

Ep.3.07 - Harry Moser

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SPEAKERS

Announcer, Ed Clemente, Harry Moser

A Announcer 00:01

Welcome to The Michigan Opportunity, an economic development podcast featuring candid conversations with business leaders across Michigan. You'll hear firsthand accounts from Michigan business leaders and innovators about how the state is driving job growth and business investment, supporting a thriving entrepreneurial ecosystem, building vibrant communities and helping to attract and retain one of the most diverse and significant workforces in the nation.

E Ed Clemente 00:29

Hello, I'm your host today, Ed Clemente. And I want to say welcome to the show to Harry Moser. He's the president and founder of Reshoring Initiative. Welcome to the show, Harry. [Ed, great to be here.] And I know you're an old hand at talking about these very unusual times we live in, but could you kind of tell us what reshoring is and just a quick sort of introduction of what reshoring initiative is.

H Harry Moser 00:59

So reshoring is to once again produce in the U.S. a product that for some period of time was supplied from offshore. So producing it in China, India, somewhere shipping it here, that's offshoring, reversing that process that's reshoring. And we actually track reshoring, done by U.S.-headquartered companies, think General Motors, but also FDI, foreign direct investment, done by foreign-headquartered companies, like Toyota, and both of them bring jobs to the U.S., then the the function of the reshoring initiative is to document and promote, enable an advocate for those trends.

E Ed Clemente 01:39

And how did you get on this path? First of all, I know you have a couple of Michigan roots, but this is a unique initiative. So how did you get involved with it and what motivated you to get started with it?

H Harry Moser 01:55

A little a little background, grew up in New Jersey, went to MIT, University of Chicago, ran companies in Kalamazoo and Ann Arbor so I got some Michigan roots. It's a little bit of street cred, so to speak. Loved it there, it was wonderful, loved both cities. And the reason for the reshoring initiative, I retired from those companies that I was running and founded the initiative because I'd seen so many companies, so many industries in the U.S. and in Michigan disappear, wiped out by imports, wiped out by lower-priced product coming in from some other country over the last 30-40 years. But especially say 10 to 20 years ago when China joined the WTO and I'd seen the devastation, inner-city, rural etc. And decided someone had to do something because nobody was and so I decided I was the guy

E Ed Clemente 02:51

The other thing, too, is that you had like firsthand experience but your some of your factories, what did you make like tool and die parts, or what was sort of your background? [Yeah.]

H Harry Moser 03:04

Coming up I worked for GE and their large steam turbine generator and nuclear power divisions. I then later worked for a Danish foundry equipment company selling little molding machines to foundries all over the U.S. And the most important, I was the president of Charmilles, which now is called GF Machining Solutions. And then we made and sold EDM machines. So like, wire EDM, die-syncing EDM, the tool you use to make a mold or a die, and we made and sold those, and also five-axis CNC milling machines. So you know, the core kind of mill-cutting equipment you use in a high tech industry.

E Ed Clemente 03:54

And I know you sort of said it quickly, but you went to MIT, you got your degree in engineering, which is no small feat. Right? That's a pretty good deal [Two degrees.] Oh, really? Yeah. So it was engineering and what else?

H Harry Moser 04:07

Mechanical engineering, bachelor's. Engineering, master's.

E Ed Clemente 04:11

Wow. That's pretty impressive. And so, obviously, that helped lead to your field. So where did

you think, I noticed you mentioned, with the WTO, with China entering way back, but how did that sort of start this process? Was it, you touched on it a little bit. But can you explain a little bit how come it started in the first place? Why companies started leaving the US you know?

