

CI NEWSLETTER

The Council of Industry of Southeastern New York

November 2009

The Manufacturers Association of the Hudson Valley

Volume 13 Issue 10

Manufacturers Need to Speak Out on the Issues

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Welcome New Member:

Spence Engineering—Steam specialty and fluid control products. Contact: Janice O'John. Orange County.

A few weeks ago, Harold King, Executive Vice President of the Council of Industry, spent time in Washington DC being briefed by officials from the National Association of Manufacturers (NAM) on issues currently before Congress. Health Care Reform, Cap and Trade and The Employee Free Choice Act are all issues of great interest to our membership and are currently winding their way through the legislative process.

While action is needed on all of these issues the one in which Hudson Valley manufactures may be able to have the greatest impact is on the Employee Free Choice Act (EFCA). Senator Schumer is among a group of key Senators identified by the NAM as working on a compromise bill. The compromise being discussed would remove the card check provision from the bill, but would leave in place the terrible "baseball style" arbitration that would impose a contract should negotiations break down between management and labor. Compromises being discussed would also limit management access to their own employees to make the case against forming a union while forcing employers to grant time for organizers to solicit union membership.

While we are unlikely to convince senator Schumer to oppose the EFCA outright, the legislative affairs people at the NAM believe that if we can create enough doubt in his mind he will be less likely to push through a compromise in the near future.

The Council of Industry therefore encourages you to visit this page at the NAM website: www.nam.org/efca and follow the links to contact your congressman. The site will generate a draft email automatically that you can personalize or simply submit. A few dozen letters from manufactures like you may well have a significant impact on this

legislative process – so your voice does count!

If you are interested in contacting our legislators on the other issues being monitored by the NAM you can visit this page <http://www.namspeakout.org/> and follow the same steps.

I guarantee you your legislators are hearing from SEIU and the AFL-CIO – make sure they hear from you too.

The 99th Annual Luncheon & Member/ Associate Member Expo is on November 13th

There is still time to reserve your seat at our Annual Luncheon. The event will take place on Friday November 13th, at 11:30 at the Powelton Club in Newburgh, NY.

There is Member/ Associate member expo during cocktails and hors d'oeuvres where companies display their products and services. There will also be a presentation of the Certificate in Manufacturing Leadership to graduates of the Council's very successful supervisor training program.

Keynote speaker **E. J. McMahon, Director of the Empire Center for New York State Policy**, will discuss New York State Tax and spending policies and the potential for reform to increase economic growth.



E.J. McMahon

A special thank you to **The Reils Group** and **Applied Underwriters** for being a major sponsor. Our gratitude goes out to **TD Bank** and **Pepco Energy Services** for being supporting sponsors as well.

To register to attend the Luncheon or to find out more about the Expo or sponsorship, contact Ana Maria Murabito at anamaria@councilofindustry.org or (845) 565-1355.

Newsletter Sponsored By



Training and Education

2010 CERTIFICATE IN MANUFACTURING LEADERSHIP

The Council of Industry has offered quality supervisory training to its members in the Hudson Valley for over 20 years. The Certificate in Manufacturing Leadership is a comprehensive group of courses that prepares supervisors for their challenging positions at manufacturing facilities.

The program is designed to offer particular skill sets through concentrations of courses. Participants who complete the required courses are presented with the Certificate in Manufacturing Leadership by the Council of Industry and Dutchess Community College.

All courses are full-day classes (from 9am to 4:30pm) and are held at Dutchess Community College, Poughkeepsie, NY with breakfast and lunch included on site. Though participants are encouraged to complete the course series for the most comprehensive supervisory education, the Council welcomes individual course registration as well.

Find course descriptions, dates and more information on our website www.councilofindustry.org.



Certificate in Manufacturing Leadership Recipients at the Council of Industry's Annual Luncheon

Register now for the Council of Industry's Certificate in Manufacturing Leadership Program and pay before Dec. 31st to save money on great training! Visit our website www.councilofindustry.org for dates and more information.

