

**THIS PLACE, THIS TIME**

New book traces history of rubber association  
COMMUNITY, B1

**YANKEES DEFEAT INDIANS WITH AID OF VIDEO**



Pistons looking for new strategy to stifle James' scoring threat  
SPORTS, C1

**FirstWORD**

**Telephone outage hits Beacon Journal**

The Akron Beacon Journal experienced a phone outage Saturday and Sunday. The problem appeared to be fixed Sunday evening by our phone vendor. Anyone who tried unsuccessfully to contact the newspaper over the weekend is encouraged to call again today. We value your readership and apologize for any inconvenience during the outage.

**Today's weather**



52° High 41° Low  
Forecast, Page B10

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## Ohio manufacturers fear chain reaction

Area businesses brace for cascade effect if Chrysler or GM files for bankruptcy. Diversification crucial for survival



Jeff Harte mills and drills at SC Manufacturing in Akron. Small businesses are trying to figure out how much pain they might endure if General Motors and Chrysler file for Chapter 11 bankruptcy.

**By Jim Mackinnon**  
Beacon Journal business writer

Count Lee Combs among the business owners in Northeast Ohio wondering how possible bankruptcy filings by either General Motors or Chrysler will affect this already economically pummeled region.

"It's all interrelated," said Combs, owner of SC Manufacturing, an Akron machining company. And because of that, in order to survive, businesses can't tie themselves to just one big customer or industry, he said.

"You've got to diversify. And by design," he said.

The global recession and credit crisis that caused a dramatic plunge in new vehicle sales to a rate of just more than 9 million a year from what regularly had been 15 million-plus has devastated automakers, their suppliers and dealer networks.

Now, large companies such as tire giant Goodyear and Fairlawn polymer company A. Schulman



Combs

Inc. and small businesses such as SC Manufacturing are trying to figure out how much pain they might endure if the federal government forces GM and Chrysler to reorganize under Chapter 11 bankruptcy.

Among the stakes are all of the dollars that the automakers owe suppliers and filter through the network. A bankruptcy filing could mean an already struggling business gets paid less than what it is owed.

How this plays out locally remains to be seen. But Summit County's unemployment rate hit 9.5 percent in February, with labor analysts saying the rise in large part is attributable to layoffs at auto-related employers.

GM's new chief executive, Fritz Henderson, said last week it is "probable" that the company will file for bankruptcy by June 1. Chrysler, meanwhile, faces a May 1 government-imposed deadline to stay solvent by restructuring its debt and teaming up with Italian carmaker Fiat.

Ford has yet to accept any federal assistance and

Please see **Cars, A5**



Obama

## Obama says diplomacy is strength

President challenges critics on reaching out to enemies

**By Ben Feller**  
Associated Press

**PORT-OF-SPAIN, TRINIDAD:** Defending his brand of world politics, President Barack Obama said Sunday that he "strengthens our hand" by reaching out to enemies of the United States and making sure that the nation is a leader, not a lecturer, of democracy.

Obama's foreign doctrine emerged throughout his four-day trip to Latin America, his first extended venture to a region of the world where resentment of U.S. power lingers. He got a smile, handshakes and even a gift from incendiary leftist leader Hugo Chavez of Venezuela, and embraced overtures of new relations from isolated Cuban President Raul Castro.

"The whole notion was that if we showed courtesy or opened up dialogue with governments that had previously been hostile to us, that that somehow would be a sign of weakness," Obama said, recalling his race for the White House and challenging his critics today.

"The American people didn't buy it. And there's a good reason the American people didn't buy it - because it doesn't make sense."

Please see **Obama, A2**

## Congress starts reforming laws for health care

History suggests it can't be done, but some consensus is developing

**By Ricardo Alonso-Zaldívar and Erica Werner**  
Associated Press

**WASHINGTON:** This time it's really going to happen. Or so they claim.

Senators get down to work this week on turning ideas into legislation to cover some 50 million people without health insurance and contain costs for everyone else. Hopes are high that Democrats and Republicans can find common ground for a bill to emerge by summer.

