



# THE WIRE



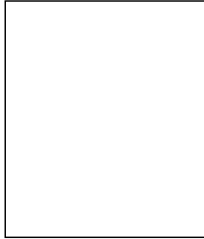
Published Quarterly by the Northern New Jersey Chapter, NECA, Inc.

Volume 9, Issue 1

Spring 2007

## Message from the President

By John J. Murphy



Like many throughout the country, each year I find myself caught up in the frenzy of that rite of spring. "March Madness." I have always enjoyed the spectacle of the NCAA Basketball Tournament, the unbridled enthusiasm and spirit of college kids laying it all on the line when one loss sends you packing. For the players and coaches involved, everything is at stake in the unforgiving do-or-die format that allows no margin for error. The fact that many of these games come down to a few key possessions only

adds to the frenetic atmosphere. And hidden just below the surface of the excitement lies a lesson with practical application for our own industry.

With all of the attention directed to the action on the court, it is often the coaching and the "game-within-a-game" where strategic decisions make the difference in contests that frequently turn on a defensive stop here or a brilliantly executed "alley-oop" dunk there. It is often the cool calculation on the bench directing the collective skill and the passion of the players that makes the difference on the court. The ability to sense subtle changes in the tempo of a game, when to step on the gas and, of equal importance, when to apply the brakes to an opponents run. When the pre-game strategy, carefully crafted in the controlled environments of the film room and practice court, unravels in the pressure and organized chaos of actual game situations, victory often goes to the side better able to adapt to the challenges of such fluid conditions. Such adjustments have often been the deciding factor in spectacular upsets sending the most talented teams home short of the championship to which they aspire. And while they are conducted on the fly, there is nothing arbitrary or accidental about these adjustments. Instead, they are engineered by experienced, resourceful coaches who spot subtle yet important game trends and devise strategies to seize opportunities or to counter challenges as presented. And how can a coach gain the breathing space necessary to implement such strategies? By using the timeouts he has at his disposal judiciously and to full effect.

This is an appropriate parallel to our industry because we are in competition against our non-union counterparts just the same as the college teams are battling for supremacy on the basketball court and, make no mistake, we need to alter our strategy. Here in northern New Jersey, we in the organized electrical construction industry are watching the game get away from us. Our non-union competition is gaining strength as they have expanded beyond the residential and light commercial markets to challenge us on even the largest projects. They have accomplished this in spite of the long odds they face because their workforce is generally recognized to lack the talent to which we have long been accustomed. Even worse, construction users angered by our most recent contract settlement have advised us that we are out of control and have decided to invest their construction dollars in other regions of the US. While this does not show up as work lost to the non-union competition, it is work that we will never have a chance to win back.

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## Shifting Markets & the Electrical Contracting Industry

### Impact of Shifting Markets on Contractor's Profitability

Dr. Perry Daneshgari & Michelle Wilson

A market's size and its characteristics have been primary indicators of any industry's health since the early 20th century. Understanding the characteristics and changes in the markets is an important element of a company's ability to perform profitability and productively.

Market share is a measure of the performance of an organization relative to its competitors in a particular industry. In order for any organization to develop a strategy that will allow it to expand or recover its own share of the market, the entire Economic Market Size and its trends must first be correctly and consistently recognized and compared using a common definition. Then to regain or expand market share, all the root causes of erosion or shifts have to be addressed.

#### Identifying the Market

The methodology used to accurately measure the electrical construction market size and its trends was developed by MCA, Inc. through a research grant sponsored by Electri International (a non-profit electrical construction organization). By identifying and selecting data sources that would provide the most reliable, repeatable, nationally and locally available data, a methodology was developed that would identify the "Economic Market Size" allowing for the accurate calculation of local, regional or national market sizes, and from that, the market share.

