



NTMA / PMA Contract Manufacturing Purchasing Fair

*Re-Shoring to Bring U.S. Manufacturing Jobs
Back Home*

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Hyatt Regency Hotel, Irvine CA**

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2010 NTMA / PMA Contract Manufacturing Purchasing Fair

Objective: A one-stop for OEMs to find competitive U.S.-based sources.

- As always, the Fair provides an opportunity for OEMs to find quality suppliers in the U.S.
- This year, we are also encouraging OEMs to rethink the sourcing paradigm from “Off-Shored is Cheaper” to “Local Reduces Total Cost of Ownership.”



Who Should Attend

The Fair is for all OEMs; whether they **currently source domestically or source offshore** but are now taking another look at local sourcing. OEMs, job shops and the U.S. economy all stand to benefit from this first-of-a-kind effort.

- More than 50 OEMs expected to attend.
- 200 job shops - machined, stamped and fabricated parts, special tooling (dies, molds, jigs, fixtures and gauges) and special machines.



Reduce Total Cost of Ownership

We are contacting OEMs to encourage participation in the Fair and explaining the many benefits of the Fair. For those who have off-shored, "re-shoring" offers the following benefits:

- Reduce pipeline and surge inventory impacts on JIT operations;
- Improve the quality and consistency of inputs;
- Localize manufacturing near R&D, strengthening innovation;
- Reduce IP and regulatory compliance risk;
- Minimize carbon footprint

All while staying cost competitive.



