An Open Letter to the Industry:

Surging prices of copper limit our ability to make long term part quotes!

(Editor's Note: This open letter has been posted on the Romaine Electric Web site with encouragement for rebuilders to modify, reprint and distribute these facts to customers as prices continue to change.)

The devaluation of the dollar against the world's major commodities is being propelled by rising international oil prices and the 1 trillion dollar per year U.S. trade deficit. The dollar has depreciated by about eight percent against the Euro and about five percent against the Yen between January 1 and May 22, 2006. This adds growing inflationary pressures in the United States.

This drives investment risks in U.S. bond markets, and debt securities to unheard of heights, which may be the cause of foreign capital investors withdrawing their dollars from our economy, and weakening it. Some speculate that global geopolitical instabilities which are at unparalleled levels and which will dramatically expand should the Bush administration apply more pressure to North Korea and Iran, will also increase the risk factors considered by off shore investors, further compounded by Federal Reserve's timidity in tightening monetary policy due to political pressure until after the November 7 elections. This could damage the credibility of the U.S. monetary system, causing an international panic to liquidate U.S. investments.

I am beginning to see the word stagflation used to describe the path our current inflationary pattern is headed. The Wikipedia Encyclopedia defines stagflation, "is a term in macroeconomics used to describe a period characteristic of high inflation combined with economic stagnation, unemployment, or economic recession." The reason for this being that the rising prices of fuel will begin to dampen the growth of both private consumption and investment, which will slow down U.S. economic growth like it did back in '73 and '74 with the Arab oil embargo.

We cannot ignore these factors, and must make difficult business decisions to ensure the future of our company as a viable business entity. We will not be able to guarantee special quotes on parts for more than 120 days. All special quotes will be re-evaluated three times per year.

Troy Cosby
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