

PUBLIC HEARING  
before  
SENATE STATE GOVERNMENT COMMITTEE  
on  
S-874

(A bill to create a Department of Commerce and Economic Development)

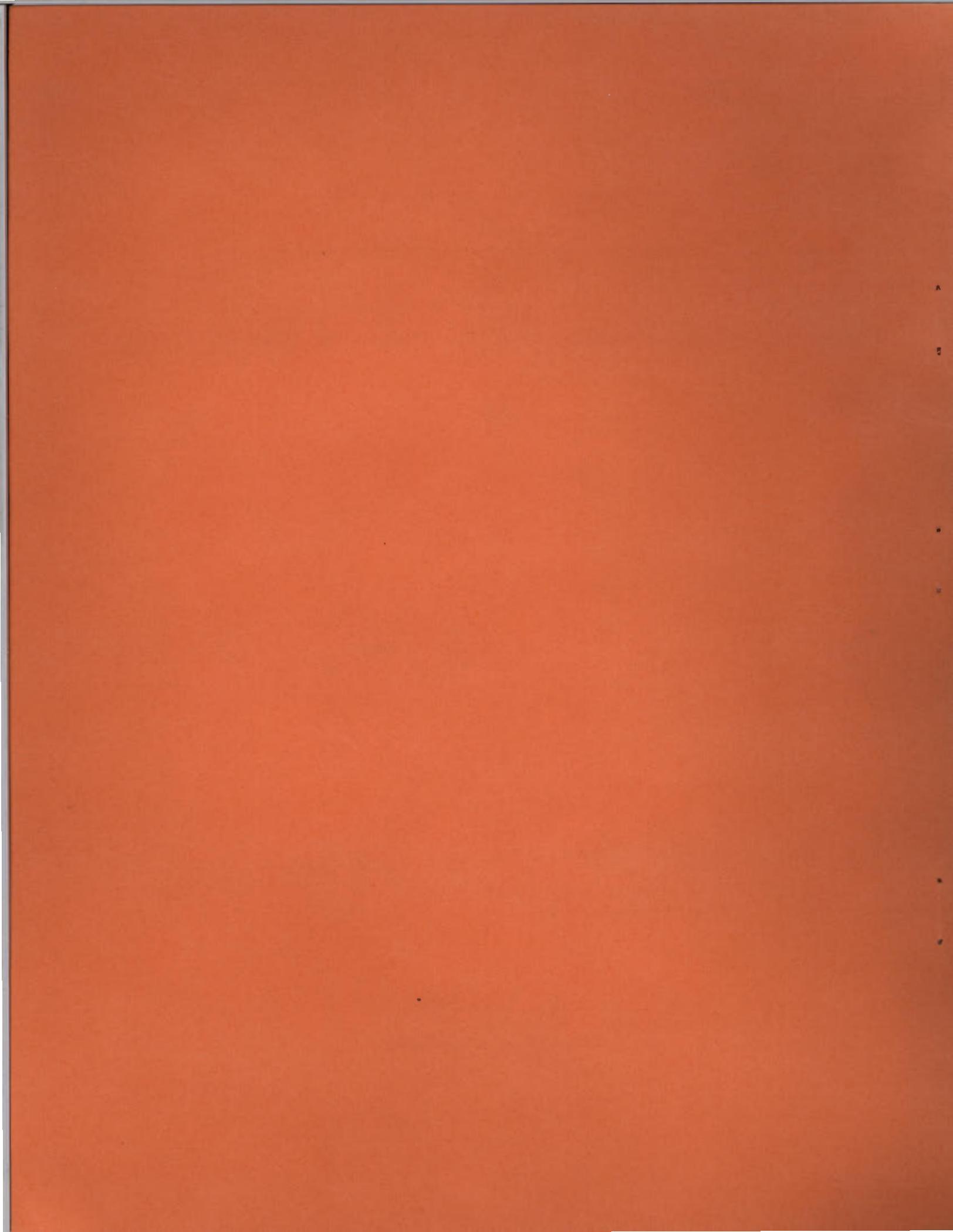
Held:  
March 10, 1980  
Archives Room  
State Library  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Wynona M. Lipman, Chairperson  
Senator Francis X. Herbert

ALSO:

James A. Carroll, Research Associate  
Office of Legislative Services  
Aide, Senate State Government Committee



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SENATOR WYNONA M. LIPMAN (Chairman): Good morning. I want to welcome you all to this public hearing. It is now called to order. The object of the hearing is Senate Bill 874 sponsored by Senator Hamilton who will be the first person to give testimony. If there is anyone here who wishes to speak on the bill that is not yet on the agenda, will you please give your name to Jim Carroll, the Committee Aide.

Senate Bill Number 874 creates a cabinet level Department of Commerce and Economic Development in the Executive Branch of State Government. The Commissioner of the proposed Department will be appointed by the Governor with the advice and consent of the Senate. In addition, the bill constitutes an eleven member Council of Commerce and Economic Development in the proposed department. The members of the Council are also to be appointed by the Governor with the advice and consent of the Senate. In establishing this new department, the bill provides for the transfer of several existing agencies from the present Department of Labor and Industry and the Department of the Treasury and creates one new division.

Our first witness is the sponsor of the bill, Senator William Hamilton.

WILLIAM J. HAMILTON, JR.: Madam Chairman, Senator Herbert, first of all let me thank you for your presence here today, since you have taken the time from what should be your legislative recess to address a subject that I think is as important as any that our legislature will face this year. Your presence gives testimony to your concern about this important subject.

As you have already said, Madam Chairman, I am Senator Bill Hamilton, the sponsor of Senate 874, which is the subject of your public hearing this morning. Certainly anyone who has studied recent economic indicators or consulted economic forecasts should be cautiously encouraged by what they show. We in New Jersey are keeping pace with the overall unemployment rate for the nation, and we are experiencing a growth of inflation some 2% slower than the rest of the country. However, there are significant reasons for caution and concern.

The twelfth annual report of the Economic Policy Council tells us certain information. First, it tells us the employment growth in the manufacturing sector of our New Jersey economy is increasing at only one-half the national rate - 7.1% versus 14.3%. It tells us further that while we have improved our unemployment picture over the last four years, further near term reduction of the rate may be very, very difficult. And, finally, that while our retail sales are increasing dramatically, the growth rate in personal income and employment over the last five years is far slower in New Jersey than in the rest of the United States.

In looking at the short term outlook, the Policy Council has two specific warnings: First, that the continued out-migration of productive age people from New Jersey will have the negative effect of reducing our skilled work force; and, secondly, that any major disturbance in the flow of international trade will inevitably contribute to an economic downturn.

I quote the Policy Council, "While the options available to the State are limited, it is important to do our utmost in order to make the coming recession less painful." Many of you will attest to the fact that the structure of State Government in New Jersey has changed and has evolved with the needs of our times. By way of past history, in 1967, immediately following the overwhelming crises in our cities where riots highlighted the lack of decent housing and jobs and education, New Jersey created a Department of Community Affairs to upgrade its

efforts in planning, municipal services, housing and neighborhood development. In 1970, at the climax of our awareness of the need to preserve and protect our environment, the Department of Environmental Protection was formed to consolidate into one department all State agencies dealing with air and water pollution and land resources. Later, in 1974 when public confidence in the ability of government to do its job was at the low point in modern history, a free standing Department of Public Advocate was created to represent the needs of the underrepresented in our society. And, finally, just three years ago in 1977, when the need to plan for production and conservation of all forms of energy had become a number one priority nationwide, New Jersey was one of the first states to respond by creating a cabinet-level Department of Energy.

Today we are on the verge of a breakthrough. The economic problems which confront us, slow growth in our cities, outworn manufacturing facilities, multi-layered over-regulation and the imminent out-migration of skilled labor, all of these problems have created an opportunity. The economic community in this State, many sectors of which I am pleased to say are here today and will offer testimony in support of this bill, cries out to us to give its needs and its future the same fighting chance as our environment, our energy future, and the underrepresented people in our society.

Of course, all of these priorities are inevitably inter-related, but the economic future of New Jersey now demands a level of advocacy commensurate with all the others. It seems to me - if I can deviate from the text that I will submit to you - that the mood of the people and the mood of the legislature in New Jersey for the state services that are necessary is not in the direction of increased or new taxes. It seems to me that if we are going to provide the services at the human level that we need to, and at the level that a progressive state like New Jersey ought to, that is going to have to come out of the increased productivity of the private sector. It is going to have to come from freeing the private sector from unnecessary governmental regulation. It is going to have to be the new jobs, the new taxpayers, that come on line.

When the new Department of Environmental Protection replaced the Department of Conservation and Economic Development in 1971, the agencies and offices for promoting the balanced growth of commerce were simply added to the Department of Labor and Industry. Prior to that time, Labor and Industry's major programs centered around manpower services, wage insurance and labor standards. Since that time, with the notable exception of the Economic Development administration, which is a laudable success, we have engaged in no major comprehensive and coordinated program to promote economic development in this State.

With all due respect to our current Commissioner, John Horn would be well qualified to serve as a Commissioner of Labor. He is also eminently qualified to serve as Commissioner of Commerce, but not John Horn or any person can adequately do both. When he appeared before this Committee to oppose this bill in 1978, John Horn stated, and I quote, "A new Department of Commerce and Economic Development would represent a significant increase in government spending, and a corresponding decrease in efficiency within state government."

