Either from the back of a thoroughbred or from the 12th floor of a high-rise under construction you can bet the backcharges on it: he’ll go for it.

As a lawyer fresh out of Fordham University law school, he went for construction. Result: his Interstate Plastering Corporation until this year seldom exceeded $3-$4 million annually but never failed to produce what he defines as “acceptable profit.”

As a man with a passion, he went for thoroughbred horses and the trophy case in his home is crowded, attesting to his skills as a polo player, point-to-point racer—and fox hunt enthusiast.

He’s Carmen S. Paterniti. And to keep both of his specialties close at hand he headquarters his wall and ceiling business in one of the 23 rooms of his 3-story New Jersey brown stone estate, located on a sprawling 57-acre spread in that state’s eminently desirable Far Hills section. Understandably, the stables, paddocks, and manicured pastures are immediately available.

For more than two decades Paterniti has been pretty much of a one-man act, supported in full strength by his wife, the former Nan Antonio, of Perth Amboy. Concentrating on the bottom line rather than volume, he’s made a successful business career—but the entry of two sons, Robert and William (Billy), has sent the volume total charging up to $10 million.

Born in Perth Amboy, son of Theresa Quintiliani Paterniti, of Metuchen, NJ, and the late Thomas J. Paterniti, Carmen went to work with the tools early. By the age of 16 he was a professional estimator, eventually winning a union card as a lather.

His brother Thomas, now a successful dentist and a NJ State Assemblyman in Metuchen, also got a dose of hard work—and a journeyman’s card. Following graduation from Seton Hall University, Carmen picked up a law degree at Fordham.
New Jersey’s Carmen Paterniti—Until This Year—Never Worried About a High Volume . . . Only a High Bottom Line

The offer of a U.S. attorney job was fine—but the salary wasn’t. Carmen went into business with his father, who had immigrated from Italy 50 years sooner and was well-known throughout New Jersey.

Active in industry affairs, too, Carmen for two years was president of the Drywall and Interior Systems Contractors of New Jersey (DISCA), a member of the NJ Subcontractors Association, and a member of AWCI where he serves on the AWCI Board, the Board of Directors for AWCI’S new captive Insurance program, and also serves on the Wall and Ceiling Political Action Committee. He starts a 3-year term on the Continuing Study Council in July. The New Jersey contractor is also a Regional Vice President for AWCI.

DIMENSIONS: Carmen, what made you choose construction over a legal career? After all, you studied long and hard to become a lawyer?

Paterniti: When I got out of school, lawyers were starving. I could have been a U.S. attorney at $8,500 a year—and I knew I could do better as a contractor. I had the background . . . the experience—and I was more comfortable.

DIMENSIONS: So you left it behind you completely? Were—or have there been—any glances backward, a moment of regret—

Paterniti: Never once. I left it behind. Don’t get me wrong. My legal training has been a great foundation for business. A law school’s discipline has much to offer . . . how to negotiate . . . how to bargain . . . how to lecture and train your company people on what they say and do on a job so it won’t hurt you . . . I don’t regret one moment I spent in law school—but I prefer being a successful contractor to being a successful lawyer.

DIMENSIONS: Speaking as a contractor with legal training, what would you tell a fellow contractor about contracts? Would you agree that contracts is an area where most of them get in trouble?

Paterniti: Contractors get in trouble in all areas—and I mean ALL contractors. But basically, I’d emphasize negotiating a contract, sitting across from a customer and inserting the terms, phrasing and conditions that are so important. Quite often if a dispute goes to litigation, ‘the outcome will hinge on the terminology of the contract. The law is very, very precise.

So, I’d advise a contractor to first get the contract properly structured. You can negotiate ways of protecting yourself—notification, communications, work sequence, time restraints on the job, methods of payment, final payment—they’re all so critical—

DIMENSIONS: —sort of like saying “good agreements make good friends?”

Paterniti: That’s the idea. If the contract is done right initially the whole job will flow smoother. And you’ve got to know what to tell your superintendents in their dealings with general contractors and the GC’s supers . . . what to do and what not to do . . . how far to go without causing legal troubles.

DIMENSIONS: More and more, the wall and ceiling contractor is subordinating his technical expertise to business management? Is the industry changing that much?

Paterniti: Technically, you still need to know what you’re doing. But, basically, the industry is indeed becoming more professional. Not too long ago the average wall and ceiling contractor pinned his success on his technical knowledge. You need to go to an AWCI meeting today and you’ll see the shift taking place.

