

# MANUFACTURING & TECHNOLOGY NEWS

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*'AMERICANS DON'T GET WHAT'S GOING ON IN THE WORLD'*

## The View From On High: America Can't Compete Because Americans Are Dumb

**"At the dawn of the 21st Century, the United States is the most competitive economy in the world."**

**So stated the narrator on the opening Department of Commerce video that kicked off the federal government's "2008 National Summit on American Competitiveness" in Chicago. Among the CEOs in attendance, the theme continued: the United States is the world's most competitive nation. On second thought, maybe not.**

"By and large, America is, in my view, very competitive," said Jim McNerney, chairman, president and CEO of Boeing Co. But it's "very obvious" that there is a "huge threat" to its position "in many industries," including the aerospace industry. The dominance of American industry is threatened by its lousy educational system, said the Boeing boss, "and we better respond."

Exactly, replied Louis Gerstner, chairman of the board of IBM Corp. from 1993 until 2002. "We should be very worried," he said. The old model of achieving economic dominance through an abundance of land, capital and labor no longer works. The key in today's global economy is skills. "What it's all about is who is building a country with skilled workers that will deliver economic growth and competitiveness and the fundamental answer to that question

BY RICHARD McCORMACK

is we are not."

Craig Barrett, chairman of Intel Corp., was next. "We're in good shape," he said and then added: "Every leading indicator shows we're going in the negative direction." Those indicators: education, tax rates that discourage investment in the United States and lack of investment in research and development. "All have to change," said Barrett.

Michael Porter of the Harvard Business School followed with a similar line of reasoning. The United States has been the "engine of the world's economic growth." Its citizens received 80,000 patents last year. "You know how many were issued in China?" Porter asked the audience. "700. That's smaller than the country of Finland." India had 500 patents, Russia had 200. The United States has a great

entrepreneurial culture and universities. The fundamental challenge facing the country is a dysfunctional K-12 educational system. And for that problem "we don't have any answers, we don't have any credible solutions," Porter said.

The country has hit an economic slow patch, but 130 million stimulus checks worth \$100 billion are being sent to Americans, noted Commerce Department Secretary Carlos Gutierrez. "That, combined with Federal Reserve actions as well as some of the housing actions, should have us in a lot better shape in the second half of the year," he told the opening session of the event. "Most economists agree — there is consensus — that the first half of the year will be more difficult than the second half of the year and we're right in the middle of it now. We're going to get through this housing correction. The question is how do we stay competitive for the long haul?"

The speakers at the summit — the country's "leading thinkers on competitiveness" as Sandy Baruah, head of the Small Business Administration, described them — agreed that the country is in trouble mostly because Americans, along with their politicians, are dumb, a word used throughout the CEO session.

"We are really becoming a nation of ignorant people," said Gerstner of IBM. "One adult American in five thinks that the sun revolves around the earth. Fewer than one-third —

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## LETTERS TO THE EDITOR

**Front-page coverage of free trade from the perspective of a domestic textile producer on one side and multinational company CEOs on the other in the June 30 issue of *Manufacturing & Technology News* generated a dozen or more responses from readers. Here are some of them.**

Proponents of free trade approach the topic as if it is a foregone direction for global trade. It seems that the movement toward free trade (WTO, Doha, NAFTA, etc.) is based on classical theories for trade espoused by Adam Smith and David Ricardo. However, while the multinational companies and U.S.-trained economists point toward this foundation as the need for free trade, the rest of the world, especially China, is really following Frederick List. Free trade is an unattainable goal because it is not in the best interest of every country to get there. The best democracy in the world is going to be destroyed by an unfounded principle and by greed.

— *Don Klesser, PTC Alliance*

When will they wake up — this Congress of traitors? We need a bill, if it can ever be passed, that if the President on down passes any free trade bill that is not for the people of this country, they should be tried for treason with a minimum of 20 years in jail. Then they would think twice about passing trade bills and getting paid off by foreign interests.

— *Alex Crudell, Comet Lace Inc.*

The author's complete lack of knowledge about the economy is startling, and disseminating protectionist propaganda and misinforming the public is not in the best interest of the country. Apparently, the author of the article doesn't realize that the U.S. has been losing jobs in the textile industry since the early 1960s and our economy has seen unprecedented prosperity in that time.

The problems with the economy are in no way rooted in the loss of low-value manufacturing; and the solution to our current economic weakness is to create new high value-add jobs and not to protect or subsidize the low value-add ones.

The author also doesn't apparently realize that industrial output in the United States is at the all-time highs reached in late 2007, which is much higher than it was in was in the 90s, 80s, and 70s. It is even more startling that the author doesn't realize the manufacturing sector, particular in the export market, is what has largely been keeping our economy out of recession.

— *Lamont*

Free Trade is just spin for greedy multinational corporations to avoid trade tariffs and make huge profits at the expense of consumers. It takes more work on my part but I will only spend my money on quality American-manufactured goods. I have an annual income of \$300,000 and will not spend it on foreign-manufactured goods, but only on American-manufactured goods that benefit American workers. First and foremost, I am an American and hold that loyalty to my fellow citizens. Don't wait for government to do anything about it. Vote with your money and it will change. People have the power to boycott foreign

products. They can change the way business is done in three months as these corporations will go under if they do not have consumer backing.

