



# Committee Meeting

of

## JOINT LEGISLATIVE COMMITTEE ON ECONOMIC RECOVERY

"General economic conditions in the State and steps the Committee can take to further bolster the economic recovery that is currently underway. Also addressd were various tax incentive proposals deemed beneficial to business expansion and business location in the State"

LOCATION: Marlboro Town Hall  
Courthouse  
Marlboro, New Jersey

DATE: March 24, 1993  
10:00 a.m.

### MEMBERS OF JOINT COMMITTEE PRESENT:

Senator Jack Sinagra, Chairperson  
Assemblywoman Harriet Derman, Vice-Chairperson  
Senator John O. Bennett  
Assemblyman Steve Corodemus

### ALSO PRESENT:

Assemblyman Thomas R. Smith  
District 11

Christopher R. Berry  
Office of Legislative Services  
Aide, Joint Legislative Committee  
on Economic Recovery



***Hearing Recorded and Transcribed by***

The Office of Legislative Services, Public Information Office,  
Hearing Unit, State House Annex, CN 068, Trenton, New Jersey 08625

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SENATOR JACK SINAGRA, (Chairman): For those of you unaccustomed to Trenton time, we'll try to get started on time. (laughter) As you can see, many of the members are not here yet, but they'll be strolling in during the next half hour.

The purpose of the Economic Recovery Committee is to come up with legislation initiatives to help in economic recovery. As part of that charge, we're out to have local testimony on things, and recommendations that we can do in Trenton to try to stimulate the economic recovery.

So, to continue with testimony that we've been receiving, this morning we have, I guess, about 10 speakers that have volunteered to give testimony. We're going to start with Mr. Joseph Henry. We would like to close these proceedings by lunchtime, so we ask you to be concise and brief in your statements. Thank you.

J O S E P H P. H E N R Y: Okay. Fine. I guess these mikes-- Yes, they're working.

Good morning, Committee members. My name is Joseph Henry. I'm Vice President in Finance/Administration and Secretary/Treasurer of Wheelock. We're a small manufacturing company located in Long Branch, and we are incorporated in the State of New Jersey.

We hire and have on staff approximately 250 people. We manufacture audible and visual notification appliances for use in the life safety and telephone markets. Basically our products-- I don't know if they're in this building -- whether they're ours or not -- but they're like the bells, chimes, horns, and whistles that go off in case of an emergency.

As you know, New Jersey has been steadily losing manufacturing jobs. According to an article published in the Asbury Park Press on Sunday, December 20, 1992, the total job loss during this recession was 325,000 jobs with 132,000 of these jobs in manufacturing. Further, the same article points out that in each year since 1987, more people have moved out of

the State of New Jersey than have moved in. Some of this has been due to downsizing, but in many instances companies have left the State due to the high cost of doing business in this State. I quote from an article written by Randall Kirkpatrick in "The Business Journal of New Jersey," entitled, Why New Jersey Doesn't Work": "With some of the most oppressive rules and regulations in the nation, New Jersey is choking the life out of small business, as well as its own economic future. Can Trenton loosen the red tape before employers take their business elsewhere?"

Our president currently spends one-third of his time reviewing documents for appropriate compliance to codes, regulations, and standards, and to anticipated how we as a company need to protect ourselves against the ever changing and ever expanding possible reasons for being sued.

We now have a bunker mentality. We are reactive instead of proactive, and we need to spend less time reviewing and reacting to oppressive rules and regulations and more time being creative to grow our business and create more jobs in the State of New Jersey.

As a further example, our legal costs have quadrupled in the last three years. I spend, personally, 100 percent of my time on legal matters. We will be adding, probably this year, a full-time in-house lawyer to our staff -- and we're considered a small business because we employ less than 500 people. I'll give you an example: I prepared, because we're in the life safety market, a product general pamphlet that goes out with every one of our products. This contains 15 warnings -- to protect our company. I worked late last evening preparing a new product that we want to introduce. I can't tell you how many warnings that we have to put into this booklet because of product liability laws, so we will not be sued. It really is ridiculous.

I realize that many of you and your colleagues are lawyers, and I don't want to offend you, but we are producing somewhere between 35,000 and 40,000 new lawyers each year resulting in an oversupply. My question is: Is there any connection between the oversupply of lawyers and the growing morass of laws?

We are all Americans and support equal justice for all, but we are stifling risk taking and creativity with legislative overkill. No one wants to be an entrepreneur today in this country. The Wall Street Journal, on February 16, 1993, said the number of employees working for Federal, state, and local governments, surpassed the level of manufacturing jobs in 1992. The 18.2 billion government employees -- which excludes military personnel -- exceeded the slipping manufacturing sector by 100,000. To support it all, the average family pays \$16,110 in taxes, says the Dallas-based Institute for Policy Innovation. Further, an Asbury Park Press article on February 16, 1993 points out that since November 1990, New Jersey State government has had a hiring freeze, however, 8134 employees were hired.

Obviously, to begin with, government must do what business does: Control your costs and downsize your staff. I cite again from "The Business Journal of New Jersey," in February 1993, and I quote, "Cutting the fat out of the State's corpulent bureaucracy," says a Princeton author and consultant, Steven Schlosstein, "is a response to real world stimuli. New Jersey has a history of heavy government where more regulations are supposedly better than less. We're now seeing pressure building on our State government, in general, to redefine their bureaucracies," he says. "They are the same pressures to downsize or decentralizes those being felt by companies like IBM or GM -- and we know what's happening to those companies today. We must encourage companies to stay and expand in New Jersey, and also encourage companies to move into New Jersey.

