



# Council of Industry Newsletter

**June 2011**  
Volume 15  
Issue 6

## Council of Industry's 2011 Manufacturing Champions Award Breakfast



The 2011 Manufacturing Champions: (l-r) Accepting on behalf of Central Hudson, Mr. Steven Lant, President and CEO of Central Hudson, Mr. Richard Croce, President of Viking Industries, Inc., Assemblyman Marcus Molinaro.

The Council of Industry, held its Manufacturing Champions Award Breakfast on Thursday, May 19<sup>th</sup> at the Poughkeepsie Grand Hotel. This award recognizes those individuals and organizations, who through vision, dedication, hard work and tireless involvement have helped to overcome some of the many obstacles faced by manufacturers in the Hudson Valley community and in so doing they have made it possible for manufacturers and their employees to prosper. This year's Manufacturing Champions are Assemblyman Marc Molinaro (public sector champion) and Mr. Richard Croce, President of Viking Industries in New Paltz, (private sector champion). In addition, this year the Council presented a regional organization award to Central Hudson Gas & Electric for their contributions and support of manufacturing throughout the Hudson Valley. There were over one hundred industry leaders in attendance at the Council of Industry event.

Before presenting the awards, Council of In-

dustry Executive Vice President, Harold King spoke to the gathered crowd about manufacturing and the role it plays in our community and our economy. The Council hopes by highlighting the contributions of these Manufacturing Champions to also increase the public's awareness of the vital role manufacturing plays in our community. One statistic that was touched on not only by Mr. King, but in the speeches of the recipients as well was the multiplier effect, the in

which money spent in manufacturing produces an increase in the economy greater than the amount spent. In this way manufacturing creates wealth as opposed to redistributing it. By taking the raw materials and combining energy, intellect and ingenuity with the right amount of sweat, manufacturers are able to produce finished goods that are then sold throughout the world, bringing capital and investment into the community. The capital and investment then spread throughout the economy in the form of salary and wages, bank deposits, insurance premiums, construction projects and more. Manufacturing has a multiplier effect of \$1.43 of activity for every dollar spent, that is twice the multiplier of other sectors, with the service industry bringing in only \$0.71 for every dollar spent.

The private sector award was presented to Mr. Richard Croce, the President and co-founder of Viking Industries, Inc.

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## Training and Education

### Council to Offer Lean Six Sigma Green Belt Certification Program

The Council of Industry will partner with Dutchess Community College and the Rochester Institute of Technology (RIT) to present Green Belt training to members. Over the past few years the Council has presented nearly a dozen Yellow Belt certification courses with DCC and RIT. The time is now right to offer those who have attained that certification the opportunity to improve their skills and expertise even more through Green Belt.



Green Belt is a serious commitment. While the Yellow belt course takes 3 days to complete, the Greenbelt course takes 14 and the sessions will be spread out over 3 months (9/14 – 12/15) at Dutchess Community College this Fall.

**To find out more about the Green Belt Certification**, the Council of Industry and Dutchess Community College will be holding a free **information session on June 28th**, at 4:30 at Bowne Hall, DCC, Poughkeepsie. There is no fee to attend this session but advanced registration is required. Please e-mail [hking@councilofindustry.org](mailto:hking@councilofindustry.org) to register or for more info.

The Green Belt class is limited to the first 20 registrants. The cost is \$3,700 per person or \$3,400 per person if two or more attend from the same company.

*To find out more about the Green Belt Certification, the Council of Industry and Dutchess Community College will be holding an information session on June 28th, at 4:30 at Bowne Hall, DCC Campus, Poughkeepsie.*

DATE	TOPIC
14-Sep	LSS Overview, Define tools
15-Sep	Define Tools continued: VSM, Project Charter; Team Building
28-Sep	Measure Tools Statistical Thinking, Standard Work, Cost, Team Building
29-Sep	Project Charter Presentation; Analyze tools: Cause & Effect
12-Oct	Minitab, Sampling Issues, Basic Statistics
13-Oct	Capability Analysis, Control Plans, SPC
2-Nov	Improve and Control Tools: 5-S, Visual Control, Project Planning
3-Nov	Kaizen & Line Design/ Project Review in PM
16-Nov	Setup Reduction/TPM/Kanban
17-Nov	Project Review (Individual team sessions)
30-Nov	Components of Variance, MSA, & Regression Analysis
1-Dec	Design of Experiments
15-Dec	Project Reports

For more information or to register online: <https://connect.computility.com/form/index.php?id=265843f20adf822d37b508e13194e4d2>

Visit the Training page on the Council of Industry website—[www.councilofindustry.org](http://www.councilofindustry.org) or e-mail [training@councilofindustry.org](mailto:training@councilofindustry.org) or call (845) 565-1355.



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## Council News

### Everything You Ever Wanted to Know About Tanks

The May Environment, Health and Safety meeting on tanks at The Chazen Companies was packed with helpful information and sympathy.



The presentation by Stephen J. Myers, Vice President of The Chazen Companies and Catherine Monian, Senior Env, Scientist, The Chazen Companies was more than just an overview of variety of petroleum and chemical storage tank regulations, spill prevention and emergency response procedures. This was a chance for members to share their experiences and frustrations with the tank issues they have dealt with over the years too.