I respectfully disagree, but whatever extra dollars we expend to establish this new department - and the figures that I have show that it is only the money necessary to put up the secretarial staff of the Commissioner, and that would come out of the auxiliary unemployment compensation fund - that cost will pale in comparison

to the improvement that it will bring to our economic climate. And, I fail to see how consolidating offices, divisions and councils of several departments in state government into one could ever constitute a decrease in efficiency.

Finally, let me state categorically and without question that this bill is not anti-labor. On the one hand, it will establish for the first time since 1948 a department singly devoted to the protection and propagation of our work force. On the other, it will bring a re-doubled effort on the part of our economy that now creates new jobs by creating new business. I am proud of my record of support for legislation that advances the needs of our labor force, highlighted most recently by the Senate floor fight I led to secure passage of A-688, the fair share formula bill which I know both of you supported. The co-sponsors of S-874 now and those who co-sponsored and supported this measure when it passed the Senate last session also have a strong record of support for labor. So, I don't think anyone can say that in any way this bill is anti-labor.

I would like to note as well that the New Jersey Black Legislative Caucus in their report released just about a month ago on the state of the state endorsed the creation of a separate Department of Commerce and Economic Development, and I am told as well that the Joint Economic Policy Committee of the Legislature - which will release its report within the next few days - makes a similar endorsement. The support of those groups for labor and for progressive government in New Jersey needs no apology from anyone.

The labor and business constituencies in this State have forged a strong partnership to advance government's efforts to improve our economic climate. Both have shown that a professional attitude and mature restraint can bring measureable improvement in times of adversity. With the enactment of S-874 into law, that strong economic development partnership will be enhanced, not hindered. If all of us can agree on anything, it is that new business investment is essential to a prospering economic climate. The worse welcome to confront a prospective business is a government which promotes that business from offices, divisions and bureaus in several different principle departments, a government that offers a maze of confusing and oftentimes conflicting rules and regulations to discourage the new business. If we are serious about bringing new investment and new jobs to New Jersey, we must demonstrate that commitment by bringing a maximum of order and simplicity to the government that they will deal with. Establishing a Department of Commerce and Economic Development will be a meaningful step in that direction. New Jersey has been a leader in designing legislation as models for other states. I can refer to the areas of energy policy, consumer protection, our tax reform, environmental preservation and our tax limitation effort. But other states have set the pace for designing well thought out and aggressive programs for improving their economic climates. Thirty-two states have cabinet-level Departments of Commerce, and only one other northeastern state that we would be in typical competition with does not. Moreover, there are other states among the fifty which have independent Offices of Economic Development or of Commerce that are not cabinet level.

So that for one of those rare times in modern history, it is time that New Jersey learn something from the other states. I thank you for your attention and your interest in this legislation.

SENATOR LIPMAN: Thank you, Senator Hamilton. I would like to introduce Senator Herbert who is the Vice-Chairman of the State Government Committee. Senator Herbert.

SENATOR HERBERT: Senator Hamilton, thank you so much for coming today. We had a lengthy hearing, as I recall, on this bill last year, and I really have few questions to ask you.

Approximately what percentage of the budget in the present Department of Labor and Industry is spent on economic development activities, would you know that?

SENATOR HAMILTON: I can give you some rough figures on that, Senator, and I am glad that you asked the question. A recent New York Times survey suggested that only about 5% of Labor and Industry's budget went for commerce-related activities. My staff's analysis of the budget would indicate that the figure is probably somewhere on the order of 10% to 15% of the present spending being on economic development and commerce-related activities. When you stop to think that those are the part that can be productive, that can lead to additional revenue for the State of New Jersey, additional jobs for the State of New Jersey, that is a pitifully small amount compared to the regular tour of activities and the other activities that are important, but that are not productive in the same sense that the economic development activity can be. So, I think it is a small portion of the figures that we spend which go for commerce-related and economic development activities.

SENATOR HERBERT: Last year, too, we put an amendment to the bill which would aid small businessmen. Presently, if you are a small businessman, what do you see as the real obstacles, despite the fact that presently the Department of Labor and Industry does offer some help to small businesses. What are the obstacles presently that would be cleared up by the establishment of this Department?

SENATOR HAMILTON: Well, one of the things, Senator, is the fact that someone coming in with a new enterprise, be it large or small, and perhaps it is more onerous on the small business, and coming to New Jersey, he is confronted with the fact that he may be sent from the Treasury Department to Labor and Industry, and they may be sent over to Environmental Protection. There are at least three different principle departments of state government where economic development activities are placed. There is not one department that is tasked with the responsibility and as you know from other legislation that I have sponsored and that you have co-sponsored, there are real and perceived entry barriers to small businessmen when they come to cope with government. The small businessman is interested in going out. He has a new idea and a new product. He has something he wants to sell, something he wants to market, and when he finds that he needs heavy accounting services, or the services of an environmental consultant, or he has to go out and purchase other expensive services, and doesn't know where to turn to get any help, he needs an advocate, and I think he needs an advocate in a Department of Commerce and Economic Development. I think it is those kinds of things that this Department will help to clarify, and will give us what is referred to as one-stop shopping. I think that is one of the significant returns that we will get with the enactment of this legislation.

SENATOR HERBERT: So, the division in this department would act more or less as an ombudsman for the small businessmen.

SENATOR HAMILTON: That is right, to make government not as threatening, to make it simpler to contend with, where government does have to regulate.

SENATOR HERBERT: Thank you. I have no further questions.

SENATOR LIPMAN: Senator Hamilton, this bill has been out now for a year and this is the second year, and I would like to know for my own information, do

the divisions and authorities and different agencies which you propose to put together here, transferred from Labor and Industry, transferred from the Department of the Treasury, have any of them not wanted to go?

SENATOR HAMILTON: If there are any of them that don't want to go, that has not been brought to my attention. I don't want to suggest that they are standing in line to have an exodus from Labor and Industry. On the working level, I certainly have gotten support, saying this is the direction that we ought to be going to more effectively deliver state services. I do know the Commissioner did not testify before your Committee two years ago, but did testify in the Assembly and opposed the bill. I know he asked you for a public hearing this time, and I don't see him on the list of witnesses. I am not sure that he as yet embraced the concept of this bill, but I don't know of any of the other persons in the Department who are saying, don't take Area Redevelopment or the Economic Development Authority, the Motion Picture and Television Development Commission. I have not heard from any of those people that they don't want to move. I would say that the Economic Policy Council would like to continue to be in, but not of, as they are now, Treasury, and I have no problem with that, and that is the way the bill reads. But, I don't know of anyone who has resisted moving into the Department of Commerce and Economic Development.

SENATOR LIPMAN: And that would be the same for the EDA. They would be in, but not of.

SENATOR HAMILTON: That's right.

SENATOR LIPMAN: Thank you very much. Would you like to join us?

SENATOR HAMILTON: I would be delighted to sit with the members of your Committee, Madam Chairman.

SENATOR LIPMAN: We will now hear from the first member of the public, Mr. John Feehan, Chairman of the Board of the New Jersey State Chamber of Commerce.

J O H N F E E H A N: Good morning, Madam Chairman, Senator Herbert, Senator Hamilton. My name is John Feehan. I am the President and Chief Executive Officer of Atlantic City Electric Company. Up until a few months ago I had the pleasure of serving as the Chairman of New Jersey's Commission on Capital Budgeting and Planning. But, I am here today in my capacity as Chairman of the Board of the New Jersey State Chamber of Commerce.

As you undoubtedly know, the State Chamber is a voluntary membership organization of commercial, industrial and professional firms throughout the State. Since it was organized in 1911, the Chamber has served as a voice for New Jersey's business community in a broad range of public issues affecting the economic well-being of the entire state.

We are pleased to have this opportunity to speak on behalf of Senate Bill Number 874, which would create a Department of Commerce and Economic Development. We see the proposed cabinet-level department as meeting a long-felt need in New Jersey. In fact, our Chamber has long recognized the necessity for such a Department.

We believe Senator Hamilton's bill gets to the heart of the problem our state has skirted for too many years. Unlike a vast majority of states, New Jersey does not have the equivalent of a Department of Commerce, a full-time cabinet-level administrative function responsible exclusively for matters related to the economic well-being of our state. At one time we had a Department of Conservation and Economic Development in which economic concerns were heavily subordinated to fish and wild life. In more recent years, economic development matters and services to business have been subordinated within the vast Department of Labor and Industry.

We think this limited State concern for economic matters may be a significant factor in the disturbing economic trend so evident in data published by the Department of Labor and Industry in its monthly "New Jersey Economic Indicators." We have attached copies to my statement of these charts which come from a very recent issue of that publication. These charts show trends over a decade comparing New Jersey with the national averages in a variety of widely accepted economic indices. I think you will agree that, even at a glance, New Jersey's long-term economic decline is painfully evident.

Many factors are a part of this picture, of course. And the length of the decline overrides any possible attribution to the political partisanship. We agree that some causes are external - the lures of the so-called "sunbelt" states, for example. But others are internal and we can do something about them.

Over the past decade, New Jersey has lost some 100,000 industrial jobs. As a result of extensive and extended unemployment in our state, our unemployment compensation system is in deep trouble. It is in deep financial difficulty. Our debt to the Federal Government in this connection is some \$650 million. With this debt to be repaid through increased taxes upon all employers, we have hung a rather weighty millstone around our own efforts to strengthen New Jersey's economy. Working men and women are the principle losers as our economy declines. New Jersey's unemployment has ranked above the national average for some time, no matter whose sets of numbers one uses.

