

## APPENDIX



Testimony for Public Hearing  
NJ Manufacturing Caucus  
February 14, 2018

By,

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Dear Caucus Members:

Thank you for the opportunity to speak on behalf of the thousands of small manufacturers in the state of New Jersey. My name is Jim Minadeo. I am the President and owner of Zero Surge Incorporated. We are manufacturers of power quality filters used for surge protection for sensitive electronics. We have been manufacturing our products in Hunterdon County since 1989.

To get more involved in our business community, Zero Surge joined several organizations including the NJMEP, the NJBIA, Hack Hunterdon, and the NJ Advanced Talent Network's Targeted Industry Partnership (which was recently handed over to NJMEP). John Kennedy and others can speak to the work that NJMEP and the NJBIA does, so I will spend more time describing Hack Hunterdon for those of you that have never heard about this.

Zero Surge has been involved with the Hack Hunterdon initiative for about a year. Hack Hunterdon is an innovation initiative which is developing programs and tools to retain and partner with our local technologists and innovators. This is the first wave of this effort and the resulting hackathon, meet-ups, and other associated efforts has connected us with our innovators and, perhaps more importantly, helped build a local culture and community of innovation. The last piece of that puzzle is ensuring that economic development programs are built with input from this group. We suggest New Jersey does the same thing state wide and takes its cue from other states.

We know that other states ensure bright minds and brilliant small-mid size companies are engaged in policy development as opposed to doling out automatic "seats at the table" to only the largest employers and other long-established schools and institutions. By engaging the small to mid-sized companies, you will be reaching the engine that drives our economy at the local levels.

My involvement with NJIT's Targeted Industry Partnership was as a subcommittee chair for the central NJ region's needs assessment group. Over the past 18 months, it was our subcommittee's task to understand the problems with the lack of middle to upper skilled labor in NJ. During this time, I was able to speak at length with roughly 40 manufacturers ranging from small under 10-



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person companies to midsized 100 to 300 person companies. The sizes may have varied but the themes were the same. I would hear questions and comments like:

- "All of my employees have grey hair, what will happen in 10 years?"
- "The kids I bring in do not know how to use simple hand tools."
- "We have to start each new employee by showing them how to wash their hands."
- "I've tried asking for help from the local Vo-Tech with zero success."
- "They can use a computer but can't read a drawing."

Even when companies do find promising interns, once the students graduate, they find jobs at larger companies because of the promise of better benefits or not having to stay in NJ. For those companies that have turned to automation to replace the limited workforce, there is pressure to be able to run these machines 24/7 to make their cost justified. This equipment requires a team of technically skilled machinists, operators, and repair personnel requiring skills like plumbing, electrical, computer, and tool and die making.

I have one story that encapsulates the problem with skilled labor...

One time, I was waiting in line at ShopRite and struck up a conversation about manufacturing with the person next to me in line. She did not know of the issues that manufacturers face in NJ when it comes to skilled labor. To prove a point, I turned to the cashier who was high school age. I asked her "how many of your friends are planning on going to college?"

She replied in a drawn out, confused tone, "Ummm, all of them?"

I asked, "doesn't any of your friends want to be a plumber or mechanic or electrician?"

Answering happily, "oh, my father is an electrician!"

I replied, "I bet he makes good enough money that you have a nice house, take yearly vacations, and he is home every night getting involved in your family life. Don't any of your friends see this and want to be an electrician? Being an electrician requires training but not a four-year college degree."

She had no answer. This reveals a flaw with the education system in our state. It is great at giving children knowledge and skills, but it seems lacking in trying to make our children ready for the jobs that we have in this state. They can't all be doctors and lawyers.

Other points to consider:

- the need for a more competitive state incentives system for business and attraction purposes and, perhaps even more importantly, one that is equally applicable across the state. We can NOT continue shoring up our weak points by ignoring investing where we are already strong. The Jobs Ohio model ([www.jobs-ohio.com](http://www.jobs-ohio.com)) is a very good one to emulate and/or learn from.



