



Slingmakers

Issue No. 106

Summer 2005

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Letter From The President

July 20, 2005

Spring has come and gone, and summer appears to be heading in that direction fast.

With over 400 attendees at our Spring Meeting in Scottsdale, Arizona April 17-20 and weather you couldn't ask better for, it was a huge success for all who attended. Our Program Chair, Teresa McGee assisted by Andrew Hall, did an excellent presentation in their new job of keeping us both informed and entertained. Bruce Yoder, our Tournament Chair did, as expected (with help), a superb job in putting on a great day of Golf, Tennis, and Fun Run activities. I wish to thank all who attended and participated in our Association Meeting.



During the course of the year, your designated committees have been hard at work for your organization. Craig Hayward, Treasurer and Finance Committee Chair, has kept tabs on keeping the association fiscally strong and secure. Your Secretary and Communications Chair, Anne Renfroe, has polled the members on their wishes, desires for the direction that you, the members, want the association to go now, and grow into the future. The participation and response back from our membership, far exceeded our dreams. The results were discussed in our Summer Board meeting, and will be presented to our members at the Fall Association meeting, along with a reprint in the "Fall Slingmakers".

Don Pellow, and his Technical/Testing Committee, is doing an excellent job and shall submit a copy of the printed version of the ASTM B30.6 Rigging Hardware to our general membership this year. He also will follow up with a presentation at the Fall Meeting which will be decided after the August Tech meeting.

Insurance/Legal Resource with Brad Fowler as Chair has worked hard with Jeff Gilbert in compiling our records for continued proof of Liability Insurance. This task has been on-going for years. However, this year we are within reach of achieving our goal of 100% documentation of insurance certification within our data base.

Publishing a manual on Practices and Guidelines for the Operation of Test Machines has been the primary goal of the Safety Committee, headed by Dan Merrill. This publication is now in the hands of both our Legal Counsel and Technical/Testing Committee for edification. We hope to have this valuable tool in your hands within the first part of next year.

Data Gathering with Mel Fireovid as Chair, succeeded in the endeavor of the Profit Planning poll. Those who chose to participate, along with those that did not, may have the

opportunity to participate in another area of comparative compensation and benefits in this upcoming year. Look for that announcement in the near future.

Scholarship with Alex Edwards as Chair has completed the solicitation of nominees and is working on choosing the winning candidates. The winners of this years Scholarship will be announced at the Fall Meeting, and published in "Slingmakers".

Membership, with David Johnston and Cindy Morley, is having a tough time getting new members to submit all the criteria forms in full so your Board may vote on them. It is imperative, based on our bylaws, that full documentation for review of possible new members be submitted at application time. Any deviation of potential new applicants from requested forms will result in a non-vote by your Board. Because of this many potential members did not get voted in as they assumed this summer. Please assist our potential new applicants in filling out all information as requested on our application form.

Preservation, with Past President Kathy Petrie, is fast on track in presenting some of our artifacts at the upcoming PIE in Boston. Past President Ned Librock gave an informative presentation at our Spring Board Meeting on the goals and objectives that the Past Presidents Committee would like to see our Association take on today and into the future.

To Denny Worswick, our Entertainment Committee of one, it goes without saying "A Job Well Done".

We just finished our Summer Board Meeting in Portland, Oregon. We worked hard and diligently in reviewing our goals set forth for this year and our 3-5 year objectives for the future. I would like to thank our Nomination Chairman, Past President Mark Metz and his Committee for their hard work and dedication in the selection of our New Officers for the year 2006. I know this was a formidable task with so many talented Officers and Directors. I look forward to watching our newly elected Officers perform into the next year.

As I come closer to the end of my term, I reflect on how fast this year has gone by. Many a Past President has said "The year will zoom by and you'll be lucky if you achieve your goals". At this point in time I am well satisfied in my achievements and being able to work with such a qualified group of Directors and Officers.

Looking forward to seeing all of you in Boston at our next meeting.

Respectfully,

Bob Cushman,
President, AWRP

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ROPE FAILURES ON TOWER CRANES

Knut Buschmann ODN 0744
Uniropo Ltd., Ontario, Canada



These presentations are two actual cases of wire rope failures which occurred in Toronto, Canada. Luckily, no one was injured. Subsequent investigations by the Canadian Safety Authorities and inquests by the Ministry of Labour raised much concern over the use of improper rope types on tower cranes. The political problem is that tower cranes tend to operate on public land and in many cases over public accessible streets and pathways. Although loads are not lifted over 'traffic' or 'people', a sudden rope failure can have a much wider damaging effect as the 'concrete bucket' tends to drop.

Another important fact to mention is that tower cranes in Canada are much used more often than in other countries. This has something to do with our building technique which involves so called 'slip forms'. Such 'slip forms' are used to continuously pour concrete into a form which is being 'raised' as the concrete solidifies. This technique requires a constant supply of concrete which is hoisted up by tower cranes; in most cases hundreds of lifts per day. This is in sharp contrast to Europe where concrete is mainly 'pumped' by not 'hoisted' and consequently, tower cranes are used to lift 'building materials' only but not concrete buckets.

The effect is that tower cranes in Canada are used to a much higher 'utilization' rate than in Europe. This realization, and the acknowledgement that rotation resistant ropes (e.g. 8x25, 19x7, 19x19) are much more prone to undetected internal failures, led the CSA Z248 Standard Committee to suggest a ban on these rope constructions if they are to be used on tower cranes in Canada.

The following is the (adopted for this paper) inspection report on a tower crane rope failure as it actually happened in the City of Toronto in 2002, and a report on the testing of another 19x7 wire rope which had failed on a luffing jib tower crane some months after. It should be noted this paper is not intended to meet strict 'scientific' standards as its purpose is to reach out to 'users' and groups who are actually confronted with these problems on a day-to-day routine.

CASE 1

Linden Tower Crane
14 mm hoisting rope, 19 x 7 Rotation Resistant
acc. to RRW-410D / CSA G4-00
1960 N/mm, Nominal B/S 13.6 tons of 2000 lbs

GENERAL

We received about a 140 ft long sample which was the end which had been attached to the wedge socket at the boom tip.



This rope construction, 19x7 Rotation Resistant, has 12 outer strands. The Customer stated that the rope had been used for about 12 months.

According to the crane operator the rope had failed in a 'catastrophic' manner means, that the rope failure occurred without prior warning indications.

The principle of a rotation resistant rope is that the inner strands are wound in the opposite direction of the outer strands.

ROPE INSPECTION

The root cause for the rope failure are countless single wire fatigue breaks which are located at the inside- as well as the outside of the rope. The already broken 'fatigued' single wires did not contribute to the rope strength anymore and at one point the few remaining 'intact' wires were not able to sustain the Working Load Limit of the crane resulting in that the rope had failed.

Consequently, at the failed rope section we found numerous single wire fatigue breaks and only few so called single wire 'tensile' breaks which are characterized by their typical cup and cone shape.



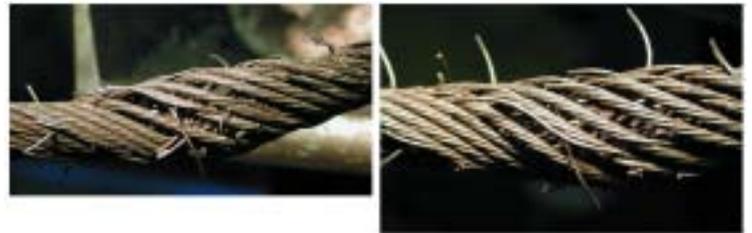
Appearance of the broken rope end

Rope condition immediately behind (12") the rope failure. Note that the broken STRAND wire ends are long which indicate so called 'valley breaks'.



Three so called 'birdcages' were found 2ft behind the failure. The broken wire ends are all fatigue breaks recognized by their typical squared off ends.

These birdcages, most likely, are the result of the shock load which must have been the result of the rope failure.



Condition of the rope at failure point. The core was littered with too many individual wire fatigue breaks impossible to count. This is commonly described as a 'complete rope core failure'.



9 ft away from the failure the rope diameter was measured at 13.6 to 13.7 mm. Note the clearly visible 'valley breaks' originating from the contact between strand and core.



At 13 ft away from the point of rope failure the first visible 'sign of trouble' appears in the form of a single 'valley' break. The rope diameter is measured with 13.7 mm. Flexing the rope by hand results in clearly audible 'crackling' sounds emitted by the popping of individual core wires.

Outer wire abrasion appears to be normal and within limits.



At 53 ft the rope appears to be in good condition. However, the rope diameter is measured with 13.6 mm and flexing the rope results in clear audible sounds of core wire popping. Some outside abrasion is visible.



At this 53 ft mark we inserted a spike to examine the rope core. The pictures show that procedure and the condition we found under the outer strands.

- a: individual fatigue breaks in the rope.
- b: Severe strand nicking between inner and outer strands



We then opened up the rope at this 53 ft point to confirm the inner rope's condition. Picture -12- shows the condition of the rope core which is heavily nicked and shows numerous fatigue wire breaks.



This picture shows details of the strand-to-strand nicking.



At 115 ft distance from the rope failure we took a measurement of the rope diameter with 14.1 mm; a noticeable difference as compared to even at the 53 ft mark which measured 13.6 mm.

The rope appeared to have very little outside abrasion and flexing the rope resulted in no cracking noises.



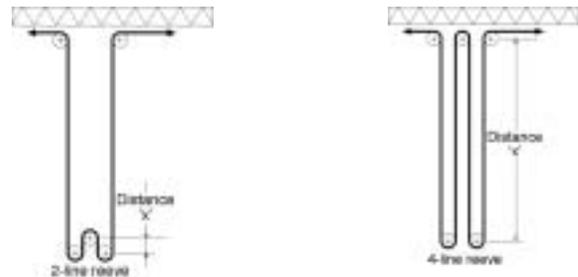
The rope core at this 115 ft mark was in a much better condition as at the 53 ft mark. Although some nicking was observed we found no inner core wire breaks.



The rope diameter increased towards its end to about 14.2mm. In between about 120 and 140' (36 to 42 meter) of the rope we noticed some rope distortion in the form of waviness. Usually, such waviness is caused by massaging slack of the outer strands toward the wedge socket end of the rope.

FAILURE DISCUSSION

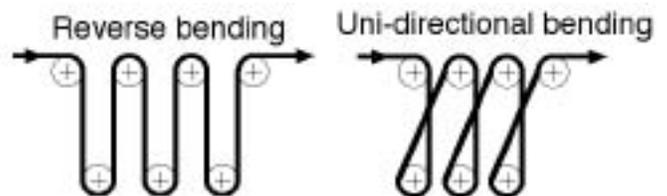
The rope was used on a Linden tower crane which had been reeved in a 2-line configuration. This Linden model has a unique feature in that the center sheave of the block can easily be lowered to the hook block to create a 2-line reeve (for faster hoisting speeds) but can also be coupled to the trolley sheave arrangement to create a 4-line reeve for higher loads (but lower hoisting speeds).



The rope failure occurred while operating with the 2-line reeve. This reeving arrangement creates a reverse bent situation over an extremely short distance which causes the rope to deteriorate much faster as compared to the 4-reeve system. However, the 4-reeve system also results in a reverse bent situation but at a greatly increased distance 'x' although this distance shrinks to a minimum as the lower hook block is hoisted upwards toward the trolley block arrangement.

Neither conditions, and especially the 2-line reeve, are regarded as 'rope friendly'. It is generally known in the industry that reeving systems which incorporate 'reverse bends' have a much shorter fatigue life expectancy than ones which avoid them.

What is a reverse bend ?



For additional information and suggestions of how to avoid reverse bending please consult the 'Rigging Manual' published by the Construction Safety Association of Ontario, page 22 and 23.

The cause for the rope failure is simple: it had reached its finite fatigue life span.

The question we were asked was: How can it be avoided that such ropes are failing in a so called 'catastrophic' manner.

WIRE ROPE CONSTRUCTION DETAIL

ALL spin-resistant (e.g. 8x19), rotation-resistant (e.g. 19x7, 19x19) and non-rotating (e.g. 34x7) ropes have one constructional characteristic in common: the inner rope components are twisted in the OPPOSITE direction of the outer rope strands.



The principle of a rotation resistant rope is that the inner strands are wound in the opposite direction of the outer strands.

What is the reason for this ?

Any product which is twisted in one direction can be UNTWISTED in the opposite direction. Regular type wire rope is twisted in ONE (1) direction ONLY. Applying a load to such ropes results in that the rope will spin in the opposite direction of the manufacturing process. Theoretically, if a 6-strand rope is loaded and allowed to spin freely it would untwist itself until one gets 6 parallel strands.

