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from the editor-in-chief

Stick around for the next "new norm"

This era of economic uncertainty won't last forever



Welding stronger and faster for wind



Folding reduces waste, improves part flow



Welding and cutting, no shielding gas required



Smart nesting for lights-out operation



If I had my druthers, the "new norm" would be a replacement for George Wendt on a relaunch of the television show "Cheers." That's not the case, however.

I'm told that today's new norm is an era of unpredictability. Politicians won't work together to help craft a legislative package that will extend the federal government's debt ceiling, and the financial markets start showing more volatility than usual. The rhetoric between both sides heats up and the deadlines get closer; markets fall. The two sides strike a deal and avoid defaulting on the government's debts; markets still fall. What?

Meanwhile, down in the trenches, manufacturers are trying to make sense of their customers' buying patterns. The high unemployment rate, the lack of a clear economic vision from leaders in Washington, Europe's continuing debt crisis, and unusually vicious acts of God—all are feeding a fear of commitment to large inventories. If it's one lesson that everyone has learned, it's that an economic slowdown hurts less when you don't have tons

of products sitting in the warehouse and weighing negatively on the company's books.

The result? Fabricators are dealing with smaller orders and working to turn them around in record time. Fabricators can't be despondent; they have to respond to it. In a way, that may be bad news for those looking for a return of large backlogs and long lead-times.

"As long as the manufacturing sector can respond, I don't think there is any reason for [customers] to change it," said Stewart Cramer, president, LAI International, Scottsdale, Ariz.

Customers' purchasing activities may continue to follow this trend for a while, but calm eventually will return to the economy and with it less volatile buying patterns. Cycles work that way.

Greg Madden, president of the company that bears his name, Madden Fabrication, Portland, Ore., has seen these cycles before. In fact, it was his one comment during an interview for our story on the "What Keeps You up at Night?" survey that was the inspiration for this editorial.

"It seems like I've been through enough of them," said Madden, a 20-year veteran of the metal fabricating business. "By the time you think that this one is different, it's usually when it changes."

Madden is absolutely correct. To quote Yankees great Yogi Berra: "This is like déjà vu all over again."

It was in the late 1990s when I wondered why I didn't have a high-paying job with an Internet company and playing foosball in the middle of the day with the Birkenstock-wearing, 20-something tech geniuses. Was I going to be left behind while enterprise software and Web-based applications revolutionized the buying cycle and forever changed the way information was delivered? The tech bubble finally burst in early 2000, and I stopped missing what I never had.

Only a few years later, however, I questioned my financial decision-making. I didn't live in one of these new McMansions with giant master bathrooms and outdoor living areas. I didn't have a condo or a vacation home. Everyone had some kind of real estate play going on, and I was left at home wondering if my desire to pay off my mortgage was as antiquated as my two-car garage. Did I miss the golden investment opportunity? The collapse of the housing market finally occurred around 2008, taking down several financial giants with it, and I was grateful that I didn't embark on creating a real estate empire.

Just as I'm starting to think that this era of economic uncertainty may last forever, Madden reminds me that nothing lasts forever—rising tech stocks and appreciating home prices being two very recent examples.

Let's be clear that I'm not talking about a return to the go-go days of 2007. The housing market will take years to recover, but even this will correct itself quicker in certain regions where home prices didn't increase as rapidly as they did in Nevada and Florida.

I'm talking about a return of confidence to company leaders, who in turn will move forward with long-term plans. That will return some semblance of normalcy to supply chains.

The metal fabricators interviewed for the "What Keeps You up at Night?" survey indicated they were cautiously optimistic about business continuing to grow in 2012. In fact, 53 percent of the metal fabricating professionals that responded to the survey thought their business would grow next year.

I don't think it's a coincidence that 2012 is also an election year. I'm thinking next year we can bid adieu to the new norm and welcome back George Wendt.

The FABRICATOR would like to congratulate all of the readers that took time to participate in the 2011 "What Keeps You up at Night?" survey. In particular, we wanted to highlight those that were selected to receive \$50 Visa gift cards as a result of submitting completed surveys: Al Madison, Copiague, N.Y.; Dick Nichols, Lakeville, Mass.; Jack Peck, Waco, Texas; Dee Sison, Chatsworth, Calif.

As always, thanks to all the metal fabricators that subscribe to our publications and provide input to help us create informative editorial packages.

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Industry Report

Uncertainty is the new certainty for metal fabricators

When asking "What keeps you up at night?" you know the answer before it's given

By Dan Davis, Editor-in-Chief

Some might argue that we should have saved our money this year when e-mailing our biennial "What keeps you up at night?" survey. After all, concern over the economy is keeping not only metal fabricators up at night (see Figure 1), it's keeping everyone up.

