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Lapp Insulator inks deal for venture in China

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—The deal with Dalian Insulator, a manufacturer in the People's Republic of China with roughly 1,400 employees, created Dalian Lapp Insulator Co. Ltd. The new firm, announced last week, manufactures porcelain substation insulators.

The company will be housed in a facility recently constructed next to Dalian Insulator's existing operations in Dalian, China.

The new company employs 180 workers. Yan Zhiling, deputy general manager for Dalian Insulator, will be general manager.

At full capacity, the 100,000-square-foot factory will have a total output of 3,000 tons of product per year, totaling some \$10 million in sales.

Matthew Bailey, Lapp vice president of sales and marketing, said the venture took roughly three and a half years to put together. Previously, Lapp had been a reseller for Dalian Insulator in the United States.

Founded in 1916, Lapp manufactures high-voltage insulators for the worldwide electric utility industry. Its core businesses include ceramic and composite insulators for applications ranging from 15 to 765 kilovolts.

The firm's customers for the porcelain insulators include Rochester Gas and Electric Corp. and the state grid of China.

Bailey declined to disclose Lapp's financial investment in the partnership but said the firm is a minority partner. Although Lapp is contributing some money to the venture, the majority of its involvement deals with transferring technology to the business, he said.

John Hurshman, Lapp president, said the joint venture is a good fit, noting that Lapp developed the original designs for substation insulators and Dalian Insulator has a strong reputation and distribution channels within China.

Bailey added that the Chinese market is robust because of the number of transmission lines being constructed there to support the growth in industry.

The venture gives the local firm a stronger presence in China and helps its original equipment manufacturer customers who have production facilities on multiple continents, Bailey said. The new company will export product to Lapp customers overseas, including those in Europe.

"This will allow us to tap into the Chinese market, plus supplement existing demand," he said.

The new venture will not hurt local operations but help with over-capacity issues there, Bailey said.

Lapp employs roughly 160 union employees in LeRoy—making it one of the town's largest employers—and ranked 43rd on the Rochester Business Journal's most

recent list of manufacturers.

Employment has nearly doubled in the last 18 months, Bailey said, noting the local plant runs three shifts and that the company is looking to hire eight to 10 more workers.

Lapp recently invested millions on new equipment to increase its capacity. Bailey said annual revenue grew 24 percent from 2005 to 2006, and he expects sales to increase 15 percent this year.

Lapp also has manufacturing operations in Germany and Georgia, and it plans to open a wholly owned venture in the Shanghai area of China this summer that will manufacture silicon-based insulators and employ up to 20 workers.

The firm faced obstacles a few years ago but gained solid footing after selling its bushings division in 2004 to PCore Electric Inc., a move to allow Lapp to concentrate on its core business of insulators. Bushings are cylindrical linings used to insulate and reduce friction in equipment for power generators, transformers, circuit breakers and substations.

Then in December 2005, a New York City-area private equity firm—Andlinger & Co.—acquired controlling interest in Lapp, allowing the company to upgrade its local operations and enter new markets.

"This is a company on the move, and you can expect to hear more from us in the coming months," Bailey said.

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