

NAM Recommends Comprehensive Strategy To Create Jobs and Boost the Economy Through Manufacturing

Readers of this newsletter are more likely than most to appreciate the important role manufacturing plays in our economy. The Council of Industry believes that if our country is to realize any kind of sustained economic recovery long term- pro growth manufacturing policies will need to be established.

Late last month The National Association of Manufacturers (NAM) unveiled its “Manufacturing Strategy for Jobs and a Competitive America”. The new report prompts political leaders to consider the big picture – what it will take for manufacturers in the United States to succeed in the face of unprecedented global competition.

“Manufacturers need our nation’s leaders to consider the impact of each decision on the country’s overall competitiveness. Manufacturers are calling for action on critical priorities such as energy, education, trade and regulation,” said NAM President John Engler.

The United States continues to have the largest, strongest and most productive manufacturing economy in the world. That pre-eminence, however, is under attack from global competitors that would like to take our place. Indeed many economists believe that China will become the world’s preeminent manufacturing economy by the end on 2011. The NAM Strategy explains in clear terms what is at stake for manufacturing in the United States and provides a roadmap for policies that will enable manufacturers to create jobs and compete. It builds on the independent Milken Institute’s “Jobs for America” report, detailing how smart policies and targeted investments can create 11 million new jobs in the next decade.

The Strategy sets out the following goals:

• **The United States will be the best country in the world to headquarter a company.** Manufacturing today is global and

mobile. Companies often enjoy an array of attractive choices when deciding where to incorporate, expand and build new facilities. While the use of government incentives is commonplace today, a country’s or state’s business climate itself ultimately determines where a company will be located. As a springboard for future economic growth, investment and jobs, the United States must seek to be the best country in the world in which to locate a manufacturing company’s headquarters.

• **The United States will be the best country in the world to innovate, performing the bulk of a company’s global research and development (R&D).** Innovation has long helped manufacturing in the United States maintain its global leadership. Between 2000 and 2006, manufacturing productivity increased annually by an average of 3.8 percent, primarily due to innovation and technological advances spurred by R&D. A long-term manufacturing strategy will stimulate further investment in research, ideas and people – starting with the R&D that, as the Commerce Department’s Manufacturing Council phrased it, “is the single most important source of technological advancement leading to higher productivity.”

Continued on page 15

Council of Industry 2010 Golf Outing Will Be August 23rd

Summer is here and the 2010 Council of Industry Golf Outing is right around the corner. If you enjoy golf, this outing is a treat. Last year’s event drew 80 golfers from manufacturing firms and their associates throughout the Hudson Valley.



Held at the prestigious Powelton Club in Newburgh, NY, the day begins with registration and lunch at 11:30 am, followed by a shotgun start at 12:30. Cocktails and a light dinner will follow at approximately 5:00 pm. The coveted Council Cup will be awarded to the foursome with the best score. There will also be a variety of other prizes and recognitions bestowed on worthy participants.

The Powelton Club is boasts a historic golf course with holes dating back to 1892.

Continued on page 15

Inside this issue:

2	Training & Education	8	Energy Matters
3	Network/ Council News	9	Calendar
4	Personnel Matters	10	Member Profile Pawling Corp.
5	More Personnel Matters	12	Financial Matters
5	Consumer Price Index	13	Manufacturing Matters
6	Legislative Matters	13	More Gala Glimpses
7	More Legislative Matters	14	Member Benefits

Training and Education

Sign Up Now for Fall Training Courses: Regulatory Refresher and Customer Service and Sales Training

DOT Hazardous Materials

When: September 22, 8:30 am – 12:30 pm **Where:** Dutchess Community College **Instructor:** HRP Associates
Cost: \$120 single participant, \$110 each for two or more from the same company, \$145 single non-member

The DOT Hazardous Materials training will address the following topics: Overview of Hazardous Materials regulations, Definition of Hazardous Material, How to properly name a Hazardous Material, How to package, label and prepare manifest for Hazardous Materials Emergency Response. Who should attend the training? DOT regulation 49 CFR 172.700 requires that all “hazmat employees” be trained or re-trained every 3 years. “Hazmat employees” include anyone who labels, marks, loads/unloads, prepares shipping papers or transports hazardous materials by road, water, rail or air.

RCRA Hazardous Waste

When: October 6, 8:30 am – 12:30 pm **Where:** Dutchess Community College **Instructor:** HRP Associates
Cost: \$120 single participant, \$110 each for two or more from the same company, \$145 single non-member

The RCRA Hazardous Waste training will include the topics: overview of RCRA, definition of hazardous waste, classifications of hazardous waste generators, requirements of hazardous waste generators, container management, universal waste enforcement, what to do if you are inspected, and site-specific contingency planning. Who should attend the training? Federal and State regulations require that individuals at facilities classified as large quantity generators of hazardous waste (>1,000 kg/month) involved with the management and handling of hazardous waste (i.e. label drums, transport, etc.) must receive RCRA hazardous waste training on an annual basis.

