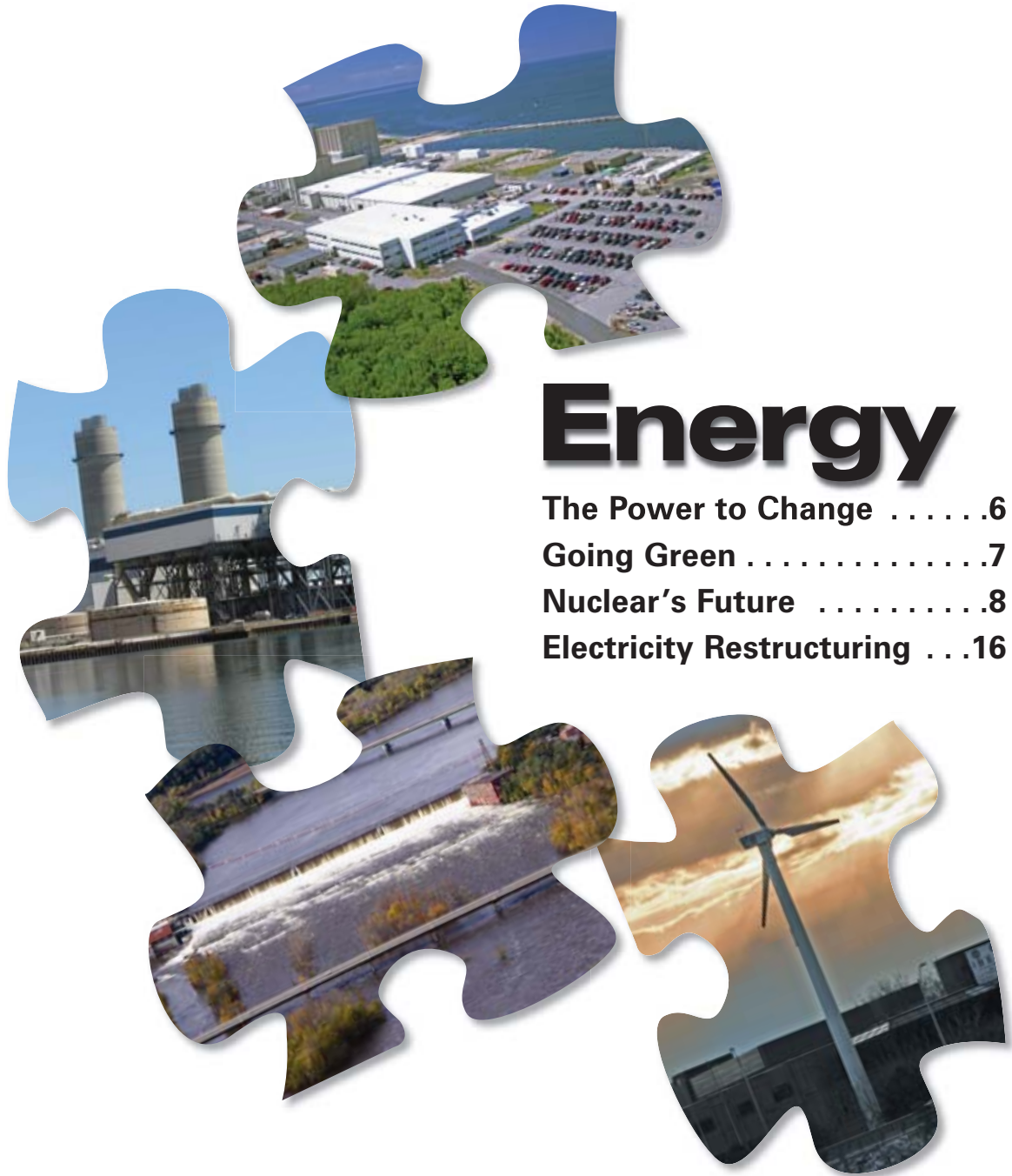


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The Magazine of Associated Industries of Massachusetts

May/June 2007



Energy

The Power to Change	6
Going Green	7
Nuclear's Future	8
Electricity Restructuring	16



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Editorial 4

A.I.M.'s Agenda for 2007-2008

Cover Story 5

Energy Policy Overview

Public Policy 6

The Power To Change the Economy
 Businesses Going Green in Massachusetts
 Mass AREA Supports Pilgrim Nuclear
 Members in the News

On the Positive Side 10

The Durkee-Mower Company

International 12

State Exports Data

The Employer's Resource 13

Workforce Training Fund
 Business Development Strategies
 Driscoll Receives A.I.M.'s Gould Award
 Electricity Restructuring

Economic Overview 18

Mass Benchmarks
 Business Confidence Index
 Massachusetts Employment Stats



On the Cover:
Energy Policy Overview
 Page 5



On the Positive Side:
A Profile of the Makers of
Marshmallow Fluff
 Page 10



Massachusetts Association
for International Business
holds meetings
 Page 12

Members in the News
 Page 9

Economic Overview
 Page 18

A.I.M. Events on the Web
 For a calendar of
 upcoming events, visit
www.aimnet.org

A.I.M.'s Agenda for 2007-2008



By Richard C. Lord

A.I.M. launched its 2007-2008 Public Policy Agenda as Massachusetts faced a transition in government with a decisive change of executive leadership for the first time in 16 years. Our agenda includes a number of specific initiatives—20 pieces of legislation, as well as regulatory, judicial, and public affairs objectives—and will accommodate responsive actions as required in the course of events. Its core, however, consists of four overarching goals that, though general in character, are closely tied to our specific circumstances and priorities.



1. Improve the business climate. The beginning of a new administration offers a singular opportunity for inclusive long-term thinking. A comprehensive strategic plan for the state should address fiscal stability, costs of doing business, employment opportunity and population loss, workforce availability, educational attainment levels, transportation and energy systems, development costs (especially permitting), and perceptions that Massachusetts is hostile to business.

Gubernatorial leadership is a necessary ingredient, but broader participation and support—from the legislature, the business community, and elsewhere—is also essential.

2. Control business costs. Overall costs of doing business here are 25 to 35 percent higher than in competitor locations. Current and future Massachusetts employers need to hear that our state places a high value on stability and cost control. We do have a record on which to build: successful reforms of workers compensation insurance, K-12 public education and health care; electricity restructuring; and modest, but effective, tax incentives that have signaled innovation is welcome in Massachusetts.

Beyond avoiding new non-competitive costs for the state's businesses, opportunities for positive action include unemployment insurance reform, removal of barriers to energy facility siting, health care cost control, and continued streamlining of permitting processes. A less confrontational adminis-

tration could make our state's high corporate tax rates and strict environmental laws less onerous.

3. Communicate the positives. This is the ideal time to send a strong public message, backed with real change in the state's attitude, that Massachusetts values a healthy business climate. Massachusetts is viewed as being a tough place to conduct business, even as anti-business. This perception, fair or not, must be addressed by a well-reasoned plan, respect for employers and the jobs they create, a predictable business environment, and a message, backed by reality, that Massachusetts is "open for business."

