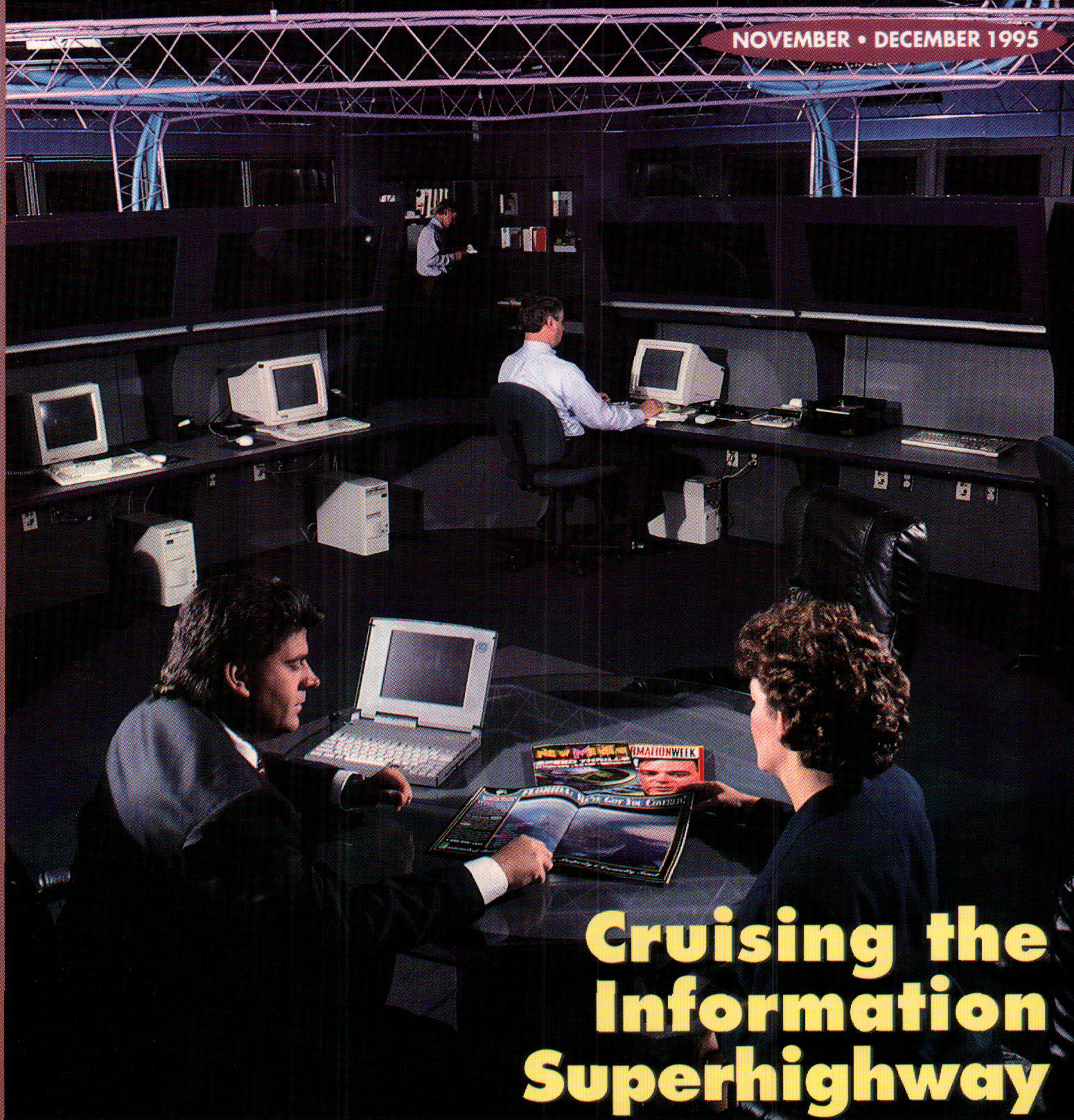
Associated Industries of Florida

EMPLOYER ADVOCATE

NOVEMBER • DECEMBER 1995



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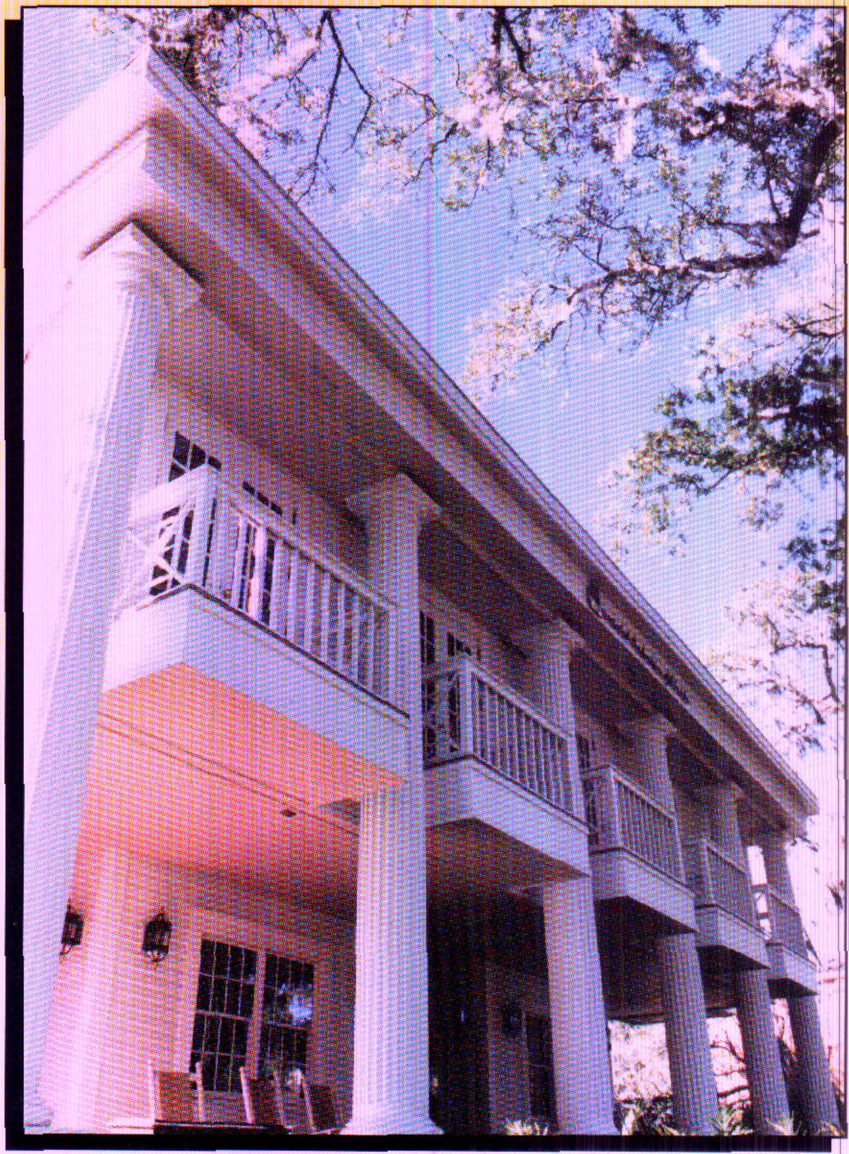
Since 1920, Associated Industries of Florida has stood firm on the side of prosperity and free enterprise. With headquarters standing on the road that connects the Capitol to the Governor's Mansion, AIF represents the link between responsible public policy and a thriving economy. AIF offers the business community a gathering place to meet with government leaders to preserve and defend Florida's prosperity.

Dedicated to and owned by the members of Associated Industries, the building is a tribute to the efforts of employers—the men and women who provide jobs, manufacture goods, and supply services to the citizens of Florida.

When your business brings you to Tallahassee, we invite you to set up shop at Florida's corporate headquarters.



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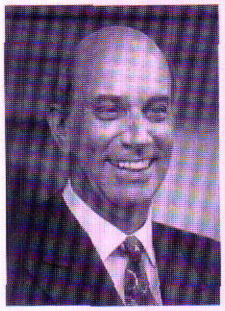


Come Back Adam Smith

by Jon L. Shebel
President
and CEO

Our state does not suffer from a lack of industrial or productive power; instead we labor in an economic climate that constrains the potential that exists right here, right now.

When he was three-years old, Adam Smith was kidnapped by gypsies. Many days passed before he was found and returned to his family.

Almost five decades later, he published *The Wealth of Nations*, his landmark work on the philosophy of political economy. That same year, 1776, met with the publication of another noteworthy document: the American Declaration of Independence.

The notions of Thomas Jefferson and Adam Smith issued from writings of European thinkers such as John Locke who engendered the philosophy of classical liberalism, which is of no relation to modern liberalism. Under Thomas Jefferson's hand, the Lockean definition of mankind's natural rights, "life, liberty, and the pursuit of property," became "life, liberty, and the pursuit of happiness."

Smith, Jefferson, and Locke all linked economic liberty and private property rights with political freedom. A person cannot enjoy one without the other. For Smith, that meant, "Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest in his own way."

In the 19th century, Smith's philosophy of economic freedom evolved into the doctrine of laissez-faire, a French phrase that translates to "allow to act." In the 20th century, those who favored centralized planning perverted the meaning of laissez faire, claiming that adherents of the doctrine wanted the economy to function without *any* government regulation or interference.

A complete absence of government regulation is neither possible nor desirable. The level and nature of regulation is the issue and it is one of the fundamental aspects of building a prosperous society.

In today's debate over economic development, two sides seem to get all the attention. One side wants tax breaks, incentives, and programs designed to attract targeted industries; the other condemns tax breaks and incentives as corporate welfare.

But there is a third side, one that wants to return to an intelligent application of the principles of Adam Smith and laissez faire. In this issue of *Employer Advocate*, we're taking a look at how government policies can drain or charge our state's economic energy.

Our state does not suffer from a lack of industrial or productive power; instead we labor in an economic climate that constrains the potential that exists right here, right now. Before our state's political and economic leaders embark on a grand plan to attract new businesses, at AIF we believe the first step is to loosen the restraints on the companies that have already made an investment in Florida. They are the best gauge of the business atmosphere in the Sunshine State.

Just as Adam Smith's parents once recaptured their young son from the gypsies, at AIF we're pursuing an agenda that will recover the principles of economic freedom and vigor he espoused.

"Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own *interest in his own* way."

Manufacturing Priorities?

I work for a company that purchased a Florida mill in 1939. Today, Jefferson Smurfit provides jobs for about 2,000 Floridians, supplying annual wages and benefits worth $90 million. Last year we purchased more than $350 million worth of goods and services from our fellow businesses in the state.

Every day, on my way to work, I drive past the old, renovated Gator Bowl, now home to the NFL's Jaguars. The city of Jacksonville kicked in about $200 million in infrastructure improvements for the stadium. Jefferson Smurfit's Jacksonville operation sits in an area of town with poor streets and worse infrastructure.

I am an enthusiastic supporter of the Jaguars, but I know that Jefferson Smurfit contributes more to the economy of Jacksonville than the football team does. The comparison makes me wonder whether government officials have their priorities straight.

Elected leaders speak of their desire to attract new, clean industry to our state. Jefferson Smurfit definitely isn't new. We're part of the pulp and paper industry, which means we are not thought of as "clean," although we are one of the most stringently regulated of all industries and have established an excellent track record in environmental performance.

So what do we bring to Florida? Jobs, income, commerce for area merchants, and a long history of contributions to the state's economy. And what do we get from Florida? Access to raw materials, markets, and consumers of our products.

But conducting business in this state is not easy. Florida is a low-tax state for individuals but the tax burden on corporations is among the highest in the nation. That adds to the cost of our products and lessens our ability to compete against similar paper mills in this country and abroad.

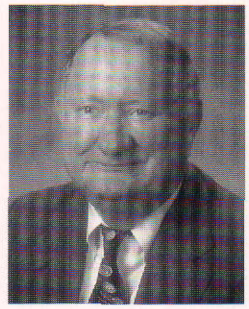
It also hurts our competitiveness within our corporation. Jefferson Smurfit operates in 30 other states in the United States. Our Florida mills engage in a friendly competition for corporate capital and we often find ourselves in a losing battle. Our Florida operations have lost opportunities to expand in the past because of Florida's higher manufacturing costs that translate into a lower rate of return.

For example, our Jacksonville and Fernandino plants spend about $1.5 million a month on utilities. Add to that the 20.5 percent tax we pay and you get part of the answer to the difficulty Florida companies have in competing with operations in other states. Most of our neighbors don't charge taxes on electricity used in manufacturing.

If Florida legislators honored the economic benefits of industry at least as much as they do those of sports franchises, Florida's manufacturing would be competitive domestically and internationally.

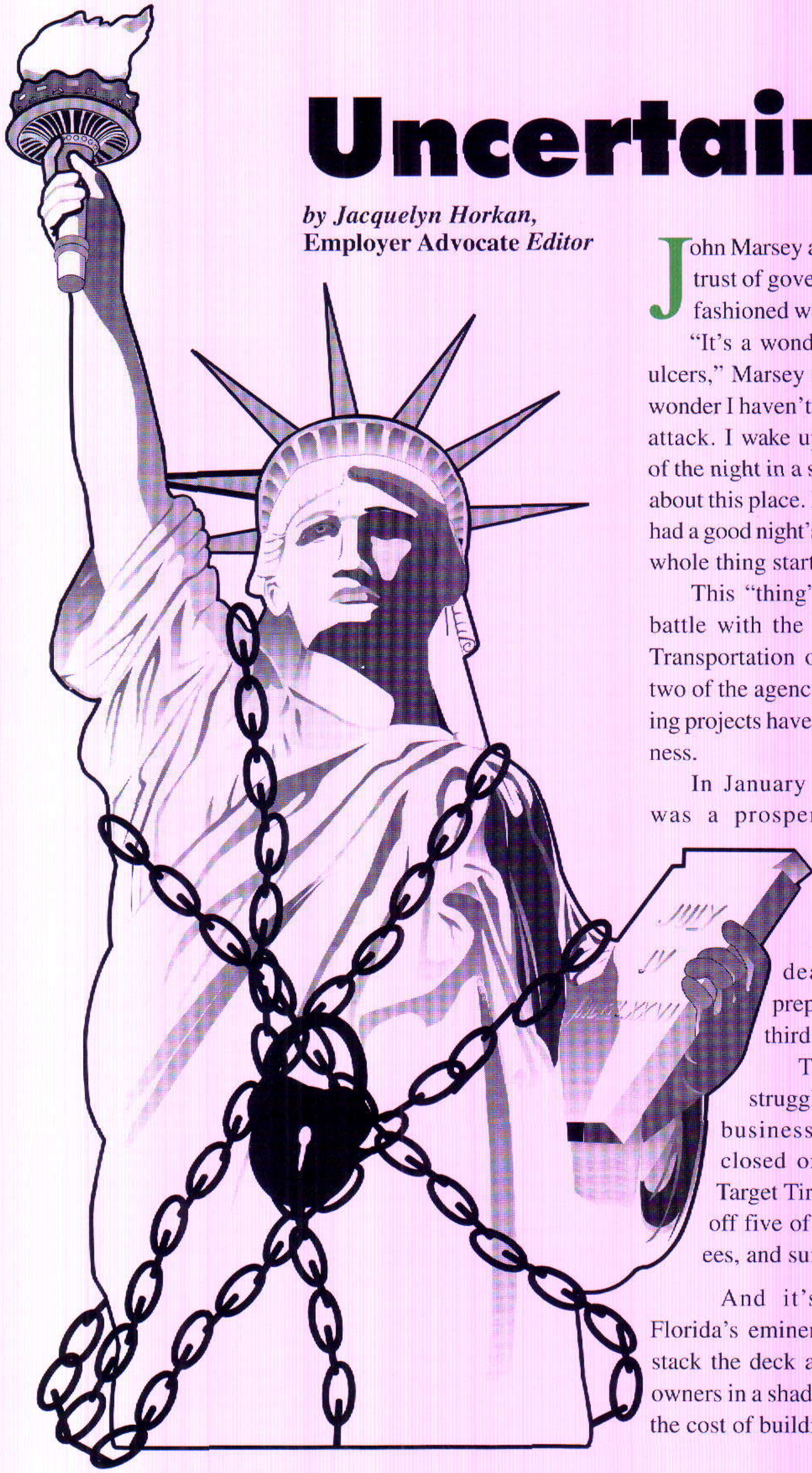
As our state leaders grapple with how to build a strong economic base for our state, I'd like to offer a suggestion: first, make a decision on whether you even want manufacturing in Florida.

