



TOOL TALK

A Publication of the Michigan Tooling Association

From Rob's Roost

by: Rob Dumont, Managing Director

NEW DIRECTION MANDATED

Thanks to Wes Smith of **E & E Manufacturing** in Plymouth, a MTA member, for the heads up by e-mail that Congressman Thad McCotter (Mi. 9th) has originated a House Bill "To establish the position of Under Secretary of Commerce for Manufacturing in the Department of Commerce". The loss of manufacturing jobs in the U.S. since the year 2000 has risen to a number in excess of two million, the trade deficit is closing in on or has passed \$500 billion (currently running at \$125 billion with China alone) and, the end is nowhere in sight. Perhaps the McCotter initiative is timely!

Paul Craig Roberts in the March 7, 2003 edition of the *Washington Times* poses the question: Is outsourcing trade? His inquiry goes on: "What is being traded when a U.S. firm or industry relocates its capital and technology in China where it employs Chinese labor to produce goods for the U.S. market?" Very good questions!

Let me pose two more, first: Doesn't "trade" at least imply some level or degree of equality? Surely a deficit of the magnitude identified is not "trade", it is purely importing. Next question: Is profit at any price a legitimate approach when the price is the ruin or destruction of an industry? The apparent corporate culture that dictates that it matters not who or what is destroyed in the process so long as we come out with an extra dollar surely is not one that should or can prevail.

Certain realities flow from that type of approach. Keep exporting domestic jobs and who here will be able to buy your product? Indeed, who "there" will be able to buy your product given the obvious disparity in labor costs and thus income?

Should the emasculation of the industry continue unabated, one might have pause to question the impact that will have on our National Security. Surely no one for a moment sees China as a likely, much less appropriate, source of military hardware for our forces.

Trade laws make "dumping" illegal (selling below the normal value) but at the same time very hard to prove. Note, however, that it is not illegal to purchase "dumped" goods. Thus a loophole in the legislation exists, and, regrettably one that all too many show no hesitancy in using for profit. While there is no legal restraint on the purchase of such products surely there must be some ethical or moral obligation or consideration. Michael J. Lessiter, Editor/Publisher of *Engineered Casting Solutions* asks in the Winter 2003 issue: "Is it really different from buying a stolen ("hot") stereo off the street?"

The Board of the Michigan Tooling Association has mandated that we get actively involved in every effort to address, deal with and move to resolution of these concerns. To that end various discussions are underway and meetings have and will be held with members of Congress and other similarly interested groups including the National Association of Manufacturers and the Tooling and Manufacturing Association in Chicago.

In addition we are currently closing in an alliance/relationship/merger of the Michigan Tooling Association and CAMTI (Coalition for the Advancement of Michigan Tooling Industries) who have in a short time established credibility and a presence on the political scene.

These efforts are aimed at presenting an effective and united front in the approach to the policy makers. You will be kept informed of developments and progress.

Inside This Issue

- Page 2 **Law Talk**
Members in the News
- Page 3 **Phone Talk**
Welcome New Members
- Page 4 **From the Desk of Gary Wood**
- Page 5 **Safety Talk with Safe-T-Rex**
- Page 6 **Workplace Security**
- Page 7 **MTA Agency News**
- Page 8 **The Marketplace / FYI**
Inflation Talk - CPI Figures for February

MTA Calendar of Events - April

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**
- 16 MTA Board of Directors meets
- 16 **Safety Seminar** - Required MIOSHA Training
8:00 am - 11:30 am
- 17 MTA Workers' Comp Fund Board of Trustees meets

Law Talk

By John Neberle, Esq. and Marjorie Gell, Esq.
Raymond & Prokop, P.C.

Doing Business in Canada: A Trap for the Unwary?

As a place to do business, Canada has many advantages for Michigan companies. The country's currency is undervalued, it has a stable economy and it is close by. In addition, because the U.S. has a favorable tax treaty with Canada, U.S. corporations are often able to escape Canadian income tax altogether, so long as they do not have a permanent establishment (for example an office or other place of business) in Canada. With the recent increased scrutiny at the border, however, certain aspects of Canadian tax law are now coming to light, and many Michigan companies selling goods and services into Canada and making the occasional trip into the country, are being caught unaware.