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- Engage economic development professionals working on the local level. They are the ones with their 'ears to the ground' and know the pulse of industry. We hope that there are other efforts and caucuses like yours that will seek out local input to the various problems our state faces.
- There MUST be an easier way to engage the various State of NJ departments. Other states have economic development professionals representing their various departments. Those folks go out looking for problems to solve (plus anticipating them) and then bring them back to their departments. They consistently keep up with the communities in their areas and therefore become conduits and access points for towns and business. It clears up a lot of frustration. In the past we have been approached by organizations that preach statewide development work, but they seem to be bogged down in the politics being pushed by the largest companies.
- The "silver tsunami" is also happening with company ownership. "Baby boomers own nearly half of all privately held companies with employees in the U.S. As these CEOs retire, less than 15% pass on to the next generation. Of the remainder, only 20% listed to sale ever sell, often to out-of-area buyers who lay off employees and liquidate assets." – (Krisztina Holly, Forbes, <https://www.forbes.com/sites/krisztinaholly/2018/01/31/trump-state-of-the-union-8-myths-of-manufacturing/#bc7b6f23a406> Jan 31, 2018). My business was a perfect example of this issue. The previous owner had no family to pass the business down to and he was leery of selling just the assets of the business because he knew people would lose their jobs. He sold it to me because I lived in the county and agreed in writing to keep Zero Surge in Hunterdon County. I believe it would encourage more owners to sell to local buyers if there was financial incentive to do so.

Finally, I think New Jersey needs to have regular advertising of its manufacturing base similarly to the surrounding states. There are so many people that I meet that do not realize that there are thousands of products made in NJ every day! Promotion can be done rather inexpensively by creating social media campaigns and promoting directly to the families in our school systems. Shoot a video explaining the history of our state being the first manufacturing region, the first Silicon Valley, the medicine cabinet of the world, and all the great food manufacturing and show it at events where parents congregate. Do not punish schools if some of their students move on to apprenticeships or technical training instead of colleges. We can do this if we have your attention and your political will to get this moving.

Respectfully submitted,



Jim Minadeo  
President  
Zero Surge Inc.

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### Strategic Initiative to Survive Minimum Wage Increase

Newark, NJ Cut and Sew Contractor with 167 Employees

(Labor is 75% of Cost of Goods Sold)

# Workers	Wage Range
49	<\$9.00
27	\$9.00-\$9.99
34	\$10.00-\$10.99
28	\$11.00-\$12.99
11	\$13.00-\$15.99
18	\$16+

#### Assumptions:

- Year 1 - \$10.10. Subsequent years increase \$1.25 each
- We will pay \$.10 more than minimum wage.
- Relative Pay Expense
  - Workers will make \$.05 more than anyone who made \$.30 less than them before increase.
  - All workers receive at least \$.05 increase each year.
- Employer Portion + Workers Comp + Newark Payroll = 11% Load
- Existing Staff, 401K Match, Unit Volume, materials costs unchanged

#### Results:

Year	Minimum	Expense (thousands)	With Load/Hierarchy	2.5% Price Increase	Net Expense Increase
1	10.10	\$189	\$222 (6% wage incr)	\$163	\$59
2	11.35	\$455	\$533 (8%)	\$329	\$204
3	12.60	\$807	\$944 (10%)	\$499	\$445
4	13.85	\$1,192	\$1,377 (10%)	\$675	\$702
5	15.10	\$1,588	\$1,821 (9%)	\$854	\$967

#### Strategies:

1. Price Increase – limited until Federal wages increase.
2. Sales growth without increasing overhead – limited when prices increase.
3. Automate unskilled jobs.
4. Outsource jobs outside of core competency.

Minimum Cost of Unskilled, Entry Level Worker in Newark, NJ ("17 year old with scissors or a broom")

	Min Wage	Min Health	Min PTO	Annual/Loaded
2012	\$ 7.25			\$ 16,889
2013	\$ 8.25			\$ 19,219
2014	\$ 8.38	\$ 225		\$ 22,222
2015	\$ 8.38	\$ 260		\$ 22,642
2016	\$ 8.44	\$ 280	\$ 337	\$ 23,359
2017	\$ 8.60	\$ 292	\$ 344	\$ 23,882
2018	\$ 10.10	\$ 303	\$ 404	\$ 27,568
2019	\$ 11.35	\$ 315	\$ 454	\$ 30,669
2020	\$ 12.60	\$ 326	\$ 504	\$ 33,774
2021	\$ 13.85	\$ 339	\$ 554	\$ 36,885
2022	\$ 15.10	\$ 352	\$ 604	\$ 40,001

Cost of Robotics

	Programmable Robotic Arm	5 Year Lease	Automated Sewing Machine (Total)
2008	167,000	\$44,054	26,000
2012	147,000	\$38,778	17,000
2016	129,675	\$34,207	6,000
2020	117,000	\$30,864	5,000
2024	106,000	\$27,962	4,000

By 2020

Robotics: Replace 24 unskilled workers with robots (trimming, cut apart)

Team of 8 skilled workers manage.