A.I.M. and its members are willing and eager to participate fully in a broad-based effort to tell the world about the great strengths of Massachusetts as a place to live and work, and as a center of innovation and world-class industry. Meeting this goal will require careful planning and concerted efforts and leadership from the Patrick Administration and the Legislature.

4. Follow through on health care reform. A.I.M. played a very active role in the process that produced a sweeping health care reform law that makes Massachusetts the national leader in extending access to insurance coverage. The reform act's passage was a beginning, however, not the conclusion of our efforts.

Our ongoing involvement in reform ranges from my service on the Commonwealth Health Insurance Connector Authority board to participation in framing final regulations to working with our member employers as they confront new requirements. The rapid rise of health care costs, which remains the number-one issue for A.I.M. members, must be addressed by employers, insurers, care providers and government through new strategies that promote efficiency, transparency, responsibility, quality, and appropriate care delivery.

Richard Lord is president and CEO of Associated Industries of Massachusetts. ❖

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Energy Concerns: Cost, Reliability, Diversity

Massachusetts industry began with water turning wheels and turbines that were linked mechanically to machinery that produced textiles, paper, and other products. Along the banks of our rivers—the Merrimack, the Connecticut, the Charles, the Housatonic, and many more—we built our factories and our cities; names such as Millers Falls, Turners Falls, and Fall River remind us that the attraction was not navigability but energy.

Today, while direct mechanical power still prevails in some industrial applications and of course in heating and transportation, the largest share of our energy use is in the form of electricity. Electric power drives manufacturing, but it is also the lifeblood of financial services, retailing, health care, and virtually every other sector. The electric system is the embodiment of the modern society and economy; the alternative is to be “off the grid.”

A.I.M.’s involvement in energy issues is at once simple and complex. It is simple in the sense that it is mostly about electricity, and about policy; that it focuses on cost and reliability; and that it serves the interests of our members. It is complex because each of these apparently straightforward propositions is in fact very complicated, and because every energy-related issue is embedded in a matrix of other issues.

Our cover illustrates one dimension of that complexity. Electricity is generated in several ways: by combustion of various fuels (today primarily natural gas, as at K Road Power Management LLC’s Mystic 8 & 9 plants); in nuclear reactors (Entergy’s Pilgrim Station), by harnessing our rivers for hydroelectric power (Holyoke Gas & Electric’s Holyoke Dam), and with newer renewable sources including solar and wind (IBEW Local 103’s wind turbine). Each of these has its own advantages and constraints, but in a broader view it is the mix that matters. Massachusetts is very dependent on gas-fired plants, and diversity of generation is a primary issue for A.I.M.



Photo: J. Guy Gaulin

Hydroelectric facilities such as Holyoke Gas & Electric’s Holyoke Dam continue to provide renewable energy without contributing to greenhouse gas emissions.

Though state and federal regulation shapes the electric industry (it has been “restructured,” not “deregulated”), a company’s own practices have a huge impact on its needs, usage, and costs—which is why A.I.M. assists its members in their efforts to conserve energy, and supports initiatives that promote demand-side solutions as part of a balanced energy policy.

A.I.M. members have consistently identified uncompetitive energy costs as a reason why it is difficult to conduct business profitably in Massachusetts. (They were cited prominently when Revere Copper Products recently announced the closing of its New Bedford facility, leaving the state after 206 years.) But adequacy and reliability of supply, and thus long-term costs, are also important considerations.

And who are our members? Consumers of electricity are hardly a

uniform class, and in addition, we have generators of all kinds, service providers, and manufacturers of every sort of energy-related equipment. A.I.M.’s approach is to seek policy that works for all classes of members and for the economy as a whole, but always with particular regard for the interests of smaller commercial and industrial customers.

The most important complicating factor is the “outside issue” of the environment. A.I.M. advocates for realistic energy policy that is actually about energy, while acknowledging an inescapable relationship to science-based environmental policy. The current ongoing shift in the focus of environmental concern from local effects of development and emissions to global climate change is having a profound impact on society’s priorities and tradeoffs in the energy field. ❖

The Power To Change the Massachusetts Economy

By Angela M. O'Connor

Even as Massachusetts continues to struggle to create more jobs and keep more people from leaving the state, the demand for electric energy continues to increase. There are many opinions, reasons, and recommendations for this situation but one thing is clear: it will take even more power to put the Massachusetts economy back on track.

As manufacturers of electricity, the New England Power Generators Association (NEPGA) struggles with the same questions as every other product manufacturer: how do we keep up with the expectations of our consumers, how do we meet the increasing regulations placed upon our operations, and how do we contribute to a cleaner environment?

In trying to answer these questions, NEPGA is helping to create more jobs and provide a more balanced environmental policy. Much has already been



done by NEPGA members. The electricity market no longer operates under a model that holds captive ratepayers financially responsible for the wrong

answers. Since the 1997 restructuring of the energy market billions of dollars have been invested by NEPGA's members for power plant upgrades and environmental improvements that have paid off for the region's consumers.

In fact, ISO New England reports wholesale market savings of \$700 million annually, lower carbon dioxide emissions by six percent, nitrogen oxide emissions by 32 percent and sulfur dioxide by 48 percent. That is progress by any measure.

However, for Massachusetts to remain economically competitive we all need to do even more to balance energy and environmental policy. Efforts to impose more stringent greenhouse gas regulations will be the first test of this

strategy. While we all recognize that climate change needs to be addressed, Massachusetts has some of the highest electric rates in the country, and some of the lowest carbon emissions per unit of electricity produced, so energy costs must be carefully considered and the full cost implications to business and consumers fully understood or the economic revival we are all working towards will fail.

Electric reliability and fuel diversity must also be considered. For example, in 1999 natural gas was 16 percent of electricity generation—today it is 42 percent and rising. While natural gas is the most environmentally friendly fossil fuel, it comes at a cost to consumers in New England when compared to other areas of the country that rely on a more diverse fuel mix.

We also need to manage the demand for power as well as conservation and efficiency in any energy policy. While substantial progress has been made, they are only a part of the solution to meeting Massachusetts' energy needs. To continue growing our economy we need more transmission, updated distribution systems, additional supplies of LNG, and more generating plants. We need to use every weapon in our arsenal or we will be unable to keep up with our energy and economic needs.

The fact is it will take business and government working together to put more people to work in Massachusetts. We can improve our economy right now by generating more power more efficiently and with less emissions. We can do that if we work together towards solutions that balance economic and environmental needs. With a new governor in the state with the largest electric load in New England, Massachusetts is poised to start to put the economy back on track with the power it needs. We are committed to doing just that.

Angela M. O'Connor is the president of the New England Power Generators Association (NEPGA), the largest trade association representing electric power generators in the region. ❖



Businesses Going Green In Massachusetts

By Warren Leon

March and April bring thoughts of green beer on St. Patrick's Day and the sounds of baseballs peppering the Green Monster at Fenway Park. Fortunately, the transformation to green doesn't end there.

This spring is shaping up to be the busiest season this state has ever seen for clean energy installations such as solar arrays and wind turbines. Projects are popping up in just about every community in Massachusetts.