Contractors are becoming more professionalized, gaining business acumen, greater economic sophistication. They’re aware of much more than their craft specialty.

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“I just keep firmly in mind that the GC’s interest is money and that I must make any contract change attractive. That means you must save him money . . . finish up quicker . . . improve coordination. Money talks to GCs . . . it’s just too expensive to have it any other way.”

DIMENSIONS: The general contractor is changing, too, isn’t he? I mean he represents less and less of the work done on a project while the wall and ceiling contractor is involving himself with more and more?

Paterniti: Furthermore, that trend is going to continue. The average general contractor today is a broker. He’s involved strictly in a money situation. In the past, a contractor would jealously protect his reputation, his name for competent, efficient work and on-time completion.

Today, the GC is buying the job. His interest is solely in dollars and cents.

DIMENSIONS: Are you saying reputation isn’t all that essential? That it’s down dirty low bid that’s king?

Paterniti: Low bid isn’t the answer—and, I’m sorry to say, reputation isn’t either.

Those who claim they get work through their good service, or they’re friends of the GC, or some other similar reason: that’s hogwash. You buy the job, showing that you can get in and get out the cheapest. That’s not necessarily low bid—but it’s not far from it.

Today, you deal more at arm’s length. I can recall my father was always concerned about his good name, his reputation. For 20 of the last 28 years that I’ve been in business, my father was right. I had steady customers who gave me my volume. Some 80%-90% of my work, it was practically a handshake. I’d help them pre-bid the job—and it was mine. I knew I had the job. That’s changed.

DIMENSIONS: Tom McGlone once told us that when a subcontractor shakes hands in New Jersey he’d be wise to count his fingers afterwards. Do you go along with that?

Paterniti: Tom knows the market. With brokers, it’s a new game. You now deal with people you never met before—

DIMENSIONS: General contractors—brokers or not—like to hand you their standard subcontract form. What’s your response to that . . . and should subs go for the AIA standard subcontract form as an alternate?

Paterniti: They can go for the AIA form—if the GC or broker will accept it—which most of them won’t. I started making good money when I learned to say, “no” emphatically. When you’re offered a contract you peruse it and if there’s verbage in it that jeopardizes a smooth job, you change it—or you walk—

DIMENSIONS: —has Carmen Paterniti actually walked?

Paterniti: You bet I have. And I’ll walk again because walking is sometimes more profitable than doing the job.

DIMENSIONS: If the sub doesn’t wish to walk but save the situation, how do you suggest he approach it?

Paterniti: I just keep firmly in mind that the GC’s interest is money and that I must make any contract change attractive. That means you must save him money . . . finish up quicker . . . improve coordination, Money talks to GCs.

DIMENSIONS: You come down awfully hard on the money emphasis. Is it that strong?

Paterniti: I don’t think that the market today—as it would a decade ago—is willing to pay first class prices for first class mechanics doing first class work. No one doubts that a plastered wall represents the finest work—so why can’t you give away a plastered wall these days?
The market today wants a fast job done cheap within the time frame—and quality can be sacrificed to achieve this goal. The cost of money has made this change.

**DIMENSIONS:** Everything today is “time is of the essence”, is that it?

**PATERNITI:** I’ve yet to see a modern contract where no stress is placed on “time is of the essence.” Money’s just too expensive to have it any other way. Owners are harping at the GC or the CM to bring in the job for certain dollars within a certain time frame.

**DIMENSIONS:** And this emphasis shows up in the subcontractor forms that the industry sees?

**PATERNITI:** That’s why every specialty contractor should look over the contract carefully before he signs it. My company doesn’t use its own form. Most GCs wouldn’t recognize it, thus disallowing its use. That gets negotiations off on the wrong footing to start with. I’d rather negotiate any differences because a GC can understand that.

**DIMENSIONS:** But you’re a lawyer whether you practice or not. Not every sub has legal training. They’d have to hire lawyers which, incidentally, isn’t something that warms the hearts of most contractors?

**PATERNITI:** I hire lawyers, too. Now I know how to read and understand a contract—but so do most professional specialty contractors.

When it comes to the AIA form, most GCs don’t understand it so they fear it. Sit down and negotiate, I say. In 28 years I’ve had to go to litigation once—and then we settled right on the court house steps.

