

Retail sales run strong

CV 2-19-06

Healthy numbers a good sign for the region's economy

BY STEPHEN DAILY
STAFF WRITER

Surprisingly high retail sales in January bode well for the Scranton/Wilkes-Barre area, which anticipates large investments in retail development this year.

Unusually warm weather combined with a record number of redeemed Christ-

mas gift cards boosted non-auto retail sales in the U.S. to its highest level in more than six years, the Commerce Department announced last week. With autos included, retail sales rose 2.3 percent, the best showing in 20 months.

"It's a sign of a strong economy," said Dr. Anthony

Liuzzo, professor of business and economics at Wilkes University.

"When retail outlets perform well, they make additional investments and hire more people. It has a snowballing effect."

Daniel Siniawa, owner of Daniel Siniawa & Associates, a retail developer in

Dickson City, said the businesses that already reported January sales figures to him had 10 to 12 percent increases in sales over last January.

"The parking lots are always full and the traffic is fully loaded," he said. "If the restaurants are busy, the

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Sales increase

- Gasoline station sales: 5.5 percent
- Clothing stores: 4.2 percent
- Furniture stores: 3.7 percent
- Building materials stores: 3.4 percent
- Restaurants and bars: 3.2 percent
- General merchandise: 2.1 percent
- Electronics stores: 2 percent
- Music, books and sporting goods: 1.5 percent
- Health care stores: 1.4 percent
- Grocery stores: 0.2 percent

SOURCE: U.S. COMMERCE DEPARTMENT

RETAIL: Restaurants, bars post solid sales gains

FROM PAGE H1

stores are full."

Sales at restaurants and bars rose 3.2 percent, the biggest gain in five years.

The good start is important to both of the area's large retail corridors — Dickson City and Wilkes-Barre Township — which plan to expand at a record pace this year. Dickson City will add two more retail strips, consisting of about a dozen stores, along with two national chain restaurants.

In Wilkes-Barre Township, a Starbucks, Kinko's, a Wal-Mart gas station, an ice cream shop, Kost Tire, Grand Chinese Buffet, Office Depot, and two other chain restaurants not yet identified are in the works, according to Andy Kratz, zoning and building code official for the township.

The largest retail project of the year will be the Shoppes at Montage, a \$50 million lifestyle center that will bring about 70 mid- to high-end tenants to Montage Mountain. The Shoppes, if allowed to proceed with construction, is slated to open in late October.

Nationally, retail sales outpaced expectations and rose a seasonally adjusted 2.3 percent, riding the strength of gasoline and automobile sales, according to the Commerce Department.

"One of the contributing factors were soft numbers reported last January from snowstorms," said Bill Martin, a retail analyst at ShopperTrak, a Chicago-based retail research firm.

"Retailers are starting to realize the increasing impor-

tance of January sales and are improving their clothing lines."

Increases were a little more tepid at local malls.

With 80 percent of the stores reporting, same-store sales are the Mall at Steamtown were up 2 percent in January over the same month last year, said Jim Walsh, general manager of the Mall at Steamtown. Overall sales were up 4 percent.

"I'd be happier with 3 to 4 percent but any gain is a step in the right direction," he said. "January is hit or miss. It is not a barometer of what the year is going to be."

The better performing stores in January were those geared toward teens and college students, such as Hollister, Abercrombie & Fitch and American Eagle, Mr. Walsh said.

Officials from Pennsylvania Real Estate Investment Trust, the owner of the Viewmont Mall and Wyoming Valley Mall, would not release recent sales figures.

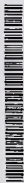
While January's figures were eye-catching, most economists agree it is not indicative of the whole year.

"It's indicative of a good start," Mr. Martin said. "I think we're seeing some growth in February and March and a drop off around Easter."

The high nationwide retail sales will likely mean another interest rate hike in the near future, Dr. Liuzzo said.

"If people think things are going well, they are going to spend money," Dr. Liuzzo said. "It's a self-fulfilling prophecy."

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Area jobless rate climbs to 5.7%

Rate among the worst in state

BY DAVID FALCHER
STAFF WRITER

The area jobless rate jumped more than half a percentage point in November to 5.7 percent, up from a five-year low of 5.1 percent.

Data released by the state Department of Labor and Industry showed the number of unemployed residents shot up by 800 as the ranks of the unemployed increased 1,500 on

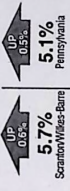
The job gains were largely seasonal, he said, with retailing adding 1,200 jobs. The region's unemployment rate, he said, remains stubbornly among the state's worst.

"The labor force is increasing, but so is the unemployment rate," he said. "Scanners are back to doing worse than the state and worse than the nation."

The low October unemployment rate, originally 5.2 percent, rose to 5.7 percent.

Unemployment in NEPA

The area jobless rate jumped from a five-year low of 5.1 percent in November to 5.7 percent in October. The number of unemployed residents shot up by 800 as the ranks of the unemployed increased 1,500 on a seasonally adjusted basis.



NOTE: The Scranton/Wilkes-Barre area includes Luzerne and Wyoming counties.

AREA: Jobless rate climbs

FROM PAGE D1

cent, was adjusted down to 5.1 percent, the lowest since May 2001. Despite the most recent jump, joblessness remains below where it was a year ago — 6.6 percent.

Statewide, unemployment was 5.1 percent, just above national jobless rate of 5 percent. The Scranton/Wilkes-Barre area was tied for 12th among the state's 14 metropolitan areas, with Johnstown and Erie the only regions with greater unemployment.

In addition to retail positions, 500 additional government jobs were added in the month, pushing service jobs to the highest on record, 216,900, accounting for 83 percent of all employment. The rest of the area jobs are in goods production and agriculture.

Manufacturing added 200 jobs in November for a total of 34,300, an upward movement that bucks a national trend, but a temporary respite, said Dr. Liuzzo.

"Manufacturing will continue to decline nationally and will decline locally," he said. "It may never go away entirely, but it will never be what it was in the 1980s and '90s."

Also reaching a new record was the education and health care sector of the service industry, which includes hospitals, nursing homes, private schools and higher education, which employed 50,100 in November.

A decade ago, manufacturing would have been the dominant sector, said state analysts Joseph Merlina, but today cedes to transportation and utilities and education and health services.

"With an aging population, there's a demand for health care, nursing home care, and physical therapy," Mr. Merlina said.

Lackawanna County's jobless rate was 5.3 percent, Luzerne County's 5.9 percent.

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SUNDAY TIMES

SCRANTON, PA
SUNDAY 74,275
DEC 18 2005

PHOTO BY JEFFREY M. HARRIS FOR THE SCRANTON TIMES

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Property tax plans could be coal in stocking

Sometime before Christmas Pennsylvania lawmakers should emerge from the doors they've been behind since September to triumphantly unveil ... apparently nothing.

What they are supposed to reveal is their plan to accomplish a key goal of the Rendell administration: property tax reform.

Here's the problem: according to three local economists, the leading plan shuffles things around quite a bit but, to crib from Shakespeare, is all sound and fury, signifying nothing.

The favorite right now — SB 30 — would raise the personal income tax from 3.07 percent to 3.5 percent and would raise the sales tax from 6 to 7 percent. Supposedly, this will generate \$2.6 billion annually, which can then be distributed for property tax reduction.

"I don't like it," says Satyajit P. Ghosh, Ph.D., professor and chair of the Department of



ELIZABETH ZYGMUNT
In this Corner

Economics and Finance at the University of Scranton. "There's no net gain. Sales taxes are always regressive — people with lower incomes always end up paying a higher percentage."

John Sumansky, Ph.D., an economist and chief planning officer at College Misericordia in Dallas, agrees. "People get excited when they hear their property tax will be reduced.

But this is just shifting the tax bill from one pocket to the other. It will be next to impossible to see any impact."

But while Dr. Sumansky agrees with Dr. Ghosh about the regressivity of the sales tax, he adds, "At least the income tax is more fair."

Besides the "soak the poor" disadvantage of SB 30, "It's ultimately almost a wash," says Anthony Liuzzo, JD, Ph.D., professor of business and economics and director of the MBA program at Wilkes University.

Additionally, he warns that the slight increase in the income tax will be felt by small business owners and "may affect decisions whether to stay (in Pennsylvania) and whether to hire."

"From a purely selfish standpoint," Dr. Liuzzo says he still favors Mr. Rendell's original plan to make Act 72 mandatory and use gambling revenue to

reduce property taxes.

Although the governor says he still wants to make Act 72 mandatory, there seems to be absolutely no support from the legislature.

Moreover, the Republican-endorsed plan to raise the sales tax to 7 percent and broaden its application also appears dead.

"And it's a good thing," Dr. Ghosh declares. "That was a bad idea." So it would seem that SB 30 is the last plan standing.

Dr. Ghosh perceives another disadvantage to EVERY plan being considered — indeed, to the very idea of property tax reform: loss of local control of school spending which will in turn drive down property values.

He explains, "All of these plans involve giving up a local tax in favor of revenue collected by the state. How will that money be apportioned? If you bought a home, say, in the Abingtons and paid more for it

in order to get a better school district, what happens when the state is apportioning money? Now there is no difference between the Abington School District and any other school district. Now why should you pay more? Your property value is going to fall."

Consequently, all debate surrounds plans that three out of three economists don't think will bestow any blessings on weary homeowners. All three local economists agree that the glaring omission is the complete lack of any effort to cut spending.

SB 30 does retain one aspect of Act 72: the back-end referendum. Under the bill, school districts would be required to hold a referendum if they intend to raise taxes beyond the general inflation index.

However, watch for "special exemptions" strings attached — means by which school boards can bypass the need for

a referendum "in an emergency." Dr. Ghosh cautions that it is just these kinds of exemptions that gut attempts to control spending.

"Then what happens when schools don't get what they need from Harrisburg? They'll turn to the local community and they'll raise the (property) tax rates again," he says.

The end result: higher income tax, higher sales tax AND creeping property tax. Beware what comes out of the special session this Christmas.

It could just be more coal in the taxpayer's stocking.

Elizabeth Zygmunt is the editor of the Northeast Pennsylvania Business Journal.

Would you like to write about an issue in the area business community? In This Corner features commentary by guest columnists. Send ideas to business@timeshamrock.com or call 207-3446.

Don't break the bank

Simple steps can save a bundle this Christmas

BY TIM GUILLA
STAFF WRITER

125 FF

It was just a few Christmases ago that Nan Mead and her co-workers decided they would skip presents.

Everyone, she said, had been exchanging simple gifts costing \$12 to \$15 each. But when all the spending added up, Christmas was getting too expensive.

Rather than feel slighted by the decision to end the tradition, Ms. Mead said her office co-workers at the National Endowment for Financial Education in Greenwood Village, Colo. were relieved.

Such decisions may be more common this year.

The higher cost of gasoline and home-heating is likely to eat into disposable income and discretionary spending on gifts. The leaner financial times call for honesty, self-reflection and restraint, said Ms. Mead, who handles public affairs at the endowment, which promotes financial literacy.

Still, saving money on Christmas gifts doesn't have to be difficult or disappointing. Some tips are quite simple, such as shopping now to take advantage of pre-season sales and selection, said Dr. Anthony Liuzzo, professor of business and economics at Wilkes University.

By starting early, you also spread out expenditures over a longer period of time.

Being a competitive shopper also can help. Luzerne and Lackawanna counties have a variety of similar stores, giving consumers ample chances to compare prices.

Despite the higher costs, Dr. Liuzzo expects consumers will spend as much this Christmas as they did last year. The National Retail Federation, a trade group for the nation's retailers, predicts a slight increase in spending this season.

Whether you're spending more or less on gifts, it's still a good idea to take steps to avoid too much of a hit to your pocketbook.

If you don't want to get too deep in holiday debt, Ms. Mead suggests making a list, checking it twice, and sticking to it.

"Be realistic about what you have to buy and

"Be realistic about what you have to buy and what you can afford"

NAN MEAD

National Endowment for Financial Education

what you can afford," she said.

Among the tips: Prioritize the people on your shopping list and be creative, not lavish, with gifts for people near the bottom.

"Keep in mind, it's not how much you spend, but the thought, that counts," she said.

Don't be afraid to tell people about your desire to cut back on gift giving, she said.

Credit counselors say their busiest time of year is February and March, when Christmas purchases show up on credit card bills. If you have to pay with plastic, keep purchases to a minimum, or at least use the credit card with the lowest interest rate or best rewards, Ms. Mead said.

Purchases made with credit can cost a lot more if you don't pay off the bill immediately. A \$500 Christmas bill on a credit card carrying an

18 percent interest rate, for example, would cost an extra \$384 in interest if you only made minimum payments, according to a Bankrate.com financial calculator.

It also would take 84 months, or seven Christmases later, to pay off the bill.

That's a lot of humbug for holiday seasons to come.

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HOW TO KEEP SOME HOLIDAY JINGLE

Spreading holiday joy is a big part of the gift-giving experience. It is important, though, to take steps to stay within your budget.

• **Be honest.** Don't be afraid to tell family, friends or co-workers that you'd like to cut back or set limits. They may be wishing to do the same thing.

• **Make a list.** Prioritize your gift buying and know what you want.

• **Set a budget.** Know the limit of how much you want to spend and stick with it.

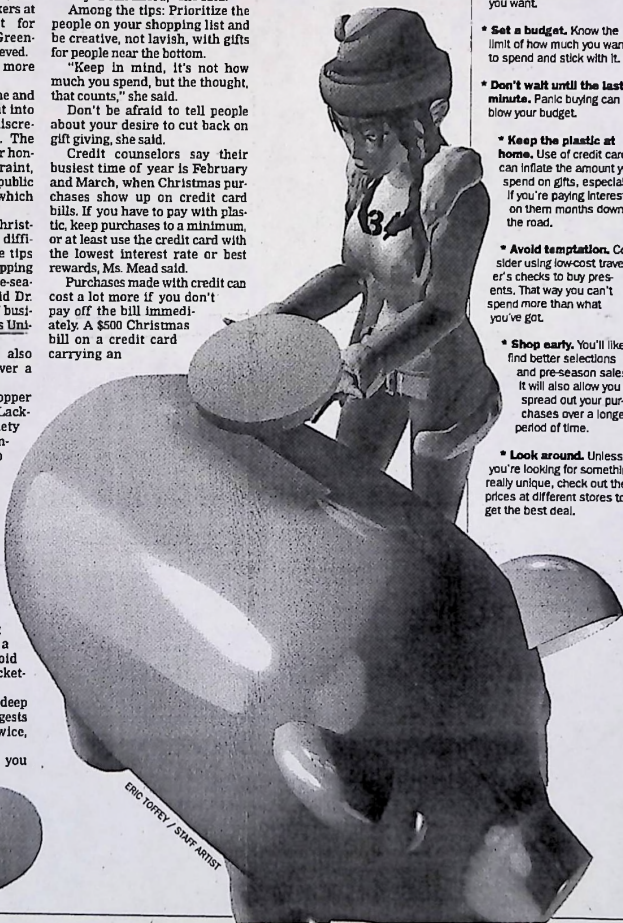
• **Don't wait until the last minute.** Panic buying can blow your budget.

• **Keep the plastic at home.** Use of credit cards can inflate the amount you spend on gifts, especially if you're paying interest on them months down the road.

• **Avoid temptation.** Consider using lowest-cost traveler's checks to buy presents. That way you can't spend more than what you've got.

• **Shop early.** You'll likely find better selections and pre-season sales. It will also allow you to spread out your purchases over a longer period of time.

• **Look around.** Unless you're looking for something really unique, check out the prices at different stores to get the best deal.



ERIC TOFFY / STAFF ARTIST



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Area jobless rate falls in July

Rate down 0.1% to 5.7; state number rises

225FF
BY DAVID FALCHEK
STAFF WRITER

More people found jobs in the Scranton/Wilkes-Barre area in July, nudging the region's unemployment rate down one-tenth of a percentage point to 5.7 percent.

Numbers released Monday from the state Department of Labor & Industry show an equal number of new entrants into both the labor force and the employed. About 1,900 more residents were willing and able to work in June and an equal number found jobs.

That left the number of unemployed residents unchanged at 16,000 in July for the metro area that includes Lackawanna, Luzerne, and Wyoming counties. Despite the

relatively strong showing locally, oil prices, terrorism, and Hurricane Katrina threaten the job outlook going forward.

While more residents had success finding work, the new work seems to have been elsewhere. With schools continuing to show seasonal layoffs, the total number of non-farm jobs in the region shrank by 2,800 for the month.

Considering the shots the economy took in July, the latest job numbers are positive for the region, said Anthony L. Liuzzo, Ph.D., professor of business and economics at Wilkes University.

In July, gas prices started to hike up, the Federal Reserve Bank continued to increase

short-term interest rates, and the London subway bombing increased fears of a terrorist attack.

"With so much instability, our local economy continues to show some strength," Dr. Liuzzo said. "We are not breaking any records, but we are doing well."

On a county level, Luzerne's unemployment rate continued to rise higher than the rest of the region with a seasonally-adjusted 6.1 percent jobless rate compared to Lackawanna's 5.4 percent. Wyoming's unemployment was 5.6 percent for the month.

The regional rate tracked behind the state and national numbers, but the gap narrowed. Pennsylvania unem-

ployment was 5.1 percent in June, up one-tenth of a percentage point. Among state's 14 metro areas, three had greater rates. The U.S. jobless rate was unchanged at 5 percent.

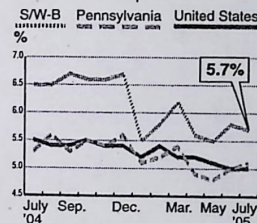
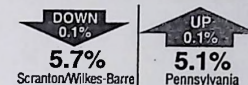
In the next few months, the regional and national economy will be put to the test, Dr. Liuzzo said. He anticipates that economic results for August and September will be disappointing as the economy absorbs the full impact of record oil prices rippling through the economy and the psychological impact of Hurricane Katrina.

"Oil prices will translate into higher prices for a host of things," he said. "Katrina will be a major blow to the nation's psyche."

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Unemployment in NEPA

More workers and more jobs helped nudge the jobless rate in the Scranton/Wilkes-Barre area down one-tenth of a percentage point to 5.7 percent in July.



NOTE: The Scranton/Wilkes-Barre area includes Lackawanna, Luzerne and Wyoming counties.

SOURCE: Pa. Dept. of Labor and Industry

SUNDAY TIMES

SCRANTON, PA
SUNDAY 74, 275
AUG 28 2005

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BY THE GULLA
STAFF WRITER
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Bad debt: One trend in which NEPA isn't lagging

Foreclosures, bankruptcies on rise throughout region

225FF
BY THE GULLA
STAFF WRITER

By just about any common measure, from bankruptcy filings and sheriff's sales to the number of people seeking assistance with debt, Northeastern Pennsylvania is not sheltered from the growing national storm.

The after-effects of too much credit and overextension are rising here, just as they are throughout the country.

Though mortgage rates are still near historic lows, Luzerne County Sheriff Barry Stankus had the busiest sheriff sale in his six years in

office last month. Close to 200 properties were listed because the owners hadn't kept pace with mortgage obligations. Already this year, there have been 729 properties listed for auction.

It's no different in Lackawanna County, where the number of properties exposed to sheriff's sales have been rising each year, from 269 properties in 2000 to 490 last year.

Both counties are on track to beat last year's pace.

Bankruptcy filings in the region also are rising — up more than 5 percent in the year ending June 30, compared with a year earlier. The most recent spike, though, may be more attributable to coming changes in the bankruptcy law that will make filing tougher.

It doesn't really matter what segment of society you fall into. Experts say debt can weigh heavily on anyone.

"It's the difference between what you make and what you spend and what you spend is a function of the psychology of the way you approach your financial health and financial

life," said Dr. Anthony Liuzzo, professor of business and economics at Wilkes University.

Spending money you don't have isn't always bad. It's what allows most people to afford a home or a car.

The key is to find the right allocation of debt for your own personal situation, Dr. Liuzzo said, an admittedly difficult proposition.

Paying with plastic

Dunmore attorney Mark Conway, a bankruptcy law practitioner and bankruptcy trustee, estimates his own caseload is 40 percent higher this year. Others in the same field report similar upticks in business.

The problem, some say, is simple. Credit is far too easy to get today, and far too easy to turn to for basic necessities.

"(Card issuers) send these credit card inquiries and, of course, the individual accepts the cards and starts using them," said Scranton bankruptcy attorney Tullio DeLuca. "But the interest rates are so high they can't get anywhere with them and they're stuck."

Attorney Carlo Sabatini, who has offices in Scranton

and Wilkes-Barre, says most consumer debt he sees in bankruptcy cases are for necessities, not extravagances.

"Often, the people receiving the (credit) offers have an immediate need to pay for basic necessities," he said. "By using the credit, they end up getting into a cycle that's hard or impossible to get out of."

Throw in the loss of a job, family emergency or medical problems and some consumers already close to the margin get pushed over the edge, Mr. Conway said.

You can't just indict lenders, though. Borrowers also share in the blame.

"Both sides are a little bit at fault here," said Dr. Liuzzo. "The creditors and banks and other lenders have to be a little more discerning as to whom they lend their dollars."

"More importantly, we need to be a little more discriminating about borrowing dollars."

Debt doesn't have to end in bankruptcy or mortgage foreclosure to be damaging. Maybe you have to work a second job to make ends meet, Dr. Liuzzo said.

"I'm not going into bank-

Selling the farm

An increasing number of properties in the Scranton/Wilkes-Barre metro area are being sold at sheriff's sales. Properties that are secured by a mortgage can be put up for auction by county sheriffs if the borrower defaults on the obligation. The trend is a measure of debt problems.