If the answer is yes and if you make the same commitment to Florida's existing manufacturers that you make to the sports community, you're guaranteed a rate of return that will just outstrip what you'll get from the sports franchises. ■



by Bob Williams, Manager, Corporate Affairs, Jefferson Smurfit Corporation

Uncertain Liberty



by Jacquelyn Horkan,
Employer Advocate *Editor*

John Marsey acquired his distrust of government the old-fashioned way; he earned it.

"It's a wonder I don't have ulcers," Marsey admits. "It's a wonder I haven't died of a heart attack. I wake up in the middle of the night in a sweat, worrying about this place. I'll bet I haven't had a good night's sleep since this whole thing started."

This "thing" is a four-year battle with the Department of Transportation over the impact two of the agency's road-widening projects have had on his business.

In January 1991, Marsey was a prosperous business owner, operating two Tallahassee automobile tire dealerships and preparing to open a third.

Today, he is struggling to keep his business afloat. He's closed one of his three Target Tire branches, laid off five of his 17 employees, and sunk into debt.

And it's all because Florida's eminent domain laws stack the deck against business owners in a shady quest to lower the cost of building roads.

The High Cost of Fairness

Marsey's problems arose from a little-noticed provision in the statutes that control right-of-way acquisitions. Under Florida law, a government agency must compensate a landowner for any property it takes for public use.

If the agency takes only a portion of the property, it must also compensate the landowner for any loss of value to the remaining property. For instance, if the taking reduces the number of parking spaces on the lot, the landowner gets paid for the diminished value of the rest of the parcel.

If the partial taking causes damage to a business on the site, such as the loss of revenue or good will, government must also compensate the business owner. But that's where the law degenerates into gross injustice.

Government only owes business damages if it is taking *part* of the property. If the Department of Transportation (DOT) or a city or county government takes your entire lot to build a road, it doesn't owe you anything for damages for the loss of your business.

As if that were not bad enough, Florida law actually allows condemning authorities, such as DOT, to take the entire portion of an owner's property, instead of just what it needs, if doing so saves government the money it would otherwise spend on business damages.

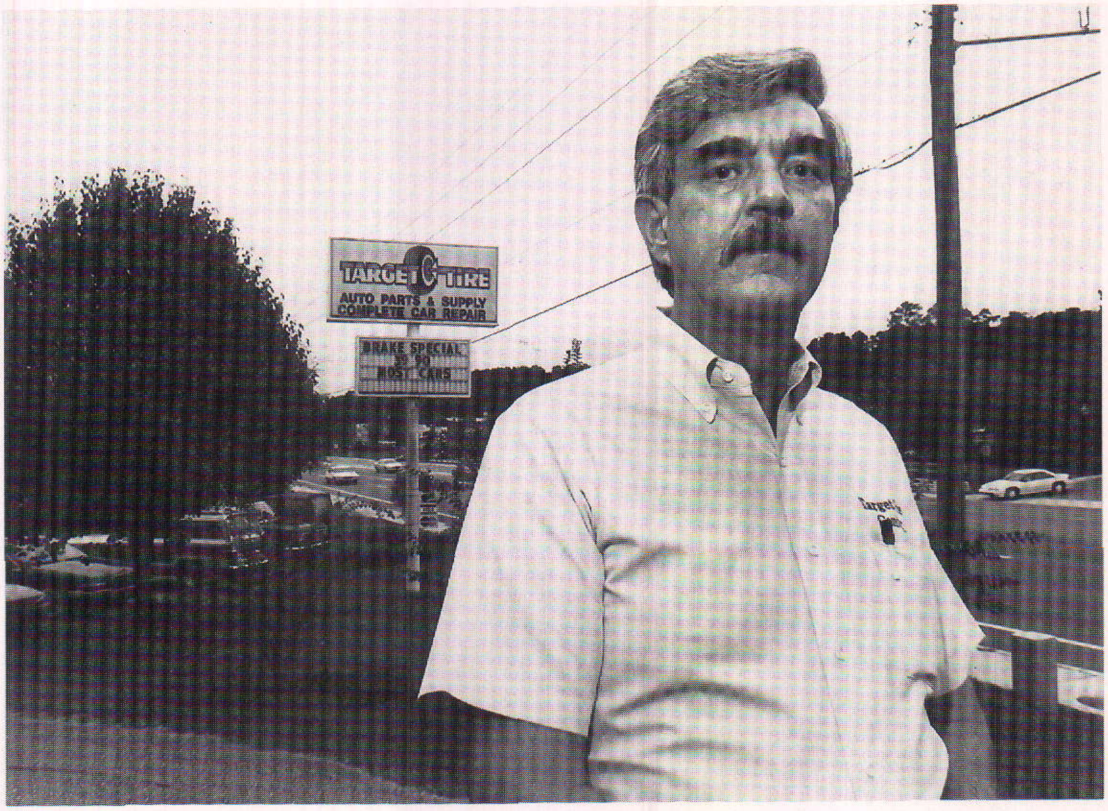
"Businesses in this state are horribly damaged by a statute which is inequitable," says Joe Fixel, the Tallahassee attorney who is representing Marsey. "On its face, it sounds so un-American, you wouldn't think there'd be such a law."

But in Florida, there is such a law and it's brought John Marsey to the brink of financial ruin. His journey through the back alleys of bureaucratic arrogance is spawning an effort to reform the process so that government is forced to play straight with business.

Marsey's problems began in September of 1991 when DOT began a major widening of Capital Circle, a major thoroughfare girding Tallahassee. Eight months earlier, Marsey had bought out an existing tire dealership on Capital Circle, expanding his business from two stores to three.

He purchased the Capital Circle property with full knowledge of the impending construction. Marsey calculated that two other successful stores would give him the margin he needed to carry the third store until the road construction was completed.

Eminent domain laws and DOT mismanagement never entered his calculations.



Building Success

Ten years ago, John and Joyce Marsey lived in Connecticut with their two sons. Husband and wife both worked in New York City, John as a technical director for Pepsi-Cola. In 1986, Marsey became, as he describes it, a Fortune 500 dropout.

After visiting his sister in nearby Wakulla County, the family decided to move to Tallahassee and open their own business. In early 1987, the Marseys bought a tire dealership on the corner of Tharpe and Monroe streets, a busy intersection in Florida's capital city.

Four years later, John and Joyce owned two thriving stores and one that held the promise of great success. That third store, the one on Capital Circle, represented Marsey's investment in the future.

DOT's two-year road-widening project would convert Capital Circle from a congested two-lane road to six lanes of potential customers for Marsey. Construction began in August of 1991. Despite the anticipated downturn in business at that location, 1991 ended as a record year for Target Tire. The three stores brought in $1.5 million in sales and employed 17 people.

As the Capital Circle project dragged on, it cost Marsey more than he thought it would, but he remained optimistic. Then, in September of 1993, DOT raided his store on the corner of Tharpe and Monroe.

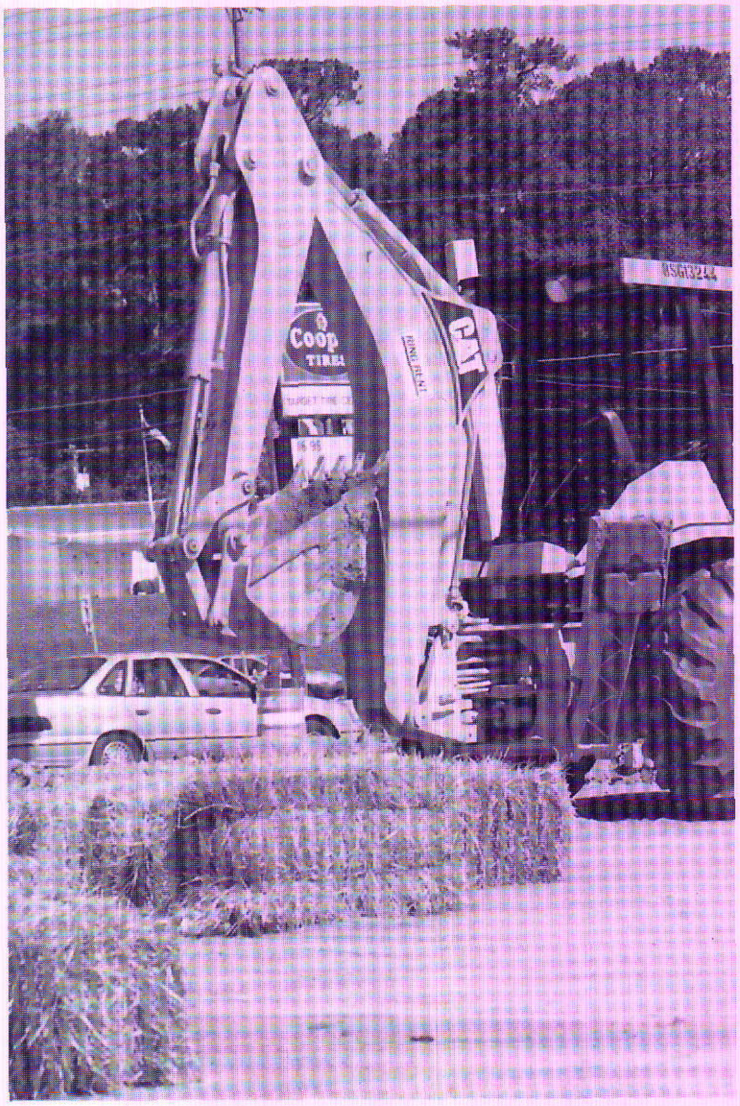
After four years of battling DOT, John Marsey is now fighting to keep his business alive.

As construction continues on Tharpe Street, Marsey waits for DOT to rebuild the driveway into his store.

A Part of the Whole

Tharpe was another two-lane street scheduled for widening. In fact, the project had been on the books for about two decades.

In July of 1993, Marsey found out that DOT was ready to begin work and planned to take 10 percent of the lot Target Tire sits on. Marsey didn't own the property, but since the project would block access to his business and destroy most of the parking, he would be eligible for business damages.



Apparently, DOT became concerned about the level of those damages because two months after sending notification of a partial taking, the agency announced by letter that it was planning to take the *whole* lot.

The owner of the property would get paid 100 percent of the value of the property. Marsey would lose his business. As a sort of consolation prize, DOT would pay him moving expenses to relocate his business — about $35,000.

Marsey knew there wasn't another corner lot available in Tallahassee with the same traffic counts he enjoyed at the Tharpe and Monroe location. "Even if there was," he points out, "how would I fight the bureaucracy of the city and the county with impact fees and everything else? You're talking about $1 million to get another location going. And the state's going to put me out of business and give me $35,000 to move somewhere else."

Marsey fought to save his business. He contacted Gov. Lawton Chiles, the Department of Commerce, and lawmakers, asking for help. David Coburn, at that time the governor's top budget official, responded with a letter telling Marsey that the governor had no legal authority to help him.

Adding insult to injury, Coburn wrote to Marsey, "You may be surprised to learn that Florida's eminent domain law is considered one of the most friendly laws to landowners in the nation."

Greg Farmer, then-secretary of the Department Commerce, could also do nothing. Farmer and Ben Watts, DOT secretary, each ruled separate fiefdoms under the unspoken rule of bureaucracy that one doesn't muck about in the territory of the other.

Finally, Rep. Al Lawson (D-Tallahassee) set up a meeting between Marsey and Bill Waddell, the DOT district superintendent for Tallahassee. Waddell told Marsey that DOT might reconsider a partial taking on Tharpe Street but warned Marsey that if he got a lawyer to assist him, DOT would discontinue all negotiations.

"He told me that if I got an attorney, he was going to ruin me financially," says Marsey. "They've got attorneys that taxpayers pay for. You mean to tell me that I'm a taxpayer and I can't hire a lawyer to help me?"

Marsey went ahead and hired a lawyer, while continuing to look for help wherever he could. "I was fighting for my life," he explains. "It's that simple. Everything I've ever earned in my whole life is in this business and they were going to put me out of business by doing a whole taking on Tharpe Street."

According to Marsey, Sen. Charles Williams (D-Live Oak) and Jodi Chase, AIF senior vice president and general counsel, deserve the credit for saving his business. Together, Williams and Chase forced DOT into negotiations. With their help, a compromise was reached.

DOT would pay the owner of the property on Tharpe and Monroe for a 100-percent taking, but the owner would keep his property. Marsey would get $35,000 in relocation expenses, even though he would not have to move his business.

In other words, the state of Florida bought property but does not own it and paid for a move that did not take place.

In return, Marsey had to give up his entitlement to future business damages at the Tharpe Street store. "That's what really irks me," he says, bristling with resentment. "I had to sign away my rights in order to save my business. That's just plain wrong."

Unfortunately, this farcical resolution did not end Marsey's problems with DOT.

Inefficiencies of Scale

As Marsey was fighting for his Tharpe and Monroe store, the Capital Circle project, scheduled for completion in August of 1993, was running into overtime.

"The project was hurting me more than I thought it would," Marsey recalls. "For months, they closed off the road for a quarter of a mile on either side of me. You had to drive through a quarter mile of red clay to get into my driveway. What customer of a service business is going to go out his way like that?"

Marsey began keeping a log of progress on the road-widening. He has pictures of the road contractor's heavy equipment parked in his driveway, blocking access. Twice he had to hire a tow truck to pull his own car out of the quagmire running along his property. Some of his customers will testify that project foremen turned them away when they tried to get into the Target Tire store.

Marsey and his attorney, Joe Fixel, took the log to DOT and asked for payment of business damages for 61 days when there was no access to the business. A DOT lawyer called the claim viable, but another bureaucrat exercised his authority to summarily deny the claim.

Since DOT has refused to pay the claim voluntarily, a court hearing is scheduled to decide the issue. If Marsey wins, the state of Florida will have to pay Fixel for the work he has done on his client's behalf. But this is more than another case of a penny-wise-pound-foolish bureaucracy.

"I'm not asking for something for nothing," says Marsey. "They've got the authority to help me. Why can't these bureaucrats act like humans?"

