

Continued from front cover

Industry Focus: Where Have all The Electrical Contractors Gone?

enabled us to serve a wider range of customers and maintain a steady work flow despite market changes. As banking and bonding tightened, our financial consistency made us more attractive to our bonding and banking partners.

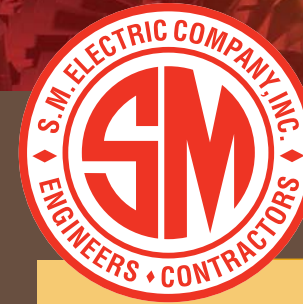
Perhaps you have noticed fewer bidders on more recent mid-sized projects. It seems that infrastructure and overhead make it cost-prohibitive for large contractors to competitively bid on projects in the \$5-10 million range. Small contractors, on the other hand, simply don't have the resources or capacity to manage a project of this scale. As a result, the remaining high-end, mid-sized electrical contractors, like S.M. Electric are expanding to meet today's demanding project market.

Part of this expansion entails ensuring that we have the resources to meet your needs. To this end, we have focused on strengthening our relationships and developing key alliances with the local unions and members who make this work happen. And, in an era where talent in this trade is fast disappearing, we have been able to hire additional

expert project planners and field engineers who became available as a result of this shifting trend. Thanks to this infusion of new personnel and local union agreements, we can now support more projects and take on the complex scheduling of larger jobs, while providing the same caliber of service, quality and performance you have come to expect from us.

What does all of this mean to you, our customers? Whatever your project needs, we have the versatility to expand and adapt to fit those needs. Whether performing electrical construction at a NJ psychiatric facility, upgrading a power distribution network for a refinery in PA, implementing new technology to revolutionize the nation's power grid or working a multi-year transit maintenance project, we offer you the experience to complete your mission-critical projects on time and within budget. Finally, we pledge to balance all these new growth opportunities so you can rest assured there will be no compromising on the delivery, quality or safety of your projects.

Current Focus



S.M. Electric Company, Inc.

Summer 2007
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President's Message



John J. Murphy
President

As we move into the summer season and the heavy draw on power resources, I am pleased to announce S.M. Electric's integral role in implementing a new technology that promises to recharge America's power grid and bring exciting advantages for expansion, particularly for our power utility customers. See *S.M. Electric News* section for more on this exciting development.

I would also like to take this opportunity to address some of the pertinent issues facing our industry as a whole, such as the growing nationwide shortages in skilled labor, including electrical contracting workers. You can rest assured that S.M. Electric has been actively working to minimize the impact of this trend on our customers' projects and the services we provide. For further information, see *Thoughts on the Brain Drain*.

Another recent development that you may have noticed is the consolidation and demise of many mid-market power contractors. In *Where Have All the Electrical Contractors Gone?*, we discuss a variety of factors that have influenced this shrinking effect and what it means to our customers. Thanks to our vision of diversification, we have been able to leverage this situation, reaching out to better serve customers across a wide range of industries.

But we did not do this alone. Both Peter V. Cheche, Jr. and I have personally worked to cultivate relationships and earn the respect of the local unions to help assure that your projects are properly staffed and supported. At S.M. Electric, we have also been fortunate to retain our own expert staff with years of experience in designing and managing customer projects of every size. This simply means you can count on us to get your job done right with consistent, high-quality service from office to project site.

Most importantly, I would like to thank you, our customers, for taking time to share your input and feedback with us. Through this relationship of open communication, we have been able to fine-tune our services to ensure that we continue to meet your expectations and complete your project safely, on time, within your budget and to your utmost satisfaction.

Thank you.

John J. Murphy
President

This is a continuing series of articles that will be dedicated to construction needs that are unique to specific industries.

This month's focus will be devoted to a specific issue facing our own industry.

Industry Focus:

Where Have all The Electrical Contractors Gone?

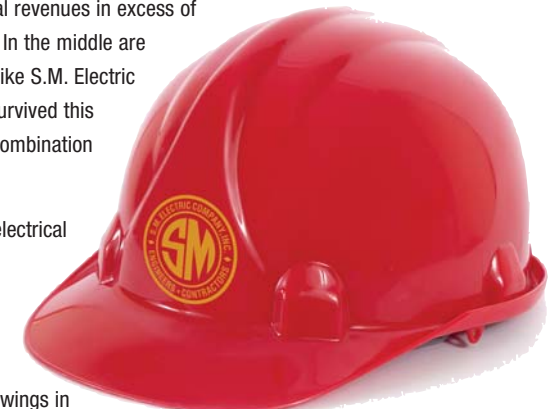
For nearly a century, the electrical contracting industry grew at a frenetic pace, fueled by a continuous stream of power utility projects and strong infrastructure development. When that boom peaked in 2000, it precipitated a monumental restructuring, resulting in a mass departure of electrical contracting firms, particularly in the mid-market segment.

Today, only about 70,000 companies remain, employing approximately 650,000 workers with estimated revenues of \$95 billion. Of those companies, the majority are small with fewer than ten employees and averaging less than \$500,000 a year. At the opposite end, are the 600 or so very large national firms with vast reserves of workers and annual revenues in excess of \$100 million dollars. In the middle are the remaining firms, like S.M. Electric Company, Inc. that survived this fall-out, thanks to a combination of insight and effort.

So where did all the electrical contractors go?

By banking on large but infrequent projects, many firms experienced volatile swings in revenue and profits, an undesirable trait from a financing point of view. While this approach may have worked in past slow-downs, this time, many mid-market firms found themselves caught up in consolidation or bankruptcy.

