

THE CUTTING EDGE

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November, 2000

The Results Are Not In

John Satagaj, London & Satagaj

One thing we can bury right now is the old adage, "Why should I vote, my vote does not count." We will be talking about November 7, 2000 for years to come. Now you may wonder why my column does not start with a shout of joy or dirge of remorse. The reason is simple: You know something as you read this that I don't know as I write this and that is who will be the next President of the United States. Deadlines and the State of Florida have thrown not only the election into a dizzy, but my own responsibilities to you as well. So, with that in mind, let me sketch out what we know regardless of the outcome, and what you can expect.

We do know this. The Congress remains in Republican hands. From a business perspective, this means regardless of whether Bush or Gore is going to be the next President, Washington should do us no harm. By that, I mean we do not have to worry about any new regulatory-type laws in areas of the environment, labor or taxes. There is something to be said for that good news. The governing majorities in the Senate and House are slim. In the House, this is more of the same, for the Senate it will bring new challenges. Certainly one of the big losers was Representative Dick Gephardt (D-MO). After he decided not to run for President, he put his heart, soul and reputation into winning the speakership.

If it turns out that Florida voted for Vice President Gore, there is some obvious bad news for us. The odds of securing product liability reform of any kind will be slim. There is no doubt the trial lawyers had a pipeline into the Vice President's campaign. Yes, Senator Lieberman has been a supporter of tort reform, but we do not think his persuasive powers will overcome the lawyers' money. We might see some estate tax relief. Vice President Gore indicated he would support some relief. Unfortunately, it would not bode well for repeal of the estate tax.

From a business perspective, if Governor Bush's lead holds up in Florida, there is reason for optimism, but you might be surprised to learn that we do not view our legislative program as a "slam dunk." The Governor clearly supports tort reform and estate tax repeal. The problem is the Senate. In the House, as I indicated earlier, we can anticipate more of the same of what we have seen in the past. In the past two Congresses, the Republican house majority has imposed its will by sheer partisan party line strength. The structure of the House, with its rigid rules, allows the majority, even if it is by one vote, to have its way. It does require party discipline and it is tough to go to the well day after day for a vote on party line rather than principle. The other thing it produces is a lot of animosity with the minority party and it makes an unseemly way to do business. However, at the end of the day, the House will produce what President Bush needs. The Senate, on the other hand, is going to test Senate Majority Leader Lott's (R-MS) patience. It is nice to have a majority, but the rules of the Senate allow all one hundred Senators a great deal of latitude to wreak havoc with the process. She might not acknowledge such a strategy aloud, but it is hard to imagine that the junior Senator from New York would not exercise every senatorial privilege she has, to be difficult. However, more important than the prerogatives of a single Senator are the structure of the Senate to protect the minority, specifically, the right to filibuster and the requirement of a super majority to shut off debate.

Getting a super majority is going to be an awesome task. It does put a few Senators in the driver seat. On the Republican side, so called moderates like Senators Jeffords (VT), Specter (PA) and Chafee (RI) will be swing votes within the majority. On the Democratic side, business moderates such as Breaux (LA), Baucus (MT) and ironically, Lieberman (CT),

(continued on pg.6)

In This Issue...

