

MAINE STATE LEGISLATURE

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REPORT OF
THE JOINT SELECT COMMITTEE
TO STUDY THE SHOE INDUSTRY

JANUARY 1986

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Table of Contents

Transmittal letter	
Introduction.....	1
Methods & Acknowledgements.....	2
Findings.....	3-14
Recommendations.....	15-26
Statement of Fact from Proposed Legislation.....	27-29
Appendix	
Resolve Establishing the Committee.....	A1-A2
List of Witnesses & Factories Visited.....	B1-B6
Company Letters Concerning Workers Compensation.....	C1-C10
State-by-State Business Incentive & Assistance Programs.....	D1-D5
State-by-State Analyses of Product. Exemptions for Sales & Use Taxes.....	E1-E2
State-by-State Analyses of Economic Development Staffing.....	F1-F4
State-by-State Analyses of Business Economic Climate.....	G1
<u>Managing Mature Industries Council of State</u> Planning Agencies & Stanford Research Institute...	H1-H3
Speech by Senator Tuttle.....	I1-I5
Memorandum from L. Stevens, Director, State Development Officer to Governor J. Brennan on organizing for economic development (Title: Business Development Finance).....	J1-J4
Article on Worker Retraining.....	K1-K3

INTRODUCTION

Principally because of the wage differential, but also, in some cases, because of fashion leadership, there has been a major shift in shoe manufacturing facilities from this country to abroad. Over 70% of shoes purchased in the United States are made overseas, a ratio considerably higher than for any other major industry. This trend has been accelerated in the last few years by the strong dollar and the elimination of restrictive import legislation.

A number of activities have been instituted at various levels of government to directly help workers who have become unemployed as a result of the closing of the plants in which they were employed. There has, however, been a minimum of activity to help the worker indirectly by helping the industry continue to produce shoes in the state. On January 31, 1985, a resolution sponsored by Senator John L. Tuttle of York was passed which called for a Joint Select Committee to Study the Shoe Industry. This committee was to report to the 2nd session of the 112th Legislature. The Committee was authorized to call on the State Development and Planning Offices, the Maine Development Foundation and the Department of Labor for assistance.

METHOD & ACKNOWLEDGEMENTS

The major working tools of the Committee were hearings with invited witnesses and a study of the activities of other states regarding their mature industries and, to a lesser extent, industry statistical data. Hearings were held in Augusta on the following dates: Aug. 15, Aug. 21, Sept. 18, Oct. 15, and Nov. 12. In total, 30 persons were heard from. In addition, there were visits on Sept. 23 and Sept. 26 to 4 factories. A listing of the witnesses and factories is in the appendix to this document.

Detailed materials were reviewed from the important shoe states of Massachusetts and Pennsylvania and the following heavily industrialized eastern states that have particularly advanced economic development programs; New Jersey, Connecticut and Rhode Island. Coincidentally, Massachusetts and Pennsylvania also have very progressive economic development programs. In addition to materials, William Currier, Director of the Massachusetts Division of Economic Stabilization appeared as a witness.

A separate booklet containing industry statistics and newspaper clippings is available in limited quantities from the Office of Policy & Legal Analysis.

The Committee expresses its thanks to all the industry people who took their time to appear before it, many of whom have very busy schedules and most of whom hold senior positions within their organization. The Committee would like to acknowledge the Center for Research & Advanced Study at the University of Southern Maine and, particularly, Jack Heald, a former industry executive, and now a consultant to the Center, for their efforts in putting together background material that allowed the Committee to plan its hearings and Mr. Heald for his assistance in identifying specific companies and individuals to appear at the hearings. The Committee found that little detailed information was available from State agencies and relied on the Footwear Industries of America and the University of Southern Maine for such data as it could obtain.

Lastly, the Committee would like to acknowledge the invaluable assistance of Valarie Parlin of the Office of Policy & Legal Analysis in taking care of all the mailings involved in arranging 10 committee meetings and sending out great amounts of background material.

FINDINGS

It is safe to say that the majority of the Committee came to this study with the attitude that, because of the number of jobs that the industry represents, this was a necessary study, but that, because of the poor prognosis for the industry, the study would indicate that little could be done. It is also safe to say that the Committee experienced a major shift in attitude as a result of the study. It is now felt that there is and will continue to be a viable shoe business in Maine based on a specialty shoe approach and that there are things the State can do to maintain the size of these specialty segments.

I. Attitude Toward the Industry

One witness best summarized almost the key finding of this study when, in response to the question of what can the State do for the shoe industry, he said "By holding these hearings you are already doing the most important thing, you are recognizing the importance of the industry to the State." What the Committee found on the part of the public, the media and the State government was a very negative attitude toward the industry that served no purpose, was damaging the industry and was, in many instances, not warranted. This negative attitude stemmed from 2 general sources:

1. An indifference toward mature industries and to companies already located in the State, which until the last several years has been an attitude common to all states.
- 2 A particularly negative and indifferent attitude toward the shoe industry stemming from the following:
 - a. An image of the plants as being sweat shops
 - b. An image of shoe jobs as being here today and gone tomorrow.
 - c. A feeling that the only solution is trade relief.
 - d. A feeling that the shoe industry future is probably hopeless, which has been aided and abetted by negative publicity generated by the industry itself in its efforts to attain trade relief.

e. A misunderstanding of life cycle of the shoe industry.

(1) The shoe industry is a mature industry, in that the use of the products it makes is not growing. It is not a sunset industry, in that the use of its products is not declining. It's decline is a decline of U.S. manufacturing, i.e. it is a competitive decline.

(2) Secondly, recent studies have indicated that many mature industries can be dematurized. This is most generally done by new ways of looking at the market, which often appears to require new management.

As a consequence of this thinking, the Committee has found, on the part of most state agencies an indifference, a lack of knowledge and, in some instances, an actual negative attitude. These attitudes are in danger of creating a self-fulfilling prophecy, i.e. the negative attitudes run a real risk of creating an actual negative effect on the industry. The Committee found virtually no company-by-company industry data to be available from State agencies and also found that what data there was came, somewhat surprisingly, from the Department of Labor. In addition to being surprising, the Committee felt that having that department as the source could well affect its use for and by the business community. On the other hand, the State Planning Office appeared to be most deficient in available data relative to its statutory mandate.

While there is some truth behind the reasons for these negative attitudes, there is no purpose served by it and it tends to disguise the facts that the shoe industry continues to be Maine's second biggest source of jobs and that certain segments of the industry are viable. The industry shouldn't all be tarred with the same brush.

It might be worthwhile to cite one specific example here of what is being discussed. A Bangor-based, major, successful manufacturer of quality, handsewn shoes for a major Maine-based wholesaler of shoes under their own name, reported their inability to obtain sufficient workers to meet their manufacturing needs. At the same time, unemployed shoe workers in the Bangor area were being trained in government sponsored programs for jobs in other industries. It appears that this was an intentional action based on a negative attitude toward the future of the shoe industry.

The Committee suggests:

1. That a State economic development strategy be prepared and submitted to the Legislature and that all agencies receiving state support be governed by this strategy.
2. That regulations be issued which will assure that policy decisions be made by appointed officials only with the concurrence of an elected official.

In addition to a problem of attitude toward the shoe industry which could result in policies to its detriment, the Committee sensed that there was an inadequate number of staff personnel in virtually all state level, state funded agencies with which it dealt. The result was that even when the attitude toward the industry was not negative, its low priority status resulted in its failure to receive attention.

II. The Maine Business Climate

The second most frequent suggestion made to the Committee concerned the negative attitude that the witnesses felt that the State had toward business. The following are the concrete reasons given for feeling that the State was negative toward business:

1. Most frequently mentioned was workers' compensation. One specific complaint given was that cases going to Mediation/Litigation are biased to favor the worker. Too much burden of proof is put on industry. Other comments are contained in the appendix in letters from Bass Shoe, Irving Tanning, Duchess Shoe, Etonic, Inc. and Knapp Shoe.

In general, the Committee found that the specific complaints received:

1. covered a range of topics and did not result in any one complaint receiving a lot of emphasis;
2. tended to deal with somewhat fringe issues;
3. often dealt with the attitude with which the program was administered rather than specific items.

In addition to individual complaints, a 1984 state-by-state study of manufacturing climates ranked Maine 45th in workers compensation levels and 46th in maximum workers compensation payments. (The higher ranking the more expensive the cost.)

The Committee recognizes that there was legislation passed on this subject in the first session. Therefore, it does not recommend any further changes at this time. However, considering the level of complaints received, it is suggested that a formal monitoring system be initiated which will provide evaluation data at a time when the new program is ready for review. The Committee suggests that the legislation be monitored against the following objectives:

- a. That the system is controlled by employers and employees.
- b. That it emphasizes rehabilitation.
- c. That it de-emphasizes the legal process
 - Tighter controls of entry into litigation.
 - Mandatory mediation in specific cases.
- d. That there are objective guidelines for use in claim analysis
- e. That a clear record is maintained of the portion of total expenditures that is being used in actual payment of claims.

An advertising and public relations program to counter what may be an overly negative perception of the state in this regard is also suggested, particularly in light of the new legislation.

2. Plant closing legislation. One witness stated that it was the banks that closed plants. It was not under the company's control. Written testimony referred to plant closing legislation as legislation against dying and that in virtually no state has this legislation been considered successful.

Maine is one of only 6 states with any plant closing legislation and one of only two states that mandates prenotification and the only one requiring severance payments. The Policy Office of the U.S. Department of Labor informed Committee staff that they oppose plant closing legislation. A leading publisher of studies on State policy reported that the legislation, in some instances, is being found "perverse" to the objectives of its sponsors.

3. Minimum wage. Witnesses said that the salaries that they pay do not even approach the minimum wage, so that the legislation served no purpose but sent a negative signal about the State's business climate.

4. Property tax. Industrial Development magazine reports that Maine is one of only 8 states that does have a uniform property tax evaluation law.

5. Energy tax. The largest tannery in the state has testified that their energy costs are 15% above the national average for tanneries. Several shoe manufacturers mentioned Maine's 5% tax on energy. An annual state-by-state study of manufacturing climates found Maine to be 41st of 48 states in energy costs.

6. Hazardous waste. Testimony was submitted that the environmental cost for the leading Maine tannery was 67% higher than the national average for tanneries. Maine is one of only 17 states that don't have accelerated depreciation for hazardous waste facilities at a rate greater than the federal rate. The state-by-state study previously referred to found Maine ranking 44th in environmental costs.

7. Welfare. Welfare was not specifically cited by any witness. However, the aforementioned state-by-state study ranked Maine 42nd on the negative impact of the size of welfare expenditures. This could well be another factor in the thinking of those witnesses who referred to Maine's bad business climate.

The Committee is not recommending specific changes on any of this legislation, although it does support pending legislation on the energy tax. The Committee is aware that it is confronting the same issue that has probably confronted similar groups looking at this subject, i.e. agreement that certain State regulations and policies result in a perception of the State as being unfavorable to business yet an inability to agree on removing any of the specific causal factors. The Committee found the issues raised to be too far reaching and to require more individual study than the Committee's mission or time allowed. Instead, it is being recommended that all current state statutes, regulations and policies be reviewed in light of their impact on the State business climate and business development. However, it is obvious that if progress is to be made on the image of the State's business climate, eventually some existing regulations must be modified and the Committee recommends that those concerned with the proposed review be prepared to make the needed changes.

In summary, Leslie Stevens, Director of the State Development Office made the statement before the Committee that present and future state legislation, regulations and tax policies must be considered and evaluated within a broader framework regarding their impact, particularly as they pertain to economic prosperity. The Committee concurs in this.

III. Education & Training

When the Committee got into the subject of what is needed for success in the shoe industry, it expected to hear that what was needed was new generation machinery, a major point in the arguments of the Footwear Industry of America in seeking trade relief, and/or more money. What the Committee heard instead is that what is needed is good management skills and good marketing skills. There is considerable evidence in the shoe industry supporting this position in the form of new companies bringing management and marketing into what were previously considered deadend areas, and, fairly quickly developing profitable businesses.

What was meant by good management is self-evident. What was meant by marketing skill is the application of classical marketing principles, such as practiced for many years in consumer packaged goods industries. To briefly state some of these:

1. Don't try to be all things to all people. Make a product that appeals strongly to one segment of the market. (The term, marketing niche, was often used.)
2. Make a unique product; one that can't or won't be duplicated.
3. Develop a brand name, ideally with the ultimate consumer. As a minimum, convince the trade that what you make can't be obtained elsewhere.
4. To be specific to the shoe industry, don't go after the mass market. It is a price market and one in which U.S. labor rates prohibit successful competition. Go after the smaller specialty markets.

There are two cautions to be offered here, however:

1. There is evidence that the straight transferral of packaged goods marketing techniques to shoes may not work. This evidence is supplied by the fact that the Committee heard testimony that 2 large packaged goods companies, Chesebrough-Ponds and Colgate-Palmolive, have had or currently have their shoe divisions, G.H. Bass and Etonic, for sale. (On January 15th, 1986, the Officer in Charge of Public Relations for Chesebrough-Ponds stated that G.H. Bass is not nor ever has been for sale.)
2. What was told to the Committee only indirectly was the fact that marketing niches seldom last forever. Most of the failures with which the Committee had first hand contact were companies whose market niche no longer was of meaning to the consumers. Companies must track changing consumer needs and be ready logistically and psychologically to change their niche. This is not easy. It often requires machinery and retraining and certainly requires a flexible mind-set.

A. Consortium

While the importance of education and training is certainly interesting, it raises the question of what role, if any, can the State play in helping the shoe industry. In the past the answer might well have been little role, since traditionally, states did not get involved in this aspect of private business. However, this is changing, as U.S. industries become hard hit by foreign manufacturing competition. In the last 2 to 3 years a number of states have instituted aggressive programs to make educational resources available to private industry. It is recommended that Maine bring its educational resources to bear on the educational and technological needs of the shoe industry. And it is recommended that State government take more of a lead role than in some other states initially in what should be a consortium of government, education and industry. This is because the State university system, while it does have some appropriate organizations in place, has not traditionally seen itself in this light and because the shoe industry in Maine is fragmented, in financial difficulty and is frequently in the hands of out-of-state ownership.

B. Economic Stabilization Activities of State Government

While a University based consortium would have major impact on the State's mature industries, one should not overlook the role that the State Development Office can play on its own to help the training needs of these companies. The federal government and a number of other states have added seasoned business executives to their payrolls and are offering advice, consulting and full management consultant studies of distressed companies. The following things have been determined in this regard:

1. It is important to seek out the distressed companies, as by the time they ask for help it is often too late.
2. Financial aid should not be given without a consulting agreement.
3. The consulting agreement will often preclude financial aid, in that it will either remove the need or determine that the aid would do no good.
4. It is important to help companies for which the help will do some good, not those who are beyond help.

5. The Committee suggests the following as guidelines for determining the companies that should receive financial aid:

- a. Able to remain in operation at least during the terms of the loan.
- b. Able to attain a positive cash flow.
- c. Able to be made profitable as a result of the financing.
- d. Able to repay.
- e. Have asset heavy investment.
- f. Not have excessive employee turnover or workforce fluctuation.

On the general subject of education and training, the state-by-state ranking of business climate previously cited ranked Maine 41st in Vo-Ed enrollment.

IV. Reasons for Optimism

The reader will probably sense in this report a greater optimism than media coverage of the industry, for instance, would have lead him to expect. What are some of the reasons?

1. The Shoe Industry in the United States. The Committee determined that there are a number of advantages for manufacturing shoes in the United States versus manufacturing them abroad.

- a. Small runs typical of specialty items are feasible in the United States but are uneconomic abroad.
- b. Because of the lead time in obtaining shoes from abroad, U.S. manufacturing provides greater flexibility to meet fashion changes.
- c. Reorders can be handled much more quickly.
- d. Small and partial orders can be accommodated.
- e. Money is not tied up in inventory as long.
- f. American technological knowledge continues to be superior.
- g. U.S. based companies should be more attuned to the U.S. consumer and to provide fashion leadership. Often this has not happened.
- h. Some evidence was presented of U.S. superiority in providing waterproof leather as opposed to water resistant. The Committee was not able to document this.
- i. Quality control and supervision is easier and better.