H

Harry Moser 04:39

Basically price. We've surveyed companies. We're actually partnered with a company in Michigan called Plante Moran. They go in, a consulting company, great, great company. And we did a survey of distributors and manufacturers and said to the extent that you import components, products, its tooling etc. Why do you do it? Why don't you get it here? Why do you get it there, and overwhelmingly they said price, and it was either price directly, the price is too high, or it was something related to price like that product is not available in the U.S. And if you look up those products, you find out that they used to be available here, but nobody makes them any more, because they were put out of business by the low-priced imports. So finally, we say 70 or 80% of that decision is price. And when you look at the difference, we have statistics on the U.S. price in comparison to the other country's price, and our data is most robust on China. So U.S. versus China. And the Chinese price on average, is about 70% of the US price, their manufacturing costs about 70% of the US manufacturing cost. And companies look at that, and they say Wow, either I'm gonna go get the product there, or my U.S. competitors will, or my foreign competitors will, and I won't be able to compete, I'll be out of business, I'll lose even the jobs I have here today. So I can understand why they did it. And I mean, they went too far, they didn't do the math correctly, they had a lot all kinds of faults in what they did. But the motivation was there. And it was the fault of the government for not leveling the playing field, making it so that price difference wouldn't be so great. And it's like honey attracting the bear, if there's too big a pot of honey and too big a hole in the tree, the bear is gonna get the honey. And we allowed that to be too attractive for companies.

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Ed Clemente 06:45

Yeah, and just to go back a little bit. I should have mentioned your name came to me from one of our previous guests, Nathan Ohle, who you must know, he's with the IEDC, the International Economic Development Corporation, I believe, [Council.] I couldn't remember the C real quick, thanks. And so you must have spoken to them. And they're a group that does a lot for companies like you're talking about. But I also noticed that you did a lot during the Obama administration, too, like where you're working with them a little bit.

H

Harry Moser 07:18

Never been paid by.

E

Ed Clemente 07:21

That's okay. Right.

H

Harry Moser 07:23

Harry Moser 07:25

I was brought in for what he called the Insourcing Forum, which was more or less his word for reshoring or onshoring. And I met with him in the White House and, you know, 25 other executives from around the country, and it was a wonderful experience to meet them to be in the White House to shake the hand, you know, and we've had a lot of interaction over the years with the National Economic Council with the Office of Management and Budget, with various portions of the Commerce Department like the MEPS, Manufacturing Extension Partnership, you have an excellent one in Michigan. And so for these various groups that they call on us, they asked us for data, we provide data we've been quoted in big things that the President puts out, but then we tell them what they ought to do, and they don't listen.

E

Ed Clemente 08:17

Well, it's one thing to be the messenger, it's another thing to get the message delivered. But you know, some other things too, is that, you know, I know you've been quoted quite a bit too in a lot of publications as well, right for this. Has it been a while, has it been picking up since sort of the last couple administrations or as I mean, I know in Michigan, I've actually interviewed a guest not too long ago, that moved his company here from, I think it was in China somewhere from China, but he's based out of California. So he was he wasn't even a Michigan company originally. Are you seeing more stories like that now, happening?

H

Harry Moser 08:57

We have a nice chart and if this were a video show I'd be showing you the chart, and the year we started in 2010. And that year, the total number of jobs announced to come back was 6,000. 6,000 in 2010. Last year, 2022. The total jobs announced in that year was 350,000. So the rate of jobs going back, there's 50-60 times as high. And in terms of why it happened, during the first 8-10 years, up until just before the pandemic, I call it the death of 1,000 cuts. The companies knew they were saving a lot of money on the price. But finally when they looked at the duty and the freight and the excess inventory and therefore the carrying cost of inventory, the travel costs, the disadvantage who have the engineering here and manufacturing there, the intellectual property issue, they looked at all this stuff and they kept, more and more of them, kept saying, yeah, yeah, yeah, yeah, but a gradual process. And then with the disruptions of the last couple of years with Fukushima a while back, but then followed by COVID. Somewhere in there, the Thai floods, the Suez Canal blockage, the Russia-Ukraine, you probably experienced all this, losing weeks or months on delivery, and then hanging over all that now, the risk of something happening over Taiwan. So companies see that risk, as you know, potentially existential. There's a lot of companies here that if everything from Taiwan and China got shut off for years, the companies would go out of business, and there aren't enough sources here to make up for it. Because our sources are already busy making the stuff they're making. Increasingly the industry is seeing, especially getting out of China, and Taiwan, but especially China, as insurance. So like if I had access to a board of directors, I say, do you have fire insurance in all your factories? Oh, of course, you have to do that. I say what's the chance of fire happening in all of those factories this year? Zero or a 10th of a percent? What's the chance of something going wrong with China and Taiwan, and you get cut off from everything you have coming in from those countries, more than zero or half a percent, you know? So companies are starting to say paying modestly more here is insurance against the devastation that could happen.