Businesses, homeowners, and communities are turning to clean energy like never before as a way to stabilize electricity costs and do something good for our environment. A.I.M. members like Staples, Raytheon, Extrusion Technology, Twin Rivers Technologies, Citizens Bank, and Goddard Flooring are stepping up to help build a cleaner energy future in the Commonwealth.

Staples is exploring wind speeds at its location in Framingham and conducting a feasibility study to determine if it makes sense to install a wind turbine to help meet some of its electricity needs.

Citizens Bank is exploring the feasibility of installing a 250-600 kilowatt wind turbine in Medford.

Twin Rivers Technologies is considering a 1-2 megawatt wind installation at its facility in Quincy to offset high energy demand.

Raytheon is moving forward this year with plans to install a 98 kilowatt solar array on the roof of its facility in Andover.

Extrusion Technology installed 59 kilowatts of photovoltaic panels, manufactured in Massachusetts by Schott Solar, to reduce total electric consumption as well as peak demand for its industrial facility in Randolph.

Goddard Flooring of Weston installed a 3.91 kilowatt solar array on its roof to offset electricity costs.

Dozens of businesses are taking advantage of generous rebates offered by the state's Renewable Energy Trust as well as state and federal tax incentives for clean energy installations.

Beyond funding clean energy technolo-



Photo: Massachusetts Technology Collaborative/Mike Lovett

International Brotherhood of Electrical Workers Local 103 installed Boston's first commercial scale wind turbine in May 2005. The 149-foot turbine is a 100 kilowatt machine that provides power to Local 103's training center.

gies for businesses, the Trust is supporting major renewable energy installations including two wind farms in the Berkshires, several landfill gas plants, as well as biomass and hydroelectric projects. The Trust is making strategic investments to strengthen renewable energy companies like Nuvera Fuel Cells and Konarka Technologies that are part of the fast-growing clean energy sector in Massachusetts.

Going green has never been easier or more cost effective for companies. For example, a solar electricity system can now have a payback period of roughly five years. Yet there is no silver bullet that can solve our energy problems. No single energy project can free Massachusetts

from dependence on foreign oil and gas. Building a cleaner energy future will take innovation and resolve. It will require using many different energy technologies at locations throughout the state.

Many A.I.M. members want to put these technologies to work for a better future and the Renewable Energy Trust is committed to providing resources and tools to help companies find the right options for them.

To learn more about clean energy programs and financial incentives to help your business go green, please visit www.masstech.org/businesses.

Warren Leon is director of the Renewable Energy Trust. ❖

Mass AREA Supports Pilgrim Nuclear Power Plant

By Joyce McMahon

The Massachusetts Affordable Reliable Electricity Alliance (Mass AREA) is committed to finding clean, low-cost and reliable electricity solutions that benefit all of Massachusetts. With more than 65 members, Mass AREA is a diverse, state-wide organization comprised of unions, trade associations (including A.I.M.), businesses, energy providers, educators, scientists and community leaders who recognize that many serious electricity supply challenges must be addressed soon.

These electricity supply challenges were most recently outlined in an October 2006 Independent System Operator (ISO) New England report that said New England's demand for electricity is growing at a rate of 1.9 percent annually. As a result, we will need a minimum of eight new large power plants by 2015.

Mass AREA supports the development of new generation facilities including those producing renewable energy. Our mission also includes supporting transmission improvements, developing new natural gas supplies, and encouraging energy efficiency. Just as important, we actively work toward keeping the electricity supply we currently have including supporting a license extension for the Pilgrim Nuclear Power Plant in Plymouth.

On a typical day Pilgrim Station provides 7-9 percent of the Commonwealth's electricity. Given the region's pending supply shortage, this is power that we simply must continue to have



Photo: Paul Nehrenz, Entergy

Aerial view of the Pilgrim Nuclear Power Plant in Plymouth.

generated for the grid. Massachusetts' recent entry into the Regional Greenhouse Gas Initiative makes Pilgrim's power even more vital as it creates electricity without generating any greenhouse gas or other toxic emissions. Pilgrim is a very reliable supplier with an excellent operating record that has continuously earned the Nuclear Regula-

tory Commission's highest safety rating.

Keeping Pilgrim in operation is also important economically. Massachusetts ranks fourth in the nation in terms of the highest electricity costs. Yet the power produced at Pilgrim is much less expensive than the regional average. Pilgrim's own 700 permanent full-time employees—and \$135 million in annual economic impact on the local economy—are significant in themselves.

Mass AREA believes that maintaining Pilgrim's very reliable, safe, emission-free, low-cost electricity generation makes sense both economically and environmentally for Massachusetts. We will continue to work with regulators, elected officials and our members to ensure the plant's continued operation, and pursue the rest of our mission to ensure a growing supply of reliable and low cost, clean electricity for the entire Commonwealth.

Joyce McMahon is the communications director for Mass AREA. ❖



Photo: Mass AREA

Robert Ruddock testifies for A.I.M. before the U.S. Nuclear Regulatory Commission in favor of the relicensing of the Pilgrim Nuclear Power Station in Plymouth. "Taking this clean, non-emitting source offline... would require the state to seek power at very high cost, assuming such generation is available at all, undermining our economic climate and raising reliability issues," Ruddock noted.

Osram Sylvania Donates Energy-Saving Bulbs

Osram Sylvania of Danvers has donated 1,000 compact fluorescent light bulbs for use in the Massachusetts State House. The bulbs will save taxpayers \$15,000 a year in energy costs, cut electricity consumption by 128,000 Kwh and reduce carbon emissions by 56 tons.



Morgan Construction Inks Deal with Dutch Firm

Morgan Construction of Worcester will provide high-speed mill equipment for Ovako Wire b.v.'s wire rod mill in the Netherlands. The multi-million dollar contract includes a reducing resizing mill, two shears with an uplooper, five housingless stands and eight gear boxes, all designed to increase the speed of the mill's roll rate to 100 meters per second.

State Street Acquires Currenex

State Street Corp., the Boston financial services company, has acquired Currenex, a foreign exchange trading system, which it will combine with its own foreign exchange trading platform, FX Connect. The acquisition reflects the fast growth in online currency trading driven by globalization and the rush of hedge funds to invest directly in the area.

Marlborough Manufacturer To Purchase California Company

Cytec Corp. of Marlborough, a manufacturer of surgical and diagnostic products targeting women's health and cancer diagnostics, is acquiring Adiana, Inc., a privately-held California company that has developed a novel, non-incisional alternative to tubal ligation for permanent contraception for women.

Boston Private Bank To Acquire Banks in State of Washington

Boston Private Bank of Boston will acquire Charter Financial Corp., a holding company for Charter Banks in Washington State, for about \$70.8 million. The acquisition, which is expected to close in the third quarter, will give Boston Private Holdings a strong presence in the Northwest.

Hope House Celebrates Birthday and New Building Construction

Hope House Inc., Boston's oldest residential recovery program for alcoholism and drug addiction, celebrates its 50th anniversary in March. This summer the agency will begin construction of a new 35,000-square-foot recovery facility in the Lower Roxbury neighborhood at an estimated cost of \$13 million.