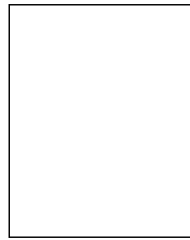
#### The Market Shift

The market measurements show a very clear shift in construction market in early 1960s, **Figure 1**. Over 50% of the dollars spent in the construction market in 1955 were spent on industrial construction as compared to the merely 28% on industrial construction in 2005. **(Figure 2)** Mirroring the trend in the construction market that saw a shift from industrial to commercial - residential construction in the 1960's, the electrical construction market made its own shift from over 50% industrial work to over 50% commercial and residential work in the late 1990's **(Figure 3)**.

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## Executive Director's Report

Roger Simonds



Well, today is the first day of spring and although the temperature and amount of snow on the ground doesn't reflect it, at least the calendar does. I just read a copy of President Murphy's column using the sports analogy of "March Madness" and how it pertains to our industry. Let me use the same analogy in a different context. As you are aware, in the

immediate future, Eric and I along with our third-party observer, Lou Acocella will be commencing collective bargaining negotiations with Local Unions 102 and 164. One major point that we will strive to impress upon our labor counterparts is that over the last four years, while total package labor rates have gone up \$16.00/hour, gross labor payroll hours have dropped in all areas. The result of one market share survey that has been conducted for this Chapter also shows a correlation between increased total package rate and decreased market share. And I must commend all of you. While you have made it very clear that the last settlement was economically disastrous, you have also been women and men of your word in honoring your bargaining commitment to the IBEW. Unfortunately, having said this, two locals feel that a monetary increase is necessary and warranted by their rank and file. Now, that's real "March Madness"! Another complaint is that there haven't been substantive changes to the CBA's work conditions that help the employer's overall job productivity. I don't claim to be an economist but I do recall from a macroeconomics class (or was it microeconomics?!) that an increase in wage and no increase in productivity is inflationary. I also realize that giving more money to an already inflated total package rate is not the answer. Incidentally, I also took a logic course in college but I have not had the opportunity to use anything I learned since working in labor relations!

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## Northern New Jersey Chapter NECA

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### Executive Committee

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President..... John J. Murphy  
Vice President..... Neil C. Vitale, P.E.  
Treasurer..... Ernest Badaracco, III  
Secretary..... Joseph A. Lacerenza

### Chapter Staff

Executive Director..... Roger Simonds  
Asst. Executive Director.... Eric J. Sivertsen  
Office Manager..... Sheila Woodall  
Administrative Assistant... Monica Margaritis  
Support Staff..... Claudia Delgado

## SAFETY CORNER:

By Sheila Woodall

**Good News** not only travels fast but also far! The NNJNECA-IBEW-OSHA Partnership recently received an inquiry from Local Union 1547, IBEW in Alaska. We're moving in the right direction!

**Congratulations** to the following members who have re-applied as participants in the Partnership:

**Red Platform Level** K. O'Connor - Star-Lo Communications

**White Platform Level** N. Mangelli - C & N Mangelli, Inc

L. Weinstock - Linear Electric Co Inc

**Blue Platform Level**

J. Guempel - Eii, Inc.

J. Pignatello - Schoonover Electric Co Inc

**Programs:** The Mini Trade Show was cancelled. However, the Committee is sponsoring a half day seminar "Saving Lives and Saving Money!" in May 2007. Look to see you there.

**Injury & Illness Survey**—Please complete and return the survey as soon as possible. The Committee will use the data to formulate programs to address the issues that occur most frequently.

Until next time remember **Safety pays...**

### Legislature Turns Focus To Prevailing Wage Issues

NECA representatives have been actively engaged in the legislative process, as leaders in Trenton have been debating a number of prevailing wage issues lately. NECA has successfully worked with legislative sponsors, the NJ Department of Labor, and other industry groups to achieve good public policy, beneficial to NECA members.

Assembly Bill 3890, sponsored by Assemblymen Egan and Van Drew, as well as Senator Doria, has passed both houses and awaits the Governor's signature. This legislation requires that the prevailing wage law shall apply to any contract for construction or renovation work on property owned by a public body, even if the property is leased by a private entity, and the private entity enters the contract.

