

Manufacturer advises on getting competitive

By Gerald Frawley
staff writer

The ability of U.S. businesses to compete — particularly manufacturers — has been weakened, but it has not degraded so much that it cannot rebound.

And although there is a long way to go, the groundwork for a return to manufacturing competitiveness — if not dominance — has already been laid.

So says Eric Mittelstadt, president and chief executive officer of GM/Faure Robotics Corp. in Auburn Hills. Mittelstadt spoke to the Birmingham Bloomfield Chamber of Commerce Tuesday about the need for enhanced competition on part of U.S. manufacturers.

Mittelstadt said much of the debate on industrial competitiveness has focused — wrongly — on how the United States has slipped from being the main exporter of manufacturing knowhow and technology.

Regaining that competitive edge, he said, is far more important. "We may have won the war in the skies over Iraq, but we're losing the war in the factories in America."

Without industrial modernization — meaning robotics and technology as well as new techniques and strategies — the United States will not only become more dependent on other nations, but its people will lose high-paying jobs and will have fewer choices in the market place, he said.

"Everyone wants an answer (and) don't tell me about the nitty gritty to fix our problems," Mittelstadt said. "The greatest obstacle to becoming more competitive is the mindset of everyone wanting the big hit."

THE UNITED STATES' lack of competitiveness is a complex issue that needs to be addressed on many levels with forward thinking, Mittelstadt said.

"We should all be concerned — we are all consumers."

If we're competitive, we get more and better products for our dollar.

There are other benefits, too. One of the misconceptions about industrial modernization is that it costs jobs, Mittelstadt said. Actually, modernization means more job security and better jobs.

"Without it, you may have more jobs for two or three years, but you won't have a company in four years," he said. "There is actually less resistance to modernization from the workers than most people might realize."

Therefore, he said, improvements to the industrial infrastructure mean more competitive companies with brighter futures.

Besides being concerned about a need for industrial competitiveness, Mittelstadt said, it is everyone's job to increase awareness and educate the public — and the decision-makers in government — about the problem.

"Without dramatic improvement, we as a nation face chronic joblessness and debilitating import duties, he said. Apathy about an inability to compete means not only failing businesses, but much more."

"We should not be intimidated by the GMs and the Fords or someone who spends millions of dollars (to make people aware of the need for better competition) because we all have to do it. We must push every button we can."

PART OF THE thinking needed to address the inability of this country to compete is to begin educating young people about the sciences, he said. "In the United States, we graduate 10 lawyers for every one engineer, in Japan, they graduate 10 engineers for every lawyer. Somewhere along the way, the sciences and manufacturing got a bad name."

"We must make it a point to make our young people comfortable with the sciences," Mittelstadt said.

Mike Barry, a teacher in Bloomfield Schools and a

guest at the chamber luncheon, said much of what Mittelstadt said has relevance — particularly when he addressed the need for making young people more comfortable with science.

"It's encouraging to hear someone talk like that," Barry said, adding that he attends speeches and presentations like the one given by Mittelstadt for the express purpose of bringing ideas back to his students. Barry said that students are much more enthusiastic about the sciences than they once were — mainly because science and engineering plays an important role in their lives.

"I think what he's saying is coming around," he said. When he was younger, science was further removed than it is today. "When I was a student, science was something in the laboratories or in skylab; today, it's in the classroom and a part of their daily lives." Computers, portable radios, hand-held video games — all of these expose young people to the sciences much earlier.

BARRY ALSO pointed to the growing interest among young people in the environment and ways to address the problems of today as well as fixing the problems of the past.

William Hicks, vice president for deposit management at First of America Bank, said Mittelstadt's emphasis on the need for forward thinking and planning is right on the mark. "There are no quick fixes," he said.

Whether the United States will focus on trading with Mexico, Canada or Europe will require a lot of preparation and won't just happen.

"We must prepare ourselves and our young people," he said. "Manufacturing and engineering are positive things, not negative."

"I don't know how (the sciences and manufacturing) got a bad reputation."

For years, people have labored under the false im-

pression that the future is in the service area of the economy, but if the United States is to be independent and strong, there is a need for a balance, he said.



Eric Mittelstadt
'restore competitive edge'

Bank touts benefits of switching from S&L status

By Gerald Frawley
staff writer

Franklin Savings Bank always kept its eyes on the prize.

Headquartered in Southfield, Franklin — with branches in Birmingham, Southfield and Grosse Pointe Woods — becomes the first savings and loan in Michigan and one of the first in the country to emerge from the ashes of the S&L fiasco.

On Sept. 1, Franklin Savings Bank attained a commercial bank charter — a goal it set for itself in December 1990 — and became Franklin Bank N.A.

CONVERTING from a S&L to a bank means several benefits for shareholders and customers, said Read P. Dunn, president and chief executive officer of the bank.

Shareholders gain increased value almost immediately. "Savings and loans, whether they are successful or

not, have been trading at half the value of commercial banks," he said.

Conservatively, Dunn said, the conversion almost doubles the value of Franklin Bank's stock. "Buying stock in a thrift that turns into a bank is going to be a good investment."

CUSTOMERS BENEFIT, too.

"First, we are now a bank," Dunn said. The stability and peace of mind that depositors get from placing their money in a bank is one of the main reasons Franklin sought conversion.

But there are other more significant benefits — new products. As a bank, Franklin will be allowed to offer corporate banking, checking accounts for small and medium business and annuities, to name a few services.

