

B U S I N E S S V O I C E



Vol. 10, No. 1

January 2007

2007 Outlook: Business Confidence in NJ Erodes Further, NJBIA Survey Finds

Business confidence in the State's economy and the State's business climate has fallen to the lowest levels since the early 1990s, NJBIA's 2007 Business Outlook Survey has found.

Employers participating in the survey voiced growing concern about the near-term economic outlook at all levels—from the US economy to their own companies—but reserved their bleakest assessment for New Jersey. Fifty-one percent of survey respondents said they expect State economic conditions to deteriorate in the first half of 2007, while only 12 percent anticipate improvement. This is the most downbeat assessment since the 1992 recession. However, most respondents who expect a worsening of conditions anticipate that it will be only moderate.

"In the midst of an economic slowdown, our members see more of the same ahead: very slow growth," said NJBIA President Philip Kirschner, who presented the findings to the media, including reporters from the *Associated Press*, *The Record*, *Gannett*, *New Jersey Network*, and *The Star-Ledger* among others, during a recent news conference at NJBIA's Trenton headquarters.

Collectively, the 1,700 employers responding to the survey also expressed less optimism in the outlook for their own sales, profits, and employment than they did last year. In fact, collective expectations for sales and profits have fallen to the lowest levels since the 2002 survey. Nonetheless, the overall expectation is for continued growth, but at a very slow pace.

Respondents as a group gave New Jersey the lowest marks on record as a place for business expansion. Only 17 percent said the State is a good place for the expansion of business facilities, down from 28 percent in the preceding three surveys.

Respondents also gave very low marks to State government for its performance in key areas of fiscal responsibility, including its ability to control government spending and taxes, as well as its ability to control the high cost of health insurance, regulatory compliance and energy. Asked to list their worst problems, respondents said their worst problem was the high cost of health insurance, closely followed by property taxes and the high overall cost of doing business in New Jersey.

Kirschner noted that this year's decline in confidence follows a sharp loss of confidence found in last year's 2006 Business Outlook survey. That survey uncovered one of the most dramatic shifts *(cont'd on page 2)*



NJBIA President Philip Kirschner (right) chats with Governor Jon Corzine at NJBIA's Public Policy Forum just before the Governor's keynote address.

See page 4.

HR 101 Seminar 'The Basics'

March 9

(See page 6)

HIGHLIGHTS

	Page
'Get the Full Benefit' by Joining an NJBIA Issue Network	2
Assembly Passes Property Tax Reform Bills	3
Corzine, Menendez Headline 2006 Public Policy Forum	4
Ask the Experts: How to Lower Your Company's Electric Bill	6
Site Visit: Hudson Awnings Makes Stylish Covers	7
UPCOMING EVENTS: Meet Governor's Office Decision Makers and Legislative Leaders	8

Business Outlook (cont'd from page 1)

from optimism to pessimism for the State and national economies in 22 years of survey data.

"In hindsight, it is apparent that our members sensed the onset of the economic slowdown that now confronts us," Kirschner said.

The economic slowdown can be seen in New Jersey's slow rate of employment growth. According to State economic data, total private-sector employment in New Jersey grew by just 13,900 jobs in the first 11 months of this year, a gain of four tenths of one percent. This is one-third of the national average rate of private-sector job growth.

The 2007 Business Outlook Survey questionnaire was distributed to NJBIA's 23,500 member companies in September 2006. The survey findings are based on the first 1,700 responses. Respondents came from every industry and every region of the State. Three quarters of the responses

came from small companies with one to 24 employees. Among other survey findings:

Sales: Forty-three percent of companies expect sales to rise in the year ahead versus 49 percent in the previous survey, while 29 percent foresee declines versus 25 percent in the previous survey.

Profits: The outlook is even less rosy for profits. A little over 37 percent said they expect profits to increase in 2007, versus 43 percent in the previous survey, while just below 36 percent project a decline versus 32 percent in the previous survey. A net 2 percent expect profits to improve.



NJBIA President Philip Kirschner fields questions from members of the press while presenting the findings of NJBIA's Business Outlook Survey.

Employment: About 21 percent said they expect to hire more workers in 2007, compared with 24 percent last year, while 12 percent anticipate making cut-backs, compared with 10 percent last year.

