Chairman’s Corner

Grady Cope, NTMA Chairman of the Board

I recently attended the imX event in Las Vegas where machine tool builders, tooling creators, distributors, and manufactures got together to learn about emerging technology, share the trends, and participated in an open exchange of information and needs.

One keynote speaker took a poll via text messaging about our thoughts on the economy. More than 50% of the responses were very positive. This is quite the opposite of what he is seeing at most of his presentations. It could be said that our industry is just lucky, in the right place at the right time, or it’s our turn. However, I would argue that we are moving through an inflection point in which our country’s relevance as a world leader is dependent on re-embracing science, technology, and manufacturing; not as a means to provide us with things, but as a fundamental shift in our education system and careers. This does not happen overnight. It is up to each of us to show a clear path and to keep a light shining so people will know which path to follow. By the way, that last word – “follow” – was chosen with great care. In other words, we are required to be the leaders of this change.

If you look back on our short history as a nation, you will see that our success has been based on some key events – the industrial revolution, space flight, the Internet revolution, and now the biotech revolution. There are many more timeframes that could be added to the list; however, it is important to note that these all required science, technology, and manufacturing. We are at the point where we have to get our school systems re-focused on science and engineering, while at the same time teaching the crafts and skilled trades for this century! I’m sure over the last several months, I have said the same thing in many different ways and am approaching the point of being redundant, but we are the future of our nation and our children. We have to stop complaining and waiting for someone else to fix things. If change doesn’t start with us, then who?

(continued on page 3)
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While things have been going well for U.S. manufacturing, there is the constant noise from the media and our elected officials that the economy might fall back into recession. You hear that companies aren’t hiring, business is slow and getting slower, while at the same time profits are up, most business is expanding and consumers are still spending, although at a slower rate. What’s the real story? I am not sure anyone knows the answer, but we can begin to assemble some answers.

We all know that there are jobs available, but the lack of skilled workers prevents them from being filled. I don’t think it is only manufacturing that is short of skilled workers. Because of science and technology the required job skills have changed for most, if not all, industries. It’s time for the U.S. to acknowledge this and begin to focus on re-training efforts to put people back to work. The result of this effort would put people in higher paying and lasting jobs. It’s time our elected officials worked together with small business in these efforts. Despite the rhetoric you hear, it’s small business that creates jobs, pays taxes, and invests in America’s future.

I would propose that our government work together with each other and small business to help solve the problems. Small business does not want another program to add to the already under-utilized training services. What it wants is for Congress and the President to go to work on the nation’s problems and hold each other and the numerous agencies accountable. In other words, if you are not part of the solution, then get out of the way!

Grady Cope
Chairman

NTMA Customer Value Proposition

“Your membership in the National Tooling & Machining Association will position your company amongst the best in the industry by providing the resources and tools necessary for world class performance.”

“Your return on investment is immediate as you leverage the vast knowledge that resides within the Association and apply it to your business.”

“An advocate for our industry, NTMA leads the charge for precision manufacturing through networking, lobbying, education, procurement, advice and assistance, and focused cost savings programs.”

October 2011
Many companies feel a constant strain on their businesses in the form of ever-increasing expenses. Day-to-day business expenses such as rent, utilities, and insurance all continue to climb, while competitive pressures deter companies from raising prices to cover any shortfall. Businesses must find a way to cut operating expenses.

Reducing shipping costs is an often overlooked way to combat rising expenses. With annual carrier rate increases, skyrocketing fuel costs, and accessorial charges that may increase 20% or more year over year, finding a way to reduce your shipping expenses can make a serious impact on your overall balance sheet.

But how do you know if you’re spending too much on shipping? One easy way is to determine your shipping expenses as a percentage of total sales. On average a business spends 1.5% to 4% of total sales on shipping. This can vary by the size of the company, total company sales volume, or the type of products the company is shipping and receiving. How much is your business spending on shipping? Conduct an analysis.

Here are five key strategies to help you get your shipping costs in line. Implement one or all five of them and watch your shipping costs go down—increasing profits.

