Council of Industry Newsletter

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Issue 3

Manufacturing by the Numbers

Manufacturing is a hot topic this election year, and well it should be. Here are some manufacturing facts from the National Association of Manufacturers Manufacturing Institute that may surprise you or just confirm what you already knew.

Globally, the United States is the world's largest manufacturing economy, producing 21% of global manufactured products. China is second at 15 % and Japan third at 12%. Taken alone, U.S. Manufacturing would be the 9th largest economy in the world.

Nationally, manufacturing supports an estimated 18.6 million jobs that is one in six private sector jobs, with 12 million Americans (or 9% of the workforce) employed directly in manufacturing. In 2009, the average U.S. manufacturing worker earned $74,447 annually, including pay and benefits while the average non-manufacturing worker earned $63,122.

New York State Manufacturers employ 5.3 % of the workforce and account for 5.8% of the total output for the state. Additionally, manufacturing compensation is 25% higher than other non-farm workers in the State. In New York State Manufacturing employed 457,200 people in 2010 and the average compensation amount (2009) was $70,445.

Hudson Valley Manufacturing Data

(All figures for 2009) from Robert Ward, Deputy Director, Rockefeller Institute

County	Manufacturing jobs	Manufacturing wages, millions	Share of total private wages
Dutchess	11,701	$1,156	28%
Orange	7,177	319	9%
Putnam	1,488	92	11%
Rockland	10,450	783	19%
Sullivan	1,220	72	6%
Ulster	3,583	154	11%
Westchester	15,530	1,461	7%
Region	**51,149**	**4,000**	**11.4%**

According to NAM, manufactured goods are the strongest part of New York's economy even though New York and other states export only half as much of their production as the world average. New York State Goods Exported totaled $54.2 billion in 2010. The total jobs in all sectors supported by manufactured goods exports was 228,100. 94% of New York exporters are small businesses. Manufacturing accounts for 80% of New York's exports. Over the past three years, manufacturers in the U.S. sold $70 billion more in manufactured goods to our free trade agreement (FTA) partners than we bought from them.

In the Hudson Valley, of 2009, manufacturing provides 51,149 jobs , paying $4 billion in wages, according to Bob Ward, Deputy Director of the Rockefeller Instituite. This means manufacturing makes up 11.4% of total private sector wages here in the Hudson Valley.

What does all of this mean? It means that manufacturing is a vital part of our global economy, our national economy, our state economy and the economy of the Hudson Valley.

Inside this Issue

Training and Education

The Council of Industry currently has a limited amount of funding available to assist companies in providing training to their employees. Companies interested in accessing the funds will need to submit a simple, one page written request to the Council of Industry. Contact us at training@councilofindustry.org or (845) 565-1355 for more info.

Are You Looking Into a Training Project For Your Employees? The Council of Industry Can Help

The Council of Industry has a few dollars left in the Workforce development Grant from SUNY for companies with a small training project. This money comes from the Hudson Valley Community College Consortium that receives funding from the State University of New York. This was the first of its kind statewide and a milestone in cooperation among the region's Community Colleges. Working together we are able to offer more and varied training at greatly reduced costs.

Contact us at training@councilofindustry.org or (845) 565-1355 for more info.

Here are some general guidelines for accessing the custom training :

- All training is contracted through a participating Community College.
- Funds are distributed at the discretion of the Council of Industry based on several factors including overall cost and number of employees trained.
- Where possible custom training programs should be made available to other Hudson Valley manufacturers.

Companies interested in accessing the funds will need to submit a simple, one page written request to the Council of Industry. Contact us with questions or concerns and be aware that there is a limit amount of funding left.

Welcome New Members:

Micromold— Manufactures a broad line of corrosion resistant plastic products for the process industries. Westchester county. Contact: Arthur Lukach.

Viking Iron Works— Produces custom open die forgings and mandrel forged rings. Dutchess county. Contact: Richard Kunkel.

Barton & Loguidice— Engineering, environmental science, planning, landscape architecture. Orange County. Contact: Glenn Gidaly, AICP.

Welcome New Associate Member:

Copley Consulting– provider of Infor business software and consulting services . Orange County. Contact: James Quinn.

The CI Newsletter is sponsored by ColorPage

Council News

HR Sub-council Meeting on March 16th: Record Keeping - What You Need and What Can Go

Personnel files, medical files, I-9 forms, payroll, handbook forms, performance reviews, safety and accident records, licensing records, training… the list goes on and on.

- What should you keep?
- How long do you need to keep it?
- What needs to be kept separate and what can be combined?
- What if I'm missing something?

If you've ever asked these questions, you are not alone. Tom Mc Doungh from Jackson Lewis will answer these questions and more on Friday, March 16th at the Council of Industry's HR sub-council meeting. Details are below.

Topic: Record Keeping
When: Friday, March 16, 8:30—10:00 am
Where: Council of Industry Office, The Desmond Campus - Mount St. Mary College, Newburgh, NY.
Cost: Free for Members

Online registration: https://connect.computility.com/form/index.php?id=b8ed0a09ef16a395cd7af003861b2e42
Or contact Alison Butler at
abutler@councilofindustry.org
Or (845) 565-1355.

April EHS Sub-council Meeting: OSHA Update with Tom McCarthy

Come and find out what items OSHA is putting increased emphasis on for 2012. Tom McCarthy, Compliance Assistance Specialist for OSHA, will be on hand to discuss the latest OSHA directives and answer your questions.

