

THE CUTTING EDGE

WOOD MACHINERY MANUFACTURERS OF AMERICA

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Make Your Vote Count

By John Satagaj, London & Satagaj

We have congressional elections coming up in November. One-third of the Senate is up for elections as well as the entire 435 seats in the House of Representatives. I hope you will cast your ballot for the best candidate to serve your interests in Washington, D.C.

Never before has there been a situation when a handful of changes could alter the political landscape so dramatically. As you know, the Senate majority changed hands when Senator Jim Jeffords left the Republican Party and the Democrats cling to that slim lead. Of the 34 Senate seats up for re-election, 20 are now held by Republicans and 14 by Democrats. Probably 16 of those are "safe" seats with strong incumbents. Of the others, eight Republican-held seats and seven Democratic-held seats are considered to be "in play." In the last few weeks, the individuals on the "in play" list have shifted. Some incumbents have strengthened their lead, but others have fallen behind so it is still too close to call.

One of the intriguing Senate races is the one between Senator Jean Carnahan (D-MO) and former Representative Jim Talent (R-MO). You will recall that Mrs. Carnahan took the place of her late husband. However, her appointment was to cover the period until this special election. The purpose of this election is to fill the seat for the remainder of the term. As a result, if Mr. Talent should win, he could take office before January and this could change the dynamics of the Senate even before the new Congress takes office. As I write, there is some talk of a lame duck session. I have a feeling we won't have one, and the "risk" for the Democrats, given the close race in Missouri, may be one of the factors that influences the Democratic leaders' views on a lame duck session.

In the House the Republicans are in the majority but it is the narrowest majority since 1954. The count is 221-213 and former Congressman Jim Traficant is in jail. Surprisingly, although all the seats are up for re-election, there may be only 40 or so that could be considered competitive races. While the Republican leadership has been able to crack the whip when necessary, the pressure from moderates has been growing and a vote or two could change the dynamics of the House, even if the actual control remains with Republicans.

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I am not suggesting you need to vote Republican or Democrat, but if you have any reason to care that one party or the other control these chambers, I would submit to you that this is one time where the margins are close enough, that individual votes will matter.

You do have to do more than vote. You need to convince your employees and their families that they need to vote for candidates who will support an economic policy that will ensure they have jobs. According to the AFL-CIO, 4.8 million more union household members turned out to vote in 2000 than in 1992. Union household members represented 26 percent of the vote in 2000, up from 19 percent 1992.

The challenge is to educate your employees about the impact of various issues on your workplace and to motivate them to vote. I

know this is not a simple task, but anything we can do to help employees understand we are in this together, can only help. The U.S. Chamber of Commerce found in a poll conducted shortly before the 2000

election that nearly 80 percent of employees wanted to hear from their employers about the candidates and the issues. It does not mean telling them how to vote. Draw the connection between issues, paychecks and

benefits. WMMA regularly provides information on a range of issues that affect your business and therefore your employees. Legal costs such as created by product liability claims, environmental requirements and these days, health care costs, are concerns you worry about every day, but that your employees do not connect with the success of the company and the future of their jobs. Any little bit you can do to educate them and to get them out to vote can help.

It may seem like ancient history, but it was only two years ago that we witnessed one of the most dramatic presidential elections of all time. If it taught us one

lesson it should be that every vote can make a difference. I do hope you will exercise the greatest right and responsibility we have as Americans, and vote in November.

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If you have questions or comments about this article, or other Public Policy issues, contact John Satagaj at e-mail@lonsatlaw.com or 202/639-8888. You can also e-mail WMMA headquarters at wmma@fernley.com or call 215/564-3484.

WMMA Mission Statement

The WMMA shall represent and support domestic manufacturers of equipment and tools used in the processing of wood and wood products from the forest to finished products.

Watch the Consumer!

By Art Raymond, A.G. Raymond & Company



According to some, the most recent recession ended in January of this year with the economy falling only 0.6% from the March 2001 peak. Those businesspeople who suffered double digit revenue declines in 2001 think the National Bureau of Economic Research, the official arbiter of business cycles, misplaced the decimal by at least one

position. Nonetheless, while the NBER is withholding its final ruling, the recession of 2001 was one of the shallowest since World War Two.