HAZWOPER

When: October 20, 8:30 am – 4:30 pm **Where:** Dutchess Community College **Instructor:** HRP Associates
Cost: \$240 single participant, \$220 each for two or more from the same company, \$260 single non-member

The training will consist of four hours of classroom sessions including presentations, question and answer and video presentations, as well as four hours of hands-on training. This training will include: Classroom: Overview of HAZWOPER regulations; Health and physical hazards associated with spill response; Toxicology; Risk Assessments (electrical, confined space, heat, noise, etc.); Fire protection; Hazard identification and communications; Personal protective equipment; Hazard control; and Monitoring and Instrumentation.



Hands-on Training: Dress out Level D, C and B personnel protection; Methods of decontamination; Donning/doffing of respirators and their limitations; One drum scenario (recognize labels, reference materials, spill control, PPE selection, plug patch repair and over pack of drum, label over pack); Decontamination and Critique of scenario training.

Customer Service Training

When: October 14, 8:30 am – 4:30 pm **Where:** Dutchess Community College **Instructor:** Debra Pearlman, CEO of DP SalesPro

Cost: \$185 single participant, \$170 each for two or more from the same company, \$225 single non-member

This full-Day training provides attendees with tools that are easily implemented in order to identify and cultivate their customer relationships. The training will be broken up into three key components: Effectively Transform Irrate Customers, Empathetic & Effective Listening Skills, Outstanding Customer Service.

Sales Training

When: October 28, 8:30 am – 4:30 pm **Where:** Dutchess Community College **Instructor:** Debra Pearlman, CEO of DP SalesPro

Cost: \$185 single participant, \$170 each for two or more from the same company, \$225 single non-member



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Council News

Fall Meeting Schedule for Human Resources and EHS Sub-councils

HR Sub-council Sept. 17th Meeting on Immigration

The Council of Industry's Human Resources Sub-council will meet on Friday, September 17th from 8:30 – 10:30 am to discuss various immigration issues that concern Hudson Valley manufacturers.



Topics that will be covered in this presentation include:

- H-1B Visas
- I-9 Forms
- E-verify
- The Arizona Immigration law and how it affect immigration reform efforts in the government
- Your questions on immigration

The meeting location will be announced as soon as it is finalized. There is no cost to attend this meeting for members of the Council of Industry. To register please contact Alison Butler at abutler@councilofindustry.org or call (845) 565-1355.

OSHA Updates will be cover at EHS Sub-council Oct. 15th Meeting

On Friday, October 15th, from 8:30-10:30 am, the Environment Health and Safety Sub-council will meet to discuss the changes taking place at the Occupational Safety and Health Administration.

As part of the Alliance between the Council of Industry and OSHA, we will have representatives from OHSA present to discuss the latest changes and updates issued by the agency including the proposed Standards Improvement Project, the Severe Violators Enforcement Program, and President Obama's Protecting Our Workers and Ensuring Reemployment (POWER) plan. There will also be plenty of time for your own questions about OSHA issues.

The meeting location will be announced as soon as it is finalized. There is no cost to attend this meeting for members of the Council of Industry. To register please contact Alison Butler at abutler@councilofindustry.org or call (845) 565-1355.

Welcome New Members:

Lorex Industries— Sensors. Designs, develops and manufactures sensors and systems for monitoring and controlling processes used in the manufacturing of fiber optics, semiconductor devices, photovoltaic cells and LED's. Contact: Jean-Claude Fouere. Dutchess County.

Welcome New Associate Member:

Mid-Hudson Workshop for the Disabled— A sheltered workshop with outsourcing services including: custom kitting, fabrication, assembly, cleaning, turn key, woodworking and furniture, prototype production. Contact: Bill DeTosta. Dutchess County.



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Personnel Matters

2010 Employment Practices Survey

By Dr. Ken Sloan, Bureau of Economic Research, School of Management, Marist College

Twenty-four companies reported into the 2010 Employment Practices Survey conducted by Marist College's Bureau of Economic Research and School of Management and sponsored by the Council of Industry of Southeastern New York. These companies employ 3,628 individuals and range in size from 26 employees to 1,098 employees. Data was reported on a number of employment practice areas, including job structure, participation programs, employment, severance, and training. Highlights include the following points:



2009 actual pay increases came in lower than the planned increases reported last year, and lower than 1.7% average increases seen for U.S. workers.

- 2009 actual pay increases came in lower than the planned increases reported last year, and lower than 1.7% average increases seen for U.S. workers. All reported groups came in below 1% except for management, which remained near the prior year's forecast rate at 1.8%.
- There is a wide spread use of temporary employees with eighteen of the twenty-four companies reporting use of these workers.
- Communication with employees appears to be a priority as evidenced by eighteen companies that report holding regular employee meetings, and twenty-one reporting the use of performance appraisals to provide performance feedback.
- Even in a difficult economic environment, fifteen companies reported having training budgets totaling \$2.3 million, with a median budgeted amount of \$373 per employee.
- Fifteen companies reported a training budget for 2010 totaling \$2.3 million with \$79,000 reported coming from government sources.
- Twenty one companies reported conducting formal performance appraisals for employees.