Business people in New Jersey are distressed that major economic problems remain unresolved year after year. Our Unemployment Compensation Program, for example, remains among the nations most costly despite perennial studies and recommendations for improvements that would often be in the interest of workers as well as management. And it was only after years and years of efforts that the business community, working directly with representatives of organized labor, was able very recently to secure badly needed reforms in New Jersey's Workers' Compensation Program, widely recognized in the business world as one of the most costly in the nation.

There are other aspects of New Jersey's business climate that also stand in need of attention. But I am not here to recite such problems; you probably know them as well as I do.

The point is that in New Jersey we have lacked a governmental entity that most other states have long ago found advantageous - an advocate at the cabinet level to help resolve economic problems which impact throughout society.

From a current reference work published by the Council of State Governments, our Chamber made an informal study of the manner in which the other 49 states accommodate the commerce and economic development function within their administrative structures.

We found that at least 40 of these states have a readily-identifiable department with commerce and/or economic development as a primary function. Of the remainder, it often appears to be a matter of nomenclature; whether the separate agencies devoted to this function are what we would consider a "department" or not - i. e. "boards", "agencies", "commissions", et cetera.

We noted, however, that a number of states have more than one department with commerce, industrial development, foreign trade and/or tourism as their primary function.

And in six of the states economic development and related activities are accorded such importance that they are carried out in the Governor's Office.

Only a small minority of the states accorded such activities stature less than a separate department or agency.

And New Jersey stands alone in combining these activities in the same department responsible for labor matters.

To illustrate the subordinate role that industry "enjoys" in the Department of Labor and Industry, the Department has had four assistant commissioners and, we understand that a fifth assistant commissionership has just been established in the field of planning and research. It should be noted, however, that none of these top-level administrative positions even carry a title related to business or economic development. Actually, economic development activities and services for business involve less than three percent of the department's financial and human resources. The remainder is devoted to matters of interest to its labor constituency - labor mediation, workers' compensation, unemployment compensation, disability insurance, employment services, workplace safety regulations, worker rehabilitation, labor law enforcement, et cetera.

At the State Chamber, we are convinced that the lack of an exclusive advocate for economic and business concerns at the highest level of State Government has contributed to the pursuit of public policies which work against a healthy business climate in our State.

Senator Hamilton's bill provides a vitally-needed cabinet-level agency to focus undivided attention upon the needs of our economy. Only through such full-time attention can we hope to improve New Jersey's economic circumstances. We would point out that while cabinet-level representation has been accorded to a number of narrower interests, the economy is basic to all. It is the source of income by which citizens support their families, their governments, their institutions both public and private. Clearly, the vitality of our economy requires top priority.

The additional cost of the proposed Department of Commerce and Economic Development is small. The bill does not create any significant new bureaucracy. Rather it re-aligns existing agencies into a more cohesive pattern to cope with our state's real and pressing economic problems. The proposal involves only a modest additional annual expenditure. And considering the proposed department's potential for strengthening the economy, that is a small investment indeed.

Moreover, the bill has been purposefully designed to avoid duplication of functions among the departments.

And to make certain that all significant activities concerned with the economy are coordinated and properly directed; to make certain also that the new department operates in an efficient, economical manner, the bill contains a "subsequent transfer" provision similar to that contained in the law which created the Department of Energy. Senator Hamilton's bill provides that six months after the Department of Commerce and Economic Development is established, an inter-departmental review will be conducted to determine if there are additional agencies and functions elsewhere within State government that could be beneficially transferred to the new department, or whether there are agencies and functions within the new department that might more properly be lodged elsewhere.

It seems strange that our state has never chosen to respond to what has been a long-needed priority - administrative attention to the needs and concerns of the business economy. Yet many public concerns of more limited significance to the welfare of New Jersey's citizens presently enjoy departmental status and cabinet-level representation. S-874 can put our priorities in better focus.

The Governor has recognized the need for greater governmental attention to problems of the economy. His Economic Recovery Commission, his Jobs Conference, his Investment Mission to Europe all focused upon the need for a healthy economy

which is basic to everyone's well-being.

But such "one-shot" executive efforts, heartening as they may be, are not enough to answer the problem. Our state must have an on-going, high-level, administrative agency to deal with economic matters. S-874 provides just that. It does so prudently without the need for significant new expenditures or added bureaucracy. It knits together some now uncoordinated administrative functions, gives them direction and purpose that is clearly in the public's interest. It provides a badly-needed advocate for business within the cabinet. It does not detract in any way from the programs and benefits labor enjoys.

In fact, in the final analysis, working men and women would be perhaps the foremost beneficiaries of this bill.

Significantly the proposal has been strongly endorsed by two nationally prominent business leaders long associated with New Jersey who have each served the nation as U. S. Secretary of Commerce -- John T. Connor and Alexander Trowbridge. And the state's largest circulation newspaper, the Star-Ledger, has editorialized:

"On a practical basis, the state's urgent need to stimulate economic activity and expansion would weight in a compelling manner for a department that would be directly responsible for achieving these objectives."

S-874 can help virtually everyone. It places no new burdens upon anyone. In the light of our state's economic needs, S-874 is important, logical, appropriate and necessary.

Its predecessor, Senate Bill Number 994, passed handily in the Senate during the previous Legislature. We respectfully urge your Committee to recommend the present measure to the Senate for prompt passage.

SENATOR LIPMAN: Senator Herbert.

SENATOR HERBERT: Thank you, that was a very fine statement. Thank you very much for coming.

SENATOR LIPMAN: Senator Hamilton.

SENATOR HAMILTON: If I could, having an endorsement of that kind for the bill from Mr. Feehan, maybe I shouldn't ask him a question, but there are people who have opposed the legislation in the past who would say this: Typically the business community says, give us less government, and don't spend any more money on government, while you and I know that the investment here is very small would you answer those people who, I again say, are opposed to the bill and are using that argument?

MR. FEEHAN: Well, our belief is that this can be so very productive in terms of improving the economy in New Jersey that it will more than pay for itself. The extent of the increased expenditures, in our view, are quite modest, and as you so ably pointed out in your testimony, the place to generate additional revenues for the State is by an increase in the economy, and a healthy economy, and we need to have jobs stay here. I have to say that business worries about New Jersey. It is a place that makes them nervous. They worry about the unemployment compensation, a legacy that we have; they worry over the workers' comp. and they are pleased to see some changes. Frankly, they also worry about tax that comes out of the blue without any real input and opportunity for business to get their point of view across.

Much has been done in recent years to try to improve the economic development in New Jersey. It can be set back by things that are done without counseling with business. So, we think it is vital in the areas where policy is being made that the economic development viewpoint be brought forth.

SENATOR HAMILTON: I am glad I asked the question.

SENATOR LIPMAN: Thank you very much. There is a gentleman who is very rushed for time, Mr. Tom Stanton, Chairman of the Board of First Jersey National Bank.

THOMAS J. STANTON, JR.: Madam Chairman, Senator Herbert, Senator Hamilton, thank you for putting me on. In today's banking scene, I have a luncheon with the people of the Federal Reserve Bank today at one o'clock, so I appreciate your bringing me up.

My name is Thomas J. Stanton, Jr. I am Chairman of the Board, and Chief Executive Officer of the First Jersey National Bank. I have also just recently completed two years as the Chairman of the Governor's Commission on Budget Priorities. I am also the Regional Chairman of the National Alliance of Businessmen which takes in New York, New Jersey and Puerto Rico. Somewhat in the context of these various jobs I would like to comment today. I am sorry I don't have a prepared statement.

I am also an Officer and Director of the State Chamber. I obviously heartily endorse Mr. Feehan's statement as well. I would like to talk a little bit about this from a different angle. As Chairman of the National Alliance of Business, which is charged primarily with helping the disadvantaged get jobs, I have worked since 1968 in that role. We have had some good success in New Jersey. The role has changed dramatically in recent years from originally putting people into heavy industry to now most of the placements we have are in the service industries. New Jersey's role has changed a little bit. We are growing in the service in the area, and we are not growing the same with respect to all the smoke-stack industries or the heavy industries.

My role also includes New York State, and in New York State there is a little different set up. In recent years under Governor Carey, there has been a very heavy emphasis put on commerce. I think all of us in New Jersey are subjected constantly to the New York media. We hear the commercials on television and on radio and we see the newspaper campaigns, and in the National Alliance of Businessmen, we do operate a little bit differently in the two states, because of the nature of how the states are moving in commerce right now.

Also, I was on the Urban Affairs Committee of the American Bankers Association for a period of nine years. The Committee started basically with the riots. I was Chairman for three years. During the period of time in which the Committee evolved from one that went right to the core of promoting jobs into one as the basic source, we have switched the emphasis to economic development, and in that role I have worked with states all over the country and did find it much easier, especially in the sun belt states, which had a very active Department of Commerce with great stimulation from the Governor's office. They are trying to involve industry.

So, I felt in all these various roles, the one thing that we needed here in New Jersey was a focal point to put all these elements in. I think Mr. Feehan's statement and Senator Hamilton's statement very, very drastically and dramatically have brought that out. I am just here to add my endorsement to that role. Thank you very much.

SENATOR LIPMAN: Thank you, Mr. Stanton. Are there any questions?

SENATOR HERBERT: Thank you for coming.

SENATOR HAMILTON: Thank you.

SENATOR LIPMAN: We have Mr. Ernest Peters, Vice President of Nelson Peters Associates.

