MANUFACTURING & TECHNOLOGY NEWS

COVERING INNOVATION, GLOBALIZATION AND INDUSTRIAL COMPETITIVENESS

PUBLISHERS & PRODUCERS, P.O. BOX 36, ANNANDALE, VA 22003
PHONE: 703-750-2664 FAX: 703-750-0064 URL: WWW.MANUFACTURINGNEWS.COM

Friday, March 3, 2006 Volume 13, No. 5

DOD ISSUES GUIDANCE FOR ITEMS CONTAINING FOREIGN-SOURCED SPECIALTY METALS

DOD Refuses Delivery Of Weapons Due To Contractor Violations Of 'Buy American' Laws

The Department of Defense and its large aerospace contractors are wrestling with a major new conundrum surrounding the requirement that only specialty metals made in the United States be used in weapons systems. Late last year, a large defense contractor disclosed to DOD that it was providing it with products containing parts from about a dozen suppliers that were made from foreign-produced specialty metals. Doing so is illegal under the 1941 law known as the "Berry Amendment" which was updated in 1972 to include specialty metals like titanium and super alloys, which can constitute the majority of metals in major aerospace systems.

BY RICHARD McCORMACK

The situation has led to the issuance of a new "interim guidance" from the Defense Contract Management Agency (DMCA) aimed at its 11,000 employees having to deal with a growing number of non-complying parts. That guidance and the apparent unwillingness of DOD to quickly issue waivers for non-complying weapons that have already been produced but not delivered is leading to a situation that is "exponentially becoming a bigger and bigger crisis," says Elaine Guth, assistant vice president for acquisition policy at the Aerospace Industries Association (AIA). "The problem is much more critical right now. There are shipments that are not being shipped because of this."

Officials at DCMA acknowledge a slow-down of deliveries among weapon systems with non-complying parts, "but for those that have complied, there has been no slowdown," says one DCMA executive. "The vast majority, if not all the disclosures by suppliers regarding non-conforming metals have really been in the aerospace area at this point."

In the six working days since the Feb. 17 issuance of its "Interim Instruction: Noncompliance With the Preference For Domestic Specialty Metals Clause," DCMA's field offices have identified about 50 suppliers to large defense prime contractors that are providing non-conforming parts. "At this point, I can't speculate how big" the problem is, said the DCMA official. "We knew the number was growing, so with the issuance of this policy we

(Continued on page 10)

Service Is The Key Ingredient For Success In Manufacturing

Manufacturing companies that do not pay close attention to the potential growth that exists on the service side of their business are "putting their entire business models at risk," says a new study from Deloitte Research's Global Manufacturing Industry Practice. "Confronted by low-cost competitors, the escalating complexity of their global supply chains, and ever-increasing customer demands, manufacturers ignoring the needs of the service business do so at their peril."

In benchmarking the services offered by global manufacturers with combined revenues of $1.5 trillion, Deloitte found that some of the best performing companies are generating 50 percent of their revenue from services. The average revenue generated from services is 26 percent.

But services generate far greater profits for companies — more than 75 percent higher than the rest of the business; and services represent 46

(Continued on page four)

Latest Outsourcing Report: Protectionism Doesn't Work

The offshore outsourcing of highly skilled information technology, software development and research jobs is an "inexorable" trend that will continue to occur at an increasing rate, predicts a report from the Association for Computing Machinery. Countries like India and China have well-defined strategies to take advantage of these trends, but the developing countries from where jobs are being displaced need to implement their own strategies to maintain their advantage.

"One thing that is clear is that the globalization of software is here to stay, so that policymakers, educators and employers all need to address the realities of offshoring," says the study entitled "Globalization and Offshoring of Software." "This includes, for example, how to help people whose jobs are shipped to another country to get assistance with their careers, how to create innovative environments that help to create new jobs, and how to revamp educational systems for the realities of a globalized world."

The study found that offshoring helps both developed and developing countries. Despite the shift of work offshore, "career opportunities in IT will remain strong in countries where they have been strong in the past even as they grow in countries that are targets of offshoring," say the report. "The future, however, is one in which the individual will be situated in a more global competition."

ACM's "Job Migration Task Force" decided to take a global perspective on the topic instead of a U.S.-centric one. It wanted to provide its 83,000 members with career guidance for a changed world. It found that there is little data on outsourcing from government agencies. It also found divergence in economic theories regarding the subject, with long-held beliefs concerning competitive advantage of nations and free trade coming under increased scrutiny. And while the number of IT jobs in the United States have recovered to their pre-2001 levels, there are challenges that must be addressed regarding education, innovation and invention.

"When businesses offshore work, they increase not only their own business-related risks...they also increase risks to national security and individuals' privacy," says the study. "Businesses have a clear incentive to manage these new risks to suit their own interests, but nations and individuals often have little awareness of the exposures created."

The report says protectionism isn't the answer and that it has historically failed when it has been tried. ACM cites Sweden as an example of industrial policies that have gone awry. "In the 1970s considerable industrial support was given to the steel, clothing and marine industries when they faced large-scale failures, but the measures turned out to be futile," says the report. Sweden has now embraced policy principles based upon free trade, which are focused on a robust innovation strategy for research and technology development.

"The United States has had a number of protectionist actions suggested, but most of these efforts have not been enacted into law, and today there are calls for policies to enhance its competitiveness rather than to protect its jobs by legal and economic barriers. China is the most protectionist of the countries studied here."

The report, which includes an exhaustive bibliography on the subject, is located at http://www.acm.org/globalizationreport/.

Most Jobs Are Found On Internet

The Internet has become the primary source for large companies hiring new employees, according to a survey conducted by Booz Allen Hamilton for the DirectEmployers Association. The Internet produced 51 percent of all new hires last year, with the largest source of hires coming from employers' own corporate Web sites. Newspaper classified ads were the source of only 5 percent of new hires, says the study.

The individual percentages of new hires for each Internet source are corporate employment Web sites (21 percent); general job boards (15 percent); niche job boards (6 percent); social network Web sites (5 percent); and commercial resume databases (4 percent).

Employers said they receive the highest quality candidates and the highest return on their investment from their own corporate Web sites and from employee referrals. General job boards captured 27 percent of recruiting advertising budgets last year, but employers in the survey said such boards generated only 15 percent of new hires.

"The Internet has transformed the way American employers attract and hire employees," says Rich Cober of Booz Allen Hamilton. A copy of the "2006 DirectEmployers Association Recruiting Trends" report is available at www.jobcentral.com.

America's New Growth Engine

The U.S. restaurant industry has become "the cornerstone of the nation's economy and a leader in job creation," says Steven Anders, president of the National Restaurant Association. The industry employs 12.5 million Americas (compared to 14.2 million in the manufacturing sector), and added 31,000 jobs in January alone. The industry has added workers for 34 of the past 35 months, with the only month of job losses occurring last August, which was due to Hurricane Katrina. Over the past three years, the restaurant industry has added 710,000 jobs, or 16 percent of the net new jobs created in the U.S. economy. "The restaurant industry has been an engine of growth for the economy, even when other industries experienced job losses," says Anders. "The restaurant industry is stronger than ever and will continue to provide rewarding career and employment opportunities for millions of Americans."