Perhaps Marsey already knows the answer to his own question. As he wrote in a letter to Fixel outlining his experiences with DOT officials, "While some [at DOT] have acknowledged the law's unfairness and the need to change it, none has helped and many appear to enjoy zealously exercising their power against one who has done something none of them have: take risks, establish a profitable private business, and meet a payroll."

With sales dropping from $1.5 million to $800,000, Target Tire employees have also suffered from DOT's mismanagement.

When the Law Turns Against You

In the government culture of the late 20th century, individual economic rights are something to be sacrificed to the good of the whole and to feeble efforts to cut the cost of government.

"Ownership is so tentative," says Rayford Taylor, another Tallahassee lawyer who specializes in land-use law. "Some politicians and government officials believe that's just the price of living in society."

Taylor disagrees and has drafted legislation that would reform the business damages section of the statute. Under his proposal, business damages would be owed in whole *and* partial takings. Under current law a company is ineligible for business damages if it has been on the site for fewer than five years. Taylor's legislation would lower the threshold to three years.

The bill would also reverse a technicality in the law that allows government to avoid paying damages if it blocks access to a business without taking any property. That provision was defined by the Supreme Court in the 1994 *Weaver Oil* ruling.

Coincidentally, Joe Fixel, Marsey's attorney, also represented Weaver Oil. A few years ago, another road-widening project, this one by the city of Tallahassee, effectively took the convenience out Weaver Oil's convenience store and gas station on the corner of Ocala and Tennessee streets.

The city took a parcel of land on Ocala Street from Weaver Oil and used it to construct a median to guide traffic turning right from Ocala onto Tennessee. In the process, they significantly reduced one of the two Tennessee Street entries into the gas station.

Traffic counts conducted before and after construction showed a 40-percent decline in the number of customers entering Weaver Oil from Tennessee Street. Fixel presented that evidence during trial and the jury awarded Weaver Oil $94,000 in business damages. The city appealed and won in the First District Court of Appeal. The Supreme Court upheld the reversal of business damages.

"The *Weaver Oil* decision makes absolutely clear that a condemning authority can build a wall in front of your driveway on the right-of-way," explains Fixel. "As long as they're not taking your property and they claim the action is for access management or safety reasons, they can just block off access to your business and there's no liability for business damages."

Taylor's business damages legislation would reverse the *Weaver Oil* decision by including the loss or diversion of access to property in the definition of a taking.

Taylor and Fixel know that condemning authorities will oppose the bill on the grounds that it will cause an enormous increase in the cost of right-of-way acquisitions. Neither has much sympathy with that argument.

"Generally speaking," says Taylor, "we have not found the estimates offered by condemning authorities in the past to be highly reliable."

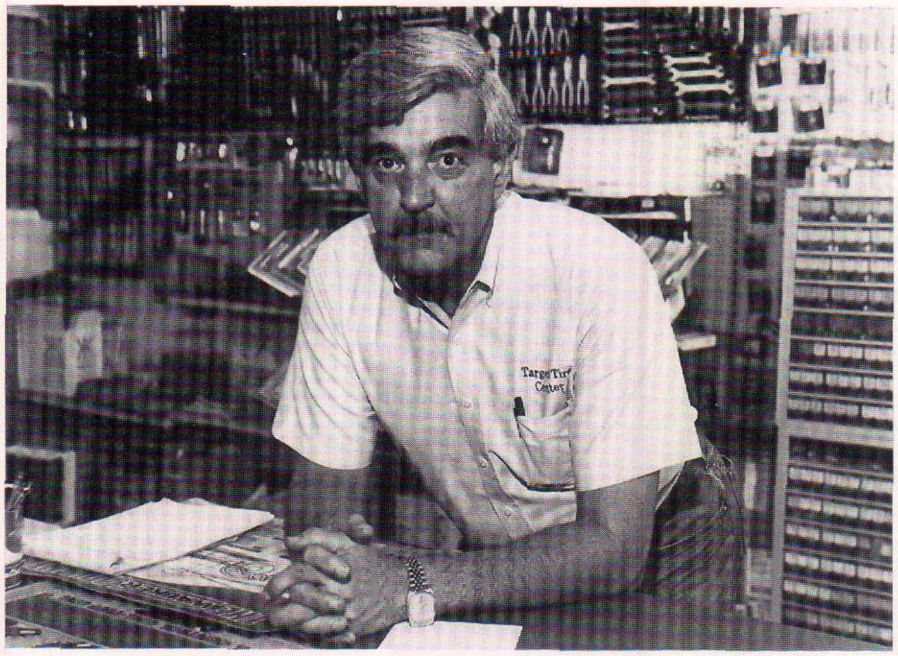
As Fixel observes, "There's still the idea out there that the best thing that can happen to a business is the widening of a road. They think people should be *donating* land for these projects. But that's not the case anymore. Today, road-widening projects aren't increasing access to business. If anything they're decreasing access with medians and access management practices. The people who are benefiting are the users of the roads. And they should be paying for that."

To quiet the fears of condemning authorities, Taylor's legislation gives government agencies a privilege they do not currently have. The condemnor would be able argue that certain factors actually reduce the cost of the damages a business owner is claiming. For instance, if a business owner claims that he will need $1 million to relocate his business to a similar location, government can offer evidence that another site, with the same advantages, is available and will only cost $750,000.

Even so, right-of-way acquisition costs are a relatively small portion of total construction costs. And there is plenty of waste in the entire process that could more than make up for the price of giving landowners a square deal.

The Performance of Quality

According to a recent review of DOT, spending on road construction ran 10.8 percent, or $50.5 million, over budget in fiscal year 1994-95. The year before that, cost overruns totalled 10.6 percent.



Marsey waits for customers and the opportunity to tell his story to Florida lawmakers.

Construction delays caused an increase of 40.5 percent in contract time for 244 jobs that were completed during the 1994 fiscal year.

Ben Watts, DOT secretary, dismisses the overruns and delays as a natural part of the construction business. John Marsey sees it otherwise.

The two-year Capital Circle construction project actually took over three years to complete and came in over budget. "The contractor never got penalized for missing his deadlines," Marsey says. "I paid a penalty every day he was late. How can DOT get away with giving extensions to these contractors?"

And what about the Tharpe Street project? Originally scheduled for completion in September 1995, the construction drags on; Marsey estimates another six months before it is finished. Same contractor, same problem.

Four years ago, Marsey owned his $110,000 home outright and his business was debt-free. Today, his home mortgage stands at $90,000 and Target Tire is $200,000 in debt.

During that same period, Target Tire's sales dropped from $1.5 million to an estimated $800,000 in 1995. That loss not only affects his business; it's a loss of sales tax revenue for the state of Florida. And it's a loss for the families of the five employees who were laid off from Target Tire.

Marsey believes that he could have weathered either project, but in going directly from one DOT fiasco to another, Target Tire never had a chance to recover. "If I survive this, it'll take me years to recover. If it weren't for some of my suppliers who are willing to work with me, I'd be bankrupt."

The Target Tire situation is unique in that it involved successive construction at two different sites with stores operated by the same person. But the official bullying of Marsey is not unique.

A business owner's property includes land, equipment, hard work, ingenuity, and customer good will. A bureaucrat, on the other hand, holds just one piece of property — his power. And every bureaucrat in government, from top to bottom, fiercely protects that power.

According to DOT officials, including Secretary Ben Watts, they were just doing their job and following the law. As Brian Patchen, a Miami attorney specializing in eminent domain matters, explains, "There's no question business damages should be payable on total takings; there's no reasonable justification for the distinction. It's just that government doesn't have to do it and until the Legislature requires them to do so, they won't. Government is not necessarily our friend."

When asked about last year's proposal by Watts to operate DOT without rules, John Marsey just laughs. "As unfair as they are with rules, can you imagine what they would be like without any?"

Marsey has kept quiet until now because he was afraid to jeopardize his business by publicly embarrassing DOT. Now, he's taking the lid off his barrel of troubles. "I know it's not going to help me," he says "but I will do whatever I can to make these laws right."

Now it's up to the lawmakers. Will they force government to bear the costs of treating citizens fairly? Or will our economic freedom remain an uncertain liberty, subject to bureaucratic whim?

Opening the Door

by the Honorable Faye Culp, Florida House of Representatives, (R-Tampa)

Before I was elected to the Florida House of Representatives, I had become convinced that government had grown too large for its own good and the good of the people. I only had to look as far as the public school system to realize the simplicity of this fact.

Having been a teacher and a Hillsborough County School Board member, I saw the effects of big, intrusive government on our schools and in the lives of frustrated teachers. The unreasonable rules and unfunded mandates that burden our schools also effectively weaken their sole purpose: to educate. But these problems do not stop at the door of education.

As a legislator, I believe those problems plaguing education also afflict business in Florida, especially small business which is critically effected by the droning litany of government rules and regulations.

The Small Business Administration defines a small business as one having fewer than 1,500 employees. I am reminded of George Levy who owns and operates a trophy company in Tampa with 54 employees. He, like most small-business owners, accepts a limited role of government in his business and believes that some government regulation is legitimate.

He also believes current laws and administrative rules are too voluminous and have the effect of working against him and any other person seeking to maintain a business. According to George, he would have to hire a full-time attorney or legal assistant to keep him apprised of all the new sales tax and use laws and regulations. Therefore, he is forced to spend much of his own time trying to comply with some 60 government regulations — from workers' compensation to right-to-know laws. In spite of that, he has been successful in business for over 35 years.

It seems, though, that success stories like George Levy's are fast becoming an exception to the rule. Many small-business owners frequently do not have the time or money for adequate representation and find themselves in drastic circumstances. Unfortunately, closing down a business happens all too often and is just one of the many negative effects endured as a result of too much regulation.

Onerous rules and regulations do more than shut the doors of businesses. As in education, they undermine and weaken the fundamental purpose. In business, that purpose is to make a profit. Where there is no profit, there are no jobs and little, if any, opportunity. A healthy economy is driven by, and depends upon, profit and its benefits. Why, then, is business faced with these difficulties? One reason may be found in the fact that elected officials often have not listened carefully to those who are providing jobs. Lawmakers have passed laws without consulting those people who will be affected the most — employers. This, in turn, results in frustration on the part of employers who do not know how to comply with a new law and can't get straight answers. Government agencies

The problems plaguing education also afflict business in Florida, especially small business which is critically effected by the droning litany of government rules and regulations.

This, in turn, results in frustration on the part of employers who do not know how to comply with a new law and can't get straight answers.

regularly implement rules which do not go through the legislative process and have the effect of *compounding the frustration* of business owners.

Perhaps another reason for the current state of affairs was made clear by former U.S. Sen. George McGovern. After 25 years on Capitol Hill, McGovern left public service and became a business owner. That's when he realized the truth of Calvin Coolidge's observation that "the business of America is business"; enough to make him wish that he had known more about the concerns and problems of American business people while serving in the U.S. Senate.

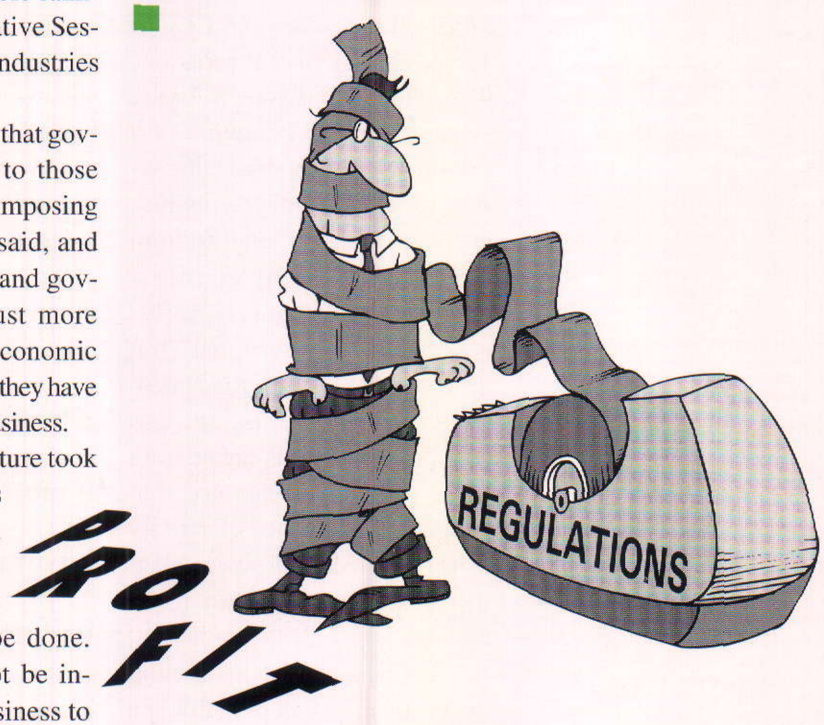
According to McGovern, that knowledge would have made him a better legislator and a more worthy aspirant to the White House. One of our current Presidential candidates, Lamar Alexander, also feels that his business experience — forming his own company and having it grow to over 1,200 employees —combined with his service as a governor and in other public positions — has given him the needed edge to lead this country.

I, too, feel that my business experience (with IBM in San Francisco and Poughkeepsie, New York, and in real estate with the Gallery of Homes in Tampa) has certainly given me insight into relationships between business and government. That fact alone contributed heavily to my being given the highest possible ranking for the 1995 Legislative Session from Associated Industries of Florida!

McGovern realized that government should listen to those providing jobs before imposing burdensome laws. He said, and I agree, that legislators and government regulators must more carefully consider the economic and management burdens they have been imposing on U.S. business.

The Florida Legislature took some important steps during the last session toward helping business grow in Florida, but much more needs to be done. Government should not be involved in regulating business to the extent it is today. My belief in limited government applies especially to this issue. I consider economic development and job growth to be two of the most defining issues of our day. How we as a state approach these two concerns will define the kind of future our generation will leave for our children and grandchildren.

Burdens must be lifted and legislation must be simplified! ■



The Business of Florida's Future

by Jeb Bush, Chairman, The Foundation for Florida's Future

The Foundation for Florida's Future is a nonprofit corporation established for the purpose of analyzing public policy problems in Florida, developing solutions to those problems, and working to make those solutions reality. Quite often, however, even this simple mission statement begs the essential question: What is the problem?

It may not be too much to say that he who succeeds in having his definition of a problem accepted succeeds in large part in dictating the ultimate solution. For example, when the City of Tampa entered into negotiations with Waste Management for the construction and operation of a resource recovery plant, the issues to be resolved were numerous and complex, ranging from esoteric engineering considerations to formulas governing foreign currency conversions. But the essential point, the fundamental problem of definition, was whether Tampa was negotiating for a garbage incinerator that happened to produce electricity or for an electrical power plant that happened to burn garbage as fuel.

Tampa prevailed in defining the problem as that of building a power plant that burns garbage, and this profoundly affected the structure of the deal in terms of everything from power output guarantees by Waste Management to project financing based on revenues from electricity sales. Once the question of definition was answered, the basic outline of the contract was a foregone conclusion.

So, when we think about the relationship between government and business we need a definition. Frequently, businessmen say the problem is stopping government interference so that free enterprise can work its wonders, as if the private sector economy were a conquered province occupied by legions of bureaucrats.

A more apt metaphor would be that of a long, troubled marriage in which neither party really wants, or can ever have, a divorce. Like the parties in a bad relationship, business and government each want to have things pretty much their own way pretty much of the time.