Truthfully, metal fabricators appear to be more concerned with how sluggish economic growth and the accompanying political circus are affecting their businesses. Customers have changed their approach to dealing with fabricators.

"I noticed two years ago that the biggest change wasn't necessarily a precipitous decline in business or economic activity as much as more of an uncertainty," said Vivek Gupta, managing director, Texas ProFab Corp., Carrollton, Texas. "Customers used to order six weeks in advance with inventory levels down. They are operating only two or three weeks out at a time now."

Gupta isn't complaining. His metal fabricating firm has increased its bottom line the last two years and didn't lay off any employees. In fact, his workforce has remained stable as employees realize the importance of working for a company that doesn't take their contributions for granted.

That uncertainty makes planning a herculean task. How can a metal fabricator know what to expect if its customers are vague about near-term purchasing intentions?

"Our customers are responding to the cycles in real time, so their projections are moving all over the place because they just can't nail down their demand side," said Stewart Cramer, president, LAI International, Scottsdale, Ariz. "It's become a real challenge for planning more than anything else because our customers are very careful about committing to orders, creating work-in-process, or creating any type of financial obligation in the supply chain."

Rob Clark, vice president, operations, Clark Metal Products, Blairsville, Pa., agreed that the "starts and stops" associated with the unpredictable order patterns of customers make it difficult to plan resources.

Orders come in batches, and the influx lasts a few weeks until quoting activity slows down dramatically. Then a few weeks pass, and RFQ activity heats up once again, typically followed by more orders.

"There is certainly a new reality since 2008," Clark said.

Uncertainty is the new certainty for metal fabricators. Despite that, business remains good. Optimism remains relatively strong (see Figure 2).

"I think manufacturing can maintain strong growth, actually," Clark said. "Consumers may have changed their spending habits, but they are still spending."

"For instance, one of our newest customers builds food processing equipment. It makes the machines that serve both the restaurant markets as well as the frozen food processors. The restaurant business is down considerably because consumers are not dining out as much, but their frozen food business is through the roof," he added. "Consumers are still spending money."

Where Will Fabricators Find Market Success?

Greg Madden, president, Madden Fabrication, Portland, Ore., is another fabricator that enjoyed a healthy 2010.

"We had a really good 2010 even though it was dead in a lot of places," he said. "We kept a lot of our work in the manufacturing sector instead of the construction sector. That helped."

That construction sector is an important one for metal fabricators (Figure 3), but it hasn't been exactly robust recently. According to the American Institute for Architects Consensus Construction Forecast, commercial-sector construction activity is supposed to drop by 6.5 percent this year, with construction of manufacturing facilities and institutional buildings declining 16 percent and 3 percent, respectively, as well. A rebound in construction is expected to occur in 2012.

Madden said he has seen a pickup in construction activity lately. He pointed to recent government-sponsored work for a hydroelectric dam project as an example.

Even with anecdotal evidence and forecasts suggesting that even this down-on-its-luck sector could turn around in 2012, construction still could



FIGURE 1 In June 2011 The FABRICATOR sent out a survey to 5,000 professionals in the metal fabricating field and received 75 responses. In this "What keeps you up at night?" survey, readers were asked to rank a list of 15 possible worries. The top five vote-getters were "economy" (20 votes for No. 1), "availability of credit" (11 votes), "availability of skilled workforce" (seven votes), "cost of raw materials" (five votes), and "health care costs" (four votes). As indicated by the two previous surveys in 2009 and 2007, concerns over the economy and the need for a skilled workforce have never been out of the minds of metal fabricators.

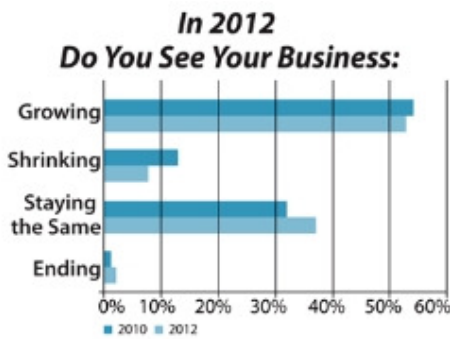


FIGURE 2 When asked how they see their business doing in 2012, 53 percent of readers surveyed said "growing" and 37 percent said "staying the same."