Early Bird Special - Register Now For the Certificate in Manufacturing Leadership and Save!

The Council of Industry recognizes that many of our members are experiencing a bit of a slowdown. On the one hand this means cash is tight and discretionary spending is limited. On the other hand it is the ideal time to invest in making your employees to make them even more productive when things pick up. For this reason we have decided to offer once again our **Early Bird Special** in our 2010 Certificate in Manufacturing Leadership. Call or e-mail Ana Maria for details (845) 565-1355, anamaria@councilofindustry.org.

If you register your employee and pay before **December 31, 2009** you will receive the following discount:

	Single Member	Two or More From Same Company
One Day Course	\$200.00 before discount \$185.00 with Early Bird discount	\$175.00 before discount \$160.00 with Early Bird discount
Fundamentals of Leadership	\$400.00 before discount \$370.00 with Early Bird discount	\$350.00 before discount \$320.00 with Early Bird discount
Entire Program	\$1,700.00 before \$1,600.00 with Early Bird discount	\$1,550.00 before discount \$1,450.00 with Early Bird discount



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Council News

HR Sub-council Meeting: Wage & Benefit Survey Results

When: Friday, Nov. 20, 8:30–11:00 am

Where: Marist, Poughkeepsie, NY

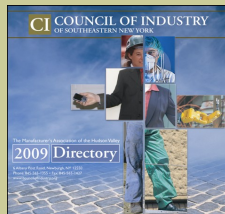
Cost: None for Members

The results of the survey will be analyzed and discussed by Dr. Ken Sloan, Marist School of Management. There will be a question and answer portion.

To register or for more information e-mail abutler@councilofindustry.org or call the Council office (845) 565-1355.

Place an Ad in the 2010 Council of Industry Member Directory

Now is the time to purchase an ad in the 2010 Council of Industry Member Directory. This year marks the Council's 100th Anniversary and our directory will be better than ever. This book has become the premier industrial listing for the Hudson Valley and ads in our directory are seen by executives and decision makers from hundreds of Hudson Valley manufacturing firms.



The Council of Industry Directory lists our members and associate members alphabetically and by product/service category as well. This vital reference guide also contains important contacts including government agencies, lawmakers, colleges and universities, and others of value to Hudson Valley manufacturers.

The Member Directory is printed in full color and ads are offered in a variety of sizes to fit your budget. Once again this year we will offer a reduced rate for those companies that purchase and pay for their ad before December 31st. In addition if you decide to place an ad on our website in addition to your Directory ad, we offer it at the reduced rate of \$75 for 12 months. E-mail abutler@councilofindustry.org or call the Council office (845) 565-1355 to find out more.

Recap of EHS Sub-council Meeting on Combustible Dust Hazards

On October 16th, Jeff Sotek, PE, CSP, CIH, of HRP Associates made it clear to those in attendance at the EHS sub-council meeting how easily dust can get out of hand and become a deadly situation for certain industries. After reviewing a few of the more deadly combustible dust explosions that have occurred over the last few years, Sotek explained exactly what dust hazards are according to OSHA guidelines and the ways to prevent dust related incidents. He discussed OSHA's combustible dust policy and their national emphasis program concerning this topic. He also provided attendees with resources with which to identify the level of risk associated with their industry.

The statistics from a 2006 Chemical Safety and Hazard Abatement Board study are sobering. "281 dust fires and explosions occurred between 1980 and 2005 from combustible dust incidents. These incidents reportedly claimed 119 lives and injured 718 people. These incidents occurred in 44 states in many different industries and involved a variety of different materials." Sotek also showed an actual video of a sugar refinery explosion.

There are different levels of dust that constitute a hazard for different materials and information can be found on the OSHA website with these figures. Each substance also has a different explosibility. There are many more things to take into consideration when determining if an area is ripe for a dust explosion as well.

