

YOUNGSTOWN STATE UNIVERSITY

ORAL HISTORY PROGRAM

Youngstown Industry

Personal Experience

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THOMAS TRAVERS

Interviewed

by

Janice Cafaro

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C This is an interview with Mr. Thomas Travers for the Youngstown State University Oral History Program on Industries in Youngstown, by Janice Cafaro, on August 25, 1986, at 200 Cadillac Drive, at 10:00 a.m.

Mr. Travers, could you tell us a little bit about your background, where you were raised, where you went to school, and what it was like growing up?

T I was born and raised in Boston, and I attended Boston College and graduated school there. I was one of seven children. I happened to come to Youngstown when I was working for Ernest & Ernest, now Ernest and Whinning, in the Boston office and doing industrial engineering work. I was sent out on assignment here to Commercial Shearing to install some incentive programs and job evaluation programs. I came out here to do this for six weeks, or something of that nature. I stayed here from that time on. I was never expecting to spend my life in Youngstown when I first arrived here.

C When was this that you came in contact with Commercial Shearing?

T This was in March of 1949. I was employed as industrial relations director. I had charge of labor relations and personnel and that type of thing. At that time, the company was pretty small, so you got involved all kinds of management problems. I stayed in that position until 1961 and I was made vice-president. In 1963, I was made general manager of European operations. The headquarters were in Luxemburg and I was there in 1965. Commercial was just beginning their operations in Europe at that time. We had plants in Luxemburg and England. I came back here in 1965 and I was assistant to the chairman, Mr. Cushwa. In 1975, when Mr. Cushwa died, I was made chairman of the board at Commercial Shearing and held that position until 1983.

C Why did you decide to come to Commercial Shearing, leaving your former post at Ernest and Ernest?

T. I had a very heavy travel schedule and I was working in the South mostly when I first wanted to earn some money. You might be on assignment for a few months and then you would be sent somewhere else. At that time, a condition that you would not believe today, you were allowed to come home once a month if you were outside of Boston. Once a month, whether you were married or single, that was the rule if you were frequently away, even within the 500 mile radius. At that time the investor engineer, or what they call management services, had two offices -- one in Boston and one in Chicago. We covered everything east of the Mississippi. It was a very heavy travel schedule. When I got married and came to Youngstown, I was newly married at that time. I became very friendly with Charlie Cushwa, who was then the President of Commercial, and when our first child came along, it was a question of putting down roots somewhere. We were in Youngstown then. We decided to accept his offer and not to continue to travel.

and leave my wife and the baby at home for considerable periods of time. He felt that we did not want to live that kind of life.

C. What were some of your responsibilities, and perhaps some of the problems you encountered?

T. I was very much involved in the management end of the business and labor relations. As you probably know, labor problems in the Youngstown area were very severe and we had a very radical labor situation. It is kind of a strange paradox in Youngstown, that labor is probably the most valuable commodity because we have all kinds of skills and we have people for generations that have been brought up with mechanical knowledge and so forth. We had no shortage of what you need to do to produce a product and find a mechanical mean. That is not true in many other parts of the country, where you can train people and try to get along the best you can with people who have come

At that same time has been a long history of labor history in Youngstown. They recognize that and keep it going back to before World War I when they burned down half of Campbell, a strike here, and the blacks were brought into town. Going back, I remember reading about the Little Steel Strike in Youngstown when I was in school, and I knew that this was where Gus Hall came from. Let us say the steel barons, and the radical labor leaders clashed frequently. The community was developed on the basis of the mining industry and the growing steel industry, and many of the immigrants that came to our valley came from steel producing centers where labor radicalism was very strong and, particularly, the later immigrants came from central Europe.

However, the unionism in Youngstown had some very bad turns, particularly in the area at that time in which I was involved. There were many violent actions in the plants where you tried to improve productivity and somebody wanted to make more production. Their tires might be slashed, their toolboxes thrown into the dump, and things of this nature. It was pretty common in Youngstown. The more radical people took over a lot of the labor unions and local unions. We had a period of time where most of these smaller companies and steel companies were organized by the steel workers union. They were forced to pay steel mill wages and the result many of them left.

Jim Griffin, who was the district director of the steel worker's union at that time, believed everyone should be paid the same level of wages. He believed at the same time there should be pro-activity. I remember, back around 1960, we had an agreement to develop new production standards. Some of our incentive standards had gone down back to World War II when we were all loosened up. People could earn more money and people were looking for jobs elsewhere. He wanted, at that time, to reestablish production standards for most of our operations. They were terribly resistant. We had wildcat walkouts and just every week practically on something. That was the history of that year. We finally got down to the assembly operations and we tried to establish new production standards. I remember how often union officials in that area were not interested

in more production. We have the international union in on it and industrial engineering people and we were all in agreement, but the people would not accept it. The result was, with the knowledge and without the objection of the international union, we expanded our operations from Youngstown to Indiana in 1962.

That was a growing movement at that time among all of the companies here that stayed here. We tried to diversify out of Youngstown so that they would not be as vulnerable to take action that might shut down all of our operations. We had steel settlements or expensive settlements even up to 1980 when a group of companies, and a dozen companies in this were all the major fabricators, were organized by the steel workers' union. Their contracts expired in October in 1980. Every single one of those companies were shut down. It took some time. It was not until the collapse of the steel industry that we got some recognitions that we just cannot get beat with wages in this area that were like 50% above what they were in the rest of the competitive companies in this country, to say nothing for quality and the poor productivity as the result of the muscle that was used. This is the kind of story that is never told.

