

APPENDIX

**Local 1033
Communications Workers of America**



OFF-SHORING:

THE INVESTMENT SIDE OF THE EQUATION

Testimony Presented To:

**New Jersey State Assembly
Outsourcing and Off-Shoring Commission**

November 16, 2007

**Rae C. Roeder,
President
CWA Local 1033**

Table of Contents

November 16, 2007	1	Statement of CWA Local 1033
October 12, 2007	2	CWA Local 1033 Press Release
October 2007	3	SIC Alternative Investments
	4	Oak Hill Capital Partners Holdings
November 30, 2005	5	Genpact Press Release
	6	Global Outsourcing 100
September 25, 2005	7	Wachovia Press Release
October 01, 2007	8	CWA Local 1033 Correspondence
September 23, 2007	9	New York Times 09-23-27
	10	Outsourcing Companies owned by Oak Hill
October 24, 2007	11	CWA Local 1033 Correspondence
May 05, 2005	12	NJ Senate Bill 494
May 05, 2005	13	NJ Assembly Resolution 184
April 20, 2007	14	New York State Senate Bill Invest in America Act
	15	

CWA
COMMUNICATIONS WORKERS OF AMERICA
LOCAL 1033

President
Rae C. Roeder

321 West State Street
Trenton, New Jersey 08618
A.F.L.-C.I.O.
(609) 394-7725
FAX (609) 393-7111

Treasurer
Dennis W. Reiter

Executive Vice President
Dianne Spence-Brown

Secretary
Anthony F. Miskowski

**CWA Local 1033 Testimony provided to
The New Jersey Assembly Outsourcing and Off-shoring
Commission**

November 16, 2007

Mr. Chairman and Distinguished Members of the Assembly
Outsourcing and Off-shoring Commission:

My name is Rae Roeder President of CWA Local 1033 and I have
here today with me Mr. Anthony Miskowski, Secretary of Local
1033.

CWA Local 1033 represents more than 7,000 members in state
government (primarily in Trenton) including workers at:

Banking and Insurance;

Education;

Military and Veterans Affairs;

Treasury (Taxation, Revenue, Lottery, State Distribution Center
Pensions, and Division of Investments);

Motor Vehicle Commission;

Law and Public Safety (Division of Law, Civil Rights, Alcohol and
Beverage Control);

Highway Safety and the civilian workers at State Police);
Secretary of State's Office;

35 The Office of Public Advocate and the Office of Public Defender;
The State Library and the Library of the Blind .

We thank you for the opportunity to present testimony concerning
the serious matter of the wholesale exportation of millions of
40 American jobs to labor pools overseas in the practice known as
outsourcing and off-shoring.

We commend the efforts of the New Jersey legislature to focus on
the insidious practice of off-shoring by virtue of enabling legislation
45 that created this commission.

We are aware that New Jersey has been on the forefront of this
issue. Senator Shirley Turner's Bill S-494 signed by Acting
Governor Codey on May 05, 2005 protects jobs from outsourcing
50 to foreign countries by requiring all services under state contract or
subcontract to be performed within the United States. At the time
of introduction Senator Turner's bill truly represented a voice in the
wilderness. New Jersey was only the fifth state in the nation at that
time to enact legislation or executive action on outsourcing.

55

) Since enactment of S-494, states all around the nation have sponsored hundreds of legislative bills to stem the practice that is not only displacing our workers but also diluting the salary/wage base of highly skilled professional American workers.

60

However, the members of your committee need to realistically assess if it is a case of too little too late, or whether the entities of government and labor can still work together to stem the snow-balling momentous trend encouraged by Corporate America that
65 views outsourcing/off-shoring as a means to trim costs and thereby increase the bottom-line profits and shareholder dividends. Furthermore the practice is vigorously promoted by an active foreign (primarily Asian) lobby that seeks to elevate their National Domestic Product of their country through utilization of an
70 enormous labor pool. ***The Business Processing Outsourcing*** (BPO) Industry is expected to generate \$13.8 billion in 2007 according to a recent article. The Economic Clock is ticking...

In the past decade, we have witnessed the unabated expansion of
75 a practice that appeared to be relegated primarily to “telemarketing” and “phone help center” functions to much more specialized areas like “data entry” and “computer programming” to professional services provided by accountants, auditors and

analysts, and even lawyers. To paraphrase the Reverend Martin
80 Nielmoller:

“First they came for the phone center workers. Since I purchased
my cell phone made in Denmark, I did not speak up,,,,

85 Then they came for the data processing and tech workers
Having just purchased a laptop manufactured in Japan, I did not
speak up....

Then they came for the clerks who process the property tax relief
90 applications and sent their work to India... Having just received my
property tax assessment I did not speak up....

Then they came for the accountants... Having just been audited by
the IRS... I did not speak up...

95

Then they came for the lawyers....

The outsourcing/privatization of American jobs overseas has
become an increasing concern across the American labor
100 landscape. A recent **New York Times** article dated September 25,
2007 entitled “*Outsourcing Works so Well, India is Sending Jobs
Abroad*” underscores the extent of the situation. Since your

Commission appears to focus on the key issues we shall not dwell on preaching to the choir. Needless to say, apparently no segment of labor is immune to the contagion of outsourcing overseas and that includes **many job functions performed by public workers.**

The foreign-based **Business Processing Outsourcing (BPO)** Centers have become so lucrative that they are engaged in outsourcing on yet another level by sending the workers that they trained at their training/processing centers to other countries and establishing BPO subsidiaries in countries other than their own. ***If the Mountain will not come to Mohammed, Mohammed will go to the Mountain.***

What message is this sending to our college age youth who have been fed the promise of deferred gratification?: “If you attend a trade school, a community college or a private/public university and train for years learning your discipline..... If you do this and not enter the labor market for four years and, if you pay the ever escalating cost of your education you will be rewarded by acquiring a professional skill that will feed you and your family for the rest of your life”.

However, the training conducted at these foreign training centers occurs over of a period of six months and less. Their certifications

)
are measured in days. You mark our words, that the certificates and licenses, and degrees and diploma now offered at American educational institutes will not be worth the paper they are printed on very possibly at an outsourced printing facility. As they say;
130 ***Teach a man or woman to fish and you feed him or her for the rest of his/her life....***” In America, we have been teaching our youth to fish but then granting the fishing rights to off-shore waters and telling them in effect there are no fish to be caught.

135
However germane to our testimony here is to inform the Commission that if the State of New Jersey is actively investing in outsourcing then any legislative bill or Commission recommendation that ideologically opposes off-shoring merely represents ineffective lip service.
140

We repeat in case you missed what we just said: ***The State of New Jersey is investing in off-shoring and doing so by using public pension funds .***

145
CWA Local 1033 has been actively opposing the alternative investment program of the State Investment Council for the better part of five years since its inception.... The reasons are far too complex to outline today but for the most part we believe that the
150 “outsourcing” of the investment functions to consultants and

) external managers on Wall Street is not in the best interest of the workers that we represent at the Division of Investment.

Furthermore, the outsourcing of the investment is not in the best interest of the active and retired participants of the pension fund
155 that we consider the stakeholders/shareholders, and certainly it is not in the best interest of the taxpayer both on the state and national level. Furthermore, CWA will contest in a court of law the legality of the use of external managers.

160 Our fight continues.....and we attend the monthly meetings of the State Investment Council (SIC) held at the Rutgers University Campus. The past three months we have sent a busload of our members to see first hand the so-called ***transparent decision-making process***.

165 As you may know, the SIC has established an investment policy that thus far committed \$12.8 Billion of the state workers' \$82 billion fund into an ***alternative investment fund*** that includes a truck load of 50 private equity funds, 40 real estate funds and 35
170 hedge funds. Many of these funds are partnerships and therefore hold an IRS tax advantage. Also, many of the private equity companies have established reinsurance companies registered in Bermuda (for instance) that enable them to **legally** invest hundred of millions of dollars tax free -- once again, thanks to legal tax

175 loopholes. Needless to say, such off-shore practices divert billions
) of dollars from the national and state economies and deprive our
country of hundred of millions of dollars in tax revenues.

Therefore, we request that the Outsourcing and Off-Shoring
180 Commission vigorously oppose the allocation of pension funds of
public workers in private equity firms that invest in outsourcing/off-
shoring enterprises or have direct ownership in companies that
actively engage in the practice. We provide documentation of one
such example for your review and consideration.

185
By far, the lowest blow of all is illustrated by the case of ***Oakhill
Capital Partners***, a private equity company that owns (40) forty
companies including two re-insurance companies registered in
Bermuda and five other companies that are actively engaged in the
190 practice of outsourcing/off-shoring. Our members were at the least
incensed and insulted to find out that their pension funds were
utilized to invest in companies that some day could potentially
displace them with lesser educated, lesser trained foreign workers.

195 The New Jersey Investment Council committed a \$75 million (Jul-
05) allocation to ***Oak Hill Capital Partners II*** plus an additional
\$250 million to ***Oak Hill Capital Partners III*** (Sep—07) for a total
of \$325 million as part of its alternative investment strategy in

) private equities. According to our research, Oak Hill boasts a 30%
200 ownership in **Genpact** (formerly GE Capital International Services
or GECIS) that claims to be the leading global outsourcing
company headquartered in Gurgaon, India.

CWA Local 1033 brought our objections in writing to the SIC at
205 their October meeting and were told by Director Clark and
Chairman Orin Kramer that the nature of a global economy was
such that if you excluded investment in Oak Hill Capital you would
also have to exclude investment in GE Capital which was
producing interest of about 15% annually since they own a 40%
210 stake in Genpact. We do not agree with the current investment
policy and insist that they do more intensive **“due diligence”** to
prevent **our money** from investing in an unconscionable anti-
worker practice.

215 Subsequently, our review of the SIC Investment report for October
2007 revealed that substantial investments were made to acquire
\$30 million worth of shares in GE. Further research also revealed
that **Wachovia** signed a seven-year contract with Genpact by
establishing a Wachovia subsidiary business processing
220 outsourcing center in India. And sure enough, the October SIC
report indicates that substantial funds in Wachovia stock were
purchased to the tune of 810,000 shares for \$40 million. Again in

) correspondence dated October 24, 2007, CWA Local 1033
submitted our objections in writing to the SIC and copies of our
225 correspondence are included herein.

We respectfully include in these binders the documentation that
outlines the scope of our concerns. We know that you will find it
informative and useful. We are just scratching the surface of the
230 problem as related to the testimony provided here today and will
provide the Commission with other information and data to
contribute to understanding the extent that outsourcing has in
terms of the investment side of the equation.

) 235 We especially would like the Commission to focus on the New
York state Senate Bill included in the binder that I sponsored by
Senator Lavalley that prohibits the investment of New York Public
Pension Funds in corporate entities engaged in outsourcing/off-
shoring enterprises. This Commission should recommend that the
240 New Jersey Legislature likewise sponsor such a measure.

Thank you for your time and consideration.

P.S.

245 President Marketti presented an impressive list of questions at the
beginning of your last public hearing and as usual Jim focuses on

) complex questions that require intensive research. I was especially struck by question #35: ***Does the State of New Jersey offer or grant any sorts of public subsidies to companies that***

250 ***outsource and/or off shore jobs?*** Part of that answer appears to be absolutely yes and that is in the form of investments from the state employees pension fund that will be utilized to perpetuate even more off-shoring. In this sense, ladies and gentlemen, the off-shoring juggernaut has become institutionalized in the State of
255 New Jersey.

)
260

265

CWA LOCAL 1033
COMMUNICATIONS WORKERS OF AMERICA

321 West State Street
Trenton, New Jersey 08618
609-394-7725 FAX 609-393-7111

OCTOBER 12, 2007

PRESS RELEASE

Subject: CWA Local 1033 to Oppose the Investment of Pension Money in Outsourcing and Off-Shoring Enterprises

CWA Local 1033, comprised of more than 7,000 state government workers, announces its campaign to vigorously oppose the investment of public worker pension funds in companies that facilitate the outsourcing, privatization and off-shoring of jobs belonging to American workers. "In recent years, a number of companies have replaced skilled workers from New Jersey with lower paid foreign labor in a practice known as outsourcing or off-shoring," according to a New Jersey Assembly resolution that created a special legislative commission to study the issues related to this practice.

"We are no longer merely talking about telemarketing jobs, but just about every job function performed by the public workers that we represent as well as workers in the private business service industry including accountants, auditors, analysts, and computer specialists," stated Rae Roeder President of CWA Local 1033. "This is a rude slap in the face to state workers when the State Investment Council uses pension funds to invest in a practice that can potentially cause their replacement by a lesser-trained, lesser-educated and lower-paid foreign worker," Roeder added. "At the very least, foreign outsourcing dilutes the salary/ wage base and marketability of the professional expertise of our state workers".

The New Jersey State Investment Council (SIC) committed a \$75 million allocation to ***Oak Hill Capital Partners II*** at their July 2005 meeting plus an additional \$250 million to ***Oak Hill Capital Partners III*** at their September 20, 2007 meeting for a total commitment of \$325 million as part of its alternative investment strategy in private equities. According to the research staff of CWA Local 1033, Oak Hill boasts a 30% ownership in ***Genpact*** (formerly GE Capital International Services, or GECIS) that according to their financial profile claims to be the leading global outsourcing company headquartered in Gurgaon, India.

CWA Local 1033 intends to file this information with the seven-member *Outsourcing and Off-Shoring Commission*, chaired by Assemblyman (D) Jeff Van Drew. The legislative resolution that created the commission states their mission: "As the preservation of jobs in New Jersey is of critical importance to the economic well-being of the State and the economic dislocation caused by a company outsourcing jobs threatens the health, safety, and welfare of the people in this State, the public interest will be best served by studying this issue as comprehensively as possible."

It is the position of CWA Local 1033 that it would be contrary to the philosophy of the State of New Jersey to oppose the practice of off-shoring while at the same time use the retirement security of state workers to invest in companies dedicated to their possible economic displacement.

Rae C. Roeder, President
609-731-7077 cell phone

Alternative Investment Program Approved Investments

07

Note: The State Investment Council approved a \$75 million allocation to Oak Hill June 2005