Audits of dust management practices, and equipment as well as room safe guards and ignition source management are examples of ways to prevent combustible dust incidents. Companies should have a plan in place in case of an explosion or dust fire. There is more information on combustible dust available on OSHA's website www.osha.gov.

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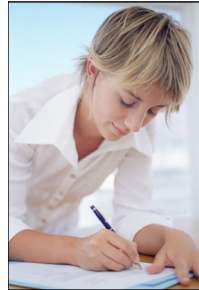
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Personnel Matters

Form I-9 - Back to Basics

From The CAI Newsletter



Immigration and Customs Enforcement (ICE) is focusing their efforts on businesses, as well as illegal workers, to ensure employers are following proper employment verification guidelines. According to ICE, the emphasis on work-site enforcement protects jobs for our nation's lawful

workforce and targets the root of illegal immigration.

To make sure that you are following the process for properly completing the Form I-9, keep these basics in mind:

1. Use the current copy of the Form I-9, Employment Eligibility Verification.
2. Make sure that each new hire completes Section 1 of the form at the time of hire, when the employee begins work.
3. Within 3 business days of the first day of work complete Section 2 of the form. Show the employee the lists of acceptable documents. The employee may choose which document(s) they want to present from the lists. Employees may present any List A document **OR** a combination of a List B and a List C document. Do not request specific documents or additional documents. All documents must be **unexpired**.
4. Employers must review the original document(s) the employee presents and then fully complete Section 2 by recording the following: document title; issuing authority; document number; expiration date, if any; and the date employment begins.
5. Employers are responsible for completing and retaining Form I-9. Keep I-9 forms separate from employee personnel files. All current employees, hired after November 6, 1986, must have I-9 Forms on file with the employer. An employer must retain the I-9 Form for each employee **either** three years after the date of hire **or** one year after the employee's last date of employment, **whichever is later**.

6. If an employee checks a box in Section 1 indicating they possess only temporary employment authorization, make sure that you have a tickler system to provide advance notice to the employee of the expiring document and the need for them to update their I-9 forms.

7. Carefully read and review the *Handbook for Employers, Instructions for Completing Form I-9, M-274*, most recently revised 7/31/09. The various sections in this handbook go into greater detail about all of the basic steps above and more. There is a thorough question and answer section as well. The handbook can be found at: <http://www.uscis.gov/files/nativedocuments/m-274.pdf>.

Again, these are the basic steps to remember when completing and reviewing the Form I-9.

Re-reading the first two pages of the Instructions for the Form I-9 can provide a quick and thorough reminder of the importance and appropriate steps to properly completing the required form.

Unemployment Benefits; Separation Due to Medical Reasons

From The CAI Newsletter

Employees who remain unable to return to work from a medical leave of absence and are separated from payroll due to medical reasons will be eligible to receive unemployment benefits once they become able and available for work.

Experience rated employers (those that pay quarterly taxes) need to know that although these employees may receive unemployment benefits, the benefits can qualify as *non-charging*. Unemployment benefits in these situations are paid out of the Employment Security Commission's *General Fund* rather than being charged to an employer's account.

Upon receiving a NCUI Form 500AB (*Notice of Claim and Request for Separation Information*), employers need to specifically respond that the employee was "separated due to medical reasons."

Employers are responsible for completing and retaining Form I-9. Keep I-9 forms separate from employee personnel files.

All current employees, hired after November 6, 1986, must have I-9 Forms on file with the employer.



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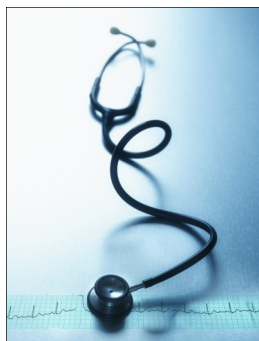
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More Personnel Matters

As COBRA Enrollment Increases, Employers Brace for Subsidy Impact

From The CAI Newsletter

It has been seven months since President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA) into law and the effects are already being felt by employers all over the U.S. – especially in regard to the COBRA subsidy provisions. The 65% subsidy the federal government is providing for all individuals involuntarily terminated between September 1,



they believe the federal subsidy will significantly increase their overall healthcare costs, with about 20% expecting increases of 6-10%.