Year	Lackawanna County	Luzerne County	Wyoming County
2002	347	686	64
2003	399	753	64
2004	491	801	77
2005*	512*	874*	80*

NOTE: Figures are for counties in the Scranton/Wilkes-Barre metropolitan statistical area.
Totals for 2005 are estimated for the year.
Actual totals for year to date are lower.

SOURCE: Sheriff's offices in Lackawanna, Luzerne and Wyoming counties

ruptcy but here's some time I could be at the Little League game or watching the Red Barons. Maybe I'm delaying retirement or, when I do (retire) I'll have less savings."

Looking for help

At Consumer Credit Counseling Services of Northeastern Pennsylvania in Clarks Summit, staff members saw a slight decline in the number of people seeking help between 2004 and 2005. Yet they don't believe it will last.

"A lot of people were refi-

nancing or taking on home equity loans (in the past few years)," said Terri Stocki, education director at the counseling service. With interest rates staying low, Ms. Stocki said, "They were handling (their debt)."

Changes on the horizon, such as credit card companies starting to increase monthly payments, revised bankruptcy laws, and rising interest rates, could tip the scales.

Rising interest rates, for instance, will impact on those with variable rate credit cards and adjustable rate mortgages. Rising minimum payments on credit cards will force those already struggling to come up with minimum payments to dig deeper.

"I think we're going to get a lot busier," Ms. Stocki said.

Already, the counseling service is gearing up for the enactment of new bankruptcy rules this October that require debt counseling for filers. But bankruptcy is a last resort.

Turning your financial affairs around before you get to that point requires a serious commitment, Ms. Stocki said.

"The first thing you have to do is cut up the credit cards and stop charging, because you're only making it worse."

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AUGUST 14, 2005

Interest rates gaining altitude

Before moving money, you
must know how high rates will get

BY TIM GULLA
STAFF WRITER

Traditional savers who look to the safety of bank accounts have had roughly three years to contend with low interest rates. That balloon has been gaining altitude of late, especially on intermediate-term investments for people willing to lock-up cash for a year or more.

"That's resulted in a

steady stream of people moving cash from traditional savings into certificates of deposit," said Stephen Cook, branch manager at the Pittston and Pittston By-Pass branches of Buffalo, N.Y.-based M&T Bank.

In roughly the past year, interest rates on its one-year certificate of deposit have risen threefold from just 1 percent to 4 today.

"A lot to people have been sitting and waiting for the day CDs start tipping into the 4 percent

range, and it's happening now," Mr. Cook said.

The question traditional savers have to ponder now is how high rates will rise.

"This is not an exact science," said Dr. Anthony Liuzzo, professor of business and economics at Wilkes University's Jay S. Sidhu School of Business and Leadership.

If he were a betting man, Dr. Liuzzo would say rates will continue to rise at a slow pace.

Others see some room for rates to start leveling off.

First Liberty Bank and Trust is offering up to 5.1 percent in the last year of a three-year rising interest CD. That's more than the bank could get if it invested its cash in 10-year Treasury Bonds, which were paying 4.4 percent as of last week.

Moreover, long-term lending rates like 30-year mortgages are still low, decreasing the interest margin between what the banks pay and what they get, said Scott Kingsley, executive vice president and chief financial officer at Syracuse, N.Y.-based Community Bank System, which owns First Liberty banks.

That's not a deterrent at this point, though.

"On a going forward basis, certainly the bank's perspective is we'll pay a higher rate for a longer commitment from the consumer," Mr. Kingsley said.

While rising rates generally are good for traditional savers, financial experts say you have to be careful not to dive in with both feet when only one will suffice.

"One should be careful to not lock in for too long a time," Dr. Liuzzo said.

By locking all of your cash, you could lose out on opportunities to take advantage of better rates in the future, he said. It's best to ladder maturities so you have money coming due at regular intervals, giving you an opportunity to reinvest should better rates become available.

BOB SANCHEZ / STAFF ARTIST

Here are some things to keep in mind in a rising rate environment:

Get Relief. Rates on medium-term investments, like certificates of deposit, are rising. Rates are three or four times higher than they were last year.

Comparison shop. Many banks are advertising rates, trying to attract new depositors. There may be opportunities to take advantage of being a new depositor.

Ladder maturities. It's best not to lock all your money in one instrument with one maturity date. Vary maturity dates so you'll have money coming due every few months.

Check the Web. Internet sites, such as Bankrate.com, allow you to compare interest offered nationally and locally on savings accounts, certificates of deposit and money market accounts.

Region not immune to debt woes

By Tim Galle
Staff Writer

By just about any common measure, from bankruptcy filings and sheriff's sales to the number of people seeking assistance with debt, Northeastern Pennsylvania is not sheltered from the growing national storm.

The after-effects of too much credit and over extension are on the rise here, just as they are throughout the country.

Though mortgage rates are still near historic lows, Luzerne County Sheriff Barry Stankus had the busiest sheriff sale in his six years in office last month. Then, close to 200 properties were listed because the owners hadn't kept pace with mortgage obligations. Already this year, there have been 729 properties listed for auction.

It's not any different in

See REGION, page A12

REGION: Many local families are swimming in debt

FROM PAGE A1

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"Both sides are a little bit at fault here," said Dr. Liuzzo. "The creditors and banks and other lenders have to be a little more discerning as to whom they lend their dollars. More importantly, we need to be a little more discriminating about borrowing dollars."

Debt doesn't have to end in bankruptcy or mortgage foreclosure to be damaging. Maybe you have to work a second job to make ends meet, Liuzzo said.

"I'm not going into bankruptcy but here's some time I could be at the Little League game or watching the Red Barons. Maybe I'm delaying retirement or, when I do (retire) I'll have less savings."

TIMES-TRIBUNE

SCRANTON, PA
TUESDAY 28,991
JUN 28 2005



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Jobless rate ticks down

Dip of 0.1 percentage point 'moving in right direction'

BY STEPHEN DAILY
STAFF WRITER

The area jobless rate improved slightly in May, dipping 0.1 percentage point, to 5.5 percent.

The figure for the Scranton/Wilkes-Barre region, released today by the state Department of Labor and Industry, is nine-tenths of a percentage point below a year ago.

"I don't think the numbers are telling me anything I didn't already know," said Dr. Anthony Liuzzo, professor of business and economics at Wilkes University. "The economy remains stable and shows some signs of strength. It's nothing to applaud over but we're moving in the right direction."

"If anything, the loss of manufacturing is probably going to accelerate."

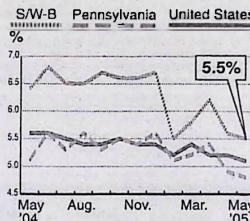
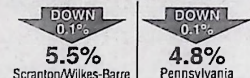
Dr. Anthony Liuzzo
Professor, Wilkes University

The regional jobless rate was last at 5.5 percent in January. Joblessness has held below 6 percent, except for March, since the rate hovered between 6.5 and 6.7 percent through the second half of 2004.

Despite the improvement, the Scranton/Wilkes-Barre region continues to lag behind most areas of the state, ranking 13th out of the state's 14

Unemployment in NEPA

The region's jobless rate fell 0.1 percentage point in May, to 5.5 percent.



NOTE: The Scranton/Wilkes-Barre area includes Lackawanna, Luzerne and Wyoming counties.

SOURCE: Pa. Dept. of Labor and Industry

metropolitan statistical areas. The state unemployment rates range from 3.2 percent in the

Lebanon area to 5.8 percent in Johnstown.

The resident labor force, defined as people who live in Lackawanna, Luzerne and Wyoming counties and are able and willing to work, increased by 1,200 in May and was 3,300 more than a year earlier. Meanwhile, resident employment increased by 1,500 over the month and improved 5,600 over the year.

Unemployment in Luzerne County continued to run higher in May, at 5.6 percent. That compares with 5.4 percent in Lackawanna County and 5.1 percent in Wyoming County.

Pennsylvania's seasonally adjusted rate was 4.8 percent in May — the lowest rate since July 2001. The U.S. rate was 5.1 percent in May, a decrease of 0.1 percentage point over the month.

Service providers continue to perform well in the Scan-

ton/Wilkes-Barre region, picking up 600 jobs in May. An estimated 3,000 more people are working in service sector jobs in the region, compared with a year earlier. Jobs in the leisure and hospitality sector increased by 700 from April and reached its highest level on record at 23,300, according to the department.

Manufacturing jobs managed to inch up 100 jobs over the month, to 33,800. However, the figure is 1,600 fewer than a year ago.

Dr. Liuzzo said the service sector, specifically in education and health-related fields, remains a strength for the region. But the loss of manufacturing jobs is not going to reverse, he said.

"If anything, the loss of manufacturing is probably going to accelerate," he said.

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TRIBUNE

SCRANTON, PA
FRIDAY 32,832
JUN 17 2005



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Local pay up; trails state, nation

Area's average wage hike surpasses rate of inflation

BY TIM GULLA
STAFF WRITER

Paychecks in Lackawanna and Luzerne County are getting fatter but still lag state and national averages by fairly wide margins, according to a U.S. Bureau of Labor Statistics report released Thursday.

Between the third quarters of 2003 and 2004, the average wage rose 4.6 percent to \$586 a week in Lackawanna County and rose 4 percent to \$599 a week in Luzerne County,

according to the report. While those figures put the two counties at or near the bottom in a list of the 17 largest counties in the state, economists say there are bright spots.

"Actually, it's not bad news because the inflation rate, give or take, is about 3 percent," said Wilkes University business and economics professor Dr. Anthony Liuzzo. By rising faster than inflation, he said, "It's showing a real increase in both counties."

There are many factors that can skew the meaning of these numbers, economists warn. Cost of living, for instance, can vary widely from county to county.

"Pricing here may not be as high on average as throughout the state so, in effect, employees may be getting a better bang for their buck locally," Dr. Liuzzo said.

"You could be making more money in Washington, D.C., but you could also be paying more for housing, car insurance and other factors," said Gerald Perrins, a Pittston native who serves as regional economist for the Bureau of

Labor Statistics in Philadelphia.

"One of the key factors, too, that plays into some of these statistics are the industry mixes you see in a particular metropolitan area or county," he said.

Luzerne or Lackawanna County may have a manufacturing plant but Philadelphia or Pittsburgh may have the manufacturer's corporate headquarters. Larger cities also are likely to have higher-paying jobs in industries like financial services.

Nationally, the average weekly wage was \$733 in 2004, a 4 percent increase from the prior

year. Pennsylvania lagged slightly behind at \$722, which was a 4.3 percent increase from the prior year.

Montgomery County, at \$909, and Chester County, at \$902, ranked 31st and 32nd among the 317 largest counties in the nation, according to the Bureau of Labor Statistics. Though lower than the national average, Pennsylvania's average weekly wage ranked 17th in the nation.

Washington, D.C., had the highest average weekly wage in the nation at \$1,207, a 7.6 percent jump from 2003 to 2004.

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Region's Salaries Growing

225FF BY TIM GULLA FRONT PAGE
STAFF WRITER

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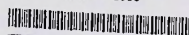
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Pa. Wages

United States	\$733
Pennsylvania	722
Allegheny	774
Berks	668
Bucks	709
Chester	602
Cumberland	704
Dauphin	736
Delaware	778
Erie	586
Lackawanna	666
Lancaster	656
Lehigh	726
Luzerne	599
Montgomery	909
Northampton	664
Philadelphia	889
Westmoreland	605
York	666

Source: U.S. Bureau of Labor Statistics



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Death of manufacturing exaggerated

225FF

BY DAVID FALCHEK
STAFF WRITER

"We are switching to a service-based economy."
"Manufacturing is moving to China."

Conventional wisdom has some people writing off manufacturing.

While the nation, and certainly the region, have sustained considerable losses in manufacturing jobs, it doesn't mean that there's not an opportunity to grow.

By some estimates, manufacturing may be in the best position to grow in our area.

Of 125 qualified business recruiting leads processed by Penn's Northeast in the last two years, nearly half — 55 — were in manufacturing. Of the rest, 45 were logistics businesses or warehouses, 18 were offices, and seven were other projects such as retail businesses or hotels.

"That tells me there's intense manufacturing activity and comparatively weak activity for office projects," said James Cummings, president of Penn's Northeast.

Better, fewer workers

In the past four years, the Scranton/Wilkes-Barre region shed 11,700 manufacturing jobs — more than one-fifth of total employment in the sector. Dramatic factory closings such as Thomson Consumer Electronics in Dunmore, FiNet Industries in Scranton, Corning Inc. in East Benton and Techneglas in Jenkins Township accounted for much of the loss.

Manufacturing facilities that once dominated the region's economies in the 1960s and 1970s have become obsolete, Mr. Cummings said.

After about 20 or 30 years, updating a factory becomes too expensive and the company decides it needs an entirely new facility and would



MICHAEL J. MULLEN
STAFF PHOTOGRAPHER

Tool and die maker Joe Yzkanin of Olyphant adjusts a brush-making machine at Galaxy Brushes in Moosic. Galaxy designs and builds many of the machines used to make industrial brushes.

do better somewhere else, hiring a new work force with less longevity at a lower cost, Mr. Cummings said.

Yet, closings and movements have happened and will continue to happen. But job losses related to plant closings are only part of the story.

As a sector, manufacturing has been shedding jobs since World War II. To remain competitive, manufacturers race to increase productivity with better equipment and processes. That often means fewer workers.

"The use of computers and improvement in manufacturing process has prompted great increases in productivity," said Dr. Anthony Liuzzo, professor of business administration at Wilkes University.

"That had decreased total employment, but made the U.S. worker and U.S. manufacturer the most productive in the world."

Manufacturing is far from dead. Nationally, manufacturers added 20,000 jobs in February alone. The gradually improving economy has firms looking to expand, and there's reason to believe that Northeastern Pennsylvania is looking pretty good.

When Penn's Northeast's phone rings, there's a 50 percent chance it's a manufacturer.

"We still have a reputation as a manufacturing region, and prospective companies want people with those skills and want to be close to markets," Mr. Cummings said.

Newly arriving manufacturers could draw from the pool of experienced production workers displaced from shuttered Thomson and FiNet Inc. factories — workers who may have shifted to nonproduction jobs, such as retail, said Dr. Len Tischler, associate professor of management at the University of Scranton.

"Consider employees at a place like Techneglas, where they did some precision work, and those workers are just walking around out there," Dr. Tischler said. "Those people are assets, just like buildings or equipment, that are being wasted."

Some manufacturing sectors remain strong in the region. Food processing, plastic extrusion, metal forming and publishing haven't seen the losses that electronics manufacturing has, and some are even adding jobs.

Mission Foods Inc. will hire more than 200 at a tortilla manufacturing plant in Mountaintop this year. Plastics extruder Compression Polymers Corp. in Moosic has purchased a vacant factory

Manufacturing outlook

The Scranton/Wilkes-Barre region has advantages it can exploit to grow its manufacturing industries.

■ **Sell the workers:** A skilled or trainable work force is a prerequisite for manufacturing or any other business. The region has a large number of displaced experienced production workers who tend to be loyal, eager and serious.

■ **Road and rail:** From Northeastern Pennsylvania, a company can serve from Maine to Virginia and west to Ohio, using rail for raw material delivery and interstates for shipping finished goods.

■ **Sites to show:** The region has a variety of vacant industrial sites and shovel-ready tracts of land in business parks to show.

■ **Higher-level jobs:** Seek out higher-level manufacturing processes that require trained skilled laborers, assets that anchor a company to a region.

■ **Plenty of work:** Factories sometimes hire large numbers of people with skill levels ranging from none to high.

and plans to hire as many as 300 in two years.

While the region sustained more than its share of job losses because of its high percentage of production jobs, that doesn't mean the area shouldn't continue pursuing the next generation of manufacturing requiring advanced processes and skilled labor, Dr. Liuzzo said.

"For all the talk of the service economy, people still want to buy goods," Dr. Liuzzo said. "Reports of manufacturing's death have been greatly exaggerated."

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SCRANTON TIMES

SCRANTON, PA
TUESDAY 28, 901
APR 26 2005



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Local Unemployment Rate Up

Region sees increase to 6.3 percent despite rise in local hiring.

BY DAVID FALCHEK
STAFF WRITER

Despite more hiring by local employers, the region's residential unemployment rate increased half a percentage point in March, to 6.3 percent.

Only one of the state's other 14 regions had a higher unemployment rate, Johnstown with 6.8 percent. Statewide unemployment was 5.4 percent.

The results underscore the divergence of two key components of the region's employment picture: Where people work and where the jobs are created.

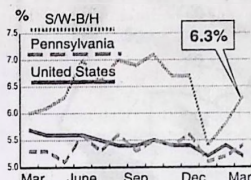
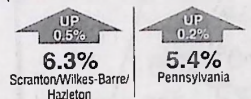
Jobs created in the region increased in March by 1,900. Yet on a seasonally adjusted basis, 1,400 fewer local residents were working.

While local businesses are adding jobs, the jobs don't seem to be filled by local people.

The trends suggest that the region's workers aren't

Unemployment in NEPA

The region's unemployment rate was up 0.5 percentage points in March at 6.3 percent.



* Beginning in 2005, the metropolitan area unemployment figure no longer includes Columbia County.

SOURCE: Pa. Dept. of Labor and Industry

matching up with jobs being created, said Anthony Liuzzo, Ph.D., economics professor at Wilkes University.

Employers could be pulling people from outside the area, or local people may be finding work elsewhere, he said.

The unemployment rate in Luzerne County, at 6.6 percent in March, continued to trend higher than in Lackawanna's 5.9 percent.

"If you look around that's what we have here: schools and health care facilities. Those and other service sectors are areas that should be growing."

Anthony Liuzzo, Ph.D.
Wilkes economics professor

Of the 1,900 jobs created in March, most were in professional and business services, and education and health care.

That's not surprising, Dr. Liuzzo said.

"If you look around that's what we have here: schools and health care facilities," he said. "Those and other service sectors are areas that should be growing."

Comparing the region's employment situation year after year paints a better picture, said state analyst Joseph Merlina. Since March 2004, there are 4,400 more people in the labor force and 4,300 more people employed.

The region added 100 manufacturing jobs and 200 construction and mining jobs at a time when employment in those sectors plummeted nationally, Mr. Merlina said.

Dr. Liuzzo didn't find those numbers as encouraging, saying that figures so small can be easily skewed by other variables, such as weather.

The increase in unemployment may be a blip caused by oil prices, he said. He feels the both national economy and the local economy are sound.

"We will see some numbers that are not that good," he said. "In the meantime, we have to ride out these unequal gains and losses."

This is the third month during which unemployment results were reported for the re-configured metropolitan statistical area of Luzerne, Lackawanna, and Wyoming counties. Columbia County was dropped from the statistical area in January.

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SCRANTON, PA
TUESDAY 32,832
APR 26 2005



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Region's jobless rate up to 6.3%

*But number of jobs
created also
increases.*

By David Falchek
STAFF WRITER

225FF

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The trends suggest that the region's workers aren't matching up with jobs being created, said Anthony Liuzzo, Ph.D., economics professor at Wilkes University.

Employers could be pulling people from outside the area, or local people may be finding work elsewhere, he said.

Continued from Page A1

JOBLESS: Education, health care, services up

FROM PAGE A1

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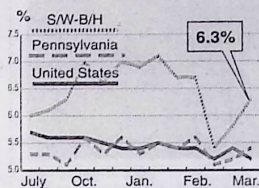
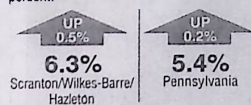
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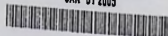
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Economic forecast 2005:

Solid growth, bigger deficits, lackluster job growth

By Dave Gardner

The economic outlook for both northeastern Pennsylvania and the nation in 2005 is relatively bright, according to two respected university economists. Anthony L. Luzzo, Ph.D., professor of business and economics at Wilkes University in Wilkes-Barre, emphasizes that the American economy continues to display strength.

A consistent pattern has recently emerged, with the economy sputtering periodically, followed by a new upswing. He believes this growth will be assisted by the re-election of President George Bush, because a consensus exists that the business community and the stock market "got what they wanted" with the election results.

Concerning hiring prospects, Luzzo explains that persistent data is very complex. Overall productivity has been up and down when measured by company and by position, and economists believe Americans are now experiencing the impact of the profound economic changes that took place during the 1990s. Whether overall productivity gains will continue is unknown.

"When you're discussing future hiring, you must remember that jobs are not a cause but an effect," says Luzzo. "For example, to try and predict the number of runs that will occur in a baseball game, you must study the pitching and the hitting. Predictions about hiring are like this, because you must study economic conditions that influence hiring. One solid prediction concerning hiring trends is that there will be no major show stoppers in 2005."

Fiscal and monetary policy

Luzzo believes business taxes in 2005 may trend downward, because President Bush and the Republican Congress will continue a business-friendly political process.

However, the Federal Reserve Board (Fed), which exercises great influence over interest rates, will allow borrowing rates to experience a slow but steady climb. Luzzo compares interest rates to the brakes on a car, and believes the Fed will raise rates in a series of small increases to prevent inflation.

"Inflation can be misleading, because the economic data from higher prices may look like economic growth, but this is false growth," says Luzzo. "Yes, the numbers go up, but growth has not really occurred."

While the president and Congress both play roles in the economy, Luzzo points out that there are limits to presidential power. This is in opposition to the general public's belief that the president is the country's economic manager. In reality, the Fed is the "big player," says Luzzo, notes that Fed Chair, Alan Greenspan has more power than Bush for shaping mon-

etary policy, and that Greenspan has been a successful chairman who consolidated power in his position.

Prospects for overall retail buying in 2005 appear good, but may be down a bit overall.