Another bill which has passed both houses after significant input by the construction industry, including NECA, is S2458/A3889 which is sponsored by Senators Madden and Karcher, as well as Assemblymen Egan and Van Drew. This initiative has been commonly referred to as the "Alter Ego" bill. The legislation strengthens the existing prohibition against any contractor or subcontractor who has been debarred from public work for violations of the prevailing wage law from using a firm in which the debarred person has an interest from circumventing the debarment.

The bill provides a number of criteria which would be deemed a rebuttable presumption that the entities are related. These would include such items as having the same telephone and fax number, employing the same administrative employees, or lists the same work experience to be pre-qualified from a public entity. NECA was instrumental in crafting amendments affording contractors adequate due process protection without compromising the overall spirit and effectiveness of the legislation. Under the amended version of the bill, contractors will receive notice of an immediate suspension and will be given 72 hours to request a hearing to present evidence why a suspension should not be ordered. The bill was also amended to make sure that the immediate suspension of a contractor's registration shall have no effect on the registration of any contractor or subcontractor, regardless of tier, in the contractual chain with the suspended contractor. This legislation has also passed both houses and is on the Governor's desk awaiting his signature.

NECA leaders also met recently with Assemblyman Larry Chatzidakis to discuss a bill which he has sponsored which would require the BPU to

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# NECA Calendar

## APRIL

### 4/15-18 NECAEASTERNREGIONALMEETING

PLACE: NASSAU, BAHAMAS

### 4/24 FINANCE COMMITTEE

PLACE: CHAPTER OFFICE (MOUNTAINSIDE)

TIME: 10:00 AM

### 4/26 EXECUTIVECOMMITTEE/BOARD OF DIRECTORS/NECA-ASAMEETING

PLACE: CHAPTER OFFICE (MOUNTAINSIDE)

L'AFFAIRE (MOUNTAINSIDE)

TIME: EXECUTIVE COMMITTEE 2:00 PM

BOARD OF DIRECTORS 4:00 PM

NECA/ASA MEETING 6:00 PM

## MAY

### 5/1 AMF TRUSTEES

PLACE: CHAPTER OFFICE (MOUNTAINSIDE)

TIME: 10:00 AM

### 5/8 MONMOUTH-OCEAN DIVISION

PLACE: COLTS NECK INN (COLTS NECK)

TIME: 5:30 PM

### 5/15 HIGHLANDS DIVISION

PLACE: BASKING RIDGE CC (BASKING RIDGE)

TIME: 12:00 NOON

### 5/17 HUDSON-BERGEN-ESSEX DIVISION

PLACE: STONY HILL INN (HACKENSACK)

TIME: 12:00 NOON

### 5/18 MIDDLESEX DIVISION

PLACE: GIRASOL (BOUND BROOK)

TIME: 12:00 NOON

### 5/22 TDB TRUSTEES

PLACE: CHAPTER OFFICE (MOUNTAINSIDE)

TIME: 10:00 AM

## JUNE

### 6/14 EXECUTIVECOMMITTEE/BOARD OF DIRECTORS/MEMBERSHIPMEETING

PLACE: CHAPTER OFFICE (MOUNTAINSIDE)

L'AFFAIRE (MOUNTAINSIDE)

TIME: EXECUTIVE COMMITTEE 2:00 PM

BOARD OF DIRECTORS 4:00 PM

CHAPTER MEETING 6:00 PM

(Continued from Front Page, Market Share...)

### Effects of the Market Shift on Competition

The electrical contractors' historical approach to market dominance has been that of supply-side control. This practice was very useful during the era when the industrial work, which required a specialized workforce, dominated the electrical market. The market shift, however, has drastically reduced the requirements for the threshold of entry and level of expertise. The expanding commercial - residential market is driven by the customer's demands for growth and does not require the same proportion of specialized electricians. Fast timelines and less specialized work allow new players to enter the market with less technical expertise, increasing the competition and tightening margins while simultaneously developing the long term relationships for future work.