**In What End-use Markets
Are You Currently Involved?**

2011	2009	2007
Construction Agriculture Marine	Construction Agriculture Bus, Heavy Truck & Trailer, RV	Construction Agriculture Automotive Parts & Assemblies

FIGURE 3 Many metal fabricators know that robust construction and agricultural markets are good for business. Those two sectors are cited the most when survey participants are asked to list the end-use markets they currently serve. In the 2011 "What keeps you up at night?" survey, the other most often cited end-use markets included "automotive (cars and light trucks)," "bus, heavy truck and trailer, RV," "medical," and "marine."

**In What End-use Markets
Do You Hope to Be
Involved With in the Future?**

2011	2009	2007
Wind Power Generation Military Equip. & Munitions Power Generation (Coal/Natural Gas)	Wind Power Generation Aerospace Solar Power Generation	Construction Appliance Power Generation (Coal/Natural Gas)

FIGURE 4 When asked what end-use markets they hope to be involved with in the future, the metal fabricating professionals surveyed revealed an interest in reaching out to the energy and defense industries.

**Would You Recommend Metal
Fabricating as a Career Choice
to Someone in Your Family?**

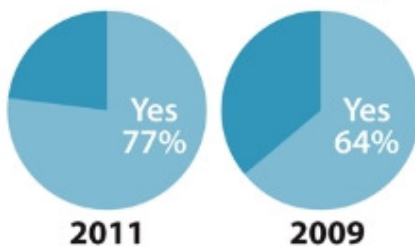


FIGURE 5 Would survey respondents encourage family members to follow their footsteps into metal fabricating? Seventy-seven percent of those surveyed are behind that idea, an improvement over the 64 percent that shared the same opinion in the 2009 survey.

be facing an unpredictable future. The push to reduce government spending isn't confined to speculation about government subsidies to farmers or programs to help at-risk kids. When politicians talk about chopping billions in the federal budget, they are including plenty of construction projects that were to be paid for with federal dollars. That trend, of course, is also evident at the state- and municipal-government levels.

Cramer said such talk of budget tightening has altered the behavior of customers in LAI's supply chain. Those defense-related companies are not committing to long-term build projections like they used to; they are acting like any other company in this uncertain economy—springing orders with reduced lead-times.

"All of those [government] dollars ... are all domestic manufacturing," Cramer said. "The defense sector has had a lot to do with helping domestic manufacturing weather the storm. When they talk about those dollars, most of those are linked to high-paying manufacturing jobs. So there is a direct correlation that impacts our industry."

The discussion of possibly shrinking manufacturing bases could affect metal fabricators' overall outlook negatively, but that's hardly the case (see Figure 4). According to the survey, they are cautiously optimistic for the most part and downright fearful of the economy rebounding in an explosive way.

"It's like a whiplash effect. You get the government tightening its belt, and they are always behind us. Private industry has done that already. We've squeezed all that we could," Madden said. "Then the government starts tightening its belt. Then things start turning around.

"My main concern is that you get that slingshot effect, and the rebound is just huge," he added.

That's an economic concern that most metal fabricators wouldn't mind losing sleep over.

Fabricators: A Satisfied Bunch

Actually, metal fabricators would relish tackling a huge increase in jobs. They really like what they do.

When asked "How would you sum up your current attitude about working in metal fabricating?" 63 percent replied "satisfied" and 28 percent stated "somewhat satisfied." No matter what the headlines say or what news stresses arise when trying to complete customer orders, metal fabricators like the new challenges that the job brings every day.

"This is a good field," Madden said. "I was in engineering for a while, but this is more hands-on. You get to see what you build."

"Our employees come to work in a clean, safe, friendly environment every day. We pay competitive wages and offer a very strong benefits package. And it's challenging work," Clark said. "Our employees are not just co-workers; they are friends outside of work as well.

"When my daughters enter the workforce, those are characteristics that I'll encourage them to look for when they choose a career," he added. "So why not metal fabricating?"

This excitement about careers in metal fabricating (see Figure 5) may reach beyond the industrial

The allure of well-paying jobs, which manufacturing can supply, is a feel-good story that's hard to ignore.

sector. Cramer said that manufacturing is garnering attention from the general press and U.S. citizens because it is one of the only drivers producing jobs in this economy. The allure of well-paying jobs, which manufacturing can supply, is a feel-good story that's hard to ignore.

"I think there will be a lot more respect paid to building things in this country, and I'm hoping that there will be a lot more domestic awareness of American-manufactured product," Cramer said. "I do think that manufacturing will have a renaissance."

That's not a certainty, of course, but metal fabricators certainly appear to be headed on the right course to make that happen. **FAB**

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