NECA 2011 Annual Report

Each year, NECA creates a report to share information regarding the association's progress throughout the year. The report will also be available on the web in January at **www.necanet.org**.

2011 was a year for NECA to take several "next steps." Economic struggles have dominated our attention for the past three years, and at NECA we continue to deal with the very real effects of the economic downturn across our industry. In some sectors, market pessimism is reaching a fever pitch, fueled by the appearance that global policymakers are unable to mitigate the challenges confronting the economy. We've heard over and over how hard it is for our members to be signatory electrical contractors these days.

However, hard isn't necessarily bad. It's just hard.

The 2011 annual report outlines some of the ways NECA has taken those hard circumstances and used them to make the organization leaner, more responsive, and in many ways, more successful.

There's nothing like a crisis to shake people out of their comfort zone. We've seen tremendous progress this year in how many NECA contractors are moving into the energy solutions market to meet the new demand for sustainable, energy-efficient buildings. Through NECA 3.0, we're shaping the association's programs to better support our members' work in different markets. We're focused on helping our members' voices be heard on the issues that affect their business, develop strong balance sheets, and create robust business models.

All these new steps required everyone at NECA to move out of their different comfort zones and open themselves up to new opportunities. The news is good for entrepreneurs who are willing to do so. A report released in November on established small businesses found 46 percent added new jobs and 57 percent reported an increase in revenue last year, while securing millions in new financing. Evidence shows that, across all industries, job growth and economic revitalization can be found with the established small businesses that show a high potential for growth—including both line and inside electrical contractors.

NECA's plans for the future will also push us as an industry to do even more work. It ensures that our services will remain strong and responsive to our members' needs, that our organizational infrastructure is effective, and that we are financially resilient and stable, and our spirit of innovation continues to thrive.

John M. Grau
NECA CEO

Innovative Cooperation

Labor relations remains NECA's primary member service, a fact unchanged during the economic upheaval of the past three years. When the construction market began falling, we knew our members and the association would not survive without significant cooperation from our labor partners at the IBEW. NECA contractors and IBEW workers have faced those necessary changes together.

The Labor Relations Task Force has tackled the thorny issue of the benefit burden facing our member contractors, particularly the potential for cost increases and liabilities attached to Defined Benefit plans. A survey of chapter sponsored pension plans was distributed in August to help define the breadth and severity of the Defined Benefit pension plans financial status, and the task force reported its findings at the Labor Relations General Session in San Diego.

At that session, Randy DeFrehn, Executive Director of the National Coordinating Committee for Multiemployer Plans, detailed the legislative action NCCMP has pursued to protect local pension plans in the face of the economic downturn, including a freeze on plans' "Zone" status, options for small plans to merge, "partitioning," and some technical corrections.

"There's a misconception that multiemployer plans' benefits are too high," DeFrehn said. "That's not the case. Some plans will have to make strategic decisions to cope with rising benefit costs to make these plans more stable. But Congress is trying to give us the breathing room to make those changes."

Labor Relations Task Force Chair and NECA President-elect Dennis Quebe echoed DeFrehn's comments.

"When we look at our so-called 'benefit burden,' we want to ask 'who's to blame?' To me, blame implies that at the time, someone knew there would be negative consequences," he said. "But at the time, they were the right thing to do. I still think they're the right thing to do. But we need to change how we do them. The impact will be significant, but not overwhelming."

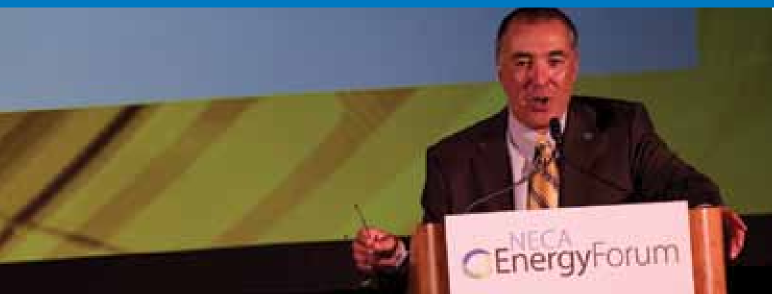
We're not just changing the benefits burden for our labor agreements. Efforts at market growth are also present through both "Initiative" and other "Small Works" agreements around the country. Presently, the Construction Wiremen/Construction Electrician language has been approved in 62 agreements in 34 different chapters. The Recovery Agreement initiative by IBEW International President Ed Hill on May 24, 2010, has resulted in a compliance rate of over 75 percent of the local unions, and these Recovery Agreements include CW/CE in their scope.

In 2011, the National Outside Portability Agreement for transmission jobs and projects of 100 kv or above was clarified to ease the transfer of manpower when a disaster strikes. The predictions of increased transmission construction work have materialized this year, and the agreement addresses the need to keep intact a core of workers on transmission projects that routinely cross a number of local union jurisdictions. This agreement is a complement to the 2009 National Outside Construction Emergency Response Agreement. The Transmission and Maintenance Agreement (TMA), which was developed as a market recovery tool for the line industry, remains available to our District 10 members. It is automatically approved on a project-by-project basis for projects with "legitimate non-IBEW competition."

