

EDITORIAL

THE COMPETITIVE EDGE



Now that the new tax bill has been passed, the time has come to begin evaluating how it will affect investment strategies in the machine tool business. Your first reaction may be to think that any motivation to invest in capital improvements in your company is gone, because both the investment tax credit and the accelerated depreciation on capital investment have been removed from the tax law. After all, if Uncle Sam is not going to help us out through some short term tax gains, why should we bother? Can we afford to bother?

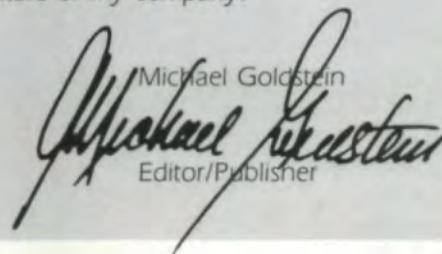
The old tax laws did provide certain incentives, and their demise will require all of us to rethink our investment strategies carefully; however, it is self-defeating to assume that now that the

tax breaks are gone, so is any reason to reinvest in our companies. The question is, can we afford *not* to invest in the latest, most advanced capital equipment we can, regardless of any changes in tax law.

Having just returned from IMTS, I am more aware than ever of the exciting and rapid changes occurring every day in machine tool technology. The company that does not keep up will, inevitably, be left behind. Maintaining one's competitive edge is also the best way to take advantage of some of the breaks that have been written into the new tax code. The dropping of the over-all corporate tax rate tends to offset the deletion of tax incentives for investment, *but only for companies that remain profitable*. Ultimately, an investment in the best, most advanced machinery a company can afford is its investment in maintaining its profits.

Undeniably, the newest technology is expensive. Current economic conditions are unsettled, and certain, comforting old tax breaks are gone. But, equally undeniably, the advent of CNC gear manufacturing equipment has given the industry a kind of flexibility in production never dreamed possible a few years ago; a flexibility that can provide a crucial competitive edge. For example, a past customer of ours, working in the oil field industry, bought a CNC gear hobber, even though he was not convinced he needed the CNC capability for his purposes. Then the bottom fell out of the oil industry. Now the "extras" he didn't think he needed give him the capability to economically produce small quantities of gears at a low cost because his set-up time is so much faster than it was on his older, manual machines. His CNC machine provides him with lower manufacturing costs, better utilization of his plant and less money tied up in finished inventory, at a time when he desperately needs those advantages to weather the economic storm.

Advanced technology provides manufacturers with economic and competitive advantages they cannot easily do without in today's world marketplace. In such a situation, to stay in the same place is to fall behind. Tax breaks or no tax breaks, we each must ask ourselves the question, "Can I afford not to invest in the future of my company?"

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