Let me provide you with some ways which I feel we can accomplish this: First, many years ago I attended a meeting -- on similar issues as the meeting today -- at Rider College. One of the main points that I brought up at this meeting which was unanimously endorsed by the group and was supposed to have been presented to Governor Kean, was to have New Jersey streamline their corporate tax system and have it completely compatible with our Federal tax system, and allow less corporations.

I urge you to pass this legislation now. I believe I was called to that seminar at Rider College -- it must have been 10 years ago -- and I have seen nothing to done to streamline tax reporting in this State. The accountants love it, and I happen to be an accountant by trade. The CPAs just think it's great in the State of New Jersey.

Also, I think we should allow companies tax incentives to come into our State. There are figures available which show what every employee hired in the State at certain income levels will contribute to the State in personal income tax and sales tax. You could provide a tax rebate to incoming companies for a period of years based upon these calculations. This rebate could be based upon the number of jobs created. As they grow, their employees continue this rebate for "X" number of years. Further, this new embedded job base will spend money in New Jersey and further stimulate the local and State economy, and generate more tax revenue.

I have another innovative idea, and that is to pay a finder's fee to any individual or corporation who brings new business to this State. This fee would be in the form of a onetime tax credit based on the sales or number of employees generated by the new company.

There are many specific areas in which New Jersey companies face increasing costs, such as the cost of health insurance per worker -- our cost per worker is approximately

\$4000 -- and the cost of workers' compensation. I quote from an article that appeared in the "Kiplinger Washington Letter," dated November 20, 1992: "Employers look to Oregon for ideas in holding down their costs. Workers' comp premiums have dropped 30 percent in the past three years. Those filing claims in Oregon must prove that an injury is work-related. Lawyer fees are limited to 10 percent. Workers must use managed care doctors. Anyone hurt must be rehired, but cannot file a claim for another three years."

In closing, I appreciate the fact that you've given me this opportunity to testify before you today. I trust this testimony will not fall on deaf ears, and that your Committee will take positive action to bring about economic recovery for the State of New Jersey. Thank you.

SENATOR SINAGRA: Thank you. Any questions?

ASSEMBLYWOMAN DERMAN: No. I do want to comment, though, we are working diligently with respect to "S Corporation" legislation. It's my own personal baby, and I'm optimistic that we'll have it at least for January 1, 1994 in some form, perhaps like New York's which is the hybrid system.

MR. HENRY: This is for "S Corps?"

ASSEMBLYWOMAN DERMAN: Yes.

MR. HENRY: Yes. It would be really great if you could just get your system tied to the Federal system. Then you have one tax return and you can send it off to the State and pay the appropriate taxes that are due. But right now, the State does not recognize accelerated depreciation. There are inventory adjustments that you have to make, and it just goes on and on. But we appreciate the fact that you're at least listening to us.

ASSEMBLYWOMAN DERMAN: Oh, no. Considerable effort is being made to find a S bill that can be--

MR. HENRY: I can't hear you because--



ASSEMBLYWOMAN DERMAN: I'm sorry. This one? (refers to microphone) Can you hear me now?

MR. HENRY: Yes. Well, I don't know whether that mike's on.

ASSEMBLYWOMAN DERMAN: We're attempting to make the "S Corporation" legislation, believe it or not, revenue neutral. By perhaps increasing withholding, nexus, and trying to get New Jersey every tax dollar it's entitled to otherwise, so that we can have "S Corporation" legislation that would be revenue neutral considering our tough economic times. So, it probably will be like the New York system which taxes the difference between the highest corporate rate and the highest individual rate, but at least it would be something.

MR. HENRY: Okay. I understand what you're saying.

ASSEMBLYWOMAN DERMAN: Thank you.

SENATOR SINAGRA: The only other thing I would want to mention is, and I'm sure you followed it, just a couple of days ago the Senate passed ECRA reform which I think is very important for the manufacturing business communities in New Jersey.

MR. HENRY: We, in business, appreciate that. I think that's a great step forward. I have been active with New Jersey Business & Industry on that legislation, and I congratulate you on that. That is a giant step forward.

ASSEMBLYMAN CORODEMUS: If I may, Mr. Chairman, before this witness goes: There are certain initiatives that are working their way through the Legislature and perhaps one of the criticisms of investment tax strategy per se is that a pure investment tax credit as we knew it under the Federal taxation system really didn't create much by the way of the production and creation of jobs, unless you adopt the theory that it saved jobs and saved the company from losing its competitive edge with their competitive sectors outside of the State.

I'm pleased to hear that you're in favor of this link between the tax credit and the jobs creation.

MR. HENRY: Yes, we are. In fact, I guess it was in 1983, we received an Economic Development Authority loan. I forget how many employees we had at that time -- I have to send the papers in once a year -- but we have grown quite a bit since then, and we appreciate the fact that these types of loans are available for small business. We obviously look to take advantage of the tax incentives, and look forward to that one in particular.

We do have a tax incentive which I hope the Federal government continues, and that is for research and development, as you know. Now that has helped us, also. In the business that we're in, we constantly are improving our products because we are in the life safety business, so we have a large research and development department even though we're a small company. I can say that for our company these credits do help. I think they help to keep business in the State, and I think that the fact that you are changing the ECRA laws will encourage businesses to come into the State now, where I don't think they wanted to before.

I was in Washington, D.C. last week and I was talking to a group of people and the state of California came up -- and we all know how liberal the state of California is -- and the companies, by the way, are moving out of that state and are going into neighboring states. I think this has happened in New Jersey. I think we have lost considerable business to the southern states.

I recall several years ago, a close friend of mine's company got a call from the Governor of North Carolina. The Governor called the company personally and asked them to look into the state. I don't know if they ever moved there or not. I've lost contact with him since then.

