

Ore. company bucks trend, keeps high-tech local

RICHARD READ Associated Press

Something radical is happening in a nondescript industrial park at the end of a cul-de-sac here.

Inside a rented building, American workers assemble electronic products and load circuit boards. That's a remarkable sight in this era of rampant offshoring.

Tom Hauge, president of Quality Production Ltd., greets visitors in an entry so tiny it lacks chairs. He started the contract-manufacturing business in his garage 15 years ago.

Even as Oregon hemorrhages manufacturing jobs, Hauge says, QPL's revenues grow 40 percent a year. The company has hired 20 workers in less than two years and now employs 55. Hauge is bullish on U.S. manufacturing, countering conventional wisdom that America can't compete.

"There are certain manufactured products that will need to stay here," Hauge says. "If it's engineering intensive, if it's low-volume, if it's controlled by the government or if it's a new product where you need to get the bugs out before mass production."

"And, some of our customers are just loyal to America."

No one predicts a giant sucking sound emanating from China as jobs return wholesale to the United States. But as the electronics industry quietly picks up -- and it's recovering fast, Hauge says -- the manufacturing pendulum is swinging at least partway back across the Pacific. U.S. companies that demand high quality, close supervision, quick problem-solving and frequent product changes often find satisfaction at a factory next door.

That's especially important in Oregon, where as recently as 2007, high-tech manufacturing accounted for about 10 percent of economic output -- eight times the share nationally.

Yet since 2007, Oregon has lost about 40,000 of its 200,000 manufacturing jobs. National contract manufacturers have left the state in droves, heading overseas or to lower-cost domestic locales.

RadiSys Corp. has moved the last of its Hillsboro manufacturing to Asia. Suntron Corp. closed its Newberg plant, laying off 190 workers. Solectron Corp. closed its Hillsboro plant and laid off 160, moving work to California and Mexico. Benchmark Electronics Inc. closed in Beaverton, laying off 180 and moving work to plants in Minnesota and Texas.

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Countering the exodus, Oregon has used subsidies and other incentives to attract manufacturers, notably solar companies. Japan's Sanyo Electric Co. employs 197 at a Salem solar plant. Germany's SolarWorld employs about 900 workers in Hillsboro.

Employees at both plants apply skills acquired in Oregon's semiconductor industry. The solar factories, for example, picked up some workers who lost jobs when Hynix Semiconductor's Eugene plant closed two years ago.

Industry experts say some U.S. companies that outsourced abroad are returning, after encountering defects, delays and theft of trade secrets. "The grass isn't always greener on the other side of the world," says Patrick Penfield, a Syracuse University professor of supply-chain management.

Penfield and others still expect the U.S. exodus of mass production to continue. "Those days of big, monster U.S. facilities producing the same product day after day are gone," Penfield says. "High-tech, highly innovative products, those are things that are smart for the U.S. to produce."

That's the niche occupied by QPL. The company began by helping Portland-area companies build prototypes for new products. Now 70 percent of its business is making and testing final-stage products. QPL, a private company that does not disclose its revenues, pays line workers between \$11 and \$18 an hour. It provides health and dental insurance. Its assembly lines turn out electronics for products ranging from industrial lighting to flat-panel TVs.

Portland-based Tiba Medical Inc. pays QPL to make circuit boards for devices that patients wear to measure blood-pressure fluctuations. "Having a product that's made in the U.S. has given us cache in the world market," says Merat Bagha, Tiba president.

Bagha doesn't mind paying a manufacturing premium of perhaps 50 percent for the devices that retail at \$2,000. "Manufacturing in Asia creates hassles and challenges that are not worth it," Bagha says. "We know that we're paying more, but for the type of device we have, the peace of mind is worth a lot."

Beaverton's Cipher Systems Inc. uses QPL to make and test aircraft emergency-locator transmitters. "We don't have to check their work," says Ruth Delker, Cipher quality manager. "It's good from the get-go."

Lest anyone thinks manufacturing is dull, Delker describes the excitement that comes with envisioning a new product. "It's going to sound silly," she says. "But I still get goosebumps whenever I see a new idea."

