

Informers

Informing, planning and taking action



UNITED STATES CUTTING TOOL INSTITUTE
LEADING THE FUTURE OF THE CUTTING TOOL INDUSTRY

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Welcome new Board Member
Thomas Naegelin!



Meet Us on the Island!

Picture yourself at the legendary and newly redesigned Omni Amelia Island Plantation Resort in sunny Florida, enjoying the USCTI Spring Institute Meeting from May 3 to 5, 2014. At the tip of a barrier island off the Northeast Florida coast, you'll take in oceanfront scenery, connect with your colleagues, and participate in an informative agenda featuring dynamic speakers. We've planned activities for spouses as well as organized golf on both Saturday and Monday afternoons at courses designed by Pete Dye, Bobby Weed and Tom Fazio, ranked among the "Top 121 Golf Resorts in the World" by Condé Nast Traveler. If you have a chance, look up the resort on the web at www.omnihotels.com/FindAHotel/AmeliaIsland.aspx.

In This Issue

- Page 1 Meet Us on the Island!
- Page 1 Spring Meeting Speaker Lineup
- Page 1 2014 Officers
- Page 1 Board of Directors
- Page 2 USCTI President's Message
- Page 3 New Member Companies
- Page 3 Statistics Committee News
- Page 3 AIA NAS Reamer Standards Updates
- Page 3 Fall 2013 Business Industry Outlook Survey Indicates Optimism
- Page 4 Collaborative Initiative Underway to Help Attract Students to Careers in Manufacturing
- Page 5 Future Meeting Dates
- Page 5 Fall Institute Meeting Celebrates USCTI's 25th Anniversary
- Page 5 ...And a Good Time Was Had by All
- Page 6 Anybody Can "Blow the Whistle"
- Page 7 Special Thanks to Our 2013 Meeting Sponsors

Spring Meeting Speaker Lineup

You spoke, and USCTI listened. We've planned a lineup of four speakers you won't want to miss. Many members are concerned with how Obamacare, or the Affordable Care Act, will affect their businesses. Nick Tate, the author of *ObamaCare Survival Guide*, will be joining us at the USCTI Spring Meeting to present on the subject and answer your questions. We are happy to welcome Richard Aboulafia back to the Spring Meeting to speak about current trends and changes in the aerospace and defense markets. USCTI's own Eli Crozter will discuss the factors that impact the value of your business and how you can best position your business for sale to maximize value. He will also offer his thoughts on avenues for selling your business. Rick Farrell will join us to speak about how the information economy has neutralized and marginalized the traditional selling value proposition and how it has placed companies in a commodity position. He will explore the topic of Amazon as a competitor and how you can attempt to stem the tide of Amazon domination and reposition your offering differently.

Make your plans now! Hope to see you all in Florida!



UNITED STATES CUTTING TOOL INSTITUTE
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USCTI President's Message



Thomas Haag

Happy New Year! It is an honor to serve as your USCTI President, and I'm looking forward to the next two years. For all USCTI members, this will be an interesting time, indeed. With most of our membership concentrated in the U.S. market, we will continue to see dramatic changes in our domestic operations.

One of those changes in 2014 will be the Affordable Care Act. Finally, it will come full force to change the way healthcare is provided by our businesses, by the insurance industry, and by our government. As business managers, we have no choice but to deal with it after years of talking about it. I am sure this subject will continue to be at the top of our agendas, and we have scheduled a presenter for our next USCTI meeting in Amelia Island, Fla., this May to address this topic.

As we prepare our own business strategies for the coming year, USCTI is preparing to do the same in order to continue serving our membership with information about today's most pertinent issues. We have prepared each committee for adaptations to our current market including our By-Laws, our statistics, our memberships, our sponsorships, and our dues.

Our meeting at Amelia Island promises to be an excellent opportunity to learn from each other and discuss the many potential answers to today's pressing business questions. The opportunity to network with your colleagues and our professional presenters may make this your most valuable business trip this year. I look forward to seeing you in warm climates!

All the best,
Tom

Statistics Committee News

At the most recent USCTI meeting, it was suggested that members would like to better understand where the regrind market is going. Participants asked to see dollars and units in three categories: HSS, carbide, and PCD tools. These can certainly be broken out by product groups as well.

As a member of USCTI, you should be receiving the monthly USCTI/AMT Cutting Tool Consumption report prior to the release to the general industry. This will give you an inside look and a more “macro” view of what is happening in our market.