Topic: OSHA Update
When: Friday, April 20, 8:30—10:00 am
Where: Council of Industry Office, The Desmond Campus - Mount St. Mary College, Newburgh, NY.
Cost: Free for Members

Online registration: https://connect.computility.com/form/index.php?id=dd99d1fb58c62695b7b51b92b906f4a3
Or contact Alison Butler at
abutler@councilofindustry.org
Or (845) 565-1355.

EHS Sub-council: Contractor Safety Recap

When your company hires an outside contractor to do work at your facility, what responsibilities does your company have to ensure a safe work environment? This was the basic question that drew members to the EHS sub-council meeting on contractor safety on February 17th at the Chazen Companies in Poughkeepsie, NY, where Ronald Coons, CSC, President, New World Solutions, presented on the elements of a contractor safety management system. There was a great deal of practical information and the members present asked well thought out and informative questions.

The day before the presentation Mr. Coons e-mailed a sample contractor safety plan for participants to review and formulate questions from. This approach was very helpful because it is such a vast topic and it seemed many participants had similar questions. Mr. Coons offered advice on how to weed out contractors that had sub-par safety standards and how to ensure that the safe workplace rules and standards companies strive to maintain for their employees carries over when an outside contractor comes in to repair a machine or do any type of work, including filling vending machines. He emphasized the importance of a pre-qualifying process for contractors, contractor orientation and training, a pre-job risk analysis/control plan, a self-auditing/ inspection program and that this is a constantly evolving program.

The members in attendance came away with ideas of ways to improve the programs they already have in place as well as ways to improve the selection process for contractors they will use in the future.

Personnel Matters

Veterans Help Manufacturers Plug Skills Gap

By Lucia Mutikani for Reuters

"Veterans are very disciplined, very focused, in addition to the technical skills that the army trains for," David Storch, chief executive officer at AAR told Reuters.

Three years ago Gabe Collins was on the front line in Kandahar province, one of the most dangerous places in war-ravaged Afghanistan, conducting search and rescue missions with the U.S. Navy.

These days the 25-year-old, who also served in the Iraq war, is an aircraft engine mechanic at global aerospace firm AAR's plant in Hot Springs, Arkansas. He is applying skills honed while working on helicopters during his eight years of service in the Navy.

Just over a 1,000 miles away in Miami, 37 year-old Ruben Henao, also a veteran of the Iraq war, inspects aircraft landing gear at another AAR plant.

Henao was mostly a supply specialist and infantry man in the U.S. Army. But he learned to fix Humvees and tanks in the field, valuable mechanical experience for his duties today as the last person to sign off on the aircraft landing gear that has been disassembled, repaired and rebuilt.

The two men are among hundreds of military veterans who have been tapped by manufacturing companies that are facing a critical shortage of skilled workers.

According to a joint study by Deloitte and the Manufacturing Institute, manufacturing companies have roughly 600,000 vacancies they are struggling to fill. It illustrates a growing skills mismatch, with not enough of the 13.1 million unemployed Americans equipped for the available jobs.

From skilled trades to internet technology and engineering there is a dearth of qualified people as the country continues to churn out fewer math and science graduates.

According to the latest available government data, the share of math, engineering, technology and computer science students dropped to about 9.9 percent in 2009 from 11.1 percent in 1980.

An aging population of skilled workers is adding to the problem. As the Baby Boomers retire, there are fewer skilled workers available to replace them.

Companies are only too glad they can turn to the growing pool of military veterans, admired for their "can do" attitudes.

"One of the reasons for employing veterans is that the skills set we are looking for, the values and work ethic are perfectly aligned with the military," said David Storch, chief executive officer at AAR.

"Veterans are very disciplined, very focused, in addition to the technical skills that the army trains for," he told Reuters.

AAR provides inspections, line maintenance, aircraft modifications and upgrades to the world's major regional and cargo airline fleets. It also serves the U.S. military and government agencies.

Last year the firm employed 314 veterans, who accounted for 18 percent of AAR's total workforce of about 7,000.

Yet there are not enough qualified veterans to plug the technology and engineering skills gap confronting the U.S. labor market. AAR still has about 600 positions it cannot fill.

Analysts say the skills mismatch is holding back the economy's growth potential and keeping the unemployment rate stubbornly high.

"Unfortunately many of the unemployed are too old to be retrained. It's already hurting the potential economic growth rate," said Sung Won Sohn, an economics professor at California State University Channel Islands in Camarillo, California.

"Growth needs labor and capital, and we just don't have enough bodies in the right place."

PASSION DRIVEN
A similar story is told at Advanced Technology Services, a manufacturing consulting services company that counts Caterpillar and Motorola among its clients.

The company has gone a step further by hiring a former U.S. Army captain to spearhead its military recruitment drive. Its hiring need at any given time can be as many as 200.

Continued on page 14

More Personnel Matters

Data Driven Metrics for Human Resources

By Greg Chartier, HR Info 4 U, Council of Industry Associate Member

Even though the economy seems to be doing better, organizations continue to reorganize, retrench and downsize. As has been the case in the past, much of this activity has been reactionary and has not been part of a plan to design and implement the "right" organizational structure and resultant staff size. In fact, the sad truth is that most organizations do not have the tools to measure their workforce or they measure the wrong things.

