



Marlin Steel Wire Products
2640 Merchant Drive
Baltimore, MD 21230-3307
USA

Phone 410.644.7456
Fax 410.630.7393
www.MarlinWire.com
www.SheetMetalFabrication.com

Drew Greenblatt, President

Testimony for
Committee on Oversight and Government Reform
Subcommittee on Government Organization, Efficiency and Financial Management
Wednesday, September 19, 2012

Good morning to members of the House Committee on Oversight and Government Reform Subcommittee on Government Organization, Efficiency and Financial Management, to Chairman Platts, to my colleagues who have utilized the Trade Adjustment Assistance for Firms and other distinguished guests. My name is Drew Greenblatt and I am president of Marlin Steel in Baltimore, Maryland. We manufacture precision-engineered wire basket, wire forms, machined components and sheet metal fabrications.

The Trade Adjustment Assistance for Firms (TAAF) program is one of many tools that we've employed to accomplish a dramatic turnaround in our business. Marlin, which was established in 1968, has grown revenue and profit the past six years in a row in spite of the difficult economy. Inc. magazine recently named us to its list of the fastest-growing U.S. companies, a feat particularly rare for a manufacturer. Of the nearly 7 million private companies in America, we ranked among the top 5,000 for growth, and 162nd among manufacturing companies. As a growing employer located in a city, we were also named among the "Inner City 100" this summer by the Initiative for a Competitive Inner City. The organization was founded by a Harvard Business School professor to recognize economic vitality in urban areas. Our operation has been cited as a model for innovation by state and national business organizations. As such, we have hosted tours for very distinguished visitors during the past year or so, including **U.S. Treasury Secretary Timothy Geithner, U.S. Trade Representative Ron Kirk, U.S. Senator Barbara Mikulski and several members of the U.S. House of Representatives from Maryland.** We have embraced many new ideas and opportunities such as TAAF to accomplish our transformation. We were introduced to TAAF through the MidAtlantic Trade Adjustment Assistance Center (MATAAC), which is chartered by the Economic Development Administration of the U.S. Department of Commerce to manage Trade Adjustment Technical Assistance. The value of that assistance in helping us grow can be best understood by recalling where we've come from.

After selling a small home-security systems supplier in the mid-1990s, I used the proceeds to buy a small factory that made baskets to hold bagels for bakeries and food stores. We felt like geniuses when suddenly bagel chains began opening up around the country and the simple bagel became a trendy food. It was a good time to be in bagels and a good time to be the nation's biggest maker of bagel baskets. But before we had much time to congratulate ourselves on our foresight and intuition, a double whammy hit. First, the Atkins diet swept the nation. Now if there is a time *not* to buy a business tied to bagels, it would be prior to a low-

carb diet craze. Second, Chinese companies began dumping steel into the U.S. cheaper than Marlin could buy it. It had never occurred to me that the Chinese might get into the bagel basket business, but the challenge that presented was immense: Even if our employees forfeited their paychecks, we dropped all insurance and halted all marketing, we still could not have matched the Chinese on the price they were selling bagel baskets. We were hemorrhaging cash. We were on the verge of shutting the plant, distributing pink slips and forfeiting all of our investment and sweat equity.

About that time, a representative from an aerospace concern contacted us to inquire whether we could build a basket to hold a delicate airplane part as it went through the manufacturing process. We knew nothing about making baskets for anything but bagels, but when the caller said price wasn't a concern for him if we could deliver what he wanted, a light bulb went off. Very quickly, we had to sharpen our focus on precision and engineering. Bagel baskets did not require great meticulousness. The bagel wasn't going to fall out if the basket weave was off a little. That first specialty basket was a challenge. We had no testing procedures, no process for quality assessment, no blueprints, no real training. Our most sophisticated measuring tool was a tape measure. Our direction was clear: transform or die.

Today, we have invested more than \$3 million in robots that have supercharged our precision and our production. We made a good chunk of that investment during the recession, so confident were we in finding a niche to exploit. Our clients include major companies in health care, aerospace, defense, automotive and telecommunications. We no longer fear foreign competition. In fact, we're taking business from it. We ship Marlin baskets to 36 countries, including China. We are competing aggressively with foreign manufacturers whose countries subsidize raw materials and currencies. We were named one of Maryland's top businesses for international trade by the World Trade Center Institute and last year accompanied a Maryland trade mission to Asia. Our story has been featured by the likes of CNN, New York Times, The Economist, *The Atlantic* magazine, Fox Business News and the *Washington Post* because at a time when Americans are concerned that the country has lost its edge in the global market of manufacturing, we've discovered a "secret sauce" to thrive. Marlin employees who once made \$6 an hour and couldn't afford a car now receive performance-based bonuses that exceed the paychecks of peer employees at our competitors. Having a competitive, viable, thriving company is the best protector of jobs.

