

# THE CUTTING EDGE

## WOOD MACHINERY MANUFACTURERS OF AMERICA

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AUGUST 2001

### Foreign Buyer Program Gets Off to a Good Start

Harold Zassenhaus, WMMA Export Director



*Foreign Buyers and their nominating company representatives gathered at the AWFS® show.*

Twelve foreign representatives in the furnishings and woodworking industries were invited to attend the AWFS®, Woodworking Machinery & Furniture Supply Fair, August 2-5, 2001 in Anaheim, California, USA, as guests of the WMMA and the Association of Woodworking & Furnishings Suppliers (AWFS®), under a new joint association activity, the Foreign Buyer Program. The objective of the program is to expose members to qualified, aggressive international distributors while recognizing their importance to the U.S. industry. All representatives were nominated by AWFS®, or WMMA members and had experience representing U.S. lines.

The foreign representatives were invited to visit exhibiting members on Wednesday, August 1 (“Dealers Day”), were provided complimentary tickets to the AWFS®, Sunset Cruise on August 3 and were the guests of honor at a AWFS®, /WMMA press conference where the nominating member companies presented them with handsome wood plaques commemorating their selection under the program and visit to the AWFS®, Fair. From early reports all objectives were met or exceeded. Before the Fair, many members set up appointments to meet with reps at the fair; others took advantage of the press conference and Sunset Cruise to introduce themselves and begin negotiations. Still others looked for the distinguished red dot on the representatives’ name badge and met with them on the exhibit floor. From the rep’s point of view, all seemed to make new contacts and/or become more acquainted with members’ product lines. And, nominating member companies appreciated the opportunity to invite their reps to the U.S. and strengthen relations.

“The best machinery I’ve ever imported has come from America”, Antonio Santos, President of Satradi, Maia, Portugal (representative of WMMA members James L. Taylor Mfg., Newman Machines and Mereen-Johnson).

A complete listing of the twelve Foreign Buyer Program Participants can be found on the Members Only area of this site, [www.wmma.org](http://www.wmma.org). Click on “Export Development” under “WMMA Activities” and select “Foreign Buyers Program - Award Recipient”.

We want to know what members thought of the program. Complete the evaluation form, at the above website, to help us gain your feedback on the program. If the response is positive, we plan to invite a number of foreign representatives and buyers to IWF next year. Please take the time to respond.

You can find more Export Development News on page 7 of this Cutting Edge.

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

## Did You Know...

...that with just 2.5 % of the 2000 WMMA expense activity, the Management Information Committee offered multiple survey opportunities for member participation?

### *Key Committee projects during 2000 included:*

- ⊙ Providing an annual industry analysis, called the Survey of Business Ratios (SBR), utilizing operating percentages, financial ratios, and per employee data with a detailed individual report issued to each participating company. Due to the poor participation (less than 10% of member companies), the SBR was abandoned after this year.
- ⊙ Providing a biennial Sales & Service Compensation Survey (SSCS) conducted in conjunction with the AMT. Due to the poor participation (less than 10% of member companies), the SSCS was abandoned after this year.
- ⊙ Compiling monthly graphical and tabular index comparisons (Flash Report) of woodworking equipment and cutting tool orders, compared over 24 months, with data supplied from a fluctuating sample of member companies.
- ⊙ Circulating a quarterly listing of distributors (Delinquent Accounts) whose payment schedules are more than 30 days past settlement.
- ⊙ Distributing the inaugural Data Collection Survey, which captures regular business activities and practices that should allow members to benchmark themselves against others within the industry.
- ⊙ Submitting bimonthly articles in The Cutting Edge on the economy and its impact in the wood processing industry, as analyzed by consultant Jack Albertine, plus coordinating a Helpline column focused on a variety of industry issues to help members better manage their businesses.

For 2001, the goal is to increase report participation to 50 member companies from the current 30-40. Work was finished on the biennial Capital Spending Survey of end-user purchasing plans. This will be circulated to all member companies via the Members Only section of the Association's website.

If you have questions about the Management Information Committee or have suggestions for future projects, please contact Committee Chairman Matt Carroll at (815) 539-7451 or email at [mcarroll@blackbros.com](mailto:mcarroll@blackbros.com), or staff liaison Ken Hutton at (215) 564-3484 x215 or email at [khutton@fernley.com](mailto:khutton@fernley.com).

