Vossloh AG

Vosslohstrasse 4
D-58791 Werdohl
Germany
Telephone: (49) 2392 52-0
Fax: (49) 2392 52-219
Web site: http://www.Vossloh.com

Public Company
Incorporated: 1909 Vossloh KG
Employees: 5,583
Sales: EUR 854.4 billion ($804.5 million) (2000)
Stock Exchanges: Frankfurt am Main Düsseldorf
Ticker Symbol: VOS
NAIC: 33651 Railroad Rolling Stock Manufacturing; 332999 All Other Miscellaneous Fabricated Metal Product Manufacturing; 335121 Residential Electric Lighting Fixture Manufacturing; 335129 Other Lighting Equipment Manufacturing

Vossloh AG is the world market leader for switch systems and fasteners of railway tracks. The company's Vossloh Rail Systems division manufactures railway fastening products for all types of railways for any load and climate which are being used in 65 countries. Every third railway switch in the world comes from Austria-based VAE AG, a company in which Vossloh and VOEST-Alpine Stahl AG together hold 90 percent of the shares. Vossloh Schienenfahrzeugtechnik division makes diesel-powered locomotives and, together with British Angel Trains Limited, offers part of them for lease. The company's traffic management systems division Vossloh System-Technik develops and implements software for railroad-based traffic management and passenger information systems for train stations and airports. Vossloh also offers safety diagnosis and maintenance services for railroad vehicles and makes noise suppression systems for railways and wheel set maintenance machinery. While the company's activities connected with railroad transportation account for about two-thirds of its revenues, its lightning technology division Vossloh-Schwabe—which makes electrical components such as transformers, sockets, ignitors and capacitors for a variety of lamps as well as LED lamps, displays, and chips—accounts for the other third. Headquartered in Werdohl, Germany, Vossloh has over 65 production facilities and subsidiaries around the globe. The Vossloh family owns 35 percent of the company's shares, and German life insurer Deutscher Herold Lebensversicherungs AG has an 11-percent stake.

Blacksmith Workshop Evolved into Factory in the 19th Century

In 1848, when Germany was in upheaval against the feudal system, Eduard Vossloh—written "Voßloh" in German—was born in Werdohl, a small town in Westphalia that belonged to Prussia. His father slipped into poverty in those economically depressed years and—out of desperation—emigrated to the United States, where he died six months after arriving, around 1852. Vossloh's mother barely managed to keep him and his three brothers and sisters alive. In 1861, she married again, and Eduard Vossloh started working at his stepfather's blacksmith workshop before and after school, which he attended regularly for only two years. Vossloh went on to work as an apprentice for another blacksmith in a nearby town, often for 15 hours a day. The construction of the Ruhr-Sieg-Railroad in 1961 fueled Werdohl's development into a center of the metal processing and manufacturing industry.

In 1869, the young man—although always weak and sick—was drafted into the Prussian Army. In the summer of 1870, just after Vossloh had made it through the tough months of military training, France declared war on Prussia, and his division was called to the battlefield. He was seriously wounded and sent back to his hometown for recovery, called back again in early 1871 despite his weak health, and finally came back home after the defeat of France three months later. In 1872, after he was able to walk without crutches again, 24-year-old Vossloh began to work in the family's blacksmith workshop. The pension he received as a war invalid was not sufficient to support a family. He married in 1873, and his first three sons were born between 1875 and 1882. There was not much demand for his blacksmith business, so Vossloh took a job as a locksmith and got into selling hardware. Eventually, however, he returned to working as a blacksmith. During this time, he was suffering from various serious health problems, until his doctor forbid him to do physically demanding work. After selling most of his inventory, Vossloh was still left with considerable debt. But he kept the tools to make small hardware products and hired an assistant. The endeavor did not turn a profit.

Company Perspectives:

Rails are the most interesting future mode of transportation. We orient ourselves to products and services related to the railway. (Burkhard Schuchmann, Executive Board Chairman)

In 1883, Vossloh took a leap of faith by bidding to manufacture metal lock rings for the Royal Prussian Railroad. The rings were used to buffer the railroad track from vibrations and transfer them to the lower part of the rail construction. Being a war invalid turned out to his advantage, and Vossloh was granted the order. It turned the company's fate around. Lacking the resources to carry out the order, Vossloh found help from Rudolf Kugel and Carl Berg, whose company Kugel & Berg delivered on credit the necessary wire to construct metal lock rings. After the Prussian Railroad had paid for the order, Vossloh paid the workers he had hired, as well as Kugel & Berg for the raw materials. New orders followed, and the enterprise finally took off.