How did the Trade Adjustment Assistance for Firms program help make us more nimble and competitive? We have been able to leverage TAAF to double our investments in technology and training. On roughly a dozen occasions since September 2010, we have matched our own spending totaling more than \$75,000 – our "skin in the game" -- with the same amount from TAAF. Those investments have helped us gain ISO 9000 certification, purchase state of the art software and retrain employees in new welding techniques and laser-cutting equipment. We realized that even after we had graduated from bagel baskets to more specialized and profitable wire products, we couldn't relax and stand pat. Your competition is not static. Markets change. Improvement is a continuous process. We had built a solid business in wire products and I think that we could continue to grow in that area. But our clients indicated they would appreciate us more if we were able to supply them with sheet-metal products or with the sheet-metal components for our wire baskets that they had to get from other suppliers.

The TAAF match enabled us to move twice as fast as we could have otherwise to meet the demands of the market. We needed advances in robotic equipment, in software upgrades and in computer-aided design capability to make that transformation. We recently had the first month in which we sold more products in sheet metal than in wire baskets and wire forms. That hadn't happened for this company in 45 years. That ability to pivot quickly protects and creates jobs. Our employees could care less if their paychecks are coming from the fruits of sheet metal or wire. The TAAF program also helped us become more competitive by

helping us pay for a top-to-bottom review to achieve ISO 9001: 2008 certification. Many clients want to know if a prospective supplier has the ISO seal to ensure the quality of production. For engineering in our field, ISO certification is rare. That valued assessment improves our ability to compete for business in the global market.

We could make such investments without a program such as TAAF, but more slowly and in the face of overseas competitors who play by different rules and who benefit from subsidized raw materials and gamed currency. These other emerging manufacturing nations want to eat our lunch. Our labor costs are higher. We are not going to win by paying workers \$7.50 an hour while Vietnam is paying a buck an hour. Our material costs are higher. China subsidizes its raw materials. The Chinese offer manufacturers 10 years of interest-free financing. That's what we're up against. Our environmental controls are more costly. When we chrome-plate something, the effluent we're putting out of our vendors plant has to have less nickel and chrome than the tap water coming in. Now I'm not suggesting I want the Chinese system. On my trade-mission trip to China last year, the smog in Shanghai has stunning. The Yangtze River is about as wide as the Inner Harbor in Baltimore, several hundred meters, but you couldn't see across it. I wouldn't want their system. I like the Chesapeake Bay that flows a few miles from my plant. I want my family and other families to be able to eat crabs from it.

In a typical Chinese factory, the value added per employee – revenue divided by number of employees -- averages about \$14,000 a year. In America, it's \$150,000 or more. The American worker is only going to be able to continue living with a higher wage, more benefits and greater job security if you help make them more productive. You do that with a heavy emphasis on automation – computers, software, robotics – so they can produce a quality parts faster. Get the American worker to \$175,000 value-added, then \$200,000, then \$250,000 by improving productivity and you can achieve a better quality of life. Many people think if we're paying factory workers \$25 an hour, their argument is how do we get it to \$23? That's wrong. I want to get my guys to \$27 an hour, and if I can get from \$173,000 now to \$200,000 in value-add, it's easier for me to do that. Yelling at my employees more is not the trick to more productivity. I need to give them the tools to push out more stuff more quickly and at higher quality.

TAAF helped us advance our use of technology to grow our market and our workforce. A decade and a half ago, Marlin employees made six dollars an hour while making 300 bends an hour by hand. It was all shoulder, all muscle. Accidents were common, sometimes debilitating. Now, with investment in robots, we're able to make 20,000 wire bends in an hour while going more than 1,360 days without a safety incident. Our cost per bend has dropped from 2 cents to 0.0015 cents per bend, which helps counter the advantage of cheap labor and lax standards for overseas competitors. Now we export wire forms to China – Made in the USA. How cool is that?

The story of Marlin Steel shatters the notions too many have come to presume about the American worker and American competitiveness. Our transformation has relevance for employers looking for better ways to motivate and manage their workplace and for policymakers focused on how to strengthen job creation and trade policy.