THE RUST BELT IS GETTING RUSTIER

Industrial Cities Rank At Bottom Of Job Index

Cities located in the heartland of the country are in bad shape with regards to jobs and wages compared to those located in Florida and California, according to the Milken Institute's annual index of the country's most economically vibrant cities. "A remarkable finding of this year's index is that six of the top 10 best performing cities are located in Florida," says the study, which is subtitled "Where America's Jobs Are Created and Sustained."

Six cities in California and two in Arizona made it into the top 20 of the country's most vibrant cities. The Northeast landed two metros (Washington, D.C. and Camden, N.J.) in the top 20. Not a single city from the Midwest made it into the top 20. Only one (Madison, Wisc.) made it into the top 50.

"The next Midwestern metro doesn't emerge until No. 72 on the list, and just six count among the top 100," says the Milken study. "Weakness in manufacturing caused by the recent recession and loss of competitiveness with foreign firms (particularly in China), had devastating consequences for the economies of Middle America. Midwestern metros — five from Michigan and four from Ohio — occupy nine of the bottom 10 spots on the index." Flint, Mich., comes in last place.

The index measures places where jobs are being created and maintained, wages are increasing, economies are growing and businesses are thriving. Florida's economy is booming due to an influx of retirees and residents. A growing population is fueling the homebuilding, construction, retail and health care industries. Tourism is also growing. There is also a great deal of economic activity associated with rebuilding after the hurricanes. Florida has "minimal heavy manufacturing to slow it down," says the Milken study.

"The broadly defined service sector — a sector in which the United States demonstrates high productivity — was a consistent factor among metros that rank high on the 2005 index," says the institute. "In particular, business and professional services have been a key source of strength for many metropolitan areas."

The index is "outcomes-based," with employment growth being the measure with the greatest weight in the ranking. "As in last year's index, none of the country's top 20 research universities are located in the 2005 top 20 best performing cities," the Milken study notes. "To sustain growth, however, these cities must move up the tech-based research-and-development value chain. Current best performing cities may be unable to sustain their standings over the long run without a solid university R&D base and strong commercialization links with the private sector."

The best performing large city on the Milken list was Washington, D.C., due to the massive influx of federal tax dollars into information and communications technology firms. "High tech activity in the [Washington] area is nearly 70 percent greater than that for the nation overall," says the study. "Excluding the government, computer systems design and related services constitute the largest employment sector in the Washington metro area."

The ranking of the 200 cities can be found at http://www.milken institute.org

2005 Best Performing Cities — Out Of 200 Largest Metros

1. Palm Bay-Melbourne-Titusville, Fla.
2. Cape Coral-Fort Myers, Fla.
3. Naples-Marco Island, Fla.
4. McAllen-Edinburg-Mission, Texas
5. Deltona-Daytona Beach-Ormond Beach, Fla.
6. Orlando-Kissimmee, Fla.
7. Washington-Arlington-Alexandria, D.C.-Va.
8. Fayetteville-Springdale-Rogers, Ark.-Mo.
9. Fort Lauderdale-Pompano Beach, Fla.
10. Riverside-San Bernardino-Ontario, Calif.
11. Las Vegas-Paradise, Nev.
12. Port St. Lucie-Fort Pierce, Fla.
13. Ocala, Fla.
14. Tucson, Ariz.
15. Phoenix-Mesa-Scottsdale, Ariz.
16. Santa Barbara-Santa Maria, Calif.
17. Santa Ana-Anaheim-Irvine, Calif.
18. Bremerton-Silverdale, Wash.
19. Camden, N.J.
20. Clarksville, Tenn.-Ky.

2005 Worst Performing Cities — Out Of 200 Largest Metros

181. Rochester, N.Y.
182. Gary, Ind.
183. Chicago-Naperville-Joliet, Ill.
184. Davenport-Moline-Rock Island, Iowa - Ill.
185. San Jose-Sunnyvale-Santa Clara ,Calif.
186. Mobile, Ala.
187. Dayton, Ohio
188. Spartanburg ,S.C.
189. Wichita, Kan.
190. Rockford, Ill.
191. Hickory-Lenoir-Morganton, N.C
192. Detroit-Livonia-Dearborn, Mich.
193. Grand Rapids Wyoming, Mich.
194. Cleveland-Elyria-Mentor, Ohio
195. Warren-Farmington Hills-Troy, Mich.
196. Toledo, Ohio
197. Lansing-East Lansing, Mich.
198. Canton-Massillon, Ohio
199. Youngstown-Warren-Boardman, Ohio-Penn.
200. Flint, Mich.

Manufacturing Services...

(From page one)

percent of all profits being generated by the large companies.

"In fact, in many manufacturing companies there would be little or no profitability without the service business," says the Deloitte study. "In addition, the average annual growth rate of the service businesses benchmarked is about 10 percent higher than for the business units overall. The fastest-growing service parts operations — the top 25 percent — are growing at more than twice the rate of the average business unit."

Yet most companies view services as an afterthought, believing that if they do their main business well everything else will flow naturally, says study author Peter Koudal. But that's not the case. "You have to make services as part of your strategy for the overall business," he says. "You can't assume it's going to happen by itself. It's amazing how important it is and how little attention it gets."

The services side of a manufacturing operation should be "second nature to any discussion about corporate strategy, profitability and national competitiveness," Koudal argues. "It's a matter of looking at what creates value in society."

For most — if not all — manufacturing companies, it is service offerings that create value for their customers, thereby keeping them competitive. "It's not necessarily having the cheapest part, but having the best service solution for customers," Koudal notes.

When Deloitte analyzed manufacturers' overall profitability recently, it found that more than 50 percent of companies are not generating enough profit to meet their cost of capital. Enhanced services could make these firms profitable.

The "untapped potential for growing profits through the service business is immense," says the study. Yet more than two-thirds of the companies benchmarked are growing their services businesses either at the same rate or slower than the rest of their enterprise. "In essence, they are managing a high growth potential 'star' business as a slow-growth 'cash cow,' " says the report. "The median company benchmarked secures only 40 percent of the after-sales service market and 75 percent of the after-sales spare parts market in servicing its own installed base of products (the 'captive market'). For many companies, such as automotive original equipment manufacturers, these shares are often much lower. In addition, only a few OEMs have made significant inroads in servicing 'non-captive' customers — a market that is typically two to 10 times larger than the captive market."

Most companies have not designed their services business into their corporate culture. But some have. Siemens AG Medical Solutions built its service business around customers' requirements "in order to drive customer satisfaction, loyalty and business performance," says Deloitte.

Other companies have such a vast base of customers scattered throughout the world that they can't put in place a system to provide spare parts or services. But some have. Caterpillar's ability to deliver spare parts anywhere in the world within 24 hours 99.7 percent of the time shows that "persistent investment in, and focus on, improving the service and logistics operations can drive outstanding customer service, resulting in enhanced customer loyalty and a foundation for profitable growth," says Deloitte.

Most companies are not able to deliver service to individual customers, due to the complexity of such an operation. But some do. "Ensuring service excellence is a core business model for many companies such as Hyundai Motor Co. and Kia Motors Corp., where service guarantees such as extended warranties are an essential part of the value provided to the customer."

It is possible for companies to leapfrog their competition by making the right investments in processes and technologies, as well as by entering into strategic alliances across their service supply chain from suppliers to customers. These collaborative processes are well documented, proven and ready for implementation, says Deloitte. "Our analysis indicates a strong relationship between the level of implementation of process — such as collaborative planning, forecasting and replenishment with customers — with the benefits achieved from implementation," says the benchmarking study.

