

Business

Marilyn Fitchett editor/591-2300



(F)10

Perestroika opens doors for FATA

By Tom Henderson
staff writer

Years from now, when historians are writing the final chapter on the success of failure perestroika, they just may want to include a footnote about people like Anna Migliuolo and places like her small, easy-to-miss, six-person office on Industrial Drive in Livonia.

Restructuring the bureaucratic mass of Soviet society is a grand and daring scheme, involving world leaders and incredible changes of philosophy. But whether it succeeds will likely depend less on political maneuvering and power plays and more on such mundane things like having enough bread on the table and enough refrigeration units to keep the crops from rotting.

"The feeling we get in Europe is that this is the first step toward democracy in the Soviet Union. It will be a long road, but this is the first step," said Migliuolo, who arrived here in September from Torino, Italy.

"But perestroika and glasnost will fall through if they don't get enough food. The food situation in Russia has never been this bad. Glasnost will collapse if people don't get food on the table, soon."

Which is where Migliuolo and her company, FATA Automation, come in, riding to the rescue, she hopes, not only of the Soviet food industry, but maybe even of world harmony.

FATA EUROPEAN GROUP is a worldwide, Italian-based company which has with the Russians go back to 1959. In 1962, FATA built its first Russian factory in Siberia and since has built several turn-key factories for the Soviets for food processing

and producing cardboard boxes and other food packaging.

A turn-key plant is one where the contractor builds the entire plant, then turns over the keys to the owner. FATA specializes in automation procedures and organized material-handling procedures for the mammoth Kamaz truck plant, which was finished in 1967.

FATA, in fact, was the first Western firm to establish a joint-venture agreement with the Soviets in 1987. FATA has a 27 percent investment in a plant that will produce commercial refrigeration units, with a target of 250,000 units in the first year of operation in 1990.

"That's an enormous total. Absurd by Western standards. But by Soviet standards, it is just right," said Migliuolo.

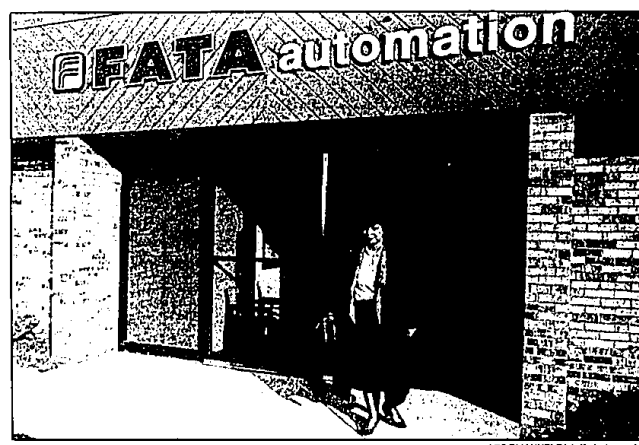
As huge as the plant will be, and as impressive its production, such is the level of automation that just 200 persons will be employed there.

MIGLIUOLO'S OFFICE is modest. It gives no clue to her title: senior manager for U.S.-S.S.R. relations. What she has done since her arrival — the office opened in July — is look for American businesses in the food industry who are looking for joint ventures in the Soviet Union.

She said she hopes to announce her first agreement by the end of the year.

She goes back to Italy regularly, is in Moscow once a month, and travels in the U.S. looking for partners. No wonder she has yet to unpack her boxes at her Farmington Hills apartment.

Migliuolo is particularly well suited to negotiations involving widely disparate cultures. Her father, Giovanni, is the Italian ambassador



Anna Migliuolo, as FATA's senior manager for U.S.-Soviet relations, says "the Russian market is so big, it's almost unlimited."

to the U.N. and was formerly the ambassador to Russia. While living with her father in Moscow, Migliuolo majored in mathematics at Moscow State University, and later got her master's in public and private management from Yale.

She speaks fluent Russian and English, the latter without much trace of an Italian accent.

Migliuolo said there is a big difference between negotiation techniques in the U.S. and those in the U.S.S.R. "a gigantic difference. In the West, you go straight to the company you want to deal with. In the Soviet Union, you go through various entities, and you must know them all very well. Up until 1987, you had to go through the state machinery, too. But now, under perestroika, you talk to the end user straight off."