2. The Shoe Industry in Maine. The Committee feels that the shoe industry in Maine has certain inherent strengths and, through efforts of the State, can have others.

a. The handsewn casual shoe is currently the most viable segment of the Maine shoe market. Maine offers:

- (1) A pool of trained handsewers.
- (2) The reputation of an excellent workforce and of producing quality products that is consistent with this type of work.
- (3) A lifestyle and image that is consistent with this fashion.
- (4) An ability in hand sewing that has not been duplicated abroad.

b. Maine has the aforementioned reputation for good workers and producing quality products.

c. The industry is more important to the State of Maine than to other states, in that it is Maine's number 2 industry. Maine also has high visibility as a shoe state, in that it is the number one state in shoe manufacturing in the country.

The Committee suggests that the State make aggressive efforts to attract shoe manufacturing plants from other states and, particularly to attract the headquarters of shoe companies. This should be done:

1. By capitalizing on the above strengths plus Maine's quality of life.
2. By developing a Center for Mature Industries and a Fashion Institute in the University System.
3. By rescinding those laws and regulations whose benefits to the State are outweighed by the unfavorable image of the State's attitude toward business that they create.
4. By devoting the same attention to the industries that supply the shoe industry, so that Maine will be known as a State with good supplier support. The State must remember both the snowball and synergistic effects. When suppliers go shoe manufacturers go and when shoe manufacturers go suppliers go. When either goes, Maine jobs go.

This suggestion should not be construed as favoring aggressive pursuit of business in general from out of state. The Committee's findings are parallel to what appears to be the findings of many states and that is that the number one state business strategy should be to support its existing business. Number two should be the attraction of companies in industries where the State is already strong and number 3 is the attraction of industries which are particularly suited to Maine

or for which Maine has something unique to offer. The State needs to diversify its industrial base but the major thrust in this direction should come from assisting existing firms to diversify and secondly from encouraging the start up of new business.

V. Financing

A. In General

As stated, the Committee did not find financing to be a priority need of the industry. The following specifics were determined;

1. Financing is available for companies that meet a bank's standards. There is no operating bias against the industry.
2. Few companies are making loan applications.
3. Most companies have long term banking relationships.
4. Often these relationships are in New York.
 - a. New York has the expertise needed for the industry.
 - b. Maine banks don't do enough shoe business to warrant having this expertise.
5. Loans should receive preference over tax abatements. Specifically, long term loans are the ones that the industry has difficulty obtaining.
6. Some inducement to get banks to accept the loan is more important than low interest rates on otherwise acceptable loans.
7. Banks are more interested in a guarantee than in high interest rates for these risky loans.
8. Because of the poor collateral value of the types of loans required guaranteeing the bank 100% of a fixed portion of the total loan is preferable to the bank to guarantees less than 100% of the liquidated value of the loan (as FAME generally does).

B. State Pension Funds.

There appears to be a major trend to use State pension funds for economic development. Because financing was not a priority item and because use of the pension fund is complex and controversial, the Committee is not making recommendations in this regard. However, for others concerned with State economic development, this might be an avenue to pursue.

C. Bank Financing.

The Committee feels that it is desirable that financing for the shoe industry be through private sources. The States of Massachusetts and New Hampshire both utilize for this purpose private profit making corporations funded and owned by the banks in the State that are members. Both make loans to businesses that can't obtain them through conventional sources. In the case of

Massachusetts a tax abatement to member banks of 2% of the value of the outstanding loan was the initial inducement. In the case of New Hampshire the only inducement is the spreading of risk and the opportunity to contribute to the State's economic growth.

In New Hampshire the corporation is run by the bank members who set the interest rates for the loans. The board makes requests on the member banks for the funds necessary to satisfy the loan demands with a limit of 2 1/2% of a bank's capital and surplus. These banks sign an annual demand note and must give 5 years notice of intention to withdraw from the corporation.

The major alternative to the private corporation is for a State agency to take the initiative in approving, packaging and marketing these loans to banks. Among the programs utilized to gain bank acceptance of these above average risk loans are the following:

- (1) A direct guarantee, such as FAME would offer;
- (2) Guaranteeing that portion of the loan not guaranteed by another governmental body;
- (3) Depositing low interest and/or fixed interest State funds with the bank;
- (4) Absorbing over ceiling interest costs on long term fixed rate loans.

A number of these incentives become particularly necessary when the company requires a long term fixed rate loan, as banks generally are unwilling to accept long term loans at fixed rates.

D. State Financing

It is the Committee's finding that the lowest priority should be given to direct State financial involvement. When the State becomes directly involved the greatest success is realized when there are very stringent guidelines both for the loans and for the State parent organization. The advantage of State financing is that it may be the only way of providing for companies that require long term loans at a fixed rate. The Committee has found the following to be workable guidelines in other states.

1. For the company

- a. Must be willing to make such changes in management or operations as the State recommends after a study of the company;

b. Must be capable of

- remaining in operation during the period of the loan
- being more profitable by the loan
- achieving a positive cash flow
- repaying the loan

c. Must create a new job for each so many dollars of funding, for example, 1 job for each \$3,000 of funding.

2. For the State organization

- a. Earn, at least, a set return, e.g. 8%
- b. Preserve some minimum percent of capital, perhaps 80%
- c. Leverage its money on at least a matching basis
- d. Place with other agencies and financial institutions an amount of loans at least equal in size to its loan portfolio

RECOMMENDATIONS

Note: The reader will probably note the following 2 things about the Committee's recommendations:

1. The recommendations deal with all mature industries. The reason is that the Committee determined that all Maine's mature industries show to some extent the problems of the shoe industry and it did not seem feasible or fair to single out the shoe industry for special treatment.

2. The recommendations are often not even specific as to mature industries but deal with the State's total economic development policy. The reason here is that the Committee determined, as most states have determined or are determining, that stabilizing and maintaining its existing businesses should be the priority thrust of all state economic development activities and in most cases existing business means mature industries.

I. Maine Industrial Advisory Board

- Initiates and oversees development of a State Economic Development Strategy for presentation to the Governor.
- Oversees the various State programs and agencies involved in industrial development and economic stabilization and makes recommendations to the Governor.
- Advises on industry-wide assistance programs
- A vehicle for crisis intervention
- Conducts major development projects
- Composed of the following 15 individuals:
 - Directors of the State Development Office and State Planning Office
 - Departments of Labor and Transportation, at least at the Deputy level
 - Business advocate on the Governor's staff
 - Senior representatives of the university system and of the votech system
 - Labor spokesman appointed by the Governor
 - 6 persons representing the following industries--
 - paper, wood products, leather goods, textile/apparel (1), defense and electric/electronic equipment appointed by the Governor in consultation with the Maine Chamber of Commerce. Industry representation may be changed after first 2 years.
 - 1 banking representative appointed by the Maine Bankers Association

- All appointments are for 2 year terms. Can be reappointed for 2 additional consecutive terms. Half initial appointments for 4 years, to provide continuity
- To have individual industry sub-committees as needed.
- Governor's office responsible for setting up this board

II. State Business Advocate

- Reviews current and proposed state legislation and regulation from the viewpoint of its impact on business
- Aids companies in dealings with State government
- Liaison between State and private sector
- Makes periodic calls on major manufacturers for public relations and to keep abreast of issues
- Individual to be designated by the Governor and report to him. Person with business experience and known positively to the business community

III. State Office of Commerce & Industry

A. Overview

1. Name change for the SDO
2. Reflecting changing focus from development to all aspects of the Maine industrial and commercial economy and to a greater business advocacy role for the SOCI (SDO).

B. Goals & Strategy

1. Goals - Retain existing jobs and create new employment opportunities
2. Strategy - Improve conditions for business growth and investment through
 - a. reducing business costs and taxation
 - b. providing financial and labor training incentives
 - c. removing regulatory barriers
 - d. expanding export markets for Maine products and promoting the state's physical and human resources to the business public

C. Specific Activities

1. Early Warning System

- To provide cities with data on the wants, needs and perceptions of industrial firms in their city
- From this, to identify troubled firms so that appropriate assistance programs can be worked out on a timely basis

- A data collection program developed by SOCI (SDO) and disseminated to municipal officers and chambers of commerce. Assistance of the Maine Municipal Association and the State Chamber of Commerce to be solicited in promoting and disseminating the program.
- Data collected by the local government through volunteers and a network of public and private sector leaders
- Local government responsible for initiating assistance plan
- Data to be shared with regional governments and SOCI (SDO)

2. Economic Stabilization Division

- Staffed by persons with previous industrial experience
- Provide free consulting and training service to companies in danger of lay-offs or closures.
- Make aggressive efforts to seek out those companies
- Will assist companies judged to require financial assistance to find this assistance but only if all recommendations are adopted
- To be recommended for financial assistance company must meet the following criteria:
 - capable of operating during the term of the loan
 - capable of being made profitable as a result of the financing
 - capable of achieving a positive cash flow
 - must be able to repay
 - must have an asset heavy investment
 - must not have excessive employee turnover or workforce fluctuations
- When financing not available for companies recommended, SOCI (SDO) will make a report to the Legislature of this fact together with recommendations, if the latter are seen as appropriate.
- For companies for sale or adjudged to require new management the State will attempt to find new owner
 - contacts to be established to help ascertain when companies are for sale
 - list of entrepreneurs and expansion minded firms will be developed
 - priority will be given to ownership that is Maine based, private, non-conglomerate
 - the option of management and/or employee ownership will be considered for firms with more than 50 employees

- * Firms closing plants who offer them to employees at a reasonable cost will be given tax abatements.
- * A joint public/private sector buyout advisory board will be appointed for situations where it is judged to be needed.
- * the Division will assist in the conduct of feasibility studies
- * State may provide financial assistance in terms of loan guarantees, if State approves of the terms of the buyout

3. Division of International Trade

- Market analysis to determine strength and direction of company's export potential
- Training and advice on export
- Identification of and contact with potential foreign customers
- Arranging and sponsoring foreign trade missions
- Interest-free loans for firms to provide travel, per diem and expenses
- Development of a Maine Product Guide

4. Advertising and Public Relations Campaigns

The SOCI (SDO) is to present to the Legislature a proposed program for advertising and public relations covering the issues listed below. The Department of Labor will assist the SOCI (SDO) as necessary. This proposal will include costs in personnel and media. Should investigate possibility of industries sharing the cost.

- a. Ads within Maine stressing the importance of the industry and the health of many segments
- b. Ads outside the State, both consumer and industrial, talking of Maine quality, workmanship, and our particular understanding of casual and outdoor styles
 - Aggressively implement the current Product of Maine Program. Actively solicit manufacturer participation. Develop quality standards.
- c. Advertising campaign countering with specifics the image of Maine as having a poor climate for business
 - Various departments will provide state-by-state comparison to support this advertising
 - Issues to be covered will include Workers Compensation, property tax, energy tax and plant closing legislation
- d. Job ads countering the industry negatives

- e. Programs in high schools countering industry negatives

5. Program on Technology Transfer

- Program designed and promoted by State, available to individual manufacturers on request
- Technology inventory
- Cost benefit analysis
- Assistance in finding financing
- Management training over transition period
- Financial assistance in worker training

6. Footwear Industries of America and National Shoe Retailers Association

- Make use of the trade association programs and act as a catalyst to bring the trade association's programs to Maine companies
 - technology seminars
 - management training
 - export assistance
 - marketing conferences
 - shoe fair seminars
 - * introduce marketing executives to new programs
 - technology supervision skills training
 - Through National Shoe Retailers Assoc.:
 - * computer based automatic order refill system
 - * marketing seminars

IV. State Planning Office

Economic Research & Monitoring

- In conjunction with the university system, conduct economic monitoring and research by region on a regular basis, with an annual data book. Each industry should be reviewed by segment.
- Submit annual report to the Legislature and the Governor on the state of the Maine economy
- Activities of all state agencies involved to be coordinated to provide data book and report and to develop an early warning system to identify industries and industry segments which will be adversely affected by emerging economic trends

U. Maine Center for Mature Manufacturing Industries

A. Objective: Link private and educational resources to make Maine industries more competitive nationwide and internationally and to attract similar industries from other states

B. Strategy:

1. Develop action plan to improve competitive position in national markets
2. Act as catalyst and coordinator to channel fashion and technological research into commercial products
3. Develop critical mass of fashion and technological knowledge needed to attract companies in similar industries to Maine
4. Identify most competitive companies and assist others in benefiting from management practices that have proven effective
5. Research and evaluate cooperative problem solving arrangements existing in Maine, other states and Canada

C. Organization: Divided into the following activities

1. Institute for Fashion Design
 - a. Implement programs to identify fashion trends and the appropriate design response
 - b. Establish university-business partnerships in fashion research and design
 - c. Make a study of the feasibility of a Maine Fashion Mart (a wholesale center for the Maine fashion industries to be developed with private money). Study to be completed within a year of the inception of the Center for Mature Industries.
 - d. Provide education and training in fashion marketing
 - e. Provide entrepreneurial assistance linking the manufacturer and the activities of the center
 - f. Assist in preparation of business plans and feasibility studies
 - g. Assist in finding financing to support re-tooling required by fashion change
 - h. Function as a research facility for development of new styles
 - i. Provide training and support for implementing cost effective, technologically advanced manufacturing programs needed to change marketing niches and follow fashion trends
 - j. Provide access to marketing and fashion specialists
 - k. Conduct marketing research and support applied and sponsored research efforts in fashioned based product development

1. Sponsor Fashions Seminars-Workshops
 - In summer
 - Weeklong sessions
 - National fashion authority in residence
- m. Companies suggested for advisory board

Ansewn	G. H. Bass
Cole-Haan	Bates Fabrics
Falcon	Carleton Woolen Mills
Lamey-Wellehan	Nat. Shoe Retailer Assn.
L.L. Bean	Hathaway Shirt
Irving Tanning	Supreme Slipper Co.
Footwear Industries of America	

2. Education and Training Division
Provide continuing education in management and marketing, including short courses, seminars and workshops

3. Technology Division
 - a. Develop a critical mass of CAD/CAM knowledge and act as catalyst and coordinator to channel this knowledge into commercial products
 - b. Study of manufacturing methods
For example:
 - To determine if there is any application of Japanese manufacturing procedures to the shoe industry
 - Purpose is to:
 1. Improve employee morale and quality
 2. Cut inventories
 - Workers work in teams and every worker is involved in several production steps
 - Also, shoe production is closely matched to orders thereby cutting inventory
 - c. Study of Alternative Uses of Shoe Equipment, Machinery and Skills
 - Determine other products that can be made by shoe manufacturers and develop rough business plan for such products, including market size, market niches and pricing

D. Start Up & Funding

1. The SPO and the university system jointly submit a proposal for a study project to the Maine Science and Technology Board.

2. If this is turned down, both organizations should solicit industry participation and the 3 groups should develop for submission to the Legislature a plan, financing needs and a timetable.

- A consortium of industry, education and government. All to participate financially
- A board composed of industry, educators, labor and legislators
- Specific research activities to be structured with state financial matching grants
- Investigate possible involvement of USM's Small Business Development Center

V. Legislation, Rules, Regulation

A. Review Maine's Regulation and Tax Policies

- Review and consider basic policies within a broad framework and particularly as they relate to economic prosperity
- Ascertain that regulation and policies are
 - a. Accountable. Made by elected, not appointed, officials
 - b. Expeditious. Quick resolutions and answers
 - c. Not adversarial. Should resolve conflict; not promote confrontation
 - d. Flexible. Companies should be dealt with on an individual basis
- Monitor the new Workers' Compensation legislation relative to its effect on business and propose any needed changes when sufficient time has elapsed for an evaluation of the new legislation. In the meanwhile, utilize appropriate communication to employers to counter misperceptions about the program and a positive and cooperative attitude by the State toward the employers.
- Review Maine's plant closing legislation in light of the fact that it is the most stringent of any state and makes Maine one of only 2 states that mandate advance notice. The following is suggested as a compromise between the current law and no law at all. It is modeled after Massachusetts which is considered the prototype for such legislation.
 - Social compact-company must sign to be eligible for any state, regional or municipal financial program - otherwise voluntary

- Calls for good faith effort to provide advance notice and to continue income and health insurance benefits
- Whenever possible, 90 days notice or pay in lieu
- 13 weeks of extended health care coverage mandatory for those groups having group policies
- Tax credits if
 - * give State the opportunity to sell the business
 - * 90 days notice of closing given
- Business advocate in Governor's office to be lead person in directing and analyzing the reviews and recommending legislation
- Reviews according to his guidelines to be conducted by agencies involved in the particular subject area
- Legislative involvement on issues dealing with labor should go to a select committee composed of members of the committees on Labor and Commerce & Industry.