As this is the first employment practices survey, we are unable to make comparisons to prior periods or address changes as companies add, drop or modify their programs and practices. However, with continued participation and feedback to better frame and target the survey items to be of use to participants, the summary reports should grow in value to participating organizations.

This year in contrast to past years the survey was broken into two parts, the Wage & Benefit Survey was completed earlier in the year to make it easier for members to complete. Participation is what gives these reports value and the more members that take part the more accurate and helpful the data will be. The 2011 Wage & Benefit Survey is right around the corner, please watch for more information and be a participant.

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More Personnel Matters

DOL "Interpretation" of FMLA Rules Expands Protections for Non-Traditional Families

From Jacksonlewis.com

The U.S. Department of Labor has issued an Administrator's Interpretation of the FMLA Regulation that includes "in loco parentis" relationships as part of the FMLA's definition of "son" or "daughter". It also has issued a Press Release announcing this is a "win for all families no matter what they look like."

Slight But Significant Detail

The DOL seems to re-write an important provision of Section 825.122(c)(3) of the FMLA Regulations, which became effective on January 16, 2009. That section defines "in loco parentis" as including those "with day-to-day responsibilities to care for and financially support a child." (Emphasis added.)

The Administrator's Interpretation states, "[T]he regulations do not require an employee who intends to assume the responsibilities of a parent to establish that he or she provides both day-to-day care and financial support in order to be found to stand in loco parentis to a child."

Thus, according to the DOL Administrator, the word "and" should be interpreted to mean "or" in Section 825.122(c)(3). Only time will tell if courts agree with such an interpretation.

Additional Complications

Prior to the June 22 Administrator's Interpretation, employees have not been foreclosed from arguing that individuals standing in loco parentis to a child covered under the FMLA could take FMLA leave for the birth or adoption of that child or to care for a child with a serious health condition. Absent a further interpretation from the DOL, individuals taking FMLA leave because they stand in loco parentis to a child are not subject to the FMLA regulations (Sections 825.120(a)(3) and 825.127(d)) that limit the amount of leave to a combined total of 12 weeks (or 26 weeks to care for an injured service member); those limitations apply only to a "husband and wife" working for the same employer. Thus, for example, an employee who is the biological parent of a child and a grandparent or same sex partner standing in loco parentis to that child each would be entitled to take the full complement of 12 workweeks of FMLA leave upon the birth or placement of the child. While this is not new, it may create additional complications under the DOL's broader interpretation of in loco parentis

Thus, for example, an employee who is the biological parent of a child and a grandparent or same sex partner standing in loco parentis to that child each would be entitled to take the full complement of 12 workweeks of FMLA leave upon the birth or placement of the child.

Consumer Price Index - June 2010

				<u>Point</u>	<u>%</u>	<u>% Increase</u>
Wage Earners & Clerical	<u>Jun.'09</u>	<u>Jun.</u>	<u>May.</u>	<u>Increase</u>	<u>Month</u>	<u>Year</u>
1967=100	628.42	636.96	637.81	-0.85	-0.1	1.4
1982-84= 100	210.97	213.84	214.12	-0.28	-0.1	1.4
All Urban Consumers						
1967=100	646.12	652.93	653.56	-0.64	-0.1	1.1
1982-84=100	215.69	217.97	218.18	-0.21	-0.1	1.1
Hudson Valley Unemployment Rate for June 2010 = 7.5 %						

Legislative Matters

"The Business Council agrees that Empire Zones needed further reforms, and understood that the state's commitment to the program would be reduced, but this is a huge reduction in resources at a time when New York needs to invest in job growth."

Business Council says Excelsior Jobs Program Inadequate

From The Business Council of New York State, Inc.



"The economic development program agreed to by the Governor and legislature will limit New York's ability to compete in the race to create and retain jobs as the nation moves out of the recession," said Ken Pokalsky, senior director of government affairs for The Business Council of New York State, Inc.

"The new Excelsior Jobs program is capped at \$50 million dollars in credits per year, significantly lower than the previous Empire Zone program. This is a very modest program that is likely to fall short in promoting new investment and new jobs, particularly upstate," added Pokalsky. "The Business Council agrees that Empire Zones needed further reforms, and understood that the state's commitment to the program would be reduced, but this is a huge reduction in resources at a time when New York needs to invest in job growth."

The Business Council supports some elements of the new program, including the program's targeting of industrial sectors and the inclusion of a capital investment-based eligibility criteria.

However, in addition to the overall cap, The Business Council is concerned that the real property tax credits in the new program will be inadequate to offset the adverse impact of New York's high property taxes on potential development. New York's local tax burden, largely driven by the property tax, is 78 percent above the national average. For many businesses their property tax bill is their largest single tax. These high costs often make New York too expensive for potential development or expansion projects.

Financial Reform Largely Exempts Manufactures – Though Regulators May Have the Final Word

The Senate voted to approve the Dodd-Frank Wall Street Reform and Consumer Protection Act and President Obama is expected to sign the Bill. In an effort to shore up the 60 votes needed in the Senate, House/Senate conferees reopened the conference report on June 29 to remove a bank tax and replace this revenue source with an increase in FDIC fees and an earlier termination date for the TARP program.