— *Richard Bond*

**Editor's Note:** Back in the 1960s and early 1970s, a lefty populist could win a political debate against the rational logic of an engineer, businessman or politician by pulling out his or her guitar and singing a folk song. Is it happening again? Go to [www.youtube.com](http://www.youtube.com) and type in "Dollar to the Giant" in the search box. Watch the video of the song written and sung by Bob Hall. Here is what Hall writes to *Manufacturing & Technology News*:

I'm just a regular guy trying to do the right thing. I have a college minor in Chinese history. I hated seeing what was happening to our productivity. I was frustrated because nobody, especially the young, seemed to understand that manufacturing pays for everything. I took it upon myself to try to reach my fellow citizens.

Facts, figures, statistics and reason were not effective. Experiments with financial incentives failed. I decided the only way to really connect people with the seriousness of our situation was through art and emotion. I wrote a song "Dollar to the Giant."

It may be the first song ever to include the word "manufacturing." I bought some home recording gear. I put "Dollar to the Giant" on the Internet because the story needs to be told — now — to as many people as I can reach.

I'm also trying to promote the message through private channels: manufacturers, associations, unions and so on. We need all the fuel we can find. People frequently tell me they thought they understood the issues, but the first time they really "got it" was through my song. People are changing their shopping habits and telling me about it.

I wish I had a nickel for every time a listener was in tears at the end of "Dollar to the Giant." All of this has been done on my own time, at my own expense.

— *Bob Hall, dollartothegiant@gmail.com*

There is nothing that China can do with dollars except to purchase existing U.S. equity assets or lend the dollars back to the United States by purchasing Treasury debt. They should be spending their dollars to build nuclear power plants throughout their country using American companies, thereby increasing their standard of living and competitiveness. Unfortunately for them, they are making the same mistake Taiwan made when Taiwan was number one in currency reserves. When the yuan gets revalued upward, China's dollars will become dollarettes.

Also, go to the CIA Web site and take a gander at all the other countries that now have higher GDP per capita than the U.S. How did Ireland get there? We are falling behind.

— *John Dunbar*

Most average uninvolved people have no clue what is occurring. As my company struggles to survive in the industrial sector I often cannot believe what I hear and see in the news. The government is so out of touch.

As an industrial salesman in the front lines in this catastrophe I experience in "real time" what is really occurring. I am in contact with the "victims" of failed trade policy and its fallout. I estimate I have lost nearly 50

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## CO<sub>2</sub> Capture Will Become A Big Industry

Capturing carbon as it leaves smokestacks is a growth industry. Last year, the global market stood at \$88.7 billion and it is projected to grow by 22 percent per year through 2012, to \$236.3 billion, according to BCC Research, in one of its market studies.

In breaking down the market into precombustion, combustion and postcombustion industries, the postcombustion segment has the largest share of the market valued at nearly \$51.5 billion in 2007. This is expected to grow to \$107 billion by 2012, an average annual growth rate of 15.7 percent.

Postcombustion, which involves chemical stripping of carbon dioxide from various gases by bubbling the gases through liquid chemicals, "is the most mature and so far the technology to beat in price and reliability," says BCC.

The precombustion carbon capture market was worth \$34.6 billion in 2007 and is expected to reach \$125 billion by 2012. Precombustion involves gasifying coal to extract a synthetic natural gas that is then burned in an integrated gasification combined cycle plant. Such a plant can be configured to emit zero emissions with the addition of post-combustion technologies. "Demand for clean as well as cheap energy sources such as coal that remains insulated from rising oil and gas prices is driving this market," says BCC.

Combustion technology systems is currently a \$500 million sector that will be worth \$2.0 billion in 2012, for an average annual growth rate of 32 percent.

"By 2025 more than 10 billion metric tons of CO<sub>2</sub> will need to be captured each year and CO<sub>2</sub> emissions will still continue to grow," says BCC. "A global infrastructure that will ultimately cost more than \$15 trillion will need to be installed over the next century to accomplish that ever-increasing annual task. The effort to capture carbon dioxide has just begun."

The report "Carbon Capture & Storage Technologies," is available for \$4,850 from BCC at <http://www.bccresearch.com>.

## America's Housing Wealth Evaporates

"The vast majority of Americans have accumulated little or no wealth," concludes a report from the Center for Economic and Policy Research on the "Impact of the Housing Crash on Family Wealth."

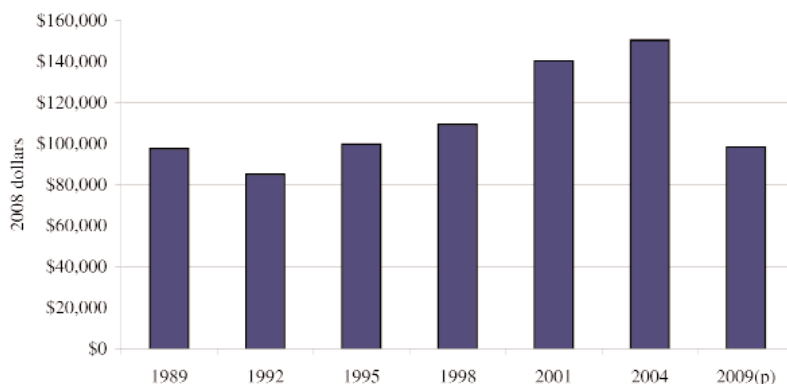
The collapse of the housing market has led to an "extraordinary destruction of wealth" that will have "tremendous implications for millions of families," says report author Dean Baker. "Coupled with a very low personal savings rate, this means that many people, especially those near retirement will only have Social Security and Medicare to rely on once they leave the workforce."

Since the middle of 2006, the decline in housing prices has led to the loss of more than \$4 trillion in real housing wealth, or more than \$50,000 for every homeowner in the country. Housing prices are currently dropping by 2 percent per month, or \$350 billion per month.