E R N E S T P E T E R S: Thank you for inviting me. I am Ernest Peters of Nelson Peters and Associates. We are a contractor assistant office. We deal primarily in the area of construction. We have offices in Rochester, Buffalo, New York City, New Jersey and Puerto Rico and we service the Virgin Islands.

For the past ten years we have attempted to develop small business in the area of construction. In dealing with the State of New Jersey, we found it most difficult because even though the State of New Jersey alludes to Affirmative Action programs that relate to small business, there has been no effective means of relating to the Affirmative Action Programs as a method of implementation to get small businesses involved with New Jersey work, because what happens is, they are still on a competitive basis, and there is no one in State Government that they can actually relate to. Various departments pass their Affirmative Action Programs down to prime contractors, and if they are lucky enough, say, to be afforded a contract directly with the State, they have a lot of trouble getting paid - timely progress payments. We think it would be very effective to have a New Jersey State Department of Economic Development which small business and small contractors can relate to, particularly in the area of construction where we operate.

Thank you very much.

SENATOR LIPMAN: Any questions?

SENATOR HERBERT: Yes, I have one question. Mr. Peters, one of the complaints that was brought before the Committee was the traveling between agencies that contractors have to do. Do you find this to be true now, that you go to many agencies before you finally get the advice and licenses from the State that you need?

MR. PETERS: This is very true. Even though we find that the State has a program, which they say they will lend operating capital to small businesses, small business finds it very difficult at times to borrow money from the State Economic Development Authority. Sometimes it is almost impossible. Sometimes it takes almost six months to a year to borrow money for operating capital. By that time the small contractor is either out of business, or he does not have the need for money. It has been a very difficult uphill road, continuously, working in the State of New Jersey with small business.

SENATOR HERBERT: Thank you for coming.

SENATOR LIPMAN: I would just like to ask, the red tape with the Small Business Administration is supposed to be very rare. The difficulty with the New Jersey EDA is similar?

MR. PETERS: Yes, it is. Right now it is almost impossible for a small business that relates to construction or in the construction industry to borrow money through the State EDA. It just does not exist. We have tried on many occasions to work out these various problems with the people in EDA, but we find that still to no avail. They cannot borrow the money.

SENATOR HAMILTON: If I could, Mr. Peters, in direct response to the kinds of things that you have mentioned this morning, when this bill was last before the Senate two years ago, there was mandatory language included in Section 19f, as well as in Section Two, which kind of sets the tone for the whole bill, talking about the importance of small business enterprises to our economy, but I would like to validate one other piece of information because I believe that you and I were in a meeting together at Essex County Community College just a few weeks ago, and I heard someone at that meeting who is in the construction business. the

contracting business, indicate that he had applied on the order of twelve times, or maybe it was twenty times, I don't remember the number, but it was double figures, to be pre-qualified---

MR. PETERS: That is correct.

SENATOR HAMILTON: And in each case he never got pre-qualified, and in each case never was told what it was that he was doing wrong that was preventing him from being pre-qualified. Is that the kind of thing that you think the small businessman needs, and the minority businessman needs in order to partake of the economic system that we have here in New Jersey?

MR. PETERS: Well, I don't think that is what he needs, but I think that if we did have a State Department of Commerce and Economic Development, it would cut down the red tape and certainly help the small businessmen to have one place to go where they can coordinate their efforts and be able to get involved in the economic growth in the State of New Jersey.

Right now in the Affirmative Action Programs the opportunities that we allude to are really a myth. There is no way they can really get involved in the economic growth in the State of New Jersey, the small business people.

SENATOR HAMILTON: Thank you very much.

SENATOR LIPMAN: Thank you, Mr. Peters. I call Mr. John Bachalis, President of the New Jersey Business and Industry Association.

J O H N J. B A C H A L I S: Thank you very much for the kind invitation to testify on this particular bill. I would like to say categorically that on behalf of our 13,000 members that we in the Association support the preceding statements in support of the bill itself. There are some signs of things that perhaps we should bring to your attention, and perhaps it might also indicate some of the overriding concerns that we have in determining what is best for the State.

We support the passage of the bill and the creation of a new department, and as we look at the history of New Jersey, we find that there has been a substantial economic downturn, and not in terms of the total employment, but in the lack of capital investment. We also face stiff competition, not only from other states, but also from foreign countries. As you know, the automotive industry is perhaps the most glaring example of how substantial parts of the production of small cars seems to have escaped from our American economy. But, I am sure they will find a way of getting back to this.

Senator Herbert, I might also indicate, too that in this equity and working capital financing program, particularly as it affects small business, I think you will find that the existing programs are all too inadequate because in the first instance the types of security and obligation that is necessary to have or the capital investment that one needs to have very often militates against the small amounts of money that the small business groups need. That also affects the minority enterprises likewise, so it would be very appropriate to take a look at the funding functions that you have that are existent, not only those that deal with the Small Business Administration, and the federal government, but those internally with the State, and perhaps create the kind of equity and working capital, financing, that the small business enterprises need.

I might also say, too, Senator Hamilton, in answer to the opponents of the bill, I think what you have in here, at least as clearly as we are able to gather, is that the whole effort here is to coordinate a number of the existing services. And, what you are attempting to introduce, really, is a much more business-like

management and a better delivery of the existing services. Another problem that we have had in reviewing the current activities of the department is that apparently New Jersey gets viewed as relatively less attractive than many other states, and that negative impression still persists despite the fact that we have the 1976 Business Tax Reforms. And, the recent actions which imposed the union wage scale on the projects that were financed by the Economic Development Authority - and you know about that - and the recent increase in the Corporate Business Tax didn't exactly help it too much. So, what we need are new actions to attract business investment. We think they are both necessary and timely.

Despite a notable strengthening of economic development efforts in recent years, the tax problems and the needs of businesses have received less attention than they have warranted. We have suffered from a substantial number of legislative and regulatory actions which have tended to stifle a great deal of that business investment. To avoid repeating such experiences in the future, state government just has to be more responsive to the legitimate business concerns.

The problem which S-874 attempts to address is the inadequate coordination of high level administration policy-making and industrial development efforts. Investment, as the key to providing a healthy economy and expanding employment opportunities, must be attracted through a combination of sound policies which form the basis for vigorous promotional efforts. Because business interests include a broad range of governmental activities, spanning most functions of state government, an informed and vocal advocate for business within the administration would be an economic plus for New Jersey.

There is one gap in the functions of the proposed department which we would like to see addressed through amendments. The functions of manpower training, labor market analysis and customized training are presently all within the Department of Labor and Industry. Under S-874 the customized training function would be located in the new Department of Commerce and Industrial Development while remaining manpower functions would remain in a Department of Labor.

No function is more important to the growth of existing businesses and the attraction of new employers than the quality and preparation of New Jersey's labor force, the matching of job seekers to job opportunities and the matching of employer skill needs to manpower training efforts. Labor market research is an equally important function supporting those activities. The new Department of Commerce would be greatly hampered in the performance of its development functions, and in the operation of the customized manpower training programs, if, in order to carry out its important functions, it had to rely on the cooperation of a separate Labor Department. We urge that all such related manpower training functions be transferred to the Department of Commerce. Although our support for S-874 is not conditioned on that transfer, the importance of that function to the development function cannot be overstressed. In the appendix to this statement you will find excerpts from the January 1980 New Jersey Business Magazine "Business Forecast" reporting employer problems in filling their need for both skilled and unskilled employees. This information was elicited from over 2500 New Outlook Survey.

There is one problem that we feel the bill inadequately addresses itself to, and that is that it seems to put together a number of functions that say we have to increase the new businesses and also to maintain our existing industry. But, the one very important function that is so necessary to that is that the various manpower programs just seem to repose in the Department of Labor. Now, perhaps if we were to take the bill literally we would say, all right, the customized manpower

training program which is a function of the Division of Economic Development is likely to be transferred, but I don't see any words in the bill itself which says just that. I would hope that it is transferred, but I think that it is much more important, also, to take a look at, for example, the economic outlook survey that our organization conducted at the tailend of last year. In this statement that you have before you, on the last sheet, you will notice that very substantial numbers of the respondents to that survey indicated either the difficulty to locate unskilled, semi-skilled, office skilled and skilled professional people. In fact, large numbers of them seem to be unavailable, even though our unemployment figures seem to be quite high. So, it is necessary as an important adjunct to the Division of Economic Development to have a much more efficient management and delivery of those particular services in order to enhance the job creation function. So, therefore, we do urge that all of these related manpower training programs be transferred to the new department.

We have recently conducted a small business survey, and the results we expect to be compiled within another week. But, they show a very similar finding as to what we found through a general survey of our entire membership - the same problems of the unavailability of help, the complaint about the inability to get help in matters of equity, financing and the like, seem to be a particular problem for that small business also.

We urge your favorable consideration of this. And, I would like to make one last point. Our support of the bill is not conditioned on the immediate transfer of these programs, but I think that they are very important items that should be looked at by this Committee and serious consideration given either now or at the end of the six month review period. Thank you.

SENATOR LIPMAN: Thank you, Mr. Bachalis. I would like to ask you a question about the manpower program. Since you are thinking along the same lines as the private industry councils which have been formed to see that these programs operate, maybe you are aware that in order to run a CETA Program effectively there has to be a component of the private industry council.

MR. BACHALIS: Yes, I know that.