**Key Strategy #1 Obtain Discounts with Carriers**

If you think you have to be the size of Wal-Mart or Home Depot to obtain discounts with carriers, think again. Many larger businesses have the volume and favorable shipping characteristics to negotiate directly with carriers. If you, too, have been able to successfully navigate this process, you are on the right track. If you have not been successful, or simply don’t have enough volume to negotiate such discounts, there are still opportunities available to obtain them. You can work with a 3rd party logistics provider, who can leverage their buying power to obtain discounts for you. There are also many institutional, government, and association programs that can help members receive discounts.

**Key Strategy #2 Develop an Inbound Shipping Program**

Reducing inbound shipping costs is one of the easiest, yet most overlooked ways to reduce overall transportation expenses. Vendors typically receive volume discounts from carriers—but are your vendors passing those discounts along to you? When you control and route your inbound shipments, you have an excellent opportunity to significantly lower your costs. If you allow suppliers to route your shipment and invoice you for shipping charges, your transportation costs are probably higher than they should be. Being the buyer allows you to not only determine what you purchase from a particular vendor, but also how it is shipped to you.

As the buyer and receiver of the goods, you can—and should—designate the carrier. If you continue to allow vendors to prepay for shipping and add it to your merchandise invoice, in most instances you will continue to pay more than you should for incoming product.

The first step in reducing inbound shipping costs is to notify your vendors via a Customized Routing Instruction (continued on page 6)
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In addition to its three-surface contact for improved stability and accuracy, KM4X™ provides optimized clamping force distribution and interference fit for higher stiffness. The result? A machine connection that delivers unmatched performance in heavy-duty conditions on even the most difficult-to-machine materials. Now that’s Different Thinking. That’s Kennametal.

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Letter. This letter specifically states to your vendors how you want your merchandise shipped to your store. In your Routing Instructions Letter, indicate to the vendor that if they do not follow your shipping instructions, you will not pay for shipping charges on merchandise invoices, and allow no exceptions to these instructions. Send the Routing Instructions Letter to your sales representative, customer service manager, or to the accounts payable department. Do not send your instructions directly to the shipping department.

Key Strategy #3 Use The Correct Mode & Service Level
Examine where you spend your transportation dollars. Is your spending concentrated in less-than-truckload (LTL) freight rather than small package, or air instead of ground? These distinctions are called modes of transportation. Ground shipping and air shipping are the two most common transportation modes that businesses use on a day-to-day basis.

An example here helps illustrate the impact of using the correct mode. For two-day guaranteed service, you can send a 35 lb. package from Cleveland to Boston and pay a ground rate of $16.50. Sending the same package second day air would cost approximately $60.75. That's a difference of 73% to ship air versus ground for the same two-day level of service.

Service level refers to the timeframe in which the carrier will ship the package from origin to destination, such as same day service, next day, two-day, three day, etc. Why pay for next day service if you don’t need next day service? Another example helps illustrate the impact on your bottom line by using the wrong level of service. Let's use the same example above. To get a 35 lb. package from Cleveland to Boston the next day, you would need to use the services of an air express carrier and your cost would be around $168. If time permitted, you can send the same package second day air at a cost of approximately $60.75 (a 64% savings). The same package via two-day ground costs about

(continued on page B)
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$16.50. Clearly, using the correct service level to meet your needs is critical in keeping your transportation costs down.

**Key Strategy #4**

**Audit All Invoices**

It is estimated that between 5% and 10% of freight invoices contain some sort of error. Auditing your freight invoices can help you catch and receive credit for costly mistakes. You should audit several line items on a carrier invoice, most notably: checking for the correct discount, making sure you are billed for the service you requested, verifying product classification (freight shipments only) and monitoring extra service charges. Also, if you have an inbound shipping program in place, be aware of double billing for shipments. If you’re routing inbound shipments from vendors, shipping charges should never be on the merchandise invoice from the vendor.