The wealth situation could get worse if housing prices drop by another 10 percent or 20 percent. But even if housing prices stabilize at their current level, in 2009 the median household headed by a person between the ages of 45 and 54 — those in their prime earning years — will have 25 percent less wealth than the same age group in 2004. If prices fall by 10 percent, this age group will see a 35 percent loss of wealth compared to 2004, "while families in the 18 to 34 [year-old] cohort will lose 67.6 percent," says the study. "If prices fall by 20 percent, the most pessimistic scenario, families in the 55 to 64 cohort will experience a loss of 49.6 percent of their wealth compared to the same cohort in 2004."

Tens of millions of Americans nearing retirement age "have just seen most of their wealth disappear," says Baker. "This analysis should prompt serious re-examination of policy proposals to cut Social Security and Medicare for near retirees."

Median Wealth For Households 45 to 54



Median Wealth For Households 55 - 64



(Source: Center for Economic and Policy Research)

## *The View From The Top... (Continued from one)*

fewer than a third of American adults — can identify DNA as key to heredity.”

Given the poor state of the U.S. educational system, there will soon be “two generations of illiterate people in the United States,” Gerstner added. And when that happens “we will have huge, huge issues of class conflict. The major problems, the spread between the rich and the poor, will [be] exacerbate[d]. We will have internal tensions in this country that we haven’t seen in 100 years.”

Barrett of Intel said current immigration policy is “insane.” The country has 12 million to 13 million illegal aliens. “So what do you do? You can’t control the 13 million, so you clamp down on the 100,000 legal immigrants that we allow into the U.S. So let’s let all of the poorly educated, manual-labor-type folks into the country and let’s keep the Ph.D.s out. This is a policy that we can all be proud of, don’t you think?” he said to laughter.

IBM hires smart people, many from foreign countries. They have been educated at the best universities in the United States, many at taxpayers’ expense. “And then what do we do?” Gerstner asked. “We tell them to go home to compete with us. And it’s even worse than that because what we do — because we’re international companies and we hire the best and smartest in the world — we not only send them home but we send the job with them because we’re going to hire them wherever they are. There’s something wrong with this someplace.” At least 200,000 of the smartest, best educated, foreign-born Americans have gone back to their home countries.

Gerstner told a story: “I was with a person who was a very high-level individual in his country and he came to see me. I had known him a number of years. I said, ‘What are you doing now?’ He says, ‘While I’m here, I’ve got a list of 15 high-talent young people who came to the United States to study biological sciences. They’re at Cal Tech, Princeton, Harvard. We’re building a huge biocenter in our country and

I’m here to get all these people to come back.’

“These are not students,” Gerstner noted. “These are 30- to 35-year-old people who are contributing to innovation and science here. They are working in the country’s best scientific laboratories. And I said to him, ‘You’ve got a list of 15. How are you doing?’ He said, ‘I’ve met with 10 and I’ve got nine coming back and I think I’ll get most of the other six.’

“Is that bad? No. They’re entitled to do that. Just like when IBM sets up a research lab in China, we try to hire the best and brightest Chinese scientists in China; the same thing in India.... We have to understand that for decades we were the magnet where all of the best and brightest wanted to come and study and work. And we have now, in a period of only perhaps a decade, allowed that to turn around with policies that are just dumb.”

Deborah Wince Smith, president of the Council on Competitiveness, also commented about the preponderance of American dummies: “One of the shocking deficiencies now is the lack of knowledge that our young people have in what we call traditional geography,” she relayed. “I mean, apparently the statistics from the National Geographic Society are absolutely shocking of how many kids can’t even place Afghanistan on a map.”

Michael Porter of Harvard University had his own moment of social derision. The current “political conversations,” he said, are about the “insecurities of, let’s call it the average citizen — concerns about health care, concerns about higher energy costs, concerns about housing and credit. The political debate right now is about incremental fixes to these immediate small problems...”

The CEO of Boeing said something has to be done “to break the logjam” of a poorly educated workforce. “It’s going to take some kind of mandate that gets at a much bigger idea than keeping everybody at a subsistence level,” said McNerney. Boeing is spending \$100

million a year to educate employees. “We have a responsibility to educate folks because they’re not showing up at our companies as educated in the same quantities as they have historically relative to our competition.”

The United States doesn’t have any more time to waste on improving the intellectual capability of Americans, McNerney added.

***“We will have huge, huge issues of class conflict. The major problems, the spread between the rich and the poor, will [be] exacerbate[d]. We will have internal tensions in this country that we haven’t seen in 100 years.”***

Eventually, the United States will be forced to respond, but “the reason we will is because our standard of living will be down, unemployment will be high, the dollar will be twice as weak as it is today and there will be a clarion call for a new deal and education,” said the Boeing CEO. “Unfortunately, in a democracy, new deals tend to come after disastrous events and so the challenge is — is there some political leadership that can raise the issue before that day happens?”

Keeping on the America-is-dumb theme, Barrett said that the K-12 educational system is broken because “we dumb our expectation levels down to the lowest common denominator.” The educational system should set much higher standards for students to meet. They will meet them if it is required. The educational system has been studied to death, said Barrett. “Every study comes out with exactly the same

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## The View From On High... (Continued from page four)

conclusion. Every study goes on to the bookshelf and not a damn thing happens to it."

Americans don't seem to get it, added former Commerce Secretary William Daley who is now vice chairman of JP Morgan Chase. "The way our political discourse happens is you can spend two weeks on Paris Hilton or some other movie star. What coverage comes out about an honest discussion like this of people who have interest and knowledge? Very little."