Member NewsPage 5-6

Association NewsPage 2

Export Development ...Page 3-4

Association News

NAM Site Selection Network

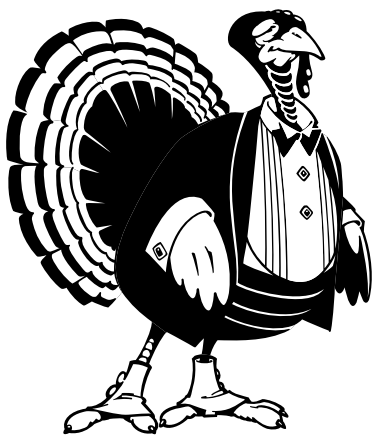
As you may know WMMA is part of the National Association of Manufacturers. The National Association of Manufacturers offers numerous cost cutting and profit-improving services to its members. Through your Associations Council membership, one of those programs, the NAM Site Selection Network SSN, can benefit your association members. The SSN is recognized as one of the premier site-selection services for manufactures and other businesses. It helps companies identify potential buildings and sites around the country for their relocation or expansion efforts. The SSN service is offered at no cost to NAM members. The SSN is extending this membership benefit to WMMA members. Should your company have the need for a new or expanded facility, you would provide the SSN with your site-search requirements, including location, facility size, labor, transportation and other needs. Based on your search parameters, the SSN solicits community information from economic development agencies in your area(s) of interest.

The SSN then compiles all of the community information, including available buildings and sites, prevailing wages, tax rates and incentives and more, into a customized, easy-to-use report for your review. Should you wish to visit one or more of the sites, the SSN can help you arrange a site visit to experience firsthand the location and the community.

To start a site search with NAM Site Selection Network, please contact Ellen Davis, the SSN's executive director, at (202) 637-3189, or by e-mail at edavis@nam.org. Be sure to tell her that you are a WMMA member to receive this special service at no cost.

WoodMachineryCommerce.com

All WMMA members should have received an informational postcard from Unibex describing their services and packages they are offering to members of the WMMA. WMMA has partnered with the National Association of Manufacturers (NAM) and Unibex to promote online business opportunities with buyers, suppliers and manufacturers. The site allows participants to include online product catalogs, participate in online trade shows and more. Visit www.WoodMachineryCommerce.com for more information.



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would
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wish all
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Export News

Definition of an Exporter

Bill Maron

The U.S. Department of Commerce Bureau of Export Administration (BXA) and the Census Bureau have both promulgated final rules that define who an exporter is and lists the responsibilities too.

The September issue of Cutting Edge gave you an introduction to Incoterms 2000. Those terms when agreed to by buyer and seller point to where the risks, responsibilities and transfer of title should take place. However, you now must comply with the export administration rules that were effective October 10, 2000 regardless.

Each agency has issued its own definition and requirements because they could not agree due to the different mission of each. BXA covers enforcement while Census wants accurate information.

BXA's rules demand cooperation and communication of all the parties to the transaction, buyer, seller and intermediaries. More importantly it clearly shows the responsibilities of all regardless of the terms of sale. Those who currently ship EXWORKS (mistakenly called FOB Factory by some U.S. Exporters when shipping internationally) can no longer wash their hands of export requirements. The seller who makes the international sales contract with the buyer does have responsibilities regardless if the buyer has appointed his own agent/forwarder to handle the transportation.

The Principal Party in Interest (PPI) in the U.S., a new term, requires the one who contracts with the foreign buyer now called the Foreign Principal Party in Interest to provide the forwarding agent with enough technical information to select the proper classification & ECCN number to determine if an export license is required.

In addition, the rules explain the difference of a "normal" export transaction as opposed to a "routed export transaction" where a foreign PPI designates a U.S. Forwarder or other agent to prepare and file the shippers export declaration and handle the export custom clearance.

When an export license is issued, it requires all parties to pass along to the other parties all conditions placed on the license. The U.S. PPI must get written confirmation from the buyer that they accept the responsibilities.

Forwarders must always get written authorization from the PPI they represent, either the U.S. PPI or the Foreign PPI in the case of a routed export transaction.

The Census Bureau's rules dictates who can appear as the exporter (PPI) in block 1A of the SED. In most circumstances it cannot be the forwarder unless the forwarder applies for an export license.

In plain English, if you contract with a foreign buyer you are responsible to comply with the Export Administration Regulations and Foreign Trade Statistical Regulations. You cannot ship to embargoed countries or entities on the Denied Persons List. If your commodities require an export license, you are required to secure it or get a written reply from your buyer that they will be responsible to secure it through their U.S. Agent.