Government wants more tax revenue from business and more regulations to remedy perceived imperfections in the private sector economy. Business wants fewer regulations and more subsidies from the public till in the form of tax exemptions, tariff protections, and other indirect payments. Each claims to be unappreciated and misunderstood by the other. Both are right — and both are wrong.

From this perspective, there is no ultimate solution to the conflict between government and free enterprise, no magic bullet. Rather, this is a continuous process in which the dynamics are constantly changing.

For example, politics, economics, and religion are always interdependent, but the relative impact of each at a given point in history, and the resulting relationship between government and business, varies greatly.

The Anglo-Dutch conflict that dominated the 17th century was essentially a struggle for economic power in which war

It may not be too much to say that he who succeeds in having his definition of a problem accepted succeeds in large part in dictating the ultimate solution.

Foundation for Florida's Future

No government has ever taxed its citizens into prosperity.

was the medium of confrontation. The 20th century conflict between communism and capitalism was essentially a political struggle in which economic power proved the decisive weapon. The Age of Religion stunted economic and political development, while the Industrial Revolution undermined politics and religion. The pendulum swings to one extreme and then swings back.

Today, communism is vanquished, religion is resurgent, and politics pales in importance in comparison to the economic changes sweeping the world. We are living in the dawn of the Information Age, a time of enormous opportunities and of gut-wrenching dislocations.

Business is moving to the center stage of history once more, and government must step back if America is to remain competitive and economically healthy. Investment, innovation, and initiative must take precedence over regulation, taxation, and social engineering.

This does not mean, however, that government must leave the stage altogether. Business needs political stability, economic infrastructure, an educated work force, and public support. In short, business needs government, and it must be prepared to work with government to strike the appropriate balance between Darwinian competition and New Deal socialism.

Deregulation and strictly limited government growth are goals that must be achieved. But so are quality education and adequate infrastructure investment. Every regulation and every tax is not bad, and every tax exemption and every tariff is not good.

In working to improve the relationship between business and government, a little honesty might go a long way. For example, agribusiness is a long way from the moral high ground when it correctly complains about environmental regulations that inhibit its ability to compete while simultaneously demanding crop subsidies to protect it from competition.

An end to crop subsidies that frees up public money for other uses (thus reducing the demand for higher taxes) might be a reasonable quid pro quo for the relaxation of regulations that drive up costs of production. And this is not an isolated example.

There are, of course, general principles that must guide us as we judge the merits of each issue arising in the relationship between business and government. Less government is almost always the best government. No government has ever taxed its citizens into prosperity. Regulation should never become taking. Government is the servant of the people, not their master.

But these principles are guides, not absolutes. Producing the best results in specific cases takes a lot of good thinking, hard work, and sincere cooperation. In this context, Florida has already made tremendous progress on criminal justice; we are on the threshold of meaningful welfare reform; and the drive for systemic change in public education is gathering momentum. Clearly, economic development and redefining the relationship between business and government must be on this front-burner agenda, or the bills for everything else cannot be paid.

The challenges to all of us in the next decade are enormous: correctly defining the problems we face; developing real-world solutions that work; and working to effect those solutions. That is what the Foundation for Florida's Future is all about. ■

For more information on the Foundation for Florida's future, contact Sally Harrell, Executive Director, at (904) 386-5092

Investment, innovation, and initiative must take *precedence over* regulation, taxation, and social engineering.

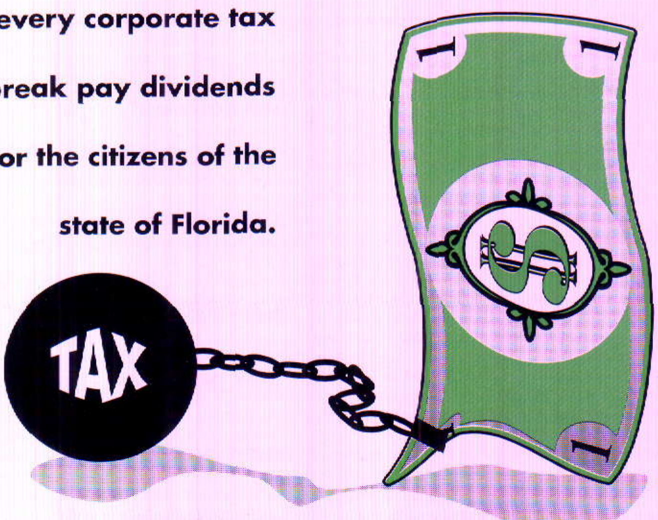
Economic Development or Corporate Welfare?

In recent years, there has been some controversy as to whether or not tax breaks for corporations are in the best interest of economic development or are they just corporate welfare.

by the Honorable Lesley "Les" Miller, Jr., Florida House of Representatives (D-Tampa)

It is a commonly-held belief of many politicians, economists, and business people, that tax breaks are major incentives for encouraging large job-producing corporations to move to the state of Florida. I must predicate any opinions offered here by saying I firmly believe that Florida must have a sound fiscal and business atmosphere in order to foster economic development and growth.

It is essential that every corporate tax break pay dividends for the citizens of the state of Florida.



It is my personal opinion that some tax breaks are in the best interest of economic development while others are no more than corporate welfare. Competition for business expansion and new plants has grown fierce. Governments are offering all kinds of incentive packages designed to attract corporations. Property tax abatements, wage subsidies, worker's training, new roads, and land are just some of the items in those incentive packages.

The estimated cost to government per job created by incentives is around $4,000 annually during the life of the plant. Over the years, this would be quite costly to taxpayers. This is especially true if the corporation does not bring jobs into the area; some companies bring their own employees.

The question that comes to mind is, when are tax breaks economic development and when are they corporate welfare? I see tax breaks as economic development when corporations are recruited into economically distressed areas in which the unemployed are more desperate for jobs and much of the existing public infrastructure is underutilized. Economic development also occurs in high employment areas when businesses provide services that enhance business productivity in that area.

We all benefit when a business increases productivity and provides job opportunities. Tax breaks become corporate welfare when the cost of the tax break far exceeds the measurable cost of community benefits. We must remember that in addition to tax breaks, new businesses place additional demands on state and local government agencies, such as roads, water and sewage hookup, police and fire protection, and other public services at no cost to the recruited corporation.

The voters in Florida have sent the message that they are taxed out and are demanding that government does a much better job of providing government services with the available moneys. Tax breaks are viewed by many as shrinking the pot of available money under the disguise of economic development.

The state of Florida has about 60 categories of tax breaks available to corporations. It is my thinking that we should examine these available tax breaks to determine those which:

- are cost-effective and reaping a return for the taxpayers of Florida;
- have out-lived their usefulness;
- apply to corporations that are no longer conducive to the general welfare of the state of Florida.

In view of our budget shortfall and the enough-is-enough attitude of taxpayers, every corporation that receives a tax break must provide jobs, income, and productivity for the state of Florida and its citizens.

We can no longer afford to play the give-away game and we cannot afford corporate welfare. It is essential that every corporate tax break pay dividends for the citizens of the state of Florida. In view of our budget shortfall and the enough-is-enough attitude of taxpayers, every corporation that receives a tax break must provide jobs, income, and productivity for the state of Florida and its citizens.

Incentives for business can be good public policy, but only if they meet certain conditions. Among those conditions are:

- Incentives should be used to accomplish clearly defined goals based on an overall economic development strategy, not simply to win bidding wars.
- Incentives should be subjected to rigorous cost-benefit analysis in both the short and long-term.
- Incentives should be configured as investments in the state and its citizens so that they retain their value even if the recipient business departs.
- Incentives should be contractual so that the recipient business is held accountable for its promises and performances.

In order for the state of Florida to make sure that tax breaks given to corporations are beneficial to the state and its citizens, three critical steps should be taken.

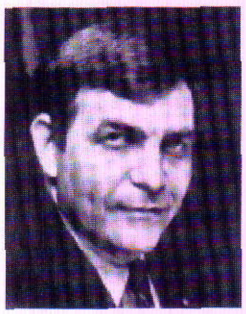
- Develop and adopt a strategic plan for economic development that will serve as a decision-making framework.
- Analyze every incentive proposal in terms of the benefits to be derived, the cost to government, and the rate of return from the investment, then set performance standards that specify penalties for noncompliance.
- Begin a long-term overhaul of current state economic policies by gradually replacing existing, inappropriate incentive programs with new programs that support state economic goals and contain useful standards of eligibility.

All too often, tax breaks are really corporate welfare disguised as economic development, but they don't have to be. Through careful planning and positive negotiations, the state of Florida can use tax breaks in a win-win situation for the state.

Incentives for business can be good public policy, but only if they meet certain conditions.

Tax Incentives: The American Way

There has been much discussion, both in academia and in government, regarding the effectiveness and need for tax incentives to accomplish economic, environmental, and social policies.



by Randy Miller, Pennington & Haben Law Firm & AIF Tax Consultant

Some argue that off-budget spending for tax incentives and other inducements is not an appropriate expenditure of government funds. All of a sudden, there seems to be concern that these incentives are far too expensive for the benefits gained and that public policy should be changed to eliminate these expenditures. This may be a laudable goal but it is also one that will never be reached since the federal government, as well as all fifty states, use tax incentives to persuade businesses to participate in various activities that the governments feel are necessary to accomplish some greater public goal.

Typically, state governments authorize the use of tax incentives such as tax credits, tax exemptions, and property tax abatements as a primary feature of any economic development plan that is designed to attract new business or retain existing businesses. The critics of tax incentive spending point to these plans and say that there is no assurance that the targeted business will actually generate the new jobs promised or the spin-off of economic activity that is expected to materialize. They also firmly believe that tax incentives unfairly reward activity which would ordinarily take place in the normal course of events.

Some state and local governments have tried to counter the first criticism by insisting that certain specific targeted economic development projects, which utilize tax incentives, enter into written performance agreements. The performance agreement usually outlines the commitment of the community and the targeted company. The agreement also includes a prearranged policy for repayment if the project fails to produce expected results.

This type of guaranteed performance is just what was done by the state of Kentucky when Delta Air Lines was considering a $300 million expansion at Cincinnati International Airport which is located in Kentucky and serves Cincinnati just a few miles over the state line.

Many other jurisdictions are now conducting the same exercise to ensure that promises made are promises kept. The business community has responded quite well to this and believes that this accountability is essential for the cost-benefit analysis that is ultimately required of the economic development policies of any governmental unit.

Most opponents of tax incentives watch many governmental units straining to provide enough money to fund the upward spiral of the cost of government and lament the fact that the revenues that could be generated without tax incentives are not available for government to spend. These critics say that the

(continued on page 18)

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For those employers that are self-insured, AIIS is prepared to assist you in the management of your workers' compensation program. Also, AIIS now provides Third Party Administration (TPA) which means we will administer your claims and safety programs.

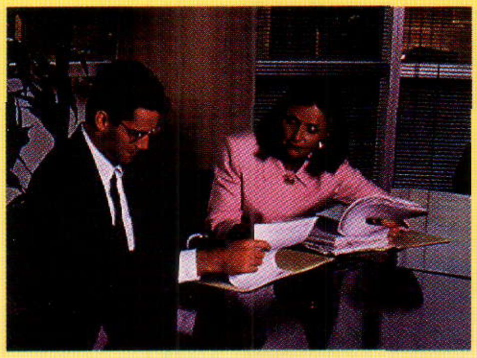
To provide expanded forms of insurance coverage for employers, we have launched our own stock company, the Associated Industries Insurance Company, Inc. (AIIC) that will be issuing policies by the beginning of the new year.

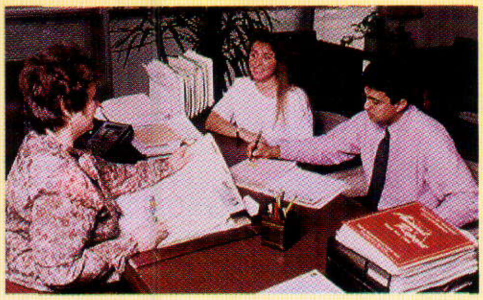
Our move will also enable our workers' compensation insurance trust — Associated Industries of Florida Property & Casualty Trust (AIFPCT) — to continue providing the same underwriting and safety programs that have rewarded us with the reputation as having one of the lowest loss ratios in the state of Florida.

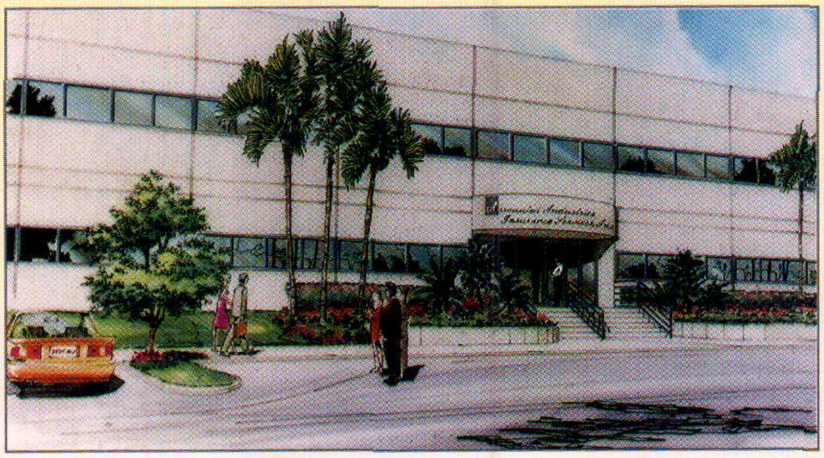
Our new Jumbo Retro rating plan — designed especially for small and medium size employers — provides the same advantages that larger employers enjoy with their workers' compensation plans. See our center spread ad for a clearer view of what is available to you.

So that you can reach us more readily according to your communications style, we have added our own internet and e-mail addresses. Or, you may reach us toll free at

1-(800)-866-1234.







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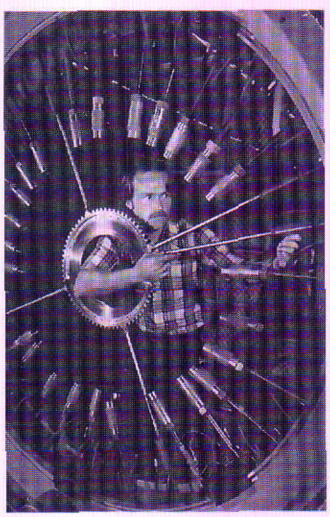
(continued from page 16)

government is paying for economic growth that otherwise would occur with or without any economic incentives. This is simply not always true.

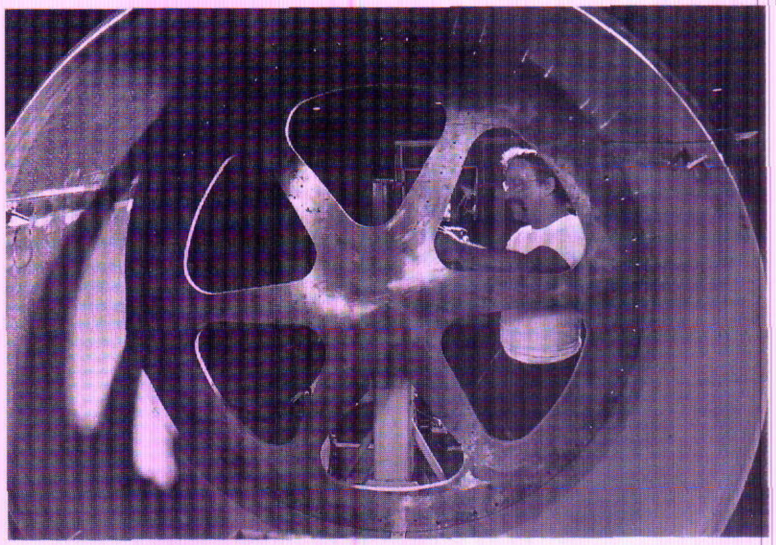
When a company decides to locate, relocate, or expand a facility, they evaluate many factors related to the various sites under consideration. Economic incentives are usually a secondary but very powerful factor, and generally tip the scales in favor of the site with the best economic benefit package.