There is a long history of Youngstown that you have had labor radicalism. The labor leaders, international leaders, of the steel workers' union have been aware of this problem. They have been unable to sell this to their members. The union is much less an economic unit than it is a political unit. If it appears to be local union leaders seeing some of those problems, he is going to be replaced by somebody else. There is always somebody promising more. Ninety-nine percent of your employees do not want any difficulties, but there is always a radical one that wants to keep the pot boiling. There has been a graduated realization. I hope it is not too late in Youngstown. You cannot do that anymore if you are going to stay in business at all. Too many companies have gone or shut down. The result is that the settlements and give backs and all that, we at Commercial, in 1983 for the first time, were in a four year labor agreement with wage increase for four years comparable to the cost of living. We were able to hopefully have a competition catch. It turns out that the whole country has ran into the same type of thing, so we have not gained as much as we thought we would. I do not know how I got that big diversion of the labor picture, but it is a serious problem, it has been a serious problem.

C Why did poor productivity accompany higher wages in Youngstown?

T It was a result of very strong unions. You will find very few problems in this country with such a concentration of one union and a community as there was here. We have the same contract, the same wages, and everything else in the Chicago plant and the Salt Lake City plant, but the steel was nearer. We have good productivity, most of the time, only in Youngstown. It is just part of the syndrome of more money for less work that existed here for many years, and they say now that is changing. Hopefully, it is not too late. I would have to say, in fairness, the steel companies in particular, they were reluctant to put any

investment to organize their plants and stuff like that. They said it was because of transportation and failure of the canal project to go through. That was killed by the Pittsburgh railroads. It never really had a chance. At that time, the railroads were pretty powerful.

The managements of the steel companies had tremendous employment, with some 55,000 people employed in the mills, the largest concentration of steel mills after Pittsburgh and Chicago. But they were reluctant to try to keep costs down. They gave large settlements to the unions which were fabricating. All the steel companies did was maintain strict price control and passed it on to the customer. They priced themselves out of the market. They did it knowingly. They thought this could go on forever and keep control of the price levels. Every time they gave a 10% increase, they would pass 10% on to the customers, even though the labor fostered 50 and 60% of the total cost. This kind of thing went on and fostered that desire for more and more and more desired by the labor groups. There are faults on both sides of the line on that particular topic. When foreign competition came into the picture, that changed everything. We are going to have it with us forever now. A lot of the manufacturers opened the door for foreign competition. They were refusing to hold the line against unreasonable labor demands and then just raising prices.

C Would you say the foreign competition has made the unions more malleable?

T There is no question about that. That has been a well-sold since the industry and the unions have worked together to well the membership of foreign competitions. It is, and always has been, a problem. Of course, this is not true. It is a lot of other things that contributed to that. As I say, the prices and that type of thing, and increases in cost, have omitted foreign competition. Foreign competition is inevitably commercial. It is not only from the point of view from direct competition that makes the same kind of profit. You have Japanese imitations around town right down to imitate commercial, having a little different design but the same product. And not only that, but so much of that product is never sold or consumed. It is sold to some other manufacturer.

The big customers of ours, John Deere, Caterpillar, have terrible financial problems. You have seen what has happened to all of us. This includes money. Caterpillar has come back some. Deere is in trouble. First they have shut down, now the cost is reduced. At the second level of component manufacturers you get traditional competition because your market is reduced because of the completed machine, the entire percentage all of the time being your import. Just like the automotive industry, 40% of the automotive market is taken over by imports. You would not have believed that 10 years ago, and we did not believe that would happen to a strong industry, but it has happened. It is not that high of a percentage, but it is growing all of the time. It was practically nonexistent in the 1970's. Now you see Japanese excavator rarely. They have two or three percent of the market. They are now probably a quarter of the market. I am one of those who did not believe we do not do enough about the Japanese.

The Japanese have really hurt this country. They keep calling this thing buy and reciprocate on our products, and they will not. A number of times we had an operation there and now we have distributive problems. We could not get the Japanese to let us manufacture. All we could do was sell over there. We have to sell through their groups. You just pack and even if you can get by the government, the Japanese products, unless you have something that does not exist there and there is not much that does not exist there. They are not fair trade partners. I do not know why we allow them to have a \$50 Billion dollar trade and do nothing about it except talk. I do not understand. I do not know why we talk with them.

C When did you start noticing that foreign competition first affected Commercial?

T It is hard to pinpoint, except for when you look back. When we had a peak and furnishing components for capital equipment you run into peaks and valleys. We had a peak in 1969, 1974, and 1979. Those were kind of five years cycles. We would be so busy in each of those peaks that we did not pay much attention to the fact that the peak was getting a little lower each time. You were still utilizing all your capacity, it did not bother you. From 1979 which was the last peak for capital, the market made a feeble attempt at recovery in 1981 and has been really flat since 1979. It never got back to the peaks of 1979. It is better relatively recent development in our markets. Our markets were marginally construction equipment, machinery, field equipment, plus automotive. These markets railroaded quickly. These markets have made a recovery and are all still slow. Construction equipment has improved a little bit because there has been a big increase in construction in the last couple of years. The improvement in the construction equipment market has been offset to some extent by the imports in construction machinery. It has really hit broadly the last few.

C What has Commercial done to try to upset or counter this growing trend?

T We have, since the early 1960's, been an international company. We have facilities in Europe, besides in Luxemburg, we have small facilities in Germany, France, and operations in Japan at one time. We have it distributed. We have facilities in Australia, Brazil, and our products are pretty much distributed around the world. I think we kind of have taken a three pronged attack. In other words, we try to reduce our costs here and we have done this in a very painful fashion. We have labor agreements that force people to take four years out of wages and so forth. We have cut back severally on our staff, particularly on the overhead, to adjust to lower levels of operations. We have diversified our operations to consolidate it in many cases. We have sold off some most profitable operations to try to make ourselves leaner and more competitive. That is one thing that we have gone after. If this does not reduce the foreign competition, but it makes us able to stay in business against it, we have utilized some of our foreign operations to supply us with some parts that they can make cheaper than we do.