The average manufacturing employee makes about \$75,000 a year. You can buy a house, send a kid to college, take a vacation on that level of income. When I bought Marlin nearly 15 years ago, I was the only employee with a car. Now my employees complain to me that they need to jockey to get a parking space near the factory. There are no Lamborghinis out there, but everyone owns a car. It makes me very proud. As a nation, we are still the number one manufacturer – bigger than China. If manufacturing were its own economy, it would have the eighth largest GDP in the world. But we can do better. We will do better. American ingenuity, resilience and drive just need to be reawakened. I believe that factories can provide great jobs and superb

benefits – a way to grow the nation’s middle-class with solid meaningful jobs. The TAAF program is helping us achieve that goal.

Drew Greenblatt bought MARLIN STEEL in 1998 when it was a small maker of a commodity product. Since then, he has grown revenue over six fold. Marlin has set profit and revenue records the last six years, despite the recession. Marlin Steel's sales grew over 20% in 2011 and are on a record setting pace once again in 2012. In the face of challenges to the global economy, Marlin Steel has invested over \$3.2mil in robotics in a quest for quality and speed.

Today, Marlin Steel imports nothing and exports baskets and sheet metal fabrications to 36 countries including China, Australia, & Japan. Worker Safety is critical. Marlin Steel crossed the 1,365+ day safety milestone. In addition, Marlin Steel has been recognized as a winner of the 2012 INC 5000 (fastest Growing Companies in the USA #4,112 overall and #162 for manufacturing), the 2012 Inner City 100 Fastest Growing companies in the USA (2012), Regional Employer of the Year (2007) from Baltimore City & Baltimore County and Drew Greenblatt has been chosen as an International Business Leadership Award Winner from the World Trade Center Institute (2011).

Marlin's secret sauce is Quality, Engineered Quick ("QEQ"). Thirty percent of Marlin's employees are mechanical engineers who innovate to save clients' money by improving throughput with engineered wire baskets and custom sheet metal fabrications. Marlin Steel's engineers provide state-of-the-art, computer-driven stress analysis so clients have comfort knowing that their designs will withstand the rigors of their applications.

Greenblatt has testified to the US Senate and US Congress more than six times on topics including small business, taxation, regulations, trade policy, and techniques to grow the economy. Advocating for a robust manufacturing sector, Greenblatt believes that factories provide great jobs and superb benefits – a way to grow our middle class with solid meaningful jobs.

Recognized as a leading spokesman for small business manufacturing, Drew has been featured on CNN, CNBC, NPR, BBC, The New York Times, Washington Post, Wall Street Journal, Economist and is a FOX Small Business All Star. Greenblatt serves as an Executive Board Member of the National Association of Manufacturers and Chairman of the Board of the Regional Manufacturing Institute and serves on the Maryland Commission on Manufacturing Competitiveness as well as the Governor's International Advisory Council.

He has a BA from Dickinson College and an MBA from Tulane University. He lives in Maryland with his wife and three sons.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name: Drew Greenblatt

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2009. Include the source and amount of each grant or contract.

Maatac \$ 24,067

SEE ATTACHED

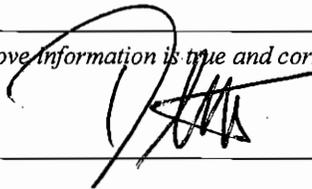
2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

Marlin Steel Wire Products LLC - ^{President} Managing Member

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2009, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

See above

I certify that the above information is true and correct.
Signature:



Date:

9/7/2012

MARLIN STEEL PRODUCTS OPEN PROJECTS

The following documentation is needed for each payment made:

As of: 6/20/2012

- 1) letter of satisfaction with anti-fraud statement
- 2) proof of payment
- 3) copy of Marlin's invoice

<u>Project Name</u>	<u>Contract Number</u>	<u>Contract Amount</u>	<u>Firm's Share</u>	<u>MATAAC's Share</u>
Advanced Trutops Training	10-192-2554G-C5	2,850.00	1,425.00	1,425.00
Job Costing/Time Clock Upgrade	11-016-2554H-C5	6,239.50	3,119.75	3,119.75
Trumpf Software Training	11-029-2554I-C5	2,300.00	1,150.00	1,150.00
Trumpf Software Training	11-048-2554I.2-C5	2,070.00	1,035.00	1,035.00
TruLaser Software & Training	11-065-2554K-C5	14,850.00	7,425.00	7,425.00
TruTops Laser Training	11-137-2554M-C5	4,370.00	2,185.00	2,185.00
Resistance Welding Seminar	11-138-2554N-C5	3,559.00	1,779.50	1,779.50
ISO Certification	11-161-2554Q-C5	11,896.00	5,948.00	5,948.00

48,134.50	24,067.25	24,067.25
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