Companies must implement information technology systems that can design, plan, manage and execute the services and parts businesses. Such systems "are no longer the weak links on the road to service excellence that they were five, 10 or 20 years ago," says the study. "While adoption rates are still abysmally low in many areas, our analysis points toward a strong correlation between information systems implementation and benefits achieved."

Companies that effectively implement a service strategy can also add recurring revenue and earnings to their ledgers. Signing a multi-year service contract for uptime — as opposed to simply providing parts and spares — can generate long-term revenue. Products designed with RFID, remote monitoring and Internet hook-ups can be maintained in a way that makes a service contract profitable.

"If you do it well, you understand the customer very, very well," says Koudal. If executed poorly, with penalties associated with downtime, services can cost a company dearly. Moreover, companies that don't service their products well tend to lose repeat customers.

Given that services are generating profits and growth levels that far exceed those of the main business, "it is now a matter of effectively embracing the service revolution or risking being left behind," the report concludes.

Adds Koudal: "For every company out there, there are a lot of things every day in the press about what they should do to improve, but here is one that is a really large growth and profit opportunity for companies yet it's being overlooked from a strategic, operational and transactional aspect. It's very difficult to copy if you do this well. That is the kind of business you want to be in, a business that is difficult to copy rather than being in one that is easy to copy."

For information about the study, "The Services Revolution in Global Manufacturing Industries," send an e-mail to Koudal at pkoudal@dc.com.

Strange Confirmation Hearing For New Man In Charge Of Technology Administration

Robert Cresanti appeared to be a shoo-in as under secretary of Commerce for Technology after being subjected to a scant seven minutes of questioning at his February 7 confirmation hearing before the Senate Committee on Commerce, Science and Transportation.

Senators spent only two minutes and 48 seconds with the nominee, currently the Business Software Alliance's vice president of Public Policy, in discussion of the drastic funding and staffing reductions slated in the president's 2007 budget for the bureau he will head, the Technology Administration.

That portion of the questioning appears in full here:

Co-Chairman Daniel Inouye (D-Hawaii): Mr. Cresanti, I know that the funding for the under secretary of Technology, for FY2006, was about $6 million, $5.9 [million] to be exact. And I notice that the budget request for FY2007, the next fiscal year, is $1.5 million. Why this vast reduction?

Cresanti: Senator, I saw the numbers yesterday, as I think you probably did as well, that the budget has been reduced. I have been told that the administration is having to make difficult decisions with where dollars are allocated, and that it was in their best judgment that there needed to be a reduction in the amount of funding at the headquarters office — at the policy shop — at the Technology Administration.

I understand these will be difficult cuts, both on the personnel that are there as well as on our ability to do all of the things that we would like to do. So I see that budget and I know that it's going to be a very difficult challenge for me to do all of the things that we are mandated by statute to do under that funding.

Sen. Inouye: I asked that question because just a week ago the president made a statement citing the importance of competitiveness and technology and "we must have investment." So, obviously, we are surprised to see this terrible cut. You're not wiping out the office, are you?

Cresanti: No, I surely hope not. It [the Office of Technology Policy] is one of the three areas that are essential, I think, under the Technology Administration, and the Office of [Technology] Policy will be able to continue to function and meet its legislative mandates.

Chairman Ted Stevens (R-Alaska): Senator, I'm informed $136 billion in the budget has been moved over to the Competitiveness Initiative which will be centered in this Commerce area that Mr. Cresanti will head.

Sen. Inouye: Makes me feel better.

Cresanti: Yes, I think, Senators, that one of the key initiatives that's being launched is a 24 percent increase in basic research and science funding within NIST [the National Institute of Standards and Technology] to some of the priorities that the administration sees there.

Sen. Inouye: After the glowing introduction by Sen. [Bob] Bennett [R-Utah], you got my vote.

Cresanti: Thank you, sir.

Aeronautics R&D Budget Gets Whacked

A Bush administration plan to cut funding for aeronautics research at NASA by 20.6 percent — from $912.3 million this year to $724.4 million in fiscal year 2007 — and to leave it hovering at around that level through 2011 has prompted expressions of concern from lawmakers of both parties and from industry as well.

"Why was aeronautics not included in the president's competitiveness initiative?" Rep. Ken Calvert (R-Calif.), chairman of the House Science Subcommittee on Space and Aeronautics, asked Presidential Science Adviser John Marburger during a hearing on February 15. Discussing global competition, Calvert referred to the aeronautics industry as "one of the bright spots we have left."

In the context of the proposed cut, a recent restructuring of NASA's aeronautics activities "makes a virtue of a shrinking budget by stressing its commitment to 'fundamental aeronautics research' at the expense of any meaningful NASA role in supporting more advanced R&D," Rep. Mark Udall (D-Colo.), the subcommittee's ranking minority member, told NASA Administrator Michael Griffin at a hearing the following day.

Voicing similar reservations was John Douglass, head of the Aerospace Industries Association. "We are very concerned that the budget would continue a debilitating decline in aeronautics research investment," he said after the budget was released in February. "We must ensure that all the critical long-term research that underpins U.S. competitiveness in an increasingly global marketplace [is] adequately funded."

Administration officials appear to be holding their ground. In answer to Calvert's question, Marburger said the White House's American Competitiveness Initiative "does accurately identify [the administration's] priorities," which seemed to indicate that NASA aeronautics is not among them. Similarly NASA's Griffin said at a February 6 budget briefing that activities other than aeronautics R&D represent "16/17 of what we do."

The budget reiterates the White House's desire to keep funding for NASA aeronautics in the low $700-million range in 2007 and beyond even though, for the current year, Congress ended up appropriating $60 million more than the $852.3 million the administration had requested.

Meanwhile, a proposed reduction in the Federal Aviation Administration's budget from $14.3 billion to $13.7 billion represents a "poorly timed retreat from the nation's responsibilities to aviation at a time when more people than ever are returning to the skies," says the National Air Transportation Association. The budget proposes a steep cut in spending on aviation facilities, equipment, infrastructure and R&D.

AMERICAN TRAGEDY: THE VOICE OF THE VOICELESS

"Delphi CEO Sees Major Downsizing in Bankruptcy"
"GM to Slice 30,000 Jobs, Shut or Cut 12 Plants"

So often invisible behind statistics are the individuals they represent, depersonalized by policy prescriptions are the human beings they affect. Particularly in Washington, where the air is rarefied and the access limited, feelings and opinions of "ordinary" folks — the governed — diffuse into murky abstractions. But now the "E-Hearing," pioneered only last year, is giving those on Main Street an opportunity to make themselves heard. And are they ever seizing it!

Noting that no committee of Congress had called a hearing on the upheaval in the U.S. automobile industry heralded by Delphi's bankruptcy and GM's downsizing announcements late last year, House Democrats last December invited the companies' employees and retirees to send "testimony of 500 words or less" by e-mail. "Witnesses should discuss how the announced changes at GM and Delphi could affect their lives," the invitation said.

In the 26 days ending December 31, when the hearing closed, 1,239 responses reached its organizer, the Democratic staff of the House Committee on Education and the Workforce. A huge variety of moods and perspectives were represented, many articulated with skill, almost all with passion.