Next on the list of American idiots: politicians. The politicians and policy makers have been aptly warned about meager federal investments in science and technology, research and development. The National Academies of Sciences pushed for, Congress passed and President Bush signed the America COMPETES Act, which was to provide enough funding to double the federal budgets for the physical sciences and engineering over the next five years. But Congress in the latest 2008 "omnibus" appropriations bill did not fund the America COMPETES Act.

"How easy was it to give away \$180 billion in \$500 checks to make the U.S. economy strong?" Barrett asked. "It took a week. That's the mentality in Congress, instant gratification or nothing."

Gerstner was equally as incredulous. On energy, health care, education, R&D, social security "we have solutions to all of these problems, but we just don't seem to be able to decide that we're going to go fix them. We'd rather spend money on pork, build bridges to nowhere, give grants to colleges to study meaningless subjects, and do a whole lot of other things that are not reflective of the priorities of this country."

Barrett told attendees that politicians in Washington, D.C. have no idea of what's happening elsewhere in the world. "There should be a prerequisite" for all politicians, Barrett said: "You need 25 visits in your passport. All of Washington, D.C., [has to get] out of

Washington, D.C."

American politicians need to see for themselves the educational systems and industries that Americans are competing against overseas. "Washington hasn't a clue what the U.S. is going to be competing with over the next 10 to 20 years," said Barrett. "They need to see on the ground what's happening in China, Vietnam, Brazil and India. If you see what's happening there you can't come back and say we're okay, all we need to do is cut the gasoline tax. It's not that simple. I'm not clear that Washington is there."

That prompted former Commerce Secretary Daley to say that "it's worse than the politicians — it's the vast majority of the American people not knowing it or even those who travel the world and know it still take positions that seem irrational. I think the real concern is Americans don't get what's going on in the world."

American ignorance about globalization is leading to a scary period of economic protectionism, said Caterpillar CEO James Owens. "This is about re-engaging the public because we can't win the politicians unless the people that vote for them understand." Owens said he is chairing the "Trade Investment" committee of the Business Roundtable, the largest 160 firms in the country. "We spend a lot of time there talking about what

we have to do to reengage the public" and get Americans to understand the importance of the free trade agenda. Even smart liberals know how important the current free trade agenda is to the nation's economy, Owens said. "Ninety-five percent of academic economists believe in free trade. Most are liberal democrats." But they have "somehow been divorced" from the mainstream Democratic politicians. "What's wrong with this picture?" Owens asked.

Porter said it's about time for the United States to re-ignite the competitiveness debate of the late 1980s. "We have to get off of this terrible period we've been in where we really can't tackle any of the obvious challenges," he said. "We just aren't willing to take on any of the obvious challenges."

For Sec. of Commerce Gutierrez, Washington isn't going to solve the innovation challenge. "Innovation does not take place in Washington, D.C., nor is it going to happen by legislating it or assuming that somehow new products are going to be launched or designed in Washington," he said.

But as they did on the stimulus checks, the panelists rebuked their host. "I think we have evidence that our federal government's been very important to scientific discovery in the last 50 years and we better start allocating some more of this trillion-dollar economy to this issue and not let it fall off like we've been doing," said Gerstner.

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## Another Day, Another Competitiveness Summit

The federal government's "National Science and Technology Summit" is scheduled to take place on August 18 - 19 at the Oak Ridge National Laboratory in Tennessee. The summit, the latest in what has become a countless series of federally sponsored, cross-country competitiveness meetings that have been held for the past six years, is sponsored by the White House Office of Science and Technology Policy (OSTP). This one includes a keynote speech by Brian Halla, chairman and CEO of National Semiconductor, who said at a Washington, D.C.-area conference in 2005: "There's a gold rush taking place in China. It's a major opportunity, and it's a major threat if we blow it. And we are blowing it — big time. The Great American Dream appears to be moving to Shanghai."

The August event was mandated by Congress in the 2007 America COMPETES Act and will "focus on assessing the status of consensus policy recommendations to strengthen long-term U.S. economic competitiveness through science and technology," says OSTP. To look at the list of speakers or to register, set your browser to <http://www.onrl.gov/sci/natlscitechsummit>.

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# New Factories, Closed Factories

## NEW PLANTS IN THE UNITED STATES

**CertainTeed Corp.** has opened a new fiber cement siding manufacturing plant in Terre Haute, Ind. The 370,000-square-foot facility will have a workforce of 140 employees. The product is made with 30 percent recycled material including fly ash, Portland cement, wood fiber and lightweight additives. The siding is being used in "green buildings."

**Federal-Mogul Corp.** has announced plans to expand its manufacturing operations in Avilla, Ind., and create 50 new jobs by 2010. The manufacturer of powertrain, chassis and safety technologies for the automotive, marine, rail and heavy-duty engine manufacturing markets, will invest more than \$6 million to expand the facility. The Indiana Economic Development Corporation offered Federal-Mogul \$500,000 in tax credits and \$180,000 in training grants based on the company's job creation plans. The town of Avilla offered property tax abatements at the request of the Noble County Economic Development Corporation.

**Shanti Inc.** has announced plans to re-open a wire coat-hanger plant in Mayfield, Ky., thanks to the federal government's ruling that China was dumping coat hangers into the U.S. market. The facility, which was previously owned by Laidlaw in Metropolis Ill., will employ up to 40 manufacturing workers. Laidlaw closed its facility before the International Trade Commission imposed duties on Chinese imports. Shanti, based in Calif., is the sole remaining U.S. producer of wire hangers. The ITC ruling "allows us to be competitive now with the Chinese," said Shanti owner Darmesh Patel. "It allows me to have more people here."