Economic wildcards: Iraq and oil

Wildcards in the economic deck for 2005, according to Luzzo, are the situation in Iraq, global political instability and insurgency, plus crude oil prices. Yet, he believes the effect crude oil prices have had on the overall economy since 1974 has been overrated. Today, as opposed to 1974, less oil is used by the U.S. in proportion to its entire economy.

"Oil shocks can hurt us, and there are many unknowns, but many people still have the mindset that as oil goes, so will go the economy," explains Luzzo. "But, our economy is now more service and information-based, and in the 1970s oil was under-priced. Other positive factors are that the United States is still the No. 3 oil producer in the world, and Canada is our No. 1 foreign supplier of oil."

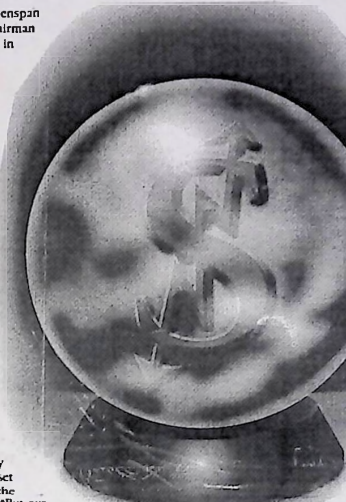
No healthcare silver bullet

Regarding the economic quagmire of healthcare reform, Luzzo says, "If we're ever going to get anywhere on healthcare reform, fundamental questions must be debated such as why employers are the ones who are providing this service. Other issues such as malpractice and the cost of new technology must be explored. This is similar to the Social Security situation, which began as a program in the mid-1930s when life expectancies were much lower. Baby Boomers are paying for current retirements, but who will pay for the Boomers? No one institution can fix these problems, not even the president or Congress, because they are so complex. And, I don't see a specific trigger point that will demand action to be taken. The only sure thing is that these problems won't settle down."

Fundamental agreement

Satyajit Ghosh, Ph.D., professor and chair of economics and finance at the University of Scranton, also predicts higher interest rates for 2005.

"All indicators are that Fed will raise



One solid prediction concerning hiring trends is that there will be no major 'show stoppers' in 2005.

interest rates during 2005," says Ghosh. "Whether these increases will be sharp or gradual, it's hard to tell. The Fed will decide if the economy is overheating, and — I believe — a one-half to one-point increase is possible. A couple of total points will be a lot."

Uncertainty rules out oil price plunge

Ghosh warns not to expect big reductions in prices for petroleum products during 2005. The upcoming Iraq elections could play a role in crude oil prices, as could issues related to the death of Palestinian leader, Yasser Arafat.

These types of uncertainties almost rule out any chance crude oil will retreat to pricing levels of one year ago, and because of oil's inflationary aspect, the Fed will have another added reason to raise interest rates.

"With higher rates, there will be less borrowing, less spending and reduced inflationary pressure," says Ghosh. "Yes, higher oil prices hurt us, but they will not create a disaster."

Recovery likely to stay 'jobless'

Ghosh also predicts business taxes will go down in 2005, because President Bush and Congress will make it possible.

Concerning jobs, there will be no dramatic improvement, with the same sluggish employment pattern continuing as job creation is up and down month to month.

"I don't see any type of fundamental change that will boost job production," says Ghosh. "Every month, the economy needs to create 150,000 new jobs to simply keep up with population gains. If these increases do not occur, a job deficit is created. This totals 1.6 million to 1.7 million jobs that must be created every year just to stay even."

Employer nightmare

Concerning the ongoing nightmare of rising healthcare costs for businesses, Ghosh says he sees absolutely no change in sight, and that the situation will keep getting worse. He points out that 45 to 46 million people, making up 25 percent of the population, are currently uninsured. He is disturbed that no genuine national dialogue is taking place about the cost of healthcare.

"I have absolutely no clue what a solution for the healthcare mess will be," says Ghosh. "This situation should be at the top of our national agenda and talked about more. It's one thing to recognize a problem, but another to devise a solution. Some aspects of socialized medicine are not really bad, and some are positive, but this type of approach has been derided."

Ghosh believes the lack of solutions about the healthcare situation illustrates that, as a nation, a problem exists in the ability to process information. This problem has led to a lack of long-term planning and fueled economic problems such as the federal budget deficit, exploding healthcare cost increases and social security instability.

"Big government deficits will continue in 2005, and they will be growing as long as I can see," adds Ghosh. "These types of deficits reduce our ability to address problems such as healthcare for the uninsured and education. Tax cuts, as needed, can be good for the economy, but not while we are blowing off all surpluses and fiscal discipline. The problems that result are due to a complete lack of long-term planning. The day will come when we have to confront these big issues, but not in 2005."

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Ashley Borough	\$52	Lafayette Borough	\$10
Avena Borough	\$20	Lake Township	\$10
Bear Creek Township	\$10	Larksville Borough	\$10
Bear Creek Village Borough	\$10	Laurel Run Borough	\$10
Black Creek Township	None	Lahman Township	\$52
Buck Township	\$10	Luzerne Borough	\$52
Butler Township	\$10	Nanticoke City	\$52
Cannington Borough	\$10	Nesqueack Borough	\$52
Cannington Township	\$10	Nesqueack Township	\$10
Courtland Borough	\$10	Newport Township	\$10
Dallas Borough	\$10	New Columbia Borough	None
Dallas Township	\$10	Kuapola Borough	\$10
Danisco Township	\$10	Penn Lake Park Borough	\$10
Dorrence Township	\$10	Pittston City	\$10
Duport Borough	\$10	Pittston Township	\$10
Durycia Borough	\$10	Plains Township	\$52
Edwardsville Borough	\$10	Plymouth Borough	\$52
Exeter Borough	\$30	Plymouth Township	\$52
Exeter Township	\$10	Pringle Borough	\$28
Fairmount Township	\$10	Rice Township	\$10
Fairview Township	None	Ross Township	\$10
Forty Fort Borough	\$52	Salem Township	\$10
Foster Township	\$5	Shickligny Borough	\$10
Franklin Township	\$10	Slocum Township	\$10
Freeland Borough	\$10	Superior Township	\$10
Hanover Township	\$52	Sugar Notch Borough	\$10
Harveys Lake Borough	\$10	Swoyersville Borough	\$10
Hazleton City	\$52	Union Township	\$10
Hazle Township	\$52	Warrior Run Borough	\$10
Hollenback Township	\$10	West Hazleton Borough	\$10
Hughestown Borough	\$10	West Pittston Borough	\$10
Hunlock Township	\$10	West Wyoming Borough	\$52
Huntington Township	\$10	White Haven Borough	\$10
Jackson Township	\$52	Wilkes-Barre City	\$52
Jeddo Borough	None	Wilkes-Barre Township	\$52
Jankins Township	\$42	Wright Township	\$52
Kingston	\$52	Wyoming Borough	\$10
Kingston Township	\$10	Yatesville Borough	\$10

SPECIAL REPORT

Many of the 76 communities in the county have enacted the new municipal services tax. Why?

Job tax will pour millions into community coffers

A TEAM OF CITIZENS' VOICE SUPPORTED OFFICE TRIPS REPRESENTATIVES OF THE 76 MUNICIPALITIES IN LUZERNE COUNTY this week to chart the course of the Emergency and Municipal Services Tax. The EMS tax, authorized by the state legislature last year, allows communities to levy a tax on workers not to exceed \$52 in place of the former \$10 Occupational Privilege Tax.

By JAMES CONRY
Citizens' Voice Staff Writer

About 80,000 of the people working in Luzerne County will shell out an estimated \$4.2 million more in 2005, thanks to an increased job tax.

State legislators created the new emergency and municipal services tax and eliminated the former \$10 occupational privilege tax late in 2003. The new law allows municipalities to levy a revised job tax from \$10 to \$52.

The deadline for communities to implement the new tax was Wednesday.

Local communities must use revenue generated by the new job tax either to fund ambulance, police or fire departments, make road and bridge improvements, or reduce property taxes.

Less than one-third of Luzerne County's 76 municipalities opted to raise the tax above \$10.

The tax is based on where an individual works, not where he or she lives. State law recommends no one making less

than \$12,000 should pay the tax, but left the minimum income level up to local elected leaders.

Employers have the right to deduct the full \$52 from the first paycheck of the year, or in increments until April 30.

In Luzerne County, the minimum income requirement varies from \$2,000 to the \$12,000 recommended by the state. The amount each municipality receives from the tax ranges from an estimated \$5,000 in Ashley Borough to \$1.25 million in Wilkes-Barre City.

The tax is not equitable because it is based on income and varying minimum annual requirements, said Dr. Anthony Luzzo, a professor of business and economics and director of the Masters of Business Administration program at Wilkes University.

In some municipalities, a person working in a fast-food restaurant who makes \$5,000 will pay the same \$52 tax as an attorney who makes \$100,000.

"This is going to unfairly affect people in lower income brackets," Dr. Luzzo said.

"You're taxing everyone the same thing. That is really not a fair way of distributing the burden."

The tax also could negatively impact a municipality's long-term economy, Dr. Luzzo said.

"Inducing people to come work in your locality is a good thing," he said. "Every person you get to come into your locality is dollars coming in. You

raise taxes and people are less likely to work in your locality."

Wilkes-Barre City officials imposed the full \$52 tax, planning to hire additional police officers in 2005. The increase was coupled with a repeal of a per capita and residence tax totaling \$15 placed on residents.

Wilkes-Barre Councilwoman Kathy Kane disagreed with Dr. Luzzo's belief the tax will deter people from working in the city. She pointed out other neighboring communities, like Ashley, Hanover, Plains and Wilkes-Barre townships, also enacted the \$52 tax.

"People will like working in the city because of the good things we will make available to them," Kane said. "Soon there will be a new movie theater (complex), restaurants and other amenities. It is going to be even a better place to work."

The city raised its income requirement to \$8,000 to reflect the \$42 increase. Anyone making \$2,000 used to pay the old occupational privilege tax.

The bottom line is we need more police," Kane said. "The way to do that is more money. People working in our city will be better protected by a strengthened police department."

Wilkes-Barre City Finance Officer John Kovall expects the city to receive proceeds from the tax beginning at the end of January, with the bulk of the revenue received in May.

CONTINUED ON NEXT PAGE

Frequently asked questions about the new job tax

Source: Commonwealth of Pennsylvania, Office of Administration

■ How will it affect me? Municipalities are able to levy an EMS tax of no less than \$10 but no more than \$52, less the amount of the school district tax, if any, on individuals employed within the taxing

jurisdiction. School Districts (except for the Pittsburgh School District) can also levy the EMS tax.

■ Who pays the EMS tax? Employees who work in a municipality and/or school district, which have imposed the EMS tax, must pay the EMS tax.



CITIZENS VOICE FILE PHOTO
Many communities are proponents of the job tax because officials say the funds can be used for much needed municipal services.

FROM PREVIOUS PAGE

The city plans to hire as many as nine new officers in 2005.

While 18 municipalities decided on the full \$42 increase, others opted not to follow suit.

For example, anyone working in Exeter Borough and earning more than \$12,000 annually will pay a \$30 job tax in 2005.

"The \$30 was all that was needed to balance the budget," Councilman Joseph Esposito said. "Maybe next year or in future years, we'll increase it to the full \$50 but lower property taxes."

Borough officials estimate receiving \$60,000 in revenue, based on 2,000 of the 3,500 employees paying the tax.

People making less than \$12,000 were not targeted, in order to shield two specific age groups — teenagers and the elderly, Esposito said.

"I think the elderly are taxed too much the way it is, and our council wanted to help them any way possible," he said. "Then, how do you go to a kid working after school at a restaurant and take \$30 off of them?"

"You want to give the kids a reason to work, not take \$30 out of their pay."

Exeter imposed the tax for equality, Esposito said.

"A lot of our police, fire and ambulance calls are to businesses, and the people employed there do not pay taxes in the Borough of Exeter," he said. "We're trying to make things more equal between borough residents and non-borough residents using our services."

Proceeds will be used for police expenses and road resurfacing in 2005, according to Esposito.

Like the majority of Luzerne County municipalities, Pittston Township supervisors decided not to increase the tax, but have not completely ruled it out.

"Right now, we're in a holding pat-



WILKES-BARRE COUNCILWOMAN Kathy Kane believes the tax will make the city an even better place to work.

tern," Supervisor Anthony Attardo said.

"We're taking a long look as to what advantages we can get out of the tax... If we do enact it, what kind of benefits will the taxpayer derive from this?"

Pittston Township may not be alone. Dr. Liuzzo predicts more communities will use the tax to generate revenue in the future.

"Some will jump on the bandwagon and no one will jump off," Dr. Liuzzo said. "The communities that didn't raise it are more likely to raise it than commu-

nities who raised it are to lower it.

"Once taxes are raised, they are very difficult to get rid of."

ELIZABETH SCRAPPY AND ANNA ECKOLA, Citizens' Voice staff writers, contributed to this report.

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The numbers were derived from a Citizens' Voice analysis of preliminary data provided by the 22 municipalities raising the tax.

FAST FACTS

□ The new EMS tax will affect about 80,000 employees in Luzerne County.

■ This number is more than half of the workforce in Luzerne County.

■ The new EMS (job) tax is expected to generate \$4 million more than the previous \$10 occupational privilege tax.

TAX TALK

'THIS IS GOING TO UNFAIRLY AFFECT PEOPLE IN LOWER INCOME BRACKETS. YOU'RE TAXING EVERYONE THE SAME WAY. THAT IS REALLY NOT A FAIR WAY OF DISTRIBUTING THE BURDEN.'

DR. ANTHONY LIUZZO
WILKES UNIVERSITY

'PEOPLE WILL LIKE WORKING IN THE CITY BECAUSE OF THE GOOD THINGS WE WILL MAKE AVAILABLE TO THEM.'

KATHY KANE
WILKES-BARRE COUNCILWOMAN

'A LOT OF OUR POLICE, FIRE AND AMBULANCE CALLS ARE TO BUSINESSES, AND PEOPLE EMPLOYED THERE DO NOT PAY TAXES IN THE BOROUGH OF EXETER.'

JOSEPH ESPOSITO
EXETER COUNCILMAN

'WE'RE NOT IMPOSING ANY MORE TAXES. IT'S TIME THE PEOPLE GOT A BREAK.'

DR. BERNARD
PITTSBURGH TOWNSHIP SUPERVISOR

'THERE'S NO REASON TO TAX PEOPLE WHEN YOU DON'T HAVE TO.'

DR. YANKEE
DUPONT BOROUGH MANAGER

■ Will the OPT or EMS tax be withheld from my pay and when?

For 2005, the current OPT (\$5 or \$10, depending upon where you work) will be withheld on your first pay date in January. Once the Commonwealth is officially notified that a particular municipality has enacted an EMS tax and the amount of the tax, a second deduction will be taken for any difference between the

OPT amount deducted in January, and the EMS tax up to the \$52 maximum deduction allowed.

■ Want additional information on the EMS Tax?

Visit the state's Department of Community and Economic Development's Local Government Center Web site at www.lmvpna.com.

■ I worked in Municipality A in the be-

ginning of the year for a private company and paid a \$32 EMS tax. I accepted a position later in the year to work in Municipality B, which also requires the payment of the \$32 EMS tax. What do I need to do so I don't have to pay the tax again?

You must provide your Human Resource Office with a receipt for payment of the EMS tax while working in Municipality A.

B Burrelles *Luce*

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225LE

By KENT JACKSON

kent.jackson@standardspeaker.com

Christmas shopping accelerated in the final week and shoppers streamed through checkouts even after the holiday passed, a business professor said.

Anthony Liuzzo of Wilkes University said shoppers were startled last week when they realized that Christmas fell on Saturday and they lacked another weekend to buy gifts.

"It kind of sprung on people. Here it was Monday or Tuesday or Wednesday. They had to get out and do some last-minute shopping," Liuzzo said.

Many used credit cards to buy their final gifts.

"What did they buy?" he asked. "They bought gift cards."

Gift card sales partly explain why sales continue to be swift after the holiday.

"You count that sale when it was cashed in. Not purchased," Liuzzo said.

Eight percent of holiday

sales were for gift cards, the National Retail Federation estimated.

Stores also dropped prices to prop up sales after Christmas.

The surge at the end of the year will push sales higher than Liuzzo expected.

"I was predicting 3.5 percent early on. I'm going to adjust that. It's going to be over 4. I don't think it will hit 5," he said of the sales increase between this year and last year.

National retailers are expected to post their actual sales figures on Jan. 6.

Liuzzo said the sales could translate to jobs in stores.

"Retailers responded by hiring seasonal help," he said.

In November, when most stores hire for the holidays, employment in retailing

increased by 1,000 in the Scranton-Wilkes-Barre-Hazleton area.

Those jobs and 400 workers hired by various governments helped reduce unemployment

to 6.7 percent in November compared to 7.1 percent in October, the state Center for Workforce Information and Analysis said Monday.

Manufacturers, however, cut 600 jobs and the job level in manufacturing fell to its lowest level in more than a decade.

Because of the cost of health care, companies have resisted hiring full-time

See SALES, page 27

Sales

(Continued from page 17)
employees if they can get more productivity from workers or hire temporary workers through employment agencies, Liuzzo said.

"They're not going to be able to do that forever," he said before adding that health care puts the nation on the cusp of a crisis, as does the looming deficit in the Social Security Trust Fund.

"It's something we need to take care of as a society," Liuzzo said.

"I think there is sort of a human tendency to procrastinate."

Attention last-minute shoppers, you're on the clock

You have few places available tonight, and are likely to overpay and get unsuitable items.

By MARK GUYDISH
mguydish@leader.net

TL
12-24-04

Fine. We'll do a story about Christmas-shopping procrastinators. But don't expect too much. We got the idea at the last minute.

If you've waited until today to get a gift, you need to know something really important: Don't assume that your favorite 24-hour store really is open

round-the-clock.

The "open 24-hours" Wegmans in Wilkes-Barre Township will close at 6 p.m. today. Ditto the nearby "24-hour" Wal-Mart. As one Wal-Mart employee said with a laugh when we asked for holiday hours: "We have lives, too!"

In fact, a quick check found most big stores closing early. The Wyoming Valley Mall Web site says doors close at 6. So does Target, according to their Web site.

Don't blame them. They've been keeping long hours for your holiday pleasure,

See LATE, Page 6A



Stephanie Lennon of Mountain Top didn't wait until the last minute to finish her Christmas shopping, but she was pretty close. She hit the Wal-Mart in Wilkes-Barre Township on Thursday.

TIMES LEADER STAFF
PHOTO/AMIEE DILGER

LATE

Continued from Page 1A

often opening earlier and closing later: Bosson's in Wilkes-Barre kept doors unlocked until 11 p.m. this week.

Wilkes University business and economics professor Anthony Luzzo said most stores close early on Christmas Eve. "There's sort of an unwritten rule that they are not going to treat employees that poorly, so I think generally speaking that's a national custom."

It's also a sure-fire money-loser for the stores, he suspects. "I think if a store stayed open all night, people would be shopping all night," Luzzo said. "I think there is sort of a human tendency to procrastinate."

As proof of this Homo sapiens habit, Luzzo cited the traditional lines of people mailing income tax forms near midnight on April 15, as well as his students' penchant for cramming the night before finals.

And if that's not procrastinating enough for you, Luzzo noted that 10 percent of Christmas holiday shopping is done *after* Christmas, when people take "advantage" of sales, cash in gift certificates or buy presents for relatives who visit after Christmas.

So, is there a handy list of businesses that stay open after 6 on Christmas Eve? None that Luzzo knew of, but he did have a theory.

"The specialty stores definitely won't be open. The traditional department stores probably won't be open, but I would think that some of the lower-end stores might be, and I don't mean that in a negative way. I'm talking about the dollar stores, the deep discounters."

Well, we made a hasty check: Ollie's Bargain Outlet — surely one of the best-named discounters in the business — says on its Web site that Dec. 24 hours end at 5:30 p.m.

A person at Dollar General on the Sans Souci Parkway said that store will close around 6:30.

Where to go if you're shop-

According to www.your-money.com, "last-minute Christmas shopping can seriously damage your wealth, with Christmas Eve shoppers 60 percent more likely to overspend than those who shop ahead."

Yourmoney cites research by the British Internet bank called "Egg," which said those who wait until Christmas Eve to buy gifts are four times more likely to buy an unsuitable gift than those who shop ahead.

We needed research to prove that?

Now that you've been forewarned, here's our very limited last-minute shopping list. The lobby at the South Main Street post office in Wilkes-Barre is open till 8 p.m., if you think stamps from a vending machine are an attractive gift.

The Northampton Street Rite-Aid in Wilkes-Barre usually stays open to 10 p.m., but when we called they said they close at 6 today. CVS on South Main Street, on the other hand, will keep its regular hours, remaining open until 9 p.m.

Hey, don't write it off. This isn't your grandpa's apothecary. We found everything from makeup to meal bars, toys to telephones, real kitchen knives-to-play tea sets. You can even nab a vacuum, CD-player or Chris Garfield.

What's that? You say 9 p.m. is too early for you? Try a grocery store. Schiel's Family Market on Hanover Street in Wilkes-Barre will be open until 10, so you can gift wrap a can of sardines, a slab of prime rib, a box of saltines and a bottle of Coke, among other things.

Still too early? You're making this hard, but if you look long enough you're sure to find a convenience store with the lights on.

The Turkey Hill Mini Market on Hazle Avenue, for example, will be open until midnight.

You know what the TV ads say? Lottery tickets make great gifts!

As for other last-minute shopping options ...

INTEREST RATES RISING?

Most expect
a fifth increase
by the Fed

By HOLDEN LEWIS
KansasCity.com

Interest rates are likely to go up Tuesday, whether or not it's good policy.

Most economists, however, say that they think higher short-term rates are good policy, and that the Federal Reserve's Open Market Committee should and will raise rates when it meets Tuesday.