Own Industry: Respondents are not as pessimistic about their own industries as they are about the State economy as a whole. Nevertheless, they are less optimistic about prospects for their own industries than they were at this time last year, with overall confidence falling to the lowest point since the 1991 survey. Twenty-four percent project better times ahead in 2007, compared with 27 percent last year, while 34 percent believe conditions will deteriorate, compared with 32 percent last year.

Business Climate: When asked how they view New Jersey as a place to expand their business facilities, only 17 percent rated the State as "good" or "very good." This is down from 28 percent during the three preceding surveys and is the lowest rating for the entire 1985-2007 survey period.

MEMBER
BENEFIT

GETTING THE FULL BENEFIT

Spotlight on NJBIA Member Benefits

Join an NJBIA Issue Network!

Sign up for one or more of NJBIA's free electronic Issue Networks to keep up with the latest and most important news and information in your area of interest—and at your convenience.

These e-mail bulletins give you quick, relevant, easy-to-read information in 11 key areas, from healthcare, human resources and energy to taxation, environmental compliance and manufacturing.

As an Issue Network member, you will:

- Find out what's happening before it makes news headlines
- Link to valuable business resources
- Get updates on pending laws and regulations
- Receive compliance guidance on new State laws
- Learn valuable best business practices

To subscribe to one of our Issue Networks, visit our online subscription form at www.njbja.org/issuenetworksjoin.asp, or call Sandy Lavery at 609-393-7707, ext. 221.

Legislative Update

Assembly Passes Property Tax Reform Bills But Leaves Gov't Benefits & Pensions to Negotiation

Assembly members passed numerous property tax reform bills in voting sessions held in December, but the measures are still awaiting action in the Senate, which will probably address them by February. Some of the property tax measures that received approval are:

- **A-4 (Roberts)**, which would make it easier for local governments to share services;
- **A-5 (Conaway, Stack)**, which would improve accountability for how local public schools spend taxpayer dollars; and
- **A-15 (Wisniewski)**, which would create a commission to recommend mergers and regionalization of municipalities and services.

The Senate is expected to take up these bills shortly. The Legislature still must tackle some of the

most contentious reform issues, such as creating a State comptroller, reforming education funding, and capping property tax bill increases.

The joint legislative committees studying property tax reform had made important recommendations to reform public employee pensions and healthcare costs, such as raising the retirement age to 62 and requiring employees to pay something for their health insurance premiums. The Governor, however, desires to address these issues in collective bargaining with State employee unions, where it is questionable whether significant savings can be achieved.

Legislators are trying to finish many of the reform issues before Governor Corzine introduces his budget on February 27, which is

expected to include funds to cut property tax bills for homeowners making less than \$100,000 per year by 20 percent.

From the beginning, NJBIA has pushed for reductions in local government spending and not simply shifting taxes onto the business community. While business property owners will not benefit directly from property tax relief offered to homeowners, many of the reform bills are aimed at reducing costs, which could reduce the amount by which property tax bills increase.

For more information on property tax reform in New Jersey, visit the Property Tax Facts section of the NJBIA Web site at www.njbia.org/issues_property.asp.

Senate Panel OKs Legislation to Ease Small-Business Rule Burden

NJBIA-backed legislation that would ease the regulatory burden for small businesses was released recently by the Senate Economic Growth Committee. **S-1335 (Sarlo, Kyriillos)/A-2327 (Chivukula)** would make several changes to the way State agencies make rules that affect small businesses. It now heads to the full Senate for consideration.

The New Jersey Regulatory Flexibility Act requires State departments and agencies to recognize the impact regulations have on small business. S-1335/A-2327 would require agencies to simplify and consolidate reporting requirements for small businesses when adopting or revising regulations. Most importantly, the bill would grant small businesses adversely impacted by a regulation the right to challenge the rule in court. Small businesses could petition the Appellate Division of the Superior Court within 90 days after the date of final agency action to force a department to adequately assess the impact of the rule on small businesses.

"The judicial review finally gives teeth to the Regulatory Flexibility Act," NJBIA Vice President David Brogan said. For more information, contact David Brogan at ext. 236, or dbrogan@njbia.org.

Quote of the Month

"It is our position that if the Legislature has granted certain pension benefits, the Legislature should be able at the very least to review them."

- Senate Republican Leader Leonard Lance at the NJBIA Public Policy Forum, countering the idea that changes to public employee pension benefits must be negotiated.