Finally, Franklin Bank — with assets at roughly \$400 million — will be the only commercial bank in

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Michigan with assets between \$300 million and \$1 billion. "There's a niche there to be filled."

Borrowers will benefit from a wider pool of competing institutions offering loans — especially when one of those competitors is an aggressive financial institution like Franklin Savings that has its eyes set on steady growth in the coming years, Dunn said.

"WE HAVE the capital to compete with larger banks but are small enough to offer small bank services." Institutions with reserved growth strategies would be hard pressed to build assets of more than \$400 million in the seven years Franklin has been in existence.

And finally, employees benefit by having the burden of extensive reporting and regulations removed, Dunn said. "As we saw it, if we were going to have (basically) the same requirements as banks, we ought to operate as a bank."

The move will also mean a tremendous boost in employee moral,

Dunn said. "That's a big part of it, too."

IRONICALLY, FRANKLIN Savings Bank promoted itself as a product of deregulation after incorporating as an S&L in 1983. At the time deregulated thrifts offered great opportunities, but times change.

Today, there really aren't any benefits to being an S&L, Dunn said.

As long as the S&L debacle hangs over the industry, Dunn said, S&Ls will face public perception problems and increased regulations.

Dunn granted the thrift industry in Michigan has been relatively healthy, but the public may not make that distinction.

"There remains a perception that the savings and loans are tarnished — that image won't disappear for decades to come."

BUT A MORE important reason, Dunn said, is that a bank has fewer

restrictions on what types of services it is able to offer.

"The main reason for the conversion is that banks are allowed to be more diversified in loans and investments."

When the savings and loan scandal broke nearly three years ago, regulators were already cracking down on thrifts and making the position on savings and loans untenable.

Franklin had to overcome numerous obstacles to achieve its new status — not the least of which was the novelty of a savings and loan institution changing over to a bank, Dunn said.

THE FINANCIAL Institutions Reform, Recovery and Enforcement Act of 1988 — which set up the procedure for bailing out the failing thrifts — makes little mention of the conversion process.

Know what options you have regarding insurance policies

Last in a series.

By Sid Mittra
special writer

Recently, an insurance policyholder received an alarming phone call from a person identifying himself as a "successful" financial planner.

"I have just learned that the company from which you bought the annuity policy several years ago has been rated 'A.D.'," he said. "To put it bluntly, your company is going to hell, and you had better switch to someone more solid before it's too late."

The policyholder settled the issue by seeking competent advice and discovering the so-called financial planner was incorrect. But insurance customers have become so sensitive to bad news and pressure tactics that many are rushing to alter their plans. Here are some suggestions for handling the situation.

The action you should take to safeguard your insurance funds is directly a function of the type of policy you hold. In the accompanying article, there is a brief review of six types of policies. Of these, you are almost never allowed to alter the immediate annuity, the defined benefit plan, the defined contribution plan and the guaranteed investment contract.

Also, it may not be worth the effort to cancel a term life contract. That leaves a number of other policies that can be transferred to other insurance companies with good records of safety.

Before switching the policies you are allowed to switch, you should take into account the following drawbacks:

- Your account may be front-loaded — a year or two of above-average rates, followed by years of below-average rates.
- A stiff surrender charge and interest-rate penalty may be levied if you switch.
- There is a 10-percent tax penalty for cashing out an annuity earlier than age 59½.
- You have a two-tier annuity. It pays a high rate to savers who stay with the company for life. If you want to cash out, your rate may drop drastically, dating back to the inception of the contract.
- If you die within two years of taking out a new policy, the insurer can investigate whether you misrepresented medical information. Your beneficiaries could wind up with no benefits.

Sid Mittra is a professor of finance at Oakland University and the owner of Coordinated Financial Planning. If you wish to know the ratings of your insurance company by the companies mentioned in this article or would like to know if the type of plan you have lends itself to a transfer or diversification, mail a copy (not an original) of your policy with a self-addressed, stamped envelope and daytime phone number to: Dr. Sid Mittra, 3250 W. Day Beaver, Suite 540, Troy 48064.

Insurance serves different purposes

Here are types of insurance policies available.

• Annuities pay income at fixed intervals for a set number of years or for the life of the insured person. Fixed annuities periodically re-establish interest rates. Variable annuities invest premiums in stocks, bonds or other assets, so how much you receive depends on how well the investments have performed. Immediate annuities are bought with a lump sum and provide income immediately following the purchase of the annuity. Deferred annuities are bought in advance of retirement and premium payments accumulate tax-free.

• Deferred-benefit plans pay retirees a fixed income based on years of service and salary. Participants make no investment decisions. Employers are obligated to finance the plan to pay projected benefits.

• Defined-contribution plans are retirement plans, to which employees themselves contribute. Participants have an active role in managing their money. Return is based on how well the chosen investments do. This cate-

gory includes 401(k) savings, profit sharing and employee stock ownership plans.

• Guaranteed investment contracts are a 401(k) option and are contracts between an employer and an insurance company. They pay a fixed rate of return for a set number of years, after which capital is returned or the GIC renewed.

• Term life insurance pays a death benefit if the policyholder dies while the policy is in force. It can be compared to car insurance in that you are paying only for protection, not investment.

• Whole life policies have a fixed premium. Any excess over that amount needed to cover the death benefit is channeled into a savings or investment account that grows tax-deferred. Variable life policies also have fixed premiums but put the cash value in a separate account that is allocated among various mutual funds. Universal life allows you to alter premium payments by amount or time period, so you can change the level of the death benefit or cash value.

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