The "Supplier's Perspective" in this issue is provided by John Kinne of Atotech USA, who serves as vice president of the Metal Finishing Suppliers' Association (MFSA). We asked John what he sees as the most important issues facing surface finishers in the short-term, and in the long-term. Here's what he had to say:

"In all of my years in the plating industry (since I was in Junior High School working in my father's plating company), I don't recall such challenging times as are facing surface finishers today. Globalization has reduced the size of manufacturing industries in the United States by an amount that would have been inconceiveable to most of us only 5–6 years ago. These are the customers of surface finishers who are now making their goods overseas, instead of at home. All industries are affected, but the ones serviced by metal finishers are, unfortunately, among those that have globalized the most—I'm speaking of the Automotive Industry and the Electronics Industry, by far the two largest consuming industries of surface finishing. The reasons for locating manufacturing operations overseas are well known and mainly relate to lower costs of production—*i.e.* lower labor costs, regulatory compliance costs, social costs (pension, health insurance), etc. To put this in perspective, in 2004 only about 14 percent of U.S. GDP was generated from the manufacturing sector. I haven't seen the 2005 statistic, but it's unlikely there is any change in the downward tendency. This is a lower percentage of GDP, in some cases dramatically lower, than any of our major trading partners. In the Euro zone, on average, more than 21 percent of GDP comes from manufacturing. In Japan the figure is also over 21 percent. In China, manufacturing accounts for more than 35 percent of GDP!

"For a surface finisher in the U.S. today the number one issue in the near term, in my opinion, is to understand their customer's needs and expectations well enough that they can be proactive to address these needs and to find ways to increase their added value BEFORE their customer decides he is better off to purchase offshore. How to convince customers to buy locally? Well, it is a long supply chain from China to the U.S., for example. Ports are clogged with vessels, delivery times can be very problematic and shipment costs are not inconsiderable—let alone carrying the additional inventory needed to compensate for longer delivery times. All of these points can be reinforced effectively with customers to help them appreciate the value of doing business with a local supplier. In addition to this, there are important changes in regulations that must be dealt with—the number one priority here is the new Chrome PEL rule from OSHA. I am still not sure that everyone who will be affected by this rule understands what has just happened. OSHA has reduced the previous chrome PEL by more than an order of magnitude—from 52 mg/μ^3 to 5 mg/μ^3, with an action level of 2.5 mg/μ^3! Although this represents something of a minor victory for the surface finishing industry—the original OSHA proposal was for a PEL of 1 mg/μ^3—the fact of the matter is that many, many surface finishing operations will struggle to meet this level without making significant changes/investments in their operations. Those that are successful have a chance to survive—those that are not will be gone in the future.

"Medium and longer term, surface finishers must understand what they need to do to remain competitive in a global manufacturing environment. If you look at China, there is more at work than lower production costs. In recent years China has been the recipient of vast amounts of investment capital to build new factories and manufacturing process lines. These new plants and lines consist of the most modern and efficient production tools, and utilize the most advanced process technology available in the world today. Add to this lower intrinsic production costs and it is an almost unbeatable combination. In the medium and longer term, it will be absolutely essential for U.S. manufacturers, including surface finishers, to invest in their businesses to keep pace with their global competition. I work for a global chemical supply company—one of the largest in our industry. Our policy is to be present in every important industrial market in the world in order to be able to serve our customers locally and to react to shifts in production locations from one region to another. Some surface finishers have followed a similar strategy to build plants or form alliances overseas to follow their customer base and to participate in manufacturing growth in other regions. It is not easy to do this and there are many risks. The rewards, however, can be substantial."

—John Kinne
Atotech USA