Industrial Evolution

The gear industry, like any other, is constantly changing. Companies vie for customers, resources, employees and time. They come, go and shuffle for position. Usually, the changes are small, affecting only a few companies. But sometimes, many changes happen at once, and when those changes are large, it can seem as though an earthquake has struck and transformed the landscape of the industry.

I feel as if such an earthquake has recently struck. Two months of tumult have left us with a different gear industry than we had the last time I wrote this column. In particular, two old friends have closed their doors. Also, we've seen realignment among some of the key suppliers.

We were saddened to hear that one of the gear industry's oldest suppliers—Fellows Corp.—was forced to close its doors in February. Located in North Springfield, VT, Fellows served the gear industry for more than 100 years. It was founded in 1896 by Edwin R. Fellows, the inventor of the American version of the gear shaping machine.

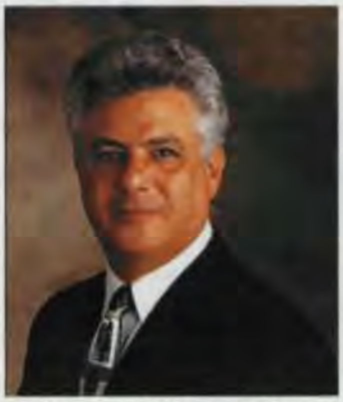
Fellows closed when its parent company, the Goldman Industrial Group, filed for Chapter 11 bankruptcy protection. Goldman's Bridgeport Machine Co. continues to operate, but the group's other subsidiaries, Bryant Grinder, Hill-Loma Inc., J&L Metrology and Jones & Lamson Machinery, closed along with Fellows. Those closed subsidiaries are now up for sale.

Hopefully, someone who wants to continue making gear machine tools will buy Fellows so that the name doesn't fade into obscurity.

Shortly after we heard the news about Fellows, we were shocked to learn that one of the gear industry's oldest and most respected manufacturers—The Cincinnati Gear Co.—had also closed its doors. Cincinnati Gear was founded in 1907.

Details about Cincinnati Gear's closing have been sketchy, and the company may yet emerge in some form from its difficulties. The company had been having troubles, like much of industrial America, and it laid off a number of workers over the last year. But those troubles turned to crisis with the bankruptcy of Enron Corp., whose wind turbine division was a major customer of Cincinnati Gear. On Feb. 28, Cincinnati Gear was forced to lay off most of its employees.

According to a letter we received from the company in late March, Cincinnati Gear is working with a management consulting firm to "explore all available options to maximize the value of its business and assets." What this means at this time is unclear, but what is clear is that if Cincinnati Gear emerges from these difficulties, it will be a much leaner company than it once was.



We've all watched the manufacturing economy struggle over the past two years. We've seen it contract, as Americans have imported more of the manufactured goods we used to make for ourselves. It's no surprise then that some gear industry companies are having problems and have been laying off employees over the past couple of years. Hopefully, the companies that survive these times—perhaps including Fellows and Cincinnati Gear—will be in much better position to take advantage of the market when it improves.

In the face of slower manufacturing activity, plants are closing and new, foreign suppliers from places like India, Pakistan, Poland, China, Taiwan and South Korea are taking their place. This process is not unique to the United States. England, the birthplace of the Industrial Revolution, is seeing an exodus of manufacturing at a frightening rate. This process is also occurring in Germany and Italy. With the possible exception of Spain, Western Europe's manufacturing is contracting, at different rates in different countries, but contracting nonetheless. Japan is also seeing manufacturing flee to lower-cost areas. We all still do the designing, engineering and marketing, but increasingly, we are becoming importers and assemblers, and less manufacturers.

In addition to and maybe as a result of the changes I've already mentioned, the gear industry has also seen a lot of shifting among the major machine tool suppliers. For example, Bourn & Koch Machine Tool Co. has purchased a controlling interest in Roto-Technology. Nachi Machining Technology Co. has promoted Butch Wisner to president and CEO. M&M Precision Systems Corp. has named Douglas Beerck its vice president of sales and marketing. In the United Kingdom, Dathan Tool & Gauge has purchased David Brown's gear cutting tools division.

Perhaps the most significant news was the announcement that Star Cutter Co. has left the Sigma Pool alliance to consolidate its cutting tool sales operations with that of SU America Inc. With this new alliance, the SU group has quickly broadened its product offerings, joining Gleason Corp., Mitsubishi International Corp. and the remaining Sigma Pool brands of Liebherr, Lorenz, Klingelnberg and Oerlikon as full-service suppliers.

In most industries, the major suppliers compete for the bulk of the industry's business like hungry siblings around the dinner table. Like older brothers, the bigger suppliers take the lion's share, while the smaller suppliers have to settle for what's left over. In the gear industry, another hungry kid has arrived at the table at a time when there's less food to go around.

Adding another major supplier will result in fierce competition here in the United States, for machine tool and cutting tool sales, meaning those suppliers will find it harder to maintain profitability. The result is that you, the gear manufacturer, will have more choices among suppliers and technology—probably at lower prices.

All of these changes should make this year's IMTS very interesting. I will be watching the dynamics of this increased competition. As we emerge from the manufacturing recession, I can only guess that these competitors will be clamoring for your business.

Michael Goldstein,
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