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PRE-FEASIBILITY STUDY OF NEW OWNERSHIP
and NEW PRODUCTION
EMPLOYING FORMER KP INDUSTRIES WORKERS

NOT FILMED

Submitted to:

Minnesota Department of Energy and Economic Development
United Electrical, Radio and Machine Workers of America
Amalgamated Local # 1139

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Consultant's Report prepared for the
Energy and Economic Development Dept

ASSESS POTENTIAL OF PREVENTING THE
PERMANENT CLOSING OF A MPLS BUSINESS

Contract total \$ 4,500
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INTRODUCTION

This report has been prepared by Rolfe Larson and Jaimie Markham under a contract with the Minnesota Department of Energy and Economic Development. The report provides an assessment of the potential for preventing the permanent closing of KP Industries' plant in Minneapolis. The study evaluates the feasibility of re-employing workers and plant to manufacture an alternative product. It also identifies possible new employers of the workers or purchasers of the KP building who would maintain manufacturing operations at the plant.

KP Industries, a subsidiary of the investment company Dyson-Kissner-Moran, has been a major manufacturer of grease guns and related products. In recent years it has employed approximately 125 workers most of whom are members of United Electrical Workers, Radio and Machine Workers of America local #1139.

The company informed employees in September, 1985 that the plant would be closed by March 1, 1986. Following discussions between union representatives, civic leaders, and DEED Commissioner Mark Dayton, consultants were hired to conduct the following study in January, 1986.

Maintaining the Opportunity to Produce

The KP plant closing removes four of five elements basic to business operations: capital, the customer base, management, labor and equipment & physical plant. The labor force and an empty building remain unlike some plant closing situations, where equipment is still in place and some managers are willing to continue working with new owners. Given these conditions an "employer" is needed more than an "investor", a "buyer", or a new "owner". This employer will be one who can use the skills of 50 to 100 KP workers as a group rather than an employer who simply hires the same number of individuals.

The search for a company that could hire the KP workers has five parts. The first part briefly describes the work history of KP Industries. The second part defines the current skills of the work force and assesses the industries in which they can be utilized. The third part determines which sectors should be searched in greater depth for prospective employer companies. The fourth part develops a list of marketable products in the selected industries that can be manufactured by KP workers. Finally, the last part lists profitable Minnesota companies that manufacture products with the characteristics previously defined.

EXECUTIVE SUMMARY AND RECOMMENDATIONS

LABOR

- The KP work force has a variety of skills ranging from sophisticated set-up expertise to general machine operation, packaging and assembly. With these skills the KP workers can manufacture a large number of small metal parts and products. Although good machining skills are readily transferable to other types of production, actual opportunities are limited by weak markets for many industries which employ these skills.
- Workers do not, as a group, currently have enough experience to be employed in heavy manufacturing industries;
- Re-training to use advanced CNC equipment would not be difficult for many of the workers. Public funds exist to pay for such re-training.
- Efforts to keep KP workers employed should focus on finding one or two companies that will re-employ the workers rather than on finding a buyer for the plant.

MARKET

- Metal fabrication and manufacture of non-electrical machinery are the two sectors that provide the greatest number of jobs similar to those performed by the KP work force as a group. Substantial over-capacity exists in these areas nationwide as well as in the Twin Cities. Independent job shops in these sectors face stiff price competition because of over-capacity, numerous competitors, and the commodity like nature of output.
- Some industries in both sectors have potential for expansion and new employment. In these cases companies are producing a few items for a specific and established consumer or industrial market.

OWNERSHIP

- Purchase of the building on Royalston Avenue will not guarantee re-employment of KP workers. Nearly all the equipment has been removed. Investors are unlikely to be attracted to setup a new manufacturing facility here unless they are already engaged in such operations and are considering expansion.
- In addition to replacing equipment, a new business will require a customer base, marketing and managerial expertise, and financing, since all of these elements are being removed as part of this plant closing.
- Successful worker ownership of the building and a new business is very improbable because of lack of financing, loss of current customer base, and need for substantial investments in plant, equipment, and product development.

NEW EMPLOYERS

- o Several companies within the metal fabricating and non-electrical machinery sectors may be able to employ a substantial number of KP workers. The companies -- identified at the end of this report -- also meet the following criteria:
 - production of a few items for a specific and established consumer or industrial market.
 - located in or near the Twin Cities metro area;
 - sales at least \$10 million annually;
 - have experienced steady growth;
 - employ at least 100 workers;
 - appear able to invest in new plant and equipment.

RECOMMENDATIONS

- (1) Companies identified in this study as possible employers of a substantial part of the KP work force should be contacted by the Department of Energy and Economic Development.
- (2) Set-up of an independent job shop with or without State support should not be considered.
- (3) Worker ownership should not be attempted because of:
 - limited financing;
 - lack of existing customer base;
 - strong price competition amongst machine shops;
 - need for substantial investments in plant, equipment, and product development.

