

Original URL: <http://www.jsonline.com/bym/news/dec05/380879.asp>

## Factory owners optimistic about '06

### City ranks 5th in survey of manufacturers' outlook

By RICK BARRETT  
[rbarrett@journalsentinel.com](mailto:rbarrett@journalsentinel.com)

Posted: Dec. 27, 2005

With its confidence bolstered by new markets and products, Reich Tool & Design Co. is building a new plant.

The Menomonee Falls manufacturer is optimistic about branching into work for the medical equipment and aerospace industries, in addition to what it does for the automotive industry.

"We have outgrown the building we put up 10 years ago," said Fritz Reich, company president.

His confidence is shared by others, as a national survey released Tuesday ranks the Milwaukee area fifth among 22 cities in optimism about manufacturing.

Eighty-two of 109 companies here said 2006 would be "better or much better" than 2005, according to the survey from TR Cutler Inc., a Fort Lauderdale, Fla., firm that tracks manufacturing trends.

Milwaukee ranked ahead of Kansas City, Mo., and Atlanta in the survey that included interviews with company chief executive officers and senior managers. Louisville, Ky., topped the list with 77% of the companies surveyed expressing optimism. Minneapolis ranked last with a 44% rating.

Nationwide, 2,429 companies responded to the November survey.

The level of optimism was much stronger from two years ago when the same poll was last taken, said Thomas Cutler, president of TR Cutler.

"In November 2003, there was some sense that things were getting better. But it had not quite happened yet for many companies," Cutler said.

All of the surveyed manufacturers are privately owned. Many have about 100 employees and \$10 million in sales, and the views of such small and midsize companies are often overlooked on national surveys, according to Cutler.

"I think they provide a different and important gauge of what's going on in the economy," he said.

The average annual revenue for the Milwaukee companies surveyed was up from \$16 million in 2003 to \$21 million this year.

The percentage of Milwaukee companies that contracted out work nearly doubled, from 22% to 42%, while the size of their work force remained about the same.

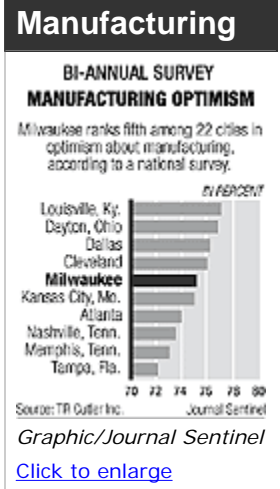
"The outlook for 2006 might not be as bright for labor," Cutler said.

"But for all of the naysayers, outsourcing doesn't seem to have taken away from senior managers' sense of optimism."

### Emphasis on innovation

Reich Tool & Design's construction of a 50,000-square-foot plant, on Silver Spring Drive west of Mineral Point Road, could result in a near doubling of the company's 50-person work force.

The plant's construction is scheduled to begin in fall and be completed in spring 2007. Hiring will take place over about five years as the company gears up in new areas, such as medical equipment and aerospace.



"There will be more emphasis on advanced manufacturing," Reich said, which involves making things that can't easily be duplicated by overseas manufacturers.

Advanced Extrusions Inc., a plastics company in Franklin, expects a 35% sales increase next year, topping \$1 million in total sales.

"We are still a young company, but we see a lot of growth coming," said Chuck Hamley, Advanced Extrusions' president.

K&S Tool & Die Corp. is optimistic about 2006.

But the Ixonia company also is struggling with costs that are beyond its control, such as health care and energy, said Cecillia Allison, company vice president of finance.

"Those are things that could spoil anyone's plans when they are held to very tight profit margins," she said.

Phoenix Products Co., a Milwaukee manufacturer of specialty lighting equipment, has benefited from high energy prices that have fostered a boom in oil and gas drilling and mining.

The company makes lights used on offshore oil rigs, for example.

"Our markets are doing quite well," said Scott Fredrick, company chief executive. "Two years ago, it was almost the opposite situation."

## **Exports, mining are 'hot'**

Phoenix Products has boosted its sales to India and China, which could help if the U.S. economy slows down in 2006.

"We have added an international sales person to our staff to cultivate those markets," Fredrick said.

It would take something large and unforeseen to spoil plans for Spuncast Inc., a Watertown foundry, said Alan Holtz, vice president of sales and engineering.

Spuncast is scheduled to expand its machine shop in 2006 and its foundry in 2007, adding about a dozen jobs a year.

The company's 143 employees make metal castings used in a variety of industries including mining and construction equipment.

"Anything in mining is a very hot item now," Holtz said.

"I also think there's going to be more purchasing of power-generating equipment over the next two years, so we are expecting additional growth there."

Fewer than half the Milwaukee area companies surveyed in 2003 were engaged in formal programs, such as lean manufacturing or six sigma, to eliminate waste and reduce costs.

But this time around, 79% of the companies surveyed were involved in such programs.

"Statistically, I can't draw a correlation between lean initiatives and optimism," Cutler said.

"But I think that companies are more optimistic if they're able to eliminate waste and get better profit margins.

"And the lean initiatives are no longer just on the production floor," he said.

"We are seeing more efforts in administration, which is something new for a lot of companies."

From the Dec. 28, 2005, editions of the Milwaukee Journal Sentinel  
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