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# Industry ROUNDTABLE MANUFACTURING

PRESENTED BY:



**Hodgson Russ**  
ATTORNEYS LLP

Is there really a renaissance in the manufacturing sector? Has automation changed the business you're in? How does hiring look in 2016? Law firm Hodgson Russ and *Albany Business Review* recently convened a panel of 7 manufacturing industry leaders at the Massry Center for Business at the University at Albany to answer these questions and others. Michael DeMasi, senior reporter at the *Albany Business Review*, moderated the discussion. The highlights are below.



## ▶ MEET THE PANEL



### DAVID APKARIAN

**Title:** CEO / Chairman of the Board  
**Company:** TransTech Systems Inc.



### RUSSELL BROOKS

**Title:** Member / Founder  
**Company:** The Case Group LLC



### DAVID WILLIAM DAVIS

**Title:** President / Chief Operating Officer  
**Company:** Simmons Machine Tool Corp.



### JOSEPH DEVIVO

**Title:** President and CEO  
**Company:** AngioDynamics



### MARTIN GORDINIER

**Title:** President  
**Company:** Gurley Precision Instruments



### LES LAK

**Title:** Vice President of Operations & Systems  
**Company:** Blasch Precision Ceramics



### DAVID LARKIN

**Title:** Senior Professor, Advanced Manufacturing Technology  
**Company:** Hudson Valley Community College



### What does the pipeline of orders look like for 2016, and will you sell more products this year than you did last year?

**JOSEPH DEVIVO:** Our business, unlike others, doesn't necessarily have a pipeline. We get an order that day and it ships out within 24 hours. So far, actually, we're having a better start to the year than last. I don't know what I'm going to see next year. So ours is a day-to-day, month-to-month beat the wave type business, and it's good so far.

**LES LAK:** Our business has been very strong. We're probably going to have a record year. Our year ends in February. We have a very strong backlog. I think we're having a hard time getting it out. We've serviced a lot of different industries with high performance ceramics, making ceramics that most people don't make in the world. We have a very unique process. And aerospace has been very, very strong for us. So we have been in hiring mode, and we are constantly looking for good people who are mechanically inclined who can think on their feet. It's not necessarily the easiest group to get.

**DAVID APKARIAN:** We're similar to Joe. We don't have long backlog times on orders. Our process is pretty much the same thing: they'll call, we'll ship within 24, 48 hours. TransTech just came off the best year in the history of the company. This year, we're getting the five-year highway bill passed in the U.S. We're hoping that will free up some capital that just has not been there on the construction side, especially the road construction side. We suspect to be right about where we were last year, and that was a very good year for TransTech. I wish I could say we had a very good five years, but at least last year was good.



### How about hiring?

**APKARIAN:** Here and there. We've got a pretty stable workforce right now. Our manufacturing group is looking to put one more technician on, so we'll be looking for one more. We've got 19 folks right now. We're probably looking to add a couple to that number.

**MARTIN GORDINIER:** 2015 was the best year in our 170-year history. 2016 will be even better, but it's a little different. I expect an 8- to 10-percent softening in our traditional business, which includes semiconductor and general commercial manufacturing, but our military and space business will outweigh all of that, and we have the orders in place. The future is bright. We can take on a lot more of that business. We've already hired for that push. We did it a couple years ago. And truth be told, over the next few years, we'll probably lose 20 percent of our employee base to retirement, and many of those won't be replaced.

**DAVID WILLIAM DAVIS:** We're about 25 percent down in backlog compared to the same time last year, but that's also coming off of three record years for us. So in general, I would say that, you know, the industry, the railway industry, is growing. But there's a lot of headwinds if you look at North American rail shipments. ... We are always hiring. We always have – essentially, because the skill level is pretty high on the shop floor, in engineering, we're always looking for good people. We tend to sometimes slow up our efforts a little bit depending on the business outlook, but in terms of growing manufacturing talent, you know, we're generally identifying kids five years prior that are going to start this year. So we're identifying them in middle school and high school, and then training them through programs like Troy City Public School's P-Tech and then Hudson Valley Community College.

**RUSSELL BROOKS:** We had our best year last year and we have a backlog right now for this year. We have a very long time horizon, similar to Davis. Probably on the sales end of the business, it's anywhere from one to almost three years before we get to contract. ... we're about just under 40 people. We'll probably add 15 over the next three years.



