



# TOOL TALK

A Publication of the Michigan Tooling Association

## From Rob's Roost

by: Rob Dumont, Managing Director



Our members face numerous issues that impact, challenge & hinder their ability to remain competitive in a global marketplace. These include overcapacity, burgeoning international competition, technological improvements, decreasing demand from the automotive sector, coupled with increasing pressure to lower prices and expand services. These are the realities.

Looking ahead there is, as well, a quiet but looming shortage of skilled employees. This potential labor shortage can undermine any U.S. manufacturing recovery. The National Association of Manufacturers tells us "demographic shifts, poor training and a negative stereotype of manufacturing could leave 10 million jobs empty by 2020" even with 2.2 million job cuts in the sector in the last 2 years.

At the risk of being an apostle of the obvious, the recitation or cataloguing of problems serves little purpose beyond verification that they are recognized. What are needed are solutions. What can, and more importantly, what is being done?

Your association is acting. Your president, Gerald Flannery of **Mercury Gage Company**, recently spent a day in Lansing meeting with various legislators, identifying the issues and impressing upon them their urgency. He also testified before the Senate Commerce Committee on the state of the tool, die and mold industry. Member Bob Easterbrook of **East-Lind Heat Treat Inc.** & the Board of the MTA Workers' Comp Fund, was there as well, continuing his tireless efforts with both the State & Federal politicians to advance the cause of toolers.

These two gentlemen, together with your Managing Director, have also met with members of Congress Candice Miller and Joe Knollenburg, getting the message across. In addition,

I have met with Congressmen Thad McCotter, Vern Ehlers, Peter Hoekstra & Don Manzullo, the latter being from Illinois, and have pressed upon them the critical nature of the situation. Congressman McCotter has introduced legislation to create an Undersecretary of Manufacturing in the Commerce Department.

On May 7<sup>th</sup>, I testified before the State Finance Committee in Lansing and on May 19<sup>th</sup>, together with your President, testified in Saginaw on competitive issues facing our members. In the result, we are attempting, at the State level to, among other moves, create a "Manufacturing Caucus" to assist us in ensuring our message is understood and will be advanced at the Federal level.

We have requested meetings and fully expect to have them with Congressman Knollenburg, who has pledged his support and with Congressman Mike Rogers, who is clearly interested in our cause.

As you know, the Big Three and the Tier Ones are openly advocating their reticence, if not outright refusal, to deal with "small" suppliers. I indicated at the Competitiveness hearings that such a position might be seen by some as being discriminatory. It occurs to me that there may be an opportunity to turn that negative into a positive at the Federal level by approaching the issue in a manner not unlike that taken relative to minority suppliers.

Certainly the idea merits further study, consideration, and fine tuning. I will be discussing it with the Board at MTA, our Legislative Consultant, Judy Augenstein, who incidentally is doing a great job for us in Lansing, and our Federal representatives.

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The seminar referenced in **Rob's Roost** in the May issue of **Tool Talk** - "A Pilot Project for Michigan's Tooling Sector" was well attended. It is too soon to tell just what participation will result. The concept is exciting, interesting, and innovative.

*Remember: If you keep doing the things you have always been doing, you'll keep getting the things you have always been getting.*

### NOTE:

**MTA CALENDAR OF EVENTS – JUNE** has been moved to page 3 for this month.

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## Tee-Hee: MTA Golf Outing Sure to be lots of Fun

Tickets are still available for the Association's 68<sup>th</sup> Annual Golf Outing to be held this month on Thursday, June 26<sup>th</sup> at the Wolverine Golf Club in Macomb. It will be a fun event for golfers and non-golfers both. We are enclosing a copy of the reservation form for your convenience. There will be various contests with stupendous prizes, gifts galore, great food and company; and of course, the game itself.

Speaking of golf - here are some quotations, some famous, some not, some anonymous, some not:

↘ Golf is a game in which you yell 'fore', shoot six and write down five; (Paul Harvey)

↘ I know I'm getting better at golf because I'm hitting fewer spectators; (Gerald Ford)

↘ They say golf is like life, but don't believe them. It's more complicated than that; (Gardner Dickinson)

↘ Is my friend in the bunker or is the bastard on the green?