Micron Tools Purchases Leominster Tool

Micron Tools of Fitchburg, which acquired the Leominster Tool Co. in 2006, is now the largest manufacturer of silver/silver-chloride sensors for the medical device industry.

Boston Ad Agency Lands Rockport Account

The Boston advertising agency Hill, Holliday, Connors, Cosmopolos has been named the agency of record for the Rockport Co. of Canton, part of the brand portfolio of the Adidas Group of Germany that designs, distributes, and markets comfortable footwear, apparel and accessories. Other clients of Hill Holliday, owned by the Interpublic Group, include CVS, Dunkin' Donuts, Liberty Mutual, and Anheuser-Busch Cos.

Citizens Bank Employees Make Model Citizens

Employees of Citizens Bank of Massachusetts donated 52,200 volunteer hours to nonprofit organizations and initiatives in the Commonwealth in 2006. Based on the hourly wages for employees, these volunteer hours saved local nonprofits \$942,000. The bank is launching a volunteer recognition program to celebrate employees who perform exemplary community service.

Bristol-Meyers Squibb Purchases Land for Expansion

Bristol-Myers Squibb Co. has completed the purchase of 89 acres in Devens from MassDevelopment at a cost of \$3.6 million. The pharmaceutical company is now moving forward with the construction of its 1.5 million-square-foot biologics manufacturing facility.

AstraZeneca Increases Research Funding

AstraZeneca announced a \$100 million research investment to boost work in the infectious disease area and continue its incremental growth in cancer research at its R&D center in Cambridge. Since the Massachusetts center opened, its scientists have discovered three potential drugs that are under development to treat different cancers—breast, ovarian, and thyroid cancer.

Peter Pan Bus To Cut Emissions Through High Tech

Peter Pan Bus Lines and its affiliates, Bonanza and Arrow Bus Lines, have installed a global positioning system to help reduce greenhouse gas emissions from its motor coach fleet. The customized system will give managers real-time data on operations of each vehicle in service, allowing them to inform drivers when excessive idling is occurring.

Central Mass. Member Companies Employ Veterans

Three of the four Central Massachusetts companies recognized recently with governor's citations for offering employment options to the state's 600,000 veterans are A.I.M. members. Secretary of Labor and Workforce Development Suzanne M. Bump presented citations to Worcester Envelope Co. of Auburn, Quabaug Corp. of North Brookfield, and David Clark Co. of Worcester. ❖

Marshmallow Fluff: Made in Massachusetts by Durkee-Mower

How does a small niche manufacturer with just one product maintain its presence against far larger companies? The president of Durkee-Mower, better known as the manufacturers of that New England staple, Marshmallow Fluff, Donald Durkee, explains. “Long ago, we decided that we would come up with new uses for this product, rather than come up with new products.” He noted that “even though we are a one-product company, we ‘sell’ many recipes.” These, he said, can be “in the millions” especially now with the Internet available to share those recipes. He chuckles as he says, “It’s easier to come up with new recipes than new products.”

Today, you can download a free 32-page recipe book, “The Yummy Book,” (first published on paper six decades ago) from the company’s Web site. You can use Fluff in fruit salads, cheesecakes, lemon meringue pies, hot chocolate, or as the base for cake frosting. And right along with the ubiquitous Fluffernutter



Photo: Boston Globe/Joanne Rathke

President Don Durkee stands in front of a collection of Fluff containers from years past.

sandwich is the almost as well-known Never Fail Fudge. Durkee-Mower also has co-promoted recipes with such famous companies as Kellogg and Nestlé.

Not bad for a small Massachusetts company with a fascinating history.

On May 14, 1920, a brief article appeared in the Lynn, Mass., Daily Evening Item announcing that two young men, H. Allen Durkee and Fred L. Mower, had formed a partnership in the manufacture of Marshmallow Fluff. The company dates itself from that day although its sole product, Fluff, had already been around for several years.

Today, Durkee-Mower (no connection to the Durkee Spice Co.) still makes Marshmallow Fluff, and is run by H. Allen Durkee’s son, Donald, who has held the office of president since 1982. His son, Jonathan, has worked at the company for 20 years, and is currently the treasurer and executive vice president.

The company’s story actually dates back to before World War I. A Somerville man named Archibald Query had been making Fluff in his kitchen and selling it door to door, but wartime egg and sugar shortages had forced him to close down. By the time

the war was over, Query had other work and was not interested in restarting his business, but he was willing to sell the formula. Durkee and Mower bought it for \$500. Having just returned from the war in France, they renamed their product “Toot Sweet Marshmallow Fluff,” but “Toot Sweet” didn’t stay on the label for long.



The Flufferettes were a singing group that promoted Fluff on radio in the 1930s and 1940s. Three sisters, Mary, Rita, and Rosemary Gallagher, made up the trio.



An old ad for a former Durkee-Mower product, Instant Sweeco, featuring a group of industrious elves.

In 1929, the company moved to a factory on Brookline Street in East Lynn, more than tripling their floor space to 10,000 square feet. They also merged with the makers of Rich's Instant Sweet Milk Cocoa. That name was too long to remember, so in 1937 the name was shortened to simply Sweeco. Durkee-Mower continued to make Sweeco until 1962.

Although Durkee-Mower did well enough during the Depression to purchase a two story factory in 1934, World War II threatened to do to them what WWI had done to Archibald Query. The company stayed in business by cutting production and allotting their distributors a quota based on pre-war sales. Also, part of the factory was converted to wrap war critical electronic and optical parts in special waterproof packages.

When sugar rationing ended in 1947, the company expanded its marketing and redesigned the product's package. Surveys indicated that the best jar for Fluff would be short, yet wide enough to fit a tablespoon into. The jar's longevity in a rapidly changing market is a tribute to its success—the same basic jar is still in use today. In 1969 they pioneered in the use of plastic food containers with an even wider mouth than the glass jar. Because it is lightweight and stackable, it cuts down on warehousing and shipping costs.

Around this time, Mr. Mower died and the Durkee family bought his interest from his sole heir while retaining the founder's name in its corporate title. Later, in the 1980's, Donald Durkee bought out his two brothers and his



Fluff Founders Fred Mower and H. Allen Durkee. The latter is the father of the current president of Durkee-Mower, Don Durkee.

family is now the sole owner.

But what about that the ubiquitous peanut-butter-and-Fluff sandwich that kids love so much? Where did that come from? According to Durkee, the sandwich dates back to the Depression when it was recognized as an inexpensive and easy meal. It didn't take on the famous "Fluffernutter" name until an advertising agency suggested it around 1960. The company registered the trademark in 1961.

It surprises some people that Fluff doesn't need to be refrigerated although it is made without preservatives. Its longevity is due in part to the rigorous sanitary conditions imposed in the production plant. Wherever Fluff is exposed to air the room is cooled, dehumidified, or both. The walls and floor

are covered with sanitary tile to facilitate the daily washdown which takes the crew one and a half hours to complete.