The final conference report includes language clarifying that only non-financial companies predominantly engaged in financial activities will be subject to prudential regulation. Manufacturers, along with their pension plans and captive finance affiliates, generally are exempted from new regulations on derivatives. While there is some concern about language in the final bill on margin requirements, House Agriculture Committee Chairman Collin Peterson (D-MN) clarified that the bill does not give regulators the authority to impose capital and margin requirements on commercial end-users. On other derivatives issues, a "de minimis" exception ensures that manufacturers engaged in a small amount of swap dealing with or on behalf of customers will be exempt from new rules. While the Senate likely will pass the conference report later this month, enactment is not the end of the process.

The final legislation gives regulators significant authority to implement the bill. In addition, conferees already anticipate that follow-on legislation to address technical corrections will be necessary. The NAM will work with regulators to see that the legislation is implemented in a way that does not harm manufacturers and to obtain any needed technical changes.

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
 or call (845) 565-1355 for more information.

More Legislative Matters

Manufacturers Welcome National IP Enforcement Strategy: Combats Intellectual Property Theft Confronting Manufacturers in the United States

By Jeff Ostermayer NAM.com

The National Association of Manufacturers (NAM) President John Engler issued the following statement today on the Obama Administration's release of its National Intellectual Property (IP) Enforcement Strategy:

"Manufacturers lose billions of dollars each year due to counterfeiting and IP theft. We commend the leadership of Vice President Biden and Intellectual Property Enforcement Coordinator (IPEC) Espinel as they put forward a first-ever strategy on this critical issue. Aggressive enforcement of IP laws and regulations both here in the United States and around the world is key to U.S. global competitiveness and the success of manufacturers in the U.S.

"The strategy highlights the need to ensure that global supply chains are secured and protected and that IP can continue to be a driver of the U.S. economy through innovation and the creation of manufacturing jobs. One of our top priorities is to combat the growing threat of product counterfeiting and piracy around the world, especially in China. IP theft overseas continues to harm U.S. exports and negatively impact our ability to create jobs.

"The NAM strongly supported the creation of the IPEC position as part of the PRO-IP legislation in 2008, and we are pleased to see this program coming to life to strengthen inter-agency coordination on these critical IP issues. The NAM has created a new International IP Task Force, comprising large and small member companies working for a more effective and aggressive U.S. approach to fighting international counterfeiting and piracy. We look forward to working with the Administration as it fully implements this strategy."



The NAM has created a new International IP Task Force, comprising large and small member companies working for a more effective and aggressive U.S. approach to fighting international counterfeiting and piracy.

House Approves Legislation to Increase Training for "High Demand" Industries

By Josh Cable, Industry Week

The U.S. House of Representatives on July 19 approved bipartisan legislation that aims to help industries meet their skilled workforce needs by connecting public- and private-sector stakeholders in various industry clusters.

The "Strengthening Employment Clusters to Organize Regional Success" ("SECTORS") Act, H.R. 1855, would set up a grant program through the Department of Labor to provide funding for partnerships between businesses, unions, educators and the public workforce system to coordinate training activities in "high-demand and emerging industries," according to the House Education and Labor Committee. Eligible partnerships could receive up to \$2.5 million in grants for the first three years and up to an additional \$1.5 million thereafter.

U.S. Reps. Dave Loebsack, D-Iowa, and Todd Platts, R-Pa., introduced the bill, which is an effort to "drive industry growth and competitiveness by aligning training and education with actual local employers' needs," according to the Education and Labor Committee.

Energy Matters

Long-term prices, which are less impacted by short-term weather, have actually fallen during this same period and Calendar Strips for 2012 and 2013 are at or near all-time lows.

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Energy Market Overview: *Lock in Now – Or Wait?*

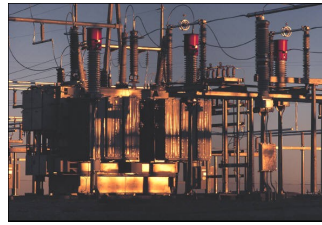
By Direct Energy Business

Now that summer has started, the market's focus has shifted to weather, which has increased the volatility of near-term prices. After trading in a narrow range for almost three months, July 2010 natural gas futures rose from below \$4.00 on May 25, to a high of \$5.20 on June 15, before expiring at \$4.71 on June 28, 2010. Long-term prices, which are less impacted by short-term weather, have actually fallen during this same period and Calendar Strips for 2012 and 2013 are at or near all-time lows. The forward curve for both natural gas and electricity has become flatter—near-term prices have risen while long-term prices are down slightly.