For that result, thank the consumer. Growth in consumer spending in seven of the last eight quarters has exceeded the growth of the overall gross domestic product. That performance, running through the recession, radically differs from how the consumer acted in the 20 business downturns of the 20th century. During those periods of economic weakness the consumer cut back, then as times improved, unleashed tons of pent-up demand for cars, homes, etc.

Why is the consumer now so important? Because capital spending by business has been in the tank. A relevant example is the 28% decline in capital expenditures by the 29 largest North American forest products companies.

The boom times of the 90's were fueled in part by heavy capital investment. That spending had two key consequences:

- Plant and equipment investments enabled higher productivity – We are now getting more for less.
- Excess capacity was installed, and worse yet, some of the 'investment' especially in internet-related businesses was burned up on operating costs and soft assets.

With capital spending declining for seven consecutive quarters, the task of keeping the economy rolling has fallen to the consumer. And she has done so with a vengeance. Consumer spending is now 70% of GDP. In August spending was up by 0.3% and 3.6% above a year ago.

Economists are rightfully concerned that the consumer cannot continue this pace forever. What is the outlook concerning the consumer?

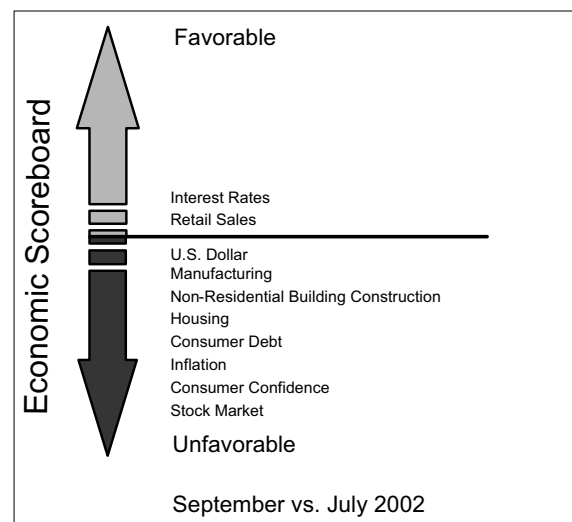
On the positive side...

- Wages are rising – Disposable income for those with jobs rose 6.7% in the twelve months since June 2001.
- Inflation is low – Prices in some product categories are actually declining.
- Mortgage refinancing is accelerating – That means more cash in the consumers' pockets.

The bear case rests on these facts...

- Confidence has wilted – The Conference Board's index has fallen for four consecutive months.
- Retail sales are slightly weaker than expected – Even Wal-Mart saw slower sales growth in September.
- Household net worth has plunged – The falling stock market took \$1.4 trillion off the consumers' balance sheets in 2Q2002. Home equity, reduced by the recent wave of refinancing, is now only 16% of home value vs. 21% a decade ago.
- Median household income fell by 2.2% in 2001, the first annual decline since 1991.
- Consumer debt is climbing – Mortgages and consumer credit debt rose by 9% (annualized) in 2Q2002.
- Foreclosures are at a record high – Any rise in interest rates will exacerbate this problem as monthly payments on variable rate mortgages rise.

These factors imply a hung jury. So keep your eye on the consumer for signs of strength or weakness. And keep your fingers crossed.



Sector Situation Report

Latest news from the wood products industry by sector...

☒ Flooring

NOFMA reports that strip flooring shipments in August were 3% higher than a year ago and that total 2002 shipments are 9% higher than the first eight months of 2001.

☒ Office Furniture

Sales of office furniture continue in the doldrums. BIFMA reported that August shipments were 15% below last year. For the year the industry has shipped 23% less product than in the first eight months of 2001. Industry giant **Steelcase** posted a sales drop of nearly 23% in 2Q2003. The company expects little if any recovery in orders for the full fiscal year. For its 1Q2003 **Herman Miller** saw its sales decline by only 15.5% vs. a drop in industry shipments of 17.8%. Could Miller be taking market share from its bigger rival in Grand Rapids?

☒ Kitchen Cabinets

Cabinet sales jumped 9.8% in August according to the KCMA's Trend of Business Survey. For 2002 cabinet sales are up 11.2%.