One of the issues covered in the presentation that all Council of Industry members will find helpful is the link to the DEC online handbook which contains the answers to the PBS DEC Inspection Form v.4-July 1, 2009. The inspection form can be found at: [http://www.dec.ny.gov/docs/remediation\\_hudson\\_pdf/pbsinspfrm.pdf](http://www.dec.ny.gov/docs/remediation_hudson_pdf/pbsinspfrm.pdf) And the handbook with the answers can be found at: [http://www.dec.ny.gov/docs/remediation\\_hudson\\_pdf/der25.pdf](http://www.dec.ny.gov/docs/remediation_hudson_pdf/der25.pdf).

### HR Sub-council September Meeting on Wage & Hour Law

The Council of Industry is already setting up the sub-council meetings for Fall of 2011.



The Human Resources Sub-council will meet on September 16th from 8:30—10 am at the Orange County Business Accelerator in New Windsor for a presentation on Wage and Hour Law from Frank Myer of Bond Schoeneck & King, PLLC. This presentation will cover the Wage Theft Act.

More information will be available in the Council of Industry's Weekly Update and the Summer Edition of the CI Newsletter.

### Golf Outing to be Held on Aug. 22nd at The Powelton Club, Newburgh

**What:** 2011 Golf Outing

**When:** August 22, 11:30 Lunch, 12:30 Shotgun start

**Where:** The Powelton Club, Newburgh, NY

**Cost:** \$145 per person, \$540 per foursome

The Council of Industry will hold its Annual Golf Outing on Monday, August 22<sup>nd</sup> at the Powelton Club in Newburgh. The Powelton is a beautiful course conveniently located just off of Route 9W in Newburgh, NY. Last year's event drew over 80 golfers from manufacturing firms throughout the Hudson Valley.

Registration and lunch will begin at 11:30 followed by a shotgun start at 12:30. Cocktails and a light dinner will follow at approximately 5:00 p.m.

The \$145 fee (\$540 per foursome) includes: lunch, golf, cart, cocktails, hors d'oeuvres, dinner, prizes and giveaways. Sponsorships are available. Sponsors help make this event possible and one of the most enjoyable of the golfing season. Please support the Council of Industry and Hudson Valley manufacturing by becoming a sponsor.



The Coveted Council Cup



### Manufacturing Job Opportunities

*If you have job openings and positions to fill—*

- Post it on the Council of Industry Website—
- Look at resumes from our member recommended For Hire page

Contact Alison at [abutler@councilofindustry.org](mailto:abutler@councilofindustry.org) for more info.

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## Personnel Matters

### The Case for Diversity on the Top Team

By Gordon McAleer, President, McAleer & Associates

*My best top team ever was one consisting of a rich mix of males and females, extroverts, quiet thinkers, and the veritable "bean counter" who would ask the sobering questions of how much will it cost and what will be the economic payback.*



The highest performing management teams tend to have a healthy dose of diversity on the team. The creative juices flow freely from the contributions from team members who have different outlooks and perspectives and there is a secure environment for free flowing questioning. Abraham Lincoln was a master at assembling a cabinet of senior advisors who sharply debated key policies so that the end product was clearly focused.

When I was in healthcare administration and served as CEO, my best top team ever was one consisting of a rich mix of males and females, extroverts, quiet thinkers, and the veritable "bean counter" who would ask the sobering questions of how much will it cost and what will be the economic payback. Someone would chime in on what would be the impact of our decisions on the workforce. Another person would challenge the group with the question of social responsibility - if we read the headlines of our decision on the front page of the local newspaper, would we be proud or embarrassed. The quality of the top team's planning and decision making drove our historic results, including being named one of the top 100 hospitals in the nation by the independent consulting firm of Solucient.

With diversity comes the risk of disharmony and ultimately a dysfunctional team. It is imperative to sensitize the team members to the advantages of diversity and to recognize the unique value each team member brings to the table. The group needs to formulate and unanimously agree to a code of conduct for sustaining mutually supportive relationships based on trust, mutual respect and honest (and diplomatic) feedback.

While in the conference room, the team needs to allow each member of the team to speak up without being cut off or diminished. No question is a dumb question and every comment can bring value by triggering other questions. Before you know it, there will be that "aha" moment when the light bulb comes on for that fresh insight.

While the top leader officiates the meeting and is responsible for maintaining the order, each team member has a personal responsibility for his or her adherence to the code of conduct.

There are useful tests and personal assessments available for identifying the innate styles of each team member, his or her strengths and preferences. The Myers- Briggs Type Indicator test is one example. The 360' self-evaluation is a structured way for team members to receive feedback on relations with subordinates, peers and superiors. It takes a brave and secure team to take the plunge into the testing and necessary follow-up. Yet, if the team has to be open to the results and committed to becoming better.

The top team that has true diversity and appreciates the inherent strength of diversity will continue to steer the enterprise to ever new heights of success. During the journey together each team member will be enriched by experience of working with others from different settings and perspectives.

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## More Personnel Matters

### A Good Time to Ensure Compliance

From Goldstein, Lieberman & Company LLC

Federal investigators with the Labor Department's Wage and Hour Division (WHD) routinely look for companies and organizations with illegal pay practices.

The WHD enforces the federal minimum wage, overtime pay, record-keeping, child labor and other requirements of the *Fair Labor Standards Act*.