Note: The SIC approved a \$250 million allocation to Oak Hill Sept. 2007

Fund Name	Approval Month	Inception Date	Commitment	Contributions	Total Distributions
Private Equity					
Oak Hill Capital Partners II, LP	Jun-05	Jul-05	\$75,000,000	\$56,096,219	\$ (6,497,270)
Quadrangle Capital Partners II, LP	Jun-05	Aug-05	\$50,000,000	\$22,606,680	\$ (4,202,215)
Warburg Pincus Private Equity IX, LP	Jun-05	Aug-05	\$200,000,000	\$172,343,924	\$ (7,842,240)
Apollo Investment Fund VI, LP	Jul-05	Nov-05	\$100,000,000	\$47,584,365	\$ (12,609,376)
Blackstone Capital Partners V	Jul-05	Oct-05	\$100,000,000	\$55,027,323	\$ (5,029,255)
Credit Suisse (Separate Account - 2 yrs)	Aug-05	Nov-05	\$450,000,000	\$95,052,097	\$ (9,429,138)
Goldman Sachs - Sep. Acct. (3 yrs.)	Aug-05	Feb-06	\$400,000,000	\$52,290,437	\$ (2,328,516)
Hamilton Lane - Sep. Acct. (2 yrs.) (NJHL)	Aug-05	Feb-06	\$400,000,000	\$71,718,583	\$ (622,122)
Avenue Special Situations Fund IV, L.P.	Oct-05	Nov-05	\$20,000,000	\$20,000,000	\$ (8,660,501)
BlackRock Asset Management (SONJ) - Sep. Acct. (2 yrs.)	Oct-05	Sep-06	\$100,000,000	\$76,621,480	\$ (435,198)
InterMedia Partners VII, LP	Nov-05 / Mar-07	Dec-05	\$75,000,000	\$38,290,515	\$ (4,752,000)
JLL Partners Fund V, LP	Nov-05	Dec-05	\$50,000,000	\$31,631,965	\$ (4,065,205)
Black Diamond Opportunity Fund II	Dec-05	Feb-06	\$40,000,000	\$13,069,863	\$ (10,977,449)
Wayzata Opportunities Fund, LLC	Dec-05	Feb-06	\$40,000,000	\$42,985,505	\$ (8,944,660)
JP Morgan Venture Capital Inst'l Investors III, LLC	Feb-06	Jun-06	\$50,000,000	\$7,239,031	\$ (2,216,582)
OCM Mezzanine II, LP	Feb-06	Mar-06	\$50,000,000	\$34,850,000	\$ (1,692,591)
Madison Dearborn Partners (MDCP V)	Mar-06	May-06	\$125,000,000	\$93,693,244	\$ (2,336,271)
Texas Pacific Group Partners V	Mar-06	Sep-06	\$250,000,000	\$124,702,459	\$ (368,972)
Blackstone Mezzanine Partners II	Apr-06	Apr-06	\$45,000,000	\$20,070,936	\$ (773,014)
Carlyle Mezzanine Partners	Apr-06	May-06	\$50,000,000	\$34,681,562	\$ (4,425,614)
Lexington Capital Partners VI	May-06	Jun-06	\$50,000,000	\$20,294,979	\$ (1,678,641)
Lindsay Goldberg & Bessemer II	May-06	Jul-06	\$100,000,000	\$33,102,443	\$ (9,244,419)
Partners Group Secondary 2006	May-06	Sep-06	\$50,696,000	\$27,172,008	\$ (57,917)
Centerbridge Partners	Jun-06	Jun-06	\$80,000,000	\$9,515,657	\$ (4,425,614)
DLJ Merchant Banking Partners IV	Jun-06	Sep-06	\$50,000,000	\$23,660,516	\$ (1,678,641)
GTCR Partners IX	Jun-06	Sep-06	\$70,000,000	\$9,332,418	\$ (9,244,419)
MHR Institutional Partners III	Jun-06	May-07	\$75,000,000	\$24,556,238	\$ (57,917)
Warburg Pincus Private Equity VIII, LP (Secondary)	Jun-06	Jun-06	\$25,750,000	\$22,956,634	\$ (3,691,662)
Avenue Asia Special Situations IV	Jul-06	Aug-06	\$40,000,000	\$10,646,522	\$ (842,775)
Onex Partners II	Jul-06	Aug-06	\$100,000,000	\$59,014,997	\$ (4,467,925)
Gleacher Mezzanine II	Aug-06	Nov-06	\$40,000,000	\$654,793	\$ (555,082)
Lehman Crossroads Fund XVIII VC fund	Aug-06	Nov-06	\$50,000,000	\$12,000,000	\$ (3,691,662)
Audax Mezzanine II	Sep-06	Nov-06	\$50,000,000	\$17,265,842	\$ (842,775)
Hellman & Friedman Capital Partners VI	Dec-06	Apr-07	\$100,000,000	\$24,873,377	\$ (4,467,925)
Newstone Capital Partners	Dec-06	Feb-07	\$50,000,000	\$25,088,172	\$ (555,082)
Credit Suisse - Emerging Manager - Sep. Acct. (2 yrs.)	Jan-07	Apr-07	\$100,000,000	\$23,172,112	\$ (555,082)
Fairview Capital Partners - Sep. Acct. (2 yrs.)	Jan-07	May-07	\$100,000,000	\$4,500,000	\$ (555,082)
Silver Lake Partners III	Jan-07	Jan-07	\$100,000,000	\$451,686	\$ (555,082)
TPG STAR	Feb-07	Mar-07	\$100,000,000	\$16,042,962	\$ (555,082)
Court Square Capital Partners II	Mar-07	Jun-07	\$100,000,000	\$24,029,880	\$ (555,082)
Lehman Brothers - New Jersey Direct Investment Fund	Mar-07	Aug-07	\$100,000,000	\$5,000,000	\$ (555,082)
MalinPatterson Global Opportunities Partners III, LP	Mar-07	Jun-07	\$100,000,000	\$10,010,535	\$ (555,082)
THL Equity Fund VI	Apr-07	Apr-07	\$75,000,000	\$24,027,011	\$ (555,082)
Avenue Special Situations Fund V, LP	Apr-07 / Sep-07	May-07	\$200,000,000	\$35,000,000	\$ (555,082)
KPS Special Situations Fund III	Apr-07	May-07	\$25,000,000	\$35,956,550	\$ (555,082)
Vista Equity Partners Fund III	May-07	Jul-07	\$100,000,000	\$14,367,430	\$ (555,082)
New Mountain Partners III	May-07	Jul-07	\$100,000,000	\$4,761,301	\$ (555,082)
Sheridan Production Partners I-B	Jul-07	Aug-07	\$50,000,000	\$400,000,000	\$ (555,082)
Warburg Pincus Private Equity X	Sep-07	Oct-07 ✓	\$250,000,000	\$250,000,000	\$ (555,082)
Oak Hill Capital Partners III, LP	Sep-07	not yet closed	\$100,000,000	\$100,000,000	\$ (555,082)
TPG -TAC 2007 Fund (loan fund)	Sep-07	not yet closed	\$200,000,000	\$200,000,000	\$ (555,082)
Oak Tree Loan Fund	Sep-07	not yet closed	\$100,000,000	\$100,000,000	\$ (555,082)
WLR Recovery Fund IV	Oct-07	not yet closed	\$100,000,000	\$100,000,000	\$ (555,082)
			\$5,901,446,000	\$1,668,010,251	\$ (140,114,957)

V - CLOSED IN SEPT 07

Alternative Investment Program

Approved Investments

Oct-07

Fund Name	SIC	Approval Month	Inception Date	Commitment	Contributions	Total Distributions
Real Estate						
CBRE Strategic Partners US IV, LP	Nov-05		Dec-05	\$50,000,000	\$23,637,853	
BlackRock Diamond Property Fund, LP	Nov-05		Jun-06	\$50,000,000	\$50,000,000	(\$125)
JP Morgan Alternative Property Fund, LP	Dec-05		Apr-06	\$50,000,000	\$50,000,000	
Capmark Commercial Realty Partners II, LP (formerly GMAC)	Feb-06		Mar-06	\$75,000,000	\$58,986,028	
Blackstone Real Estate Partners V, LP	Feb-06		Feb-06	\$75,000,000	\$70,851,127	(\$35,458,296)
Guggenheim Structured Real Estate Fund II, LP	Feb-06		Mar-06	\$50,000,000	\$37,499,999	(\$1,165,365)
Citigroup Capital Partners Europe, LP	Mar-06		Nov-06	\$75,000,000 (2)	\$21,153,597	(\$2,986,895)
Walton Street Real Estate Fund V, LP	Mar-06		Jun-06	\$75,000,000	\$39,930,974	
CIM Urban REIT, LLC	Apr-06		Jun-06	\$50,000,000	\$12,290,598	(\$549,193)
REEF Global Opportunities Fund II	Apr-06		Oct-06	\$100,000,000	\$77,816,877	
TA Associates Realty Fund VIII	Jul-06		Oct-06	\$100,000,000	\$50,000,000	(\$262,322)
Warburg Pincus Real Estate Fund I	Jul-06		Sep-06	\$100,000,000	\$34,900,000	
RLJ Lodging Fund II	Jul-06		Sep-06	\$75,000,000	\$58,008,335	(\$4,702,659)
MacFarlane Urban Real Estate Fund II	Jul-06		Nov-06	\$75,000,000	\$806,682	(\$382,653)
Prudential Property Investment Separate Account (PRISA)	Sep-06		Dec-06	\$300,000,000	\$300,000,000	
Walton Street Real Estate Fund V, LP (Side Car)	Nov-06		Jan-07	\$25,000,000	\$5,434,783	
Westbrook Real Estate Fund VII, LP	Nov-06		Jan-07	\$40,000,000 (3)		
Carlyle Realty Partners Fund V	Nov-06		Feb-07	\$100,000,000	\$19,684,890	(\$83,332)
Heitman Core Property Fund	Nov-06		Jan-07	\$100,000,000	\$36,665,300	
Morgan Stanley Prime Property Fund	Nov-06		Aug-07	\$150,000,000	\$150,000,000	
Prudential Property Investment Separate Account II (PRISA II)	Dec-06		Jun-07	\$100,000,000	\$33,500,000	
Capmark UK Realty Partners, LP	Dec-06		Apr-07	\$35,000,000 (5)	\$32,532,269	
Blackstone Real Estate Partners VI, LP	Jan-07		Feb-07	\$100,000,000	\$30,631,034	(\$17,603,305)
CBRE Strategic Partners Europe III, LP	Feb-07		May-07	\$54,400,000 (4)	\$543,793	
AEW Core Open-End Fund	Apr-07		not yet closed	\$100,000,000		
CIM Real Estate Fund III, LP	Apr-07		Aug-07	\$50,000,000	\$4,549,391	(\$1,142,472)
Capri Urban Investors, LP	Apr-07		Sep-07 ✓	\$50,000,000		
LaSalle Asia Opportunity Fund III	Jul-07		not yet closed	\$100,000,000		
ARA Dragon Fund	Jul-07		Sep-07 ✓	\$100,000,000		
RLJ Real Estate Fund III	Jul-07		Aug-07	\$75,000,000		
Walton Street Real Estate Fund VI, LP	Jul-07		Oct-07 ✓	\$50,000,000		
Walton Street Real Estate Fund VI, LP (Side Car)	Jul-07		Oct-07 ✓	\$25,000,000		
Capmark Realty Partners III, LP	Jul-07		Aug-07	\$50,000,000	\$17,672,603	
General Motors Investment Management Corporation (GMIMCo)	Sep-07		not yet closed	\$150,000,000		
Guggenheim Structured Real Estate Fund III, LP	Sep-07		Sep-07 ✓	\$100,000,000		
CBRE Strategic Partners US Opportunity Fund V, LP	Sep-07		not yet closed	\$75,000,000		
L&B Diversified Strategy Partners, LP	Sep-07		not yet closed	\$50,000,000		
Tucker Development and Acquisition Fund (TDAF)	Oct-07		not yet closed	\$50,000,000		
Five Mile Capital Partners II, LP	Oct-07		not yet closed	\$100,000,000		
				\$3,129,400,000	\$1,217,096,132	(\$64,336,617)

V - CLOSED IN SEPT 07

Alternative Investment Program
Approved Investments

Oct-07

Fund Name	SIC	Approval Month	Inception Date	Commitment	Total Contributions	Total Distributions
Hedge Funds						
Archipelago Partners, LP	Jan-06	Jan-06	Jun-06	\$150,000,000 (a)	\$150,000,000	
AG Garden Partners, LP (Angelo Gordon - Sep. Account)	Jan-06	Jan-06	Mar-06	\$150,000,000 (b)	\$135,000,000	
OZ Domestic Partners II, Limited	Jan-06	Jan-06	Jun-06	\$150,000,000 (c)	\$150,000,000	
The BGI Multi-Strategy Fund Limited	Jan-06	Jan-06	Jun-06	\$100,000,000	\$100,000,000	
Goldman Sachs Hedge Fund Partners	Feb-06	Feb-06	Aug-06	\$300,000,000 (h)	\$250,000,000	
RC Woodley Park, LP (Rock Creek Diversified Mkt Neutral Fund)	Feb-06	Feb-06	Aug-06	\$200,000,000 (i)	\$175,000,000	
Arden Alternative Advisors	Feb-06	Feb-06	Jun-06	\$100,000,000	\$100,000,000	
Rock Creek Partners Fund	Oct-06	Oct-06	Dec-06	\$50,000,000	\$11,545,556	
Golden Tree	Nov-06	Nov-06	Jan-07	\$100,000,000	\$100,000,000	
King Street Capital	Nov-06	Nov-06	Feb-07	\$100,000,000	\$100,000,000	
Davidson Kempner Institutional Partners	Nov-06	Nov-06	Dec-07	\$100,000,000	\$100,000,000	
Omega Advisors	N/A	N/A	Jan-07	\$75,000,000 (j)	\$75,000,000	
York Capital Management, LP	Jan-07	Jan-07	Feb-07	\$100,000,000	\$100,000,000	
Intrepid Capital Management	Feb-07	Feb-07	Apr-07	\$75,000,000	\$75,000,000	
Satellite Asset Management	Feb-07	Feb-07	Apr-07	\$100,000,000	\$100,000,000	
Black River Multi-Strategy Leveraged Fund	Mar-07	Mar-07	Jul-07	\$100,000,000	\$100,000,000	
Canyon Value Realization Fund	Mar-07	Mar-07	Jun-07	\$75,000,000	\$75,000,000	
Farallon Capital Institutional Partner, LP	Apr-07	Apr-07	Jun-07	\$150,000,000	\$150,000,000	
Protégé Partners, LP	Apr-07	Apr-07	Jun-07	\$150,000,000	\$150,000,000	
Blackstone Pacific Opportunity Fund	Apr-07	Apr-07	Jun-07	\$100,000,000	\$100,000,000	
Blackstone Emerging Markets Fund	Apr-07	Apr-07	Jun-07	\$100,000,000	\$100,000,000	
Ascend Partners Fund II, LP	Apr-07	Apr-07	Jul-07	\$75,000,000	\$75,000,000	
Silver Point Capital	May-07	May-07	not yet closed	\$100,000,000		
Glennview Institutional Partners, LP	Jul-07	Jul-07	Jul-07	\$100,000,000	\$75,000,000	
BlackRock Credit Investors Fund	Sep-07	Sep-07	Oct-07	\$400,000,000		
AG Diversified Strategies Fund	Sep-07	Sep-07	Oct-07	\$150,000,000	\$75,000,000	
Canyon Special Opportunities Fund	Sep-07	Sep-07	Sep-07	\$100,000,000	\$100,000,000	
Golden Tree Opportunities Fund	Sep-07	Sep-07	Sep-07	\$100,000,000	\$100,000,000	
Pimco Investment Management Company, LLC (PIMCO)	Oct-07	Oct-07	not yet closed	\$125,000,000		
Centerbridge Partners, LP	Oct-07	Oct-07	not yet closed	\$100,000,000		
				\$3,775,000,000	\$2,821,545,556	\$0

✓ - CLOSED IN SEPT 07

Total Commitments / Contributions / Distributions	\$12,805,846,000	\$5,706,651,940	(\$204,451,574)
Net Contributions	\$5,502,200,366		

(a) Commitment increased to \$150M from \$65M on 9/21/06. (b) Commitment increased to \$150M from \$85M on 9/21/06. (c) Commitment increased to \$150M from \$50M on 9/21/06. (d) Commitment increased by \$250 million on 7/20/06. (e) Commitment increased by \$200M on 11/16/06. (f) Commitment to be increased by \$200M on 3/15/07. (g) Commitment to be increased by \$25M on 3/15/07. (h) Commitment to be increased by \$50 million on 4/19/07. (i) Commitment to be increased by \$50 million on 7/19/07. (j) Commitment to be increased by \$100 million on 9/20/07.

(1) Corresponds to €40.0 million; (2) Corresponds to €59 million; (3) Reduced from \$50 million to \$40 million at closing; (4) Corresponds to €40.0 million; (5) Corresponds to 17.5 million pounds.

