

# Select Committee on Energy Independence and Global Warming

## “Innovation, Jobs, and Energy Independence: Reinvigorating the Domestic Auto Industry.”

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### I. INTRODUCTION

Chairman Markey, Mr. Sensenbrenner, Congresswoman Miller who asked me to testify here today, and members of the committee, good morning, and thank you for having me participate in this hearing.

My company, MAG Industrial Automation Systems, is the largest machine tool company here in the United States. We are the only U.S. machine tool company remaining that has the technological breadth and skill sets to meet the equipment and process needs of our U. S. Automotive companies.

U.S. companies like MAG are critical to automotive, energy, aerospace, and other manufacturing industries. Automotive couldn't efficiently produce engines and transmissions, without MAG processing technology and machinery. Today's equipment is nearly 300% more efficient and flexible than just 10 years ago.

In Aerospace, MAG has served as a pioneer in the supply of composite machines that are producing the airplanes of the future for major companies such as Boeing and Airbus, as well as many of their suppliers.

MAG's machinery and process R&D is a Critical Enabler for supplying new Technologies in manufacturing that will make companies more competitive, create jobs, and assure long term success.

The opportunities for our high end industries are immense, but they must implement lower cost, efficient long term manufacturing solutions, and the solutions must be 'Green'. Our United States factories must be healthy and advanced in their performance.

### II. AUTOMOTIVE INDUSTRY

With the continuing rise of the world population and its use of energy, fossil fuels will continue to grow in scarcity. In order to combat the shortage in fuel, vehicles will have to be designed and produced that use alternative fuels and consume less energy.

MAG wants to take our know-how and develop advanced solutions that will help the automotive industry manufacture these new fuel efficient automobiles at much lower cost than they are able to do today.

As best we can, our company tries to offer our manufacturing solutions to the automotive companies. However, it is difficult to work with them because they buy cheap parts from the Far East and often will source their equipment needs strictly on global price and not necessarily to get the best technology for their future. They must be cost competitive, and with short sighted goals, will spend money for the moment and not for the long run.

Providing bail out money to the automotive industry is absolutely the right thing to do, but it must be done with strong conditions. The entire supply chain must be considered.

R&D, parts, assemblies, and so on need to be part of a long term solution involving American labor and know-how. Providing the funds and watching the funds go overseas is not an effective solution. Today, as an example, if you were to consider the flow of funds, for every \$100 taken in by the automotive companies, \$30 goes overseas for purchase of material. Equipment, R&D, and other purchases add additional dollars going overseas.

The automotive transplants coming to the United States are a great benefit to our economy, offering new assembly jobs.

However, what about the supply of equipment and parts for these transplants?

For Japanese transplants, these opportunities go straight back to Japan. For example, MAG receives no orders from these Japanese companies. On the other hand, MAG does very well working with some of the best automobile companies in the world including companies out of Germany, France, and Korea to name a few.

Every country in the world is offering incentives to their technology provider companies, and doing all possible to encourage collaboration. Grants and tax forgiveness are part of these countries strategy to be sure their manufacturing base will be sustained and grow.

The U. S. needs the same type government support programs to survive. The Automobile Industry is the place to start. Taxpayer funding must require, by means of incentives or guidelines that the funds be used to buy U. S. technology. U. S. manufacturers and suppliers need to have access to low interest Project funding. Funding programs need to be available to these companies serving as a catalyst to develop new manufacturing technologies and processes. And taxpayer funding to foreign transplants should require buying U. S. technology.

### III. GOVERNMENT DECISIONS

The government's decision has a serious impact over the creation of transportation solutions for the future. Not investing in these technologies will cause the U. S. to jeopardize their superpower status and soon become dependent on foreign nations for the technology that defines one of our many freedoms – the automobile.

The \$25 billion in the Department of Energy Section 136 is required for retooling. GM, Ford, and Chrysler and their suppliers will not be able to retool their factories without these funds. If this money is used for "general cash flow" issues, it must be replaced or the alternative energy vehicle development will be severely compromised.

#### IV. TRANSPORTATION INDUSTRY VISION OF THE FUTURE

The countries that can manage their energy needs will be superpowers of tomorrow. Companies with forward thinking technologies such as light weight CGI engines, carbon fiber body panels and powertrain components, carbon fiber hydrogen storage tanks, advanced high throughput machining, and so on, will be the automobile companies of the future. Those that do not adapt fast enough will fail.

#### V. CONCLUSION

Mr. Chairman and members of the committee, thank you for having me speak today and to share openly and honestly our company's views for addressing the proposed Automotive Bail out, and what it could mean for more energy efficient automobiles and other transportation vehicles. It is critical that whatever decisions are made will be to assure a long term sustainable and growing economy for the United States of America. I will be pleased to respond to your questions at this time. Thank you.