## Marketing Committee Update

### *"How to Consider Ergonomics" Brochure Now Available from WMMA*

The latest in the WMMA series of "How To" Marketing Brochures: "How to Consider Ergonomics: Thoughts for Members" is now available to WMMA Members. This brochure, prepared by Marketing Consultants Beach & Associates for the Industry Marketing Committee, outlines some key points regarding the proposed Ergonomics Standard from OSHA. It is important that anyone who manufactures or sells machinery, or even just runs a business, be aware of what OSHA is proposing and how this may impact your business and operations. This helpful new brochure is available to members by visiting the MEMBERS ONLY section of the website at [www.wmma.org](http://www.wmma.org).

## Eagle International Carbide starts on new complex

On March 1 2001, Roger Comer, Founder and CEO, along with General Manager Chris Comer, broke ground for Eagle International Carbide's new million dollar state of the art complex. The new building will be have approximately 18,000 square feet. It will offer the latest in computerized warehousing and the industry's best customer service response group. Completion is set for September 2001.

## Charles G.G. Schmidt & Co.



Charles G.G. Schmidt & Co., Inc. is pleased to introduce their new SCHure Lock Carbide Knife System. This product gives the user the ability to grind their own carbide straight and profiled knives.

Interlocking corrugations on both the face of the corrugated steel blank and the back of C3 micrograin carbide gives superior tool life in tough materials like MDF and abrasive natural woods. Any SCHure Lock knife can be custom ground to your profile.

## WMMA Exhibits at AWFS® Woodworking Machinery & Furniture Supply Fair®

WMMA was on hand to represent the association in Anaheim during the AWFS® Fair. Staff members handed out over 900 printed copies of the 2001 Buyers Guide and Directory and over 600 copies of the CD - ROM version to visitors attending the show.

The WMMA Buyers Guide is a much sought-after resource. It is imperative that you keep your member information up to date. If you have any changes in staff, location or product changes, please notify WMMA as soon as possible so we can continue to keep our records and your web pages current. Email any changes to [wmma@fernley.com](mailto:wmma@fernley.com). Forms are located on the Members Only, Members Services Section of the WMMA website.

## New Member

**The Pinske Edge, Inc.**

**119 Main St.**

**P.O. Box 68**

**Plato, MN 55370**

**Ph: (320) 238 - 2196**

**Fax: 320.238.2385**

**Email: [Pinske@hutchtel.net](mailto:Pinske@hutchtel.net)**

Founded in 1986, The Pinske Edge is a manufacturer of solid surface fabrication tools and specialty products for the wood industry. Some of their key product lines include: straight edges, thermoforming ovens, power grips, stands and rails, squares, templates, bits, drawer notcher and seaming tables. Contact Tom Pinkske, President, or Cindy Eggersgluess, Manager with any questions.

## Training News

The Virginia Polytechnic Institute and State University is holding a course on "Advanced Sales Training for the Forest Products Industry" to be held in Blacksburg, VA on Dec. 5-6, 2001. This is ideal for forest products sales people and managers who want to improve their ability to relate to customers. The course is designed for those who are currently selling forest products and want to understand the importance and improve their communications, time management and negotiation skills. If you would like more information, contact Bob Smith at (540) 231-5876.

## ANSI O1.1 •• Status Report

by Mike Gililand, Chair, ASC01 committee

The ASC O1 Committee met in Minneapolis, MN on July 11-12, 2001. At this meeting the committee reached a milestone - the current draft standard is now entering editorial review. This means the hard work is complete. The standard is written and ready for the committee to perform its editorial review before submitting it to ANSI for publication. Of course, the last 5 percent of any project is the most tedious, and this review can be expected to take two or three meetings.

A minor change was made to the name of the standard to accommodate the expanded scope. The new name is "Safety Requirements for Woodworking and Associated Machinery." The "Associated" part is new because the committee decided several years ago to include machines that, by themselves, do not work on the wood but are necessary in the process.

