



## News Release

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### **GHSP MESSAGE TO CONGRESS**

On behalf of all the employees of GHSP and JSJ Corporation in Grand Haven Michigan, we appreciate being asked to participate in this conversation. At this point I fully understand why you asked me here today, at this forum on economic competitiveness in manufacturing I am the only person representing a business that makes something.

GHSP is one of the JSJ Corporation's businesses. We are headquartered in Grand Haven Michigan and started business as a stamping company in 1924. Today, GHSP employs about 1,000 people in five manufacturing locations, and three engineering centers and around the world.

GHSP has recently concluded the most difficult year in the history of the automotive world with comparative success. In a year in which we were challenged by a 40% reduction in sales we successfully expanded our plans achieving record sales bookings in new products lines, customers, and geographical regions. Regretfully, the drop in sales revenues required us to ask our people to make significant concessions to achieve these gains. It is a point of pride that I can report in spite of the difficult personal challenge our team has over the years received 3 awards as supplier of the year to three different automotive customers, 4 national championships in Honda North American quality circle competition, we were awarded top honors by the Lean Manufacturing Network, and named by Honda one of the Top 5 companies in the US for green environmental operations.

This all sounds very good, but it is all in the past and, to a great extent, GHSP has been fortunate to have this success. Not all of our brethren in the manufacturing world have been so lucky.

There have been three keys to GHSP's success and my request is that as policy makers you lend your creative support to the three themes I would like to talk about. They are;

1. Support for innovation aligned with real market opportunity

2. Support for workforce development and motivation

3. Economic assistance that gets directly to those driving innovation in small and mid sized companies

First, support for innovation aligned with market opportunity. Today GHSP competes as a company unique in its ability to develop and manufacture products that integrate mechanical, electronic, and software elements. Three years ago we were something quite different. In our Grand Haven, Michigan location we had invested in metal forming processes for over 80 years. We had 700 ton presses lined up like Rockettes in a 200,000 square foot facility.

On November 14 of last year we stamped this part (show example). 127 days later, on March 23rd of this year, on the exact same floor space we produced this part (show example) for a full electric vehicle. To fund this level and speed of innovation GHSP invested significant amounts of capital in doing so created 80 new jobs in Grand Haven. Business has to move this fast.

Three years ago we recognized a mega trend in the surface transportation market we call the electrification of the vehicle. Our market and technology people did their homework and we assessed there would be a need for new products in support of this trend. We invested millions in people, processes and engineering capability to be ready to support the opportunity.

The point I wish to emphasize is that we were not purely speculating, we reduced the risk by working to identify a market need for the sorts of products we could bring to market. Our experience is that dollars spent in support of market based innovation will more likely lead to growth and quicker job creation.

We get calls daily from potential customers who have an identified need and want us to align with them to discover new solutions to the market demands. Too often we have to say no, because of our limited resources. However, programs like the incentive provided from the Research and Development tax policy has enabled GHSP to develop high technology products as well as attract and retain the highest quality engineers and product development personnel to facilitate such development.

This tees up my second request which is for continued support for workforce development and motivation. It is our conviction at GHSP that people and businesses co-create. The challenge here is two-fold; development and motivation.

I'd like to think GHSP builds people and our people build GHSP. The day we stamped our last part in 2009 we had already started a program of 3 months training for 50 production operators who would need to learn controls and quality standards for electromechanical surface mount technology after having spent a career operating a stamping press.

The training and development required for us to build our people as we transform from traditional manufacturing to mechatronic products is huge and the demand is immediate. Because of the reduction in revenues GHSP has reduced training and development spending for technical and professional roles 50% since 2008...this is not a sustainable model in a changing business.

As you saw we are in the midst of fundamentally changing our business. The skills we need in production jobs, engineering jobs, and support roles are all different than what they were just a couple of years ago. GHSP has survived and thrived due to its ability to attract, develop and retain people that are highly educated, motivated and dedicated to the success of the company. While this reflects on GHSP's culture, it is also due, in part, to tax incentives for job creation, training grants, as well as higher education programs in professional and technical fields. Indirect means of support are also critical and GHSP has made great use of, and I am a huge fan of, the community college system that develops technical training in support of local demands.