What has come as a surprise to many is the revelation that under the Canada Income Tax Act's broad definition of "doing business," even *one day* spent in Canada on business will subject a U.S. business to an income tax filing requirement in Canada. This is so, even though no tax may actually be owed. What is more, failure to file a return can result in penalties of CN\$25 a day, up to CN\$2,500 a year (with interest compounded daily).

For taxpayers that do business in Canada but owe no tax under the U.S./Canada Tax Treaty, a corporate income return must nonetheless be filed along with a schedule that provides the government with detailed information about the non-resident's activities in Canada.

Another tool that the Canadian government uses to monitor the Canadian activities of a U.S. company is the imposition of a withholding tax on payments made to a U.S. resident. Under Canadian Regulation 105, all payments made to non-residents for services rendered in Canada are subject to 15% withholding tax. A Canadian that does not withhold on a payment to a U.S. entity (absent the existence of a waiver) is subject to a 10 percent penalty and interest that is compounded daily.

While such tax can be refunded to the U.S. entity – assuming it is eligible to take advantage of the U.S./Canadian tax treaty – the U.S. entity must actually file a corporate tax return and report all business profits to get the money back. If it turns out that the U.S. entity was conducting business in Canada in previous years and should have been filing returns, penalties (with accrued interest) of up to CN\$2,500 can be

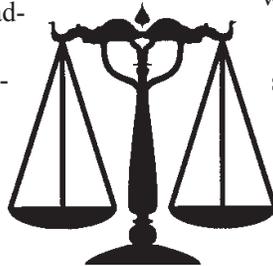
imposed on the U.S. entity. Canada also has in place a Voluntary Disclosure Program for those who have not filed returns in prior years, and it is often possible to get all penalties (but not interest) abated.

In addition, Canada provides a mechanism for obtaining a waiver on the withholding tax. An application must be filed for each contract that the U.S. entity has with a Canadian customer, and other types of documentation must be supplied. In any event, U.S. businesses are advised to speak with their Canadian customers regarding the withholding tax whenever contracts are being negotiated.

Another consideration for a business performing services or selling products in Canada is whether it should register for Canada's Goods and Services Tax ("GST"). The standards for whether a company is carrying on business in Canada are different than for corporate income tax purposes, and can depend on how extensive a company's presence is in the country. In some cases, it is possible to get a ruling from the Canadian Customs and Revenue Agency that the company's activities in Canada do not warrant GST registration.

To ensure that they are in compliance with Canadian law, U.S. companies contemplating cross border work are advised to consult with their tax advisors concerning the possible ramifications of conducting business in Canada.

John Neberle is a partner at Raymond & Prokop, P.C., where he specializes in state and local tax. He is the current chairperson of the State Bar of Michigan's State and Local Tax Committee. Marjorie B. Gell is an associate at the firm, and counsels clients on international, federal, and state and local tax matters. Mr. Neberle and Ms. Gell can be reached at (248) 357-3010.



Members in the News

North Huron Metalcraft, Inc. of Port Austin, a growing production stamping and assembly plant has been ISO 9001:2000 certified as of March 3, 2003.

In 2002, North Huron Metalcraft added to their building and equipment which has met the requirements of ISO 9001:2000. They have obtained this certification to better themselves through required standards. Their goal is to better serve their present customers and to broaden their customer base.

The Quality Policy of North Huron Metalcraft is to continuously strive to satisfy their customers with product quality, customer relations through pricing, delivery and improvements to their product.

Impel Industries Inc., located in Sterling Heights, is proud to announce that they are registered QS9000/ISO9002, with SRI of Wexford, Pennsylvania, as of February 24, 2003. Their scope includes supply of prototype automotive parts, rework of automotive parts and production parts.

C & B Machinery, a Livonia based "Remanufacturer" of production grinding machines, is pleased to announce a new association with Overbeck GmbH of Germany, a manufacturer of "New" CNC internal grinding machinery. Overbeck GmbH is part of the "Danobat Group" of Spain. The Danobat Group formed an earlier association with C & B Machinery in 2002. Danobat is the primary Spanish manufacturer of new machine tools and production systems and one of the largest in Europe.

Under this new arrangement, C & B will become a full sales and service organization for the Overbeck Grinding Machine Products, along with the arrangements already in place with C & B for the Danobat CNC cylindrical and surface grinders and the Estarta CNC centerless grinding machines.