SENATOR LIPMAN: That must be on the county and municipal levels. You are thinking that the Department of Commerce would be better served if manpower programs were directly in this department, and you have said that.

MR. BACHALIS: Yes.

SENATOR LIPMAN: But in this regard, I don't quite understand.

MR. BACHALIS: Well, let me say this, Senator: First, I am serving on the State Employment and Training Commission, and I am also a member of the Governor's Task Force studying unemployment in Atlantic City, and we have not gotten beyond the organizational stage in the State Employment Training Commission. But, in that particular program, we will undoubtedly review all of the existing governmental manpower training programs such as CETA and others. So, speaking on that aspect, I would say I would like to defer a large number of the personal impressions that I have as a businessman, as far as the effectiveness of those programs, particularly in light of the comments that are made to us individually from members of the Associations.

In one aspect, I think it becomes very evident that you have a problem of almost credibility that seems to exist, whether the service will or will not be properly delivered, and it is probably due to the kinds of management contacts that exist and the lack of the ability to obtain appropriate help. Now, we have

found complaints with the employment service, and in many instances it was just a matter of obtaining one or two unskilled individuals. It appears that in the Unemployment Compensation Office, all the employer wanted to do was to make an announcement that anybody who was interested in going to work in an unskilled job have that kind of opportunity, and they were not permitted by management of that office to do so. Now that doesn't make any sense.

So, when you think in terms of the delivery of services, you think in terms of the fact that you are creating a Department of Commerce which is going to have as its head presumably a business oriented individual, and you are also going to have functions that are attempting to entice new investment into the State, and one of the most important aspects of that new investment is the availability of labor. If you are going to have to cross departmental lines to get cooperation from perhaps other forces which are not totally related to the economic development function, you are going to find it is somewhat hampered. The effective delivery of that service is going to be hampered.

SENATOR LIPMAN: I think I understand.

MR. BACHALIS: That is our problem.

SENATOR HAMILTON: The idea that you advanced about that manpower function is an intriguing one. My present leaning is that with the Division of Employment Services, and the Office of Manpower Revenue Programs and Manpower Services Council remaining in L & I as the bill is written, I think I would tilt that way. But, certainly the proposal that you make indeed, the proposals that were advanced by the small business community and the building industry in our first public hearing, suggest that we ought to be open to a restructuring above and beyond the creation of the Department, and I think that would occur during that six-month period.

MR. BACHALIS: I am glad to hear you say that, Senator Hamilton. At best, I would have very little hesitancy in saying that there are perhaps important functions of the manpower training programs that could still stay in the Department of Labor and Industry. But, I think the most important ones that deal with the effective and quick delivery of available labor services are the most appropriate in the other department.

SENATOR HAMILTON: Thank you for your general support of the bill.

SENATOR HERBERT: I have no questions. Thank you for coming today.

SENATOR LIPMAN: Thank you. Mr. Leonard Miller, President of Dynamic Programs Incorporated.

LEONARD MILLER: Madam Chairman, Senator Herbert, Senator Hamilton, I would like to make one general statement, two specific statements, and one emotional statement.

My general statement related to Senate Bill Number 874, there is a dire need for a real voice at the cabinet level to address the needs, the impact of new taxes and regulations affecting the New Jersey business community. At present, housing sections of government that address the needs of business in the Department of Labor and Industry only maintain conflict between the labor and business interest in the state, with the balance appeared tipped toward labor at present. To say it in another way, Labor and Industry projects a mixed voice with a mixed response apparently tipped toward labor's favor.

My specific statement: There are many members of the Minority Business Community that support this bill providing the following is added:

1. The legislation needs to include the establishment of an office devoted to serving the needs of minority businesses.

2. Section 19 of the bill should include a statement similar to the following: Serve as a clearing house for minority business enterprise problems of the state and make recommendations for the remedy of past exclusions of conducting business with the State of New Jersey.

This is my emotional statement. At present, it is a shameful fact that the State of New Jersey is only one of several states East of the Mississippi that doesn't maintain the most fundamental statistics on minority businesses in the state or has developed an effective minority business enterprise contract program with its agencies.

Added on to that, in the area of professional services, I would venture to say that maybe less than one percent of professional service contracts that the State has given out over the past fifteen years have ever gone to minority business enterprises, and our business and some other minority businesses have gone through over-racism as it relates to obtaining contracts.

For example, our business is small. We gross about \$2 million a year, and in the State of New Jersey right now we have no business, and last year, I think in the State of New Jersey, we had \$28,000 as it relates to state businesses and in the State of New York we had \$150,000 - just to show you how bad the situation is now.

We support the bill and hope you take some of the minority business aspects of it into serious consideration.

SENATOR LIPMAN: Mr. Miller, your emotional statement refers to minority preference programs such as the federal government sponsors; is that right?

MR. MILLER: My statement was two-pronged there, Madam Chairman. Naturally, to correct past ills, I favor, and I think other persons in the minority business community, an 8A type program. But, beyond that, as it relates to this bill, we need somewhere in this State like this particular department that is being recommended on a cabinet level to address various ills, like in professional services, if we had somewhere to go where we could address these ills where projects are put out on sole source contracts and the minority contractors are not getting any of the work. We need somewhere to go.

SENATOR LIPMAN: Thank you.

SENATOR HERBERT: Thank you for coming.

SENATOR HAMILTON: Thank you.

SENATOR LIPMAN: Mr. Lewis Applegate, Executive Director of the Chemical Industry Council.

L E W I S R. A P P L E G A T E: Senator Lipman, Senator Herbert, and my good friend, Senator Hamilton, I would like to make clear, so the record shows it clearly, although I am Vice President for Governmental Relations of the Chamber of Commerce, today I am testifying in one of my other capacities as Executive Director of the Chemical Industry Council of New Jersey.

This statement is on behalf of the Chemical Industry Council of New Jersey, which represents the chemical industry in our State. Our industry is truly New Jersey's economic leader, as borne out by the following facts: 1,100 chemical research and development laboratories and production plants in the State; products with an estimated annual sales of over ten billion dollars; more than 120,000 employees or 16% of New Jersey's total manufacturing work force; an annual payroll of more than one and one half billion dollars; one hundred and sixty four million dollars spent in the last reporting year (1977) for pollution abatement and control; capital expenditures of more than three billion dollars for new plant facilities since 1950; producer of one tenth of the national chemical output; and supplier to every major U.S. industry, agriculture, health, communications, nuclear energy, clothing, space, defense, transportation and food.

There is a mutual interdependence between New Jersey's chemical industry and others in the State. All industries depend upon the products of the chemical industry. The chemical industry, in turn, draws its requirements from those other industries. The State's chemical plants are owned and operated by hundreds of different companies. Products manufactured run into the thousands and include dyes and drugs, plastics, synthetic fibers, agricultural chemicals, cleaning compounds for home, farm and industry, paints and cosmetics, food additives such as baking powder and so on, almost endlessly. I've provided you with a special edition of "Chemical Week Magazine" from last September, which tells, in more detail, of the size of our industry and what they're producing. Incidentally, that edition was financed through advertising by our member companies somewhere in the neighborhood of fifteen to twenty thousand dollars.

It is quite clear that the chemical industry is a major catalyst in shaping the future of New Jersey's economic development.

Our competition--and therefore, New Jersey's competition--for continued progress comes from industries located in the South and Southwestern United States and in foreign countries. Several of the major companies in New Jersey are developing plants in Saudi Arabia. Up until three years ago, we were the nation's leading chemical industry state. Texas is now the leader and we are being pressed by Louisiana.

Our industry is probably more heavily regulated than any other manufacturing industry in the State. This means we must deal constantly with government agencies and their demanding regulations. While we have been helped by the Department of Labor and Industry, we would welcome the establishment of a cabinet level State department devoted to commerce, industry and economic development. Combining all of the key state programs and services affecting industry into one major governmental unit makes good business sense and would be good for business and industry as well as the people of our State.

During the last legislative session, Senator Feldman headed a Joint Economic Committee which held hearings and is about to submit their recommendations, and as Senator Hamilton has reported to you, those recommendations are believed to include a recommendation for this particular Department of Commerce. Paul Lobo, Director of Corporate Planning for one of our member companies, Tenneco Chemicals, concluded his statement before Senator Feldman's Committee as follows:

" We at Tenneco Chemicals are strong advocates of New Jersey, fully understanding its favorable aspects. However, gentlemen, we have not seen any clear evidence that New Jersey wants any expansion of chemical activity--a field that is forecast to grow at a rate that will be twice that of the GNP over the next decade. Until the State, through its Department of Environmental Protection, Office of Business Advocacy and other involved agencies, gives the chemical industry assistance in its expansion plans and a sound legislative program to help, not hinder, industry to develop, I'm afraid the scales will more often tip against New Jersey as a site for future chemical plant construction."

The Chemical Industry Council of New Jersey firmly believes New Jersey's response to Mr. Lobo and to other industry leaders should not be just an Office of Business Advocacy, but an all-encompassing Commerce Department.

A survey by Prescott, Ball and Turben, dated November, 1978, and entitled "State of New Jersey - A New Entity", supports our position with the following recommendation under "Needed Changes" in their report:

"For all the progress the State has made in terms of recognizing the importance of pursuing business development, there are some drawbacks that should be discussed. Both labor and industry are still under one cabinet officer, and thus, a political conflict results. We believe New Jersey's business community must have a separate cabinet level spokesperson if this State is to continue its economic upturn and create additional business development programs.