↘ I play in the low 80's. If it's any hotter than that, I won't play; (Joe E. Louis)

↘ Golf is very much like a love affair, if you don't take it seriously, it's no fun; if you do, it breaks your heart; (Arnold Daly)

↘ Although golf was originally restricted to wealthy Protestants, today it's open to anyone who owns hideous clothing; (Dave Barry)

↘ Give me golf clubs, fresh air and a beautiful partner, and you can keep the clubs and the fresh air; (Jack Benny)

↘ My psychiatrist prescribed a game of golf as an antidote to the feeling of euphoria I experience from time to time;

↘ If you drink, don't drive. Don't even putt;

↘ I've had a good day when I don't fall out of the cart; (Buddy Hackett)

↘ Half of golf is fun; the other half is putting;

↘ If it goes right, it's a slice. If it goes left, it's a hook. If it goes straight, it's a miracle;

↘ I'll always remember the day I broke ninety. I had a few beers in the clubhouse, I got so excited I forgot to play the back nine; (Bruce Lansky)

↘ Golf is a game whose aim is to hit a very small ball into an even smaller hole, with weapons singularly ill-designed for the purpose; (Winston Churchill)

↘ Golf is twenty percent mechanics and technique. The other eighty percent is philosophy, tragedy, romance, melodrama, companionship, camaraderie, cussedness and conversation; (Grantland Rice)

↘ Golf is 90 percent inspiration and 10 percent perspiration; (Johnny Miller)

↘ Golf is an easy game...it's just hard to play;

↘ Golf is a hard game to figure. One day you'll go out and slice it and shank it, hit into all the traps and miss every green. The next day you go out and for no reason at all you really stink;

↘ To some golfers, the greatest handicap is the ability to add correctly;

↘ If you find yourself pleased that you locate more balls in the rough than you actually have lost, your focus is totally wrong and your personality might not be right for golf...it is also just a matter of time before the IRS investigates your business;

↘ Golf - you hit down to make the ball go up; you swing left and the ball goes right; the lowest score wins; and on top of that, the winner buys the drinks;

↘ Golf is like marbles for adults;

↘ Happiness is a long walk with a putter; (Greg Norman) and

↘ Golf is a good walk spoiled. (Mark Twain)



**We look forward to seeing all of you at the golf outing and/or dinner.**

## Welcome New Members!

We would like to take this opportunity to welcome the following new members in the Michigan Tooling Association.



- ❖ **Aphase II, Inc.** of Sterling Heights, specializing in prototype services;
- ❖ **Dearborn Gear & Tool Co. Inc.** of Detroit, specializing in mfg. of metal gears;
- ❖ **Overseas Auto Parts, Inc.** of Livonia, turning and machining specialists; and
- ❖ **Sled Shed Enterprises** of Jackson, specializing in aluminum fabrications.

## Phone Talk - Attention MTA Members!

If you are an Ameritech customer - stop paying high costs for your local service.

LDMI has a special offer for MTA members. Put your local service with LDMI and receive:

\*\*\*\* \$12.25 line charge \*\*\*\*

\$.045 per local call

\$.045 per minute local toll

\$.040 - \$.045 per minute in/out of state long distance

No State tax



For more information and a free cost analysis, contact Kathy at 866-332-1200; or visit LDMI on the web at [www.custom-telecom.com](http://www.custom-telecom.com). We are your source for all your telecommunication needs.

## MTA Calendar of Events - June

*NOTE: All seminars & training programs this month are being held at the MTA Training Center in Farmington Hills unless otherwise noted.*

- 15 Deadline for sending in items for **Tool Talk**
- 18 MTA Board of Directors meets
- 18 **Safety Seminar** - Required MIOSHA Training  
8:00 a.m. - 11:30 a.m.
- 19 MTA Workers' Comp Fund Board of Trustees meets
- 26 **MTA's 68th Annual Golf Outing & Dinner**  
Wolverine Golf Club in Macomb, MI  
10:00 a.m. Shotgun Golf - 5:30 p.m. Dinner

## Members in the News

It is with great pleasure that the **Future Products Tool Corporation**, of Clawson, is pleased to announce the celebration of their 40<sup>th</sup> anniversary this year. **Metal Punch Corporation**, of Cadillac, a division of Future Products, is celebrating its 30<sup>th</sup> anniversary. The companies extend their many thanks to their past and present employees, customers and vendors.