In 1888, the Vossloh family moved out of the small house in the inner city to a new house with a workshop on their property near Werdohl's train station. The blacksmith workshop was expanded and so was its range of products. Besides lock rings and metal plates for the railroad, the firm EDUARD Vossloh, which was officially registered at the new Altena county registry, started manufacturing hardware products such as metal hooks and curtain rails. New machines were added, and the workshop turned into a small factory. After the death of his first wife at age 43 in 1894, the company founder was struggling with severe health problems again. He remarried after a year but never recovered his former strength. In 1899, the Vossloh family moved into a new residential complex built on a hill to ease the company founder's health problems. Nevertheless, the patriarch died in the same year.

Second Vossloh Generation Takes Over in 1900

The company founder left behind five children: his oldest son Eduard, Jr., who had worked at the firm Brockhaus & Löwen; Wilhelm, the second oldest, who received a formal education in commerce; Karl, the third oldest son, who went to high school and studied civil engineering; 15-year-old Ernst, who worked as an apprentice to a locksmith; and Vossloh's only daughter, Hermine, who was twelve years old. Eduard Vossloh had determined that his four sons carry on the family business in the same legal form until Hermine reached maturity. For the time being, the three oldest Vossloh brothers took over the management of the family business. They based their decisions and work ethics on the same philosophy as their father did. He viewed his enterprise as a God-given means to build a sustainable existence for his family. Consequently, Vossloh's major purpose was to provide a living for the Vossloh family—not to pile up money for its own sake.

In 1909, Hermine turned 21 years old, and Vossloh was transformed into a Kommanditgesellschaft, a firm with at least one limited liability partner who was not involved in management, the Kommanditist. In that role, Hermine had a limited liability stake of 60,000 Marks in the company. Despite many obstacles and difficult times, Vossloh entered a period of solid growth. The engineer Karl Vossloh expanded the company's product range by developing new metal parts used in the railroad industry. In 1911, a modern iron forge was erected. With the onset of World War I in 1914, the family business employed about 240 people. During the war, civil production was replaced by the manufacture of grenade shells.

Fire in 1917 Maintains the Company's Independence

The year 1917 could have been the last year of Vossloh's independence. It was then that Rheinische Stahlwerke Duisburg, a large steel maker from the Ruhr, was interested in taking over Vossloh. At a time when many smaller manufacturers in the iron and steel processing industry were being gobbled up by larger players with more competitive strength, the Vossloh management decided to explore possible advantages of such a move. However, when a fire caused major damage, the two potential partners could not come to an agreement about who would have to pay for the excess loss not covered by insurance and further negotiations were canceled.

After the war ended, the demand for forge products dropped. Vossloh, as a rather small player in a market which was dominated by the giant steel makers from the Ruhr, decided to give up the manufacture of forge metal products that demanded a high input of raw material. Instead, the Vossloh brothers decided to focus on small metal parts and to set up a small sheet metal plant as well as a new facility for making wires and pipes to provide the necessary raw material. In 1919, EDUARD Vossloh KG acquired a factory for making decorative metal elements in Lüdenscheid, located southeast of Dortmund. The manufacture of aluminum silverware was ceased, while the existing production of sockets for Edison-light bulbs was expanded.

The 1920s began with a major change in the company's legal structure. In 1920, three limited liability companies were established, each led by one of the three oldest Vossloh brothers. One of them headed the production plants in Werdohl, one the Lüdenscheid factory, and one was responsible for marketing and sales. The three oldest Vossloh brothers each held a 30 percent stake in the family business, while the remaining 10 percent was divided equally between Ernst and Hermine Vossloh. EDUARD Vossloh KG ceased to exist.