The Education Committee's ranking minority member, Rep. George Miller (D-Calif.), and the 16 other House Democrats who sponsored the E-Hearing plan to report to Congress on it soon. In the meantime, Internet users can read 698 of the autoworkers' responses, plus statements by government, union and company officials and by industry experts, at edworkforce.house.gov/democrats/autocrisis.html.

And, for a sampling of compelling excerpts, readers can look below.

— KEN JACOBSON

I have been employed by General Motors for 25 years. During this time General Motors has asked its employees for many sacrifices. We have been asked to work up to sixteen hours a day seven days a week for months on end, during holidays, weekends and vacations. We have been asked to go along with their productivity gains, where we are doing six to ten times more work than we did when I started. We have been asked to give up life with our families so that General Motors could gain market share. We have stood back as our hard-working members have been called "lazy autoworkers" as they hobble from pain into the plant that has almost crippled them from the heavy physical work. We have watched as thousands of our jobs were sent to other countries, as we had to follow our jobs all over the nation. Our pensions are something that we have planned on and earned, and has kept us reaching for our goal of retirement as we push ahead every day. Please help us keep a part of our hard-earned American dream.

— Pamela Barger, Albion, Indiana

I'm an electrician at Delphi. Many of my co-workers are very bitter towards Delphi, but the company is just doing what corporations do: trying to make a profit. If they can't make a profit, they can't pay us.

The mess we are in now is obviously a result of poor foreign-trade policy. I wonder how anyone could not see that. The so-called free-trade agreements can never be fair to workers in the U.S., except where the countries we trade with have similar wages, standard of living and social values.

Why does our Government expect us to compete directly with countries like China, India and Mexico, where the wages are ridiculously low by our standards? Also, they do not have the workplace-safety standards and environmental regulations that add costs to our products. The biggest difference is that they are not "free" counties in the same sense that we are. We cannot compete with countries where basic human rights are ignored or class systems prevent poor workers from getting a chance at good jobs. The workers there will see a small gain as a result of our trade policies, while their rulers and oppressors reap immense profits.

I believe our government has made a serious mistake in allowing so much of our industry to go away so fast. The only possible "gain" is a short-term reduction in the cost of consumer goods. Changes in totalitarian or patronage-style governments are not going to happen as fast as our jobs disappear.

— Nathan Shawl, Bay City, Michigan

I worked for GM for 30 years. I believe, in a small way, I helped make this country the great nation that it is today. My regret is that our government is destroying our country, our state and our community by needless spending and catering to the world. Where are my two sons going to find jobs like the one I had when they come home from the military? They have both fought to keep this country safe from terrorism and help freedom flourish throughout the world, while the government has sold us out. WHY? Please help me understand so I can explain this to them as they fight to keep all America safe. Stop! Think! Listen! to the American people crying out!

— Dwight Payne, Canton, Georgia

I worked for General Motors for 32 years as an assembler. I am now retired. I have been told for years that free trade is good for the country. But what I have seen is, free trade is good for the rich and corporations of the country. There has been a steady decline in the

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Voiceless...

(Continued from page six)

jobs that pay a salary that is capable of supporting a family in a decent manner. In my view, this country is on a downhill slide until the citizens of this country decide that we are all in the same boat together (politicians, rich and poor alike) and, when one end of the boat sinks, the other is going to go with it.

— J.R. Salmon, Foristell, Missouri

I am a 58-year-old single woman with incurable cancer and I am an autoworker. Every day, I go to work and it is a real challenge. However, I follow the Lance Armstrong way of life and want to remain responsible for myself and not have to rely on the government to pick up the bills I will create if I don't have a good wage and good benefits...

My supervisors love for me to come to work. They say I inspire others and they use me to say "if she can do it, so can you." I work so very, very hard that when I get home it is often hard to get up the stairs with my lunch box. But the feeling of pride, hope and the idea that I can live my life as independently as possible and help others to do the same is worth everything.

So many people would be on medical assistance if they were not cheered on and shown that they CAN do it. But we can only do it with a good job, good benefits and the knowledge that there is hope that we can live the rest of our life in our own homes. That the world is not collapsing around us. Why would a company cut the benefits that we NEED to live whether healthy or not healthy?...

What will we do when millions have no buying power? Will they live on the streets, resort to steeling to feed their children? I honestly heard someone say they would just rob a bank...It will become one big ASTRODOME that reaches from West to East, from North to South. Please, let's get back to taking care of ourselves, and saving America.

— Linda Freeman, Kansas City, Missouri

What is happening to GM is a travesty and the Congress and Senate and the president are all responsible. How dare you take our jobs away just to make other countries richer. How will we buy food or houses or cars if we do not have good paying jobs? America will become a country of service jobs with nowhere to go but down. And you in Congress have done it. You will never have your pension taken away, so what do you really care what happens to the rest of the nation? It will become a country of the very rich and the very poor, with nothing in between. Just like the poor response to Katrina and Rita, your response to this crisis has been slow and cumbersome. The shame this nation feels is all on your shoulders, and still you do nothing. It is all politics with you and that is it. No caring what happens to the middleman, no caring what happens to the low-paid people in this country. Just politics as usual.

The auto industry is going the way of the steel industry: All our businesses are being bought out by other countries and then destroyed, and you are letting it happen. IT MUST MAKE YOU REALLY PROUD TO DO THAT TO YOUR OWN COUNTRY. BUT, STILL YOU GET TO KEEP YOUR PENSION AND HEALTH INSURANCE, NOW ISN'T THAT DANDY. It might not happen in my lifetime because I am a senior citizen depending on my pension, but there will be a revolt and it won't be pretty. But it will be deserved. So go ahead and prove me wrong and make something good happen for once, instead of playing politics.

— Ray Watts, Glen Burnie, Maryland

I, like almost 250 other of my fellow employees, have been working at Delphi Packard in Brookhaven since the plant opened in early 1977. We now have nearly 500 employees working here with various tiers of competitive wages. We have enjoyed the benefit of great union and plant management. We have done everything our company has asked us to do. As I understand, our plant is a very profitable and competitive plant. All that I ask is that we be given an opportunity to be treated fairly.

I am well aware of the global market that is spoken of

(Continued on next page)

QUOTABLE: How The White House Views Loss Of Mfg. Jobs

"Trade liberalization remains a controversial subject because competition invariably raises both anxieties and opportunities. Reducing obstacles to trade can help economies grow more rapidly and efficiently in the long run and create better, higher-paying jobs, while global competition can lead to hardships for others in the short run

"The gains from trade liberalization are more widely dispersed than the losses and often not readily apparent. These gains are evident in lower consumer prices and the greater variety of products available to consumers.

"International commerce helps countries focus resources on strengths and forces firms to innovate and to set prices more competitively. Firms exposed to global competition are exposed to the world's best practices in areas such as supply management, production processes, technology and finance.

"A number of U.S. industries have been compelled to adjust and innovate as a result of foreign competition via trade and FDI in the United States. For instance, by the late 1970s, many Japanese carmakers were outperforming U.S. companies in overall assembly productivity and U.S. imports of Japanese cars were rising sharply. America's leading automakers initially focused their response on trade protection. But competitive pressures from Japanese firms continued, in particularly through foreign investment in the United States in the 1980s. This foreign investment established and expanded 'transplant' production facilities in the United States that soon achieved productivity levels on par with Japanese plants. These transplants proved to be a major spur to stepped-up innovation and performance among American firms."

(Source: "2006 Economic Report of The President," released Feb. 13, and located at: http://www.whitehouse.gov/cea/erp06.pdf.)