Both companies serve the metal forming industry, manufacturing precision interchangeable die components.

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This June, **R & K Tool**, of Novi, will be relocating to its new 20,000 sq. ft. facility located in Wixom. The company is very proud and grateful to be expanding its business through the hard work of its employees and their dedicated service to the company.

Since 1984, R & K Tool has been manufacturing detail and cutting tools for the automotive industry.

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**Vitullo & Associates, Inc.** (VAI) in Warren has received ISO 9001:2000 certification as of April 1st, 2003. Begun in 1987 as a design firm, VAI now produces high-volume machined parts for the automobile and computer industry, as well as tooling, gages and fixtures for internal use and for sale to manufacturers.

“ISO was absolutely essential in maintaining our existing automotive contracts and in moving towards our eventual goal of providing machined parts as a Tier 1 supplier,” says Robert E. Vitullo, president. “This was an in-house project using a template-based approach. Our consulting firm was only used to support our efforts. Billings from the consultants were held to \$3,000.”

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Our congratulations and best wishes to the above. Let us know what is happening at your company. We would like to share it with all our readers.



You may have noticed a slightly new look to “**Tool Talk**” in the recent issues. That is due to the fact that MTA is now carrying out the printing in-house, at a substantial savings. We are also printing the wage and personnel surveys and the Membership Directories in-house. We are very happy with the results and hope you are too. Ron Manutto is our resident print-meister.

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## From the Desk of Gary Wood

Administrator MTA Workers' Comp Fund



### Seven Things You Can't Say...

So, how do you like 2003 so far? This has already been a year for the history books and it is not over yet!

The mundane world I operate in has even got its moments of drama. I just attended a national seminar on Workers' Compensation and by all reports the industry is in turmoil. The availability of excess insurance is a challenge right now, as is the spiraling cost of drugs and medical treatment in general. The recent cool down in the economy has taken pressure off the "average weekly wage" which is reflected in the payments made to employees that miss work because of their injuries.

The insurance industry has just recently branded Workers' Compensation as the "Property/Casualty Industry's Quiet Crisis." The insurance industry moved from a 1.22% "combined ratio" (losses plus expenses versus premium) to 1.07% in one year with a corresponding 20+% premium growth. The commercial insurers still state there is a problem with seven basic causes. These could probably be roughly equated to George Carlin's "seven things you can't say on television", only in an insurance context.

The seven factors are:

- 1). Poor underwriting results: You are still not making money if you are paying \$1.07 in claims for every \$1.00 in premium.
- 2). Price softening: Even though they are losing money, the pricing will continue to slip as the commercial insurers greedily look for more money coming in the door.
- 3). Weak investment returns: What investment returns? My personal 401(k) has become a 201(k).
- 4). Reserve inadequacy: They know they have claims but do not recognize their full value thus overstating their liquidity.
- 5). Medical costs: They are averaging near 20% increases per year in some areas.
- 6). The economy: Payroll has decreased overall by 20% to 40% in some lines of business. Premium is based on payroll.
- 7). Fear of terrorism: You just cannot find reasonable excess or reinsurance coverage anywhere in the world that will accept this exposure.

What does this mean to insurance buyers? The workers' compensation assigned risk pools throughout the United States have seen increased new applications of 29% (2002 over 2001) according to the National Council on Compensation Insurance.

It is like déjà vu all over again; in 1985, there was \$1.2 billion dollars in premium in the assigned risk pools nationally. The pools are at \$1.2 billion estimated for the 2002 year. In the ensuing years, the pool participation has been as high as \$4.8 billion and as low as \$3 billion. The trend appears to be going back up.

The pool rates are usually higher than the standard market rates. You are either paying more through the standard market or you cannot get it and you have to go into the assigned risk pool. I seem to remember that just about eighteen months ago, there was predatory pricing and everyone was buying the product based on price alone.

So, next time the insurance companies take leave of their senses, I hope you all remember this latest bout with the market place. The insurance industry may have a lot of money to offer cut-rate deals, but they will not have it for long if they continue to ignore the basics of underwriting. They all need to get over the idea that cash flow makes it all better.