I just have to say this: New Jersey's a great State. I was born here. I retire at the end of this year. I'd love to stay in this State, but it's expensive. I think what's keeping me in this State are my two granddaughters. But, you folks are all on the right track. We must do everything we can to keep businesses here and bring businesses into the State. We don't want them going into Pennsylvania or New York. We want them to come to New Jersey.

I just really truly appreciate the fact you gave us an opportunity today to hear our voices and hope that you listen to us. Thank you.

SENATOR SINAGRA: Thank you.

Robert Healey.

**R O B E R T   T.   H E A L E Y:** I have some material that I'd like to give you. My name is Robert T. Healey and I'm Chief Executive Officer and Chairman of the Board of the Viking Yacht Company located in New Gretna, New Jersey. I am also the Chairman of a national organization called the Coalition to Save Jobs in Boating which was formed when the Federal excise tax, known as the luxury tax, went into effect on January 1, 1991.

Our national organization has spearheaded a program to repeal the luxury tax in Washington. We have been assured by the Clinton administration: Senator Mitchell, Chairman of the Senate Majority; and Chairman Rostenkowski, that the tax will definitely be repealed. We had those assurances in the Bush administration, but because of Congressional gridlock, we were in the two major revenue bills that were vetoed by President Bush.

What happened in the boating industry nationwide and particularly in New Jersey was that in 1990 at the Andrews Air Force Base, they put together the luxury tax which was symbolic to go home to a forthcoming election to show that they were going to "tax the rich," and it blew up because, what happened,

the only people that were really being taxed were the boat builders because the rich stopped buying the boats with the recession. It turned out to be something similar to the Truck Tax in New Jersey; a very similar situation.

The New Jersey boat builders is a 200-year old industry. In fact, the Leek family that operates Ocean Yachts in Egg Harbor filed the first articles of incorporation in the State of New Jersey. We have eight yacht builders that build big boats, and this tax affected the big boats; boats with over \$100,000 threshold. Those big companies have experienced in the last two years a drop in sales of 75 percent and an 87 percent drop in employment. We went from 4500 employees to 600. Our company, being the largest of the boat builders in New Jersey and in business for 28 years, went from 1500 to 200 employees where we are at this time.

We have never seen in those 28 years such devastation in our industry. The primary cause of that devastation was the combination of two things: the luxury tax and a diving recession coming together at once. The 10 percent luxury tax had a far greater effect than the mere 10 percent. It was like a hurricane, when you get the full moon, high tides, and great winds that come together. They have a much more damaging effect than just the winds or high tides by themselves. It virtually destroyed our industry. On the national level, over 100 companies have gone out of business, and the losses are in the hundreds of millions of dollars.

Here in New Jersey, we now find that we perceive on the horizon the repeal of the luxury tax. We have been assured that on the first revenue bill going through Congress, which we must-- That we can only be on the revenue bill; that will be attached to that revenue bill. I have a meeting in Washington on Friday. We might be under that ceiling bill. If not, we'll be on the Clinton reconciliation package which is due May or June. But, anyway, we've been assured of that, and Senator

Lautenberg and Senator Bradley have been working very closely with us.

Now where are we here in New Jersey, and what are our problems? We had prior to this downturn, 11,500 people working in the marine industry, 4500 in direct factory jobs, and then actually 10,000 in backup vendors, marinas, things like that. We're down to about 3000 overall. Our major problem is, if tomorrow the-- First, there's a great pent-up demand out there of people who haven't bought their boats.

What the "rich people" -- and they're really not rich people-- A lot of these people are dedicated boaters who have built value in their existing boat and move up. But what these "rich people" did is they just stopped buying boats. They literally stopped buying them.

Now there's a great pent-up demand out there which we in the industry perceive to be breaking loose if we get the repeal of the tax, and the economy starting back up again, but a fascinating factor has hit all of us in the industry that if tomorrow we had 1000 orders: We couldn't build the boats. We are literally out of money; literally out of liquidity. We have plants. We have equipment. We have tooling, but the banks have run from the boating industry. After all, if we're all sustaining losses, the whole industry is down, and we know the banks have run anyway and put their money in government securities. We are literally out of money. As one banker told me from B of A on the West Coast when I queried him about what was happening with the industry out there, he said, "If I took a boating manufacturer's loan into my committee, they'd ask me who my therapist was. That's how bad we are in the banking industry."

We are in need of some kind of assistance from the State, specialized funding or something, to get our companies going again. Now I can tell you that we are not start up; we're proven quantities in our business, so that the risk of

providing us with some kind of extraordinary funding is a realistic one. It's not a downside risk. We perceive that if we get this repeal that our companies would hire back in the first year 7000 people, and we think we'd pick up the other 4500 people that we lost in the following year. But unless we can get some kind of extraordinary funding that would help us do that, we don't have the money to meet those payrolls and pay those vendors until the boats are finished and delivered. That is the problem with our whole industry and of the eight companies that exist that I'm talking about.

So we are here today asking you to give some thought specifically to the boating industry. I understand from reading, and I understand you people are extremely conscious of bringing back jobs in New Jersey. Well, that's what we're trying to do.

The Viking Yacht Company laid off 1300 people and had one suicide. A man went home, took a gun, and blew his brains out who worked with us for nine years. So the tragedy out there of unemployment is staggering. A week doesn't go by that I don't get a call or somebody in our organization doesn't get a call for some kind of drastic help. People can't pay for their cars. They can't pay for their mortgages, and families are literally breaking up. It's a very tragic thing, so whatever assistance you might give us would be very much appreciated.

I did not know of this Committee until just the other day, but we have extended an invitation in the material you have received, that we are hosting a meeting at Lorenzo's in Trenton on March 29. I'd like to extend an invitation to all of you because on that date we have some thoughts of how this funding might be accomplished. I looked at some of the economic development things that are being done in the State and how we might parallel that. We have some innovative thoughts on how you might be able to assist us with not great

exposure to the State; how we might work together. That's being formulated and going to be presented at that meeting on Monday.