Exhibit 26a

Schedule of Private Equity Commitments / Investments by Type¹

Updated October 11, 2007

Type / Fund Name	Fiscal Year 2008 YTD			Cumulative (YTD & Fiscal Year 2006-2007)			Cumulative			Cum. Invested /		
Domestic DBO >\$5B (Direct)	Actual	%	Full Yr. Plan	Actual	%	Cumulative Plan	Amount Invested ²	%		Cum. Committed	%	
	\$ 400,000,000	34.8%	\$ 1,150,000,000	\$ 1,475,750,000	27.9%	\$ 2,625,750,000	\$ 508,496,937	33.3%		\$ 34.5%		
Warburg Pincus Private Equity X (Sept 2007)	\$ 400,000,000	34.8%		400,000,000	7.6%			0.0%			0.0%	
THL Equity Fund VI				75,000,000	1.4%		22,354,099	1.5%			29.8%	
Silver Lake Partners III				100,000,000	1.9%		451,686	0.0%			0.5%	
Hellman & Friedman Capital Partners VI				100,000,000	1.9%		24,030,602	1.6%			24.0%	
Warburg Pincus Private Equity IX, LP				200,000,000	3.8%		164,501,684	10.8%			82.3%	
Apollo Investment Fund VI, LP				100,000,000	1.9%		34,974,989	2.3%			35.0%	
Blackstone Capital Partners V				100,000,000	1.9%		49,998,068	3.3%			50.0%	
Madison Dearborn Partners (MDCP V)				125,000,000	2.4%		82,715,795	5.4%			66.2%	
Texas Pacific Group Partners V				250,000,000	4.7%		115,757,799	7.6%			46.3%	
Warburg Pincus Private Equity VIII, LP (Secondary)				25,750,000	0.5%		13,712,215	0.9%			53.3%	
Domestic MMBQ >\$1B (Direct)	\$ 250,000,000	21.7%	\$ 750,000,000	\$ 1,270,000,000	24.0%	\$ 2,020,000,000	\$ 338,065,802	22.1%		\$ 26.6%		
Oak Hill Capital Partners III, LP (Sept 2007)	250,000,000	21.7%		250,000,000	4.7%			0.0%			0.0%	
Sheridan Production Partners I-B (July 2007)				50,000,000	0.9%		4,761,301	0.3%			9.5%	
Vista Equity Partners Fund III				100,000,000	1.9%		35,956,550	2.4%			36.0%	
New Mountain Partners III				100,000,000	1.9%		7,693,928	0.5%			7.7%	
Court Square Capital Partners II				100,000,000	1.9%		24,029,880	1.6%			24.0%	
InterMedia Partners VII, LP				75,000,000	1.4%		38,290,515	2.5%			51.1%	
TPG STAR, LP				100,000,000	1.9%		16,042,962	1.1%			16.0%	
Onex Partners II				100,000,000	1.9%		59,014,997	3.9%			59.0%	
Oak Hill Capital Partners II, LP				75,000,000	1.4%		49,598,949	3.2%			66.1%	
Quadrangle Capital Partners II, LP				50,000,000	0.9%		18,404,465	1.2%			36.8%	
JLL Partners Fund V, LP				50,000,000	0.9%		22,971,464	1.5%			45.9%	
Lindsay Goldberg & Bessemer II				100,000,000	1.9%		32,733,471	2.1%			32.7%	
DLJ Merchant Banking Partners IV				50,000,000	0.9%		23,660,516	1.5%			47.3%	
GTCR Partners IX				70,000,000	1.3%		4,906,804	0.3%			7.0%	
Domestic Small / MMBQ <\$1B (S.A.)	\$ -	0.0%	\$ 200,000,000	\$ 325,000,000	6.1%	\$ 525,000,000	\$ 85,622,960	5.6%		\$ 26.3%		
Credit Suisse - Sep. Acct. (2 yrs.) ³				125,000,000	2.4%		10,895,151	0.7%			8.7%	
CSFB - Sep. Acct. (2 yrs.)				200,000,000	3.8%		74,727,809	4.9%			37.4%	
International Buyouts (S.A.)	\$ -	0.0%	\$ 200,000,000	\$ 566,666,667	10.7%	\$ 766,666,667	\$ 121,680,503	8.0%		\$ 21.5%		
Goldman Sachs - Sep. Acct. (3 yrs.) ⁸				66,666,667	1.3%		-	0.0%			0.0%	
Hamilton Lane - Sep. Acct. (2 yrs.) ⁴				100,000,000	1.9%		-	0.0%			0.0%	
Goldman Sachs - Sep. Acct. (3 yrs.)				200,000,000	3.8%		52,290,437	3.4%			26.1%	
Hamilton Lane - Sep. Acct. (2 yrs.)				200,000,000	3.8%		69,390,066	4.5%			34.7%	
Subtotal - Buyout	\$ 650,000,000		\$ 1,300,000,000	\$ 2,942,416,667	55.6%	\$ 5,937,416,667	\$ 1,053,866,202	69.0%		\$ 35.8%		
Emerging Manager (S.A.)	\$ -	0.0%	\$ 100,000,000	\$ 100,000,000	1.9%	\$ 200,000,000	\$ 27,117,030	1.8%		n/a		
Credit Suisse - Sep. Acct. (2 yrs.) ⁶				50,000,000	0.9%		22,617,030	1.5%			45.2%	
Fairview Capital Partners - Sep. Acct. (2 yrs.) ⁷				50,000,000	0.9%		4,500,000	0.3%			9.0%	
Venture Capital - (ToE)	\$ -	0.0%	\$ 150,000,000	\$ 150,000,000	2.8%	\$ 300,000,000	\$ 24,239,031	1.6%		\$ 16.2%		
Lehman Brothers - NJ Direct Investment Fund ⁹				50,000,000	0.9%		5,000,000	0.3%			10.0%	
Lehman Crossroads Fund XVIII VC fund				50,000,000	0.9%		12,000,000	0.8%			24.0%	
JP Morgan Venture Capital Inst'l Investors III, LLC				50,000,000	0.9%		7,239,031	0.5%			14.5%	

Exhibit 26a

Schedule of Private Equity Commitments / Investments by Type¹

Type / Fund Name Distressed (Direct)	Updated October 11, 2007			Fiscal Year 2008 YTD			Cumulative (YTD & Fiscal Year 2006-2007)			Cumulative		Cum. Invested / Cum. Committed %
	Actual	%	Full Yr. Plan	Actual	%	Cumulative Plan	Actual	%	Cumulative Plan	Amount Invested ²	%	
WLR Recovery Fund IV (October 2007)	\$ 200,000,000	17.4%	\$ 300,000,000	\$ 200,000,000	8.3%	\$ 920,000,000	\$ 620,000,000	11.7%	\$ 920,000,000	\$ 145,838,629	9.5%	23.5%
MastlinPatterson Global Opportunities Partners III, LP	100,000,000	8.7%		100,000,000			100,000,000	1.9%		-	0.0%	0.0%
Avenue Capital Partners V, LP				100,000,000	1.9%		100,000,000			10,010,535	0.7%	10.0%
Avenue Capital Partners V - top off (Sept 2007)				100,000,000	8.7%		200,000,000	3.8%		21,978,066	1.4%	11.0%
KPS Special Situations Fund III							25,000,000	0.5%		-	0.0%	0.0%
Avenue Asia Special Situations IV				40,000,000	0.8%		40,000,000			10,588,605	0.7%	26.5%
Avenue Capital Partners IV, LP				20,000,000	0.4%		20,000,000			20,000,000	1.3%	100.0%
Black Diamond Opportunity Fund II				40,000,000	0.8%		40,000,000			12,634,664	0.8%	31.6%
Wayzata Opportunities Fund, LLC				40,000,000	0.8%		40,000,000			38,231,505	2.5%	95.6%
MHR Institutional Partners III				75,000,000	1.4%		75,000,000	1.4%		22,877,597	1.5%	30.5%
Centerbridge Partners				80,000,000	1.5%		80,000,000	1.5%		9,515,657	0.6%	11.9%
Mezzanine (Direct)							\$ 285,000,000	5.4%	\$ 385,000,000	\$ 116,477,341	7.6%	40.9%
Newstone Capital Partners		0.0%	\$ 100,000,000		2.8%		50,000,000	0.9%		20,620,247	1.3%	41.2%
Gleacher Mezzanine II				40,000,000	0.8%		40,000,000			654,793	0.0%	1.6%
Audax Mezzanine II				50,000,000	0.9%		50,000,000			13,574,180	0.9%	27.1%
OCM Mezzanine II, LP				50,000,000	0.9%		50,000,000			30,784,795	2.0%	61.6%
Blackstone Mezzanine Partners II				45,000,000	0.9%		45,000,000	0.9%		17,854,354	1.2%	39.7%
Curlye Mezzanine Partners				50,000,000	0.9%		50,000,000	0.9%		32,988,971	2.2%	66.0%
Co-Investments (S.A.)							\$ 100,000,000	1.9%	\$ 400,000,000	\$ 75,999,358	5.0%	76.0%
Merrill Lynch - Sep. Acct. (2 yrs.)		0.0%	\$ 300,000,000		8.3%		100,000,000	1.9%		75,999,358	5.0%	76.0%
Secondaries (Direct)							\$ 100,696,000	1.9%	\$ 150,696,000	\$ 44,357,703	2.9%	44.1%
Lexington Capital Partners VI		0.0%	\$ 50,000,000		1.4%		50,000,000	0.9%		17,958,708	1.2%	35.9%
Partners Group Secondary 20065							50,696,000	1.0%		26,398,995	1.7%	52.1%
Loan Funds - Debt Related							\$ 300,000,000	5.7%	\$ 600,000,000	\$ 40,000,000	2.6%	13.3%
TPG - TAC 2007 (Sept 2007)	\$ 300,000,000	26.1%	\$ 300,000,000		8.3%		100,000,000	1.9%		-	0.0%	0.0%
OCM Loan Fund (Sept 2007)	\$ 100,000,000	8.7%		200,000,000	17.4%		200,000,000	3.8%		40,000,000	2.6%	20.0%
Total	\$ 1,150,000,000	100.0%	\$ 3,600,000,000	\$ 1,150,000,000	100.0%	\$ 8,893,112,667	\$ 5,293,112,667	100.0%	\$ 8,893,112,667	\$ 1,577,895,294	100.0%	28.9%

1 Commitment amounts include funds that have been presented to the SIC through October 2007 (i.e.: this meeting) even if we have yet to "close" on the investment.

2 Net of total notifications of contributions and distributions through October 8, 2007.

3 Fiscal Year 2007 assumptions: Credit Suisse mandate (\$250mm) committed over a 2-year period.

4 Fiscal Year 2007 assumptions: Hamilton Lane mandate (\$200mm) committed over a 2-year period.

5 Represents a €40mm commitment using the FX rate at the date of closing (9/29/06).

6 Fiscal Year 2007 assumptions: Credit Suisse Emerging Manager mandate (\$100mm) committed over a 2-year period.

7 Fiscal Year 2007 assumptions: Fairview Capital Partner mandate (\$100mm) committed over a 2-year period.

8 Fiscal Year 2007 assumptions: Goldman Sachs mandate (\$200mm) committed over a 3-year period.

9 Fiscal Year 2007 assumptions: Lehman Brothers mandate (\$100mm) committed over a 3-year period.



PORTFOLIO

Representative Investments (current and former)

Ability

Ability is a start-up Bermuda-based reinsurance company focused on acquiring long-term care insurance businesses.

[Back to Previous Page](#)



Alibris, Inc.

Alibris is a transaction processing system and online exchange for books, music and video retailers.

[Visit Web Site](#)

[Back to Previous Page](#)



Align Technology, Inc.

Align Technology designs, manufactures, and markets Invisalign®, the world's leading invisible orthodontic product for the treatment of misaligned teeth. Invisalign® offers a series of clear, removable aligners that both orthodontists and dentists distribute to their patients.

[Back to Previous Page](#)

American Savings Bank

American Savings Bank was a \$24 billion California savings and loan association which had been seized by the Federal Savings & Loan Association after a history of significant losses. In cooperation with the federal government, the firm restructured the bank into American Savings. In December 1996, American Savings merged into Washington Mutual, Inc.

[Back to Previous Page](#)



American Skiing Company

American Skiing Company is an operator of alpine ski, snowboard and golf resorts in the U.S.

[Visit Web Site](#)

[Back to Previous Page](#)



Ariel Holdings, Ltd.

Ariel Reinsurance Holdings is a catastrophe reinsurer founded in 2005 to capitalize on the dislocations in the reinsurance market following recent hurricanes.

[Visit Web Site](#)

[Back to Previous Page](#)



Atlantic Broadband Group, LLC

Atlantic Broadband is a cable operator which provides analog and digital video services as well as high-speed data services to subscribers in Miami Beach, Western Pennsylvania, Maryland, and Delaware.

[Visit Web Site](#)

[Back to Previous Page](#)



Bell + Howell Company

Bell + Howell Company was a diversified information products and services provider.

[Back to Previous Page](#)



Blackboard Inc.

Blackboard is a leading global provider of enterprise software applications and related services to the education industry. Blackboard-branded software is used by millions of students across thousands of educational institutions, primarily in the U.S. postsecondary education market.

[Back to Previous Page](#)



Butler Animal Health Supply LLC

Butler Animal Health Supply is the largest U.S. distributor of companion animal health products to veterinarians. Through a national distribution network and a comprehensive sales force, Butler distributes a broad range of products, including prescription pharmaceuticals, vaccines, medical equipment, and supplies, on behalf of hundreds of vendors to tens of thousands of veterinary clinics.

[Visit Web Site](#)

[Back to Previous Page](#)



Caribbean Restaurants, Inc.

Caribbean Restaurants is the exclusive Burger King franchisee in Puerto Rico and the largest quick-service restaurant on the island.

[Back to Previous Page](#)



Cincinnati Bell, Inc.

Cincinnati Bell is a diversified telecommunications services provider located in Cincinnati, Ohio that services more than one million local access lines and 500,000 wireless subscribers.

[Back to Previous Page](#)



Duane Reade, Inc.

Duane Reade is the largest drugstore chain in New York City, which is the

22x



largest drugstore market in the U.S., representing approximately 5% of all domestic drugstore sales. The company has prime real estate locations in the highly defensible New York metropolitan market, which is less penetrated by large drugstore chains and mass merchants than most markets.

[Visit Web Site](#)

[Back to Previous Page](#)



eGain Communications Corporation

eGain Communications is a leading provider of customer service and contact center software. The company offers software solutions both as a hosted, web-based service and in a traditional, more customizable version that is installed and managed by the client.

[Visit Web Site](#)

[Back to Previous Page](#)



EXL Services, Inc.

EXL Services is a leading provider of business process outsourcing services to the financial services industry and the corporate finance departments of Global 1000 companies. The company combines in-depth knowledge of insurance, banking, finance, and accounting with proven expertise optimizing large-scale processes on a global basis.

[Visit Web Site](#)

[Back to Previous Page](#)



Financial Engines, Inc.

Financial Engines provides personalized, independent investment advice, and portfolio management to 401(k) participants through its software offerings. Founded by Nobel Prize-winning economist William F. Sharpe, Financial Engines serves millions of employees at many of America's largest corporations including more than 50 of the Fortune 500.

[Visit Web Site](#)

[Back to Previous Page](#)



GATX Logistics, Inc.

GATX Logistics provided a range of third-party logistics services for its customers, including contract warehousing, value-added assembly, freight management, and contract transportation services.

[Back to Previous Page](#)



Genpact Limited

Genpact Global is a global provider of business process outsourcing services with tens of thousands of employees worldwide. The company, formerly known as G.E. Capital International Services, or Gecis, was founded by General Electric Company in 1997.

[Visit Web Site](#)

[Back to Previous Page](#)

IPWireless, Inc.

23x



IPWireless offers consumers and small businesses a high speed, proprietary technology platform that enables fully-portable, wireless Internet access at up to 14 Mbps.

[Visit Web Site](#)

[Back to Previous Page](#)



Jacobson Companies, Inc.

Jacobson is a third party logistics provider.

[Visit Web Site](#)

[Back to Previous Page](#)



Local TV, LLC

Local TV is a group of nine local television stations in the southern, northeastern and Midwestern U.S. markets.

[Visit Web Site](#)

[Back to Previous Page](#)



MeriStar Investment Partners Lessee, L.P.

MeriStar Investment Partners Lessee, L.P. is a joint venture among MeriStar Hospitality Corporation, Interstate Hotels & Resorts, and Oak Hill Capital Partners. The portfolio includes several properties under the brand names Embassy Suites, Hilton, Marriott, and Sheraton.

[Back to Previous Page](#)



Metrika, Inc.

Metrika is a manufacturer and marketer of single-use diabetes monitoring products. Using proprietary technology, Metrika integrates miniaturized digital electronics, micro-optics, and dry reagent chemistries into easy-to-use hand-held, low-cost, single-use monitoring devices.

[Back to Previous Page](#)

National Re Corporation

National Re was a direct writer of property and casualty reinsurance to primary insurers. Two years after completing its initial public offering, National Re was acquired by General Reinsurance.

[Back to Previous Page](#)



NSA International, LLC

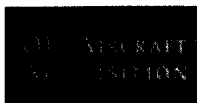
NSA is a direct seller and marketer of Juice Plus+, a natural whole food fruit and vegetable supplement, in the U.S. and more than 20 countries worldwide.

[Visit Web Site](#)

[Back to Previous Page](#)



24x


**OH Aircraft Acquisition, LLC**

OH Aircraft Acquisition is a newly formed aircraft leasing platform launched with an order for six B777F aircraft.

[Back to Previous Page](#)


Oreck Corporation

Oreck Corporation is a multi-channel manufacturer, direct marketer, and retailer of vacuum cleaners and home and commercial floor care products.

[Back to Previous Page](#)

**Packaging Dynamics**

Packaging Dynamics is a full-service manufacturer of liquid filling equipment and machinery for food packaging and industrial businesses.

[Back to Previous Page](#)

**Physician Oncology Services**

Physician Oncology Services is a platform of outpatient radiation oncology centers.

[Visit Web Site](#)

[Back to Previous Page](#)


Primus International Inc.

Primus is a global Tier 1 supplier of components and subsystems, including desk-sized kits, assemblies and flight critical components, to the global aerospace industry.

[Visit Web Site](#)

[Back to Previous Page](#)

**Progressive Moulded Products Ltd.**

Progressive Moulded Products is a leading Tier 1.5 automotive interior subsystem supplier in North America.

[Back to Previous Page](#)

**RSC Holdings, Inc.**

RSC Equipment Rental is a provider of rental equipment to construction industry.

[Visit Web Site](#)

[Back to Previous Page](#)

25x

**SVTC Technologies, LLC**

SVTC is a provider of outsourced services to the semiconductor industry, including access to equipment, IP and engineering services.

[Visit Web Site](#)

[Back to Previous Page](#)

**Telecity Group plc**

Telecity Group is a leading European provider of co-location and managed data center services. Through its network of carrier-neutral data centers throughout Europe, Telecity Group offers secure, controlled environments staffed by specialized engineers, to businesses that want to outsource all or part of the management of their technology infrastructure.

[Visit Web Site](#)

[Back to Previous Page](#)

**The Container Store, Inc.**

The Container Store is the category-defining specialty retailer of storage and organizational solutions. The company currently operates highly-productive destination specialty retail stores across the U.S., an internet and mail order business, and a wholesale business.

[Back to Previous Page](#)

**TravelCenters of America, Inc.**

TravelCenters of America is the largest and only nationwide operator of full-service travel centers in the U.S.

[Back to Previous Page](#)

**Vertex Data Science**

Vertex is a U.K.-based technology and process outsourcing company with distinct expertise in financial services, utilities billing, public sector outsourcing, and high-value customer service.