B. Property Tax

- The Committee supports the recommendation of the Speaker's Select Committee on Property Tax Review that there be a State Board of Property Tax Review to hear appeals of evaluations of local officials. It also encourages that Committee to review the total property tax issue relative to its negative impact on business growth.
- Reinforce the responsibility of the Bureau of Taxation for instructing local officials on the proper methods of making property tax evaluations.

C. Unemployed Shoe Workers

- Unless specifically prohibited by federal regulations, prohibit retraining workers for jobs outside their former industry if there are jobs within that industry available in their area and have a 2 month waiting period before the retraining starts to see if such jobs become available. Exception when hiring companies have excessive turnover

- If a Maine company with a good record of job stability in any manufacturing industry can't find trained workers, the Dept. of Labor, to the extent of its budget, will finance the training of such workers by whatever method is most satisfactory to that company. This same offer will be made to shoe companies new to Maine whose record in other states indicates them to be a source of stable employment and satisfactory working conditions.

D. Energy Tax

The Committee supports the recommendation of the Governor's Commission on Mature Industries to afford industry relief from the 5% energy tax.

VI. Funding

A. Loans

Mature Manufacturing Industry Finance Program

- Under FAME, similar to their Natural Resources Financing & Marketing Programs
- To provide loans at going rate to businesses that can't obtain loans from conventional sources
- A source of long term senior or subordinate debt at a fixed rate, if possible, and at least with interest rate ceiling
- Investments limited to Maine's mature manufacturing industries
- Creation or retention of jobs a requirement of obtaining a loan
- Bank induced to participate by:
 - 100% FAME guarantee on 50% of the value of the total value of the loan
 - FAME certification that company meets their guidelines
 - Maintenance of low interest State funds with the bank
 - Tax abatement of up to 2-3% of the value of the outstanding loan, if necessary
 - Explore possibility of making FAME backed loans marketable by the bank to other financial institutions.
- If tax abatements offered, they must be returned if any of the provisions of the program are violated

- A private corporation owned and founded by member banks may be set up by FAME for the accomplishments of the loan objectives here spelled out. Tax abatements may again be offered, if necessary, but on some other states the opportunity to assist in the state's economic development is sufficient inducement together with the opportunity to pool loans and, thereby, share risk.
- A private corporation is not the first recommendation because:
 - It is felt that guarantees are necessary for mature industry loans and that they fit best under FAME
 - of the desire to not set up yet another agency
 - of the desire to keep agencies which receive State financial support, e.g. tax abatements, under some State control.

B. Tax Abatements

Investment Tax Credit

- Companies may receive either of the following investment tax credits on the cost of machinery and equipment:
 - a. Convert expired net operating losses into 20% tax credit or
 - b. A 7% credit against income tax liability
- To qualify, manufacturer must have been in continuous operation in the State for 5 years
- The credits will be spread over a period of at least 5 years and are dependent on the continuous operation of the plant in the State during that period
- Purchase must be approved by the SOCI (SDO)

VII. Legislative Committees

A. Joint Standing Committee on Commerce and Industry

- Fold in the current economic development activities of the State Government Committee
- Will review each of Maine's manufacturing industries on a staggered basis every 5 years
- Change name of current Business & Commerce Committee to Business Regulation
- Will require of SOCI (SDO) FAME, MDF submission of a yearly plan of objectives and a record of accomplishment against previous year's objectives.

- Primary thrust will be to introduce and support legislation which will
 - (1) involve the State in the support of business stabilization and development and
 - (2) result in the reduction of business costs, regulation and taxation.
- In conjunction with the Labor Committee, to conduct a study of personnel policies and working conditions in mature industries to determine the feasibility of assisting companies to upgrade their policies and facilities as places to work.
 - These should be done to benefit the industry in terms of improving its image as a place to work and in terms of suggesting improvements that management would be willing to make if called to their attention and given consulting assistance
 - It is not meant that this study result in legislation against the industries or in any way create an adversarial climate.

B. Joint Standing Committee on Transportation

- In conjunction with the Transportation Committee, to conduct a study of the transportation needs and costs of Maine's mature industries to determine if efficiency can be secured by pooling and coordinating these needs.

C. Joint Standing Committee on Audit & Program Review

To conduct a study of the staffing of the SOCI (SDO) with the following objectives:

1. Are there enough staff?
2. Does the staff, including the Director, have the proper qualifications? Should there be more people with experience in industry?
3. Are the salaries adequate to attract and hold people with the required qualifications?

SUMMARY OF LEGISLATION

Copies of legislation may be obtained from the
Legislative Documents Office
State House, Station 37
Augusta, ME 04333

1. An Act to Provide Assistance to Mature Industries.

This act seeks to provide State assistance to its mature industries through the following means:

I. New state government agencies - Section 17

A. Maine Industrial Advisory Board

Composed of 15 persons representing industry, banking, labor, education and state economic development, planning, labor and transportation agencies. Recommends a state economic development strategy to the Governor and overseeing reports to the Governor concerning the performance of the various state development agencies against this strategy.

B. Business Advocate

Individual in the Governor's office to review state legislation and regulation in the light of its impact on business, to provide liason between the state and business and to assist business in dealing with government.

C. Center for Mature Industries

A university based consortium of government, education and business funded by each with the mission of providing education, training and research in areas important to mature industries. The specifics of the consortium are to be the result of a study project by the Maine Science & Technology Board.

II. New assignments for existing agencies

A. State Planning Office, Sections 3 & 4. Adds to the data collecting mission of this office material of use to the State's mature industries.

B. State Development Office, Sections 5-15

1. Changes the name to State Commerce & Industry Office to reflect change in emphasis from attracting new business to assisting existing businesses and acting as advocate for business. Sec. 7.

2. Requires that the office put greater emphasis on the 'Product of Maine' program. Sec. 9.

3. Requires that the office develop an early warning system to identify companies that are for sale or are in danger of leaving the State or closing and requires that the office develop a program to assist such companies through advice, training, and help in obtaining financing. Sec. 10, 11, 13.

4. Requires that the office develop a program to assist companies to develop international trade. Sec. 12.

5. Requires that the office utilize the programs of the various trade associations and the data of the State Labor Department and act as a catalyst to involve businesses in the use of this material.

6. Requires that the office present to the Legislature proposed advertising programs to make the State aware of the importance of its mature industries, reinforce the image of Maine products, and counter the image of Maine as having a negative business climate. Sec. 15.

C. Finance Authority of Maine. Sec. 16.

Requires that the authority develop programs to provide financing to mature industries with emphasis on fixed rate, long term loans through private sources. It is the intent of this program to see that mature industries receive the same priority accrued to natural resource industries. It is the intent that this result in the realigning of the agency's loan portfolio, not result in an addition to this portfolio.

III. Other Financing Programs. Sec. 23.

Manufacturers are allowed tax credits for purchase of machinery and equipment that is certified by the State Development Office as assisting in job maintenance. Companies must have been in Maine 5 years to qualify for this program and must remain in Maine 5 additional years to obtain full benefits of the programs.

IV. Specific Activities to Improve the Business Climate.

A. The business advocate in the Governor's office is to be responsible for the conduct of a review of all legislation, regulation and policy that impacts business and is to be an advocate for business in attempting to eliminate these items whose negative impact on business exceeds their positive impact in other areas. Sec. 17.

U. Other Actions

A. Retraining - Prohibits retraining of unemployed workers when jobs exist in industries in which they have previously been employed. Requires that government financed job training opportunities for an industry be at least in proportion to its number of available job openings. Sections 1 & 2.

B. Property Tax - Requires that the State Tax Assessor take a more proactive role in training local tax assessors and requires a higher standard of performance of these local assessors. Sec. 20-22.

VI. Committee Studies:

Requires the following studies by the committee responsible for economic development and financing. Sec. 24.

1. A study of mature industry personnel policies and working conditions. It is the intent of this legislation to aid the industry in improving its image as a place to work. It is not the intent to develop restrictive or coercive legislation.

2. A study of the data collection activities of the State Planning Office.

3. A study of transportation needs and costs of mature industries.

4. A study of the staffing of the State Development Office.

APPENDIX

(See front of report for Index)

STATE OF MAINE

In Senate January 31, 1985

Whereas, imported shoes have severely injured the shoe industry in the State of Maine; and

Whereas, Maine, as the leading shoe-producing state in the nation, has been suffering from the damage of skyrocketing imports during the past several years; and

Whereas, hundreds of Maine workers have been displaced by the closing of shoe manufacturers throughout the State; and

Whereas, it is vital that action be taken to improve the status of the shoe industry in the State in order to prevent further decline of this important state industry; now, therefore, be it

Ordered, the House concurring, that there is established a Joint Select Committee to Study the Shoe Industry in the State; and be it further

Ordered, that the committee shall consist of 7 members, as follows: Four members of the House of Representatives to be appointed by the Speaker of the House and 3 members of the Senate to be appointed by the President of the Senate. The President of the Senate and the Speaker of the House shall be ex officio members of the committee. The committee shall select a chairman from among its members; and be it further

Ordered, that the committee shall study:

1. The current status of the shoe industry in the State of Maine and the future potential of the industry;
2. The impact of imports on the industry;
3. Current marketing strategies and possible strategies which could improve the position of the industry;
4. Possible incentives which might be offered to the industry, including, but not limited to, tax incentives offered to shoe manufacturers and to purchasers of domestic shoes;

5. The feasibility of state subsidies for the shoe industry;

6. Labor practices, quality controls, mechanization techniques and other industry practices which might effect the efficient operation of the industry; and

7. Such other issues as the committee may determine are relevant to the economic survival of the shoe industry in the State; and be it further

Ordered, that the committee shall present its findings, together with any recommended legislation, to the Second Regular Session of the 112th Legislature; and be it further

Ordered, that the committee is authorized to seek assistance from representatives of the shoe industry, labor organizations in the shoe industry, State Development Office, State Planning Office, Maine Development Foundation, the Department of Labor; and be it further

Ordered, that the Office of Legislative Assistants shall provide assistance to the committee in carrying out its charge; and be it further

Ordered, that the members of the committee shall not receive any compensation, but shall be reimbursed for their necessary expenses.

(Sen. Tuttle)
SPONSORED BY:

John L. Tuttle

COUNTY: York

(Sen. Pray)
COSPONSORED BY:

Charles Pray

COUNTY: Penobscot

(Rep. Beaulieu)
COSPONSORED BY:

Edith Beaulieu

TOWN: Portland

(Speaker J. Mastin)
COSPONSORED BY:

John J. Mastin

TOWN: Eagle Lake

On Motion of SEN. TUTTLE
OF YORK
IN SENATE CHAMBER

HOUSE OF REPRESENTATIVES
READ AND PASSED

JAN 31 1985

IN CONCURRENCE

Edith Beaulieu

CLERK

0409012485

JAN 31 1985

SP 121

READ AND PASSED
SENT DOWN FOR CONCURRENCE

JAN 31 1985

Ordered Sent Forthwith

AGENDA

JOINT SELECT COMMITTEE TO STUDY THE SHOE INDUSTRY

Aug. 15 -- What the State can do for the Shoe Industry
-- The Manufacturer's Perspective
Room 113, State Office Building

10:00 Daniel Wellahan
Vice Pres. & Treas.
Sebago, Inc.
Westbrook

10:30 Irwin LaCritz
President
Ansewn Shoe Corp.
Bangor

11:00 U.J. Klyne
President
Truitt Bros.
Belfast

11:30 John Larsen
Etonic, Inc.
Brockton, MA

12:00 Adjournment

4281

AGENDA

JOINT SELECT COMMITTEE TO STUDY THE SHOE INDUSTRY

August 21 -- What can be done for the Shoe Industry
-- The Outsider's viewpoint.
Room 122 State Office Building

9:00-10:15 The Industry

George Langstaff, President
Footwear Industry of America
Philadelphia

and
George Armstead,
USM Corp., Lewiston (Shoe Machinery Manufacturer)*

10:15-10:30 Break

10:30-11:00 University Based
Technological Center

Robert Goettel, Director
Center for Research & Advanced Study
University of Southern Maine

and
Jack Heald, Shoe Industry Consultant

11:00-11:30 The Supplier

Sven Vaule, President
Jones & Vining, Inc.
Braintree, MA
(Manufacturers of Shoe Forms & Soles)

and
Oscar Cloutier, General Manager
Lewiston Plant

11:30-12:00 The Retailer

William Boettge, President
National Shoe Retailers Assoc.
New York City

1:00-1:30 The Role of the State University

Robert Goettel
University of Southern Maine

1:30-2:15 The Manufacturer Replies

1. Alan Wainberg, Vice President
Finance & Manufacturing
G. H. Bass & Co.
Wilton

2. John Foye, Vice President
Manufacturing
Knapp Shoe Co.
Brockton, Mass
(Factory in Lewiston - Knapp King-Size)

2:15-2:45 Committee Review

2:45 Adjournment

*Mr. Armstead will not have a formal presentation. He is available for questions and has 2 film clips on computer design and computer stitching to show if the Committee desires.

Note: Thomas Duchesneau of UMO, who was originally scheduled, had to cancel.

REVISED AGENDA
JOINT SELECT COMMITTEE TO STUDY THE SHOE INDUSTRY

September 18 -- Financing for the Shoe Industry
Room 122, State Office Building

9:00 Federal
 Thomas McGillicuddy
 Small Business Administration
 Augusta

9:30 State (Regional)
 John Jaworski
 Director
 Androscoggin Valley Council of Government
 Lewiston

10:00 Break

10:15 State (Regional)
 Michael Aube, Director
 Eastern Maine Development Corp
 Bangor

10:45 Commercial Banker
 Richard Ogradnik, Vice President
 Key Bank
 Augusta

11:15 Federal (Regional)
 Richard McLaughlin
 Northeast Trade Adjustment Assistance Center
 Boston, MA

12:45 William Currier
 Director of Business & Financial Services
 Mass. Office of Economic Affairs
 Boston

1:45 Consultant
 Belden Daniels, President
 Counsel for Community Development Inc.
 Boston

2:45 Break

3:00 State
 Stanley Provus
 Finance Authority of Maine

Invitees: 1. Maine Capital Corp.
 2. Maine Development Foundation
 3. State Retirement System
 4. Maine Science & Technology Board
 5. State Planning Office
 6. State Development Office

3:45 Committee Review

4:15 Adjournment

AGENDA

JOINT SELECT COMMITTEE TO STUDY THE SHOE INDUSTRY

October 15 — Various Affected Parties and Wrap-up
Room 122 State Office Building

- 10:15 The Marketer
George Denny, President
Cole/Haan, (Importer/Exporter, Wholesaler/Retailer)
- 10:45 Break
- 11:00 Pension Funds & Economic Development
Ralph Nodine, Director
National Development Council
Portland
- 11:30 The Industry as a Work Environment & Worker Retraining
Leonard Nilson, Director
Job Service Division
Bureau of Employment Security
Maine Dept. of Labor
- 1:00 Vo-Tech Education
Alan Campbell, Director
EMUTI
Bangor
- 1:30 Wrap-up
Steven Weems, Vice-President — Commercial Lending
Casco Northern Bank
Auburn
& Former Executive Vice-President
Maine Development Foundation
- 2:15 Committee Review
- 2:45 Adjournment

AGENDA

JOINT SELECT COMMITTEE TO STUDY THE SHOE INDUSTRY
NOV 12 - REPRESENTATIVES OF INDUSTRY & ECONOMIC DEVELOPMENT AGENCIES

ROOM 122 STATE OFFICE BUILDING

9:15 Introductory Remarks

9:30 Richard Larochelle
 President
 Irving Tanning Co.
 Hartland

10:00 David Coit
 Executive Director
 Maine Capital Corp.