Also in the material that I've given you are some facts, on the national basis, on the state of the boating industry nationally. There's an article here all about New Jersey and what the impact has been on New Jersey. Then there's an article, "Repeal or Die," that refers to the luxury tax.

I can only say to you I hope that we who are an industry of entrepreneurs;-- we're not big corporations. We're not owned by anybody. The Viking Yacht Company is owned by my brother and myself. We were both born and raised in New Jersey. We have 400,000 square foot of idle plant sitting in New Gretna, New Jersey, right on the Bass River. And the other companies I referred to are all entrepreneurial small business companies.

Again, I don't want to take any more of your time. I want you to know we're hoping you will assist us, and if you could attend our meeting on the 29th it would be very much appreciated because we will come forth with some positive thought, and a structure that you might look at and deal with. Thank you very much.

SENATOR SINAGRA: Is there any of these innovative thoughts that they have for financing? Can you share any of those with us today, or maybe an example of one?

MR. HEALEY: Well, I have a very innovative way that you might help us. I don't know whether it's viable, but I've listened to that fellow is now in the State that creates jobs--

SENATOR SINAGRA: Bob Hughey.

MR. HEALEY: Yes. He had some innovative thoughts, but one of our thoughts is this: New Jersey sales tax that we have of 6 percent on boats. Ninety percent to 95 percent of our boats are sold outside of the State of New Jersey. They're

manufactured here, they're delivered here, and they're paid for here, because our process is that before a large boat is released by the plant, it's paid for by the customer, usually with the dealer. I would suggest to the State that you take the 6 percent sales tax, charge it and get paid, and give it back as rebate to the manufacturers for a period of two years.

What happens is, that if we created New Jersey contracts and delivered the boats in New Jersey, the sales tax on that boat would be paid in New Jersey. My investigation so far, going through Florida and several other states, is that if you pay a sales tax in the state where you contract and purchase the product, you don't have to pay a sales tax or a use tax in your home state. So the sales tax that you would rebate to us would be taxes which would ordinarily be paid in another state and that money could be used to get the New Jersey boat builders back on their feet over a period of two years. That's one thought and would not really cost the State of New Jersey an awful lot of money. It would be coming from taxes that would ordinarily go to another state.

The second thought I had was that I saw one-- I got from, I think, Assemblyman Gibson who is from down in the southern end of the State, a bill on exports, that the Economic Development Authority was going to set aside certain funds in the nature of a 25 percent loan guarantee, and, also in cases of where there is no longer a 25 percent participation with banks, to provide operating capital for exports. Such a type of guarantee or support would be very helpful to us in operating capital loans. Possibly we could get the banks into something like that if there were some kind of guarantee. That would be helpful to us.

Those are the two things I have personally come up with in dealing with this problem. We're going to try to outline that to you in that meeting that we're scheduling for Monday evening, but they are the two thoughts we have.



We're certainly open to any other thoughts.

I'm the President, also, of the New Jersey Boat Builders Association. I have a luncheon scheduled at our plant at 1:00 today, and I'm going back to tell them about my meeting here, and discuss the luxury tax.

The other thing we're trying to do to work with the State is we have been in contact with the environmental people, and we have scheduled a meeting at our plant with them. We're going to go into a dialogue and try to work with them on environmental issues, instead of fighting with them. We have a good response on that level from the environmental people. So, we're trying to work with the State and do things right at our plants, and, you know, if you can help us we'd very much appreciate it.

SENATOR SINAGRA: Any questions, Senator Bennett?

SENATOR BENNETT: No.

SENATOR SINAGRA: Assemblyman?

ASSEMBLYMAN CORODEMUS: Thank you, sir. I represent parts of coastal Monmouth County and have been on your product, Viking Boats -- a very fine boat. I'm anxious to see your factory open and people put back to jobs as quickly as possible. I'm just curious, now that I have you here in our meeting room-- In 1992, our sales tax was reduced from 7 percent to 6 percent, and I know that sales tax are a very competitive commodity in your industry. Do you have any barometer on how that reduction in the sales tax might have affected you?

MR. HEALEY: Yes, I think it was positive. I'll tell you how it was positive. I don't know in our big numbers whether the 1 percent made a big difference, but I'll tell you what made a big difference: One of the problems with the luxury tax was that people are just being tax psyched out because you were paying a 7 percent New Jersey Sales Tax, where in a lot of states it was 6 percent. You were then paying a 10

percent luxury tax, so on a \$1 million boat that you were trading for \$500,000, you're going to pay \$500,000 in cash but you're going to pay \$160,000 on the \$500,000 cash difference in taxes, which was not financeable. The finance company would not finance the taxes. The 1 percent did not make know the impact, but I know what the impact was. People said, "Gee, they're really going to do something about taxes, and maybe I will buy the damned boat after all."

Because they were so ticked off on all these taxes, and they saw somebody reduce the taxes even by one point, they said, "Gee, somebody's trying to do something." They say, "What the hell, maybe I will buy the boat." That's the kind of attitude we had.

What we've been fighting is, we have people that could pay the tax on the bit boat. McNeil-Lehrer, at their taping in Annapolis, had a fellow who was going to buy a \$1 million boat, and they said, "Why are you concerned about paying the tax? You've got a million dollars to buy a boat. Why does this 10 or 16 percent in taxes bother you?" He said, "Number one, the reason I have \$1 million is because I watch things like that, and that's why I'm not buying the boat." And he said, "Secondly, how would you-- I understand this tax is going to be repealed. How would you like to be the last guy to pay the tax?" And, you know, that was the end of it.