When investigators uncover violations, employers must pay back wages, as well as penalties.

Now, the Department of Labor (DOL) is providing a smartphone "app" for employees to independently track their hours.

"This app will help empower workers to understand and stand up for their rights when employers have denied their hard-earned pay," said Secretary of Labor Hilda L. Solis.

For workers without smartphones, the WHD now has a printable calendar in English and Spanish to track pay rates, start and stop times, as well as arrival and departure times.

Currently, the app is only compatible with the iPhone and iPod Touch, but the DOL wants to make it available for other platforms and add features to track tips, bonuses, commissions and more.

With the introduction of the app, it's a good time for employers to ensure they are in compliance with the complex *Fair Labor Standards Act*. Here are 14 ways employers can get tripped up by wage-and-hour violations.

**1. Failing to correctly classify non-exempt and exempt employees.** This is the mistake investigators often target first. Determining employees who are legally exempt from the wage-and-hour laws can be complicated.

Here are the basic rules:

- Covered nonexempt employees must receive overtime pay for hours worked over 40 per workweek at a rate not less than one and one-half times the regular pay rate. (A 40-hour workweek is defined as any fixed and regularly recurring period of 168 hours over seven consecutive 24-hour periods.)
- There's no limit on the hours that employees 16 years or older can work in a week as long as they are paid overtime.

The FLSA does not require extra pay for working weekends, holidays, or nights, unless overtime is involved.

**2. Failing to calculate overtime pay correctly.** This can occur when an employer doesn't include all earnings in the base, earned hourly pay.

For example, let's say non-exempt employees earn mandatory bonuses over a period of time. An employer fails to recalculate the employees' hourly earnings for the period to include the bo-

nuses. *Mandatory* bonuses earned for factors related to hours worked and length of employment are considered earned wages under the wage-and-hour laws.

**3. Misclassifying employees as independent contractors.** According to the WHD, the "misclassification of employees as independent contractors is an alarming trend, particularly in industries such as construction that often employ low-wage, vulnerable workers."

Often, the WHD adds, "workers are deprived of overtime and minimum wages, forced to pay taxes that their employers are legally obligated to pay and left with no recourse if they are injured or discriminated against in the workplace."

When the WHD finds cases of misclassification, it may refer the cases to state agencies and the IRS.

**4. Failing to pay for work during missed meal and rest periods.** Wage-and-hour laws require employers to pay non-exempt employees for *all* time worked -- whether or not it was authorized by an employer or supervisor. So if employees continue to work through meals and breaks of 20 minutes or less, employers are required to pay for the time. And when the extra time results in an employee putting in more than 40 hours in a workweek, the employer also owes overtime pay.

**5. Failing to pay for certain on-call time.** If an employer engages an employee to wait to be put to work, the individual must be paid for the on-call time.

**6. Deducting an exempt employee's pay for poor performance.** This violates one of the basic rules for determining employee status. An exempt employee must be paid the agreed-on salary *without regard* to the quality or quantity of the individual's performance during the pay period. When an employer takes money out of an exempt employee's salary for poor performance, it can result in permanently changing the employee's status from exempt to non-exempt.

**7. Not paying for employees to work electronically after hours.** Many employees carry and use cell phones, laptops and other devices throughout their waking hours.

Employees often get involved in work-related tasks on these devices. For example, a manager may tell a non-exempt employee to check in regularly on her cell phone while on vacation. Or an employee may use his laptop at night and on weekends to keep a project going.

*The basic rule:* When a non-exempt employee engages in work-related activities that benefit the employer (even voluntarily), the time is compensable.

**Continued on page 13**





## Legislative Matters

### Three Way Agreement Made on Property Tax Cap, MANY Releases Statement

By Karyn Burns, Director of Government Relations, Council of Industry

At the end of May, the Administration, Senate and Assembly Leadership Held a Press Conference announcing they had collectively come to an agreement on a property tax cap. Specifically, their agreement is as follows (bullets attributed to Unshackle Upstate):



*MANY believes this agreement is a step in the right direction, and when coupled with mandate relief, will provide an effective method of lowering our exorbitant property taxes in New York State.*

- A Cap 2% or the rate of the inflation, whichever is less.
- 60% must override any piercing of the cap (60% of voters for schools, 60% of governing bodies).
- Limited, narrow exemptions like major legal settlements (only if the judgment consumes more than 5% of the budget). It exempts SOME growth in pensions when they are above a two percent change in the governments contribution rate. So this year governments contribute 16% of their payroll for their ERS pension payment, next year it is 19%. The first 2 of the 3% is NOT exempted only the last one percent is exempted
- Includes "economic development" base growth carve out meaning new ratables on the tax base of a community due to economic development do not count against the communities allowable increase in the levy (EJ McMahon actually argued for this to be put in bill last year)
- Budget process for schools still the same. If fails twice schools must adopt a budget that is flat levy year-to-year. Ballot question include how much the school pierces the cap and states that schools must receive 60% of vote in order for it to pass.

