

STEVE WILLIAMS/CDB

## Postal Service officials want site in Pontiac for \$88M hub

BY ANDREW DIETDERICH  
CRAIN'S DETROIT BUSINESS

The U.S. Postal Service wants to build a 950,000-square-foot distribution center that could cost at least \$88 million and lead to nearly 2,000 jobs in Pontiac.

The fate of the Northeast Metro Michigan Processing and Distribution Center, however, lies in the hands of two Postal Service boards based in Washington.

The Postal Service Capital Investments Committee will consider approving the project Oct. 23. If it does, the Postal Board of Governors would have to provide the final stamp of approval.

Shannon LaBruyere, Postal Service local communications coordinator, said she couldn't say when the proposal would be heard.

Plans call for the center to be built on the vacant 65-acre site of a former General Motors Corp. foundry that is part of GM's Pontiac campus at Joslyn and Montcalm roads.

Ben Ippolito, manager of media relations for environment and land at GM, said it was too early to say whether the Postal Service would lease or buy the land.

LaBruyere said construction likely would take three years.

Approval would signify the end of a search for a regional distribution center that's taken more than 10 years.

Local Postal Service officials are happy to have a site selected but aren't ready to celebrate.

"Plans are moving forward, but they haven't exactly moved to the point where we want it yet," LaBruyere said.

The center would consolidate eight smaller distribution centers in Oakland and Genesee counties.

Seven of the centers make up the Royal Oak distribution area. The eighth would be the Flint processing and distribution center. Post office locations such as the one in downtown Royal Oak or at Livernois and Big Beaver roads in Troy will remain

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# Detroit Edison asking state to redo choice

*Wants only largest customers to be able to switch power suppliers*

BY AMY LANE  
CAPITOL CORRESPONDENT

LANSING — Saying that partial electricity deregulation has left it bleeding customers and revenue, the Detroit Edison Co. is seeking legislation that, among other changes, would allow only its largest customers to switch to other suppliers.

Opponents say restricting choice would quash competition where it has flourished: for midsize commercial customers that range from grocery and fast-food chains to furniture stores and gas stations.

But Anthony Earley Jr., chairman and CEO of Edison parent DTE Energy Co. (NYSE: DTE) said inflexible rates, incentives for customers to seek other suppliers and the loss

*"It has created a much larger financial impact on us than anybody would have anticipated."*

Anthony Earley Jr., DTE Energy Co.

of 15 percent of Edison's electricity sales add up to a law that isn't working as envisioned and that hurts the utility's financial health.

"It has created a much larger financial impact on us than anybody would have anticipated," Earley said. "The marketers are going after

the high-margin, most profitable customers. We've started to see significant erosion in our revenues."

Edison will lose more than \$100 million in electricity sales this year, Earley said. Although the utility anticipated a financial impact, it hasn't been able to recover costs as expected. And in some cases, Earley said, the utility has written checks to customers that leave its system, because of discounts on what it charges to deliver electricity.

But opponents say Edison is profitable, customers are saving money and the proposed changes constitute a rate increase for thousands of businesses. Taking its case to the Legislature, Edison faces a coalition of business, consumer and school associations that say it's too early to adjust the main electric-restructuring law, Public Act 141 of 2000.

"Right now, our folks are just starting to be able to take advantage of customer choice. We don't want

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# Anything but boring

## CBS Boring draws big attention with new robotic system

BY TERRY KOSDROSKY  
CRAIN'S DETROIT BUSINESS

Sometimes stress can be a powerful motivator.

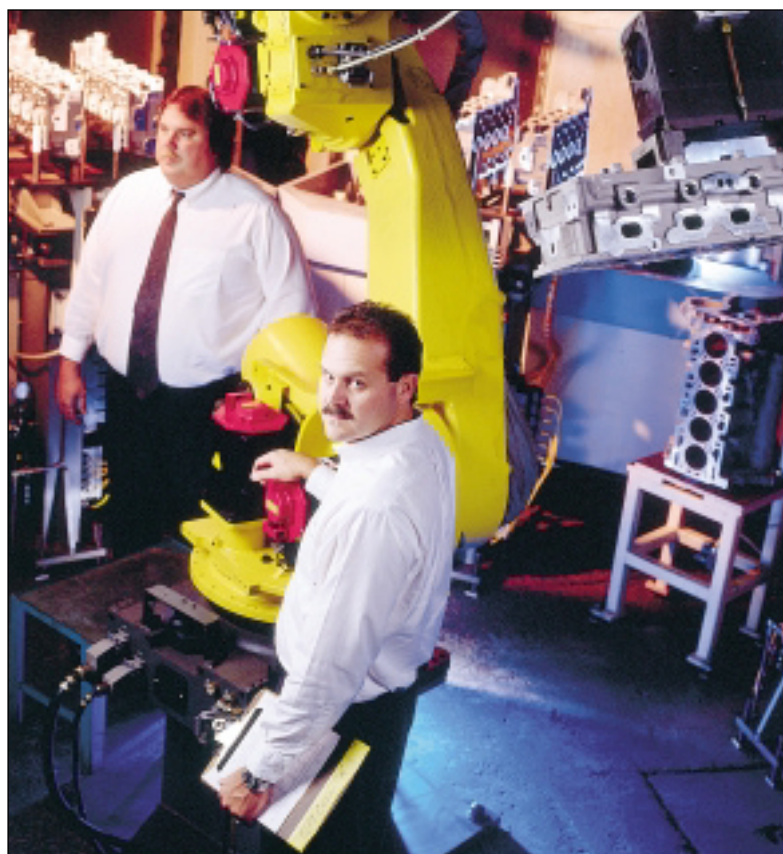
That's what CBS Boring & Machine Co. Inc. found out in late 1999 when it faced a big price-cut demand from a major customer, Caterpillar Inc., on a job it couldn't afford to lose.