There is a limited amount of that That is something that really contributes to this trade balance

Many, many companies make all kinds of capital equipment and they shop all over the world to have their components made here, there or wherever they can be made cheaper Of course, there are those products that you hear about steel, but there is an awful that takes parts in it If you are making a piece of machinery and you have a lot of parts in it, you have a factory here and a factory overseas, you can have them make this particular part at that factory down there or somewhere that makes it pretty cheap. The automotive does this with Mexico and Packard Electric Finally, Commercial has the effort to diversify other's capital, recognizing the equipment markets by recognizing this downward trend as far as percentage of what is going to be made in the U S It is on a decline and has declined; it is going to continue to decline, and probably will continue

The Japanese prices and so forth go up, we become more competitive as the yen gets more expensive The Japanese people really are the major resource of Japan They are people who are willing to live at a standard of living that we could never accept I think in time the Japanese people will look at television and see how they are living in the rest of the world and are going to demand the biggest share of the pie A consumer movement could start in Japan sometime Outside of this work ethic that they have and their willingness, they have to live in two room apartments It is the only thing that Japan has. They have no other natural resources, no oil, no gold, and they have this labor component that enables them to be successful Those people are bound to want more and move as time goes on I think Japan, down the road, is not going to be the competitor that Brazil and some of these other South American countries Brazil is going to be a major factor, I think, and the Argentine Some of the South American countries are going to get their problems behind them Of course, you hear about Taiwan and Korea and South Korea have been very stiff and competitive for Japan They have been on the same route as Japan. That is going to continue We have to adapt to the fact and so we have to make an effort to reverse it

We did make a major acquisition this year Commercial bought this filtering equipment company It is a much different market than we have got under before. It is a consumer market that makes pure water systems They also get in to ecology and filtering systems they use for health systems and a lot of applications. We are trying it this way to diversify and keep the company successful The company had a great history of success In fact, if you go back to the late 1970's, Commercial was named one in the country in Fortune in the top 1,000 in Fortune Magazine The total return to shareholders over 10 year period did extremely well The company made a number of millionaires around Youngstown The company has not done that well in more recent years in stock returns It has still done well by the shareholders and dividends It is kind of equivalent with tailing off of the 1979 peak with the earnings records The earnings record, of course, is really the basis of making a return to the

shareholders. The company has been a very profitable company

C Getting back to the 1960's, when you assumed the vice-presidency, what were some of your responsibilities? How was the company growing? Were there any modernization procedures underway?

T As I told you and mentioned earlier about moving out the assembly operations, I was involved in all of this productivity program. I went around and talked to the floor employees in small groups about all of our programs and how we could cut cost and how we had to improve productivity. At that time, we had low earnings and were still trending downward, and we had to do something. What we did at that time was we got an agreement with the union to revise our production standards. We went in and looked at every operation and talked to a lot of people and repeated sessions of all the shifts and everything. We even laid off our whole department one holiday week. We put operations together that we thought could go together to get away from the concept of one man running one machine, and make it two operations and put two operations together and that type of thing. Then I got involved when we decided we were going to move out several of the operations in Youngstown and the hydraulics of them.

I went looking for a place to locate. We found this place out in Indiana. I was largely responsible for the transfer of operations. I got involved with the European operation. I went over there as a general manager. When I came back from Europe, I was strongly involved in the international operation. We always have a responsibility for the personnel and general supervision and that whole area. I later, with John Nelson, under Mr. Cushwa, I took the administrative and financial data processing and that whole area and he took the home operations to operate, he as president and I as chairman with that division of responsibilities. Because we were long time friends and business associates, and we were ready to do that. I guess I got tied beyond your question.

C Were you able to improve productivity?

T Yes, we had a substantial improvement in productivity when we moved our assembly operation. As I said, we got in the national union here in Youngstown that review all of our standards and went out with some minor modifications, they agreed with our standards. I spent the whole day myself with some of the union people and disassembled bumps. I made those standards and I am certain of that. They are very objective, not very adept at it. I knew there was no problem with it. I wanted to satisfy myself for one thing, but they would not budge. We got a substantial improvement there. We also did by regrouping machines and that type of thing, and you set the standards. We had a lot of trouble. It did not go down easily, but many years, to get the situation stabilized.

C Do you mean the union problems?

- T I mean productivity problems. I think the thing that helped us at that time was that we went over seas, and that improved the possibilities to make pretty good money in Southern Europe. I would say the profits climb again. We had some improvement in domestic productivity as well. At that time, we got labor settlements we really got prices, too. You cannot do that. You cannot raise prices at all. That is the bottom line. You have to cut them.
- C At this time, you have moved in Luxemburg in 1960's. You mentioned that you were in charge of operations there.
- T Yes.
- C So that was 1963?
- T. Yes, I have six children at home and we all went to Luxemburg to live. We even had a five month old baby at the time.
- C: How involved was Commercial overseas and what countries were they expanding or trying to penetrate their markets?
- T When we went to Luxemburg, we went over to help out only our foreign markets, but our home domestic customers were expanding or establishing operations in Europe following the establishing of the European common market. That was first set up in 1958 and when we went over there in 1960, it was just beginning to shape up. We were interested in being in the common market theory because we could afford to have another one of these plants. We looked to see where we might locate over there, and we finally decided on Luxemburg. Luxemburg is a country that is very small, only 1,000 of square miles. At that time, only about a quarter of a million in population. They were very disposed towards Americans that liberated them both after World War I and World War II. Nobody was mad at them when they had trouble trying to sell to Germany and vice-versa. Nobody was mad at the Luxemburgers, so we could sell out of Luxemburg.
- We had very great problems and we still had to move the product across national boundaries. In those days, it was not pre-moved at all. It had stopped at every border. My major problem when I first started there was to try to get the customs people to know our product. They divided everything that came into Luxemburg where it came from a common market area. It did have a custom union at that time in Belgium, Luxemburg. Whether it came from the general common market or whether it came from outside the common market, you had to segregate all of you inventory, you had to keep separate books on every part which is shipped or it came in and that kind of thing. Every time it crossed the border, you had to do the same thing again. You had to explain to the customs man that this is the part that came out and so forth and you had to put a value on it. It was just a nightmare. Even then if your truck and product got to the border at half a noon Saturday, the truck stood at the border until Monday morning.

