

TESTIMONY
United States House of Representatives
Committee on Small Business

May 13, 2009

Mr. James M. “Jim” Jones, Vice-President
Dixie Industrial Finishing Company
Tucker, Georgia

On behalf of:

The National Association of Surface Finishing



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Good morning, Chairman Velasquez, Ranking Member Graves and members of the committee. I am Jim Jones, Vice-President of Dixie Industrial Finishing Company. We are located in Atlanta, Georgia, and have 54 employees. I am testifying today on behalf of the National Association of Surface Finishing (NASF), the leading industry trade association for the metal finishing industry. I currently serve on the Board of Directors of the NASF.

We are also a member of the Precision Metal Forming Association (PMA), the National Association of Manufacturers (NAM), the Southeastern Fastener Association (SFA) and the Georgia Industry Association (GIA). I am the past president of the Georgia Industry Association. I’ve been employed in the surface finishing industry since 1957 and I have been with Dixie Industrial Finishing Company since 1960, except for a break for military service with the United States Air Force.

For 49 years, Dixie Industrial Finishing has supplied surface finishing services for a range of industries that provide jobs, products and quality of life for Americans. My company and hundreds of others around the country like mine form a critical link in our

automotive and other major manufacturing supply chains. Just a few of the industries we serve at Dixie Industrial include:

- automotive
- aerospace
- construction materials
- agricultural equipment
- lawn and garden products
- heavy construction equipment
- electronic cabinetry
- electrical distribution,
- fasteners, and many others.

Like numerous other industries, the surface finishing industry plays a significant value-added role in the automotive parts and components supply chain. Our work makes the automotive components we finish *look better, work better and last longer*. We use electrochemical technology to apply a range of metal and other coatings onto literally thousands of different types of automotive parts. Some coatings are cosmetic, many provide characteristics to parts without which an automobile would not function. In terms of volume of parts, automotive products account for an estimated 60 percent of the parts that are surface engineered in our industry, and our key role in adding value alone was recently estimated as a \$100 billion annual economic benefit.

Impact of Automotive Crisis on Small Surface Finishing Operations

The impact of the U.S. automotive crisis is becoming painfully clear to industries like the surface finishing industry. Our economic livelihood as small manufacturers depends on the health of our industrial customers, a large percentage of which are in the automotive supply chain. It comes down to basic economics – when our customers

suffer, we suffer, and the good jobs we now provide for over 100,000 Americans in the finishing industry and closely linked manufacturing sectors continue to disappear.

Members of our association – particularly the broad segment of our membership servicing the automotive/truck and related aftermarket and fastener industries – are experiencing the worst downturn we have seen in our lifetimes. Major segments of the industry have seen sales decline by as much as 70 percent and many operations have eliminated shifts or scaled back workweeks dramatically. By some estimates, the finishing industry as a whole has shed about 30,000 jobs in recent months.

Those companies who primarily service the Detroit Three directly or their Tier 1 or Tier 2 suppliers are barely holding on, and some shops in our industry have already closed their doors or filed for bankruptcy. Chrysler's current restructuring effort and GM's planned temporary plant shutdowns across the country have created great uncertainty. What's very important here is a point that is now becoming more evident to many – the economic damage from the automotive crisis is not limited to the balance sheets and workforce of a few large companies and it's not geographically limited to Detroit or a handful of Midwestern states. Thousands of other smaller companies with a history of excellence, quality and customer commitment over many years are reeling.

My company has a more diverse customer base and our current revenues are just under 20 percent automotive-related. Yet we've been forced to cut over 35% of the jobs we provide since the beginning of this year, or about 30 fewer employees. Our experience at Dixie is typical of the industry as a whole, though obviously not as drastic as some. Dixie's sales in 2008 were \$8.5 million in projected sales. Based on the first

quarter of 2009, we will be in the \$5.0 million range if we can continue to stay in business.

Insert Section A – Credit and related challenges for small auto suppliers

Insert Section B – Automotive is significant challenge, but the problem is larger than automotive...

[Lead In for “Larger than Automotive”]

One measure of how dramatically the global economy has changed the small supplier base for the automotive industry and U.S. manufacturing as a whole in recent years is how stable our company’s customer base has been over time. It’s a fact that we have been forced to replace 100% of our business – our customer base – in the past ten years. This means that no matter how excellent our quality is, no matter how lean we’ve become through automation and upgraded operations, no matter how well we treat our customers – our customer base of major industrial players is constantly disappearing before our eyes by shutting down operations, looking for cheaper vendors, and moving operations out of the country or overseas.

Section C – Suggestions and Solutions