I'll tell you what we've been doing. We've been paying the tax. We've been paying the 10 percent luxury tax to sell boats and meet our payrolls. That's how bad it is, for what sales we get.

ASSEMBLYMAN CORODEMUS: Thank you.

SENATOR SINAGRA: Can I ask one other question, in that we're talking about taxes and the positive effect? I agree it was probably small in your industry, but the positive effect of reducing some taxes-- What is your opinion of President Clinton's idea to tax the rich more? Is that going to interfere with--

MR. HEALEY: I'll give you my opinion of that. It's really dismaying because the one thing that happens it appears, in my 28 years; that when we're going to tax the rich it doesn't work. The luxury tax is a typical example of that. I mean, the whole idea was that we're going to tax the rich with this luxury tax, so when they buy these big boats and they buy these foreign cars, they're going to pay the tax. Now what turned out to be a \$30,000 threshold on cars-- They're only taxing foreign cars which was an import tax. The \$100,000-- What they did to us was people stopped buying.

And I'm going to tell you about the rich. The rich are very smart people, and if you put too much of a burden on them they're just not going to pay it. They're not going to pay it, and it's going to stifle growth. It's going to stifle entrepreneurs.

I had a man come into my plant and say to me that he's buying his third Viking and I had the deal to sell him the boat when the tax goes away. I said, "Charlie, what are you going to do?" He said, "Well, I've seen this guy, Clinton, come along and he's going to tax us, so I'm going to sell my company. I'm getting out. I'm going to Florida and sit on my boat." There's a guy who created jobs. He was an entrepreneur. He started making small concrete things and he built a big plant; a very talented guy. He's going to pack it in because he said, "You know, why should I continue in business and start paying all these taxes?"

The second fact about the Clinton program on taxes, one of the things we hear is a general attitude, people saying, "Well, let's shift our situation. Let's not buy roads; let's not buy this; let's take that money and try to do something else with it." I mean, for every tax people try to create on the rich, they hire an accountant to go out and beat that tax twice.

But the biggest effect is, it stifles growth. It stifles the entrepreneur where a guy sits down and says, "I'll put so much money in. I've got a chance to make so many dollars." You know, we all have that selfish motive, where you're a little guy working in the plant, and you want a higher salary. When that guy says, "I'm not going to make that much money. Well, hey, why should I bother? Why should I spend the nights, the days, the Saturdays and the Sundays as an entrepreneur to build the business?" So, you're going to tax the goose that built this country. On one hand, President Clinton says, "We will tax the rich, but we're going to build small business," and the heart of our country, he says, is small business. So he's going to tax these guys that are trying to make some money, because anybody over \$100,000 is rich, okay? You know, if you're together and you make \$100,000 or \$120,000, you're classified as rich. Well, if a guy can't make a hundred grand and live a good life running a business, you don't want to be in business. And really, is there anything wrong in making a decent living that somebody's got to call you rich?

And I want to say one other thing: It's the people that made that money. They didn't make it from 9 to 5, concerned about what their pension rights were. I had a pension plan of \$2 million. I cashed in my pension plan to keep my company going, and I'll tell you one more thing while we're on it. I went into business as an entrepreneur 28 years ago with my brother with nickles and dimes. We scraped and we fought hard and we built a company. We were very selfish. We wanted to make money, and we wanted to be successful.

But then I had a problem in life, and you know what my problem was? I started laying people off, and before I laid them off and I saw the economy going, I realized one thing. I was no longer a selfish entrepreneur, because the people that worked for me-- I saw them go out the gate every day. And I

led this battle for the taxes for a reason that rose above my company. It was this: I had people say, "Mr. Healey, are we going to be able to beat that tax and save our jobs?" All of a sudden I realized that I was no longer an entrepreneur. I was a person who had the financial responsibility to meet 1500 payroll checks every week, and that got to me; that above making money. When I had to lay people off -- skilled mechanics, 10 and 12 years in our company, who had wives and children; who'd take a check home and they would pay the mortgage; they paid the car payment; they'd buy their kids clothes and go out on a Friday night to the supermarket and maybe go to a movie-- I had to tell them they didn't have a job anymore, not because they were bad employees, not because they didn't do the right thing, not because I was out with a girlfriend or spending my money, but because our government was our number one enemy.

Our number one enemy in the boating industry is the Federal government, who laced us with a 10 percent sales tax. We were told by one Congressional leader that it was done at Andrews Air Force Base because, "We had an election coming up and we wanted to tax the rich and we needed a symbol. We didn't think we were going to hurt anybody." They didn't hurt anybody; they destroyed peoples' lives. But that's the reason I'm here. I've got enough money. I could pack it in and go. I'm here -- and I'm 64 years old and fighting mad -- because I want to save 1500 people, and when I go to my God, I want to say I didn't let Him down. That's what I'm doing. Thank you.

SENATOR SINAGRA: Thank you.

MR. HEALEY: Sorry I got a little emotional, but--

SENATOR SINAGRA: No, we wanted to applaud. (applause)

Bill Healey. Where is Bill? There he is.

That's a hard act to follow.

W I L L I A M R. H E A L E Y: Absolutely. Mr. Healey and I are not related by blood, but I'd like to think we were related by spirit. It's a pleasure to follow him.

Thank you very much. I think Mr. Healey just gave an excellent presentation about how the private sector creates jobs and how government can literally screw up that process.

That's what we see at the State Chamber -- and I'm very pleased to represent the State Chamber this morning -- that this Committee can act as a catalyst for reforming our State's fiscal policies, budget policies, regulatory policies, so that we encourage businesses to come back to New Jersey. I think the State right now still has a reputation as a -- I'll it -- a business-unfriendly State.