And second, people's commitment to GHSP matters immensely because the stability and motivation of our team is paramount to our continued success. Commitment is a function of the extent to which the implied psychological contract that occurs at the time of hiring is honored by GHSP through each employee's tenure with us.

Every quarter we ask our employees "to what extent is GHSP your best option as a place to work?" Last year—one of the darkest since the Great Depression--our survey scores reached an all time high. I am worried this will be hard to maintain because of the demands the economy has placed on us to reduce costs which threatens the basic psychological employment contract; the nature of work, job security, compensation, training and development and health care benefits . Elements of the employment agreement that were once designed to attract and retain people are now considered expectations. In a nut shell, the total cost of employment is an element of competitiveness, if not survival. This is true in terms of both direct costs of employment as well as indirect cost associated with compliance and regulatory requirements. We need to find creative solutions in employment matters that ensure we do not place an unfair economic burden on either

employees or employers, nor can we tolerate situations that cause disruption to the natural interdependence of people and their place of work.

My last point is that GHSP and other companies with innovative products and highly developed workforces can't thrive without the financial resources to help them grow. And, as we all know starting almost exactly one year ago banks interest in supporting small businesses in the automotive sector fell off a cliff and with it the capacity for innovation and growth required in the automotive segment.

Prospects for both sales and the availability of capital are improving as volumes return in the industry, but we are not out of the woods and the industry may need support and encouragement.

Overall the electrification of the vehicle and the demand for operator safety is a good thing for both our people and our business. But, right now we have a perfect storm brewing. The decline in our market has limited the capital available for us to invest in product innovation. The suppliers who made it through last year are being asked to ramp up for the increasing demand with new technology and faster time to market demands. Last week we met with one customer who is launching a record number of new programs this year and they want to start production of several programs 3 months earlier than planned. And at the same time there growing legislative demands for fuel economy, green, and safer vehicles which is increasing the need for innovation.

In the automotive industry 66% value of a vehicle is produced by the supply base of which 66% are small and mid sized businesses like GHSP. The conclusion to this is clear; the availability of capital for investment is a major challenge for two-thirds of the very companies who have the talented and visionary employees who can help solve these problems.

It is GHSP's great fortune to be a part of the JSJ Corporation, a diversified business group, which has provided significant investment support to allow us to innovate new products and grow. GHSP has competed against companies 20 times our size, and we have won contracts for products that support safety elements for full electric vehicles and a new product that is part of a system that will create a 5%-8% increase in fuel efficiency on traditional internal combustion engines. One thing you may not know about our industry is that the supplier is required to fund the capital 2 or more years in advance of the program generating revenues.

I believe there are certain advantages to smaller companies and their unique needs require attention and support. Last year significant funds were advanced from our government in support

of electric vehicles. And, while 66% of value of a vehicle is created outside of the major car companies, over 100 suppliers, including small suppliers, applied for the Section 136 program. To date, I only know of one supplier has been found eligible and not a single supplier has received any funding.

Giving money directly to large companies may simplify disbursement, but it doesn't get the resources directly into the companies that can use them most effectively. Many argue the government played king maker by anointing the eventual market winners with DOE funds ... essentially stifling the motivation and creativity of the supply base.

Let me suggest a strategy in this regard... both government and private funding have a role in technology research and development. It seems wasteful to have the US government working today on advanced R&D for electronic vehicle engineering; traction motors, battery packs,.....when these are the products that industry is also developing today to take to market.

I'll argue each party should do what they do best. Why not have the labs working principally on basic research like rare earth metals, environmental standards, major battery research, then turning this sort of development over to the public domain for well supported innovators in business to bring to market.

I think it's great that you are asking questions about how to make manufacturing more competitive in our country. They're the right questions, and this is a great time to ask them.

I hope your work leads you to create policies that support and encourage market-driven innovation, that help build highly developed, motivated workforces, and that rewards innovators with the resources they need to grow. We'll take it from there.

Thank you for the opportunity to talk with you today.