Those opting for COBRA typically make extensive use of medical services, often resulting in employers paying about \$1.50 in claims for every \$1 in

COBRA premiums collected. But while the COBRA risk pool is likely improving with help from the federal subsidy, premiums collected by employers still are not likely to equal claims.

In addition to higher medical plan costs from utilization and adverse selection, industry experts also suggest that employers are having to bear higher administrative and communication costs. In a recent Mercer survey on how employers are managing their benefits in the wake of recession, 74% of respondents said they are concerned about the degree of administrative complexity involved in managing the subsidy through offsets to payroll taxes. However, when asked whether the benefits of the federal COBRA subsidy for their organization outweigh the additional administrative burden, more respondents tended to agree (42%) rather than disagree (31%).

2008, and December 31, 2009 is causing a COBRA enrollment boom that could have a significant effect on employers and plan administrators. According to a recent study by Hewitt Associates, COBRA enrollment rates for Americans eligible for the subsidy averaged 38% from March 2009 to June 2009, representing a 19% jump from the period of September 2008 to February 2009. This increase is already causing concern for employers, not only because of the additional implementation and administration but the added cost burden related to healthcare expenditures.

Cost Increases Worry Employers

While the increase is not unexpected, several industry experts are suggesting the added COBRA enrollees will impact overall healthcare costs and lead to potentially higher-than-expected employee contribution rates for health care coverage in 2010. In fact, more than 40% of recently surveyed employers say

(Continued on page 11)

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Consumer Price Index - Sept. 2009

				<u>Point</u>	<u>%</u>	<u>% Increase</u>
Wage Earners & Clerical	<u>Sept '08</u>	<u>Sept.</u>	<u>Aug.</u>	<u>Increase</u>	<u>Month</u>	<u>Year</u>
1967=100	640.23	629.46	628.97	0.49	-0.1	-1.7
1982-84= 100	214.94	211.32	211.16	0.17	-0.1	-1.7
All Urban Consumers						
1967=100	655.38	646.95	646.54	.40	-0.1	-1.3
1982-84=100	218.78	215.97	215.83	.13	-0.1	-1.3
Hudson Valley Unemployment Rate for Sept. 2009 = 7.7						

Place Your Company's Ad Here

The Council of Industry's monthly newsletter has a mailing circulation of 250 manufacturers and an online circulation of hundreds more.

Contact Alison Butler at
abutler@councilofindustry.org
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Legislative Matters



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Council to Host Meeting with Workers' Comp Board on Trust Lawsuit

As some of you may know, last year a lawsuit was brought against over 250 manufacturers by the New York Workers Compensation Board, who were previously or currently involved with the New York State Manufacturers Trust. The lawsuit is calling for manufacturers to be held liable to fund the Trust's reserve fund.

A number of Council members and affiliated businesses have reached out to us on this serious issue and in response we are working with MACNY and Assemblyman Marus Molinaro to organize a meeting on this topic to discuss and educate on this issue. If your business has received notice by the State that you are being sued under this same lawsuit I encourage you and your business to join us. As of press time no date has been set, however we are working on one for early November.

If you have been involved in the suit, or know a business who has, please email me directly hking@councilofindustry.org or Karyn Burns kburns@MACNY.org at your earliest possible convenience.

A similar meeting was held in October in Syracuse. At that meeting parties to the suit were able to pose questions to representatives of the Comp Board and gain a clearer understanding of the process that is unfolding. Manufacturers also voiced to the Board the impact this suit has on their businesses.

Senate Democrats unveiled a new cap-and-trade bill Sept. 30 that calls for a 20 percent emissions cut by 2020, and hearings on the proposal are planned for next week. While the NAM said the new bill poses an "an even more significant technological and economic challenge to manufacturers," changes could be made to win the industry group's support, McCoy said.