Leases lock in labor rates at 2019 levels

Automation: Consolidate 32 jobs with automated machinery to 8 skilled workers

One time spend of \$96,000 for 16 machines

One machine does the work of two workers

One skilled operator can operate two machines

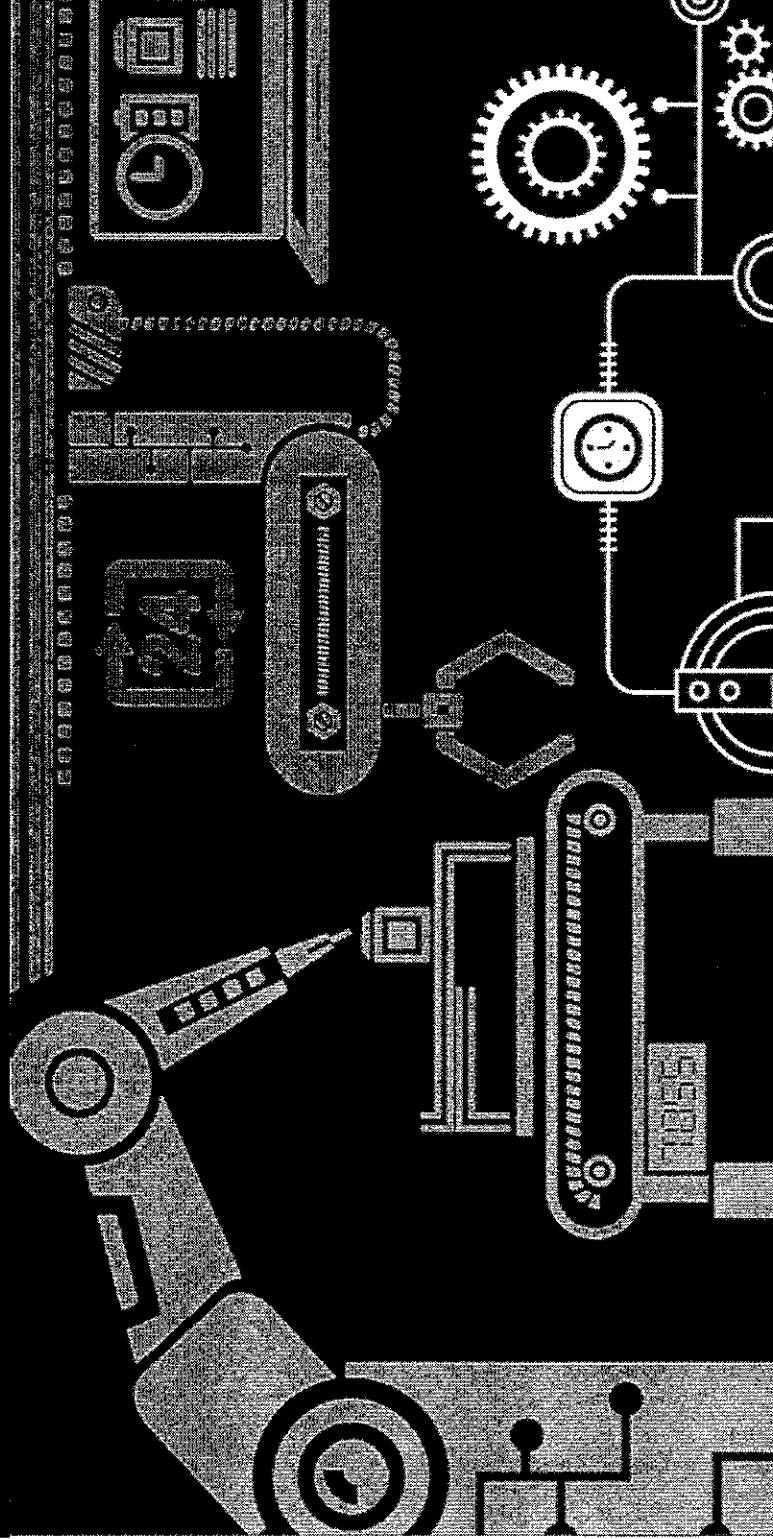
Outsource: Move decoration to lower wage state when wages increase 25%