Section 1: KP INDUSTRIES - HISTORY & PRODUCTS

KP Industries (KP) is a Minneapolis-based company that manufactures hand-held lubricating equipment primarily for use on cars, trucks, and farm vehicles. As of August, 1985, the company employed in Minneapolis approximately 125 skilled production workers, who are represented by the United Electrical, Radio and Machine Workers of America (UE).

The company's manufacturing facility is located at 415 Royalston Avenue. The 18 year old building has approximately 100,000 square feet of space, is zoned for light manufacturing use, and contains two heavy-duty cranes for unloading from two interior docks. The company's asking price for the plant is \$2.15 million. Detailed information about the facility can be found in the appendix.

Since 1968 KP Industries has been owned by the Dyson-Kissner-Moran Corporation, a New York holding company involved in a wide variety of businesses through its seven subsidiaries. As a closely-held private company -- all capital stock is owned by Charles Dyson and his family -- D-K-M keeps it finances secret. Independent business analysts report that the holding company employs approximately 5,000 workers, has profitable operations and a sizable net worth, and is in good financial condition. Estimates for several subsidiaries indicate that yearly revenues exceed \$180 million.

KP Industries and the Market for Grease Guns

KP Industries' primary product is a hand-held grease gun although it manufactures a number of other products in its Minneapolis facility including barrel pumps, jacks, gas cans, funnels, and other automotive accessories. The company's "guns" -- as the product is called in the trade -- are distributed to the consumer market by such retailers as Sears and K-Mart. For many years, KP was the world's largest grease gun producer, selling more than a million units per year. Supported by substantial overseas sales, KP maintained a world-wide market share of approximately 50%.

The market for grease guns in the United States is approximately \$60 million which is supplied by six major domestic manufacturers and several foreign (West German and Taiwanese) producers. Grease guns are used primarily for maintenance on automobiles, agricultural machinery and industrial equipment. About half of all grease guns are sold to industrial users.

The consumer segment of the market is high-volume and price-sensitive. By contrast, production runs of industrial guns are shorter and competition is based as much on durability and quality as it is on price.

Imports have become a significant threat to U.S. producers, such as KP, that concentrate on sales to consumers. Low foreign wage rates and the strong U.S. dollar have helped foreign producers undercut U.S. producers' prices and significantly penetrate the U.S. consumer market. Wage differentials and favorable exchange rates haven't been the only reasons for domestic manufacturers' declining market share;

at least one foreign company has opened a U.S. production facility that can compete effectively with domestic producers.

Imports have had little impact on sales to the industrial and agricultural sectors. This appears to be the result of the non-price mode of competition as well as lower unit demand in these sectors.

Competitive pressure in the consumer market began to intensify in the early 1980s. A Taiwan company closely copied KP's grease guns and began marketing them in the United States at a lower price. Additionally, one of KP's primary international distributors, Pressall of West Germany, began manufacturing and distributing its own grease guns.

Initially KP responded to this competition by lowering its prices and revamping production processes in an effort to lower costs. Despite these changes KP saw its sales diminish. It began to lose competitive bids including an important contract with K-Mart. It even lost a major contract to a West German company for supplying grease guns to the U.S. government. KP attempted to manufacture and sell a more durable gun for the industrial market but was unsuccessful. The company's international sales declined to almost zero and within two years KP's annual grease gun production dropped to about 750,000 units.

In an effort to prevent further erosion of its market share, KP management decided in 1983 to reduce labor costs by gradually moving assembly of grease guns to a plant in Juarez, Mexico. The company announced, however, that it planned to expand machining operations in Minneapolis so as to prevent any local job losses. An advertising brochure was designed and distributed locally in an effort to attract contract business as a general machining job-shop. The company also considered the idea of launching a new line of products, and hired a team of consultants to develop suggestions.

The search for additional job-shop contracts and new products proved unsuccessful. The supply of general machining shops far exceeds the demand both in the Twin Cities and around the country. KP management recognized that the company's marketing and distribution expertise was primarily with one product sold to one or two markets; it lacked the experience to sell an entirely new line of products.

In September, 1985, KP Industries announced that the Minneapolis plant would close permanently as of March 1st, 1986, citing such causes as high costs in labor, overhead, taxes, and transportation, and changes in the industry. The company intends to ship all of the free-standing equipment currently in the Minneapolis plant to its other facilities.

Section 2: WORK FORCE SKILLS

This section focuses on the distribution of skills within the work force, and analyzes transferability of these skills to new production processes.