10:45 Break

11:00 Michael Moniz
 Executive Director
 Lewiston-Auburn Economic Growth Council

11:30 Leslie E. Stevens
 Director
 State Development Office

12:15 Lunch

3850-Rev. 11/6/85

AGENDA

JOINT SELECT COMMITTEE TO STUDY THE SHOE INDUSTRY

Factory Visits

September 23

9:00 Truitt Bros.
 Bangor

1:00 Ansewn Shoe Corp.
 489 Odlin Road
 Bangor

September 26

9:30 Falcon Shoe Manufacturing Co.
 2 Cedar Street
 Lewiston

1:30 Knapp King-Size Corp.
 29 Lowell Street
 Lewiston

4334-1

G.H. Bass & Co.

360 U.S. ROUTE 1, FALMOUTH, ME 04105

November 20, 1985

John B. Knox
Legislative Staff
State House Station 13
Augusta, Maine 04333

Dear Mr. Knox,

I am sorry for taking so long to respond to your letter of October 31st, I assure you that it is not an indication of disinterest but rather a result of an extensive travel schedule.

My main concerns are more with the interpretation and application of the Workman's Compensation laws rather than with the laws themselves. But, I believe that the best chances for improvement would be achieved through legislation.

The main issues that should be addressed are:

1. It is an impractical economic burden to expect the employer to bear the full responsibility for the deterioration of a workers health or physical fitness (often in the presence of poor personal health habits) just because some part of the deterioration might be contributed to by that worker's employment.

The legislature should define the difference. Furthermore, assuming there is no special hazard involved, if you slip and fall on the road it is your responsibility, but if you do the same on your employer's premises he is responsible - where is the logic?

I fully support the motivation and intent of the Worker's Compensation laws, both for inducing the employer to create a safe workplace environment and to fairly compensate any employee who was hurt by an insufficiently safe workplace. However, the Law Court's interpretation of the legislature's intent appears to be influenced more by benevolent response to need rather than by impartial justice. Look at the issue of causation: essentially, the Law Court has held that the Legislature intended any occupational contribution to a pre-existing condition to render that entire condition fully compensable. For example, conditions such as a pre-existing bone spur which becomes symptomatic at work has been included; so has chronic arteriosclerosis (itself the probable result of years of dietary indiscretion, lack of exercise, and smoking) if manifested as heart failure in the workplace. Another example, which is especially problematic in the shoe industry, is the underlying inflammatory conditions, such as arthritis, which become symptomatic at the workplace and are found compensable as a "gradual injury"; ignoring the fact that this condition would have probably developed irrespective of the person's employment status.

Title 39 should spell out an equitable approach for the Commission to fairly delineate between "diseases of life" and time work injuries.

This could be done by requiring as a legal test that a morphological change take place for an injury to be covered by Worker's Compensation. This would cover such injuries as a broken bone, a cut finger or a herniated disc, but would exclude a "trick back" or an arthritic condition which "happens" to become symptomatic while at work.

Additionally, there are certain "risks of life", e.g. climbing stairs, ambulating, bending down to tie a shoe lace or to pick up a fallen coin, which should be borne by the individual - whether it happens at work or elsewhere. That is, if there was no obstruction, slippery surface, or other special hazard unique to the workplace, then the injury should not be compensable by Worker's Compensation. Health insurance, which we and most companies provide, will usually cover most medical costs. But loss of income should not be the obligation of an employer who was neither responsible for the cause of injury nor could have done anything to prevent it.

2. The Legislature should make further changes to several wage continuation provisions.

Average wage whenever used should relate to the industry and possibly the specific company and not to statewide averages. At G. H. Bass, as an example, injured workers are receiving larger increases than healthy workers because of the mandated escalator.

Secondly, the current law provides that an injured worker's wages be protected for life. A provision should be made to allow companies to adjust the wages of injured workers on the basis of internal equity.

3. The Legislature should create a workable second injury fund to provide protection and an incentive for employers who hire previously injured workers.

Many injured employees are eager to find a new job for the income, self esteem, and opportunity to advance. But many employers are concerned about hiring such workers because of the high risk of second injury or deterioration.

There is legislation for a second injury fund, but is inaccessible because it is grossly underfunded and because of the attorney general's office aggressive defense against employers who attempt to access it. It is interesting to note that in the last sessions, the Legislature mandated rehabilitation for injured workers without resolving the underfunding issue.

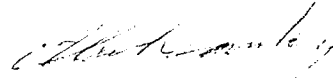
4. The Legislature should specifically make selective reform measures retroactive.

That is, if an injustice existed and was remedied by law, individuals should not be able to continue taking advantage of the injustice just because they started doing so before the law was unchanged. For example, the 1984/85 reform bills addressed several issues which the Legislators apparently perceived as unjust (attorney's fees, "Mini-Miranda", unlimited benefit increases, etc). However, these inequities are perpetuated in hundreds, or perhaps thousands, of pending cases because the Legislature did not make the reforms retroactive, at least on selective basis.

I realize that Worker's Compensation is a very complex issue and I appreciate the opportunity to express my views - which are shared by many at G. H. Bass and at many other companies. Though significant improvements were made by the Legislature this year, I feel strongly that the four issues outlined above are crucial to effecting a real improvement in the Worker's Compensation area that will be fair for the workplace injured employee, equitable to the safety conscious employer, and realistic for our economic system.

Please do not hesitate to call me or Fred King, who assisted me in reviewing the issues, if you need any additional information.

Sincerely yours,.



Alan Wainberg
Group Vice President

AW/ldw

Excerpts From Letter of Dec. 2, 1985

From Irving Tanning Co.

There are many dissatisfactions with the Worker's Compensation system. The major one is the benefit level and the manner in which it is calculated. I think you'll find that the previous statements made by the Maine Chamber of Commerce & Industry on industry's behalf fairly states our position on this matter. Other states, such as Pennsylvania, are reviewing reform in Worker's Compensation laws. I am trying to obtain a copy of the Amendment to the Senate Bill #1055. If I receive it, I will mail it to you. Doctors seem to be overly cautious in recommending that a patient return to work, or if an injury is work related. I believe that the recent problems with malpractice suits and malpractice/liability insurance lead to major abuse by workers and doctors. This should be investigated further.

4333

EXCERPTS FROM DECEMBER 11, 1985
LETTER FROM DUCHESS FOOTWEAR CORPORATION

"It is my opinion that the State Workmen's Compensation Laws are being abused by employees and ex-employees. I have attended a number of hearings on which the burden of proof is on the manufacturing concern and/or their insurance company to prove that a workmen's compensation claim was NOT valid, as opposed to the burden of proof being on the employee.

"Just this past Monday, December 9th, a worker reported to the work place, with a 'strained back' which she claims to have developed over the course of many years working in shoe factories. She does in fact have a strained back based on a doctor's examination on Monday morning. We, as the employer, are required by law to submit a claim to our insurance carrier. There was no 'accident', nor was it witnessed by any other person in the factory. In this case, we will be required to prepare all of the documents, the insurance company will be required to spend a great deal of time and money and while we will refuse the claim initially, the employee will get a fair hearing, the doctors will be paid (probably for many unnecessary visits and treatments), etc., etc. As an employer there is absolutely nothing I can do about this."

4478

December 16, 1985

Mr. John Knox
Legislative Staff
Joint Select Committee
To Study the Shoe Industry
State House Station 13
Augusta, ME 04333

Dear John:

I apologize for not answering your October 31 letter until now. I wanted to be sure of my position before replying to your inquiry about my negative comments on Maine's Workmen's Compensation Program, made during my testimony to the Joint Select Committee.

As you know, the subject is very complex and the answers are certainly not black or white. However, Maine does a number of things differently, compared to other states, in structuring and administering its Workmen's Compensation Law. To start with, the law is structured, administered and interpreted with a heavy pro-labor orientation. Some states are pro-industry. An unbiased program that discourages abuse by both parties better serves the entire community and encourages, rather than discourages, industrial growth. Maine's pro-labor orientation encourages a climate which leads to both higher annual costs and unknown future liability for companies located in Maine.

For Etonic, the biggest problem with Maine's Workmen's Compensation Laws is the existence of unknown and unlimited future liability. Most other states put a cap on the length of time payments can be made against a claim. In Maine there is no legislated limit. In effect, this open-ended policy is like the sword of Damocles, hanging over the head of a company trying to negotiate a lump sum settlement against a specific claim. The unlimited liability aspect invariably produces larger lump sum settlements and obviously higher Workmen's Compensation costs as a result. Elimination of this provision would go a long way toward equalizing Maine's plan with that of other states.

Maine also has a high weekly wage limit. Maine caps payments at 166% of the average weekly wage for the state, while most states cap this

at 100%. The effect of this cap is higher insurance rates for everyone. Insurance rates for shoe workers in Maine and other shoe producing states are compared below:

<u>STATE</u>	<u>SHOE MFG.- RUBBER</u>	<u>SHOE MFG. - LEATHER</u>	<u>WAREHOUSING</u>
Massachusetts as of 1/24/83	\$7.58	\$4.42	\$7.69
Pennsylvania as of 10/1/85	1.85	-	9.55
New Hampshire as of 5/1/84	4.76	3.53	6.12
Missouri as of 10/1/84	3.06	1.13	3.44
Maine as of 3/2/81	5.12	2.22	7.02
Maine Rate request 1/84	10.65	11.80	13.59

As you can see, Maine's rates while high, were set 5 years ago and do not reflect current costs.

The legal system creates another set of problems. In Maine the insurance company is, for all intents and purposes, required to pay for lawyers for both the injured party and the insured. In most other states, each party pays his own lawyer. While there was a change in the Maine law last year, it has had very little effect in changing this situation, as many lawyers represent clients on a percent of judgment basis. Cases, therefore, drag out and settlements are generally higher.

Lastly, there appears to be a rather loose definition of what is and what is not a work-related injury, which encourages more claims and results in more awards.

The net effect of these liberal practices has been a 523% increase in claims paid out by Etonic since 1982. During the same period, employment declined by 26.6%. All of this has occurred in a factory atmosphere where safety is encouraged daily. Our lighting is good and our working conditions are well above average.

While Maine is a marvelous state in most respects and its citizens genuine to a fault, the liberal Workmen's Compensation Laws cast a dark shadow over what is otherwise a bright industrial environment.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "JEL", followed by a horizontal line.

John E. Larsen
Vice President

JEL/dd

KNAPP SHOES INC.

ONE KNAPP CENTRE
BROCKTON, MASSACHUSETTS 02401
AREA CODE 617 588-9000

January 6, 1986

Mr. John B. Knox
Legislative Staff
State House Station 13
Augusta, Maine 04333

Dear Mr. Knox:

Re: Maine Worker's Compensation Law

As requested by John Foye, our Vice President of Manufacturing, I have outlined below several areas where we feel the Worker's Compensation Laws have caused employers increased expense (direct and indirect) in operating in the State of Maine.

- Lifetime awards of benefits are very liberal.
 - In July of 1985 the Legislature did take positive action by amending the law by:
 - Mandating that the Commission interpret the law as written (rather than liberally to benefit of employee).
 - Not requiring Providers to pay legal fees on claims that were not refuted. As an example, prior to this, we had a claim that cost only approximately \$300 in medical and indemnity (not refuted); however, legal fees were in excess of \$1,000.
- However, to date, Providers and employers still do not have a copy of the amended law so that they can administer all the changes that were passed.
- On January 1, 1986, the Rehabilitation clause was adjusted, requiring special forms, etc. To date, no guidelines or forms have been received.
 - Many insurance carriers are refusing to write Worker's Compensation coverage in Maine. We have been advised that our premium will be increased by 40% in 1986 in Maine even if we had no claims in 1985, and if we wanted to, we could not change carriers.

- Employees who had an injury prior to joining our company and file a claim while working for us are charged entirely against our account. There is no provision for apportionment of this claim to past employers.
- A case remains open for 10 years from last payment.
- Early pay system provides that claims for employees who are injured are opened quickly; however, there is no provision to expedite hearings on claims which should be reviewed for adjustments or closure.

In summary, we would look for a Worker's Compensation program which is fair to injured employees as well as to employers. We look for a system which provides administrative support and information to employers and Providers. We look for an open, competitive marketplace where we can survey Worker's Compensation providers for a better rate.

Systems that encourage fraudulent claims and excessive legal fees do not benefit the majority of the workforce, as monies to fund this program take away from the general fund to provide increased benefits or wages to the entire employee workforce.

I thank you for the opportunity to relay our feelings on this important issue and hope that the State will communicate the positive amendments which have passed in addition to reviewing these laws so that they will be equitable for everyone in the State.

Sincerely yours,

Mary LeVasseur
Vice President - Personnel

ML:mem
cc:John B. Foye
Express Mail
#25583212

FINANCIAL ASSISTANCE FOR INDUSTRY

	State Sponsored Industrial Development Authority	Privately Sponsored Development Credit Corporation	State Authority or Agency Revenue Bond Financing	State Authority or Agency General Obligation Bond Financing	City and/or County Revenue Bond Financing	City and/or County General Obligation Bond Financing	State Loans for Building Construction	State Loans for Equipment, Machinery	City and/or County Loans for Building Construction	City and/or County Loans for Equipment, Machinery	State Loan Guarantees for Building Construction	State Loan Guarantees for Equipment, Machinery	City and/or County Loan Guarantees for Building Construction	City and/or County Loan Guarantees for Equipment, Machinery	State Financing Aid for Existing Plant Expansion	State Matching Funds for City and/or County Industrial Financing Programs	State Incentive for Establishing Industrial Plants in Areas of High Unemployment	City and/or County Incentive for Establishing Industrial Plants in Areas of High Unemployment
Alabama	19					1									2 12			
Alaska																		
Arizona															99			
Arkansas											13	11						
California		5	10						1	1								
Colorado	4	4							1	1					4			1
Connecticut																		
Delaware																		
Florida						3	99	99							9 1		22	
Georgia																		
Hawaii																		
Idaho																		
Illinois																		
Indiana																		
Iowa																		
Kansas																		
Kentucky																		
Louisiana		4	2				4											
Maine																		
Maryland									63							7		
Massachusetts																		
Michigan		4																
Minnesota									9	9								
Mississippi							15	15			15	15			2			
Missouri																		
Montana									17									
Nebraska																		
Nevada																		
New Hampshire					103	103			103	103			103	103				
New Jersey					10	10			10	10								
New Mexico																		
New York																		
North Carolina																		
North Dakota																		
Ohio																		
Oklahoma																		
Oregon					11								1 1	1 1				
Pennsylvania							14	6	14									
Rhode Island																		
South Carolina																	18	18
South Dakota																		
Tennessee																		
Texas																		
Utah																		
Vermont																		
Virginia																		
Washington																		
West Virginia																		
Wisconsin						16												
Wyoming																		
STATE TOTALS	37	38	37	12	50	30	30	29	21	22	20	21	7	6	37	12	24	28
Puerto Rico																		