They did not have custom people that worked weekends. Incredible. All of the things that had to be done in those early days to get really make it a common market was just incredible. It was a great experience for me, I am saying Starting from those small beginnings of servicing and selling our product in Europe and starting to manufacture hydraulic components, we had an opportunity to bid on a job in Pakistan One of the things that we made here, and I have not talked about the history of the companies there and the metal products, they developed in the early days, a product for underground support of tunnels, water tunnel, sewer tunnels, highway tunnels, and all of these projects where they have tunnels that require the steel supports A company prior to that used to use timber and metal plates They use them a temporary support instead while they are on construction While in Luxemburg with this initial hydraulic operation, we have this huge dam they were building in Pakistan. When they build these dams, for water control and power and so forth, they usually have to have tunnels to divert the water and the river that so they can build the dam When they do build the dam, they have to put power tunnels in there that can take the water and preserve it for whatever emergency they may have There is a lot of tunnel work involved in building a dam

We could not bid this job out of the States because of the finance bind We could not bid it out of the States because of the fact that even the steel crises put us out of competition in the world market We bided out of Luxemburg We went down and got some prices from some steel company over there Low and behold, we got the job, so we had to get into the manufacturer of steel supports in Luxemburg We got a pre-engineered building and got permission We got a building, a pre-engineered steel building Everything over there at that time basically construction. We just did not have anything well known We put it up, we got into production and on the supports for the dam in six months. You had to We had our deadline We got into the tunnel support systems over there and at the same time, because of our experience in getting this pre-engineered building up and stuff like that, we got interest in part of some of the people over there that created the building

We took a license from this steel division of National Steel and, instead of selling steel, building steel We got from that into manufacturing steel buildings and still are. It is a major by-gone in Europe and not in the United States at all That is the expanding the operations there Next to Youngstown, that is the second largest operation still Not only did we establish two companies, but we bought tow subsidiaries of another British company when we were also in the hydraulic market So, we have four, on every continent we are represented Outside of that building business in Europe, everything else we have around the world is hydraulic We did, for awhile, have a tunnel support operation in Brazil who furnished supports for a subway We are not actively engaged there

- C What was Youngstown's role in Commercial Shearing?
- T. Do you mean in the overseas operations?

- C: Yes, and in the State also.
- T I am not sure what you mean
- C. Well, you said that Youngstown played an important part in Luxemburg operation Could you elaborate on that?
- T. When you have to transfer technology, you have to start up operations At one time, when I was over there, I had 12 people with me from Youngstown One of the things that you had to do was try to teach technicians from here in this country through what you call a bilingual foreman, to a worker who did not understand any English at all We did have lots of problems with that because most of the people that you find in other countries and you say how you do it, you get, "Well I know, I know " "I know" are very slow to say that they really do not understand and would you go over that again? They will not do that. We had to bring our people over in the major parts of the business and train people to do that job It takes a number of years to do that I would say that most of the people who have positions in the company have had some exposure overseas The ones that have not actually lived over there or spent a lot of time overseas have spent, let us say from even the early days, it is represented a third to the company
- C That high? Has this increased or decreased throughout the 1960's and 1970's?
- T. It was one of the things that helped us Let us say Europe and the U.S are on the same economic time frame, and even within all those countries they are on the same economic time frame, so one might be up while another is down in the economy The same thing is true Even though things maybe slow here right now, they are busy in Brazil For example, Brazil, since the price of oil has gone down, and along with all of those countries how it is really starting to pick up The heavy burden of imported oil has eased
- C. In 1963 became assistant to President Cushwa?
- T. Yes Well, I was growing much involved in the foreign operations. I am still much involved
- C How are Commercial's profits doing this time Have they been growing?
- T I would say that the company right up through 1979 had a pretty steady increase in profitability There were ups and downs, of course When we went to Europe, we were still a pretty small company In 1960, our sales were \$30 million or something like that If you made, at that time, a couple of million on \$30 million, you have a very nice return We would have peak earnings in 1979 We had \$250 million in sales in about 18 years The company, throughout that period,

like I said, made a great return to the shares as we have a lot of share dividends as well as consistent increases in the cash dividends. We have a couple of stock splits and stuff like that and, for the period of time, it did pretty well. It reflected the fact that the earnings generally ranged from 6% to 8% on sales. It was very solidly profitable. Watch through the years of the Great Depression, the company never lost money in a year. They never had any deficits for the year. The closest they came in recent years was in 1982. They have come back. 1985 was not a great year either, but they have come back a little bit. There is not boom and there is no boom in sight. There is a little, here in recent days, there had been little healthier times. Still, not like when you see it when it starts to go up. You can see it when business starts to improve.

C This is because changes and foreign competition has taken as many factories, in many instances whole machinery, in other instances the replacement, components that you formerly manufactured.

T. There is the other side of it, too. We were large exporters. As the dollar gets stronger, we were not able to export, particularly to third countries. We exported to Africa, the Middle East, and so forth. Those markets were gradually taken over by foreign manufacturers because our prices were too expensive. The best example I can give you, of course it is coming back now, when I lived in Luxemburg. The Luxemburg frank was worth \$ 02. This meant that if you produced a machine for export for a million franks, you sell it over here for \$20,000. The market, then, the dollar-frank relationship came from that point to the lowest it could get, which is \$1 70, so that would be for \$17,000 the same price of equipment. With the top peak of the dollar, that doubles. During the past year, you would have paid \$34,000 for that same price of equipment.