It is easier to say what is excluded, rather than what is included, in the new standards. Here are the exact words from the standard:

*"Power tools intended to be handheld in use, assembly machines, finish application equipment, primary panel product manufacturing machinery, cooperage machinery, sawmills, and machinery covered by other American National Standards are excluded from this standard."*

Generally, machines that manufacture these products are referred to as panel mills or board mills. Panel products as identified in this standard are plywood, particle board, medium density fiberboard, chip board, straw board, oriented strand board, pressed board, and similar products made from wood, wood chips or wood fiber.

### What Will We Have When It's Done?

The new ANSI O1.1 standard establishes generalized requirements for all covered machines. Even machines that are not mentioned by name can be evaluated with the hazards section of the new standard. This general purpose document is intended to serve as an umbrella document, covering machines for which there is no specific standard until such a standard can be developed. If there is no standard written for your machine, this standard is where you can start to evaluate its safety.

Hazards described in the draft standard include:

- ↪ Electromagnetic Compatibility Hazards
- ↪ Electrical System Hazards
- ↪ Pressurized Systems Hazards
- ↪ Puncture, Cutting, and Shear Hazards
- ↪ Motion Hazards
- ↪ Powered cranks, levers, or control hand wheels
- ↪ Hazards associated with ladders/stairs, work platforms, and walkways
- ↪ Hazards from wood dust
- ↪ Anti-motion mechanism or counterbalance system
- ↪ Noise and Vibration Hazards
- ↪ Machine Stability Hazards
- ↪ Pinch, Nip, and Crush Hazards
- ↪ Hazards from Workpiece Ejection
- ↪ Impact Hazards
- ↪ Entanglement and Entrapment Hazards
- ↪ Abrasion Hazards
- ↪ Miscellaneous Hazards
- ↪ Radiation Hazards

### What's Next?

This committee's work has actually only begun. Very few of the machines on the market today are mentioned by name in the existing standards. Most will need a standard and this committee is where the standard will come from. What should happen next is this:

- The committee should establish subcommittees to work on specific machines.
- Each subcommittee should be given specific task requirements, guidelines, and deadlines.
- Priorities will be needed before subcommittees can be established because there will be a manpower limitation.

The substantial commitment of WMMA has made this activity possible. Your continued support will see it through.

## Stimulating High Productivity Investments

*Sheldon London, London & Satagaj*

WMMA is leaving no stone unturned in our effort to stimulate demand for your machinery and equipment.

WMMA is a charter member of the Cost Recovery Action Group (CRAG), a coalition of trade associations and businesses working to convince Congress to replace our outdated depreciation schedule with a system that permits firms to write off investments in equipment and machinery sooner, particularly when the equipment or machinery includes "smart technology."

Representatives Phil English (R-PA) and Richard Neal (D-MA) are leading the charge for us. They have introduced H.R. 2485, the High Productivity Investment Act (HPIA).

Under the current Modified Accelerated Cost Recovery System (MACRS), businesses are not allowed to deduct the cost of productive machinery or equipment in the year they purchase it. Instead, they are required to spread out the deduction over a period of years. Postponing the deduction reduces its value and increases the tax cost associated with the purchase of machinery and equipment. For example, a \$100 deduction against a 35 percent tax rate ought to be worth \$35, but when that deduction is spread out over 7 years under MACRS, the deduction is worth only \$26.77.

MACRS has more than 100 classifications of machinery and equipment. Each is assigned a "recovery period" of 3, 5, 7, 10, 15 or 20 years over which the deductions for the cost of the machinery and equipment in that class must be spread. As a general rule, these recovery periods are determined by reference to "guidelines" established as far back as the 1960s. For example, if one type of business has a 1960s-vintage guideline of 9½ years, it will have a recovery period of 5 years, but if a similar business has a

1960s-vintage guideline of 10 years, it will have a recovery period of 7 years.

Under current law, computers are assigned a recovery period of 5 years and software may be depreciated over periods ranging from 3 to 15 years, but for the most part, high-tech machinery and equipment is lumped together with traditional machinery and equipment in the 100 or so basic asset classifications in MACRS. Therefore, under MACRS, the deduction for the cost of some of the most advanced technologies is spread over periods that range from 5 to 20 years, thereby devaluing the deductions and increasing the cost of the machinery and equipment.