This issue has come to the Legislature's attention in the form of a bill sponsored by State Senator William Hamilton. The proposed new department must be established so that a direct communications link can be made at the Cabinet level. The bill would consolidate a variety of economic planning agencies located in several different cabinet level departments. With only one spokesperson, the Department of Labor and Industry spends only 3% of its time on business problems. Of even greater importance, in our opinion, is the fact that the bill recognizes the need to have a central clearinghouse for gathering economic data. The supporters of this bill are numerous and influential, including many senior officials of New Jersey's largest companies."

That can be found on page 17 of that report, which we did not solicit. It was a private poll, a private survey.

Finally, the Chemical Industry Council of New Jersey respectfully urges you to approve S-874. We appreciate the opportunity to present our views on this important legislative bill. Thank you.

SENATOR LIPMAN: Thank you, Mr. Applegate. Do you have any questions, Senator?

SENATOR HERBERT: No questions. Thank you for coming.

SENATOR HAMILTON: No questions.

SENATOR LIPMAN: Thank you very much, Mr. Applegate. Ms. Adrienne Zoble, President of the New Jersey Association of Women Business Owners?

A D R I E N N E Z O B L E: Madam Chairman, Senator Herbert, Senator Hamilton, I do appreciate the opportunity to be able to speak to you today on behalf of the New Jersey Association of Women Business Owners. Right off the bat, I would like to correct one thing. You made me a little more important than I actually am. I'm not the statewide President of the New Jersey Association, I'm the Central Regional President. I would appreciate it if that would be corrected.

Bill S-874, which would lead to the creation of a New Jersey Department of Commerce, could be very helpful to women business owners of this State for several different reasons. The New Jersey Association of Women Business Owners, at this point, being about sixteen months old already comprises about 160 members statewide. These women come from a wide divergence of businesses, dealing in different products and services, with a tremendous range of experience and a tremendous range of acumen. We feel the need to be able to go to some central source to answer our questions. Some of us have been in the business sector before we went into our own businesses,

but quite a few of our members are women who have gone into business, not having been in the work force before. A lot of our members are not taking jobs away from others, they are actually creating brand new jobs, which can only be helpful to the State. But, in this position, they have lots of questions and it isn't always easy to get these questions answered. Many of them have good ideas, but their presentation falls short because they don't exactly have the experience of knowing how to go into credit. In December, I was asked to go to Trenton to speak in front of the New Jersey Economic Redevelopment Authority, which is considering filing to the federal government for a grant that would specifically make monies available to women business owners. I think that's marvelous. Anything that will support women in business is certainly something that I'm in favor of. One of the suggestions that I made quite strongly was that I wished, along with getting some of these additional funds, acquiring these funds, there could be workshops, there could be seminars, there could be a degree of preparation for these women so that when they go into banks, when they make presentations for loans, either to begin businesses or to expand businesses, they would present themselves and their businesses well and there is significant doubt in my mind right now that the majority of women going into business today can make these effective presentations. The answer I was given was, "Well, there's no time for that, Ms. Zoble. We want to try to get them money, but how can we possibly bring about these other parts of it?" My very strong answer to that was, if these women did appear in banks and they could not present themselves effectively, it would be setting back the women's cause several light years and I think the creation of a New Jersey Department of Commerce would be an area where some of these programs, at the outset, could be implemented, so that when women do try to get assistance, they know what they're talking about, they've been given some counseling.

The question that I posed several weeks ago--I was at a seminar at Newark that was geared to people in the apparel and textile industry, and I was there with one of my clients. I, myself, am the owner of an advertising agency, Adrienne Zobel Advertising, and he was being strongly encouraged by the State to export. One of the first questions that came to his mind was, "If I'm going to export, I'm going to need additional production." Right now, he contracts in the South. He's been in the position, for the last six months, of trying to find contracting in this State, of trying to hook up with contractors. He is a manufacturer going in tandem with someone else. He's tried a couple of sources, but they haven't panned out and they haven't led to other trails. So, one of the questions that I posed was, where is there a division, a chamber, a department in this State that performs a function as menial as matchmaking between two people who want to be partners, who would give different expertise to the same business, between a manufacturer and a potential contractor, and somebody's eyebrows went very, very high when he answered that we have no such thing. I see that as a very viable function that could be incorporated in a New Jersey Department of Commerce and I think it would be tremendously encouraging to the business community in this State.

What Senator Hamilton said earlier about small business and the problems that we face and the problems of filing and paperwork and learning all these things probably is trebled in difficulty for women. They really do not come with that much experience. We really do have to learn how to get through the paperwork. I have personally fought the noble battle. Sometimes, I'm not sure that I'm winning the fight. For these reasons, I really very much appreciate the opportunity to come here today and to be able to give you our defense and my own personal business defense of such a bill. Thank you.

SENATOR LIPMAN: Ms. Zoble, could I ask you a question? Do you have an idea of the count of women's businesses in this State?

MS. ZOBLE: That's a very interesting question. We really don't. We think that the number is something like ten thousand. We do not have all those women registered. There are a lot of businesses, literally, that begin in the home, that do not necessarily move outside the home. A lot of these business begin as hobbies. There is an organization in New Jersey, right now, called Women Working At Home, which is trying to create a roster, specifically, of businesses emanating in the home, and they're amazed at how complex and big some of these businesses are, including one where the women earns \$150,000 a year as the President of her company and absolutely stipulated that the location of her business and the name of her business not be divulged, because she competes in her presentations against some very, very large businesses and feels that this information coming out would be just a little bit detrimental. That's one of the things that the New Jersey Association of Women Business Owners is trying to address. We are trying to identify as many women business owners as possible. We have now been sponsors, for the past two years, for the two Business Ownership for New Jersey Women expositions and they have helped to bring additional women out to state what their businesses are or to consider going into business. So, we are making inroads and I think the number has to be something like ten thousand, but we do not have them all listed.

SENATOR LIPMAN: Thank you. Senator Herbert?

SENATOR HERBERT: No questions, but I might suggest to Senator Hamilton that perhaps we might appoint an official State yenta to fulfill the functions that Ms. Zoble suggests.

MS. ZOBLE: May I ask specifically what you mean by that?

SENATOR HERBERT: A matchmaker.

MS. ZOBLE: Okay, if you want to call her Dolly Levi, I guess you're entitled. So far, I haven't been able to think of a better term for it, but you know, some of the very best terms are the terms that adequately describe very succinctly what they do and the term, matchmaker, does describe this.

SENATOR HAMILTON: I would like to thank you, Ms. Zoble and also to say to you, and it may not be much consolation, I suspect that the largest businesses in New Jersey kind of nodded their head in the same direction, as you were saying that you're not sure whether you're winning the paperwork battle and we'll continue to all strive with that.

MS. ZOBLE: Thank you very much.

SENATOR LIPMAN: Mr. Norman Hughes, President of the New Jersey Motor Truck Association?

N O R M A N L. H U G H E S: Thank you Senator, but I too must make a correction. You have promoted me, as you've done some others here. I'm not the President of the New Jersey Motor Truck Association. I'm the Managing Director.

As I see this bill, we are totally in favor of it and I must say that what I represent is an industry that crosses the whole spectrum of large, medium, small and is interspersed, at all levels, by minorities, and this industry ties together pretty much everything every other industry does. If you don't have transportation-- and keep in mind that practically you eat, drink, wear or use moves sometime on a truck. If you don't have that transportation that creates the value of what is made, than regardless of how much you make, you don't have anything.

Now, I must speak in a complimentary base toward the government, which you as a member of the Legislature, represent and the Administration. From my view,

the industry that I represent, I think the government, taking in all facets of it, has been doing a magnificent job in recognizing the needs of business and doing something about it. So, it seems to me that this bill is a very natural step in that same direction. There have been a few steps along the line recently that may have been a step back, but I think, overall, this would be a step in that same direction to further recognize the needs of business, to further respond to them in an affirmative way. I see this bill as creating, certainly from my point of view, an advocacy department of the government, rather than an adversary department of the government. Let me give you several specific examples that are growing in our particular industry that conote, to me, the adversary aspect of the existing system.

Our industry uses what we call independent contractors. You've probably heard the terms, owner-operators, brokers and various names all applying, pretty much, to the same part of the business that existed in our industry as a tradition, I guess, since 1935. A growing number of people are finding that they are being told that those people, traditionally independent contractors, are suddenly their employees, and because they are now determined to be their employees, even on a retro-active basis, now the company owes all kinds of taxes that they should have been deducting from the payments that they made to these people as independent contractors. We have one company that I know of that is now saddled with assessments, which are simply numbers because the policy has not yet been adjudicated, that so materially disrupt the statements that they have to make that they are being put into financial problems, and that whole thing could wind up to be zero, but this is what I mean by the adversary aspect. For two years, we have, in conjunction with these several companies, been trying to get this settled. We are not working with people, at this level, at the moment, I think, who understand business, understand and can comprehend the fact that a business must exist before you have any labor, any payroll, any taxes and they only look to the isolated area that predominates in the current department to the extent, one business that I know that employs 1,000 people is contemplating moving out of New Jersey, only because of this misunderstanding at this level of the existing department.

So, it is for those reasons that we strongly advocate and do support acceptance of this concept, which would, in our view, have a department in existence that would be advocacy rather than adversary. Thank you for the opportunity to address you.

SENATOR LIPMAN: Thank you, Mr. Hughes. I don't have any questions. Your point was very clear. I think that Senator Herbert will be back and he'll have the benefit of your testimony to read. Mr. James Benton, New Jersey Petroleum Council?

