

Business

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(F1C)

practically speaking

T.S. Elliot may have had his reasons for calling April the cruelest month, but for many taxpayers, Elliot's reasons don't hold a candle to what they face come April 15.

If you're still staring at your blank 1040s, here's some tips in your battle against Uncle Sam:

• If your 1985 income was substantially higher than in past years, you may be able to take advantage of income averaging.

• Donations to charitable organizations such as clothing, athletic equipment and appliances are tax deductible as are all out-of-pocket charitable expenses such as gas, stationery, postage and long-distance phone calls. Remember charitable contributions paid through payroll withholding. If you claim a deduction of more than \$500 for a charitable contribution of property, you must keep written records regarding the property and furnish that information with your income tax return.

If a single item of the contributed property has a claimed value which exceeds \$5,000 (\$10,000 for stock except publicly traded stock), you must attach a qualified appraisal of the donated property's fair market value to the tax return.

• Business dues and subscription costs not reimbursed are deductible as are costs of purchasing and cleaning any special clothing required for the job and the cost of a periodic physical examination if one is required by your employer. You may also deduct the business portion of the installation and maintenance costs for a telephone in your home.

• Remember to deduct the balance of 1984 state and local taxes paid in 1985.

• Deduct interest paid to the IRS on late tax payments from last year (currently 10 percent).

• Purchased any books on investments or tax tips in the last tax year? These purchases are tax deductible.

• All job hunting expenses are deductible such as transportation, printing, postage, telephone calls. Business travel expenses (other than commuting) that are reasonable and necessary to pursue the trade, business or profession of the taxpayer or his employer are deductible.

• If you sold your home during 1985 and reinvested in a new one or plan to within two years of the sale, the gain is not reportable as taxable income in 1985. If you or your spouse are 55 or over, you may be able to exclude up to \$125,000 of the gain from your income completely.

• If you sent your child (under 18) to summer camp which allowed you and your spouse to work, you may be eligible for a child care credit.

• Travel between jobs where you have more than one place or business, or between job and classroom if you are taking a job-related course, is tax deductible.

• State and local taxes, including income, real estate and personal property taxes, are deductible in the year they are either paid or withheld from your salary. This includes those 1986 taxes paid in 1985 to ensure their deductibility. Any additional state or local income taxes paid during 1985 as a result of the audit of a prior year's return, as well as any interest on the assessment, are deductible.

Tax tips from the accounting firms of Seidman & Seidman and Deloitte Haskins & Sells.

Tradition stifles manufacturing gains

Foreign competition examined

By Larry O'Connor
staff writer

The rule book for manufacturing has been rewritten by foreigners.

But, according to Ingersoll Engineers President Robert Callihan, an interpreter isn't needed.

The "new rule book" is easy to understand for American automobile and parts manufacturers, who are steadily losing business overseas. And it isn't written in high-tech buzzwords.

"It's so stupidly simple. It's unbelievable," Callihan told a group of trade and business editors at a recent seminar at the Dearborn Hyatt Regency on how U.S. auto parts manufacturers can compete with the foreign competition.

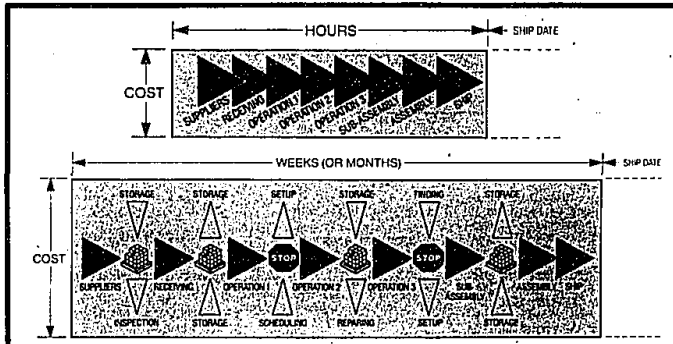
But as simple as his theory is, what Callihan calls for could almost be considered revolutionary.

It's a three-part objective which includes at least a 30 percent reduction in costs, 90 percent improvement in quality, and a two to 10 times better delivery and service.