They will have to defy history. Grand plans to revamp health care have a half-century history of collapsing. More focused proposals, such as the creation of Medicare in 1965, have succeeded.

Lawmakers are far apart on some of the most important issues today, from the reach of government to the responsibilities of employers and individuals. And guaranteeing coverage for all

Please see **Health, A6**

## Robots are Rx to reduce errors

Hospitals turn to automation, including medication carousels, in pharmacy operations

**By Cheryl Powell**  
Beacon Journal medical writer

Hospitals increasingly are turning to technology as a potential cure for medication errors.

Aultman Hospital in Canton, for example, is embracing automation to fill prescriptions with its new \$5.7 million pharmacy.

The recently opened state-of-the-art department features a new robot stocked with unit doses of 400 of the most commonly prescribed medications.

After receiving the order electronically, the robot zips into action, picks the individually wrapped single doses and stuffs them into an envelope to be delivered to the patient.

Another 2,000 medications are stocked in a new carousel, which rotates to the location of the prescribed medication after the pharmacy technician scans the patient order.

Each dose is tagged with a bar code, which can be scanned when the order is filled and then again when the drug is administered to verify the right patient gets the right medicine.

The hospital started rolling out the bar-code system this month. It allows nurses to scan the patient's bar-coded wristband along with the medicine's bar code as an added safety check and documenting tool, said Mimi Gozdan, Aultman's clinical informatics specialist.

The information then is added to

the patient's electronic medical record.

It's a much simpler and more accurate way than paper charts to track the estimated 10,000 units of medication dispensed at the hospital each day, Gozdan said.



Toohey

"I can track the process from beginning to end," said Jim Toohey, Aultman's co-director of pharmacy. "We want to get things to the patients as quickly as possible and as safely as we can."

Please see **Robot, A6**



PAUL TOPLE/Beacon Journal

Nurse Amanda Sanders (right) scans the wristband on Marezella McCrary's arm before giving her medicine at Aultman Hospital.

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— Peter Drucker, the father of U.S. management consulting

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# Cars

## Ohio businesses rely on U.S. auto industry

Continued from Page A1

is the financially healthiest of the domestics.

The future of the so-called Detroit Three is of utmost importance to Ohio and its manufacturing base, which heavily relies on the auto industry. Besides factories owned by the automakers, the state has 397 of the large so-called Tier 1 suppliers that, in turn, count hundreds more smaller businesses here as customers and vendors. The state estimates that 15 percent of Ohio's economic output is automotive related.

### Suppliers in Ohio

The latest information from the trade group Original Equipment Suppliers Association in Troy, Mich., estimates that more than 97,000 people were directly employed by automobile suppliers in Ohio. Indirect expenditures contributed to employing more than 440,000 Ohioans.

GM faces bankruptcy as a condition for receiving billions more dollars in federal aid. The consensus is that a new General Motors would be much smaller – and that would affect the companies that make a living supplying the automaker.

The federal government is creating a \$5 billion financing package to help out the nation's largest auto suppliers, leaving smaller businesses fearing that they largely must fend for themselves. Suppliers had been seeking \$18.5 billion in aid.

Bankruptcy is probably the best option for the automakers to restructure and return to profitability, said Robert R. Ebert, Buckhorn Professor of Economics at Baldwin-Wallace College in Berea, who studies the industry. But suppliers are as important to Ohio as the automakers are, he said.

"Bankruptcy leaves a big question mark for the suppliers," he said. The companies already are operating under very thin profit margins because of cost-cutting pressure from the automakers, he said.

"The suppliers are really victims," Ebert said. "They've been hammered by the industry for years."

The federal government needs to ensure that if any of the automakers files for bankruptcy, their suppliers are paid dollar for dollar for legitimate bills, he said. If suppliers instead are reimbursed at 60 percent to 70 percent of what they are owed, that will "deep-six many of them," he said.