I am sorry, please pardon me for just a minute. When I was in Luxemburg, the dollar frank was worth \$ 20 so something that you produce for a million franks cost \$20,000 if it is exported out, let us forget the duties and so forth. Then that value of the frank went up over \$ 03. Inflation at that time was running up over around 20%, rather the rates peaked around 12 ½. At that time, it would cost you \$20,000 to have brought in that same product. Then when the dollar strengthened just between 1980 and 1985, that went to close to that \$ 03 down as low as \$1 70. That same piece of equipment could have come in for \$17,000. This was just be the difference between the change of the two currencies. You can see what that has done to us. At that same time, products are so much more expensive trying to sell it abroad. In the third markets where they do not manufacture so much, is where the manufacturing nations compete for the sales in those countries that is changing. Well, we have lost export markets both to the point of view to direct products and also products incorporated into the equipment that is increasingly being imported. That is what has happened to a lot of those markets.

C Perhaps you would like to tell us some of the problems or some of the issues

during the time you were assistant to Mr. Cushwa from 1965 to 1975

T The company was growing quite rapidly at that time, and we had personnel problems all of the time, with a growing organization and shifting people around and so forth. At the same time, we were expanding our international operations. We went in after Europe and England in 1962. We went to Australia, to Brazil and to Japan that time, while I was in this position. There was a need for us to send personnel to these various new established operations. We had to, in some cases, hire and train people to get around in the international end of it. The international became a growing part of our business. At that time, the United States was leading in technology. The products that you introduced into other countries, most of which were manufactured here and exported to these locations, were true of the last three that I mentioned: Australia, Japan, and Brazil. Everything was an export operation in those countries. It was a sales and service operation in those countries.

Our products were well received at that time. Japan did not have the technology they have here. Our company's philosophy at that time was to go independently. We did not want a joint-venture partner. We did not want to provide a license so that someone would become a competitor of ours after the license expired. Many of those countries live under the license to short period, like Japan, that are limited to five years and at that time they would extract all of the analogical data they could from you. It would take you that amount of time to build up to the business and when that period of time was over, unless you had something brand new in the way of technology, your license terminated and you filed a competitive that you are licensed. We were opposed to going that route. In Japan, they would not allow you to manufacture independently. You had to have a Japanese partner who had control, and we had to confine to trying to sell against Japanese products in Japan. We did quite well for awhile, but every one of our competitors in this country went in with a joint venture partner, a Japanese joint venture partner, all granted a license to a Japanese company to produce their product. After a period of time, the technology was all there. Then it became very difficult, as it is to this day, to sell in Japan.

I was involved with a great deal of this international operation at that time. I gradually got away from the labor picture, although I was, during negotiating periods of course when the contract was being negotiated, active, at least with perhaps not sitting in on the committee and developing strategies and issues and stuff like that. This business, as I said, continued to expand pretty rapidly. By the time Mr. Cushwa died in 1975, he had assigned John Nelson and myself joint responsibilities. Mr. Nelson had the operations end and I had the administrative end and the financial end. We were well prepared when he died to just continue pretty much what we were already doing. The first thing that happened when Mr. Cushwa died in 1975, we went from a peak business in 1974, into a recession. It looked as though that when John Nelson and I took over the business it went into the tank. We managed a lot of that business and kept it booming. It went along nicely until the general recession in 1980, at which

time, until now, the basic industry in this country has not made any real recovery. It has gone along pretty flat since 1980. 1979 was the last peak of capital goods produced in Youngstown. You wanted to get an update on the labor picture?

C Yes

T The picture in Youngstown has just been a complete disaster on the labor front. When you look and see what has happened from the time as I mentioned earlier being the third largest steel producer in the country through today when there is not a ton of hot iron produced in Youngstown, it has been a tragedy for the people here. One of the results of it has been, among all of the bitterness, there has been a growing realization that you do have to compete. Many of the labor people in the valley are willing to discuss improving productivity, reducing costs, and this type of thing. I mentioned earlier, as late as 1980, all of the fabricating companies who had been shut down at contract negotiating time because of not being willing to follow the steel settlements and so forth. In 1980 until 1983 with the shut down of the Campbell works in 1977 and then the succession of things that have happened, with all of these operations being shut down, there was concern that it could happen here and there became a willingness to look at some of the problems, the competitive problems with companies here.

Just between 1980 and 1983, all of this change of thinking was taking place and, in 1983, for the first time in Commercial's history, we negotiated a four year agreement. We have not had anything longer than three years because the unions always wanted to be in sink with the steel agreements, which ran for three years. Then they would have the basic steel agreements when they were settled, and would negotiate with the fabricators based upon what was in steel and many times what was in steel plus. In 1983 we negotiated a four year agreement. In 1987, in that four year agreement, we went on the basis of trying to persuade the employees, if we could, we had about a 50% higher cost basis than our competitors. We had done surveys of wages and fringes to show them what the picture was. We had done this before but they never paid attention and looked at that as propaganda. We said if we can hold our wages for four years and of our competitors would be granting wage increases of five or six percent, which was normal at the time, then perhaps we could close that gap considerably. If we could combine that with improved productivity, we could perhaps get more competitive.

This was sold without any strike or anything else. We got an agreement for four years pending in 1987 and stopped the cost of living provision, and we froze wages. Actually we had some reduction in wages, some of the more extravagant fringe benefits were restrained some what, so that the company was expected to come out after four years with something like a dollar an hour less labor costs than four years earlier. It has not worked out quite that way because many of the things, like health care costs and so forth, have continued escalating. The change in attitude on the part of the union bargaining group is traumatic. They started out wanting everything but we, more and more, got to

discuss these things. We got a much more reasonable attitude.

As I say, without it, without any strike, we got the settlement. Beyond that, we started in our 1983 agreement. We had these old wage incentives in there, but every time we put a new production rate out there we would be foot dragging and everything in the past to get a low production rate. They could not only make a good bonus, but not work very hard to get it. There was a practice in the shop and they would quit at least an hour early. In many cases, they would quit two hours early out of an eight hour shift. We got into that in 1983 into our contract negotiations. We said we have to throw out the whole incentive system and we will substitute it for that type of program that was cooperative program. You would have committees in the shop sit down and say how can we improve this operation and work together on it. Basically, it relies on the good communications program between parties. Working together in these productions committees to affect savings, which then would be shared between the company who would invest in the equipment and employees who would get a bonus. We put in these programs and I think they have helped a great deal, not only improving productivity, but providing a basis for better relationship between the management and the employees in the company.