In 1978, when the Legislature passed a sales tax exemption for manufacturers, Florida outperformed the U.S. and Southeastern states in the creation of new manufacturing jobs.



Any business decision-making process dictates that when all else is equal, or nearly equal, the final decision is based on what is financially best for the company and its shareholders. Thus, tax incentives become a significant factor in the overall profitability of a particular project. Without these economic incentives, many expansions would simply not occur in certain locales. No one is quite sure if his community is the locale that would naturally attract new business activity, but rather than run the risk that it is not, tax and other economic incentives are crafted to ensure economic expansion.

The cost of these tax incentives to a government should not be measured or quantified in dollars alone, but should include an overall analysis of the community attitudes and societal benefits derived by the citizens who look to the government to provide such programs. Economic development and a robust economy



are primary concerns of most citizens in any community. Therefore, a simple dollar cost calculation may distort the true long-range benefit of any tax incentive spending.

In my own personal experience with tax incentive programs, I have seen the benefits that accrue as a result of the implementation of such incentives. One that comes to mind immediately is the new and expanded business exemption for manufacturers that was passed by the 1978 Florida Legislature.

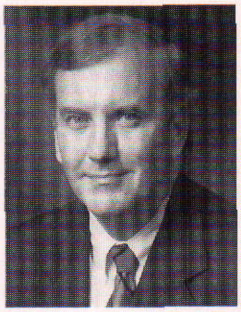
This program was designed to attract, retain, and expand manufacturing in the state of Florida. It was a direct attempt to attract additional capital and high-wage jobs to the state. A review of the economic data accumulated since 1978 shows that Florida did out-perform the U.S. and Southeastern states in new manufacturing job creation up until 1988. A part of this success is directly attributable to the sales tax exemption for equipment used in a new or expanding manufacturing business located in the state of Florida.

Florida has had measurable success in its tax incentive programs in the past and must keep up with the changing trends in the future. Obviously, Florida must change its image as a state that is unfriendly to business to one which is friendly and one that has a stable tax climate.

We must realize that we are not just competing with our sister states in the South; we are competing on a national and international level for economic development opportunities. As a result, if through a tax incentive program we can remove or reduce a tariff or other expense from the cost of a good produced in Florida, we will be in a much more competitive mode for future business expansion in this state.

Tax incentives are here to stay and have become the American way. Florida must continue to participate in tax incentive programs as long as our sister states participate.

Devolution Proposal Would Reduce FUTA Tax Burden



by Kenneth A. Bolles, Commissioner, Virginia Employment Commission

Editor's Note: At a recent meeting of COSMA (Conference of State Manufacturing Associations), Mr. Bolles made a presentation outlining a proposal to return control of unemployment compensation to the states. Since this plan would have a significant and positive impact on Florida employers, we asked him to share the details with you.

Florida employers' federal unemployment (FUTA) tax burden could be reduced if Virginia Gov. George Allen's devolution proposal is adopted by Congress. Responsibility for administering and financing the employment security system would be transferred to the states.

Reform of the current system is needed for several reasons.

• Many states' employers pay unnecessarily high taxes.

In fiscal year 1993, the most recent year for which figures are available, employers in 46 states paid more in federal unemployment taxes than their states got back under federal Department of Labor allocation rules. As a result, many states' employers pay unnecessarily high taxes — some more than double what they should.

For instance, in 1993, Florida employers paid federal unemployment taxes of $281.1 million. The state received only $115.6 million, or 41.1 percent, in federal unemployment grants. Florida ranks last among the states in rate of return.

• All available revenues are not appropriated.

Although federal unemployment taxes are collected for the system's administration, in fiscal year 1995 only 61 percent, or $3.47 billion of $5.7 billion in revenues received, was appropriated for state administration. Much of the revenue is deliberately not appropriated by Congress to help offset the federal budget deficit; or it accumulates in seldom-used trust fund accounts to pay extended benefits and make loans to insolvent state funds.

• Employers are burdened by having to make reports and pay two separate taxes to two government entities.

According to IRS estimates, it takes an employer an average of 12 hours and 31 minutes to complete and file form 940, the FUTA tax return. This costs the nation's almost 6 million FUTA-paying employers an estimated $291 million annually. The IRS charges an additional $73 million to collect the tax.

Gov. Allen's Reform Proposal

• An entire federal payroll tax would be eliminated.

The 0.2 percent FUTA surtax would be repealed. The "temporary" surtax, which amounts to $14 per employee, served the purpose for which it was enacted in 1976 when the debt incurred by repeated extensions of unemployment benefits was paid off in 1987. The tax now simply takes $1.4 billion per year from employers in "dedicated revenue" to make the federal deficit appear smaller.

Increasing the FUTA offset credit for states from 90 percent to 100 percent would eliminate the need for employers to file FUTA returns or pay FUTA taxes, as long as their state laws conform to basic federal requirements. States would assume

(continued on page 22)

FLORIDA: Y

A Premium Plan For The Future

Associated Industries of Florida Property & Casualty Trust worked very hard with our actuaries and insurance professionals to design a plan for Florida employers.

We wanted a plan that would reward safety conscious employers. A plan that was actuarially sound. A plan that was financially secure. A plan that rewards AIFPCT by having employers as happy clients, who will stay with us. It is a plan for the 90's.

That plan is our Jumbo Retro. It rewards small and medium-size employers with the same benefits that large employers get with their insurance plans.

For additional information, call your agent or customer service representative.

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JUMBO RETRO RATING PLAN FOR WORKERS' COMPENSATION

Associated Industries of Florida Property & Casualty Trust takes great pleasure in introducing our new Jumbo Retro rating plan. This program is approved by the Department of Insurance. It is a *guaranteed* return premium plan and is available to all employers.

D.O.I. APPROVED

Features of the Jumbo Retro

- Plan is available to all size employers.
- Premium discount is guaranteed and provided up front.
- No upside exposure (i.e. maximum is discounted premium).
- Opportunity to earn a return premium of up to 20%.
- Return premium is based upon losses calculated six (6) months after expiration and payable shortly thereafter.
- Return premiums are **NOT** subject to Board of Trustees' declaration.
- Return premiums are **NOT** subject to the DOI's approval as program is *already* approved.

"If the losses are not there, a return premium check is!"

Associated Industries of Flori

OU ASKED FOR IT!

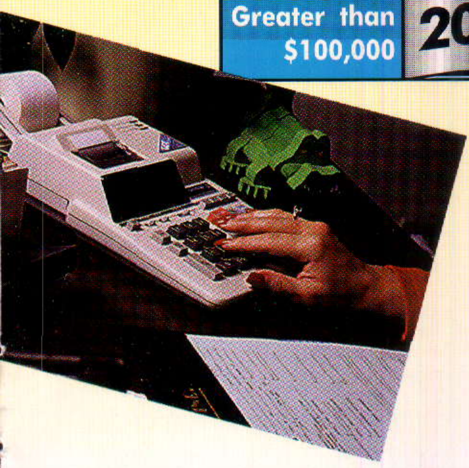
JUMBO RETRO RATING PLAN

RETURN PREMIUM TABLE

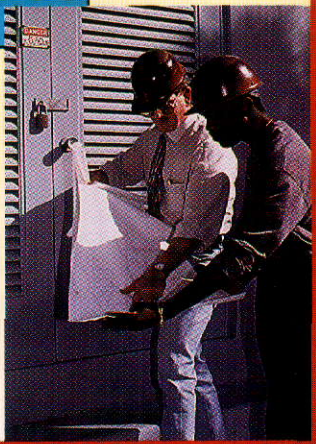
Premium Range	Less Than 10%	10% to 19%	20% to 29%	30% to 39%	40% to 49%	50%+
	Percentage of Return Premium					
Less than $5,000	5%	3%	3%			
$5,000 to $10,000	6%	5%	3%	3%		
$10,000 to $20,000	8%	6%	5%	3%		
$20,000 to $30,000	10%	8%	6%	5%	3%	
$30,000 to $50,000	12%	9%	7%	5%	3%	
$50,000 to $75,000	15%	12%	9%	6%	3%	
$75,000 to $100,000	17%	13%	10%	6%	3%	
Greater than $100,000	20%	15%	10%	6%	3%	

Incurred Loss Ratio (column headings)

Our safety team is "on the road" showing employers how to keep their businesses safe.



The retro return percentage shown in the table are for premium sizes and loss ratios at the mid-point of the range. Actual retro returns will be calculated by interpolation using both actual premium and loss as weights. The Jumbo Retro Plan provides a policyholder with an opportunity to earn a return premium based upon its loss experience developed during the policy period.



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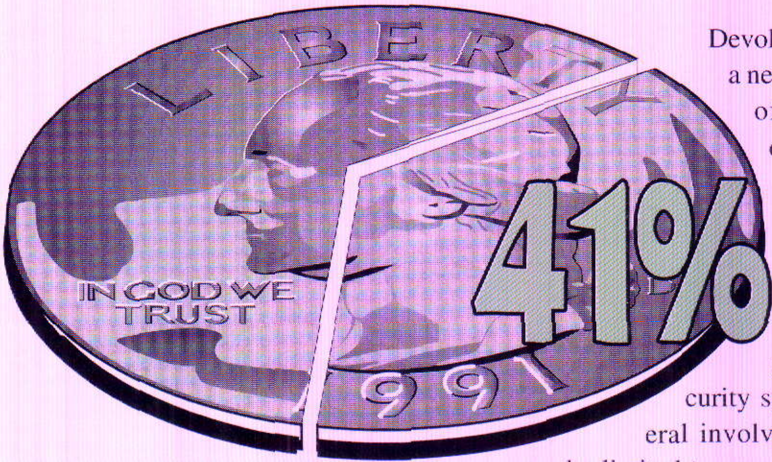


Florida received only $115.6 million, or 41.1 percent of the total federal unemployment taxes state employers paid in 1993.

responsibility for administrative financing of their own systems.

• **Many states will be able to reduce the employer taxes that fund employment security system administration.**

If the states collectively merely used the same amount of money for system administration that they now receive from the federal government, an average FUTA tax cut of 36 percent would be feasible.

• **States would have the freedom to design more efficient systems that meet their own needs rather than "one size fits all" federal demands.**

Power would be shifted closer to the citizens and to the state legislatures which will have greater ability to influence service delivery. States would have an incentive to be efficient because they would be responsible for raising revenue and taxing their employers for the precise amount of funds used to operate the system in each jurisdiction.

• **Burdensome federal mandates would be removed.**

Devolution calls for a near total repeal of federal requirements, mandates, and directives that now control state employment security systems. Federal involvement would be limited to ensuring that state laws conform to certain fundamental conditions, mainly that states provide employment security programs, afford individuals due process, and retain current FUTA employer coverage requirements. Some national activities, such as interstate and combined wage claim coordination, would be maintained.

• **Those few states that now receive more funds than their employers pay in FUTA taxes will receive their current level of funding for five years.**

The federal administrative account, Employment Security Administration Account (ESAA), will be phased out, using most of the funds to provide a five-year transition period for states that now receive more in federal grants than their employers pay in FUTA taxes. Supplementing the unemployment taxes paid in these states during the transition period will permit the states to achieve efficiencies and make adjustments.

• **Little-used trust fund accounts would be transferred to the states, increasing the solvency of their accounts.**

This will free up nearly *$10 billion* for states to use for benefit tax cuts or, if they desire, benefit increases or both. Even if used for an increase, no new funds would need to be raised from employer taxes so long as the amount of the increases did not exceed the amount of the newly deposited funds.

Extended Benefit Account About $2.27 billion is estimated to be in the Extended Unemployment Compensation Account (EUCA) at the end of fiscal year 1995. The federal extended benefit program should be repealed, the account discontinued, and the proceeds deposited in state accounts based on employment covered by unemployment insurance. States would have the option to provide extended benefits on their own terms.

As it is, "trigger" requirements are so high, few states qualify for activation of the current program even during recessions.

Federal Loan Account At the end of fiscal year 1995, about $7.43 billion is estimated to be in the Federal Unemployment Account (FUA), which makes loans to insolvent state trust funds. This account should also be discontinued and the proceeds deposited in state accounts based on employment covered by unemployment insurance. Since the federal government began charging interest in 1982, few states have borrowed from the fund, turning instead to private sector funding sources to obtain lower interest rates.

Provision would be made for interest-bearing loans from federal general funds to state trust fund accounts, ensuring that states would have the option of obtaining a federal loan quickly.

• State accounts would remain in the UTF to minimize impact on federal deficit calculations.

All unemployment taxes collected by the states would be deposited in their individual accounts in the federal unemployment trust fund, from which their administrative and benefits costs would be paid. Each state would continue to receive interest on its account, and pay a negotiated fee to the U.S. Treasury for fund management.

• The size of government and layers of bureaucracy would be slashed.

An estimated 1,452 IRS positions and more than 600 federal Department of Labor jobs could be eliminated.

Major Actions Required for Implementation

• Repeal the 0.2 percent FUTA surtax.

• Increase the FUTA offset credit for states from 90 percent to 100 percent where state laws conform to basic federal requirements, thereby effectively abolishing the FUTA tax.

• Repeal most relevant federal employment security statutes, including the Wagner-Peyser Act and Title III of the Social Security Act, and transfer minimum necessary requirements to the FUTA Act.

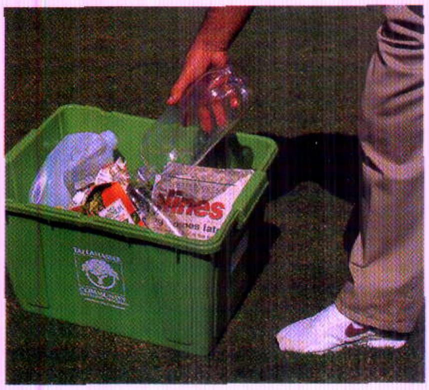
• Phase out the ESAA account, using most of the funds to provide a five-year transition for states that now receive more in federal grants than their employers pay in taxes.

• Eliminate the EUCA and FUA accounts and deposit the proceeds in individual state accounts based on employment covered by unemployment insurance.

• State accounts would remain in the UTF to minimize impact on federal deficit calculations.

According to IRS estimates, it takes one employer an average of 12 hours and 31 minutes to complete and file form 940, the FUTA tax return. This costs the nation's almost 6 million FUTA-paying employers an estimated $291 million annually.

PASS IT ON.



I'm recruiting you and your family to play ball with me and become part of our state's recycling team. Recyclable materials are really needed right now — recyclable plastic, glass, paper, aluminum cans and steel cans — so they keep coming back to serve us in many new ways. Recycle every day. I know you won't let your teammates down. Recycling. It's the right thing to do for everyone. Every day.