Lose 16 workers – lock in outsourced labor at in house 2019 levels

Year	Minimum	Cost of Min Wage Increase	2.5% Price Increase	Automated Machinery	16 Addl Technicians	32 Fewer Operators	Net Cost of Wage Increase	Headcount
2018	10.10	-\$222	\$163				-\$59	167
2019	11.35	-\$533	\$329				-\$204	167
2020	12.60	-\$298	\$499	-\$96	-\$665	\$565	\$5	95
2021	13.85	-\$512	\$675		-\$665	\$565	\$63	95
2022	15.10	-\$737	\$854		-\$665	\$565	\$17	95

# UPS and The NJ Manufacturing Caucus

## Providing value to your manufacturing community



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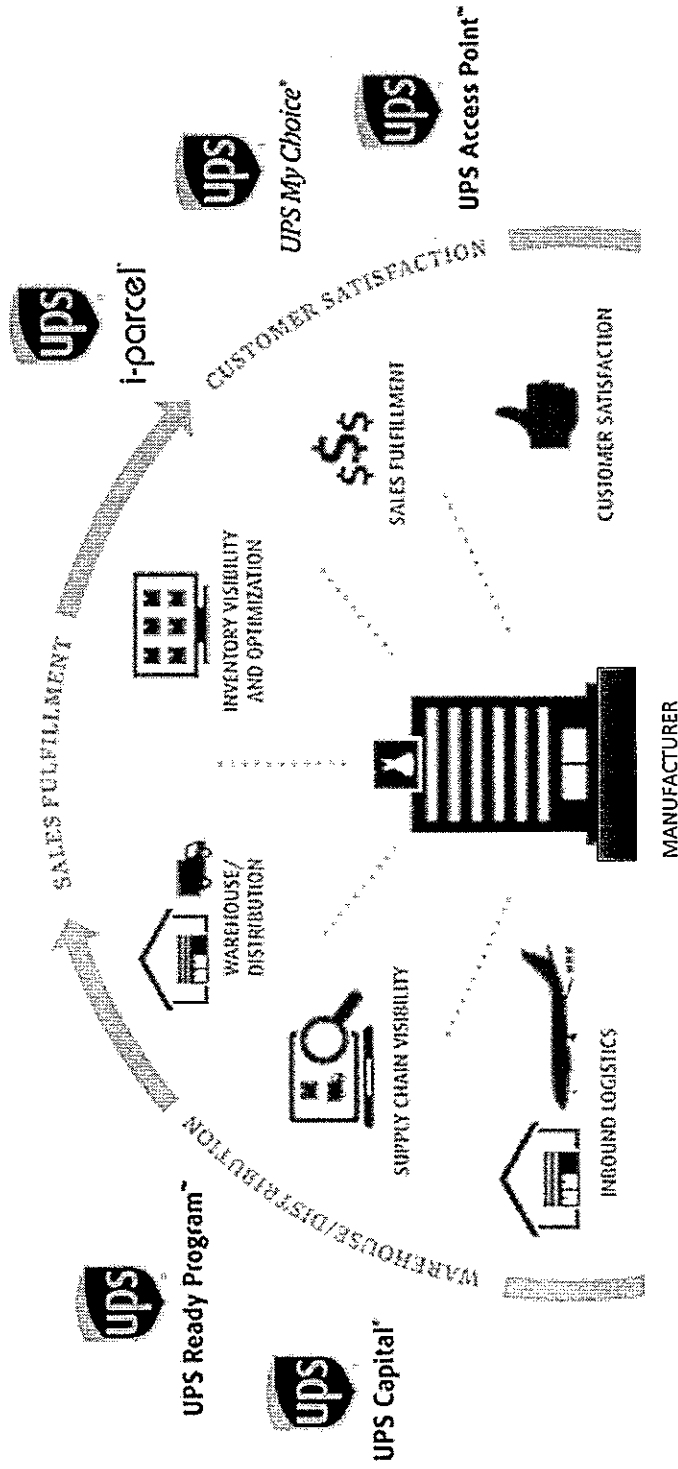
## Support Needs for the Manufacturing Industry