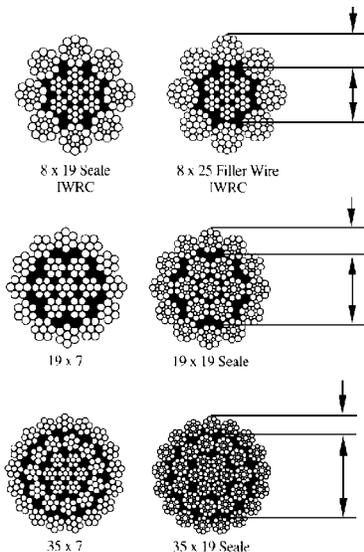
To avoid rope rotation in service certain applications and equipment require so called rotation-resistant or non-rotating wire ropes. To make one thing clear: Not EVERY tower crane model requires such ropes; it depends on the reeving geometry and lifting height.

Different types of rotation-resistant and non-rotating ropes

1. The SMALLER the inner rope core, the LESS rotation resistant the rope is.
2. The SMALLER the inner core, the more UNBALANCED the rope becomes. The inner core can not compensate for the torque introduced by the outer strands.
3. The SMALLER the inner core, the HIGHER THE POINT PRESSURES become at the contact between inner- and outer strands. Large cores have a much larger circumferential area to better and more evenly distribute radial pressures applied by the outer strands.

4. The number of outer strands has to increase as the inner core diameter increases. Larger numbers of outer strands result in a smaller individual outer strand diameter.

It is important to note that rope core failures are the single most largest concern when it comes to rope inspections. Inner rope failures are not only limited to spin-/rotation resistant or non-rotating rope types but can occur in ALL wire rope constructions in nearly ALL applications where a rope runs over sheaves. During the past 20 years wire



rope manufacturers have made great advances in minimizing such effects. There are several ways to prolong core life, such as

- increasing the core diameter,
- die-forming or compacting strands/core,
- plastic coating the core to put a 'buffer' between metallic components,
- producing a rope where the core has NO cross-over points to the outer strands (so called 'double parallel laid' ropes),
- have no steel core at all but use fiber cores (e.g. ski lifts, some overhead crane ropes, nearly all elevator ropes have a fiber core).

Rotation Resistant and Non-Rotating ropes on tower cranes

There is one important law of physics which applies:

ALL WIRE ROPE WILL BREAK

So the question from many users of 'how can we avoid that wire rope breaks' leads the discussion in a false direction. Look at it like you look at your car tire: Every car tire WILL blow up if you run it long enough to wear through all the rubber and then through all cords and then through the liner.

The expectation that wire rope will behave different is false. No matter how complicated and no matter how much technology one puts into such ropes the basic fact that inner- and outer strands cross over each other at a sharp angle remains.

That said, it must also be made clear that ALL such ropes are prone to core failure, although at vastly different levels:

- 34x7 types have a very large core and small outer strands. Expect that the small strands wear out faster than the core deteriorates. At least, 34x7 will exhibit much more visible warning indicators than 19x7/19x19 constructions.
- Plastic coated core types put a 'buffer' between inner and outer strands. Does this plastic 'buffer' avoid ANY core deterioration under ANY circumstances?: NO. Does this plastic buffer prolongs the service life considerably? YES
- Is there a 'Guarantee' that there will 'never' be any core failures with any of the 'high tech' ropes?: NO
- Is there a 'Guarantee' that any of the 'high tech' ropes will perform flawlessly in a reeving system which incorporates reverse bends like on the Linden 2-line reeve scenario?: NO, there is ALWAYS the danger of structural damages to the rope like 'birdcages'.
- What is chance that other 19x7 ropes installed on same crane models will fail in the same catastrophic manner?: VERY MUCH LIKELY

SOMETHING ABOUT THE TERM 'SAFE' AND 'UNSAFE' IN COMBINATION WITH WIRE ROPE:

There is NO SAFE or UNSAFE wire rope construction. What there is, are unsuitable applications or improper operating procedures.

To give an example: Nearly ALL North American made mobile- and truck cranes come equipped with 19x7/19x19 hoisting ropes (for the lower lifting height one's). Does this constitute an 'unsafe' condition? NO, because mobile cranes are not regarded as high cycle crane types. Because of this it is expected that 19x7/19x19 ropes will have to be taken out of service due to mechanical damages, corrosion or other reasons but NOT because they have reached their finite fatigue life resulting in single wire breaks. In fact, so far we have not come across even one single incident where a 19x7/19x19 mobile crane rope failed in the manner described in this report. Moreover, we have

reported lifetime experiences of 19x7/19x19 ropes used on mobile cranes of over 5 years !

On the other hand, if 19x7/19x19 ropes are used in 'high cycle' operations like 'production overhead cranes' or 'tower cranes' all the other 'time sensitive' discard reason do not apply but 'cycle depending' discard criteria must be observed.

The simple observation that rope 'A' did last 12 months, and rope 'B' did last 18 months completely disregards how wire rope wears. Wire rope wear IS NOT TIME BUT CYCLE DEPENDENT ! Plus some other criteria like condition of sheaves and drums, usage of the crane, how the crane is being operated. Although a established 'time history' for each crane will aid a educated decision when the 'critical' stage of rope's condition is approached.

Right now, under current Ontario and Canadian law, there are no restrictions on the types of ropes which can be used on tower cranes. As such it is up to the USER or OWNER of a tower crane to select a rope to their liking. If initial cost is the driving factor then what happens is that the rope requirement is being put out for quote and the lowest bidder will get the order. In this scenario the initial rope selection is made by the OWNER or OPERATOR and the wire rope supplier's task is reduced to 'just give the best price'.

But even if the wire rope supplier would get involved it would still be the owner's or operator's decision what rope to purchase. Regretfully, no wire rope supplier/manufacture can assume any performance guarantee for any wire rope once it leaves the factory. It is out of their control as to how the rope is used, operated and in what condition the equipment is in that it is being installed on.

CONCLUSIONS

Based upon our inspection results it seems obvious that the wire rope deterioration did not occur 'from one day to the next'. There must have been a substantial prolonged time span in which the wire rope deteriorated to a condition resulting in this catastrophic failure.

Current OSHA regulation (section 170) mandates that a tower crane rope is "visually inspected...at least once a week..." and that the person performing the inspection shall "record the condition of the rope...in the log book..."

(The crane log book was never found !)

So, obviously, inspections and the development of a formalized rope inspection procedure is required. Certain responsibilities are solely on the owner's side. That is to establish such inspection criteria based on the equipment use, location, and based on the history of previous rope replacements. The wire rope supplier can only be of limited assistance in this process. Rope suppliers supply ropes and do not manufacture cranes nor do they have operating responsibilities for the equipment.

The following is referenced and recommended as a guide:

- a) Rigging Manual published by the Construction Safety Association of Ontario, chapter INSPECTIONS, page 23
- b) ASME B30.3c 'Construction Tower Cranes'

Section 3-2.4.3 (g) Rope Replacement

Aside from other criteria this Standard stipulates that "A long range inspection program should be established to include records on examination of the ropes removed from service to establish a relationship between visual observation and actual condition of the internal structure"

- c) Have crane operators or the persons responsible for rope inspection go through a formal rope inspection training. Such training is provided by the Construction Safety Association and the Operators Unions. Some wire rope distributors can also provide such seminars and in this particular case, where the failed wire rope sample is on hand, it would make a great 'real world' experience.

To answer the obvious 'last' question of how this accident could have avoided:

- 1) The reduced wire rope diameter gave a clear indication and warning signal to anyone who would have had inspected the rope. To take the measurement of the rope diameter is a pretty basic inspection criteria. The rope diameter had decreased within a approximately 140 ft (42 meter) length (of originally 1000 ft or 300 meter) from 14.2 mm down to 13.6 mm. In combination with only moderate outside abrasion this indicates core deterioration which should have raised all 'warning flags'.
- 2) We found numerous so called 'valley breaks' which originate from within the rope. Valley breaks indicate core problems. ASME B30.3c section 3-2.4.3 (b) (3) mandates that the rope must be retired if only one (1) of such valley break is detected.
- 3) The rope deteriorated within a longer time span than a week which is the mandatory MINIMUM inspection cycle according to OSHA. If such inspections had been carried out, then the inspector did not check the 'critical' rope sections but may have checked the more 'conveniently located' ones only.

CASE 2

Luffing Jib Tower Crane

1-1/8" (28 mm) mm hoisting rope, 19 x 7 Rotation Resistant
acc. to RRW-410D / CSA G4-00

EIPS (1960 N/mm), Nominal B/S 53.1 tons of 2000 lbs

The second example of a rope failure describes a actual case with a so called 'luffing jib' tower crane. Typically, these cranes are use with a single line reeving system although 2-part line systems can be installed. However, since a single line has such nice and fast line speed, 2 line reeves are the exception.



Typical Luffing Jib Tower Crane

This scenario takes the rope complexity one notch further up. Not only are these cranes used for 'continuous concrete bucket lifts', but because of the single line reeve the rope has to be of a very high rotation resistant type to avoid excessive torque onto the inner rope core.

That is the theory. Here is the 'real world'. Because of the considerable price difference between a 'good' non rotating rope and a inexpensive 19x7/19x19, or even worst 8x26 reverse lay core, construction most crane owners opt for the inexpensive type. From a simple 'rope strength' standpoint this is a possible choice as most of these cranes were originally designed around low strength rotation resistant wire rope. It is well known that 19x7/19x19 is NOT a torque balanced rope. In order to compensate for the inevitable rope rotation under load and in order to avoid that the concrete bucket starts to rotate around itself, many owners install a swivel between the rope and the concrete bucket. That avoids rotation of the bucket and, for the crane operator, the 'rotation problem' with the 19x7 rope is 'gone'; means it 'must be solved because the concrete bucket has stopped rotating'; end of quote !

Swivel between rope and concrete bucket (bucket not shown, just the sling)

Well, until one day the rope failed and the concrete bucket came crashing down. And everyone was scratching it's head 'how come ?'.



We received the failed rope and it was obvious that the rope had suffered extensive core damage which caused the rope to fail.



Note extensive core damage.



Again, the long individual outside strand wire breaks originated as 'valley breaks' indicating core problems.

The customer as well as a consultant expert ask me to conduct a 'breaking strength' test to satisfy the inquest by the Ministry of Labour. It was quite obvious that none of the parties involved had any idea what kind of information they were hoping to get out of this test. We did prepare two breaking test samples, each about 9 meters long, taken next from the failure but clear of any remaining structural damages caused by the failure. The section of the rope we selected was free from visible outside wire breaks however, bending the rope by hand immediately produced broken valley breaks. With other words, upon visual inspection by the crane operator the imminent dangerous rope condition would not have been readily apparent.

The first sample was attached into our test bed with both ends 'fixed' means the ends were NOT allowed to rotate. This is the 'standard' test set up of how the 'catalogue' breaking strength of all spin resistant, rotation resistant, and non-rotating ropes is being established.

The rope broke at 60.4 tons between the spelter sockets. This relatively high breaking strength compared to the 'catalogue' strength of 53.1 tons is not surprising if one knows that the North American Standards publish quite low strength values for 19x7 constructions. Actual strengths of such ropes of up to 20% over their catalogue strength is not uncommon.

The second rope sample, the one with a swivel attached to one end, failed at 14.7 tons. That is 76% under the value with fixed ends.



Test set up with a swivel attached. Rope failed at center of sample.

Total core failure. Note that only one of 12 outer strands failed.



Note detail of core failure as it is twisted together. Outer strands did unlay causing the lay to get 'longer'.

The result can be described as devastating. The rope broke slightly above the WLL @ DF 5:1 and one has to remember that this specific rope sample was, at best, only the second strongest one. The weaker section had already failed in service !

One additional information came out of this case. It was found that the top rope sheave (the so called 'apex' sheave) only had a D/d ratio of 16xd. This too small of a sheave contributed greatly towards a short fatigue life.

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NEWS ABOUT MEMBERS

PRESS RELEASE



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FOR RELEASE: June 20, 2005

WRCA COMPLETES PURCHASE OF ACEROS CAMESA

Wire Rope Corporation of America, Inc. (WRCA) announced today the completion of the purchase of Aceros Camesa, S.A. de C.V. and Camesa, Inc.(Camesa) and their subsidiaries and affiliated companies from Grupo Industrial Camesa, S.A. de C.V. (GICSA). The closing took place Friday, June 17, 2005.

Ira Glazer, CEO of WRCA, stated, "The closing of this transaction is both an end and a beginning for WRCA. In some sense it is the end of the long path of this transaction, which has called upon the resources and dedication of the employees of both companies, very many of whom have worked so hard to complete this very difficult deal. It is also the end of the enormous task to rebuild WRCA which has taken the heartfelt dedication of all of our employees. Now we have the opportunity to create a new company that will combine the resources of both of these very successful businesses which will result in a stronger, more complete operation. The combination of WRCA and Camesa will blend capabilities to bring the highest value product with outstanding quality, service levels and support to all of the much larger markets that the combined company will serve."