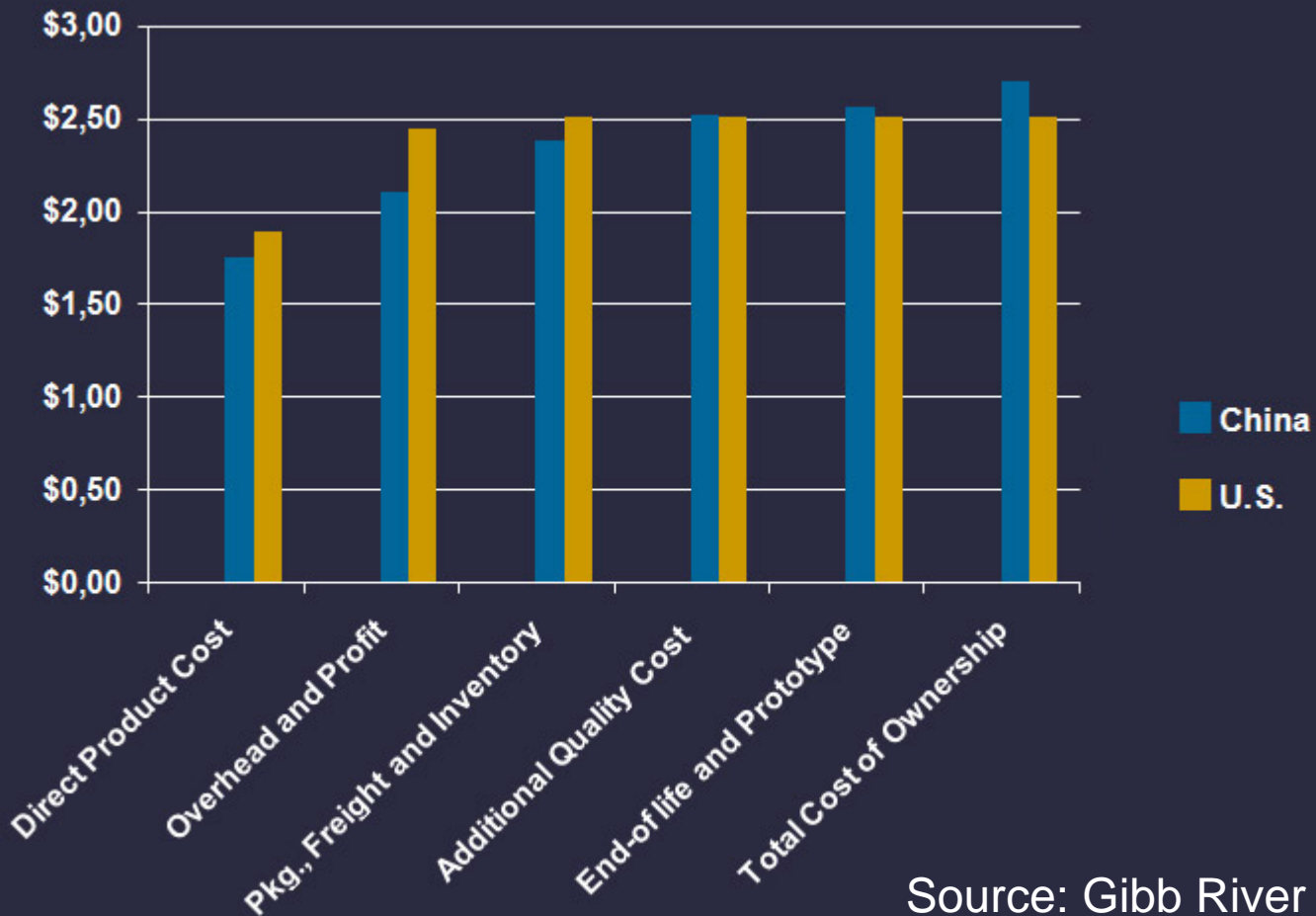
Reduce inventory example

Safety Stock proportional to

$$\sqrt{\text{LeadTime}}$$



Total Cost of Ownership: Stainless Steel Gear



Source: Gibb River Group



Who should attend the Fair? Ideal OEM Characteristics

- Jobs out parts or tooling
- JIT logistics with variable demand
- Valuable IP
- Tight regulatory and/or quality requirements
- Partners with contract manufacturers
- Committed to minimize carbon footprint
- Committed to strengthening U.S. manufacturing sector



What Work to Bring to the Fair? Ideal Workpiece Characteristics

- Offshored or U.S. sourced work
- Machined, stamped and fabricated parts, special tooling and special machines
- Products to be sold in N. American market
- High mix/low volume
- New/quick launch/frequent engineering changes/short life cycle
- Fragile
- High risk, safety parts
- Low labor content
- Shipping cost high vs. labor costs



Why Re-Shoring is a Hot Topic

- A renewed focus on manufacturing by the White House and Congress
- Dollar is down versus most currencies
- High international transportation costs
- High foreign wage inflation
- Low domestic capacity utilization
- Focus on increasing employment
- Growing awareness of IP and quality risks



Sourcing Moving Home

- Companies are shifting some work home or close to home:
 - 11 of 20 in N. America
 - 2 of 10 in Europe

Source: 3PL Provider CEO Perspective 2008 survey of major logistics providers.



16 Re-Shorings at NTMA Convention

- A&E Custom Mfg.
- Boulevard Machine and Gear
- Collins Instrument
- Computed Tool & Engineering
- Creative Precision West
- C & R Mfg.
- Ehrhardt Tool & Machine
- Etc.