C & B will provide product applications, sales and support for all three product groups in the state of Michigan, Ohio and Indiana, as well as taking complete responsibility for all automotive applications within the continental United States. Furthermore, C & B Machinery is responsible for the Estarta line of centerless grinders for the entire continental United States. C & B's strength and experience within automotive was a significant reason for this new association.

C & B Machinery has dedicated 5,800 sq. ft. of its Livonia, Michigan plant floor space for a new demonstration facility for the Overbeck-Danobat-Estarta product lines. Within this facility, C & B maintains an extensive inventory of standard model CNC grinding machines, under power, as well as replacement spare parts for all machines. C & B will be providing prototype and application test grinding, machine start-up and product training as well.

C & B is a "Preferred Supplier" to Ford Motor Company and DaimlerChrysler (C & B Machinery is the #2 supplier to DaimlerChrysler of grinding machines globally.). C & B is also a "First Tier Supplier" to the balance of the automotive industry, and in fact 98% of C & B's current sales are derived from automotive applications.

Joe Parker, CEO of C & B Machinery looks at the Overbeck-Danobat-Estarta products to broaden C & B's customer base, allowing C & B to sell to smaller support areas of manufacturing. These products will allow C & B to get product to the end user faster and at a lower cost. Mr. Parker also adds that the Overbeck-Danobat-Estarta Group is looking at this association to increase their market share to

the U.S. auto industry. C & B plans to provide growth in all sectors of manufacturing under this association.

Further information can be obtained by calling C & B Machinery at 734-462-0600.

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.

Can We Talk?

Take Advantage of Higher Internet Speeds and Lower Phone Rates in 2003

from: Kathy Schaumburger, Custom Telecom

Custom Telecom is MTA's communication expert offering information on the most competitive, current rates.

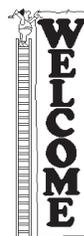
Integrated T-1's with Internet and free local, free local toll and free router: Get internet access with speeds of 320k - 1.2k. For free, get 4-16 local lines with free local calls and toll calls. All this for one flat fee ranging from \$321.00 per month to \$828.00 per month, equipment included, no installation fees.

Local/Long Distance - you should not be paying more than \$12.65 per line, \$.045 per local call, \$0.035 - \$0.049 per minute for toll and intrastate calls. New aggressive offerings are available from LDMI, Qwest, Bulleyes, Mpower, AT&T & WorldCom, and XO Communications.

A representative from Custom Telecom may contact you or for more information and a free cost analysis, please contact Custom Telecom at 866-322-1200; email to Kathy@custom-telecom.com; or visit their website at www.custom-telecom.com.

Welcome New Members!

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



- ❖ **Design Mechanical Incorporated** of Waterford, specialists in engineering design services; and
- ❖ **Interstate Tool and Die Company** of Madison Heights, specializing in prototype automotive and aerospace components.

From the Desk of Gary Wood

Administrator MTA Workers' Comp Fund

April Fool's Redux

Welcome to the "recovery." The Upjohn Institute now reports that Michigan is coming out of the 2001 "recession."

I was surprised by this pronouncement as this is really the first time I have heard any "authority" (other than my buddies) say that there really was a recession. Now (excuse me, Paul Harvey), the rest of the story: it has been a jobless recovery. The recovery, according to the Institute, has been generated through productivity gains, not employment. The Institute goes on to include a projection of an ongoing decrease (although minor in comparative stature) in employment for the 2003 year.

This has been no epiphany to me; the payroll declines reported to the Fund have been in the 15 to 20 % category for at least the last two years. What could be causing the decline in the production and manufacturing of goods in our state?

There certainly seems to be enough cars sold (at least until the attack on Iraq). Since the local economy focuses on the automotive industry, there does not seem to be a rational explanation here. Where are all those jobs that the supplier shops used to have going?

Wait a minute; I just had a flashback! I think it was 1992; I think I just saw Ross Perot's face! I think he just said something about a huge "sucking sound"! I think he was talking about NAFTA!

Those of you that read "**Tool Talk**" regularly might recall my article from April 2002 (if you do, I am sorry and I hope you get some outside interests soon). An excerpt from a year ago:

With the manufacturing base being shipped overseas or in our case, across the bridge, how long can we keep this up? Our standard of living is unparalleled except by some countries in Europe; is that standard threatened by the global economy? You bet!

What are we going to do about it? I like our standard of living and personally like living in a house that I don't have to share with my mother, my brothers and their families; how about you? If manufacturing totally escapes from our shores, what is left?