Management struggled to figure out a way to meet the price. It finally came up with a robotic cell-based production system that not only won CBS Boring the Caterpillar job, but led to a contract from General Motors Corp. that swings into full production next year.

Fraser-based CBS Boring said the new system helped it beat about a dozen larger competitors, foreign and domestic, on the GM job by reducing costs.

Analysts say it's unusual for GM to award a job that big to a

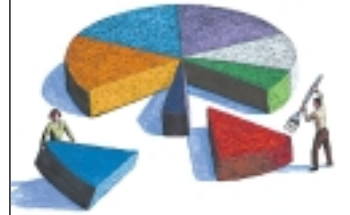
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GLENN TRIEST

Brian Kolp and Matt Mauchline of CBS Boring were warned about the high level of competition among auto suppliers, but a new robotic production system helped them keep a current account and land a job with General Motors.

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# CBS Boring: New way of production helps land big contracts

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company the size of CBS Boring. But more small companies are trying a mix of new technology and new, lean production systems to meet low prices demanded by automakers.

"Pricing today goes a long way to getting the automakers to take an added risk," said Craig Fitzgerald, partner and auto analyst at **Plante & Moran P.L.L.C.** in Southfield.

The GM contract — machining cylinder heads and engine blocks for the new I-4 and I-5 engines — transforms CBS Boring from a small company servicing lower-volume diesel and heavy equipment components to a medium-size company in the high-volume passenger-car business. The contract was awarded in 2001.

"We've been able to take work away from other larger companies," said Brian Kolp, vice president of materials and business development. "Everybody warns you about the auto business, but maybe they needed somebody new that had some new ideas."

Kolp said CBS Boring will bid on more passenger-car contracts.

CBS Boring was founded in 1967 by owners Chuck Chupick, Jack Bruce and John Sieffert, with one boring machine. The company eventually got into machining engines and other large parts for heavy-equipment-makers and tanks for the U.S. military.

Executive Vice President and General Manager Matt Mauchline said GM invited CBS Boring to bid on the I-4 and I-5 job. The company wanted to diversify because the diesel-engine and heavy-equipment-engine markets are on the same economic cycle and are lower in volume than automotive.

Traditional machining takes a part and puts it on a conveyor to be worked over by a series of machines and then washed. CBS Boring moved to a system where the blocks are fed into work cells. Each cell contains two to three machines and a washer. The cell is managed by a computer-controlled robot. The robot takes the parts from the container, manages their movement in the cell and packs them into an outgoing container.

That greatly reduces the number of employees and floor space required and the need for a conveyor system, Mauchline said. It also reduces the time machines sit waiting for a part.

Defects also are reduced, he said. CBS Boring's defects per million on the Caterpillar work went from 128 to 35. Caterpillar wouldn't comment.

While that results in savings, switching to a new system wasn't without heavy costs. CBS Boring invested \$4 million to develop the system in 1999 and 2000. But it was able to meet the price demand, give the customer price reductions and still make a profit. Total investment for the GM job is \$30 million.

Revenue, which was about \$28 million in 2002, will be about \$35 million this year and about \$60

million next year, Mauchline said.

CBS Boring's process and its overall proposal was a factor, one of many, in awarding the I-4 and I-5 bid, GM Communications Manager Tom Hill said. He wouldn't comment further on the contract.

The GM job also carries a financial risk because it's a \$30 million investment for CBS Boring. To serve the contract, the company built a 150,000-square-foot plant in Defiance, Ohio, and moved into a 3,000-square-foot plant in upstate New York. The New York plant opened in February and the Ohio plant opened last year.

That kind of cost is the reason

some companies the size of CBS Boring have struggled to develop a profitable cell-based production system, said Rick Walker, director of training and education for the **National Tooling & Machining Association**.

But if they can pull off the financing, small companies are well-suited to bring innovation to large automakers. It's easier to make drastic changes at a smaller company, Walker said.

"Throughout the history of manufacturing in the United States, the strength of it has been these small companies," he said. "For one thing, a small company can set everybody down at lunch and say

"Today we're going to work on something different.' You don't have to form a committee and you don't have that institutional inertia in the other direction."

Walker also said the greater financial risk smaller companies face can motivate them more than if it were one program of many at a large company.

"That's kind of a big chunk to bite off for a company that size, so it had better work," he said. "So they're going to go for it all the way, not halfway. The company depends on it."

Mauchline said the \$30 million investment is eased by full back-

ing from the company's bank, **Comerica Inc.**, and how the spending is done in stages as work increases. The Ohio plant is at about 70 percent capacity and the New York plant about 20 percent.

The risk also is minimized because it's not the first time CBS Boring has used the system. It adapted it from the Caterpillar job to meet GM specs. Adding capacity means duplicating cells, which is easier than making changes to a production line, Mauchline said.

"That system is going to be our path to growth," he said.

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