IMPLEMENTATION focuses on two main tasks: straightening out the company's production flow and ridding management of the traditionalist ideas of American manufacturing.

"I think we're smarter than the foreigners," said Callihan, a Birmingham resident. "We just have a lot of traditions hanging around our neck which make us look stupid."

The use of fork lifts to compensate for disjointed plant layout, carrying inventories because of poor planning, ac-



Just-in-time inventory (top diagram) shows a non-interrupted flow from the suppliers

to shipment. Just-in-case method is based on a system of backups and inventories.

counting systems that hinder innovation, and boss/worker relationships which are counterproductive are just some of the age-old practices of U.S. manufacturing Callihan refers to.

Workers, he said, are asked to leave their brains at the time clock when they punch in every day.

When a plant is in trouble, management turns to high technology, like MRP (material requirements planning) systems, to remedy the situation. But often, Callihan noted, the bandage approach doesn't work.

A factory with a production flow problem is illustrated by Callihan's diagram of zig-zags showing where the product travels through the factory.

By straightening out the flow and shipping the product immediately, time

is saved and inventories, which are costly to store, are eliminated.

A U.S. pump manufacturer, which Callihan said played by the new rules, netted more than \$10 million in savings after straightening out its flow with an investment of \$9 million.

AT LEAST \$11 million was trimmed from inventory, which paid for the project and returned \$2 million to the balance sheet.

The company pared the assembly process from 25 days to two days, eliminated 19 of 24 fork-lift trucks, increased inventory turns from five to 30 (For \$10 million worth of parts, divided by \$5 million of it sitting in the factory, the inventory turn is two), reduced delayed deliveries from 40 percent to 2

percent, cut total hours per unit (direct and indirect) from 330 to 200 and yielded cost reductions of \$2 million.

"Very little technology was required," Callihan said. "We imposed Just-in-Time principles, practiced lot-size-of-one objectives, eliminated most of their MRP system, and put in a few robots." Just-in-time inventory systems call for shipping an item as soon as it is manufactured. In lot size of one, only parts that are needed at a specific time are made.

It's not that Callihan is against high tech. "Just the way it's used," he said. Often under the guise of modernization, new machines and equipment are applied to obsolete concepts.

Such radical approaches fall on deaf ears with the management of most

companies, though. Usually, it takes a company in a survival situation to get someone to listen, according to Callihan.

CALLIHAN ASKS why management concentrates so much on direct labor when it constitutes only 10 percent of the operation. Plant overhead costs often reach 40 percent, with material making up the other 50 percent.

"Everybody wants to beat the hell out of labor," Callihan said. "But what's the cost of management?"

He also questions the budgeting process, which he described as often a bit-and-miss proposition based on the previous year's results and future projections.

Callihan freely admits that foreign competition enjoys advantages over the U.S. manufacturers in labor, cultural and government help.

But he cannot understand why some U.S. manufacturers are so willing to concede defeat.

"All these things are true," said Callihan. "But what annoys me is a lot of people use it as an excuse for doing nothing. Secondly, we underestimate ourselves."

The reason Callihan has gone public with the information primarily used to help Ingersoll's clients is because he "wants to accelerate the process."

INGERSOLL, which just relocated its Detroit-area office in Southfield, is a consultant for manufacturing management. The company's other U.S. office is in Rockford, Ill., with overseas subsidiaries in France, Germany and Great Britain.

Five years of research resulted in a five-part series by Ingersoll being published titled "The White Papers." Putting the five-part series together hasn't proved as hard as putting into the heads of some management. But Callihan is still hopeful.

"We see signs of awakening all over the place," said Callihan. "There's little tiny bow waves building up all over the place. It's just not in action yet."

Campus connections vital to business

By Tim Richard
staff writer

Far from being dangers to academic freedom, corporate-campus connections should be increased, according to three university presidents and an industrialist.

"It's not a bad idea to stay," Oakland University President Joseph Champagne told the Economic Club of Detroit Monday.

"Our trading partners are spending more on research and development than we are," warned University of Michigan President Harold Shapiro.

