

# THE CUTTING EDGE

## WOOD MACHINERY MANUFACTURERS OF AMERICA

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### U.S. Import and Export Trade Statistics

*By Harold Zassenhaus, WMMA Export Director*



The following is a summary of major trends of U.S. import and exports for the 1st six months of 2002. Statistics are reported for all woodworking equipment and its three component parts: machines, cutting tools and, accessories and parts.

(WMMA members: to view detailed tables on U.S. imports and exports of machinery, cutting tools and parts and accessories, visit the website at:

[http://wmma.org/members/mpdf/02\\_2dei.zip](http://wmma.org/members/mpdf/02_2dei.zip)

You will need your user name and password. If you don't have one or forgot it, contact WMMA Headquarters at 215-564-3484 or email [wmma@fernley.com](mailto:wmma@fernley.com)).

Harold Zassenhaus is available to provide U.S. export and import data on specific product categories. For more information, contact him at (301) 652 0693; fax (301) 986 1389 or e-mail: [zemg@erols.com](mailto:zemg@erols.com)

### Imports

Imports began to increase in the 2nd quarter resulting in a modest decrease in imports for the six-month period. Imported machinery dropped 7% from 2001 levels, cutting tool imports reversed its trend and increased 6% and parts and accessories fell by 6%.

However, the big story is China. Imports of Chinese equipment increased over 65%. For the first 6 months of 2002, China became our 2nd largest supplier, exporting to the U.S. \$69 million of woodworking machinery, cutting tools and parts and accessories. Shipment increases were impressive in each segment of the market: machines 75%; cutting tools 42% (they are our largest supplier) and parts and accessories 135%. Machinery imports for the most part were smaller miter saws, band saws, jointers, routers and boring machines valued at \$3,000 or less. The majority of cutting tools were band saw blades, circular saws and drill bits.

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# U.S. Import and Export Trade Statistics

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The following chart highlights the value and percentage changes in imports from the industry's major trading regions of the world.

## U.S. Imports, Woodworking Equipment

	January – June		
	\$ Millions	% Share	%Change
	2002	2002	02/01
World	532.1	100.0	-3.2
East Asia-9	244.1	45.9	23.0
Western Europe	180.9	34.0	-22.8
Canada	36.2	6.8	-8.6
Eastern Europe	4.0	0.8	59.5
South/Central America	2.1	0.4	7.5
Mexico	1.8	0.3	-64.3

### East Asia

The region gained in importance supplying 46% of total imports.

### Western Europe

Imports from the region continued to decline, with imports from both Germany and Italy declining 24-26%.

### Canada

The country lost market share in the first half of the year as imports of parts and accessories and cutting tools dropped 11%.

### Eastern Europe

Imports from Eastern Europe increased dramatically as shipments from The Czech Republic increased by 115%, making the country our 20th largest supplier.

## Exports

Exports of woodworking equipment (machines, cutting tools plus parts and accessories) continued to fall. However, the percent drop is much less than witnessed in the 1st quarter. Total exports fell 11% for the six months. However, during the 2nd quarter export levels approximated 2nd qtr. 2001 levels.

Within the group, exports of machinery were down 18%, year on year, cutting tools dropped 5% while parts and accessories dropped 2% from 2001 levels.

The following chart highlights the value and percentage changes in exports to the industry's major trading regions of the world.

## U.S. Exports, Woodworking Equipment

	January – June		
	\$ Millions	% Share	%Change
	2002	2002	02/01
World	123.8	100.0	-11.4
Canada	58.3	47.1	7.2
Western Europe	21.2	17.2	-29.5
South/Central America	11.5	9.3	28.9
East Asia-9	11.4	9.2	-6.7
Mexico	10.4	8.4	-12.6
Eastern Europe	1.6	1.3	-17.1

### NAFTA

Canada was a bright spot for U.S. exports as shipments bucked the trend and increased. Mexico, on the other hand had a sharp reversal from the 1st quarter's performance. The two countries account for 56% of U.S. exports.

### Western Europe

Sales to the region continued to drag. Shipments to our two largest clients, Germany and the UK, fell by 32% and 56%, respectively.

### East Asia-9

Exports to the region (China, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan and Thailand) continued to drop but at a lower rate than exports as a whole. Exports to China increased during the 2nd quarter and for the 6-month period exports to Malaysia, Thailand, South Korea and the Philippines rose dramatically.

### Central/South America

Exports increased dramatically during the period largely due to a 128% increase in shipments to Chile where the economy is more stable and exports of dollar denominated millwork and components increased.