If the shipment is "routed" by your buyer, he should give his U.S. Forwarding Agent the written Letter of Authorization. If he does not it is your choice if you will provide the forwarder with it. You are required to give the forwarder the SED information & your EIN Number and he is required to confirm to you that he has used the information you have given him accurately. If you don't want your Company name to appear on the bills of lading, you should inform him in writing. Your name on the bills of ladings takes on additional transportation risks and responsibilities that might not be appropriate within the Incoterms agreed.



Note from Harold Zassenhaus

Bill Maron has 40 plus years in the internal freight forwarding industry. In addition to having his own company for 38 years, Bill was the president of the New York/New Jersey Freight Forwarders Association and the Forwarding Committee Chairman of the National Association of Customs Brokers and Freight Forwarders. In addition to his articles he has offered to respond to your questions. Bill can be reached at:

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China Still Holds Promise for Members

Harold Zassenhaus

Demand for solid wood products is likely to grow in the future, driven by rising incomes and housing reform. Though the government has recently backed away from a rapid end to subsidized rents for government and state enterprise employees, privatization of housing is continuing at a brisk pace. The rising number of new homeowners has stimulated demand for high-quality wood products for interior decoration, such as furniture, paneling and flooring. The government is also pursuing a massive housing construction program designed to improve the quality of Chinese housing. This should also contribute to demand for wood products for interior finishing (housing in China is typically sold unfinished).

China plans to start work on 380 million square meters of new housing projects in 2000, according to the Ministry of Construction (MOC), an ambitious target that also aims to expand apartment size. While the majority of the planned new construction is low-cost housing, a significant proportion has been set-aside for high-end residential units. The Chinese government plans to increase average living space from 9.6 square meters per person in 1999 to 12-14 square meters in 2000, and 15-18 square meters by 2010. This will require rapid growth in the housing industry over the next decade, with annual growth targets set at 15%.

By 2005, the Chinese government plans to build an additional 1.5 billion square meters of housing in urban areas, 3.5 billion square meters in rural areas, and to renovate another 2.9 billion square meters of decrepit housing.

One byproduct of China's housing reform is likely to be rapid growth in demand for furniture and interior wood products such as cabinets, flooring, wall units, paneling and molding. A recent study of new homeowners in China indicates that this growing population can be expected to make a much larger investment in interior decoration than they did while living in government or workplace distributed housing. Recent expansion and upgrades to office space have also increased demand for building decoration. According to forecasts by the China Furniture Association, the market for furniture and interior wood combined will be worth over \$20 billion in 2000. The China

Building Decoration Association estimates that China will use over 10 million cubic meters for interior decoration, at a forecast value of \$1.8 billion in 2000, while the total value of the interior decoration market will reach \$28.5 billion.

The furniture market is expected to expand by 10% per year over the next few years. At the end of 1999, China had officially registered more than 35,000 furniture manufacturers, producing furniture valued at over \$12 billion. Demand is high for replacement furniture and interior remodeling for hotels, offices and homes. The average replacement period for furniture has been reduced from over 10 years to between 4 and 8 years.

Taiwanese companies have established over 300 factories in China, and manufacturers from Hong Kong, Singapore, Malaysia, South Korea, Japan, the U.S. and Italy have all established plants in China.

According to CFA, furniture exports, primarily solid wood furniture, are forecast to grow by 14% annually over the next 10 years, while imports grow at 18% annually. The government supports exports of furniture by providing a rebate on the VAT for exported products, and on wood imported to manufacture goods that are then re-exported.