MANY ( the Manufacturers Alliance of New York , of which the Council of Industry is a founding member) believes this agreement is a step in the right direction, and when coupled with mandate relief, will provide an effective method of lowering our exorbitant property taxes in New York State. In response to the press conference and announcement, MANY released the following statement to the media:

*"Today's agreement and announcement is an important first step in addressing the overwhelming burden of high property taxes. Today's announcement advances us one step further towards our ultimate goal of easing this burden for taxpayers and businesses. However, the work is not done, but rather has just begun. In order to ensure this tax cap will successfully transition from tax relief to real lowering of taxes, immediate attention on mandate relief is a must. We commend the Senate, Administration and Assembly for working together on the property tax cap and encourage them to continue this collaboration by beginning immediate work on mandate relief. Today, our State takes an important step towards easing the burden of high property taxes, and We look forward to working with the Governor and New York State lawmakers and seeing both property tax relief and mandate relief addressed through comprehensive and far reaching reform efforts."*



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## Member Benefits

### CI Members Surveyed as Part of Manufacturing is Vital Campaign

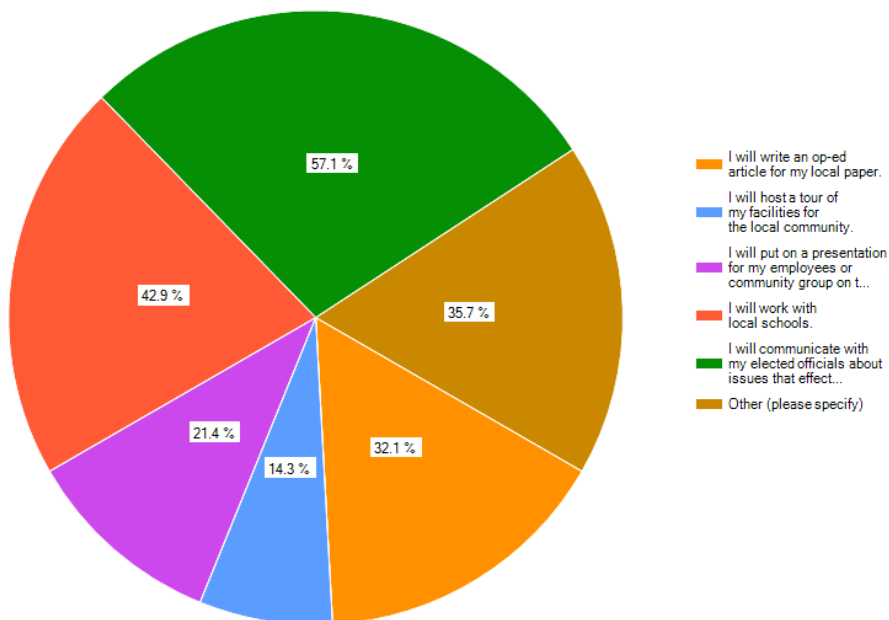
The Council of Industry's *Manufacturing is Vital Campaign* is an effort to make the Hudson Valley more aware of the importance and impact local manufacturers have, not only on the economy, but the communities they live in as well. So many people don't realize the variety of products made here in the valley or the large number of people employed by manufacturing companies and their associates. Many of those manufacturers are also involved in a variety of community groups and several of CI's members sit on various boards throughout the region. Recently the Council conducted a survey of our members to find out more specifically what groups they are involved with in their communities and if they would be willing to communicate about issues that affect manufactures with their elected officials and their community. The response was very positive.

Of the respondents 81% are part of their local Chamber of Commerce, and 47% are members of their local economic development boards. We have members on planning boards, school boards, library boards and town/village boards in addition to belonging to numerous charitable and non-profit boards and foundations. According to the survey many members (57%) would be willing to write to their elected officials about issues concerning local manufactures. In an effort to facilitate this, the Council of Industry has added to its Manufacturing is Vital page on our website ([www.councilofindustry.org](http://www.councilofindustry.org)) a link that has tips on writing letters of this sort along with information on who your elected officials are and how they have voted recently.

Other ways members can promote manufacturing included writing an op-ed article for a local newspaper. There is a link on the Manufacturing is Vital page of the Council's website with tips on writing an op-ed piece or a letter to the editor. There is also a link on ways to host a tour of your facility which is another option great way to increase awareness within in your community that manufacturing is alive and kicking here in the Hudson Valley. Recently Pawling Corp hosted a tour with Congresswoman Nan Hayworth that was a great success.


Another way to promote the importance of manufacturing is to put on a presentation for your employees with numbers and information that will impress upon them just how vital their profession is to the local, state and national economy. There is a PowerPoint presentation that can be personalized to represent your company on the Manufacturing is Vital webpage. A number of respon-

In what ways would you like to contribute to our Manufacturing is Vital campaign?



dents indicated they would like to participate in a program with the local schools to promote and educate students about manufacturing. In the past there have been several programs that have offered manufacturers the opportunity to present to local schools and we are currently working on ways that this can be implemented and will provide our members with information when it becomes available.

If you would like to add your two cents to the survey, it is still available at <https://www.surveymonkey.com/s/JBW32YH>. The Council of Industry would like to thank all of those that have contributed so far.



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## Health Care Reform Update

### Firms to Cut Health Plans as Reform Starts

By Russ Britt, MarketWatch

Once provisions of the Affordable Care Act start to kick in during 2014, at least three of every 10 employers will probably stop offering health coverage, a survey released Monday shows.

While only 7% of employees will be forced to switch to subsidized-exchange programs, at least 30% of companies say they will "definitely or probably" stop offering employer-sponsored coverage, according to the study published in McKinsey Quarterly.