A bankruptcy filing is a "huge concern" of the auto suppliers, said Rick Fedorovich, chief executive of Fairlawn-based accounting firm Bober Markey Fedorovich.

In addition to years of rocky relationships with the automakers themselves, the suppliers now are having tough times with their banks, he said.

"The financial institutions that lend to the companies that supply the auto industry have taken an extremely strong position against the auto industry," he said.



Chris Eliopoulos (left) of Hartville talks with SC Manufacturing owner Lee Combs in front of a new lathe at the Akron machining company. Combs says companies can't tie themselves to just one big customer or industry. "You've got to diversify. And by design," he says.

That basically means it is a lot tougher even for suppliers in good standing to get needed financing, he said.

"If you are in the wrong industry, you have significant problems with your banker. That's if you're good," he said. "The bank doesn't want you if you are supplying the auto industry."

"I am really concerned that there will be a significant cascading effect."

While the federal government, media and others have paid considerable attention to the automakers and their largest suppliers, "nobody is looking at the plight of everybody beneath. That's a considerable bucket," he said.

Fedorovich said he has been recommending that clients speak with bankruptcy lawyers now so they know what they might be getting into if an automaker files for Chapter 11.

"It's wise to have those discussions," he said. "That's well worth the expenditure of \$1,000 in legal fees."

### Goodyear sales

Goodyear Tire & Rubber Co. in recent years undertook a strategy to de-emphasize lower-profit original equipment tire sales and instead focus more strongly on higher margin consumer replacement tires.

In 2007, Goodyear's original equipment tire sales to the Detroit Three amounted to less than 8 percent of its global sales, spokesman Keith Price said.

Original equipment tires – those on vehicles coming off the assembly lines – remain important to Goodyear even at lower volumes, Price said. But the Akron company has tried to be pickier on which new vehicles get its brands.

Goodyear's North American Tire division sales have been hurt by the deep production cuts

in North American vehicles, Price said. North American original equipment tire sales were down by about 5.9 million units, or 23 percent, in 2008 compared to 2007, he said.

Goodyear's finances will not be greatly affected if an automaker files for bankruptcy, Robert Keegan, Goodyear's chairman and chief executive, said at the company's 2009 shareholders meeting.

Marc Merklin, a lawyer who specializes in corporate issues and bankruptcies for the Akron law firm Brouse McDowell, said bankruptcy might not be a bad thing for the automakers themselves.

"It may be the best thing that can happen for GM or Chrysler," he said.

The automakers are too big and encumbered by overhead, have significant "legacy costs" to retirees and high debt so that they are no longer competitive, he said.

A breakup of GM, for instance, into smaller companies could have the same benefit as the breakup of Standard Oil at the early part of the 20th century or when AT&T was forced to split up in the 1980s, he said. The progeny of those actions became competitive and innovative, Merklin said.

It is probably inevitable that GM goes into bankruptcy, he said.

"It's got huge repercussions locally," Merklin said.

### Smaller businesses

Smaller suppliers here already are being hurt by tightening bank credit standards, he said. Those companies need to borrow money to operate, and the needs are based on projections of how much money they expect to bring in from their customers, he said.

Problem is, projecting those accounts receivables is increas-

ingly difficult, he said.

"A lot of them are in negotiations with the banks," Merklin said. "The banks have to exercise a little more caution and a little more patience."

The economic climate remains uncertain, said Joe Gingo, chairman and chief executive of A. Schulman Inc., which makes resins and plastic compounds, some of which find their way to the automotive industry.

It is inevitable that there will be a smaller domestic automobile industry and fewer new vehicles sold annually, Gingo said.

That means, for instance, a supplier that was selling 5,000 parts a week to General Motors will have to make significant changes, he said.

"If I'm lucky, I will sell 2,500 parts. I have to cut capacity, cut my work force," Gingo said.

"I've got to guess you will have a

permanent downsize in demand."

He has already taken those kinds of steps since taking the reins at Schulman in January 2008, coming over from a senior executive job at Goodyear. Schulman got about 16 percent of global revenue a year ago from the automobile industry; it now gets about 10 percent of its revenue from that sector.