### Trustee news

The number of employers reached 487 by April 30, 2003. The year to date comparison for 2002 was 463. The billed premium for 2003 is \$12,076,626 at this writing. If there ever is a normal employment situation, the Fund premium should be about \$17,000,000 based on the current membership and payrolls from more prosperous years.

The Fund welcomed **Ernest Industries, Sled Shed, Schmal Tool, Fraser Fabricating and Westech Corporation** during April.

The new claims count is down for the month of April with 153 newly reported injuries. There were 220 injuries reported in March of 2003 and 169 reported in April 2002. This is an area that concerned us last month and we hope it was just a seasonal anomaly.

### The business climate (my view)

The definition of American Manufacturing continues to metamorphose in response to the onslaught of foreign manufacturers investing in United States brick and mortar as they try to increase their market share. "Automotive News" recently reported that BMW, Toyota, Mitsubishi, Honda, Hyundai, and of course Mercedes were striving to arrange contracts for local supply of parts needed to produce the foreign marques on United States soil.

The editor of "Ward's Automotive" reports that Canada may be left watching as their automotive manufacturing base deteriorates as the result of the "demise in February 2001 of the U.S.-Canada Autopact trade agreement that encouraged investment on Canadian soil." She continues to say that the automotive companies are not afraid of pulling the plug and shipping the work off to places where wages could be

cheaper and the government is offering incentives (tax abatements and actual cash payments to build facilities).

It appears the United States industry behind the automotive industry (i.e. tool shops and other members of the MTA) may have been sold down the river at some point in the past to enable the big three to build cars cheaper at your expense. Now that same thing could be happening in Canada.

Somehow, these two bits of information contradict each other. Foreign companies are striving to build American and American companies are striving to move elsewhere to get the most incentives and the cheapest wages. What is going on with the politics of that situation?

The good news is that MTA has recently taken an active stance to promote the maintenance of a manufacturing base in Michigan. The Fund supports this activity for the continued success of the Fund members in the world (whirled) economy. We strongly recommend that you support the group that is there to support you.

Thank you for your continued participation in the Fund.

## Economic Talk – The Dana Viewpoint

by: *Mike Dana, CEO*  
*Dana Investment Advisors, Inc.*

### China Syndrome



Twenty years ago it looked like Japan was going to bury us economically. They were producing and selling goods cheaper and faster than us. Their market share of autos, televisions, computers and other electronic data were proliferating our markets, and they were buying up America as their stock market approached 40,000. Along the way, however, they forgot about profits, and their banking system was approaching disaster as a result of unmanageable loan policies. Their economy and stock market peaked in 1990, and Japan has been in a recession ever since with very serious deflationary overtones. It is interesting to note that the Dow Jones Industrial Index is today higher than the Nikkei Index.

Now it's China's turn. They are using a two-pronged approach to achieve their goals:

1. They are luring US corporations to China with cheap labor and cheap raw materials. Their steel industry is already as big as ours. American companies have built some of the world's largest manufacturing plants in China. They are now a major factor in the production of computers, televisions and other hi-tech products; and now it appears they are poised to take over a large portion of our auto manufactur-

ing. General Motors now has ten plants in China. We should point out also that Japan and Germany are building manufacturing plants in China.

2. The Chinese government is actually subsidizing private businesses in China. Like Japan in the 70s and 80s, they are in effect buying market share.

How will this play out? Initially China's economy will grow, and our economy on the manufacturing side will be slow. We are witnessing that now. Secondly, we will move more to a service-oriented economy, and one that will focus more on small businesses (hence the need for small business incentives. Research and development areas of the economy will also remain strong (drugs and hi-tech).

We will invent things, and China will produce them cheaper, at least initially. The downside for China is that the work force is getting restless. The Chinese people are aware of our standard of living and will be demanding higher wages and benefits eventually leveling the playing field. The unemployment level in China is estimated to be ten million, and these people are prone to rioting.

Remember, China is very new to this capitalism thing, whereas we have had over two hundred fifty years experience. The biggest problem facing China will be billions of dollars in bank loans currently subsidizing private business. The only way out would be to convince US banks to make loans to Chinese companies - a very bad move by US banks if they decide to speculate with our money. US corporations are speculating also by pouring billions of dollars in plants and equipment in China. What's to prevent China from nationalizing these plants at their whim? They have not been known for playing fair.