### Dave, is HVCC going to be able to help provide the employees that are needed?

**DAVID LARKIN:** Well, over the past two years, we have experienced a kind of explosion in the gas manufacturing technology program to the point where we're maxed out. We cannot grow any larger than we are



Left to right: Joseph DeVivo, Russell Brooks, David Larkin, David William Davis, Martin Gordinier, David Apkarian and Les Lak.

PHOTOS BY DONNA ABBOTT-VLAHOS

right now. We have about 100 students in the program. Basically, we cannot fill the requirements of all the companies and the demands of human capital. What we're trying to do is expand the program from the standpoint as we're looking at building a brand new building at Hudson Valley, a \$14 million project: \$10 million for the building, \$4 million for equipment. And we can more than double the amount of students we put through. We find one of the biggest problems companies have, and I think it was alluded to, is that there's a high percentage of companies that have a very skilled workforce, but they're up there in age. In order for companies to move into the region and the state, there's got to be a way to grow the workforce.



### Is it going to get built?

**LARKIN:** Yes. By the fall of 2017. The request for proposal went out yesterday for the architects.

**GORDINIER:** Can I add on a little bit? I attended an industry event recently with a head of military space for the Air Force. And he talked about two issues in manufacturing. One, corporate America doesn't really support the U.S. government anymore. The other issue he brought up is that the work ethic of the personnel that you're hiring. The skill set and the technology are accessible, but the work ethic is a different story. We're finding a problem with the millennials. The dichotomy you talked about with our soon-to-be-retiring workforce, and the younger workforce really don't have the same views on work ethic, career, getting them to come to work.

**APKARIAN:** I hired a young engineer last year out of Case Western. You know, beautiful resume. I thought this was someone I could really mentor and bring up. I couldn't get him to get to work at eight o'clock in the morning. He was still in that college mode. It was frus-

trating. We went through this with two of our recent hires in the last year. Both of them are no longer with us.

**LAK:** I find that millennials are an interesting group of people. But you have to keep them challenged. I put them on tough projects. I work side-by-side with them on big projects. And I find that they have no roots. For them to go from this company to another company is not an issue. So you have to have them know that they make a difference, and by making a difference, you have to give them the opportunity to succeed or fail, and work with them.

**DEVIVO:** We did deal with talent issues very similar to what's being mentioned. We're kind of a one-horse town in the medical device industry. We don't have other people to recruit from who have experience in regulatory affairs or in the type of device engineering that we do. We have maybe 45 interns a year we're bringing in, and a lot of people do stay on for jobs. I find millennials interesting. They do need to be inspired, and that's a really appropriate comment, because we are in front of the interns and they're thinking about their careers. You talk to them about stories. I received the other day a letter from a father of a 24-year old daughter who had a child. And some of these complications of post-childbirth are that women will have this clotting effect and they don't have the ability to use anti-coagulants. And this poor lady, after birth, had a clot in her heart. And about 500,000 times a year, that turns into a pulmonary embolism, and half of the time, it will turn into death. So what they're facing is literally a time bomb exploding as the heart is pumping. And instead of cracking her chest open and stopping her heart, we have a device that will go right into the groin, the jugular, and vacuum it out. And we talked about how she was spared that type of operation. That does inspire these young kids and that gets them thinking about things in an entirely different way. I

think it's going to be a better world with these kids as they get older. I think they're going to be much more conscious of their environment, of their social environment, of living life in a different way. It may not be entirely consistent with our values, but it may be more that we have to change.

**GORDINIER:** Les and I talked about this before, but the cool factor helps. But it's: 'What's the story? What do you do?' Does it fit into the global view of things? Does it fit into the Starbucks culture, the Snapchat culture – whatever that is. But the reality is this: if it's cool, they're on board. But as Les pointed out, there are very few roots here, and you have to recognize that.

**DAVIS:** I don't know if it's as much millennials as it is just the secret of great companies, and that is that they get their customers to buy the "why" as opposed to the "what." I don't think people buy our machines because it has 20 percent more horsepower or "X" percent more or whatever. They buy our machines because they know at the end of the day we're going to help them produce wheel sets and we're going to stand by them when they run into problems. The other thing I want to say is we have an education system where 70 percent of the kids go to college and 30 percent go to vocational education or stop with high school. I think what's happening is that we haven't trained a whole bunch of kids to be responsible. We should be sending 70 percent of our kids to dual-track programs where maybe they have both education and a job with a company. When you move to Albany, you get a real estate packet that says here are the school districts that graduate the most kids from college. That's the benchmark. It needs to change.