TAX INCENTIVES FOR INDUSTRY

OTHER LAWS

	Corporate Income Tax Exemption	Personal Income Tax Exemption	Excise Tax Exemption	Tax Exemption or Moratorium on Land, Capital Improvements	Tax Exemption or Moratorium on Equipment, Machinery	Inventory Tax Exemption on Goods in Transit (Freight)	Tax Exemption on Manufacturers Inventories	Sales/Use Tax Exemption on New Equipment	Tax Exemption on Raw Materials Used in Manufacturing	Tax Incentive For Creation of Jobs	Tax Incentive For Industrial Investment	Tax Credits for Use of Specified State Products	Tax Stabilization Agreements for Specified Industries	Tax Exemption to Encourage Research and Development	Accelerated Depreciation of Industrial Equipment	State Right to Work Law	State Minimum Wage Law	State Fair Employment Practice Code	Statewide Uniform Property Tax Evaluation Law	Statewide Industrial Noise Abatement Law
Alabama	•	•	•	•	•	•	•	•	•					•	•				•	
Alaska			•	•				•	•					•59			•	•	•	
Arizona		•				•	•		•	•				•	•			•	•	
Arkansas	•98			•11	•11	•	•	•	•			•20			•		•		•	
California							•	•	•	•88				•10			•	•	•	•
Colorado							•	•	•		•						•	•	•	•
Connecticut	•10	•25		•	•23	•	•	•103	•	•83	•84			•83	•69		•	•	•	•
Delaware	•		•24	•	•	•42	•42	•41	•	•	•			•	•		•	•	•	
Florida	•	•25	•24	•31	•31	•	•	•	•	•26	•26	•57		•	•100	•	•	•	•	•
Georgia							•	•	•							•	•	•	•	•
Hawaii		•	•			•	•					•		•			•	•	•	•
Idaho					•	•	•	•	•	•	•				•		•	•	•	•
Illinois				•	•			•	•		•				•58		•	•	•	•
Indiana	•			•36	•39	•85	•85	•	•	•	•36			•	•		•	•	•	•
Iowa	•77			•87	•82	•	•28		•29	•	•			•	•54	•	•	•	•	•
Kansas	•75			•30	•30		•83	•101	•84		•				•59	•	•	•	•	•
Kentucky				•45	•31	•31	•31		•31	•45	•45						•	•	•	•
Louisiana	•32			•33	•	•		•32	•84	•90	•	•		•	•10	•		•	•	•
Maine	•	•			•	•	•	•	•34	•	•			•	•59		•	•	•	•
Maryland				•31	•		•	•	•	•	•			•37	•		•	•	•	•
Massachusetts	•105	•	•105	•106	•107	•	•107	•108	•	•107	•105			•110	•		•	•	•	•
Michigan	•	•		•38	•	•	•	•	•		•				•59		•	•	•	•
Minnesota	•	•	•	•10	•			•40	•	•		•	•	•	•59		•	•	•	•
Mississippi	•	•		•	•		•	•	•	•	•				•59	•		•	•	•
Missouri	•	•		•	•		•	•	•	•	•				•			•	•	•
Montana	•35	•		•	•		•	•11		•35	•						•	•	•	•
Nebraska						•	•	•	•						•59	•	•	•	•	•
Nevada	•25	•25	•24			•	•									•	•	•	•	•
New Hampshire		•75			•	•	•	•41	•	•				•			•	•	•	•
New Jersey				•	•	•	•	•	•					•	•59		•	•	•	•
New Mexico				•	•	•	•	•	•					•	•59		•	•	•	•
New York	•46	•47	•46	•24	•48	•48	•48	•	•	•46				•47	•105		•	•	•	•
North Carolina						•43	•107	•49	•43						•	•	•	•	•	•
North Dakota	•		•	•51	•48	•48	•48		•					•37		•	•	•	•	•
Ohio	•	•		•	•	•		•	•	•	•						•	•	•	•
Oklahoma					•			•	•	•	•		•93		•59		•	•	•	•
Oregon			•52	•52			•	•	•						•10		•	•	•	•
Pennsylvania	•95			•	•54	•55	•55	•54	•54	•				•	•		•	•	•	•
Rhode Island				•	•	•	•	•	•	•	•		•	•	•		•	•	•	•
South Carolina				•		•	•	•	•	•	•			•	•	•	•	•	•	•
South Dakota	•25	•25	•			•	•	•	•						•	•	•	•	•	•
Tennessee		•		•31		•	•	•	•	•76	•94	•57			•	•	•	•	•	•
Texas	•25	•25		•56	•58		•	•	•	•					•	•	•	•	•	•
Utah						•	•	•	•	•	•				•	•	•	•	•	•
Vermont			•24			•	•	•	•				•	•			•	•	•	•
Virginia				•31	•31	•44	•44	•	•60	•104	•104			•61	•59	•	•	•	•	•
Washington	•25	•25	•			•	•	•	•								•	•	•	•
West Virginia	•	•	•					•	•	•	•			•	•		•	•	•	•
Wisconsin	•62				•		•	•	•					•	•		•	•	•	•
Wyoming	•25	•25	•			•	•		•							•	•	•	•	•
STATE TOTALS	28	22	16	32	32	46	43	38	46	27	24	6	5	19	36	20	40	43	42	18
Puerto Rico	•	•	•	•	•	•	•	•	•					•	•	•	•	•	•	•

SPECIAL SERVICES FOR INDUSTRIAL DEVELOPMENT

	State Financed Speculative Building	City and/or County Financed Speculative Building	State Provides Free Land for Industry	Cities and/or Counties Provide Free Land for Industry	State-Owned Industrial Park Sites	City and/or County-Owned Industrial Park Sites	State Funds for City and/or County Development-Related Public Works Projects	State Funds for City and/or County Master Plans	State Funds for City and/or County Recreational Projects	State Funds for Private Recreational Projects	State Program to Promote Research and Development	State Program to Increase Export of Products	University R&D Facilities Available to Industry	State and/or University Con- duct Feasibility Studies to Attract or Assist New Industry	State Recruiting, Screening of Industrial Employees	State Supported Training of Industrial Employees	State Re-Training of Industrial Employees	State Supported Training of "Hard-Core" Unemployed	State Incentive to Industry to Train "Hard-Core" Unemployed	State Help in Bidding on Federal Procurement Contracts	State Science and/or Technology Advisory Council
Alabama	●	●		●65		●	●	●	●		●	●	●	●	●	●	●	●			
Alaska	●					●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Arizona		●				●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Arkansas				●65		●			●		●	●	●	●	●	●	●			●	
California		●65		●65		●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Colorado		●65		●65		●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Connecticut					●	●	●			●	●	●	●	●	●	●	●	●	●	●	
Delaware	●	●			●	●	●	●74	●		●	●	●	●	●	●	●	●	●	●	
Florida						●	●86				●	●	●67	●	●	●	●	●68	●	●	
Georgia		●				●	●		●		●	●	●67	●	●	●	●	●		●	
Hawaii					●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Idaho						●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Illinois				●		●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Indiana				●65		●	●	●		●91	●	●	●	●	●	●	●	●	●	●	
Iowa	●92					●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Kansas		●69		●65		●					●	●	●70	●	●	●	●			●	
Kentucky						●	●	●	●	●	●	●	●	●	●	●	●		●	●	
Louisiana	4	●		●74		●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Maine	●	●		●71		●	●		●	●72	●	●	●67	●	●	●	●	●	●	●	
Maryland	●	●			●	●	●		●	●73	●	●	●	●	●	●	●	●	●	●	
Massachusetts	●	●				●	●	●	●		●	●	●	●	●	●	●	●	●		
Michigan		●		●		●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Minnesota		●		●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
Mississippi		●		●74	●	●					●	●	●	●	●	●	●	●	●	●	
Missouri						●	●				●	●	●	●	●	●	●	●	●	●	
Montana						●	●78	●78				●	●	●	●	●	●		●	●	
Nebraska		●69				●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Nevada				●65	●	●					●	●	●	●	●	●	●	●	●	●	
New Hampshire	●				●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	
New Jersey	●				●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	
New Mexico		●				●		●			●	●	●	●	●	●	●	●	●	●	
New York		●				●	●	●	●		●	●	●	●	●	●	●	●	●	●	
North Carolina	●	●				●	●	●	●		●	●	●	●	●	●	●	●	●	●	
North Dakota		●		●		●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Ohio						●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Oklahoma		●		●	●	●	●19		●		●	●	●	●	●	●	●	●	●	●	
Oregon						●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Pennsylvania	●96	●		●97		●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Rhode Island					●	●		●	●		●	●	●	●	●	●	●		●	●	
South Carolina		●		●65	●	●	●	●	●		●	●	●	●	●	●	●	●	●	●	
South Dakota		●		●		●	●	●	●			●	●	●	●	●	●	●	●	●	
Tennessee		●			●	●	●80	●81	●		●	●	●	●	●	●	●	●	●	●	
Texas						●			●			●	●	●	●	●	●	●	●	●	
Utah						●	●		●		●	●	●	●	●	●	●	●	●	●	
Vermont	●	●				●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Virginia		●69				●101	●	●	●		●	●	●	●	●	●	●			●	
Washington						●74	●		●			●	●	●	●	●	●	●	●	●	
West Virginia				●		●	●		●	●	●	●	●	●	●	●	●	●	●	●	
Wisconsin						●	●	●	●		●	●	●	●	●	●	●	●	●	●	
Wyoming						●	●					●	●	●	●	●	●		●	●	
STATE TOTALS	13	26	0	19	12	50	42	31	40	9	43	50	50	50	50	50	49	43	34	41	45
Puerto Rico	●				●		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

INDUSTRIAL REVENUE BOND FINANCING

PROJECTS PERMITTED UNDER BOND FINANCING LAWS: USES FOR PROCEEDS OF BOND FINANCING

	Industrial Buildings	Industrial Parks	Office Buildings	Warehouses	Recreational Attractions*	Retail Merchandise Establishments*	Medical Facilities	Pollution Control Systems	Purchase Land	Purchase Equipment, Machinery	Refinance Existing Facilities	Company May Buy Bond-Financed Plant on Lower Interest Rate	Installation of Utilities	Engineering Fees	Landscaping of Plant Site	Construction Financing	Legal Fees Associated with Project	Financing Fees	Debt Service Reserve
Alabama	•		•	•			•	•	•	•	•	•	•	•	•	•	•	•	•
Alaska	•	•	•	•	•			•	•	•	•	•	•	•	•	•	•	•	•
Arizona	•	•	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•
Arkansas	•	•	•	•				•	•	•	•	•	•	•	•	•	•	•	•
California	•			•					•	•	9	•	•	•	•	•	•	•	•
Colorado	•	•	•	•	•	•	•	•	•	•	9	•	•	•	•	•	•	•	•
Connecticut	•		•	•	•	2	•	•	•	•		•	•	•	•	•	•	•	•
Delaware	•	•	•	•	•	•	•	•	•	•	1	•	•	•	•	•	•	•	•
Florida	•		7	•	16	13	•	•	•	•	17	•	•	•	•	•	•	•	•
Georgia	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Hawaii	•	•	•	•			•	•	•	•	•	•	•	•	•	•	•	•	•
Idaho	•	•		•	•			•	•			•	•	•	•	•	•	•	•
Illinois	•			•		•	•	•	•	•	11	•	•	•	•	•	•	•	•
Indiana	•	•	•	•	•	•	•	•	•	•	1	•	•	•	•	•	•	•	•
Iowa	•	•	12	•		13	•	•	•	•		•	•	•	•	•	•	•	•
Kansas	•	•	•	•	•			•	•	•	•	•	•	•	•	•	•	•	•
Kentucky	•		19	5	14	19	•	•	•	•		•	•	•	•	•	•	•	•
Louisiana	•	•	•	•		•	•	•	•	•		•	•	•	•	•	•	•	•
Maine	•	18	•	•	•		•	•	•	•	•	•	3	3	3	3	3	3	3
Maryland	•	•	•	•	15	15	4	•	•	•	•	•	•	•	•	•	•	•	•
Massachusetts	•	•	2	•		2	20	•	•	•		•	•	•	•	•	•	•	•
Michigan	•	•	•	•	•	•	•	6	•	•	•	•	•	•	•	•	•	•	•
Minnesota	•		•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•
Mississippi	•	•		•				•	•	•		•	•	•	•	•	•	•	•
Missouri	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Montana	•	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•
Nebraska	•	•	13	13	13	13	13	•	•	•		•	•	•	•	•	•	•	•
Nevada	•	•	•	•			•	•	•	•		•	•	•	•	•	•	•	•
New Hampshire	•	•	•	•			•	•	•	•		•	•	•	•	•	•	•	•
New Jersey	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
New Mexico	•	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•
New York	•	•	•	•	•	•	4	•	•	•	•	•	•	•	•	•	•	•	•
North Carolina	•		5	5				•	•	•		•	•	•	•	•	•	•	•
North Dakota	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Ohio	•	•	8	8	8	8	•	•	•	•		•	•	•	•	•	•	•	•
Oklahoma	•	•		5	•		•	•	•	•		•	•	•	•	•	•	•	•
Oregon	•	•	•	•	•		•	•	•	•		•	•	•	•	•	•	•	•
Pennsylvania	•	•	•	•		•	•	•	•	•		•	•	•	•	•	•	•	•
Rhode Island	•	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•
South Carolina	•						•	•	•	•	1	•	•	•	•	•	•	•	•
South Dakota	•	•	•	•	•	•		•	•	•	•	•	•	•	•	•	•	•	•
Tennessee	•	•		•	•	•	•	•	•	•		•	•	•	•	•	•	•	•
Texas	•		•	•		10	•	•	•	•		•	•	•	•	•	•	•	•
Utah	•	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•
Vermont	•	•	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•
Virginia	•	•	12	•		•	•	•	•	•		•	•	•	•	•	•	•	•
Washington	•	•		•		•	•	•	•	•		•	•	•	•	•	•	•	•
West Virginia	•	•	•	5	•	•	•	•	•	•		•	•	•	•	•	•	•	•
Wisconsin	•	•	7	•	•	10	•	•	•	•		•	•	•	•	•	•	•	•
Wyoming	•	•	•			•		•	•	•		•	•	•	•	•	•	•	•
Puerto Rico	•	•	•	•	•		•	•	•	•		•	•	•	•	•	•	•	•

*New federal regulations may restrict the use of industrial bonds for commercial or recreational facilities.

Source: Conway Publications' survey of state development agencies.

1—Applicable when existing facility is for an entirely new type of operation.

2—In downtown urban revitalization districts only.

3—Applicable if part of total project.

4—Applicable to research facilities only.

5—Permitted only if related to manufacturing operations.

6—Applicable to any structure suitable for, intended for, or incidental to use as a factory, mill, shop, processing plant, assembly plant, fabricating plant, warehouse,

research and development facility, engineering, architectural or design facility, or tourist and resort facility.

7—Applicable if structure is a national or regional headquarters facility.

8—Applicable only if facility is occupied by company obtaining bonds; not permitted by speculative buildings.

9—Refinancing is limited to 10% of net bond proceeds.

10—If located in a blighted urban renewal or UDAG area.

11—Permitted for medical facilities only.

12—Limited to multistate, regional or national headquarters buildings and operations centers.

13—Applies only in designated areas.

14—Limited to parks.

15—No more than 25% of the proceeds of the bonds may be used for commercial or recreational facilities.

16—State has recently limited the use of IRBs for public lodging and recreational facilities.

17—May be held true under a provision in the statute concerning bond refunding, but an existing firm could not use bond proceeds strictly to renegotiate a lower interest rate on older buildings.

18—Certain restrictions may apply.

19—Limited to redevelopment of downtown business districts.

20—Limited to nursing homes.