After the devastating hyperinflation in the early 1920s, which the company survived, the Reichsmark became Germany's new currency, and the country's economy stabilized. In 1924, Vossloh acquired a wood processing plant in Dillenburg, near Gießen, that enabled the company to expand its range of decorative products to include such items as wooden hooks and curtain rails. The company also had a share in the Kassel-based firm Appel & Pfannschmidt, a manufacturer of brass products

Key Dates:

1872: Eduard Vossloh starts working at the family blacksmith workshop.
1883: The Royal Prussian Railroad awards Vossloh an order to make lock rings for rails.
1899: The company founder, dies and his sons take over the business.
1909: Vossloh KG is formed.
1919: The company acquires a production plant in Lüdenscheid.
1920: Vossloh KG is split into three limited liability companies.
1927: Karl Vossloh develops the "high tension lock ring."
1930: The three Vossloh companies are reunited under the umbrella of Vossloh-WERKE G.m.b.H.
1951: Vossloh family members form the Familiengemeinschaft Vossloh GbR.
1967: Vossloh is granted the general production license for a new railroad track fastener.
1986: Burkhard Schuchmann becomes new CEO of Vossloh.
1990: Vossloh goes public.
1996: The company takes over Deutsche System-Technik GmbH.
1998: Vossloh buys diesel locomotive maker SIEMENS Schienenfahrzeugtechnik and a 90 percent majority in the Austrian VAE group together with Austrian steel maker VOEST-Alpine Stahl.
2002: The company announces that its lighting division is up for sale.

that was owned by Hermine Vossloh's husband Nikolaus Appel. To attract qualified workers, Vossloh maintained more than 60 company-owned apartments that were rented at low prices to Vossloh employees. In 1927, Karl Vossloh developed the "high tension ring," which—made from a better quality steel—soon became the standard used in German and other European railroad tracks.

Between 1921 and 1927, Vossloh focused on strengthening the company's distribution channels. Appel & Pfannschmidt marketed Vossloh products in and around Kassel. A new distribution partner was found in Hamburg and a sales subsidiary, Metallgesellschaft METAG, set up in Cologne. By the late 1920s, Vossloh had developed a network of sales offices in Germany, including offices in Königsberg, Breslau, Munich, and Frankfurt/Main, as well as in the Netherlands and Belgium. In 1927, Eduard Vossloh, Jr.'s son-in law, Wilhelm Bomnüter, joined the company. After Eduard, Jr.'s death at age 53 in 1929, the three Vossloh companies were reunited under the umbrella of Vossloh-WERKE G.m.b.H. in 1930.

World War II and the German Economic Miracle

During the worldwide economic depression between 1929 and 1933, demand for Vossloh products dropped significantly. The smaller iron and steel processing industry in the Sauerland, as the region east of the Ruhr where Vossloh was located was called, was pulled into a tough price competition with the iron and steel giants of the Ruhr. Many smaller subsidiaries associated with them were shut down, and 19 mid-sized enterprises in the region went bankrupt. Vossloh's diverse product range—including sockets for Edison light bulbs, light and doorbell switches, and electrical outlets—found a huge market, and the company's financial reserves also proved to be a big advantage. After the National Socialists took over power in 1933, the German economy was more and more regulated by the government, which increasingly forced the production of war-related goods. Before and during the war, Vossloh products were in high demand. The occupied territories in the Soviet Union were equipped with new railroad tracks to transport war supplies, since the existing railroad tracks were much wider than Germany's. Vossloh's lock rings were also used in railroad-based vehicles. Because so many men of working age were taken into the military, German women and foreign female forced laborers assembled the light sockets that were especially needed after many production facilities for war materials were moved underground to caves and old mines. Shortly before the war ended, a bomb destroyed the warehouse and office building at Vossloh's Werdohl headquarters.

While the war left Vossloh's production facilities untouched, the British military government confiscated part of them as reparations. After Vossloh was granted a production permit in 1946, the company started a race to keep up with an ever-growing demand. The German railroads had to be rebuilt and houses had to be fixed and equipped with lighting. The currency reform in the three German zones occupied by the Western Allies triggered a new economic upswing which, under the Christian Conservative Chancellor Konrad Adenauer and his visionary Minister of Economic Development Ludwig Erhard, and with the financial aid from American Marshall Plan funds, accelerated into an unprecedented boom that became known as the German Wirtschaftswunder ("economic miracle"). By 1950, more than 700 people worked at the three Vossloh facilities. A new plant was erected in Lüdenscheid for the manufacture of sockets for the new fluorescent lights, which became immensely popular in the 1950s and 1960s. Another novelty was the Doppelspannagel, an elastic W-shaped metal nail invented in England that over time replaced the screw-based attachment of the railroad tracks to the wooden ties and for which Vossloh acquired a license. In 1951, the ever expanding number of Vossloh family members agreed to form a private legal entity—the Familiengemeinschaft Vossloh GbR—to ensure a joint decision-making process among the many family shareholders. In the same year, the company sued German car maker Volkswagen, who registered a logo containing the letters V and W that was very similar to Vossloh's. Although the company had used its trademark for two decades, the German trademark authority—the Patentamt—granted Volkswagen the right to use the "VW" logo on its cars. Over the following decades, Vossloh developed a new trademark based on the company name.