NJBIA Public Policy Forum

Corzine Promotes His Economic Growth Vision, Menendez Highlights Tax Deductions at Forum

Governor Jon Corzine promoted his economic growth policies, US Senator Robert Menendez highlighted recently approved federal tax deduction extensions, and legislative leaders debated property tax reform at NJBIA's annual Public Policy Forum held on December 12.

NJBIA also honored State Senator Paul Sarlo and Assemblyman John Wisniewski with its

Paul L. Troast Award for their work on behalf of manufacturers, and AT&T Vice President Charlene Brown with its Leonard C. Johnson Award for her leadership of NJBIA's research affiliate, the New Jersey Policy Research Organization Foundation (NJPRO). Nearly 300 NJBIA members and State VIPs attended the event.

In his keynote address, Corzine said he was committed to changing the business climate in New Jersey. In his first year in office, he fully restored net operating loss tax deductions, eliminated the alternative minimum assessment, and reduced tax rates for S corporations. His Economic Growth Strategy, unveiled in September, seeks to make it easier to do business in New Jersey. At the same time, the Governor acknowledges that New Jersey must improve its business climate.

But Corzine made it clear that in his view New Jersey is a great place to do business, with access to the world's most lucrative consumer market and home to the smartest workforce and the most entrepreneurial people in the world.

"There is a reason we have the highest



NJBIA President Philip Kirschner presents AT&T Vice President Charlene Brown with the Association's Leonard C. Johnson Award.

median income in the country," Corzine said. "We ought to be selling ourselves as a place to do business."

Corzine said his Administration is committed to building on New Jersey's core assets by accelerating the regulatory approval process. He said the State is establishing partnerships like the Edison Fund to invest in high-tech and bio-tech companies, and the Urban Fund, focusing on small businesses and urban areas. He also said that New Jersey should be a bigger export State. He pledged to expand local economic opportunities in Asia and South Asia.

"We ought to be the home base for international business," he said.

During the morning program, Menendez, in his first major policy address since the November election, said the new Democrat-controlled Congress would be more open and work in a more bipartisan fashion.

"We have already seen examples in the waning days of this past Congress of how a much more bipartisan voice at the table can make a positive difference," he said. The new Congress recently passed a tax bill extending numer-

NJBIA Thanks its Public Policy Forum Sponsors

Gold Sponsors

NJM Insurance Group/NJM Bank FSB
Verizon

Sponsors

AT&T
Atlantic City Electric
Altria Corporate Services, Inc.
BP America, Inc.
ConocoPhillips Bayway Refinery
Constellation NewEnergy
Delta Dental of New Jersey, Inc.
Fidelity Investments
Insurance Council of New Jersey
JCP&L... A FirstEnergy Company
Johnson & Johnson
Lockheed Martin
New Jersey American Water
New Jersey Economic Development Authority
New Jersey Natural Gas
New Jersey Primary Care Association
Oyster Creek Generating Station
sanofi-aventis
Schering-Plough Corporation
South Jersey Industries
Troast Realty Services, Inc.
United Water
Valero Refining Company - NJ
Wakefern Food Corporation

(cont'd on page 5)

ous popular tax deductions and credits that had previously “been held hostage to other political priorities.” These include a research-and-development tax credit and a tax deduction for more energy efficient buildings.

The legislative leaders panel, moderated by 101.5 Radio Correspondent Kevin McArdle, focused on the prospects of property tax reform. Assembly Speaker Joe Roberts said some issues, such as revamping the school funding formula and capping property tax bills, will be resolved in January or February, but by the end of December the Assembly had passed many of the property tax recommendations issued by the four joint legislative committees. He singled out one of the reforms, which gives county school superintendents responsibility for pupil transportation.

“That’s one example of something that I think will result in real change, and hopefully result in real savings for the business community as well,” Roberts said.

His counterpart, Assembly Republican Leader Alex DeCroce, countered that the plans did not go far enough, considering that not all homeowners would be eligible for a proposed 20 percent tax deduction in property tax bills. “I don’t think there’s anything in this process that’s going to help the business community,” DeCroce said.

Senate Majority Leader Bernard Kenny disputed the notion that the 20 percent tax credit for certain homeowners would not benefit business. Providing such a benefit to the middle class would increase their purchasing power and improve the economy.