STATE INCENTIVES FOR POLLUTION CONTROL

	Real Property Tax Exemption	Personal Property Tax Exemption	Sales/Use Tax Exemption on Purchase of Pollution Control Facilities	Sales/Use Tax Exemption Applicable to Lease of Pollution Control Facilities	Credit against Corporate Income Tax	Maximum Dollar Limit of Credit	Accelerated Depreciation of Pollution Control Equipment	Exclusion of Pollution Control Investment from Corporate Franchise Tax Exemption Applicable to Cost of Operating Pollution Control Facility	State Financing Program for Purchase and Installation of Pollution Control Facilities
Alabama	•	•	•	•	•	No Limit	•	•	• 1
Alaska									• 1
Arizona							•		• 1
Arkansas	•	•	•						• 1
California							•		• 1
Colorado									• 1
Connecticut	• 4	5	•	•	•	No Limit	•		•
Delaware	• 4	5	• 14	• 14			•		• 6
Florida		• 7	•			No Limit		• 12	• 8
Georgia	•	•	•	•					
Hawaii		5					•		• 9
Idaho			•	•			•	•	• 8
Illinois	•	•	•	•	•	43	•		• 1
Indiana	•	•	•	•			•	• 12	• 1
Iowa	•	•					•		• 1
Kansas	• 37	• 37			•	38	•		• 1
Kentucky	• 39		•				•	• 40	• 1
Louisiana	• 42	•	•	•			• 17		• 41
Maine	•	•	•	•				• 12	• 11
Maryland		•	•				•	• 12	• 13
Massachusetts	•	5	•	•	•	No Limit 43	• 44	• 45	• 1
Michigan	•	•	•	•	•	No Limit	•		• 1
Minnesota	•	• 14			•	\$75,000 16	• 17		• 1
Mississippi	• 15	• 15	• 18				•		• 1
Missouri			•	•			•		• 1
Montana	•	•	19	19				•	• 1
Nebraska			• 20						• 1
Nevada	•			•					•
New Hampshire	•	•	19	19	•		•		• 1
New Jersey	• 4	•	•						• 1
New Mexico	•	5			•	No Limit		•	• 29
New York	• 22	5	• 23	• 23	• 24	No Limit 24	• 25	• 25	• 1
North Carolina	•	•	• 21	• 21			•	•	• 1
North Dakota	•	5			• 26	26	• 17		• 27
Ohio	•	•	•	•	•	No Limit	•	•	•
Oklahoma					•		•		• 1
Oregon	•	•	19	19	•	50% of Investment	• 28	•	• 1
Pennsylvania	•	• 5	•				•	•	• 29
Rhode Island	• 30	•	•	•	•	2%/Year	•		• 31
South Carolina	• 4	• 32	•	•				•	• 1
South Dakota	•								• 1
Tennessee	• 4 39	•	• 33				•		• 1
Texas									•
Utah			•	•					• 1
Vermont	•	•	•				•		• 34
Virginia	• 35	• 35	• 36	• 36			•		• 1
Washington						50% of Investment			
West Virginia		•	•	•	•	43	•	•	•
Wisconsin	•	•	•		•	No Limit	•	• 12	• 1
Wyoming	•					No Limit			• 1
Puerto Rico									•

- 1—Industrial revenue bond issues.
- 2—State grants for municipalities only.
- 3—Act 9 Industrial Revenue Bonds. The Act authorizes municipalities and counties to issue special obligation revenue bonds to be used for securing and developing industry. The bonds may mature at any time up to 30 years and may not carry an interest rate in excess of 8%.
- 4—No state real estate tax is levied.
- 5—No personal property tax is levied.
- 6—May be included in industrial revenue bond issues or state guaranteed bond issues in certain cases.
- 7—Pollution control devices are assessed at a salvage commercial value. Devices may be exempt on local option basis.
- 8—Local government unit.
- 9—Hawaii Capital Loan Program can assist up to a maximum of \$50,000.
- 10—Municipal revenue bonds and Kentucky Industrial Development Finance Authority loans.
- 11—Maine Industrial Building Authority loan guarantees.
- 12—State does not levy franchise tax.
- 13—Industrial Development revenue bonds. Also Maryland Industrial Development Finance Authority loan guarantee if pollution control equipment is part of a total project.
- 14—Only affects public utilities.
- 15—Exempt from ad valorem tax when financed with pollution control bonds.
- 16—Absolute \$75,000 with no refund.
- 17—Pollution control equipment is treated the same as other capital assets all of which are eligible for accelerated depreciation.
- 18—When equipment is sold to a manufacturer, rate is 1% in lieu of 5%.
- 19—State does not levy sales tax.
- 20—Purchaser of water pollution equipment may apply for sales tax refund.
- 21—New equipment is allowed a preferential rate of 1%, with a maximum tax of \$80 per article.
- 22—Buildings exempt from local real property tax.
- 23—Pollution control equipment and utilities which are an integral part of the production system are exempt from the state portion of the sales tax and from any local sales tax except that of New York City. Real estate is not subject to the sales/use tax.
- 24—Credit based on new investment in depreciable property (buildings and or equipment.) No limit, but credit may not cancel the \$250 minimum corporate income tax payable.
- 25—One-year write-off as an alternative to the new investment credit described in footnote 24.
- 26—Credit is equal to 1% of gross expenditures for wages and salaries during each of the first 3 years of operation. Credit is applicable to any new facility, not just pollution control equipment.
- 27—Industrial revenue bonds. Bank of North Dakota participation and statewide development credit corporation.
- 28—No depreciation allowed in year credit is taken.
- 29—Industrial revenue mortgages and bonds.
- 30—Exempt from ad valorem tax when financed with industrial revenue bonds.
- 31—Industrial revenue bonds and insured mortgage financing.
- 32—Applies to air, water and noise pollution control equipment.
- 33—May qualify for a reduced tax rate of 1.5%.
- 34—State loan guarantees and revenue bonds.
- 35—Local option on certified equipment and facilities.
- 36—Must be certified.
- 37—Applicable to facilities financed with industrial revenue bonds. A 10-year exemption is allowed.
- 38—\$50 per \$100,000 of investment up to a maximum of 50% of state income tax liability.
- 39—Real property exempt from local property taxes.
- 40—Pollution control facilities are excluded from the property tax factor in allocation of capital for franchise tax and allocation of income for income tax.
- 41—Available at local level.
- 42—Improvements to land and facilities operated in conjunction with manufacturing establishments can be exempted for 10 years.
- 43—Excess above depreciation.

National Survey of
Production Exemptions Under Sales and Use Tax Laws
NORTHERN REGION

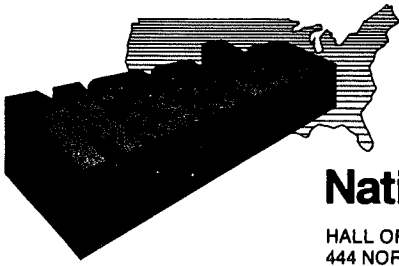
TABLE 2

National Tax Association - Tax Institute of America
State Sales and Use Taxation Committee
January 1980

	CONN.	D.C.	ME.	MD.	MASS.	N.J.	N.Y.	PA.	R.I.	VT.
I. Machinery and equipment exempt (or reduced rate applied)										
A. When used in production of tangible personal property for sale	X ¹		X	X	X	X	X	X	X	X
B. Under what conditions (one or more) of use:										
1. Directly	X		X		X	X	X	X	X	X
2. Exclusively					X				X	X ⁴
3. Predominantly							X ²	X ²		
4. Primarily			X ¹¹			X ²				
5. Other				X ³						
C. Does the exemption apply to:										
1. Machinery and equipment for new business	X		X	X	X	X	X	X	X	X
2. Machinery and equipment to expand existing plant	X		X	X	X	X	X	X	X	X
3. Replacement machinery and equipment	X		X	X	X	X	X	X	X	X
4. Machinery and equipment used to produce items for self-use in production	X					X	X	X	X	X
5. Molds, dies, patterns, tools, jigs, etc.	X		X	X ⁶	X ²⁰	X ⁷	X ⁷	X	X	X
6. Power sources (boilers, generators, furnaces, etc.)	X		X	X	X		X	X	X	X
7. Mobile equipment			X	X		X ⁸	X ⁸	X ⁸	X	
8. Storage equipment (bins, tanks, etc.)			X	X			X	X		
9. Other			X ⁵							
D. Are the following exempt:										
1. Components and accessories for machinery and equipment	X ⁹			X		X	X	X	X ⁸	X
2. Repair or replacement parts				X	X	X ⁷	X ⁷	X	X	X
3. Hand tools	X		X	X ⁹	X ¹²			X	X	
4. Installation, repair and maintenance services on exempt machinery and equipment, whether or not materials are separately stated				X	X			X		X
5. Sales of exempt items to construction contractors or servicepersons for installation in a plant, whether or not items become realty	X		X ¹⁰			X	X	X		
6. Machinery and equipment purchased by a lessor for leasing for exempt use	X			X	X	X	X	X	X	X
7. Foundations for machinery and equipment				X	X	X	X			
8. Other			X ¹¹							
E. Are machinery and equipment for the following activities within the exemption:										
1. Research and development, in laboratory sense			X ¹⁴	X	X ¹⁷	X ¹⁴	X	X		X
2. On-line inspection or quality control			X	X	X	X	X	X	X	X
3. Off-line inspection or quality control										
4. Clean and white rooms								X ¹⁸		
5. Air and water pollution control	X		X	X			X ¹⁸	X ²⁰	X ²²	
6. Noise pollution control								X		
7. Solar energy	X ¹³		X ¹⁶			X				
8. Recycling				X						
9. Safety				X ¹⁸						
10. Other								X ²¹		

NORTHERN REGION

TABLE 2 (CONT'D)[illegible]



National Association of State Development Agencies

HALL OF STATES, SUITE 526
444 NORTH CAPITOL ST., N.W.
WASHINGTON, D.C. 20001

(202) 624-5411

MILES FRIEDMAN
Executive Director

NASDA 1984 STATE DEVELOPMENT AGENCY EXPENDITURE AND SALARY SURVEY

NASDA 1984 EXPENDITURE SURVEY

Summary Table

State	Budget*	Industrial Development	International	Tourism	Staff
ALABAMA	2,816,025		300,000	2,938,048 ^a	44
ALASKA	9,421,100	1,964,300	537,500	1,033,800	65
ARIZONA	1,086,891	404,903	191,722		26
ARKANSAS	2,681,837	138,600	235,631		82
CALIFORNIA	6,605,000	614,000	50,000	612,000	66
COLORADO	616,588	438,349	99,500	a	32
CONNECTICUT	3,839,234	774,752	325,514	576,886	81
DELAWARE	3,231,600 ^c	731,000		576,700	42
FLORIDA	6,409,346	1,399,901	611,247	4,585,425 ^a	148
GEORGIA	8,372,107	625,677	857,066	3,066,858	190
HAWAII	6,501,235 ^e		1,320,203	3,262,914	86
IDAHO	1,828,000	79,236	13,500	72,800	19
ILLINOIS	29,629,400	3,411,717	1,544,691	2,527,469	665
INDIANA	3,874,885	329,081	561,264	234,215	144 ^f
IOWA	3,408,884	398,150	333,910	418,780	56
KANSAS	3,038,372	764,545	18,671	318,917	58
KENTUCKY	4,348,200	2,068,900	838,500		59
LOUISIANA	6,173,410	310,855	94,478		58
MAINE	1,735,138	579,511		545,518	20
MARYLAND	9,177,396	7,063,170		2,037,766	114
MICHIGAN	12,000,000	9,753,600	1,480,600	4,602,300	170
MISSISSIPPI	4,824,070	1,322,555	674,988	808,866	111 ^h
MISSOURI	2,592,412	985,750	670,758	1,696,740	76
MONTANA	29,858,481 ⁱ	1,532,427	68,179	675,000	59
NEBRASKA	3,345,424	799,937		1,078,215	73
NEVADA	1,195,000	1,077,100		2,650,794 ^a	8
NEW JERSEY	6,228,500	1,242,000	574,000	675,000	96
NEW MEXICO	8,212,000			701,400	88
NEW YORK	28,040,822	6,989,800	2,223,700	1,600,000	314
NORTH CAROLINA	8,615,767	1,763,412	785,839	2,712,094	145
NORTH DAKOTA	491,852	450,000	90,000	650,000	17
OHIO	30,651,864	4,155,492	1,909,041	5,000,000 ^j	561
OKLAHOMA	1,841,218	1,962,549	392,500	36,198,758	28
OREGON	3,390,531	350,180	654,845	1,278,736	61
PENNSYLVANIA	61,300,000	29,254,000	885,000	4,557,000	187
RHODE ISLAND	2,376,750	475,000	185,000	650,000	232
SOUTH CAROLINA	3,248,000	974,000	400,000	4,370,000 ^a	62
SOUTH DAKOTA	1,178,118	853,432		1,686,257 ^{a b}	57
TEXAS	2,173,086	416,056	308,343	1,755,821 ^b	56
UTAH	1,239,900	451,183	143,448	a	15
VERMONT	3,877,894	319,118	110,000	1,005,300	50
VIRGINIA	5,500,000	1,480,000 ^m	710,000	a	63
WASHINGTON	4,217,517	587,948	960,729	1,412,551	47
WEST VIRGINIA	9,129,536 ⁿ	635,993	90,000	1,014,587	220
WISCONSIN	7,647,290	711,225	309,500	1,091,800	140
WYOMING	1,072,958	159,861	50,000	a	25
Average:	7,805,296	2,111,610	554,099	2,649,455	109

NASDA 1984 Expenditure Survey
Summary Table
Page 2

State	Research	Local/Regional Development	Film Promotion	Manpower Training	Tourism Advertising	Industrial Development Advertising
ALABAMA	85,000	85,000	205,000	1,624,000 ^a	650,000	500,000
ALASKA	662,500				5,216,200	6,000
ARIZONA	570,121		255,389			29,850
ARKANSAS	15,700		70,691			209,127
CALIFORNIA	398,000	324,000	40,000			
COLORADO			178,239	179,000 ^b		
CONNECTICUT	120,000	659,733	50,000	50,000	235,000	75,000
DELAWARE					95,000	100,000
FLORIDA	130,513	171,818	139,889		4,338,104 ^a	474,816
GEORGIA	402,933		d		379,401	195,000
HAWAII	400,807		119,503		475,000	
IDAHO	13,500	80,000	10,000	a	400,000	
ILLINOIS	224,935	12,272,330	275,228	3,299,357	817,000	490,600
INDIANA	266,827	614,388	45,494		1,081,070	306,050
IOWA	205,395	186,870	15,000	6,300,000 ^a	180,750	100,650
KANSAS		404,691	16,220	150,000	201,190	150,000
KENTUCKY	734,900	174,100			a	730,000
LOUISIANA	878,317 ^g	301,360	111,080	796,816		682,501
MAINE	88,700				173,614	273,500
MARYLAND	427,994			950,000	509,540	1,140,520
MICHIGAN	500,200		50,000	1,066,700	1,047,300	1,050,000
MISSISSIPPI	285,772		98,223		288,760	270,000
MISSOURI	177,649	240,109	39,000	a	670,000	479,146
MONTANA	354,626	10,142,697	50,000	500,000 ^a	525,000	70,000
NEBRASKA	534,506			100,000	692,631	180,000
NEVADA		432,000	117,000	a	1,000,000 ^a	225,000
NEW JERSEY	522,000	1,242,000	240,000		1,750,000	400,000
NEW MEXICO		318,300	242,200	3,000,000	1,550,000	481,000
NEW YORK	1,992,200	2,853,500	268,400	1,416,200	8,418,000	2,000,000
NORTH CAROLINA		575,248	132,296		2,048,024	470,000
NORTH DAKOTA	50,000				175,000	50,000
OHIO	13,945,000	13,700,000	120,000	7,100,000	1,400,000	600,000
OKLAHOMA	295,000	k	87,332 ^j	46,797,331 ^a	681,500 ^j	441,000
OREGON	176,282	366,623	97,730	19,961	604,216	130,000
PENNSYLVANIA	454,000		165,000		2,600,000	800,000
RHODE ISLAND	100,000			50,000	100,000	340,000
SOUTH CAROLINA	102,000	35,000	140,000 ^a	100,000		556,000
SOUTH DAKOTA				30,000	a	128,792
TEXAS	309,133	416,056			1,167,927	91,140
UTAH	80,000		179,000	1,000,000 ^a		300,000
VERMONT		209,000	17,000	488,976	360,000	100,000
VIRGINIA			a	1,700,000	1,900,000	800,000
WASHINGTON			41,200		813,245	42,000
WEST VIRGINIA					515,000	275,874
WISCONSIN	424,500	249,100			914,200	81,200
WYOMING			a	a	a	22,500
Average:	762,617	1,918,913	116,648	3,487,197	1,221,463	377,315