Durkee-Mower's 21 employees produce an average of 35,000 pounds of Fluff per day in their 33,000 square-foot facility in Lynn. The company makes nothing but Marshmallow Fluff—including less-well-known strawberry and raspberry flavors.

For decades, New England and New York accounted for most of Fluff's sales, but the brand has gradually expanded to other parts of the country as sales and marketing efforts succeeded. While Durkee would not disclose sales figures, he did tell *MassBusiness* that his company produced more than seven million pounds of Fluff in the past year.

Durkee noted that his company began exporting about 40 years ago to Canada and that our northern neighbor is still his most important export destination. However, Fluff can now also be found in Germany, the UK, France, Holland, Israel, South Africa, Belgium, and the United Arab Emirates. Germany, he said, also has taken to Fluff and sales in that country are quite good.

Durkee-Mower has been a member of A.I.M. since 1971. Donald Durkee calls the organization "a great resource" noting that his company uses most of the association's departments for "their expert advice" as well as benefiting from A.I.M. Mutual workers' compensation insurance. ❖



Marshmallow Fluff moves along during production as Todd Goodwin maintains quality control at Durkee-Mower's facility.

Photo: Boston Globe/Joanne Rathe

Massachusetts Alliance for International Business



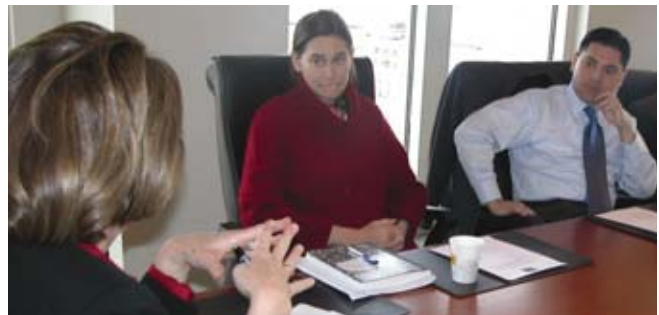
MAIB convenes a meeting of international trade organization directors from around the state. From left: Kristen Rupert, executive director, MAIB; Brandie Conforti, executive director, WorldBoston; John Regan, vice president, government affairs, A.I.M.; Leo DesJardins, president, New England-Canada Business Council; Dorothy ZurMuhlen, U.S. Department of Commerce; and Joan Paddock, chairman, Coalition for Northeast Companies for Trade.



MAIB Board Member Ben Schwartz (center), senior vice president, TD Banknorth, addresses international trade executives (left to right) Patrick Bench, director of business development, Massachusetts Office of International Trade and Investment (MOITI); Kevin Laffey, director of freight marketing, Massport; Nick Billows, deputy director, Port of Boston, Massport; Bob Kenneally, president, Boston Customs Brokers and Freight Forwarders; and Urszula Wojciechowska, president, Global Business Alliance of New England.



Tom Kinton (center), CEO of Massport, updates the MAIB board of directors about Massport's plans to increase direct air service to Asia and European markets. On the left is Rick Lord, president and CEO of A.I.M., and on the right is Martin Walter, chairman of the board of MAIB.



MAIB executive director Kristen Rupert welcomes Israel Hernandez, the U.S. Department of Commerce's director general for trade promotion, and Dorothy ZurMuhlen, Boston director of the Department's Commercial Service unit, to A.I.M.'s offices.

State Exports Start 2007 Strong

Coming off a third consecutive record in 2006, when they shipped more than \$24 billion worth of merchandise to customers around the world, Massachusetts exporters got off to a strong start in 2007. Merchandise exports for the first two months of the year totaled \$3.876 billion, a 9.85 percent increase over last year's pace.

Among the state's five leading export sectors, there were double-digit gains for industrial machinery/computers (+28.5%), pharmaceutical products (+23.0%), and organic chemicals (+14.5%). Electric machinery edged up (+4.0%); instruments were down (-5.6%) from 2006's torrid start, but were actually the leading export sector for the two-month period.

Massachusetts exporters continue to diversify their markets as the largest customers (Canada, the Netherlands, Germany,

the United Kingdom, and Japan) all showed below-average growth which was balanced by stronger gains in China (+17.1%), Ireland (+98.7%), France (+36.4%), and Korea (+14.3%). Exports to India and Spain essentially doubled from the same period last year and sales to Turkey more than quadrupled.

Despite its strength, Massachusetts' export growth lagged behind the nation's (11.63%). This results in part from product mix, especially because some states' exports benefit more from a weakening dollar, and in part from differences in traditional markets as Pacific economies generally grow faster than those on the Atlantic. In addition, a number of states have successfully stimulated export activity, particularly among small and mid-size companies, through aggressive promotional programs.

A.I.M. and the Massachusetts Workforce Training Fund

A.I.M. has been heavily involved with the Workforce Training Fund since its inception in 1998. The fund is financed entirely by Massachusetts employers through a surcharge on Unemployment Insurance contributions, and administered by the state's Executive Office of Labor and Workforce Development. It is designed to assist grant recipients by providing resources to invest in training that will improve employee skills, and that will make a difference in the company's overall effectiveness and ability to do business in the Commonwealth. The fund is particularly concerned with serving small to mid-sized companies that would be unable to provide training initiatives without its assistance.

As a premier provider of training in areas such as supervisory and leadership development, human resources, customer service and lean manufacturing, A.I.M. is diligent in its efforts to raise awareness of the fund and to assist its members in accessing this very valuable resource in the most cost-effective way. We are also uniquely qualified to conduct training needs assessments and to design and deliver training programs that meet an organization's specific goals, timetable and budget.

The Workforce Training Fund offers three programs:

The General Program—Next Deadline July 2

- Apply online for funds to support a training program of your design.
- Submit online applications up to \$50,000 any time for monthly approval process.

- Grant requests in excess of \$50,000 are processed in three "rounds" each year.
- Online applications approved in about 60 days.
- Grants range up to \$250,000 (\$1 million in exceptional circumstances).
- Funds awarded must be used within 24 months.
- Employer match, cash or in-kind, may include wages paid to trainees and other directly related costs such as meeting rooms, food, etc.

The Express Grant Program

Because smaller employers often found the requirements of the General Program to be unduly burdensome, A.I.M. proposed that special consideration be afforded this critical segment of the business community. The state responded by creating the Express Grant Program:

- Open only to companies with 50 or fewer employees.
- Apply online at any time; approval in about 21 days.
- Half the cost of training course is reimbursed after training is completed.
- Cannot exceed \$3,000 per employee per course.
- Maximum funding is \$15,000 every 12 months.

Hiring Incentive Training Grant

Companies of any size may apply for funds to train new hires who are Massachusetts residents and have been out of work for at least a year.

- Receive up to \$2,000 for each new hire that meets requirements.
- Company must apply within 30 days of hiring.
- Maximum grant of \$30,000 per

- company within any 12-month period
- Training must relate directly to trainee's job function.

Since the inception of the Workforce Training Fund, thousands of Massachusetts employers who participate in the unemployment insurance system have received Workforce Training Grants. Many have turned to A.I.M. for assistance in applying, and for training services.