I'm very pleased this morning that a number of local chambers in Monmouth County have chosen to participate in this. I know both Sia Pappas from the Eatontown Chamber and Joan Hepscher from the Western Monmouth Chamber are here this morning, and I know a lot of your speakers this morning are also active in local chambers, so they can, far more eloquently than I, speak to some of the policies and the impacts they have to deal with in their businesses on a day-to-day basis.

If I could put a cap ceiling on my presentation this morning in terms of the State's economic recovery: It's not as good as it can be. I'll tell you a little bit of an unusual step this morning. Two weeks ago I spoke to a number of your colleagues down in Atlantic City, the members of both Houses on the Appropriations Committee, and what I've done is provided to you a copy of the presentation we made at that time.

I'm not going to read through it. I don't think that's the purpose of the Committee's deliberations this morning, but I would like to speak to some of the highlights that are included on the first page of our presentation, and just briefly address some of those points. Then I'd be happy to answer any questions the Committee might have.

The State's budget has a definite impact on the business community in this State, and as you could see, our number one recommendation in the highlights is addressing the

issue of the structural deficit. I think if I could give a word of advice to this Committee as we did to the Appropriations Committee -- try and balance this year's budget as if the \$900 million in one-shot deals were not there. We would hate to see Fiscal Year '94 be a repeat of Fiscal Year '90.

Health care costs: This Legislature dealt with that issue last fall. We were not entirely happy, of course, at the State Chamber, with the results of that legislation, but health care costs -- especially for the publicly subsidized health care costs-- We ought to extend the concept of managed care into indigent health care, the New Jersey Shield Program, and the State's own Employee Health Benefits Program.

Another item: Let's think about indexing our State's taxation rate to deal with inflation. Even the profligate spenders in the U.S. Congress dealt with that issue a decade ago.

I know Assemblywoman Derman, perhaps, had to excuse herself for a moment. We're very pleased to have been working with her recently her on "S Corp" legislative package, and we believe we're certainly coming very quickly to an agreement on that. That is an important piece of legislation for our smaller business members combined in a legislative package with the R&D tax credit, an investment tax credit, and a jobs tax credit.

We ought to take a look at the privatization where practical and feasible, of government services and the regionalization of State, county, and local services.

Civil Service benefits and Civil Service practices are another drain on our State budget. We've got to look at those. Let's make job performance and job review in the State workers' sector akin to what there is in the private sector.

We've also made some recommendations on the appropriations process. I won't belabor those points, except to deal with the taxation measure at the top of those list of recommendations. We ought to have a 60 percent vote in both Houses for passage of specific taxation measures.

Regulatory reform as economic enhancement: I think that title says it all about our philosophy about the state of regulatory affairs in New Jersey.

We were very pleased to see the Senate on Monday pass the ECRA bill. It certainly is not perfect, but it is a major step forward.

Senator Sinagra, I want to publicly compliment you for shepherding through -- and Assemblywoman Derman and Assemblyman Warsh -- for the plant malfunction bill. I will let you speak to that as to the insipid -- I can only call it -- situation that has dealt with plant malfunction issues, and that issue is finally being addressed. If the Governor were here, I would say to him, "Sign the bill this afternoon. It's that important."

SENATOR SINAGRA: He did yesterday.

MR. HEALEY: He did yesterday? I'm glad to hear that.

ASSEMBLYWOMAN DERMAN: Without fanfare. So, is that suspicious or what?

MR. HEALEY: I think more fanfare should have been made of that. I've been running around the last two days so I was, perfectly honest, unaware that he had signed the bill.

Right-to-Know is another important issue, and I believe Assemblyman Bob Shinn is working on legislation to address that.

The cost of permits, revenue enhancers that have been used by the various departments to balance their budget: It's hidden taxation and hasn't been in the purview of either this Committee or the Appropriations Committee or the Legislature in general. It certainly ought to be.



I would urge this Legislature to strongly use and make substantive use of the veto power over regulations that you were given in last fall's election.

Let me just make a few closing remarks about the role of the State Department of Commerce. We kind of feel that we're almost a kindred organization. The New Jersey Chamber was the catalyst for legislation that established the Department of Commerce in 1981, and I know Commissioner McConnell is probably, as we speak, speaking to your colleagues on the Appropriations Committee about her own Department's budget. Now last year they certainly took a very large hit, but there are some things that they can do this year and it probably won't take a lot of money. We would strongly urge you to enhance their marketing capabilities, enhance Travel and Tourism's marketing capabilities, and enhance their role as a prime contact for businesses exploring relocation possibilities in New Jersey. That effort certainly has to come from the top, down.

If I could just address -- and it's not totally germane to this Committee, but I certainly feel it is -- an issue that I spoke to in Rutherford yesterday at a hearing of the Senate Judiciary Committee: If you really want to foul up what the State is trying to do to get us back on track, pass Initiative and Referendum, because I can tell you 90 percent of the initiatives would directed solely at the business community.

Let me give you just one example: The business community in the State of Massachusetts last fall spent \$5 million fighting back antibusiness initiative. That is \$5 million that would have been better spent on lowering prices, product development, research and development, and a whole host of other issues.

I hope I have not gone on too long, and on behalf of the State Chamber I'd be happy to try and address any questions the members of the Committee might have.

SENATOR SINAGRA: Yes, Assemblyman?

ASSEMBLYMAN SMITH: You talked about Civil Service reform. What are you referring to?

MR. HEALEY: Let's go back and revisit the budget process of last year, Assemblyman Smith. The whole bumping process. I think at its worst a person transferred out of DEPE to a position that they had once held in the Department of Transportation, and ended up bumping 102 individuals. That was probably the most blatant example. And we had people who had not performed the job for so long, being bumped down a level.