With that said, there are key metrics that can and should be used to allow data driven decisions to be more focused on who and why cuts should occur and make you more agile in the marketplace. Just as importantly, these metrics allow you to focus on future skills and talent needs so that you can be ready when the future arrives.

Metric #1 Total Cost of Workforce
For most organizations, labor costs are the single largest cost. Even in industries with high capital costs, talent costs are high and difficult to replace.

Good questions that can be answered using this metric:

- Do we have the right staff mix? How do we know?
- Do we have the right number of people?
- Is there a correlation between the right number of people and sales?

We calculate Total Cost of Workforce (TCW) by adding all the workforce related costs: salary, benefits, temporary workers, contingent workers, time off with pay, any other direct workforce costs, for a given period of time.

Total compensation + benefits+ other costs = TCW
TCW can be analyzed in a variety of ways and compared to the entire business to individual business units or to the competition.

Metric #2 Management Span of Control
Span of control is an organizational concept that come to us from Frederick Taylor and Scientific Management. It identifies how many employees a supervisor can effectively supervise and must be driven by the organization's strategic goals. It will also help us to measure total cost of management.

Total management + non- management population/ Total management population
As with TCW, we can use this to analyze different segments of the business but, by tracking it over time, we can see if we have too many managers or not enough managers. It will help us identify "pockets" where a different structure may work better or may be necessary. Larger spans work where the workers are capable, trained and experienced. Shorter spans are necessary when workers are new, inexperienced or poorly trained.

One question that should be answered by this metric is: what about those with a manager title but who do not supervise anyone? I like to include these individuals in the management population since it can help uncover the true cost of management and identify areas for cost reductions or productivity improvements.

Metric #3 High Performer Turnover Rate
For the past few years, the conversation about turnover has focused on identifying those who are leaving and getting them to stay. In fact, we've been saying for the past few years that turnover is bad, find out who is leaving and why and then fix it.

What we fail to remember is that not every employee is a key performer and, sometimes, turnover can be healthy, especially to organizations in change. Ask yourself:

- What is out high performer turnover rate?
- What % of our best people are we losing?
- Who are our high performers?

This metric, more so than the others, can be used to predict the future; if you don't do anything about high performer turnover, I can predict tough times ahead. It may also be an early indicator of higher labor costs overall, for instance, having to hire 2 people to replace the high performer.

Total High Performer Terminations/ Averaged of High Performer Headcount

There are many other metrics and many versions of the ones above. The hard part is getting started.

HRinfo4u is a Human Resource consulting firm that uses technology and social media to provide relevant, real-time and practical information to smaller and mid-size firms. We want to make your organizational life easier so that you can be more effective; because you didn't choose Human Resources as your core competency; we did.

Legislative Matters

Lawmakers Look to Undo 'Wage Theft Prevention Act'

Business First by Adam Sichko, Albany Business Review

A move is afoot in Albany to change a law that requires employers to have their workers read and sign documents explaining the pay they receive.

A bipartisan bill moving through the Legislature will eliminate the need for CEOs and owners to do that ever again.

The mandate stems from the so-called “wage theft prevention act,” passed in 2010. Supporters, including Gov. David Paterson, said the bill sought to punish businesses that underpay workers what they are owed.

Employers must deliver the notices at least once a year, or whenever someone’s pay changes. They face fines and penalties if they don’t hang onto that paperwork for six years afterward.

Business lobbies bemoan the rule as yet another regulatory hurdle. The Business Council of New York State Inc. has started an e-advocacy campaign to lobby legislators to nix the paperwork.

A bill to ditch the mandate passed out of the Senate labor committee this week, sponsored by Sen. John DeFrancisco, R-Syracuse.

The bill has bipartisan backing in the Assembly, increasing the odds it will make it through the Legislature. The Assembly is controlled by Democrats, and nine are co-sponsoring the bill.

“In the grand scheme, it’s a really minor adjustment that has the ability to save small businesses hundreds of dollars,” said Assemblyman Dennis Gabryszak, D-Cheektowaga, who sponsors the bill.

“One less cost, one less reason to give someone an issue to complain about all the regulations New York has,” Gabryszak said. “It’s just one step to make it a little more of a business-friendly place. I think we can do this without eroding the rights of an employee.”

Gabryszak said employees can find the same info on pay stubs, or by talking with a company’s HR rep.

“It’s really repetitive,” he said. “We want to release some pressure on employers and get rid of these onerous costs.

“One less cost, one less reason to give someone an issue to complain about all the regulations New York has,” Gabryszak said. “It’s just one step to make it a little more of a business-friendly place. I think we can do this without eroding the rights of an employee.”

New Recordkeeping Burden for Employers under Genetic Information Law (GINA)

From Jackson Lewis.com

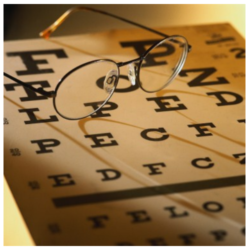
The Equal Employment Opportunity Commission has extended its recordkeeping requirements under Title VII of the Civil Rights Act of 1964 and the Americans with Disabilities Act to entities covered by Title II of the Genetic Information Nondiscrimination Act of 2008 (GINA). The EEOC’s final rule will become effective on April 3, 2012.