### Eastern Europe

Shipments to Poland, which account for about 3/4 of the sales to the region, dropped by 19%, overshadowing increases to Slovenia and Croatia.

## Health Care Costs Continue to Rise

*By John Satagaj, London & Satagaj*

I mentioned in a column this summer that I had thought the wind had been taken out of the sails of the effort to enact a patients' bill of rights (PBOR). The reason I believe this is the case is that the Supreme Court had indicated that state laws that establish an external review process for HMO benefit and coverage determinations are legal. I consider it good news in that the PBOR legislation would have only added to your health care bills. Having said that, that is just about the only good news on the health care reform.

I have been looking at some new health care costs numbers and it is just more bad news. The Center for Studying Health System Change claimed that nationwide, insurance premiums rose 11 percent in 2001 and are projected to climb 13 percent this year. A survey by Hewitt Associates Consulting Firm found that HMO rates increased an average of 15.3 percent this year and could increase 20 percent in 2003.

About 80 percent of businesses (both big and small) surveyed by the University of California Los Angeles (UCLA) Anderson Forecast believe that health care premiums will rise by 10 percent or more next plan year. Out of the 80 percent, 25 percent of those firms believe the increase will be 20 percent or more. For the current year, of those polled, 85 percent of the companies reported that their health care premiums rose at least 10 percent over the past plan year, while 25 percent reported a 20 percent or higher increase.

In June the National Association for the Self-Employed (NASE) released a study entitled "Affordability in Health Care." The study revealed that almost 70 percent of micro-business owners do not offer any health insurance coverage to eligible employees. Roughly 78 percent of small business owners responding to the survey argued that the most important issue concerning health care and insurance is affordability and cost of health care.

According to the National Coalition on Health Care, the amount of people without health insurance could increase by six million by 2003. A sagging economy, increasing health insurance premiums, and the economic consequences of last year's terrorist attacks, are the contributing factors. According to estimates by the U.S. Census Bureau, 38.7 million Americans were uninsured in 2000.

National health expenditures in 1960 amounted to \$26.9 billion. By 1970, the figure had climbed to \$73.2 billion, \$247.3 billion in 1980, and by 1990 the national cost of

health care rose to \$699.4 billion. Eight years later, costs had skyrocketed to \$1,149 trillion. In 2000 health care costs rose to \$1.3 trillion. A report released in March by the Centers for Medicare and Medicaid Services, an arm of the Department of Health and Human Services, indicated that by 2011, Americans are expected to spend \$9,216 per person on health care, which is about double what they spent in 2000. The study predicted that health costs are expected to grow at a rate of 7.3 percent annually between now and 2011. In 2000, health care spending averaged \$4,637 per person. Of the \$1.3 trillion in total health care spending in 2000, hospital spending accounted for \$412 billion, spending for Medicare totaled \$224 billion, federal and state spending for Medicaid totaled nearly \$202 billion, and prescription drug spending accounted for \$121.8 billion. The report predicted that the acceleration in health care costs would continue, placing increased pressure on private and public payers to finance rising health care costs out of decelerating incomes and revenues.

The study also argues that health care spending could reach \$2.8 trillion, or 17 percent of the nation's Gross Domestic Product (GDP), by 2011. In 2000 health care spending accounted for 13.2 percent of the GDP. The higher spending has been attributed to the increased bargaining power of hospitals and health providers for higher insurance payments and the aging of baby boomers, who increasingly want high-tech tests and treatments, as well as higher-priced drugs.

In the meantime, Congress cannot even get its act together when members' own futures are at stake! We thought we would see a prescription drug senior citizen subsidy bill enacted into law before the November congressional elections since seniors vote. However, the Senate had a melt down before the recess and rejected four different proposals. They still may pick up the pieces in the fall. In fairness to the Senate, they need to do it right the first time. The consequences extend far beyond the November election. In scope, this change could rival the creation of the Social Security system and the Medicare system in its long-term consequences. With 70 million baby boomers racing towards the Medicare eligibility finish line, the cost of whatever Congress enacts now will multiply by an unimaginable magnitude a decade or two from now.

*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*

# Management Information

## Management Toolbox

*A Resource brought to you by WMMA Management Information Committee*

### Antitrust Policy

WMMA makes available to members a *Statement of Antitrust Policy*, which are a series of documents for use as corporate instruments and certification forms, for any members interested in establishing such a policy in their own organizations.