[Visit Web Site](#)

[Back to Previous Page](#)

**WideOpenWest, LLC**

WideOpenWest is a cable operator providing analog and digital video, high-speed data, and digital telephony services to customers in Chicago, Cleveland, Columbus, and Detroit.

[Back to Previous Page](#)

**Williams Scotsman, Inc.**

Williams Scotsman is the largest provider of modular space solutions in North America. Scotsman's products, which include mobile offices, modular classrooms, and other multi-unit modular structures, offer customers flexible, low-cost, and timely solutions to meet temporary space needs on an outsourced basis.

CWA
COMMUNICATIONS WORKERS OF AMERICA
LOCAL 1033

President
Rae C. Roeder

321 West State Street
Trenton, New Jersey 08618
A.F.L.-C.I.O.
(609) 394-7725
FAX (609) 393-7111

Treasurer
Dennis W. Reiter

Executive Vice President
Dianne Spence-Brown

Secretary
Anthony F. Miskowski

October 1, 2007

Orin Kramer, Chair
State Investment Council
PO Box 290
50 West State Street
Trenton, New Jersey 08625-0290

Dear Investment Council:

The outsourcing/privatization of American jobs overseas has become an increasing concern across the American labor landscape. A **New York Times** article dated September 25, 2007 entitled "*Outsourcing Works so Well, India is Sending Jobs Abroad*" underscores the extent of the situation. The Executive Board of CWA Local 1033 ideologically opposes such efforts since it represents a direct threat to the economic security of American workers who are not only the most productive workers in the world according a study released by the International Labor Organization (ILO) on September 1, 2007 and the United States Department of Labor (September 1, 2007) but they are also among the best trained and best educated.

The importation/exportation of lesser trained and lesser educated workers from foreign labor pools dilutes the economic salary/wage base of American labor. Clearly we are not merely referencing telemarketing jobs that pay minimum wage but also so-called "white collar" jobs requiring years of technical and professional educational training in the technical/trade schools and universities. Furthermore, job functions performed by accountants, auditors, and analysts are job titles represented by CWA Local 1033.

The New Jersey Investment Council committed a \$75,000,000 (Jul-05) allocation to **Oak Hill Capital Partners II** plus an additional \$250,000,000 to **Oak Hill Capital Partners III** (Sep—07) for a total of \$325,000,000 as part of its alternative investment strategy in private equities. According to our research, Oak Hill boasts a 30% ownership in **Genpact** (formerly GE Capital International Services or GECIS) that claims to be the leading global outsourcing company headquartered in Gurgaon, India.

We respectfully request that the Investment Council review and withdraw its investment in Oak Hill Capital Partners. Please address this issue at the October 18, 2007 SIC Meeting.

Respectfully,

Rae C. Roeder

Copy: William Clark

432

Exhibit 17
COMMON PENSION FUND B
20 Largest Total Purchases and Sales for Domestic Equities
7/1/07 through 9/30/07

PURCHASES:

Cusip	Company Name	Shares Purchased	\$ Amount Purchased
912810FR	UNITED STATES TREAS TIPS	125,000,000.00	136,156,850.58
36241KMQ	GNMA	100,000,000.39	99,781,250.39
912810FS	UNITED STATES TREAS TIPS	100,000,000.00	97,776,653.20
912828GS	UNITED STATES TREAS NTS	100,000,000.00	95,593,750.00
12513TAA	CDX STRUCTURED NOTES	70,000,000.00	64,625,000.00
912810FJ	UNITED STATES TREAS BDS	50,000,000.00	58,425,781.25
3137EAAY	FHLMC NOTES	50,000,000.00	51,647,350.00
912810FF	UNITED STATES TREAS BDS	50,000,000.00	51,226,562.50
31398ADM	FEDERAL NATL MTG ASSN NOTES	50,000,000.00	51,138,100.00
36295JMQ	GNMA	50,000,000.30	50,226,562.80
36290UCC	GNMA	49,999,999.62	50,124,999.62
36292LD6	GNMA	49,999,999.78	49,937,499.78
36241KMP	GNMA	50,004,908.44	49,684,564.49
90983VAA	MCGUIRE AIR FORCE BASE MILITARY	50,000,000.00	47,679,000.00
831641EJ	SBIC 2007-10B	45,000,000.00	45,000,000.00
947074AF	WEATHERFORD INTL INC.	36,350,000.00	37,099,990.00
46428724	ISHARES TRUST GOLDMAN SACHS	340,000.00	35,639,300.00
20030NAV	COMCAST CORP	30,000,000.00	31,299,600.00
72201410	PIMCO HIGH INCOME FUND	2,200,000.00	30,842,124.93
36962G3H	GENERAL ELECTRIC CAPITAL CORP BD	30,000,000.00	29,898,900.00

SALES:

Cusip	Company Name	Shares Sold	\$ Amount Sold
912810EW	UNITED STATES TREAS BDS	100,000,000.00	111,902,343.75
912828EJ	UNITED STATES TREAS NTS	81,000,000.00	80,269,101.56
912828AU	UNITED STATES TREAS NTS	75,000,000.00	73,752,929.69
912828BG	UNITED STATES TREAS NTS	50,000,000.00	49,242,187.50
912828DV	UNITED STATES TREAS NTS	50,000,000.00	47,855,468.75
912828FS	UNITED STATES TREAS NTS	40,000,000.00	40,503,125.00
25746UAA	DOMINION RESOURCES INC. NOTES	35,000,000.00	37,567,950.00
912828EX	UNITED STATES TREAS NTS	37,000,000.00	36,913,281.25
035229CV	ANHEUSER BUSCH CO INC NOTES	35,000,000.00	32,539,150.00
20030NAE	COMCAST CORP NOTES	30,000,000.00	29,121,000.00
251799AA	DEVON ENERGY CORP DEBS	25,070,000.00	28,995,460.60
9128276T	UNITED STATES TREAS NTS	25,000,000.00	25,629,882.81
9128277L	UNITED STATES TREAS NTS	25,000,000.00	25,612,304.69
912828EU	UNITED STATES TREAS NTS	25,000,000.00	25,011,718.75
9128274V	UNITED STATES TREAS NTS	25,000,000.00	25,001,953.13
912828BH	UNITED STATES TREAS NTS	25,000,000.00	24,926,757.81
59156RAJ	METLIFE INC. SENIOR NOTES	25,000,000.00	24,836,000.00
912828AP	UNITED STATES TREAS NTS	25,000,000.00	24,654,296.88
500769BE	KFW GUARANTEED GLOBAL NOTES	25,000,000.00	24,520,000.00
61746SBS	MORGAN STANLEY NOTES	25,000,000.00	24,492,000.00

Calder

Exhibit 11
COMMON PENSION FUND A
20 Largest Total Purchases and Sales for Domestic Equities
7/1/07 through 9/30/07

PURCHASES:

Cusip	Company Name	Shares Purchased	\$ Amount Purchased
88731710	TIME WARNER INC.	3,300,000.00	68,001,510.00
17296710	CITIGROUP INC.	1,365,000.00	63,683,228.52
12486QU0	S&P 500 INDEX SXZ+UO	1,330,000.00	57,093,708.00
20030N20	COMCAST CORP. "A SPL"	1,700,000.00	47,512,110.00
24702R10	DELL INC.	1,500,000.00	41,910,650.00
46625H10	J.P. MORGAN CHASE & CO.	892,000.00	40,486,047.11
92990310	WACHOVIA CORP.	810,000.00	40,451,067.00
6050510	BANK OF AMERICA CORP.	803,000.00	40,092,217.80
94974610	WELLS FARGO & CO.	1,100,000.00	39,306,811.54
12686C10	CABLEVISION SYSTEMS-NY GRP-A	1,100,000.00	37,497,690.00
35671D85	FREEPORT-MCMORAN COPPER-B	335,000.00	30,204,635.32
70816010	PENNEY (J.C.) CO., INC.	445,000.00	28,895,813.00
G9144P10	TYCO ELECTRONICS LTD	800,000.00	27,485,500.00
3783310	APPLE INC.	210,000.00	27,389,598.68
38255010	GOODYEAR TIRE & RUBBER CO.	950,000.00	26,923,775.00
65163910	NEWMONT MINING CORP.	550,000.00	25,881,251.48
30231G10	EXXON MOBIL CORP.	300,000.00	25,195,500.00
12486Q9V	S&P 500 INDEX SXZ+VO	500,000.00	24,210,000.00
61166W10	MONSANTO CO.	305,000.00	21,211,280.44
46428773	ISHARES DJ US REAL ESTATE	300,000.00	20,494,020.00
87986810	TEMPLE-INLAND INC.	360,000.00	20,321,768.45

SALES:

Cusip	Company Name	Shares Sold	\$ Amount Sold
12486QU0	S&P 500 INDEX SXZ+UO	3,000,000.00	123,663,765.00
12488U9T	S&P 500 INDEX SXM+TT	3,000,000.00	107,659,050.00
30231G10	EXXON MOBIL CORP.	1,230,000.00	102,524,003.40
17275R10	CISCO SYSTEMS, INC.	2,800,000.00	88,793,740.20
43707610	HOME DEPOT, INC. (THE)	1,977,997.00	73,185,889.00
3783310	APPLE INC.	330,000.00	45,468,800.63
65248000	NEWS CORP. CL A	2,000,000.00	43,952,845.97
18450210	CLEAR CHANNEL COMMUNICATIONS,IN	1,200,000.00	43,899,555.11
74271810	PROCTER & GAMBLE CO. (THE)	623,370.00	39,969,997.13
52490810	LEHMAN BROTHERS HOLDINGS INC.	400,000.00	28,383,845.41
6050510	BANK OF AMERICA CORP.	580,000.00	28,074,734.01
62007610	MOTOROLA, INC.	1,600,000.00	27,674,854.71
51783410	LAS VEGAS SANDS CORP.	171,000.00	23,664,977.48
9061310	BIOMET, INC.	479,050.00	22,036,300.00
3116210	AMGEN INC.	385,000.00	20,275,676.10
09062X10	BIOGEN IDEC INC.	356,605.00	18,900,065.00
67459910	OCCIDENTAL PETROLEUM CORP.	333,000.00	18,770,944.53
91301710	UNITED TECHNOLOGIES CORP.	250,000.00	18,241,694.22
71344810	PEPSICO, INC.	256,500.00	17,506,189.73
35671D85	FREEPORT-MCMORAN COPPER-B	202,640.00	17,259,739.64

CWA
COMMUNICATIONS WORKERS OF AMERICA
LOCAL 1033

President
Rae C. Roeder

321 West State Street
Trenton, New Jersey 08618
A.F.L.-C.I.O.
(609) 394-7725
FAX (609) 393-7111

Treasurer
Dennis W. Reiter

Executive Vice President
Dianne Spence-Brown

Secretary
Anthony F. Miskowski

October 24, 2007

Orin Kramer, Chair
State Investment Council
PO Box 290
50 West State Street
Trenton, New Jersey 08625-0290

Dear Sir:

At the State Investment Council (SIC) Meeting on October 18, 2007 Director Clark responded to our concerns relevant to the investment of our retirement funds in **Oak Hill Capital Partners** (\$325 million) that currently retains 30% ownership of a global outsourcing company headquartered in India currently named **Genpact** and formerly named GE Capital International Services (**GEIS**). GE Capital currently retains 40% ownership and another private equity company *General Atlantic* retains a 30% share. In correspondence dated October 4, 2007 we outlined our ideological concerns in investing money in a company dedicated to displacement of American workers and the dilution of the salary/wage base of highly skilled state workers. The "global economy rationale" presented by members of the SIC did not resonate well with our members and therefore we shall pursue legislative remedies to stem the pervasive practice known as **Off-shoring**.

At the October meeting, Director Clark also announced the major purchases in Common Pension Fund A of large cap bank equities in the amount of \$160 million¹. The banks enumerated included **Wachovia Bank** (NYSE: WB). *Exhibit 11 Common Pension Fund A* indicates that 810,000 shares of Wachovia were purchased (*Cusip* 92990310) for the amount of \$40,451,067.00. We respectfully request that the SIC rescind the sale since Wachovia signed a seven year outsourcing agreement with Genpact on November 30, 2005. We include the news release generated by Wachovia for your review.

Likewise, *Exhibit 17 Common Pension Fund B* indicates that in September 30,000,000 shares of General Electric Capital were purchased (*Cusip* 36962G3H) for the amount of \$29,898,900.00. As they own a 40% share in Genpact, investment of state worker pension money potentially poses a threat to our members' livelihood. Please divest ownership of GE Capital.

Respectfully,

Rae C. Roeder, President

Copy: William Clark

¹ See page 2 of Investment Reports submitted by William G. Clark, Director to State Investment Council, October 12, 2007.

lrf

**New Jersey
Office of the Governor**

***Codey Signs Bill to Protect New Jersey
Jobs from offshore Outsourcing***

May 05, 2005

☒ Header

☒

☐ Comments

[Previous Screen](#)

☒ Share your thoughts with the Governor

☒ Email this press release

PO BOX 004
TRENTON, NJ 08625

Contact: Kelley Heck
609-777-2600

RELEASE: May 05, 2005

Codey Signs Bill to Protect New Jersey Jobs from Offshore Outsourcing

(TRENTON) – Acting Governor Richard J. Codey today signed Senate bill 494 to protect New Jersey jobs from being outsourced to foreign countries by requiring that all services under state contract or subcontract must be performed within the United States.

“Today New Jersey is taking an important step to protect our workers and keep jobs from going overseas,” Codey said. “With this bill, we are sending a clear message that if a company wants to take jobs from our hard working families and send them overseas, then it will not do business with the state.”

“It is shameful some companies have sought to profit off of shipping jobs across the Atlantic,” said Department of Labor and Workforce Development Commissioner Thomas D. Carver. “The practice of outsourcing deteriorates the very fabric of our workforce in New Jersey. I applaud Acting Governor Codey for doing what is right – protecting New Jersey jobs from going overseas.”

Senators Shirley K. Turner and Joseph Coniglio, along with Assembly members Reed Gusciora, Louis Manzo, Robert Gordon, Jeff Van Drew and Bonnie Watson Coleman are the prime sponsors of this bill.

“Every day, hundreds of thousands of New Jersey residents are desperately seeking employment in order to support their families,” said Turner (D-Mercer). “It is foolish for the state to send taxpayer dollars abroad to hire workers in India, China or Indonesia when these same jobs can be preformed by the unemployed here in the United States. Not only are we losing the benefits those jobs bring to the individual, but we also lose the tax and economic growth benefits those jobs bring to the state.”

The bill requires that only American citizens and persons authorized to work in the United States shall provide services under a state contract or subcontract. Only when it can be certified that a service cannot be performed within the United States will an exemption be made. This bill applies to the Executive Branch of state government, the Legislature, and any independent state authority, commission or agency authorized to enter into a contract on behalf of the state. It does not cover county, municipal or school district contracts.

The bill also requires the Treasurer to review all ongoing state contracts to determine

whether any existing state services are being performed outside the United States and report his findings within nine months.

As the state and the nation have grown reluctantly accustomed to the disappearance of manufacturing jobs, the new reality is that "knowledge jobs" are just as susceptible. The sectors being hit by outsourcing have been the main engine of job growth. With the growing trend of outsourcing becoming more commonplace, the largest occupational groups at risk include administrative support services, information technology, business and financial operations and healthcare.

New Jersey is the fifth state in the nation to enact legislation or executive action on outsourcing. As of March 2005, there were 112 bills introduced in 40 states to restrict outsourcing.

"New Jersey should not do business with companies that move quality jobs abroad, plain and simple," explained Congilio (D-Bergen). "Saving a few dollars is not worth the costs to New Jersey families when they see their highly skilled job move halfway around the globe for the benefit of corporate profits. For almost a half-million families, the threat of seeing their livelihood moved to Asia or South America is very real and they need to know that the state is doing everything possible to keep their jobs on U.S. soil."

Gusciora (D-Mercer), a primary sponsor in the Assembly, said, "Companies that receive multi-million-dollar state contracts should not have the option of outsourcing jobs at the expense of the economic viability of the hard-working people of New Jersey. The costs saved by businesses that outsource pale in comparison to the residual cost to the state in terms of job losses and economic deterioration."

"Outsourcing displaces hard-working New Jersey residents. New Jersey should not be in the business of putting our own residents out of work. What better way to support our local workforce than to make as many jobs as possible available to them," added Manzo (D-Hudson), a member of the Assembly Commerce and Economic Development Committee.

"New Jersey has long been a progressive leader on the labor front," stated Gordon (D-Bergen). "This bill would send the message that if you want to do business with the State of New Jersey, you must provide decent wages and health care coverage to your workforce."

Van Drew (D-Atlantic, Cape May, Cumberland), vice chair of the Assembly Labor Committee, said, "The state may not be able to solve the problems created by corporate outsourcing, but we can make sure that our tax dollars don't pay for it."