Bobby Bowden

It's In Your Hands
KEEP FLORIDA Beautiful

For more information, contact your local recycling coordinator.

It's In Your Hands...
RECYCLE IT
...Keep Florida Beautiful.®

The Role Banks Play as Facilitators of International Trade

"Credit is the vital air of the system of modern commerce. It has done more, a thousand times more, to enrich nations than all the mines of the world."

Daniel Webster (1782-1852)

by David Knutson, Latin American Division, NationsBank

From barter-trade in local markets of ancient times to today's global, computerized trade markets, over the centuries products and markets have diversified and increased through the development of trade credit. Nowhere is this development more evident than in the frontier town turned trading post for the Americas: Miami, Florida.

Generally, the role bankers play in facilitating international trade can be broken down into two categories: correspondent banking and corporate finance.

Correspondent Banking

Companies engaged in international trade, whether located in Bolivia, Brazil, or the United States, face common challenges: how to get paid, how to ensure timely payment, and how to mitigate risks of non-payment or delayed payment. Most companies today are ill-equipped to deal with these challenges; they simply lack the financial infrastructures. Commercial banks with trade finance capabilities are benefiting from this lack by outsourcing their services. A critical element in a bank's ability to perform these functions is its partnership with other banks around the world — partnerships referred to as "correspondent banking."

Throughout the world, it is the widespread practice of virtually all internationally-active banks to provide credit facilities to each other. These credit lines cover advising and confirming letters of credit opened by the issuing bank on behalf of beneficiaries in the creditor bank's country, and issuing letters of credit on behalf of the correspondent bank. The lines customarily include accepting drafts drawn under these letters of credit and, sometimes, to finance export-import transactions for which no letters of credit have been issued. The lines may also include advances for the latter purpose or against the collection of checks and documentary drafts, payments prior to receipt of cover, and overdrafts which might occur in the correspondent bank's account with the creditor bank in the course of the daily transaction of business between them.

While credit lines for short-term financing of trade through customary international banking department transactions are sizeable, Florida banks have been increasingly called upon to extend credit under special terms and conditions. It would be impossible to list all the forms and purposes of special facilities related to international trade, however, some of the more common types include pre-export financing, factoring, and forfaiting paper.

Inter-bank loans supporting pre-export financing are customarily used to finance the production or assembly of designated goods in anticipation of their export. Another form of short-term financing is factoring, which is the discounting of accounts receivable. Forfait paper is similar to factoring but it usually involves a one-time transaction for a longer tenure.

Corporate Finance

With the enlargement of international banking to include large-scale offshore corporate lending as opposed to traditional documentary-type trade financing, new demands are being placed on bankers. But, while foreign credit markets have more intricacies than do domestic markets, they differ only in detail, not basics. For the banker, lending principles are the same in Des Moines and in Buenos Aires: understanding the transaction; adequate knowledge and understanding of the borrower and local credit market practices; risk definition, including country risk; and clear indication that the loan will be repaid.

Today, two of the most common forms of medium-term international corporate financing are government-guarantee programs and asset-backed securitized loans.

The most common U.S. export credit guarantee programs are through the Eximbank. Typically, the function of the Eximbank is to aid in the financing of U.S. exports through the extension of loans, credit guarantees, and insurance. For example, Eximbank will guarantee a loan that a bank has made to a domestic export company that is selling a U.S.-made product internationally. If the foreign company does not pay, the bank's customer is, in turn, unable to pay the bank. The bank, however, will be able to collect from Eximbank. Other government-guarantee programs include Commodity Credit Corporation (CCC) and Overseas Private Investment Corporation (OPIC).

Within the non-investment grade countries of Mexico, Brazil and Argentina, tier one corporates have been able to tap the asset-backed securitization markets. Such structured financing has enabled borrowers to access large pools of three to seven-year financing, usually from private investors, at attractive rates, by structuring sufficient credit enhancement into their facilities to allow for a rating above the rating for the country as a whole. Most of this financing involves the securitization of export receivables or other offshore dollar receivables. Although convertibility and exchange risks are mitigated by involving U.S. dollar-denominated debt and offshore payments, most banks only originate structure and underwrite such transactions.

In the United States alone, international trade constitutes more than 23 percent of the GDP and is likely to reach 30 percent by the year 2000.

Trade between countries is outpacing GDP growth by three to one. In the United States alone, international trade constitutes more than 23 percent of the GDP and is likely to reach 30 percent by the year 2000. More than 50 percent of U.S. corporations claim to export, and most of the exports are destined for the emerging markets of Latin America and Asia. With the emergence of Latin American and inter-American trade organizations such as Mercosur and NAFTA, banks in Miami will continue to play an integral role as facilitators of international trade.

"Free Choice" May Mean No Choice

Without the ability to provide a group health product incorporating managed care, group health products will rapidly disappear.

by Frank T. White, Executive Vice President & CEO AIFPCT

Over the coming weeks and months, you will probably be hearing a lot of rhetoric regarding "free choice of physician." AIF has learned that there will be an attempt to bring forth a constitutional amendment prohibiting health and disability plans from restricting a participant's choice of physician.

While at first blush this may seem to be an innocuous issue, in reality it is a wolf cloaked in lamb's wool for the business community. The first clue comes from the fact that the principal organization behind this initiative is neither a labor group, a citizen group, nor a medical association, but rather the small segment of the trial bar specializing in workers' compensation.

As I have discussed in this column previously, the Legislature included managed care provisions in the reforms of the workers' compensation system that took effect in the beginning of 1994. These provisions included certification requirements for any managed care arrangement (MCA) to ensure that any network would be sufficiently broad enough to deliver the necessary medical treatment for any occupational injury. In addition, any such arrangement must have detailed procedures for grievance resolution and are subject to periodic reviews of compliance by the Agency for Health Care Administration (AHCA).

As you begin to unravel the wool surrounding this initiative, it becomes apparent that the purpose of the initiative has little, if anything, to do with ensuring the delivery of quality medical care and more to do with dismantling managed care for workers' compensation. One of the intended benefits of managed care was the delivery of quality medical care focused upon returning the injured employee to work and to eliminate unnecessary medical visits for the purposes of obtaining higher impairment ratings or building up the settlement value of the claim.

If the workers' compensation trial attorneys are willing to fund a constitutional initiative, we can only conclude that managed care in workers compensation is indeed beginning to work. Should the business community lose the ability to participate in managed care, not only will the immediate 10 percent rate credit be lost but we can expect to see the rate increase spiral start over again.

I would be remiss, however, in not pointing out that this initiative covers more than just workers' compensation. In fact, it includes the complete spectrum of health care delivery systems and products. The impact of this initiative on group health policies would be devastating. Affordability of group health products has only been achieved via the introduction of managed care principles. Without the ability to provide a group health product incorporating managed care, group health products will rapidly disappear.

In summary, the "free choice of physician" initiative could actually translate into no choice of health care product and, possibly, no jobs for many of Florida's citizens. Associated Industries will be taking an active role on behalf of the Florida business community in opposing this initiative and you will be hearing a lot more about it from us in the future. ■

Cruising the Aisles of the Cyber-Market

by Jacquelyn Horkan, **Employer Advocate** *Editor*

Information is power — or so they say. Actually, it all depends on what you do with the information you have.

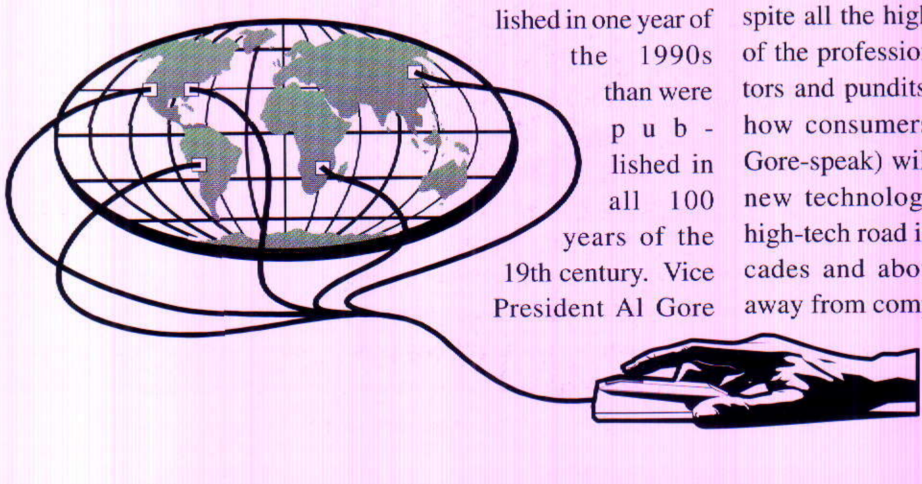
Thomas Edison and Elisha Gray both realized the possibility of voice transmission but Gray ignored the potential, believing nothing would ever replace the telegraph as the dominant means of communication.

Ford's engineers and designers knew how to build a car but they still couldn't get anyone to buy the Edsel.

With the most sophisticated intelligence-gathering system ever known, the collapse of the Soviet Union still surprised the CIA.

And here we are, living in the Information Age, bombarded by facts, studies, polls, and details. More books are published in one year of the 1990s than were published in all 100 years of the 19th century. Vice President Al Gore gets credit for coining the term "information superhighway" and speculation runs rampant about how our world will look when one click of a button will connect us to the global village.

"If you want to know what's going on in Florida from a business perspective, AIF's Web site will be a good place to start your exploration."



We'll never need to leave our homes again. No more low-wage, blue-collar jobs; we'll all be cybernauts. And of course, we won't need factories because we'll have information.

Who's going to build those tractors to harvest the wheat needed to bake the bread we'll use to slap together a bologna sandwich in those rare moments when we can tear ourselves away from the 500 channels on our television screen? Mere details to be worked out later.

Actually, *all* the details about life on the information superhighway remain undecided. Despite all the high-flown rhetoric of the professional prognosticators and pundits, no one knows how consumers (travellers, in Gore-speak) will respond to the new technology. In fact, the high-tech road is a couple of decades and about $107 billion away from completion.

In the end, the actions of millions of users will dictate the development of this brave new world of commerce, entertainment, and education. Beginning in December of 1995, Associated Industries of Florida will become one of those millions who shape the paths through cyberspace.

In the Web

Although the much-vaunted information superhighway is still a twinkle in its parents' eyes, its cousin, the Internet, is a healthy and busy twenty-something.

The Internet was born in 1969, when Pentagon officials began construction of a network of supercomputers dedicated to scientists and engineers who were hard at work on military projects. Almost as an afterthought, the developers invented a system that would allow researchers to communicate with each other. They called the bonus feature electronic mail or e-mail. Little did they know, their add-on would become the engine that fueled Internet-mania.

Up until a few years ago, however, the computer network remained the province of hard-core computer jockeys and researchers. The Internet was a little like a library with no card catalog and no lights. Unless you knew the intricate floor plan, your search was frustrating and often dependent on chance.

In 1993, researchers at a European particle-physics lab created a multi-media overlay for the Internet, called the World Wide Web. Instead of typing in arcane commands, net-surfers could use a mouse to lead them through cyberspace. Pointing and clicking their way through the universe of text, pictures, sound, graphics, and some video, satiated the hunger of even the most insatiable info-junkies.

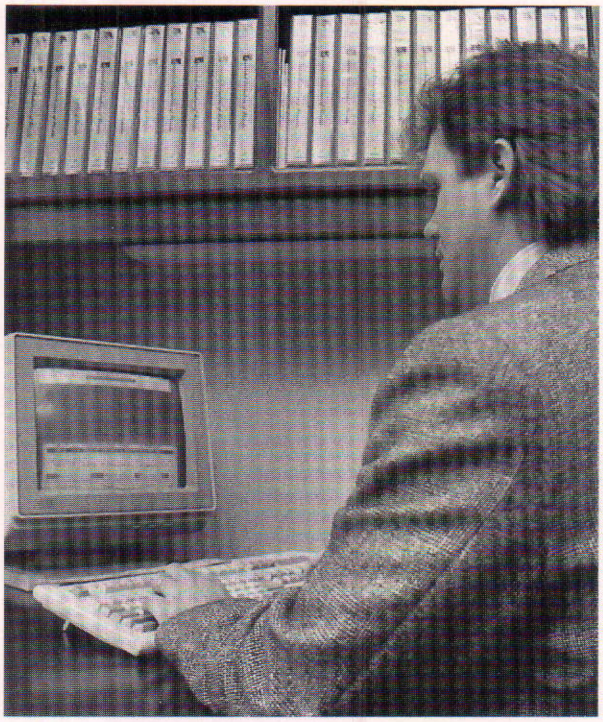
Information on the Web is organized into sites; in two short years, this part of the Internet has grown to include over four million sites, ranging from the expected to the rather bizarre. The White House has a home page where you can take a tour of the executive mansion and view messages from the president and vice president. There are also sites that let you see up-to-the-minute action in someone's fish tank or what someone else is currently watching on television.

Touring today's Internet can be a fascinating journey, but it's still plagued by the dilemma of yesterday's network: how do you find what you need among the chaos of information?

AIF hopes to eliminate part of that confusion by setting up a home page that will become the central terminus for web hunters seeking information on Florida business. "We're trying to structure it so that AIF becomes the business connection in Florida," says Jon L. Shebel, AIF's president & CEO. "If you want to know what's going on in Florida from a business perspective, AIF's Web site will be a good place to start your exploration."

There are several Florida organizations — state agencies and employers — that currently maintain Web sites. By establishing links to these and developing its own original information, AIF will serve the whole scoop to anyone interested in Florida's economy.

A Web site is always a work in progress and so it will be for AIF, but the heart of information central is already there and looking for room to expand.



Steve Trickey, FBN vice president and chief operating officer, developing the FBN page for AIF's Web site.

Taking a Trip to the Capitol

Steve Trickey set out to build a better mousetrap — one designed to capture information not rodents.

In 1991, he was a clerk in AIF's governmental affairs department when Shebel decided to build a computerized legislative information data base for inhouse use. Trickey was given the task of coordinating the project with the association's management information systems (MIS) department.

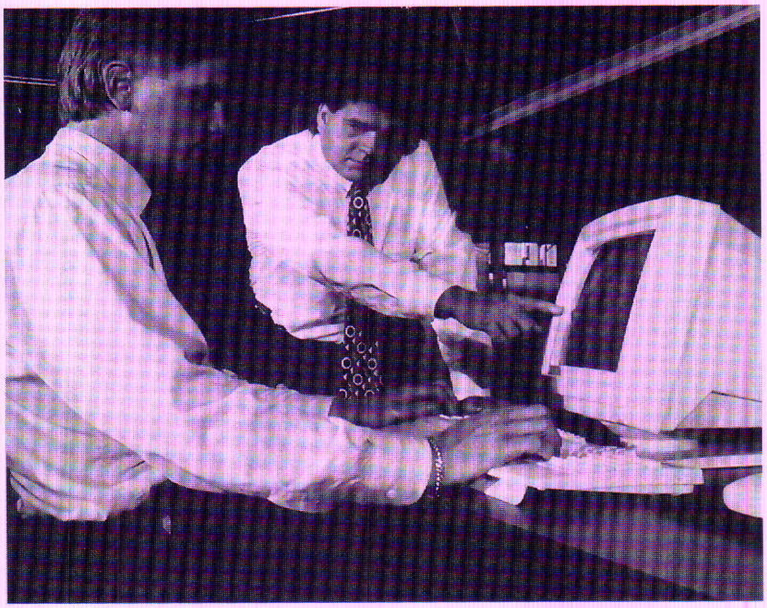
As Trickey recalls, "Every day, we were getting in truckloads of reports and schedules and so on. Jon wanted a system that would help us keep track of all that paper. We really just wanted to corral our own information."