Their reasoning goes like this: A quarter-point increase in the federal funds rate wouldn't do much to slow the economy, and every-

one expects a rate increase. That's why the Fed will raise the federal funds rate to 2.25 percent from the current 2 percent. That's an oversimplification, but there's an undercurrent of circular logic saying that investors believe the Fed will raise rates, so the Fed has done nothing to disconfirm such speculation. In the Fed has to meet those expectations or lose credibility.

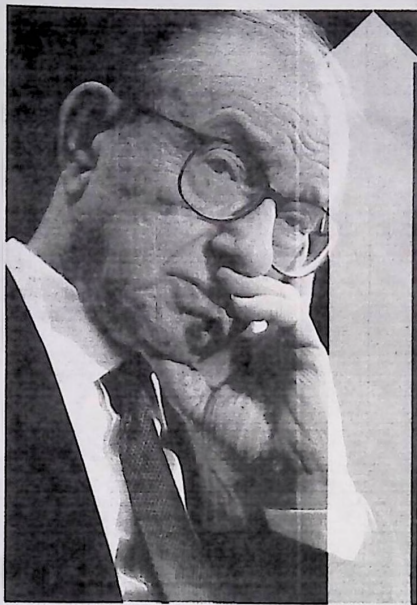
Investors would freak out if the Fed sprung any surprises. Given the choice between raising interest rates or raising the federal funds rate, the Fed will choose the latter course.

The futures market at the Chicago Board of Trade has priced in a 36 percent chance of a quarter-point increase. It would be quite a shock to those futures traders if the Fed kept rates steady.

The Fed's Open Market Committee meets eight times a year to decide on interest rate policy. It has raised its target federal funds rate by a quarter-point in each of the last four meetings. The federal funds rate is what banks charge one another for overnight loans to cover reserves.

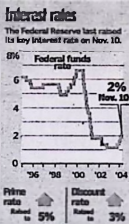
More important for consumers, the prime rate moves in lockstep with the federal funds rate. If the Fed raises the federal funds rate to 2.25 percent as expected, the prime rate will rise a quarter-point, too, to 5.25 percent. Some types of consumer debt, such as credit cards and home-equity lines of credit, go up and down with the prime rate.

Bill Hummer, chief economist for the Chicago-based financial services company Wayne Hummer, said that he feels confident that the Fed will raise rates, and that the bigger question is whether the central bank will raise them again in January or



CHUCK KENNEDY/Eagle-Robert Trubman

Virtually everybody expects a rate increase when Federal Reserve Chairman Alan Greenspan and the Fed's Open Market Committee meet on Tuesday. But there are some dissenting voices on whether such an increase would truly help the economy.



Source: U.S. Federal Reserve, AP

the way. The destination? Hummer won't guess beyond 2005, but he thinks the federal funds rate will average 3.2 percent in the fourth quarter of next year — ending 2005 at 3.25 percent.

of short-term interest rates is too low, given the place in the cycle we're in." These officials worry that rates are too low to prevent a recurrence of inflation.

"They don't want to be in a position of looking back and saying they should have acted sooner," Hummer said.

Austyn Lutz, professor of business and economics at Wilkes University in Wilkes-Barre, Pa., said the Fed is trying to send a signal "that this is the economy that continues to be strong. It's continuing in the recovery process after its downturn a couple of years ago, that it has confidence that overall the economy is moving forward. The Fed is probably accurate about that as well."

Hummer makes an annual forecast of retail sales during the holiday shopping season, and he said he believes that this year's sales growth won't be as strong as last year's.

"It won't be a bad year for anyone, certainly," he said, with some-store sales growth on the

negative signal to the marketplace, and the same thing would happen if they raised rates by more than a quarter-point."

This line of reasoning deflates the conventional wisdom, and it baffles Marc Schweitzer, executive vice president of retail lending for MortgageIT. He thinks the Fed shouldn't raise the federal funds rate because an increase would weaken the strongest sector of the economy: the housing market.

"The only thing that seems to be fueling our economy is the fact that our housing market is continuing to be strong," he said. "I can't imagine taking the legs out from under the one thing that's fueling our economy."

Indeed, house sales, construction and mortgages are going strong, and American consumers are driving the global economy by borrowing from home equity and buying imports. Of course, you expect a mortgage banker to object to anyone tampering with the golden goose of

Low rates have helped home sales.

ANYTHING for a buck

205 FF



BUTCH COMEY / THE SUNDAY TIMES

Donna Hodgkins of Scranton browses at "A Dollar" store in the Mall at Steamtown. More and more shoppers are making a habit of visiting dollar stores.



BUTCH COMEY / THE SUNDAY TIMES

A shopper is reflected in a mirror at "A Dollar" store inside the Mall at Steamtown.

Dollar stores gain popularity from a wider cross section of consumers

BY STEPHEN DAILY
TIMES-SHAMROCK WRITER

Walking out of the Dollar Tree on Meadow Avenue in Scranton, Kelley Hafner of Gouldsboro and her 6-year-old son, Caden, had bags full of goodies.

For Ms. Hafner, it was a few odds and ends — small decorations, wrapping paper and stocking stuffers. But for Caden, it was the start of Christmas shopping.

"He gets an allowance of \$3.50 a week and did half of his Christmas shopping today," Ms. Hafner said. "The kids love it here. They can pick out a toy and it only costs me a dollar."

Ms. Hafner represents a growing number of people shopping in dollar stores. Today, one in three households

make it a habit to shop at a dollar store at least once a month.

Next to supercenters, the discount retailers are the fastest growing segment of food, drug and mass retailing, according to a study by Retail Forward, a Columbus, Ohio-based retail marketing group.

The popularity is fueled by its ever-growing appeal to a larger demographic.

The Retail Forward study shows people of all income levels and backgrounds shopping at dollar stores, compared to the mid-1990s, when more low-income shoppers visited the stores.

"Dollar stores were considered thrift shops in the past. People who went in there would almost be embarrassed," said Dr. Anthony

Liuzzo, professor of business and economics at Wilkes University. "Now we see Mercedes and BMWs in the parking lots."

Dr. Liuzzo said more dollar stores are showing up in rural areas and higher-scale malls.

Chesapeake, Va.-based Dollar Tree is the industry's largest player. It started as just five stores in 1986, and today has 2,700. The first Dollar Tree in the region opened in 1998 on Commerce Boulevard in Dickson City. Today there are two Dollar Tree stores in Scranton, and franchises in Wilkes-Barre, Pittston, Edwardsville and Wyoming.

"We satisfy a niche in retail. There are no more five-and-dime stores," said Adam Bergman, spokesman for Dollar Tree.

Please see DOLLAR, Page H4



BUTCH COMEGYS / TIMES-SHAMROCK NEWSPAPERS

Santa Claus figurines sit on the shelves at "A Dollar" store at the Mall at Steamtown, two items in a store full of products.

DOLLAR

FROM PAGE H1

lar Tree. "There is nowhere else you can go and get so much for so little."

A short walk through most dollar stores shows a broad assortment of products, including food, toys, glassware, decorations, party goods, pet supplies and bathroom products. Both name-brand and generic items adorn the shelves.

At the "A Dollar" store, an independently owned operation in the Mall at Steamtown, a full aisle is devoted to ceramic figurines and other small decorations. Shoppers can pick up 12 toothbrushes for a buck, or two greeting cards.

The Dollar Tree in Wilkes-Barre Township had three full aisles devoted to food, including frozen foods and milk.

While the Dollar Tree is the leading chain in terms of selling items for \$1 or less, other discount stores, such as Dollar General and Family Dollar, also experienced double digit sales growth from 2002 to 2003. But these stores sell products that cost more than a buck — ranging anywhere up to \$15.

Impulse shopping

Dollar store operators rely not only on cost, but also on variety.

"Consumers are getting very used to deep discounting, which started with Wal-Mart and Target," Dr. Liuzzo said. "Dollar stores are an extension of that."

Dan Margles, vice president of operations at Las Vegas-based Allied Systems Industries, the developer of more than 500 independently-owned dollar stores, said such stores strive on impulse buying.

"Because you don't have to think about the price, the dollar store encourages a lot of impulse shopping and with over 3,000 items in each store, customers may go in for only one or two items, and come out with 10 or 15," he said.

During the slow economy, when people were cutting back on expensive purchases such as designer clothes, people turned to bargain shopping, Mr. Margles said. This allowed dollar stores to thrive when sales at larger retail stores were stagnant.

How so cheap?

The biggest draw to dollar stores may be the simple fact that the items are so cheap.

Lisa Vansyckle of Moosic said she makes it a habit of picking up some candles every time she is in a dollar store.

"The small ones are \$4 or more in the other stores," she points out.

Dollar stores have several strategies to keep the prices of

manufacturers' over-runs.

About 40 percent of a dollar store's inventory is purchased overseas, from as many as three dozen countries. Most of the remaining products are made through large-quantity contracts with manufacturers. Some national name brand companies will customize their products by using cheaper packaging, or reducing the portion size, in order to reach to \$1 pricing point.

When it comes to selling products for \$1, volume is very important, but Mr. Bergman of the Dollar Tree said the margins are not as bad as one might think.

"After paying for the merchandise, rent, taxes, and salaries, the Dollar Tree takes in about 6.3 percent of all sales," he said.

The average dollar store will have 3,000 items at any given time, and more than 12,000 over the course of a year. Retail groups estimate about 70 percent of the merchandise found in the stores are year-round products, and the remainder rotate.

Whether the products found in dollar stores are a bargain or just expensive garbage is subject to much debate.

The largest year-round sellers at dollar stores are batteries and greeting cards, Mr. Bergman said. During the holiday season, gift wrap, gift bags and candy are the largest sellers.

Joyce Hiza of Factoryville, a

Dollar daze

Ever wonder where some of those odd products you see in the dollar store come from? Or why your favorite candy bar has its label printed in Arabic? Or how that hardback book with the \$35 price tag sits untouched on the book rack?

There are three major outlets which dollar stores get their inventory.

● **Domestic** — 50 percent comes from everyday domestic purchases directly from the companies. Often times, national companies will have to re-engineer or redesign the packaging to reach the pricing point of the dollar stores. That is why you see some products in smaller packages.

● **Imports** — 40 percent comes from foreign imports from three dozen countries. The largest amount of imports come from China and Hong Kong. These products are less expensive for cash-conscious purchasers.

● **Overflow** — 10 percent come from manufacturer liquidation. Often times, retailers that

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Clear winner in presidential election good for economy, prof says

By KENT JACKSON

kent.jackson@standardspeaker.com

The end of the presidential elections ushered in the holiday shopping season.

"A clear winner is a good sign for the economy," Dr. Anthony Liuzzo, professor of business and economics at Wilkes University, said.

Liuzzo said if this year's election took as long to resolve as the voting did in 2000, shoppers might have lost focus on the holidays.

"No clear winner would have hurt," Liuzzo said. "I'm more upbeat."

Mary Celeste Kosko of Fellin's Jewelers in Hazleton said her store's early returns

went up after the election results started coming in.

"We noticed a busy day on Election Day. Prior to that, it was quiet," she said.

The stock market also reacted to the election by bouncing up after President Bush won a second term.

"The president is perceived by business as being a little

friendlier," Liuzzo said.

If the stock market and the economy continue to climb, so will Christmas sales.

Liuzzo said the nation's economy improved the past 18 months, but the recovery cooled.

"The question is whether or not the recovery has stalled over the last months," he said.

"... Indications are it's going to accelerate."

The accounting firm of Ernst and Young predicted holiday sales will increase 6 percent from last year.

Jay McIntosh, the company's director of retail and consumer products, said the winner of the election wouldn't have changed the forecast, provided somebody won.

"Our thinking was pretty much as long as there's a decision it wouldn't make any difference," McIntosh said.

He joked that not all voters carry the same level of holiday spirit into the stores.

"I think it depends on whether your Democrat or Republican," McIntosh said.



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Christmas sales expected to surge

Better world conditions will put affluent shoppers in mood to spend, experts say

By KENT JACKSON

kent.jackson@standardsspeaker.com

Christmas is going upscale this year.

Forecasters expect affluent shoppers to push holiday sales higher than in 2003.

Ernst and Young, the giant accounting firm, on Tuesday predicted that retail sales will increase by 6 percent, up from last year's respectable 5.7 percent.

World conditions put well-heeled shoppers in a holiday mood compared to the doldrums of 2001 following the terrorist attacks and 2002 during the buildup to the war with Iraq, one of Ernst and Young's directors said.

"Finally, affluent consumers feel it's OK to spend on frivolous" items, Jay McIntosh, director of retail and consumer products, said Tuesday in a telephone interview from his Chicago office.

Wealthier shoppers will lead sales because they have a thicker cushion against rising energy prices that pinch the Christmas clubs of other shoppers.

"If you have \$100 of discretionary income and now it's \$80 (because of spending more on gas, that's just less money you have to spend on Christmas," McIntosh said.

High-end specialty stores and department stores that carry fashionable goods are poised to have the strongest sales, McIntosh said.

In Hazleton, however, even stores that sell luxury items such as jewelry can't depend on just the top strata of shopper.

At Fellin's Jewelers, sisters Mary Celeste and Andrea Kosko said they learned from their grandparents, who started the store 82 years ago, never to exclude a customer.

"Santa Claus always comes. For some people, \$50 is high-end," Andrea Kosko said.

This Christmas, the Koskos said they will offer one-of-a-kind pieces, many selected by their mother, whose experience helps her spot trends.

The trend in jewelry this season, Ernst and Young said, is toward crystal-colored charms and brooches for bracelets, purses, and even cell phones.

Most jewelry — 85 percent — lacks a brand name, but makers of other luxury goods will try to change that by selling jewelry under their brands, Ernst and Young said.

Dr. Anthony Liuzzo took his annual look at holiday retailing and gave the climate a letter grade, as expected from a college professor.

"We're probably looking at a holiday season that is not going to be the best ever, but slightly better than average. Give it a C-plus to a B overall,"



Joan Bradish sets up the Christmas window display at Howard's Jewelers in the Laurel Mall Tuesday, as she has for the past 25 years. Jewelry is among the retail sectors expected to see an increase over last year's Christmas season sales.

JIM SEWASTYNOWICZ/Standard-Speaker

“We’re looking at a holiday season that is not going to be the best ever, but slightly better than average. Give it a C-plus to a B overall.”

— Dr. Anthony Liuzzo,
Business and economics professor at Wilkes University

said Liuzzo, who teaches business and economics at Wilkes University.

What category of gifts will most shoppers chase?

“Tech — in a word,” Liuzzo said.

An array of DVD players, video game sets, and MP3 players will remain high on the Christmas lists of Techies, but what gift will stand out?

During the 1980s, shoppers bought personal computers.

“In the ‘90s, we had the Web,” Liuzzo said. “We’re still waiting for the big seller of the ‘00s.”

Tony Cohen said the big sellers at Rex TV on the Airport Beltway are liquid crystal and plasma screens for tel-

evisions and computer monitors.

Plasma screens hang on the wall. Liquid crystals are not as shallow but “you can get bigger and still get a nice picture,” Cohens said.

Tom Brooks of Grand Central appliance in Hazleton said plasma, liquid crystal and digital light-processing television sets all are set up to show programs in high-definition, which viewers will want after they watch it.

“As soon as networks broadcast everything in high-definition, TVs are going to go crazy,” Brooks said.

Ernst and Young predicts the prices for techno-electronic gifts will go

down because Asian factories expanded and American discount retailers will offer markdowns.

The techno-electronics field also helps depress toy prices, Ernst and Young said.

Children don't play with toys as much; they switch to electronic games at earlier ages.

Competition between mass merchandisers and traditional toy-sellers also drops prices.

This year, there is no “must-have” toy to push up prices and compel parents to wait in line at the toy counter.

Many shoppers won't pick presents. They'll hand out gift cards instead and let the recipients choose their own gifts.

Americans rate gift cards as nine of 10 on a satisfaction scale, according to a survey by ValueLink mentioned in the Ernst and Young forecast.

“This is going to be tremendous year for gift certificates,” Wilkes University's Liuzzo said. “It speaks to our lack of time. People buy certificates for gifts.”

Retailers hoping to hear that

CHRISTMAS JINGLE

The National Retail Federation is predicting a 4.5 percent increase in sales this holiday season, but a confluence of high fuel prices, stagnant wages and weather may derail that modest forecast.



LINDA MORGAN / TIMES-SHAMROCK NEWSPAPERS

Employee Gloria Reed arranges Christmas merchandise in the Lowe's store in Dickson City.

BY STEPHEN BARRY
TIMES-SHAMROCK WRITER

As a mother of four, Tammy Jarnagin of Harford already has her share of spending to do this holiday season. The escalating gas prices and record-high home heating costs certainly don't help.

But after filling her car up with gas last week, Ms. Jarnagin vowed not to let the high costs take away from her normal Christmas spending.

"If it means working a couple overtime shifts, I'll do it," she said.

Ms. Jarnagin, who works at Allied Services in Dickson City, will be working many overtime shifts from now until Christmas, including Christmas Day.

As the holiday season approaches, retailers are hoping more people think like Ms. Jarnagin.

Gas hovering around \$2 a gallon and expected spikes in home heating costs has some retailers and analysts concerned about the success of this year's holiday season. The pocketbook issues are combining with declining consumer confidence, rising interest rates and stagnant wages to raise doubts.

But consumers have proved resilient over the years, finding money to spend at stores. And retailers are far from giving up hope, looking for ways to lure customers in despite external factors that may hinder shopping.

The holiday season accounts for up to 40 percent of annual sales for many stores — meaning it is a make-or-break time for them.

Already buying

Studies reveal more than 40 percent of people start their holiday shopping in October or earlier. Many retailers will discount items before Thanksgiving.

That is the strategy that Bon-Ton is taking in the Wyoming Valley Mall in Wilkes-Barre.

The department store has already started discounting its spring and summer apparel by 50 to 75 percent.

"We have a lot of customers already starting their Christmas shopping because of the sales," said Bon-Ton sales associate Wade Kresge. "The back merchandise sales help bring people in to see what we have coming out for fall and winter."

A positive factor going into the holiday season for retailers is new home sales, which surged unexpectedly in September, climbing 3.5 percent, as low mortgage rates attracted buyers.

Stores such as The Home Depot in Dickson City are ex-

BUYING

FROM PAGE H1

pecting to benefit from the surge.

"We expect a very good year because of sales over the past eight weeks and new housing sales," said assistant manager Jack Ward. "We expect a 12 percent increase over last year."

Clothing sales, however, are down and such retailers are not expected to have a great year. The best apparel sales have been coming from luxury retailers riding a wave of demand for high fashion and accessories like handbags and shoes, said Richard Hastings, retail analyst at New York-based Bernard Sands.

Toy retailers had a miserable 2003 thanks to a price war with Wal-Mart. When the dust had cleared, K-B Toys and FAO Schwarz Inc. were in bankruptcy proceedings.

Analysts are expecting a slightly less cut-throat holiday season this year, partly because toy sellers have tried to offer more exclusive products, Mr. Badillo said.

Once again, benefiting most from the holiday season should be supercenters and discounters, with more than three-fourths of buyers planning to shop there. After four straight years of holiday sales

declines, department stores may take in a small gain this year, according to a study by Columbus, Ohio-based Retail Forward.

Fueling doubts

While the first half of the year was strong, retail sales have tapered off during the second half, leaving the success of the holiday season hard to predict.

But every year, predictions are made anyway.

The National Retail Federation, based in Washington D.C., expects a 4.5 percent increase in sales over last year. Other economists and research groups predict sales increases as low as 3 percent, and as high as 7 percent.

Inflation, population growth, and the increase in number of stores drives up operating costs for businesses every year, meaning a 3 percent increase in sales would be poor, economists say.

Dr. Anthony Liuzzo, professor of business and economics at Wilkes University, is not very optimistic about this year's holiday growth. He is predicting sales gains to be in the 2.5 to 3 percent range.

"The data coming in is contradictory. Some predict the economy will do very well, some not," he said. "We won't do as well as last year.

We're not seeing the sustained growth that we did last year."

In the last five years, Christmas sales gains have averaged 4.8 percent. Last year, they climbed 5.1 percent following a dismal 2002 season. Overall, consumers are expected to spend \$702 on the holidays this year, according to the retail federation.

Persisting high fuel prices remain the biggest threat to the outlook, said Frank Badillo, senior economist for Retail Forward. But retail sales should continue to hold up, he said, as consumers tend to treat high fuel prices as temporary and avoid big cutbacks in other spending.

Another indicator not as visible as gas prices is consumer confidence, which experienced its third consecutive monthly decline in October, but still remains higher than it did in this time last year.

Year after year, the two largest factors in determining holiday sales are the economy and weather, said Jim Gagne, senior vice president of Wayne, Pa.-based Planalytics, a consulting firm that studies consumer spending.

"From a retailer point-of-view, the economy will determine how much will be spent. The weather will de-

termine what they money will be spent on," Mr. Gagne said.

Warm weather will prevent people from buying apparel as a gifts — usually boosting the sale of jewelry, electronics and home items, he said. During colder seasons, apparel does better. In either case, weather does not usually affect the bottom line, Mr. Gagne said.

The exception to that rule is when there is a major storm during a December weekend, as was the case last year when snow storms hit the region during the first two weekends in December.

"The best case scenario is for there to be a light dusting of snow in mid- to late-November during the middle of the week to put people in the shopping mood, followed by cold and dry weather in December," Mr. Gagne said.

One way to combat the hurtful effects of bad weather conditions and high heating costs is to draw in customers early.

The largest jump this year is expected to be in gift cards. The popularity of gift cards are extending the Christmas season into January and beyond.