The weather has been a bullish factor for near-term prices in several ways. June has been very hot overall and should be the hottest on record on a population-weighted basis. Forecasts for July, August and September are calling for above-normal temperatures from the desert Southwest to New England. Meteorologists are also predicting a very active hurricane season. The National Oceanic and Atmospheric Administration (NOAA) has predicted 14-23 tropical storms, 8-14 hurricanes and 3-7 major hurricanes. This is far above both last year and the historical averages. A key driver of these forecasts is the development of La Nina or below-normal Pacific Sea Surface Temperatures, which can dramatically impact global weather.

In terms of natural gas storage, the recent heat has reduced natural gas storage injections. Inventories are now behind last year's levels but remain well above longer-term averages. As of June 25, 2010, storage was at 2.684 Tcf. Current inventories are 1 percent below last year but 12.0 percent above the 5-year average. In terms of natural gas production, drilling activity has slowed down in response to the low price environment and has been relatively flat over the last three months. Domestic produc-

tion is now slightly ahead of its pace from a year ago. Horizontal drilling (mostly shale) is up 114 percent compared to a year ago, while vertical drilling (traditional) is down 3 percent from the end of 2009.



At current price levels, many traditional sources of natural gas are not economical to produce.

The BP oil spill in the Gulf has had minimal impact on the natural gas and electricity markets thus far, however, a slowdown in the recovery of the economy has contributed to recent price weakness by slowing the growth of commercial and industrial energy demand.

The Outlook

Short-term natural gas and electricity prices will be subject to significant volatility through summer and hurricane seasons. Thus far, spikes in short-term electricity prices have been more frequent and severe in the Northeast, as compared to prices in Texas and California. Strong domestic natural gas production, combined with the continued weak economy, have helped maintain high storage levels—albeit slightly below last year—so there is a significant supply buffer at this point in time.

Despite strong U.S. production, supply balances are vulnerable due to low prices. After summer projections of 4.0 Bcf/day, liquefied natural gas (LNG) imports have dipped below 1.0 Bcf per day, as cargoes have been diverted to other markets with higher prices than the U.S. On a longer-term basis, Canadian imports are expected to continue their long-term decline due to falling production output. Conventional or vertical drilling, which still comprises more than 60 percent of U.S. supplies, is declining due to less-attractive economics than shale.

Another item that could impact supply balances is an increased demand from gas-fired electrical generation.

Continued on page 15

CI Calendar—What's Ahead

Aug 4	Power Factor Improvement Seminar — 8:00 -10:00 am at Central Hudson, Poughkeepsie, NY. Cost \$15 for members. Contact Harold King at hking@councilofindustry.org or call (845) 565-1355 to register or for more info.
Aug 23	The Council of Industry's Annual Golf Outing — Registration and Lunch will begin at 11:30 followed by a shotgun start at 12:30 at the Powelton Club, Newburgh, NY. Cocktails and a light dinner will follow at approximately 5:00 pm. Cost: \$135 per person or \$540 for a foursome. Sponsorships opportunities are available.
Sept 17	HR Sub-council Meeting: Immigration Issues — 8:30 - 10:30 am, location to be announced. No cost for members. Call (845) 565-1355 or e-mail abulter@councilofindustry.org to register.
Sept 22	Refresher Training: DOT Hazardous Materials - 8:30 am–12:30pm at Dutchess Community College, Poughkeepsie, NY. Cost: \$120 for a single participant, \$110 each for two or more from the same company. Instructor: HRP Associates.
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Oct 15	EHS Sub-council Meeting: OSHA Update — 8:30 - 10:30 am, location to be announced. No cost for members. Call (845) 565-1355 or e-mail abulter@councilofindustry.org to register.
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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 + click the course title.

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Member Profile

By broadening their focus, Pawling Corporation was able to avoid the fate of many of their early competitors, who focused solely on supplying the automotive industry, and who eventually found themselves bankrupt.

Member Profile: Pawling Corporation

Founded: 1945

Location: Pawling, NY and Wassaic, NY

Website: www.pawling.com , www.presray.com

When Pawling Rubber Company was founded in 1945 by Raymond Thornburg and Smith Johnson, there were fifteen employees manufacturing gaskets for ammunition cases for the military in a 25,000 square foot building. Since that time the company has evolved in to Pawling Corporation -Engineered Products Division, Pawling Corporation – Architectural Products Division, and Presray Corporation with a combined workforce of over 300 employees and two plants totaling 400,000 square feet of manufacturing space. The transition wasn't always easy.

In the beginning Pawling Rubber Company manufactured basic rubber extrusions, but as the business grew, it became more vertically integrated. They began mixing their own rubber and added several product lines such as matting, wall protection systems, and inflatable rubber seals. In 1955, Presray Corporation was acquired, adding the niche business of highly technical rubber seals used in applications such as aerospace, nuclear power, and powder bulk manufacturing equipment. By broadening their focus, Pawling Corporation was able to avoid the fate of many of their early competitors, who focused solely on supplying the automotive industry, and who eventually found themselves bankrupt.



Women assembling Parco – Link mats in the 1940's.

It is this diversification into a variety of sectors that has helped Pawling survive the ups and downs of the past sixty-five years. Throughout this time there have been many successes with the company branching out into new product lines, but there have also been painful failures. A key set back occurred in the early 1970s when a roof over the Rubber Mixing Department collapsed from ice buildup and a week later potentially salvageable ingredients were lost to a flood. The silver lining to this story is that it helped spur the development of Presray's flood barriers.

