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Supply Chain Under Fire

By Ed Weston

While the competitiveness of windpower in the US continues to improve, its gains are being achieved at a painful cost to some US manufacturers—market share. That's the feedback from companies that are struggling with plunging price points for components and the growing trend toward imported alternatives.

Working around the clock, six days a week in 2007, Kocsis Brothers of Alsip, Illinois, was encouraged to add new capacity by its major wind turbine customers. A full-service machine shop, the company responded with nearly \$6 million in new equipment, including one machine capable of handling the largest parts with state-of-the-art CNC. According to General Manager Wayne Batkiewicz, "We made this investment based on firm orders, but before the new unit was installed, customers started cancelling orders and taking them to Asia." Volume at the shop has fallen from a high of 16 hubs/week in 2008 to a total of two in 2011.

"Wind turbine component suppliers are feeling tremendous pricing pressure from wind turbine OEMs to reduce costs so they can compete in the global marketplace," explains Bill Andreski, VP - Wind for Horsburgh & Scott, an Ohio supplier of gears that has also made significant investments in the most modern production machinery. "The gear component supply chain is not immune to this situation," he says. "Offshore suppliers are being used to deliver components into the North American market, making it more difficult for us to supply parts."

Abrasive Blasting and Coating Services, a South Carolina-based provider of coating services, recently opened a second plant in Elkhart, Indiana to handle the expected growth in wind turbine business. Volumes have fallen off this year, and President Jim Odom reports that ABC is doing fewer original equipment pieces. "It seems that some customers would rather pay for coating repairs on imported parts than have it done right the first time."

What's behind this shift? Start with steep price erosion for wind turbines caused by global oversupply and continue with the impact of rock bottom US natural gas prices on new power purchasing agreements for developers. What follows is a need to compensate with lower costs on the component end. That's especially frustrating for supply chain managers for wind turbine OEMs with domestic content goals who've worked hard to develop a strong local supply chain—and realize that their partners are under fire like never before.

"We're doing everything we can to collaborate with our suppliers to improve their competitiveness," states David Buley of Northern Power, a growing US wind turbine OEM with production facilities in Vermont, California, and Michigan. "By adopting best practices that will reduce their actual costs of manufacture, our suppliers become more globally competitive on a full landed cost basis, and that helps us become more cost efficient."

And that's the reason, according to GLWN Director Ed Weston, that Buley--along with supply chain managers from six other wind turbine OEMs and leaders from across the industry---will be speaking out at a national conference in Cleveland on July 13-14. "*Making It Here: Building Our Next Generation Supply Chain* is for supply chain companies that have invested in wind are now looking for answers on key issues that are choking their growth and threatening their future," he added.

The conference, sponsored by GLWN, will feature town-hall style forums on six key issues threatening supply chain growth, says Weston. Session topics include Achieving Global Competitiveness, Leveling the International Playing Field, Lowering Costs through New Design, Managing Foreign Specifications, Joining in Wind Farm Construction, and Installing Offshore Wind in North America.

Participating as a panelist will be AWEA's Rob Gramlich, who acknowledges the importance of growing US wind turbine manufacturing and supply chains. "The enemy of job growth continues to be on-again, off-again tax credits," he explained, "so we need to work on options and strategies for more predictable energy policy as well as manufacturing-specific policies."

"Purchasing decisions are now being driven by price more than ever before," says Sam DiRenzo of bearing manufacturer SKF USA. "For our US operations, cost-effective engineered solutions are one answer, and adopting ways to improve the efficiency of our customers' supply chain is another. We're attending Making It Here to see what else we can do to support the growth of domestic manufacturing."

Information and registration is available at www.MakingItHere.org.

About GLWN

GLWN is an initiative of WIRE-Net, a non-profit manufacturing organization based in Cleveland, Ohio. GLWN (formerly known as the Great Lakes Wind Network) works across America to build a robust domestic supply chain for wind.

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Making It Here Wind Conference to Provide Best Practices, Solutions

Cost pressures, foreign competition, European specifications, construction challenges, questionable government support...if there was ever a time for wind turbine OEMs and supply chain companies to join forces to tackle key issues that are choking growth and threatening the future, its NOW. That's why GLWN has organized a two-day conference on July 13-14, 2011 in Cleveland, Ohio.

Making It Here: Building our Next Generation Supply Chain is a unique forum for openly discussing the biggest supply chain challenges, hearing what's working and why, and adding your voice to the discussion. It's a place to enjoy unparalleled access to supply chain managers from the majority of America's wind OEMs. And it's an invitation to join forces to drive the changes needed to sustain supply chain growth in wind.

Rather than wonder about the future, come to Cleveland to shape it for your company—and the industry. For information and to register, log on to www.MakingItHere.org.

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