Camesa operates two plants in Mexico and the United States as well as a distribution center in Lima, Peru. Their Cuautitlan facility, located just north of Mexico City, produces high carbon wire, prestressed concrete strand and galvanized utility strand in a state of the art manufacturing environment. One of the key product lines produced in Cuautitlan is tire bead wire used in the manufacturing of automotive tires. Their Vallejo plant, in Mexico City, serves as their primary wire rope manufacturing operation as well as the production location for their market leading electromechanical cable, used for data logging in oil and gas exploration. Camesa controls a majority share of the wire rope and prestressed concrete strand markets in Mexico as well.

They also operate two plants in Rosenberg, TX. The primary facility produces prestressed concrete strand in the most efficient plant of its kind in the United States. Prestressed Concrete Strand of America (PCSA) actively sells their products in the gulf coast area. The other Rosenberg location produces general purpose wire rope products sold in the local market. Worldwide, Camesa employs over 550 personnel.

With this acquisition, WRCA becomes the largest wire rope manufacturer in the western hemisphere and perhaps the world. They operate rope mills in St. Joseph and Sedalia, MO and a wire mill in Chillicothe, MO. WRCA's engineered wire rope products for the crane, mining and oilfield industries set the standard for performance in their respective industries. They also have a comprehensive line of wire rope slings, specialty assemblies and structural products. WRCA employs over 860 people worldwide.

With all manufacturing facilities combined, WRCA will have over 250,000 tons of wire mill capacity and rope mill capacity exceeding 100,000 tons.

Continued on page 30

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Getting negative staffers to fly right

Ever seem like negative workers find problems to complain about? And that they drain other's energy? Makes you wonder why they bother coming to work at all! People typically excuse a negative member: "That's just Joe." But it doesn't have to be that way. Here are two ways you can get a negative person to understand effects of his or her behavior:

1. Take the griper aside. Whenever Mr. Negative rears his ugly head, take him aside and address it. Once you've warned him a few times, he'll be less likely to gripe.
2. Once he learns the lesson, "If you can't say something nice, don't say anything" it's a victory for you.

Discipline if necessary. A negative attitude hurts productivity and teamwork. So factor that into a performance review. Some companies include "good team member" criteria into bonuses and raises. Dock him if it's serious.

What you need to know:

Sometimes you can look at a workplace so often you can't see hazards right under your nose. To prevent that:

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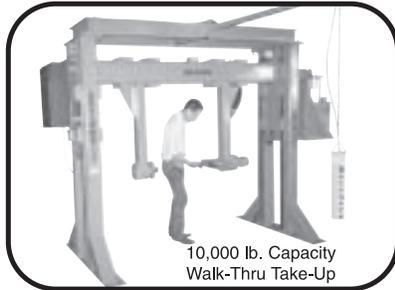
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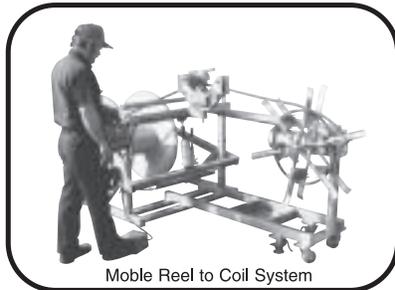
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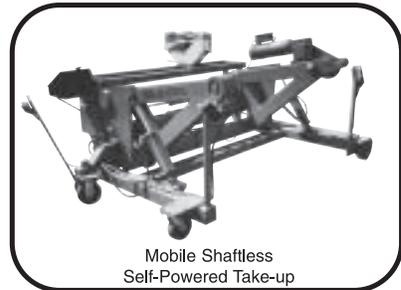
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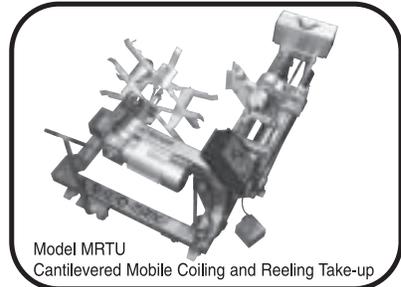
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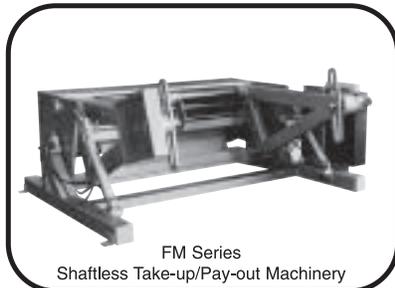
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HSS 751 with Coiler



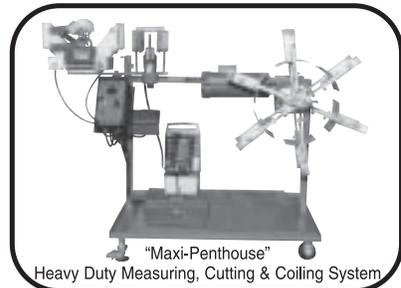
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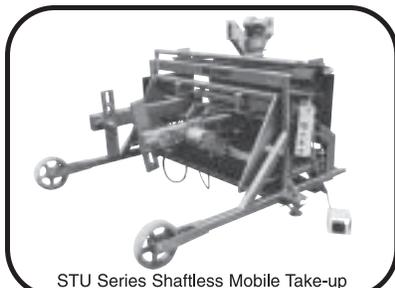
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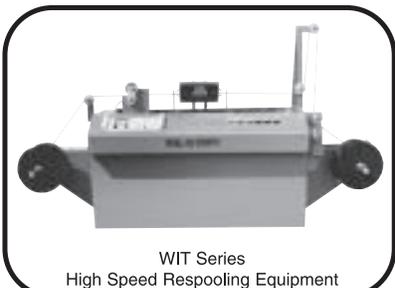
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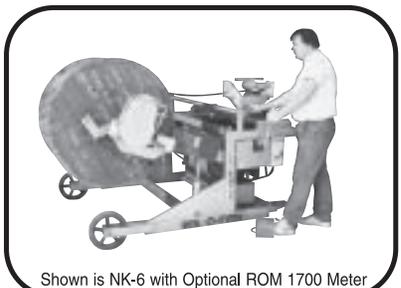
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REVISING THE OBSOLETE OSHA SLING SAFETY STANDARD

By
J. Barry Epperson,
Legal Counsel and Chairman,
Government Affairs Committee



Two recent events have brought about a positive change in attitude by OSHA



Howard Will testifying before Congressional Committee

For years the Government Affairs Committee (GAC) of AWRP has lobbied the U.S. Congress and Department of Labor (DOL) for modernization of the obsolete and unsafe OSHA Sling Safety Standard, only to be stonewalled by bureaucratic rhetoric and government turf battles. Recently, however, two events have caused a reversal in the negativity attached to this seemingly endless initiative, resulting in a good possibility that DOL may be on the verge of taking up the issue of statutory revision of their archaic sling rule.

The first of these events was the adoption by the American Society of Mechanical Engineers (ASME) of a new B30.9 Safety Standard for Cableways, Cranes, Derricks, Hoists, Hooks, Jacks and Slings – a protracted undertaking spearheaded by several AWRP members including our former CAE, Don Sayenga. The second event was occasioned by our affiliation with the U.S. Chamber of Commerce, where Small Business Executive, Giovanni Coratolo has opened numerous important Washington, D.C. doors to our Association, culminating in a rare invitation to AWRP to present testimony before the Regulatory Reform and Oversight Subcommittee of the House Small Business Committee.

On short notice, former AWRP Director and perennial Testing Committee Chairman, Howard Will, President of the Caldwell Group in Rockford, Illinois, agreed to be our Congressional witness. Testimony was developed in a concentrated effort by the GAC, Mr. Sayenga, Mr. Coratolo and Mr. Will.

On April 28, 2005, our group along with CAE Jeff Gilbert met in the Washington, D.C. Congressional Offices of Small Business Committee Chairman, Donald A. Manzullo (R-IL) and his Regulatory Counsel, Barry Pineless. Representative Manzullo, a highly respected pro-business figure on Capitol Hill whose Congressional District encompasses the Caldwell Group's business site, coached us on the finer points of Congressional testimonials.

Following this meeting our entourage proceeded to the Small Business Committee hearing room in the historical Rayburn building just in time for Subcommittee Chairman Todd Akin's (R-MO) opening remarks. Among numerous other references to the "disturbing reality that . . . needless burdensome regulations have been major contributors to the loss of over 2 million jobs in the manufacturing sector . . . in the past five years," Mr. Akins stated as follows:

In December 2004, OMB submitted 189 nominations to the Federal agencies for their review. In March of this year, the Administration

announced that "Federal agencies will be taking practical steps to reduce the cost burden on manufacturing firms operating in the United States by acting on 76 public nominations to reform Federal regulations." It was further announced that "OMB has directed agencies to take the most appropriate action to ease the excessive burden for the manufacturing industry while maintaining, health, safety, and environmental protections for the public."

Although AWRP had been advised earlier that the Sling Safety Standard was on the short list at the Office of Management and Budget (OMB), we were gratified to see this directive finally etched in the Congressional records.

The following witnesses then testified:

1. The Honorable John D. Graham, Administrator, Office of Information and Regulatory Affairs (OMB);
2. Howard Will, President, Caldwell Group;
3. The Honorable Veronica Vargas Stidvent, Assistant Secretary for Policy, Department of Labor;
4. Drew Greenblatt, Owner, Marlin Steel Products LLC;
5. The Honorable Stephanie Daigle, Acting Associate Administrator, Policy, Economics, and Innovation (EPA);
6. The Honorable Thomas M. Sullivan, Chief Counsel for Advocacy, Small Business Administration; and
7. Robert Schull, Senior Analyst, OMB Watch.

We were all proud of Mr. Will who delivered AWRP's message of frustration with strength and class. A transcript of his testimony (and that of the other witnesses) is scheduled for release in August. Summaries are available from the AWRP GAC upon request. Other Subcommittee members attending the hearing were Ranking Member Madeline Bordallo (D-GU), Ted Poe (R-TX) and Sue Kelly (R-NY).

Much work remains to bring this initiative to a successful conclusion. As always the GAC appreciates the continuing support of the AWRP leadership as well as that of numerous individual members. In particular, we owe a giant debt of gratitude to the tenacious work of Mr. Coratolo at the U.S. Chamber for blazing the trail to this juncture.

Class Action Suits in Canada

For our Canadian members and others who do business in Canada, it is important to be aware that beginning in 1979 with the province of Quebec, followed by Ontario in 1993, class action lawsuits have become second nature to the tort system in Canada. Citizens of provinces which have not adopted enabling legislation were made equally vulnerable under common law by virtue of a Canadian Supreme Court decision in 2000 cited as *Western Canadian Shopping Centers v. Dutton*. As a result, plaintiffs are suing for everything under a free-for-all style emblematic of the United States.

Attorneys fees as high as four times a lawyer's normal salary are not uncommon. For example, \$35 million was paid to attorneys in Hepatitis C litigation in 2000 as well as \$6 million to Harvey Strosberg, the Canadian "King of Torts," in a \$24 million pacemaker settlement.

Virtually no litigable areas remain free of class action involvement, to include product liability, medical malpractice, educational abuses, securities and investment actions, pension suits and environmental issues.