In 2005, the company was reorganized into two main business groups: Pawling Engineered Products and Pawling Protective Systems. The Engineered Products group is located in Pawling, New York and manufactures a spectrum of technical rubber and silicone seals and gaskets that are used in dozens of industries, from the critical seals in a nuclear power plant to seals used in equipment which manufacturer semiconductors. The Protective Systems Division is located in Wassaic, New York and supplies impact protection products and specialty doors sold in the construction industry. The most prevalent product from this group would be the wall guards, hand-rails, corner guards, and protective wall sheeting found in most hospitals and nursing homes. While the two business groups operate independent of each other, the overall entity comprises Pawling Corporation.

Pawling Corporation continually has development projects underway to ensure that their products remain relevant and competitive.

Continued on next page

The Architectural Products Division is currently working on replacing entire product lines of PVC plastic products with other materials deemed more “green.” According to Jason Smith, president of Pawling Corporation’s Architectural Division and Presray Corporation, “This is a very large initiative that requires new material formulations, new machinery, new tooling, new certifications by agencies such as UL (Underwriters Laboratory), and essentially a new outlook on the whole manufacturing process. We have made large investments to undertake these types of initiatives, but we feel the payback, both financial and competitive, will be acceptable.” The Engineered Products Division has a project in the works as well which will aid the growing environmental testing industry.



A Banbury mixer in the Custom Mixing Division in the 1980’s.

Besides staying on the cutting edge of technology, it is also important to stay on top of the various regional issues, federal regulations, legal and political trends that can make manufacturing a difficult proposition, especially in New York State. Pawling Corporation has been a member of the Council of Industry since 1952 and has come to rely on the Council’s training programs to keep their staff educated on the full spectrum of ever changing regulatory laws to remain compliant. “Other non-regulatory training programs such as the Six Sigma courses on Lean Manufacturing represent the most current management training available anywhere,” Smith explained. “Just like we try to do with our business, the Council of Industry works hard to stay current and competitive in a fast changing landscape.”

Pawling Corporation has a global market for their products and this is an area where many companies have difficulty, especially since manufacturing in New York State is significantly more expensive compared with many other areas of the world. Pawling feels the key is to stay out of products and industries that have been commoditized by the flood of low cost providers. “We have had to get out of some of our traditional rubber manufacturing capabilities in response to these pressures. For our more niche products, global competition is a double edged sword,” said Smith. “When it makes sense we outsource manufacturing to lower cost areas in order to maintain a competitive advantage. In general, this era of global competition has led to us taking a rather militant view of cost control and overhead expenditures. This is the reality of our times.”

Yet Pawling Corporation is doing well in these times. They are a company that is easy to do business with (and that isn’t always easy). They want the process to be smooth for customers from looking at the website or brochures, to finding and ordering replacement parts. The key is good clear marketing materials, quality products, and competitive pricing, all supported by reliable customer service. Of course this takes a lot of hard work performed by their dedicated workforce. “I am continually impressed and proud of the work our employees undertake,” Smith said.

It is not just any one thing that has made Pawling Corporation successful for the past sixty five years, it is the combination of diversification, vision, dedication and hard work that has kept the company continually growing, evolving and thriving.

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Financial Matters

The current economic conditions are as stable as a person trying to cross a tight rope on stilts in a wind storm while juggling interest rates, debt level, inflation and unemployment. One false move, and bam: a 1,000 point down day in the stock market.

"The Goldilocks Dilemma"

By Mark A. Grimaldi, Fidelity Navigator

Today, a couple would each have to work only 34.1 hours per week at the now current minimum wage of \$7.25 per hour to cover a mortgage payment for the median U.S. home price of \$177,900, at the prime lending rate of 3.25%. I have always said home prices are directly tied to income and interest rates. Look at the correlation of median home prices to prime lending rates to hours worked to the minimum wage; they are almost in exact balance. This is an economist's dream, for now.

The problem is that in order to reach equilibrium, the government had to:

- 1) Cut the fed funds interest rate to zero.
- 2) Pass two stimulus packages totaling almost \$1 trillion.
- 3) Raise the minimum wage by a rate five times the rate of inflation.
- 4) Stop COLA adjustments for the tens of millions of Social Security recipients.
- 5) Push the federal debt to almost \$13 trillion.
- 6) Devalue the dollar to historic lows.

The Government has put the economy in a very precarious position, what I call the "Goldilocks dilemma."

My economy is too hot - If the economy heats up too fast, the excess demand will drive up consumer prices which will cause inflation and higher interest rates. This will drive home prices even lower and create Credit Crisis II.



My economy is too cold - If the economy stays cool for too long, the lack of consumer demand will push unemployment to much higher levels. The national debt will grow and income tax rates will rise. This will create deflation, followed quickly by hyper-inflation, as the dollar plummets to historic lows.