We would also like to encourage you to participate in the ISA Business Diffusion Index. By participating, you will have access to the responses of other participants—another way to better understand how your business is doing compared to others in the marketplace.

As always, we welcome your thoughts on what information the Statistics Committee can provide to help you make better decisions for your business.

New Member Companies

We extend a warm welcome to our newest members:

Kobelco Advanced Coating (America), Inc.

Monster Tool Company

NTM, Inc.

Steiner Technologies, Inc.

AIA NAS Reamer Standards Updates

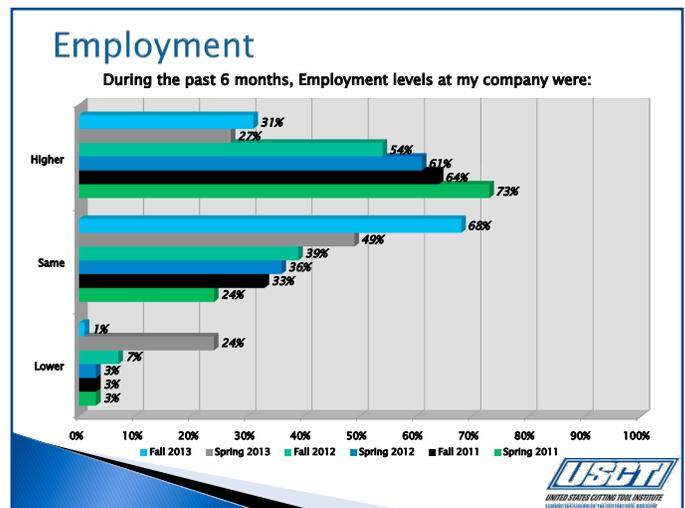
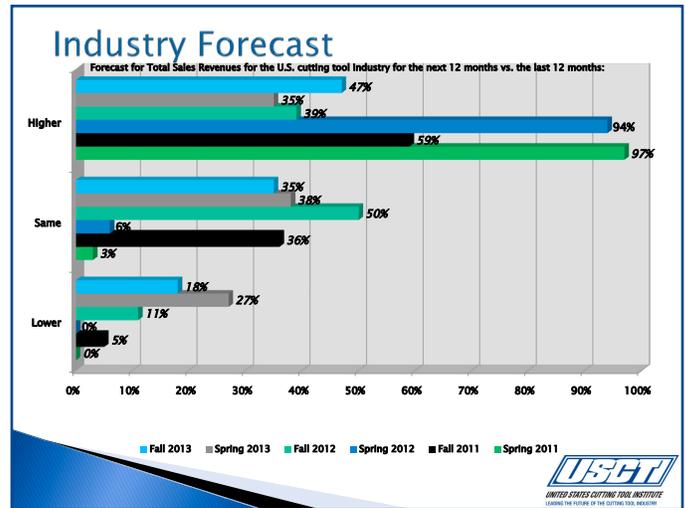
The Technical Committee was actively involved this past year with updating the AIA NAS reamer standards, including the beginning of a new solid carbide standard. The plan was to have completed the revisions to NAS907, NAS937, and NAS965 and to have finalized the new carbide standard NAS898 by the end of the year. At press time, the Final Draft of NAS 898 had not yet been finalized by the AIA Engineering Management Committee.

Projects for 2014 include adding new drill standards, such as for high performance drills, and adding carbide options to NAS907, NAS937, and NAS965.

To enhance our website’s technical library, member companies with technical white papers and/or YouTube instructional videos are encouraged to submit them for possible addition to the library. We would also like to add a Speed & Feed Calculator. If your company has one that would be suitable for the site, please let us know.

Fall 2013 Business Industry Outlook Survey Indicates Optimism

The results of the most recent USCTI Cutting Tool Business Outlook Survey presented during the fall 2013 Institute meeting indicated continued optimism for the cutting tool industry heading into 2014. In our survey, there was a 12 percent increase in members expecting industry cutting tool sales to be up this year, and 6-month employment levels also increased. Company quarterly sales revenues were down slightly from the same quarter last year, but sales revenue forecasts for the next 12 months are up 19 percent. The PowerPoint presentation of the survey results is available to all members through the Presentation Archive within the “Members Only” section of the USCTI website.