Considering all these threats to our economic well being, I have developed a self-study course to prepare our children for the upcoming world economy. The name of the course is: "Would you like fries with that order?" I am also close to having my next project for the baby boomer generation ready for market. I have tentatively named that course: "Welcome

to WallyMart, let me help you with that cart."

All "April Fools" aside, I am still very concerned that we have accepted the loss of what we do best - make and sell products, tooling and services to the American consumer.

Yesterday I met with an austere group of experts (my previously mentioned buddies) and we debated just what is an "American Made Product."

When I came to work for the MTA Workers' Compensation Fund, I wanted a "business-like" vehicle so I took over my wife's Taurus and got her another "American" brand, which shall remain nameless. SURPRISE! Her new car was manufactured in Mexico with over 50% foreign parts composition.

Just last week I had the opportunity to look under the hood of a mid-sized Japanese branded vehicle: MORE SURPRISE! This car was manufactured in the Midwest with 98% American parts composition.

Which car is more American? Without question, the American branded car has the corporate profits of the manufacturer flowing back to an American based corporation. Who owns the corporation?

On the other hand, the majority of the parts on the Japanese car were manufactured in the United States by you and your neighbor. Whom did the production process advantage most?

If each car cost \$21,500 (let's assume corporate profit is \$1,500 in both cases), the cost of manufacture is \$20,000 (for purposes of this article only). If over 50% of that manufacturing expense goes to foreign countries roughly less than \$10,000 stays here to keep our economy going. If 98% of that manufacturing expense stays in the Midwest; over \$19,000 is staying here.

The American brands have become global in the purchasing of parts and equipment. They seek out lowest costs in the relentless pursuit of profit. If you own stock in the manufacturer of the vehicle, you will probably have a slightly different point of view but, if you're a working "stiff", what sounds better to you?

The theory of NAFTA was that economic growth needs to affect the entire world economy, not just the United States; by growing the global economy, we will all prosper.

I have heard the average Chinese industrial worker makes under \$1 U.S. an hour. A Grand Cherokee stickers for about \$30,000. If that average Chinese worker saved every dollar and had no other expenses, not even food, he or she would have to work 2,500 twelve-hour days to buy just one car. I doubt that will happen.

NAFTA or not, we need to protect the manufacturing base of this economy. I am not advocating buying an imported

car; I am not advocating one brand over another; I am advocating a serious review of the practice of sending our technology and manufacturing processes to nations that will eventually prosper, but only at the cost of jobs and businesses in Michigan and the rest of the United States.

We cannot survive as a service based economy. The only method of accumulating wealth is to provide value to the system. It is relative; if you are not adding much value to the economy, you are not going to make much. If we lose our manufacturing base it will not be long before the life style we cherish will be a thing of the past.

Contact your representative or senator; they need to know how to keep the economy alive; at least in your house.

News from OSHA:

OSHA announced on March 11, 2003 that they are “cracking down” on companies that repeatedly violate health and safety rules. So, what does this mean to a shop owner? You got a violation last year and let’s say you had another similar one four years ago. You may be considered a “repeat offender.” This new-found status may enable you to enjoy the company of an inspector with more frequency than those of you that have not become repeat offenders.

Moral of the story: one violation does not mean you will not get a follow-up visit.

News from the Fund:

The payroll audits are ongoing at this point. Every member will be audited before May. The Fund welcomes two recent additions:

PMR Industries of Kimball, and
Erdman Machine of Whitehall.

If you have any questions or comments on the operation of the Fund, please contact Gary Wood at 248-488-1172, ext. 1316 or gary@mtaonline.com.

Safety Talk with Safe-T-Rex

*By: Julie Callaway, Chief Operations Officer
BDN Industrial Hygiene Consultants, Inc.*

The Asbestos Dilemma

Asbestos is found in an array of building materials, including walls, ceilings, and piping insulation. Although asbestos use in the United States is declining, there still remains an abundance of buildings where as-

bestos can be released by activities mainly associated with renovations and demolitions. It is estimated that sixty to eighty percent of buildings constructed between the years 1930 and 1970 possess asbestos.

Prior to a renovation or demolition, building owners are **REQUIRED** to assess whether a building contains asbestos. You should complete a thorough review of any pre-existing facility related information, including interviewing occupants and maintenance staff, as well as reviewing plans and documents. A State of Michigan Accredited Building Inspector should visually inspect and assess surfaces, thermal system insulation, and miscellaneous materials that could contain asbestos.