The leadership is not as radical as it used to be in the past. As you can understand with the psychology in Youngstown, most of your employees would be very happy just to have their job. They are still getting wages and fringes about \$19 an hour just like keeping their present at the present wages and go home that way because of all that has happened in town. There is a great deal in change thinking that has occurred in recent years. Unfortunately, it had to drag this community down to it's present state to change that. However, that will persist from now on and I think there is a reasonable chance of that we are not going to return to the labor radicalism of the past. I do not think you will be able to build up some of the businesses in town and create some new ones and see if we can get this community moving again.

C Since your overseas operation, the cost of them must be considerably lower in terms of wages. Have you maintained Youngstown and national offices.

T It is not quite true. The European are quite comparable to ours. When we first went over there, we could hire a machine operator for about half of what we did in Youngstown. They are about equivalent to us now. They have had in Europe, the wages are pretty much equivalent. The other extreme is Brazil. Their wages are about 30% of what wages are here, and the fringes are very low as well. I look at Brazil as being one of the biggest competitors to this country. We have got to tie ourselves more to something as years go by. Not only are there large populations and good markets, but they are pretty intelligent work forces once they are trained. They are a good work force. They are still pretty much willing to work and are very much interested in improving their lives. This makes them tough competitors.

I think I mentioned when we talked on Tuesday that a lot of companies

now just shop around where they get the product made the cheapest anywhere around the world. It is a world market in a lot of industrial products. They also plan their own production to say we are going to make this here and that there, and make it in a place where they can do it most efficiently at the lowest cost. I do not think that is going to change. Why should we not do it all over seas? There is only one real market. There is no market in the world comparable to the USA. It is a huge market with no borders or anything else. You can ship freely around this country. There is a great advantage of having the operation here, but you do not have that concern when you are located within the country.

Not only do we have this huge market, we have good transportation and so forth. There is a great advantage. Costs are relative. If you are making a product and it is a highly technical product and you are just purchasing components and putting it together, you come up with the cost of purchased components that might be 80% of your total cost and maybe a labor cost as only 10% less than that, then if your labor cost is only 10%, even if you have a disadvantage of 50%, you are only talking an overall 5% on your costs. You can offset that with better shipping and cut costs of duties and things of that nature you can offset it. If you take something where labor costs are 50% or 60% of your costs, that is the type of thing being made over seas and shipped in here. We do not have much that where the labor cost is up there because we have machinized our operations pretty heavily and labor cost is still over all maybe 20% of your total cost. That does not make as big of a difference in some of our products as it would in other things that are imported. I do not know if I made that clear or not.

C. Could we run down a little part of history of the company? You mentioned they first began with tunnel supports and things such as these. What else have they expanded?

T. Initially everything came out of the stamping business.

C. In Youngstown?

T. No. Mr. Cushwa had four other partners. Mr. Cushwa had been general manager of Briar Hill Steel Company. When that was taken over by Youngstown Sheet and Tube in 1920 or after World War I, he left Briar Hill with four others. They started up this business here from the present site on Logan Avenue with a used steel building that had been used for welding. That kind of an operation is how it started. They have very good engineering talent and Commercial was the first company to make a lot of tank heads cold. We were talking about the top and the bottom of a hot water heater up to the pins of the tank on a fuel truck. They are the huge head and hemispheres. Commercial was the first one to make these cold. These always used to have to be formed a hot. Commercial was the first to design a four cornered plate. That is a heavy steel plate that could have four corners. Before that, you had to weld these corners up if you

wanted to make a plate that had corners that you could fit one plate against another. Commercial also pioneered in bending heavy structural which were used in underground support. They introduced these steel plates and structural into some of the cases where they were underground. The Detroit Tunnel is an example and the Chicago subways in the 1930's and the Boston Tunnel is which was in 1935. I think the Chicago subway was around 1936.

During the 1930's Commercial kept operating with these products that they were able to furnish and taking in construction projects. It was during the 1930's during the Depression that there was a lot of attempts to employ through construction work. There were a lot of these major projects that came along at that time. Over the years up until maybe 1970, there was a whole build up of water projects in the west and the whole highway system in the 1950's, particularly in the west. Commercial put steel in better than 90% of all the underground work in the country. We bought a plant in Chicago and operated out of Midwest. We started an operation out of Salt Lake City to furnish the west. That was in 1951. Name the project, whether it is the tunnels along Pittsburgh, Los Angeles aqueduct, and the San Francisco, we had steel from our plant in all of those tunnels.

We were the leading one. As a matter of fact, two of our leading engineers collaborated in writing books that are rock tunneling and steel supports and soft ground tunneling, accepted as Bibles in the industry and construction for supports and underground constructions where you have steel under the Pentagon, Norad, and all these places. I was even down in Australia one time and introduced myself to the people there that were building some tunnels down there. A man turned around and on his bookshelf he had those books and I had the same experience in South Africa and they had these books. They are accepted as the Bible in the industry. We were very well known in the construction industry.

In later years with big budget deficits and so forth, these big huge construction projects such as dams and everything else that were built have been put on the shelf. The easiest thing to try to reduce your budget expenses is to talk it one five billion dollar and set it aside and try to chop off a lot of these that run 50 million. We have not done much. There has not been that much in the way of large construction work. What there has been it has opened out of world wide competition. The Japanese have been prominent. They have been our principal. We did a lot of work in the bottom of the Boston subway. The Japanese have been a flexible competitor, even fabricating in Japan. They ship it over here and they can do it with less cost than we can because they are subsidized.