J A M E S B E N T O N: Senator Lipman, members of the State Government Committee, my name is James Benton and I am the Associate Director of the New Jersey Petroleum Council. Our offices are located here in Trenton. On behalf of the New Jersey Petroleum Council, whose membership is drawn from the major oil companies doing business in New Jersey, I wish to express our support of the legislation before you today, Senate Bill 874, an act to create a "Department of Commerce and Economic Development," sponsored by Senator Hamilton.

The oil industry is one of the most important and essential industrial groups in the United States and in New Jersey because of its far-reaching impact on all levels of commerce, industry and society as a whole.

The petroleum industry has a vast and obvious commitment to New Jersey and its economic health. We have a visible presence in this State in what may be categorized four major, inter-related parts: exploration and production, transportation, refining and marketing.

The proposal before you today will not magically resolve our present problems. There is no simple solution. This body will provide a unified voice speaking for the interests of business at the highest levels in the executive branch of State government. This department will bring together economic development resources whose impact has previously been diffused throughout several agencies and diluted by conflicting objectives.

Senator Hamilton and members of the Senate who sponsor this legislation, many of whom voted in favor of the bill during the last session, should be commended. Their vision in supporting this bill is dramatic indication that the Senate, with many in the Assembly, recognize and are interested in promoting a healthy economy through a cabinet level concern in our State government.

Testimony of previous speakers have accentuated the benefits to commerce and industry within the State by a Department of Commerce and Economic Development, and to be certain, the benefits flow as a two-way street. A healthy, expansive State economy benefits all of New Jersey, placing no new burdens on no one. Such innovative activities undertaken by the present Administration, such as the Conference for Economic Priorities for Job Creation and the Governor's Committee for Review of the Budget Priorities would be considered as permanent mechanisms for increasing focus on our economy.

As we are acutely aware, given today's climate, energy and energy related matters are of prime concern to the State and its economy. The selection of New Jersey as a site for four major refineries and one small refinery to locate, remain and expand in our State speaks well for the overall economic health. Short-sighted proposals that would harm the overall competitiveness with other southern refineries or foreign refineries should be rejected. Not only does the petroleum industry thrive on its operation in New Jersey, but indeed the chemical industry and all manufacturing and business concerns depend on the availability of petroleum products as the backbone of their operation.

Both New Jersey's government and private sector indicators agree that manufacturing operations have been leaving our State and as a result, to attract and retain these manufacturing enterprises should be a high priority in State government. As a true manufacturing enterprise, the refineries in New Jersey remain a stable, positive influence on our State's economy. This influence is not only felt in the refining area. There are large sums spent on capitol improvements and refinery employment. When most companies were experiencing recession during the mid-seventies, New Jersey's petroleum refining industry actually increased employment. In addition, the related industries also had a significant positive benefit from an active refinery located in our State.

We have been impressed by the efforts of our present Commissioner, John Horn, to attract and retain industry and commerce in our State. The Commissioner and his staff have provided us with assistance and responsiveness which have indicated to all his personal commitment to improving both labor and industry in New Jersey.

Our principal concern is one of organization structure. Now, and in the past, due to organizational subordination of economic development affairs in State government, the lack of an exclusive voice for commerce and industry has insidiously led to an overall downturn in our State's economic climate.

But, this legislation should not be mislabeled as creating additional bureaucracy or further governmental expansion. Rather, it should be clearly expressed that this bill creates a department whose principal charge will be to stimulate, retain and attract commerce, industry and increased employment in our State. To summarize, it would be a department that advocates, not regulates; monitors; controls; and promotes rather than restricts.

Critical to many areas of any type of private enterprise in our country remains the return on investment or benefit. One may draw the similarities. Should the creation of a Department of Commerce and Economic Development become a reality, the return on investment or the benefits will flow directly to the citizens of our State, whether they are in cities or farms, in rural or suburban areas. Indeed, this bill, with its many obvious benefits, deserves your unqualified support. I urge you to vote as you have done in the past to release this bill from committee and promptly pass this bill on to the entire Senate for its affirmative approval. Thank you very much.

SENATOR LIPMAN: Thank you very much Mr. Benton. Mr. Alfred Griffith, Director of Governmental Relations from the New Jersey Bankers' Association.

A L F R E D G R I F F I T H: Good morning Senator Lipman, Senator Herbert. I very much appreciate the opportunity to present our point of view before the Committee. I particularly would like to thank the Chairman of the Committee for deciding to have a public hearing format. It certainly emphasizes the importance of this particular issue and I am also particularly appreciative and thankful to Senator Hamilton and Senator Herbert, two men of real stature in the State Legislature who came forward to introduce a bill of this sort.

The New Jersey Bankers' Association supported Senator Hamilton's effort, last year, to create a new Department of Commerce and Economic Development and favors such an effort again this year. This is especially true in light of the Administration's recent successful effort to raise the corporation business tax in our State.

We strongly support state efforts to maintain existing business and attract new business because such efforts stabilize our cities, maintain and promote jobs, expand related business activity, and, without even having to change tax rates, provide additional revenues for all levels of government.

New Jersey's banks have been happy to provide the major financial support for EDA, the development of Atlantic City and the Meadowlands, as well as to assist in urban revitalization. We are vitally interested in business development, as well as the interest to the State.

State government has taken several positive steps at home and abroad to encourage new industries. But, while we've been working in New Jersey, so have many other states who offer better financial incentives than our State.

We supported last year's bill because we were convinced that business needed an advocate. We are even more convinced now based on the lesson we learned from the recent situation that led to a business tax increase.

We were bitterly disappointed at a bill which raises our taxation by 20% passed through the Legislature in rapid-fire fashion with no opportunity for Committee deliberation on the potential adverse impact the tax increase would create.

What is particularly troublesome is that, to the best of our knowledge, no one in the Executive Branch raised any concern about what the bill would mean to the business of New Jersey. Perhaps a designated advocate enjoying cabinet level status may have come forward.

It appeared that only the business community and many State legislators stood up and asked that the adverse decision be evaluated prior to any action.

Senator Hamilton's bill is a step in the right direction. The bill would place various economic agencies presently housed under the Department of Treasury, Department of Environmental Protection, Department of Labor and Industry under one roof, thus creating economic coordination. Since there are various agencies already in existence, there would be no need for an expensive new bureaucracy.

Placing all of the present agencies under one department should also create more efficiency and should permit the new Commissioner to make governmental recommendations that are based on the fullest amount of information available.

Quite often, we in the business community can't understand why executive and legislative proposals seem to be anti-business. Quite often, the proposals, while conceptually sound, don't take into consideration adverse short and long-term operational impacts that may ultimately harm the consumer and the State.

Hopefully, with S-874, business would have one person, the Department's Commissioner, who oversees all aspects of business and the economy to turn to for support and understanding. Business would have one agency to supply important information and service. Business would have one agency to promote economic development which will mean more jobs and income for New Jersey.

We understand that many of the aforementioned functions are presently located within the Department of Labor and Industry and that they are a segment of the Department's diverse activities, including responding to the needs of the labor community. We think very highly of Commissioner Horn. He is a dedicated and conscientious public official who runs a very effective department.

In light, however, of the present division of authority and the decentralized nature of economic agencies and the need for significant unified action now, we would recommend State legislative approval of S-874. We understand that most of the states have a department similar to that which is recommended by S-874 and ask that New Jersey take the same steps so that we can have a department solely devoted to our State's economic well-being and established at the highest level possible, as is the case in most of our competing states.

That is, essentially, my statement to the Committee and I'm very appreciative of the opportunity to present this testimony. Thank you.

SENATOR LIPMAN: Thank you, Mr. Griffith. Senator Herbert?

SENATOR HERBERT: Unlike the last hearing, I have no questions. Thank you for your statement. I think we had a lot to speak about last time. I think it's a good bill. Thank you for coming.

SENATOR LIPMAN: Senator Hamilton?

SENATOR HAMILTON: No questions. Thank you very much for coming.

SENATOR LIPMAN: Thank you. Mr. Fred Witham, President of the Raritan Valley Chamber of Commerce?

F R E D W I T H A M: Good morning. Thank you for inviting me. I am not President of the Raritan Valley Regional Chamber, however. I am Chairman of the Small Business Council. I am also a CPA and managing partner of a small certified public accounting firm located here in New Jersey and I welcome the opportunity to present the views of some smaller and established businesses in our State.

The Raritan Valley Chamber has been concerned for many years as to the responsiveness of State government to the needs of the business community, particularly small business. Our membership consists of approximately 350 to 400 diverse industries, both large and small, and we are all apprehensive about what government is about to do to us next. Although developments in recent months have indicated some improvements, the last ten years have brought ever increasing bureaucratic involvement to a level we believe was never intended by the lawmakers. Part of the responsibility for the problem lies with us, the small business community, for not effectively presenting our position, but the very nature of free competition makes it difficult for us to present a unitified point of view, even when we have common problems.

The White House Conference on small business has been a unifying force and we feel better about our ability to communicate in the future. We believe S-874 provides for a department with whom we can develop a meaningful dialogue so that business can go forward with a sense of partnership with State government. Thank you.

SENATOR LIPMAN: Senator Herbert?

SENATOR HERBERT: Thank you for your statement and thank you for coming.

SENATOR LIPMAN: Senator Hamilton?