**Key Strategy #5**

**Consolidation of Shipments**

Why send three separate shipments if you can consolidate and send just one? Consolidation will save you time and money, as an example here helps illustrate. For two-day guaranteed service, you can send a 45 lb. package from Cleveland to Boston and pay a ground rate of $73.50. Sending three separate 15 lb. packages would cost approximately $99. That’s a difference of 26% to ship one versus three separate shipments!

Utilizing some or all of the 5 key strategies to control shipping costs can eliminate the strain shipping expenses put on your business.

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**Fighting Job-Killing Regulations in Washington, D.C.**

The One Voice team is working in Washington, D.C. to oppose the National Labor Relations Board’s (NLRB) continued assault against employers. One Voice, its members and other business groups have fought back against the job-crushing agenda of regulators and many battles are coming to a head. While much of the regulators’ direct actions are beyond our control, One Voice is working with its supporters and lawmakers on Capitol Hill to pass legislation putting a stop to these regulations that do not benefit employees and hurt employers.

As expected, the NLRB issued its final rule on August 26, effective on November 14, to require most private-sector employers to post a notice informing employees of their right to unionize under the National Labor Relations Act. The notice is identical to the one the Department of Labor (DOL) requires government contractors to post pursuant to President Obama’s 2009 Executive Order.

The poster rule is the latest in a string of NLRB actions that will harm the employer-employee relationships that form the foundation of a successful business. Other pending NLRB actions include “ambush elections,” in which the union-election process would be dramatically shortened from the median timeframe of 38 days to as little as 10 to 21 days after a union-election petition has been filed; a rule that would “clarify” what type of employer activity is to be considered “persuader activity” that would need to be reported to the Department of Labor; and the NLRB complaint against Boeing, demanding that the company transfer work from its facility in the largely nonunion state of South Carolina to Washington state.

With Congress returning from its summer recess, the House of Representatives is expected to proceed with a regulatory relief agenda focused on the repeal of these unnecessary and harmful regulations put in place by the NLRB and
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In a victory for manufacturers, President Obama asked EPA Administrator Lisa Jackson on September 2 to withdraw draft standards that would have placed new restrictions on ground-level ozone—known as smog. This is an important step by the President who sided with manufacturing groups such as One Voice over the objections of the EPA. One Voice is working with members of Congress and other industry groups to educate the Administration on the impact these types of regulations have on manufacturers, especially small businesses. The victory follows the withdrawal earlier this year of another regulation opposed by One Voice—the OSHA Noise Rule, which stood to cost manufacturers millions. One Voice and its members will build on the President's decision and work on the other pending regulations that impact manufacturing in America.

Manufacturers can make a difference in Washington, but only if they participate in the process. A reminder that NTMA members can give unlimited corporate or individual contributions to the NTMA Government Affairs Administrative Fund, which supports the work done on behalf of NTMA by The Franklin Partnership and Bracewell & Giuliani LLP. Additionally, NTMA members can make limited personal donations to the Committee for a Strong Economy (CASE) PAC, which supports pro-manufacturing Congressional candidates. Also, please consider participating in the 2012 Legislative Conference and other Government Affairs activities.
The NTMA Business Conditions Reports are just one of the many “Member-Only” services available to you as an NTMA member; accessible online at the NTMA website (www.ntma.org), for your convenience (password required).

Announcing the Latest NTMA Business Conditions Report

This NTMA Report covers the first half of 2011 and is a geographical “snapshot” of business trends and conditions in the special tooling and machining industry.

Business conditions for NTMA member companies showed improvement through the first half of 2011, and optimism is evident as manufacturers pace themselves for a continuing level of productivity for the remainder of the year.

In nearly every region and industry segment, our manufacturers are seeing improved business conditions and growing confidence for the year. Quoting, Shipping, Order Backlog, Profits, and Employment have all increased over the prior reporting period and are expected to stay the same or increase through the next quarter.

A special thanks to the NTMA member companies that participated in the June 2011 NTMA Business Conditions Report.