**Reliance Industries** has announced plans to open a factory near Kinston, N.C. The company will invest \$215 million in the plant that will produce resins used in plastic containers and specialty polyester yarns. The company will hire 204 workers over the next five years. North Carolina provided a Job Development Investment Grant to lure the company to North Carolina.

**Santana Textiles** of Brazil has announced plans to build a new denim fabric factory in Edinburg, Texas, that will cost \$180 million and create 800 jobs. The city plans to pay for utility improvements at the site and Texas will spend \$1.6 million to fund the project. "This is the first of what we hope will be many investments in South Texas by the Texas Enterprise Fund," said Texas Gov. Rick Perry. Average annual pay for a worker at the new plant: \$26,000. The factory will be built on donated land from the Edinburg Economic Development Corp.

**TRUMPF** has built a new 83,000-square-foot laser R&D and manufacturing facility in Farmington, Conn. The \$20-million, 55,200-square-foot facility will employ 120 workers and will produce CO<sub>2</sub> and solid-state laser resonators mostly for the U.S. industrial production markets.

**The Air Force Research Laboratory**, Wright State University and Select Tech Services Corp. have come together to build a new "Air Force Advanced Manufacturing Facility" costing \$4 million and creating 100 new jobs. Officials plan to add 60 more positions at the 18,000-square-foot facility over the next two years. The Air Force said it needs to produce more systems at a rapid pace but on a small scale, since work at Wright-Patterson Air Force Base is already backlogged with work orders. The new plant will be located at the Springfield-Beckley Municipal Airport. The state of Ohio provided \$1.5 million to help fund construction of the facility.

**Johnson Controls** announced it will be opening a new manufacturing plant in West Point, Ga., beginning in the summer 2009, to produce vehicle seating and interior products for Kia Motors' manufacturing plant in Georgia. The 130,000-square-foot factory will be located on a 20-acre site and will employ 310 people. Its output will be used in Kia's new \$1.2-billion assembly plant that is expected to begin production in 2009 with an output of 300,000 vehicles annually at full production.

**Aspen Aerogels** has opened a \$30-million, 150,000-square-foot manufacturing plant in East Providence, R.I., to produce nonporous thermal insulation products used in a variety of industries, including defense, building and construction, transportation, refining and apparel. Rhode Island Sen. Jack Reed (D) and Rep. Patrick Kennedy (D) had a hand in convincing the company to locate in Rhode Island. Aspen Aerogels is located in Northborough, Mass.

## NEW PLANTS OVERSEAS

**Ford Motor Co.** has announced plans to invest \$3 billion at its Cuautitlan, Mexico, assembly plant to start producing its Fiesta subcompact automobile. It is the largest investment ever made by an automobile company in Mexico and will result in 4,500 new jobs and up to 30,000 direct and indirect support jobs.

The facility is currently producing the Ford F-150 to the F-550 pickup trucks, which will cease production. Ford is also adding a diesel line at its Chihuahua, Mexico, engine plant and will build a new transmission factory in Guanajuato in a joint venture with German-based supplier Getrag. The Fiesta will go into production in 2010 and be sold in the United States later that year.

**Carrier Corp.** has entered into an agreement with Guangdong Midea Electric Appliances Co., the largest producer and exporter of air-conditioners in China, to create a manufacturing joint venture. Midea will hold a 60 percent stake in the new firm called Foshan Midea Carrier Air Conditioning Equipment Co., Ltd., in Shunde, China. Carrier will hold a minority position. The facility will produce residential and light commercial duct-free air conditioners "exclusively for Carrier for the global market," says Carrier.

*(Continued on next page)*

## Factories... (Continued from page six)

Carrier will invest \$29 million to establish the new company. Carrier currently has seven factories in China, 2,500 employees and a research and design center opened in December 2006. Midea Electric had revenue last year of \$4.4-billion and has 46,000 employees.

**Trac Precision Machining**, based in the UK, has announced plans to manufacture turbine blades for commercial jet engines and power generation equipment in Guaymas, Sonora, Mexico, during the first quarter of 2009. The company says the sinking dollar required it to locate near customers "to source in the U.S. currency." Trac will lease 35,000 square feet of industrial space at the Roca Fuerte Industrial Park and hire 200 workers.

**General Motors** has started construction on a \$200 million engine and automotive component plant in Joinville, Brazil. The facility is expected to employ 500 workers and will start production in late 2009. "The decision to build a new engine plant in Brazil is essential to our ability to expand vehicle production capacity through the Mercosul [Brazil, Argentina, Uruguay and Paraguay] region," said Jaime Ardila, president of GM Brazil. South American auto markets are growing fast. In Colombia, Argentina and Venezuela auto sales grew by 46 percent last year.

**PacificGMP**, a contract pharmaceutical manufacturing company based in San Diego, Calif., has signed a contract to open a 200,000-square-foot manufacturing plant in Taizhou, China. The company will merge with Pacific Biopharma Group to create China Quantitative Biomedicine. The new plant, built with incentives from the Taizhou government, "will be one of the largest single-use biomanufacturing facilities in the U.S. or China," said the company.

Construction will be completed by August with equipment installed by the end of 2008. The facility will be compliant with EU and U.S. drug regulations, and will be serving primarily the growing contract pharmaceutical market in China and Asia.