“To just write that off as being of no use to the business community is a fallacy,” Kenny said.

Sarlo and Wisniewski Earn Troast Award

NJBIA presented State Senator Paul Sarlo and Assemblyman John Wisniewski with its 2006 Paul L. Troast Award for actions they have taken to support New Jersey manufacturers.

The Troast Award is presented annually to public servants who have made outstanding contributions to the State and its business community.

While many lawmakers have supported the Association’s *Manufacturing Counts!*

Campaign for Manufacturing Renewal, Paul Sarlo and John Wisniewski became its leaders in the Legislature. They created the Manufacturing Caucus, which now has 70 lawmakers in both houses and from both parties. The Caucus encourages legislators to support and promote bills that help promote manufacturing success. Both have championed pro-manufacturing issues within their respective chambers and helped pass legislation to assist manufacturers. They also have worked to lower the cost of doing business in New Jersey.

Just as importantly, they have been enthusiastic participants in NJBIA’s manufacturing site visit program.



Bergen County State Senator Paul Sarlo (left) and Middlesex County Assemblyman John Wisniewski (right) accept NJBIA’s Paul L. Troast Award from Association President Philip Kirschner. Sarlo and Wisniewski were honored for their work on behalf of New Jersey’s manufacturers.

He added that the committees recommended not eliminating the uniformity or fairness clause and not authorizing local sales taxes, which would have hurt business the most.

Senate Republican Leader Leonard Lance, meanwhile, said he was disappointed the Governor had taken many public employee health and pension benefit issues off the table so he can negotiate them with the unions, including some that are in law and the Legislature had authorized. “It is our position that if the Legislature has granted certain pension benefits, the Legislature should be able at the very least to review them.”

The Forum also featured two concurrent panel discussions. The political outlook panel featured

State Democratic Party Chair Joe Cryan, Republican State Party Chair Tom Wilson, Rider University Political Science Professor David Rebovich, and Politifax Publisher Nick Acocella. The other panel on the State economic outlook featured Steve Kalafer, chairman of Flemington Car and Truck Country; Rae Rosen, senior economist with the Federal Reserve Bank of New York; and Dan Levine of ADP (Mintax) Inc. Kalafer illustrated the importance to the economy of pension and benefits reform for public workers by saying, “If I gave those benefits to my 1,400 employees, I would be operating at a significant loss, and within three years, 30 years worth of my retained earnings would be dissipated.”

ASK THE EXPERTS!

By Sara Bluhm, Asst. Vice President Energy & Federal Issues



Q- My electric bill keeps going up. What can I do to help control costs?

A. I often hear this question from members. Over the past several years, energy prices have continued to escalate. There are a few simple things a business can do to help control these costs.

Energy Audit

When was the last time you conducted an energy audit for your business? An energy audit helps your company make informed decisions about where to upgrade equipment, install weather stripping or make other energy-efficiency improvements. Audits allow projects to be identified that can result in annual energy savings and lower bills.

For commercial and industrial customers, free energy audits are available from Rutgers University. Rutgers' Manufacturing Extension Program also conducts site visits and provides recommendations regarding energy efficiency, waste minimization and pollution prevention. Any manufacturing facility in New Jersey can benefit from these no-cost energy and pollution prevention assessments. For either program, contact the Rutgers Center for Advanced Energy Solutions at 734-445-5540 or visit www.caes.rutgers.edu.

The US Department of Energy's "Save Energy Now" campaign is underwriting Energy Savings Assessments at the nation's most energy-intensive manufacturing facilities. The assessments identify ways to immediately save on energy costs by focusing on steam and process heating systems.

Simple Changes

An energy audit can range from simple corrections to complex engineering modifications. With various paybacks and price implications, a company has to weigh its options and budget for energy savings.

One of the easiest energy-saving steps a company can take is to change its light bulbs. Switching from a regular light bulb to a compact florescent bulb can save electricity and money. More complex solutions will save more energy, but have longer payback periods. For more information, visit www.njsmartstartbuildings.com to see what changes qualify for additional rebates.

Third Party Supply

Many large companies have elected to switch from their traditional utility company and shop for natural gas and electricity from a third party supplier. As an exclusive member benefit, NJBIA offers POWER NJ. Member companies whose monthly electricity bills are at least \$5,000 can lock in pricing and protect themselves against the volatility of an unpredictable energy market.