The survey of 1,300 employers says those who are keenly aware of the health-reform measure probably are more likely to consider an alternative to employer-sponsored plans, with 50% to 60% in this group expected to make a change. It also found that for some, it makes more sense to switch.

#### Are profit forecasts too optimistic?

A 4% economic-growth rate for 2011 now looks like a pipe dream. In that case, assumptions about corporate earnings may be high, especially with the Federal Reserve's latest bond-buying program winding down. Kelly Evans discusses.

"At least 30% of employers would gain economically from dropping coverage, even if they completely compensated employees for the change through other benefit offerings or higher salaries," the study says.

It goes on to add: "Contrary to what employers assume, more than 85% of employees would remain at their jobs even if their employers stopped offering

[employer-sponsored insurance], although about 60% would expect increased compensation." Read about the costly flaws in the U.S. digital health-data plan.

#### White House responds

Late Monday, an Obama administration official

took issue with the study, saying that it is at odds with findings from the Congressional Budget Office, think-tank Rand Corp. and the Urban Institute. In an email response, the official wrote that when Massachusetts initiated its own reform, the number of individuals with employer-sponsored insurance increased.



Indeed, the Rand study released in April noted: "The percentage of employees offered insurance will not change substantially, but a small number of employees in small firms (defined as those

with under 100 employees in 2016) will obtain employer-sponsored insurance through the state insurance exchanges."

In a Jan. 25 study, the Urban Institute said that reports of the demise of employer-sponsored insurance were "premature" and that few would stop offering.

"Our results show the opposite — the [Affordable Care Act] has little effect on overall [employer-sponsored] coverage, and overall employer spending on health care would be slightly lower under the ACA," according to its own study.

A number of competitors will emerge in the insurance market once reform provisions start to take effect, according to the McKinsey Quarterly study. These firms will be needed to provide a transition for those moving from employer-sponsored insurance to other coverage options.

Insurers will have to adapt to new realities and look for ways to keep the policy holders they have, the study says, but that shouldn't be difficult. "Our research shows that more than 70% of employees would stay with their insurer if it offers a seamless transition and appropriate products. Each payer also must understand how changing employer-benefit strategies will shift the risk profile of its membership and set prices appropriately."

*While only 7% of employees will be forced to switch to subsidized-exchange programs, at least 30% of companies say they will "definitely or probably" stop offering employer-sponsored coverage, according to the study published in McKinsey Quarterly.*

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## CI Calendar of Training and Events

<b>June 16</b>	<b><u>HR Sub-council: Lessons From "The Office—Workshop on Labor and Employment Law"</u></b> - 8:30 am—10:00 am at the Council of Industry Offices, The Desmond Campus, Newburgh, NY. No cost for members.
<b>June 24</b>	<b><u>Shandong—New York Business Matchmaking Event-</u></b> 9:00 am—1:00 pm at SUNY New Paltz, Student Union Building Room 62-63, New Paltz, NY. No cost to attend, pre-registration is required. To Register call (845) 339-0025 or e-mail sbdc@sunyulster.edu.
<b>June 28</b>	<b><u>Lean Six Sigma Green Belt Info Session</u></b> -4:30 pm at Dutchess Community College, Bowne Hall Room 122, Poughkeepsie, NY. No cost to attend, must register in advance at hking@councilofindustry.org.
<b>August 22</b>	<b><u>Council of Industry Golf Outing</u></b> – 11:30 am lunch, 12:30 Shotgun start at The Powelton Club, Newburgh, NY. Cost: \$145 per person or \$540 for a foursome. Sponsorship opportunities are available
<b>Sept. 14 thru Dec. 15</b>	<b><u>Lean Six Sigma Green Belt Certification Program</u></b> — 8:30-4:30pm at Dutchess Community College, Poughkeepsie, NY. Course takes place on 14 days over 3 months. Cost: \$3,700 per person, \$3,400 per person for two or more from the same company.

*You can find more information on the courses and events listed in our calendar by going to our website—[www.councilofindustry.org](http://www.councilofindustry.org) or if you are reading our electronic version just press Ctrl and click the course title.*

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## Manufacturing Matters

### Are Your Work Teams a High-Performance System?

By Dr. Jim Kimple

*There is no single 'best' work system. 'Best' is simply the most appropriate fit among several variables.*

Whatever we call them (natural work teams, semi-autonomous teams, cells) high-performance work systems are as much about communication and training as they are about process engineering and robotics. The 'soft' stuff—roles and responsibilities, motivation, and workplace culture—will make or break a technical system. Nowhere has that point been clearer than in the American auto industry.



In 1984 I toured the now closed Toyota/GM joint venture in Fremont, CA (NUUMI). My colleagues, managers, and workers from American steel and auto firms and I watched as our guide (the local UAW president) grabbed a handle at a work station. The line stopped, a klaxon sounded, and the station flooded with workers and supervisors prepared to solve whatever problem caused the delay. Unlike most American plants, NUUMI allowed no quality or production issue to get through the system for repair at the end of the line. But the truly radical notion was the responsibility of every worker to stop the line to catch a problem. Each had unquestioned authority to do it. This work system was about more than *Kanban* and robots. It worked precisely because it was based on supportive social systems.