"Our clients in the United States will have the option to produce in San Diego or scale up in Taizhou," said Andrea Lynn, marketing director of PacificGMP. It is much cheaper to be producing in China, due mainly to lower labor costs and the incentives provided by the Taizhou government.

**Alstom** is entering a \$500-million joint venture with Indian company Bharat Forge to produce super-critical turbine-generator sets for both thermal and nuclear power plants. Bharat Forge will use its new production capability to sell into the fast-growing global power equipment market. The joint venture is looking for 1,000 acres of land in India for the facility and hopes to start producing equipment within three years. The facility would produce up to 5,000 megawatts of power generation equipment per year. India expects to install 79,000 megawatts of generating capacity by 2012.

Chinese carmaker **Geely Automobile Holdings** has announced plans to build a new \$500 million automobile assembly plant in Mexico. Its output will be sold in North, Central and South America. Geely chairman Li Shufu said the company is still negotiating with the Mexican government for better terms on its investment. Geely hopes to sell 230,000 cars this year and forecasts sales of 2 million vehicles by 2015. It expects two-thirds of those sales to be in markets outside of China.

**Celerity, Inc.**, a Milpitas, Calif.-based maker of precision instruments for the semiconductor and electronics industries, is opening a new manufacturing facility in Singapore. The 17,000-square-foot facility will enable the company to serve major customers in the region with advanced gas delivery systems. "Singapore is one of the most dynamic economic regions and our presence there reflects our belief in expanding our capabilities globally and meeting the needs of our customers now and in the future," said Celerity vice president Mark Hutson.

**Laird Technologies** has announced plans to open its first offshore manufacturing facility in India near Chennai. The plant is expected to employ 1,200 people and cost \$15 million. It will manufacture wireless baseband equipment, such as antennas and battery packs, for Nokia cell phones. Its output will be exported to overseas markets. Laird Technologies is based in St. Louis, Mo., and is a division of UK-based Laird Group Plc. It has 14,000 employees in 14 countries.

**MGS Mfg. Group** has opened a new molding manufacturing facility in Chihuahua, Mexico, that employs 150 people. The 75,000-square-foot facility makes products for the electronics, consumer product and automotive industries.

### PLANTS CLOSING IN THE UNITED STATES

**Jockey International** has announced plans to close its Cooleemee, N.C., knitting plant early next year and lay off more than 200 workers. It is also closing another sewing plant in Jamaica and laying off an additional 570 employees. The company "requires substantial capital investment to remain competitive," said Jockey president Edward Emma.

**La-Z-Boy** has announced plans to close its plant in Tremonton, Utah, due to a slowdown in sales. The company will lay off 600 workers and move its sewing and cutting operations to a plant in Mexico and transfer other operations to five other plants in the United States.

Denver-based **Gates Corp.** is closing an automotive and industrial belt manufacturing plant in Moncks, S.C., and transferring the work to other facilities in North America. Gates is part of Tomkins PLC, which has 34,000 employees.

(Continued on page eight)

## **Factories...** (Continued from page seven)

**Dana Corp.'s Automotive Systems Group** has announced plans to lay off 130 employees at its plant in Owensboro, Ky., by eliminating its second shift. The facility builds frames for Toyota Tundra and Sequoia pickup trucks, but demand for parts has been sinking.

**Ball Corp.** has announced plans to close its Brampton, Ontario, Canada, plastics plant by the end of September. It will lay off 90 workers. The company says closing the plant will save \$4 million annually. The facility was purchased by Ball in 2006 and makes plastic food bottles.

**Katahdin Paper Co.** is closing its mill in Millinocket, Maine, and laying off 200 workers. The company says fuel costs that have doubled in the past year have made keeping the plant in operation impossible. Last year, the Millinocket mill consumed more than 400,000 barrels of oil in the paper-making process. "This is a community that has been tremendously hard hit in recent years," said Rep. Michael Michaud (D-Maine).

**Radford Co.** has announced plans to close its manufacturing plant in Oshkosh, Wisc., and lay off 52 employees. The privately owned firm founded in 1871 makes doors, windows, moldings and columns. The company's business is being hit hard by the downturn in the housing market.

Telling employees about the decision to close the factory "was the worst day of my life," said company president Michael Walsh. "We have the greatest employees and so many of them have been there for so long that it made the announcement even more difficult. I have been in the business for 28 years and 1982 is the year I thought would be the worst. But I will take '82 over this anytime."

**General Motors** has announced plans to close its Moraine plant in Dayton, Ohio, the company's last plant in the Dayton region. The company will lay off 2,500 workers who make the Chevrolet TrailBlazer, GMC Envoy and Saab 9-7X SUV. The announcement sent a shock wave through Dayton and the local supplier community. DMAX, an engine plant that employs 1,100 workers, immediately announced it was shedding 290 jobs as a result of the GM decision to close the Moraine facility.

**General Motors** will close its Janesville, Wisc., plant, and lay off 2,500 workers. "We are all numb," said Brad Dutcher, president of the local union at a press conference attended by Wisc. Gov. Jim Doyle. "It was just a kick in the gut," Doyle added.

The plant, which opened in 1919 and is GM's oldest production facility, makes Chevy Suburbans, Tahoes, the GMC Yukon and Denali SUVs. The facility, 75 miles southwest of Milwaukee, will close by 2010. GM said that it will not be making any new products at the plant.

GM was the largest employer in Janesville, a city of 63,000. Now that title goes to a local health care company.

GM's Janesville payroll for 2,800 workers was \$229 million last year, down from \$330 million for 4,100 employees in 2003.