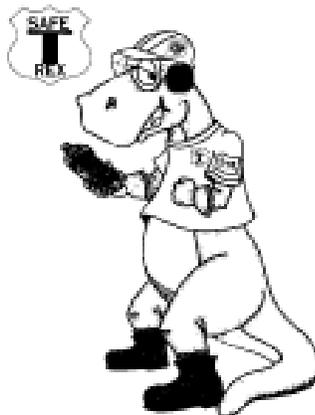
Once materials are identified as containing asbestos, and renovations or demolition projects are scheduled the following should occur:

- ❖ Develop a management plan to include the inspection protocol, sampling results, material assessments, response actions, photo log, maps locating the asbestos materials, and budgetary estimates for proper maintenance and removal;
- ❖ Develop specifications to include a scope of work, timetable requirements, methods of removal to be followed and the bid documents for the corrective action plan; and
- ❖ Project Management to include supervision of pre-construction meetings, review of contractor submittals and approval of requests, coordination of communication between contractors, owners, and regulatory officials, monitoring of asbestos exposure levels, closeout inspection and documentation of asbestos disposal.

Do we need any training????

Employers are **REQUIRED** to ensure that all employees coming in contact with asbestos are properly trained. Courses range from introductory (awareness) levels for custodial and maintenance workers to supervisory levels.

Questions regarding Asbestos issues can be e-mailed to BDN by contacting Julie Calloway at vay@bdnihc.com.



Michigan Safety Conference

The 73rd Annual Michigan Safety Conference is scheduled for April 15 & 16, 2003 in Lansing, Michigan. This conference provides the latest information on important safety and health issues. CEUs are given for attending (CSP, CIH, OHN, RN, LPN and general continuing education through Oakland

University). If you would like more information you can log onto www.michsafetyconference.org or contact the Michigan Safety Conference headquarters at 517-630-8340.

Safety Website

The site is called www.Toolboxtopics.com and it does not require registration. There are a variety of safety topics that can be printed as one-page sheets for training. Examples include things as exotic as "Fish Processing Ergonomics" and as basic as "Give New Co-Workers Support". There are easily over 200 topics. Each one can be printed off and there is a place for attendance at the bottom of each one. Try them out and let me know how they work for your company.

Early Bird Alert

MTA's 68th Annual Golf Outing will be held on Thursday, June 26th at the ever-popular Wolverine Golf Club in Macomb. There will be the annual shotgun golfing event, lunch, prizes, hors d'oeuvres, dinner and more. So mark your tees and your calendars to join us for a really fun time.



Carpe diem - Daylight Savings Time begins at 2:00 a.m. on April 6th. Don't forget to change your clocks so you're not late for work on Monday.

Workplace Security in an Insecure World Environment?

*From: Robert Dayrringer, Health Consultant
Education & Training Div., State of Michigan*

The world will never be the same following September 11, 2001. In response to the events at the World Trade Center, the Pentagon and numerous anthrax scares - government officials are working to protect citizens from acts of terrorism. Many federal and state government agencies are developing guidelines related to bio-chemical terrorism for businesses and the general public.

Terrorism presents a new workplace hazard. Typically we know what hazards of the workplace are, and we know how to protect workers against known risks. However, the hazards of terrorism are not part of the workplace - they are unexpected and they may be unknown. When dealing with the unexpected a cooperative effort is essential.

The Bureau of Safety and Regulation (BSR) has received many requests for information after the September 11th attacks and anthrax scares. In response to those requests the bureau has developed a new brochure, "**Workplace Security Resource Guide**".

MIOSHA is developing information, including this brochure, to help Michigan employers take reasonable and necessary steps to assure the safety of their workers. The role of the MIOSHA program is to provide information and guidance for Michigan employers - we are not creating new workplace standards and requirements. Although terrorism has been recently recognized as a workplace hazard, the methods of risk management remain the same.

Preparing for Emergencies

Workplace emergencies in the past have included: fires, floods, toxic gas releases or chemical spills, explosions, etc. Now that list also must include acts of terrorism.

When an emergency happens, few people can think clearly and logically during the crisis. Thus, it is important to prepared to respond to a emergency before it happens. To assist in the emergency planning process, information should include:

- ❖ Protecting building environments;
- ❖ Developing emergency plans; and
- ❖ Developing bomb threat procedures.