"Our hard-earned tax dollars must not be used to push Americans out of jobs," echoed Watson Coleman (D-Mercer).

 Footer Bar

SENATE, No. 494

STATE OF NEW JERSEY

211th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2004 SESSION

Sponsored by:

Senator SHIRLEY K. TURNER

District 15 (Mercer)

Senator JOSEPH CONIGLIO

District 38 (Bergen)

Co-Sponsored by:

Senators Palaia, Allen and Gill

SYNOPSIS

Provides that only citizens or persons authorized to work in the US pursuant to federal law may be employed in performing certain State contracts.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

(Sponsorship Updated As Of: 2/24/2004)

AN ACT concerning State contracts and supplementing chapter 34 of Title 52 of the Revised Statutes.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. The Director of the Division of Purchase and Property and the Director of the Division of Property Management and Construction in the Department of the Treasury shall include, in every State contract for the performance of services, provisions which specify that only citizens of the United States and persons authorized to work in the United States pursuant to federal law shall be employed in performance of services under the contract or any subcontract awarded under the contract.

2. This act shall take effect immediately.

STATEMENT

Recent published reports have indicated that telephone inquiries by welfare and food stamp clients under New Jersey's Families First Program were being handled by operators in Bombay, India, after the contractor moved its operations outside of the United States as a cost-cutting measure.

This bill directs the Director of the Division of Purchase and Property and the Director of the Division of Property Management and Construction in the Department of the Treasury to include in every State contract for the performance of services provisions which specify that only citizens of the United States and persons authorized to work in the United States pursuant to federal law may be employed in the performance of services under the contract or any subcontract awarded under the contract.

ASSEMBLY RESOLUTION No. 184

STATE OF NEW JERSEY

211th LEGISLATURE

INTRODUCED JUNE 3, 2004

Sponsored by:

Assemblyman JEFF VAN DREW

District 1 (Cape May, Atlantic and Cumberland)

Assemblyman JOSEPH V. EGAN

District 17 (Middlesex and Somerset)

Co-Sponsored by:

Assemblymen Eagler, Diegnan, Fisher and Scalera

SYNOPSIS

Creates commission to study the loss of New Jersey jobs through outsourcing and off-shoring.

7/10

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 3/8/2005)

AN ASSEMBLY RESOLUTION creating a commission to study the loss of New Jersey jobs through outsourcing and off-shoring.

WHEREAS, In recent years, a number of companies have replaced highly-skilled workers from New Jersey with lower-paid, foreign laborers, in a practice known as outsourcing or off-shoring; and

WHEREAS, These outsourcing trends coincide with the U.S. job market's longest slump since the 1930's; and

WHEREAS, Many white-collar occupations, including technology and computer specialists, financial analysts, accountants, office support, and call-center employees are among the most vulnerable to outsourcing; and

WHEREAS, The preservation of jobs in New Jersey is of critical importance to the economic well-being of the State; and

WHEREAS, The economic dislocation caused by a company outsourcing jobs threatens the health, safety, and welfare of the people in this State; and

WHEREAS, Forrester Research, Inc. predicts that 3.3 million U.S. jobs will be sent offshore by 2015, accounting for 2 percent of the entire workforce and \$136 billion in wages; now, therefore,

BE IT RESOLVED *by the General Assembly of the State of New Jersey:*

1. There is created an Assembly Study Commission known as the "Outsourcing and Off-shoring Commission." The commission shall consist of seven members, to be appointed by the Speaker of the General Assembly as follows: three members of the General Assembly, not more than two of whom shall be of the same political party; one member from the New Jersey Business and Industry Association; one member from the New Jersey State Chamber of Commerce; and two members from the New Jersey State AFL-CIO, one of whom shall be from a union representing public employees.

2. All appointments shall be made within 60 days after the effective date of this resolution. Vacancies in the membership of the commission shall be filled in the same manner as the original appointments were made. Members shall serve without compensation.

3. The commission shall organize within 30 days after the appointment of its members and shall select a chairperson and a vice- chairperson from among its members, and a secretary who need not be a member of the commission.

4. The commission shall conduct no less than three public hearings in furtherance of its general purpose, to be held in the Northern, Central and Southern regions of New Jersey, to elicit

the testimony of interested groups and the general public at such times as it shall designate.

5. It shall be the duty of the commission to study the issues associated with the practices of outsourcing and off-shoring including but not limited to:

a. reviewing the impact of outsourcing and off-shoring on private and public employers and employees in the State;

b. studying ways to reduce outsourcing and off-shoring in the State;

c. determining which employment sectors are most affected by outsourcing and off-shoring issues;

d. identifying outsourcing and off-shoring issues that can be controlled or addressed by State law or regulation; and

e. providing recommendations concerning steps that need to be taken to ensure that outsourcing and off-shoring practices do not have a detrimental impact on the employers and employees in the State of New Jersey.

6. The commission shall prepare and submit a final report containing its findings and recommendations, including any recommendations for legislation, to the Speaker and Minority Leader of the General Assembly no later than nine months following its organizational meeting.

7. This resolution shall take effect immediately and shall expire 30 days after the submission of the final report of the commission.

STATEMENT

In recent years, a number of companies have replaced highly-skilled workers from New Jersey with lower-paid, foreign laborers, in a practice known as outsourcing. These outsourcing trends coincide with the U.S. job market's longest slump since the 1930's. As a result, many white-collar occupations, including technology and computer specialists, financial analysts, accountants, office support and call-center employees are among the most vulnerable to outsourcing. As the preservation of jobs in New Jersey is of critical importance to the economic well-being of the State and the economic dislocation caused by a company outsourcing jobs threatens the health, safety, and welfare of the people in this State, the public interest will be best served by studying this issue as comprehensibly as possible. This resolution provides for a study to determine the problems faced as a result of outsourcing and off-shoring, and to explore possible solutions.

This resolution creates a commission to be known as the "Outsourcing and Off-shoring Commission." The commission shall consist of seven members appointed by the Speaker of the General Assembly as follows: three members of the General Assembly not more than two of whom shall be of the same political party; one member from the New Jersey Business and Industry Association; one member from the New Jersey State Chamber of Commerce; and two members from the New Jersey State AFL-CIO, one of whom shall be from a union representing public employees.



The commission will study ways to reduce outsourcing and off-shoring in the State; determine which employment sectors are most affected by outsourcing and off-shoring issues; identify outsourcing and off-shoring issues that can be controlled or addressed by State law or regulation and provide recommendations concerning steps that need to be taken to ensure that outsourcing and off-shoring practices do not have a detrimental impact on the employers and employees in the State of New Jersey.

The commission shall prepare and submit a final report containing its findings and recommendations, including recommendations for legislation, to the Speaker and Minority Leader of the General Assembly no later than nine months following its organizational meeting.



Monday, November 5, 2007

Bill Text - S04696

[Back](#) | [New York State Bill Search](#) | [Assembly Home](#)

[See Bill Summary](#)

STATE OF NEW YORK

4696

2007-2008 Regular Sessions

I N S E N A T E

April 20, 2007

Introduced by Sen. LAVALLE -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions

AN ACT to amend the retirement and social security law, in relation to enacting the "invest in America act" to prohibit investment of common retirement fund moneys or assets in certain institutions and companies

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 Section 1. This act shall be known and may be cited as the "invest in
- 2 America act".
- 3 S 2. The retirement and social security law is amended by adding a new
- 4 section 423-c to read as follows:
- 5 S 423-C. INVESTMENTS IN COMPANIES WHICH OUTSOURCE JOBS. NOTWITHSTAND-
- 6 ING ANY OTHER PROVISION OF LAW, ON AND AFTER JANUARY FIRST, TWO THOUSAND
- 7 EIGHT, THE INVESTMENT OF ANY MONEYS OR ASSETS OF THE COMMON RETIREMENT
- 8 FUND IN THE STOCKS, SECURITIES OR OTHER OBLIGATIONS OF ANY INSTITUTION
- 9 OR COMPANY WHICH OUTSOURCES JOBS SHALL BE PROHIBITED AND ANY SUCH
- 10 INVESTMENT REMAINING IN SUCH INSTITUTION OR COMPANY ON SUCH DATE SHALL
- 11 BE TERMINATED BY THE COMPTROLLER IN A FISCALLY PRUDENT MANNER AND SHALL
- 12 BE REINVESTED IN ANY INVESTMENTS OR SECURITIES AUTHORIZED BY LAW. FOR
- 13 PURPOSES OF THIS SECTION, THE TERM "OUTSOURCE" SHALL MEAN TO SEEK
- 14 RESOURCES OUTSIDE OF THE UNITED STATES TO SAVE MORE AND/OR TO EXPLOIT
- 15 THE SKILLS OF ANOTHER ENTITY.
- 16 S 3. This act shall take effect immediately.

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets { } is old law to be omitted.

LBD00947-01-7



Offshoring and Outsourcing in the States

Testimony by Nathan Newman, Policy Director at the Progressive States Network

101 Avenue of the Americas, 3rd Floor
New York, NY 10013
(212) 680-3116
nnewman@progressivestates.org

Thank you, Chairman. I'm Nathan Newman, Policy Director at the Progressive States Network, an organization that supports state legislators and advocates across the country in promoting policies that support working families. Parts of my testimony today is based on a report about outsourcing and privatization by state governments that we will be publishing in the next few weeks.

I would like to address both the issues before this commission, offshoring and outsourcing, and what states have been doing and can do to encourage more responsible policies that help raise wage standards for all workers.

Offshoring of Jobs and State Debates on Trade Policy

On the issue of offshoring jobs overseas, states have begun taking a number of actions to stop the downgrading of job quality due to global competition. When back in 2004, Good Jobs First and other organizations highlighted that some government contracts were being offshored to overseas vendors, a number of states, including New Jersey, enacted laws to deny government contracts to companies using offshored labor. That was a useful first step and a number of states have taken action to demand that the federal government fix a broken international trade system:

- Governors from a number of states sent formal letters to federal negotiators condemning the procurement rules contained in the recent Central America Free Trade Agreement (CAFTA).
- Legislators from multiple states sent a joint letter in 2005 to federal negotiators expressing opposition to the investor provisions contained in the CAFTA agreement.

- A number of states, including Maine, Washington, New Hampshire, North Carolina and California, have created specific legislative oversight committees to review trade agreements and develop policy responses on behalf of those states' governments.
- Both chambers in Maine, Nevada and Utah—and one chamber in Alabama, Hawaii, Montana, Pennsylvania, Rhode Island, Tennessee, Vermont, and Wisconsin—have approved resolutions calling on Congress to renegotiate the “fast track” trade promotion authority which has traditionally prevented any amendments to trade deals negotiated by the President, allowing special interests to include corporate benefits without any real democratic accountability.

As Eric Richard discussed at the first hearing of this commission, state leaders across the country have recently introduced the Jobs, Trade and Democracy Act, a model bill that ensures that citizens and state legislators have access to information on the impact of trade policy, requires governors to have the consent of the state legislature to bind the state to international trade agreements, and creates oversight bodies to assess the legal and economic effects of trade agreements.

Outsourcing by Government

Yet offshoring jobs overseas is only the logical end-product of the broader trend of outsourcing, of larger companies and government itself seeking low-cost subcontractors to do work previously done by its own employees, whether that work is done abroad or here at home. It is hard for government to credibly criticize these outsourcing trends by private employers when it fails to establish strong standards in its own contracting practices.

Unfortunately, the same ideology driving outsourcing and offshoring in the private sector is all too common in government contracting. We hear too many government officials promoting what seems like a free lunch: hand-over control of government services or government assets to private industry and services will improve at a lower cost. Like most promises of a free lunch, outsourcing of government services has rarely delivered on its promises, with most studies showing little gain and often substantial losses for taxpayers, even aside from its effect on workers.

Some of these failures have been spectacular flameouts, such as the recent cancellation of a billion-dollar Texas deal with Accenture that was supposed to improve management of human services in that state but instead led to tens of thousands of children losing health coverage due to incompetent management.¹

But many other outsourcing failures are quieter and happen out of the public eye. There is little reliable data on the benefits or costs of outsourcing as most studies are anecdotal due to the overall lack of data on privatization. Reports tend to have a systematic bias since they focus on programs that for whatever political reasons have been privatized, while having little data on the comparable programs not privatized, so they usually lack a good baseline for accurate comparisons.

For governments and advocates monitoring public programs, it is a problem that state budgets do little overall tracking of their contracting programs, particularly of the percentage of state budgets going to outside contractors versus funding in-house work by government employees. Most state leaders therefore have little information on which to judge the success or failure of their contracting out programs. What is especially missing is data that allows those leaders and researchers to compare the degree of outsourcing in similar sectors among different states to assess best practices in providing public services. The limits of data available should encourage states to enact laws creating greater transparency over how much of their state budgets go to outside contractors and for which programs.

It is notable that in a number of sectors where there is some data comparing degrees of outsourcing in the states, including areas like school food service outsourcing, human services contracting, and use of for-profit hospitals compared to public hospitals, New Jersey ranks up there with Texas as one of the states disproportionately using outsourcing for public services.

Pitfalls of Outsourcing

A few recent high profile outsourcing stories highlight many of the problems of the contracting out process, from lost quality to potential corruption to undermining democratic accountability over public services to undercutting employment standards. While these particular examples illustrate some of the dangers of outsourcing to social equity and democratic accountability, the reality, as will be discussed further, is that most privatization efforts have been launched with little evidence that there are any real benefits to the public at all.

- **Lost Money and Degraded Services:** There is little doubt that the poster child for the failure of outsourcing was, as I mentioned, Texas' attempt to hand over management of its social services system to Accenture, the Bermuda-based consulting firm. The promise was that business expertise would put government bureaucrats to shame with their efficiency. Instead, computer systems failed, costs mounted, and 30,000 children ended up being dropped from the children's health insurance program (CHIP) because of private administrative bungling. Skilled government workers were slated to be laid off in favor of low-skilled call center workers who then bungled administration of state programs. The results were so bad that the Republican State Comptroller, Carole Keeton Strayhorn, investigated the deal and declared, "The Accenture contract appears to be the perfect storm of wasted tax dollars, reduced access to services for our most vulnerable Texans, and profiteering at the expense of our Texas taxpayers."² Faced with the evidence, the state Health and Human Services Commissioner Albert Hawkins had to return to older procedures and the state began using state workers who were slated to be laid off to clean up the mess.
- **Weak Oversight and Lost Expertise:** With mega-corporations often running these outsourcing deals, the question becomes how can the state even effectively monitor these private contractors? When ceiling panels came loose in a Boston tunnel that was part of the multi-billion dollar "Big Dig" construction project, it resulted in the death of motorist Milena Del Valle and brought to a head two decades of questions over the role and power of the Bechtel corporation, which oversaw much of the work done on the project..³ With so much expertise contracted out, the *Boston Globe* as far back as 1994 highlighted criticism that

supervision of the project by the state was lacking due to so much control having been handed over to a private entity:⁴

- **Lost Democratic Accountability:** One reason, it is argued, that privatized services can make money is that they do things that elected officials might not be able to get away with if decisions were subject to direct democratic accountability. Privatized roads can raise tolls with no political debate and private contractors can use marketing or employment practices that would be stopped in their tracks if done by the public sector. For example, one recent study of 500 city and county governments found that private sector contracting results in full-time employees being replaced by more part-time workers.⁵ When outsourcing involves prisons and private police units, many analysts worry that the profiteering comes at the expense of constitutional safeguards and democratic oversight.⁶ But that's the danger of privatization – out of sight, out of mind, except on the contractor's profit sheets.
- **Corruption of the Political Process:** A significant worry is that the “revolving door” between private contractors and the government offices where those contracts are awarded creates a nexus for corruption that a strong civil service ethic among government workers was originally created to prevent. The dance of the revolving door was evident in the Texas human services deal with Accenture,⁷ but similarly, when the Ohio political establishment melted down in corruption scandals in 2005 and 2006, the problems were linked to campaign contributors profiting from private contracts, including legal contracts with the attorneys general office and the notorious “Coingate” scandal where investment companies linked to the administration received investment contracts from the state.⁸ New Jersey has taken some steps to crack down on “pay to play” corruption, but the simplest way to avoid the danger is not to outsource government functions unless its benefits are proven and override these inherent dangers of corruption.
- **The Failure of Outsourcing to Save Taxpayers Money:** Given all these pitfalls, it's unsurprising that the major justification usually given for contracting out public services – saving the taxpayer money – is rarely attained. As at least one analysis of privatization of state and local services over the last 20 years found the majority of such projects failed because of deteriorating quality of service. And in more than half the cases, the projects did not save taxpayers dollars.⁹ Surveying other studies, analysts have seen little difference in savings between the private and public sectors.¹⁰ That doesn't mean the private companies aren't profiting from the deals; it's just that the savings aren't passed on to taxpayers. As Paul C. Light of New York University, who has long tracked the hidden contractor work force at the federal level, had argued, “We have no data to show that contractors are actually more efficient than the government.”¹¹

The Lack of Data on Outsourcing by the States

While some conservative scholars will cite their own studies showing the gains from outsourcing,¹² the most intellectually honest statement is that, especially in analysis of outsourcing at the state level, there is such a lack of broad-based data on the privatization process

that all studies have been narrow and nearly anecdotal due to the lack of good multi-state data to compare results.