Voiceless...

(Continued from page seven)

by those who are now running Delphi....I admit that there probably is some fat in the benefits that we receive. I would be willing to take a two- to five-dollar an hour wage cut, or take that money and put it toward paying on our benefits. It would be very difficult to go from $28 an hour down to $9.50 in anyone's book. There are many things in my community and surrounding areas that, if 250 people took that amount of wage cut, would be affected. All that I ask is that someone please get with Mr. Miller [Steve Miller, CEO of Delphi] and help him know we all want this to work. If those folks with the knowledge and expertise would be allowed to work out a fair and reasonable agreement for both sides, this company will be again a very profitable company.

— Milton West, Brookhaven, Mississippi

I remember back when we were producing more than we could get out the door. We were at over 100 percent capacity. The company told us we were going to open a plant in Mexico because we had no more room and it would help the poor Mexican people. They told us it would only help us too: Because of the lower wages paid there, it would make us look better. Wow...what a deal. It would help our bottom line and it would also help the poor Mexican people earn a living wage.

Not too long after that, it was Mexico we were told we had to compete with! We were told the Mexican government was being paid $1 an hour for each worker and the worker was making less than that (whatever the Mexican government was giving them out of that dollar).

I remember when they took our profits and tacked them onto the books for the new Saturn plant in Springhill, Tenn. You see, they wanted to make Saturn go. We looked bad and Saturn looked good. We were even making less because we were paying for all of our own research and development costs. Many new patents came from our plant. Lots of new technology.

I also remember when our plants started emptying out. You see, we are now considered the rust belt of the nation. We make the jobs work with old and rusty machines while all the new technology and machines are sent overseas. We had large empty areas. How can you even pay for the building upkeep with large empty areas no longer producing?

We went from being Guide Lamp, to Fisher Guide, to Inland Fisher Guide, and then to Delphi. All the while we were being stripped of our profits. Then we were sold twice. All the while GM is dictating the selling price of our parts. Dictating a price at a loss to us. You see, GM didn't want us anymore but they still wanted to control us. What better way than to always be at their mercy because they had to "subsidize" us to make up for the loss?

— Theresa Barber, Anderson, Indiana

As a retired GM worker of 32 years, I am very shocked and frightened by what the auto industry is trying to do to the loyal workers that actually made the industry what it is today.

I started working in Flint, Mich., in 1955, transferring to St. Louis in 1958. I gave GM the best years of my life, believing they would keep their word when they promised us pensions and health benefits that we actually paid for in our wage-benefit package. I am now 70 years old and have major health problems, some lung problems caused by the asbestos I worked in for years there. I have had a heart attack and now I am being checked regularly for prostate cancer; my wife has major health problems also.

I gave GM the best I could give and now they want to throw me (and others) away like trash, because if my pension and health benefits are taken away, we won't be able to make ends meet (like high heating bills) much less pay for health care.

I hope and pray the government officials that we elected and trusted with our lives will now stand up for the working people. Without their help there is no possibility that GM and the car industry as a whole will survive in this country.

— Harvey Lee Smith, St. James, Missouri

I've had several different responsibilities in the 29 years I've served GM, some better than others. But always in our minds and hearts were the hopes and dreams of our families that retirement was coming. For a while we even envisioned our children getting jobs with GM but as industries changed and work got sent abroad to lower-cost countries, those dreams faded. So we looked towards our retirement and steered our children towards other employment. Now, as the light at the end of the road nears, it appears that the light is not retirement but a laser beam wielded by corporate executives that seek to sever from us our retirement, the very ones who worked the hardest and longest to make GM what it once was: an economic giant for America.

How will it effect us? you ask. How would a tsunami or Katrina straight through America effect us — as a nation? The results would be devastating, the damage irreparable, the loss immeasurable. However, there is hope. Unlike a tsunami or hurricane you have the ability to stop the massacre. This impending storm must be looked at as if it were your own retirement — your own American Dream. Because the outcome will ultimately affect you and millions of Americans who don't even know there is a storm headed their way.

I always thought the American way was to help ourselves and others to live a better life. Make this world a better place to live. Yet it seems the emphasis is on the rich becoming richer at the expense of anyone and everyone. Not only in poorer countries but now even Americans, our own flesh and blood, are in the sights of corporate greed. I remember President John F. Kennedy saying, "Ask not what your country can do for you, but what you can do for your country." I think he knew that if we all did that, we'd all be all right. Corporate greed shows no allegiance to America, only to the land of the lowest bidder. Please consider this problem in this light: Ask not what you can do for Corporate Greed but what you can do for the people of this country.

— Robert R. Eaker, Brownsburg, Indiana

Bush Administration Priorities Are Not On Tech Development Or Manufacturing Improvement

The survival of the Manufacturing Extension Partnership (MEP) and the Advanced Technology Program (ATP) appears to be in the hands of Congress once again. The Bush administration's proposed fiscal year 2007 budget zeroes out funding for ATP and cuts funds for MEP by 55.7 percent, from $104.6 million in the current fiscal year to $46.3 million for the next. The two programs are rare in government in that they are cost-shared with the private sector and the states. Federal funds account for only a portion of their overall operational costs.

BY KEN JACOBSON

The White House budget request, which went up to Capitol Hill on February 6, calls for an 18.6 percent increasing in funding for research in the laboratories of the National Institute of Standards and Technology (NIST), which also manages MEP and ATP. The 2007 figure has been set at $459.4 million for the labs, up from $387.5 million currently.

But that increase, touted as a major component of the White House's American Competitiveness Initiative, is attenuated slightly by the fact that ATP has generally provided 10 percent of its overall budget — which, in the current year, would come to $7.9 million — to the NIST labs in intramural funding, a contribution that would cease with the program's disappearance.

Furthermore, should Congress wish to rescue MEP and ATP as it did for 2006 — appropriating $104.7 million to the former and $79 million to the latter in the face of presidential requests of $46.8 million and zero, respectively — it will have to find the money somewhere.

"Last year under the same budget scenario, Congress restored MEP funding by moving funds from [a] requested Lab increase," notes an analysis released this week by the Democratic staff of the House Science Committee. "Given the FY07 budget constraints, it is likely that the same thing will happen again this year."

This view was echoed by Mary Good, the chairman of the Alliance for Science & Technology Research in America (ASTRA), who oversaw NIST as under secretary of Commerce for Technology during the Clinton administration. "MEP, in my view, will survive because it's something the governors all want," she told *Manufacturing & Technology News*. "But the idea of a 'competitiveness' agenda where you're reducing the support to small manufacturers across the country seems to be out of synch."

Robert White, who held the same under secretary's post in the administration of George H.W. Bush, lamented the prospective demise of ATP, stating that those opposed to what he called a "unique kind of program" were prone to "think of it in the wrong terms. They think of it as industrial policy," he said. "There have been so many studies and analyses of the benefits of the program, yet they don't see the benefits, they don't listen to the arguments. They don't realize that there has to be funding for other kinds of activities than, for example, what the National Science Foundation funds, or NIH, or other parts of the government. Until you get down into the nitty-gritty of the innovation process itself, and understand all the different aspects of it, you don't realize that there are parts of it that need to be oiled and kept running — and it's not just a matter of giving tax breaks or increasing R&D dollars," he argued. While ATP is "not that big," he added, "the government needs to have it as an element of its diversity."