Terrorism and Industrial Chemicals

There is concern about the use of industrial chemicals as terrorist weapons for several reasons. Industrial chemicals

are available in quantity and the large volume offsets their lower toxicity. It is much easier to cause an explosion resulting in a chemical release or spill than to make military agents or obtain biological weapons. Even when chemical or biological weapons are obtained it can be hard to use them effectively.

The Centers for Disease Control and Prevention (CDC) developed the “**Ten Step Hazard Analysis**” to help employers identify threat posed by industrial chemicals and prevent their use as improvised weapons. Depending on a company’s hazard “risk” analysis, there are various recommendations for their workplace.

Terrorism and Biological/Chemical Agents

OSHA convened a bioterrorism task force that included: the National Institute of Occupational Safety and Health (NIOSH), the Centers for Disease Control and Prevention (CDC), and other agencies. Employers, workers and government agencies have joined together to learn what plans and procedures are appropriate to address the new threat of terrorism in the workplace.

We do not know what terrorist events may happen in the future. We do know that there are a variety of materials that are potential biological/chemical terrorist agents, including anthrax, small-pox, ricin toxin and mustard gas.

Most employers and employees face little or no risk of exposure to anthrax and need only minimal precautions, but some may have to deal with potential or known exposures. OSHA, the CDC, the U.S. Postal Service and the FBI have all developed guidelines for businesses and the general public if they encounter suspicious mail and/or packages.

MIOSHA rules are designed to help protect first responders when the release or potential threat of release of biological, chemical or radiological agents has occurred. Any time a firefighter or other first responder approaches a potentially hazardous atmosphere, a plan is required that includes: an assessment of the hazard and exposure potential, respiratory protection and protective clothing needs, entry conditions, exit routes and decontamination.

Website Information

Although the brochure provides some direct information, its main function is to provide a comprehensive list of internet websites where the user can find detailed information. You can link to many of the sites from the MIOSHA website, www.michigan.gov/miosha; the OSAH website, www.osha.gov and the CDC website, www.cdc.gov.

(Editor’s note: Mark Tyler, General Manager of the MTA Insurance Agency, has found that almost all insurance policies do not cover acts of terrorism to the “extent that the federal government is reimbursing the losses” - this generally ends up to close to 100%.)

MTA Agency News

*by: Mark Tyler, General Manager
MTA Insurance Agency*

Don’t Play Games with your Health Insurance - Blue Cross and Blue Care are strictly enforcing their cancellation policy.

Recently, there have been many questions involving Blue Cross Blue Shield of Michigan’s payment and cancellation policies. First and foremost, it is important to remember that the Blues is a pre-paid health plan that requires you to pay for your coverage in advance. Since last year’s audit of the Blues by the Insurance Commissioners office and an outside accounting firm, the Blues are strictly adhering to their formal non-payment cancellation policy outlined below. Administration of this policy is in effect for all local businesses with no exceptions.

The non-payment cancellation process will begin whenever a group is one month delinquent, or did not pay "as billed" and has a balance due from the previous month.

1. A remittance notice will be printed on your monthly statement when you have a past due balance - “just a friendly reminder...”

2. If the payment is not received by the due date, a pending cancellation notice is sent out. It is important to remember - payment due the Blues is the total balance due on the invoice (current charges plus past due, if any). Paying a portion of the bill, or only the past due portion, will not halt the cancellation process.

3. Following the pending cancellation notice, if payment is not received within 10 days you will receive a cancellation notice letter.

4. Following the cancellation notice letter, if payment is not received within five days, your coverage will automatically be cancelled. But remember, it takes 2 days for the bank to post the payment, so it really needs to be received on the 3rd day (do express mail - ask for a.m. delivery).

If you are cancelled for non-payment and wish to apply for reinstatement, you are subject to a minimum 12-month waiting period, the approval of the Blues’ underwriters, and if reinstated, must adhere to the zero-day tolerance grace period.

Also keep in mind that if you wish to cancel your coverage, the Blues request 30 days notice. If you request cancellation with less than 30 days notice, you should not expect a refund. With less than 30-days notice, you will be cancelled as of your paid-to-date.

If you have any questions regarding this, please contact me, Mark Tyler at (248) 489-8505, or your Blue Cross agent.