**BROOKS:** My partner is German. We talk all the time about the difference between German and Swiss culture and U.S. culture in manufacturing. I don't see it changing. To the questions about motivating the mil-

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lennials, I think that's pretty easy in the office type environment. The problem is more on the factory floor. We challenge them, let them invest in the project, give them authority, and they get into it, especially if it's a cool thing they're doing. But on the factory floor – the kids when I went to school got some basic material training. That seems to be gone now. You can't find a kid coming out of any of the local high schools that understand anything about how wood would move based on moisture change. There's no material science class. So we're looking for anyone that walks in the door and has bright eyes, looks at you when they talk to you, and we try to get them in and start training them. We try to cross train everybody to find out where they fall.



**DAVIS:** I went to an event in Troy and they were talking about how people have lost the feel for where food comes from. You know, it doesn't come from a supermarket shelf. Somebody grows it. It's even worse in manufacturing. I've had state educators, people in the Department of Education tell me, "Oh, I didn't know you could cut metal." So we have really lost touch with reality. There's a mentality here that somehow the money just comes from the trees. There's a lot of great companies out in the state, mid-sized and small-sized companies, been here for ages, haven't threatened to move, but are continuing to do things right and share the gains with their employees as well, but the state and a lot of the administrators view business as a negative. Any kind of employee issue or grievance that comes up in the Department of Labor here, automatically, it is the employer seen in a negative light. When you have that in contrast to other states that perhaps look at it more neutral, it really makes an impression on you. I can't point to a specific tax policy and say, "Wow, that's ter-

rible. That needs to change." I'm sure there's a lot of them. But, you know, we've been here over 100 years. Start Up New York is not helping us.



**APKARIAN:** I am one of those businesses. I did look out. I looked down in North Carolina, Virginia, Texas. We're pretty mobile. We're small. We had a 50-person service group that we sold, and that really made the TransTech instrument side a very mobile business. What you find is when you go and you talk to these other states, they actually talk to you like you're wanted in their state. They talk to you like you're the customer, the taxpayer is the customer. Here, it's not that way. We have a governor that has routinely stated that essentially we're the enemy, especially with the \$15-an-hour wage thing going on. I think not only is it not good for business – the way we're taxed here is ridiculous – but to hire people, to get people to stay here after they graduate – talk about the cool factor. Upstate New York, there's not a cool factor. These kids want to move. I give people the analogy that New York state seems to think that they're the beachfront home that's worth a million bucks when really they're about eight rows back but trying to charge more money than the beachfront home. Some of us will stay and we will pay it for whatever reason.

**LAK:** We have an unbelievable university system here. It's perhaps one of our greatest assets. A lot of manufacturers, they put everything they own into their company dollar-wise to take and make a product and make a difference. Yet in New York, that's not how we're viewed. That's really sad because we have such an outstanding education system. Yet when I retire, I can't afford to retire in New York. As the burden gets higher and higher, you're looking at paid family leave. Fami-

ly leave is tough to take and manage as it is right now.

**DEVIVO:** I think the reason why we're here is because, in 1939, the catheter was invented. There's a certain core competency in catheter construction here, a certain know-how. And there's a fear in moving it out, because you don't know what you're going to lose until you lose it. So we don't have a lot of desire to move out. We're a global company. It is a high cost environment. The \$15 minimum wage scares us significantly. If something like that happens, it will be tough to stay. But once you're here, you're here, and you realize that the people here are quite exceptional. The universities, we have a lot of great kids.



**GORDINIER:** I think it's because we're in Troy. RPI is up the hill. I'm an RPI grad. I've hired a lot of RPI grads; I've hired a lot of SUNY Polytechnic grads; I've hired lots of Hudson Valley grads. We're a little tone-deaf to some of these subjects. We're an S corp. We have no debt, never had any debt. And I do not like state or government loans because of the strings that are attached to them. Having said that, we're not immune from that. When I hire people, I use three criteria: One, attitude. Two, cross-functional capabilities. Everybody wears a lot of different hats. But most importantly, ties to the area. I don't want you to pick up and leave. I'm not going to hire someone who's from North Carolina and can't wait to go back. We have low turnover as a result of that criteria, but I'm not saying it's the best situation to be in. If I started a business, it would not be in New York. We give out a ton of money to keep Wall Street here and put up some window dressing. What you have right now is no multiplier effect, and the companies that have been here forever don't want to get involved, don't want to get engaged.