NASDA 1984 SALARY SURVEY

Summary Table

State	Director/ Secretary	Deputy Director/ Asst. Secretary	Industrial Development Representatives	Business/ Ind. Dev. Director	International Trade Director	Tourism Director
ALABAMA	\$ 52,848	\$ 47,028	\$ 22,809-44,300	56,758 ^a	a	52,848
ALASKA	59,500	53,500				59,500
ARIZONA	48,969	30,014-46,030	23,140-32,945			
ARKANSAS	45,258	40,324	17,645-29,280			
CALIFORNIA	67,446	53,831	20,688-36,228	46,657		46,657
COLORADO	50,000	40,000	25,000-35,000	40,000	40,000	
CONNECTICUT	56,030	41,626	26,127-31,794	46,202		39,538
DELAWARE	55,800		24,000-38,000			34,000
FLORIDA	44,000	39,000	13,676-34,828	34,035	38,713	44,000
GEORGIA	55,500	33,198-51,500	18,390-39,534		27,996-43,044	27,996-43,044
HAWAII	50,490	47,520	25,668-47,232		43,356	33,972
IDAH0	37,065	36,170	22,000-27,000			29,037
ILLINOIS	46,000	39,000	15,888-36,516			
INDIANA	c	47,727	19,500-25,350	37,908	26,078	26,390
IOWA	52,000	47,000	20,612-33,654			
KANSAS	50,088	29,820	25,620-40,872	44,016		32,424
KENTUCKY	49,500	36,200-42,800	22,000-32,600	42,800	36,200	
LOUISIANA	50,000		12,564-32,028	25,176-36,828	25,176-36,828	
MAINE	41,808	29,000-32,635	20,612-25,812	32,635		30,451
MARYLAND	43,000	37,863	18,303-37,900	40,900		37,100
MICHIGAN	55,000-65,000	40,000-50,000	30,000-40,000	50-60,000 ^d	50-60,000	
MISSISSIPPI	57,000		18,304-33,310			
MISSOURI	28,681-43,022	27,315-40,973	17,608-26,412		22,472-33,708	
MONTANA	48,500		25,000	35,730		
NEBRASKA	41,165		17,000-30,355			
NEVADA	47,500	38,817	34,935			
NEW JERSEY	70,000	50,000	21,000-32,500		53,000	48,500
NEW MEXICO	50,000	45,000	24,000-32,000	43,100		43,100
NEW YORK	65,700	63,072	37,000-44,000		61,836	57,718
NORTH CAROLINA	39,804-61,404		20,520-39,804	48,836	34,500	34,500
NORTH DAKOTA	42,000	38,000	21,000-30,000	42,000		32,000
OHIO	66,684	49,358	20,820-33,300	49,358	43,409	
OKLAHOMA	45,000		22,956-36,185	36,185	36,185	
OREGON	52,776	44,520	29,400	37,524	37,524	37,524
PENNSYLVANIA	48,000	46,400	19,912-25,937	36,792 ^e	36,792 ^e	
RHODE ISLAND	67,400	46,774				31,539
SOUTH CAROLINA	60,000	47,000	19,000-35,600			
SOUTH DAKOTA	40,560	30,000-35,000	25,000-32,000	35,000 ^f		30,077
TEXAS	45,600	44,316	35,172	34,152-43,020	32,928-41,484	32,928-44,400
UTAH	36,185	31,591	24,000		27,475	
VERMONT	36,000		20,509-28,726			40,360
VIRGINIA	60,000	46,000	28,000-35,500		42,000	
WASHINGTON	50,500	44,832	28,044	36,804	47,000	43,740
WEST VIRGINIA	50,628		14,076-28,872			
WISCONSIN	47,400-66,400 ^h	45,850	29,600-41,100	33,200-46,100	43,500	40,000
WYOMING	46,000	27,480	26,136-30,312	38,688		

NASDA 1984 Salary Survey
Summary Table
Page 2

	Local/Regional Development Director	Research Director	Public Relations Director	Film Promotion Director	Manpower Training Director	Small Business Assistance Director	Business Financing Director
ALABAMA		42,198	40,000	40,000-45,000		a	45,000 ^b
ALASKA							
ARIZONA	38,311			40,759			
ARKANSAS		37,500	21,000	21,000			
CALIFORNIA	46,657	46,657				46,657	
COLORADO				40,000			
CONNECTICUT	39,538					39,124	
DELAWARE							42,000
FLORIDA	32,463	37,099		33,341			
GEORGIA		27,996-43,044		27,996-43,044			
HAWAII		45,096		39,072			
IDAHO							
ILLINOIS							
INDIANA	26,078	31,124	30,732	15,288			
IOWA	35,000	40,456	34,000		35,755	36,000	
KANSAS							
KENTUCKY	41,500	38,000					38,800
LOUISIANA							25,176-36,828
MAINE							
MARYLAND					35,800	40,900	39,500
MICHIGAN	50-60,000 ^d						50,000-60,000
MISSISSIPPI							36,441
MISSOURI	22,472-33,708	15,971-23,957	15,971-23,957				
MONTANA	31,144	31,789					46,500
NEBRASKA							
NEVADA				38,807			
NEW JERSEY		45,500		65,000			
NEW MEXICO							
NEW YORK	61,474	61,836	55,259	48,600		61,836	
NORTH CAROLINA							
NORTH DAKOTA							
OHIO	45,011					42,016	51,771
OKLAHOMA		36,185					
OREGON	37,524	35,736		22,776			37,524
PENNSYLVANIA						23,746	
RHODE ISLAND					50,000		50,000
SOUTH CAROLINA		40,000	40,000				
SOUTH DAKOTA							
TEXAS							
UTAH				27,457		39,591	
VERMONT	29,078 ^g						
VIRGINIA	42,000						
WASHINGTON						35,905	
WEST VIRGINIA	32,436						
WISCONSIN		40,000				29,200	
WYOMING							

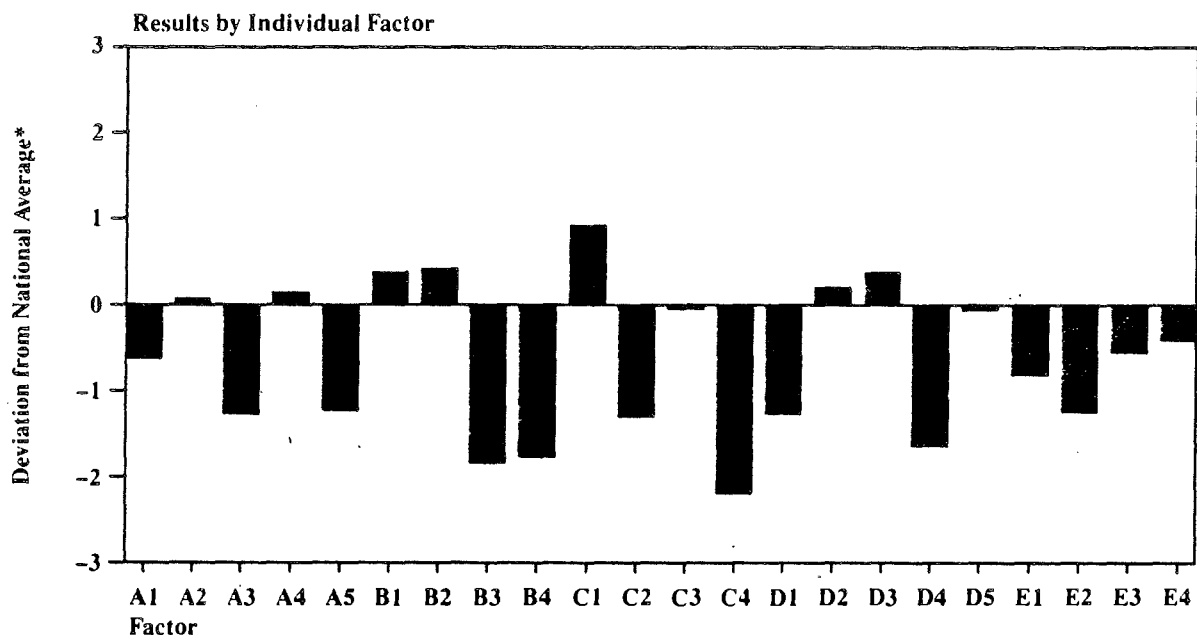
Maine

	All Factors	Gov't Factors	Non-Gov't Factors
National Rank	46	45	44
Regional Rank	5/6	6/6	5/6
Factor	National Rank	Factor Value	National Average
A1 - Taxes**	41	\$ 120.99	\$ 109.45
A2 - Change in Taxes**	25	-3.24%	-2.71%
A3 - Exp. vs. Rev. Growth**	45	1.213	.951
A4 - Debt**	26	\$ 676.88	\$ 740.77
A5 - Welfare Expenditure**	42	\$ 313.94	\$ 216.25
B1 - UC Benefits**	20	\$ 208.47	\$ 250.02
B2 - UC Net Worth**	18	\$ 75.95	\$ -46.89
B3 - Maximum WCI Pmt.**	46	\$ 426.43	\$ 273.75
B4 - WCI Levels**	45	1.692	1.000
C1 - Wages	12	\$ 7.61	\$ 8.71
C2 - Change in Wages	47	26.83%	21.98%
C3 - Unionization	30	21.6%	21.0%
C4 - Change in Unionization	48	12.89%	-5.34%
D1 - Voc-Ed Enrollment**	44	1.98%	4.38%
D2 - HS Educated Adults**	21	80.16%	78.94%
D3 - Manhours Lost	18	0.014%	0.091%
D4 - Value Added	45	\$ 3.26	\$ 4.05
D5 - Hours Worked	27 =	39.9	40.0
E1 - Energy Costs	41	\$ 6.00	\$ 4.92
E2 - Environmental Control**	44	0.965%	0.550%
E3 - Population Density	35	37.0	160.5
E4 - Population Change	39	21	152

* Below graph indicates each factor's number of standard deviations from the national average. The graph is constructed such that bars above the center line reflect a positive contribution to the state's score. Those below the line reflect a negative contribution to the overall score. The underlying factor values are unweighted.

** Denotes factor controlled or strongly influenced by state or local governments.

= Denotes tie in rank.



EXCERPTS FROM
MANAGING THE RENEWAL OF MATURE INDUSTRIES
COUNCIL OF STATE PLANNING AGENCIES
&
STANFORD RESEARCH INSTITUTE

In fact, the state governments may be most effective when they do not select specific companies for assistance, but rather provide across-the-board assistance to a group of companies within an industry.

Additionally, it should be in the industry based on the willingness of the stakeholders to take aggressive and proactive initiatives to face their current situation and explore various alternatives for renewal and growth in the future.

Symptoms of maturity are often interpreted as indicators of inevitable decline of an industry. While this can certainly be the case, specialty chemicals, and other industries suggest that quite often these changes bring about fundamental industry change, leading to potential dematuring and the emergence of fast growing and dynamic industry segments.

Not surprisingly, the new segments are most successfully pursued by new industry entrants. The established companies of the "mature" industries usually do not recognize or do not have the capabilities to compete in the new markets and, therefore, often miss early exploitation of these new business opportunities, not realizing their long-term potential and possible dematuring impact on the industry's competitive base.

It may be significantly easier to start a completely new organization without the previous traditions of conducting their business affairs.

Typically, companies in mature industries regard change as a threat and react defensively to such signals, rather than taking a proactive stand and turning the threats into potentially lucrative business opportunities.

Based on observations in various industries, there is a growing school of thought that this process of maturity can be reversed and an industry can "de-mature" (Abernathy's Industrial Renaissance).

The stabilized nature of mature industries and heavy investment in limited types of capital equipment, labor skills, management expertise, and organizational capabilities, makes these industries increasingly vulnerable to changes in technology, market preferences, and relative prices.

Analyses that allow companies in mature industries to identify technologies and marketing concepts that may revitalize their product lines (by modifying product concept or production process, or by using novel technology) are of critical importance if companies want to convert potential threats into opportunities. In order to perform such analyses, companies need access to sources that can alert them to various new technological and marketplace developments. Possibly, it is in this area that state and other regional or industrial organizations can be of most assistance to firms in mature industries.

The U.S. footwear industry is an example of an industry with long tradition, which is undergoing changes much harder to characterize than those in the machine tool or steel industries. Analysis is more difficult and firm conclusions are harder to reach. Thus, the options for response to the industry's needs are also less clear.

U.S. International Trade Commission (USITC) data show that larger manufacturers are consistently more profitable than smaller firms. In recent years, however, this has been attributed to factory closures and consolidation efforts as larger firms diversify and vertically integrate.

Domestic consumption of nonrubber footwear continues to climb.

One example is the trend in orthopedic shoe production, where research is currently being pursued to automate the process. Currently, orthopedic shoes are made manually one at a time, following molds of the individual foot. Efforts are under way at Research Triangle Institute (Durham, N.C.) to use a three-dimensional laser system to model the foot (no mold) for input to a CAD/CAM system for orthopedic shoe manufacture. This approach would lower the cost of custom fitted shoes to about one half the cost of the handmade version.

This functional approach to shoe design has transferred to walking shoes and other leisure use footwear—a trend likely to continue by moving into dress footwear.

At the same time there has been a gain in athletic shoes and their derivatives due to changes in the market.

The gain has in turn supported a change in technology which has increased the market for comfortable, casual shoes.

Commitment is needed within the footwear industry to develop new technologies that will reduce manufacturing costs. In its current structure, however, the industry is ill-prepared to pursue this commitment. Larger firms have already adopted cost-cutting measures (such as offshore manufacturing) and vertical integration, making them less responsive to research needs, and smaller firms are, in general, unable to finance the necessary research.

Preparing firms to respond to changes in the competitive bases is quite difficult. Reaction times are likely to be slow, and transfer of new ideas difficult. Managing and making decisions in a new environment with greater uncertainty and higher risk requires a different managerial set, bot in attitude and expertise.

Government should work closely with industries that want to help themselves.

State governments seldom can force change; however, they can be effective as agents and facilitors of change for industries and companies that have the potential for rejuvenation.

Open up lines of communication with industries and their associations; show concern for industry problems; help remove unnecessary constraints; encourage interaction among state agencies, universities, industries, labor organizations, and communities.

The most important thing a state government can do is to initiate or continue measures that provide a favorable climate for business.

Perhaps the most important thing is the attitude of legislators and officials---that industry is an asset to be nurtured, rather than an enemy to be harassed.

Since those within the industry tend to focus narrowly on immediate problems, state agencies, and university researchers can help them broaden their perspective by taking a longer view.

Based on such information and offers of assistance, the business leaders have the responsibility for deciding what they should do. But their eligibility for further aid may be conditioned on their willingness to pay attention to the warnings and their capabilities and efforts to respond.

4315

Speech Given by Senator Tuttle to
the Sanford Chamber of Commerce

It is fair to say that, once again, the last legislative session failed to produce any landmark legislation in the area of economic development. I have heard arguments that this was the best thing to happen to Maine business in a long time. These arguments, I feel, are based on the poor performance of the State relative to economic development, specifically, and business, in general. This poor past performance should not, however, be construed as indicating that the State can do nothing for economic development. It can.

What we must do is learn from experience and approach the problem in a more realistic manner based on this experience.

One thing that we are learning is the importance of using business people when you are dealing with business people.

A 15 minute conversation between a prosperous Sanford businessman and a potential investor, in some instances, can be more productive than a 2 hour glossy presentation by the State Development Office, and is, in almost all instances, a desirable complement to the largely academically trained State Development personnel.

Legislators are beginning to realize that decisions to expand, invest, or relocate are influenced by the business grapevine and that often that influence results in a more permanent relationship than that derived from the irresistible offers of State officials.

The foregoing is an example of the experience-based questioning of longstanding beliefs concerning the Maine economy that is beginning in the State and must be accelerated. These beliefs among other things have justified the glossy business approach for years. Now their legitimacy is being questioned.

Belief #1 Economic development consists of attracting business from other states.

Belief #2 Development efforts should concentrate on the high tech industries.

Belief #3 Maine's existing manufacturing industry should receive minimal attention.

- There is nothing that the state can do for them.
- They are dying industries.
- The federal government will take care of them.
- They are poor industries anyway.
 - working conditions are poor
 - pay is poor
 - they are here today, gone tomorrow.

Both on a national basis and, somewhat belatedly, on a state basis it is being agreed that these beliefs just aren't true. Economic development should no longer be based on these beliefs, or perhaps should never have been and we must change these beliefs and do so rapidly because state economic development is now more important than ever. This is occasioned by:

- The declining role of the federal government
- the strong dollar
- the continuing restrictive trade policies of many foreign nations. Notice I did not say the excessively open trade policies of this country.
- the irreversible shift of mass production manufacturing to third world countries.

We must recognize that economic development, first, should be called economic stabilization and development. We must retain our existing industry. And, second, economic development should involve expanding existing business and the starting of new ones. It should not involve trying in a major way to attract new business, and, particularly, in industries unrelated to the state. We must diversify, but it must come from within and it must involve working with what the State has and what it is, that is evolution, not revolution.

