

Kalamazoo is a key to Kaiser Aluminum's growth strategy

by Lynn Stevens | Business Review Western Michigan
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Photo by Lynn Stevens Kaiser Aluminum CEO Jack Hockema toured the new Kalamazoo site Wednesday.

The new general-engineering alloy facility at Midlink Business Park in Kalamazoo is a critical strategic project in Kaiser Aluminum's organic growth program, CEO Jack Hockema said on a visit to the site Wednesday. When the more than 464,000-square-feet of a former General Motors Corp. stamping plant is fully revamped, its technology and location will help [Kaiser Aluminum](#) [Nasdaq: KALU] challenge all competitors in aluminum rod and billet fabrication.

"It's designed to take on overseas competition," Hockema said.

It is Kaiser's first plant in the Midwest and it's targeting automotive manufacturers and other industries concentrated in the region.

Kalamazoo's location midway between Chicago and Detroit helped land the new plant. The types of products the plant will make are relatively low-value-added, so the cost of shipping them becomes a disproportionately large part of prices, Hockema explained. In fact, shipping can outweigh the cost of production, he said. Building the [company's newest plant](#) in proximity to its major customer bases makes Kaiser price-competitive for those customers. Customers include appliance manufacturers, automotive suppliers, machinery equipment manufacturers, electrical markets and other industries that require light weights, good machinability and good electrical conductivity. Those users are concentrated in the Midwest, according to Keith Harvey, vice president for sales and marketing for general-engineering and aerospace.

A similar extrusion plant in Los Angeles serves customers west of the Rocky Mountains, Hockema said.

Further, the new plant will be fitted with the most advanced technology in the Kaiser system for rod and billet manufacturing. It will be the lowest-cost fabricator in the Kaiser family, Hockema predicted.

"Kaiser has a long history of tremendous technological depth," he said. "This will be world-leading in quality and cost attributes. We have some proprietary technology that will be used here -- we expect the products to be superior."

The more than 464,000-square-foot Kaiser operation will include a melting furnace, two presses, testing stations and storage or depot facilities. Although a [Midlink Business Park](#) spokesman ballparked the cost of converting the space in the former General Motors Corp. stamping plant at \$80 million, Hockema refused to confirm that amount. The Kalamazoo plant is the second step in Kaiser's \$250 million total organic growth program, he said. The total cost of setting up operations will consume roughly half that program budget.



Photo by Lynn Stevens Kalamazoo Plant Manager Jason Harloff stands in front of the location for a 6,000-ton aluminum press.

The company has begun hiring, according to Plant Manager Jason Harloff -- although there was no equipment in the space this week. Employment will be at around 50 percent by the end of the second quarter of 2009, he predicted, and reach full employment of 150 to 200 at the end of 2009.

Kaiser will bring in experts from some of its 10 other plants in the U.S. -- Harloff is from the Chandler, Ariz. tube-mill plant -- and its plant in Canada, but the majority of employees will be local residents, according to Martin Carter, vice president/engineer for commercial alloys.

Kaiser Aluminum signed a 25-year lease in Midlink Business Park last week and is making a commitment for the long term, the company officers said.

"This facility lends itself to expansion," Carter said. "We'll have the 4,000-ton press and the 6,000-ton press -- we could add a third, and another melter. We fully expect to make those commitments