical drilling – to major, mid-tier and junior mining and exploration companies in Canada. It also offers expertise from early-stage reconnaissance

drilling through to resource definition and advanced-stage mining.

To overcome the current market challenges, Cabo has streamlined its processes and provided services outside Canada onto the United States, Mexico, Panama, Albania and West Africa. In 2007, only 5 percent of its business was conducted outside of Canada; today, it's around 24 percent.

The company has also made some difficult, yet significant cost-cutting measures to remain competitive in the global market place, Versfelt notes. In October, it decreased its work force by 25 percent and now has close to 300 employees. "As the number of drill projects put to tender went down, fewer employees were

+ COMPANY PROFILE Cabo Drilling Corp. ■ www.cabo.ca ■ 2008 revenues: \$58.6 million ■ Headquarters: North Vancouver, British Columbia, Canada ■ Employees: 300 ■ Service: Drilling ■ John Versfelt: "We're focusing on quality and high productivity."

required,” he explains. “We also conducted a wage rollback, cutting wages and salaries by 10 percent company-wide, and worked aggressively to manage inventory levels and control costs as our clients’ priorities changed.”

Drilling services will remain a necessity, despite economic conditions, Versfelt notes. “There will always be a certain amount of demand for drilling,” he says. “There’s a contingent demand for metals to meet a variety of needs such as construction and manufacturing and jewelry fabrication, and the only way to find metals is to drill.”

Positive Signs

U.S. Federal Reserve Chairman Ben Bernake said he expects the economy to turn around this year, and Versfelt agrees. In March, the housing starts in the United States rose for the second straight month, Versfelt points out, which could lead to better economic times in Canada as well. “What we also watch is the demand for shipping services, which has seen some improvement as well,” he adds.

Other positive signs Versfelt has noticed are the metals prices firming up and the loosening of credit. “Banks need to show that they are starting to improve, and once that happens – and I think there are early signs of that – I think we’ll be on the right track,” he says.

In the meantime, Cabo is increasing its marketing efforts. “In these times, we have to get the message out that we’re a quality drilling company with the experience to get difficult jobs done right,” he says. “We have refocused our communications team on marketing

our services to companies with the experience to understand the benefit of working with a drilling services company like ours, which prides itself on delivering ‘core into the box’ safely and efficiently even under extreme conditions.”

Focused on Quality

Cabo Drilling was founded five years ago – the product of the amalgamation of five drilling companies. “The first five years were spent building the companies into one cohesive [firm],” Versfelt says. “It was important to us to focus on building a corporate culture that paid attention to the well-being of employees and meeting the needs of our clients with high quality service.

“We’re starting to see the benefits to our employees and clients now, but these foundational components of our business model will truly benefit us as the market improves,” he explains. “Once the market turns, you are going to find that there will be renewed competition for labor. When that happens, quality goes down as less experienced workers are brought back into the industry. That is what the drilling industry experienced in 2007 and [part of] 2008 and that is what we are working to prevent for Cabo in 2009 and 2010.

“This time,” Versfelt continues, “as the market returns, we trust that we can keep high quality and deal less with poor performance. As we move forward we’re going to focus as a company on good prices with high quality, preventative maintenance and better equipment, employee training and safety. All these things will build successful employee and customer relationships and a better company.”