For more information on how A.I.M. works with members, contact Bill Baldino by phone at 800-470-6277 x392, 617-899-4951, or by e-mail at wbaldino@aimnet.org. You can also visit www.aimnet.org. For Workforce Training Fund information and application materials, see www.mass.gov under Executive Office of Labor and Workforce Development. ❖



Suzanne M. Bump, Massachusetts secretary of labor and workforce development, and D. Allen Conaway, president, Checon Corp., an A.I.M. director (front row, center right) join with the Checon workforce to celebrate a \$109,990 Workforce Training grant to the Attleboro Falls manufacturer.



Eileen P. McAnnery, Esq., vice president, government affairs at A.I.M., has been named to a 15-member official Study Commission on Corporate Taxation as a nominee of Speaker of the House Salvatore F. DiMasi. The mandate of the Commission is to study the modernization and simplification of the current business tax laws of the

Commonwealth, to promote tax fairness and equity, encourage business growth and innovation, and strengthen the Commonwealth's global competitiveness. The commission will prepare an interim report on immediate tax issues by June 15, and a final report on long-term changes to corporate tax laws by January 1, 2008.

Business Development Strategies Helps Fabrico Maximize Its Investment

Fabrico Inc., has been known for more than 20 years as a manufacturer of precision metal components used in the power generation, papermaking, marine, computer, aerospace, and food processing industries. Its precision craftsmanship in close-tolerance fabrications made of high-temperature and corrosion-resistant alloys, and its fast turnaround time, have made it the supplier of choice for original equipment manufacturers around the world. Fabrico's name has consistently appeared on GE Energy's list of top 20 suppliers globally, and the company has received GE's "Excellent Emerging Supplier Award."

Since 1990, Fabrico's headquarters have been located at the Oxford Industrial Park in Central Massachusetts. For years, the 48,000-square-foot facility provided ample room for on-site expansions, but by 2005 the company's growth had outpaced its physical space. Following an exhaustive search for a new location in the New England area, company executives decided to stay in Oxford and purchased a site on Old Webster Road. The new 80,000-square-foot facility has additional land capacity for future expansions.

Securing the new location required a major capital outlay for the company—more than \$14.5 million including an additional investment for off-site infrastructure improvements. Ann Gray, Fabrico's president, turned to a fellow A.I.M. member to help leverage this significant investment.

Business Development Strategies Inc., a government incentives consulting firm, is a resource for expanding companies to help identify, negotiate, and secure government incentives for real estate expansion projects. Founded by Lynn Tokarczyk, a former regional director of the Massachusetts Office of Business Development and senior manager for Ernst & Young, the company helps firms navigate the confusing maze of state and local programs designed to spur business investment and job creation.



Fabrico's new building in Oxford was dedicated on October 27, 2006. Pictured (left to right) are Ann Gray, president, Fabrico Inc.; William Rose, CEO, Fabrico Inc.; Dennis Power, Oxford town manager; Joseph Zeneski, Oxford town engineer/planner; and Lynn Tokarczyk, Business Development Strategies Inc.

Tokarczyk's expert assistance helped Fabrico harness the power of the Massachusetts Economic Development Incentive Program (EDIP), which has infused more than \$17 billion in private investment into the state's economy since 1993. Fabrico's "Certified Project" status enabled it to access a 5 percent investment tax credit from the state along with a 20-year Tax Increment Financing (TIF) agreement with the Town of Oxford. Together, these programs are saving Fabrico more than \$500,000.

"Lynn led the effort to secure the state and local incentives that have allowed Fabrico to build a new manufacturing facility in Oxford," said Gray, "but she didn't stop there. We had other issues that came up in the site development process that were potential roadblocks, and she connected us with the right folks in state government to help us find the best solutions."

Massachusetts offers various financial

incentive programs, available from both state and local governments, to help growing companies like Fabrico expand or relocate. Though the state's own Business Resource Team is helpful, hard-pressed executives can often use additional assistance in finding the right programs to fit their needs.

Tokarczyk and her team have a dual mission: to help keep the Commonwealth's economy strong and her clients financially healthy. "The most gratifying part of my job is helping companies that were thinking of leaving the state to remain in Massachusetts," said Tokarczyk. "Fabrico's expansion will retain 100 jobs and create 50 new jobs that will spark economic growth in the Central Massachusetts region."

For more information about Fabrico Inc. visit www.fabricometalfab.com. For more information on Business Development Strategies, Inc. contact Lynn Tokarczyk at 508-966-4300 or visit www.businessdevelopment-strategies.com. ♦

Driscoll Receives A.I.M.'s Gould Award

David P. Driscoll, outgoing commissioner of the Massachusetts Department of Education, was named the 2007 recipient of A.I.M.'s John Gould Education & Workforce Development Award, presented at the association's 92nd Annual Meeting on May 11.

During his tenure at the Department of Education, as deputy commissioner (1993-99) and commissioner (1999-2007), Driscoll was responsible for implementing the State Education Reform Act of 1993 and the Federal No Child Left Behind Act of 2001. These two far-reaching laws both called for sweeping changes in public education, and required constant oversight along with a steady hand to ensure proper compliance with their mandates. As a result of his leadership, Massachusetts became a leader in standards-based reform and was one of the first five states in the



nation to have its No Child Left Behind accountability plan approved by federal officials.

"We in the business community very much appreciate the leadership and hard work that Commissioner Driscoll has devoted to public education and the young people of the Commonwealth throughout his career," said Richard C. Lord, A.I.M.'s president and CEO. "We greatly admire his effectiveness and ability to work with educators, parents, political leaders and the business community to ensure that access to quality public education is available to all students regardless of their race, ethnicity, or hometown."

Driscoll began his 43-year career as a mathematics teacher in Somerville and served as superintendent in Melrose before joining the Department of Education. "In honoring David Driscoll, not just for his

service as commissioner but for his entire career in Massachusetts public education," Lord noted, "we are recognizing the contributions of all of the educators whose work is so vital to the economic success of the Commonwealth and its people."

Driscoll is the tenth recipient of the award, which was named in honor of former A.I.M. President and CEO John Gould upon his retirement in 2000 to recognize his many contributions to improve the quality of public education and workforce training activities in Massachusetts. Past recipients of the Gould Award include John Rennie, president of Pacer Systems and founder of the Massachusetts Business Alliance for Education; Middlesex Community College; NYPRO Inc.; William Ederly, chairman emeritus, State Street Corp.; Northeastern University; The Davis Family Foundation; Intel Massachusetts; EMC Corp.; and IBM Corp. ♦

Clarification of Deductions from Exempt Employees' Leave Banks

Q. As an employer, can I make deductions from an exempt employee's leave bank without jeopardizing that employee's exempt status?

A. The Department of Labor (DOL) exemption regulation is not explicit, but DOL Opinion Letters have consistently held that deductions from leave banks of exempt salaried workers are permissible even if made by the hour. A 1987 Opinion Letter stated that "an employer can require an employee to substitute paid leave for absences of less than a day without losing the exemption for the week," and the 2004 white collar exemption rule revisions support this as well.

