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GE Plastics profit could reflect spate of resin price increases

Relative to the story about GE Plastics' 2005 nine-month sales and profit results ("Sales in China boost profit for GE Plastics," Oct. 24, Page 11), I wonder if North American distributors, processors and original equipment manufacturers suspect otherwise.

While GE may have shipped more to China, what really boosted sales and earnings results may have been nothing more than unrelenting upward pricing. Why?

From our company's mailbox to its fax machines to our e-mail, GE has been a leader in inundating distributors, processors and OEMs with price-increase letters. In adding up notifications, a person could conclude that the notices have ceased to be supported by substance and are increasingly supported by the things bad dreams are made of, and sewn together with a murky thread.

Furthermore, it would not be

unreasonable to conclude that the \$600 million increase in sales (a 13.6 percent increase over 2004) was driven mostly by price increases. When I absorb the fact that the earnings increased by \$299 million (an 86.4 percent increase over last year), and realize that every new dollar of sales generated 50 cents of profit, a person could conclude the driving force maybe isn't China, as your headline suggests.

A year ago, \$4.4 billion of sales produced profits of \$346 million (a 7.9 percent profit margin), but through the magic of the \$600 million of additional sales in the first nine months of 2005, \$299 million of greater profits were generated (a 12.9 percent overall profit margin, and a 50 percent profit margin on the incremental sales).

Therefore, I must posit that a case could be made that the increased sales by GE in 2005 com-

prises not more overall pounds shipped to China or anywhere else, nor is it even the result of the powerful and rejuvenating effects of Six Sigma. It is simply the result of much higher material prices — prices that appear to be much higher than any added costs GE has faced.

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