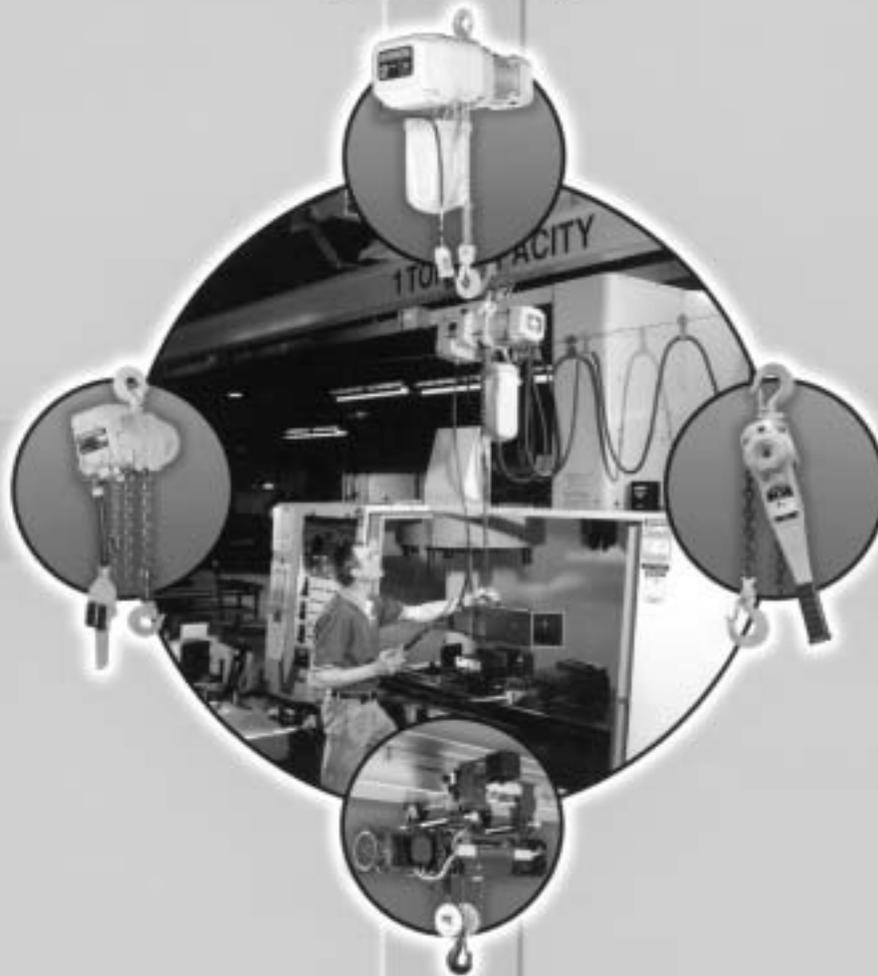
While plaintiffs have lost their share of frivolous cases and the business community continues to lobby against such actions, the conventional wisdom is that Canadian class action suits are here to stay. While some solace derives from defendants' cost recovery in certain extraordinarily confiscatory cases, it would seem that Canada has adopted the North American habit of using the court system to get something for nothing. It is regrettable that instead of infecting our neighbors to the north with cowboy justice, the U.S. legal system could not have borrowed from the previous European style justice which Canada once enjoyed.

Continued on page 31

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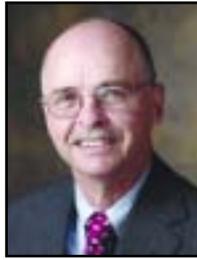
Management

Profit Improvement Report

Prepared for AWRP
Vol. 14, No. 2
June, 2005

Lowering the Bar on A/R

By Dr. Albert D. Bates



AWRF distributors provide their customers with a wide array of services and do so gladly. Such services include a broad assortment of products, the immediate availability of products, a knowledgeable sales force to aid in product selection, competitive prices, delivery and strong guarantees. Again, distributors provide these services eagerly.

There is one important exception to this service profile, though, and that is credit. It is not stretching things to say that in most distribution organizations, across virtually every line of trade, credit is not viewed as a service, but as a necessary evil. Such a perspective is encapsulated by this recent comment, seen in a major trade journal:

Success in distribution today requires being more selective in extending credit, billing promptly, and dramatically tightening up collection procedures. This allows firms to greatly reduce their investment levels and increase cash flow.

This report will suggest that most AWRP members are giving up profit dollars by being more conservative than they should be with regard to accounts receivable. The report will not say that distributors should avoid monitoring the credit worthiness of their accounts. It will certainly not say distributors should seek out poor credit risks. What it will say is that the economics of credit clearly favor a somewhat more aggressive credit policy rather than a tighter one.

In doing so, two key issues will be reviewed:

- **The Economics of Credit**—Much of what is known about the impact of both accounts receivable and bad debts on distributor profitability is not just wrong, it is very wrong. This section will attempt to put the economics of credit into proper perspective.
- **Controlling Cash Flow**—This reviews how distributors can have their cake and eat it too. It will examine the specifics of controlling the investment in accounts receivable without incurring the painful reductions in sales that frequently follow.

The controversial nature of the subject mandates an explanatory paragraph before proceeding. I have been writing Profit Improvement Reports for fourteen years. Like this one, they have all been third-person, dispassionate reviews of the industry. The unconventional position presented in this report requires a first-person response to one question: “Dr. Bates, are you out of what little mind you once had?” I hope not. While virtually everything discussed in this report seems counter-intuitive, it is, in fact, based upon the economics of the industry.

The Economics of Credit

Exhibit 1 presents financial results for the typical AWRP member. Typical means that half of the firms will perform below the results shown in the exhibit and half will perform above the results. According to the most recent PROFIT Report, this typical firm generated \$5,000,000 in sales volume, operated on a gross margin of 41.0%, and produced a pre-tax profit of \$75,000 or 1.5% of sales.

From a credit perspective, the \$5,000,000 in sales required an investment of \$689,130 in accounts receivable. The firm also experienced bad debt losses of 0.2% of sales or \$10,000.

Finally, the major expense items other than bad debts can be broken down into variable expenses and fixed, or overhead, expenses. The variable expenses were estimated to be 8.0% of sales or \$400,000. Of much greater significance, fixed expenses were \$1,565,000.

The second column of number looks at how the typical firm would have fared if it had been more aggressive with regard to its credit operations. This

specific example examines the impact of adding 5.0% more sales through somewhat less stringent credit policies.

Any number could have been chosen for this exhibit—5.0%, 1.0% or 10.0%, it makes no difference. What is critical is the impact that such incremental business has on expenses and investment. The figure of 5.0% was chosen as simply a round number that allows for ease of calculation.

With the additional sales, there are four key factors that will change:

- **Variable Expenses**—These continue to be 8.0% of sales on the additional revenue generated, just as they were on the base revenue.
- **Fixed Expenses**—There is no such thing as truly incremental expenses. At the same time, additional sales have a modest impact on expenses. It is assumed that the 5.0% increase in sales will cause fixed expenses to increase by 2.5%. This is classic expense leveraging.
- **Bad Debts**—These were estimated to be five times as high on the additional sales. That is equal to 1.0% of sales on the additional volume versus 0.2% on the base sales volume.
- **Accounts Receivable**—The additional sales were assumed to require twice the number of days to collect. A 5.0% sales increase will require 10.0% percent more accounts receivable with an associated interest rate of 6.0%, driving interest costs up by \$4,135.

In short, the exhibit skews everything to make the additional sales as unprofitable as possible. Even so, the results are startling. The 5.0% increase in sales causes profit to increase by 49.0%. This does not say that firms should rush out and find marginal accounts. What it says is that the true costs of servicing additional accounts must be weighed against the additional sales and gross margin they will generate. Rational analysis absolutely must replace emotionalism.

Controlling Cash Flow

Distributors will argue, quite correctly, that in a tight cash-flow world it is difficult to find the funds to invest in additional accounts receivable, regardless of the potential profit payoff. That is an undeniably true statement. Consequently, it is imperative that distributors focus on the reasons why accounts receivable get out of control in the first place.

Most research in the area suggests that both the customer and the distributor are partially to blame. From the distributor's perspective, three key causal factors lead to longer collections:

- **Billing Errors**—A single incorrect line on an invoice can cause the entire payment process to grind to a halt.
- **Late Billing**—If target dates for billing are not met, then days are added slowly and systematically to the average collection period.
- **Failure to Follow Up**—When accounts receivable become past due, it is time for a review with the customer at that point, not ten days later.

In too many instances these three items slip out of control, almost unnoticed. If they can be cleaned up, then the funds for an increased use of credit should be readily available.

Moving Forward

It is unlikely that distributors will ever eagerly anticipate the opportunity to invest more in accounts receivable. However, firms must be aware that the economics of credit, from a profit perspective, actually favor greater rather than lesser use of credit. If this reality can be married with proper control of accounts receivable balances, AWRP members should be able to increase profits without incurring dramatic increases in investment levels.

About the Author:

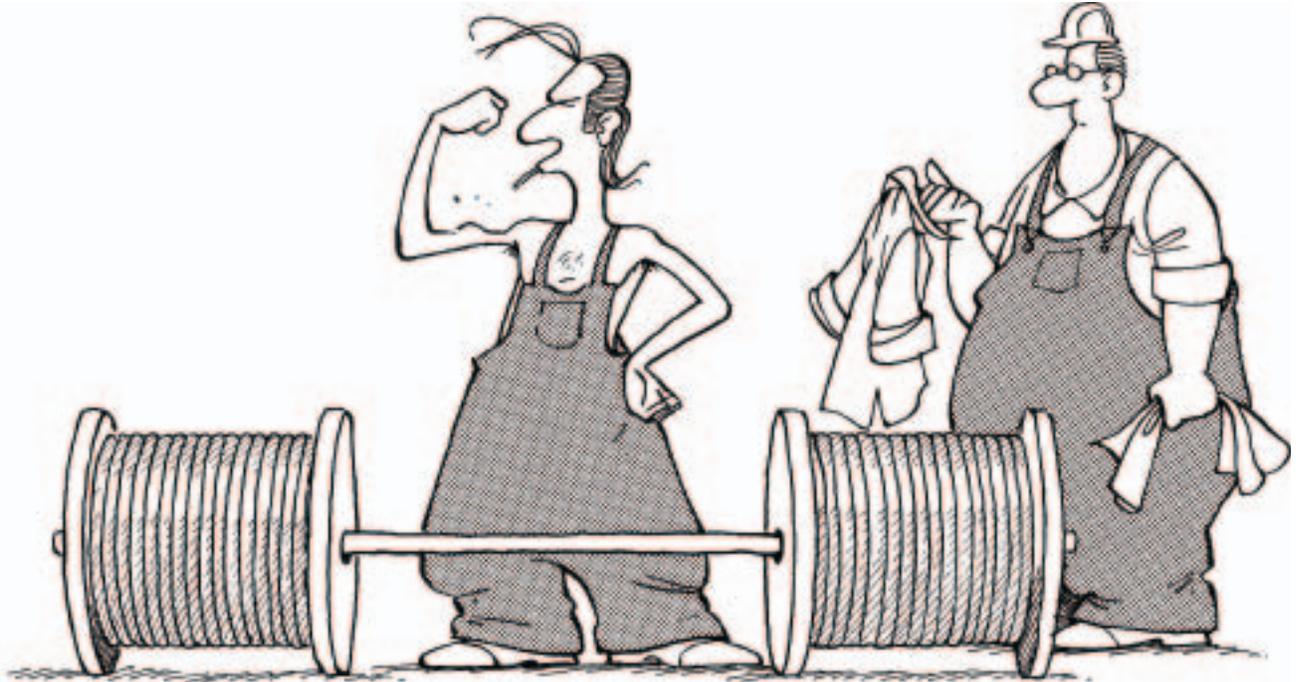
Dr. Albert D. Bates is founder and president of Profit Planning Group, a distribution research firm headquartered in Boulder, Colorado.

