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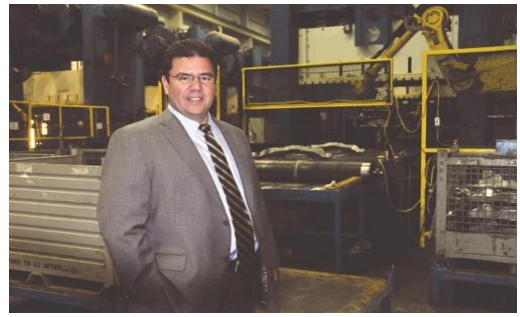
Survive and advance

By Rita Rose, Macomb Daily Special Writer



Macomb Daily staff photo by David N. Posavetz
Michael J. Alcala, president and CEO of AZ Automotive, said quality products and on-time delivery have been keys to success in a troubled economy.

The plunge in automotive production has taken its share of related businesses with it, but one Macomb County-based supplier has managed to survive and preserve local jobs.

AZ Automotive, a tier-one supplier for both General Motors and Chrysler vehicles, has been able to turn things around in the past six months, thanks to some serious steps toward reducing its debt and realigning its cost structure.

"We've restructured our balance sheet and reduced our debt by 55 percent," said Michael J. Alcala, president and CEO of the Center Line-based company. "We've also lowered our cost structure quite significantly."

While lowering costs meant eliminating some jobs, Alcala said the company was able to preserve its current level of 1,100 employees, most in the Macomb area and Canada. The supplier also cut costs by restructuring work flows, which meant taking a look at the manufacturing process and eliminating tasks that did not add value.

Alcala said AZ renegotiated leases on some of its facilities to help lower rent costs, and it asked all salaried workers to take a pay cut.

Business Bio

Company: AZ Automotive Corp.
Locations: eight plants, with five in Macomb County (headquarters in Center Line); other plants are located in Kansas and Canada
Operations: Engineering and production supplier of metal stampings, assemblies and modules to automotive manufacturers
Top customers: General Motors, Chrysler, Ford, Mitsubishi
History: Reorganized in 2002 as AZ Automotive. The move combined two companies, Aetna Industries, founded in 1933, and Zenith Industrial, founded in 1964

"The work force here at all levels is very committed," he said. "Everyone did what they had to do to ensure success in the future."

Because of these moves, AZ has lowered its breakeven point on sales by 31 percent, he said.

Alcala, who has been AZ president since March, said production "took an abrupt drop" earlier this year when the company's two major customers, GM and Chrysler, filed for bankruptcy and shut down operations temporarily. Since August, however, demand for parts has increased and AZ is now shipping products at just under 80 percent of last year's daily rate.

"We're expecting to hold at that same rate for the next few months," he said.

Overall, however, the company will ship about half the total products that it shipped last year, he said.

One thing that has helped it stay afloat is the government receivables program that protects suppliers of General Motors and Chrysler. The program, part of the federal money from TARP (the U. S. Troubled Asset Relief Program), helps guarantee payment to automotive suppliers in order to keep parts available to the automakers.

Another silver lining, Alcala said, is that the company produces major parts for some popular vehicles. AZ produces the chassis rear suspension module for the Chevrolet Malibu and the chassis cradle for Chrysler minivan products.

"We will continue to take a wait-and-see attitude and hope for the best," he said.

Alcala said the company's quality and service record should help it weather a continued downturn. AZ offers engineering and design solutions, while some suppliers can only manufacture and stamp products that the customer designs, he said. AZ offers complete body and chassis design and manufacturing capabilities.

The company is noted for its quality work, Alcala said, which has helped it to maintain all of its current production contracts and even win some new product business. Recently it has been awarded takeover work.

AZ has managed to turn in a "near-zero" measurement of defective parts per million for the past four years, he said.

"When we measure service, our on-time delivery rate has been at the 100 percent level for years," Alcala said. "Throughout this whole difficult time this year, we've maintained that quality and performance."