What do we do then while waiting for China to implode like Japan? We have mentioned incentives for small businesses plus becoming more of a service-oriented economy. We have one other major ace in the hole - defense spending. By law, most defense spending must be allocated to firms in the US and cannot be subsequently shipped overseas.

We will need to replenish materials used up during the Iraq campaign plus spend money on new technologies now surfacing (notably in the area of lasers). If anything, the war in Iraq has shown the rest of the world and rogue nations in particular, that we will no longer stand idly by and have our security threatened.

Teddy Roosevelt's policy of "walk softly and carry a big stick" will go a long way toward bringing down terrorists and promoting peace worldwide. Defense spending will create jobs which in turn will add to the tax base for Uncle Sam. Couple this with tax cuts and incentives for small businesses, and you have the formula for economic growth. We like the way corporations are cleaning up their balance sheets. The next step is expanding plants and equipment and adding to employment. The economic is turning.

## 2003 Third/Fourth Quarter Business Trends Survey Results

Many thanks to the 116 member companies that took the time to respond to the latest 2003 Business Trends Outlook survey that was sent with last month's issue of **Tool Talk**. The figures in the brackets are the responses from the survey done six months ago.

### 1. Describe your company's operation:

Tools & Dies	10%	(12%)
Special Machinery	9%	(9%)
Precision Machining	25%	(27%)
Molds/Die Cast Dies	3%	(2%)
Metal Stamping/Fabrications	8%	(9%)
Prototypes	6%	(3%)
Cutting Tools	2%	(11%)
Others	26%	(27%)

### 2. How is your business now?

Excellent	3%	(3%)
Very good	7%	(8%)
Good	17%	(29%)
Fair	45%	(41%)
Bad	19%	(17%)
Very bad	9%	(2%)

### 3. Over the next six months, your company's business will:

Increase substantially	3%	(5%)
Increase moderately	46%	(54%)
Remain the same	35%	(30%)
Decrease moderately	12%	(10%)
Decrease substantially	3%	(1%)

### 4. Current average workweek:

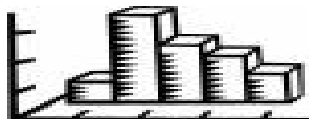
hours per week	43	(44)
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### 5. Current employment:

Hourly:	32	(34)
Salaried:	9	(13)

### 6. Compare to one year ago your current level of business:

	Up	Same	Down
Quoting activity	40% (42%)	30% (31%)	30% (27%)
Shipments	25% (37%)	29% (27%)	46% (36%)
Order backlog	20% (26%)	31% (31%)	49% (43%)
Profits	15% (18%)	28% (32%)	57% (50%)
Employment	19% (18%)	44% (39%)	37% (43%)



## Comments from our Members - "Profitless Prosperity"

Shortened delivery dates for castings are driving costs higher due to overtime. Business is great, but profits are down on a per unit basis due to pricing cuts in 2001 and shorter delivery dates. (tools & dies)

Auto customers are ruthless in their pricing negotiations for tools and rates. (special machinery)

Automotive business - "Profitless Prosperity." (precision machining)

Searching for a "niche" that allows for some reasonable profits and a sound future. (precision machining)

Quoting is up only because customers are trying to find suppliers who will run old existing program parts for less. Five or six years of 5% reductions is not enough. (precision machining)

Quality standards are getting to the point that cost of overhead will go up. (precision machining)

Something has to be done with all the work going overseas due to the rate of labor in those countries (China, Indonesia, etc.). (precision machining)

It's time to dish out some "tough-love" and stop extending credit to customers beyond 90 days. (precision machining)

Business activity shows some signs of improvement, but overall is as bad or worse than the "rust belt" depression of 1981-82. (metal stamping)

Still have employees laid off. (metal stamping/fabrication)

Very difficult times due to the increase in companies filing bankruptcy resulting in unsecured creditors not getting paid. (metal stamping/fabrication)

40% of our business is stable - same as a year ago (most is outside U.S.A.); 60% is up & down with no good reason other than the general trend in the cole carbide industry in the U.S.A. (cutting tools/carbide tooling)