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- ▶ Negotiated a \$1.7 billion acquisition of a privately held portfolio company on behalf of a longtime medical device client
- ▶ Facilitated the PILOT agreement for improvements and other costs related to the siting of a \$120 million manufacturing facility on behalf of an industrial development agency
- ▶ Represented an international manufacturer of highly engineered products in the amendment and restatement of its syndicated secured revolving credit facility, initially in the amount of \$1.1 billion

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**Let's talk about the billions of dollars that New York State has invested to make us the world capital in nanotechnology. Has it been a net benefit for our region, or could that money have been spent elsewhere and better?**



**LAK:** I think it has. GE has attracted some of the brightest people to work for them over the years. GE attracted a lot of bright people, then many started companies nearby, and there was a lot of incremental growth. I think the same thing is going to happen up north. Because as the chip makers attract talent to work them, and they spin off and they start the new chip or the new this or whatever becomes acquired, they're creating value, they're creating jobs, they're hiring people, and they hire techs.

**APKARIAN:** I think the big difference is GE was here – and my dad was one of those folks that spun off from GE. He didn't take state money to do that. It was very different back then.



**Can you identify one specific example of a policy that can change or should change that would make your lives better, easier, as manufacturers in New York state?**



**BROOKS:** We could use more Worker's Compensation reform. We're starting to see a little better segmentation in classification. There needs to be a better analysis of how well the facility runs. We have an extremely safe facility. I got grouped together with sawmills until I received a notice that they created a new architectural wood window and door manufacturing classification. That's going to halve my premium on the guys in the wood-working facility. But there needs to be more than an experience modifier that affects the way the worker's premium is determined.

**GORDINIER:** New York State gives away more money than anyone else. You got Luther Forest, you got Nanotech, you got Wall Street. So if you're going to continue to give that money out and you're going to grow that, and at the same time, you've got a number of people leaving the state which are the ones that are supposed to be paying that tax bill, how is that going to last?

**APKARIAN:** The scaffold law. We're one of the only states that has that. It is insane. A friend of mine is a contractor, he's building a new building. He fired somebody. That person went out and got drunk, broke back into the construction site, went up on the roof, started throwing bundles of shingles off the roof of this building, fell and got injured, and he paid the bill. Are you kidding me? I mean, the insurance company didn't even go to court because they said they've already won. So that's the environment we've created? Now you look at how that affects every time you build a facility.

**DEVIVO:** I'd like to see modification to the Affordable Care Act that would allow for national insurance coverage instead of just state by state insurance programs. They're encapsulating the cost of the state under the guise of competition in the state, but if there was the ability for insurance plans to compete on a national level, we'd see a reduction in the cost.

**LAK:** Paid family leave and the minimum wage going up. That is going to help to make New York less competitive. We've got a competitor in Indiana or somewhere where they don't have those types of laws. Sometimes 2 to 3 dollars an hour makes a big difference.

**GORDINIER:** Health care is the biggest out-of-control

cost that we have. It's unbelievable. And then when you play by the rules, working with CDPHP and MVP forever, and then if you want to switch over to an EPO they will never let you back. Here they are dropping us. I don't know about anybody else, but CDPHP and MVP no longer support companies our size. They've lost some money as a part of the ACA, but it's the most out-of-control unpredictable cost we have. Nobody seems to have the answer.



**Is there really a renaissance in the manufacturing sector, or is it limited to specific businesses or industries?**

**GORDINIER:** You can't go home again. Have I seen more manufacturing, not just in New York, but the rest of the country starting to come back? Absolutely. But it comes back differently. Right now, I see some of my competitors hiring engineers as basically temps because they don't want to pay the benefits. China will become the world's largest consumer of robotics in 2017. They've had more layoffs in the manufacturing sector than America's ever had. In 2010, they basically ran into a doubling of their cost of the labor, so they say, "you know what, we're not going to do this anymore. We're going to hire robots." They put a couple factories out in western New York a few years ago. They're dark factories. They're running 24/7. It's machine tool equipment that's just running and running and running, and there's very few people in there.