Laminated wood flooring has become an important part of the interior decoration industry. According to industry press, costs have been reduced to a level where the cheapest laminated flooring undercuts hardwood flooring. Prices for laminated flooring have fallen by 10-25% over the past year, and now stand at between \$8.4 and \$18/square meter. Though demand for the low-end laminated flooring is weak, flooring in the price range of \$12 - \$15.7/square meters is proving quite popular. Sales for 2000 are forecast at 100 million square meters, at a total value of \$1.8 billion. Since 1994, 40 production lines have been established in China, including 30 imported from Europe. Annual production capacity is over 30 million square meters. The Chinese government is encouraging the development of this industry, since laminated wood flooring can utilize smaller pieces of wood and wood from fast growing tree species.

The WMMA is organizing a pavilion at WoodMac China 2001, Shanghai, February 20-23, 2001. There is still space available. However, if interested you must hurry, space is limited. At this printing 110 sq. meters has been committed. Members receive discounts on space, hotels and United Airlines is currently running a special \$800 rt. fair, non-stop to Shanghai from San Francisco. For more information, contact Harold Zassenhaus, tel: 301 652 0693; fax: 301 986 1389; e-mail zemg@erols.com

Member News



Beaver Tools, has moved to a new 17,000 sq. ft. manufacturing and warehousing facility. This new facility will allow them to bring a significant amount of their parts production back in-house. The new address is 4031 Gravois Avenue, St. Louis MO 63116. The telephone and fax numbers remain unchanged at 314-773-5999 and 314-773-8490 respectively.

Eagle International Carbide

Eagle International Carbide has acquired land for their new "World Headquarters" planned for completion during mid to late 2001.

Carter Products Company Inc. broke ground on October 30th for a new 11,600 square foot manufacturing office facility in Grand Rapids, MI. The new building starts the next chapter in a highly successful history for Carter Products. The site is expected to open June of 2001.



Hermes Abrasive, Ltd., one of the world's leading producers of industrial abrasives announces the introduction of the Fresno Warehouse Plus Program. The new West Coast warehouse operates with the speed of a distribution center while offering the quality of a world class abrasives manufacturer. The program is simple - place popular items in stock on the West Coast Plus offer custom made non-stock belts Plus next day shipping on all items. Add it all up to the Fresno Warehouse Plus Program setting a new standard for service.

The new warehouse/converting operation in Fresno, California became operational on October 30, 2000. Hermes' full Product line is available from their Virginia Beach, Virginia manufacturing facilities. Please consult the RAXPRESS, RAXPRESS Lite and Stock Catalog Programs for additional service options. For more information on how to best use Hermes' Delivery Programs to meet your needs, or to place an order, contact Hermes Abrasives at 1 (800) 464-8314.

Mereen-Johnson Machine Company headquartered in Minneapolis, Minnesota, has acquired majority interest of Group Seven Systems of Hudson, North Carolina.



Mereen-Johnson manufactures Double End Tenoners, CNC Dovetail Machines, Panel Sizing Systems, Straight Line Multiple Rip Saws, and Mereen-Johnson "Select-A-Rip" Series of Chain Feed and Roll Feed Multiple Rip Saws. Group Seven Systems manufactures material handling

systems and the "DYSYS" computerized vision lumber optimization system.

"Together, Mereen-Johnson and Group Seven installed their first vision optimizing system back in 1991. Since then, these two innovative companies have designed and built industry-leading technology for their mutual customers" said Russ McBroom, President, Mereen-Johnson Machine Co.

NWPA

The Northwest Wood Products Association now has a new website and "Trade Lead" service dedicated to linking buyers who are looking for products to producers. In addition the new Website will host the most recent information critical to the "Value Added" wood products industry: i.e. Trade Shows, Markets, Workforce Development, Employee Training Programs and Development of sustainable resources.

Welcome New WMMA Member

Wise Corporation



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WWW/E-mail Address:
www.wise-corp.com
Key Contacts:
Dennis Gallant - President
Rick Gallant - V. President

Founded in 1990, the Wise Corporation has new, used and reconditioned pre-hanging door equipment and accessory machinery. They sell, service and support all major brands of pre-hanging door equipment. The key product line is a fully automated pre-hanging production equipment for millwork operations. The Wise Corporation is committed to meeting the unique challenges of the millwork industry through innovative products, exceptional quality and the industry's best service and support.