Another take-away from that trip: there is no single 'best' work system. 'Best' is simply the most appropriate fit among several variables: technology, the available workforce, human resource management, market conditions, business models and strategies, and external environmental factors (regulation, taxes, economic conditions, etc). As these factors change, so should work systems. But three consistent principles do define high performance systems (each is illustrated with an example).

1. Social and technical systems must be internally consistent: In a team-based work system; compensation has to reinforce both production metrics and work organization and management must support teams rather than provide close supervision.
2. The Social and technical systems must fit external conditions: Market demands for high quality, innovative, and reliable products require a workforce that has the tools, knowledge, and authority to make independent decisions and adjustments.

Work system design must support well understood, well communicated strategic objectives: Producing small runs of specialty products requires Investment in cross training, and skill upgrading as well as in flexible technology.

The most effective work systems consciously integrate social and technical variables so that they are consistent and reinforce each other. Everything— from communicating business needs to employees, compensation, and supervisory roles to cycle times, ergonomics, and layout—must be considered. Any mismatch undermines performance. Again Toyota provides an example, this time negative: By its own admission, the company's emphasis on industry domination undermined its focus on quality.

*Dr. Jim Kimple specializes in assisting companies restructure their work systems for innovation, to manage change, and to become high performance organizations.*

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## Energy Matters

### New York ISO's Markets Were Competitive In 2010

New York ISO's energy, capacity, operating reserves and regulation markets performed competitively in 2010, its market monitor, Potomac Economics, said in a report. Suppliers generally provided energy, capacity and ancillary services in a competitive manner, it concluded. Energy prices rose 20 percent in the state primarily because of higher fuel prices.

Natural gas rose 11 percent; oil, 30 percent; diesel oil, 29 percent; and coal, 29 percent. Transmission congestion revenue collections were up 11 percent, with the higher fuel prices and load levels raising congestion into eastern New York. Price convergence between day-ahead and real-time prices was good in most areas, though not in New York City and Long Island at the nodal level. The monitor recommended allowing virtual trading at a more disaggregated level to improve that situation.

#### Direct Energy Insights

##### Market Outlook:

The market was waiting for news and current forecasts for widespread early heat seems to be sufficient to push 2011 prices higher. Other factors are still in play but have not changed (storage deficit, strong demand due to growing economy, summer weather, and the environmental and economic risks to drilling).

Summer weather will be a key day-to-day price driver for the next three months.

Overall, shale remains the dominant bearish driver that continues to sustain low prices based on long-term trends.

Long-term prices maintain a premium versus the near-term due to numerous long-term bullish risks including growing demand due to the economy, potential LNG exports, coal/nuke retirements, and use of natural gas for transportation.

#### Customer Recommendations:

For those trying to time their purchases, expect short-term choppiness as we get into the summer air-conditioning season.

Recognize that prices remain low overall.

Be opportunistic and ready to act when prices achieve acceptable levels.

Waiting for a return to previous lows of October or February is dangerous because the markets may not return to those levels due to changing market fundamentals.

Stay in touch with your Direct Energy Business representative to discuss how to build the best buying strategy for your business in today's energy markets.



*Waiting for a return to previous lows of October or February is dangerous because the markets may not return to those levels due to changing market fundamentals.*



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## Member Profile

**Member Profile:** Advanced Coating Technologies

**Year founded:** 1992

**Location:** Middletown, NY

**Products:** Applies thermal barrier coatings to military and commercial turbine engine components.

Advanced Coating Technologies in Middletown, NY is a joint venture between two rival companies, Pratt & Whitney and Chromalloy. The set up of the two rival parent companies using the expertise of each in combination to applying thermal barrier coatings to aircraft engines, makes ACT a fascinating success story.

This collaboration began in 1992 as a way to apply Pratt & Whitney's proprietary coating systems to aircraft engine parts using Chromalloy production know-how. Pratt & Whitney developed these coating systems, and Chromalloy excelled at actually executing them. While the two companies are fierce competitors in some areas of the aircraft engine industry, Pratt & Whitney and Chromalloy recognized the mutually-beneficial opportunity that a partnership represented. For the past 19 years ACT has blended technical and production know-how from both parent companies, yet has done so in a "firewalled bubble" that ensures the intellectual property of both parents is protected from the other and is only used within the scope of ACT's operations. The joint venture and protection of intellectual property is overseen by a team of four executives – two from each parent company – who are responsible for coordinating the activities of almost 100 Advanced Coating Technologies employees.

Advanced Coating Technologies applies specialized thermal barrier coatings onto "hot section" parts of commercial and military aircraft engines manufactured by Pratt & Whitney. The temperatures these parts are exposed to in an engine exceed the melting point of the alloys the parts are made from. The thermal barrier coatings applied by ACT ensures the parts can be safely operated in such an environment.

ACT uses state-of-the-art, highly-specialized coating, surface finishing, and support machinery to apply these coatings. While ACT can't divulge the specifics of many of these machines, some are custom-made pieces equipment costing in excess of \$20 million each to build and install.