The state of Wisconsin provided GM with \$10 million in grants in 2004 to help the company invest in a \$175-million upgrade of the facility. GM promised to keep 3,330 workers at the plant through 2010. The state is looking into how it can recoup some of the money it gave to GM.

**General Motors** announced plans to halve production at its Oshawa, Ontario, Canada, truck facility and lay off up to 2,600 workers. The facility, which produces the Chevrolet Silverado and GMC Sierra will close next year. GM will also close its production line of pickup trucks and SUVs at its Toluca, Mexico, plant, and lay off at least 800 of the plant's 4,500 workers.

**Chrysler** has announced plans to close its St. Louis South minivan plant in Missouri, and cut a shift at its St. Louis North pickup truck plant. It has also extended summer shutdowns at its SUV plants in Detroit, Delaware and Toledo. The closures mean 2,400 workers will be losing their jobs at the end of October.

Chrysler is also closing its Jefferson North plant in Detroit for a month starting on July 11. The facility produces the Jeep Grand Cherokee and Jeep Commander.

**Shaw Industries** has announced plans to close its spun yarn plant in Stevenson, Ala., due to sluggish sales in the housing industry. The company will lay off 400 workers. The company says it will work "diligently to help find future careers for the employees." Shaw is one of the world's largest makers of tufted broadloom carpets. The company had sales of more than \$5 billion in 2007.

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## Factories... (Continued from page eight)

**Whirlpool** will close its refrigerator plant in La Vergne, Tenn., and lay off at least 500 employees. "I don't know yet what I'll do," said Alice Wilson, 56, of Nashville, who worked for Whirlpool for the past 23 years. "I'm too young to retire and too old to start over. It's going to be hard. Maybe if I'm lucky I'll find a cashier job somewhere." Whirlpool will host a job fair and visits from Tennessee's Displaced Worker Unit to help employees learn what benefits are available once they're unemployed.

**Haverhill Paperboard** in Haverhill, Mass., has announced plans to close down its operations and lay off 174 workers. The company, which has been in business since 1902, said the recent increase in the cost of natural gas and electricity has made it impossible to keep the facility open. The plant has reduced energy consumption per ton of output by 40 percent over the past five years, but it has been negated by a doubling of energy costs. The plant processes recycled paper into multi-layer products such as Harry Potter book covers and cartons for the food industry. It is owned by The Newark Group based in Cranford, N.J.

"It's not a good feeling, and like everyone else, I have house and car payments and the bills keep coming in," said Dennis Clifton, president of the United Steel Workers Union local 4-204. "It's a bad situation for our employees and for the city, which stands to lose a lot of tax money." The company paid \$131,000 in taxes to the city last year.

The company has also been hit hard by the doubling of the price of waste paper. "China continues to import more and more paper, sending local prices of our raw materials higher and higher," said plant general manager Joe Michaud.

**Firestone Industrial Products** sent a notice to the United Steel Workers that it will likely close its air-spring manufacturing facility at Noblesville, Ind., because its competitors are producing in low-cost countries. The plant has 300 employees and has been in operation since 1936. The Noblesville plant has old equipment, pays high wages and benefits and is stuck in the sluggish American market. "The step we announced today was taken only after serious consideration of our alternatives," said Firestone Industrial president Mike Cerio.

**Clarcor** of Franklin, Tenn., has announced plans to close its Purolator air-filter factory in Henderson, N.C., in August and lay off 130 workers. "We didn't get a warning letter from the company or from the state," said Henderson mayor Becky Smothers. "I think it kind of rocked us all."

**Furniture Brands International** has announced plans to close its furniture plant in High Point, N.C., by the end of the year. The plant is closing due to "competitive pressure," says Furniture Brands CEO Ralph Scozzafava. About 300 people will lose their jobs as the plant's production moves to lower-cost, third-party

suppliers in Asia. Furniture Brands has closed 39 of its 57 domestic plants since 2000 and has laid off at least 8,726 workers, according to an Associated Press search of records from the North Carolina Employment Security Commission.

**Lehigh Press** has decided to close its 84-year-old book printing plant in Pennsauken, Penn., and lay off 206 workers.

**Visant** has notified the SEC that it will close its Lehigh press plant in Armonk, N.Y., and consolidate its operations in Rockaway, N.Y., Milwaukee and Hagerstown, Md. About 120 press operators, prepress workers and lithographers are expected to be impacted. Lehigh, a printer and binder that produced TV Guide in the 1980s, has been in business since 1924.

**Hallmark Cards** has announced plans to close card manufacturing plants in Toronto, Siloam Springs, Ark., and Bloomington, Ind. It will consolidate the work into its Lawrence and Topeka, Kan., facilities. It will lay off 335 employees.

**American Axle and Manufacturing Holdings Inc.** is moving forward with plans to close its Tonawanda Forge plant in Buffalo, N.Y., and its Cheektowaga manufacturing facility in Detroit. The company also expects to reduce its hourly workforce by 3,650 over the next year through buyouts and retirements.

**Portola Packaging Inc.** has announced plans to close its Clifton Park, N.Y., factory and consolidate its production in three other plants in Clifton Park, N.Y., Kingsport, Tenn., and Phoenix, Ariz.

**Pfizer** is cutting 275 jobs at its largest manufacturing plant in Portage, Mich., in an "ongoing effort to remain globally competitive," says company spokesman Rick Chambers. The facility makes sterile injectable drugs, liquid medications, ointments and active ingredients for pills. The company has 2,700 workers at the plant and 80,000 worldwide.