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Misconception #9

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Penske NASCAR Drivers Visit Mazak Plant

Mazak Corporation welcomed Penske NASCAR Sprint Cup Racing Team drivers Kurt Busch and Brad Keselowski to its Florence, Kentucky, production plant on July 6, 2011. The Penske Team drivers gathered in the Technology Center of the manufacturing campus where they shook hands with Mazak employees and signed autographs. The drivers also toured Mazak’s expansive Production-On-Demand machine tool manufacturing areas, where many of the Mazak machine tool models used by Penske’s racing machine shops are built from the ground up.

Local media was also on hand covering the event. Reporters from the Cincinnati Enquirer and Cincinnati television stations WXIX Fox 19, WKRC 17 CBS and WLWT 5 NBC conducted interviews with the drivers, discussing Penske’s technical partnership with Mazak and other racing-related topics.

The machine shop at Penske Racing uses Mazak’s Vertical Turning Center 800/30 SR, Vertical Center Nexus 510 C, Quick Turn Nexus 250 MSY, and Vertical Center Nexus 410 B. These machine tools give Team Penske a competitive advantage in manufacturing both its simple components in the Team’s race shop and its extremely complex ones machined in the Team’s engine shop, where they have an Integrex e-410, Integrex 300, Vertical Center Nexus 510 C, Vertical Center Nexus 410 B, Quick Turn Nexus 250 M and a Vertical Turning Center 200 B.

“We were proud to be able to welcome the Penske Racing Team drivers to our facility and to display the Kurt Busch Sprint Cup No. 22 Pennzoil car and Brad Keselowski’s No. 22 Nationwide Series Discount Tire car. Mazak has long been a strong Penske Racing technology sponsor since 1994, and the (continued on page 13)

NTMA Joins LinkedIn Generation!
The NTMA has formally joined the LinkedIn Generation so members can network 24/7 without leaving their companies.

If you can control your mouse, you can join too! It’s very easy.
Go to the NTMA website (www.ntma.org). Click on the LinkedIn icon and follow the instructions. This program is open to any staff from any NTMA member company. This is an NTMA members’ only program, so you won’t get selling or unwanted pressure from outside groups.
Mazak logo can be seen on these Penske racing cars,” said Brian Papke, president of Mazak. “Penske Racing uses Mazak machines to manufacture various critical car components, and many of those components were showcased for Mazak employees to see exactly how the innovative machine tools that they build are helping to keep Penske in the winner’s circle.”

During the factory tour, both Busch and Keselowski showed marked interest in the Mazak technology that plays a key role in the manufacturing of components for their racecars. The drivers also acknowledged how critical technical sponsorships, such as the one with Mazak, are to Penske Racing's success.

Mazak is considered the largest metalworking machine tool builder in the world and a technological leader of the industry. The company is well established internationally with technology centers in 30 different locations including all the major countries of the world, and factories in the United States, Japan, United Kingdom, Singapore and China. The Florence, Kentucky, facility is Mazak's North American headquarters and employs 455 people.

Busch and Keselowski were in the Kentucky area for the July 9 NASCAR Sprint Cup Quaker State 400 race at the Kentucky Speedway in Sparta. The speedway is a short distance from the Mazak facility, and the Quaker State 400 is the speedway’s first hosted NASCAR Sprint Cup Series race.

Busch drives the No. 22 Shell-Pennzoil Dodge for Penske Racing Team and recently won his first-ever NASCAR Cup Series road course victory, the Toyota/Save Mart 350 at the Infineon Raceway in Sonoma, California, on June 26. His racing career includes 22 victories, 80 top-five and 153 top-10 finishes, along with 12 career Cup Series poles and a Cup Series title.

As a second-year Penske Team Racing driver, Keselowski has had the opportunity to get behind the wheel of the well-known No. 2 Miller Lite Dodge during the 2011 season. Fresh off his first (continued on page 14)
NASCAR championship in the Nationwide Series, Keselowski is well positioned for a strong Cup Series run in 2011.

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