Collaborative Initiative Underway to Help Attract Students to Careers in Manufacturing

By John Jacobsen, Senior Manager, Sandvik Coromant Academy

The USCTI manufacturing careers initiative, Alliance for Manufacturing Careers and MFGCareers.org, is underway as a collaborative effort between many associations that support the manufacturing industry. The associations working with USCTI on this initiative include the Association for Manufacturing Technology (AMT), Society of Manufacturing Engineers (SME), Industrial Supply Association (ISA), National Institute for Metalworking Skills (NIMS), the ISA Education Foundation, Association for Career and Technical Education (ACTE), National Association of Manufacturers (NAM), Connecticut Center for Advanced Technology (CCAT), Precision Metalforming Association (PMA), and Dream It. Do It.

The vision of this initiative is to change the perceptions about jobs and careers in manufacturing with the people who are early and ongoing influencers of students of all ages. With most school systems measuring their success through a primary metric of college placement, this initiative will seek to have those schools include the option of a career in manufacturing when they are giving information and/or advice to students and parents.

Our goal is to give the key stakeholders the necessary information, or access to the information, so they feel comfortable discussing the opportunities that manufacturing careers can provide.

The four strategic objectives for the Alliance for Manufacturing Careers are:

- 1 Change the perception about manufacturing careers with the educational community (academic administration, guidance counselors, teachers, parents, and students).
- 2 Provide information: a unified message from an array of associations and organizations involved with manufacturing; a “tool kit” that can be used by individual associations and organizations; and a “tool kit” that can be customized by individual members of those groups.
- 3 Support Manufacturing Month (October).
- 4 Create an expanded pool of qualified and motivated workers.

The steering committee for this initiative includes Board Members Dave Povich, Tom Haag, John Jacobsen, and USCTI member Bernie Bowersock.

The Alliance for Manufacturing Careers includes five task forces working on the development of this program:

- 1 Marketing and Public Relations Task Force: working on a business/marketing plan, name, logo, and ideas for an Internet and social media presence, PR, etc.
- 2 Career Pathways Task Force: identifying careers that exist in manufacturing, the level of education needed for these careers, and opportunities for advancement. They should also identify companies and organizations that have internship programs and/or certification programs that support manufacturing.
- 3 Manufacturing Month Task Force: identifying what has been done historically to promote Manufacturing Month, how we can support and promote this important event in the future, and the best methods for communicating with key organizations and their members.
- 4 Website Development Task Force: developing www.MFGCareers.org into a website that consolidates existing information and programs from industry associations and public resources that promote careers in manufacturing, thereby serving as a convenient, “one stop shop” for all stakeholders.
- 5 Fundraising Task Force: seeking support from associations, companies, foundations, and governments.

The Alliance for Manufacturing Careers hopes to leverage the power of early influencers to promote to students the idea of considering a career in manufacturing. By providing all the tools students need to make an informed choice, the educational community can help motivate them to consider manufacturing as a rewarding career path.

“...this initiative will seek to have those schools include the option of a career in manufacturing when they are giving information and/or advice to students and parents.”



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Future Meeting Dates

Be sure to mark your calendar for the 2014 Institute meetings, which are scheduled as follows:

2014 Spring Meeting

May 3-5
Omni Amelia Island
Amelia Island, Florida

2014 Fall Meeting

October 10-13
Bacara Resort
Santa Barbara, California

These two locations offer truly unique meeting experiences as well as the opportunity to network with your industry colleagues. Plan now to attend!



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Fall Institute Meeting Celebrates USCTI's 25th Anniversary

USCTI celebrated its 25th anniversary at the Fall Institute Meeting with a bang at the Loews Ventana Canyon Resort in Tucson, Ariz. More than 90 attendees enjoyed guest speaker Richard Noble from the Bloodhound SSC Project as he entertained and wowed the crowd with his stories and videos of breaking the land speed record. Richard also touched upon the importance of getting younger generations involved in initiatives such as his to promote interest in engineering. We also learned about gain sharing from speaker Karl Muller and got a look at the likely future of the current U.S. economy from Bill Strauss.