Once a prototype was built, Shebel showed it to some AIF members. The positive reaction convinced him to offer it on a paid subscription basis to all takers. And so was born the Florida Business Network (FBN).

Today, Trickey is the vice president and chief operating officer of FBN. Starting as a clerk, he helped build FBN into the state's premier legislative information system.

"When FBN got started," explains Trickey, "there were already three existing systems in this state. Our challenge was to take FBN to a new level. Up to

Staff of the MIS department design the links for AIF's Web site.



that point, legislative tracking services were pretty uncomplicated. We had to take a different path."

That path included an innovation that Shebel calls one-key operation. "I asked them to develop FBN so that it would be easy to use," he says. "I wasn't very familiar with computers, and I didn't want to have to remember a lot of different codes to get what I needed. I wanted to be able to get information quickly and easily."

Under Shebel's influence, the MIS department designed FBN so that access was as simple as moving a cursor and touching one key. It was like a Windows system but without a mouse.

Ease of use wasn't the only special feature of FBN. Trickey included new clips, press releases, legislative reports, and meeting summaries that could not be found on the competitors' services. The system went on line in September of 1991 with 35 charter members. By the end of the first full year, the number of subscriptions had tripled.

"We had an advantage," says Trickey. "because so much information comes our way. All I had to do was go through Jon's in-basket. We also had lobbyists on staff who could tell us what worked and what didn't. Our competitors didn't have that."

The input of in-house lobbyists and subscribers has helped FBN stay ahead of the competition.

The system is now operational in Indiana and Alabama and will soon go online in Kentucky and Wisconsin. Under exclusive operating agreements, FBN licenses its software to employer organizations in those states and they run their own business networks.

That expansion is part of Shebel's and Trickey's plan to keep the operation growing. Trickey believes the Internet will open new markets for FBN. AIF's Web site will include a basic packet of data from FBN.

"Our paid subscribers are still going to be the only ones who have access to the specialized features," says Trickey. "The Web site will make certain information available to people who can't afford a subscription. We hope it will also attract new subscribers."

Business on the Web

Many Web sites serve a specialized advertising function; a sort of high-tech want-ads section. Currently, most of the advertising follows a traditional formula. You find something you like, you contact or visit the vendor, and you buy it. But soon, the Internet will reinvent tradition.

The interactivity of the Web — that e-mail bonus baby of the developers of the Internet — delineates the future of commerce. A prospective buyer can find what he wants on the Internet and e-mail his order directly to the seller.

Right now, the Internet is not transaction secure. There are some programs that allow users to eavesdrop on transactions by other users. That means, if you order a bottle of wine from a vineyard over the Internet, some hacker could get access to your credit card number and take off on a shopping spree.

Even as you read this, however, people are busily at work designing software to protect financial transactions over the Internet. The completion of that project will open untold possibilities.

You may choose to set up a Web site for your business, listing your products for your customers. They could check inventory and prices, then place their order using a credit card or account number. The transaction would be posted on your computer, creating an automatic adjustment of inventory, a deposit in your company's checking account, and an order for your shipping department.

When you go home, you could sit at your computer and pay all your bills. The transaction would automatically get recorded at the mortgage company, the bank where you have your checking account, and in your personal records. No more writing checks then trying to find a stamp.

A transaction-secure Internet may also help you with your paperwork. If an employee got injured on the job, you could access the World Wide Web, fill out a notice of injury and send it right into the data banks of the state and your insurance company.

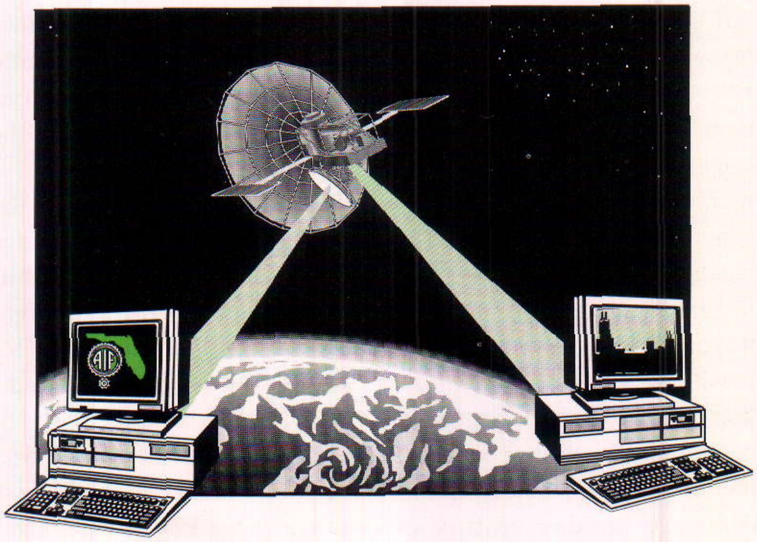
In the long-term, Shebel plans to include a section for owners of small businesses on AIF's home page. There, an entrepreneur could find blank copies of all of the the reports he is required to file, along with commonly asked questions about the paperwork.

Shebel also wants to open the AIF site to association members. "We will design and maintain Web sites for our members who don't have the equipment or time to do it themselves," he explains.

Shebel also wants to open the AIF site to association members. "We will design and maintain Web sites for our members who don't have the equipment or time to do it themselves," he explains.

Recent studies show that only about three percent of all Americans have ever signed onto the World Wide Web. That seems to mean that the 'Net remains more of a hobby than a useful appliance. The day is quickly coming, however, when the Web will become an integral factor in business operations, facilitating commerce and production.

As always, the information's out there. Now, what do you do with it?



Preparing for the 1996 Legislative Session

by Jodi L. Chase,

Senior Vice President

& General Counsel

The start of the college football season is marked at the AIF headquarters by the unfurling of banners honoring Florida's great college football teams. In the legal and governmental affairs department, however, with football season comes the task of preparing for next year's session.

Although the legislative process is unpredictable, several issues seem to be taking on primary importance.

After returning from its summer recess in September, the Legislature began holding interim committee meetings each month which will continue until the 1996 session begins in March. Substantive committees are completing work on interim projects and senators and representatives are thinking about measures they would like to introduce. The increased activity brings urgency and the need for AIF to organize issues and priorities for session.

Although the legislative process is unpredictable, several issues seem to be taking on primary importance. The House Commerce Committee is holding meetings around the state to hear testimony on economic development in Florida. Several employers have appeared before the committee to tell their story of barriers to economic development. One of those stories is reprinted in this edition of *Employer Advocate* (see page 3).

Medicaid reform will need to be addressed. Congress is discussing the issue and whatever action it takes will affect Florida. Health care issues, most notably the anti-managed care provisions of "any willing provider," direct access, and physician contracting will probably get tangled up in the Medicaid debate.

Rulemaking and regulatory reform is a continuing concern. The Senate seems poised to override the governor's veto of the Administrative Procedure Act reform package passed by the 1995 Legislature. Sen. Charles Williams (D-Live Oak) has rallied the Senate behind the bill. Even if the veto override does not materialize, the governor has directed agencies under his control to recommend statutes and programs for repeal. This is a long-awaited step in the right direction toward smaller government. Fewer laws will necessarily result in fewer regulations.

AIF is also influenced by the actions other associations take. The Academy of Florida Trial Lawyers will make another run at joint and several liability. They will also attempt to codify a recent Florida Supreme Court decision on set-off of moneys gained in settlement of a lawsuit.

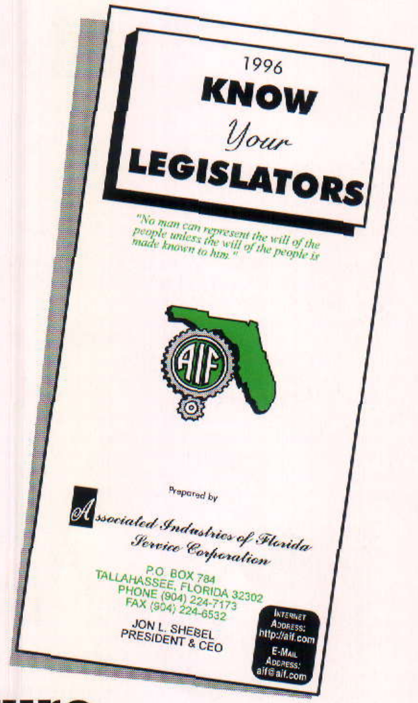
AIF will have both a proactive and defensive agenda. As always, our goal is to protect and enhance the free enterprise system in Florida. AIF legislative positions are approved by the AIF Board of Directors at the meeting held prior to the opening day of session. If your company has an issue you would like your association to consider, simply call or fax the AIF legal and governmental affairs department with information.

Know Your Legislators

In Florida, all political roads lead toTallahassee where the Capitol becomes the center of bargaining and decision-making. To help you reach the right decision-makers for your topics of interest, we have just the road map you need — ***Know Your Legislators,*** a pocket-size handbook that fills you in on:

- Committee staff and assignments:
- Legislator addresses, staff, and phone numbers in Tallahassee and the districts;
- Maps showing the boundaries for Senate, House, and Congressional districts;
- Complete cross-reference list of county representation for each district in each chamber.

Your Road Map to the Florida Legislature



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Call today to get your copy of the 1996 edition of *Know Your Legislators*

Associated Industries of Florida Service Corporation

Privatization: Will Florida Take It Seriously?

As the trend toward privatization of the delivery of government services continues around the country, Florida now seems poised to consider the merits of privatization to a degree that it has not done in the past.

by Diane Wagner Carr,

Vice President &

Assistant General

Counsel

Although privatization in the form of state contracts to private-sector service providers has long been a part of government in Florida, not until recent years has Florida tentatively considered other forms of privatization, such as out-sourcing and public-private partnerships.

Things may be changing, however, as the costs of government continue to outstrip incoming revenues and the state finds itself in the uncomfortable position of having to provide more services with fewer dollars.

As the 1996 Session approaches, the House Committee on Governmental Operations has undertaken an interim project to develop a policy framework that may be used to evaluate proposals to privatize the delivery of government services. The committee's assignment comes, in part, as a result of difficulties experienced by legislators and staff alike when first asked to evaluate Gov. Lawton Chiles's proposal to privatize the Department of Commerce during the 1995 Session. The governor wanted the Legislature to transfer the department's economic development and international trade functions to Enterprise Florida, a public-private entity created by the Legislature in 1992 to lure business to Florida and better the state's business climate.

When asked to evaluate the governor's proposal, many legislators found that they did not know where to begin. There were no guidelines to follow and no standards by which they could assess the efficacy of what they were being asked to do. Though the governor's proposal was improved to the satisfaction of many legislators as it made its way from the House to the Senate, the process by which the bill was scrutinized and amended was arduous.

At session's end, when the bill had not passed the Legislature, many involved concluded that in order to avoid some of the procedural pitfalls that befell the proposal what was needed was a sort of legislative handbook on privatization; one that would provide legislators with the means by which they could judge the merits of proposals.

To that end, the House Committee on Governmental Operations began its privatization project with a workshop on September 12, 1995, to which it invited representatives from government, labor unions, trade associations, and private-sector vendors with experience in privatization of service delivery. Committee staff then rounded out their information-gathering with extensive legal research on existing barriers to privatization and an examination of privatization projects in other states. Finally, the committee asked for oral and written input from lawmakers and the public before moving forward to formulate recommendations for a legislative proposal.

For its part in this project, AIF first presented the members of the committee with a characterization of privatization in its various forms in order to establish a common language and context in which it can be discussed and examined.

Forms of Privatization

Complete Withdrawal

This occurs when the government gets out of the business of providing a service altogether. There is no delegation to a private-sector person or entity relating to either the service itself or the resources needed to provide the service. An example of this might be a situation in which the park service closes a restaurant it has been operating at a recreation area because private restaurants have opened up on the area's periphery as the number of visitors to the area has increased. The original need for the park service to provide refreshments to its visitors when the area was isolated no longer exists.

Out-sourcing

This occurs when the government delegates to a private-sector entity the performance of an integrated group of functions and services. An example of out-sourcing at work in Florida is prison construction and operation.

Out-tasking

This form of privatization is the most commonly used by state and local governments and occurs when a governmental entity contracts with a private-sector provider to perform a particular service. An example of government services delivered via out-tasking is casework performed by social workers and attorneys who contract with the Department of Health & Rehabilitative Services to handle client files.

Public-Private Partnership

Privatization by this method has been much discussed in recent years and involves the pooling of government and private-sector funds and other resources to provide a service that has traditionally been provided by a governmental entity exclusively. Enterprise Florida, the quasi-governmental economic development entity estabished in 1992, is a good example of a public-private partnership.

Vouchers

This form of privatization occurs when a governmental entity provides money to individual citizens to allow them to purchase services from the private-sector that are usually provided by the government. Though not yet a reality in Florida, vouchers have been a hot topic in the context of the state's education system, with advocates arguing that revenues devoted to funding education would be better utilized if they were returned to parents who could then use the vouchers to purchase or subsidize their children's education according to a plan that best suits their needs.

Privatization Considerations

AIF then encouraged committee members to consider a list of seven factors to determine whether privatization of a particular service is appropriate.

Cost Savings

- Will costs to the state decrease if a service is privatized?
- Does the service involve significant capital outlay or start-up costs that could be met with private-sector dollars?

Competition

- Does the private-sector market offer the service in sufficient quantity and quality?
- Can the service be provided by more than one private-sector person or entity?

Risk

• Will the state benefit from sharing risks with the private-sector?
• Is there a significant chance that a private-sector person or entity will fail to provide the service?
• If service is discontinued or interrupted, what will be the ramifications for the state?

Some involved will continue to resist the need to change, erecting hurdles to privatization.

Quality and Responsiveness

• Can the private sector deliver a higher quality service for the same costs?
• Can the private sector deliver the same quality service for fewer dollars?
• Can the private sector respond more quickly to demands for service?

Control and Accountability

• Is it necessary that the state retain direct control over the delivery of the service?
• Can the quantity and quality of the privatized service be measured?
• What is the state's ability to maintain oversight of the privatized service?

Political and Policy Barriers

• How much resistance to change will be expressed by the state employees who provide the service, the citizens who use the service, and the politicians who consider privatization?
• Will the safety or welfare of the citizenry be jeopardized by privatization?
• Will a particular private-sector person or entity be able to provide the service to the entire universe of citizens requiring the service?

Employee Impact

• What will be the effect of privatization on state employees?
• Can state employees be hired by the private-sector person or entity who will provide the service; can they be retrained or transferred; or must they lose their jobs?

Finally, AIF asked the Governmental Operations Committee to keep an open mind while working to complete its project and to acknowledge that the primary mission of government is to provide needed services to its citizens, not to function as an employer of last resort. Consequently, privatization for the sake of saving money or enhancing the quality of the service delivered will sometimes entail a reduction in the number of employees on the state payroll.