If a domestic automaker files for bankruptcy, "that means everyone has overcapacity," unless they've already made the kind of cuts that Schulman has, Gingo said.

John Johnston, head of the Summit County Machine Shop Group, an association of local small businesses, said he and others who make up the group regularly talk about the future of the domestic automakers.

"We're not directly tied to

the automobile industry," he said. "But it's amazing how tied you can be. It's a domino effect."

The automobile industry affects steel makers, tire makers and all of the customers and vendors of those businesses, including machine shops, he said.

Combs at SC Manufacturing calls himself an optimist – adding that's typical of a small-business owner.

At one point years ago, he got about 30 percent of his business from the larger Tier 1 and Tier 2 suppliers.

Fortunately, Combs said, the business he has been a part of for some 31 years is no longer heavily dependent on the nation's domestic automakers.

"That business is way down," he said. "I have many, many different types of customers. I'm a job shop. That's how you see everything is so interrelated."

He believes in the kinds of work he and other shops do, and founded a school, Akron CNC Training Center, at one of his plants to turn out skilled machinists. The four-month-long classes are largely booked.

Jim Mackinnon can be reached at 330-996-3544 or jmackinnon@thebeaconjournal.com.

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# Exxon Mobil tops Fortune 500

Wal-Mart falls to second, with Chevron and ConocoPhillips next on list

By Dan Strumpf  
Associated Press

**NEW YORK:** Exxon Mobil Corp. unseated Wal-Mart Stores Inc. in the 2009 Fortune 500 list, shrugging off the oil price bubble and weathering what the magazine called the worst year ever for the country's largest publicly traded companies.

Fortune's list, released Sunday, ranked companies by their revenue in 2008. Exxon, based in Irving, Texas, took in \$442.85 billion in last year, up almost 19 percent from 2007. The company also raked in the biggest annual profit, earning \$45.2 billion.

Wal-Mart, of Bentonville, Ark., had held the top spot for six of the last seven years but fell to No. 2 this year. Still, the retail giant's 2008 revenue climbed 7 percent to \$405.6 billion, as the battered economy sent more consumers searching for bargains. The world's largest retailer took in \$13.4 billion in annual profit, an increase of about 5 percent.

Although it may have been a

good year for Exxon and Wal-Mart, 2008 was far from rosy for most of remaining companies on the list. Overall earnings plunged 85 percent to \$98.9 billion from \$645 billion in 2007, the biggest one-year decline in the 55-year history of the Fortune 500 list.

"America is getting used to the sound of bubbles bursting," Fortune said.

Energy companies continued to dominate many of the top positions, as last summer's skyrocketing oil and gas prices more than compensated for their plunge later that fall. Chevron Corp. held on to third place with \$263.16 billion in revenue, up 25 percent. ConocoPhillips climbed one place to fourth, with \$230.76 billion in revenue.

General Electric Co., the diverse conglomerate whose troubled financial arm has been weighing on recent results, rose one notch to fifth. Battered automaker General Motors Corp. fell two spots to sixth, as revenue fell 18 percent and losses totaled

\$30.86 billion amid the imploding car market. Crosstown rival Ford Motor Co. followed, with \$146.28 billion in revenue.

Telecom giant AT&T Inc. moved up two notches to take eighth place, with Hewlett-Packard Co. and Valero Energy Corp. rounding out the top 10.

Among the hardest hit in 2008 were financial services companies, Fortune said. Banks, securities firms and insurers took cumulative losses of \$213.4 billion, accounting for almost 70 percent of the total dollar decline from the peak year of 2006, the magazine said. Citigroup Inc. and Bank of America Corp., which were No. 8 and No. 9 respectively last year, each slipped a couple notches from the Top 10.

Thirty-eight companies fell off this year's list, including financial firms Lehman Brothers Holdings Inc., Washington Mutual Inc. and Wachovia Corp., all of which have either gone under or been acquired by rival banks.

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