

Plastics News

By RHODA MIEL

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Toolmakers getting over the hump

Almost everyone asks Jim Vassar how his business is doing — customers, suppliers ...

“Even the mailman,” Vassar jokes.

It’s not just that they want to keep doing business with Vassar’s company, Fidelity Tool & Mold Ltd. of Batavia, Ill.

“From the point of watching the economy, a lot of people watch the toolmakers and how busy we are, because we’re the first line of where the activity starts,” Vassar said. “We’re the first line everybody watches.”

If mold makers are getting more business for future products, then molders should be getting new business, making it possible for both molders and mold makers to hire more people and buy new equipment, which is good for workers and for vendors. That’s also a good situation for the companies they buy from. While it’s hard to find any solid predictions of how manufacturing is recovering from the recession, anecdotes from companies like Fidelity give hope that the light at the end of the economic tunnel is getting closer.

Fidelity, a blow molding toolmaker, has been landing new business, and Vassar — Fidelity’s founder and president — has been able to invest in more support equipment, upgrade computer-aided-design/manufacturing software and bring the staff level back up to 32 employees, after cutting five jobs in early 2008. He hopes to bring in new CNC equipment soon.

Versevo Inc., a Hartland, Wis.-based injection mold tool and die maker, is increasing its floor space by 10,000 square feet to a total of 40,000 square feet and expects sales to climb by about \$3 million next year.

President and CEO Terry Moon said he also expects to add 20-30 employees to the current staff of 55 within the next three to four months.

But individual improvements do not mean that every mold maker has turned a corner or that the progress can even represent any one sector. Toolmakers working in a variety of industries point to both individual successes and individual collapses.

“It comes down to each toolmaker you talk to,” said Jeff Mengel, a partner with consulting group Plante & Moran PLLC, with offices in Chicago.

“It depends on what program they’re on. If they’re not on a good program, then they’re scrambling just as they were before.”

Glenn Starkey, president of tooling parts supplier Progressive Components International Corp. in Wauconda, Ill., said based on conversations within the company and with its competitors, the company expects to see tooling production end 2010 close to the same levels the industry saw in 2008.

“It’s not necessarily that 2008 was a boom year, but at least volumes are at that level in terms of the number of tools that are being built,” he said.

Continued...

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Even in 2009, there were pockets where toolmakers rode out the recession a little better than other companies, such as those supplying the medical and packaging industries. Others, like injection molding toolmakers for the auto industry, saw their business nearly come to a standstill until auto production picked up again in late 2009 and into 2010.

Moon said Versevo has been seeing an uptick in business gradually this year from its customers that make powertrain parts for the auto, agricultural and recreational vehicle businesses.

"We've been running very lean for the last few years, so it's been good to see things starting to pick up now," he said.

Some improvement in business comes from general economic conditions improving slowly during the past year, Mengel said. However, it also can be linked to toolmakers embracing automation and lean manufacturing to bring down their personnel costs, which has made it possible to compete against low-cost countries.

"Tooling is clearly a global purchasing decision, and as a global purchase, it ebbs and flows," he said. "If it's a 40 percent difference in the cost, then [tooling buyers] are still going to go overseas, but if it's only a 10 or 15 percent difference, then they're more likely to buy locally."

Vassar said Fidelity was very careful about where it spent its money before the recession, making it possible to invest in the right technology at the right time. The company developed a proprietary multi-parting-line technology that allows molders to turn out 100,000 bottles per day from 16-ton, double-clamp blow molding machines. Vassar said he hopes to see that technology take off now that the economy is beginning to improve.

"That's going to throw out some new opportunities," he said.

Starkey said he's hearing more about mold makers investing in new systems for their operations so they will be ready for an expected increase in orders, especially in new technology and automation.

There is still existing capacity on milling equipment, drills and electric discharge machines, Mengel said. If mold makers want to be sure they can continue to compete globally, they will have to find ways to invest in technology that will allow them to bring improved molds on the market as manufacturing as a whole begins to move beyond the recession.

"I understand their concern and trepidation [in buying new equipment], but when you start seeing some of the leaders break out and move forward, then there is something solid to say that they're over the hump."