Continued on page 15

Healthcare Reform Update

Final Guidance on Summary of Benefits and Coverage

From Rose & Kiernan, Council of Industry Associate Member



On Feb. 9, 2012, the Departments of Health and Human Services, Labor and Treasury (Departments) released much-anticipated final guidance on the requirement for health plans and health insurance issuers to provide a summary of benefits and coverage to applicants and enrollees.

The health care reform law created the summary of benefits and coverage, or SBC, to provide consumers with simple and straightforward information on plan coverage in a uniform format. According to the Departments, the SBC will help consumers better understand the coverage they have and compare differences in benefits and coverage when they are shopping for a new plan.

FINAL SBC GUIDANCE

To implement this disclosure requirement, the Departments released final regulations outlining standards for preparing and providing the SBC. The final regulations modify the proposed SBC guidance that was issued in August 2011.

In addition to the final regulations, the Departments also provided a final template for the SBC (along with instructions, samples and a guide for the coverage example calculations to be included in the SBC) and the uniform glossary explaining terms commonly used in health coverage.

The final regulations, template and uniform glossary are available through the Department of Health and Human Services at: http://cciio.cms.gov/programs/consumer/summaryandglossary/index.html.

DEADLINES

Because final SBC guidance has now been released, plans and issuers must prepare to start providing the SBC. Originally, the health care reform law specified a March 23, 2012 deadline for plans and issuers to start providing the SBC. Given the lack of final guidance, the Departments delayed this compliance deadline.

Now that final guidance has been released, the Departments specified the following deadlines:

Beginning on the first day of the first open enrollment period that begins on or after Sept. 23, 2012, plans must provide the SBC to participants and beneficiaries who enroll or re-enroll for coverage during the open enrollment period.

Beginning on the first day of the first plan year that begins on or after Sept. 23, 2012, plans must provide the SBC to participants and beneficiaries who enroll for coverage other than through an open enrollment period, such as newly eligible individuals and special enrollees.

Issuers must begin providing the SBC to plans on Sept. 23, 2012.

Thus, calendar year plans with an annual open enrollment period that takes place before the start of the plan year will generally need to start providing the SBC on the first day of the open enrollment period for the 2013 plan year.

Beginning on the first day of the first open enrollment period that begins on or after Sept. 23, 2012, plans must provide the SBC to participants and beneficiaries who enroll or re-enroll for coverage during the open enrollment period.

EHS Matters

The Clock is Ticking: One Year to RoHS2

By Glenn Tanzman, Tanzco Management Consulting, LLC, Council of Industry Associate Member

The original ROHS directive (2002/95/EC) will expire at the end of this year and on January 2, 2013, ROHS2 (2011/65/EU) will replace it. This recast of the ROHS Directive has a number of significant changes that add to the scope of the original directive and other changes that make it easier to enforce.

The original directive was a “Self Declaration” law that was based on a Presumption of Conformity. The simple act of selling or inventorying an electronic product in the EU after July 1, 2006 was a declaration of conformity with the Directive. The member states could test your products or request that you provide proof of compliance by due diligence and objective evidence but there was no standard for marking products as ROHS compliant. Manufacturers adopted their own marking schemes and the guidance provided by the EU was often ambiguous or incomplete. The recast addresses many of these shortcomings.

One of the most important changes is the CE Marking is now required as evidence that the product is in compliance with the ROHS Directive. In addition, a Declaration of Conformity must accompany each shipment. The signed and dated Declaration of Conformity must include:

- A unique identifier of the EEE (Electrical and Electronic Equipment)
- The name and address of the Manufacturer or Authorized Representative
- The object of the declaration

One of the most important changes is the CE Marking is now required as evidence that the product is in compliance with the ROHS Directive. In addition, a Declaration of Conformity must accompany each shipment.

The affixing of the CE Marking and the accompanying Declaration of Conformity make it easy for customs agents of the member states to identify EEE within scope and to hold up shipments that do not have the proper marking or paperwork.

Many other significant changes were also part of the ROHS recast. The most significant is the inclusion of additional product categories in the scope of the legislation. On July 22, 2014 Categories 8 (Medical Devices) and Category 9 (Monitoring and Control Instrumentation) will be in scope. However, In Vitro Medical Devices will not come into scope until July 22, 2016 and Implantable Medical Devices remain exempt. So don’t worry, your pacemaker will not be recalled. Industrial Monitoring and Control Instrumentation doesn’t come into scope until July 2017. Finally, a new catch-all Category 11 was created to catch all EEE not previously covered and will come into scope in July 2019.

Most of the remaining changes cleanup deficiencies or clarify issues with the original directive. For example, the new directive contains the first legal definition of a “Homogeneous Material” as a material of uniform composition or a combination of materials that cannot be mechanically disjoined into different materials.

Other changes include the definition of EEE as depending on electric current or electro-magnetic fields to fulfill at least one intended function (was primary function). Others include establishing sunset dates on existing and future exemptions, clarifying the exemption process, improving the definition of terms like large scale fixed installations. The substances included in ROHS and the concentration levels remain unchanged but 4 substances were prioritized for potential inclusion (DEHP, BBP, DBP, and HBCDD).

Finally, the recast gives better guidance on what should be included in a technical file as evidence of ROHS compliance under 78/2008/EC.