For more information, contact NJBIA's Jeanne Jespersen at 609-393-7707, ext. 220, or jjespersen@njbja.org.

Ask the experts is a periodic feature of the Business Voice offering practical advice based on questions frequently asked by NJBIA members.

HR 101: An Introduction to Managing Human Resources

Friday, March 9, 2007

Attention HR Managers

For the small or mid-size company, NJBIA is offering this seminar on the fundamentals of managing your human resources. We've brought together experienced HR practitioners to tell you best practices in formulating company policies, hiring and firing workers, managing benefits, and handling employee disputes. They will share their experiences and the important lessons they've learned about what works and what doesn't. Two of New Jersey's top employment lawyers will cover the "basics" that every company should have in place.

The seminar will run from 8:30 a.m. to 12:30 p.m. at the Sheraton in Eatontown, NJ, near exit 105 of the Garden State Parkway. The cost is \$109 per person for NJBIA members, \$139 for nonmembers. For more information or to register, contact Alex Hollywood at 609-393-7707, ext. 252. Sponsorship opportunities are \$1,000 for NJBIA members, \$1,500 for nonmembers. To become a sponsor, contact Sherry Esteves at ext. 219.

NJBIA Site Visit

From Macy's to the Movies, Hudson Awning Makes Custom Built Shades with Plenty of Style

"Everything we produce, we make right from here," says Ed Burak, President of Hudson Awning & Sign Co., Inc., an NJBIA member company for 50 years. "Everything is custom made."

"Here" is a rectangular back room about the size of a convenience store situated along a narrow residential side street in Bayonne. And "everything" is pretty much every awning for major store chains like Macy's and Charlie Browns restaurants, as well as selected awnings for the sets of a dozen or so major films like Spider-Man 3.

During a recent NJBIA site visit with State Senator Joseph Doria, who is also Mayor of Bayonne, and Bayonne Economic Development Director Michael O'Connor, Burak showed how this small manufacturer services some of the biggest companies in the retail, service and building industries throughout the region.

All of Hudson's awnings are custom designed and custom built. Two engineers in an office next door design each awning from scratch, and then send the plans to the shop. Four welders create the metal frames according to the engineers' specifications, and then cut them in parts for transportation. Afterwards, workers apply graphics to fabric and staple the covers to the metal frame.

It sounds very simple, but over its 125-year-history, Hudson has had to learn how to fulfill some unusual requests.

Take the awnings for Ruehl, for example. Ruehl is an upscale clothing store that's part of the

Abercrombie and Fitch Company and Hudson's workers are putting together a black awning with the company's name spelled out in foot-high gold letters.

Linda Burak, Vice President and Ed's wife, holds up the fabric, turning it towards the overhead lamp. "This is real, 23-karat gold," she says. "Where the light shines on that lettering, the name just shimmers. It costs more than the whole awning."

Then there's the movie business. As Ed Burak explains it, he did one small job for a movie company a few years ago and the contacts he made there opened up a whole new line of business. Movie sets often have specific requirements for awnings. For The Producers, Hudson made an awning that could support one of the actors, but still drape in such a way that it did not look reinforced.

Hudson often recreates old-style awnings for movies set in historical time periods, like *Mona Lisa Smile* and *A Beautiful Mind*. It is currently making 1950s-style awnings for the film *American Gangster*, which is being filmed in and around New York City. In fact, much of Hudson's business comes from the greater New York area, making Bayonne an ideal location.

Doria recognized the Hudson building right away, but not as a small manufacturer. "As a kid, I came in here with my mother to shop."

He made sure the company

was part of Bayonne's Urban Enterprise Zone program, which provides qualified businesses with reduced sales taxes and other benefits. Doria and Burak also discussed some of the challenges of being a small manufacturer.

For Hudson, finding quality people to do the work is the hardest part.

"We have never laid anyone off," he said. "We have done nothing but add to our staff."

Doria suggested contacting some of the area vocational-technical schools and high schools for entry-level workers.

Whatever the challenges, Burak takes a special satisfaction in the custom work his company produces.



State Senator Joseph V. Doria, Jr. (center) chats with Hudson Awning & Sign Co. President Ed Burak during an NJBIA site visit. Also pictured are company Vice President Lynda Burak and Michael O'Connor (center back), head of the Bayonne Economic Development Corporation.