I can tell you personally about a person who is a member of my church in Lambertville who has worked for the State for a number of years in a supervisory capacity, and was transferred to a totally different obligation which she had not performed for 18 years. Those are a couple of ultimate ridiculous examples. Where else is that process practiced in the private sector? I don't think it's practiced in Mr. Healey's firm. I certainly don't think so. That's got to be addressed.

The issue of State worker benefits are very, very generous, and I addressed the issue of health care before -- if you don't mind me going on to another subject -- where it deals with State workers. In the private sector -- I'll use myself as an example -- we have a small group insurance policy, and I pay 50 percent of the cost of that policy, because I have a wife and three small children, and it's accessible through my employer. Because of those rising costs, my employer had to ask me at various stages to contribute to that policy. State workers for the most part, with the exception of very low copays and deductibles, contribute nothing. The State contributes that whole cost. Managed care has not been put onto those policies yet, and the cost saving recommendations of managed care have not been implemented in those policies.

So those are just a couple of issues that have great effect on our State budget and ultimately the taxation that State government seeks from the private sector to support its operations.

ASSEMBLYMAN SMITH: On arbitration.

MR. HEALEY: Pardon me?

ASSEMBLYMAN SMITH: Arbitration.

MR. HEALEY: Arbitration?

ASSEMBLYMAN SMITH: Yes.

MR. HEALEY: I am certainly not a legal expert or a labor law expert, but I am aware of efforts in the Legislature to deal with that issue. And, from my sense, Assemblyman, I have to be the ultimate generalist. Yesterday in Rutherford I'm dealing with I&R. Today I'm dealing with fiscal policy. But my sense of it is, and the sense that I hear from people in the business community who happen to be active in their local municipalities, is that the last settlement in their area is used as the floor for the next settlement that's being discussed. Obviously, that's got to be addressed. Perhaps one of the other speakers will be able to deal with that a little bit more substantively than I am.

SENATOR SINAGRA: Any questions?

SENATOR BENNETT: I think I would be remiss if I didn't allow one reference to yesterday's hearing go without being acknowledged.

I don't necessarily agree with you with respect to Initiative and Referendum, and while that's not the subject matter of today's topic, you brought it up. I think that perhaps it might be incumbent to not view it as something that would be a disaster necessarily, because it seems to be an issue that is not going to go away. It keeps coming back. Perhaps business might like to look a little bit more on the indirect approach and see if that might be an area that they could feel comfortable with, but I don't necessarily agree that

I&R will destroy the business community of the State of New Jersey.

MR. HEALEY: Perhaps, Senator Bennett, I could make just as strong a statement. I&R in any form is unacceptable to our membership, and I know a lot of other business organizations. Respectfully, we must disagree with you. I think if anybody needs a clear example, look to Massachusetts. Look to California and the impact that it's had on there business community.

And I thank the Committee. Yesterday, when I spoke to this issue in Rutherford, I was roundly booed by people in back of me when I finished. Everybody here is a lot more polite today than they were in Rutherford.

SENATOR SINAGRA: Not all of us agree with Senator Bennett. On most issues, actually-- (laughter)

SENATOR BENNETT: Only the people do.

MR. HEALEY: We might take issue with that, but that's for another day. I thank you for allowing me to bring that up.

ASSEMBLYWOMAN DERMAN: I, on the way here, heard one-- Can you hear in the back?

UNIDENTIFIED SPEAKER IN AUDIENCE: No, I can't.

ASSEMBLYWOMAN DERMAN: Which is the definitive microphone? The black one? (affirmative response) Okay.

I heard on 101.5 coming here -- where I get all my news from -- that you shouldn't let these people get away with these comments. The comment I heard from somebody from Hands Across New Jersey was that the \$5 million that business spent on impeding the referendum against this was well spent in Massachusetts. That was well spent, whereas, otherwise the \$5 million would have been in the pockets of politicians. I mean, I'm still waiting for my check. (laughter) You know, so why do you let that kind of misinformation get carried? Clearly, whether you agree on I&R or not -- and I'm really getting off the subject -- \$5 million does not end up in the pockets of politicians.

MR. HEALEY: No, I used the Massachusetts example as a way the business community had to spend money on something that would have been better spent elsewhere. In deference to the Chair and Vice Chair, I didn't want to go off on this subjects but I felt it needed addressing. We're always perfectly willing to defend our position on that. I thank you for allowing to express it on behalf of the State Chamber.

Thank you for allowing us to provide comments this morning.

SENATOR SINAGRA: Thank you.

MR. HEALEY: Thank you.

SENATOR SINAGRA: Sal Runfola?

**S A L V A T O R E R U N F O L A:** Senator Sinagra, Assemblywoman Derman, Assemblyman Corodemus, and other members of the Joint Legislative Committee, thank you for allowing me to speak today. My name is Sal Runfola. I'm the Director of Manufacturing at Electronic Measurements in Neptune, New Jersey. I understand I only have 10 minutes, so I'll try to be brief and to the point.

Economic recovery can come about in many ways, but the quickest and most sustaining recovery will come about from the redevelopment of the manufacturing base in the State of New Jersey. While the service sector helps, and research and development facilities create opportunities for the future, the greatest amount of wealth to the local communities will come from manufacturing.

If I may, I'll use some statistics from the company I work for, Electronic Measurements. We are a \$25 million manufacturing company that produces electronic power supplies that are used in various commercial and industrial applications. We are a clean manufacturer in that we produce no toxic or hazardous waste, and we do not pollute our soil. We perform simple electronic assembly operations requiring a trained workforce. We employ 250 people in Neptune of which

approximately 140 are involved in the manufacturing process. Of this 140, approximately 40 percent are minorities. Almost all the manufacturing people come from the local communities of Asbury Park, Tinton Falls, and Neptune, communities that have had their share of economic recovery problems.