This brief synopsis of the ROHS recast, commonly referred to as ROHS2 is provided as courtesy to our clients and subscribers and is not indented to cover all aspect of the legislation or all issues that need to be addressed when designing a compliance program. We are here to help you with in-depth training on ROHS or REACH and to develop a Compliance Management System for these and other legislation including California Prop 65, CPSIA, CLP, and more. Please feel free to contact us with your questions and concerns.

CI Calendar of Training and Events

Mar. 5 & 6	**Manufacturing Day in Albany**—Full day event at the state capital. For more information or to register contact Harold king at hking@councilofindustry.org.
Mar. 7	**Certificate in Manufacturing Leadership: Problem Solving & Decision Making** 9:00 am—4:30 pm at Bowne Hall, Dutchess Community college, Poughkeepsie, NY. Cost: $200 single participant, $175 for 2 or more from the same company.
Mar. 16	**HR Sub-council Meeting on Record Keeping—**8:30—10:00 am at The Council of Industry Office, The Desmond Campus of Mount St. Mary College, Newburgh, NY. No cost for members to attend.
Mar. 21	**Certificate in Manufacturing Leadership: Positive Motivation & Discipline** 9:00 am—4:30 pm at Bowne Hall, Dutchess Community college, Poughkeepsie, NY. Cost: $200 single participant, $175 for 2 or more from the same company.
Apr. 4	**High Performance Teamwork**- 9:00 am—4:30 pm at Bowne Hall, Dutchess Community college, Poughkeepsie, NY. Cost: $200 single participant, $175 for 2 or more from the same company.
Apr. 4	**SolidWorks Essentials Training** - April 9 - 13, 9 am—5 pm at Rockland Community College, Suffern, NY. Cost $350 per seat. Class size is limited to 10.
Apr. 18	**Effective Business Communication** -9:00 am—4:30 pm at Bowne Hall, Dutchess Community college, Poughkeepsie, NY. Cost: $200 single participant, $175 for 2 or more from the same company.
Apr. 20	**EHS Sub-council Meeting: OSHA Update 2012—**8:30—10:00 am at The Council of Industry Office, The Desmond Campus of Mount St. Mary College, Newburgh, NY. No cost for members to attend.
May 2	**Train the Trainer** -9:00 am—4:30 pm at Bowne Hall, Dutchess Community college, Poughkeepsie, NY. Cost: $200 single participant, $175 for 2 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 or if you are reading our electronic version just press Ctrl and click the course title.

Manufacturing Matters

Manufacturers have repeatedly told Washington they need a simplified, pro-growth tax system in order to flourish. The President suggests some changes that will help, but many of the proposals completely miss the mark and would make U.S. businesses less competitive.

National Association of Manufacturers Comments on President's Budget and Tax Reform Plan

From NAM.org

Budget Proposal Is Inconsistent with Calls to Strengthen Manufacturing

National Association of Manufacturers (NAM) Senior Vice President for Policy and Government Relations Aric Newhouse issued the following statement in response to the release of the President's budget for Fiscal Year 2013:

"Making difficult budget decisions in a time of slow growth, high unemployment and serious fiscal challenges is an opportunity for leadership. Now is the time for a pro-growth, pro-jobs reform of our tax code and entitlement programs to put manufacturers back to work and put the country on a path toward fiscal stability.

Unfortunately, the President's budget does not pursue that path. While manufacturers still face a 20 percent cost disadvantage with our major trading partners, today's budget would make this hill even steeper with one job-killing tax increase after another. For example, raising taxes on energy producers, small businesses and other job creators will have a negative ripple effect across our economy. Instead of proposing to reform the tax code to make it simpler for manufacturing workers, the budget would make it even more complex and would leave the hard choices to bring our nation's fiscal house back in order for another day.

The NAM has long advocated for comprehensive reforms that address the fundamental drivers of our national debt and for a tax system that allows manufacturers to compete in the global marketplace. Now is the time for a pro-growth, pro-jobs reform of our tax code and entitlement programs, not another series of tax increases that make it more difficult for manufacturing workers to compete and thrive."

Current Tax System Will Make U.S. a Global Bystander

National Association of Manufacturers (NAM) President and CEO Jay Timmons issued the following statement in response to President Obama's tax policy announcement:

"Manufacturers, who have long called for tax policies that make us more competitive and able to create jobs, appreciate President Obama's focus on tax reform today. It's not a moment too soon. On April 1, if the U.S. maintains its current course, we will become the home to the highest corporate tax rate in the industrialized world. This designation serves to undermine job creation and cede competitiveness to nations that are all too eager to offer lower tax rates and take away our position as a global economic leader.

It's a simple rule of economics – investment and growth will flow to the best business environment. Imposing a complex tax system with high, uncompetitive tax rates on the backs of manufacturers in the U.S. will greatly slow economic growth and will bring nascent job growth screeching to a halt.

Manufacturers have repeatedly told Washington they need a simplified, pro-growth tax system in order to flourish. The President suggests some changes that will help, but many of the proposals completely miss the mark and would make U.S. businesses less competitive. In addition, the two-thirds of manufacturers who file as individuals will receive no relief from the current burdensome tax system. There is a long way to go to address the 20 percent cost disadvantage that manufacturers face every day.