### Impact of the Market Shift on Profitability

The market shift has dramatic impacts on the profitability of the contractor due to both the nature of the new markets and the skills required by different types of work. The portion of electrical work in each type of construction, as well as the profitability of the work, varies greatly according to location and the characteristics of the available work. For example, over half of Georgia's available electrical market comes from the typically less profitable residential - commercial work, while three quarters of Alabama's electrical market is the more profitable industrial work. **(Table 1)**

### Effects of the Market Shift on the Labor Force

The measurable shift in the electrical construction market from industrial work to commercial - residential work has the following effects:

1. The commercial - residential electrical construction work does not require as many specialized electricians per dollar as does the industrial work. Appropriate utilization of a less technically skilled labor force allows greater expansion into the commercial-residential market.
2. Portability and crew composite ratios play a much bigger role in the commercial-residential environment than in the industrial environment.
3. Management of the work force in commercial-residential work environment is much more critical than in the industrial work environment. In addition, the commercial-residential work environment requires the training and education of the workforce in managerial skills including material management and handling, people management, time management and others.

### Strategic Planning for the Market Shift

Recognizing and utilizing the significant differences in the market characteristics should be a core part of the strategic plan for any contractor operating in these markets. As each of the following factors has different effects in commercial-residential work than they do in industrial work, a contractor's strategic plan that allows for sustaining, regaining and expansion of the market share will require a very careful investigation into:

1. Environment (Markets)
2. People (Skills)
3. Process (Management)
4. Material (Handling)
5. Tools (Technologies)

Other industries have found that maintaining former levels in a specialized area while the market grows and expands has the inevitable effect of lost market share, and with the loss in market share comes a corresponding loss in competitiveness and profitability. Missing the market shift may well mean losing the market.

###

**Dr. Parviz (Perry) Daneshgari** is an Adjunct Professor at the University of Michigan and Executive MBA at Michigan State University. He holds an MBA (Wayne State), as well as a Ph.D. and an MS in Mechanical Engineering (Northwestern). In addition to his extensive work with NECA and its member contractors, Dr. Daneshgari authored The Chase, a study of product development redesign at a major automobile manufacturer. Perry is President of MCA, Inc. where he, **Michelle Wilson** and his associates continue to work with NECA and Electri? International to help union electrical contractors become more competitive through the application of methods to improve productivity and efficiency. Dr. Daneshgari is an outstanding friend of the Northern New Jersey Chapter and regularly conducts seminars for its Members including one scheduled for April 20 on JPAC.

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## Continuing Education

### **Have you satisfied the Continuing Education requirement?**

In addition to the customary 10 hours of required NEC instruction, you must have completed (with documentation attesting to that fact) 24 additional hours of Continuing Education by **March 31, 2009**. The following courses have already been scheduled. Future communications will announce additional seminars.

### **Principles of Job Productivity & Assurance Control (JPAC)**

**Instructor:** Dr. Perry Daneshgari  
**Date:** April 20<sup>th</sup>  
**Time:** 8 am – 4 pm  
**Where:** Chapter Office  
**Credit(s):** Six (6) Hours

### **Managing Construction Delay Claims**

**Instructor:** Dr. Awad Hanna  
**Date:** April 23<sup>rd</sup>  
**Time:** 8 am – 4 pm  
**Where:** Chapter Office  
**Credit(s):** Six (6) Hours

### **Application of New Jersey Sales Tax**

**Instructor:** Mr. John Kelly  
**Date:** To be Announced  
**Time:**  
**Where:**  
**Credit(s):** Three (3) Hours

### **NFPA-70E Standard for Electrical Safety in the Workplace**

**Instructor:** Mr. Palmer Hickman  
**Date:** To be Announced  
**Time:**  
**Where:**  
**Credit(s):** Six (6) Hours

**Please note:** In order to reserve a seat for a seminar, the Chapter must be in receipt of both your registration form **and** payment. Please remember to bring your license and a picture ID to qualify for Continuing Education Credit. The Chapter is **not** allowed to award partial credit for courses under any circumstances.