A written response by NIST to *MTN's* question "why close down the ATP?" declares that "budget constraints have forced the administration to make some difficult budget decisions." The statement, while avoiding criticism of ATP, adds that the 2007 proposal "reflects the administration's policy and funding priorities to address the nation's most pressing needs."

The Bush administration requested $206 million for "abstinence education," an increase of $39 million over 2006.

As to the how ATP would be terminated, "no new ATP awards were made in FY2004 or FY2006, and the program is now ramping down," according to the NIST statement. "Phase-out will be funded using unobligated balances and prior-year recoveries available at the end of FY2006. NIST estimates that it will require at least $12.5 million from these sources of funding to meet all fiduciary, technical and legal program requirements of the 95 projects" that were to be "still in their contractual period of

(Continued on next page)

New Ethanol Plants Being Built

The ethanol industry set a record in 2005 by producing 3.9-billion gallons, or nearly 250,000 barrels of ethanol per day. Ethanol production in December also set a record, increasing by 5,000 barrels per day to 280,000 barrels per day.

"Demand skyrocketed to 310,000 barrels per day, breaking the old record of 297,000 barrels per day," says Bob Dinneen, president of the Renewable Fuels Association. "Demand for ethanol will only continue to grow as refiners remove MTBE from the marketplace and more Americans switch to this clean burning, renewable fuel."

The U.S. ethanol industry continues to expand to meet soaring demand. There are currently 95 ethanol plants in the country, with a combined production capacity of more than 4.3-billion gallons a year. There are 34 ethanol plants and nine expansions under construction with a combined annual capacity of more than 2.1-billion gallons.

Specialty Metals...

(Continued from page one)

have established some reporting requirements. We identified the suppliers and we are going to try to keep track of the number of contracts affected."

The policy has riled industry. "There are certain materials — and it's mostly alloy steels supplied from Japan — that are going into most defense products in which there is neither the capacity nor the willingness of North American producers to produce in sufficient quantities or quality to be useful," says Robert Harris, managing director of the Industrial Fasteners Institute. "We're looking for a waiver from Secretary of Defense Rumsfeld saying, basically, listen, if you don't want the lead time on delivery of aerospace systems particularly aircraft, missiles and even ships and vehicles to stretch out to six or eight months because the materials are in such shortage right now, then issue waivers."

Guth of AIA says that in December stop orders on delivery due to non-compliance could be handled on a case-by-case basis. Representatives from the affected contractors and their trade associations were able to work with the principal contracting officers or program contracting officers to accept delivery. "We were able to get things shipped and accepted in December and January, but now we're seeing stop-ship and seemingly in very large quantities," says Guth.

The situation could be leading to a showdown between U.S. manufacturers of parts and systems and American suppliers of raw materials. "There is a real conflict between protecting U.S. manufacturing and the effect that has on other U.S. manufacturing," says one Washington industry representative of suppliers. "You can protect one industry segment but cause great harm to another U.S. industry segment. There are those in Congress who with the best of intentions want to protect U.S. manufacturing but don't foresee the unintended consequences of how it will be implemented."

AIA has put together an ad-hoc group to work with the Office of the Secretary of Defense on coming up with a solution to the problem. It prepared a 23-page white paper and submitted it to Domenico Cipicchio, acting director of Defense Procurement and Acquisition Policy in the Pentagon, on January 18. Apparently, it wasn't that persuasive, because the Feb. 17 directive from DCMA did not adopt its suggestions. The DCMA directive "is a step backwards," says Guth. It tells contracting officers "to be on the offensive, watch for situations and don't get yourself in trouble," she says.

Under the guidance, the DCMA provides its personnel with rules it should use to withhold payment on parts made from non-U.S. specialty metals. Aerospace companies argued that the amount withheld should be equal to the value of the metal itself. DCMA disagreed. The directive says that the cost disallowance should be the overhead burdens placed on the part by each successive layer of supplier, plus profit. If the part was supplied by a sixth-tier supplier, then that "burden" is added for each successive supplier up to the prime contractor. "The withhold amount will NOT be calculated by determining the value of the specialty metal in a part or component," states the directive.

"Our position is we buy articles, not metal," adds one DCMA official. "The prime contractors for major defense systems are required to flow down the requirements of the Berry Amendment to their subs, and whenever their subs take those contracts, they are required to follow those actual terms," adds

(Continued on next page)

ATP & MEP...

(Continued from previous page)

performance during FY2007."

NIST is hoping to avoid RIFs among ATP's current staff of 71 full-time equivalent employees (FTEs) through early-retirement and other buyout offers. "NIST also is placing current ATP staff in other NIST programs, as employment opportunities become available," says the statement, adding: "ATP staff are also seeking employment elsewhere."

While explaining the proposed MEP cut in identical terms — "budget constraints," "difficult budget decisions" and the administration's desire to shape "policy and funding priorities to address the nation's most pressing needs" — the NIST statement observes: "While the overall FY2007 funding request for NIST contains a strong research and development emphasis, it also re-focuses and scales back lower-priority programs. MEP is just one NIST program that supports manufacturing," it adds. "More than half of NIST lab activities either directly or indirectly are geared to enhancing manufacturing in FY2007."

It contends that "the Administration will focus funding on maintaining an effective network of centers" at the proposed funding level of $46.3 million, "with an emphasis on activities that promote innovation and competitiveness in small manufacturers." A reduction in the MEP staff, currently at 58 FTEs, would be necessary at that level, it acknowledges.

But the analysis by the House Science Committee's Democratic staff charges that "the administration has not consulted with the states about how the MEP network would operate" with a federal contribution of $46.3 million. The partnership has been sustained by equal contributions from the federal government, state governments and private-sector clients. The FY07 request includes $11.3 million for overhead and oversight, leaving only $35 million for actual grants to MEP centers — less than half of what is required to maintain a fully operation[al] network," it claims.

Rep. Bart Gordon (D-Tenn.), the Science Committee's ranking minority member, put his feelings about the proposed funding cut for MEP and elimination of ATP more bluntly: "The best government job creation programs are on the chopping block."

Specialty Metals...

(From page 10)

another DCMA official. "We wanted to allow our contracting officers to accept the products that are most needed by our customers and also to ensure that the suppliers were treated in a consistent and equitable fashion."

It's unlikely that the prime contractors will pay suppliers for parts that are not compliant, says Guth. "If the OEMs deliver their item and there is a Berry non-compliant part, then the government is not going to pay the amount that is not compliant and the OEMs are not going to be generous guys and pay those suppliers. That is going to trickle down to everybody."

DCMA officials say their interim guidance is in place until the Secretary of Defense's office can propose a more permanent solution, if possible. The DCMA officials who spoke with *Manufacturing & Technology News* believe the OSD guidance "will be in accordance with the guidance we already put out."

Such a "solution" would aggravate suppliers. "We need a congressional fix to this problem," says one Washington defense industry representative. But Congress isn't likely to bite.

"Boeing wants to be able to enjoy the benefits of being the sole aircraft manufacturer for the military yet they want the ability to purchase parts for those aircraft anywhere on the planet, and, unfortunately, frankly, that leaves the country vulnerable," said an aide on the Senate Armed Services Committee who has been involved in bruising battles over "Buy America" legislation. "This is a free marketplace, but when it comes to taxpayers' dollars and national security and protecting a domestic industrial base for products that are absolutely critical for us to ensure our might and to equip our military, then we have to look at this without just the bottom-line cost," says the Senate aide. "We are looking to re-affirm the commitment to the Berry policy because in recent years, the big boys in the defense industry have been seeking waivers and getting them in the dark of the night with no evidence that there is any problem in finding a domestic source. They've done it out of convenience and they've done it retroactively. If we have domestic sources that can provide the quantity and quality that the contract calls for, then there is no basis for granting waivers."