Manufacturers will closely review this new proposal from the White House because this is a critical time for the nearly 12 million men and women who make up the manufacturing workforce. We need action to reduce our corporate rate, reform our international tax rules, lower rates for small businesses and enact pro-growth, pro-jobs changes to our tax system. Otherwise, we will resign ourselves to the role of bystander in the global economy."

Energy Matters

Electricity Market Overview

From Direct Energy, Council of Industry Associate Member

Market Overview
January began with a deep bearish sentiment. Continued unseasonably warm weather and strong production caused natural gas prices to plummet, with Calendar Strips reaching record lows for January. The market then began to rally when several large natural gas producers, including the second largest—Chesapeake Energy—announced natural gas production cuts. The market is now weighing the bearish short-term fundamentals of unseasonably warm weather against the long-term production cuts.

Weather
January 2012 was the ***fourth warmest January on record!*** The national average temperature was 5.5 degrees Fahrenheit above the long-term average, according to the National Oceanic and Atmospheric Administration (NOAA). February has also lacked extreme cold and most forecasts for March 2012 and April 2012 are predicting slightly above-normal temperatures for the East Coast and Texas.

Natural Gas Storage
As of February 3, domestic natural gas storage inventories are at 2,966 Bcf, which is 36.4% above the same time a year ago and 36.4% above the five-year average. Production has been strong and weather has been unseasonably warm, resulting in record storage for this time of the year.

Natural Gas Production
Natural gas production has been strong, with domestic output up by over 7% versus a year ago however potential production cuts by large producers later this year could reverse overall production growth. Total gas rig counts have fallen for five straight weeks however low prices have not suppressed new supply, as shale drilling efficiency (output/well) continues to improve and Natural Gas Liquids (NGLs) supplement the revenues of "wet gas plays." The continued addition of new reserves and construction of pipeline infrastructure has contributed to weakness of long-term gas curves.

Chesapeake Energy, the second largest gas producer after EXXON, announced natural gas production cuts at the end of January and was quickly followed by other producers. For Chesapeake Energy, if conditions warrant, the cuts could be as high as 8% of current production. After the string of announcements, the market recovered a large chunk of the losses it sustained earlier in the month.

Environmental Regulations
The US Environment Protection Agency ("EPA") continues to play an active role and has taken several recent actions regarding the gas and power industries.
The EPA stated it will be preparing guidelines on the use of diesel in hydraulic fracturing, which is the first major is set of guidelines on natural gas. On Dec 30, a federal court ruled that U.S. EPA must delay implementing its Cross States Air Rule (CSAPR) on Jan 1 2012. Indications are that this ruling will allow several coal plants, particularly important in Texas, to continue operations till at least April 2012, while casting doubt on its future implementation.

Market Outlook
Overall, the market is *oversupplied* at this time. Three potential ways to rebalance the market are: increased demand from weather, reduced supply by production cuts, and increased demand from coal-to-gas switching. None of these factors is likely to drive the market completely on its own and there are other factors can impact market balances as well. One key risk in the market is the potential that long-term prices begin to detach from near-term prices as weather and storage suppress 2012 prices, while distant future months are supported by concerns that producers will not be able to sustain current supply levels in a low-price environment.

Continued on page 15

The market is now weighing the bearish short-term fundamentals of unseasonably warm weather against the long-term production cuts.

Global Trade Matters

New York Benefits from the U.S.-Korea Trade Agreement

From the *Office of the US Trade Representative*

New York businesses exported on average $166 million per year in computers and electronics products to Korea between 2008 and 2010.

The U.S.-Korea Trade Agreement (KORUS) Will Help Grow the U.S. Economy & Support U.S. Jobs

The impact of the eliminations of tariffs and related barriers is estimated to increase U.S. GDP by nearly $12 billion and U.S. goods exports by nearly $11 billion annually. Adding to this would be new exports of U.S. services, where U.S. firms exported $12.6 billion to Korea in 2009. Together, these export opportunities support the President's National Export Initiative goal of doubling exports by 2015.

KORUS is Essential to Ensuring U.S. Competitiveness in Korea and Throughout Asia. Ten years ago, the United States was the top exporter to Korea providing one-fifth of all Korean imports; now we are in third place with less than 10% market share.

Implementing KORUS can help U.S. businesses and their workers stem this downward slide by making U.S. products more competitive in the Korean market.

Trade Works for New York

Recently implemented trade agreements have benefited New York. For example, since the U.S.-Chile trade agreement entry into force in 2004, New York's exports to Chile have grown by 156 percent. Since the U.S.-Australia trade agreement entry into force in 2005, New York's exports to Australia have grown by 119 percent. KORUS can similarly benefit New York

The KORUS Opens New Markets for Key New York Exports

Computers and Electronics Products – New York businesses exported on average $166 million per year in computers and electronics products to Korea between 2008 and 2010. The top U.S. exports in this sector included digital integrated circuitry, telecommunications apparatus, semiconductor production equipment, particle accelerators, lasers, and magnetic tape. Korean tariffs range between zero and 13 percent. KORUS improves market access for computers and electronics products. With the immediate removal of many of these tariffs, U.S. exports will become much more competitive and affordable to Koreans.

