

The New Face of Auto Manufacturing Changes Put Firm on Growth Track

Dayton Business Journal

<http://dayton/stories/2009/10/19/story1.html?b=1255924800%5E2271271>

Four years ago, Sterling Production Control Units Inc. in Moraine was rolling along at a steady clip.

Annual sales hovered around \$14 million and the company had more than 100 employees on its roster.

Unfortunately, bad news loomed. About 30 percent of Sterling Production's revenue came from making assembly line equipment for the Big Three automakers. The auto industry implosion hit the company hard and now domestic automakers account for less than 5 percent of its business. That drop – along with the recession – forced President Tom Hoge to cut more than half his workforce and revenue levels these days fall into the \$7 million to \$9 million range.

"That's the new norm," Hoge said. "We've had to reset, learn to operate in that range for an extended period because of our market."

It might take several years to get traction, but Hoge has crafted a plan to rebuild sales by capturing a new block of customers.

For many traditional automotive suppliers like Sterling Production, a successful reinvention will be key to buoying manufacturing employment in the region.

Since 2000, manufacturing employment in the Dayton area has fallen from 79,000 to about 40,000. To top it off, the closing of the General Motors Corp. Moraine Assembly Plant last December, and the domestic market downfall, has left a big hole for local auto supply companies. On the flip side, the Dayton region still relies on manufacturing to power a big chunk of its economy so the ability of Dayton-area companies to change direction – and bring in new orders from outside the region – could stop the bleeding of jobs.

Sterling Production, for example, is ready to grab some of a developing market for exhaust-treating fluid in heavy diesel trucks. When new federal emissions regulations take effect in January, the company will go after contracts to build fluid injection equipment for

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truck manufacturers. Since the fluid needs to be replaced every 3,000 miles, the company also is developing a line of products that would target private fleets, truck stops and depots. Hoge sees a wide open market that could add a couple million dollars to the top line in a few years.

“We’re a niche player, so if we get 10 percent of the market that will be a very healthy uptick for us,” he said. “It will be very good quality business, and it will be repeatable business, too.”

Selling parts and services to medical device and instrument makers has become a popular way for local manufacturers to diversify. Companies such as Dayton Coating Technologies LLC and Troy-based Precision Aero Corp. are now making a push to boost sales in that field. Others, such as Dayton-based Dysinger Inc., see aerospace as the new place to be.

At one time, virtually all of Dysinger’s precision machining and sub-assembly work was done for the auto market. It started the year with more than 40 workers, but now does almost no auto jobs and is down to 25 employees. Most of its work these days is for energy-related companies, said Dan Griffith, president of Dysinger.

This year, Dysinger Inc. invested about \$50,000 to go after its aerospace certification, which involves meeting a higher grade of specifications and an additional audit beyond ISO requirements. Completed this summer, Griffith expects the new designation to boost the company as a player with jet engine makers and those that provide related support equipment.

Dysinger also recently received its first parts machining order for the Navy.

“We still think that the aerospace industry is going to be strong for years to come, Griffith said. “It’s a good industry to be in.”

Despite the sharp downturn, even the auto market appears to hold potential for companies willing to make drastic changes.

Harrison Twp.-based FC Industries Inc. saw its tool and die and stamping divisions pummeled by a downturn in work from the motorcycle and ATV markets. In the process, the company went from 330 workers in 2003 down to 180 earlier this year.

So when a customer who made gas filler systems went out of business, FC Industries decided to go after that work on its own. A gas filler system is the assembly that sends gasoline from the gas pump nozzle to an automobile’s tank.

The company invested several hundred thousand dollars into used equipment and retooling

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work, which it did in-house to save money, and took two years to plan the venture. Revenue at FC Industries has been down about 20 percent the past few years, but Vice President Mike Casella thinks the new line of work could recover most of that in 2010 and surpass it within two years. Already, employment has crept back near 200 and Casella expects to add about 60 more through 2011. This month the company shipped its first order to a large client, which he declined to name.

“We believe there is a gigantic void in aftermarket-style parts because so many of the Tier 1 (suppliers) have gone away and no one is there to fill that void,” Casella said.

And the region’s outskirts also hold potential to snag automotive orders.

Honda’s North American operations, for example, spent \$7.5 billion in 2008 with Ohio vendors. The company recently announced it would build the Accord Crosstour in East Liberty. The engines will be made at Honda’s Anna plant in Shelby County, and transmissions will be made at its existing plant in Russells Point.

Some area suppliers also are doing work for Toyota, which recently switched from making trucks to producing SUVs at its Princeton, Ind. plant. Across the border in Connersville, Ind. – about 70 miles from Dayton – Carbon Motors Corp. is working to get a \$350 million high-tech police car plant open by 2012.

Stacy Stephens, co-founder of Atlanta-based Carbon Motors, was impressed with the regional supply base, which was one of the factors in the decision to locate in Indiana over numerous other states. He expects Dayton-area companies to get a hard look when the company goes looking for suppliers.

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