Testimony of

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ATLAS TOOL, INC.

Company History and Brief Overview

Atlas Tool, Inc. was founded in Roseville, Michigan in 1962 by my late father. We have 265 people and we are a leader in the manufacture of automotive stamping dies. We also provide prototype parts and contract machining. Typically, it requires between three and six different dies to complete a part. Almost everyone has been in a vehicle with parts made by dies from Atlas Tool. We are considered a leader in the application of new technology. Over 95% of our employees are highly skilled in the specific disciplines used by our industry.

Our specialized ability to apply high-technology has also led us to become a machining subcontractor for some notable government projects. We machined large turbines for the "F-22" Joint Strike Force Fighter, and all of the major rotational parts of the Space Shuttle Main Engine.

We are currently working on research projects with the Center for Automotive Research, NIST- Advanced Technology Program, the University of Michigan, the Auto-Steel Partnership, an equipment manufacturer, and four software development companies. In every year since 2001, our industry has faced extreme overcapacity and severely depressed prices. Some of the reasons for overcapacity will be addressed later in this testimony.

The Importance of the Domestic Tool and Die Industry

The modern tool & die industry is based on the application of high technology. In the last 20 years, the tool and die industry was at the forefront of many widely-used new manufacturing technologies. Some of these technologies are: Computer Aided Design, Manufacturing, and Engineering (CAD/CAM/CAE); electrical discharge machining which cuts steel with an electric arc; laser cutting of sheet metal; computer aided solid-model design of tools; computerized simulation of sheet-metal formability; and "white-light" scanning technology which takes 3-dimensional pictures of solid objects.

The ability to produce advanced tooling is vitally important to the economy of the United States. Tools, dies and molds are used to produce virtually every manufactured product. The method and execution of the tooling controls the cost, quality and efficiency of the production process. The North American Tool & Die industry is especially adept at this type of process development.

A capable tool & die industry gives the United States an incredible advantage in the ability to efficiently manufacture a wide variety of products. When the Second World War started, we tooled up the "Arsenal of Democracy" with unbelievable speed. We were not able to do this because of an abundance of cheap labor. Our accomplishments were based on the wealth of our knowledge to apply civilian tool & die manufacturing concepts to military hardware.

Recently, while on vacation, I toured a plant where old or damaged Bradley Fighting Vehicles are rebuilt. They are made I found the plant had assimilated and organized the most appropriate technologies into their process. Not surprisingly, most of the management people I met had previously worked in the tool & die industry.

The tool & die industry is also provides excellent employment opportunities. Proficiency in the tool and die trade takes over 10 years to acquire. Training begins with four to six years of on-the-job training and over 90 credit hours of college classes. Tool and die employees sometimes continue their education and receive associates or bachelor's degrees in engineering. In fact, many manufacturing engineers and managers have tool & die backgrounds.

Because of their rigorous training and unique skills, diemakers are usually well compensated. Their earning potential is often greater than that of a bank executive. While a diemaker's earning potential may surprise many people, I personally feel that their intense training and the rarity of their skills justifies their income.

Tool and Die Industry Today

The tooling industry today is faced with overcapacity resulting in severely depressed pricing. One of the main reasons for this overcapacity is increased foreign competition, and our customer's desire for the lowest price.

The highest levels of tool & die knowledge and technology today are found in the United States, Canada, Western Europe, and Japan. Companies in these areas compete very closely since they all have similar cost structures, but local companies usually have an advantage because of the costs and delays due to long distance shipping. Also, tool makers in each region are more familiar with their local customers' specific needs. . The US competes well tool & die companies in these advanced regions.

Many nations, especially some in Asia, want to enter the relatively exclusive club of tool & die excellence. They realize the importance of a world-class tooling industry to their economy, and they recognize that they will need a long-term, coordinated strategy. Although they possess lower technology and experience, this is more than compensated by their wages. Our company's customers have been impressed with their low bids, and are encouraging their tool & die suppliers to develop partnerships with companies in low-wage regions.