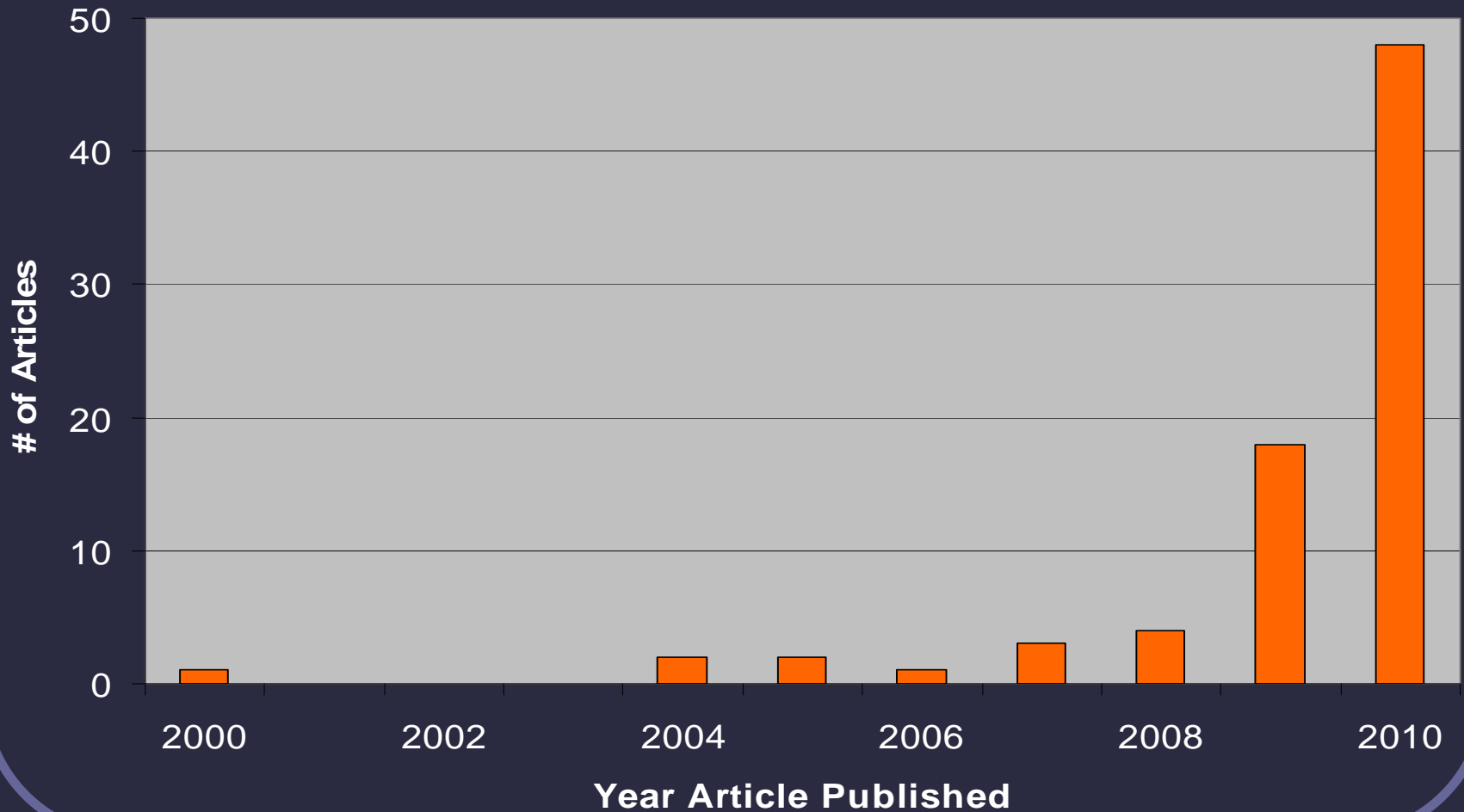
Some California Re-Shorings

- Computed Tool & Engineering, Anaheim
- Dr. Fresh, Buena Park
- Wham-O, Inc, Emeryville
- Wright Engineered Plastics, Santa Rosa

(for 4 companies)



Re-Shoring's Visibility is Booming!



Note: 1. 2010 calculated as 6X January + February count.

2. Measured by counting all relevant articles found via early March 2010 Google search on "re-shoring" "back-shoring" and "on-shoring."



Some Published Cases

- ATMs
- Bicycles
- Electric hand drills
- Hybrid batteries
- Machine tools
- Photovoltaics
- TVs
- Water heaters



Why Re-Shoring is Good for America

- Re-shoring can strengthen and broaden manufacturing and defense base
- Re-shoring can strengthen SMEs -- the source of job growth
- Re-shoring can help reduce the trade deficit, budget deficit and unemployment



America understands!

- Best ways to create more U.S. jobs:
 - Keep mfg. jobs here: 18%
 - Lower taxes: 14%
 - Help small business: 12%
 - Green jobs: 12%
 - Infrastructure: 10%
 - Etc.

Source: Gallop Poll, Nov. 20-22, 2009



Why it is easier to Re-shore than to Export more

- There are distinct advantages for a U.S. company to compete here rather than offshore:
 - Absence of duty, freight and ocean packing
 - No Interest on pipeline and contingency inventory
 - Familiar legal and regulatory system
 - Fixed costs of overseas sales and support vs. simplicity of selling into huge home market
 - No exchange rate issues
 - Cost advantages of greater than 24%, similar to total direct labor % of mfg. cost
 - Timing: quick impact because already selling here

Accelerating the Re-Shoring Trend

- Media coverage: WSJ, IW, etc (30-100)
- Publishing case histories
- Online Library of 50 re-shoring articles
- Documenting TCO for customer and vendor use
- Fairs: May 12, Irvine & Oct 29, CT
- Support from: AMT, AMTDA, SME, NAM
- Support from key media, including Gardner



Requests of the OEMs

- Make sourcing decisions based on TCO, not just price
- Check our Library to see what your industry is doing
- Consider how a stronger home market benefits your sales
- Attend the Fair!



Requests of Vendors

- Learn to talk TCO to customers
- Attend the Fair!



Requests of All

- Submit successful re-shoring cases
 - Good publicity
 - Good for the country



For more information...

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"Re-Shore at the NTMA/PMA

Contract Manufacturing Purchasing Fair "