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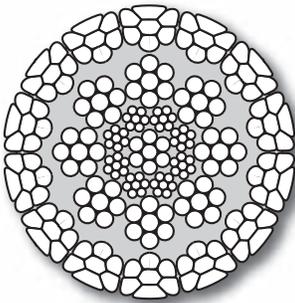
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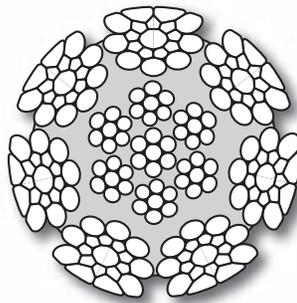
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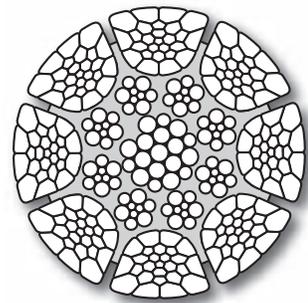
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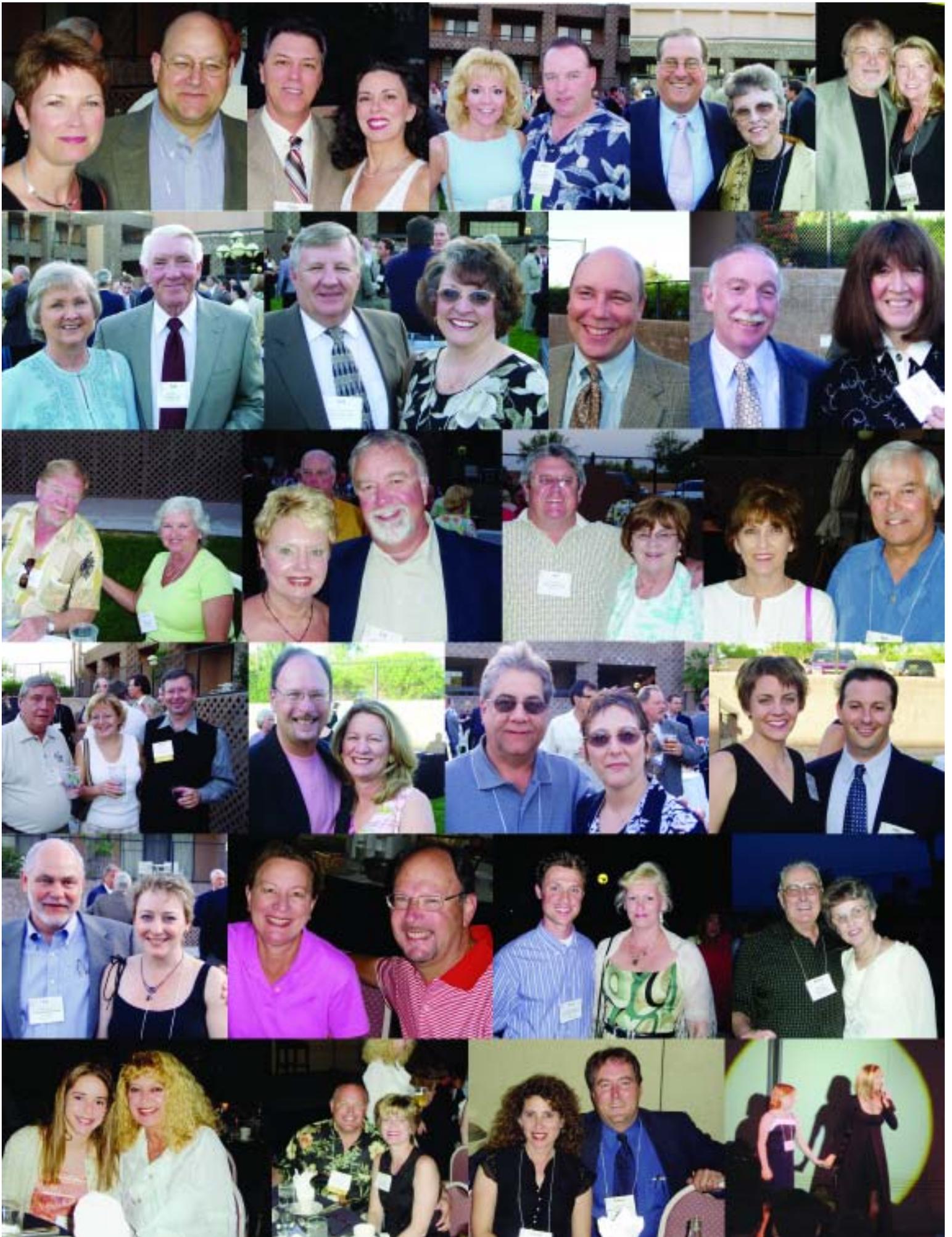
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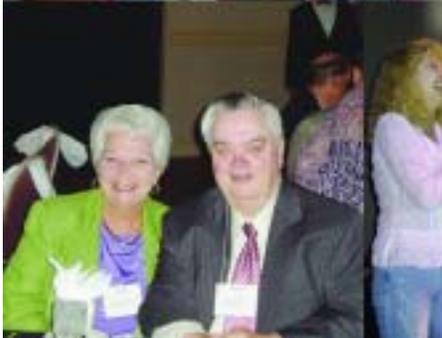
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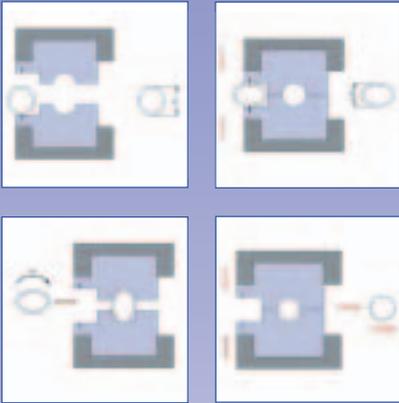


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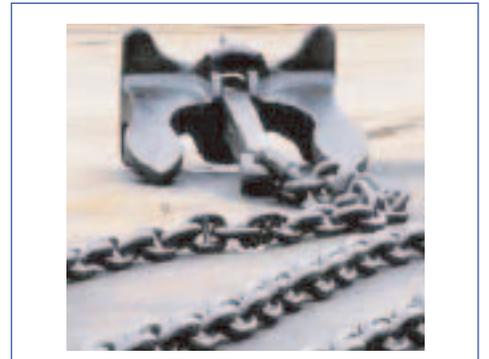
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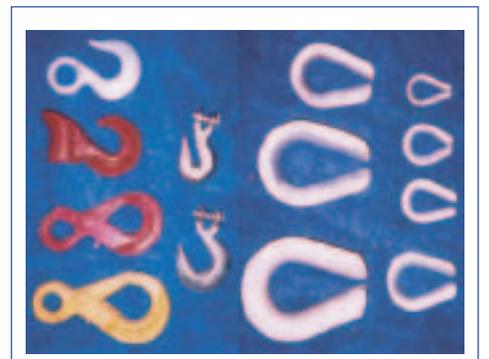
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TECHNICAL COMMITTEE

WRTB Meets with European Wire Rope Engineers in Colorado

The joint liaison committee of the Wire Rope Technical Board/European Wire Rope Information Service met from March 6-10 in Breckenridge, Colorado. The organization meets annually to discuss items of mutual interest between the technical representatives of the USA manufacturers of domestic wire rope and their counterpart technical representatives from European wire rope manufacturers. The topics of discussion range from development of parallel wire rope standards and specifications to interacting with national and international organizations with regard to the utilization of wire rope. The attendees at this years meeting were Ray Allen, Bridon Wire Rope, England, Michael Gehring, Diepa Wire Rope, Germany, Larry Means, American Wire Rope, Dave Sleightholm, Bridon American, Dennis Fetter, WRCA and Tom Secules, Wirerope Works. Pierre-Francois Baron, Trefil Wire Rope, France was scheduled to attend but sent his regrets due to an emergency commitment. It was announced at the meeting that ISO 17558 Socketing has progressed to the Draft International Standard (DIS) status. The DIS ballot comments have been received and are ready for addressing and preparation of responses. Once those comments have been addressed, the standard will progress to a Final Draft International Standard (FDIS). After checking the proposal over for obvious grammatical, spelling errors, etc., it will become an international standard. This is significant as a task force made up of several AWRF members has been involved in the development of this standard. The ISO TC 105 Technical Advisory Group (TAG), chaired by Dave Sleightholm, worked on this standard over the last few years and a sub TAG chaired by Charles Lucas prepared the draft document for presentation to ISO. In addition to this standard being significant to AWRF members who participated in its development, it represents a breakthrough for the USA wire rope industry. The assignment of this standard's revision to a USA committee is a first in the memory of any of those associated with the development of international standards relating to wire rope. The fact that their

work has progressed to the current status in the short amount of elapsed time speaks well for the involvement of AWRF and WRTB members. Sam Geise, Geise Engineering Services, was contracted by the group to provide administration services for the meeting. Geise, a former wire rope engineer, left the industry to enter the insurance industry but has continued to remain involved in the ski industry. Utilizing that connection, he arranged for a group of representatives of the USA ski areas management organization to attend the meeting. The conversation between the two groups centered around the development of an ISO standard that will closely parallel the current ANSI B77 standard used in the USA. Larry Means, who chaired the Breckenridge meeting, indicated that in addition to the ski rope standard item, one of the primary topics of discussion at this meeting was the input required for the wire rope items to be discussed at the international ISO technical committee meeting, TC 96, in Baltimore in early June. In addition to discussions relating to the items that are currently on the agenda for wire rope subcommittee, SC 3, the group developed the plans for a presentation to that group requesting that all wire rope related items be assigned to the wire rope technical committee, TC 105. The intention of the group is that all wire rope items would be addressed in a similar manner in any ISO standard. Ray Allen, current chairman of both TC 96 SC3 and TC 105 indicated that he was extremely pleased with the joint cooperation between the wire rope committees and agreed that the proposal of the WRTB/EWRIS group was the most efficient and proper way of addressing any wire rope items in any of the ISO standards. All of the attendees at the Breckenridge meeting have indicated that they intend to attend the TC 96 meeting in Baltimore to support the presentation developed at the meeting. Sleightholm and Means, both members of the AWRF Technical Committee, have indicated that they will give a report on the meeting to the Technical Committee meeting in August. Details of that report will be included in coming Slingmakers.



Larry Means P.E.



In Memory of Marlene Norton American Webbing and Fittings Inc.

2005

Marlene Norton was tragically killed in an auto accident along with her friend Donnie Maylon Wrench near Greensboro North Carolina. Marlene and her company have been great supporters of AWRF and all her friends will miss her greatly.



CANDIDATES FOR BO

Name: Tom Miller

Born: March 16th, 1975 in Alton, IL
Family: Wife Kim, Daughter Madeline (2)
Parents: Dick and Debbie Miller
Siblings: Greg (28) and Mark (26)
College: William Jewell College - Liberty, MO 1993-1997
Major: Business Administration

Worked for Marcal Rope & Rigging Inc from sophomore year in high school through senior year in college. Did splicing and other shop jobs until junior year of college when outside sales was added to the résumé.

Currently, handle key house accounts and sales force for Marcal Rope & Rigging Inc. and manage sales efforts for the Springfield, MO branch of Marcal Lifting Products Co.

Certified Level III rigging inspector with hundreds of hours in the field.

Certified rigging trainer with 40-50 seminars presented.

Future: To continue the great tradition that my father has started and to create more opportunities for Marcal Rope and Rigging Inc. and Marcal Lifting Products Co.

I believe in AWRP and all it stands for and look forward to participating for many years to come.



Clarence N. Muzechka

President & C.O.O.
Titan Supply Inc. Edmonton, AB., Canada
4 Branch Locations:
Calgary, Red Deer, Grande Prairie, Edmonton
Age: 53
Married to Janet, 2 daughters
Over 20 years of Senior Management experience and ownership
Numerous Distributor Council Member
Active member of many local associations, and AWRP member for 10 years
Board member – Blackburn Development for 5 years
Technical committee member – Crane Operators Association of Alberta for 2 years



Paul Boeckman, P.E.

The Crosby Group, Inc. Current position is Vice President Engineering since 2001. Held several engineering positions in wire rope and chain fittings business at Crosby since starting in 1984.

Currently serving on several ASME B30 committees since 2001. Serving on several hoisting and wire rope committees within American Petroleum Institute. Regularly attending AWRP Technical Committee Meetings and General Meetings since 2001.

Graduate of Oklahoma State University with BS in Engineering Technology. Registered Professional Engineer since 1987.

Married to Melody, with two teenage daughters.



Attila Nagy

Vice President, Assembly Specialty Products, Inc. (ASPI)
Graduate of Case Western Reserve University, BS in Mechanical Engineering

Married: wife Cynthia

Children: Adam (7) & Patrick (5)

My father started ASPI in 1971. I've worked full time since 1985 (part time since I was a child).

Interests: Tae Kwan Do, Golf and coaching my sons baseball and soccer.



Jim Stradinger

Co-Owner and Executive Vice President of S
Holland 1916 Inc.

Holland 1916 currently provides marking solutions and suppliers of AWRP. Holland innovated printing solutions for vinyl tags and provides metal tags for increased flexibility on metal tags. The company has drastically reduced tagging costs, reduced on-hand inventory, improved delivery time, increased traceability and labeling. Holland 1916 has been a member of the AWRP since 2001. Jim, a graduate of Baylor University, is married to a woman and has four children – Jack, Sophie, Whit, and Quinn.

Michael Rothermund

Michael was born in Germany in 1962. After High School he took a position as an apprentice at Kulenkampff in Bremen, Germany. He finished with a degree in Mechanical Engineering. In 1986 Michael transferred to Kulkoni, Inc., taking a position in sales. After literally learning the ropes he traveled the country extensively for Kulkoni, and eventually became a Sales Manager for a number of years. Michael became a Vice President and he is now in his 20th year with the company in the position of Vice President.

Greg Moore

Cable Moore, Inc. - Oakland, CA Greg has been in the industry since 1985 and believes in the unity it brings to the industry. Moore's 32 years of experience in the Wire Rope Industry began in 1973. In 1986, Greg and his wife started Cable Moore and his twin daughters are working making Cable Moore a family business. Currently having 5 locations most recent ones the business continues to expand and grow within the industry. Moore's limitations due to sound business decisions and Moore's success. Mr. Moore is looking forward to the future and many years experience and knowledge within the industry and Manufacturing Industry can carry forward in the future.