U.S. Manufacturers Could Back Carbon Trading Plan, Group Says

By Simon Lomax, Bloomberg.com

Oct. 22 (Bloomberg) – A price ceiling on a future U.S. carbon emissions market is one of many "must-haves" if lawmakers want industry support for "cap-and-trade" legislation to limit greenhouse gases, the [National Association of Manufacturers](http://NationalAssociationofManufacturers.com) said today.

"We are not philosophically opposed to a cap-and-trade," [Keith McCoy](http://KeithMcCoy.com), the association's vice president of energy and resources policy, told reporters.

The group opposed a cap-and-trade bill that passed the House 219-212 in June. The House bill, which aims to cut emissions 17 percent below 2005 levels by 2020, would cost as many as 2.4 million jobs over two decades because of higher energy costs to industry, a [study](http://study.com) sponsored by the NAM said.

Senate Democrats unveiled a new cap-and-trade bill Sept. 30 that calls for a 20 percent emissions cut by 2020, and hearings on the proposal are planned for next week. While the NAM [said](http://said.com) the new bill poses an "an even more significant technological and economic challenge to manufacturers," changes could be made to win the industry group's support, McCoy said.

"We don't want to have a knee-jerk reaction to something that is a work in progress," he said. For the NAM to support a cap-and-trade bill, "there are a lot of must-haves," such as a "price collar" that sets a minimum and maximum price for the carbon dioxide permits created by a cap-and-trade law, he said.

While the House and Senate cap-and-trade bills both set a minimum bid of \$10 for each carbon permit auctioned by the federal government, neither proposal imposes a maximum price.

"There's a large section of our membership that would like to see a price collar," McCoy said. "I think they would probably move toward supporting a bill if it had a strong price collar."

Member Profile

Member Profile: E.A. Morse & Company, Inc.

Year Founded: 1938

Locations: Middletown and Hudson, NY

Products: Distributor of janitorial and maintenance supplies.

Website: www.eamorse.com

There are great stories of ingenuity in times of difficulty that can inspire us; the story of E.A. Morse & Company, Inc. is one of those. In 1938 Emerson A. Morse was given some V.T. Borax hand soap and dispensers by his employer in lieu of expense money he was owed. It was through this turn of events that E.A. Morse & Company began out of the Morse home and garage in

Middletown, NY. Morse's wife Winifred handled the books while he sold the soap locally.

Another challenge was turned into an advantage during World War II, when Morse

needed more gas than was rationed to be able to make trips into New York City to pick up the soap he sold to his clients. The enterprising entrepreneur leased a gasoline service station and enlisted his wife and children to help out. Morse was able to pump gas, service cars and continue selling his soap on the side until the end of the war. At this point, he sold the gas station to purchase the 800 square foot building on Harding Street in Middletown. Although it has since been expanded, E.A. Morse & Co. is still at this same location today.

Throughout 1950's the company grew



and added product lines such as paper and packaging materials and expanded to service the needs of private businesses, restaurants and schools within a 40 mile radius. Then in 1958 there was yet again a situation which may have caused other companies to experience a setback, but Morse took lemons and made lemonade. When a local school failed to follow the instructions on some drums of oil-based wax distributed by E.A. Morse & Co., and added turpentine instead of kerosene a huge gooey mess resulted. Morse under took the removal of the

botched mixture from the schools wood floors, thus embarking the company on its foray into the industrial cleaning supply business. This area has since proved to be a very profitable undertaking for the company.

E.A. Morse & Co.

continues to be a family owned operation with Candace Morse Depew as the current president of the company her father founded. The employees have a stake in the company as well since E.A. Morse & Company employees have been stockholders since 1960. Several employees are third and fourth generation descendants from the companies founder. The business has continued to grow and prosper and in 1984, Morse purchased the Charles M. Dagwell Co. in Hudson, NY and combined sales from

both businesses climbed above \$14 million in the last decade. The original Middletown building is now 60,000 square feet of warehouse and office space and continues to serve as a distributor of paper, chemical specialties and maintenance equipment for numerous suppliers including some whose products E.A. Morse first sold back in 1938.