A

Announcer 09:07

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E

Ed Clemente 11:54

I wanted to ask you, also you said something when you're giving one of the reasons is about having the engineering here. But then having the manufacturing process like far away, right? So why is that? Because you're an expert, you've been in the field, you've had the same challenges and companies. Why is it? Is it just like the engineers have to walk around on the floor and see what's happening? Is it sort of like a physical experience? Or what is the challenge in that?

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Harry Moser 12:21

You know, the best work on this has been done by two Harvard Business School professors Pisano and Shih. And they've looked at what they call the "Industrial Commons" and what happens to a community, a state or country, if the manufacturing leaves, and you no longer have the linkage between the engineers and the manufacturing people. The way I describe it is that you need to optimize the product. And the only way to optimize a product is to know how it's going to be made, and see it made. And you need to optimize the process of making it and you have to have some influence over the product design. So that you can optimize the two of those together, and sort of globally optimize it. And when those two are separated by, like 8,000, 10,000 miles and language and time zones, and people that almost never physically meet each other, it's very hard to optimize, whereas when they're in the same building, or in the same town or the same state, you're on to a lot better.

E

Ed Clemente 13:24

That's a pretty interesting point considering even with COVID, right? What were essential workers? And you're kind of making a case that some people need to be in the physical presence, to actually see how things are operating, which also probably accelerated some of this process, too, is, I guess that kind of ties into the other question I wanted to ask you, is supply chain, all the disruptions in supply chain, what you probably don't know what percentage, but is it a significant percentage of the supply chain costs too? Does that factor into a lot of these? Or is it more the danger of not having parts like, because we get so used to just in time kind of things,

H

Harry Moser 14:05

I think the best way to explain that, I've got a wonderful charts a lady put out, and she used it at the World Economic Forum. And she said up until a couple of years ago, companies put most of their emphasis on saving pennies on inexpensive components they were buying to go into

their assembly. Think plastic parts, machine parts, casting, saving pennies on those items. And now they're worried, they want to optimize and make sure they have the components. They have those pieces so they can make their product and sell it and make the tens of thousands or hundreds of thousands of dollars by selling the product. So they're looking at where the money really is, instead of nickel and diming over here. Now, that doesn't mean you're going to pay twice as much or three times as much here because they can come out of China and go to Mexico and they could go to India or somewhere else. So there's other alternatives for them. So the U.S. still has to be within say 20% on price relative to the the offshore competitor. They definitely see more advantage to local, to proximity, to essentially guaranteed delivery.

E Ed Clemente 15:18

So that's a great point as well, Harry, that's really the evolution, sort of coming full circle on some of the supply chain issues, because I imagine in this era, even of like, is 3D printing also changing some of this factor too, because that's sort of an acceleration of an engineering process, right?

H Harry Moser 15:40

Yeah, 3D printing has done amazingly well. I've got friends in the industry. And it's been a wonderful new process. A lot is written about it, saying that most components will have been produced at the factory where they need them instead of being imported from somewhere else. So you need a fan, you'll make a fan, I mean something like that. And that makes sense for sort of a one material process, but something that's an assembly with electronics and wires and computer chips is hard, you're not going to make those on 3D printing. So every time I asked the additive manufacturing people to give me examples, where they've enabled reshoring, I don't get very much. I get a lot of here's this wonderful way that the U.S. used to make it eventually. And now they're making it with 3D. But you get very few cases of it used to be imported conventionally. And now we're making it here with 3D. Anybody out there that has examples, I'd love to hear them.

E Ed Clemente 16:47

Yeah, why don't you mention real quick what's your, should you just pull up Reshoring Initiative? Is that the best way to find you?

H Harry Moser 16:53

Pull up Reshoring Initiative or reshorenow.org?

E Ed Clemente 16:57

Okay. All right. A couple other questions. And this is more about trends. What trends do you, you've kind of touched on this a little bit, but is there other trends, or what things should government be doing more to either make sure which companies are coming over or trying to

help facilitate the process somewhat.