Where before it might have taken two years of negotiating, and many return trips to Moscow, to agree on details for building a plant, the much more complicated task of setting up the first joint-venture agreement took just eight months, said Migliuolo.

THE YEARS of groundwork, the months of often fruitless negotiations, are well worth it to a company serious about establishing long-term business with the Soviets. "Because once you get in, the Russian market is so big, it's almost unlimited. It's worth having a team there."

And worth, said her company's market studies, opening up a U.S. office to foster more deals with the Russians.

"Our research told us there are fantastic opportunities in the U.S. and the market here is moving toward doing business in the Soviet market," she said. Another factor were similar economies of scale — there are about 240 million in the U.S. and 270 million in the U.S.S.R., so companies here are used to the production, marketing and distribution problems of serving a vast market.

Having lived in New York and Moscow, having gone to Yale and Moscow State University, how is she adjusting to life in suburban Detroit? Isn't it a bit provincial for her in the hinterlands?

"Why call it the hinterlands? This is a major industrial area," said Migliuolo, explaining that the decision to locate here served two purposes — one, FATA was looking to open a U.S. office to help with its Russian front; two, it got a contract to provide automated guided vehicles for four GM plants and needed to open an office in the Detroit area to service that account.

"Detroit is the Torino of the U.S.," said Migliuolo, referring to her company's headquarters in the car-building center of Italy. "This is a true sister city. And FATA is located in the suburbs of Torino, and Livonia is the suburbs of Detroit. So, I'm used to this. I've found it extremely pleasant here."

Franklin Savings to battle big guys

By Marilyn Fitchett
staff writer

A David among financial institutions soon will be competing with Birmingham's Goliaths, choosing to ignore the big guys' network of branches to compete solely on price.

Franklin Savings Bank, the five-year-old former savings and loan, will open only its third branch office at 479 S. Woodward in March, hoping to draw depositors from the northern suburbs. Other branches are in Southfield, where Franklin is headquartered, and Grosse Pointe Woods.

The Birmingham branch will provide an office close to home for many of Franklin's board of directors. Of the 11 board members, four are Birmingham residents, and five are from West Bloomfield.

The Birmingham building, to be colonial in style, is next to Pearl's Garden restaurant and two doors from 555 S. Woodward. Home of a former Volvo dealership, Franklin will offer covered parking and drive-through windows.

"A Birmingham branch facility is the logical move in our business strategy. We looked to major traffic arteries and affluent suburban areas as our niche. We think Woodward Avenue/Hunter and Birmingham fill both of those criteria," said Read Dunn, Franklin president and CEO.

In making the move, Franklin, with assets of \$351 million, will be hanging heads in Birmingham with eight banks and savings and loans, each with assets in excess of \$1 billion. Franklin, which became a savings bank last week, had been ranked number 32nd among Michigan S&Ls in a study by Sheehonoff & Co. of Austin, Texas.

"The question was how do you compete with these huge guys who obviously have a lot of intangible resources," Dunn said. "Our conclusion was that they all had very large branch structures, and that A) we couldn't duplicate that branch delivery system costwise,



This colonial-style building with entrance cut on the diagonal will become Franklin Savings' new home at 479 S. Woodward in Birmingham in March.



Read Dunn
Franklin president and CEO

but that B) we needed a way to use that against them.

So we said we will not compete with the big guys as a whole with geographic convenience. We will compete based on price with limited geographic outlets. We don't think the big guys can afford to offer price and geographic convenience. And so far in the five years we've been in business this has proven true.

"We don't see ourselves as trying to offer full department store lines of all products to all people. One of the things of being a small guy is that you're better off identifying a very specific range of products."

FOR FRANKLIN, that means wooing large depositors and concentrating on residential and commercial mortgages. Franklin's average savings account balance is about \$20,000, compared to the national average balance of \$2,000, according to Rebekah David-Christian, corporate communication director.

Franklin's slingshot has been comparative advertising, particularly for money market rates, pitting its rates against those of the eight big competitors. Franklin boasts the top money market rate for some 240 straight weeks.

"Our theory is that we can afford to pay a little more in interest rates if we don't try to create a 100-branch system. We can't do both. We think that's worked. As of September, we have been, in percentage terms, the fastest growing savings and loan in the state."

"Our Southfield branch, in dollar size, not number of accounts, is, we believe, the second largest branch in Oakland County. The only thing we know that's bigger is Standard Fed's main office in Troy."