The information below will help you determine whether or not your company should establish a formal antitrust policy and if yes, then what should be included. If you have questions or comments about this information, contact WMMA Management Information Committee Chair Matt Carroll (Black Bros) at 815/539-7451 or mcarroll@blackbros.com. You can also contact WMMA headquarters at 215/564-3484 or wmma@fernley.com.

### Legal Bulletin: Should You Have an Antitrust Policy?

Increasingly, companies have been adopting antitrust policies and programs. Some are simple, some elaborate, depending upon each company and industry's experiences with the temptations and dangers of antitrust violations.

It is probably desirable to adopt a Declaration of Antitrust Policy at a time where there is no particular cloud on the horizon. Many firms then deliver copies of the policy to all employees whose activities might violate it. Sometimes, companies will deliver brochures summarizing the provisions of all antitrust laws to key management employees. Larger companies have elaborate and careful programs for antitrust compliance on an ongoing basis. Other companies invite outside counsel in periodically for "antitrust audits."

The following are sample documents that could be part of a simple antitrust program. The first step is an adoption of a "**Statement of Antitrust Policy.**" The second step is development of an antitrust guideline. The enclosed guideline was developed to be given to all employees whose activities might cause antitrust problems. (As indicated, more complete documents are often given to key management personnel).

Frequently, companies will require certifications of various types from their employees. **Following are three such certifications.** The certificate in greatest use is one where an employee states that he has read the Statement of Antitrust Policy, that he understands it, that he has never violated it to his knowledge and that he will thereafter follow it. A second certification is sometimes requested to those responsible for pricing. A third certificate is sometimes required from employees who

have contacts with representatives of competitors. (These certificates are modifications of those used by a major corporation). Certificates as to pricing activities and attendance at meetings are usually used in far reaching antitrust compliance programs. Finally, enclosed is a Checklist of activities that should require the prior clearance of legal counsel (or at least, top management) before they are undertaken.

You will undoubtedly want to discuss an antitrust program with your counsel before doing anything formal. If nothing else, however, it is suggested that you consider adoption of the Statement of Antitrust Policy and its dissemination to your employees.

### Statement of Antitrust Policy (A Suggested Company Antitrust Statement)

It is the policy of (company name) to comply fully with all laws of governing its operations, particularly the antitrust and trade regulation laws of the United States and the various states.

It is the responsibility of the Company generally and of each employee to carry out this policy. Every employee is expected to have a working knowledge of the law bearing on his or her activities. Every employee is not only expected to avoid violations of the law but to avoid even the appearance of improper activity.

Employees who do not carry out these obligations will be disciplined and perhaps even dismissed. Violation of the Sherman Act is a felony for which individuals are being imprisoned for up to three years and corporations subject to heavy fines. Very substantial money judgments for damages can result from violations. You would do this Company a great disservice by ignoring antitrust laws.

# Management Information

## Antitrust Guidelines

The Antitrust laws prohibit agreements or understandings between two or more individuals or businesses to regulate prices or quantities of goods or services, to allocate customers or territories, to hinder or limit a competitor or potential competitor's operations, or otherwise unreasonably to restrain business activity. Discriminatory pricing or servicing is also prohibited.

Ignoring these laws can be costly and dangerous. Violation of the Sherman Act is a felony; convicted individuals can be and have been imprisoned for up to three years; corporations are subject to heavy fines. Violators may also have substantial judgments for money damages entered against them. Every individual should, therefore, follow these rules:

- DO NOT discuss your prices or competitors' prices with a competitor (except when buying from or selling to that competitor) or anything that might affect prices such as costs, discounts, terms of sale or profit margins.
- DO NOT agree with competitors to uniform terms of sale, warranties or contract provisions.
- DO NOT agree with competitors to divide customers or territories.
- DO NOT act jointly with one or more competitors to put another competitor at a disadvantage.
- DO NOT try to prevent your supplier from selling to your competitor.
- DO NOT discuss your future pricing; marketing or policy plans with competitors.
- DO NOT discuss your customers with your competitors.