Skills: Description and Distribution

The production workers at KP Industries possess as a group a wide variety of machining skills associated with metal stamping and bending, screw machine operations, and assembling and packaging. A small amount of zinc die casting work is also done at the plant. The primary raw material utilized at the KP plant is stainless steel coil, tubing, and bar stock. Workers at KP Industries operate the following types of machines:

- Screw Machines (hand-fed & automatic)
- Drill Presses (" " ")
- Mill Grinders
- Shapers
- Pipe Threaders
- Barrel Threaders
- Zinc Die Casting
- Spot Welders
- Spray Painting

The skill levels of KP workers can be divided roughly into three groups. The first group of around 20 workers possess highly developed skills in such areas as tool and die making, machine maintenance, zinc die casting, and automatic screw machine operation. Most of these workers have learned set-up skills for the machines they operate.

The second group consists of about 45 workers with general production skills on equipment such as the hand-fed screw machines and drill presses. These machine "operators" mostly work on very specialized machines, built in the KP shop exclusively to produce grease gun components. Some of the work is very repetitive in nature, involving mostly "put and take" operations. Many are experienced in operating more than one machine, and some sharpen the tools used in the production process.

The third group is approximately 60 "assemblers" whose experience is primarily in assembling, packaging, shipping and parts cleaning. While some of this work calls for operating machines such as drill presses and riveters to assemble the product, much of it involves hand assembly and packaging. (A complete list of labor grades and job classifications appears in the appendix.)

Transferability of skills

KP workers' ability to do standard machine-shop tasks (equipment set-up, operation, assembly, packaging) can be transferred to new areas of manufacture where similar activities are required. The actual conditions of skill transfer are different for the three groups because of the distinct classes of tasks which they perform.

Present skills may also be transferred to new production by extending them to new types of equipment such as computer numeric controlled (CNC) equipment. Plant managers who have retrained workers state that skilled operators of conventional machining equipment can learn to operate CNC machines with little difficulty. Moreover, for a company interested in purchasing the KP facility and reopening the plant, publicly-funded programs may be used to pay a substantial portion of the cost of retraining displaced workers.

The transferability of KP workers' skills is different for each of the three groups identified. The "set-up" men possess skills that can be adapted fairly easily to manufacturing another product. For example, the tool and die makers -- who built more than half of KP's machines over the years -- could quickly make the changeover to producing tools and dies for different fabricated metal products.

The machine operators, on the other hand, have developed less generalizable skills at KP. For this group, transferability of skills will depend a great deal on the individual. Those experienced in operating several machines, possibly from previous employment, will be in a better position to learn skills required for manufacturing a new line of products.

The assembly workers are generally experienced in assembling products with multiple parts and in packaging finished goods. These activities are necessary in many machine shops; with a modest amount of training KP's assemblers could be re-employed putting together a new product.

Constraints

The current distribution of skills limits the type of employer who will be able to hire a significant part or all of the present KP workers. Starting new production at the KP plant with approximately the same group of workers would require new products that utilize a similar distribution of skills. For this reason, the focus will be on industries that fabricate multiple-part products from metal stock.

The bulk of the workers' experience at KP has been with relatively small scale products -- usually items that can be manipulated by hand. Manufacture of large metal products such as structural steel, large compressors and boilers, or medium and heavy machinery is very unlikely.

The required tolerances for KP products have been no finer than 5/1,000s of an inch. Although KP workers probably have the skill to push current equipment to finer tolerances, the precision required by certain applications, such as oil field drilling equipment, would require substantial retraining of the work force as well as more accurate equipment.

SUMMARY OF WORK FORCE SKILLS

KP workers could easily adapt to the manufacturing of industrial and consumer metal products that are relatively small in scale, require multiple parts and assembly operations, and require low to moderate tolerances. Items fitting these specifications can be found in an enormous portion of the U.S. industrial economy.

Section 3: INDUSTRY ANALYSIS

There are two broad economic groupings where the skills and machining equipment are most closely related to those of KP workers and facility: metal fabricating and non-electrical machinery. Both of these sectors cover a wide range of products including many that can not be produced by the KP work force with its current expertise. Although both areas have performed poorly in recent years a few strong industry segments exist in them.

Selection of industries is based on three factors. First, demand for the industry's products should be growing or stable. Second, foreign competition, especially from low wage countries, should have remained relatively low during the last five years. Third, factory capacity utilization should be relatively high.

Metal Fabricating

The metal fabricating sector supplies parts and finished products primarily to the automotive, electrical, machinery and consumer markets. Nationwide, 55,000 companies produce and sell goods valued at more than \$125 billion. In Minnesota, there are 650 companies, who together employ more than 31,000 of the state's work force.

Metal fabricators tend to be relatively small, privately-held firms. In Minnesota 80% of the state's fabricators employ fewer than 50 workers each. These small firms help determine the business patterns in the sector. Many are set up as general machining "job shops", quickly switching products and markets as business conditions require. Additionally, there are some machine shops within companies whose output is almost exclusively components for further manufacture by the parent.

Few patents exist for the products these shops fabricate making switching easier both for producers and customers. These companies lay off workers or even shut down during recessions and rehire workers when business picks up.

Flexibility has been essential for two reasons: (1) short, specialized production runs require the ability to change quickly; and (2) demand for machined components tends to fluctuate with national business cycles. However, it also forces prices sharply downward when one market becomes soft and producers compete more intensely in other areas.