My economy is just right - If the economy grows at just the right pace (2.00% to 2.50% annually), inflation will stay at a manageable pace (3.00%), interest rates will rise gradually (0.50% per year) and unemployment will drop by 2.00% per year. All of this would support the housing market and create millions of new tax payers a year to assist in reducing the national debt.

Unfortunately, I believe the second scenario is most likely to occur because of the massive government debt, or "overhead," as I like to call it.

The current economic conditions are as stable as a person trying to cross a tight rope on stilts in a wind storm while juggling interest rates, debt level, inflation and unemployment. One false move, and bam: a 1,000 point down day in the stock market.

Now the bad news, I have yet to mention taxes – the most dreaded part of the equation. If anyone really believes that taxes on all levels are not going up, please share what you are drinking with me. Whether they are called taxes, fees, surcharges, dues, fines, expenses, tariffs, contributions or levies; these are taxes plain and simple. Taxes are going up and then up some more, not just on the rich, but on everyone. I do not know of a way to stop it at this point. Every American will pay more, not because the government bailed us out, but because we now need to bail the government out. We do not need higher taxes, we need more tax payers.



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Manufacturing Matters

The Five Biggest Myths about Lean Process Improvements

By Parthi Damodaraswamy, Business First of Louisville



Although the lean production system has been around for more than a quarter-century, myths and misunderstandings persist.

Here are five of the biggest misconceptions about lean:

Myth No. 1: Lean = layoffs

A basic premise of lean is that people are an organization's most important asset. Lean focuses first on improving people — helping workers develop the problem-solving skills that will enable them to make continuous process improvements.

Done right, lean offers a way of escaping the endless cycle of hiring when demand is up and firing when demand is down. Developing a dependable, stable work force enables the lean organization to develop a higher level of skill. Each team member becomes a more valuable employee, capable of more flexibility and increasing the responsiveness and capacity of the organization.

Myth No. 2: Lean works only for manufacturing

Although lean began as a way to improve manufacturing, its principles have been applied with great success in a wide variety of organizations, including offices, medical facilities, distribution operations, professional firms, service industries and more. That's because just as a manufactured product goes through a series of fabrication and assembly steps, a service product

also goes through a series of steps as it is being prepared for a customer. In both cases, if you can make the "product" flow through those processes more quickly, it gives the company a better capability to satisfy customers.

Myth No. 3: Lean is expensive to implement and maintain

Unlike many other process-improvement systems, lean does not require a large investment in training or equipment. In fact, some of most-effective lean solutions are simple and inexpensive to implement. For example, by reducing inventory and rearranging product flow, Rev-a-Shelf, a Louisville-based manufacturer of residential cabinets and storage products, increased warehouse capacity by 23 percent. The extra capacity plus other lean improvements enabled the company to double sales growth without adding headcount or expanding facilities.

Myth No. 4: Lean adds stress for workers

Let's be honest, change is stressful. So when management introduces a new way of doing things, whether it's the lean way or some other new system, workers are going to be skeptical and concerned. After all, it's their jobs that are on the line. But a basic premise of lean is that workers know the work best. And so in a lean system, employees have an active role in the decision-making process. They not only make some decisions once reserved for management, but they also participate in setting goals and measuring results. Properly implemented, a lean system improves work flow, levels out workloads and provides a pathway for promotions and career enhancement.

Myth No. 5: Lean is just the latest fad

Lean is no flash in the pan. When lean first started gaining widespread acceptance in the United States, Ronald Reagan was president, the Dow Jones Industrial Index was at 1,500, and two of the top-selling car brands were the Oldsmobile Cutlass and the Pontiac Grand Prix. Oldsmobile and Pontiac are gone, but lean is more popular than ever.

Developing a dependable, stable work force enables the lean organization to develop a higher level of skill. Each team member becomes a more valuable employee, capable of more flexibility and increasing the responsiveness and capacity of the organization.



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Member Benefits

"The Council of Industry is happy to be working with Westfair and HV Biz. This partnership will help us to inform Hudson Valley residents of the wide variety of products that are made in the region and the important role manufacturing plays in our economy."

Spreading the Word about Hudson Valley Manufacturing

For the past three years the CI Newsletter has featured a variety of Council members in its member profile article each month. In an effort to promote manufacturing throughout the Hudson Valley the CI Member Profile will now also appear once a month in the weekly HV Biz newspaper. Council of Industry members will also receive several complimentary copies of HV Biz during the next few months.



HV Biz is an award winning weekly newspaper that has been in publication since 2007 covering business news in Rockland, Dutchess, Putnam, Orange and Ulster counties. Beyond covering local business news, HV Biz is a publication with the mission to bring its readers and the local, county and state officials a comprehensive view of the region's economic vitality on a weekly basis. It is one of three successful weekly business journals published by Westfair Business Publications, Westchester County Business Journal and Fairfield County Business Journal being the other two. All three newspapers are available online at Westfair's website www.westfaironline.com.

The Council of Industry member profile articles are a brief glimpse of member companies, what products or services they offer, how they got their start and have changed through the years, and what their latest projects are. Past articles can be found on the Council's website at <http://www.councilofindustry.org/newsletters.html>.