What makes ACT stand out from their competitors is their ability to provide the highest-quality coatings with the fastest turnaround times in the industry, all at the lowest cost possible. What has made this achievable is the combination of active and engaged employees, who care and take immense pride in what they do, coupled with the use of an operating philosophy called "ACE". "ACE" stands for "Achieving Competitive Excellence", and is Pratt & Whitney's comprehensive operating philosophy that combines world-class lean manufacturing principles with a robust employee health and safety environment, all intensely focused on continuous improvement and customer satisfaction. ACT's status as a world-class manufacturer was recognized in 2007 when the parent companies not only extended the joint venture for an additional 15 years, but invested almost \$46 million to expand the size and scope of the operation almost five-fold.



Being a Council of Industry member has benefited Advanced Coating as they have expanded over the past several years. The Council of Industry was able to provide leadership training to new front-line supervisors, as well as training to employees at all levels on the subject of lean manufacturing.

As members of CI, the contacts ACT has made through the Council has opened doors regarding insurance programs, staffing solutions, logistics for further expansion, and a general ability to network with other Hudson Valley manufacturers.

Advanced Coating Technologies is a rare example of competitors coming together to make a very successful joint venture. By keeping the focus on the important issues, having a great product and an efficient way to produce and/or apply it, a workforce that is engaged and striving to put forth the best product possible, and a hunger to constantly improve and make things better, ACT has beaten the odds and made the venture work.

*For the past 19 years ACT has blended technical and production know-how from both parent companies, yet has done so in a "firewalled bubble" that ensures the intellectual property of both parents is protected from the other and is only used within the scope of ACT's operations.*



## Continued from page 5- More Personnel Matters

**8. Failing to pay for time spent at after-hours meetings.** When attendance at a meeting outside normal work hours is required and the subject and activity at the meeting is work-related, the employees' must be paid for the time.

**9. Failing to keep required records.** Federal law requires employers to keep time-worked records. So if there is a dispute with an employee about hours and pay and the employer is unable to show accurately recorded time records, courts will favor the employee's claims and records.

**10. Treating exempt employees as if they are non-exempt employees.** When an employer treats an exempt employee as if he or she is an hourly paid non-exempt employee, the employer risks losing that employee's exempt status. Even worse, if the employer treats an exempt employee like an hourly paid non-exempt employee, the employer may also lose the exempt status of all other employees in the same job classification working for the same managers responsible for the wrong treatment.

How do employers treat otherwise exempt employees like hourly paid non-exempt employees? By improperly basing their pay on hours worked (or not worked) rather than on a daily, weekly, or monthly salary.

For example, let's say an exempt employee paid a salary begins coming to work two or three hours late on Mondays. The boss deducts amounts from the employee's paycheck for the hours not worked. By treating the employee like an hourly paid non-exempt employee, the employer has changed the individual's status.

**11. Substituting comp time for overtime pay.** Under federal law, *compensatory time off* or *comp time* in place of receiving overtime pay is generally only legal for government employees.

Federal law generally requires that employees get paid overtime for all hours worked over 40 in a seven-day workweek established by the employer. (*Note:* Some states require overtime pay for hours worked over eight in a day.)

**12. Taking unauthorized deductions from paychecks.** An employer can only legally deduct from an employee's earned pay the amounts required or authorized by law (such as Social Security, income tax deductions, and court-ordered garnisheed amounts) as well as deductions authorized by the employee (such as deductions for insurance premiums and loan payments).

*Examples:* An employer cannot deduct amounts from an employee's pay to cover damages to the organization's equipment. And an employer cannot withhold a departing employee's final paycheck as a way of collecting an amount the individual owes on a loan previously obtained from the employer -- unless the employee has given authorization in advance.

**13. Not paying minimum wage when required.** The WHD investigates employers who violate requirements to pay covered employees at least the federal minimum wage.

For example, in January, Los Angeles clothing manufacturer Joe's Jeans paid \$158,950 in back wages to 110 garment workers after an investigation. The WHD found employees were paid on a piece-rate basis without regard for the minimum wage and overtime requirements. Investigators also found weekend work was not recorded on employee time cards.

See the right-hand box for frequently-asked questions about minimum wage.

**14. Failing to abide by state laws.** States may have their own version of federal wage and hour rules. So employers need to be aware of and comply with the laws in the states where they have employees.

## Consumer Price Index for April 2011

				<u>Point</u>	<u>%</u>	<u>% Increase</u>
<b>Wage Earners &amp; Clerical</b>	<u>Apr. '10</u>	<u>Apr. '11</u>	<u>Mar. '11</u>	<u>Increase</u>	<u>Month</u>	<u>Year</u>
1967=100	637.32	660.50	655.39	5.12	0.8	3.6
1982-84= 100	213.96	221.74	220.02	1.72	0.8	3.6
<b>All Urban Consumers</b>						
1967=100	653.06	673.72	669.41	4.31	0.6	3.2
1982-84=100	218.01	224.91	223.47	1.44	0.6	3.2
Hudson Valley unemployment rate for April 2011 = 6.8 %						

## More Manufacturing Matters

### The "Made in the USA" Label May be Poised for a Comeback

By Nick Zieminski, Reuters

The next few years will bring a wave of reinvestment by U.S. multinational manufacturers in their home base, as rising wages and a strong yuan currency make China a less attractive production center, the paper by the Boston Consulting Group (BCG) predicts.

The study says U.S. reinvestment will accelerate as the United States becomes one of the cheapest locations for manufacturing in the developed world. If it came to fruition, such reinvestment could speed up a delicate economic recovery that has yet to gain much traction.