Between 1950 and 1964, the economic boom caused wages and salaries to skyrocket. Besides buying cars, washing machines, and television sets, Germans redecorated their homes, which boosted Vossloh's interior decoration business. By the end of the 1960s, the company was confronted with a serious shortage of workers. Instead of attracting new workers to the old locations, however, Vossloh's management decided to expand geographically. A brand-new production plant was built in 1961 in Selm, near Dortmund, where space and workers were readily available, and the company's facilities expanded many times thereafter. In the same year, the first production facility abroad was established in Sarsina, a small Italian town in the province of Forli where Wilhelm Bomnüter's son Diethelm had met the town's mayor when he studied Italian. Finally, a new plastic-processing plant was set up near Lüdenscheid between 1964 and 1966. In 1967, the West German railway, Deutsche Bundesbahn, started experimenting with a new railroad track fastener, the Spannklemme, an invention of German Bundesbahn director Hermann Meier. Vossloh was awarded the general production license for the Spannklemme, which over the following decades became the standard for the European railroad industry.

Family Business Becomes a Global Public Enterprise in the 1990s

During the Wirtschaftswunder years, the second Vossloh generation had handed over responsibility for the family business to the third. Wilhelm Vossloh died in 1952. In 1958, Karl Vossloh's son Hans became the company's new CEO. Two years later, his father and his uncle Ernst died. In 1980, Wilhelm Bomnüter was succeeded by his son Diethelm as CEO of Vossloh-Werke. The early 1980s started out with a recession in Germany that especially affected Vossloh's lighting and decoration divisions. Automation helped cut cost but was not sufficient. Vossloh's management decided to focus on the two main locations, Werdohl and Lüdenscheid, and close down the production plants in Selm and Dillenburg. These measures led to significant layoffs, shrinking Vossloh's workforce from 1,300 at the beginning of the 1960s to about 750 in 1984. However, the company's profits still declined, and Vossloh started looking for help from experienced top managers outside the Vossloh family. After two outside managers proved unsuccessful in turning around the company, Burkhard Schuchmann, a 43-year-old Berliner who had successfully helped to take Munich-based Hans Knürr KG public as a member of the executive management board, became Vossloh CEO in March 1986. Hans Vossloh in turn became chairman of the advisory board, a position in which he remained until 1994, when he became honorary chairman and stayed actively involved in the business by coordinating and representing the Vossloh family group of shareholders, which counted more than 80 members by 1998.

Backed by the Vossloh family, Schuchmann took on the challenging task of transforming the mid-sized family enterprise into a public company with a strong financial footing, a competitive portfolio of products and services, and a global reach. In 1990, Vossloh shares were publicly traded for the first time at the stock exchange in Düsseldorf and later in the decade in Frankfurt/Main. In 1992, Diethelm Bomnüter resigned as a member of the executive board.

In 1990, the year when the two German states reunited, Vossloh acquired companies in eastern Germany. The sudden demand for railroad fasteners from the former East German railway company Deutsche Reichsbahn, as well as from other eastern European railways that were modernizing their infra-

structure, boosted the company's sales. At the same time, Vossloh's home decoration division did not turn up the desired profits, partly due to the cyclical nature of that business. The interior decoration market was highly dependent on fashion cycles that were picking up speed, demanding rising cost for design and marketing. When another recession hit the industry in the mid-1990s, Vossloh sold the business to the Italian Arquati group in 1997. The lighting division, which in the late 1980s was strengthened by the takeover of the German Schwabe group and by 1996 accounted for almost half of Vossloh's revenues, also slipped into a recession in the late 1990s, mainly due to a slump in the construction industry. Vossloh tried to counteract by investing in new technologies such as LED technology through the takeover of the German Wustlich Group in 2000, and in lighting control systems through a new subsidiary, as well as by restructuring the division to cut back cost. However, in April 2002, Vossloh announced that its lighting division was for sale.