- Human Capital - (School engagement/NJMEP).
- Ready Support Program  
(warehousing/inventory/visibility/customer satisfaction/reverse logistics)
- **Insufficient capital (#2 reason businesses fail)**
- Cohort Support (incubators)



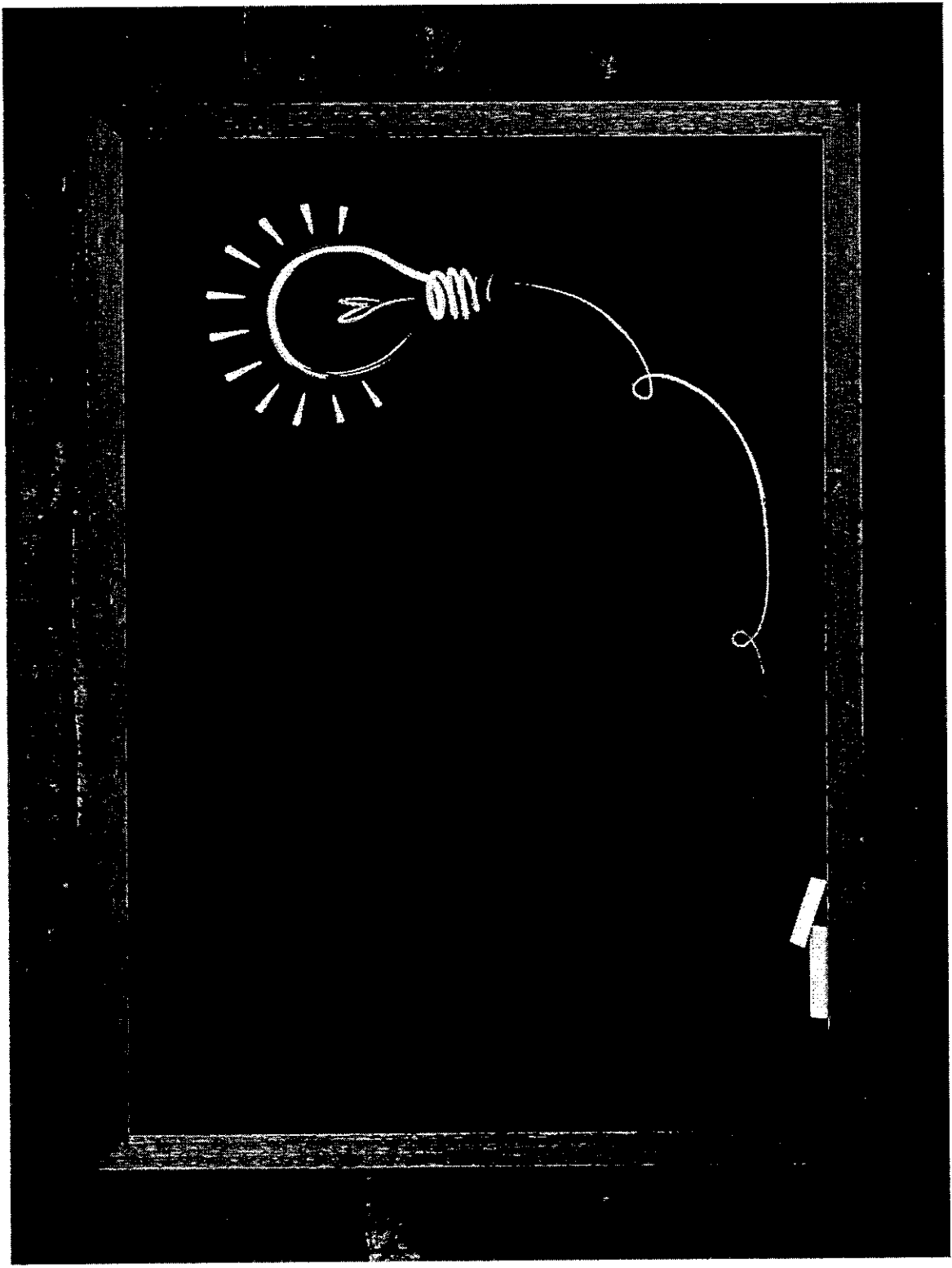