Under H.R. 2485, effective for new assets placed in service on or after January 1, 2002, the MACRS depreciation system would be replaced by a new, productivity-based cost recovery system that provides first-year expensing for all high-tech machinery and equipment that is defined as "High Productivity Property"; allows businesses to deduct the cost of most of their traditional machinery and equipment (that is not expensed) within 10 years, 5 years or 3 years. For example, as a general rule, present 20-year MACRS property would become 15-year HPI property, present 15-year MACRS property would become 10-year HPI property, present 10-year and 7-year MACRS property would become 5-year HPI property; and present 5-year MACRS property would become 3-year HPI property. Most traditional woodworking machinery is currently depreciated over 5 years.

Some of our machinery may be eligible for the first year write off as high productivity property. High Productive Property includes: (1) Computer Related Peripheral Equipment (any auxiliary machine or other equipment (whether on-line or off-line) which is designed to be

placed under the control of the central processing unit of a computer); (2) Computer Based Machinery (any machine which cuts, forms, handles, etc.

materials or products by responding to electronically stored information and programmed commands); (3) Electronic Diagnostic Equipment (any equipment that uses electronic components to sense or monitor location, size, volume, surface characteristics, pressure, temperature, speed, chemical composition, or other similar characteristics); (4) Electronic Control Equipment (equipment that electronically controls pressure, temperature, size, volume, composition purity or other similar characteristics) and several other categories of smart technology.

"Productivity is spurred by investment in innovative capital equipment," English said upon introduction. "The sooner manufacturers can recapture the cost of their equipment, the sooner they will be able to replace that equipment passing through higher wages to employees and lower costs to consumers. Maximum gains in productivity and wage growth will be obtained when the best new technologies are applied in the best-equipped workplaces."

We have an uphill task in convincing Congress to embrace this legislation. There is a sentiment that Congress spent all the money it can afford to spend on the individual tax cuts. It is our job to convince them that a major anti-cyclical business incentive tax package is what is needed to get the nation's economy going again.



# Management Information

## REDUCING THE COST OF HEALTH CARE

*Skip Stachlewitz, Executive Vice President, Black Bros. Co.*

Whether you provide health care benefits through a self-insured plan, PPO, HMO, PSO, indemnity plan or defined contribution plan it makes sense to take an active part in reducing the cost of providing this important benefit. Since almost all plans require some out of pocket or uncovered costs on the part of your employees, reducing the cost of health care provides a benefit to them as well. Since your biggest hurdle will be getting employees to participate I would urge you to have a "Wellness Committee" comprised of a cross section of your work force. This can be invaluable in achieving high rates of participation and success.

### WELLNESS

It is obvious that wellness is the primary determinant of health and therefore is a primary determinant of health care costs. However, it is much harder to attempt to measure the cost/benefit ratio of providing wellness programs for your employees. Recent studies show that 88% of U.S. employers offer work-site wellness and preventive health services and 56% of employees participate in these programs. The obvious benefit to a good wellness program is a reduction in the number of workdays lost to illness and the reduced incidents of long term and costly disease management. Most wellness programs contain the following elements;

### COMMUNICATION AND AWARENESS

Education is a key component to maximizing the benefits of good health and minimizing the costs of health care. You should prioritize your efforts in this endeavor after a review of the demographics of your work force. More than 30% of cancer deaths are due to tobacco use. Smokers cost about one third more in health claims than non-smokers. The American Cancer Society 1997 data attributes 174,000 deaths to cancer from tobacco use. This suggests that smoking cessation programs are a leading way to reduce the cost of providing health care. Heart disease is the leading cause of death. There is overwhelming evidence to support lifestyle changes and drug therapy to reduce high blood pressure, which causes stroke and heart disease. Diabetes is the fifth leading cause of death in women and the seventh leading in men. Diabetes can be related to obesity, smoking, lack of exercise and unhealthy diet. The incidence of diabetes has doubled in the past twenty years. The average annual cost to treat a diabetic is more than \$6000 a year. Providing education on these topics can include articles in your newsletter, direct mailings on a periodic basis to your employee's homes, postings on bulletin boards, flyers distributed at work and speakers at your site. Much of the needed training materials are free and can be gathered from your local hospital and the various support organizations. (American Cancer Society, American Heart Association, Department of Health and Human Service, etc.) In addition many hospitals have free programs offered to the community covering all types illness prevention, treatment, support groups, etc. Make sure your employees know these exist and how to take advantage of them.