"It's really fun once the pressure (of finishing a job) is off," Ed Burak said. "We enjoy ourselves because we can look at it and know we created that. It isn't like you're making widgets and putting them in a box."

NJBIA Programs & Benefits

Visit *Events and Seminars* at www.njbia.org to register for events online.

MEET THE DECISION MAKERS SERIES 2007

Find out what the Corzine Administration has planned for New Jersey over the next year. In four separate breakfast meetings, you will hear from Governor Jon Corzine's key advisors and cabinet members. Each breakfast will run from 7:30 a.m. to 10:00 a.m. at Forsgate Country Club in Monroe Township. The cost for each breakfast is \$69 per person for NJBIA members and \$105 for nonmembers. For more information, contact Stacy Wichner at 609-393-7707, ext. 213. Call Sherry Esteves at ext. 219 to become a sponsor. Attend one or all of these events. Meet representatives from the different exhibiting divisions of these departments to help address your specific questions.

Wednesday, February 21 — David Socolow, Commissioner, NJ Department of Labor & Workforce Development.

Friday, March 23 — Bradley Abelow, State Treasurer.

Wednesday, April 11 — Representatives of the Governor's Office: **Thomas Shea**, Chief of Staff; **Ken Zimmerman**, Chief Counsel; **Heather Howard**, Policy Counsel.

Wednesday, October 3 — Lisa Jackson, Commissioner, NJ Department of Environmental Protection.

MEET THE LEGISLATIVE LEADERS SERIES 2007

At these briefing breakfasts, you will hear from legislative leaders who pass the laws that impact your business. Health insurance costs. State and local taxes. Environmental fees and permits. Energy costs. Whatever the issue, these are the people who will decide how to resolve them. Each event will begin at 7:30 a.m. with a full breakfast and a brief overview of NJBIA's legislative agenda, presented by NJBIA Senior Vice President Melanie Willoughby. A panel of legislative leaders from the area will offer their thoughts and answer your questions. Legislators from throughout the region will also be invited to attend, making these tremendous networking events. The programs will end at 10:00 a.m.

Central Jersey

Tuesday, April 17 — Forsgate Country Club, Monroe Township, Speakers TBA.

Wednesday, September 26 — Forsgate Country Club, Monroe Twp. **Hon. Richard Codey**, Senate President, and **Hon. Joseph Roberts, Jr.**, Assembly Speaker.

North Jersey

Wednesday, April 25 — Holiday Inn, Newark, Speakers TBA.

South Jersey

May 8 — The Mansion, Voorhees, Speakers TBA.

The cost is \$69 per person, per event for NJBIA members, \$105 for nonmembers. To register, contact Stacy Wichner at 609-393-7707, ext. 213. Contact Sherry Esteves at ext. 219 to become an event sponsor.

NEW GOOD NEIGHBOR DEADLINE EXTENDED

NJBIA's 2007 New Good Neighbor Awards Competition

The nomination deadline for NJBIA's 2007 New Good Neighbor Awards Competition has been extended to February 16, 2007. NJBIA's 47th Annual New Good Neighbor Awards competition will recognize companies that have worked to bring about an improved business climate in New Jersey by building, expanding or renovating a commercial facility. Plants, offices, commercial buildings, and shopping centers may be nominated. Construction or capital expenditures at the nominated facility must have been completed between January 1, 2005, and December 31, 2006. Request a nomination form from Katie Wittkamp at 609-393-7707, ext. 239, or visit www.njbia.org.

FRIDAY, MARCH 9

HR 101: An Introduction to Managing Human Resources

This seminar on the fundamentals of managing your human resources is designed for small to mid-size companies. We've brought together experienced HR practitioners to tell you best practices in formulating company policies, hiring and firing workers, managing benefits, and handling employee disputes. Two of New Jersey's top employment lawyers will cover the "basics" that every company should have in place. The seminar will run from 8:30 a.m. to 12:30 p.m. at the Sheraton in Eatontown (near exit 105 of the Garden State Parkway). The cost is \$109 per person for NJBIA members, \$139 for nonmembers. To register, contact Alex Hollywood at 609-393-7707, ext. 252. Contact Sherry Esteves, ext. 219, to become a sponsor.