Employers should establish clear policies regarding employees who have

no leave bank balances (or negative balances), and specifying that while a reduction in leave by the hour may be acceptable, an employee will not suffer deductions in pay for anything less than a full day, and only in accordance with the regulations. Employers may not deduct from an exempt employee's final paycheck to recoup negative leave balances that were created by partial day absences or other causes for which deductions from pay could not have been made consistent with the salary basis test.

HOTLINE
1-800-470-6277



Jon Kingsdale, Executive Director of the Commonwealth Health Insurance Connector Authority, helps kick off A.I.M.'s very successful statewide series of employer briefings on the new health care reform law. The briefings, part of an ongoing program to keep members informed as the reform proceeds, featured top Connector staff and A.I.M. senior vice president Sandy Reynolds, focusing on the law's practical, day-to-day implications for Massachusetts employers. The Connector is an independent authority established to oversee implementation of key aspects of the new law; Richard C. Lord, A.I.M.'s president and CEO, represents the business community on its board.



Ian A. Bowles, newly appointed secretary of Energy and Environment Affairs, introduces himself to the business community at an A.I.M.-sponsored reception at Bose Corporation in Framingham.

Electricity Restructuring: The Road Ahead for Business Customers

By Gordon van Welie

As every business executive knows, a stable, competitive market encourages investment and efficiency. In New England, stakeholders in the electricity markets have been working hard to create an environment to sustain a reliable electricity system that produces competitively priced electricity and supports the economy now and in the future.

In order to continue the process of restructuring energy markets in Massachusetts, it is critically important for the business community to understand and appreciate the progress our region has made on these fronts. Since competition was introduced in New England, the region's electricity system has become increasingly reliable, efficient, and environmentally friendly.

Recent high retail rates may seem to run counter to this claim, but higher prices are the direct result of higher fuel costs over which the region has no control—not competitive markets. Wholesale electricity prices have actually dropped when you factor out fuel price increases.

Right out of the box, competition spurred a dramatic increase in investment in the region. Between 1999 and 2002, more than \$6 billion in private investment was made in new power plants, increasing our electricity supply by 30 percent. After a three-year hiatus from 2003 to 2006, interest in developing new power plants is on the rise again in response to recent improvements in the markets. Since private firms and not public utilities are making this investment, consumers are shielded from the investment risk. These new efficient, clean plants are significantly reducing emissions that contribute to global climate change.

Investment in the region's transmission system is also on the rise. Five major transmission projects needed for reliability are underway—totaling \$2 billion in investment.

Most importantly for the economy, the



electricity system has operated reliably in spite of several severe weather-related events: record-breaking summertime demand, the aftereffects of Hurricanes Katrina and Rita, a bitter cold snap in January 2004, and the Northeast Blackout in August 2003.

Although significant progress has been made, the region faces several challenges, primarily driven by our ever increasing demand for electricity and our reluctance to site alternatives to power plants that use natural gas and oil. The region uses more electricity every year and that means we need more power plants and transmission lines. The growth in summer peak electricity demand is approximately 600 megawatts (MW) annually, which translates into one good size power plant having to be added to our system every year.

Complicating matters is the seasonal difference in electricity demand between

the summer peak of slightly more than 28,000 MW and the rest-of-year average of 18,000 MW. Because of this difference, nearly a third of the region's generating fleet is needed only a few weeks a year. This gap is expected to widen because summer peak is growing at a more rapid rate (2%) than average use (1.3%).

Another challenge is our increasing reliance on natural gas, which now provides approximately 40 percent of our electricity. This is stretching our region's natural gas infrastructure and creating problems in the winter when there is a simultaneous need for gas for power production and home heating.

Addressing these challenges will require a concerted effort by the region's policy makers, industry executives, and business leaders to implement policies that encourage investment in—and siting of—needed resources. It will also require a

sustained commitment by consumers to become efficient in their electricity use. Failure to act on these challenges will result in higher costs and less reliable service.

Last year, we took a vital step toward ensuring long-term resource adequacy and a sustainable market when we began implementing the Forward Capacity Market. This new market, which is based on an auction that will procure the most cost-effective resources, will encourage development of new supply-side and demand-side resources, provide incentives to improve the availability of existing resources in times of greatest system need, and compensate market participants that provide the needed resources.

Encouraging investment in new resources and transmission lines is important to ensure a reliable, competitive electricity market, but we also need to change the way electricity is used and priced.

Last spring, ISO New England launched a public awareness campaign—TakeCharge New EnglandSM—to promote simple, yet effective, steps for becoming more energy efficient. The program targets both residential and business users.

We already have successful Demand Response programs in place that provide financial incentives for large electricity users to cut their electricity use during periods of peak demand or high prices. Last summer, when the temperature soared into the high-90s and the region set all-time records on three occasions in a two-week period, Demand Response programs shaved more than 500 MW off the peak. That is equivalent to the output of a large power plant. What's more, there is a growing awareness among consumers of the need for conservation and the steps they can take to reduce their use year round.

We need to move beyond traditional conservation efforts and implement "dynamic pricing," which varies the retail price of electricity as wholesale prices fluctuate during the course of a day. Since consumers currently have no direct way of seeing how their consumption patterns affect the price of electricity, they are unlikely to conserve at times of peak demand without a more direct connection between wholesale and retail prices. Implementing dynamic retail pricing to allow retail prices to go up and down with peak demand would allow consumers to assume more control over their power use and manage their costs directly.

By lowering overall demand at times of high wholesale electricity prices, customers can proactively reduce their own electricity costs, as well as help lower electricity costs for all consumers in their region. For this reason, many state regulators, electric utilities, competitive suppliers, customer groups, and independent system operators, such as ISO New England, are advocating more innovative retail rate designs that encourage price-responsive demand.

It is clear that we've come a long way in a short period of time, but we must continue to plan for the long-term health of the system. The ISO has convened a working group of experts to take a long-term look at possible solutions and analyze their economic, reliability, and environmental impacts on the region. These options include an increase in energy efficiency programs, building alternative fuel resources, and increasing imports from Canada and New York. We hope this effort will guide the discussion over how best to meet future needs.

There is an old saying that "necessity is the mother of invention." While Massachusetts and the region are not blessed with inexpensive sources of energy, we are blessed with some of the best and most innovative educational and

business institutions in the country. Our region is being forced to confront these challenges which also provides us with a great opportunity—namely, to develop solutions that could stimulate the region's economy and then could be exported to other regions and countries.

You can play a leadership role in this effort. The first step is to stay informed and take action by controlling your own electricity consumption. Visit online resources such as ISO New England's www.takecharge-ne.org. You can also update meters with new technologies or explore the possibility of using renewable power. Or support various initiatives to promote investment in supply and transmission, streamline siting, and give consumers more control over their electricity use.

We've made a lot of progress in a short period of time, but it will take a long-term, consistent, and concerted effort on the part of the New England business and industry stakeholders to continue to build on that progress.