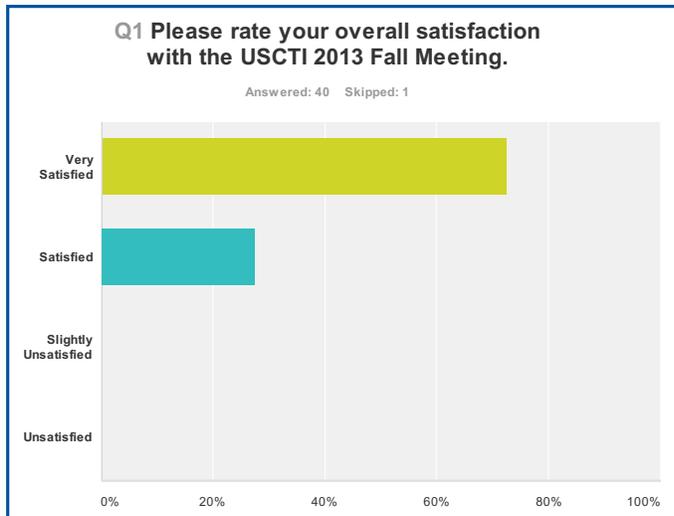
USCTI welcomed new officers Tom Haag, USCTI President; Steve Stokey, Senior Vice President; and Phil Kurtz, Vice President. We say goodbye and thank you to Dave Povich after a successful two years of leadership as he becomes Immediate Past President.

High above Tucson's Catalina Mountains, members also enjoyed golfing, hiking, and relaxing spa services. The spouses enjoyed a custom jewelry presentation from Arizona turquoise experts. The Pima Air and Space Museum was the scene of an evening of dancing, dining, and docent-led tours of famous planes. The weekend was topped off by a surprise fireworks performance during the farewell reception. Everyone was thrilled to celebrate 25 years with such an exciting display!

Visit the Presentation Archive within the "Members Only" section of the USCTI website (www.uscti.com) to access the fall meeting presentations.



...And a Good Time Was Had by All



The results of the 2013 Fall Institute Meeting survey are in, and attendees overwhelmingly rated the meeting positively. More than 70 percent of attendees said they were "very satisfied," and about 30 percent said they were "satisfied." Survey responders thought the meeting was well planned, and most people enjoyed the Loews Ventana Canyon Resort.

Both the speakers and topics received praise, and many attendees commented that they enjoyed the breakfast roundtable session and thought it was one of the best things about the meeting.

All the speakers were well received, but Bill Strauss' presentation was rated "excellent" by nearly 80 percent of those who attended. Two commenters said they'd like to see him every year.

Anybody Can "Blow the Whistle"

By Joseph C. Devine, BakerHostetler

A wave of federal legislation continues to provide significant financial incentives and protections to whistleblowing employees for reporting corporate misconduct, both to their employers internally and to outside law enforcement and other governmental agencies. These actions, brought by an increasingly active plaintiff's bar, have resulted in significant awards against unsuspecting corporations. For example, a former UBS banker imprisoned for tax fraud received a whistleblower award of \$104 million. In September 2013, the Securities and Exchange Commission made its largest whistleblower award to date when it awarded over \$14 million to a whistleblower whose information led to an SEC enforcement action.

The Occupational Safety & Health Administration's (OSHA) Whistleblower Protection Program continues to receive more and more complaints alleging retaliation against whistleblowing employees. OSHA's Whistleblower Protection Program enforces the whistleblower protection provisions of numerous federal whistleblower statutes, covering a broad range of industries and topics. (For more information, see note at the end of this article.) These statutes protect employees who engage in various types of whistleblower activity, such as reporting a work-related injury, illness, or fatality; participating in safety and health activities; or reporting a violation of a statute or regulation. Complaints filed at OSHA under these statutes have increased almost 50% from fiscal year 2007 to fiscal year 2013.

To make filing a complaint even easier, in late 2013 OSHA launched an online complaint system. Workers may now complete a simple online form at the program's website to initiate a complaint against their employer. This free online system provides yet another avenue for workers to file a whistleblower complaint. As before, workers may also file a complaint in writing or by calling an agency hotline or regional office. With the creation of the online complaint system, employers covered by the federal whistleblower statutes should expect whistleblower complaints to increase.

CREATING A CULTURE OF COMPLIANCE

The result of this flurry of legislation is that the pool of employees eligible for whistleblower protection has dramatically expanded, together with the potential monetary incentives for doing so. This environment presents risks but also an opportunity to reassess ethics and compliance programs so that non-compliant practices are escalated and addressed within the company. Rather than view employees as potential adversaries, corporate leaders need to recognize that the vast majority of employees are invested in seeing their companies succeed and their employment secure.

Many whistleblowers claim that they tried repeatedly to report their concerns internally before taking external action. A 2010 study found that almost 90% of employees who filed False Claims Act suits had initially reported their concerns to compliance departments or supervisors.

Whistleblowing should be a last resort, used only when employees feel their legitimate concerns are being affirmatively ignored by corporate management. By adopting best compliance and employment practices to ensure the reporting and remediation of these types of issues, companies can partner with their employees to identify issues early and avoid regulatory missteps that inevitably devour corporate resources and tarnish companies' reputations.