E.A. Morse & Co. offers more than just janitorial and maintenance supplies; there are training programs in these areas as well that can be conducted


at Hudson Valley facilities. Topics include rest-room

cleaning, floor care for hard, soft or wood flooring, team cleaning and cleaning for health. The sales people are called consultants for a reason. They can analyze your existing cleaning processes and make suggestions to increase productivity and lowering your labor costs which can represent 90 % of a cleaning budget. They are currently offering training and products to combat the H1N1 swine flu.

While E.A. Morse & Company obviously has overcome obstacles on the road to success, the lesson here is how to look at these bumps in the road and use them to launch the company in to something bigger and better.



They can analyze your existing cleaning processes and make suggestions to increase productivity and lowering your labor costs which can represent 90 % of a cleaning budget. They are currently offering training and products to combat the H1N1 swine flu.



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Energy Matters

An expansion of the Business Energy SavingsCentral program to include mid-sized facilities was recently approved, and details on this program which would encompass many of the Council of Industry members will be announced soon.

Take a Load Off Your Electric Bill

By Barry Henck, Central Hudson Gas & Electric

If you have been waiting for the right moment to lower the energy usage at your business, the time is here. Central Hudson is offering rebates on energy efficiency upgrades for businesses with average monthly electric demand of less than 100 kilowatts. These rebates cover up to 70 percent of the equipment cost of a qualified energy efficiency upgrade.

The Business Energy SavingsCentral program starts with a free, on-site energy assessment that identifies 1) the areas that can produce the most savings, 2) the cost of installing each measure, and 3) the expected payback period. Eligible upgrades may include efficient lighting; combination of high-efficiency central air conditioning and air-source heat pump units; ground source heat pump units and heat pump water heaters; motors, motor controls and refrigeration measures; and other custom measures.

"We're pleased to offer these new energy efficiency incentives to help our customers lower their energy usage, save money and protect the environment," said Denise D. VanBuren, Central Hudson's Vice President of Public Affairs and Energy Efficiency. "Our customers can learn more by calling the SavingsCentral toll-free hotline at (800) 515-



5353, and the programs are featured on Central Hudson's newest Web site, www.SavingsCentral.com, which offers comprehensive information on energy efficiency, environmental protection and more."

An expansion of the Business Energy SavingsCentral program to include mid-sized facilities was recently approved, and details on this program which would encompass many of the Council of Industry members will be announced soon.

Visit www.SavingsCentral.com to find program descriptions, rebate forms and a list of Trade Allies who will help you install energy efficiency measures. You may also call toll free at (800) 515-5353 with any questions or to set up an appointment for your free, on-site energy assessment.

Getting the most from SavingsCentral

Lighting. Several businesses are taking advantage of the Business Energy SavingsCentral program for lighting upgrades and retrofits. These upgrades are easily installed, and in some cases can offer a payback period of only one year.

Geothermal systems. While known for their efficient use of energy, new ground source heat pumps can carry significant up-front costs. Central Hudson's rebate on the new equipment (up to \$791 per ton) can bring these kinds of projects within reach.

Custom upgrades. The Business Energy Savings Central program is not just for lighting, refrigerating, and electric HVAC systems. Motors, variable speed drives and other custom equipment is also eligible.

Contractors. The web site SavingsCentral.com features a list of 65 commercial Trade Allies who can help you make an energy efficiency upgrade that fits your time frame and your budget. These contractors are based throughout the Hudson Valley.

You can call SavingsCentral toll-free hotline at (800) 515-5353, and the programs are featured on Central Hudson's newest Web site, www.SavingsCentral.com.