In-house machine shops are directly faced with less stringent demands for flexibility since their output is primarily "sold" to a dedicated "customer", i.e. the parent company. However, to the extent that independent job shops can produce and sell the same item with the same quality at a lower price, the dependent machine shop is affected by the same industry conditions of over-capacity.

Industrial customers for metal fabricated goods make purchasing decisions primarily based on, in order of importance: price, quality, delivery. An established customer-supplier relationship is in general less important today than it was in the past.

In recent years, many companies have made substantial investments in modern equipment, including computer numeric controlled (CNC) equipment, which is more efficient and more precise than conventional machine tools. CNC equipment is able to achieve tolerances as fine as several 10,000ths of an inch -- far superior to the tolerances of most conventional machines. This enables CNC-equipped shops to manufacture products with the precision required for specialized uses.

Numerous machining shops now maintain a combination of CNC and conventional equipment; small as well as large fabricators report that the new equipment reduces their operating costs substantially. Companies with CNC equipment are often better able to find work during soft markets.

Metal fabricating industries currently face relatively unfavorable business conditions. Many workers have been laid off and plants have shut down in many cities. The national level of capacity utilization stayed at a low 82% for metal fabricating throughout 1985. Profitability remains low for most fabricators.

Most companies cannot blame their problems entirely on imports, however. Imported goods represent a relatively small portion of U.S. fabricated product sales. Between 1980 and 1984, foreign supplier shipments into this country increased 55% (measured in constant dollars), but their penetration of the U.S. market stayed below 5%. Over this same time period, exports by U.S. firms declined 6%.

Fabricators have been hurt by the sluggish demand for durable goods. Most of these companies make parts used in other products; thus, slow demand in industrial and capital goods, the primary end users for most fabricated products, leads to poor results among fabricators.

Forecasts for 1986 and beyond appear mixed. Provided the decline of the dollar continues through the year, analysts predict a gradual pickup in orders to fabricators. However, GNP expansion is expected to be modest (3% in real dollars), which will likely keep capacity utilization stable, and some forecasts are for a slow down in the economy in 1987. Few fabricators in this cyclical business will likely consider 1986 a timely period for expansion.

In summary, for the fabrication business overall, market conditions are far from optimal for the search for a prospective employer of the KP work force. Yet this sector is broad enough to include a variety of individual industries with varying business conditions. Two areas where the skills of the KP work force could be utilized are screw machine products, and valves and pipe fittings.

Screw Machine Products

Screw machines are commonly utilized to manufacture a wide variety of parts and products used in the automotive, machinery, aerospace and household goods industries. The raw materials these machines operate on include rod, bar, or tubing stock of metal, fiber or plastics. In general, screw machine products are produced for local or regional markets. Among the areas to be discussed in this report, this industry conforms closest to the skills of the KP work force.

Statistics for this industry are seldom calculated separately since virtually all its output becomes part of other products. The available information suggests that 1986 will not be a good year for suppliers. Shipments grew only 2% in 1985 and forecasts are for no growth in 1986. In Minnesota there are roughly 50 companies that consider screw machine products their primary business, and local shops report considerable excess capacity in the Twin Cities.

For these reasons, we have decided to reject general screw machine products for further consideration in this study. Few if any products in this industry would be economic to produce at this time, and it is unlikely a producer would be interested in employing the KP work force in 1986.

Valves and Pipe Fittings

Valves and pipe fittings are used to control liquid or gas flow in pipes and mains, and are also found in various types of machinery. The primary industries these products are sold to include water and sewage construction, and machine manufacturers for the petroleum, petrochemical, paper and food processing industries.

U.S. producers in this \$9 billion industry continue to face pressure from overseas competitors. In 1985 alone, imports grew 21%, and now account for 10% of U.S. supply. Also, last year marked the first time total imports exceeded total exports. This imbalance is expected to grow in 1986, as Third World suppliers obtain a growing share of the market for high volume valve products.

Industry shipments are expected to increase over the next several years, primarily in high-performance, close-tolerance valves. The predicted annual growth of 4.5% is based partially on expansion in oil drilling and petrochemical. The recent dramatic decline in crude oil prices will likely reduce new oil exploration and development, but may, if sustained, lead to growth in petrochemical processing.

In conclusion, valves and pipe fittings represent a possible area for employment of the KP work force, but with one unknown. Due to the time constraints of this study, we were unable to fully assess the level of manufacturing specialization required in this industry. It appears that for producing some valves, especially the higher-performance, finer-tolerance products, significant new training on new equipment would be required before a company could productively utilize KP workers.

Non-electrical Machinery

The non-electrical machinery sector manufactures a variety of industrial machines, tools, dies, pumps and other equipment for manufacturing, mining, agricultural and consumer use. In the United States, 90,000 companies shipped about \$190 billion in 1984. Minnesota has 1,230 companies who employ 67,000 workers in this sector.