This collaboration is geared towards letting Hudson Valley businesses and business leaders that may never come in contact with local manufacturers realize just how vital industry is to the Hudson Valley economy. Harold King, Executive Vice President of the Council of Industry said, "The Council of Industry is happy to be working with Westfair and HV Biz. This partnership will help us to inform Hudson Valley residents of the wide variety of products that are made in the region and the important role manufacturing plays in our economy."

"We are delighted to be working with the Council of Industry. Our mission, at HV Biz, is very much like the council's; to provide access to a variety of business opportunities, news and information. Together we can aim to increase that access and bring more recognition to the dynamic and exciting Hudson Valley in which we live and work," Dee DelBello, CEO/publisher Westfair Communications.

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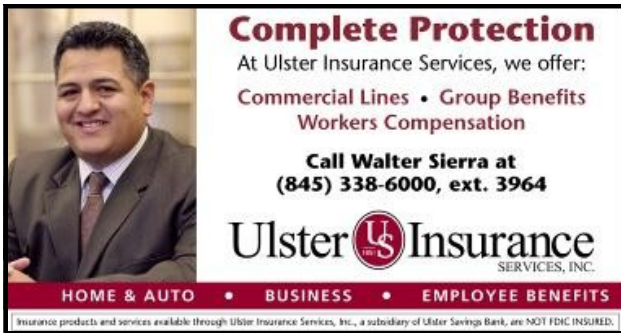
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Continued from page 1 NAM

• **The United States will be a great place to manufacture, both to meet the needs of the American market and serve as an export platform for the world.** Manufacturing shipped a record \$5.8 trillion in 2008 (\$1.6 trillion in value added) and provided 11 percent of the nation's GDP. Exports of manufactured goods have driven the 2009-2010 economic recovery. An effective manufacturing strategy will promote domestic manufacturing that serves the U.S. and the increasingly integrated North American markets, while also supporting companies that export and expand abroad to serve foreign markets. In both cases, maintaining a strong manufacturing base requires a comprehensive energy strategy, robust infrastructure investment and skilled employees.

To meet these objectives, the Strategy calls for tax policies that bring America more closely into alignment with other industrial nations and major manufacturing competitors. It recommends government investments in infrastructure and innovation and a focus on trade policy that opens global markets. The Strategy also addresses energy, education and other priorities in its comprehensive call to action.

The Strategy draws these policies together and explains in clear and forceful terms what is at stake for manufacturing in the United States. Each of the priorities and policy recommendations included in Strategy will improve the ability of manufacturers in the United States to compete in the global economy and build America's manufacturing base – and the innovation, prosperity and jobs that spring from it.

The NAM is sharing the Strategy with Congress, the Administration, state governors, think-tanks and other organizations and is calling on candidates for office and opinion leaders to support and publicly endorse it. NAM member companies also are encouraged to share it with their employees and local communities. "Most important, once elected, advocates for manufacturing should seek to implement the Strategy through their actions and votes," said Engler.

Continued from page 1 Golf Outing

Conveniently located just off Route 9W in Newburgh, NY, the course is presently 6,063 yards in length with a rating of 70.0 and having a slope of 129.0. The design is both challenging and memorable with quick greens, tight fairways with deep rough and troublesome pin placements.

The Council's golf outing is also an excellent chance for Hudson Valley Manufacturers and their associates to meet and mingle. Becoming a sponsor of this event is also an excellent way to show your support of Hudson Valley Manufacturing and have your companies name linked with one of the most enjoyable outings of the season.

To register for the 2010 Council of Industry Golf Outing, contact Alison Butler at abutler@councilofindustry.org or call (845) 565-1355. The cost to attend is \$145 per person or \$540 for a four-some. Sponsorships make this event possible and there are a variety of sponsorship levels still available, contact Alison for more details.

Continued from page 8 Energy

If natural gas prices dip too low, gas-fired generation will be more economical than coal-fired generation and demand will increase. This occurred in Q4 of 2009 and has the effect of keeping a floor on prices. The cheaper the gas, the more coal displacement that will likely occur. Evidence suggests that switching begins to occur when gas prices are at \$4.50 however the opposite trend appears to have occurred when natural gas prices were above \$5.00.

Fixed Price Customer Considerations

Despite recent volatility, both near- and long-term prices remain at levels not sustained since 2001–2003. For customers who are waiting for a repeat of the 2009 pattern, which resulted in a final severe dip in September, keep in mind that 2009 was a very mild summer with a non-existent hurricane season. In addition, the economy was worse last year, which resulted in a tremendous storage glut, therefore a repeat of this scenario is unlikely. Even so, one would have wait out the three risky summer months, during which time anything could happen, in order to determine if a repeat of Fall 2009 prices is even possible. On the other hand, although still at a premium versus the near-term, long-term prices are at current record lows and are worth considering. Remember, trying to time the bottom of the market can be very difficult and if the bottom is behind us, waiting for a return to the previous lows can be a mistake.

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