Plain Talk

Consider the Core of the Matter

COLUMN BY ROB BUKSAR

It's no secret that prices for scrap of all types are up in outer space somewhere. At my place a week does not go by without at least two or three phone calls from strangers trying to buy scrap.

Selling off American in lots of ways has become a growth industry and very fashionable. China's booming economy and wild demand for raw materials continues to drive the markets upward. If you blink your eyes real fast America is resembling China's personal warehouse for raw materials and cash. If it has some degree of metal content, is out of service, or just lying idle too long, someone will cut it up and load it in a Gaylord headed for China. Of course the Chinese will prepay the shipment which sweetens the transaction even more.

It's not long after the material is received that it returns to us in different forms such as consumer goods and strategic materials. We give them their money back plus a bunch more. What's really crazy is in a lot of cases we're borrowing the money from China to pay the Chinese for the goods. Presently China is holding the paper on approximately 30 percent of our national debt. Talk about "Catch-22."

In our diminishing world of rebuildable parts a few industry elders with little better to do have made it a short-lived career to suck the scrap cores right out of the industry. Interestingly enough a few of these fellows were the very same ones who sold the concept of buying cheap offshore automotive units so you could devote your time to more profitable rebuilding. Boy, that really helped the industry didn't it. Of course the opportunity was there to make a fast buck and someone was going to do it! I guess that's the American way, at least in Pottersville.

I'm the last person to begrudge someone a living. Nor am I suggesting that you shouldn't sell your scrap cores for extra income. God knows all of us small guys need all the help we can get. Yet before you put that extra couple hundred in your pocket and wave goodbye to the junkman, let me give you a few questions to ask yourself:

- Are you reasonably sure the units you are scraping will never be needed again in your operation? How about the component parts of the unit? Can they be used for something else? Remember these units will leave the country and be melted down. When they are gone they're really gone. A lot of this stuff—not all, but some—is irreplaceable. It cannot be bought again anywhere. Think before you sell.
- Can you sell to a domestic rebuilder? Component cores such as drives, solenoids, field housings, armatures, rotors and stators are still being rebuilt domestically. If you sell to a domestic rebuilder it helps the industry. The cores and the money will continue to circulate domestically. If you "totally" choose the alternative everything leaves the country and ends up as more trade imbalance and another Chinese warship built with our scrap.

In a recent ERE article someone stated the rebuilding industry was just too big and would never disappear ("New Supplier Relies on Old-Fashioned Customer Contact," March 2007). I found that statement to be wildly shortsighted. By comparison, rebuilding is a tiny industry. And manufacturing has been one of the nation's largest leading industries. Yet GM, Ford and Chrysler are all in dire straits. It may be too late to save U.S. automakers, just as we couldn't do much to save the electronics, textile, shoe, and clothing industries (all larger than rebuilding).

Some will say these other industries made fatal mistakes and got what they deserved. That may in fact be true. Yet most of us were in business before the demise of these other industries. Well guess what, a casual study will reveal these other industries went through the same things we're going through now. They all made what appeared to be sensible financial decisions and judgments. Yet most are dead and buried and those that aren't just haven't fallen down yet.

Ford lost $1,900 on every car and truck they produced in 2006. That amounted to a $16 billion loss! Doesn't sound like a better idea to me.

Life and business work on the principle of cause and effect, or sowing and reaping. This is incontestable. If you desire to remain in this industry then act, buy, and sell in a manner that helps our industry and not the Chinese or any offshore competitor.

The core of our business is, in fact, the cores. Be mindful what you do with them because without them you have no business.

Pray for peace and may God help us all.

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