The specialty metals industry says it will do whatever it takes to ensure the provisions of the Berry Amendment are maintained. "It's been a target and the best we can do is go in there and point out how it is critical to the survival of these high-tech metals sectors," says Laurence Lasoff of the Washington firm Collier Shannon, which represents the Specialty Steel Industry of North America (SSINA). "It was put there for a reason. Congress recognized the importance of the specialty metals sector to the national defense and I have yet to hear an argument that would justify ignoring it."

AIA says that with the integration of the commercial and military markets it's difficult for a contractor to know the origin of commodity items being sourced globally and placed in a bin for use. "Some of our members disclosed this to DOD and DOD said, 'It's your problem, make your suppliers comply. You're not educating your suppliers,' " says Guth.

The aerospace industry has every intention of being compliant with the Berry Amendment and has no intention of trying to undercut it. "We don't want to go

(Continued on page 12)

Harris Poll Finds Americans View Rail As Most Favorable Transportation Option

Americans say they would like a significant portion of the taxes they pay for transportation to fund rail projects, according to a Harris Interactive poll. "The modes of transportation that the largest number of adults would like to see 'having an increasing share of passenger transportation' are: commuter trains (44 percent), long-distance trains (35 percent), local bus service (23 percent), and airlines (23 percent)," according to Harris "The comparable percentage for 'long-distance travel by car' was just 10 percent, followed by long-distance bus service at 6 percent."

Freight rail also received strong support among the 1,961 Americans surveyed. "Freight railroads (63 percent) come far ahead of all other modes that adults would like to see have an increasing share of freight transportation," says Harris. "Survey participants also want to see federal government involvement to continue. When it comes to the transportation system in the nation as a whole, 68 percent of adults believe this should be a responsibility of the federal government." 'The full "Harris Poll No. 17" is located at http://www.harrisinteractive.com/harris_poll/index.asp?PID=638.

MANUFACTURING & TECHNOLOGY NEWS (ISSN No. 1078-2397) is a publication of Publishers & Producers, P.O. Box 36, Annandale, VA 22003. On the Web at: www.manufacturingnews.com.

PHONE: 703-750-2664. FAX: 703-750-0064. E-MAIL: editor@manufacturingnews.com.

Annual Subscription Price: $495. Frequency: Twenty-two times per year.

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Specialty Metals...(From page 11)

offshore and find this stuff somewhere else," says Guth. "That isn't what we want." But there are some instances "where compliance is impossible," she adds. "When it gets to that point of impossibility, then DOD is authorized to issue waivers."

But receiving a waiver isn't easy, especially after the congressional blow-up over the waiver issued by the Defense Logistics Agency for Army berets made in China. One AIA member sought two waivers 18 months ago and still has not received them. "He surveyed the situation and he estimated that he would have to get 28 more waivers from DOD and asked them what is the likelihood of getting those 28 waivers," Guth recalls. "They shrugged their shoulders and said, 'Oh, well, that's a problem.' They keep shrugging their shoulders saying, 'Industry, it's your problem because you're not working with your suppliers.' And that's not true. Our companies are working really hard with their suppliers and we also know that our problem is DOD's problem because the DLA buys things directly from the same suppliers our companies are buying from. Somebody pointed out to them that every computer that they have probably has non-compliant Berry parts in it."

The fastener industry says the cost of U.S. specialty metals are much higher than world prices. "You can get Russian titanium one hell of a lot cheaper than you can buy it from the guys here," says Harris of the Industrial Fasteners Institute.

The specialty metals industry doesn't buy it. "The Berry Amendment isn't about price and, quite frankly, the world price ends up being a dump price," says Lasoff. "Year in and year out, they don't want to pay the market price — and sometimes it's high and sometimes it goes through the floor, and when it went through the floor, you didn't see Boeing taking advantage of that and propping up the price by buying."

The Government Accountability Office issued a scathing report last September on the Air Force's blanket waiver of the Berry Amendment's specialty metals provision. In its report, "Defense Procurement: Air Force Did Not Fully Evaluate Options on Waiving Berry Amendment for Selected Aircraft" (GAO-05-957), it said the Air Force "did not thoroughly analyze the opportunity for compliance for the Berry Amendment on a system-by-system basis, thereby eliminating the persuasiveness of the waiver's support."

Boeing also lost a Berry Amendment case regarding titanium in Missouri, in which it had to settle for millions of dollars.

Jack Shilling, chairman of SSINA and chief technical officer for Allegheny Technologies, says the specialty metals provision of the Berry Amendment should stay in place until foreign governments stop subsidizing their producers. "When we have a level playing field or something close to a level playing field or when it stops tilting in the wrong direction, then we'd be willing to sit down and talk about changes to the specialty metals amendment," says Shilling. "But it would be strategic suicide for the industry to start wavering on its support, and we thank the members of Congress who support us who realize that we don't have a level playing field. We don't feel the least bit defensive or apologetic about our demand that the DOD follow the provisions of the specialty metals provisions, and they've agreed to do that."

The Fasteners Institute says it might be time to take on the specialty metals industry legislatively with an "intensive education and lobbying campaign [that] could bear fruit," according to a Jan. 4 memo from The Laurin Baker Group, IFI's Washington representative, after a meeting at AIA that included Warren Reece, director of contract policy for Boeing, James McBride, counsel for Air Force Systems at Boeing and Scott Parry, director of contract policy with Lockheed Martin. If there is widespread publicity concerning major weapons systems that are not accepted by DOD due to non-compliance with the specialty metals provisions, then political support might shift to manufacturers adversely impacted by the Berry Amendment.

"We just won the [Section 421] case of wire-rod coming in from China and that is what makes the SSINA guys get concerned," says Harris from the Fasteners Institute. "They've seen us win three in a row now and they say, 'Wow.' It used to be if you said 'steel' Congress stood up and saluted and now they're beginning to understand the consequences [of protectionism] — that there are other people who are engaged in the game who haven't been heard. That is our own fault."

Best At Supply Chain Management Also Lead In Stock Market

Companies that are best at managing their supply chain are outperforming the S&P 500. AMR Research found that the top 25 companies embracing demand-driven supply networks (DDSN), which are "agile enough to respond to customer demand," are like good athletes and "usually win." Among the winners are Nike, Johnson Controls and Pepsi.

"Our analysis takes very basic public data — including return on assets, inventory turns and trailing 12-month growth — and adds an expert panel assessment of progress toward DDSN ideal of best practice supply chain performance to rank companies according to whom we think is best positioned to compete in the future," writes AMR Research analyst Kevin O'Marah

In 2004, this group of companies saw its stock price increase by 2.19 percent, as compared to the 1.5-percent increase in the S&P 500 and the 1.4 percent increase in the Dow Jones Industrial Average. For last year, the top 25 supply chain companies saw their stock prices increase 5.73 percent, versus 3 percent for the S&P 500 and a 0.6-percent decrease for the DJIA. "Our research shows that companies building toward the DDSN model are measurably better on an operational excellence and an innovation excellence dimension," says O'Marah.