## With Respect to Association Activities

- DO NOT make any statements regarding prices or matters affecting prices at Association meetings.
- DO NOT make statements about your future plans regarding pricing, expansion or other policies with competitive overtones. Do not participate in discussion where other members do.
- DO NOT propose or agree to any standardization that will injure your competitor.
- DO leave any meeting where any of the foregoing topics are being discussed - and state why you are leaving.
- DO NOT assume you are protected by informal advice from a government official.
- DO consult with the Association's legal counsel before speaking for the Association.
- DO alert Association staff and legal counsel to anything inaccurate or improper. This includes a position the Association has taken or intends to take or a meeting or activity of which you have learned.
- DO consult your own legal counsel or the Association's legal counsel before raising any matter that you feel might be sensitive.
- DO send copies to an Association staff member of any communications or documents sent, received or developed by you when acting for the Association.
- DO NOT do anything before or after Association meetings, or at social events that would be improper at a formal Association meeting.
- DO alert every employee in your Company who deals with the Association of these guidelines.
- DO be conservative. If you feel an activity might be improper, do not do it.

## Activities Which Require Prior Clearance by Legal Counsel

### A Checklist

1. Termination or refusal to deal with any customer or supplier.
2. Selling to a customer at prices or on terms or conditions more favorable to or not offered to other customers.
3. Purchasing from a supplier on terms and conditions that you know are better than those offered other customers.
4. Any "reciprocity" transaction – "I'll buy yours if you'll buy mine."
5. Agreement on standard contracts or warranties.
6. Submitting a bid or price you know is identical with a competitor's.
7. Sales below cost.
8. Using the Company's position in selling one product to increase sales of another product ("tie-in" sales).
9. Allocation of scarce products.
10. Responding to complaints from anyone (customer, supplier or competitor) claiming injury or discrimination by the Company.
11. Entering into, terminating or modifying a distributorship agreement.
12. Entering or withdrawing from a market.
13. Offering unusual sales promotions.
14. Agreeing to limit resale or distribution to a specified territory or specified customers or classes of customers.
15. Limiting a customer in handling or using competitive brands, or requiring him to buy all or a specified portion of his requirements from the Company.
16. Acquiring a patent license or a patent.
17. Entry into a joint venture.

Of course, any information that anyone in the Company has or may have violated the antitrust laws, and any formal or informal request for information from any regulatory or investigatory body should immediately be communicated to your legal counsel.

# Management Information

## Certifications from Employees

Some corporations obtain certifications of varying formality from employees. These include general affirmations that the Statement of Antitrust Policy was read and understood. There are also specific certifications as to defined activities. Here are some sample certifications (modified somewhat from those used by a major corporation\*).

### Certificate

I have received and read the Statement of Antitrust Policy of (company name here).

I understand it and certify that to the best of my knowledge, I have not engaged in any practice violating that Policy.

I further agree that I will not violate nor will I permit those I supervise to violate that Policy.

I understand that activity contrary to the Antitrust Policy will be subject to discipline, including dismissal.

I have also read the Antitrust Guide of the Company.

I agree that if I feel an activity may be questionable, I will consult my superiors or Company counsel.

### Certificate as to Pricing Activities

I have caused an investigation to be made of all prices currently being quoted, bid or charged by (company or department name) and I have satisfied myself that all prices quoted, bid or charged since (date) on the sale of products for which I have responsibility have been set in accordance with the Company's Antitrust Policy and with the law, including antitrust and trade regulation laws.

Signature of responsible employee \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Some very sensitive corporations have a special form used when reporting competitive price information. The form is used to document the date the information was obtained, its source and the information itself.

### Certificate for Employee Attending Sensitive Meetings with Competitors

On (Date) I attended a meeting or gathering at (address) for the purpose of (fill in accordingly) or to discuss (fill in accordingly) at which representatives of competing companies were present. The gathering was (casual/coincidental (or) called/sponsored by \_\_\_\_\_). Representatives of competing companies with whom I had personal contact were: (names/titles).

I certify that while I was in attendance there was no discussion relating to terms or conditions of sale or to prices to be quoted, bid or charged any third party; or relating to choice of customers, allocation of business, or market shares for any product or products; or relating to any other matters inconsistent with the complete independence of (name of this company) in its commercial activities.

I further certify that I did not participate in any incidental, collateral or other discussions or any of these matters in any informal gathering, social or unofficial meeting, conference or conversation.

Signature of responsible employee \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

## Message from the Executive Vice President

By *Kenneth R. Hutton*

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

### Did You Know...

...That 15.3% of the 2001 WMMA expense activity supports members' pursuit of exporting and their involvement in the international marketplace, as directed by the Association's Export Development Committee?