We've also cooperated in new ways with OSHA. Two NECA members now sit on the Advisory

Committee on Construction Safety and Health, and NECA's first Safety Professionals Conference in May 2011 brought together industry safety experts from around the country, both policy experts and managers responsible for implementing safety practices in the field.

Moving Towards Market Development



Despite the drop in almost all types of traditional electrical construction, there's never been greater consumer awareness of how energy is produced and used. While interest in building "greener" remains high, the attractiveness of it often lies in the money that efficient energy systems can save over the life of a building.

Electrical contractors who have survived this most recent economic downturn have generally made serious efforts to diversify the type of work they perform. NECA contractors still report doing traditional power and lighting work, but they are filling in the gaps left by the drop in such projects with systems integration, power quality work, sustainable building projects and service/maintenance contracts. NECA members are now taking the lead to help owners make smarter choices about powering their buildings. Our first-ever Energy Forum in San Diego emphasized these changes in the industry, with over 200 NECA contractors coming together to share their successes and strategies for entering the energy solutions market.

NECA's market and business development activities were restructured this year to better expand market opportunities for electrical contractors and to identify new opportunities and useful tools for NECA members.

NECA has been heavily involved in the electric vehicle infrastructure market since last year when we began clearly demonstrating what it would take for EV to move from vision to reality. Since then, NECA has developed electric vehicle supply equipment (EVSI) installation standards and joined multiple coalitions of industry stakeholders to promote this emerging market. NECA's local chapters, LMCC business developers and relationships with the inspection community have proved to be valuable assets particularly in our work with EV manufacturers.

Another way we're facilitating market development is with dedicated staff and member involvement. NECA and the IBEW each received grants from the National Labor Management Cooperation Committee (NLMCC) this year to fund a staff position in market development at each of the respective organizations. In May, NECA hired Mir M. Mustafa as Director of Market Development. Mr. Mustafa is meeting regularly with business development staff from chapters and local LMCCs to build and organize a network of NECA business developers across the country. He is also working collaboratively with his counterpart at IBEW's International Office and participating in tradeshows for the NLMCC.

Globally, NECA began to move towards a more flexible governance structure, with the sunsetting of the Marketing Committee in 2011 based on a recommendation of the NECA 3.0 Task Force. Members of the existing committee were appointed to the Business Development Taskforce by President Ferry. The new taskforce is chaired by Daniel G. Schaeffer, NECA District 7 VP. Mr. Mustafa will serve as secretary to the task force.

Speaking Out for Change that Matters

As our members' grow into new electrical production and usage markets, it has become even more important for NECA to speak out on industry issues on Capitol Hill and beyond.

2011 saw two major successes for our government affairs team: defeating detrimental proposals put forth by the Financial Accounting Standards Board (FASB) and repeal of the onerous 3% withholding tax. Last September, FASB proposed sweeping rule changes that would require multiemployer pension plan participants to disclose withdrawal liability on their financial statements. NECA mounted an aggressive outreach effort to FASB, expressing our members' concerns regarding the disclosure of misleading withdrawal liability data that would negatively impact our members' ability to secure lines of credit. In July, FASB finalized their decision to eliminate the requirement to disclose withdrawal liability and opted for a disclosure supported by NECA that would consist of publicly available information.

The repeal of the three percent withholding tax in November 2011 marked the end of a six-year effort by NECA to overturn misguided legislation that would have required all federal, state and local governments to withhold three percent of contractor payments as a prepayment of taxes.

The 3% repeal legislation was introduced with record-breaking bipartisan support when it became clear that the original law would have denied earned money to contractors who want to actually hire new workers and meet their daily operating costs. News of its passage was a tremendous relief for NECA contractors.

ECPAC, NECA's political action committee, and our Political Leadership Council remain a force to be reckoned with on the Hill and in legislators' home districts. ECPAC is unique in both its bipartisan support of candidates who will champion our members' concerns and in our members' commitment to ECPAC—nearly 25 percent of all NECA members contribute to ECPAC. ECPAC is on target to raise over $1,700,000 for the 2012 election cycle.

ECPAC and the PLC allow NECA to represent our industry in the places where it matters, where decisions will be made about how you keep your books, bid projects, pay your employees, and meet safety regulations. 2011 has been a very active year on all those fronts, with NECA speaking out on pension reform, worker misclassification, and preserving renewable energy building incentives.

Closing

Wherever you stand in terms of the economy and public policy, it should be clear from this report that NECA is not standing still. We will continue to speak out on the issues that matter to our industry and our members. We have to stand up for our members' rights to operate competitive businesses. We will explore new programs and initiatives to better deliver services that NECA contractors need.

We appreciate your continued support of our goals and participation in securing a positive future for our industry.