Bucking the trend, S.M. Electric recognized the need to diversify early on, and began deploying that vision, branching out to alternative industries such as pharmaceutical, transportation, commercial and even "green power." This move



Continued on back

SAFETY MINDER (SUPPLEMENT)

Be Aware of Summer's Hazards

In Summer we all look forward to working and playing outdoors. But Summer can bring excessive heat, which can trigger health emergencies. We should all be aware of the symptoms, and take immediate action when we, or our colleagues, encounter heat related ailments.

Heat Exhaustion:

- Pale, moist and clammy skin
- Dilated pupils
- Weakness, dizziness, fainting
- Headache and/or nausea

Heat Stroke:

- Dry, hot (usually red) skin
- Pupils constricted
- High body temperature
- Strong, rapid pulse
- Possible coma

Heat Cramps:

- Painful muscle spasms, usually in the legs or abdomen

In all cases the victim should be removed to a cool place and receive the appropriate medical attention.



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THOUGHTS ON THE BRAIN DRAIN

Much has been written about “brain drain” – the waning of trained, experienced workers – as 64 million “baby boomers,” more than 40 percent of the total workforce, reach retirement age by 2010. This phenomenon is particularly evident in electrical contracting, where half of our nation’s 650,000 electrical workers will be eligible to retire over the next five years. At the same time, project needs are on the rise so that the U.S. Bureau of Labor Statistics expects that by 2014, our nation will need 78,000 more contractors than we have right now.

The issue of “brain drain” is not isolated to the U.S. but extends to the world at large, where countries from Finland to the UK grapple with the rapid disappearance of electricians. In Australia, this shortage of electricians and skilled trades has become so critical that it is impeding business investment and development.

The aging of the population is just one side of the coin. The other is a widespread cultural issue where the upcoming workforce shows a lack of interest in learning a trade. Many on the college path are bypassing engineering to pursue fields that are viewed as more lucrative. With fewer new workers, there is less opportunity for knowledge transfer resulting in an irreplaceable loss of valuable skill and know-how in the engineering/design infrastructure – an impact that will be keenly felt in the years to come.

Many strategies have been proposed to combat this “brain drain.” They run the gamut from increased recruiting and enticements for engineering careers, to reducing the restrictions that block skilled electrical workers from emigrating to the U.S. The International Brotherhood of Electrical Workers (IBEW) has committed time and money to actively promote electrician apprenticeships through its National Joint Apprenticeship and Training Committee (NJATC). Other industry experts call for the government to allow workers to work past age 65 without pension penalties. The idea is to rethink retirement and expand career spans with flexible work arrangements, mentoring and other alternatives.

S.M. Electric has already taken steps to limit the impact of “brain drain” on our customers. From an in-house perspective, we are supported by a high caliber of talented field engineers and project managers. We have also attracted some top personnel as a result of electrical contracting consolidation. We have a 60 year legacy of outstanding labor relations, and we continue to cultivate strong bonds with our local unions to recruit the best workers for your jobs. Moving forward, we plan to actively support new measures as they arise, in the effort to counteract this electrical worker “brain drain.”



S.M. ELECTRIC NEWS

Serving Up New Technology

Today’s superhighway infrastructure was built with logic and efficiency in mind, with its network of interconnecting roadways sending drivers easily on their way from coast to coast. Unfortunately, the nation’s network for power distribution is a far different story. As an electrical contractor, S.M. Electric Company, Inc. is well aware of this fragile infrastructure, pieced together across three distinct regions with a massive number of separate power grids, and little to no interconnectivity between them. Experts point to the “great blackout” in the summer of 2003 affecting 50 million people across the Northeast and more recent large-scale outages in the West as signs of ever-increasing vulnerability. Under current conditions, with demand outstripping supply and taxing a power infrastructure that is running at full capacity, it’s simply a blackout waiting to happen.

The challenge of fixing America’s power grid has been the subject of numerous studies from the federal government and state utilities to power companies and universities. Some propose use of distributed generation (DG) technologies that decentralize the power grid network into a series of smaller-scale modular networks connecting various types of energy sources. Others are pushing the need to revamp the intelligence of the network with smart chip technology that is much better at predicting demand and channeling suitable power resources. The problem is that many of these approaches call for sweeping design or technology changes to the power infrastructure, potentially costing power customers valuable time and money.

One of the most promising solutions we’ve seen recently is GE Energy’s new Variable Frequency Transformer™ or VFT™. VFT technology essentially enables connections between disparate power grids that were never before possible because of constraints such as asynchronous boundaries or congested systems. This innovative technology combines a hydro-generator with a rotary transformer, high-power collector and drive motor. It regulates power control through simple, controlled interactions with less risk than back-to-back high voltage direct current converter technologies. The result is a compact design with high efficiency and availability, solid life expectancy, low maintenance and reduced project implementation time and costs.

So how does S.M. Electric fit into the VFT picture? First deployed for TransEnergie, part of Hydro Quebec in Canada in 2004, VFT technology is set to debut at various sites throughout the U.S., including the Northeast, where S.M. Electric is proud to be part of the action. We’re among a select group of electrical contractors hired by GE Energy to service this cutting-edge technology with the potential to reshape the nation’s power supply. Our personnel are trained and ready with the expertise necessary to get a VFT system up and running, whether it entails linking renewable energy sources to the power grid or interconnecting traditional electrical systems. We are currently at work on the Linden Cogeneration Site and anticipate more to come as VFT technology and S.M. Electric expertise form the “go to” solution for clearing today’s power gridlock.

SUCCESS: “When success finds you, it is generally because you were looking for it.”

– Anonymous