A study ValueLink LLC, based in Tulsa, Okla., shows electronic gift cards are now more preferred as gifts than

cash and gift certificates. Two-thirds of U.S. adults surveyed said they bought or received a gift card in the past year. More than half of them said they ended up spending more than the initial value of the card.

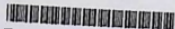
Online shopping is expected to increase about by a fifth this holiday season, according to Forrester Research. But such growth is actually slower than last year, when the Internet saw a third more holiday sales over 2002.

While retailers toll to come up with innovative ways to attract customers in the face of high gas prices and an unpredictable economy, shoppers may have to plan ahead too.

"I set a limit and I stick to it," said Tunkhannock resident Ann Sands. "I try to save money in other ways to make up for it, even if it's something small like taking lunch

SUNDAY TIMES

SCRANTON, PA.
SUNDAY OCT 31 2004



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State's Economy at Issue, but Who Has Advantage?

BY DAN LEWERENZ
ASSOCIATED PRESS

STATE COLLEGE — Sen. John Kerry tells Pennsylvanians that the economy has suffered and jobs have been lost on President Bush's watch. Mr. Bush says he inherited a recession from the Democrats, but has since added jobs and reduced taxes.

In the nation's second-largest battleground state, where Mr. Bush and Mr. Kerry are running neck and neck — polls show either with a

slight lead on any given day — both are trying to use the economy to their advantage. But does the economy really favor one or the other?

The Associated Press interviewed university and private-sector economists in the weeks leading up to the election and found that they, too, see a close call that could go either way.

"As far as the economy itself goes, there is enough indication that the economy is growing that it can't be used too well by any candidate,"

said Rakesh Shankar, who analyzes the Pennsylvania economy for West Chester-based Economy.com.

To begin with, Pennsylvania's economy is as diverse as any, with a large manufacturing sector, growing high-tech and service sectors and agriculture spread across the state.

"Pennsylvania reflects the nation in many, many ways, in agriculture and manufacturing. It is probably not as high tech as some other areas, but it represents generally the economy," said

Paul Hulse, professor emeritus of economics at Lebanon Valley College in Annville. "And the economy is in stasis — it's wading."

According to the Bureau of Labor Statistics, the state's unemployment rate was 4.2 percent when Mr. Bush took office in January 2001, but rose to 5.9 percent in early 2003.

Since then, job growth has been steady. By September 2004, a record 5.95 million Pennsylvanians were employed, and unemployment had fallen to 5.3 percent.

Which leaves voters to look at their own situations.

"I guess the recovery has been somewhat uneven on people, and so their viewpoints tend to be colored in some way by how the economy has impacted them personally," said Anthony L. Liuzzo, professor of business and economics and director of the MBA program at Wilkes University. "And I think once an individual gets into the voting booth to make that selection, they're going to be reacting to their own situation, I think."

Fair connects job seekers with employers

By Tim Suda
Times-Shamrock Writer

CV
10-17-04

There's no sugar coating the local unemployment rate or the job market.

The jobless rate crept up to 7 percent regionally for the

QUICKINFO

The fifth annual Great Northeast Job Fair will be held Wednesday, Oct. 20, at Convention Hall, Pittston, from 10 a.m. to 7 p.m. The event is sponsored by Times-Shamrock Newspapers in conjunction with Mercy Health Partners and McCann School of Business.

Glass Technologies in Duryea, which shut down an eyeglass division.

But there is hope that things will improve for local workers.

In an ongoing effort to hook up the out-of-work and the underemployed with local employers, Times-Shamrock Newspapers has joined forces with Mercy Health Partners and McCann School of Business to host the fifth annual Great Northeast Job Fair.

"This is a good opportunity to meet face-to-face with many great local companies who are looking to add people to their organizations," said Linda Roerig, coordinator of the event.

The Great Northeast Job Fair will be held Wednesday, Oct. 20, at the Convention Hall in Pittston from 10 a.m. to 7 p.m.

Some lucky attendees will get paid just for showing up. "We do a random drawing every hour on the hour and give \$100 to that person," Roerig said. And you don't

have to be present when your name is called. "It's our way of saying thank you for attending," Roerig said.

There are jobs available locally, despite the rising unemployment rate.

Space limitations at Convention Hall limit the number of companies to 82, and there's a waiting list for other companies that want to attend.

Job finding Web sites such as NEPAJobfinder.com and Monster.com show hundreds of local listings.

NEPAJobfinder, for instance, has 643 jobs listed within a 50-mile radius of Wilkes-Barre. Monster.com has 602 jobs listed in the Wilkes-Barre/Scranton region.

The state Careerlink Web site at Careerlink.state.pa.us has 493 listings for jobs in Luzerne County and 298 list-

SEE JOBS, PAGE 21

Jobs: More than 80 employers scheduled to participate in Great Northeast Job Fair

FROM PAGE 2
ings for jobs in Lackawanna County. Admittedly, many of the jobs

THIS IS A GOOD

OPPORTUNITY TO MEET FACE-TO-FACE WITH LOCAL COMPANIES

LINDA ROERIG
COORDINATOR, GREAT
NORTHEAST JOB FAIR

the ones that were lost," said Bob Martucci, director of the Scranton Careerlink office.

The majority of openings are in customer service, retail and health care occupations. Most of the better paying manufacturing jobs that are available require specialized skills such as computerized machining.

There's also no doubt that Northeast Pennsylvania continues to lag behind the national economy in rebounding, said Dr. Anthony Liuzzo, professor of business and economics at Wilkes University. If he were grading the local and national economies, the local economy would get a "C-plus" and the national economy would get a "B-minus."

"I wouldn't say we're going backwards," Dr. Liuzzo said, "but we're definitely slowing down."

The local economy historically has ridden on the coattails of the national economy, Dr. Liuzzo said. With the upcoming presidential election, regardless of who wins, there's likely to be a honeymoon period with a short-term boost in the economy. "We have to sustain that," he said.

While the economic conditions may not be perfect, the region still has a lot going for it, Dr. Liuzzo said. "We have a population that is willing to learn and very company loyal. You don't find that in other cities."

Family business owners agree: family members must work outside the fold first

Formula for successful hand-offs includes 'tough love'

By Dave Gardner

Local family business owners agree that the next generation has to earn its place at the helm of a family-owned company. This includes work outside the family firm, cross training within the firm and a gradual transition to running the firm that emphasizes the deep responsibilities inherent in leading a company.

The strategies family businesses utilize for future generations to assume command are varied, with techniques that often contrast widely with the ways publicly-owned firms choose leaders.

According to Anthony L. Luzzo, Ph.D., professor of business and economics at Wilkes University in Wilkes-Barre, companies with full or partial public ownership employ conventional methods to locate potential chief executives.

These tactics may include the use of professional search firms, promotions from within, exploration of personal connections to board members, and the time-honored approach of "keeping an ear to the ground" to be aware of senior management at competitors.

Luzzo outlines how corporate leaders must deal with stakeholders who are notorious for acting in their own self-interests, and who demand immediate success. He also says that the corporate management arena may be softening a bit for these two criteria, because corporations are using more creative thinking in recent years, along with a renewed concern for business ethics.

A quick change is seldom best

Gerry's Supermarkets, with nine locations based in Scranton, has a long family history that goes back to 1895 when William Gerry started the business as a meat market.

Neal Fasula and his wife Joyce became sole owners in the early 1970's, but a tragedy occurred when Neal Fasula died in 1997, leaving Joyce to serve as owner and president. The couple's oldest son, Joe Fasula is now listed as a co-owner and works inside the business, while his younger brother is employed outside.

While Joe had a quick start at Gerry's following his father's death, Joyce explains that this was not an ideal way for an adult child to enter a family's business.

"I think it's better for an owner's children to get away from the business for awhile, and work elsewhere," says Joyce Fasula. "Cross training across the organization after they are employed is also

very valuable. This helps to set up a successful transition later on. It's not an easy thing for mom to be your boss." Joyce says some of the keys to successful succession within a family business involve financial issues.

Estate planning is necessary so that ownership can be eventually transferred without overwhelming costs, and effective wills are necessary in view of tax realities. Stock should also be moved gradually to generate financial benefits.

"We've really just hit the tip of the iceberg concerning eventual succession to the next generation within our family," says Joyce Fasula. "We are interested in using a professional succession planner down the road."

Tough love makes competent kids

Dave Hawk and his siblings have more than 10 children between the ages of 28 and 14, and working for the company is an attractive proposition for these individuals. To do what's best for this next generation of Hawks, as well as the business, the company has created a policy for any Hawk wishing to eventually enter the business: a college degree is mandatory, plus the individual must work outside of the family business for a minimum of two years to gain experience.

"It would be unfair to the continuation of the business to say that someone is a Hawk and therefore just has a job," says Dave Hawk. "If they are being considered for employment, family members are matched to positions by considering their education and skills. I'm not afraid of a situation where the business is being family-owned but not family-managed. The company has had eight vice presidents, but only one has been from the family."

Nancy Hawk, public relations manager, explains that she agrees totally with the company's strict employment policies, because there must be no guarantees for family members.

"We must raise our kids to be adults that are strong, capable, and independent in their own way," says Nancy Hawk. "To do it any other way would short-change them."

Family business outperforms public

At Benco Dental, a Wilkes-Barre-based wholesale distributor of dental supplies, president Charles Cohen explains that the Cohen family has never considered non-family control.

A succession in company leadership from Lawrence Cohen to brothers Charles and Richard Cohen occurred in the 1990s, with Charles assuming the top management spot.

"I was trained by my father to take on this responsibility," says Charles Cohen. "For an owner's adult children to be

acceptable for senior management, they must have training in the right skills, a willingness to take on the strategic deci-

sion-making and the insight to care for the long-term needs of the business."

Charles Cohen emphasizes his belief that there is nothing wrong with non-family leadership of a family-owned company. He says that to be successful when assuming command, a family business leader must be trained to possess good values and to understand the heavy responsibilities of running a business. Cohen also believes adult children should work outside the family business before entering it, to gain perspective of what is best for an organization.

Systematic change is good

Dick Kane, president and chief executive officer of Kane is Able trucking and warehousing in Scranton, took over the company's reins from his father, Gene in 2001.

"My father was the one who had the vision to really grow the company, and he sold the idea of the Scranton area as a distribution hub back in the 1970s," says Dick Kane. "His mission was to create good jobs for good people, hire good people and treat them like family members."

When Gene Kane desired a lesser role a few years ago, the family used a systematic approach to management succession and Kane is Able went through a 13-month process of succession planning. The family used an outside consultant from New England, who offered experience as a family business specialist.

Today, while Gene Kane is still active as chair, seven other Kanes function within the business and Dick Kane occupies the top spot.

Employees from outside the family also hold important jobs and contribute heavily to the firm's success.

"In a family business, issues are emotional," says Dick Kane. "A succession must insure that success will continue, including the company's direction and moral fiber. You never just walk away from a family business. You must move slowly with a gradual hand-off to the next generation."

The Kanes are now starting their plan for eventual succession to a fourth family generation using the same consultant.

They also are creating experience and education rules for entering the business, and will require work outside of the company.

Patrice Persico, director of the Family Business Forum at King's College in Wilkes-Barre, commends all family businesses that separate their heart from their head, especially when human resource decisions must be made.

"At times, there can be drawbacks to non-family control of a family-owned business," says Persico. "A non-family president may not work out if strategic differences surface between the manager and the family. Because of this, all employment offers should have an exit or escape strategy built in at the time of hiring."



"I think it's better for an owner's children to get away from the business for awhile, and work elsewhere. Cross training across the organization after they are employed is also very valuable."

Joyce Fasula



"It would be unfair to the continuation of the business to say, 'someone is a Hawk and therefore just has a job.' If they are being considered for employment, family members are matched to positions by considering their education and skills."

Dave Hawk



Photo by Bob Urbani

"Our No. 1 responsibility is to get the right people in the right seats on the bus, just like in sports coaching."

Charles Cohen (left) with brother Rick



Photo by Bob Urbani

"You never just walk away from a family business. You must move slowly with a gradual hand-off to the next generation."

Dick Kane

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Techneglas may be impossible to replace

By Stephen Daily
TRI-UNE STAFF WRITER

The sudden closure of Techneglas's Jenkins Township plant — the largest single job loss the region has experienced in more than three years — presents another problem for economic developers: finding a suitable replacement.

"It hurts. There are not very many manufacturing projects of that size out there right now looking to relocate anywhere," said Jim Cummings, president of Penn's Northeast, a regional economic development group that markets the region.

"Techneglas is extremely difficult, if not impossible, to replace," he said.

With productivity rising and increasing pressure on domestic factories from less expensive foreign work

About Techneglas

Opened: March 1968 by former owner, Owens-Illinois.

Employment: About 670. The work force was as high as 1,800 in 1995.

Wages: Hourly pay for production employees ranged from \$14.96 to \$21.

Plant made: Facemplates for 27- to 36-inch cathode ray television tubes. Products can be found in TVs made by RCA, Sony, Toshiba,

Philips, Panasonic, Hitachi, Samsung and Daewoo.

Parent company: Techneglas, based in Columbus, Ohio, is a unit of Japan-based Nippon Electric Glass Co., the Jenkins Township plant was one of three operated by Techneglas, which has plants in Columbus and Perryburg, Ohio. NEG operates in U.S., Mexico, Japan, United Kingdom, China, Malaysia and Indonesia.

manufacturing companies over the last year than distribution and office space inquiries combined, Mr. Cummings said.

"The problem is most companies are looking for a 150,000-square-foot facility to fill 200 jobs," Mr. Cummings said.

Though manufacturing still employs the largest single share of workers among economic sectors, the area's reliance on manufacturing is declining.

Manufacturing employment in the Scranton/Wilkes-Barre metropolitan area was 42,860, down almost 4 percent from a year earlier, according to the state Department of Labor and Industry.

Following Techneglas's closing, it is likely more

forces, the national and local manufacturing environment is changing.

New technologies that stress speed and consistency are replacing traditional assembly-line work. The new

manufacturing base requires less employment.

Still, manufacturing plays a big part of the national and regional economies. Penn's Northeast, for example, received more inquiries from

Please see Replace, Page A7

REPLACE: Jobs paid up to \$21 an hour

FROM PAGE A1

workers will be employed in health care and social assistance in the region than in manufacturing when the next round of numbers are released.

Like many manufacturing plant closings, Techneglas suffered from increased material costs and pressure from foreign suppliers.

Although foreign workers are generally not as productive as U.S. workers, domestic workers have a lot of protections, mainly through unions and the government, that foreign workers don't have, said Dr. Anthony Liuzzo, a professor of business and economics at Wilkes University. That makes transferring or opening plants overseas more attractive, he said.

"It's more and more difficult for traditional manufacturing-based companies to hire and compete in the global marketplace," Dr. Liuzzo said. "Being more productive and loyal is not enough anymore."

"I think our area is actually better poised to absorb foreign competition than most others. Our wages are not as high and we are less unionized."

The brunt of Techneglas's problems stem from waning demand for their television tubes. New products such as plasma and projection televisions have reduced the need for glass face plates — sinking the company's volume.

The loss of 670 jobs will have a direct economic impact. Production jobs at the facility paid up to \$21 an hour. A conservative estimate places the contribution of weekly payroll alone at more than \$400,000.

I think our area is actually better poised to absorb foreign competition than most others. Our wages are not as high and we are less-unionized."

Dr. Anthony Liuzzo
Wilkes professor

Dr. Liuzzo added the closing will also have a psychological effect.

"It sends some shivers and fears throughout the local economy," he said. "I think workers in other companies will become tentative. A tentative worker is a tentative consumer, and may hold back spending."

As far as the actual Techneglas facility, economic developers will be given the challenge of finding a potential suitor.

"As soon as we're given the green light, we'll start marketing that site," Mr. Cummings said.

Whether the site is next used for manufacturing or distribution depends on how specialized the equipment in the facility is. The more generic it is, the easier it is to market, Mr. Cummings said.

"The community would prefer another manufacturing company, but the reality is there is, with such as large space, there is more need for distribution," he said.

SCRANTON TIMES

SCRANTON, PA
WEDNESDAY 28, 2004
AUG 4 2004

THE SCRANTON TIMES

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Huge Economic Blow

Replacing Techneglas Won't Be Easy

BY STEPHEN DAILY
THE SCRANTON TIMES

The closing of the Techneglas plant in Jenkins Township — the largest single job loss the region has experienced in more than three years — presents another problem for economic developers: finding a suitable replacement.

The plant, which made television tubes, announced Tuesday it was closing and 670 jobs would be lost. Up to 300 employees will stay on for a few

weeks, completing in-progress production. A handful will complete wind-down operations expected to be finished by the end of the year.

"It hurts. There are not very many manufacturing projects of that size out there right now looking to relocate anywhere," said Jim Cummings, president of Penn's Northeast, a regional economic development group that markets the region.

"Techneglas is extremely

difficult, if not impossible, to replace," he said.

With productivity rising and increasing pressure on domestic factories from less expensive foreign work forces, the national and local manufacturing environment is changing.

New technologies that stress speed and consistency are replacing traditional assembly-line work. The new

Please see **TECHNEGLAS**, Page 4



Workers leave the Techneglas plant Tuesday morning after company officials announced the closing of the facility and the loss of 670 jobs.

ANNETTE NOWAK / TIMES SHAMROCK NEWSPAPER

TECHNEGLAS: Replacing Plant Will Be Difficult

FROM PAGE 1

manufacturing base requires less employment.

Still, manufacturing plays a big part in the national and regional economies. Penn's Northeast received more inquiries from manufacturing companies over the last year than distribution and office space inquiries combined, Mr. Cummings said.

"The problem is most companies are looking for a (smaller) 150,000-square-foot facility to fill 200 jobs," Mr. Cummings said.

Manufacturing employment in the Scranton/Wilkes-Barre metropolitan area was 42,800 in June, down almost 4 percent from a year earlier, according to the state Department of Labor and Industry.

More workers likely will be employed in health care and social assistance in the region than in manufacturing when the next round of numbers are released.

The Techneglas closing represents

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resents the largest single job loss in the region since Thomson Consumer Electronics closed its Dunmore site, idling about 1,100 workers in 2001. That facility made television picture tubes. Work was shifted to a facility in Mexico.

Although foreign workers are generally not as productive as U.S. workers, they don't share a lot of the union and government protections domestic workers have, said Dr. Anthony Liuzzo, a professor of business and economics at Wilkes University.

"It's more and more difficult for traditional manufacturing-based companies to hire and compete in the global marketplace," Dr. Liuzzo said.

"Being more productive and loyal is not enough anymore."

The loss of 670 jobs will have a direct economic impact. A conservative estimate places the contribution of weekly payroll alone at more than \$400,000.

The closing will also have a psychological effect, Dr. Liuzzo said.

"I think workers in other companies will become tentative," he said. "A tentative worker is a tentative consumer, and may hold back spending."

Techneglas intends to sell the plant, said Joseph Schaeufele, vice president of manufacturing and engineering operations at Techneglas. In a prepared statement, Mr.

Schaeufele said the glass melting and forming equipment probably will be sold off, most likely to interests in China or India.

No buyer has been lined up, Mr. Schaeufele said.

Whether the site is next used for manufacturing or distribution depends on how specialized the equipment in the facility is, Mr. Cummings said.

Since the mid-1990s, Techneglas has been aggressively cutting manufacturing and operating costs — usually at the expense of workers.

The Jenkins Township plant went from a high of about 1,800 workers in 1995 to 670 employees. Five rounds of layoffs have taken place since January 2003. The latest came in May when 85 workers were sent home. Those production jobs paid between \$14.96 and \$21 an hour. In March, 66 workers were laid off.

Most of the employees said they had heard rumors of a closing.

"We had a pretty good idea," said Jim Kanarr, of Stillwater, a 14-year employee. "But we were hoping for the best. Now, it's starting all over again."

TIM GULLA, Times-Shamrock business writer, and CHRISTOPHER J. KELLY, a Scranton Times staff writer, contributed to this report.

Finding replacement for Techneglas will be hard

By Stephen Daily
Times-Shamrock News Writer

CV
8-4-04

The sudden closure of Techneglas' Jenkins Township plant — the largest single job loss the region has experienced in more than three years — presents another problem for economic developers: finding a suitable replacement.

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turing base requires less employment.

Still, manufacturing plays a big part of the national and regional economies.

Penn's Northeast, for example, received more inquiries from manufacturing companies over the last year than distribution and office space inquiries combined, Cummings said.

"The problem is most companies are looking for a 150,000 square-foot facility to fill 200 jobs," Cummings said.

Though manufacturing still employs the largest single share of workers among economic sectors, the area's reliance on manufacturing is declining.

Manufacturing employment in the Scranton/Wilkes-Barre metropolitan area was 42,800, down almost 4 percent from a year earlier, according to the state Department of Labor and Industry.

"We knew things weren't going too well, but we didn't expect a full blown closure of the company," said Steve Barrouk, president and CEO of the

Greater Wilkes-Barre Chamber of Business and Industry.

The closure is another "hard blow" to Luzerne County, he said. The workers are local agencies now face the challenge of absorbing the workforce into local industries while at the same time trying to find out the status of the facility.

Following Techneglas' closing, it is likely more workers will be employed in health care and social assistance in the region than in manufacturing when the next round of numbers are released.