Machinery Manufactures – Machinery manufactures exports from New York to Korea averaged $379 million per year between 2008 and 2010. Many machinery manufactures will receive duty-free treatment immediately upon entry into force of the agreement, including products such as refrigeration compressors, valves, renewable energy equipment, air pollution control equipment (pumps), water filtering and purifying equipment, and piston engines and engine parts. One hundred percent of agricultural and construction equipment, including

tractors, lawn mowers, straw balers, conveyors, loaders, bulldozers, mechanical shovels, boring and sinking machinery, derricks, and dumpers, will continue to receive duty-free treatment. The elimination of Korean tariffs on U.S. machinery manufactures will provide a competitive boost to U.S. exporters, who will no longer face tariffs as high as 13 percent.

Transportation Equipment – Transportation equipment is an important New York export. Between 2008 and 2010, New York's average annual exports to Korea were $275 million in transportation equipment. U.S. exporters of transportation equipment, including autos, auto parts, aircraft, fishing vessels, locomotives, and other transportation manufactures, will benefit from KORUS tariff reductions. Duties on most transportation equipment products will be eliminated immediately, including duties on nearly 68 percent of automotive exports, over 92

percent of aircraft and related parts, and over 99 percent of shipping and other transportation equipment. Duties on the remaining transportation equipment products will be eliminated over three or five years.

Economic Development for Manufacturers

The Global Export Market Services (GEMS)

Info from http://esd.ny.gov/BusinessPrograms/GEMS.html

Program Purpose The Global Export Market Services (GEMS) is a matching grant that helps businesses expand through increased export activity. The grant is designed to help small and medium-sized businesses get the technical and marketing assistance they need to succeed in international markets. GEMS can provide up to $25,000 which can be used in a variety of export related activities. Many firms choose to use the grant to hire an export marketing consultant who can provide services custom-tailored to a company's specific international business development needs. The grant can be used for a broad range of activities designed to assist the firm in being competitive in international markets Groups of companies or industry associations can request apply for up to $50,000 to fund export trade development services. GEMS will cover up to 50 percent of the total acceptable project costs within the maximum funding described.

Program Highlights GEMS assists New York companies by providing matching grants for export marketing projects for new-to-export and new-to-market companies. The funds are typically used to pay for activities that enhance a company industry group member's competitive position in international markets. The grant benefits individual companies, groups of companies or industry associations. Other groups may apply but the benefits of the grant must go to the participating companies.

GEMS funding can be used for a variety of activities designed to help your company expand internationally, such as:

- Identify and assess overseas markets
- Develop comprehensive market entry strategies on a country-by-country basis
- Research, recommend and develop appropriate distribution channels
- Develop timely, product-specific competitive market intelligence
- Assess export operations and fulfillment capacity
- Create new international marketing materials
- Develop after-sales support or service for foreign markets
- Adapt product to meet overseas market specifications
- Internationalize web pages
- Translate technical or marketing data.

Eligibility Eligible participants must either be a New York State manufacturer, service or agricultural business with 500 or fewer employees and whose New York State production content is at least 51 percent. The program is also open to educational institutions and regional non not-for-profit organizations, such as world trade groups that develop innovative programs to help New York State firms expand their exporting skills and activities.

Application Process Empire State Development's International Trade Specialists are available to help design and review project statements and research proposals. Prior to approval, ESD evaluates a company's needs and commitment.

Contact Information To learn more about GEMS, please contact ESD's International Division via email or call us at (212) 803-2300.

Consumer Price Index for January 2012

				Point	%	% Increase
Wage Earners & Clerical	**Jan'11**	**Jan '12**	**Dec'11**	**Increase**	**Month**	**Year**
1967=100	644.59	664.89	661.77	3.13	0.5	3.1
1982-84= 100	216.4	223.22	222.58	0.64	0.3	3.1
All Urban Consumers						
1967=100	659.69	678.99	676.01	2.97	0.4	2.9
1982-84=100	220.22	226.67	225.67	0.99	0.4	2.9
Hudson Valley unemployment rate for December 2011 = 6.9 %						

Energy Matters

Continued from Page 4

Personnel Matters

Holly Mosack, the former captain, spent 7-1/2 years in the Army. A veteran of the Iraq war, she knows what it takes to find a job.

"I did not have a corporate, human resources or recruitment background. All I had was my passion," she told Reuters.

Last year, ATS hired between 200 and 250 veterans, and it is looking to increase the number this year. Close to 30 percent of the company's 3,000 employees are military veterans.

"When you look at manufacturing and skilled trades, people are not going into them anymore. There is a misperception of manufacturing, that jobs are going away and that factories are outdated," said Mosack.

But manufacturing is making a small comeback in some sectors. Although it accounts for only about 12 percent of gross domestic product, it has been the main driver of the recovery from the 2007-09 recession. The factory sector added 225,000 jobs last year, marking the first year of sustained job gains since 1997.

Like AAR, ATS is targeting veterans of the Iraq and Afghanistan wars because of their ability to adapt to difficult environments and often work with limited supplies.

"They have not had a supplier down the street to mail them a part. They have had to make do with what they had. So they bring a great sense of 'can-do' attitude with them, a great sense of teamwork and a disciplined approach," said Mosack.

"That is something that is very hard to train people to have and the military does a wonderful job of instilling that every day in all their service members."

JUST DIFFERENT EQUIPMENT The majority of veterans hired by ATS are maintenance technicians. They are recruited from military bases and job fairs and in conjunction with the Department of Veterans Affairs, among others.

"We provide technical training to help them understand, 'You did this electrical work in the military and here is a piece of manufacturing equipment, here is what we call it and here is how it is a little different,'" said Mosack.