Given all this, what should the state be doing? One answer to this question is to look at states that are more advanced in their change to the new concept of economic development. New Hampshire provides a good example, since Maine and New Hampshire share so many of the same conditions, and New Hampshire's economy leading the nation in so many categories

What we find is much what we expected. The relationship between New Hampshire's State Development Office and the New Hampshire business community is considerably different than it is in Maine.

The primary concern of the New Hampshire Development Office is the well-being of businesses currently operating in their state. They have moved away from the high profile attraction programs and are taking special care of the businesses in their own backyard.

They religiously maintain contact with all large and small businesses. They listen to the needs of each individual business and they maintain enough flexibility to respond to those individual needs, whether it be obtaining an industrial revenue bond or perhaps a state guaranteed loan. State development officials are talking with business owners before critical situations arise, not after it is too late.

As a result businessmen in New Hampshire are talking highly of the state's economic climate. There is a good feeling between the State's business community and the state government.

Unfortunately, we have yet to make as firm a commitment to business assistance. According to the State Development Office they invest 20% of their funding in Business Attraction and only 13% in Business Assistance. Interestingly, they didn't say where they invest the rest.

But the trend is taking hold. Last session we passed several pieces of legislation pulling State Development Office more heavily into business assistance efforts. Admittedly, they are only beginning steps and one only now being implemented.

As a result of last year's legislation, the State Development Office has established a central referral service for business owners seeking financial and technical assistance. Businesses will now have one person who can direct them as to where to go for assistance regarding loans, management, marketing, and other concerns. However, we must be much more active in publicizing the existence of this office.

In addition a single directory has been established to inform all types of investors of their responsibilities concerning licensing and regulations.

And finally, at the Legislature's urging, the Governor has initiated the construction of a single building in which all economic development agencies will be housed. It is hoped that by putting everything under one roof the activities of these organizations can be better coordinated and more easily accessible to businesses needing them..

As I mentioned earlier, these are not considered landmark pieces of legislation. They are, however, the beginning of a positive trend. A trend to look after the affairs of our own backyard.

Since the end of the session, as Chairman of the Committee to study the future of the Maine Shoe Industry, I have grown painfully aware of the time we have lost in saving this vital industry and how our beginning steps must be accelerated. I have seen many instances where a proper response at the proper time could have saved a business and the livelihood of hundreds of individuals.

In the upcoming brief session, I expect to see legislation aimed at detecting and solving problems in Maine businesses before it is too late.

Let me tell you some of the specific things that I believe the State and the Legislature should be working on.

1. An Economic Development Strategy. We are proposing an Industrial Advisory Board consisting of state officials, and representatives from business, banking, insurance and labor. It will see to the development of a State Economic Development Strategy, so that all parties will agree on where the State is going, and it will coordinate and supervise the activities of the various state development agencies.

2. A Business Advocate or Ombudsman in the Office of the Governor.

3. Education, Advertising and Public Relations directed at improving the image of Maine's manufacturing industries within the State.

4. A review of Maine's Regulatory and Tax Policies. Among the goals will be to assure that regulations and taxes are considered within a broad framework, to make regulatory and tax policy accountable and to discontinue the adversarial nature of the state/business relationship.

5. A refocus of the State Development Office to the State's existing industries.

. An early warning system to identify troubled industries and companies rather than waiting for them to identify themselves when it is often too late.

. The addition of seasoned business executives to the Development Office staff who can go to these troubled companies to advise them, pinpoint those requiring financial assistance and actively solicit the best new ownership when that is indicated.

6. A Consortium of the State, Higher Education and Mature Industries

- . Location at a State University or a Private College
- . Funded by all three participants
- . With the purposes of:
 - a. Providing education and training in management and marketing skills.
 - b. Bringing existing data on changing lifestyles and needs to bear on Maine's manufacturing industries and developing products and fashions responsive to those changes.
 - c. Sponsoring industry fairs, for example a Maine Fashion Fair.
 - d. Acting as a catalyst for the development of a Maine Fashion Mart, a centralized wholesale location for Maine companies involved in marketing fashion products.

7. Finally, something I feel very strongly about. I will be recommending in my report to the Legislature for the Shoe Committee that a Joint Standing Committee on the Commerce and Industry be formed to put a higher priority on business and mature Maine industries in the future.

I believe that we have learned and are continuing to learn from our experiences and one thing we have learned is that strengthening our business assistance capabilities is more important than ever. However, this now means maintaining our existing businesses, growing our existing businesses and starting new businesses. The State can take action to foster these activities. And it can and must see that it is not, without realizing it, hampering these developments with taxes and regulations whose detriment to business and the business climate is far greater than their other values to the State.

4052



STATE OF MAINE
EXECUTIVE DEPARTMENT
STATE DEVELOPMENT OFFICE
STATE HOUSE STATION 59
AUGUSTA, MAINE
04333

JOSEPH E. BRENNAN
GOVERNOR

LESLIE E. STEVENS
DIRECTOR

December 27, 1982

Memorandum

TO: Joseph E. Brennan, Governor

FROM: Leslie E. Stevens, Director, State Development Office *Les*

SUBJECT: Business Development Finance

During the late summer and fall, the Counsel for Community Development Inc., Cambridge, Massachusetts, under contract with the State Development Office, examined the issue of small business development finance in Maine. The issue surfaced at the Blaine House Conference on Small Business and has been of continuing concern to the Governor's Small Business Advisory Council who perceive capital availability to be a barrier to small business development and who perceive Maine's development finance mechanisms as inadequate to the needs of small business.

The Counsel for Community Development study (Daniels's study) is now in the draft final report stage. The draft final report covers the demand for capital by Maine small businesses, the private financial market in Maine, an analysis of statewide development finance mechanisms, and policy recommendations. The draft final report and appendix is attached to this memorandum. In the interest of brevity this memorandum will focus on policy recommendations rather than the supporting analysis contained in the draft final report. The Daniels's study policy recommendations have been reviewed, amended, and supported by a "core group" with the following members: Les Stevens, State Development Office; Dick Barringer, State Planning Office; Dick Anderson, Department of Conservation; Stu Smith, Department of Agriculture; Nate Bowditch, Maine Development Foundation; Peter Garsoe, Governor's Small Business Advisory Council; Ron Phillips, Coastal Enterprises; and Mike Aube, Eastern Maine Development Corporation.

Policy Recommendations

1. To establish through executive order a Maine Development Board to coordinate statewide development policy and coordinate and oversee the activities of the state's development finance mechanisms.

- The Maine Development Board would be appointed by the Governor and consist of the following members: State Development Office, State Planning Office, Departments of Agriculture, Conservation, Marine Resources, Transportation, Labor, Business Regulation, and Environmental Protection, Maine Development Foundation, a representative of the private sector financial community, a local economic developer, and a business person. (Total membership 13)
- The Maine Development Board would be chaired by the Director of the State Development Office and would meet on a monthly basis to develop statewide policy objectives on development issues; identify priority projects, identify priority regions and sectors, coordinate and oversee the activities of the state's development finance mechanisms; be a central clearinghouse for proposals; deal with crisis situations and opportunity management, and coordinate new legislative initiatives.
- The activities of the Maine Development Board would be supported by \$75,000 in the State Development Office budget. This would support a \$30,000 staff position and appropriate studies and contract work. The staff position would be accountable to the Maine Development Board.

2. To establish through legislation a Maine Business Development Finance Authority which consolidates the activities of the MGA and the Veterans and Small Business Loan Authorities.

- The Board of the Maine Business Development Finance Authority would be the same as MGA but with somewhat greater specificity in the legislation about the qualifications of Board members.
- The Community Industrial Building Program (CIB) should be reassigned to the State Development Office and reassessed by the Maine Development Board.
- Veterans and Small Business Loan Authority maximum loan amounts should be raised from \$30,000 to \$100,000.
- Staff of the Maine Business Development Finance Authority (MGA and SBLA/VSBLA) should be increased and removed from state civil service requirements.
- The Maine Business Development Finance Authority should develop more rigorous application screening and active portfolio monitoring procedures.
- The Maine Business Development Finance Authority should embark on an aggressive public relations campaign to increase its visibility and improve its reputation.

- The Maine Business Development Finance Authority's credit insurance and guarantee program should be revised to increase their market sensitivity and conserve scarce state dollars. Existing private market mechanisms should be used on larger projects; a fully capitalized insurance fund could be used for projects with a medium level of risk; and the smallest loans should have access to guarantee funds.
- A secondary market for the guaranteed portions of the SBLA/VSBLA loans should be pursued. Loans could be packaged and sold to the Maine State Retirement Fund. This would enhance bank liquidity and encourage Maine banks to maintain or expand Authority - guaranteed loans during periods of low liquidity.
- A one time appropriation of \$50,000 should be passed to increase the Authority's staff.

3. To establish through legislation a Maine Natural Resource Finance and Marketing Authority.

4. To establish through legislation a Development Opportunity Fund. (DOF)

- The DOF would be capitalized with \$750,000 of Community Development Block Grant funds and a legislative appropriation of \$1,000,000.
- The DOF would be administered by the State Planning Office.
- DOF grants would be between \$50,000 and \$250,000 and be awarded to municipalities or non profit organizations. Non profit applications require municipal support.
- DOF grants may be used as loans to business and industry for site acquisition, construction, equipment purchase, and working capital; DOF grants may be used as loans for construction, conversion, or rehabilitation of buildings which promote economic revitalization of communities; and DOF grants may be used for infrastructure, land, and buildings necessary to support business expansion, location, and retention.
- Applications for DOF funds would be matched with a private sector commitment at least equal to the amount of DOF funds.
- A set aside of \$175,000 of total DOF funds is proposed to finance extraordinary planning and financial packaging (P and FP) costs required by complex development projects. These P and FP funds would be project specific, limited to \$20,000, and require a 50% match.

- After recommendations have been made by DOF staff, DOF funding decisions will be made by a 7 member selection committee with private sector representation; P and FP funding decisions will be made by the Director of the State Planning Office.
- Regular DOF applications and P and FP applications will be submitted quarterly to the State Planning Office.
- Loans supported by DOF funds will be repaid to the fund for future use in DOF projects.
- DOF staff will consist of a financial analyst, field representative, and secretary; total administration cost is \$117,000.

5. To have the Maine Development Board address the risk capital needs of the State of Maine and prepare recommendations in that regard for the Governor's consideration by the close of calendar year 1983.

- The recommendations would include the feasibility and mechanics of establishing an Innovation Development Corporation to provide seed and start-up capital for new product development and new enterprise development in Maine for the purpose of creating jobs and diversifying the state's economy.
- The recommendations would include the feasibility and mechanics of establishing a reactivated Maine Business Development Corporation as a risk-pooling mechanism to increase the supply of flexible, longer-term debt to higher-risk small business.
- The recommendations would include improvements to the Maine Capital Corporation so that it might better serve the public interest.

6. To provide the Maine Development Board with the legislative authority to establish performance standards and monitor the performance of Maine's business development finance institutions, including the Maine Business Development Finance Authority, Natural Resource Finance and Marketing Authority, Maine Development Opportunity Fund, Maine Capital Corporation, and any other business development finance mechanism that may be subsequently established.

7. To have the Maine Development Board initiate a dialogue between the banking community and the small business community for the purpose of developing mechanisms to provide the private financial market with incentives to increase small business lending.

ECONOMIC CHANGE, REDUNDANCY, AND WORKER REEMPLOYMENT

Marc Bendick, Jr. The Urban Institute Nov. 1984

4 Effective Services for the Dislocated

The MCS exemplifies not only a strategy of targeting which matches the nature of the dislocation problem; it also illustrates the forms of assistance which, in the American experience, have typically proved the most useful to supply.

In discussing what forms of services dislocated workers find most helpful, the first point to be emphasized is that of individual variability. Even when narrowed as I have advocated in the previous section, the label of dislocated worker still encompasses a population of individuals with widely varying personal backgrounds, abilities, ambitions, and family circumstances. Service programs which run an entire group through a standardized set of services are likely both to frustrate and anger service recipients and to waste substantial resources. A better approach generally involves a serious information, counseling, and assessment process as the initial step, with individual reemployment strategies developed for each worker.¹⁹

For the majority of dislocated workers, the American experience has been that long-duration, intensive skill retraining to prepare workers for a new careers unrelated to their previous employment is generally neither effective nor cost-effective as a reemployment strategy.²⁰ That is, it generally does not pay to invest in extensive and expensive classroom training to transform former auto assemblers or steel workers into computer programmers or nurses--or even into electronic assemblers.²¹

¹⁹For a discussion of how assessment and case management is well handled in the Swedish employment and training system, see Bendick (1984b).

²⁰See Smith, Kulik, and Stromsdorfer (1984).

²¹Midcareer retraining to update workers' skills is an important activity in modern industrial economies--and one whose scope needs to be expanded in the American system. However, that training does (and should) largely occur in an incremental fashion among the currently-employed, rather than as a full-time effort among the unemployed. That is, the reemployment problems of the dislocated and the modernization needs of the general work force should be considered largely separate issues. For a discussion of why this should be so, see Bendick (1985a) and Bendick and Egan (1982).

There are several interrelated reasons behind this outcome. On the one hand, as pointed out earlier in this paper, new job opportunities do exist in manufacturing for those made redundant from manufacturing--opportunities largely relying on their previous skills, or at least not requiring exotic new ones. To the extent that a minor amount of reskilling is required, many new employers are willing to provide that after hiring.²² At the same time, many dislocated workers are not readily adaptable to extensive retraining, by dint of having been out of school for a number of years and never particularly thriving in the school setting even as youths.

Instead, the most effective and cost-effective approach for the majority of dislocated workers seems to be to seek direct reemployment in occupations and industries close to those from which they were made redundant.

One vehicle for assisting this process is that of job search assistance, particularly through the ongoing public labor exchange agency. However, it is well known that the majority of jobs are not found through such an organization--or, indeed, through any formal labor market intermediary--but instead through informal channels, including friends, relatives, and other personal contacts, and by direct application "at the plant gate." In the American experience, many dislocated workers are undertrained in the art of pursuing such informal channels. Often they have enjoyed long tenure with one employer, and their job search skills are rusty, if they ever existed. A number of American programs for dislocated workers have therefore undertaken to train workers in how to look for jobs, and these efforts seems generally successful. They also typically prove cost-effective because the cost per enrollee is modest (perhaps only five hundred U.S. dollars per enrollee for even elaborate efforts).

One currently fashionable mode for providing such training is the "job club." A job club is a temporary alliance of job seekers who meet regularly to provide aid and mutual reinforcement to each others search efforts, as well as to learn and

²²See Carnevale and Goldstein (1983). This willingness extends only to workers who are training-ready, however. In the American experience, many--certainly more than one-third--of displaced workers who become entangled in long-term unemployment exhibit symptoms of functional illiteracy--inability to read, compute, write, and comprehend at a level sufficient to participate efficiently in specific skill instruction. Remedial adult basic education thus is an important route to reemployment for many dislocated workers, one which remains underdeveloped in the American system. See Bendick (1985a) and Bendick and Egan (1982).

to practice job-seeking skills. The operating mode of a job club typically includes the following elements:²³

- A membership of no more than 25.
- Regular meetings for substantial amounts of time (e.g., half a day three times a week).
- Explicit training in specific job search and self-presentation skills. Participants write resumes, which are professionally critiqued; work histories are restated to emphasize transferable skills; practice interviews are conducted; training sessions are provided on such topics as where to find vacancies not listed in newspapers.
- Provision of job search materials and facilities (newspapers, industrial directories, telephone banks) for job searching during meetings.
- An atmosphere of peer pressure and support for a sustained level of job search effort.

5. Conclusions

Such modest, low-key, incrementally-oriented efforts aimed at a relatively small population in need are a far cry from what is implied by the dramatic rhetoric of cataclysmic change often associated with the dislocated worker issue. Yet both research findings and the experience of American assistance programs suggest that they are on target. Neither in Australia nor in the United States is the state of prosperity and employment opportunity what they have been in happier periods in the past. But an increased magnitude of structural dislocation is not the major cause of these new difficulties; and new initiatives to address the dislocation issue should be only one limited and carefully targeted element of public policies to meet these important challenges.

²³See Bendick (1985b).