John Rauh

Cableworks, Inc.-Putnam, CT President and founder

Loos & Co., Inc. -Pomfret Center, CT
VP Sales 1980-1984

MacWhyte Wire Rope Company-Kenosha, WI
England and Florida

Active the last 15 years in local school boards

Jack J. Gibbons

Is President of Metro Wire Rope Corporation in
his father, John F. Gibbons in 1977. Jack is a past president and has chaired the safety committee as well as a member of a scholarship committee. He is a graduate of Fairleigh Dickinson University with a BS in accounting.

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 e AWRF for 17 years.
 his wife Janis; they have



Mike Parham

Industrial Splicing & Sling LLC – Tulsa, OK

Mike graduated from Bartlesville Wesleyan College in 1981 with a degree in Business Administration. He was employed by the Crosby Group from 1981 until October of 2000, when he joined Mark Metz as part owner and sales manager of Industrial Splicing & Sling. Having been on both the distribution side and fabrication side of the rigging business, Mike has certainly seen the advantages and benefits AWRF provides to its members.



gh School and college
 ampff + Konitzki in
 Import/Export Trade.
 in Houston, Texas,
 ng the ropes he has
 he has served as Sales
 a Us citizen in 2003,
 y. He currently holds



Jeff Bishop

I am Vice-President of Bishop Lifting Products and have been with the company for 15 years. I have been involved with all facets of the business. I am also a certified rigging inspector with many years of in the field work, both onshore and offshore. I previously served on the board and was Secretary in 2003. I am currently on the Health, Safety and Environmental committee of the International Association of Drilling Contractors and on the Crane Safety committee for the American Petroleum Institute. I am a former United States Marine and Desert Storm veteran.



a member of AWRF
 e membership. Greg
 business started back
 Moore where both of
 Moore a true family ran
 t Long Beach, CA the
 industry forgoing any
 the foresight of Greg
 re where he hopes his
 Wire Rope, Rigging,
 address new ideas and innovations.



John D. Josendale

Current Position: Senior Vice President, Sales & Fabricated Products
 Wire Rope Corporation of America, Inc.
 Headquartered in St. Joseph, Missouri

Education: Pepperdine University; M.B.A. - 1992
 University of Missouri – Columbia; B.S. in Business Administration - 1977

Career Summary: Wire Rope Corporation of America, since 1977. He has held many positions in the field as well as in the corporate offices. Currently he is Senior Vice President, Sales and Fabricated Products. In addition he is Chairman of the Wire Rope Producers Committee in Washington D.C. and has been an active participant in AWRF for many years.



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 United Way - Past Loan Executive
 - Campaign Division Chairman
 Former Director Family Guidance (Chairman)
 Former Director Children's First School (Chairman)

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 ast director of AWRF
 having served on the
 eld University with a



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Bruce Yoder

Vice President of the Carpenter Group and General Manager of American Rigging, San Diego, California. He has been employed by the Carpenter Group for 16 years. Bruce and Sue have been married for 17 years and have 3 children. He has been extremely active with AWRF and has served on the Board Of Directors for three years. He has been our Tournament Chairman for three years. He holds a bachelors degree in business management and finance.

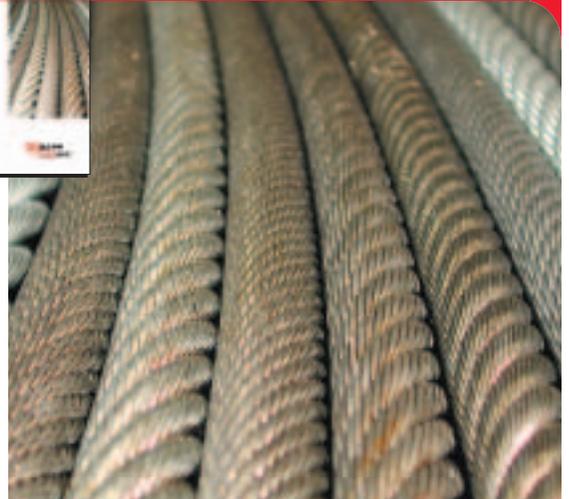


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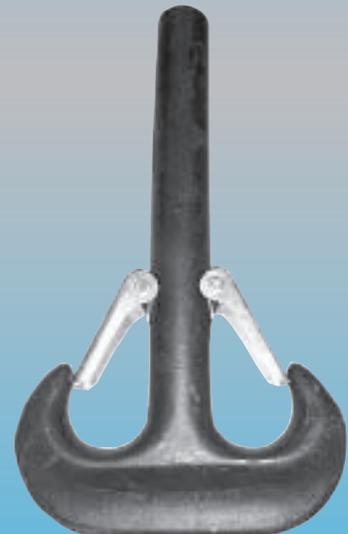


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THE EMPLOYER'S ADVISORY

HIGHLIGHTING CURRENT EMPLOYMENT LAW ISSUES

PREPARED BY BETFY BECHTEL, MICHAEL SANTO. AND SAM STARRITT

2nd Quarter DUFFORD, WALDECK, MILBURN & KROILN, L.L.P. 2005

THE PERILS OF PUTTING TEENAGERS TO WORK

It's Summertime, and the living is easy—too easy, many parents say. They gently suggest to their teens, "Get up, get out and get a job!" But hiring a teen who is under 18, is not without its perils for employers. Besides the performance and conduct problems that stem from inexperience and immaturity, both Colorado and Federal laws place many restrictions on the duties and work hours for minors. The rules are numerous and complicated, and even the big guys can get them wrong. Reportedly, Wal-Mart recently settled a child labor complaint by paying \$135,540 in penalties for having 16 and 17 year olds occasionally operate or unload scrap-paper balers and use forklifts.

Under the Fair Labor Standards Act (FLSA), it is generally considered "oppressive child labor," and prohibited, to employ anyone under the age of 16 years (other than a parent employing his own child in an occupation other than manufacturing or mining), or to employ someone 16 or 17 in a hazardous occupation. The FLSA allows 14 and 15 year olds to work in occupations other than manufacturing, mining, or hazardous occupations, where the work does not interfere with schooling or with health and welfare.

So, if you are considering hiring a teenager under 18, proceed with caution. Here are some of the limitations:

- 1) Under 16 year olds can work in agriculture, but only outside of school hours; 12 and 13 year olds must have the consent of their parent or work on the same farm as where the parent is employed;
- 2) Delivery of newspapers to consumers is exempt from the child labor provisions;
- 3) Employees under 17 may not drive automobiles or trucks on public roadways. 17 year olds may drive on public roadways, but only if (a) during daylight hours; (b) they have a clean driving record; (c) they have completed a State approved drivers education course; (d) there are seat belts in the vehicle and the employer has instructed them to be used; (e) the vehicle does not exceed 6,000 pounds; (f) the driving does not involve towing, route deliveries or sales, transportation for hire of goods or passengers, urgent, time-sensitive deliveries, driving beyond a 30 mile radius, or making more than two trips a day to transport non-employee passengers, or more than two trips a day to transport the employer's goods; and (g) such driving is only occasional and incidental to the employee's employment.
- 4) 14 and 15 year olds can be employed in certain non-hazardous occupations, but not in (a) manufacturing, mining, or processing occupations; (b) occupations requiring the performance of any duties in a workroom or workplace where goods are manufactured, mined, or otherwise processed; (c) occupations involving the operation or tending of hoisting apparatus or of any power-driven machinery other than office machines; (d) public messenger service; (e) occupations (except office or sales work) in connection with transportation of persons or property by rail, highway, air, water, pipeline, or other means; warehousing and

storage; communications and public utilities, and construction (including demolition and repair).

5) 14 and 15 year olds may be employed by retail, food service, and gasoline service establishments performing duties specified at 29 CFR 570.34. Examples of permissible duties include office and clerical work, cashiering, selling, modeling, art work, price marking, tagging, assembling orders, packing and shelving, bagging and carrying out customers' orders, cleanup work, dispensing gasoline, car cleaning, cleaning vegetables and fruits.

6) The hours of work for 14 and 15 year olds are limited to 3 hours on a school day, 18 in a school week, 8 on a non-school day and 40 in a non-school week. They can work only between 7 a.m. and 7 p.m. during the school year and between 7 a.m. and 9 p.m. during the summer.

Employers can be criminally liable for violations of the child labor laws where the employer exhibits "extreme intransigence and contempt of the law." Also, individuals responsible for the employer's unlawful conduct can have personal liability. Noncompliance may result in substantial financial penalties.

There's an old saying, "Hire a teenager while he still knows everything." To that we add, "if he or she is 18 or older." Otherwise, when hiring a teen, be sure to limit the duties and hours of work to those that are legal for minors.

NO HARM IN ASKING?

Ms. Myers was employed as a bookkeeper/receptionist for Todd's Hydroseeding & Landscape, LLC. Todd was the primary manager and owner, and his brother Kurt and sister Sherry both worked for the company.

Allegedly, one afternoon at work, Todd asked Ms. Myers to have sexual relations with him. He did not condition any job benefit or loss on her response to his invitation. He was just curious. "No harm in asking!" the saying goes. But Ms. Myers claimed harm, indeed. She went home that afternoon and never returned to work. She explained, "I could not go back and sit in an office with Todd every day right across from me knowing what he wanted from me." Her supervisor and Kurt called Ms. Myers that afternoon and for several days thereafter, leaving messages on her answering machine, seeking to discuss the matter. Ms. Myers never returned any of those calls. Instead, she sued under Title VII for sex discrimination based on constructive discharge and hostile work environment.

In support of her hostile work environment claim, Ms. Myers cited Todd's request for sex, together with the following alleged conduct: (1) references made in Ms. Myers' presence to "big "panty lines, and "G-strings" as part of sexual statements or jokes; (2) references in her presence to the size of genitals as part of a sexual joke; (3) employee Mike Butler touching her shoulders; (4) three comments made by Todd: "you have aged well", "you are very pretty", and "you have a nice figure"; (5) Todd giving her directions to call him from her home, and to take a call in a conference room instead of at her desk; (6) Todd massaging the shoulders of another female employee in Ms. Myers' sight; and (7) Todd asking another employee to come to his house when his girlfriend was away.

Taking all these events into account, and assuming they were true, the trial court dismissed the case without trial, holding that "the totality of the circumstances fails to legally constitute a hostile work environment, because it is neither pervasive enough or severe enough to qualify."

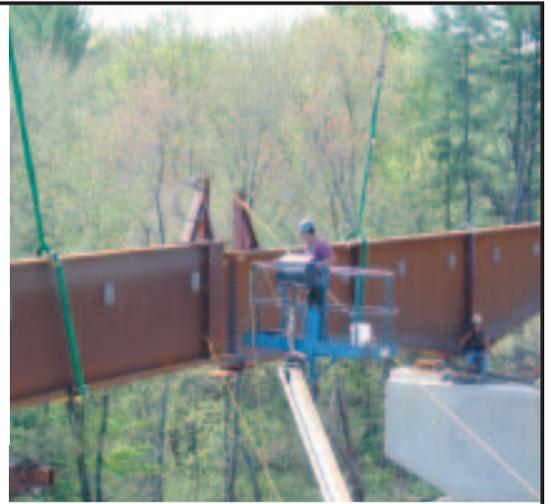
The court also dismissed the "constructive discharge" claim, explaining that such a claim requires proof that "a reasonable woman in the plaintiff's shoes would find the working conditions objectively intolerable."

There must be aggravating factors. If Todd did make a request for sexual favors from Ms. Myers, "a reasonable woman would not find continued employment there intolerable. By her own admission, Todd never made a quid pro quo (this for that) proposition. And Ms. Myers did not allege that Todd repeated the request after she turned him down. She gave her employer no opportunity to take any action rectifying the situation. The court found that the facts did not create an "objectively intolerable situation."

This case, *Myers v. Todd's Hydroseeding & Landscape, L.L. C.*, 2005 WL 1084845 (E.D.Mich.), should not imply that offensive, inappropriate and

Continued on page 39

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- The U.S. economy is expanding nicely, with increasing activity in wire-rope related sectors.
- Prices of many non-energy industrial materials have weakened recently. Will this continue?

U.S. Economic Situation

The U.S. economy decelerated a bit during the first half of 2005, though growth of 3.7% is more than respectable. Current economic trends are expected to persist through the rest of the year. However, high energy costs and rising interest rates are potential risks for both businesses and consumers.

The consumer sector, which leads the U.S. economy, remains quite healthy. Employment is growing at a steady pace, helping to boost household incomes and spending. Still, automotive sales are flat at best. Manufacturers are trying to lure consumers with new models like hybrids, discounts, rebates and other incentives. The latter efforts haven't met with much success in 2005, and vehicle production rates have been reduced to cut inventories. Sales of housing related durable goods will follow trends in home sales, which are quite strong at the moment and expected to remain so until long-term interest rates move up.