SENATOR HAMILTON: I would just like to say that the Raritan Valley Chamber is a very effective voice in Central Jersey and I'm pleased that Mr. Witham is here to say that they would like to have that same kind of a voice in Trenton.

SENATOR LIPMAN: Thank you Mr. Witham. Mr. Richard Trabert, Merck and Company.

R I C H A R D T R A B E R T: Madam Chairman and members of the Senate State Government Committee, on behalf of Merck and Company, I would like to thank you for the opportunity to speak on Senate bill 874, a bill submitted by Senator Hamilton, to create a Department of Commerce and Economic Development within the State government of New Jersey. Two years ago, when this bill was first introduced, Merck was invited to present its views to this Committee about this legislation and I am pleased to return at the invitation of Senator Hamilton to repeat our support for this bill.

To begin, we are particularly pleased that you have chosen to schedule hearings on this bill early in this session. As all of you know, during the final days of the previous Legislature, the Administration found it necessary to request a significant change in the corporate income tax rate, a request which quickly found its way into law. The enactment of that change, with little opportunity for comment by the business community, has raised a concern that New Jersey's history of support for business and economic growth may be in some jeopardy. Quick action on S-874 would certainly lessen that concern.

Many of my colleagues here today have urged your support for this bill on the grounds that a separate Department of Commerce and Economic Development would bring a new perspective to the State government's outlook on business and open up new channels of communication with businessmen and women of the State. We support this view because we believe strongly that it is necessary for the business community to have its views heard by a cabinet level department with a focus on the particular problems of the business community. The present Commissioner of Labor and Industry, as well as those who have served before him, have established a record of outstanding public service to our State. But, the time has come to examine old organizations to find out if these structures are still responsive to the needs for which they were initially established.

I am before you today as a spokesman for a company which employs 4,000 people in the State of New Jersey and which has worldwide sales of over \$2 billion. Many of the other companies which join me in supporting this bill are also companies of large size and significant financial resources. However, I believe that I should be here today not only as a spokesman for Merck and Company, but also as a surrogate to the many companies or would-be companies somewhere out there in New Jersey who are either unable or not ready to appear before you. These companies are the so-called small businesses: companies which each employ only a handful of people, but which, in the aggregate, provide more employment than all of the large companies combined. These are also the companies that do not have the resources to deal with the growing and more complex problems that confront today's business executive: expensive energy, over-regulation, uncertain tax rates, high lending rates and a host of other factors which make business both uncertain and risky.

A Department of Commerce and Economic Development, as envisioned by Senator Hamilton, can bring to the small businessman and businesswoman the resources, the knowledge, and the direction which they need to make their business take hold and grow: to increase the certainty and lessen the risk.

I cannot overstate our belief in the value of this possibility. According to data from the Small Business Administration, between 1969 and 1976, small and medium sized businesses generated six million of the nine million new jobs while there was virtually no increase in employment over that period among the one thousand largest U.S. corporations.

We also believe that the proposed Department of Commerce and Economic Development can be a major force for improvement in the quality of urban life here in New Jersey because of the department's potential to help small businesses.

The State government is not going to rebuild Newark, Trenton or any other large city in this State solely from the public coffers. New Jersey, if it is to accomplish this task, must first promote business in these cities and have them serve as partners in urban reconstruction. Small business is the key.

Small businesses are the economic units that can bring jobs to the structurally unemployed. Small businesses can provide opportunities for entrance into the economic mainstream by minorities and other disadvantaged citizens, and, with a business advocate working with them, they will be able to create their own economic activity with a higher assurance of success.

What you are doing here today is not really for the giants of industry. What you are doing here today is for the small businesses. You are giving them the resources which large businesses already have on their own. You are giving them these resources unencumbered by any other constituency other than themselves and you are giving this State, perhaps, one of its best opportunities to solve, on its own, its continuous and urgent urban problem. You will be doing so by encouraging the best type of economic growth for this State: real and internal. We at Merck strongly urge you to support Senator Hamilton's bill. Thank you.

SENATOR LIPMAN: Thank you very much for your statement. Senator Herbert?

SENATOR HERBERT: Excellent statement, and I might say, I happen to be an English teacher in my other life, and I haven't seen so many good statements before in my experience in the Legislature. I've got a nice pile of compositions here. Thank you for coming.

MR. TRABERT: It was my pleasure. Thank you, Senator.

SENATOR LIPMAN: Thank you. Mr. Arthur Pizzano, Director of Economic Development, City of East Orange, on behalf of Mayor Kirk?

A R T H U R E. P I Z Z A N O: Good afternoon Senators. On behalf of Mayor Kirk and the City Council, I would like to thank you for the opportunity to speak to you and to give you my perception of the City's views on this proposed bill.

Not too long ago, East Orange created a Department of Economic Development. It is pretty much a sign of the times at the local level, municipalities within the State are following, basically, on the heels of a nation-wide phenomenon which is recognizing a combination of a Proposition 13 syndrome and the inflationary and recessionary cycle that we're going through and it has generally been perceived that the way that urban areas, in particular, are going to be revived is through a combination and leveraging of the public and private sectors in this country. The response to that at the federal level has been increased aid in the area of economic development at a time when domestic spending is being drastically curtailed. The response at the State level has been laudatory. Our own experiences have been to utilize, on many

occasions, both the services of the Division of Economic Development, as well as the Economic Development Authority.

We are thankful for that assistance, to date, with a firm conviction that establishment of a department level, elevated function and statute for this important agency will certainly make New Jersey and its theme, "New Jersey means business", come to reality. Thank you.

SENATOR LIPMAN: Thank you, Mr. Pizzano. Any questions?

SENATOR HERBERT: No questions. Thank you for coming.

SENATOR LIPMAN: Thank you very much. I would like to ask if Mr. McManus is still here? Mr. McManus, I understand you have some words for us. He is General Counsel to the Governor, is that it?

R I C H A R D M C M A N U S: Associate Counsel. I would like to express the Administration's support for the concept behind S-874, that is the establishment of a separate Department of Commerce and Economic Development. I would ask the Chairman, at this time, however, if the Committee could withhold release of the bill until there's been an opportunity for officials of the Department of Labor and Industry and members of the Governor's staff to meet with the sponsor and Committee members to go over what we consider to be technical amendments to the bill.

SENATOR LIPMAN: Would you like to suggest what kind of technical amendments, Mr. McManus?

MR. MCMANUS: I am not prepared at this time to go through them in detail. For example, some have to do with the federal funding now, many of the offices and divisions in the Department of Labor and the possible legal difficulties with transferring that type of funding to a new department.

SENATOR LIPMAN: We have an all day Committee meeting on the 28th. Do you suppose your amendments could be ready by then?

MR. MCMANUS: I would think so.

SENATOR LIPMAN: You're absolutely certain?

MR. MCMANUS: We'll do our best.

SENATOR LIPMAN: Well, thank you very much. Any questions?

SENATOR HERBERT: Well, I appreciate the support from the Governor's office for the concept of the bill and we certainly will work in this workshop in the Legislature to make it a good bill as far as the Governor and the staff is concerned. I'm sure the business community will be represented at the hearings and we would like to hear their comments on the proposed amendments, but if they are just technical, I see no problem. Thank you for coming.

SENATOR LIPMAN: Thank you very much, Mr. McManus. We appreciate your coming. We just wish you had said, "Let S-874 go." I see one additional witness who has arrived, Mr. Hamilton Bowser, President of Evanbon Construction Company of East Orange.

H A M I L T O N B O W S E R: Good afternoon, Senator Lipman, Senator Herbert. Speaking as a small businessman, President of Evanbon Construction Company, I think Mr. Trabert from Merck and Company clearly expressed our opinions as to why we believe there should be a separate department. Additionally, speaking as a representative of the Council of New Jersey Construction Associates, which represents some 120 small minority construction companies and engineering architectural firms, we also feel that this type of department would do a great deal toward giving us an opportunity to voice our concerns and to have the type of people who are responsive to the needs

of small businesses under one roof and in one place in a coordinated type of activity. Thank you.

SENATOR HERBERT: That's one of the big things I like about this bill and that came out of hearings like this, that concept.

MR. BOWSER: I might add, as a representative of New Jersey to the White House Conference on Small Business, in January, that our delegation is very much for the establishment, as soon as possible, of a Small Business Office, within this new department or within whatever agency, to express more concern about small business. As Mr. Trabert says, the majority of new jobs are created in small businesses and not in large businesses. In fact, it was a negative loss, nationally, in jobs in large businesses and we believe that this is an important segment of New Jersey and is the area in which we can grow and develop economically.

SENATOR LIPMAN: Thank you Hamilton, thank you very much. I think, at this point, we can conclude the hearing on Senate bill 874, unless there are other-- Mr. Applegate?

MR. APPELEGATE: Madam Chairman, I would like to express the appreciation of those of us in the business community for holding this hearing. As you know, and as Senator Herbert knows, this is the second one. We hope two years from now we don't have to go through another one.

SENATOR LIPMAN: We do too.

MR. APPELEGATE: We do thank you for your patience and I would also like to commend Jim Carroll for his work in working with us, as far as getting witnesses.

SENATOR LIPMAN: Thank you so much, all of you, for coming today. We hope that this is the last Senate hearing on Senate bill 874. I think the next consideration will be at the meeting of the Senate State Government Committee on March 28. Those who are interested in hearing Mr. McManus's amendments and so forth, the Administration's amendments, should come to that meeting. Thank you so much for coming.

(Hearing Concluded)