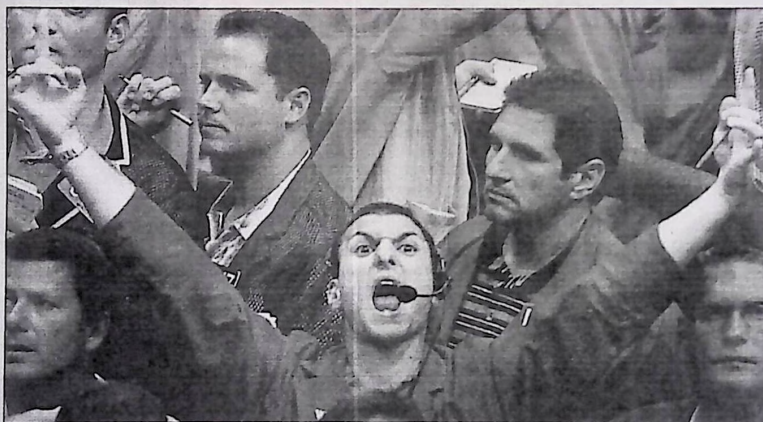
Like many manufacturing plant closings, Techneglas suffered from increased material costs and pressure from foreign suppliers.

Although foreign workers are generally not as productive as U.S. workers, domestic workers have a lot of protections, mainly through unions and the government, that foreign workers don't have, said Dr. Anthony Liuzzo, a professor of business and economics at Wilkes University.

Federal Reserve hikes funds rate

^{205 FF} Experts: 'Measured' pace good for economy, consumers

DOW JONES Close: 10,435.48 Change: +22.05	NASDAQ Close: 2,047.79 Change: +12.66	WHO WILL THE FED DECISION IMPACT? People with traditional investments (savings accounts, certificates) could possibly see higher interest rates. Those with car loans could be paying more in interest.	Anyone with variable rate debt (credit cards, home equity) will feel a pinch — late fees and penalties should increase, and lenders raised the prime lending rate by .25 percent.
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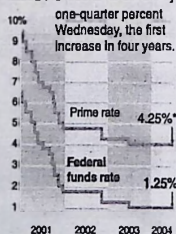


M. SPENCER GREEN / ASSOCIATED PRESS PHOTOGRAPHER

Trader Damon Federighi works the eurodollar pit Wednesday at the Chicago Mercantile Exchange after the Federal Reserve announced an increase in a key short-term interest rate by 0.25 percentage point.

Fed hikes key rate

The Federal Reserve Board raised the federal funds rate by



* Commercial banks are expected to increase prime lending rates

SOURCE: The Federal Reserve Board AP

Move will affect consumers, but minimally

By Tim Gault
TIMES-SHAMROCK NEWS WRITER

Financial markets got what they expected Wednesday when the Federal Reserve announced it would increase the federal funds rate, a key short-term interest rate, by one-quarter of a percentage point to 1.25 percent — its first increase in four years.

But more important to analysts was the language Federal Reserve Chairman Alan Greenspan and his colleagues used in announcing the decision.

While there is a possibility of more aggressive action by the Fed in the future if economic conditions warrant it, the Fed said it would continue to proceed at a "measured" pace — which analysts said was an indication that future rate hikes will come in small, quarter-percent increments.

After a sluggish start, the Dow Jones industrial average rose on the news to 10,435.48, up 22.05 points. The Nasdaq composite index closed at 2,047.79, up 12.66.

Bond prices also climbed, pushing the yield on 10-year Treasury notes down to 4.53 percent, compared with 4.69 percent Tuesday.

The Fed's decision triggered a one-quarter percentage point increase in commercial banks' prime lending rate, which also had not risen in four years. This benchmark borrowing rate for mil-

lions of consumer and business loans rose from 4 percent to 4.25 percent.

Local economic and financial experts saw the Fed's action and the statement, which contained no surprises, as a good sign for both the economy as well as consumers.

"It's almost the absence of big news that's big news," said Dr. Anthony Liuzzo, professor of business and economics at Wilkes University.

The Fed said it saw improving labor market conditions and expanding output. Although inflation data is elevated, the Fed said a portion

Please see Fed, Page A2

FED: Rate increase was well advertised

FROM PAGE A1

of that increase was "transitory."

While its response would continue to be "measured," the Fed said it would respond to changes in economic prospects as needed to maintain price stability.

"This was probably the most well-advertised rate hike and rightfully so," said Stuart Hoffman, senior vice president and chief economist for PNC Financial Services Group in Pittsburgh. Mr. Hoffman said he anticipated a "carbon copy" increase and policy statement when the Fed meets again in August.

"It would take something pretty dramatic on the inflation front between now and Aug. 10 for the Fed to go to a more aggressive stance," he said.

Overall, Dr. Ioanis Kallianiotis, associate professor of economics and finance at the University of Scranton, didn't anticipate any major effects on the markets or consumers as a result of the Fed's announcement.

Small investors

Small investors should benefit from the decision because the rate of return on investments in savings accounts and certificates of deposit is going to increase, he said.

He also anticipated little impact on consumer prices.

"You might see a little bit of a blip here and there," Dr. Liuzzo said.

While the Fed doesn't set

other interest rates, anticipation of the Fed's announcement had been building, and built into other markets, for weeks now.

Mortgage rates

Mortgage rates, which had reached 40-year lows last year, have been creeping up.

"We're already looking at it as if the rates are going to increase," Bob Kadjeski, senior mortgage sales officer at Argo Mortgage & Investments, a Wilkes-Barre-based mortgage banker, said shortly before the Fed's announcement.

At their lowest levels last year, Mr. Kadjeski said he was able to broker 30-year fixed rate mortgages that dipped below 5 percent interest. On Wednesday, 30-year fixed-rate mortgages with no points were going for about 6.37 percent interest.

Wednesday's announcement will have no impact on the current holders of fixed-rate mortgages.

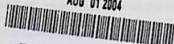
But holders of adjustable rate mortgages should see slight increases.

Fixed income

Chuck Parry, a registered representative at Edward Jones Investments in Clarks Summit, said the Fed's decision would benefit people relying on fixed-income investments.

"They've been suffering the last four years with low interest rates," Mr. Parry said.

But for the long-term investor, he said, the decision doesn't mean too much.



Swamped

Middle class families are being sunk by spiraling healthcare and education costs — during a time of little to no real wage growth. Now, as election time approaches, everyone wants to help the middle class. But who constitutes the middle class? What are their problems? And what policies are most likely to help? In-depth coverage continues on pages 54-57.

By Dave Gardner

As James Carville famously observed, "It's the economy, stupid." It was the economy in 1992 and it's still the economy in 2004. People's pocketbooks are powerful motivators — and, currently, many of those pocketbooks feel a bit squeezed.

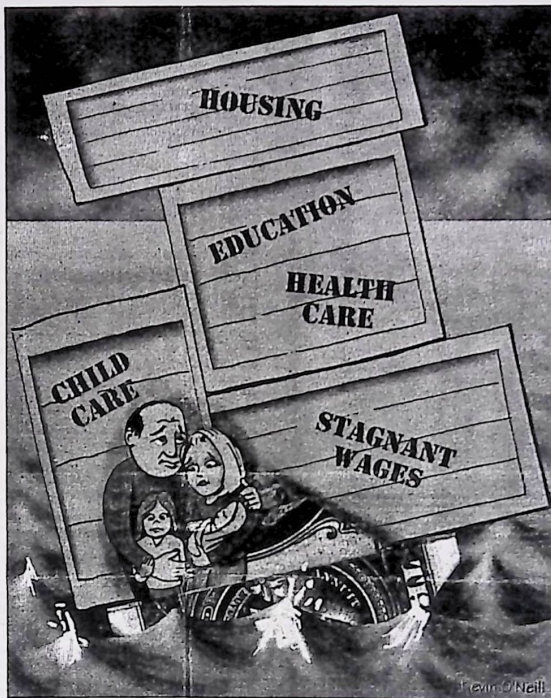
There's been a great deal of rhetoric on both sides of the political fence in regard to the squeeze on the middle class. But how real is the perceived problem and what can be done to relieve it?

In pursuit of fair taxes

Anthony L. Liuzzo, Ph.D., professor of business and economics at Wilkes University in Wilkes-Barre, comments that a great deal of geopolitical discord exists within the middle class, partly due to the mechanics of the current tax structure.

"The simple reality is that there are not enough rich taxpayers to tax in order to pay for government expenditures and the poor cannot pay," says Liuzzo. "Therefore, the middle class gets hit hardest due to the basics of the population numbers and, in reality, not much can be done to remedy this situation."

Sanyjit Ghosh, Ph.D., professor and chair of economics and finance at the University of Scranton agrees, saying, "We hear so much about tax cuts. The fact is that tax cuts don't



usually help the middle class all that much."

No jobs, low wages

The recovery from the recent economic downturn continues, but the growth that is occurring has been deemed a "jobless recovery." The economy is expanding, worker pro-

ductivity is up, but there has not been a great deal of hiring by employers.

Ghosh says current economic misery is being compounded due to stagnant wage growth.

"A family's real wage is its actual wages after an adjustment has been made for price

Swamped continues on page 54

Swamped

continued from page one

increases," says Ghosh. "For example, a typical 3.1 percent wage hike minus a 2 percent inflation adjustment creates an actual raise of just 1.1 percent. A true sign of prosperity is real wage growth, but real wages have been stagnant over the last three years. This stagnation is putting financial stress on middle class families."

Ghosh explains that in the past year an estimated 1.1 million jobs have been added to the national economy.

Yet, this figure has not yet matched

"A typical 3.1 percent wage hike minus a 2 percent inflation adjustment creates an actual raise of just 1.1 percent. A true sign of prosperity is real wage growth, but real wages have been stagnant over the last three years. This stagnation is putting financial stress on middle class families."

— Satyajit Ghosh, Ph.D., The University of Scranton

the number of jobs lost in the past few years, and the lost jobs were usually higher paying.

Healthcare

Current numbers point to healthcare costs that are rising much faster than income. Ghosh questions how long the current expense trend can be sustained by the middle class, citing how healthcare premiums were hiked an average of 14 percent from 2002 to 2003.

"As these costs rapidly rise, the situation is being complicated by the fact that one out of every four middle class workers has no health-

care insurance, and their children are affected the most," says Ghosh.

Luzzo believes the government has a responsibility to step in when the free market system falters and, while there have been many promises from Washington about relief from rising health costs, little action has occurred.

Luzzo explains that the current healthcare mindset creates a fundamental problem. Specifically, he wonders why it is the responsibility of employers to cover workers with insurance. He says he believes that this "employer-mandated" philosophy creates great inequality for less fortunate employees.

Outsourcing

Outsourcing has always existed, such as when Pennsylvania jobs moved to southern states.

"It is true that companies will always look for ways to cut costs via the free

market," says Ghosh. "What is now particularly troublesome to the middle class is that this outsourcing has evolved to movement outside of the country, with good-paying manufacturing and technology jobs now being lost.

The average job being created in the United States now is 30 percent lower-paying than the job it replaced."

Luzzo says that the manufacturing decline plaguing middle class factory workers is to be expected due to the evolution of the economy from a manufacturing base to a service-oriented system.

For a national economy to be able to provide goods, it is more efficient to operate this way and create offshore manufacturing. With this evolution in mind, the federal government needs to create a plan to assist displaced workers and offer retraining with more contemporary, high-tech skills.

Energy

Another middle class hot button, which Luzzo calls a voter "wildcard," is energy prices. He explains that Canada is still our No. 1 supplier of oil, and that the overall economy can sustain some energy price shocks. He also points out that American energy costs are significantly lower than in other industrialized countries.

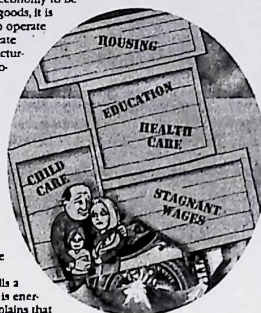
"When you are talking about how the middle class will vote this November, it's important to remember that people react to how things are going for them personally," says Luzzo. "For example, consider gas prices. Remember that the middle class relies on their cars, and this could be a big issue for them because we all act in our own self interests."

Squeezed by college

As the middle class looks towards their children's future, escalating college costs threaten to darken the horizon. Luzzo explains that quality education is reliant on technology and that a school's technological infrastructure must be constantly upgraded.

Other factors inflating the cost of education include experienced professors moving to industry and the simple fact that demand for education is up, especially for graduate courses.

For employment success, continuing



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Swamped

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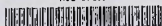
education must become a lifelong issue, but state governments are increasingly cash-strapped for student assistance.

Concerning rising college costs, Ghosh ties much of the middle class's misery to the government funding cash squeeze.

A dwindling lack of student financial assistance is being fueled by federal budget deficits in the \$500 billion range annually, with no relief in sight. (See "The widening education gap," page 56.)

In summation

As middle class voters decide which candidate can help them the most, Luzzo presents one question that he feels dwarfs all others: "The No. 1 question I would like to ask the presidential candidates is how are they going to finance what they're promising, besides taxing the middle class?"



Jobs and healthcare will be top issues at polls

Both John Kerry and George Bush covet Pennsylvania's 21 electoral votes. Local and national pundits say that the candidate who carries the state will do so with a convincing plan to create jobs — especially in manufacturing — and help businesses cope with the soaring cost of healthcare.

By Ralph Nardone

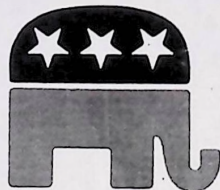
Experts can outline the most important economic issues voters will have to decide, but can't say yet which candidate will be best for the future of northeast Pennsylvania's economy. They do agree, however, that the economy will play a huge role in the election.

"The most important economic issue is jobs," says Anthony Liuzzo, Ph.D., professor of business and economics at Wilkes University. "This area has been stricken by recent job losses and has never really recovered. The new president will have to provide the leadership necessary to handle the problem."

Northeast Pennsylvania needs more good-paying jobs, Liuzzo stresses. Local politicians often tout bringing in new jobs — but with questionable pay and benefits. "It's a matter of quality, not

"Cutting federal funding has huge implications for local businesses. Most people don't understand the impact continued federal funding can have on supporting the local economy."

— Cameron Moore, NEPA Alliance



just quantity," Liuzzo says.

Developing the skills of the local workforce to fill any high-paying job opportunities is a necessity. Both candidates are very vague on that subject, Liuzzo adds.

Liuzzo says the Bush tax cuts did have some positive, stimulating effects. During his visit to Kutztown, Bush promised voters he would continue to fight for tax cuts in Washington.

However, Liuzzo believes the monetary policies of the Federal Reserve were key to the recent economic upturn. It won't be until the election heats up when voters will know what specific policies Bush or his opponent will propose to continue current growth.

Cameron Moore, president and chief executive officer of the Northeast Pennsylvania (NEPA) is watching closely as the election progresses. He believes the federal government's role in local economic development initiatives is critical and fears the new president can opt to reduce important funding.

Currently the federal government funds many local ventures, such as the revitalization of Scranton's downtown and other infrastructure or incubator projects, via the NEPA Alliance, Moore says. The funding comes under the federal Appalachian Regional Commission and Economic Development Administration. During his administration, President



Bush tried to cut funding to those programs by 50 percent but was overridden by the Congress, Moore notes.

He lauds the efforts of northeast Pennsylvania's senators and representatives who played an important role in restoring funding.

"Cutting federal funding has huge implications for local businesses," Moore stresses. "Most people don't understand the impact continued federal funding can have on supporting the local economy."

Moore agrees with Liuzzo's position that the candidates' positions aren't clear enough now to make any decisions. However, he points to the outsourcing of local jobs as a concern for the new president. The situation has to be scrutinized, Moore says, adding that many companies actually get a tax break for job outsourcing.

Also, the federal government has to become more active in enforcing trade agreements, Moore says.

John Skorburg, economist for the Heartland Foundation, an Illinois-based organization that studies state-level economics, says the most important issue for Pennsylvanians is the size and cost of government programs.

Skorburg says that the government has grown at twice the rate of inflation under the Bush administration because of homeland security and drug entitlement programs.

The manufacturing sector is what the Democrats will target in Pennsylvania.

If the Democrats have a strong program to benefit manufacturing, their message will resonate across the state, Skorburg adds.

Don Morabito, executive director of the Pennsylvania Democratic Party adds healthcare concerns to the "jobs issue" in Pennsylvania. With respect to jobs, he points to the well-publicized "brain drain" across the state, especially in high-tech professional fields where real opportunities exist for job seekers.

Educating competent workers to support these industries is very important to keeping jobs here, Morabito says.

With respect to healthcare, Morabito is confident Kerry/Edwards will present a plan to voters that will improve healthcare coverage and lower costs.

The Bush plan calls for Health Savings Accounts (HSAs) and tort reform to apply downward pressure on health costs. ■



3

Still waiting

Local economists say it's true: the jobs that are being created in this economy are not of the same caliber as the jobs that went away. One economic development professional says inquiries into the region of late are mostly in regard to manufacturing, shipping and warehousing — not high-tech.

By Wade Malcolm

It was about this time last year when economists started getting cautiously optimistic, as they waited for a post-9/11-recession job recovery.

And, a year later, they are still waiting.

While most other aspects of the economy have shown

encouraging signs of growth, the

unemployment rate is about

where it was a year ago: 6.3

locally at the end of May

2004 and 5.6 nationally at the

end of June 2004, compared

to 6.2 locally and 5.8 nationally at the

end of July 2003. But, somehow, optimism still exists —

despite these stagnant looking unemployment statistics.

Because if national and state governments make an effort to create jobs, conditions are ripe for a nation-wide employment recovery, local economists say. And, they expect, northeastern Pennsylvania will eventually follow the national trend.

"It's been a slow and steady recovery," says Tom Ross, Ph.D., a professor of business at King's College. "I look at (NEPA) following the national trend, lagging behind slightly. Employment is not robustly improving; we aren't creating millions of jobs every month."

What have been created in the first six months of the year, according to a Bloomberg report in late June, are 1.2 million jobs. While that may not come close to the 20 million jobs that were created following the last recession in the early 1990s, economists feel it is an encouraging sign — especially since the stock market and consumer confidence (which rose to 95.2 in June, nearly five points higher than economists expected) have been increasing, and inflation has been controlled.

"There is not a lot of hot air in this recovery because inflation has been managed," says Anthony L. Luzzo, Ph.D., a professor of economics at Wilkes University. "This growth is real growth, even if it does seem slow. Inflationary growth is not real growth."

It's not unusual for unemployment rates to lag behind other improving economic factors, local economists say. Nor is it

unusual for the region to lag behind the rest of the country during a recovery.

Following unstable economic times, employers prefer to give current employees more work, rather than adding new people, who need training and medical benefits. And this region often has difficulty recovering from recessions because of a lack of educated, technology-based jobs.

What is troubling — according to Satyaji Ghosh, Ph.D., a professor and chair of economics at the University of Scranton — is how long employment recovery is taking. Ghosh feels the current administration hasn't made a concerted effort to promote job growth.

"Economic policies have not been put in place to recover jobs," Ghosh says. "In 1991-92 (after the last recession), we consciously wanted to create jobs. This time around, instead of going for more policies to take care of the deficit and create jobs, we concentrated on tax cuts over and over. And that didn't create any jobs. There was increase in spending on defense and homeland security and some very risky, very controversial tax cuts."

The Bush administration has, however, made an effort to present positive images that suggest some jobs were created and the economy was stimulated by the tax cuts.

On a recent campaign visit to Kutztown University, President Bush touted examples of his tax cut plan at work.

Among several other anecdotes, he cited Berks county entrepreneur Rodger J. Schmidt, whose business was able to hire eight new employees thanks to the tax cuts.

"(Consumers) can spend their money far better than the federal government can," Bush told the crowd on July 9 in Keystone Hall at the university.

Still, local economists say some attention needs to be paid to programs specifically targeted at creating jobs if there is to be a fully developed recovery.

Ghosh particularly believes that the economy ought to revisit or find a similar industry capable of the same success as the technology boom of the mid-1990s.

And the same economic medicine could help northeastern Pennsylvania. "(Locally) we are not doing well in terms of skilled jobs, and that is where the economy is growing (nationally)," Ghosh says. "Whether (tech jobs) would be a long term solution for the area's problems, you can't say for sure."

But at least in the near future, such jobs don't appear to be coming to the area in any large quantities, according to Jim Cummings, president of Penn's Northeast, a nonprofit economic devel-

opment organization serving Lackawanna, Luzerne, Monroe, Pike and Wayne counties. Penn's Northeast serves the region as a marketing arm that attracts commerce to the area. Cummings says his organization pays close attention to levels of "prospective activity," which he says indicates how much interest outside businesses have in developing certain types of industries in the area.

He says nearly 50 percent of the prospect activity has focused on manufacturing jobs of late, and interest in the warehousing/shipping industry is also strong throughout the region.

"What we haven't seen is activity in the office and technology employment," he explains. "I think in the next few years we will see an increase though."

Local economic developers have been trying to work with the economic development organizations to convince local college graduates that there are opportunities for good-paying jobs in the area.

"We have the skilled people here to do the jobs," he says. "We need to attract the right employers."

Local economic developers have been working to fight the perception that NEPA is an undereducated area and have been successful in luring some financial back offices to the Montage Mountain area.

Along with national trends, they are among a few signs of improvement.

Perhaps they are even reason to believe things will be better this time next year. ■

Still waiting

continued from previous page

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Along with national trends, they are among a few signs of improvement.

Perhaps they are even reason to believe things will be better this time next year. ■

Still waiting continues on next page



ADA, Grasso memorial on agenda for Kiwanis ^{TL 6-29-04}

The Plymouth Kiwanis Club recently hosted guest speaker Dr. Anthony L. Liuzzo, professor of business and economics at Wilkes University. Dr. Liuzzo spoke about the intricacies of the Americans With Disability Act and its problems of who is and who is not covered. The Kiwanians also paid tribute to a deceased member, Angelo F. Grasso, who served as club president and Division 15 lieutenant governor. A memorial to Grasso was accepted by his widow, Helen Grasso, and daughter, Toni Grasso. Seated, from left: Toni Grasso, Helen Grasso and Betty Schall. Standing are: Dr. Liuzzo, Dr. Joseph H. Smith and Kiwanis President John A. Gavenonis.