Unfortunately, in our low bids do not often translate into low total tooling costs. This is due to mistakes made by inexperienced companies. Many of the tools placed in low-wage countries have performed poorly. The US tool & die industry has worked to repair tools improperly made by so-called "low-cost" countries. The need for these repairs has often been much more costly that the amount which was saved by the low initial bid. There are also costs of delayed vehicle launches, increased tool maintenance and lower productivity.

Some of the companies that have suffered the most from these problems have made policies requiring their tools to be made in North America. A study currently in progress by the Center for Automotive Research in Ann Arbor, Michigan has estimated that placing work with low initial bids results in life-cycle costs which are actually 38-43% higher than work which is placed in a collaborative manner with high performing suppliers.

Most customers however remain enamored with the promise of low prices made by bidders from low-wage countries. Another facet of this problem is fragmentation in our customers' organizations. The Purchasing Department employees may receive large bonuses for the cheap initial placement of work. Costs due to poorly built tools are often suffered by Manufacturing, Engineering and Sales Departments.

These low bids have eroded the pricing structure of US tool & die companies, and make it nearly impossible for us to be profitable.

The Threat Imposed by China

The Chinese government has targeted investment in its tool & die industry in recent years. The majority of China's tool & die plants did not exist 10 years ago. Many economists and industry analysts claim that the Chinese Government has subsidized this growth by providing capital equipment and plant facilities at no cost to these new companies. I am not an expert on this, so I will let others speak to this point. I do know however that these plants are equipped with modern machine tools and have large numbers of employees. These employees earn wages that are ridiculously low by American standards. They also lack almost all of the benefits American employees enjoy.

At the present time the skill and technology in China is far behind that of the major tool producing countries. I spoke with a man who was formerly employed by the Chinese Ministry of Machinery and Tooling. After visiting our company, he said that a Chinese die shop would employ three to five times as many people to produce our annual volume of work. This inefficiency is easily hidden by the less than dollar-an-hour Chinese wages, there no motivation for them to improve labor utilization. In fact this former official told me that the Chinese government wants to promote excess tool & die employment to provide more skilled jobs.

The Chinese are working diligently to learn. Their main means of learning is to form partnerships with high-tech companies to learn their methods. I fear however that Chinese companies will abandon their partners as soon as they have learned enough from them. They will then use their new knowledge and low wages to replace their former partner in the marketplace. Again, I am not an expert in this area, but I am certain that many others can testify to this point. This is why Atlas Tool has avoided seeking partnerships with low-wage countries.

Many economists also believe that China is manipulating its currency to gain price advantages. Again, this is not my field of expertise, but if it could be stopped, our price-competitiveness would benefit.

In the future Chinese wages will certainly increase much quicker than in developed countries. This, coupled with their labor inefficiency, could make Chinese tools much more expensive than those currently produced in the US.

Conclusion

It is imperative for the United States to have a healthy tool & die industry. Our position as a high-tech manufacturing society depends on our ability to efficiently produce products of all types. The tool & die industry provides this expertise. Without a world-class tool & die industry, we will lose our manufacturing advantage. We would also suffer a great loss to our ability to produce the equipment necessary to defend our country.

The loss of tool & die employment is also detrimental to our economy. Tool & die employees are highly trained, skilled people who are compensated accordingly. Without a healthy tool & die industry, hundreds of thousands of people would be forced to seek lesser employment.

I believe that the Chinese are currently planning to become a dominant force in the world-wide tool & die industry. They can use their current low-wage advantages to drive companies in other countries out of business. When this happens they can dramatically increase their prices because they will have little effective competition.

In the future their wages will increase much faster than ours, and their tools will be more expensive than those currently produced here. Unfortunately the domestic industry may be gone in the time it takes for this to happen.

If China is allowed to dominate the tooling industry, the United States will be powerless to control our tooling and production costs. Also, China will use its new tool & die skills to benefit its own industries rather than ours.

The tool & die industry is a technological leverage point for manufacturing competitiveness. As representatives of our government and guardians of America's future, I ask you to take all appropriate steps to keep this essential industry alive.

I thank you for the opportunity to testify today, and I welcome any questions you may have. Please feel free to contact me in my office if you need any further information.