# Goods to Market – The Supply Chain Spectrum

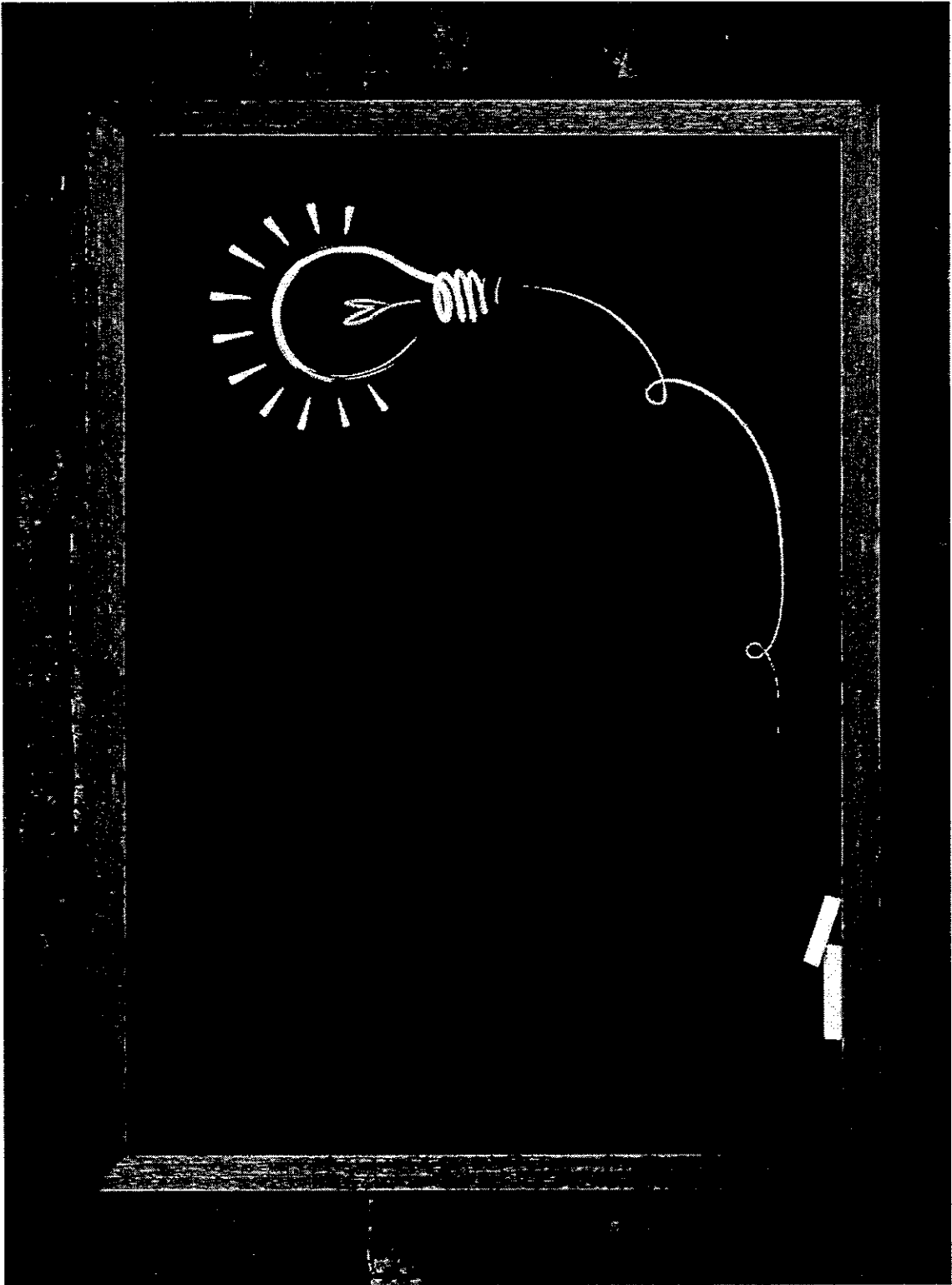


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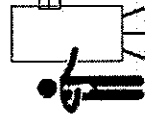




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