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CI Calendar—What’s Ahead

Nov 13	Annual Luncheon & Member/Associate Member Expo — 11:30 am—2:00 pm at the Powelton Club, Newburgh, NY. Cost: \$50 per person or \$350 for a table of eight.
Nov 18	Safety & Health Council of the Hudson Valley— “Promoting a Culture of Safety” - 8:00am—4:30 pm at Hillside Manor, Kingston, NY. Admission is free, register by e-mailing SCHV.Registration@yahoo.com .
Nov 20	Wage & Benefit Survey Meeting — 8:30am —11:00 am at Marist College. Register by e-mailing Alison Butler at abutler@councilofindustry.org or call (845) 565-1355.
Dec. 31	Last day to receive discount for Certificate in Manufacturing Leadership Course. Contact Ana Maria Murabito at anamaria@councilofindustry.org for details.

Manufacturers Electricity Aggregation

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More Energy Matters

Business Council Says State’s Energy Plan Should Focus on Lower Costs

ALBANY— To revitalize of our state’s economy, New York needs to make energy prices more competitive with the rest of the nation,” said Ken Pokalsky, senior director of government affairs, The Business Council of New York State. “While New York has historically been a national leader in environmental and energy policy, the state needs to be aware of the economic costs imposed by its environmental and energy initiatives.”

The Business Council testimony pointed out that New York businesses pay electric power costs that are between 40 and 60 percent higher than the national average and industrial natural gas prices about 35 percent higher than national average. A large portion of these costs are due to state policies and taxes.

“On top of New York’s high energy commodity prices, New York has added other cost burdens on energy consumers - the Regional Greenhouse Gas Initiative, the Energy Efficiency Portfolio Standard, the Renewable Portfolio Standard (“RPS”), the System Benefits Charge, and the recently increased Public Service Law §18-a assessment which collectively cost New Yorkers almost \$1.5 billion annually, and this added cost will increase each year, said Pokalsky. “We believe that the State Energy Plan should commit to a

moratorium on new energy surcharges, levies, and assessments.”

The Business Council supports a number of energy policy objectives in the draft plan.

These include:

- The need to develop a long-term alternative to the Power for Jobs and ECSB programs. Creation of a new, long term economic development power program – using NYSP hydro resources to provide an allocation-based benefit – is one of our economic development priorities, and we believe this should be a “must do” for the 2010 legislative session.
- encouraging in-state energy production, including development of the Marcellus shale formation;
- Promotion of demand side management strategies, which already provide significant cost savings for many industrial customers.
- the need to upgrade and expand our energy transmission infrastructure;
- The recognition of the value of new in-state nuclear generating capacity, a policy direction that we believe is essential to meet the state’s ambitious GHG emission targets; **(Continued on Page 11)**

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Financial Matters

Managing Capital & Liquidity in 2009 and 2010

Submitted by Sam Ticknor, Vice President, Corporate Fuel Advisors

Liquidity is likely to become scarcer over the next year as the current recession continues to put pressure on both lenders and borrowers. As a result, the best CEO's and CFO's consider capitalization and liquidity a key strategic imperative. These industry leaders proactively and honestly assess their company's current capitalization and access to liquidity in light of business demands and opportunities.

Market Overview

Business liquidity is tight and we believe it will continue to tighten, particularly over the next six to nine months. Bank lending capacity will likely be further constrained by greater commercial real estate losses in the next year.

Other traditional sources of liquidity are tightening as well. Vendors are unable to provide the same amount of liquidity as in the past. Likewise, clients to whom you have extended credit will pay even slower, absorbing liquidity or, worse, become credit losses.

Operating losses always reduce liquidity and have been difficult to avoid in recent quarters as revenue declines have exceeded most cost reduction initiatives. And of course there are the unexpected events such as the failure of a key vendor, that can absorb liquidity as you try and develop alternate arrangements. Other scenarios include the loss of a key client or a sudden decision by your bank to tighten its credit policy.