Industries within this sector vary so substantially that it is difficult to attribute specific business characteristics to the sector as a whole. Because of this variability, comments here will primarily focus on several particular industries within the sector.

If there is one common characteristic within this sector it is the ill health that many of the industries find themselves in. For the sector as a whole, capacity utilization is a very low 73%, a number that probably would be lower but for the fact that many companies have reduced their capacity by shutting down unprofitable plants in recent years. Moreover, imports, which nearly doubled (in real dollars) between 1980 and 1984, have now reached a penetration rate of 12%, while exports continue to slide.

Some segments of non-electrical machinery have been hit even harder by imports. The machine tool manufacturers, for example, lost money in both 1983 and 1984, and barely broke even in 1985. Despite layoffs and shutdowns that reduced capacity at least 25% since 1982, the industry still operates at about 60% of capacity. Worse still, shipments are expected to decline 8-10% in 1986. Obviously, we do not consider this industry a good choice for re-employment of the KP work force.

The one segment within non-electrical machinery that faces somewhat more favorable prospects is pumps and compressors, which will be discussed in more detail below.

Pumps and Compressors

Pumps are used for raising, transferring or moving fluids by suction or pressure, and are primarily sold to manufacturing, sewage and oil well development concerns. Compressors, on the other hand, are used to compress gases (e.g., air) to power various types of equipment.

Pumps and compressors represent a \$6 billion dollar industry. The two biggest components are industrial pumps and compressors (each with about 30% of the total). About 10% of shipments derive from each of the following: hydraulic pumps, measuring and dispensing pumps (e.g., grease guns), and oil field pumps. Approximately \$300 million of pumps are used for domestic water systems.

Manufacturing of pumps and compressors is a highly technical area, especially for the more specialized products. Computer assisted design, and computer assisted manufacturing (CAD/CAM) continue to be used more and more, as customers demand shorter lead times and higher machining precision.

Pump manufacturers generally have been able to hold off significant growth in imports, although the compressor-building companies have not been as successful. Between 1980 and 1984, shipments from overseas companies into the U.S. grew 36%, about one-third the growth for all non-electrical equipment. The comparable figure for compressors is 43%. Moreover, import penetration in pumps is now 7%, below the level for non-electrical machinery overall, while for compressors the rate is approximately 14%. Finally, pump exports have declined 9% over this period, while compressor exports are down 25%.

Reports from industry sources add further weight to making a distinction between these two product areas. Although growth is forecast at 3-4% for pumps and compressors, the nature of this growth is different for each area on comparison with 1981 shipment levels, the industry's peak. Pump shipments have nearly regained their 1981 levels while compressors are still only half of peak shipments.

In conclusion, pumps but not compressors represent a product area that should be searched carefully for Minnesota-based companies that could serve as prospective employers of the KP work force.

Section 4: NEW PRODUCT POSSIBILITIES

The search for new product possibilities within the selected industries focused on maximizing the potential for successful re-employment of KP workers based on the following criteria:

- o a Minnesota company currently produces this item or it is similar in manufacture and complements existing product lines; products new to the company, its industry, or to new customers face greater development uncertainties which would inhibit companies from hiring a significant number of the KP workers within a reasonable time frame;
- o product contains a moderate number of parts (20-100); products with fewer than 20 parts will require only a few of the present KP workers; those with more than 100 parts will need a more extensive work force.
- o production processes similar to those currently used (drilling, milling, threading, shaping, die-casting, spot-welding, spray painting, et cetera); the product should not require extensive casting, founding, or forging;
- o product made of materials similar to those currently produced, e.g. light-weight metals in sheet, coil, narrow bar form; other materials may also be used but fabricated metals form a significant part of the product;
- o product made for an established consumer or industrial market by a company which has previous experience selling to customers in those areas;

Applying these criteria we identified the following alternative product possibilities:

FABRICATED METAL PRODUCTS

Automatic garage door openers

Sprinkler systems

Home security hardware

Metal kitchen and bathroom fixtures

Metal doors and windows

Bar fixtures

Vending machines

Flexible arm lamps

Strapping and baling equipment, especially hand-held tools

Miscellaneous trades hand tools

Valves and pipe fittings

NON-ELECTRICAL MACHINERY

Brakes and clutches for small machinery

Motor vehicle parts and accessories

Flexible work stations

Labeling and stenciling machines

Bagging machines

Small food processing machinery (commercial use)

Small industrial pumps and compressors

Fluid meters and counting devices

Control valves

Spray painting equipment

Section 5: PROSPECTIVE EMPLOYER COMPANIES

There are approximately 1,900 Minnesota companies whose primary business involves metal fabricating or manufacturing of non-electrical machinery; however, most such firms are small and employ fewer than 20 workers. Very few of these firms are large enough to consider expansion of the size required to employ some or all of the KP workers. There are about 30 fabricators, and 70 producers of non-electrical machinery, in Minnesota with 100 or more employees.