In the construction sector, housing starts are running at the highest pace since 1978, reflecting strong demand. As long as mortgage rates remain near current levels, homebuilding will continue to outpace economic activity. Meanwhile, nonresidential construction is improving. Retail, office, and commercial are leading, and will be followed by industrial. Power plant construction, which is still falling, is a notable laggard. Government construction is picking up, as state/local budget constraints ease. High prices of construction materials caused delays in awarding many new construction contracts last year. However, contract problems are abating and prices of many materials are coming down.

Business spending for information processing equipment and software remains strong, and demand for other types of equipment also has improved. In particular, sales of construction and agricultural machinery, heavy trucks and railcars have all increased. Oil and natural gas drilling and production also have risen significantly. Commercial aircraft orders have increased markedly this year, which translates directly into higher production for Boeing and Airbus suppliers.

U.S. imports of foreign-made goods and services have increased, swelling the goods trade deficit to \$728.9 billion during the first quarter of 2005. The elimination of apparel and textile quotas is one of the contributing factors. On the plus side, U.S. exports have increased as well, thanks to the relatively low foreign exchange value of the U.S. dollar.

Reflecting the surge in goods related activity in the U.S., the Transportation Services Index (TCI*) for Freight posted a reading of 130.2 during the first quarter of 2005, a 5.2% increase from the same period last year.

Outlook: Manufacturing and trade production and sales will continue healthy in 2005 except in the light vehicle sector. Even so, growth rates likely will be slower this year than last, as most manufacturers have built enough (in some cases more than enough) inventories to support current rates of production.

* The Transportation Services Index (TCI) measures the month-to-month changes in services provided by the for-hire transportation industries, including railroad, air, truck, inland waterways, and pipeline.

PRICES: IT'S (STILL) THE ECONOMY!

Wire rope producers and other US manufacturers experienced huge increases in material costs last year. As shown in Table 2, prices of many industrial commodities soared. Some price relief has come in 2005, but not everywhere. Will there be more?

The acceleration in global economic growth that began in late 2003 has ended in many industrial nations. The U.S. economy is downshifting from a high 4+% rate of growth to a more moderate—but still healthy—range of 3.5%-4.0%. Europe and Japan have weakened to the 1.0%-2.0% range, due mostly to high energy costs and slowing exports. Even China is expected to move from white-hot growth (9.5%) last year to very warm (8.5%) this year.

In the U.S., automotive production cuts to reduce high dealer inventories have spread throughout the supplier network and are the main factors slowing the economy. In China too, the automotive industry has slowed, along with construction and other bank-financed activities.

Details of demand and supply differ by commodity, but Table 2 shows that prices of some commodities—hot rolled and cold rolled sheet, steel scrap, and lumber—have fallen below the average 2004 price in recent months. Others—steel shape products, aluminum, copper, and ethylene—are below their 2004 peak level but still above the average for the year. Contract iron ore prices likely won't re-set until 2006, which leaves nickel, crude oil and natural gas prices still on the rise. As to crude oil, price forecasts for 2005 continue to be revised upwards, with most now well above \$50/barrel. The main factor here is that demand for refined oil products continues strong in the U.S. and China despite higher prices and somewhat slower economic growth.

World demand for steel is forecast to increase by 36 million MT (+4%) between 2004 and 2005. China alone will account for 28 million MT, an 11% increase, leaving just 8 million more MT for the rest of the world to use. On the supply side, global steel output has risen by 8% thus far in 2005, with China's output soaring by an incredible 27%!

What will happen to the prices of steel products and other industrial materials going forward? Scrap steel prices have plummeted recently, and shape products prices are finally coming down. Also important, China's net imports of many industrial materials have shrunk in 2005, as its domestic production capacity increases. This new trend will change markets and pricing dynamics everywhere. Example: U.S. steel imports from China have more than tripled this year.

Outlook: Outside of commercial aerospace, many firms have built up enough metal stocks to support current production levels. Thus, incoming order rates likely will be moderate for the rest of the year. Combined, these factors seem likely to outweigh the current healthy-though-slower pace of the global economy, suggesting that prices of most non-energy industrial commodities will continue to weaken over the near term.

This material was prepared by the Los Angeles Economic Development Corporation:

*Nancy D. Sidhu
Vice President & Senior Economist
Candice Flor
Research Project Manager*

**Table 1
FACTORS INFLUENCING WIRE ROPE DEMAND***

	2003	2004	1q05
Real GDP Growth	3.0	4.4	3.7
Manufacturing Production	0.01	4.8	4.6
Real Manufg & Trade Sales	2.4	6.4	4.4
Goods Trade Deficit (\$2000)	585.	662.7	728.9
Vehicle Sales (Mils, SAAR)	^		
-Cars (Domestic)	5.5	5.3	5.4
-Light Trucks (Domestic)	7.8	8.1	7.7
-Medium/Heavy Trucks	0.3	0.4	0.5
Construction:			
-Housing Starts (Mils)	1.85	1.95	2.08
-Private Nonresid. Bldgs.	-6.9	4.0	7.3
-Gov't Bldgs & Infrastructure	2.8	3.1	4.9
Bus. Equipment Spending			
-High Tech & Software	12.0	16.1	15.2
-Other Machinery	0.8	10.8	12.6
Freight Transportation Index	2.5	6.4	5.2
Oil & Gas Rigs Running	1,03	1,192	1,279

*% change from previous year unless otherwise noted.
Sources: BEA, Federal Reserve Board, Census Bureau, U.S. Transportation Department, Baker Hughes

**Table 2
PRICES OF INDUSTRIAL COMMODITIES**

	2003	2004	2-Mo Average*
Steel Prices (\$/cwt):			
-HR Sheet	282	605	555
-CR Sheet	382	690	645
-Wire Rod	311	505	531
-Rebar #6	302	469	480
-CF Bar	491	725	905
-Structurals	323	534	540
Steel Scrap (#1HM, \$/gt)	123	214	200
Iron Ore (¢/dmtu)	31.95	37.90	65.00
Copper (\$/lb)	0.81	1.30	1.48
Aluminum (\$/lb)	0.65	0.78	0.81
Nickel (\$/lb)	4.37	6.27	7.36
Ethylene (¢/lb)	25.8	31.0	36.3
Lumber (\$/Mil Bd Ft)	268	395	365
Crude Oil (WTI, \$/Barrel)	31.11	41.44	51.39
Natural Gas (Henry Hub, \$/Mcf)	5.48	5.90	6.81

* Average price for April and May 2005.

Management

Continued from page 15

A Managerial Sidebar on the Sales Needed to Offset a Bad Debt Loss

One of the most widely misunderstood issues in all of financial management is the sales increase required to offset a bad debt loss. In seminar after seminar, the equation is presented as (assuming a \$20,000 loss for illustrative purposes):

$$\begin{aligned} &\text{Sales Increases Required} \\ &= \\ &\frac{\text{Bad Debt Loss}}{\text{Typical Profit Margin}} \\ &= \\ &\frac{\$20,000}{1.5\%} \\ &= \\ &\$1,333,333 \end{aligned}$$

If this equation were true, firms would be advised to never offer credit to anybody. Even the most minute loss would require a massive increase in sales to offset. In fact, the correct equation is a variation on the basic break-even formula:

$$\begin{aligned} &\text{Sales Increases Required} \\ &= \\ &\frac{\text{Bad Debt Loss}}{\text{Gross Margin \%} - \text{Variable Expense \%}} \\ &= \\ &\frac{\$20,000}{41.0\% - 8.0\%} \\ &= \\ &\$60,606 \end{aligned}$$

This formula does acknowledge that a substantial amount of sales activity must take place to offset a bad debt lost. However, the amount is much smaller than conventional wisdom suggests.

Survey	PROFIT		
Assoc	AWRF		
Sales	5,000,000		
GM%	41.0		
PBT%	1.5 Variable	Should be 7.9	Total Exp 1975000
Variable Exp—%	8.0	Var Part 395000	
ATO	2.3		
AR—%	31.7		
Bad Debt—%	0.2		
Sales Delta for Risk	5.0	Text Transfer _____	0
Bad Debt Multiple	5.0	on Sales	5 five two and a half
AR Invest Multiple	2.0	Fixed Exp _____	10 ten five
Accounts Receivable	689130.4348		
Interest Rate	6.0	Interest Rate	six
Percentage Increase in Profits		49.0	
New AR Days	0		
New BAD debt	1.0		
Increase in Carrying Costs	4,135		

Exhibit 1 The Change in Financial Results from a More Aggressive Approach to Accounts Receivable

	Current Results	Additional Sales	Combined Results
Net Sales	\$5,000,000	\$250,000	\$5,250,000
Cost of Goods Sold	<u>2,950,000</u>	<u>147,500</u>	<u>3,097,500</u>
Gross Margin	2,050,000	102,500	2,152,500
Variable Expenses	400,000	20,000	420,000
Bad Debts	10,000	2,500	12,500
Fixed Expenses	1,565,000	39,125	1,604,125
Change in Investment Costs	0	<u>4,135</u>	<u>4,135</u>
Total Expenses	<u>1,975,000</u>	<u>65,760</u>	<u>2,040,760</u>
Profit Before Taxes	\$75,000	\$36,740	\$111,740
Accounts Receivable	\$689,130	\$68,913	\$758,043

NEWS ABOUT MEMBERS

Continued from page 9

Glazer commented, "This combination of two highly successful organizations will offer additional opportunities for our customers, our suppliers and our employees. The acquisition will result in larger, stronger operation with considerable diversity in product and geographic reach. Certainly our strategy includes building a secure work environment with significant growth opportunity for all of our employees."

Several organizational changes were announced as part of the acquisition as well. Joaquin Barrios, currently the Managing Director of Aceros Camesa has been appointed Senior Vice President – Mexican Operations and Corporate Logistics. Mike Hughes was named Senior Vice President – Domestic and International Sales and will be responsible for worldwide sales of all products produced by the combined company. Miguel Gomez will continue to direct all sales efforts in Mexico and in addition will be responsible for all international sales of wire products. Tom Utz will manage the sales internationally for electromechanical cable and domestically for Prestressed Concrete Strand of America. John Josendale will continue to be responsible for wire rope and fabricated product sales worldwide with the exception of the Mexican market. Eric Bruder, Senior Vice President Manufacturing will direct all U.S. manufacturing including the factories in Texas as well as corporate quality, production planning and engineering. David Hornaday will continue his leadership of corporate marketing efforts while adding the responsibility for corporate strategic planning.

Glazer noted, "When I came to WRCA, I was most impressed with the talented group of managers, engineers, production, and sales staff. The same can be said of what I see in Camesa. The combination of these two groups will make for a management team that is second to none. It is exciting to come to work every day and to interact with this creative, motivated group."

KPS Special Situations Fund II, L.P. owns WRCA Inc. KPS worked with WRCA management to negotiate the purchase and arrange the financing of the transaction. David Shapiro, one of KPS' Managing Principals, added, "We are excited about the possibilities created by the merger of these two highly successful companies. They should continue to create value not only for the customers they serve, but for our Limited Partners as well."

The acquisition was financed through an asset based loan agent by HSBC Business Credit (USA) Inc. a wholly owned subsidiary of HSBC Bank USA N.A. and a term loan arranged by J.P. Morgan Securities Inc. and Jefferies & Company, Inc. This transaction included a recapitalization of WRCA through the two borrowing facilities. The funds derived from the recapitalization were used for repayment of all existing WRCA debt, a distribution to the shareholders, all fees related to the transaction, the purchase price for Camesa and other associated costs.