That is one area of business. It still exists today, but we do construct underground supports. We also made all kinds of tank heads. We made different kinds of stampings. We used to make grave vaults and we got out of that business because we did not make any money. We had patents on the side or the rear. Once a lot of the forest work was completed they were not that much interested in paying for the additional cost of the hydraulics and everything. In

the three was dump. We got out of that business, but we stayed in the hydraulics which became a new area of business. We were in the ground floor of the development of the change from mechanical transmission of power to hydraulic transmission of power. After World War II, we developed the first efficient gear pump and we got patents on it and we are, to this day, in this country the leading manufacturer in mobile equipment of gas pumps.

The thing that makes us not very well known was the fact that everything we manufactured goes into someone else's piece of equipment. We do not mark it anything to the public. The public does not know us at all. Among our customers we are very well known. We have a leading position in most of our market. Hydraulic equipment, we are in a lot of markets that were very good for many years with hydraulic equipment and construction equipment was very prominent in that field with the Deere's and the Caterpillar's and these kinds of customers. All kinds of mobile equipment. Everything from conveyors that move luggage at the airports to machines that pick tomatoes and shake trees and all sorts of hydraulic equipment that is powered hydraulically. In the mobile equipment field we are well known in this country and indeed abroad. All of those operations that I mentioned around the world with the exception of the steel building business in Europe, all of these other locations are purely hydraulic.

C: You mentioned that in 1965 you moved the hydraulic production out of the Youngstown plant.

T: In 1962.

C: 1962. I am sorry, it was 1962.

T: We moved the assembly. We moved that to Butler, Indiana. That plant is no longer in operation, but it was there for a number of years. We moved that assembly a number of years after, which is on the border of Indiana. That operation is still there. Back in after we had the boom in 1979, we thought we just did not have enough to pass in the peak in 1974 and 1979 in hydraulic equipment production. We lacked sufficient capacity. We worked a full six days a week, three shifts, and we still could not get out everything we had orders for and we decided how we are going to expand. We did spill over from our Logan Avenue operation to the plant on Mahoning Avenue and we leased a plant on Andrews Avenue, and we were spilling over some of these other locations.

Then we decided we were going to build additional capacities. We probably should have looked for a lower cost operation outside of Youngstown. At that time we built two plants with one in Kings Mountain, North Carolina, just outside of Little Rock, Arkansas. The one in Arkansas being a hydraulic solvent plant and the high gear and machining and assembly plant in North Carolina. I think that when we did this, we did it for two reasons with the operations. The basic reason was we needed additional capacity at that time and, as it turned out

later, we did not need it. If we had waited a while, we would not have built those. Secondly, we wanted to have plants that would have lower labor costs because we were finding out that there was just so much competition out there that we better get rid of lower labor costs. Thirdly, to make ourselves less vulnerable so the union could not shut us down completely. We had been working for a number of years towards that end that we could with our assembly operations being out of Youngstown, be able to operate for a considerable period of time if we were shut down by having rooting up inventory in these assembly locations and being able to still ship to our customers, although in time we would not be able to still ship our line filled because we would not be making the basic components. For those reasons we started these other operations.

I have to say that what has happened in the steel mills has made a big impact on the minds of our employees. Probably the first impact that hit our employees were these outside operations. They began to realize that the company might have some other alternative not to just give in to unreasonable demands. We got some attention from the employees to listen to our story once we had some other course of action we could take. Gradually, over the more recent years, we have less our production in Youngstown. We still have a substantial operation in Youngstown. We have our lives still in Youngstown. We have our headquarters here which, of course, is a lot of salaried people involved. We are probably not, but counting Lordstown, the largest private employer. I say private because the university and hospitals and so forth have the largest employed.

C What is manufactured in Youngstown and how large is your facility?

T The hydraulic gear pumps and control valves and cylinders are all manufactured here. Cylinders are also manufactured in Youngstown. We have the only foundry of our operation in Europe. We do not have a foundry here. All of our castings that go into our pumps and valves all come out of Youngstown. That is the only division in Youngstown. We also machine the parts for our gear pumps both here and in the other plants. It is about half and half. Cylinders are manufactured in the plant on Andrews Avenue. It is about half and half. It is not the greatest arrangement in either case because we could probably run the whole volume that we are shipping out in one location. We split it. One of things that we do not want to do is hurt Youngstown than we have seen. We will always keep our operations going here, even though we do have lower costs elsewhere.

Then we have the press metal end of it. We have these large presses. We have tried there to try to gear a certain segment of business. That operation has been there in the same location since the beginning of the company. Here we make all kinds of tank heads and custom stampings for a number of different industries, such as truck, automotive, and railroad. The automotive has had its moments. Railroad did terrible. We make a lot of these custom stampings down there. That business is still there and has gone on.

We never mentioned the operation we have going in California. We have a press metal plant as well. That plant produces even larger tank heads and these heads are not made in presses. They are very large and heavy. They even have to be cut. That is how big they are. That operation is still in Youngstown. It is the only location we have for that line of products. We have warehouses and so forth out in that location. We make linear planes for tunnel here in Youngstown. That is pretty much what we do and of course we have the headquarters here.

C: Do you purchase domestic steel?

T: We have, in the past particularly on occasion, bought foreign steel. One of the big problems in the steel industry, in my opinion, is the steel industry never had any concern about their customers. Not only did they keep a price list, but they did not worry whether you were out of competition or something. They did not want to change a price or do anything to make you more competitive. We had an operation down in Houston. They used to compete with us.

C: When was this?

T: Pardon?

C: When are you referring to in time?

T: This was somewhere in the late 1960's.

C: Okay.