Vossloh's CEO Schuchmann emphasized the company's sole focus was to be on the railway and transport division for which he saw a bright future. He was the driving force that relentlessly strengthened the company's market position and pushed forward its transition from manufacturer to integrated service provider. The takeover of the German firms Hegenscheidt GmbH and Hoesch Maschinenfabrik GmbH in the mid-1990s made Vossloh the world's leading manufacturer of machinery for refurbishing railroad vehicle wheels. Vossloh also acquired parts of DST Deutsche System-Technik GmbH, which had developed electronic traffic management and information systems, after the firm filed for bankruptcy. This company was then integrated into a newly established systems technology division, Vossloh System-Technik. Finally, the takeover of SIEMENS Schienenfahrzeugtechnik in 1998 made Vossloh a leading manufacturer of diesel locomotives in Europe. In the same year, Vossloh, together with Austrian steel maker VOEST-Alpine Stahl AG, bought a 90 percent majority in the Austrian VAE group, the world market leader of railroad switches. In 1999, Vossloh acquired British York-based Comreco Rail Ltd., an engineering firm that developed traffic flow planning and management software for railroad companies. Another deal with British Angel Trains Limited, a subsidiary of the Royal Bank of Scotland Group that took over 3,600 railroad vehicles from state-owned British Rail after its privatization in 1995, set Vossloh on track to exploit the emerging trend that railroad companies would rather lease than purchase rolling stock. The two companies agreed to set up a joint venture which would mainly buy diesel locomotives made by Vossloh and lease them to European railroad companies. Vossloh also entered the field of railroad vehicle maintenance, directly offering maintenance and repair services; at the same time, the company rented the necessary workshops—fully equipped—to others, or even set them up at client locations as far as China. Vossloh planned to use the expected cash inflow from the sale of its lighting business for acquisitions that would further strengthen the company's leading market position in the highly profitable field of railroad related products and services. Although Vossloh had become a truly global company with subsidiaries all over the world, reunited German railroad company Deutsche Bahn, which heavily depended on public funding, remained one of its major customers.

The Vossloh family had managed to keep a voting majority throughout the 1990s. However, the family's influence eventually declined. At the time of the IPO in 1990, the Vossloh family kept a 72 percent stake, which declined to 55 percent in 1992 due to a raise in share capital. By 1997, the Vossloh family's stake had shrunk to about 40 percent and was reduced to 35 percent by 2000. However, through a liaison with German life insurance company Deutscher Herold Lebensversicherungs AG, whose 11 percent share in Vossloh was pooled with the holdings of the Vossloh family, the descendants of company founder Eduard Vossloh were still in control of Vossloh. However, they were likely to loose that position in the future, due to further raises in the company's share capital.

Principal Subsidiaries

Vossloh-Schwabe GmbH (Germany); Vossloh Schienenfahrzeugtechnik GmbH (Germany); VAE Holding (Deutschland) GmbH (Germany); Vossloh Rail Systems GmbH (Germany); VAE Eisenbahnsysteme GmbH (Austria); VAE Holding GmbH (Austria; 50%); Vossloh-Schwabe France S.A.r.L.; Weichenwerk Brandenburg GmbH (Germany); Vossloh-Schwabe Italia S.p.A. (Italy); Hegenscheidt-MFD GmbH & Co. KG (Germany); Butzbacher Weichenbau GmbH & Co. KG (Germany); Vossloh-Schwabe Elektronik GmbH (Germany); VAE Nortrak Cheyenne Inc. (United States); VAE Nortrak Inc. (United States); VAE Nortrak Ltd. (Canada); Vossloh Systemelektronik GmbH (Germany); VAE Aktiengesellschaft (Austria; 90.6%); Elektrobau Oschatz GmbH & Co. KG (Germany; 70%); Vossloh Wehrdohl GmbH (Germany); Hegenscheidt-MFD Corporation (United States); Vossloh System-Technik GmbH (Germany); JEZ Sistemas Ferroviaros S.L. (Spain; 50%); Vossloh-Schwabe Española S.L. (Spain; 90%); Vossloh-Schwabe UK Ltd. (United Kingdom); Vossloh-Wustlich Opto GmbH & Co. KG (Germany; 80%); Vossloh-Schwabe Australia Pty. Ltd. (Australia); Vossloh-Schwabe Pte. Ltd. (Singapore); Vossloh-Schwabe Skandinavien AB (Sweden); Vossloh-Schwabe, Inc. (United States).