H

Harry Moser 17:17

Certainly, a lot of the action in the last year, year and a half has been President Biden's programs for EV batteries. Fair amount of that coming into Michigan. Chips, PPE, pharmaceuticals, rare earth minerals, etc. A fair amount of it has been that subsidies, incentives, etc. approach. Hundreds of millions of dollars, so major money. My concern is that they're, I think of them as applying tourniquets or band aids. So they're not fixing the problem. They're keeping the blood from flowing everywhere. So my concern specifically is that with, for example, with the chips, everybody else will build so many chip foundries around the world, because every major country is doing it. And we're building so many and there will be an excess supply of chips in five years when all the foundries come on stream. And it's generally agreed the U.S. chip will have a cost that's 20% or so higher than say the Chinese or Taiwanese chip. And then we will have excess supply because we don't assemble very many electronic devices like the computers, the cell phones, infotainment systems, etc. etc., pretty much are made over there and shipped here. So we're gonna have all these chips, and not much use for them here, so we're going to be depending on China to buy our chips to make the electronics and ship it back to us. And they're not going to do that they're going to use their own chips. And our chips are gonna be too expensive anyway, so I believe that what the government should do is level the playing field, which means much stronger skilled workforce, like Germany, the apprenticeship systems, get the dollar down by 20 or 30%, the dollars consistently overvalued because of being the reserve currency. So get the skilled workforce, get the dollar down. And then companies will see that it makes sense for them to produce those electronic systems here. And there'll be a market for the chips that the foundries are going to.

E

Ed Clemente 17:21

Well, you know, you kind of touched on the very last question a little bit, obviously, Michigan, we're probably, top five or so states for manufacturing still in the country. But the talent thing is what I thought was more interesting that you brought up comparing us to like the German sort of apprenticeship program. So if you were in sort of giving a mini commencement or to your 17 year old self, even though you went to MIT, what would you tell someone today that's thinking of a career for the near future.

H

Harry Moser 20:01

I guess I'd tell them that I'd be a better engineer today if I started as a toolmaker apprentice then. Almost all kids that are literate, and you can do any kind of math or said, here's the best university you can get into go for it. And instead, they should have a chance to say, what kind of career do I want? And once they identified that career, then many cases if it's something like manufacturing or something technical, then starting with an apprenticeship, graduating, maybe starting at 16 with the apprenticeship at 20 having your apprenticeship papers, and an associate's degree, and then let your company pay for all that, letting the company pay for a bachelor's degree in engineering. Then maybe in business is a brilliant solution for most kids. I did a chart once, I compared an English major to an apprentice toolmaker, looked at their

income state and saw the toolmaker always made more money than an English major. And had paid half the difference in taxes, invested the difference at 7%. At the age of 49, the toolmaker had a million dollars higher net worth than the English major. But the guidance counselor's don't have that, they're not handing it out to kids. They're telling them million dollars more lifetime income versus high school. But they're not telling you what advantage there is relative to a good apprenticeship. And so we we believe apprenticeship is the right solution.

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Ed Clemente 21:36

Yeah, I could remember before almost all the big manufacturers had their own sort of internal apprenticeship programs at one time, before even community colleges were created a way back if you look at your history, and I know that that's something that's very commendable, and I liked your answer. And so anyway, we're already at the end.

H

Harry Moser 22:02

Let me interrupt very quickly. [Yeah, go ahead.] Well, we have programs that MEDC could take advantage of, by which we can help the state target filling supply chain gaps and to help companies target opportunities to sell what they're making to companies that are now importing, so trying to substitute their production for the imports. So if anybody at the MEDC wants to accelerate reshoring in Michigan, we're here to help.

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Ed Clemente 22:30

Yeah, and I know a lot of our people that work at the MEDC do listen to the podcast, so hopefully someone will take you up on it. And once again, I wanted to thank our guest today, Harry Moser. He's the president and founder of the Reshoring Initiative. You did a great job and you're on top of your game, and thanks for taking time, Harry, to do this with us today.

H

Harry Moser 22:49

It's an honor, and good to be back to Michigan.

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Ed Clemente 22:53

Join us next week where our guest is going to be Jim Saber. He's president and CEO of NextEnergy. Hear all about the different types of future energy on our horizon.

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Announcer 23:03

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