Because researchers often select high-profile agencies going through the privatization process for their studies, some purported gains in efficiency are often seen as due to the “Hawthorne effect” – the well-documented social phenomena that efficiency improves in any workplace when greater attention is focused on it. Additionally outsourcing is most likely to involve particularly dysfunctional public agencies – the reason politics may have led to their privatization in the first place – so any gains in efficiency in a particular case may have little bearing on other agencies going through more routine contracting processes that do not start from the same baseline.¹³ As the respected Mathematica Policy Research, Inc. argued in a review of welfare outsourcing studies:

Research on the quality of privatized social services is very limited, but, like that on cost savings, it appears to be mixed...However, experts note that these analyses may be somewhat biased in favor of the private sector because privatization often occurs only when public services are particularly ineffective, providing a point of comparison that might not be typical of public-sector provision.¹⁴

States do not publicly report the data needed for broader, less inherently biased studies, and no research project has produced alternative data that gives any sort of comprehensive multi-state information on the degree of contracting out and its long-term effects at the granular level needed to make really useful cross-state analyses of the effectiveness of outsourcing. Cornell Professor Mildred Warner, a well-respected scholar on privatization, says flatly, “I am not aware of a consistent data set at the state level to make academically relevant statements on the level of contracting in the states.”¹⁵

And there is really no one, conservative or liberal, pro-privatization or opponent, who can honestly contest the fact that decisions about outsourcing in the states are being made without the data needed to make intelligent decisions about its benefits.

The Available Data on State Outsourcing: The best data available comes from two multi-year broad-based studies of outsourcing in the states: one conducted by the Council of State Governments, whose most recent surveys were conducted in 1997 and 2002, and the other by the American State Administrators Project, an academic consortia whose most recent surveys were conducted in 1998 and 2004. Each of those studies survey budget and agency heads in the fifty states, but admit that in no states are the rates of reporting complete enough to create an accurate granular analysis of privatization in any particular state. At best they give a sense of nationwide trends in particular sectors of government.

Echoing Mildred Warner’s analysis, the most recent report from the American State Administrators Project states, “Apart from selected surveys at the local (municipal) level, most public administrative experiences and research involving contracting are anecdotal, case-specific, or otherwise narrowly focused,”¹⁶ while the Council on State Governments report

states, "There appears to be no consensus as to the effectiveness of privatization in part due to the lack of empirical data as well as the complexity of the issue."¹⁷

While the two reports elicit some self-reporting by agencies on cost savings or lack thereof from contracting out, the answers usually are based on different internal methodologies for measuring results in each agency, making any self-reporting on efficiency gains unlikely to be comparable across different states. And many states admit they have no real measurement of whether they are saving money or not from contracting out, as the Council on State Government report finds:

[A] more interesting finding from the surveys is that many agency directors could not provide estimates of cost savings from privatization. Nonetheless, state officials have continued to privatize due to the perceived efficiency the private sector might have demonstrated."¹⁸

As noted above, contracting out often outsources much of the management expertise that could even conduct good analysis of whether service quality and efficiency standards are being maintained, creating what one analyst calls "hollow states" in some agencies where the tools to monitor a contractor's performance are largely nonexistent.¹⁹

On the other hand, while many agency heads report an increasing use of contracting out in these varied surveys, Mildred Warner observes that often unreported is that those same agencies are usually "contracting in" previously privatized services to now be performed by government workers when outsourcing fails. This quiet failure of earlier contracting out efforts, and the return of those functions back to public employees, makes the measurement of the *net* increase in outsourcing even harder to gauge at the state level. It's instructive, though, that with the better data available at the local government level, Warner found that just about as many services get contracted back in each year as contracted out.²⁰

The Need for Outsourcing Transparency Legislation

What is lacking is a publicly accessible accounting in each state of what percentage of each agency's budget is being spent through public employees and what percentage is going to contractors, and what those contractors pay their employees and other relevant comparative information. In the course of writing our report, we contacted state budget and procurement offices in states across the country. Of those who replied, none had comprehensive data on their overall state contracting. Virginia was one of the only states when contacted that could produce data that, with some massaging, would measure contracting out in various departments. Virginia collected this data because a commission on privatization established a few years earlier had encouraged this kind of assessment. But even Virginia does not make the data available in a clear manner for the public and almost no other states seem to even collect the information.

While there are a number of legislative reforms that would improve transparency in outsourcing decisions in our state governments, three key policies would make a tremendous difference in mitigating many of the dangers involved in present contracting policies.

- **Measuring the Costs of Outsourcing:** Over a decade ago, Massachusetts passed a law prohibiting private contracting of government services unless private companies prove they can perform those functions more efficiently than government workers – a reform that multiple studies have found has saved Massachusetts from the debacles suffered by other states privatizing public services under the pressure of corporate lobbying.
- **Budget Accounting for Outsourcing:** States operate under a number of budget disclosure rules; an important additional reform would be to require that every budget include a line item listing the percentage of each agency's budget that is going to private contractors.
- **Online Disclosure of Outsourcing Data:** Budget data on privatization should be disclosed in an accessible way on the Internet, alongside the barebones listing of the individual contracts currently available. Some states have been making strides in a number of areas to better disclose state budget data, and budget data on the degree of outsourcing in each area of government should be a core part of online disclosure.

Establishing Wage and Accountability Standards for Government Contracts

Where contracting out does happen, there are reforms that will assure that it does not undermine wage and benefit standards for the employees performing the work or allow private interests to trump democratic accountability

- **Prevailing and Living Wage Standards:** One of the oldest tools of government for raising wages is requiring that companies doing work on behalf of the public pay a wage that reinforces strong wage standards for that industry. With the outsourcing of many public services in recent decades, state and local governments now purchase over \$400 billion of goods and services from the private sector, so conditioning those purchases on contractors meeting decent wage standards can have powerful effects in strengthening wage standards throughout the economy. New Jersey does require that employees on public works projects and, more recently based on a 2006 law, those working for janitorial firms doing work for state government be paid the prevailing wage in the industry, but it should join Maryland, which became the first state this year to require that all government contractors pay a living wage to their employees.
- **Ending the Revolving Door:** While many states have made progress in restricting the revolving door between state officials and lobbying firms, there is far less scrutiny of corporate officials moving back-and-forth to government positions between former and future employers in the private sector. States need to implement tough rules to bar contractors with any financial relationship with public officials from bidding on public contracts and impose at least a two-year moratorium on awarding public contracts to any firm where a former government

official has been hired as a lobbyist or top executive--the only effective break on firms trying to buy insider influence.

- **Banning Pay to Play Contributions:** New Jersey has made tremendous progress in taking on campaign contributions by contractors, with West Virginia, South Carolina, and Illinois all passing laws banning “pay to play” contributions by companies bidding on contracts from making campaign contributions to government officials. But this is an area that always needs continuing scrutiny for loopholes and endruns around the rules.

Conclusion

Fundamentally, the problem of outsourcing is one of challenging an ideology that using low-wage subcontractors is a route to long-term social efficiency. The saddest part of the professed commitment by many political leaders to outsourcing and even offshoring is that the evidence for even the efficiency gains are unclear, while the devastating effects on employees as good jobs are replaced by bad ones is all too evident. The solution is strengthening accountability standards and greater transparency to assure that both the taxpayers and employees do not lose out from bad outsourcing decisions.

Endnotes

¹ Amy Smith, "Strayhorn to Investigate Accenture," *Austin Chronicle*, May 19, 2006, <http://www.austinchronicle.com/gyrobase/Issue/story?oid=oid%3A366360>.

² Ibid.

³ Christopher Rowland, "Probes may test Bechtel's clout: Responsibility on bolts at issue," *Boston Globe*, July 24, 2006, http://www.boston.com/news/traffic/bigdig/articles/2006/07/24/probes_may_test_bechtels_clout/.

⁴ Charles M. Sennott, "Project poses a test for privatization: Critics see conflict in Bechtel's overseeing its own artery/tunnel design work," *Boston Globe*, September 12, 1994, http://www.boston.com/news/traffic/bigdig/articles/1994/09/12/project_poses_a_test_for_privatization/.

⁵ "Study: Outsourcing in local governments leads to fewer full-time employees and more part-timers," Indian University, January 23, 2007, <http://newsinfo.iu.edu/news/page/normal/4720.html>.

⁶ Amy Goldstein, "The Private Arm of the Law: Some Question the Granting of Police Power to Security Firms," *Washington Post*, January 2, 2007; <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/01/AR2007010100665.html>.

⁷ R.G. Ratcliffe, "Human services deputy stood to gain from changes," *Houston Chronicle*, January 4, 2005, <http://web.archive.org/web/2006010323337/http://www.cleantexaspolitics.com/node/view/340>

⁸ Steve Eder and James Drew, "Lawyers who gave to GOP got state work: \$170M in legal fees went to contributors," *Toledo Blade*, March 26, 2006, <http://toledoblade.com/apps/pbcs.dll/article?AID=/20060326/NEWS24/603260335>; Daniel Tokaji, "Ohio's 'Coingate' Scandal: How It Exposes the Flaws of Our Campaign Finance System," *Findlaw*, Jul. 07, 2005, http://writ.news.findlaw.com/commentary/20050707_tokaji.html.

⁹ Christine Vestal, "States stumble privatizing social services," *Stateline*, August 04, 2006, <http://www.stateline.org/live/ViewPage.action?siteNodeId=137&languageId=1&contentId=131960>. NEED TO TRACK DOWN WARNER STUDY ON THIS POINT.

¹⁰ Sergio Fernandez; Ross Fabricant, "Methodological Pitfalls in Privatization Research: Two Cases from Florida's Child Support Enforcement Program," *Public Performance & Management Review*, Vol. 24, No. 2. (Dec., 2000), pp. 133-144. Cites Graeme Hodge. *Privatization: An International Review of Performance*. Westview Press. 1999, which conducted a meta-analysis of multiple international studies of privatization to come to the conclusion that there were no significant gains for taxpayers from privatization.

¹¹ Scott Shane and Ron Nixon, "In Washington, Contractors Take On Biggest Role Ever," *The New York Times*, February 4, 2007, <http://www.nytimes.com/2007/02/04/washington/04contract.html?ei=5090&en=a8333bd1bc365aa5&ex=1328245200&adxnnl=1&partner=rssuserland&emc=rss&pagewanted=all&adxnnlx=1190746538-bhvZukxBRFBp0WE/vY53DQ>.

¹² The Reason Foundation has done the most work in promoting privatization, including highlighting studies that argue for gains in cost efficiency and quality from privatization. See Geoffrey F. Segal and Adrian T. Moore, *Weighing the Watchmen: Evaluating the Costs and Benefits of Outsourcing Correctional Services- Part 2: Reviewing the Literature on Cost and Quality Comparisons*, Reason Foundation (2002); Francois Melese, *Privatizing Public Hospitals: A Win-Win for Taxpayers and the Poor*, Reason Foundation (Nov. 2005). Other related conservative policy outfits have produced similar pro-privatization analyses, including Paul Guppy, *Private Prisons and the Public Interest: Improving Quality and Reducing Cost through Competition*, Washington Policy Center (Feb 2003); Michael LaFaive, *A School Privatization Primer*, Mackinac Center for Public Policy (2007); a scholar often cited by pro-privatization advocates is E.J. Savas, whose *Privatization and Public-Private Partnerships* (1999) is a book length pro-privatization analysis, which matches Savas's broader corpus of work on the subject.

¹³ Fernandez and Fabricant, Ibid; also

¹⁴ Pamela Winston, Andrew Burwick, Sheena McConnell, and Richard Roper, *Privatization Welfare Services: A Review of the Literature*, Mathematica Policy Research, Inc. (May 2002)

¹⁵ Interview with Mildred Warner, June 22, 2007. According to Warner, there is better data at the municipal level because of standards of professionalism and data sharing stemming from the tradition of less political city managers in many local governments.

¹⁶ Chung-Lae Cho, Yoo-Sung Choi, Deil S. Wright, Jeffrey L. Brudney, Contracting for Service Delivery by American State Administrative Agencies: A Performance-Oriented Analysis of Third-Party Outsourcing for Public Services, 1998 and 2004, Paper prepared for presentation at the 17th Annual Conference of the Association for Budgeting and Financial Management (American Society for Public Administration), November 10-12, 2005, p. 4; <http://www.cviog.uga.edu/services/research/abfm/Cho,%20Choi,%20Wright,%20Brudney%20-%20Contracting.pdf>.

¹⁷ Keon S. Chi, Kelley A. Arnold and Heather M. Perkins, "Privatization in State Government: Trends and Issues" *Spectrum: the Journal of State Government*. Council on State Govts.. 2003, p. 12; <http://www.csg.org/pubs/Documents/spec_fa03Privatization.pdf

¹⁸ Chi et al., p. 20.

¹⁹ Trevor Brown, Matt Potoski, and David Van Slyke. 2005. "Managing the Tools of Government: Contracting and Contract Management in the New Millennium." Paper presented at the 8th Public Management Research Conference, University of Southern California, Los Angeles, CA; p. 10.

²⁰ Mildred E. Warner, Michael J. Ballard and Amir Hefetz, "Contracting Back In: When Privatization Fails," *Municipal YearBook* 2003, International City/County Management Association, 2003.

**Testimony of Mr. Tony Daley
Research Economist,
Communications Workers of America
Before the New Jersey Assembly
Outsourcing and Off-Shoring Commission**

Introduction

My name is Tony Daley. I am a Research Economist at the Communications Workers of America (CWA). I have been with CWA since 2001. Previously, I worked at the International Union of Electrical, Electronic, Salaried, Machine, and Furniture Workers (IUE) between 1999 and 2001 before IUE merged into CWA. Between 1987 and 1998, I taught at the university level – at Wesleyan University and Connecticut College. I received my Ph.D. from the University of California, Berkeley, in 1988. I have been asked to give testimony on issues of outsourcing/offshoring and data collection.

Employees in this country face a growing threat from trade-related employment changes. There is a burgeoning literature on the effects of globalization on employment and wages. [Bivens 2005; Blinder 2007; Mann 2003; McKinsey 2003] There appear to be significant downward pressures on wages as we accelerate trade in goods and services with low-wage countries. [Bivens 2007] There is more controversy considering actual changes in U.S. employment. Industry economists claim net employment increases from trade. [U.S. Chamber of Commerce 2004] At CWA we believe there has been a net job decrease as a result of trade with low-wage countries. The difference is that partisans of job increase make deductive arguments, reasoning from trade theory. Those who find job decreases try to count jobs gained and jobs lost. What is incontrovertible is that the mix of U.S. jobs has changed and will continue to change as globalization continues.

What is also clear is that more categories of jobs are now vulnerable to offshoring. In 2004, two economists at the University of California, Berkeley, estimated that 14 million U.S. jobs were at risk of offshoring. [Bardhan and Kroll 2003] The authors considered these jobs vulnerable to offshoring because they lacked face-to-face contact, had low setup costs, had high information content, and competed in a sector with low wages available internationally. One of those economists estimated that over 12% of New Jersey's workforce – over 490,000 jobs – was vulnerable to offshoring. [Bottino 2004]

The Bardhan and Kroll numbers may actually be considered now on the low side. Alan Blinder estimated that between 22 and 29 percent of all U.S. jobs – translating into 30 to 40 million jobs – are potentially offshorable. [Blinder 2007] Economists at the Economic Policy Institute recently estimated a slightly lower number of jobs – between 18 and 22 percent or 25 to 30 million jobs – that were potentially offshorable. [Bernstein et al., 2007] If these higher numbers are correct, then the New Jersey-specific number would presumably be higher.

As a labor union, CWA has a strong interest in globalization and its effects on the workforce. CWA has roughly 700,000 members and retirees. Roughly 47% of our members are in telecom – traditional landlines, wireless, and cable. Another 25% are in the public sector or health care related jobs. A further 12% are in manufacturing jobs. The remainder consists of flight attendants, journalists, printers, and other categories of workers.

CWA has roughly 130,000 members who work in customer service, an occupation that has been highly susceptible to both outsourcing and offshoring. CWA believes that higher skill translates into more responsibility given to customer service agents which means better customer service which translates into customer loyalty and long-term demand for skilled customer service agents. Both outsourcing and offshoring in customer service call centers tends to disrupt this virtuous circle by lowering wages, reducing agent responsibility, and degrading customer service.

Traditionally, it has been manufacturing that has been susceptible to trade-related changes in the labor market. American manufacturing has lost 3 million workers in the last decade. [AFL-CIO 2004] The loss of manufacturing jobs means a net subtraction from America's middle class, as replacement jobs do not equal those lost. [Kletzer 2001] The trade pressures on manufacturing have moderated wage gains as employers compete with lower-cost rivals.