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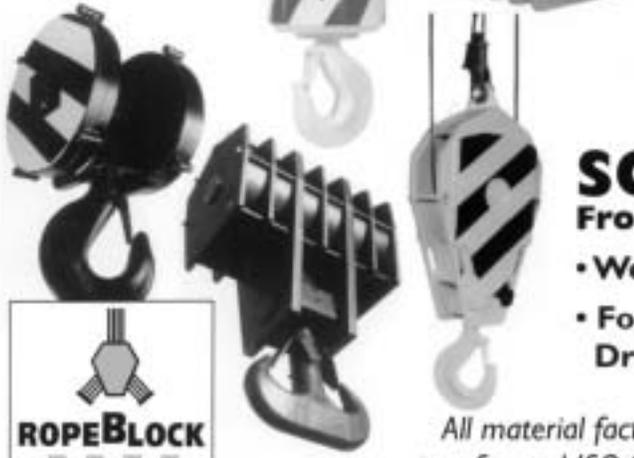
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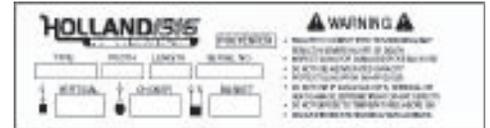
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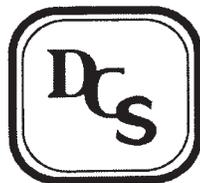
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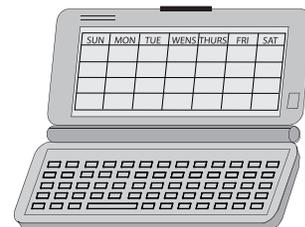
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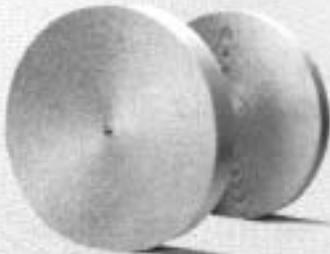
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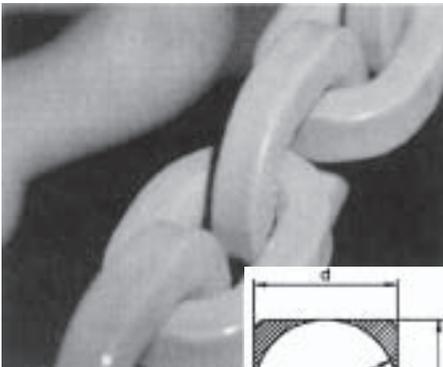
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Continued from page 13

2005 Tort Reform Enactments

2005 has been a very successful year for civil justice reform proponents. Year to date, 18 states have enacted nearly 30 civil justice reform bills. Following in the footsteps of Texas and Mississippi, three states (Georgia, Missouri, and South Carolina) passed comprehensive civil justice reform packages. In addition, Florida, Georgia, and Texas passed asbestos/silica medical criteria bills to eliminate frivolous claims while allowing those who are truly sick to move forward with their lawsuits. Finally, the "Commonsense Consumption Act," designed to prevent obesity lawsuits, continues to prove attractive to state lawmakers as 5 states have passed such legislation this year, bringing the total number of states to 19.



General discussion around the round table in Congressman Manullo's office.

In May, AWRP joined the Lawsuit Abuse Reform Coalition (LARC) to help support the federal Lawsuit Abuse Reduction Act. In just one month, LARC has doubled in size, with now more than 150 member

organizations and more joining every day. State and local grassroots support for LARA will be critical for a strong vote in the House (expected in July or September) and for prospects in the Senate. For more LARC information, contact Barry Epperson at (918) 585-5641.



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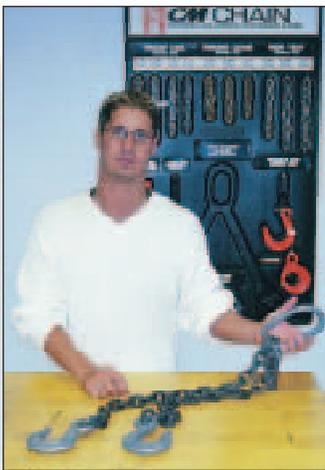
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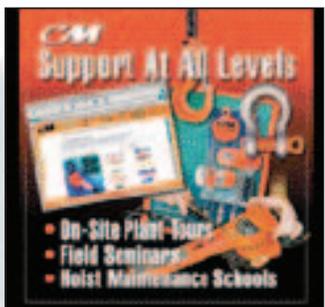


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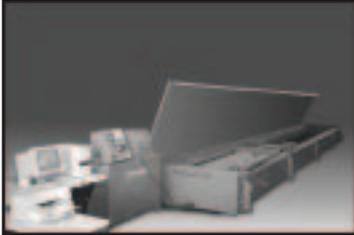
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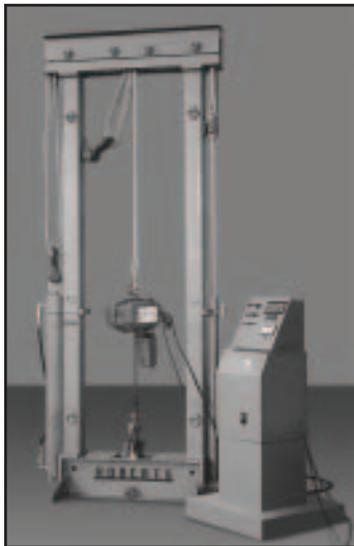


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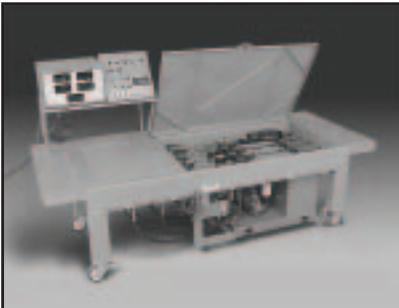
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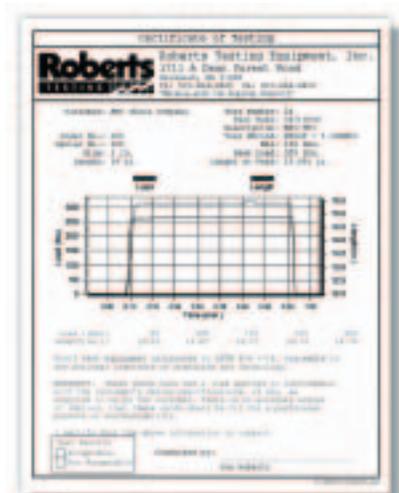
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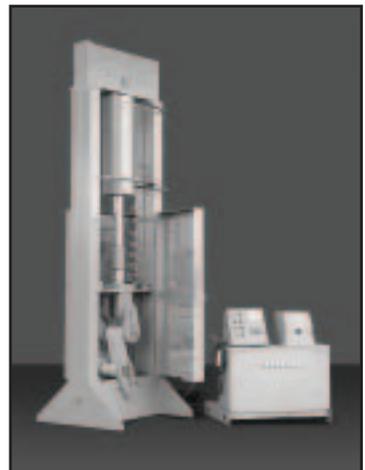
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INSURANCE & LEGAL RESOURCES COMMITTEE

Continued from page 25

unprofessional conduct in the workplace is okay. Todd's company won the law suit, so far (assuming no appeal), but not without enduring considerable financial, time, and emotional burdens in the process. The case is important because it illustrates that employees who quit over sexual comments, without giving the employer a chance to correct the conduct, are likely to lose a sex discrimination claim. Employees who quit must prove "constructive discharge," i.e. an objectively intolerable working conditions, in order to prevail on a sex discrimination claim. This takes more than proof of a few inappropriate sexual comments or inquiries. Now, if Todd had fired Ms. Myers for refusing his sexual request, the outcome might have been much different!

FMLA LIGHT

John has been employed with your company for more than 10 years. And the Company considers him one of its best production employees. So when he informed you last week that he has a serious back injury and his doctor has restricted him to no lifting over 10 pounds and no pushing/pulling over that same weight, the Company agreed with John's request to, temporarily, give him a "light duty position." The position that the Company offered John permits him to work within those restrictions on a full-time schedule, which is what John wanted. John is happy, and the Company is happy. All is good.

Well, that is, until you notify John that the period during which he performs this light duty position will be counted as FMLA leave. And his job restoration rights under the FMLA will expire after 12-weeks of light duty. John counters that FMLA leave only applies when he's not working: "The Company doesn't get to call it FMLA when I'm here and working," he argues. You respond "Yes we do." Who is right?

You of course!! The Department of Labor's regulations do, in fact, allow employers to count the period of work in a light duty position as FMLA leave. Regulation 29 CFR §825.220 provides, in relevant part:

Employees cannot waive, nor may employers induce employees to waive, their rights under the FMLA. For example, employers cannot "trade off" the right to

take FMLA leave against some other benefit offered by the employer. This does not prevent an employee's voluntary and uncoerced acceptance (not as a condition of employment) of a light duty assignment while recovering from a serious health condition. In such a circumstance the employee's right to restoration to the same or equivalent position is available until 12 weeks have passed within the 12-month period, including all FMLA leave taken and the period of "light duty." (Emphasis added.)

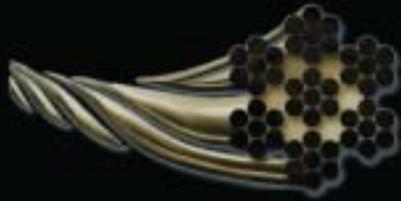
Thus, if John's serious health condition prevents him from performing his regular job, he can refuse light duty and use his FMLA while at home watching Oprah. But he won't get paid. FMLA is unpaid leave (unless vacation or sick leave is used simultaneously). Or he can accept light duty while using FMLA.

WARNING: Remember, John's acceptance of light duty must be voluntary and he must receive the benefits of FMLA (guaranteed reinstatement to the same or equivalent position; continuation of employer's contribution to any health insurance benefits) during the light duty in order for the light duty period to count as FMLA. The regulation does not address whether the rate of pay in the light duty position must be the same as the employee's regular rate of pay.

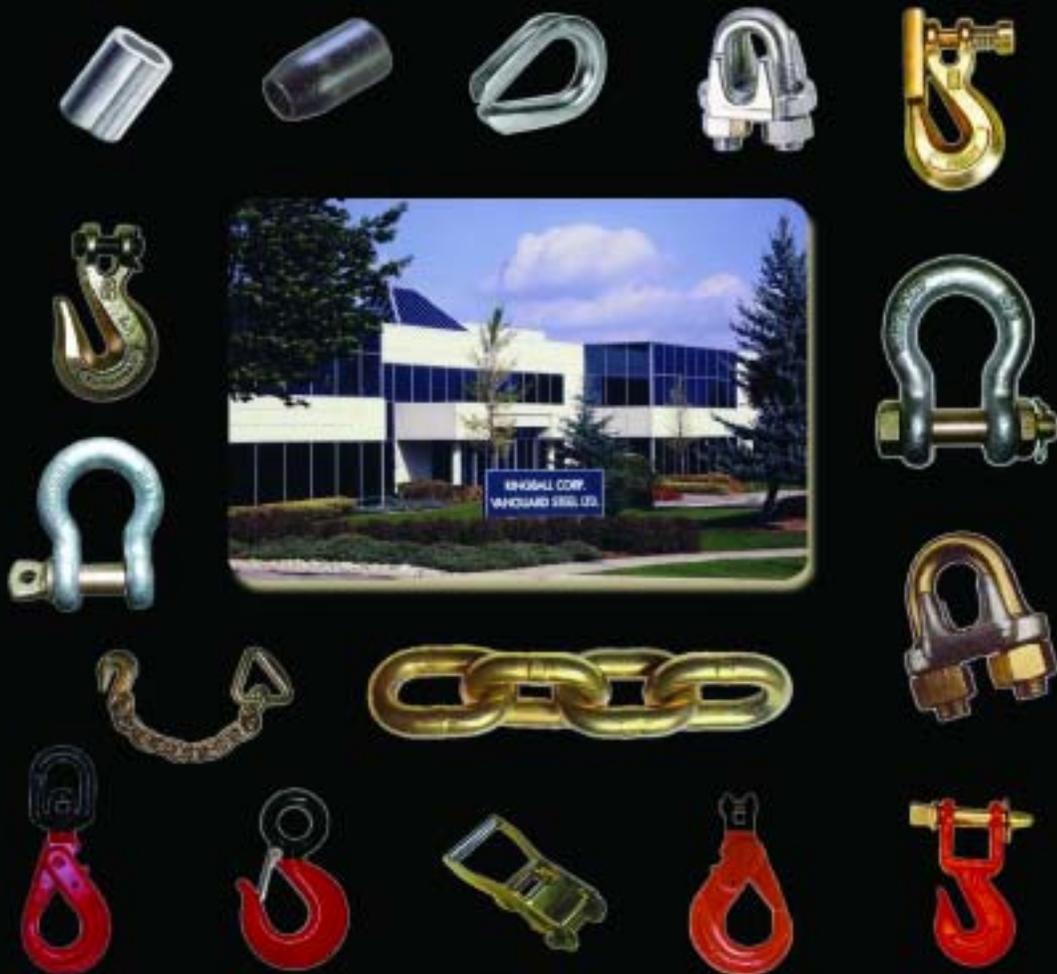
It should be understood that this regulation does not cover the situation where John performs all the essential duties of his regular job, but can only work a modified schedule because of a serious health condition. In that situation, only the period of time that is not worked is FMLA leave. For example, if John's restriction was working only five hours of of his normal eight-hour day, performing all of his regular duties during that five-hour period, John's FMLA would be just the three hours a day that he is not working. *Roberts v. Owens*, 2004 WL 1087355.

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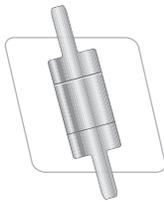
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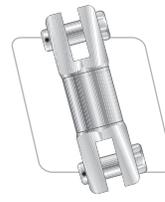
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