### SCREENING AND ASSESSMENT PROGRAMS

This includes on-site "wellness profiling" and screening for chronic conditions. Wellness profiling involves a survey of your employee's lifestyle risks to ascertain where to focus your education, intervention and behavioral change programs. Clinical services can provide early diagnosis of chronic conditions like hypertension, cholesterol levels, diabetes and several others. Both of these programs are available at a nominal charge from your local hospital or other specific vendors. Consider doing them on site, during work hours, to promote a high level of participation. You may also consider offering these services to spouses since many health care plans also provide spousal coverage. The most important component of this program is follow-up. You should have an option for them to select allowing the screening results to be sent to their personal physician. You also should make information available so they will know what to do or where to go for further treatment of any diagnosis that comes as a result of the screening. Without some method for employees to follow-up or get answers to their questions, the assessment will not lead to improved health.

### BEHAVIORAL CHANGE PROGRAMS

Behavioral change programs are the most difficult to get a handle on the cost/benefit relationship but may be the most important part of a well-rounded program. At this point you will know the health profile of your work force as a group and you can target specific areas of concern to offer behavior-modifying programs. These can have additional benefits as well. They can be fun and build more camaraderie and teamwork in your business. You can offer on site smoking cessation programs with incentives for successful completion. You can have on site or off site fitness classes. If you choose off site consider having a reimbursement program for all or part of the costs. Better yet consider offering your benefits in "cafeteria style" where employees can elect to use part of their "benefit dollars" to defray the cost of using fitness centers.

*continued on next page*

# Export Development

## Wooden Furniture Import Trends

*Harold Zassenhaus, WMMA Export Director*

For the past 1-2 years, members have become increasingly interested in the shift of furniture production offshore, especially the huge production shift 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. over a year ago. Within the last 2 months the trade press (e.g., Wood and Wood Products) along with regional and national newspapers have been reporting on the increasing furniture imports for China and the demise of the U.S. furniture industry. As this is an important topic, we will continue to periodically weigh in on the topic providing members with current information and insight.

Members can view a summary of wooden furniture imports for the first 4 months of 2001, by type as well as by country by accessing the Members Only section of the WMMA website and going to the Export Development area. For definitions of product categories, contact Harold Zassenhaus.

Wooden furniture imports continue to increase. Understandably, imports are increasing at a much slower rate for the 1/3 of 2000 compared to calendar year 2000 as a whole (7% versus 20%). Nonetheless, imports from China increased by 17% or more than double the average growth rate. China ranks as the 2nd largest supplier of wooden furniture to the U.S. behind Canada. And, it is very likely, even though imports are slowing that China will become the largest supplier by year's end, exceeding \$2 billion in shipments to the US.

Over the period 1998-2000, imports of wooden furniture have increased by close to 50%, from \$6.4 billion to \$9.4 billion. Imports from China more than doubled and accounted for 36% of the growth in US imports.

However, China is not the only country from which we are increasingly seeking product. Other countries whose shipments increased at a rate greater than the average included a mix of developed nations such as Germany, France, Spain and Italy and developing nations such as Brazil, Romania, Slovenia and Indonesia.

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

### ***Reducing the Cost of Healthcare*** *continued from pg.6*

You can have team competition for areas like weight loss, smoking cessation or cardiovascular improvement with recognition or a prize for the winning team. Don't forget the small things either. Make sure your vending machines offer healthy foods. Rather than the traditional "coffee and cake" to celebrate years of continuous service, allow the employee to choose fruits and juices to be served. Consider making your work site smoke-free with minimal designated smoking areas.

Our employees are our most important assets. Without their regular attendance and long term service none of us can sustain a successful business. Our purpose in providing them health care benefits is to protect them and their families from financial ruin should they experience a medical problem or disease. Beyond that, they are our friends, neighbors, co-workers and "extended family". Providing them with low cost additional tools to help them make good decisions about their family and personal health is a business necessity and satisfies our corporate philosophies of fairness, generosity and humanity.

PROFIT THROUGH AMERICAN TECHNOLOGY



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