What the best CEO's and CFO's are doing

The best CEO's are focused on making sure that their firm has the capital structure and liquidity to survive through the end of 2010, no matter what. These leaders are focused on building excess liquidity in order to withstand unexpected negative events (as mentioned above) or respond to positive opportunities such as the chance to acquire a competitor's product line or an entire business.

In today's difficult market, CEOs and CFOs need to be courageous in leading. Consider what capital and liquidity is tied-up in supporting certain businesses that are inappropriate and not critical – and make changes in order to succeed in the longer term.

Assess capitalization and liquidity against market opportunities

Today's economy represents an ideal time to grow through acquisition. These acquisition opportunities, can be trans-

formative but are also fleeting; they will not be available in 2011. One thing is for sure, however, and that is raising capital in today's market is challenging, which makes it harder to respond quickly to opportunities. Plan ahead; be prepared for the extended time necessary to raise capital today.

Capital structure

Capital structure analysis is complex. In fact, it is usually two semesters of finance in most business schools. But, to put it simply, it is developed with an understanding of:

1. The industry in which the company operates;
2. The nature of the business and what capital is required to operate;
3. The capacity of the business to consistently generate capital through earnings, and
4. The predictability of the cash requirements in the business to meet obligations.

Larger firms have an advantage over smaller firms in this environment. Larger firms can demand that smaller firms pay vendor bills on time while the larger firms take longer to pay. Cash is more dear to the large companies too than in normal conditions. Capital intensive industries with high fixed overhead such as manufacturing have greater liquidity challenges than service companies such as professional service firms.

Consider what capital and liquidity is tied-up in supporting certain businesses that are inappropriate and not critical – and make changes in order to succeed in the longer term.

Managing Liquidity

Make liquidity management important across the organization. In terms of interacting with clients, manage their credit terms and be demanding. Be open and communicative about credit terms, reminding the client regularly. Build systems to highlight any deterioration in payment. Have staff initiate collection activity and call clients immediately upon account becoming past due. Make sure the client expects a call from you – only then will they react.

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Here are a few additional considerations:

1. Monitor your clients' credit more vigorously than ever before. Analyze current payment activity vs. past payment practices and compare the payment experience with other clients in the same sector.
2. Visit the clients' place of business. See what is going on. Interview clients regarding the health of their business. A face to face meeting is often the best way to get a true sense of the client's condition.
3. Use external sources of information. Utilize the internet to track the revenues and profits of public companies in the same general industry sector – stay abreast of goings-on. Track liquidity indicators of these businesses as well as they serve as an industry proxy. Talk with others in the industry about clients and their activity. Keep your ear to the ground.
4. Do semi-annual bank checking – With your client's permission, you may call their banker. Banks will often provide summary information upon request.

The bottom line is that those companies that make it through the recession will be poised to take advantage of future growth. Adequate capital and careful liquidity management are important tools to help you get through this challenging time.

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Alternatives for Employers with Corporate Subsidies

For employers that already subsidize a portion of an employee's COBRA costs, Frank Palmieri of Employee Benefit News suggests cost-saving alternatives that could help employers bear the added cost of the federal subsidy, generally by extending corporate plan coverage to COBRA-eligible individuals. Since an employer's existing corporate subsidy period actually reduces the federal subsidy period, Palmieri recommends that these employers should actually provide additional severance benefits and eliminate their own corporate subsidy for COBRA coverage. This would save corporate resources while allowing employees the maximum advantage of the federal subsidy.

Continued from More Energy Matters on page 9

- The need for a new siting law for electric generation;
- The need for a statutory framework for carbon capture and sequestration that would create the necessary legal framework to pursue clean coal technology-based generation in New York State.

In the testimony, The Business Council also disagreed with the state's continued opposition to relicensing the Indian Point units 2 and 3. Opposing continued operation of Indian Point contradicts the plans objectives of developing in-state energy supplies, maintaining system reliability and reducing greenhouse gas emissions.

The testimony also opposed additional state level mandates on greenhouse gas emissions and efficiency standards.

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