**Because of automation basically?**

**GORDINIER:** Because of automation, because of the gains in technology, because of the cost of health care. To hire people now, even though we don't have the same labor laws as Germany, it's still a fairly decent commitment. You have to train these people. You have to wait for those benefits to come through. It's very different. And in the 22 years I've been in manufacturing, I've seen what I think is a lifetime of change in the manufacturing sector. And that's not just in Asia, that's here in the States too.

**DAVIS:** I would agree with the statement. I think it's going to be a different renaissance than we've seen in the past. The World Economic Forum yesterday or the day before, there was a piece that came out and said automation and robotics will eliminate something like 7 million jobs, but there will be 2 million jobs created for technicians and people not only to manufacture those robots, but also to maintain those robotic systems. So there's a net job loss of 5 million people worldwide that they estimate because of automation. Now, you can either look at that as – you can make the headline, "Robots are Killing Our Jobs," or you can say we'd better start retooling skills. You have to have incentives that will eclipse Global Foundries and what the whole nanotech industry has had here. But at the same time, these robotic tools and automation and the machine tools, the labor content now is so low that there's things that we're starting to see manufactured in the United States again that haven't been made here in 50 years. I think for entrepreneurs that understand that manufacturing technology, there's an opportunity here.



**Russ, has automation changed the business you're in?**

**BROOKS:** Not too much. We have a very high craft level, skill level required to build windows. But I do think that the Capital Region area is going to do very well in the current resurgence and increase in manufacturing. It's got a lot of things going for it outside the business model that attracts people who own businesses. It's a

centrally-located area to Montreal, Boston, New York. It's got great natural resources. A lot of people find it a very nice place to live. The regulatory environment, there's none tougher than Germany. I buy all my raw materials from Germany, Switzerland, because of the clustering of extremely competitive companies. All the hardware used on my production floor, I buy my screws from Germany because they're much cheaper and higher quality. So I think that we can all learn to exist in any of these regulatory environments if we're building a really fine product.



**LARKIN:** Years ago, what happened in manufacturing is a person would know how to do two or three jobs and they could make a living for their family. Those days are gone, they're dead. Today, if I go to any of these gentlemen right here, if they want to hire somebody, they would like somebody who could do 300 different kinds of jobs. That's the way it is now, and that's the way we're training people now, to go in there, and whatever you have to do, you have to know how to do it. And the renaissance, it's going to be a different renaissance. For instance, I see our program turn out more people, not less people, because the demand is there and will be there for the next 20, 30 years that I can see.

**LAK:** One quick thing on New York regaining some manufacturing emphasis, I think when you take advantage of the educational structure we have here – we have 30 college grads, 26 of them were educated in New York, a lot through the SUNY system. If you can out-innovate and stay ahead of your global competitors, then you can create jobs through taking advantage of the educational process. Going to China, there's a lot of people that went to China and came back because you can go over there and lose your technology. You've got the distance. I've got grandkids a year and-a-half old and they're on the computer. And it's instant information. The time to market is so short that we've got to take advantage of the things that we're good at, and that's thinking quick on your feet, coming up with innovative ideas and standing at the forefront.



**DEVIVO:** Regarding manufacturing in New York, I think a lot of the success you're hearing about is in spite of the environment that we're in. I think the whole concept of bringing in the manufacturing jobs to New York is very admirable. And with the program that's in place and the billions of dollars being spent to create it I think is admirable. If that effort was to support the jobs that are already here and companies that are already here and create an ecosystem that makes them even more successful in this environment, I think you'll see companies that want to come instead of having to create a program that markets in spite of itself. You can create more jobs by supporting people in the room than by trying to attract others to the state with economic incentives.

**APKARIAN:** I would agree with that. When you have 61 percent of the population moved out versus moved in, business is not sustainable. Where's the sustainability? Don't give me a sound bite that says, hey, in one year, we had 7,000 more jobs. That could have been based on retirement. There's all kinds of facts behind that number that say why. That's what I want to know. You go online, you look at the WARN documents that are up there. Everybody can look at WARN and you can see who's closing, where they're closing, how many jobs are lost. It is a frightening, frightening thing to monitor if you do. I think this is a wonderful state to be in. I think this state offers a tremendous amount to people that live here, and it can offer a tremendous amount to business if we – as Joe was saying, let's create an environment where businesses actually want to come here, that we don't have to bribe to come here.