An employee who is genuinely concerned with conduct at a company, and who is hopeful that the company will address his or her concerns, should be seen as an important asset. There will always be disgruntled employees and Internet chatter; if a company also happens to have a substantive issue, the company is far better off having engaged, proactive employees who will raise an alert about the issue and help work to resolve it.

Companies should implement policies and practices that promote the internal escalation of compliance issues and avoid a whistleblower problem. Some best practices include the following:

Encourage Employees To Report Internally

- Reassess the company's code of conduct, ethics, and whistleblower policies to ensure that they emphasize compliance as an organizational imperative. Develop robust policies setting an ethics-oriented tone from the top, including periodic reminders and compliance communications from executive management.

Rather than view employees as potential adversaries, corporate leaders need to recognize that the vast majority of employees are invested in seeing their companies succeed and their employment secure.

- Make sure these policies are tailored to the specifics of your organization, and remain fluid and regularly updated.
- Develop detailed written protocols for employees to escalate ethics and compliance issues to the legal department, corporate compliance, and executive management. Provide multiple channels for reporting, including a hotline or other mechanism for anonymous reporting. Make sure that employees understand the policies and available reporting channels.
- Train management and supervisors to communicate across the workforce that good faith reporting of unethical conduct is the right thing to do and helpful to the company, rather than behavior that is grudgingly tolerated because of anti-retaliation laws.

Manage Employment Issues Proactively

- Provide whistleblower training for managers on their obligations to escalate issues and the prohibition against retaliation and discrimination based on a whistleblower's complaint. Educate managers on how to document decisions related to termination, suspension, changes in compensation, diminution of job duties, and other adverse employment actions that could provide the basis for claims of retaliation or constructive termination by a whistleblower.
- Where possible, insulate employment decisions about a whistleblower from those involved in the issue the employee raised. Reviews and employment decisions ideally should be supervised by a human resources professional or a higher-level supervisor who is unaware of the whistleblower's report.

AFTER THE (INTERNAL) WHISTLE BLOWS

- Take immediate steps to thoroughly investigate any claims. Ensure that reports are investigated promptly by an objective, experienced investigator.
- Depending upon the issue, investigations should be conducted under the direction of the General Counsel (unless his or her office is a subject) to ensure independence from management and to preserve the corporate attorney-client privilege. Document the investigation and any remedial action taken.
- Consult with employment counsel to ensure that the company complies with any notice provisions requiring employees to be informed of their whistleblower protections under these various statutes. Preserve the status quo of the whistleblower's employment during the pendency of the investigation to prevent claims for constructive termination.
- Outside counsel should be retained to assist on matters that raise significant legal, regulatory, or reputational risk to the company.
- Ensure that adequate resources are in place to allow for prompt resolution of issues. Remediation should be comprehensive, sustainable, and documented.
- If possible, report back to the whistleblower. An employee who hears nothing will likely assume that nothing is being done.

CONCLUSION

With enhanced financial incentives for whistleblowers and an active federal regulatory appetite to prosecute corporate misconduct, companies are well advised to review their compliance and employment practices to encourage employees to raise their concerns internally without fear of retribution. By embracing their employee "eyes on the ground" and taking swift action to address problematic corporate practices, companies can enhance their way of business and avoid finding themselves on the wrong end of a regulatory enforcement action inspired by a whistleblower's wrath.

Joseph C. Devine is a partner in the Columbus office of BakerHostetler and is co-leader of the firm's Whistleblower and Compliance Practice Team.

Note: All of the following statutes are enforced as part of OSHA's Whistleblower Protection Program and provide whistleblower protection to employees: Asbestos Hazard Emergency Response Act; Clean Air Act; Comprehensive Environmental Response, Compensation and Liability Act; Consumer Financial Protection Act; Consumer Product Safety Improvement Act; Energy Reorganization Act; Federal Railroad Safety Act; Federal Water Pollution Control Act; International Safe Container Act; National Transit Systems Security Act; Occupational Safety and Health Act; Pipeline Safety Improvement Act; Safe Drinking Water Act; Sarbanes-Oxley Act; Section 1558 of the Affordable Care Act; Surface Transportation Assistance Act; Section 402 of the FDA Food Safety Modernization Act; Toxic Substances Control Act; Wendell H. Ford Aviation Investment and Reform Act for the 21st Century; and Moving Ahead for Progress in the 21st Century Act.

Special Thanks to Our 2013 Meeting Sponsors



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