NEMA Appoints Nano-Force

The National Electrical Manufacturers Association has created a new Nanotechnology Advisory Council aimed at providing its 430 member companies with guidance on how to take advantage of the fledgling technology. The panel of experts "will help electrical manufacturers take the lead in the development of this revolutionary technology," says NEMA president Evan Gaddis. "The council will be a resource for manufacturers interested in the research and public policy implications of nanotechnology development, as they themselves seek to apply the technology to their products" ranging from sensors, solid-state lighting, structural materials in electrical equipment, fuel cells, photovoltaics and thermoelectrics. Council members will be announced in coming weeks.

IBM Is U.S. Patent Leader

IBM once again led the patent count in 2005, receiving a total of 2,941, down slightly from the year before when it received 3,248 patents. Japanese companies occupied six of the top 10 positions, followed by three U.S. companies and one from South Korea. The top 10 recipients of U.S. patents in 2005 were:

1. IBM, 2941 (3,248 in 2004)
2. Canon, 1,828 (1,805 in 2004)
3. Hewlett-Packard, 1,797 (1,775 in 2004)
4. Matsushita, 1,688 (1,934 in 2004)
5. Samsung, 1,641 (1,604 in 2004)
6. Micron Technology, 1,561 (1,601 in 2004)
7. Intel, 1,549 (1,513 in 2004)
8. Hitachi, 1,271 (1,893 in 2004)
9. Toshiba, 1,258 (1,311 in 2004)
10. Fujitsu, 1,154 (1,296 in 2004)

Canada Mfg. Employment Drops

Canada is having a difficult time sustaining manufacturing employment levels. The country has lost 145,000 manufacturing jobs over the past year, with a loss of 41,600 jobs in January alone, the largest monthly decline in 15 years. Economists blame the value of the Canadian dollar, which is up 36 percent since 2002 against the U.S. dollar, along with increases in productivity. Canadian manufacturers blame high energy prices and cheap imports from China.

Navy Chief Wants More Ships

The Chief of Naval Operations has announced plans to increase the number of naval ships from 281 to 331. The Navy's 30-year shipbuilding plan, which accompanies the 2007 budget request to Congress, places a new emphasis on "expeditionary and conventional warfighting missions," says CNO Mike Mullen.

The plan calls for a fleet of 11 carriers, 15 littoral combat ships and 113 surface combatants by 2011. "I have got to invest the resources, stabilize the plan and in my expectations for industry, establish it," Mullen said. "[We must] support a strategic partnership between the Hill, industry and ourselves." His statement can be found at www.news.navy.mil/local/cno/.

House Members Support MEP Funding

Congress is voicing predictable opposition to the Bush administration's equally predictable inclusion in its latest proposed budget of a reduction in funding for the Manufacturing Extension Partnership (MEP).

A letter in the House demanding that the 55.7-percent cut put forward for fiscal year 2007 be scrapped and that MEP's funding be kept at current-year levels had garnered 46 signatures as of February 28.

The letter is addressed to the chairman and ranking minority member of the Appropriations subcommittee that funds MEP's parent Commerce Department, Reps. Frank Wolf (R-Va.) and Alan Mollohan (D-W.Va.), respectively.

Among its six sponsors are all four co-chairs of the 92-member strong House Manufacturing Task Force: Rep. Sherwood Boehlert (R-N.Y.), the chairman of the House Science Committee, which oversees Commerce; Rep. Mike Doyle (D-Pa.); Rep. Steven LaTourette (R-Ohio); and Rep. Marty Meehan (D-Mass.).

Its remaining two sponsors are Rep. Vernon Ehlers (R-Mich.), who chairs the Science subcommittee with direct responsibility for MEP, and Rep Bart Gordon (D-Tenn.), the Science Committee's ranking minority member.

March 14 has been set as the deadline for signatures on the letter. A similar letter is expected to go out to senators next week.

OPEC Rolls In Dough

The Organization for Petroleum Exporting Countries' total net oil export revenues for 2005 are estimated at $473 billion, up by 43 percent from 2004. In 1998, OPEC's oil revenues were $120, according to the Energy Information Administration. EIA forecasts OPEC oil revenues to grow by another 10 percent to $522 billion in 2006. OPEC's spare oil production capacity levels are "hovering near historic record lows," says EIA. "Although OPEC oil export revenues have been increasing rapidly, they remain, in inflation-adjusted, per capita terms, far below peaks reached in the late 1970s/early 1980s," says EIA. Per capita oil export revenues stood at $844 in 2005, about 46 percent of the $1,821 in real (constant 2005 dollars) per capita oil export revenues achieved in 1980. Iraq earned an estimated $23.4 billion in oil export revenues in 2005. Saudi Arabia's oil revenues were $153 billion in 2005, up 49 percent from 2004. Iran made $46.6 billion selling its oil last year, up 45 percent from 2004.

Letter To Editor Of Time Magazine: 1981

April 6, 1981,

Letter To the Editor of TIME Magazine:

Your article about Japan in the March 30, 1981 [edition of] TIME, is excellent, but the paragraph concerning my work is ridiculous and can do a lot of harm to American industry at the very time when they need guidance. I did not just give a lecture [in Japan] in 1950. I gave 35 lectures in the summer of 1950 to engineers and to top management. Six months later, I was there again and six months after that yet again. I have made 19 trips to Japan.

One trouble with American industry today is that top management supposes that one lecture or one day will do it. "Come, spend a day with us, and do for us what you did for Japan, that we too may be saved." It is not so simple. Few people in top management in America understand their responsibilities and know that they must serve a life term on quality and productivity from now on, under competent leadership.

—W. Edwards Deming, 1909 - 1993

January Tough Month For CEOs

A record number of chief executive officers left their jobs in January, according to Challenger, Gray & Christmas. The departure of 139 CEOs in January "shattered" the previous one-month record of 129 set in March 2005. "The pace of CEO turnover does not appear to be slowing down after coming off a record-setting year in 2005, when 1,322 chief executives left their posts, compared with 663 recorded in 2004," says the outplacement firm. The computer field accounted for 29 percent of the January departures. "The average tenure among exiting CEOs in the sector last month was just five years, compared to 8.4 years for all industries," says John Challenger, CEO of the firm.

BLS Issues Union Member Stats

In the manufacturing sector last year, union membership stood at 13 percent, higher than the private-sector average, but still far less than in the transportation and utility industries, which stood at 24 percent, according to the Bureau of Labor Statistics. New York state had the highest percentage of workers that were members of unions: 26.1 percent, followed by Hawaii (25.8 percent), Alaska (22.8 percent), and Michigan and New Jersey (20.5 percent each). The states with the lowest union membership were South and North Carolina with 2.3 percent and 2.9 percent, respectively; Arkansas and Virginia at 4.8 percent each and Utah, at 4.9 percent. California had the most number of union members: 2.4 million, followed by New York (2.1 million). Union members had a median weekly salary of $801; compared to $622 for people not affiliated with a union.

EU Opens Green Info Service

The European Commission's Environment Directorate has launched a weekly alert service intended to disseminate information about the EU's Environmental Action Program to policymakers and the general public. It will also provide information on EU research results and projects. To sign up for the bulletin, "Science for Environment Policy," go to http://europa.eu.int/comm/environment/integration/research_alert_en.htm.