American Woodmark, the 3rd largest U.S. cabinetmaker, reported 1Q2003 sales up a stunning 17.3% year over year with operating margin at 11.1%. These results were achieved in the midst of new plant start-ups as the company adds new capacity as predicted in our August column.

In September **Masco**, the largest U.S. cabinetmaker, purchased a cabinet distributor and installer. This addition furthers its expansion downstream in the cabinet industry by enabling consumers to purchase a turnkey, remodeled kitchen or bath.

☒ Home Furniture

News from this sector trended to the negative in recent weeks as retail sales waned.

- **Pier One's** August sales were up 17% from their year ago performance. 2Q2003 sales grew by 15% – This home furnishings retailer specializes in moderately priced merchandise with much of its offering imported.
- Retailer **Havertys** reported a 2.6% drop in August sales.
- Producer **Furniture Brands International** reported lower sales for its high-end brands like Thomasville, Drexel, and Henredon.
- Company and plant closures continued as **Arbek**, a major California producer, ceased operation and shuttered its 200,000 square foot plant; **Keller** discontinued operations at its Virginia plant affecting 120 workers; and **Thomasville** closed its 240,000 square foot Plant B in North Carolina and laid off 425 workers.

One other important note – Good car sales almost always coincide with poor furniture sales as consumers typically do not make two major purchases simultaneously. Auto sales were up 2.9% in September from a year earlier, and GM announced the extension of its 0%/60-month financing scheme to cover many 2003 models.

Other furniture news... The breakdown in labor negotiations between dockworkers and shippers on the U.S. west coast is threatening the import of furniture from the Far East. Could the risks and realities of world trade slow the closures of U.S. plants? More on this subject in our next column along with the latest from the October High Point Market.

☒ Non-Residential Construction

According to Dodge Analytics, this category jumped 12% in August over July. Strength continued in school and healthcare facility construction, both users of substantial wood products like millwork, casework, and furniture. Office, warehouse, and hotel construction has stabilized, an indication that these categories may have seen the worst of their correction. However, non-residential construction is down by 9% in 2002.

If you have questions or comments about this article,
contact author Art Raymond at info@raymondnet.com or 919/831-0070.

You can also e-mail WMMA headquarters at wmma@fernley.com or call 215/564-3484.

Export Development

Wood Furniture Import Trends, January – June 2002

By Harold Zassenhaus, WMMA Export Director

For the past few years, members have become increasingly interested in the shift of furniture production offshore, especially to China. We have been reporting on woodworking equipment trade trends with China and changes in the China marketplace for a number of years. We began reporting on the changes in China's furniture shipments to the U.S. three years ago. As this is an important topic, we will continue to periodically weigh in on the issue providing members with current information and insight.

Members can view a summary of wood furniture imports for 1st six months, 2002, 1st quarter 2002, and 2001 by type as well as by country by going to the WMMA website, members only section and clicking on Export Development (http://www.wmma.org/members/mpdf/2001_furnimp.zip and http://www.wmma.org/members/mpdf/2nd_2002_woodimp.zip, respectively). For definitions of product categories, contact Harold Zassenhaus.

Wood furniture imports continued to rebound in the second quarter as Americans purchased almost \$3 billion of imported furniture during the quarter. For the first six months imports increased 15% to \$5.2 billion. The largest increases came from imported wooden bedroom and wood framed upholstered furniture, each increasing over 20%.

China continued to increase shipments to the U.S., as imports from China amounted to \$1.7 billion or a whopping 56% increase compared to the 1st six months of 2001. China is clearly the largest supplier to the U.S. market with over 32% of the market, compared to Canada's 23%. If current trends continue, China's market share should increase to something over 36% in 2002 while Canada's share will drop to around 20%. Taiwan's share, which 10 years ago was over 25%, will drop to less than 3% by year-end.

Again, China is not the only developing country that is gaining U.S. market share; others, now among the top ten suppliers to the U.S. are:

Country	% U.S. Market	\$ Millions shipments Jan. - June	% Change 02/01
Brazil	1.8	95.7	46.0
Thailand	2.9	150.4	36.5
Malaysia	4.2	217.5	14.6

Members interested in a further breakdown of the statistics by product grouping, by specific product, by country or region should contact Harold Zassenhaus, tel. 301 652 0693, fax 301 986 1389, email zemg@erols.com.