CV 6-22-04



In the first row, from left, are Toni Grasso and her mother, Helen Grasso, and Betty Schall. Second

row: Dr. Anthony L. Liuzzo, Dr. Joseph H. Smith and John A. Gavenonis, Kiwanis president.

Kiwanians hear about American Disability Act

The intricacies of the America Disability Act and its problems of who is and who is not covered were explained to members of the Plymouth Kiwanis Club at a recent meeting.

Guest speaker for a third time was Dr. Anthony L. Liuzzo, professor of business and economics at Wilkes University and noted author of a business textbook and numerous scholarly articles in newspapers and magazines.

The Kiwanians also paid tribute to a de-

ceased member, Angelo F. Grasso, who served as club president and District 15 lieutenant governor. A memorial to Grasso was accepted by his widow, Helen Grasso, and daughter, Toni Grasso.

Dr. Liuzzo is a native of the Bronx, N.Y., and a resident of Larksville. He holds a law degree and an MBA and PhD. Winner of the recent Plymouth Alive-Kiwanis food contest was announced as Rachel Weiss of Hunlock Creek by Frank Fabian, event chairman.



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YORK COUNTY

Bon-Ton rebound requires fresh look

BY SUSAN GVOZDAS
susang@courtpub.com

Fresh eyes at The Bon-Ton Stores Inc. could give the York County retailer the turnaround it has been looking for, according to a retail analyst.

Frank Tworecke, president and chief operating officer, resigned May 7 to become president of sportswear for apparel manufacturer Warnaco. In addition, Tim Grumbacher, chairman and chief executive officer, is scheduled to step down as part of his family's

please see **BON-TON**, page 19

BON-TON: Posts poor April sales

continued from page 3

succession planning for the company after a new CEO is named. That announcement will come after the board of directors meets later this month.

The news of Tworecke's departure coincided with the release of poor April sales figures, when the rest of the retail market saw an overall 4 percent increase in sales.

Tworecke said Warnaco sought him out. Declining sales or a demand for a management change had nothing to do with it, he said. "It's not personal," he said from his new office in New York City. "Warnaco as a company has significant growth potential in the future, and that's why I left Bon-Ton."

Tworecke said he could not comment on the Bon-Ton's operation because he is barred from discussing the company for 30 days.

Current company executives would not comment. In a statement released with April sales figures, however, executives attributed low sales to changes in the promotional calendar from April to May and the difficulty of integrating newly acquired Elder-Beerman Stores Corp. Bon-Ton still struggles with apparel sales, while cosmetics, accessories and shoes continue to do well, according to the Bon-Ton statement and previous annual reports.

Although Tworecke's decision to leave may not have been connected to sales, Bon-Ton could benefit significantly from a fresh perspective, said Anthony Liuzzo, professor of business and economics at Wilkes University in Wilkes-Barre. "If they're going to turn it around, they really need to get some fresh perspective and change how they buy apparel," Liuzzo said. "One has to stay sharp, and one has to stay cutting-edge."

Bon-Ton doubled its size when it bought Elder-Beerman of Ohio for \$93 million in October. Bon-Ton operates 142 stores under the two brand names.

Bon-Ton plans to save money by consolidating operations for the two companies,

but that process has been difficult, according to James Baireuther, vice chairman and chief administrative officer. "We did not properly anticipate the challenges associated with consolidating the merchandising and marketing activities and are taking aggressive action to address this issue," Baireuther said in the company statement.

Bon-Ton's same-store sales for stores open at least one year decreased more than 4 percent for the four weeks ended May 1. Elder-Beerman's same-store sales fell almost 13 percent.

Poor sales and troubles with transition are to be expected with such a large acquisition, said Sheldon Grodsky, a retail analyst at Grodsky Associates in South Orange, N.J. It doesn't help that both companies struggled with sales before the acquisition. "One would think the management stresses would be greater," Grodsky said. "Hopefully, they will get their act together soon."

Bon-Ton must make consolidation its top priority, Grodsky said. In January, company officials said they would lay off more than 300 of the 450 workers at Elder-Beerman's corporate headquarters in Dayton between March and July. Bon-Ton kept computer, programming and support workers there.

Most recently, Bon-Ton has gotten county, school board and township approval to relocate its credit-card operations to a newly-created Keystone Opportunity Zone in York County, said Craig Zumbun of the South Central Assembly for Effective Governance. The building is located at the former Caterpillar Inc. plant site in Springettsbury Township. The Bon-Ton is consolidating its credit-card operations with Elder-Beerman's operations in Ohio.

Bon-Ton will save money through the consolidation and 10 years of local property-tax exemptions in the Keystone Opportunity Zone. Zumbun said final paperwork is on schedule to meet the June 1 application deadline. State officials have until June 30 to approve it.

Jobs up for new grads

CV
4-25-04

The Class of 2004 will likely find it easier to gain employment.

BY DAVID FALCHER
TIMES SHAMROCK WRITER

Two years ago, Elena Bush of Clarks Summit, then a sophomore at Keystone College, grimaced at the thought of graduating into an economic recession.

Scheduled to complete her studies next month with a bachelor's degree in communications, Miss Bush feels better about finding a job. Her resume posted online netted an inquiry from an insurance company and she has an interview scheduled with a radio station.

"I'm willing to do just about anything in my field," she said. "I like working with people and ultimately I want to get into hospitality and event planning."

Miss Bush and the rest of the Class of 2004 will likely find it easier to get a job than their immediate predecessors.

The long-lagging job market has largely turned around, rehabilitating itself from the dot-com crash and economic slowdown of 1999, leaving more prospects for grads, college placement officials say.

Nearly a year after the recession was declared over, companies nationwide are creating jobs to meet increased demand.

The National Association of Colleges and Employers' job outlook projected companies will hire 11.4 percent more college graduates than a year ago.

The fastest growth was anticipated in the Northeast U.S., according to the trade group, with college graduate hiring increasing 15.3 percent in the region.

Starting salaries are up, too.

More than half the 70 disciplines surveyed by the National Association of Colleges and Employers, a trade group, reported salary increases over a year ago.

Citing job creation, rising wages, and strong holiday sales, Wilkes University Professor of Economics Anthony P. Liuzzo, Ph.D., said the recovery is more solid than some people thought.

"This recovery is the genuine article and this will be a very, very good year for college graduates and people with advanced degrees," Dr. Liuzzo said.

The National Center for Education Statistics

Please see J085, Page H6

JOBS: Employment picture brightens for college graduates

FROM PAGE H1

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FROM THE TUNNEL

Career development advisors don't like to use words like "bad" or "tight" to describe the job market, preferring the euphemism "competitive" in describing the last three years. The pop of the tech bubble, the 9/11 terrorists attacks, and a floundering economy prompted business closures and layoffs as consumer confidence withered.

Still, the loosening of the job market this year is not a return to the irrational exuberance of the 1990s, when placement offices were flush with inquiries from staff-starved companies and most grads had their pick of positions.

"Graduates still need to be in tune with what employers want and have skills that will allow them to transition from one job to another," said Christopher Sutzko, director of the Center for Career Development at College Misericordia.

Graduates in College Misericordia's flagship majors — physical therapy, nursing, and education — often end up having their pick of jobs, said Mr. Sutzko.

The demand for those jobs are stable, he said.

Making more money

More than half the 70 disciplines surveyed by the National Association of Colleges and Employers reported salary increases. Here's a look at academic disciplines and the changes in starting salaries over a year ago:

Discipline	Percent change	Salary
Chemical engineering	up 0.3%	\$52,038
Electrical engineering	up 0.4%	\$50,761
Computer science	up 7.5%	\$50,007
Information sciences/systems	up 10.7%	\$44,075
Accounting	up 1.8%	\$42,155
Management information systems	down 1.7%	\$40,846
Economics and finance	up 0.1%	\$40,718
Business administration	up 4.7%	\$38,237
Marketing	up 0.4%	\$35,680
Liberal arts	unchanged	\$29,119
Communications	down 12.7%	\$28,388

Source: National Association of Colleges and Employers, 2004
Go to www.nacweb.org for details.

After several years of stagnation, though, demand for many disciplines is up, including accountants, Dr. Liuzzo said. The industry is stronger in the wake of high-profile scandals like Enron, WorldCom and the complexity of large accounting firms, he said.

"The last few years, students were not likely to be drawn to accounting as a career because they couldn't feel very good about it," he said. "Every industry needs a good shaking up and the accounting industry now is much stronger."

Geographically, students can

find opportunities in "hot pockets" of growth, Mr. Sutzko said, such as Pennsylvania's southern tier, Maryland, Virginia, the Washington D.C. suburbs, and the southwestern United States.

TRAFFIC JAM

This time of year, campus career offices are busy with traffic from soon-to-graduates, such as Keystone student Kim Lowe, 21, of Clarks Summit.

Ms. Lowe, who will graduate with a bachelor's degree in criminal justice, rejected an offer to work at a juvenile center. The po-

sition carried mostly receptionist duties, she said.

Paging through folders of employers at Keystone University's Career Action Center, she's confident a job that allows her to use what she learned in her studies will be found.

"I know there are jobs I can fall back on if I need too," she said. "It's just a matter of finding the right fit — a job where I can use my degree and work with children."

Most career offices offer computers for online searches and resume postings. Many will revamp resumes and give advice on interview skills. Most schools will also assist alumni in finding positions.

If a Keystone College student falls after a sincere effort to find a job, the college allows him or her to take classes free-of-charge to round out their training and skills.

The job market and the economy are only as certain as world and national stability, Dr. Liuzzo said.

"We have geopolitical problems, clearly, with the Middle East, the war, and the threat of terrorism," he said. "Any of those can short-circuit the recovery."



LINDA MORGAN / TIMES SHAMPOCK NEWSPAPERS

Kim Lowe, of Clarks Summit, is a Keystone College criminal justice major with a minor in psychology. She is perusing criminal justice brochures in the career center at the college.

Jobs up for new grads

The Class of 2004 will likely find it easier to gain employment.

BY DAVID FALCHER
TIMES SHAMPOCK WRITER

Two years ago, Elena Bush of Clarks Summit, then a sophomore at Keystone College, grimaced at the thought of graduating into an economic recession.

Scheduled to complete her studies next month with a bachelor's degree in communications, Miss Bush feels better about finding a job. Her resume posted online netted an inquiry from an insurance company and she has an interview scheduled with a radio station.

"I'm willing to do just about anything in my field," she said. "I like working with people and ultimately I want to get into hospitality and event planning."

Miss Bush and the rest of the Class of 2004 will likely find it easier to get a job than their immediate predecessors.

The long-lagging job market has largely turned around, rehabilitating itself from the dot-com crash and economic slowdown of 1999, leaving more prospects for grads, college placement officials say.

Nearly a year after the recession was declared over, companies nationwide are creating jobs to meet increased demand.

The National Association of Colleges and Employers' job outlook projected companies will hire 11.4 percent more college graduates than a year ago.

The fastest growth was anticipated in the Northeast U.S., according to the trade group, with college graduate hiring increasing 15.3 percent in the region.

Starting salaries are up, too.

More than half the 70 disciplines surveyed by the National Association of Colleges and Employers, a trade group, reported salary increases over a year ago.

Citing job creation, rising wages, and strong holiday sales, Wilkes University Professor of Economics Anthony P. Liuzzo, Ph.D., said the recovery is more solid than some people thought.

"This recovery is the genuine article and this will be a very, very good year for college graduates and people with advanced degrees," Dr. Liuzzo said.

The National Center for Education Statistics



LINDA MORGAN / TIMES-SHAMROCK NEWSPAPERS

Elena Bush, of Clarks Summit, is a senior communications major at Keystone College. She is using a computer to search for information on the Internet at the college's career center.

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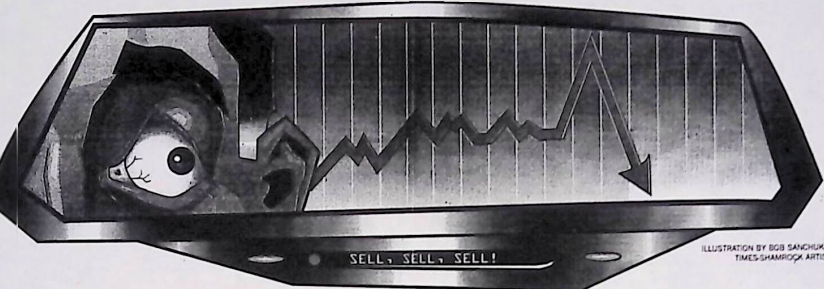
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Investing blind spots

ILLUSTRATION BY BOB SANDHUK /
TIMES SHAMROCK ARTIST

Self-imposed pitfalls can lead to poor decisions

BY TIM GULLA

TIMES SHAMROCK WRITER

Even the most savvy financial types don't know everything.

Blind spots are equal opportunity impediments to sound decision making, observers say. They can shield the vision of knowledgeable folks, too.

One of those tendencies is to follow instead of lead, said Dr. Anthony Liuzzo, professor of business and economics at Wilkes University.

"By the time most people hear about something in the market, it's probably too late to do anything about it," he said. "If the market is going up, that's not necessarily the time to buy. It may be the time to sell."

Whether from complacency, underestimation, or the wrong "gut instinct," financial pitfalls can prove costly.

Recognizing your blind spots now, though, can lead to better decisions down the road.

"Anytime we're aware of our behavior and natural tendencies, I think that helps us produce (better)

outcomes," said John Fischer, a chartered financial consultant with Northwestern Mutual Financial Network in Harrisburg.

Three common blind spots — loss aversion, framing and mental accounting — were identified by Northwestern Mutual in a 2003 study.

People often make decisions based on a belief that it hurts more to lose than it feels good to gain, also known as loss aversion, Mr. Fischer said. The approach can shield options that may prove more beneficial financially.

Also, depending on how a question is posed, or framed, the study found people can answer the same underlying question in completely different

ways.

For instance, half of those surveyed said they couldn't save 20 percent of their income for retirement. But nearly three-quarters said they could live comfortably on 80 percent of their income, according to the study.

In terms of "mental accounting," the study showed people often base expenditures on their mental view of a situation. For instance, they go out of their way to save money on a small item but won't make the same effort to save the same amount of money on a larger item.

"Never be afraid to look at your situation, what you have, and talk with a professional about getting more bang for your buck"

JAMES MATTERN
Mattern Wealth
Management

Still, it's not just big-ticket items you have to worry about.

If you put a dinner tab on your credit card, Dr. Liuzzo said, be prepared to pay it off immediately. In Dr. Liuzzo's view, the dinner only lasted one night — the credit card payment shouldn't last any longer.

Beyond the study, per-

haps the largest blind spot is having too much confidence in your own knowledge.

"A little knowledge can be a dangerous thing," Dr. Liuzzo said.

Sometimes, said James Mattern, president of Mattern Wealth Management, people make decisions out of comfort.

"People become complacent and happy with what they are familiar with," he said. "Never be afraid to look at your situation, what you have, and talk to a professional about getting more bang for your buck."

Mutual funds or bills you pay on a regular basis, such as car or life insurance, are examples of arrangements to which you should not be married.

"If you take a look at it every year and look at it objectively, you can often find something better out there," Mr. Mattern said.

Another blind spot is failing to match the use of your funds to the term of use.

If, for example, the typical person keeps a new car for three years, why plan to pay it off over a longer term?

"It's financially inappropriate to go with a five-year term for a car that's only going to last three years," Dr. Liuzzo said. "The car depreciates faster than the loan."

SPOTTING BLIND SPOTS

Sound investing and money management means avoiding some self-imposed pitfalls. Here's a guide to avoiding the blind spots that can lead to poor decision making:

■ **Accept you may have them.** Even the most financially savvy person could have blind spots that lead to poor decisions.

■ **Money is money.** It doesn't matter whether you're buying something big or small: dollars spent on one thing have the same value as money spent on something else. Sometimes we mentally value money differently based on the situation.

■ **Don't be blinded by statistics.** They sound neat and scientific but can be used in many different ways.

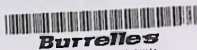
■ **Accept your limitations.** Fixing a leaking faucet is one thing. Managing your financial future is another. Do-it-yourselfers shouldn't be afraid to seek out professional advice.

■ **Turn questions around.** Think of how you might answer a financial question if the question was reversed. Some studies suggest people will give different answers to the same underlying question based on how it's framed.

■ **Future estimates.** Sometimes, people can't appreciate how much money they really need to retire, or what it will take to get there, causing them to underestimate their savings.

■ **Matching terms.** Don't fail to match the use of your money with the term of use. A one-night dinner tab shouldn't cost you money three months later.

■ **Don't be complacent.** Complacency leads to inaction. Look for ways to get more bang for your buck.



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Dogs at center of multiple lawsuits

A woman charged with abuse sues the SPCA, while a breeder sues the woman for payment.

BY DAN LEWERENZ

THE ASSOCIATED PRESS

STATE COLLEGE, Pa. — Talk about a dog fight: A woman is suing the local Society for the Prevention of Cruelty to Animals, demanding the return of four dogs that were among more than 100 seized from her home. But she, too, is being sued by a Milton man who claims she never paid for two of the dogs she wants back.

Caught in the middle is the Centre Hall SPCA, which has placed the dogs in temporary homes until the court says where they should go.

"In a sense, it's like the SPCA is holding the dogs in escrow until the court can decide who owns them," said attorney and Wilkes University professor Anthony L. Liuzzo.

The lawsuits filed this week are the latest twists in a case that will soon begin working its way through the Centre County court system. Along the way, the court will have to decide exactly who is the rightful owner of the dogs and why.

Avis Brech, 63, faces a preliminary hearing on Tuesday on an animal cruelty citation. On March 1, 105 dogs and assorted other animals were seized from her farm after the Centre Hall SPCA reported the animals were living in squalid kennels piled high with feces. More than 30 of the dogs had to be put down.

Brech filed court papers this week saying the SPCA had barred her from visiting the shelter to feed her four Great Danes, including two 5-month-old puppies. Now, she wants those dogs back.

Brech's attorney, LeDon Young, told the Centre Daily Times of State College the four Great Danes were Brech's personal pets. Moreover, Young said, Brech has made improvements to her property that should allow her to get the dogs back. Young did not return a phone call Thursday from The Associated Press;



PAT LITTLE/AP

John Matrisciano, central counties branch manager for The Pennsylvania Society for the Prevention of Cruelty to Animals, tends to two Great Danes, Friday, in State College. These dogs, along with over 100 other assorted animals, were removed from Avis Brech's home on March 1. Brech faces a preliminary hearing on Tuesday on an animal cruelty citation.

there was no answer when the AP tried several times to call Brech at home.

Enter James R. Kelser, the Milton breeder who sold the two puppies to Brech and another woman back in January. Upon learning of the pups' fate, Kelser went to the SPCA to ask for them back, saying he was the rightful owner because Brech never finished paying for the puppies.

The SPCA refused.

"The initial breeder who sold the dogs — for a great sum of money — wants the dogs back? He's producing a contract saying he wants custody of them? I'm sorry, but I never went to his facility and purchased dogs. I'm simply an officer trying to enact a rescue," said SPCA officer John Matrisciano.

Matrisciano said Kelser might be eligible to adopt the pups, but under state law he'd first have to agree to have them spayed.

Kelser said spaying would decrease the value of the pedigreed, purebred pups. That's why

Kelser, too, has sued both Brech and the SPCA, said Kelser's attorney, James M. Bryant.

"We asked the SPCA to cough the dogs up, because they shouldn't care," Bryant said. "And we've also asked the other two ladies to cough the dogs up because they haven't paid for it."

Matrisciano said he hadn't seen the lawsuit, but wouldn't remove the dogs from their temporary homes without instructions from the court.

"Whether or not he has a legal claim to them ... is an issue for the courts to decide," Matrisciano said.

And it may not be an easy one. Liuzzo, who has written an article on animals and the law, said animals are generally considered to be property, meaning ownership likely would turn on the terms — either written or implicit — of the sales agreement. Was it structured like a new car sale, where the seller typically retains title until payment is complete? Or was it a more simple transaction,

where ownership changed hands at the same time the dogs did?

"The first thing the court's going to have to do is to figure out when did title pass to these dogs? If title has not yet passed, then (Kelser) can get them back from the SPCA without having them neutered," Liuzzo said. "If title has already passed, even if the woman loses her right to the dogs because of abuse, she still owes him the money in any event. She'll either get to keep the dogs or she'll lose the dogs, but she'll still have to pay the dollars."

Further complicating matters, one of the puppies died last week while at a temporary home. Authorities were planning a necropsy to determine the cause of death.

With the pups' mother baying in the background, Kelser said Thursday he was "devastated" by the pup's death. "There was no need for it," he said.

As of yet, Bryant said, no decision has been made whether to sue over the pup's death.

Morning Call, Allentown, PA	Dan Lewerenz	3/20/2004
Evening Sun, Hanover, PA	Dan Lewerenz	3/20/2004
Tribune-Democrat, Johnstown, PA	Dan Lewerenz	3/20/2004
Reading Eagle, Reading, PA	Dan Lewerenz	3/20/2004
Daily Item, Sunbury, PA	Dan Lewerenz	3/20/2004
Pittsburgh Tribune-Review, Pittsburgh, PA	Dan Lewerenz	3/20/2004
Mercury, Pottstown, PA	Dan Lewerenz	3/20/2004

Days at center of multiple lawsuits



The following text is extremely faded and illegible. It appears to be a multi-column article or report, likely discussing the legal issues mentioned in the header. The text is too light to transcribe accurately.