For the last decade, service occupations have been threatened with trade-related labor-market changes. In CWA, we have seen DSL help desk jobs shipped abroad (and we negotiated to have them returned at AT&T). We have also seen call center work shipped abroad where those jobs have stayed. We have seen public sector jobs privatized and that privatized work sent outside of state and outside the United States. Newspaper workers have seen reporting work sent abroad and ad-selling work sent to low-wage customer service shops who could easily subcontract with companies in lower-wage countries.

The issue for CWA is not to hold on to each and every existing job held by our members. There is no expectation that a member has a job for life. There is an expectation of a corporate commitment to employees. Such a commitment means that companies train their employees so that when markets shift and technologies develop, and those employees can be moved to newer jobs adding more value for the employer. There is a realization that some jobs become obsolete and that we can let go of those jobs if our members can be transitioned into other areas to help the employer. In other words, our members have a loyalty to their employers and we expect reciprocity.

For CWA offshoring is a subset of outsourcing, which appears to be a dominant trend in contemporary business. Outsourcing is analytically distinct from offshoring: outsourcing means hiring a vendor to do the work previously done for the employer. Outsourcing is frequently justified as a way to capture efficiencies from companies specializing in particular work. In our experience, companies outsource both to gain such efficiencies and to take advantage of lower wages. At the very least, it is very rare for a subcontractor to pay wages and benefits in excess of the companies' wages and benefits. Once work is outsourced it can be moved to other parts of this country or abroad to capture differences in wages, real estate, and taxation.

Measuring outsourcing is like hitting a moving target: employers are constantly changing the mix of work performed inside and outside their walls. There are private studies, of course, as well as the experience of companies and unions. Anecdotal evidence suggests

that domestic outsourcing makes job functions routine so that the process can be learned by another group of employees. Routinization usually leads to lower wages for many job categories.

Because privatization is the process of contracting out work that had been performed by government entities, the privatization of public-sector jobs also facilitates the movement of work to other parts of the U.S. or abroad. The philosophy of privatization – that private is always better than public – has led many elected officials to give to contractors many of the jobs of government. In many respects, privatization has become not a means to an end but an end itself, as when the Bush administration set mandatory privatization quotas on federal agencies in 2003. Such thinking has encouraged some policy makers to outsource even oversight of government procurement. Very rarely has there been an investigation of the long-term consequences – employee morale, corruption, the quality of service delivery, the extent to which public needs were being met – of systematic outsourcing.

Job vulnerability now exists in both the service and manufacturing sectors as both are exposed to international competition. An increasingly wide range of occupations that were once considered bedrocks of the middle class are now open to outsourcing and offshoring. The fact that skill or educational level no longer buys job security or even occupational security is a disturbing change in the U.S. labor market which needs to be addressed by policy makers.

Likewise, there are few good new jobs on the horizon for which workers can prepare. In the trade debates of the 1990s, proponents of unfettered trade argued that displaced manufacturing workers could be trained for work in the new economy of high tech services. Now that a number of these high tech jobs – software engineers, programmers, and technical writers – also have been sent offshore, it is uncertain what and where the new jobs will be. According to the Bureau of Labor Statistics, most new jobs in the next decade will be low paying.

These are national macro-economic and macro-social trends. What is clear is that the economy is changing rapidly and the impetus for changes comes from low-wage countries – either through multinational companies (MNC's) transferring work or by indigenous companies newly competing in U.S. markets. Public policy would be enhanced by a healthy debate over our future in the global economy. Policy-making would be enhanced by better data.

Measuring Outsourcing and Offshoring

Unfortunately, we debate and make policy using incomplete data. There is much we do not know because we do not gather the data in questionnaires or through interviews with employers.

Federal level data collection. Much of the problem has to do with data gathering by either the Department of Labor (via the Bureau of Labor Statistics or BLS) or the Department of Commerce (both the Bureau of Economic Analysis or BEA and the U.S. Census

Bureau). Frequently, the data collected by these two agencies can be sub-divided by state, so it can serve the needs of state-level policy-makers. The following are problems in national-level data collection:

- The BEA now collects data on only 17 different service categories. (In contrast, import-export data exists for 16,000 manufactured goods.) This is a relic of an era when the sale of services was much less important to the U.S. economy. Data collection needs to be more nuanced and the U.S. government needs to focus on additional categories of service jobs.¹
- The Census Bureau should collect more data on the trade of domestic services. For instance, we know very little about how businesses buy and sell services.
- The Department of Labor should collect better data on wages (broken down by job category, industry, educational level, and skill class) paid to workers in our trading partners.
- The BLS should publish consistent long-term data connecting services to occupations. Then this data should be broken down by industry, state, and metropolitan areas.
- BEA should collect data on more occupational categories in its surveys of U.S.-based multinational companies.
- More data should be extracted from areas of federal policy that already collects data for WARN Act notices, Trade Adjustment Assistance, etc. Interestingly,

¹ One key example of this data deficiency involves telephone-based customer-service workers or call center workers. There is no recognized statistic for either group of employees in the United States. Instead, they are found interspersed under different industry classifications. Consequently, there is debate among analysts about actual numbers.

according to the GAO, there have been problems with BEA getting micro-level data from Census. [GAO 2005]

- The Commerce Department should publish projections on the number of jobs created overseas by U.S.-based companies for the purposes of selling in the U.S. market. [Hira and Hira 2005]
- Likewise, the Labor Department should publish the numbers and types of jobs created in the U.S. by foreign-owned firms.
- There are no public data that could allow us to easily measure outsourcing over time. In other words, what percentage of work once performed in a company is still performed in a company? This could be measured in a variety of ways and broken down by standard classifications. Combining data from BLS and the IRS might give a useful understanding of the percentage of costs firms expend on labor versus consultancy contracts. Measuring this over time would give us a clue about the direction and scale of outsourcing.
- Likewise, we do not know the number of employers that employees have over time. This number would help us understand outsourcing. It would also help policy-makers designing programs for retirement security.

These federal-level data-collection issues are laid out here because – in the absence of federal action – the states can collect some of this data. At the very least, it is a compendium of what we do not know and whose attainment would facilitate policy-making at both the federal and state levels.

State-level data collection. Policy makers should decide what data is important for policy making, whether that data is accessible at the federal level, and what it can realistically collect at the state level. Data collection will be important not just for understanding the commercial effects of outsourcing and offshoring and their labor-market consequences but designing state-level programs in health care delivery and education.

In an optimal world, much of the necessary data should be collected at the federal level and should be broken down by state and by other relevant categories. Yet, there is also state-specific data that could be collected. There are two broad areas that can be addressed at the state type: state-contracted work and private sector work not connected with the state.

Contract work for the state should be easily measurable. Procurement offices already know the number and value of public contracts. Unfortunately, states and the federal government do not appear to analyze these counts very effectively nor do they readily make such data available. Good Jobs First – a Washington, D.C.-based think tank – found in 2004 that most states do not have a realistic understanding of the nationality status of the vendors for state contracts or the place of performance. [Mattera 2004] Therefore, we do not really know which contracts are executed in the next state or offshore.

The New Jersey Department of Treasury, Division of Purchase and Property collects data on government contracts, and it makes the data available to the public

(<http://www.nj.gov/treasury/purchase/contracts.htm>). Unfortunately, nationality of the vendor and place of performance are not tracked.

Private sector work not connected to state contracts is more difficult to accumulate, but it is potentially even more important for policy-making because it constitutes a larger part of the economy. As at the federal level, state governments could be collecting data on the nationality of employers as well as the nationality of vendors. Likewise, state governments could combine tax and labor-market data to understand better the process of outsourcing.

Since the impact of outsourcing and offshoring transcends the immediate impact on employees and firms, it is important for federal and state governments to think through the data requirements related to outsourcing and offshoring and then to connect industry and labor-market effects with education policies, health-care delivery, and retirement security.

The following areas could be addressed by states regardless of changes in federal data collection:

- All state contracts should require the nationality of each vendor and the place of performance for the work itself. The state should then collect the data and make it available to the general public, allowing users to sort by agency, size of contract, region of the state. This rule should apply to both the prime contractor and any subcontractors.

Other data should be collected at the state level in anticipation of the unlikelihood of federal data collections:

- State-level data currently is inadequate to measure the scale and scope of outsourcing in a given state. Regardless of whether federal authorities combine BLS and IRS data, state authorities could combine tax and labor market data to find corresponding state data on the percentage of work performed by employees versus that performed by vendors.
- Using tax and labor-market data, states should estimate the number of employers that tax payers have had and estimate how many they are likely to have. This data should be broken down by age.
- The New Jersey Department of Labor and Workforce Development should use available data at the federal and state levels and develop employment projections for students with different types of secondary school and post-secondary studies.

Conclusion

The focus of this testimony has been data collection, not legislation or regulation. The recommendations of this testimony do not address particular policies. Rather, they are intended to lead to more informed decision-making. Too much of current policy-making at all levels is based on incomplete data. The recommendations here are intended to bolster decision-making by increasing our understanding of outsourcing and offshoring.



None of the recommendations for either federal or state data collection appears to be overly burdensome on employers. There is already a program of data collection – via surveys and targeted interviews – and the recommendations above can be added to what already exists.

It is our hope that states will be more proactive in tracking their own contracting process. Likewise, we need a better understanding of what firms are sourcing and the effects on the workforce.

It is also our hope that policy-makers in states like New Jersey will address at least some of the data deficiencies left by the federal government in understanding processes so vital to their futures. While state agencies do not have the existing resources of the Departments of Labor and Commerce in the federal government, they can supplement some of the gaps by innovative attempts at data collection.

Understanding the process of outsourcing and offshoring gives policy-makers more tools to design policies for businesses, labor markets, health-care delivery, retirement security, and education.

The collection of data is the first step toward successful policy-making.

References

- AFL-CIO. 2004. *Revitalizing American Manufacturing: A State and Local Agenda*. November.
[http://www.aflcio.org/issues/jobseconomy/manufacturing/iuc/upload/manuf_stat_e_agenda.pdf]
- Bardhan, Ashok Deo and Cynthia A. Kroll. 2003 "The New Wave of Outsourcing," University of California-Berkeley, Fisher Center for Real Estate and Urban Economics, Fall.
[http://www.haas.berkeley.edu/news/Research_Report_Fall_2003.pdf]
- Bernstein, Jared, James Lin, and Lawrence Mishel. 2007. "The Characteristics of Offshorable Jobs." November 14.
[http://www.epi.org/datazone/characteristics_of_offshorable_jobs.pdf]
- Bivens, Josh L. 2007. "Globalization and American Wages: Today and Tomorrow," Economic Policy Institute Briefing Paper #196, October 10.
[<http://www.epi.org/content.cfm/bp196>]
- Bivens, Josh L. 2005. "Truth and Consequences of Offshoring: Recent Studies Overstate the Benefits and Ignore the Costs to American Workers." Economic Policy Institute Briefing Paper #155, August 5.
[<http://www.epinet.org/content.cfm/bp155>]
- Blinder, Alan S. 2007. "How Many U.S. Jobs Might be Offshorable?" CEPS Working Paper #142, March.
[<http://www.princeton.edu/~ceps/workingpapers/142blinder.pdf>]
- Blinder, Alan S. 2006. "Offshoring: The New Industrial Revolution?" *Foreign Affairs*, March-April. [<http://www.foreignaffairs.org/20060301faessay85209/alan-s-blinder/offshoring-the-next-industrial-revolution.html>]
- Bottino, Susan J. 2004 "Perspective on Offshoring and New Jersey." New Jersey Policy Perspective, August.
[http://www.njpp.org/rpt_offshoring.html]
- Economic Policy Institute. "EPI Issue Guide: Offshoring. 2006." Washington, DC: EPI, May. [URL: http://www.epinet.org/content.cfm/issueguide_offshoring]
- General Accountability Office 2005. "International Trade: U.S. and India Data on Offshoring Show Significant Differences," October.
[<http://www.gao.gov/new.items/d06116.pdf>]
- Hira, Ron and Anil Hira. 2005. *Outsourcing America: What's Behind Our National*

Crisis and How We Can Reclaim American Jobs. New York: American Management Association.

[http://books.google.com/books?id=S3yrj1WqE34C&pg=PA176&lpg=PA176&q=ron+hira+and+anil+hira&source=web&ots=UYh97Ysfpu&sig=1-HdLpw_wVvYTz06c53ar9u9Vgw#PPA178.M1]

Kletzer, Lori G. 2001. *Job Loss from Imports: Measuring the Costs*. Institute for International Economics.

Mann, Catherine L. 2003. "Globalization of IT Services and White Collar Jobs: The Next Wage of Productivity Growth," Institute for International Economics," Institute for International Economics, Policy Brief 3-11, December.
[URL: <http://www.iie.com/publications/pb/pb03-11.pdf>]

Mattera, Philip. 2004. "Your Tax Dollars at Work ... Offshore: How Foreign Outsourcing Firms are Capturing State Government Contraction," Corporate Research Project of Good Jobs First, Prepared for the Washington Alliance of Technology Workers, CWA Local 37083, July.
[http://www.washtech.org/reports/TaxDollarsAtWork/offshoring_execsum_finalpdf.pdf]

McKinsey Global Institute. "Offshoring: Is It a Win-Win Game?" San Francisco, CA. August 2003.
[http://hei.unige.ch/~baldwin/ComparativeAdvantageMyths/IsOffshoringWinWin_McKinsey.pdf]

Norwood, Janet, Carol Carson, Manuel Dees, Norman L. Johnson, Franklin S. Reeder, John E. Rolph, and Susan Schwab. 2006a. "Off-Shoring: An Elusive Phenomenon," National Academy of Public Administration, January.
[<http://www.bea.gov/papers/pdf/NAPAOff-ShoringJan06.pdf>]

Norwood, Janet, Carol Carson, Manuel Dees, Norman L. Johnson, Franklin S. Reeder, and John E. Rolph. 2006b. "Off-Shoring: How Big Is IT?" National Academy of Public Administration, October.
[http://www.napawash.org/pc_management_studies/offshoring/SecondOff-ShoringReport10-31-06.pdf]

Sturgeon, Timothy J., Frank Levy, Claire Brown, J. Bradford Jenson, and David Weil. 2006. Offshoring Working Group Final Report, Massachusetts Institute of Technology, September 10.
[http://web.mit.edu/ipc/publications/pdf/IPC_Offshoring_Report.pdf]

U.S. Chamber of Commerce. 2004. "Jobs, Trade, Sourcing, and the Future of the American Workforce," April. [URL: <http://www.uschamber.com/media/pdfs/outsourcing.pdf>]

Forum

on democracy & trade

Elected and administrative officials are taking various steps to safeguard their governing authority, ask questions of U.S. trade negotiators, and shape global trade rules for local economic advantage.

> State Governments

Individual states are pursuing oversight on international trade:

Legislative Oversight Committees:

California

Washington

North Carolina

Maine

Vermont

Utah

New Hampshire

Other Oversight Committees on Trade

State Legislative Hearings

Governors

Attorneys General

> State Associations

National associations with representation in Washington communicate their concerns to Congress and the Executive Branch:

National Conference of State Legislators
(NCSL)

Council on State Governments

National Association of Attorneys General
(NAAG)

Council of Great Lakes Governors

Western Governors Association

Others...

> Public Service Professionals

Administrative professionals tasked with providing economic and social services are asking questions about how trade and investment rules can affect their regulatory authority:

Utility Regulation

Agricultural Commissions

Coastal Commissions

Environmental

Education

Gaming Commissions

Healthcare Professionals

Export Promotion
Tax Commissions
Workforce Development

> Cities/Local Governments

Cities and counties respond to concerns raised at the local level:

- National League of Cities
- National Association of Towns and Townships
- Oversight by City-Elected Officials
- Municipal Lawyers/IMLA
- National Association of Counties
- City and County Administration
- Other Local Governments...

> Featured Leaders

Public officials who are national leaders in state/local oversight on international trade:

Liz Figueroa — Immediate Past Chair of the California Senate Subcommittee on International Trade Policy and State Legislation



Rep. George Eskridge (Idaho) chairs the Working Group on Energy & Trade Policy.



> Working Groups

The Forum partners to create multi-state working groups led by public officials and focused on particular sectors or areas of on-going dispute:

- Services (domestic Regulation) Working Group
- Electricity/Energy Services Working Group
- Investment Working Group
- Prescription Drugs Working Group



**Consulting with Congress:
A New International Trade and Investment Policy
That Protects Local Democracy**

By
William Waren¹

1. *Why do global trade and investment agreements threaten to undercut local democratic institutions?*
 - a. *The new agreements regulate government.* Prior to 1994, state and local governments had little reason to closely monitor the course of trade negotiations and the text of proposed agreements because they focused on tariffs, quotas, and other forms of discrimination against international commerce "at the border," almost always issues within the jurisdiction of the federal government. The post-1994 agreements deal not only with "at the border" issues, but also impose strict rules related to government regulation, taxation, purchasing, and economic development policies that are regarded as non-tariff barriers to trade by the authors of the agreements. That is how it happens that a large number of measures within the traditional policy jurisdiction of U.S. state and local governments are now regulated as a matter of international law.
 - b. *International tribunal decisions can be effectively enforced.* Post-1994 agreements may be enforced by federal government lawsuits to preempt local or state measures (though private suits are barred), or simply by the political pressure resulting from uncapped money damages assessed against the United States under NAFTA's investment chapter or by retaliatory trade sanctions, such as higher tariffs, authorized by the WTO.