There is evidence the trend has already started:

- \* Caterpillar Inc said last year it may produce construction excavators at U.S. facilities that are currently imported.

- \* NCR Corp brought back production of automatic teller machines to Georgia, creating 870 jobs.

- \* Toymaker Wham-O moved production of Frisbees and Hula-Hoops from China and Mexico to the United States.

More such announcements are likely over the next year or two, BCG says, citing conversations with clients.

"If you work the math out using today's numbers, you'd still say it's a good idea to go to China," said Hal Sirkin, a senior BCG partner and lead author of the study. "(But) around 2015, you get to a point of indifference between producing in the U.S. and producing in China."

Wages in China are still a fraction of what U.S. workers earn. Direct pay and benefits for production workers in the United States are about \$22 per hour, versus only about \$2 in China, roughly 9 percent of the U.S. cost.

But that difference is expected to narrow, with the Chinese worker earning about 17 percent as much as his or her U.S. counterpart four years from now. Factoring in higher U.S. productivity rates, the weaker U.S. dollar and other factors, such as shipping costs, that difference could narrow further.

#### 'MADE IN THE USA'

The study predicts China will remain a major global player -- just less of an exporter to the United States.

China will still export to Europe, whose workers are less able to move for jobs than U.S. workers are. U.S. wage advantages could eventually reach the point that European automakers will export U.S.-made cars to



Europe, the study said.

The appeal of a shorter supply chain and fewer headaches from issues like intellectual property will also help encourage jobs and production to come back to the United States, BCG said. Policy could also nudge manufacturers to make the move. High unemployment is driving state incentives to attract factories, while unions are becoming more flexible.

Still, the study's thesis is based on assumptions that may not play out.

One is that supply and demand of labor in China are increasingly moving out of balance. Another is that demand from a growing Chinese middle class will raise costs, as factories shift to producing for domestic consumption and workers demand more pay to pay for goods that were out of reach before.

Also, the yuan's rally could reverse. Since China first loosened restrictions on trading the yuan, its value has steadily strengthened from more than 8 yuan to the U.S. dollar in 2005 to fewer than 6.5 per dollar now.

**Continued on next page (15)**

*The study says U.S. reinvestment will accelerate as the United States becomes one of the cheapest locations for manufacturing in the developed world. If it came to fruition, such reinvestment could speed up a delicate economic recovery that has yet to gain much traction.*





## Continued from page 1- Manufacturing Champion Awards

in New Paltz. Beyond his role at Viking, Mr. Croce has also contributed to the manufacturing community as a past President of the Council of Industry Board of Directors, past President of the Ulster County Development Corporations Board of Directors, and member of the Ulster County legislature. Mr. Croce said it is an honor to join the ranks of past Manufacturing Champion Award winners: Taylor Thomson - Millrock Technologies, Jack Effron - Efco Products, and Roger Smith - Pawling Corp.

New York State Assemblyman Marcus Molinaro was presented with Manufacturing Champion Award for the public sector for being a consistent and articulate voice for manufacturing in the state legislature. A member of the Assembly minority task force for manufacturing, he is serving his third term in the New York State Assembly from the 103rd District and is Assistant Minority Leader Pro Tempore, making him the third-ranking official in the Assembly Minority Conference. Assemblyman Molinaro spoke about his hope that there will be more leadership in Albany and his hopes that there will be changes made in New York State that will promote business growth, especially in the manufacturing sector.

For the first time this year, the Council of Industry chose to honor an organization that champions the critical role manufacturing plays in our economy. The Manufacturing Champion Award was presented to Mr. Steve Lant on behalf of Central Hudson Gas & Electric. Central Hudson is an organization that has made considerable contributions to Hudson Valley Manufacturing for over one hundred years. Central Hudson has a long history of industry support, has been a member of the Council of Industry for nearly a century and has played a key role in promoting economic development, particularly in the manufacturing sector, for many decades. Mr. Lant referred to the multiplier effect as well in describing Central Hudson's increase in funding to support organizations like the Council of Industry and other economic and regional development groups.

The event was a great success and many thanks go out to the sponsors. The major sponsors for the Manufacturing Champions Award Breakfast were Central Hudson and Rondout Savings Bank. The supporting sponsors of the event were The Chazen Companies, The Mid-Hudson Workshop for the Disabled, and Viking Industries, Inc. Sponsorships not only help to make these events possible but help the Council of Industry to promote and support manufacturing throughout the Hudson Valley.

## Continued from page 14 - More Manufacturing Matters

The expected U.S. reinvestment, meanwhile, will affect some industries more than others.

Shoes or clothing are work-intensive and do not require highly skilled labor. But higher-value goods made in lower volumes, such as home appliances and construction equipment, are more likely to bear the "Made in the USA" label in coming years -- especially if they are large and expensive to ship.

General Electric Co's example supports the study's contentions. GE's appliance unit is in the middle of a four-year, \$600 million plan to build up its manufacturing presence in Louisville, Kentucky, adding some 830 new jobs.

"The default has been to say: 'Let's put the next plant in China,'" Sirkin said. "We're saying: 'Sit back and think through your options.'"

BCG is a management consulting firm that advises large manufacturers on issues ranging from strategy to operations.

(Additional reporting by Scott Malone in Boston, editing by Gerald E. McCormick)



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