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Shoe specialist Doris Lambert, left, sorts returned shoes and Soft Line team member Darnisha Ingram folds a returned sweater to be reshelved for sale at the Target store in Eastland Mall in Harper Woods.

Brandy Baker / The Detroit News

Holiday shopping season proves best in four years

Late December sales called good omen for 2004

By Karen Dybis
The Detroit News

A customer shopping binge in late December helped make 2003 the best holiday season in four years.

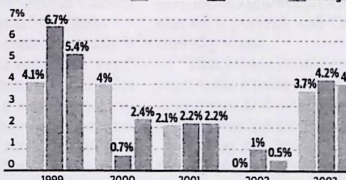
U.S. retail sales grew 4.1 percent in December, industry reports released Thursday show. Same-store sales at the nation's chain stores rose 4 percent for the two-month holiday period of November and December, according to the International Council of Shopping Centers in New York.

That is a robust increase over 2002, when the council reported Christmas sales were up only 0.5 percent. Same-store sales are considered the best judge of a retailer's strength, representing a store's sales growth at locations open at

Holiday shopping rebound

Retail same-store sales grew 4 percent this year compared to 2002, giving the industry its strongest season since 1999.

Retail chain store index November December Average



Source: International Council of Shopping Centers The Detroit News

least one year.

Sue Hurn of Livonia said she ended up "spending a little more than I planned" this holiday season. Hurn, a registered

nurse and member of The Detroit News Holiday Panel, acknowledged treating her family of four girls and one of her daughter's friends to a full stack

of presents under the tree.

Still, "I did watch (for discounts) at the end, but I don't think the sales were as good as they were in previous years," she said.

Analysts' early holiday estimates proved too optimistic, like the National Retail Federation's prediction that sales would top 5.7 percent. Discounters came in as expected with sales rising an average of 4.1 percent. The big surprise came from luxury retailers, who saw their record sales increases continue in December.

"It was like a roller coaster," said Anthony Liuzzo, professor of business and economics at Wilkes University in Wilkes-Barre, Pa.

Please see SHOP, Page 2C



Brandy Baker / The Detroit News

Last minute shoppers such as Cynthia Houston, left, and Sabrina Bailey, who load up their Target carts on Christmas Eve day, are credited with helping to improve retailers' 2003 profits.

SHOP

Continued from Page 1C

November's initial spark quickly faded during the first weeks of December as winter storms covered the country's northeast region, Liuzzo said. But demand picked up in the final two weeks as consumers found deeper discounts, completed their shopping and returned to spend their gift cards.

While the holiday produced mixed results among the nation's stores, the season's positive results are a good omen for 2004, said Michael P. Niemira, chief economist and director of research for the International Council of Shopping Centers in New York.

"A good holiday season typically is followed by a good economic year," said Niemira, who predicts retail sales will rise a total of 4 percent in 2004. Total sales for 2003 were up 3.2 percent.

Online holiday shoppers spent a record \$18.5 billion during the holiday season, according to the eSpending Report from Goldman, Sachs & Co.,

Harris Interactive and Nielsen//NetRatings. That is a 35 percent increase over the \$13.7 billion spent in 2002.

The season's winners included discount stores such as Target Corp. and Wal-Mart Stores Inc. These general-merchandise retailers drew shoppers through high-profit price wars on toys and other holiday necessities. Wal-Mart's sales rose 4.3 percent while Target reported a 4.1 percent increase.

Luxury retailers and upscale department stores were the unexpected market leaders. Neiman Marcus Group and Tiffany & Co. Inc. said shoppers seemed to spend more on individual gifts, including jewelry. Neiman Marcus was up 15 percent, and Tiffany's sales rose 16 percent.

"That proves people are starting to react to the wealth affect," or that glow consumers feel when they see their investments increase, Liuzzo said.

Among the industry's most distressed players were Kohl's Corp. and Talbots Inc., which reported disappointing sales results. Kohl's said sales

Upbeat finish

Luxury retailers led in December sales gains as wealthy shoppers benefited the most from tax cuts and the economic upswing.

December 2003 sales for stores open at least a year compared with December 2002.

Neiman Marcus Group Inc.	15%
Nordstrom Inc.	9.1%
Saks Inc.	5.1%
J.C. Penney Co. Inc.	4.3%
Wal-Mart Stores Inc.	4.3%
Target Corp.	4.1%
Federated Department Stores Inc.	1.2%
Gap Inc.	1%
Sears, Roebuck and Co.	-0.8%
Kohl's Corp.	-1.2%
Toys "R" Us Inc.	-4.9%

Source: Detroit News research

The Detroit News

started too late in the season to save its holiday, noting that its sales fell 1.2 percent for the month. Its department stores also sold too much merchandise at deeper discounts than planned.

Talbots, an upscale women's specialty store, said its sales suffered because its conservative inventory management resulted in too little merchandise on the shelves. Its sales dropped 3.8 percent.

The season proved costly for others. Girls' apparel retailer Gadzooks Inc. said its sales dropped 25 percent. The chain also said it is closing 39 unprofitable stores, including its teen sleepwear pilot store known as Orchid.

You can reach Karen Dybis at (313) 222-2319 or kdybis@detnews.com.

Good year on horizon for stock investors

BY TIM GALLA
TIMES-STAR/ROCK WRITER

The national and regional economies are set to improve further in 2004.

And for those looking to invest in stocks, that's especially good news.

But the large gains in stocks seen last year — including a 50 percent spike in the Nasdaq composite — are not expected to be duplicated in 2004, experts say.

Even so, some observers expect stocks to beat other investments, such as money market accounts, bonds and possibly real estate.

"I think the national economy is looking quite favorable," said Stuart Hoffman, senior vice president and chief economist for PNC Financial Services Group.

As a result, Mr. Hoffman is forecasting high single-digit growth in stock indexes.

Should corporate profits grow about 10 percent in the coming year, as Mr. Hoffman anticipates, the resulting job growth coupled with historically low inflation and low interest rates creates an environment generally "favorable and positive for stock investors," he said.

"Economically, things are looking good," agreed Dr. Robert Sweet, economist at MTB Investment Advisors, a division of M&T Bank.

Dr. Sweet is anticipating about a 10 to 11 percent growth in market indexes and a 4 percent annual growth in the gross do-

WHAT'S IN STORE FOR 2004

Rising stock prices

Many analysts expect equities to continue their upward climb. The full bull of 2003, though, will be hard to match.

Combining interest rates

As the economy heats up and government deficits run up, look for the Federal Reserve to notch up borrowing costs, perhaps in the second half of the year. That's good news for holders of bank savings accounts and other fixed instruments.

Low inflation

Don't look for rising prices to be a major factor in the new year. Productivity remains strong and interest rates are likely to continue at historically low levels.

mestic product. The market, he said, can keep pace with rising corporate earnings.

NO BULLS ALLOWED

Not everyone is bullish on the market, though.

While he agrees the economic recovery should continue through 2004, Benjamin Sheval,

Please see STOCKS, Page H10

STOCKS: Will presidential politics play role?

FROM PAGE H1

president of Shoval Asset Management of New York City and Wilkes-Barre, doesn't think the stock market bubble can continue to expand in the new year.

"Stock prices need to fall significantly," he said. "Current stock prices for most companies would require them to produce impossible levels of profit for an endless amount of time," he said.

"It's as if every person planted 100 trees and expected each one to grow as tall as the Christmas tree at Rockefeller Center. This just isn't going to happen."

Mr. Shoval said areas of investment potential include selected real estate, gold and high-quality bonds.

History is on the investor's side, too. Traditionally, presidential election years have been good years for stocks, experts and studies say.

"The economic news coming out certainly suggests that the recovery will continue, especially into an election year," said Stephen Root, an associate at Freedom Financial Consultants in Kingston.

"I don't see Congress or the president doing anything to mess up the recovery."

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Stephen Root
Freedom Financial Consultants

INTEREST RATE DEBATE

Many experts predict interest rates will increase in 2004, as the economy heats up and government deficits run up.

Agreement on when that might happen, though, is elusive, with many pointing to the latter half of the year as the most probable time.

Regardless, most experts don't see any drastic changes from historically low levels.

If rising interest rates are a concern to you, shorter term investments may be wise, said Anthony Luzzo, Ph.D., professor of business and economics at Wilkes University.

The shorter terms on fixed return accounts, for example, avoid locking in lower rates.

Whip Inflation?

A stronger economy can lead to higher prices and the "I" word. Most experts, though, don't see inflation becoming a major factor in the new year.

"I don't see inflation rearing its ugly head (in the coming year)," said Dr. Luzzo. "Productivity remains strong and will continue to remain strong. In the short term, interest rates can remain low so the economy can expand."

Of course, economic experts don't deal in absolutes. And there are a number of non-economic factors that could have a major impact on investors. The threat of terrorism, for example, continues to be one of the biggest fears.

"The market reacts to short term situations," said Dr. Luzzo. "We have to be concerned about international developments."

A recent economic and financial commentary by Wachovia bank said other factors, such as inflation rising faster than expected and the effects of federal spending policies also could "upset the economic apple cart."

And many experts caution that stocks aren't for everyone.

If interest rates rise, average investors could see bank certificates of deposit as a better way to invest and shelter their money from market volatility.

DETROIT, MI
THURSDAY 8:00, 9:31
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DETROIT NEWS AND FREE PRESS (HOLIDAY EDITION)

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Michigan rebounds but outlook mixed

By J. J. Moore
For Michigan's key industries, the economic malaise may be lifting, but there's no guarantee of unbridled prosperity in the new year.

U.S. sales of new vehicles should grow in line with economic growth and a bevy of new

designs while automakers face intense competition.

In labor, thousands who lost their jobs in the economic downturn will wait this year for any real benefit, although some of the work loss is showing up — overseas.

In health care, government leaders hope the newly created

Detroit-Wayne County Public Health Authority will help alleviate the burden of rising numbers of uninsured patients and decreasing payments from government health plans as it begins providing basic medical care.

On the home front, mortgage rates aren't expected to rise until

this summer as existing home sales continue to march forward.

And after several slow years, retailers are looking for a return to moderate growth. While the recovery builds, experts predict discounters will continue to thrive. Here is what's expected in 2004:

AUTOMOTIVE INDUSTRY



Daniel Meurs / The Detroit News

The new year won't be lacking for excitement. No fewer than 66 vehicles are new designs, or feature major changes, according to WardsAuto.com.

Job growth, stock gains expected to propel sales

Expect a strong economy to fuel sales of about 172 million cars and light trucks, a Global Insight report says. Automakers are counting on job growth and stock market gains to boost sales.

If product designs the pace of change in the auto industry, 2004 won't be lacking for excitement. No fewer than 66 vehicles are new designs, or feature major changes, says data compiled by WardsAuto.com.

But cars will take a back seat to the car-SUV analogs

known as "crossovers," said George Magliano, Global Insight's director of automotive industry research.

Prominent entries include the Ford Freestyle and Lexus RX400h, which will feature a gasoline-electric powertrain.

Ford and DaimlerChrysler merit attention because they're heading into turnaround programs, Magliano said.

General Motors Corp. also seems watching because with its incentive spending, "it drives the market,"

—Eric Mayne

RETAIL



Charmaine Tabb / The Detroit News

More store closures and retail bankruptcies are likely, especially among toy retailers and supermarket chains feeling the price pressures of competing against Wal-Mart.

Discounters, warehouse clubs to keep flourishing

After three slow years, retailers are looking for a return to moderate growth in 2004. Renewed job creation and other improving economic factors should spur retail revenues as consumers head to the stores.

While the recovery builds, discounters, warehouse clubs and dollar stores will continue to thrive, according to Anthony Liuzzo, professor of business and economics at Wilkes University in Wilkes-Barre, Pa.

More store closures and retail bankruptcies are likely, especially among toy retailers and some

supermarket chains feeling the price pressures of competing against Wal-Mart Stores Inc., Fitch Ratings analysts Philip Zahn and Thomas Razakos said.

Kmart Holding Corp. officials have said they hope to show a small profit toward year's end as it works toward a full turnaround after its 2002 bankruptcy.

Mid-range department stores are likely to trim staff and shutter locations in an attempt to turn a profit in 2004. Those facing the most competitive pressure include Sears and JCPenney.

—Karen Dybis

CASINOS

Gaming halls predict profits of \$1.1B, await Super Bowl

Detroit's three casinos — Greektown, MotorCity and MGM Grand Detroit — expect to continue their profitable ways, drawing in more than \$1 billion in 2004. That's a little less than \$1 million a day for each casino.

Casino executives are hopeful the new year will see the end of legal tangles so they can start construction of permanent casinos and new hotels.

At present, the courts and

Detroit City Council have kept construction from starting while questions over the casinos' initial bidding process and zoning approval linger.

Unless construction begins in early 2004, the likelihood wanes that the casinos will complete their new hotels and gaming halls before visitors come to Detroit for the 2006 Super Bowl.

—Joel Smi

FOR MORE VIGNETTES, SEE PAGE 3C

VIGNETTES

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Manufacturing

The manufacturing sector in Michigan will be attempting to recover in 2004, having lost 95,000 jobs since the recession of 2001.

Michigan's factories suffered along with the rest of the nation's during the past three years as many firms opted to move operations to locations in Mexico or China to take advantage of low hourly wages.

As 2003 came to a close, however, the tide started to turn in November as the U.S. manufacturing sector began producing and selling at its best clip since 1987.

Analysts expect manufacturers will see demand for steel, chemicals and finished products rise along with the national economy.

But few expect this increased demand to lead to new jobs in Michigan factories as businesses learn to make more product with fewer workers using technology advancements and increasingly productive workers.

Beyond the short-term recovery, experts expect the manufacturing sector to continue on a long-term dip as the economy shifts more toward service-based jobs like law, medical care, financial services and other professional trades.

—Mike Hudson

Utilities

Besides the largest blackout in North American history in August, energy prices last year were on a roller coaster ride. Experts predict more volatility.

The U.S. natural gas prices will continue to rise this year because of growing demand, tight supplies and declining production. That will spill over into the electric industry because the trend will have an impact on utilities, which depend on natural gas to fuel their power plants.

"Ratepayers in Michigan can expect to pay more just because the cost of fuel will go up," said Doug Houseman, associate director in the global energy practice of Cap Gemini Ernst & Young, a New York-based consulting, technology and outsourcing services company.

Reliability of the nation's power grid — a concern since the Aug. 14 blackout covered parts of Michigan — will be a major issue this year as the economy improves and demand for electricity grows. "It'll be an interesting year," Houseman said.

—Charles Ramirez

Technology

Experts say the nationwide forecast for the technology industry will be brighter in 2004 as the economy recovers and corporate technology spending rises.

"A tech resurrection will

occur in 2004 as worldwide IT spending returns to solid positive growth, but the industry emerging from the market downturn of the past three years will not resemble the industry of the past 30 years," says a recent report from IDC, the Framingham, Mass.-based technology market research firm.

However, the report adds that shifting technology jobs to countries with lower labor costs will continue to be a key issue next year.

Consumers — a major driver of the tech sector — can expect to see new electronic devices such as cell phones that can shoot video and enhanced gaming on personal digital assistants on store shelves.

—Charles Ramirez

Airlines

After losing more than \$1.3 billion since the September 11 terrorist attacks, Northwest Airlines Corp. should see better times in 2004.

Continued improvement in passenger traffic is expected, helping Northwest and other airlines to rebound from their worst financial crisis in history.

Northwest, whose largest hub is at Detroit Metropolitan Airport, has trimmed 13,000 employees from its work force and closed several reservation and maintenance facilities to

reduce operating costs.

Airline analysts say that by the end of 2004, the nation's fourth largest carrier should be close to making a profit.

Other airlines expect to benefit as the economy picks up and leisure and business travel improve.

"Everything right now is pointing to a better year," said Joel Denney, an airline analyst with U.S. Bancorp Piper Jaffrey in Minneapolis.

—Joel Smith

Health care

It was rough and tumble year for Detroit's hospitals in 2003, and it's unclear whether the industry will see improvements this year.

Detroit's three main health systems — the Detroit Medical Center, St. John Health and Henry Ford Health — continue to suffer under rising numbers of uninsured patients and decreasing payments from government health plans.

The government-created Detroit-Wayne County Public Health Authority is expected to begin providing basic medical care to poor and uninsured patients in Wayne County this year, significantly alleviating the burden on hospital emergency rooms.

But hospital executives don't expect to see the effect until 2005.

And help from the authority may not be enough to save the

DMC, the city's most vulnerable system that lost about \$10 million a month in 2003.

DMC executives are working on a turnaround plan, the system's third in five years. Wayne County Prosecutor Mike Duggan takes over as its CEO on Monday.

—Sheri Hall

Housing

Existing home sales in the region will continue to march forward this year, especially if interest rates remain at their current average of 5.5 percent for a 30-year fixed rate mortgage, real estate agents report.

Through November, Metro Detroit home sales rose 4.1 percent to nearly 38,500 dwellings, while the median sales price increased 1.9 percent to \$166,100, according to Realcomp II Ltd. in Farmington Hills.

Mortgage rates aren't expected to rise until summer. The Federal Reserve, which controls the nation's money supply, doesn't want to raise rates until the economic recovery has established a sound footing, economists report.

New home construction is in line for another productive year.

Permits for single-family homes in Metro Detroit were up 14.4 percent to 21,300 applications through November, according to Housing Consultants Inc. in Clarkston.

—R.J. King



Burrelles

INFORMATION SERVICES

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Ankur Dholakia / The Detroit News

Gift cards from stores like this Madison Heights Meijer generated an estimated 8 percent of all holiday sales this year. However, gift cards do not show up on retailers' books as revenue until they are spent.

Stores brace for swarms of gift-card recipients

Retailers hope cash-ins will boost bottom lines

By Karen Dybis
The Detroit News

STERLING HEIGHTS —

As the first flood of shoppers hits Kmart at 6 a.m. today, Stacy Leduc will be marshaling piles of radio-control cars, LeapPad books and Limbo Elmo dolls onto the sales floor.

Everything a kid could want is within arm's reach. Leduc, a Kmart veteran, has been through this before. That is why her department has a full stock of the season's most pop-



Clarence Tabb Jr. / The Detroit News

"They always have to spend it right away, and they always go for the toy department," says Kmart veteran Stacy Leduc, helping customer Lisa Gowdy.

ular toys ready for the swarm of gift-card recipients. It's their way.

"They always have to spend it right away, and they always

go for the toy department," Leduc said.

Traditionally, the day after Christmas is an irresistible lure for shoppers, who hit the stores

early to pick up post-holiday discounts and spend their share of gift certificates. Consumers also use the day to return unwanted presents, creating long lines and late nights for employees and patrons alike.

This year, gift cards were a huge hit, generating an estimated 8 percent of all holiday sales, according to the National Retail Federation.

The money on these cards don't show up as revenue on a retailer's books until the card is spent. Stores are hoping for a big after-holiday sales rush to offset the season's slow pace. As of now, analysts forecast a more modest 4 percent sales increase over their original optimistic predictions. BB

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SHOP

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The week after Christmas accounted for about 12 percent of the season's sales in 2002, up from 10.6 percent in 2001, according to the International Council of Shopping Centers.

Sheri Casper, manager of the specialty store A Touch of Lace in Bloomfield Hills, is ready for a hectic day. The store had strong gift sales this year, so that could translate into large crowds today, Casper said. The store, which sells luxury bedding and accessories, added extra seating around the store, just to make the wait in line a little nicer.

"(The staff) will wear comfortable shoes and bring a lunch just in case," said Casper, who said

it is a well-known retail adage that stealing a moment to eat tends to bring customers in the doors.

Luxury retailers like A Touch of Lace seem to be the season's biggest winners so far. Chains like Saks, Nordstrom and Neiman Marcus reported high single-digit sales increases for November, while Wal-Mart sales rose 3.9 percent. The discount retailer said it expects its December sales to also hover around the 3 percent range.

Retailers depend on the last two months of the year for as much as 35 percent of their annual revenue. For toy retailers, that number increases to as much as 50 percent.

The National Retail Federation had expected retail sales to increase 5.7 percent this holiday, spurred by a recent economic

upswing and more discretionary income in shoppers' wallets due to the federal income tax cut.

Sales initially soared after Thanksgiving, giving hope to the theory that this could be the biggest holiday shopping season in four years. Then, shoppers lost steam in December.

"It was a bit of a roller coaster," said Anthony Liuzzo, professor of business and economics at Wilkes University in Wilkes-Barre, Pa.

Snowstorms prevented shoppers in the Northeast from hitting the malls, and the increased terror alert reduced any positive impact from the U.S. capture of Iraq's President Saddam Hussein. But when the final tally is made, Liuzzo predicts holiday sales will be up about 4 percent.

"While I wouldn't call this an exceptional holiday, I will say it

looks like a good one," he noted.

For store employees like Leduc and Casper, the day after Christmas symbolizes the end of a long holiday shopping season. They come in early and leave late. They are experts on calming people's frazzled nerves. And they often sacrifice their own family time to help shoppers.

Retailers added about 555,000 workers in November and December of 2002, according to employment figures from the Bureau of Labor Statistics. When the final tally is made, stores are expected to exceed that number only slightly this year, according to outplacement firm Challenger, Gray & Christmas Inc.

Those employment numbers are down from previous years, when retailers added an average of 655,000 workers per year in 1998,

1999 and 2000. That means every employee has to work harder and smarter during the holidays.

Sharon Schultz, a shoe-department manager at Von Maur in Livonia, said she joined the department store chain because it offered family-friendly hours — generally closing no later than 9 p.m. on weekdays and Saturday, and by 6 p.m. on Sunday.

The store maintains its regular hours every day during the holidays except two — the day after Thanksgiving and the day after Christmas. But it's easy to make those sacrifices when you are rested and ready, Schultz said.

"It's about balanced living," she said.

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