Other companies seeking out military veterans include Siemens Corporation, which plans this year to hire 300 former service people to fill positions ranging from field engineers to service technicians and sales and marketing specialists.

"This reflects the fact that the technical training and advanced skills sets that veterans bring to the workforce are a perfect match for Siemens," said Mike Panigel, senior vice president of human resources for Siemens, which hired 630 veterans last year.

Veterans are also being wooed by finance, software, communications and security companies.

TOUGH MARKET

Veterans are hardly jumping the queue in a tough labor market where three of four unemployed Americans cannot find work. Unemployment among post 9/11 military veterans was at 13.1 percent in December, far higher than the 8.5 percent rate for the civilian population. About a quarter of a million service men and women were out of work in December.

The problem is more acute among veterans in the 18 to 24 age group, where the unemployment rate is 31 percent. A total of 857,000 veterans of all wars were unemployed in December.

Joblessness among former service men and women is set to worsen as the war in Afghanistan winds down. More than one million service members are projected to leave the military by 2016. The Obama administration and Congress have pushed forward an array of measures, including tax credits for companies employing veterans of the two wars.

But not many firms are biting. Some says veterans' reserve commitments and battlefield stress-related issues make them less-dependable workers.

"Some people are actually leery of hiring veterans because of their reserve commitments, because they are considered not working during those times," said Michael McNelis, a director at The Training Camp, which provides vendor certification for the IT sector.

Companies like AAR, which currently employs 14 active duty service members, overlook the problems of absenteeism because of reserve duty and mental health issues.

Henao, the former infantryman who was part of an Army task force in Tikrit, says the transition has been difficult.

"I am still in transition pretty much because in my division we lost 91 soldiers and I lost a couple of friends in Iraq. I am still in therapy and all that stuff and AAR supports me," he said.

At AST, newly hired veterans are teamed up with already established former service people to help with assimilation to a new culture and to work through issues they encounter.

For AAR's Collins, working on aircraft engines is more than just a job. He joined the Navy straight out of high school and left in last August after a career that included tours of duty in Afghanistan and Bahrain and two deployments to Iraq.

In six months, Collins will receive his Federal Aviation Administration mechanic's certificate. That will allow him to perform maintenance and inspections on aircraft and engines under FAA regulations.

The on-the-job training has provided what high school and the military did not. "I decided to get out of the Navy to further my education," said Collins.

Continued from Page 7
Healthcare Reform Update

Under the transition rules that apply until future guidance is issued, the following amounts also are not required to be reported: (i) the cost of coverage under a multiemployer plan; (ii) the cost of coverage under a Health Reimbursement Arrangement ("HRA"); (iii) the cost of coverage under a dental plan or vision plan, if that plan satisfies the requirements for being excepted benefits for the purposes of HIPAA pursuant to applicable regulations; and (iv) the cost of coverage provided under a self-insured group health plan that is not subject to any federal continuation coverage requirements.
Title II of GINA prohibits employment discrimination against job applicants, current and former employees, labor union members, and apprentices and trainees based on their genetic information. This prohibition applies to the following entities: employers with at least 15 employees, employment agencies, labor unions, joint labor-management training programs, and federal sector employers.

The new recordkeeping rule requires covered entities to retain all employment and personnel records in the same manner currently required under Title VII and the ADA. Accordingly, covered employers should segregate any medical or genetic information about employees from other personnel records and make them accessible only to persons with a business need to see such information. This recordkeeping requirement does not require an employer to create any new documents. A covered entity must preserve all records relevant to a GINA charge until the charge is resolved with some final disposition (as with any records relevant to any EEOC charge).

GINA became effective on November 21, 2009. The latest available information from the EEOC (for fiscal year 2011) shows 245 new charges were filed under GINA. The number of charges filed with the EEOC under the ADA during the same period is 25,742.

A number of states, including Connecticut, Illinois, and Oregon, also have laws prohibiting genetic discrimination in the workplace. Jackson Lewis attorneys are available to answer inquiries regarding this and other workplace developments.

Continued from Page 11
Energy Matters

The impacts of the U.S. economy, as well as competition between gas and coal in the generation stack, remain key factors in the direction of both near- and long-term prices. International oil prices continue to remain uncorrelated with gas and power and have recently posted 8-month highs. Although they may be unlikely, extreme volatility could be caused by extreme geopolitical events, such as a war with Iran, or regulatory events, such a ban on hydraulic fracturing due to environmental impacts.

In summary, ongoing prices at levels far below the highs of 2008 seems like a more realistic scenario due to shale gas production, although long-term risks—including drilling concerns, improvement of the U.S. economy, EPA regulations, and the potential for LNG exports—should not be ignored and justify the premium in the long-term forward curve.

Fixed Price Customer Considerations:
Prices for most regions are close to their all-time lows. Are you able to lock in year-over-year price savings or beat your budget?

Recognize the value in the long-term despite its premium. For example, although 2013 gas prices are at premium versus 2012, they are at a level that was first attained by 2012 prices only 2 months ago. And there may be less downside for 2013 due to the inherent forward market risk premium.

Waiting longer could result in lower prices, but it also increases the risk of a market surprise, which is mostly skewed to the upside due to low prices. This risk is greatest for 2012 and 2013 where there is less time for prices to correct.

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