



# The New Domestic

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The automotive market is an important sector served by the precision machining industry. Until 2008, it was the single, largest market served, according to the PMPA's Annual Business Forecast Report.

Some shops have a little bit of exposure to automotive, some have a large automotive presence and some produce parts exclusively for the auto industry. So, as the auto market goes, so goes precision machining.

What is a "domestic-manufactured" automobile? The answer to this question could be clouded by a number of issues. But to a facts-and-data guy, there is one clear answer: a domestic-manufactured automobile is one with a VIN number that has a 1 as the first digit.

The VIN first digit indicates the nation where the automobile was assembled. Even by the twisted logic of the bankrupt Detroit companies that waved the American flag in their ads — even as they



Mercedes-Benz

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added more and more cheap foreign content — a car is "made in U.S.A." if it is assembled in the United States.

While the Detroit automakers were busy beating their supply base for ever-decreasing prices on the component parts we produced for them, a different dynamic was taking place. (By the way, these are important parts because more than 70 percent of the value added in a new car is provided by the suppliers, not the assemblers.) The different dynamic is that auto companies from around the world have been building plants here in North America.

This is hardly a news flash to anyone over the age of, say, 16. But the breadth of this "New Domestic" market just might have escaped you. To the guys in suits, this was called Foreign Direct Investment. These savvy businessmen thought that investing in manufacturing in North America

made sense, and that it could be the basis for a successful business.

Toyota has a joint venture with General Motors on the west coast called New United Motor Manufacturing, Inc. (NUMMI). It was started back in 1984. The interesting development was that the Toyota nameplates out of that plant held their value more and sold for higher prices than the same cars with the GM marque. Besides the NUMMI plant, Toyota has plants in Alabama, Indiana, Kentucky, Mississippi, Texas and West Virginia, as well as in Canada and Baja California, Mexico.

Honda began its North American operations in 1987. Years ago, I was responsible for steel quality for crankshafts that my former employer produced for Honda. I knew what the tonnage was. I knew what the quality expectations were. Our work with our "New Domestic" customer was fact-and-data-based.

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The overriding vision was the highest quality rather than the lowest price to help the purchasing agent get his bonus. I think that this is instructive. The idea of working together for quality is sustainable. Beating suppliers for ever-lower prices is "bankrupt thinking."

At a recent conference on the Japanese transplant market held in Columbus, Ohio, that state's governor presented the following fact: More than 300 companies have created jobs in Ohio as a result of the state's "New Domestic" auto industry. (This is a sign of just how important the auto industry is to Ohio's economy.)

In addition to its Ohio facility, Honda has plants or major operations in Alabama, California, Connecticut, Colorado, Georgia, Indiana, Iowa, Michigan, New Jersey, North Carolina, South Carolina, Tennessee and Texas.

But the "New Domestic" presence and reach is far more than Toyota

and Honda. On a recent trip to several southern states, I stopped just outside of Atlanta to see a new Kia plant being built. I toured the Hyundai assembly facility in Montgomery, Alabama. (It's billed as the world's most efficient assembly plant.) I also drove by the Honda assembly plant located in Lincoln, Alabama.

Mercedes has a plant in Alabama too. And BMW has a plant in South Carolina. Volkswagen has broken ground for an assembly facility in Chattanooga, Tennessee. These are just the OEM automakers. Their supply base is both deep and broad. My experience selling to those sub-tiers was marked by a similar, relentless focus on quality and specification, rather than on a cheap price.

Today, our neighbors here in America make cars in "New Domestic" plants for Honda, Toyota, Kia, Hyundai, BMW, Mercedes and Volkswagen. Companies like our precision machining shops supply compo-

nent parts, assemblies, materials, tooling and equipment to these automakers.

Our neighbors earn manufacturing wages working for these companies. They spend their paychecks here in America. These neighbors are working in manufacturing cultures devoted to quality — not assembly cultures focused on obtaining ever-decreasing prices for components and the preservation of outdated work rules.

I like the American ideal of having free choices. I like the American ideal of free trade. I like the American ideal of fair trade. And, when the product is worthy, I like the idea of buying local to support my neighbors.

I remember a Sunday school lesson that you should "love your neighbor as yourself." The next question in that lesson was "Who is my neighbor?" In the auto industry, in North America, it seems that we have plenty of neighbors, including the "New Domestics."

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## It's All About Preparation!

PMPA's 2009 Annual Meeting:  
October 24–28, Savannah, Ga.

PMPA's Annual Meeting is a strategic business conference designed to help owners and managers prepare for the challenges and opportunities that lie ahead. This year has been especially difficult

for our industry and the global economy. We've seen companies leaving the industry through bankruptcy/liquidation, mergers, acquisitions and for other reasons.

As a survivor, you need the very best business advice available to strengthen your business plan

going forward. With industry consolidation comes opportunities. Learn new strategies to take advantage of those opportunities. Register for PMPA's Annual Meeting today at: [www.pmpa.org/meetings/annual\\_mtg/](http://www.pmpa.org/meetings/annual_mtg/)