(Continued from the Front Page, **President's...**)

Although men of good faith can and do debate whether we are holding a lead or whether we are falling further behind, it is clear that we have had the momentum wrested away from us. It is also clear that now more than ever, we need a "time-out" to arrest the non-union run threatening to knock us out of the game once and for all. And let me add that while we certainly need a "breather" and an opportunity to recover our focus, our sense of purpose, we must also make the tactical adjustments that will allow us to regain our footing in a changing industry. In a basketball game, the number of time-outs accorded to a team is limited and good coaches never waste them. They make judicious use of such opportunities to address weaknesses and pounce on openings presented by their opponents. Likewise, we must not only use a time-out to obtain some breathing space but, it is imperative that we use it wisely to adjust our strategy to meet the needs of the market place. If we fail to do this, to address the reasons for our slide, it is certain that our respite will be brief. The rest period and the fresh legs it gave us, will be fleeting because we will have never really addressed the factors that put us in this position.

With so much at stake, our market, our companies, our livelihoods and lifestyles, it is imperative that we take the opportunity to regain control of ourselves and our industry. This is an industry that has been good to our predecessors and, hopefully will be as good to generations of successors. With that in mind, let's use a "time-out" here (after-all, they do us no good in the locker room) and turn the game around. While it is up to the players to produce for us, and we have high expectations for their performance, without solid strategic direction our team will not succeed in the crucible of competition within which we are locked with our non-union counterparts. If we provide this direction, if we make the proper adjustments and "out-coach" our opponents, our unquestioned advantage in talent will ensure that we take back the dominance of an industry that should rightfully be ours. If not, we will certainly suffer the fate of the highly-seeded college team that approaches their contest with complacency and arrogance, a premature exit from the tournament at the hands of the hungrier, smarter underdog. Our IBEW partners in Locals 400 and 456, mindful of the fact that our industry is at a crossroads, have already called timeouts in an effort to halt the erosion of our market and regain the initiative. I hope our partners in Locals 102 and 164 will recognize the danger we face collectively and take this opportunity to employ their timeouts now before it is too late.

(Continued from Page 2, **Executive Director's...**)

However, as the bargaining process takes its course over the next couple of months, I do hope that all members will come to the meetings that are scheduled to be held shortly after each bargaining session. You may also recall the confusion and contentiousness that resulted from the method of negotiations employed last term. Hopefully changes to the Chapter By-Laws regarding negotiations will help tremendously in this area.

Finally, I must share one area of concern. On March 8<sup>th</sup> a Chapter Meeting was called for the purpose of determining the term and total package rate that you, collectively, would be willing to give during the negotiations process. Although this was the first time this new method was used (again, via the Chapter By-Laws), the meeting was poorly attended. I had hoped that for such a critical determination the room would be packed - it wasn't. My purpose here is not to scold you as members but to make you aware of the gravity of these meetings and press for your attendance. In my opinion, the greatest benefit of NECA membership is participation in the bargaining process and changes to our By-Laws offer greater participation than ever before. I also understand that the onus is on your negotiating team to not only do the best we can for your mutual benefit, but communicate our progress along the way. Wish us luck. Let the "Madness" begin!

(Continued from Page 2, **Legislature Turns Focus To Prevailing Wage Issues**)

establish a voluntary certification process for installers of Class I renewable energy systems. The bill was amended in the Assembly Labor Committee to require an Electrical License to participate in the program. NECA met with the sponsor to make sure that the language was crafted to protect the work rightly performed by electrical contractors without having a negative impact on other trades. NECA also wanted to clarify what Class I renewable installations should correctly require a license.

NECA representatives continue to provide pro-active representation for the industry in Trenton on a day to day basis, and have been working diligently on a number of other issues in addition to those outlined above.