The selection of prospective employer companies is based primarily on four criteria. First, companies should be manufacturing products in one or more of the areas identified in the industry and product analyses. Second, prospective employers should have operations in or near the Twin Cities. Third, companies should be profitable and able to make large capital outlays since employment of a significant number of KP workers will require new investment of \$1-\$5 million (based on \$35,000 of assets per worker). Finally, the company must have good prospects of sales growing by at least \$2 million during the next year or two (based on \$50,000 to \$100,000 of sales per worker). Since most fabricators are privately-held firms, only limited financial data was accessible in most cases. We therefore used available data as proxies for the last two criteria in many cases. Proxies included: sales of over \$10 million, assets over \$5 million, and 100 or more employees.

A list of selected companies, along with details about revenues, business areas, and other information is provided immediately following this section. Data has been derived from a number of public and commercial references, as well as from local industry contacts. Although data has been checked with two or more sources whenever possible, the secrecy surrounding finances of private companies results frequently in inconsistencies between published sources.

Several companies on the list represent better candidates for reopening the plant. These include Graco, Benada Aluminum and Waterous, each of which is discussed below in more detail.

GRACO, INC. is a profitable, \$200 million (1985 revenues) Minneapolis-based manufacturer of items designed to measure, control and dispense fluids. The company's wide line of products includes many types of industrial pumps, airless paint sprayers (consumer market), liquid dispensing and transfer systems, and paint robots for automotive and construction industry use. Many of the processes for these items involve machining operations similar to those employed by KP workers. About one-half of the company's sales derive from its industrial products, with about one-fourth each from commercial and international markets. The company employs approximately 1,800 workers.

Graco's large order backlog, and growing businesses in several product areas, suggest that capital spending could materialize later in the year if sales and earnings growth meet expectations. The one shortcoming in selecting Graco as a prospective employer company is that it reduced its world-wide work force by about 100 employees in 1985.

BENADA ALUMINUM OF MINNESOTA is a \$10 million company that manufactures aluminum windows and doors, and reportedly needs to locate a new facility sometime this spring. Benada has already been in contact with KP about purchasing the facility, and has discussed with state officials possibilities for financing assistance. However, some of its employees remain on layoff status from an earlier downturn, so the company would presumably return these workers to their payroll first before it could consider hiring any of the KP work force. The company also currently employs substantially less than 100 workers. Benada is reportedly unwilling to commit to employing KP workers.

The company is included on this list because of its line of business and its interest in the facility. We recommend encouraging Benada to consider developing a new line of products, possibly along the lines of those discussed in this report, with assistance from the Department of Energy and Economic Development.

WATEROUS COMPANY, a subsidiary of the American Hoist and Derrick Company (Amhoist), dominates the fire-engine pump market and is the largest fire-hydrant manufacturer in this part of the country. The company also maintains a steady business in municipal water-valves, and has had a very successful new product known as a resilient wedge valve. Waterous consistently has been profitable during the 1980s, even as its parent chalked up huge losses in every year since 1982. (Amhoist is expected to come close to breaking even in 1986.) If Amhoist continues to pull itself out of the red as it is forecast to do, and if Waterous' gains match predictions, expansion could become a possibility.

LIST OF PROSPECTIVE EMPLOYER COMPANIES

Company Name	Address & Phone	Officers	Position	Ownership	Million\$ Revenues	Business Areas	Notes
Anderson Window Corporation	Foot of North 5th Ave Bayport 55003 439-5150	W. Arvid Wellman Harrold Meissner	Chmn/CEO Pres	Private	\$530	Windows & patio doors	Minnesota's third largest private company
Benada Aluminum of Minnesota, Inc.	725 2nd Avenue North Minneapolis 55405 374-2550	Frank Booberg	Gen Mgr	Private	\$10	Aluminum windows & doors Vinyl replacement windows	Preliminary negotiations with KP occurred 1/86
Continental Machines	5505 West 123rd Street Savage 55378 890-3300	Earnest L. Drew J. P. Wilkie	ViceChmn Pres	Private	\$30	Pumps and valves Band & power saws, grinders, hydraulic components	Pumps & valves mfg'd through its Continental Hydraulics Division - same officers & phone
DeVac, Inc.	10130 Hwy #55 Plymouth 55441 542-3400	Frank W. Hetman Waldemar Danielson	Pres/CEO Treas	Public	\$14	Metal doors, sash & trim Replacement aluminum windows	Mixed profit history: lost \$ in 1981 & 1983, marg. profits in 1984
Diversified Dynamics, Inc.	1681 NE 94th Lane Blaine 55434 780-5440	William Bruggeman	Pres	Private	\$11	Pumps & pumping equipment Industrial machinery & eqpt Plumbing & hydronic supplies	Less than 100 employees Owns Cat Pumps Corp - same address, officers
Graco, Inc.	P.O. Box 1441 60 11th Avenue NE Minneapolis 55440 623-6000	David Koch Walter Weyler	CEO/Chmn Pres/COO	Public	\$167	Spray painting equipment Meter proportioning eqpt Cleaning equipment Lubrication eqpt Pumps & pumping eqpt Air & gas compressors	Good financial position; yet with some layoffs in 1985, expansion in 1986 problematic
Gross-Given Manufacturing Co.	75 Plato Blvd West St. Paul 55107 224-4391	Jack Edgerton	Pres	Private	unknown	Vending machines	appx 250 employees