WMMA Trade Fair Participation Program

A principal Export Development Committee activity is organizing WMMA pavilions in 3-5 international trade fairs. This unique service allows members to exhibit in some of the best known trade fairs in the world while conserving costs, enhancing exposure and gaining support from fellow members and the WMMA staff. In 2003 the WMMA is organizing pavilions ranging in size from 100-225 sq. meters in the following events:

- AMPIMM Fair, Mexico City, Mexico (January 15-18)
- WoodMac China, Shanghai, China (February 25-28)
- Ligna, Hannover, Germany (May 26-30)

Exhibiting members services include:

- ☞ good location
- ☞ booth design/layout
- ☞ hotel packages
- ☞ space discounts
- ☞ freight consolidation
- ☞ translators

In addition, the WMMA will have its own booth at each fair in which it will be advertising members' products and services. Members who want to share the booth can do so for \$200. This entitles members to display literature, run product videos and/or work out of the booth. All participants will receive a summary of the event, a copy of the exhibition catalog and leads generated.

To learn more or to sign up for any of these events, go to the "2003 Fair Sign Up Form" (<http://www.wmma.org/members/mpdf/tradefairpartform.zip>). Contact Harold Zassenhaus for more information on each event (tel.: 301 652 0693; fax 301 986 1389; email: zemg@erols.com). Space will be assigned on a first come, first served basis.

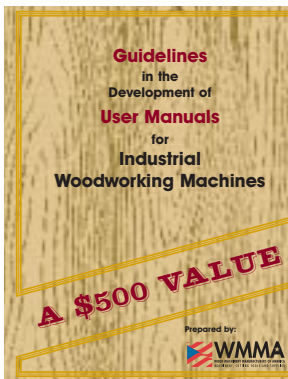
Product & Engineering Standards

Practical Application of Your WMMA Dues:

Discover the Value of the WMMA User Manual Guideline

By James E. Laster, Newman Machine

Chair, WMMA Product & Engineering Standards Committee



Have you ever bought something that you thought you really needed, carried it home and put it away, only to forget you have it or just never use it? “Now, wait a minute,” you say, “I will get around to using that piece of exercise equipment in time.” Or perhaps that watch that you are wearing can calculate the celestial movements down to the nearest nanosecond, but you still can’t figure how to

turn off the blasted alarm, which some numbskull at the store thought would be funny to set for 2:00 AM. Maybe you will finally get time to read the manual that came with the watch, maybe tomorrow morning...say at 2:00 AM.

We all chuckle to think that the world is full of such funny characters, but these scenarios are not too different from the company who pays for membership in WMMA and never gets around to reaping any of the benefits of membership, other than the trade show discount for IWF. Now mind you, the discount is important and it’s good business too, but could there be more? Let me answer that question with a resounding YES.

If your company happens to be one that has not figured out how to benefit from membership in WMMA other than the trade show discount, then would you please give just a minute of your time to read on and learn of one opportunity provided by the WMMA Product & Engineering Standards Committee.

Somewhere in your facility you will find a copy of a document, which was recently mailed to all WMMA member companies. The document has a spiral binder and is about 30 pages in length. The cover identifies the

document as “Guidelines in the Development of User Manuals for Industrial Woodworking Machines.” Across the bottom of the Guidelines is a banner that identifies it as “A \$500 Value.” I am asking you to find that document and take a few minutes to review the contents for yourself, or better yet review it with your engineering manager or technical writer.

This Guideline is important to the future of your company! One of the major faults found with manufacturers in product liability cases is “Failure to Warn”. It can be devastating when a trial lawyer hands you a copy of your User Manual and asks you to locate the section that identifies the potential hazards and describes how to avoid the risk, ...or simple instructions on following Lockout /tag out procedures prior to performing maintenance.

The Product and Engineering Standards committee believes in strength in numbers. We want as much standardization across our industry as possible, because we all should do a better job if we follow a well-developed standard. The Guideline offers such an opportunity. It has been well thought out by a committee that represents a large cross section of WMMA members. It offers a standard for our industry and it suggests standardization of resources in the development of User Manuals for the equipment your company manufactures.