Franklin's specialties include:

- "Jumbo" residential mortgages of more than \$166,700.
- "We are in communities where there tend to be more affluent residents, and they tend to have bigger houses. This is changing, but it used to be more difficult to get a large mortgage than a small one. We saw this as a need not being filled, and we think these are good investments," Dunn said.

Dunn explained that while holders of smaller mortgages tend to have a single paycheck as income, those with larger homes tend to have multiple sources of income and tax shelter investments, making it more difficult to determine applicants' financial situations.

- Emphasis on smaller, local commercial loans, placing Franklin in the top five in the county, according to Dunn. "Our proportion of commercial loans is probably the largest in the state of any savings and loan or bank. We have about 50 percent in commercial mortgages."

Although Franklin says its assets grew by 20 percent to \$347 million, it ended its June 30 fiscal year with a 37 percent drop in income to \$894,747. Dunn attributed the dip to an overall decrease in residential mortgages across the industry and to changes in accounting procedures that "have the effect of depressing earnings for three or four quarters" by amortizing income over the life of a loan.

Retirees need to adjust to changed lifestyle

Most people fantasize that life after retirement will be a time when you will worry only about whether you should spend the day on the golf course or take a stroll on the beach. In reality, retirement often means adjusting to a fixed income and altering your lifestyle in ways never anticipated.

To understand the way in which retirement can radically change your financial priorities, the Farmington Hills-based Michigan Association of Certified Public Accountants urges you to take a look at what retiring on a fixed income means. You may no longer have to pay commuter costs or maintain a business wardrobe, but your credit card debts, mortgage or rent payments and utility bills are likely to continue unchanged. And your entertainment, travel and medical bills may very well increase.

In the past, you may have counted on promotions, salary raises or bonuses to help you beat the race with inflation or credit card balances. But once you retire, your income may grow only by an occasional Social Security cost-of-living increase. Also, the amount of risk you can afford to take in personal investments, such as stocks or mutual funds, generally decreases along with the opportunity for dramatic appreciation of capital.

FOR THE MOST part, living on a fixed income means accepting the limits and possibilities of the funds you have accumulated or earned during your working years. Judging by statistics or recent years, Social Security will probably be the primary source of your retirement income. The remaining funds usually come from an employer pension plan and such savings options as IRAs, Keoghs or 401K plans.

Ultimately, retiring with financial security means handling your fixed income with intelligence and care. Start by examining your income and expenses and formulating a realistic budget. Add up what you and your spouse receive from such sources as Social Security, employer pensions, IRA or Keogh benefits, dividends

HOW LONG WILL YOUR SAVINGS LAST?

The chart below shows how long an account earning 10% interest can last depending on the size of monthly withdrawals.

	Beginning Balance		
	\$25,000	\$50,000	\$100,000
10 Years	\$330	\$661	\$1,322
20 Years	241	483	965
Unlimited	208	417	833

Source: United States Savings League of Savings Institutions

EMPIRE OF AMERICA HOME EQUITY LINE OF CREDIT

WE PAY YOUR CLOSING COSTS AND ALL FEES

You don't pay a penny! Closing costs on other Home Equity Lines of Credit can add up to hundreds of dollars. But at Empire of America, we pay your closing costs on lines up to \$100,000, saving you as much as \$600* or more! Plus, you pay no application fee.

Enjoy a guaranteed rate cap. Our current Home Equity Line of Credit rate is 12.00%† annual percentage rate. Plus, with our guaranteed rate cap, you'll never pay more than 5% over the rate in effect at the time you close.

And more... You can pay off your other higher cost loans and charges. Plus you may still be able to deduct 100% of your home equity interest. See your tax advisor for details. Besides that, you'll have a revolving line of credit, so as you pay off your loan, that money again becomes available to you.

Come to your local Empire of America office to receive a free estimate of how much you'll be able to borrow. And once you apply you'll have an answer on approving your credit within 24 hours. Start saving now.

Call SMARTLINE® at 1-800-843-2443. SMARTLINE® is open seven days a week 9 a.m. to 9 p.m.

Empire of America
Federal Savings Bank Member FDIC

*Average savings based on a \$35,000 line of credit.
†This is our October 1988 A.P.R. The A.P.R. can change monthly on this variable rate line.
A mortgage on your home secures this line of credit.