LIST OF PROSPECTIVE EMPLOYER COMPANIES

Company Name	Address & Phone	Officers	Position	Ownership	Million\$ Revenues	Business Areas	Notes
Hydraulics Division (Eaton Corporation)	15151 Hwy 5 Eden Prairie 55344 937-9800	Art Warburton	VicePres	Eaton Corp. (Cleveland)	\$10+	Hydraulic motors Power steering valves Hydraulic control valves	Eaton has undergone major restructuring recently, & sold several divisions
Hypro Division of Lear Siegler, Inc.	375 5th Ave NW New Brighton 55112 633-9300	W. Ted Dudley	Pres	Lear Siegler, Inc., (Santa Monica, Ca)	\$10+	Centrifugal, roller & piston pumps for high pressure cleaning & for weed & insect control spraying	Lear Siegler revenues appx \$2.2 billion.
Ideal Security Hardware Corp.	45 East Maryland St. Paul 55117 488-0202	D. R. MacPherson Thomas Huffman	Pres Contr	EAC Industries, Inc, (Chicago)	\$33	Hardware Door & Window Security Devices	
Nobles Industries, Inc.	645 E. Seventh Street St. Paul 55106 771-5588	Vernon D. Riediger Jerry Falksen	Pres CFD	Private	\$11	Floor maintenance equipment	
Osmonics, Inc.	5951 Clearwater Drive Minnetonka 55343 933-2277	D. Dean Spatz	Pres/CEO	Public	\$13	Multi-stage centrifugal pumps Food processing machines General & specialized industrial machinery	Tonkaflow Pump Division mfgs the co's pumps -
OTC Sealed Power	655 Eisenhower Drive Dwatonna 55060 507/451-5310	R. W. Kaplan Dale Johnson	CEO/Chan Pres	Sealed Power Corp (Muskegon, MI)	\$110	Automotive maintenance tools Hydraulic presses Mechanical & hydraulic pullers Hydraulic pumps & rams	Acquired in 1985 by Sealed Power Corporation (Formerly Dwatonna Tool Company)

LIST OF PROSPECTIVE EMPLOYER COMPANIES

Company Name	Address & Phone	Officers	Position	Ownership	Million\$ Revenues	Business Areas	Notes
Plews Division of Parker-Hannifin Corporation	6775 Shady Oak Road Eden Prairie 55344 944-7255	James R. Beiswanger	Gen Mgr	Parker-Hannifin (Cleveland)	\$10+	Tire servicing tools Lubrication & other dispensing equipment Specialty tools Oil & filter change tools Metal cans & spouts	Competes with KP in mfg mass market grease guns Other divisions in area, including Quick Coupling
Simer Pump Company	5960 Main Street NE Minneapolis 55432 571-5666	Loren J. Simer, Jr. Harvey J. Simer	Pres/Chm CFO	Marley Company Kansas City, MO	\$11	Rotary & centrifugal water pumps for consumer use	Acquired by Marley Co. in 1985
Thiele Engineering Company	7225 Bush Lake Road Minneapolis 55435 835-2290	Dr. Peter N.Y. Pan	Pres/CEO	Private	unknown	Packaging machinery	Appx 140 employees
Wagner Spray Tech Company	1770 Fernbrook Lane Minneapolis 55441 553-7000	Max Ruff	Pres	Wagner Int'l (Switzerland)	\$100	Air & gas compressors Paint application equipment Power rolling & spraying equipment	Leading mfg of airless paint sprayers, sold retail under "Power Painter" brandname
Waterous Company	300 John Carrol Ave East So. St. Paul 55075 450-5000	Jerome Mandel	Pres	Amhoist	\$10	Hydrants & valves Fire pumps Portable pumps	Amhoist lost \$ 1982-85: however, Waterous earns \$ & is the leader in fire- hydrants & municipal water valves

APPENDICES

KP Industries' Plant and Property

Work Force Job Classifications

Shipments and Imports by Industry

Sources and References

KP INDUSTRIES' PLANT AND PROPERTY

Address: 415 Royalston Avenue
Minneapolis, Minnesota

Sale Price: \$2.15 million

Rental Price: \$235,000 net per year

Building size:	Ground Floor	86,596	square feet
	Lower Office	3,328	sf
	Mezzanine	14,296	sf

	Total	104,220	sf

Lot size: 3.14 Acres

Age: Built 1964, addition built in 1967

Docks: Two interior, and two exterior docks, each with load levelers

Ceilings: 18 to 19 feet

Real estate taxes:	\$76,241	1985
	\$80,000	1986 estimated

Zoning: M1-4, Light Manufacturing

Lot size: 3.14 acres

Overhead cranes: Two sets of crane rails, each with an approximately 20 foot span, and with lengths of about 124 feet and 171 feet. Both sets of rails serviced by a 6000 pound capacity crane.