Member News

The Wood Technology Clinic & Show Returns to Portland in March

The top manufacturers of the wood processing industry will bring their latest resources to Portland's Oregon Convention Center for the 29th Annual Wood Technology Clinic & Show, March 14-16, 2001. Occupying more than 110,000 net square feet, the Show will feature more than 400 exhibiting companies that supply equipment, machinery, services and technologies to the wood processing industry. In addition to the Show, the Clinic will feature a comprehensive lineup of educational seminars and workshops, produced by experts in the industry. More than 30 conference sessions will cover advances in processing methods, worldwide market trends, management strategies and more.

For information on sponsorship and exposition opportunities at the 2001 Wood Technology Clinic & Shows, please contact the WTCS Sales Department at (800) 527-0207, (972) 906-6500 or jbaker@mfi.com.

Reserve Space Now for the Industrial Strength Woodworking Conference & Expo in Texas

The Texas economy is strong, and so are booth sales for the Texas Industrial Strength Woodworking Conference & Expo, scheduled for March 30-31, 2001 in Arlington. As of Oct 1, more than 200 exhibit booths have been reserved for the third industrial woodworking show at the Arlington Convention Center, located midway between Dallas and Ft. Worth. A new Solid Surfacing Pavilion will be added for 2001, offering exhibitors and attendees an opportunity to interact in a specially designated area of the Arlington Convention Center's new ballroom.

The February issues of Expo co-sponsors Custom Woodworking business and Wood & Wood Products will preview the show. Exhibitors who run 1/4-page or larger ad in February will receive a free black and white Expo Spotlight news.

The Texas Conference & Expo will also feature W & WP/CWB's business and technical seminars, which begin March 29. For more information about attending or exhibiting, contact the Wood Division Conference Office at 888-903-9663 or e-mail bhgmt@aol.com.

🔧 Personnel Updates 🔧 Personnel Updates 🔧 Personnel Updates 🔧 Personnel Updates 🔧

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| 🔧 Super Thin Saws Inc. is pleased to announce the additions of Michael Gaboriau, Administrative Assistant and Carol Clark Customer Service Representative to the sales staff. | 🔧 Wood Digest is pleased to announce the addition of Pat Patterson as Regional Account Manager for the Southeast Region. |
| 🔧 Midwest Automation, Minneapolis, MI welcomes Todd Friedrich as Plant Manager. Troy Brandt, Project Engineer, has been promoted to Engineering Manager. | 🔧 Vortex Tool Company Inc. would like to welcome Buck Marcott as the company's new Manufacturing Manager. |
| 🔧 3M Abrasive Systems Division is proud to announce Monica Hilger as the newest full time Wood Marketing Supervisor. | 🔧 Komo Machine, Inc. of Sauk Rapids, MN has announced that Matt Binsfield has assumed the position of Inside Sales Manager for the company's sales department. |

The Results Are Not In

continued from front page

if it is a Bush Administration, will be much in demand to break filibusters. What it does suggest is that even with the Presidency, and the Senate and House all in the hands of Republicans, the "clean" victories will not be bountiful and compromises will still be necessary. Certainly, if he is the President-elect, Bush's campaign motto, "I am a uniter, not a divider" will be put to a test and it suggests the majority should take advantage of any "honeymoon" to act quickly on a legislative agenda.

Not knowing the outcome let me make one more observation. Regardless of the outcome, I still believe in the electoral vote process. It may be quirky but it does address the diversity of our nation. I am of the view that a President has to be the President of West Virginia and its mining concerns and rural poverty and of California and its high technology concerns and urban poverty. Geography influences our diversity as much as race, ethnicity, religion and economic status. The popular vote does not give that fact enough weight. So quirks and all, I say let us stick with the electoral vote system.