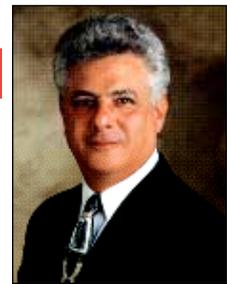


Gear Expo 2011— Tempered Enthusiasm



I came back from Gear Expo in a pretty good mood, and judging by the smiles on the faces of exhibitors I saw, I'm not alone. In fact, the mood at Gear Expo 2011 was the best I've seen in recent memory.

Every exhibitor we talked to seemed to believe the show was a success—not necessarily because of the show itself—but because of the economic conditions currently affecting manufacturing in general and the gear business in particular.

Although it would be a stretch to say the show was crowded, the exhibitors and visitors all appeared to be busy. Most of the exhibitors had a steady stream of customers visiting their booths. This made connecting with the senior managers and executives at those companies a bit of a challenge. In some cases, I had to stop by a half dozen times or more just to have a chance to meet with them. And those exhibitors weren't just entertaining guests; they were conducting business. Machine tools were being sold off the show floor, and I heard about many other projects that I'm sure will come to fruition in the near future.

Based on what we observed at the show, there are a number of trends that bear watching. For one, there seems to be a shortage of gear manufacturing capacity, especially for very high quality gears. Second, there continue to be extremely long lead times for new equipment and even cutting tools. The demand for gear machine tools is rising, not just in the United States, but around the world.

Much of what we observed anecdot-

ally at Gear Expo is borne out statistically by our annual "State of the Gear Industry" survey, which we conducted in November. More than 300 gear industry professionals responded to the survey. The full results can be found in this issue, beginning on page 61.

But I can summarize the survey highlights for you here.

One of the biggest changes this year was that 60% of respondents now work at locations where employment increased. Last year, only 43% indicated their employment had increased. Similarly, 67% work at locations where production volumes increased in 2011 (compared to 62% last year). More importantly, 74% expect production volumes to increase again in 2012. Finally, 72% saw sales volume increase in 2011 (compared with only 58% last year), and 70% expect sales volume to increase again next year.

The gear industry is clearly very busy, and in fact appears to be growing—despite the fact that there are still significant issues facing gear manufacturers. According to the survey, the top three industry concerns are the economy, material costs, and finding skilled labor. These are the same top three challenges—and in the same order—as were voiced in last year's survey.

Manufacturing's skilled labor issue has been well publicized, including here in this column. But in this issue we took an in-depth look at the problem and found that even in our own industry, opinions on the subject vary widely (*please see our jobs article beginning on page 54*). One

thing is clear, though. The skilled labor shortage is a definite problem for gear manufacturers.

Since returning from the show, I've spoken with several gear manufacturers who are extremely busy. But I was surprised to learn that despite being so busy, some of them are either losing money or barely eking out a profit, so pricing still seems to be an issue. Although they have been cutting gears at a record pace, they're struggling with cash flow. Their order books are full, and they're producing a lot of gears. Material costs are high, and they've had to add equipment and employees to fill their orders, all of which eats into their profits and cash.

Don't get me wrong—I believe the gear industry is still poised for another good year. There are too many signs pointing in that direction to think otherwise. But just because business is good doesn't mean we can afford to lose our focus.

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P.S. At Gear Expo, we received tremendous interest in *Gear Technology India*, our new publication, which is poised to launch in 2012. There's still time to get involved with this new magazine: as a subscriber, as an advertiser or as a contributor. Just visit www.geartechnologyindia.com for more information.