Bargain—rather than pursue litiga-
tion. On a $25,000 claim it’s really cheaper to sit down and negotiate the controversy.

DIMENSIONS: For years in your company you’ve been satisfied with a modest volume, $3 million annually. What’s the big spurt? Isn’t that a bit of a squeeze on cash flow?

Paterniti: We handle that big of a jump with no financial difficulty. We’re comfortable with the number.

The real reason is that now I have two sons—and they’re also card carrying carpenters—and some other changes in the industry have pushed us in that direction. Once I specialized in plastering and lathing. Now, just to keep up with market demand, we’re into drywall, metal studs, fireproofing of steel—and we’re planning on further diversification.

The job size has grown, too—and New Jersey is booming.

DIMENSIONS: Then you’ve experienced no particular problems coming out of the recession?

Paterniti: What recession? We had a great 1983, following a great 1982. We haven’t felt a thing. In this part of the state there’s a good volume of work, enough for everyone.

DIMENSIONS: Is some of this the Atlantic City phenomenon? Things are really starting to break loose there, aren’t they?

Paterniti: Well, I have opened an office in that area—in the Absecon area close to Atlantic City. The way things are going there it will boom for some time.

Nine casinos are already in—and they have the right to open up two more each. That means there can be as many as 27. With this building, there will be a need for housing for employees and visitors along with schools, churches, hospitals. It’s a boom area, no doubt about that.

DIMENSIONS: With that kind of potential bonanza, they must be biting each other to death?

Paterniti: It’s competitive, yes, but not much different than anywhere else. The scope of the work tends to pre-qualify anyway. Most projects involve large numbers so specialty contractors need to be bondable or they better not bother.

DIMENSIONS: In view of your comments, Carmen, about brokers, money emphasis, working with unknowns, would you say the construction business is more hazardous?

Paterniti: Contracting always has been hazardous to one’s financial health. There’s nothing new about that and the emphasis has merely shifted. These days I do a lot more investigating the background of potential customers.

I trained also for intelligence while in the Army so I use that training, plus my law background. It’s more and more useful in the day-to-day
“Contracting always has been hazardous to one’s financial health. There’s nothing new about that and the emphasis has merely shifted. These days I do a lot more investigating the background of potential customers.”

activities such as negotiating, contracts, collections, job problems.

As we diversify, too, the problems mount. It’s no longer as simple as running a clean, neatly contained lathing and plastering business. Our systems interface at more points in the job and we get involved with different products, mixes, and craft disciplines.

DIMENSIONS: As the GC has given up work, the specialty contractors—particularly the wall and ceiling contractor—have moved into the vacuum. You’ve been diversifying. Are you moving to a systems type contractor profile?

PATERNITI: I can see us taking a building from the slab and structural steel—and finishing it. Yes, that’s system construction and the industry is rapidly moving in that direction.

Today, on-site pre-fabbing is commonplace. Commercial projects are utilizing drywall in ways that were possible only with plastered walls, such as convex and concave curvatures. In some cases, wall and ceiling contractors are even doing finishing carpentry.

At this time, we don’t do flooring and painting—but that’s just around the corner. We’ve been doing the whole interior for the last few years—not counting the mechanical.

DIMENSIONS: How about direct contracts then? What is there to a general contractor besides a construction management role?

PATERNITI: Many of our contracts are direct—and this trend will continue and expand, too. I can see many interior systems contractors right now negotiating the entire job except for the structural steel and the mechanical. The GC will go along with it because he has no choice.

As a matter of fact, we just completed a college job from the steel and slab up. It was easy; we had control all the way, and the coordination was simplicity itself.

The transition, of course, isn’t complete at this point and the direct contracts tend to be smaller, relatively speaking. But it’ll grow in number and scope.

DIMENSIONS: How do you see the next 10 years shaping up, Carmen? Boom . . . bust . . . slow and steady?

PATERNITI: In the Northeast, the next decade should be great.

There’ll be a building boom for at least the next five years and this area of New Jersey is unique. We’re catching the exodus of business from New York City yet we’re close to the city, Philadelphia, Boston, Baltimore.

Many large shopping centers are now being located in New Jersey and these are equal to anything you can find in New York. Office buildings are going up helter skelter.

People want to get away from the city’s congestion yet remain close enough for the amenities of city living. It’s the best mix for a New Jersey contractor.

And I’m a New Jersey contractor. What could be better—not counting riding a new thoroughbred anytime you want?