An economist, Shapiro said America's rates of personal saving, corporate investment and research and development are "not adequate for economic

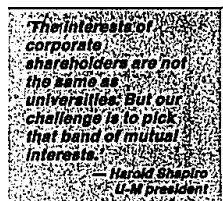
leadership."

"The need for a strong corporate-campus connection has never been greater," agreed John A. Bettl, Ford Motor Co. executive vice president for technical and operating staffs.

FAR FROM being a phenomenon of the 1980s, corporate-campus ties have been important in America for decades, but declined in the early 1970s, said John DiBiaggio, new president of Michigan State University.

"At the same time, industry's role in basic research diminished, decreasing regular scientist-to-scientist contact," the MSU chief said.

They defined "corporate-campus connections" as industrialists serving on university boards and advisory com-



mittees; companies making large grants; universities having access to specialized industrial equipment; mutually drawing on a pool of expertise

without expanding in-house capabilities; companies applying campus research; companies gaining a skilled work force; and universities generating spin-off firms in the research field.

"IT DOESN'T happen elsewhere in the world," said Shapiro.

"In fact," added DiBiaggio, "a recent industry study concluded that the single most important factor attracting such industries to a region was the proximity of a major research university."

Champagne noted that "nearly 75 percent of all scientific discoveries in this country are attributed directly to university scientists."

ARE THERE dangers to universities

if they "climb in bed" with corporations?

Problems, yes; dangers, no, they replied.

"The interests of corporate shareholders are not the same as universities," Shapiro said. "But our challenge is to pick that band of mutual interests."

DiBiaggio said that as president of the University of Connecticut, he personally knew every corporate leader in the state, and "I never encountered one who wanted to interfere with research findings or interfere with academic freedom."

"But they did ask, 'Would you kindly investigate the things that are of interest to us?'"

"And they did say, 'Give us engineers who can write a report.'"

Computer sleuth sniffs out fraud

Jack Bologna is an unlikely candidate for a master detective. Yet he provides knowledge to managers on how to reduce losses caused by people using computers.

Bologna came by his interest in how people cheat with computers by tracking down accounting fraud.

Bologna, who founded and heads Computer Protection Systems Inc. in Plymouth, spent years detecting accounting fraud before starting his own company. His company counsels companies on how to improve computer security and reduce computer theft. Two days a week, Bologna is an assistant professor of management at Siena Heights College in Adrian, Mich.

This week, he is in Paris delivering a paper before the Fourth World Congress on computer and communications security. His paper, "The What, Why, How and Who of Computer-Related Crime," indicates his approach: prevention through knowledgeable management.

Double-entry bookkeeping on paper has been around a couple hundred years, and management knew how to prevent cheating with paper. But with the advent of the computer, many new ways to cheat appeared.

WHILE A dishonest bookkeeper is still a threat, the dishonest programmer is, too. And the dishonest computer operator could cost the company a bundle. "Computers don't steal. People do."

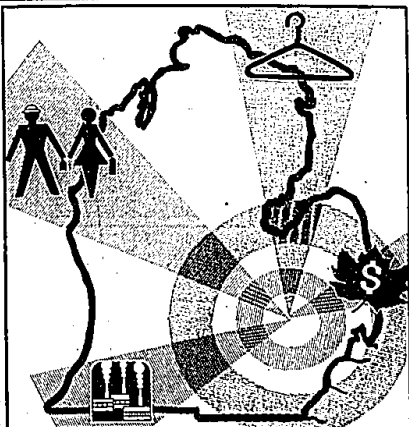
The hundreds of years of experience with paper did little to train the auditor or manager to find errors caused by poorly written programs or intentionally written "mistakes."

But it wasn't just dishonesty that could hurt a company, using computers. A disgruntled or incompetent bookkeeper, data entry clerk, programmer,

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Within 500 miles of Detroit lies 54 percent of the nation's business payroll, 48 percent of its retail sales, 54 percent of its manufacturing activity, and 85 percent of the Canadian Gross Product.

Source: Michigan Department of Commerce



All partnership units have been sold as of December 31, 1985. This announcement appears as a matter of record only.

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Oaks of Woodlawn Limited Partnership
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\$15,125,000

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Total Property Cost:

\$57,356,000

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