Principal Competitors

ALSTOM; DaimlerChrysler AG; General Electric Company.

Further Reading

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—Evelyn Hauser

WHITNEY

W.A. Whitney Company

650 Race Street
Rockford, Illinois 61101-1434
U.S.A.
Telephone: (815) 964-6771
Fax: (815) 964-3175
Web site: http://www.wawhitney.com

Division of Esterline Technologies Corporation
Incorporated: 1907
Employees: 250
Sales: $38 million (2001 est.)
NAIC: 333990 All Other General Purpose Machinery Manufacturing

Located in Rockford, Illinois since 1907, W.A. Whitney Company is a leading international manufacturer of metal fabrication equipment. Other manufacturers use the systems and tooling made by W.A. Whitney to punch and cut sheet metal and thick metal plates. Some of the company's cutting and punching systems involve thermal technology (plasma and lasers) to cut precisely through metals of great thickness. Although W.A. Whitney serves customers in a number of different industries, manufacturers of heavy construction and agricultural equipment comprise a significant share of its customer base. A division of Bellevue, Washington-based Esterline Technologies Corporation, W.A. Whitney has several international sales offices. W.A. Whitney of Canada Ltd. is located in Brampton, Ontario. As part of Esterline Technologies (HK) Ltd., Whitney's China/HK Office is located in T.S.T., Kowloon, Hong Kong. Finally, W.A. Whitney de Mexico S.A., based in Tlalnepantla, Mexico, serves customers in Latin America.

Humble Beginnings: 1907–49

W.A. Whitney Corporation stems from the efforts of William Andrew Whitney, a distant relative of legendary American inventor Eli Whitney. Whitney was born in Burns, New York on June 9, 1863. In the 1880s his family relocated to Stillman Valley, Illinois. Whitney received his first patent—for a fold-up wheelbarrow—in the mid-1880s. His second patent was for a hand-operated ticket punch used by train conductors. Whitney then developed a lock nut, which led to the establishment of the American Lock Nut Co. in approximately 1902. Based in Oregon, Illinois, this enterprise was a partnership between Whitney and C.D. Etnyre.

Although his lock nut venture proved unsuccessful, Whitney's inventive spirit remained very much alive. By 1906, he had patented another hand punch and relocated to Rockford, Illinois, where he established the W.A. Whitney Manufacturing Co. in August 1907. This new venture was a partnership with three other men: C.D. Ballentine, William L. Keeney, and Frank VanderBogart. Using parts made by other manufacturing firms, William Whitney designed a series of punching hand tools (the No.1, No. 2, and No. 4 punches) and the company marketed them via direct mail.

Due to a variety of circumstances, by 1911 ownership of W.A. Whitney was completely in the hands of VanderBogart and a man named N.A. Merlin. After relinquishing his interest in W.A. Whitney, William Whitney established the Whitney Metal Tool Co., which later became known as Roper Whitney. However, he was more of an inventor than a businessman. By 1918, Whitney had exited the hand tool business and returned to Oregon, Illinois, where he ran a small machine shop until 1924. Following this, he entered into a period of semi-retirement.

In 1918, VanderBogart moved W.A. Whitney to 715 Park Avenue in Rockford. From this location, the company continued to assemble and market hand punches. Seven years later, VanderBogart retired and the George H. Spengler Co. acquired W.A. Whitney. The Spengler Co. actually had been granted a license to sell Whitney's products in 1924 and had long supplied Whitney with many of the parts used in the assembly of its hand punches. By 1928, W.A. Whitney had moved to the Spengler Co.'s building at 636 Race Street. Remaining in the same general vicinity, Whitney would later move to 650 Race Street. These sites are located in the heart of the city's old Water Power district, where a millrace used water from the Rock River to supply local industry with affordable electric power.

Aside from several new machines that were introduced in the 1930s—namely the #4B and 91 series press—the 1930s and