Key Committee projects during 2001 included:

- Coordinating the Association pavilions at trade shows in China, Germany, and Brazil. A member pavilion was allowed for the first time at Ligna, and six members participated.
- Upgrading the WMMA booth at foreign trade shows with the development of a computerized presentation program to attract visitors to the booth, provide information on the WMMA, and allow an easy search for equipment needs either by member name or machinery/tool type.
- In addition to the WMMA pavilion at reduced rates in a good location, exporting members are also provided with assistance in booth design/layout, hotel packages, freight consolidation, and translators. If you haven't tried international marketing, don't delay. You have peers in the industry ready to assist you.
- Updating the computer disk of international distributors with over 740 names in 38 countries; it is distributed free to subscribing members.
- Disseminating trade leads, topical country market information, and commercial insights through the Export Opportunities Bulletin. Publishing articles in The Cutting

Edge to assist more firms to successfully enter exporting and to support activities to increase international sales of those already exporting.

- Reporting U.S. import/export trade statistics; members may obtain specific information on their product line by contacting Harold Zassenhaus.
- Distributing international import/export statistics provided by Eumabois.
- Continuing the sponsorship of the Export Trade Certificate, under which 19 WMMA members participate.

Already in 2002, the Export Development Committee continued its support of the many export promotion activities already described. Members have already exhibited in Promueble 2002 (Mexico City) and Xylexpo (Milan, Italy). The Committee sponsored a panel discussion on various export issues during the Association's Business Session at WIC. The major focus this year has been on establishing the second annual Foreign Buyers Program, where 19 nominated overseas distributors and end users were the guests of the WMMA and AWFS during IWF.

As always, the challenge for the Committee is to continue to find ways with which to familiarize members on the overseas potential and motivate them to begin exporting. If you have questions about the Export Development Committee or would like to offer ideas for future activities, please contact Department Chairman Tim Brown at (612) 529-7791 or email at [tbrown@mereen-johnson.com](mailto:tbrown@mereen-johnson.com) or staff liaison Harold Zassenhaus at (301) 652-0693 or email at [zemg@erols.com](mailto:zemg@erols.com).

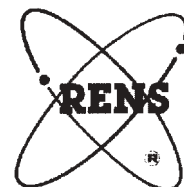
**LACEY-HARMER COMPANY**  
L A H A R C O

Lacey-Harmer Co. is pleased to announce that it has acquired the RENS Metal Detector Product Line from RENS Manufacturing Co., Inc. This well established product is a welcomed addition to their proprietary product lines.

The RENS manufacturing facility will remain at their present location in Creswell, Oregon at this time.

Combined, Lacey-Harmer and RENS represent 120 years of service to the wood products industry.

For further information please call 541-895-2172 in Creswell, OR, or 503-222-9992 in Portland, OR.



## Position Wanted

Timothy Mahnesmith, a 1996 graduate of Pittsburg State with a B.S. of Wood Technology, is seeking a challenging product engineering or manufacturing management position in the wood machinery equipment building industry. Mr. Mahnesmith has over 5 years of practical new product design work. Please contact him at 820 East Dove Loop Road, Apt. 1321, Grapevine, TX 76051; tel: (817) 442-0597; and EM: tmahnesmith@hotmail.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
- space discounts
- booth design/layout
- freight consolidation
- hotel packages
- 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 the following 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: [zeng@erols.com](mailto:zeng@erols.com)). Space will be assigned on a first come, first served basis.



## Fernley & Fernley, Inc. Offering Webcast Seminars on "Effective Succession Strategy."

Fernley & Fernley, Inc., WMMA's association headquarters, has formed a partnership with St. George Integrated Financial Solutions to offer members an exciting, informative, and educational opportunity through a series of webcasts. The first webcast training series will start October 1 and is entitled "How to Value your Business & Develop an Effective Succession Strategy." WMMA members will have the option of registering for all six modules or to select only those modules that are relevant to your specific needs. Detailed information on the webcast training series was e-mailed to members and is also available on the WMMA web site at [www.wmma.org](http://www.wmma.org) and the Fernley & Fernley web site at [www.fernley.com](http://www.fernley.com). Just one more benefit of your WMMA membership!



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John Satagaj &	Legislative Counsel
Andreas S. Kalisperis	1010 Massachusetts Ave. NW, Suite 400 Washington, DC 20001 (202) 639-8888
Harold Zassenhaus	Export Director 7758 Wisconsin Ave. Suite 306 Bethesda, MD 20814 (301) 652-0693
Joseph Mc Hale	Legal Counsel

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*The opinions expressed in any articles by outside consultants are their own views and not necessarily those of the WMMA®.*

## *“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**

## **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.*