Gordon van Welie is president and CEO of ISO New England Inc., the not-for-profit corporation responsible for the operation of New England's electricity system and its competitive wholesale markets. ♦

A.I.M. Presents 2007 Compensation Reports

Do you know what your competition is paying their employees? What companies are giving for raises this year? Can you afford not to know? A.I.M.'s 2007 Executive Compensation Report and General Wage Report have the answers for specific job descriptions statewide and in your region.



2006-2007 was published last year.)

Member rates are \$500 for the General Wage Report, \$350 for the Executive Compensation Report, and \$700 for both; nonmember rates are \$1,000, \$700, and \$1,350 (prices include sales tax and handling). A.I.M. members

who participated in the 2007 survey receive complimentary survey reports and may purchase extra copies for a nominal fee. Reports may be ordered online at www.aimnet.org.

The Executive Compensation Report is now a separate report that includes base pay, incentive pay, and executive benefits. The General Wage Report provides data on more than 320 non-executive level positions including range minimums and maximums, average paid rates, and bonus information. (The biennial Massachusetts Benefits Report for

Webinars—Join us in June 2007 for online briefings for the General Wage and Executive Compensation reports. Stay tuned for times and dates. ♦

MassBenchmarks



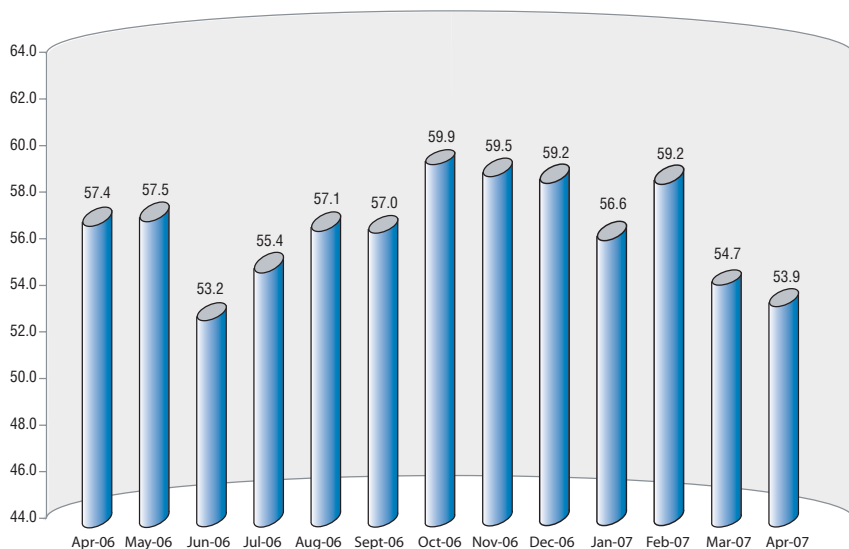
The Massachusetts economy grew at a 4.7 percent annual rate in the first quarter, according to the MassBenchmarks Current Economic Index. This is the fastest rate of growth since the expansion began in the second quarter of 2003. Massachusetts appears to have grown at over three times the rate of the U.S. during the first quarter of 2007.

The MassBenchmarks Current Economic Index, calibrated to track gross state product, was up 5.0 percent from March to February (at annual rates), and up 4.0 percent from March of last year. The MassBenchmarks Leading Economic Index for March was 3.9 percent, and the three-month average for January through March was 4.6 percent. The leading index is a forecast of the growth in the current index over the next six months, expressed at an annual rate. Thus, it indicates that the economy is expected to grow at an annualized rate of 3.9 percent over the next six months (through September).

Strong payroll employment gains and a falling unemployment rate were the indicators responsible for the Commonwealth's strong showing in the first quarter.

Statistics courtesy UMass Donahue Institute – www.massbenchmarks.org

Business Confidence Index



A.I.M.'s Business Confidence Index lost eight-tenths of a point in April to 53.9, confirming the sharp drop (-4.5) recorded in March. After five declines in six months, the Index was at its lowest level since October 2003, and the sub-index for conditions within Massachusetts was in negative ground (below 50). The weakness of the Index, in a time of relatively strong growth for the state's economy, appears to reflect employer concern about cost pressures and possible tax increases.

Unemployment Rates

	Mar 2007	Feb 2007	Monthly Change	Mar 2006	Yearly Change
United States	4.4%	4.5%	(0.1)	4.7%	(0.3)
Massachusetts	4.4%	5.3%	(0.9)	4.8%	(0.4)

Data are seasonally adjusted.
Source: U.S. Department of Labor, Bureau of Labor Statistics

Manufacturing Hours & Earnings

	Mar 2007	Feb 2007	Monthly Change	Mar 2006	Yearly Change
Average Weekly Earnings*	\$778.02	\$757.24	+20.78	\$730.97	+47.05
Average Weekly Hours	41.1	40.3	+0.8	40.7	+0.4
Average Hourly Earnings	\$18.93	\$18.79	+0.14	\$17.96	+0.97

*Figures include overtime, shift differential, etc.
Source: Massachusetts Division of Employment & Training

Consumer Price Index

	All Cities Mar 2006		Boston Mar 2006	
	Base 1982-84	% Change Over Year	Base 1982-84	% Change Over Year
All Urban Consumers	205.4	+2.8%	226.4	+2.8%
Urban Wage Earners & Clerical Workers	200.6	+2.7%	225.9	+2.3%

Source: U.S. Department of Labor, Bureau of Labor Statistics

Massachusetts Employment by Industry

	Mar 2007	Feb 2007	Monthly Change	Mar 2006	Yearly Change
Nonagricultural Total	3,227.2	3,209.3	+17.9	3,189.2	+38.0
Manufacturing	297.0	296.9	(0.1)	299.8	(2.8)
Durable Goods	195.9	196.0	(0.1)	196.6	(0.7)
Nondurable Goods	101.1	100.9	+0.2	103.2	(2.1)
Construction	127.6	125.8	+1.8	129.3	(1.7)
Trade, Transportation & Utilities	563.5	562.2	+1.3	558.0	+5.5
Information	87.6	87.6	n/c	86.5	+1.1
Financial Activities	222.0	221.9	+0.1	220.8	+1.2
Prof'l/Business Services	468.6	464.7	+3.9	458.4	+10.2
Ed'l/Health Services	626.0	621.1	+4.9	609.0	+17.0
Leisure & Hospitality	273.8	270.4	+3.4	272.1	+1.7
Other Services	117.6	116.4	+1.2	117.0	+0.6
Government	441.9	440.7	+1.2	436.9	+5.0

Data are not seasonally adjusted and are in thousands.
Parentheses indicate negative numbers.
Source: Massachusetts Division of Employment & Training

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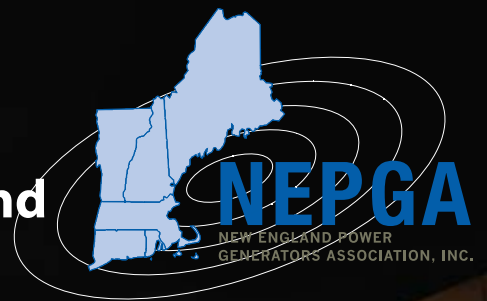
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