It would cost your company much more that the \$500 value of this free resource to hire a private consultant to review and help you standardize your technical manuals, and when you were through you still would not be standardized with the rest of the industry.

Let me encourage you to look beyond the IWF discount to the other valuable resources available to your company through WMMA, and let me encourage you to become a part of the standardization in our industry where possible. Can you afford to do otherwise?

If you have questions or comments about this article, or other Product & Engineering Standards issues, contact Chair Jim Laster at jelas@aol.com or 336/273-8261.

You can also e-mail WMMA headquarters at wmma@fernley.com or call 215/564-3484.

WMMA and AWFS® Bring 19 Foreign Buyers to IWF

In partnership with the AWFS®, the WMMA hosted 19 foreign representatives and end users of woodworking equipment and/or furnishings to visit the IWF as their guests. Under the Foreign Buyer Program the two associations defrayed the costs of traveling to Atlanta to meet with exhibiting members. The 19 guests, nominated by association members and recipients of last year's awards, came from North, Central and South Americas, East and West Europe and Scandinavia. In interviews with foreign buyers they were all very pleased with the program and most entered into negotiations with member firms. To learn more about each award recipient (contact information, lines represented, number of employees, capabilities and interests in attending IWF). Visit the website and click on http://www.wmma.org/members/mpdf/iwf_invguest.zip (9K ZIP).

Many association members were equally pleased. Stated Jeff Pitcher, CP Industries, "I have been trying for years to bring our dealer up to the IWF. We strengthened our relationship and our dealer learned quite a bit about U.S. sources of supply. He is in negotiations with at least two member firms."

IWF Activities in support of the program

The IWF generously set aside a block of hotel rooms for the recipients. The International Business Center, located near one of the registration areas was their "home away from home" where they met in private, made additional appointments or just relaxed from the heavy schedule. On Wednesday, August 21 (Dealer Day), following a brief orientation, recipients joined the WMMA press tour to see what was new from members. Following the tour, recipients had appointments with members. On Saturday August 24 the WMMA and AWFS® held a press conference welcoming award recipients, and presented each with a handsome plaque to remember the occasion.

The program, first begun in 2001 at the AWFS Fair in Anaheim, California, is a way for members to meet with foreign representatives and end users who have been active in their regions, well respected by WMMA/AWFS® colleagues and interested in U.S. equipment. It is an easy and effective way for members to gain a foothold in foreign markets. Visit the website and click on <http://wmma.org/fbp2002photos.htm> for photos of the August 24 press conference.



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"What Does Your WMMA Dues Dollar Buy?"

Industry Tradeshow Discounts

Worldwide Publicity

Monthly Newsletter

Educational Opportunities

Industry Advisor Program

Industry Safety Standards

Industry Statistics

Economic and Benchmarking Data

Regulatory Alerts

Legislative Calls to Action

Internet Links

Leads for New Business

Access to Overseas Distributors

Export Trade Certificate

Networking with Industry Peers

Manufacturer/Distributor Conferences

Message from the Executive Vice President

By Kenneth R. Hutton

Editor's Note: This is the 8th in a series of features discussing WMMA programs and services available to membership.

Did You Know...

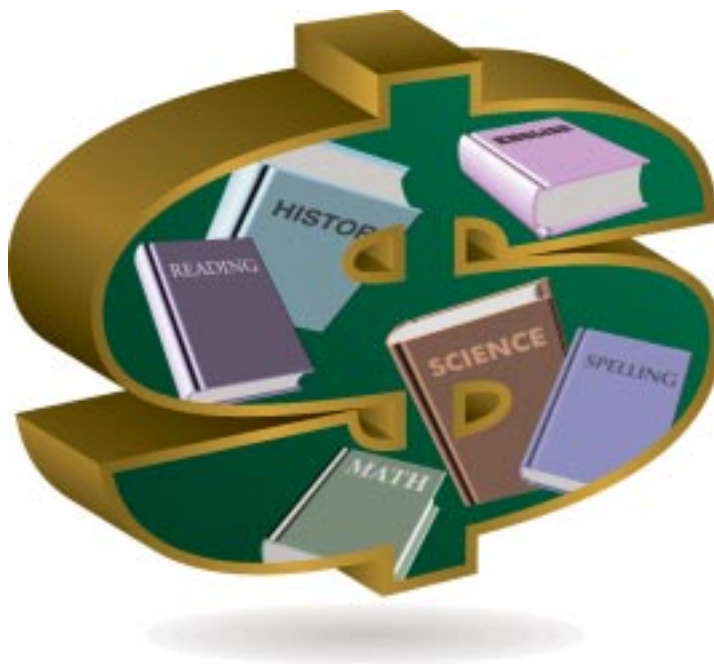
...That 0.7% of the 2001 WMMA expense activity went to help students develop an interest in a career within the woodworking equipment and cutting tool industry? Much of these scholarship grants were possible under the IWF distribution to the owning associations for furthering education within the industry.