Maybe, just maybe, it's getting better. We sure could be busier, but China sure is gaining ground! (cutting tools)

In my 58 years in the machine tool business I have never seen this many liquidations & bankruptcy sales in a 5 month period as what is currently happening. (cutting tools)

"Price" - Nothing else matters. (cutting tools)

Business is bad - worst in 32 years. (cutting tools)

We are very busy - but no backlog. Everyone wants

accelerated delivery with no premium. Where have all the orders gone? Every week we still hear about another business going under. (cutting tools)

Quoting up due to “market tests”; which only serve to reduce everyone’s profits! (wire forming)

The government needs to step in before all work is sent overseas! (gear mfg.)

If things do not improve, the tooling industry in the Detroit area is in serious trouble. (steel fabrication)

Until jobs stop going out of the country, we don’t see a light at the end of the tunnel. To be globally competitive, something has to be done about spiraling health insurance & utilities costs! (heat treat)

Bumping along the bottom. We need a snap back soon. Costs are cut as far as they can go - hold on. (high speed steel service)

Automotive companies seem to loosen up purse strings sporadically. No rhyme or reason. (caster/wheel mfg)



## 4<sup>th</sup> of July Holiday Survey Results

Our thanks to the 135 companies that took the time to complete our 4<sup>th</sup> of July survey. The average number of days off is 1.03. May we all remember the freedoms we enjoy as we celebrate this day.

		Open	½ Open ½ Closed	Closed Paid	Closed Unpaid
7/3	Thurs	118	2	1	4
7/4	Fri	0	0	133	0
7/5	Sat	6	0	1	122
7/6	Sun	3	0	1	124
7/7	Mon	119	0	1	5
7/8	Tues	120	0	0	3
Entire Week		30	0	1	2



## Legislative Update

by: *Judy Augenstein*  
*Legislative Consultant, Lansing*



The legislature has returned from spring recess to continue work on their legislative agenda. Speaker Rick Johnson (R-LeRoy) has informed members that they need to be prepared to work through the summer months, specifically on budget issues.

Senator Nancy Cassis (R-Nov) , Chair of the Senate Finance Committee requested that the **Michigan Tooling Association** present testimony on the governor’s “tax loop hole closure” legislation at the May 7<sup>th</sup> committee hearing in Lansing. Many of the proposals seem to be significant changes in tax policy that would result in many businesses paying more to the state. On behalf of the MTA, Rob Dumont, Managing Director, and myself attended the hearing.

MTA President Gerry Flannery and I recently met with Rep. Ruth Johnson (R-Holly) to discuss the impact the dumping of foreign parts on America has had on the tool, die and mold industry. The same day we met with Jim Barcia, former U.S. congressman, regarding the dumping issue; we then met with Senator Mark Schauer, member of the Senate Commerce Committee and member of the Special Competitiveness Committee. We later met up with Bob Easterbrook at the Senate Commerce Committee, where Gerry testified before the committee on the state of the tool, die and mold industry.

The MTA testimony followed a presentation from the Michigan Economic Development Corporation (MEDC), which focused on proposed remedies to correct the dumping situation. The MEDC presentation centered around re-education of employees, improving manufacturing methods and technologies, and encouraged learning from the Asians. They did not focus on the real issues of unfair trade practices, misuse of bankruptcy laws, cheap labor, etc. I have worked with the staff of Congressman Mike Rogers to set a meeting with him and the MTA to start a dialog at the national level on behalf of MTA. *(editor's note: see page 1, From Rob's Roost.)*

Governor Jennifer Granholm has signed HB 4010 into law. PA 5 takes effect immediately. The measure allows local governments to grant property tax abatements to plants that synthesize biodiesel fuel-diesel fuel derived from agricultural products or to electric generating plants that use biomass materials as fuel. Biomass products are vegetative and agricultural waste.

The Department of Natural Resources has informed the Senate Natural Resources and Environmental Affairs and the Appropriations Natural Resources Subcommittee that they do not intend to pay summer property taxes to local governments because they do not have the \$1.5 million to cover the 60,000 different bills they will receive. Legislators were stunned and outraged at the DNR decision and continue to hold meetings on this issue.

