

Suppliers to auto industry watch, worry *Many WNY firms supply automakers with parts, services*

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David Buzo, manager of the Ford Buffalo Stamping Plant, says the Detroit Three automakers and its suppliers are “all partners in all this, and whatever affects us affects their viability.”

Sharon Cantillon/Buffalo News

As the U. S. automakers struggle to survive, local suppliers to the industry are watching anxiously. Buffalo Niagara is home to a host of companies such as Power Drives in Buffalo that provide products or services to area auto plants, as well as companies like Goodyear Dunlop North America Tire that supply parts to the wider auto industry.

It is difficult to quantify the economic impact the suppliers have on the local economy, but their contribution is significant, according to economists who track the industry. Failure of one or more of the Detroit Three could be devastating to the suppliers.

“You have a lot of companies feeding into the auto industry,” said Richard Deitz, a regional economist with the Federal Reserve Bank of New York.

Some of the suppliers are well-known names such as Delphi Corp. and American Axle & Manufacturing, which in turn generate work for companies that supply to them.

The effects of the auto industry’s slump are already showing up locally. Goodyear Dunlop’s Tonawanda plant cut 147 jobs from its work force as it reduced its production of commercial truck and passenger auto tires.

Niagara Falls-based Unifrax laid off 21 workers at its Tonawanda plant. It cited lower demand for products it makes that are used in emissions control devices in vehicles.

Carl T. Savarino, president of Speed Global Services, said his 100- employee company has seen its volume of business with the nearby General Motors engine plant drop over the past couple of years as GM brought more of its work back inhouse.

The Tonawanda business had warehoused and shipped engines for GM. While the engine work has gone away — as has the “hot testing” of certain engines that Johnson Matthey performed locally — Speed Global continues to warehouse some raw materials and other items for GM.

Speed also makes deliveries to Delphi's Town of Lockport plant, but its number of loads has declined as Delphi's production volumes have dropped, Savarino said.

The auto industry remains key to area employers including lubricant companies, machine shops, and suppliers of nuts and bolts, Savarino said.

"There's a huge amount of suppliers that would be affected" if the Detroit Three were to fail, he said.

Savarino's company has diversified its customer base to offset the slowdown in the automotive sector, finding growth in international freight forwarding and shipments over the Canadian border.

Power Drives supplies parts to support manufacturing processes at the GM Engine Plant in the Town of Tonawanda and Ford's Buffalo Stamping Plant in Hamburg. "They've been an important source of business, and we've seen quite a slowdown" since November, said Louis Panzica, the Buffalo company's president.

The effect of the auto industry slowdown is even more evident at Power Drives' plant in Jamestown. That site began supplying parts to a Cummins Inc. factory in Indiana that makes engines for Dodge Ram pickup trucks. But the volume of Chrysler's orders for the engines has fallen amid the auto slump, and Power Drives doesn't expect to ship its next batch of parts for the engines until February.

"That hurt us," Panzica said. "We have quite a bit of equipment, inventory and people tied up in that."

Cummins is planning to shut down the Indiana factory for two weeks in late December, and Power Drives will shut its Jamestown plant during that same period, Panzica said.

Nationally, wholesalers of motor vehicle parts and supplies have seen a huge decline in sales since 2007, according to data compiled by Sageworks Inc. Their sales grew at an average rate of 0.7 percent last year and have declined at an average rate of 9.46 percent this year.

J.W. Danforth performs mechanical construction work at the area's auto plants. Kevin Reilly, the company's chief executive officer, said Danforth has been involved in major expansions at the GM engine plant, projects that have also spawned work for its own suppliers.

"We're thankful for the entire auto industry, especially GM Tonawanda," he said.

Reilly said he can't imagine the local economy without those employers. "When they're busy, we're busy over here," he said of the GM site.

David Buzo, manager of Ford Motor Co.'s stamping plant, said the fortunes of the Detroit Three and many suppliers are closely linked.

“We’re all partners in all this, and whatever affects us affects their viability,” he said. “That’s why the concern is that we’re all in this together, with Chrysler, General Motors and Ford, because we share suppliers.”

He noted that the Ford plant’s presence has even brought some employers to the area. Two years ago, Delaco Steel set up a \$20 million steel processing plant called DKP Buffalo in the Town of Tonawanda, mainly to be closer to the Hamburg facility.

Patrick Heraty, professor of business administration at Hilbert College, said the local suppliers are feeling the pressure of the auto industry’s troubles.

“Certainly they’re vulnerable because typically they’re small and they’ve been squeezed by the automakers,” said Heraty, who tracks the auto industry. “They’re pretty lean already.”

Those suppliers, in turn, are meaningful to the communities where they are located, contributing to the tax base and often taking out loans from local banks, he said.

Auto manufacturing in Western New York is not as vast as it once was. Area factories have trimmed their work forces over the years, partly due to technology improvements. American Axle has closed a Buffalo plant and has sold its Tonawanda forge, reducing its presence to one local factory.

Even so, the auto manufacturing industry remains significant to the local economy, in the wages it pays and the work it generates for other companies, Deitz said.

Bob Viswanathan, assistant professor of operations management and strategy at the University at Buffalo’s School of Management, draws this analogy: “How many people really work in the finance industry? But look at how a disruption in the finance industry affects everyone else.”

Suppliers can help shield themselves from downturns in the auto industry by diversifying their customer base. But that can require launching new products or bolstering sales efforts, steps which involve additional spending, Viswanathan said.

“Those are things people usually do in good times, when there is extra cash to be had,” he said.

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