Clients walked into Cipher years ago, for example, with the idea of remotely controlling home energy use. Cipher came up with a radio the size of a quarter with a router and gateway connected to the Web. The radios go in a variety of products, one of which QPL assembles.

In the Portland area, QPL faces competition from other contract manufacturers such

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as Silicon Forest Electronics Inc., Cascade Systems Technology, ControlTek Inc., Vanguard EMS and Axiom Electronics. Such companies fill some of the void left by Suntron, Solectron and the like.

"We're positioned to take advantage of that business," says Mark Veary, a QPL process engineer.

Veary jumped to QPL in March after seven years at Benchmark, the contract manufacturer that closed its Beaverton plant. He's seen substantial growth in electronics manufacturing orders during the last nine months. He likes working for a smaller company where assembly workers talk directly to top managers.

"At any moment a customer can come in and see their product on the floor," Veary says. "Everybody really cares about their portion of the product."

In Oregon, Intel, the state's biggest private employer, anchors manufacturing, with 15,000 employees. The semiconductor giant is reportedly considering construction of another chip plant in Oregon. Andy Grove, former Intel chief, wrote a recent Bloomberg Businessweek magazine article arguing that manufacturing, not startups, holds the key to high-tech's future.

While traditional Oregon wood-product manufacturers have cut back, some large high-tech companies thrive. Beaverton-based Merix Corp., for example, was sold this year to Viasystems Group. The St. Louis-based giant primarily assembles circuit boards abroad, but retained Merix's Forest Grove electronics-assembly plant for defense business, quick-turn jobs and prototypes.

Hillsboro-based TriQuint Semiconductor, with 845 Oregon employees, makes components for wireless communication. It has added more than 800 employees company-wide since 2006, and plans to add about 160 more this year for a total 2,760.

Nearly 60 percent of TriQuint's revenue comes from modules installed in cell phones to connect them to towers. The company does core manufacturing in Oregon, Florida and Texas. Then, much the way Intel makes wafers in Oregon and ships them abroad for test and assembly, TriQuint does final assembly in China, Malaysia and South Korea.

"We're very fortunate, we make a unique product on a specialty material," says Steve Grant, TriQuint's vice president of worldwide operations.

Grant, an Intel alumnus, says companies in Taiwan and mainland China are starting to take orders for wafers akin to TriQuint's base material. But TriQuint builds from its own designs, keeping manufacturing in-house. Its market keeps growing.

"A lot of our products go into the smart-phone business," Grant says. "The number of smart phones sold is going up, and the number of our modules that go into a phone is also going up very dramatically."

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That means more TriQuint jobs in Oregon and Texas plants, because expanding existing sites is easiest, Grant says. "But if we outgrow them, we may look overseas."

Craig Giffi, U.S. leader for Deloitte's consumer and industrial products practice, says that despite jobs lost to offshoring, the United States remains a strong manufacturing country. "There are wonderful bright spots," says Giffi, who advocates tax breaks and other incentives to retain factories.

"We want the next generation of high-value, high-tech types of manufacturing," Giffi says. "That can be everything from next-generation autos to solar power."

In Oregon, subsidies to attract new manufacturers have ranged as high as about \$200,000 a job at Sanyo Solar.

Giffi says that can be justified, considering the economic activity each manufacturing job supports. Penfield, of Syracuse University, favors government incentives for U.S. companies manufacturing abroad to repatriate profits, on the condition they use the money to build plants in America.

A Florida company is making hay from consumer interest in companies that manufacture in the United States. Made in USA Certified conducts audits to certify products as made entirely or mostly in America.

In Hillsboro, Quality Production Ltd. has various certifications but not that one -- yet. In Hillsboro, QPL is expanding its quarters from 18,000 to 24,000 square feet. It will reconfigure its assembly lines to increase efficiency.

QPL's biggest problem, as the electronics industry springs back to life, is scrambling for parts. Suppliers aren't churning them out fast enough, Hauge says.

"We're used to being able to get parts in four weeks," Hauge says. "Now sometimes it takes 40 weeks, or more. Customers don't like that."

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