### PLANTS CLOSING OVERSEAS

**General Motors** has announced plans to end production of four cylinder engines at its Holden plant in Melbourne, Australia, and lay off 531 workers. It was an "extremely difficult announcement, as people and their families will be affected," said Rod Keane, GM Holden executive director of manufacturing. Holden, a wholly owned subsidiary of GM, employs about 9,600 people in Australia.

**Siemens AG** expects to cut up to 4 percent of its workforce worldwide, or about 17,200 of its 435,000 workers. About 6,400 of the cuts will be in Germany, where the company employs 136,000 people, according to the *Financial Times*. The company will close its telecommunications division and will lay off 3,800 people.

**Letters...** (From page two)

percent of my industrial customer base.

I see how government is being manipulated by the wealthy to make their bank accounts larger and is costing U.S. jobs. What happened to the government that was supposed to make policy right for the country instead of for the few? Corruption in government is at an all-time high and citizen confidence at an all time low. I do believe that the end is in site with this situation.

We are on the brink of an all-out revolt and overthrow of this government. If things continue as they are there will be a major uprising against the government and people will die. No longer can the corruption continue to benefit the few fat cats while the justice system looks the other way. Gated communities will not protect the fat cats either. The fuse on this bomb has been lit and time is short.

— Barry

Why on earth is the “free trade” situation not seen for what it is? It doesn't seem too difficult to grasp that with completely free trade, we would have to work at the same slave-like level as in China if we are to compete with them. Why do so many people keep insisting, in almost a mantra like way, that “free trade” is inevitable.

Secondly, how could our legislatures miss this? I see that Mr. Copeland was testifying to some minor-league House subcommittee on science when the real problem is so huge and so ominous and has gone on for so long that it should be getting a far higher priority. It covers far more than “science.” It also isn't something that crept up on us and appeared suddenly.

Can you help me understand how it is that so few “see” what is going on and so many retain some kind of religious dedication to “free trade.” I am not being rhetorical. I really don't understand. The pundits (like Paul Krugman) are so smart, and get so much right, but they take a “miss” on this one.

— Ben Widrevitz, Downers Grove, Ill.

**Iron Ore Consolidation Produces An Iron Grip**

BY THOMAS PALLEY

Iron ore prices have recently been in the headlines, having jumped by 85 percent. This news is troubling, as such price increases threaten to raise steel prices, which will add to cost inflation and further undermine economic activity.

Behind these price increases lies the unusual structure of the iron ore market, which is best characterized as a bi-lateral oligopoly.

The structure makes enormously troubling the Bush administration's decision to give regulatory clearance to a combination of the second- and third-largest ore producers: Rio Tinto and BHP Billiton. Unlike other commodity markets, iron ore prices are set through annual negotiations between the ore producers (Big Iron) and the ore users (Big Steel). Recent contractual negotiations have resulted in huge price increases that reflect the ore market's structure.

On one side is Big Steel, consisting of an increasingly few large steel producers. On the other side is Big Iron, made up of an even fewer number of ore producers. Thus, the top three ore producers — Vale do Rio Doce, Rio Tinto, and BHP Billiton — account for 75 percent of total global production. Moreover, the oligopolistic power of the producers is reinforced by geography. Vale do Rio Doce is Brazilian and located in the western hemisphere, while Rio Tinto's and BHP Billiton's operations are in Australia. That creates a geographic split that helps Big Iron's profits.

In recent years, steel production has been marked by significant mergers and right-sizing of capacity, combined with growth of state-directed steel capacity in China. The result has been a huge boom in steel profits that is reflected in steel company stock prices.

For instance, consider U.S. Steel that traded at \$12 a share five years ago. In June 2008 it peaked at \$196 dollars a share.

Big Steel's earnings rolled in first, being at the end of the production chain. Now, Big Iron is trying to muscle in on the action and grab a share of those profits for itself. It is able to do so because of its bargaining power, and it would be no surprise if there also were some informal collusion among ore producers given their small world.

With limited alternatives, Steel has been forced to cough up some of its oligopoly profits, turning them into Iron's mining rents. That is a bad switch. Higher earnings in iron ore mining will have negligible impact on their economic plans as the industry was already earning large excessive profits. However, higher ore prices will raise steel prices, undermining manufacturing and causing inflation. Meanwhile, lower steel profits will reduce steel investment.

Lastly, speculation may also have contributed to the jump in ore prices, albeit not the speculation associated with other commodity markets in which speculative trading is rampant. Since iron ore is not traded on global commodity markets, financial speculators cannot be responsible for higher prices.

Instead, iron ore speculation is best characterized as “joint speculation” by the ore producers and users about the continuation of steel profits and the ability of steel companies to pass on higher costs. In this light, the jump in ore contract prices can be viewed as a combination of profit capture by the ore producers plus a big bet on future macroeconomic conditions.

Such user-producer speculation is hard to argue against, but one can argue against an oligopolistic market structure that amplifies speculation's destructive effects. That makes the Bush administration's decision to approve a Rio Tinto - BHP Billiton combination another terrible public policy decision. The approval of the combination reveals the worst proclivities of the Bush administration, which is peppered with extractive industry boosters, particularly oil. The quest for combination shows that the much maligned Karl Marx was right about capital's proclivity to combine.

— Dr. Thomas Palley is an economist living in Washington D.C. He holds a B.A. degree from Oxford University, and a M.A. degree in International Relations and Ph.D. in Economics, both from Yale University. Palley, who has recently started a project, *Economics for Democratic & Open Societies*, was formerly chief economist with the U.S. - China Economic and Security Review Commission: [www.thomaspalley.com](http://www.thomaspalley.com).