For more information about the facility, contact the realtor:

Realtor: Sherman P. Malkerson
Benson, Malkerson & Bradbury, Inc.
620 Mendelsohn Avenue
Minneapolis, MN 55427
542-9907

WORK FORCE JOB CLASSIFICATIONS

<u>Labor Grade</u>	<u>Number of Workers</u>	<u>Job Classification</u>
I	1	Tool & Die Designer
II	3	Tool & Die Maker
III	1	Machine Maintenance
IV	10	Automatic Screw Machine
	1	Die Cast Set-up
V	2	Die Cast Operator
	1	Pipe Machining
	1	Traub
	2	Cap Threader
	2	Brown & Sharp Operator (screw machine)
VI	10	Machine Operator #1
	6	Shipping & Receiving
	5	Parts cleaning/deburr
	2	Painters
	1	Rotary Pump Assembly
	1	Parcel post person
VII	approx. 20	Machine Operator #2
	approx. 50	Assembly/Packaging
	1	Janitor

Note: These job classifications are those that existed approximately in July 1985, prior to layoffs that began in September, 1985. Source: union records

SHIPMENTS AND IMPORTS BY INDUSTRY

Note: Dollar figures are in millions of constant 1982 dollars. Shipments for 1984 and 1985 are estimates, while figures for 1986+ are forecasts. Source: 1986 U.S. Industrial Outlook.

Industry Shipments	SCREW MACHINE PRODUCTS	VALVES & PIPE FITTINGS	PUMPS & PUMPING EQUIP	AIR/GAS COM-PRESSORS
1982	\$ 2173	\$ 9040	\$ 6198	\$ 3270
1983	\$ 2357	\$ 8137	\$ 5104	\$ 2655
1984	\$ 2755	\$ 8653	\$ 5382	\$ 2786
1985	\$ 2810	\$ 8880	\$ 5572	\$ 2906
1986	\$ 2810	\$ 9150	\$ 5738	\$ 3010
% Change				
1984-85	2.0 %	2.6 %	3.5 %	4.3 %
1985-86	0.0 %	3.0 %	3.0 %	3.6 %
1987+	5.0 %	4.5 %	3.5 %	3.4 %
Compounded Annual Growth 1973-86	1.8 %	1.4 %	0.9 %	3.1 %
Peak Year	1979	1981	1981	1979
Imports Growth				
1982-83	*	-21.8 %	-22.8 %	5.9 %
1983-84	*	29.4 %	31.6 %	48.8 %
1984-85	*	20.9 %	11.1 %	20.4 %
1985-86	*	15.3 %	7.1 %	11.9 %
Imports % of New Supply	*	9.9 %	6.5 %	13.8 %

* Imports of screw machine products are not accounted for separately by the Commerce Department

SOURCES AND REFERENCES

	<u>Issue</u>	<u>Source(s)</u>
Section 1	KP products & market share	Interviews with KP employees current and former Dun SPRINT Information Retrieval
	Grease gun industry	KP managers Alemite Sales Company 1982 Census of Manufactures
Section 2	Work force skill distribution	KP work force KP managers
	Training on CNC equipment	Industry Sources
Section 3	Minnesota business statistics	County Business Patterns -198
	U.S. business statistics	1982 Census of Manufactures 1986 U.S. Industrial Outlook Standard & Poors Industry Survey's Earnings Supplement
	Capacity utilization stats	Federal Reserve Bulletin
	Industry characteristics	Industry Sources
	Forecasts	Value Line 1986 U.S. Industrial Outlook
Section 5	Data on companies	Corporate Report Fact Book 9th District, 1986 edition Minnesota Directory of Manufacturers 1985-1986 Dun's Industrial Guide - the Metalworking Directory Dun's Million Dollar Directory

PERIODICALS

Business Week
American Metal Market/ Metal Working News
Engineering News - Record
Minneapolis Star and Tribune
St. Paul Pioneer Press Dispatch
New York Times

INDUSTRY SOURCES

Ray Frazier Lubricating Sales Manager
 Alemite Sales Company, Chicago

David Kanagy Education Director
 Fabricating Manufacturer's Association, Rockford, Ill

Bert Casper Vice president - Marketing
 Remmele Engineering, Inc., St. Paul

Ed McDonald President
 Industrial Tool, Minneapolis

Ram Salas Director
 Automotive Aftermarket Industries of Minnesota, St. Paul