T: The Mexicans shipped in their first tank heads to try to get into the Houston area with some tank heads. Immediately they dropped the price of their product below what we paid for our steel. We were out of business. We went to our principle suppliers at that time which were Youngstown Sheet and Tube and U S Steel and we said we have this big problem and we need relief. We have 80 people working on this product line down here in Youngstown and we have these big presses tied up. We just cannot compete. You are charging us more for the steel than we can produce what Onko is selling their finished product. They could not do it. They absolutely refused to help us at all. Price is the price. That was their attitude at that time. We said that we had no alternative and we are going to have to look for cheaper steel somewhere else. We put some orders for Japanese steel. It took us a year before we got the first shipment, because they were all backed ordered. For that whole year, we continued to ship that product and we just lost a ton of money to stay in business. When we got the Japanese steel, it was so far superior than the steel than the steel that we were able to work with it with practically no scrap. It was just excellent steel. That is the only time that we did that. I remember being down here at the Youngstown plant.

when one big mouth from Sheet and Tube talked about Commercial buying foreign steel in front of the whole bunch of business people here in town I got up and told the story because I was tired of listening to them complain about the customer buying foreign steel but they will not help the customer. We went down to the Mexicans who were bringing the tank heads in and we brought suit down in Eagle Pass, Texas, against the Mexicans bringing that in as a mill product with no duty on it Not one steel company would join us That is the attitude that they had They were arrogant people in those days If it were not for the human carnage that has resulted, you would say that they brought it on themselves with a lot of the things that they did

C. Basically, you are a domestic steel purchaser?

T. Oh yes. As a matter of fact, we had a steel warehouse up in Niles, which we had sold You do not need to have a warehouse if you have discovered steel in this country You can buy steel at a pretty good price We would buy foreign steel only if we had to do it to get some large project or something of that nature done such as a large tunnel project we had to compete world wide on the product. Our purpose is to buy domestic steel

C. Since Sheet and Tube shut down most of their works in Youngstown, will you purchase will U S X , or did continue with LTV from their different locations?

T LTV was our largest supplier, but we buy from all of them

C How have EBA regulations affected Commercial over the years?

T The only time we ever got into any questions with EBA was when there was a dump up here somewhere. An outfit would come round and collect slugs that you would get out of your machine, after which is a combination of metal failings and detergent that you use on your machine casting As a service, they used to collect it Some place that they used to dump the vials and our name was on some of it Out of business of course, but that is the only thing that we ever had any problems with We used to get complaints when we had coal fired boilers when you would shake them down, but we really do not put any contaminants into to air in the kind of business that we do. Our foundry is a pretty clean foundry We do not have any EPA complaints about our kind if operations fortunately

C Do you have any final observations as to Commercial as to how the steel market eluded many times How the steel market has changed or any final observations as to what you have seen in it anything with any final thoughts on Commercial Shearing?

T Commercial Shearing is a pretty solid company I mentioned earlier in the

conversation that we did have an objective to try to make the company more competitive in the traditional businesses and at the same time see if we could not provide a better future to move it from strictly being tied to capital goods with supercality and the foreign competition. We did get into another line of business. We did buy this company. We paid over \$100 million dollars for this company with its headquarters down in Connecticut. The business is filtering of product and filtering everything from tradition filters for industrial use for pharmaceuticals for food products and so forth. It is a way out of filtering processing that are not mechanical type filters, but filters that use electronics and various types of reactive chemicals and so forth to take a hepatitis virus out of the blood and things of this nature. The broad line of filtering products including the line that for clean water treatment for sinks and types of tanks and that type of thing and for ordered dispensers and for all kinds of operations like in pure water and that type of thing. It is a broad line of filtering equipment and we bought this business because it has a much higher growth pattern thanks for hydraulic equipment and basic metal products.

Our tunnels were always a kind of up and down operation because it depends entirely upon these major construction projects. Most tunnels are funded by the government whether it is a vehicular tunnel or dam. Some government is buying most of it. Occasionally there is a railroad tunnel that they may not be government. Most of it is government and it has to be appropriated and so forth. You used to be able to depend on that business, but it would be a recession. The government would pump money into construction and a lot of these projects would come into being and give you kind of a counter cyclical advantage. That has not happened in recent years. Those big projects just do not are still on the shelf. There are billions and billions of dollar drifting. Someday it may be resurrected when we get a balance budget in this country. You can see the interstructure in most of your large cities in this country have gone way down hill. We have fortunately passed this bridge levy here in town, but that is just one reflecting as to what has happened in all of our big cities and industrial northeast in particular. This all has to be renewed.

Someday the government is going to have to spend a lot of money. In my own little favorite picture, I kind of understand why we can afford so much money for welfare and unemployment compensation, but we cannot afford money to provide jobs except for in our cities. There seems to be a mismatch there. I just do not understand that. It is all intertwined with political aspects that is hard to consider a simplistic type of thought like that. You know it all could be done in Youngstown and probably much cheaper paying people who would pay taxes then it would pay them to keep them.

C What do you feel the future for Commercial Shearing will be?

T Well, I think this acquisition is certainly provided a better growth pattern we have exhibited in the past four or five years. I think we have well established position in our markets. I think we have a balance and, internationally, that gives us

stability As I say, they do not run under the same economic cycle very often We have this new business that gives us a good area of growth and I think the prospects of the company are very good I think by the end of this decade that Commercial will be doing very well. We will see

C Did you know anything about the recent expansion? It was just completed this year, was it not? I was informed that they just had a big expansion added Do you know anything about that?

T: That could be this acquisition

C: I see

T I do not show up on our balance sheet as much because the cost of the acquisition is pretty much and increased value of the assets of what we bought in this business. We can offset by the increase of the debt that we had to take on to buy it I would say that down the road it is going to be a very valuable acquisition. It is not easy to see it in the balance sheet We can see that we have a lot more debt We used to be a cash rich company Now we got a food debt burden. We had some concern about somebody trying to take us over, but we had one company try to do that in 1977 or 1978. It was 1977. They were a company that were after us after Mr Cushwa died We were able to stay that off. In fact, one of the things we generally have in favor is that fact that something like 2/3 of our shares in the company are held in Northeastern Ohio They are held by a lot of people who know the principles in the company

C: Who tried to take you over?

T. That was a Chicago headquartered company They have plants all over the country They have had some problems too.

C That is the only time in history that happened?

T Yes We have had a lot of offers, friendly offers, but nobody had made any unfriendly move towards us.

C That was right before your peak in 1979 of your earnings?

T Yes

C Thank you very much

End of Interview