¹ Policy Director, Forum on Democracy & Trade, (202)662-4236, wtw2@law.georgetown.edu.

2. ***What should state officials do to educate Congress on the need to protect local democracy and the U.S. system of federalism?*** It is essential that the U.S. Congress grasp the political and moral importance of shaping international trade and investment law in a way that better accommodates American constitutional federalism.

State officials may want to offer a positive agenda for reform related to such key trade and federalism issues as:

- Consultation and similar procedural reforms; and
- Substantive reform of international trade law in such areas of special concern to states as:
 - Procurement;
 - Services; and
 - Investment.

Such reforms could be pursued by a variety of legislative vehicles available to Congress, including:

- Trade Promotion Authority (TPA) legislation;
- A freestanding bill; or
- A rider to an appropriations bill.

3. ***What are the options for totally new TPA legislation that mandates consultation with states and related procedural reforms?*** The U.S. Trade Representative does not completely comprehend the role that states and localities play in crafting laws, regulations, and policies directly affected by international trade and investment agreements. USTR and Congress should consult with states prior to the outset of trade negotiations in order to ensure that both the negotiators and states are aware of any state laws, regulations, or policies that may be impacted by a negotiated agreement.

As Congress considers writing a totally new and reformed legislative framework for trade promotion authority for a new President in 2008, many options are available for reforming the state/federal trade policy consultation process,

including:

- a. ***State/Local Oversight Group (SLOG):*** Establish a State and Local Government Oversight Group on the model of the Congressional Oversight Group in current TPA legislation. SLOG would be created by Congress and would consist of elected officials representing state/local national associations.
 - Members of SLOG would serve as accredited advisors to trade negotiation delegations.
 - Consultation with SLOG would be required prior to entering into negotiations. This would include special consultations on procurement, services, and investment issues.
 - Provide SLOG with trade/investment agreement details at least 90 days before entering into an agreement. Require SLOG to present a report to Congress on the impact of the agreement on state and local governments and the U.S. federal system no later than 90 days after the President enters into an agreement.
- b. ***Committee Referral:*** In addition to referral of trade agreements and implementing legislation to the committees of primary jurisdiction (i.e. House Ways & Means and Senate Finance), require referral to judiciary committees for review of any potential conflict with principles of constitutional federalism and with respect to investment agreements for review of whether foreign investors are provided greater rights than those enjoyed by U.S. citizens under the Constitution. (In the alternative, provide review by homeland security (government affairs) committees of practical problems for state and local governments.)
- c. ***Mock markups:*** In the course of “mock markup” of trade agreement implementing legislation in the Senate Finance Committee and the House Ways and Means Committee, provide for consultations and an opportunity to testify at hearings for states and localities. In this way state and local governments could formally present ideas for amendments to implementing legislation to Congress and the President.
- d. ***Prior informed consent:*** With respect to international investment, services, and procurement agreements, limit coverage over state and local measures to those which the legislature and governor have agreed should be covered.

4. *What are the options for totally new TPA legislation that mandates the Office of the United States Trade Representative (USTR) to utilize the "positive list" approach for making services, procurement, and investment commitments in trade agreements?* States should know precisely the areas of state authority regulated by a trade agreement. The United States should therefore discontinue or severely limit the "negative list" approach that commits the United States to implement trade disciplines on all covered sectors unless areas or state laws are specifically exempted in the annexes of the agreement. U.S. states also must have the capacity make adjustments to commitments regarding state laws and policies.
5. *What are the options for federal legislation for ending or restricting international investor-to-state dispute resolution?* Investor-to-state dispute resolution, as provided for in NAFTA chapter 11 and subsequent agreements, is controversial because it goes to core issues of state sovereignty and the independence of domestic courts. State and local governments are concerned about investor-to-state provisions that give foreign companies new substantive and procedural rights, beyond what is provided in the U.S. Constitution, to challenge laws that have been passed in a democratic way.

Investor-to-state dispute resolution allows foreign investors to circumvent domestic courts, and allows foreign investors to file claims against national governments seeking money damages in compensation for economic regulation.

- International agreements, providing for investor-to-state dispute resolution, grant foreign corporations the right to challenge government policy, at the national, state or local level. Multinational corporations and other investors are placed on an equal footing with nation-states.
- Investors no longer have to work through trade ministries to pursue a claim. As a result, the volume of cases increases. Lacking a diplomatic screen, the claims may be brought without the restraint that nation-states exercise when dealing with issues of international relations.
- International investment tribunals can effectively enforce their decisions by ordering the national government to pay money damages to the foreign investor.

- Arbitrators are typically international commercial lawyers who may alternately serve as arbitrators in one case and plaintiff's counsel in the next, thus raising questions of conflict of interest. Arbitrators may have little or no familiarity with the constitution of the defendant country. In any case, arbitrators do not ordinarily apply domestic constitutional principles in rendering an opinion. Arbitrators make their decisions based on the text of an international investment agreement and customary international law, both of which are to be interpreted in light of the purpose of the agreement: to promote international investment.

As Congress considers writing a totally new and reformed legislative framework for trade promotion authority for a new President in 2008 or if Congress should proceed with a freestanding bill or an amendment to substantive trade legislation, many options are available for reforming the investor-to-state arbitration process even if the option of ending it outright is not considered politically possible. Among those options are mandating that new agreements and official interpretations of existing agreements include provisions that:

- Ensure that foreign investors enjoy no greater substantive or procedural rights against the United States than those that citizens of the United States enjoy under the U.S. Constitution.
- Establish general exceptions and/or define measures covered by the investment provision, investment agreement, or investment treaty to protect key areas of domestic policy from international investment litigation.
- Limit provisions on "expropriation" and "minimum treatment under international law" so as to clarify that the adoption or application of any bona fide and non-discriminatory law or regulation intended to serve a public purpose shall not constitute a violation of an investment agreement or treaty.
- Provide for diplomatic review of all claims prior to the onset of international litigation and for domestic court review of any tribunal award to ensure that the investor claim is not contrary to the public policy or constitution of the United States.

6. *What are the options for federal legislation that would appropriately protect state procurement policy from inappropriate international litigation?* State procurement policy and practices often are set in state law and are sometimes

designed to serve social or economic purposes beyond the mere provision of goods and services for state government use. Unfortunately, the World Trade Organization Agreement on Government Procurement and the procurement chapters in several bi-lateral and multilateral Free Trade Agreements signed by the United States could prohibit state and local governments from passing new laws favoring local suppliers in government contracts for goods and services and bar governments from imposing technical specifications in its public contracts if those specifications pose an “unnecessary” barrier to trade. The agreements’ national treatment rule will prohibit governments from favoring local suppliers, even when there are good social and economic development reasons to do so.

Among the options for protecting progressive state procurement policies are mandates in federal law that new agreements and official interpretations of existing agreements include provisions that:

- Ensure that states can retain the ability to use procurement policy to promote social, environmental, affirmative action, human rights, and local economic development policy goals.
- Ensure that USTR will only be able to bind a state to an international procurement agreement following formal consent from the state legislature. .

7. *What are the options for federal legislation that would appropriately protect state services and regulation of services from inappropriate international litigation?* Services constitute an important and growing segment of the American and the global economies. However, international competition in service industries should not compromise state constitutional or traditional authority or in any way impinge upon states’ ability to protect the public interest.

Among the options for protecting appropriate state regulation and provision of services are mandates in federal law that new agreements and official interpretations of existing agreements include provisions that:

- Require prior, during, and after service sector-related negotiations that USTR undertake consultations with states and state legislatures in particular, especially where policies about government-provided services, regulation of monopolies, provision of essential services (such as energy, water, health,

education, transportation, or public safety), or privatization are set.

- Exclude state regulation and provision of higher education and essential services from WTO jurisdiction.



LATINO LEADERSHIP ALLIANCE OF NEW JERSEY

402 Livingston Avenue New Brunswick New Jersey 08901 Phone: 732.249.0400 Fax: 732.249.0206

*Testimony of
Felix Flores Jr.
Chairman, Labor Committee
Latino Leadership Alliance of New Jersey
To
The New Jersey State Assembly Outsourcing and Off-Shoring Committee*

Members of the Committee:

Good morning. I am Felix Flores, Chairman, of the Labor Committee of the Latino Leadership Alliance of New Jersey (LLANJ). LLANJ is a statewide Latino Advocacy organization that was founded in 1999. Since then, we have grown to include hundreds of members and dozens of statewide, regional and local organizations. The principal goals of LLANJ are to mobilize and empower the Latino community across New Jersey to obtain political, economic and social equality.

I want to thank you for conducting this hearing addressing the growing concerns about outsourcing and off-shoring. This topic is of great concern to LLANJ because many Latinos are workers that have and will continue to experience the job loss that is occurring in New Jersey as a result off outsourcing and off shoring. The Latino Community has also experienced service quality erosion resulting from outsourcing and off shoring activities. We concur with the testimony provided by Noel J. Christmas, President of Utility Workers Union of America, Local 601, and are also increasingly concerned about the safety and security risks that outsourcing and off-shoring creates for our citizens and workers.

According to "Perspective on Off shoring and New Jersey" an article written by Susan J. Bottino in August, 2004 and published in New Jersey Policy Perspective's, "The full impact of job loss on an economy goes deeper than simply subtracting the salaries of workers laid off or figuring out how much less they might be making at their new jobs. Beyond the immediate negative impact on the unemployed and their families, dislocations can cause a significant ripple effect. This effect decreases sales and makes vulnerable many kinds of businesses, weakens the local, county and state

tax base as sales and income produce less revenue, fray's social infrastructure and contributes to higher crime rates."

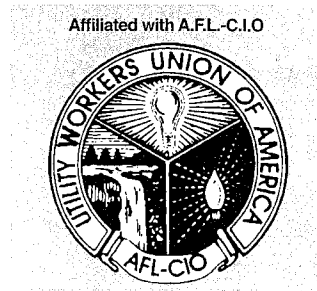
The article estimates that if the targets for jobs vulnerable to off shoring were reached, the total gross wage loss in New Jersey would be approximately \$23.3 billion. This estimate is almost 12 percent of New Jersey's 2002 taxable income. I am not an economist, but common horse sense tells me that these revenue losses can have an extremely negative affect on state revenues, and can further exacerbate the budget deficit that the Governor and state legislators are presently trying to resolve.

In addition to our concerns of the negative impact that off-shoring can have on our state budget and economy, LLANJ supports the position of the Utility Workers Union of America. We want to reiterate that without legislation in the utility industry that prevents the outsourcing and off-shoring of utility customer services, the service quality and value that a local workforce can offer will be lost and our concerns about increased security risks and major catastrophes, and future budget deficits will be realized. LLANJ strongly urges that the legislature pass a bill to prevent outsourcing and off-shoring and have these regulations enforced at the Board of Public Utilities.

Respectfully submitted,

Felix Flores Jr.
Chairman - Union Committee
State Board of Delegates
Latino Leadership Alliance of New Jersey

LOCAL #601
UTILITY CO-WORKERS ASSOCIATION



55 WASHINGTON STREET
SUITE 200
BLOOMFIELD, NJ 07003
(973) 748-0233
(973) 748-7881 FAX



November 16, 2007

Testimony of Noel J. Christmas
President
Utility Workers Union of America, Local 601

New Jersey State Assembly Outsourcing and Off-Shoring Committee

Members of the Committee:

Good morning. I am Noel J. Christmas. I am pleased to be speaking on behalf of the New Jersey State Council of the Utility Workers Union of America. We represent approximately 2,400 dedicated and highly capable members from all areas of the New Jersey utility industry, including Public Service Electric and Gas, United Water, New Jersey American Water, and Elizabethtown Gas.

Thank you for conducting this hearing addressing the growing concerns about outsourcing and off-shoring. This topic is of great concern to the utility industry. We have and will continue to experience job loss and have witnessed service quality erosion resulting from such activity. We are also increasingly concerned about the safety and security risks that outsourcing and off-shoring create for our citizens and workers.

NUI (formerly Elizabethtown Gas) outsourced its call center to Florida, and when the state allowed NUI to be purchased by Atlanta Gas and Light (AGL), the call center was off-shored to India. Imagine this center sitting across the globe handling New Jersey citizens' private information: from social security numbers to bank account numbers to payment information. The off-shored service was so inadequate that NUI publicly apologized for its poor customer service in a full-page advertisement (attached).

Now imagine operators outside the service area handling electric, gas, and water emergency calls, such as gas leaks, gas line mark outs, water main breaks, storm emergencies, and downed power lines. The potential results could be catastrophic.

In the early 1990s, Public Service Electric and Gas Company (PSE&G) piloted an outsourced call center. The pilot was short lived. PSE&G realized that the best customer service they could provide had to be staffed by a workforce residing in the very same communities as their customers. Today PSE&G maintains two call centers, two billing

departments, one collection center, sixteen walk-in customer service centers, one payment center, and in-house field collection and meter reading – all staffed by an in-house union workforce working in PSE&G's New Jersey territory. PSE&G is a profitable utility that is highly respected by the community.

Over time, the Utility Workers Union of America has worked with PSE&G to address business, economic, and technological conditions that have changed the utility industry and workforce in customer services as stated above.

Without legislation in the utility industry that prevents the outsourcing and off-shoring of utility customer services, the service quality and value that a local workforce can offer will be lost and our concerns about increased security risks and major catastrophes will be realized.

The Utility Workers Union of America strongly urges that the legislature pass a bill to prevent outsourcing and off-shoring and have these regulations enforced at the Board of Public Utilities.

On behalf of the Utility Workers Union of America, I would like to thank the committee for giving me the opportunity to bring our concerns before you today.



Elizabethtown Gas

An AGL Resources Company

May 2007

Recently, many of you have not received the service you expect and deserve from Elizabethtown Gas. You may have had problems with your bill or concerns about your account number changing, while others may have experienced long wait times or difficulty getting questions answered when calling our customer care center. We understand how frustrating that can be and we sincerely apologize.

All of us at Elizabethtown Gas appreciate your patience as we work to address these issues. The fact is most of the problems occurred while we implemented system upgrades to better serve you. Our new processes will ultimately lead to better work scheduling, accurate and timely billing, and much shorter wait times when you call.

We are working hard to bring more benefits to our customers. These improvements will include:

- Very accurate meter reads, with few estimated bills
- Shorter appointment windows
- Eighty percent of customer calls answered within 30 seconds
- Online self-service options, including account history and bill review

Finally, we will invest even more in our pipelines and other facilities – more than \$58 million since 2005 – to ensure we continue to provide natural gas service that is both safe and reliable. If you have any questions, comments or concerns, please email us directly at feedback@elizabethtowngas.com. Once again, thank you for your patience and please “Pardon our Mess” while we build a better gas company to serve you.

Sincerely,

ADDITIONAL APPENDIX MATERIALS
submitted to the

ASSEMBLY OUTSOURCING AND OFF-SHORING COMMISSION
for the
November 16, 2007 MEETING

Submitted by Rae C. Roeder, President, and **Anthony F. Miskowski**, Secretary, Local 1003, Communications Workers of America:

“Global Outsourcing Leader Launches New Identity: Gecis Global in now Genpact,” *FAO Today News*, September 27, 2005.

International Association of Outsourcing Professionals, “The 2007 Global Outsourcing 100,” *FORTUNE*® Spotlight, 2007.

“Wachovia Signs BPO Deal with Genpact,” Bank Systems & Technology, January 31, 2006 (www.banktech.com).

Dean Foust, “Online Extra: Wachovia’s Change of Heart,” *BusinessWeek*, January 30, 2006, ©2000-2007, The McGraw-Hill Companies, Inc. (www.businessweek.com).

Anand Giridharadas, “Outsourcing Works, So India Is Exporting Jobs,” *The New York Times*, September 25, 2007 (www.nytimes.com).

Genpact, “Services,” © Genpact 2007 (www.genpact.com).

EXL Service, “Industry Recognitions,” © 2006 ExlService Holdings, Inc. (www.exlservice.com).

“EXL Recognized Among Global Insurance BPO Leaders,” ExlService Holdings, Inc., September 2006.

“EXL Exercises Its Purchase Option for State of the Art Infrastructure In Its Pune Facility,” ExlService Holdings, Inc., January 17, 2007.

Vertex, “About Vertex,” © Vertex Data Science 2007 (www.vertex.co.uk).

TelecityGroup, “Welcome/Services,” © TelecityGroup 2007 (www.telecitygroup.com).

Submitted by Jim Leonard, Commission Member:

“Outsourcing the Picket Line: Carpenters Union Hires Homeless to Stage Protests,” washingtonpost.com, July 24, 2007.