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3:01 a.m., Jul. 31, 2006

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Diversification fuels successes

By [Brent Snavelly](#)

Some minority-owned automotive suppliers are thriving despite the distressed condition of much of the North American automotive industry.

Examples include Madison Heights-based **Gonzalez Design Group**, Dearborn-based **Plastech Engineered Products Inc.**, Troy-based **TAG Holdings L.L.C.** and Auburn Hills-based **Saturn Electronics & Engineering Inc.**

Gary Gonzalez, president of Gonzalez Design, said business conditions are tougher now than ever before but said some guidance and even financial assistance is available from automakers.

"We used to have annual price increases, now we get price decreases, but that's the reality of the market," Gonzalez said. "It's unrealistic to say, 'Gee, GM, I know you are in a difficult time ... but by the way, why don't you give me a price increase because my resin prices have gone up?'"

Gonzalez said that while some business opportunities with automakers are eroding there are more opportunities to do business with tier-two suppliers. While his company has seen demand decline for contract staffing in the automotive industry he has been able to land clients in the homebuilding and telecommunications industries.

"There is a lot of bitterness in the minority community that hey, they are turning their back on us," Gonzalez said. "But I am not sure I agree ... Their part is to give you an opportunity to sell to them. From there, there are many programs that GM has that you can tap into."

On two occasions in recent years Gonzalez said his company received loans from **Motor Enterprises Inc.**, a GM subsidiary. Sales at Gonzalez Design topped \$105 million in 2005, up from \$81 million in 2004.

At Chrysler, a mentoring program called Minority Enterprise Initiative was created in 2000 to monitor the company's minority suppliers to determine barriers to success, said Jethro Joseph, Chrysler Group's senior manager-diversity supplier development.

The program includes about 50 companies and seeks to help successful ones become even more successful by identifying performance areas that can be improved.

"These are the cream-of-the-crop suppliers that we deal with because these are the suppliers that we want to grow with," Joseph said.

Plastech's rapid expansion

Plastech, which began in 1988 with an injection-molding plant in Caro, is the only locally based, minority-owned automotive supplier with more than \$1 billion in sales.

Last fall Plastech, owned by Vietnamese immigrant Julie Nguyen Brown, made an attempt to purchase bankrupt Troy-based automotive supplier **Collins & Aikman Corp.**, a company with more than \$2.8 billion in 2005 sales.

Brown backed down after private-equity financier Wilbur Ross put Collins & Aikman in his sights and credit agency **Standard & Poor's** indicated that such a large acquisition might be too much for Plastech.

In February, Standard & Poor's affirmed its B+ rating on Plastech and said the rating "(reflects) Plastech's proven ability to generate adequate margins and win profitable new

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business even amid the very difficult market conditions.”

Plastech declined to comment for this story.

TAG Holdings growing

Troy-based TAG Holdings, owned by chairman and CEO Joseph Anderson, saw sales grow by 230 percent in 2005 to \$340 million.

Anderson created TAG Holdings in 2002 through a joint venture with **Freudenberg-NOK** called **Vibration Control Technologies L.L.C.** Since then, TAG has grown into a holding company with four portfolio companies.

Anderson previously had owned Sterling Heights **Chivas Products Ltd.**, which filed Chapter 11 bankruptcy in 1997. Anderson purchased Chivas' assets in 1998 with Warren-based **Continental Plastics Co.** to form **Chivas Industries L.L.C.** He sold his interest in that company to Continental in 2002 to start TAG.

Anderson learned several lessons at Chivas, said Mark Davison, TAG's vice president of business development, including not to rely heavily on one or two customers.

Davison said most of TAG's 2005 growth was because of a new company launched in January 2005 called **Great Lakes Assemblies L.L.C.**

Great Lakes is a joint venture of TAG and **Midwest Express Inc.**, a Honda affiliate. It is 51 percent owned by TAG. It makes tire and wheel assemblies for four Honda cars.

“The key to our success is we deliver on our promises and we execute what we are given and our business growth opportunities really spring from what we have been given,” Davison said.

Davison also said TAG is finding more business opportunities with tier-one suppliers and counts companies such as **Behr America Inc.** and **Robert Bosch Corp.** as customers.

Sales down, profits up

Auburn Hills-based Saturn Electronics is doing exactly what minority-supplier experts say minority suppliers ought to be doing — growing overseas and ditching low-margin contracts in favor of higher-margin business.

Saturn saw its sales decline 27 percent last year to \$189 million, but that's because the company has been shedding contracts for low-margin products, such as electronic wiring. Founded in 1985 by Wallace Tsuha, Saturn's sales topped \$377 million in 2002.

“But at the same time, the financials were very weak,” said Orlando Bustos, president of Saturn's international operations. “In 2005, the company did very well ... the balance sheet looks very good and now we are going through a growth mode.”

The company also has developed a line of components for hybrid vehicles and a line for telematics and navigation systems. This year Saturn plans to fill about 300 new jobs.

Saturn, which has operations in the Philippines and is expanding its presence in Mexico, expects sales to top \$203 million this year.

“What the company has done is changed the mix of revenue by adding new products, and they tend to be the more highly engineered products,” Bustos said.

About 82 percent of Saturn's sales are from the auto industry; the rest are in home appliances.

Brent Snavely: (313) 446-0405, bsnavely@crain.com

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