The original WMMA Scholarship program at N.C. State University, Pittsburg State, and Oregon State University is built around a designed curriculum. The Committee Members will interview candidates for the NCSU program this Fall and select two students. Nominations for students at the other two participating institutions are encouraged from member companies.

The new facet of the WMMA Scholarship Program, whereby member companies nominate local students/employees for participation in any two or four-year college in any degreed program of study, already has two participants. Take advantage of this opportunity to design your own scholarship program tailored to fit the individual needs of your company and do it with Association dollars.

Much of the success of this excellent program results from the hard work and vision of its past chairman, Steve Segal. Steve heard the laments about the lack of qualified

young people with an interest in a career within the woodworking equipment and cutting tool industry and did something to address the problem. Now he has turned the reins of leadership over to a new team, whose challenge it is to build upon this strong foundation—no easy task!



The current employment opportunities in the higher profile industries have the attention of current engineering students. The Committee is endeavoring to provide the respective engineering departments at each school with more information on the program itself—complete with summer internship opportunities—and member profiles in order to spark the interest of the students.

For 2002 and beyond, these three universities should give good geographical balance for

members to access a talented pool of students trained with applicable skills and energized to build a career in this industry.

In addition, WMMA is attempting to broaden the outreach of the program. Every member company has the opportunity to sponsor a student at a regionally accredited junior, community or technical college in its geographic area that offers two-year manufacturing-technology related degree programs. Or, every member company can sponsor a student at a four-year university that offers a bonafide co-op program in a field related to the WMMA member's business.

Comments or questions about the Education and Scholarship Committee should be directed to either Chairman Todd Herzog at (931) 668-7127 or email at todd@accu-router.com, or staff liaison Ken Hutton at (215) 564-3484 x215 or email khutton@fernley.com.

Carter/Sanding Systems Consulting Sign New Working Arrangement



Carter Products has announced agreement on an extended working relationship with Sanding Systems Consulting, Inc. and its founder and President, Howard Grivna. The accord grants Carter exclusive licensing rights to manufacture and market new

technology to benefit firms using sanding and abrasive equipment.

Grivna will continue to act as a consultant for 3M Company. In that capacity, he visits hundreds of manufacturing facilities, evaluating sanding and abrasive procedures and providing recommendations on improving productivity. This fits very well with his new association with Carter Products, a company long known for offering accessories designed to improve productivity.

Carter President Peter M. Perez observed, "We are truly honored that Howard Grivna has selected Carter Products to assist in developing processes and products that will benefit companies using sanding and abrasive materials. Intensive experience equips Howard to make solid, practical recommendations. Carter Products will also bring to market innovative products on which Howard holds patents. The first of these – Carter's Wide Belt Sander Set-Up/Diagnostic Device – was launched at IWF2002. We expect to introduce others shortly."

James L. Taylor/Cameron Automation Takes Home Prestigious Challengers Award

Cameron Automation, a new division of the James L. Taylor Mfg. Co., has recently won the Challengers Award for their new Opti-Match. The Opti-Match is the only machine to completely automate the color matching process for high quality solid wood panels. The Opti-Match combines innovative scanning and sorting technology with complex computer programs to build and stack sized, color matched, and color blended panels, automatically. It completely eliminates the labor intensive and subjective job of manual color matching. Cameron Automation manufactures smarter machines for higher yield with less labor.



Photo: Carter President Peter Perez (left) and Howard Grivna, President, Sanding Systems Consulting, hold their first product, a Wide Belt Sander Set-Up/Diagnostic Device, at IWF2002.



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