Though the project is an excellent opportunity to lay the foundation for privatization efforts that will follow the state's need to deliver governmental services by other than traditional means, some involved will continue to resist the need to change and will be tempted to use the interim project as an excuse for erecting hurdles to privatization at a time when Florida needs to closely examine every means by which government services can be provided.

The committee plans to introduce the proposed committee bill that will result from this project no later than January 1996. Simultaneously, various Senate committees are in the process of identifying government services that should be considered for privatization.

Clearly, the Legislature should be well enough equipped by the time the 1996 Session convenes to seriously consider privatization of some specific services beyond those few already privatized. What remains to be seen is whether all the talk about privatization is anything more than lip service.

At the Last Minute

by Marian P. Johnson,

Vice President,

Political Operations

It's hard to believe that just one year ago we were recovering from heated political campaigns. We had been bombarded with television and radio commercials telling us, in 30 or 60-second soundbites, why we should vote for one candidate instead of another.

And then there was the election corollary: those desperate, daily pleas for urgently-needed-last-minute campaign contributions. Constantly, the barrage of fund-raising pleas came. Many appeals were melancholy: *your* donation would make the difference between victory and defeat, sending chilling waves of guilt over you lest you should be the one to cost the candidate his election.

These appeals for contributions became more urgent and numerous in the last weeks of October, 1994. A typical last appeal for contributions came from a race for a central Florida congressional seat. The 30-year congressional veteran, who was also chairman of a congressional committee, sent a fund-raising appeal indicating that he was in a difficult race for re-election and *must* have funds to run an aggressive campaign.

This request was from an incumbent whose reports showed a war chest of $359,000 cash on hand while his opponent had only $18,000 cash on hand at the time. This type of appeal was typical of many races last year. And while the solicitation for dollars has always been feverish in the last few weeks of any campaign season, 1994 seemed to reach the all-time high.

As the election drew nearer, the urgency increased ten-fold. "Why?" you might ask. Well, many experts believe that during the last two weeks of the campaign voters really take an interest and make their decisions. In that crucial time frame, every penny is vital as candidates make their big push for that last vote which can be the difference between victory or defeat as they simultaneously prepare to ward off a last-minute attack by an opponent.

An important thing to remember in any campaign: it is not always the candidate with the most money who wins. Rather, the winner is the one who plans the wisest use of his money from campaign start to campaign finish, including a strategy for the last days of the campaign.

History is full of candidates who have raised more money than their opponents — and even had surplus funds — yet lost the election. In 1964, for example, Barry Goldwater raised the most money that had ever been raised to that point, by anyone running for president. He even had a large surplus at the end of the campaign, yet lost by a landslide to Lyndon B. Johnson.

And now, thirty years later, comes another example — the race pitting Brian Rush against Rob Wallace. Rush, the incumbent and a Democrat, had made many of his advertising purchases weeks prior to the end of the campaign. Rush had the campaign dollars and could afford it.

On the other hand, Wallace knew he could not raise enough dollars to stay competitive with Rush's expenditures, so he conserved his financial resources and spent them on critical activities that would occur during the closing days of the campaign. During those last days he was able to hit the voters with phone banks and direct mail pieces which Rush was unable to answer.

Certainly, this well-planned use of funds, along with the voter discontent of 1994, contributed to Wallace's victory. Last year, there were many candidates who found themselves the target of an opponent's last-minute attack. Unless they had prepared, they were at the mercy of the opponent.

So how did the candidates spend their critical "last-ditch appeal" money? On mail-outs and more radio or television advertisements.

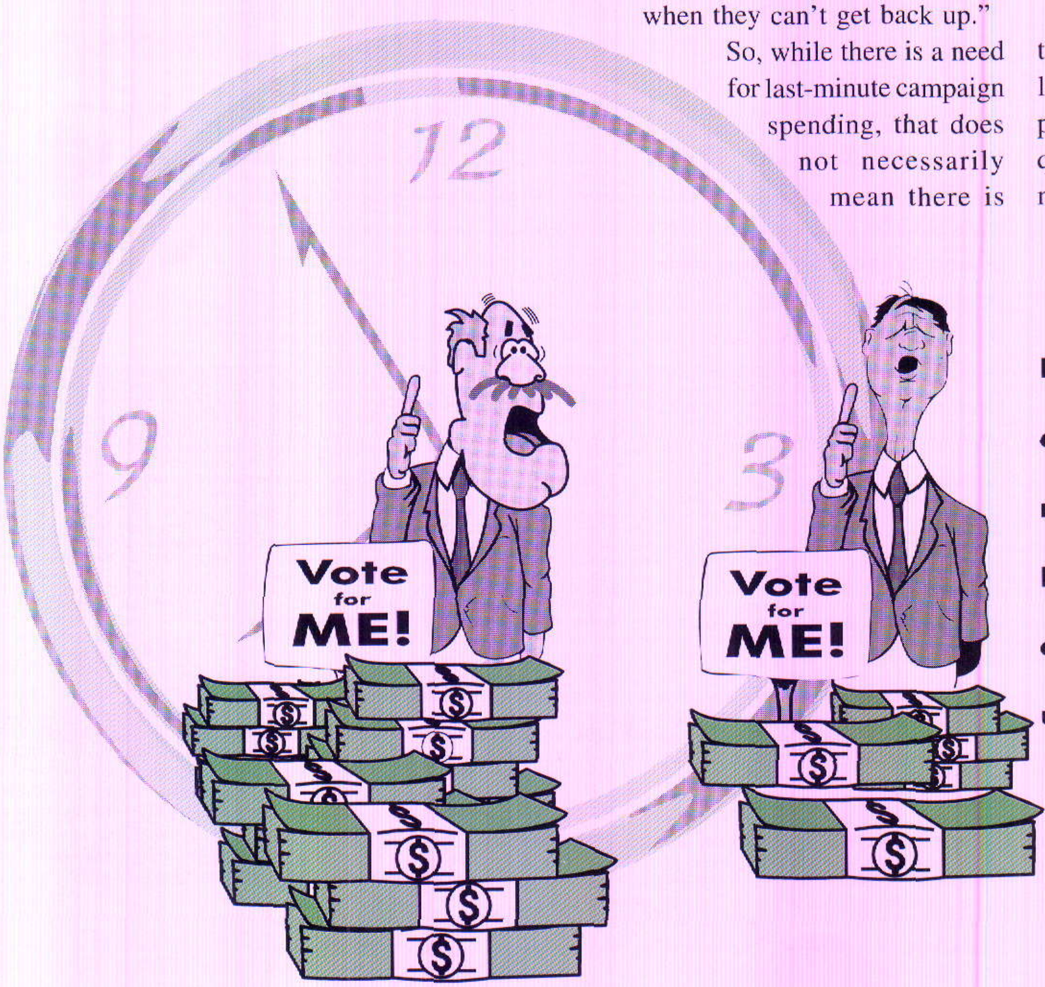
Wise expenditures throughout the campaign, but especially in the closing days, are the difference between victory or defeat. A few timely mail-outs and a phone bank can be twice as effective as one massive advertising campaign in the newspapers. Effective campaign expenditure means that a candidate must tailor his campaign to the district. He doesn't spend money on tactics such as radio or television just because it is available, but because it is successful.

That last-minute hit from the opponent can lead to defeat. Look again at a few of the winners of 1994 — those who were underfinanced, but were able to eke out victory by coordinated and wise use of financial resources. One of the greatest campaign strategists ever was the late Lee Atwater. One of Lee's favorite maxims was, "Hit them when they least expect it and when they can't get back up."

So, while there is a need for last-minute campaign spending, that does not necessarily mean there is justification for the last-minute, desperate contribution appeals. A campaign must have a plan that is coordinated from beginning to end. And a well-organized campaign knows those last-minute attacks may come.

Of course, those appeals are sometimes very legitimate. One thing that puts AIF ahead of other associations is that we can do all of the services that a campaign needs — *in-house*. Because we can perform all of these services, we know the real costs of phone banks, direct mail, television production, etc.

Therefore, when we receive those last minute pleas for dollars, we have the ability and capacity to truly evaluate the request and respond to genuine needs.



It is not always the *candidate with the most* money who wins. Rather, the winner is the one who plans the wisest use of his money.

Picture This

by Jacquelyn Horkan, **Employer Advocate** *Editor*

Environmental education for middle school students. The importance of prenatal care. Safety procedures for forklift operators.

Believe it or not, this diverse group of topics does have a common element: each represents the subject of a Corporate Video Services (CVS) production.

CVS is the video production division of Associated Industries of Florida Service Corporation. "We really have a two-fold mission," explains Doc Kokol, CVS's producer/director. "CVS provides communications support to the association, but we're also a business and we're expected to turn a profit."

Kokol credits CVS's success to a deeply-ingrained understanding of the needs and concerns of business people, a perception gained through the connection with Associated Industries of Florida.

"At AIF, we're concerned with the pressures employers face in the marketplace," says Kokol. "That attitude governs us whenever CVS works on a project. We look at our contracts as more than obligations. Our clients are making an investment and we have a responsibility to make that investment pay off."

While CVS specializes in business communication, the group's list of clients and assignments run the gamut. Projects currently on the drawing board include a 30-minute television show about recycling, a 20-minute educational tape on child development, and two 30-second public service announcements about a school project to promote civic responsibility.

"All of our clients have a story to tell," says Kokol. "More and more companies are coming to us because they need to challenge what people are hearing from traditional media sources. We help them develop not just their message, but the means they're going to use to get the word out.

"It's a satisfying job — to help someone bring that vision to reality."

Here and There

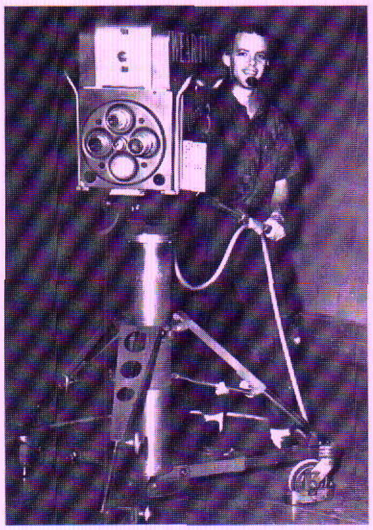
by Doc Kokol,

Vice President,

Video Production

When I was but a child I had the opportunity to visit the 1964 New York World's Fair. One of the must-see exhibits was the AT&T picture phone. What most of us didn't know then was that the cost of actually running the system was $150,000 per hour of transmission time; the two "phones" cost $750,000 each.

Today, video teleconferencing, the technology that allows you to be in two places at the same time, has come of age. No longer do you need $1.65 million and a World's Fair, television studio, or special teleconferencing office suite. Now you do it at your desk on your personal computer.



Yesteryear's media cameras were large and cumbersome, unlike today's slimmer, more portable video cameras.

In the past, video conferencing was one of those "gee whiz" technologies that never really seemed to catch on. The cost and trouble factors were just too high.

After all, it was supposed to save time but you had to leave your desk and go somewhere special to make it work. Then there was the cost of the conference. You had to rent time on a satellite uplink, transponder, and downlink. Any time a phrase begins with the word satellite, the cost is usually astronomical.

Video conferencing today is easier to use, costs much less, and you don't have to leave your office. I am the first to admit that the quality of the picture leaves something to be desired. People who sell the hardware tell me not to compare it to broadcast television, but see if the image is useful. Given that criteria, it is worth looking at.

Run under the Windows operating system, desktop conferencing allows you to see your caller, see yourself, and, with the proper software, open a document that both of you can see and work on at the same time.

What makes this possible is the availability of small video cameras that fit on top of monitors, microphones that are part of the package, and, most importantly, the availability of high-speed telephone lines at affordable prices. The lines, called ISDN lines, are now available in the larger cities and spreading quickly to the smaller ones. ISDN lines can be installed in your home, opening up new vistas in telecommuting.

The cost of the systems and the associated hardware vary from almost free by using the INTERNET and shareware software, to several thousands of dollars. A realistic cost estimate is $1,000 to $2,000 per location, not including your computer.

The latest twist is the video teleconference lunch. In major metropolitan areas, rooms are built with video walls. The screens are arranged in a seamless manner and give the impression that you are in the same room with those "across the table." Lunch is served simultaneously. The whole experience gives new meaning to the expression, "please pass the salt."

When It's Too Important To Settle for Second-Best

CHOOSE THE FBN SYSTEM

Each legislative session, Florida employers collectively hold their breath. *After all, no one group in Florida has as much at stake in* what happens in the Florida Legislature as the business community.

Every year our state lawmakers file approximately 4,000 bills. Regardless of whether it's taxes, fees, regulations, or insurance, you want to know the impact each may have on your business. While there are other sources of legislative information, both on-line and print, one fact remains clear.

No one can report to you on business issues as well as the Florida Business Network (FBN).

The reason is simple: the FBN system is the ***only*** on-line computer service developed by those directly involved in this state's business issues. The FBN system is the ***only*** one with analyses and updates available directly from the people who patrol the halls of the Capitol every day, debating business issues before the Legislature.

And there's a big difference between those who report what they ***hear*** and those who report what they ***know.***

With a few taps on your keyboard you find out what you need to know.

- Basic information on every bill, action, vote, committee, and legislator.
- News articles from around the state on the major issues facing Florida businesses.
- "ALERT" notices on a continuous basis (24 hours a day) notifying the employers of the developments on business issues.

Plus, you'll get the following ***exclusive*** information from FBN.

- Up-to-the-minute analyses written by business experts as developments occur.
- 21 years of historical voting records that let you know how each legislator voted on business issues.
- Weekly congressional updates on federal business issues — written by the largest manufacturing association in the U.S.

So don't settle for any other run-of-the-mill on-line service. *Get the one with over 100 years of collective experience in reporting* business issues from the state capital.

For More Information

For more information about FBN, contact Stephen Trickey, Vice-President and Chief Operating Officer, 904/224-7173.

Photo by Ray Stanyard

Florida Business Network

A DIVISION OF

Associated Industries of Florida Service Corporation

When Tomorrow's Too Late

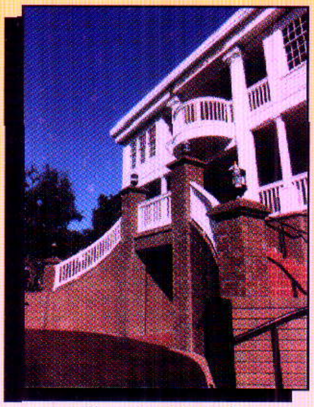


Photo by Hugh Scoggins

Delay equals lost opportunities.

That's especially true when lawmakers meet in session. If you wait 'til tomorrow to find out what they're doing today, you've lost your opportunity to influence final decisions.

Associated Industries of Florida implemented the Florida Business FaxNet to let Florida employers penetrate the legislative decision-making process. When you sign up for the Florida Business FaxNet, you'll receive fascimile transmissions from the AIF lobbying team *before* lawmakers vote on pivital business issues.

We explain the issues and give you a choice of messages you can send to your representative and senator. You fax your message back to us and we make sure your legislators hear from you.

Sign up for the Florida Business FaxNet today. Don't lose your opportunity to make your voice heard.

The Florida Business FaxNet - putting Tallahassee back in touch with you.

FAXNET

an exclusive service for members of Associated Industries of Florida

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