Our financial contribution to the communities in our area are as follows: In direct salaries, we pay over \$6.8 million a year. In State and local taxes we pay \$350,000, and in purchases from other businesses in the State we spend \$6 million. The total benefit to the State of New Jersey from the manufacturing processes is a little over \$13 million. The figures I can't give you are the dollar values of secondary and tertiary activities from our manufacturing that are performed by other companies, such as transportation, other manufacturers, and service organizations.

If this Committee wants to understand the fundamentals of manufacturing to the economic recovery, think of what would happen if Electronic Measurements decided to become a distribution operation and subcontract its manufacturing to the southern states, Mexico, or elsewhere. New Jersey would lose approximately 140 jobs, and gain 140 more people on public assistance. Over \$9.8 million in cash would be out of circulation in New Jersey and on its way elsewhere, creating jobs, wealth, and a better way of life for other people.

Therefore, in order to begin we must now begin to look at the question of how do we attract, and how do we retain and develop the State as a manufacturing economy?

Any ideas I can give you in my 10 minutes are as follows: First, the State needs to take an aggressive stance on breaking down the bureaucratic impediments that exist today. We need a bureaucracy buster.

Let me give you an example on this issue. Electronic Measurements has two buildings for its operations in Neptune. One building is actually in Neptune, while the other building

across the parking lot is actually in Tinton Falls. The building in Neptune is on a sewer system, while the building in Tinton Falls is on a septic system. In February, 1992, the groundwater table changed, forcing the septic system to fail. The Monmouth County Board of Health condemned the system, requiring us to keep it empty. This cost us \$1000 a week. When the septic system failed, we applied to Neptune to allow us to connect to the sewer in our other building. What seems like a simple solution has become a nightmare.

Electronic Measurements is trying to deal with four bureaucracies: the Borough of Tinton Falls, the Township of Neptune, the Township of Neptune Sewer Authority, which is a separate entity, and the New Jersey Department of Environmental Protection and Energy, each agency with its own agenda to protect.

In 1992, we spent \$40,000 pumping this system. For the first two months of this year, we have spent \$15,000. Instead of pumping out products, we're spending our money and management attention in pumping out groundwater. We're not any closer to connecting to the sewer system than we were last year. We estimate that we will spend another \$60,000 to \$70,000 before this is over. This means a total of \$130,000 just to run a pipe 50 feet to carry toilet waste.

Members of this Committee, you realize now that a company coming into the State and trying to decide how to deal with this, would probably go elsewhere. A company in the State, trying to expand, would probably give up by now and subcontract its work out of this State. A company like Electronic Measurements begins to think about leaving the State for accommodating states like Tennessee, South Carolina, or Florida.

I think Governor Florio understands some of this by his appointment of Mr. Robert Hughey as Chief of Economic Recovery, to help companies. Unfortunately, his office has

received more publicity than has substance, and Mr. Hughey's organization is a disappointment and is powerless to help except for low-cost loans.

So my first idea is a bureaucracy buster. Second, I must give my compliments to the Department of Labor, specifically the Office of Customized Training. This Office has the charter of helping businesses to retrain the work force as our companies begin to move to a more competitive stance, a total quality focus, and an aggressive effort to empower our employees in the work force to resolve and improve processes. The work force must be educated and understand the issues.

In August of 1992, we began the process of applying for customized education. Last week we passed the last hurdle and our application is now on Commissioner Bramucci's desk. We are hopeful that we will soon begin training half of our manufacturing work force.

My suggestion is to expand this program. Make it speedier and less bureaucratic, and consider expanding it to the management work force in this State. If we now know that our employee work force needs to have new and better skills, how can we not think the same of our managers and leaders? The Department of Labor needs to expand customized training to teams of managers from companies, and offer training in the enlightened ways of competition of the 1990s and beyond.

Third, the State needs to offer tax incentives for companies to relocate, remain, or expand manufacturing in this State. Companies need tax credits for research and development because it ensures our future economic life, the hiring of unskilled workers that have to be trained, and tax exemptions for manufacturing expansion.

Fourth, and my final suggestion, is to overhaul the high school and college education curriculums to include apprenticeship and cooperative programs with industry. The Pennsylvania Pilot Youth Apprenticeship Program would be a good



model for New Jersey. I would probably be on the mark if I said our educational institutions turn out people better to work in McDonald's than they do to work with industrial applications of simple math, manual dexterity skills, blueprint reading, and working with teams of people. Our colleges need to instill the excitement of making things, instead of making money for the individual at the loss of benefit to our society.

As I said earlier, manufacturing creates wealth to a larger amount of society, and New Jersey must pursue with a vengeance the growth of manufacturing in this State.

Thank you.

SENATOR SINAGRA: Thank you. Do you have any specific recommendations that you'd like to see this Committee do?

MR. HEALEY: My recommendations?

SENATOR SINAGRA: Yes.

MR. HEALEY: Create a bureaucracy buster, get rid of paperwork in this State -- it's killing us -- work better with the colleges, and expand customized training.

SENATOR SINAGRA: Okay. Thank you.

Any questions?

ASSEMBLYMAN CORODEMUS: I'd like to say that I've visited Mr. Runfola's plant, and it's a real amazing place in the work that they do in stuffing circuit boards. I'm starting to learn the parlance of the industry. Mr. Runfola made reference to breaking the bureaucracy. I'll tell you, even as an Assemblyman, it's unsettling to see why, as a result of an accident of geography, they have one building in one town, one building in the other town and they are actually being penalized for trying to comply with the law. This is the type of frustration that our New Jersey commercial constituents face every day, and this is why some of them have drawn that line and have hopped the State's border into adjoining states that are more friendly.

SENATOR SINAGRA: Did you represent his district?

ASSEMBLYMAN CORODEMUS: I represent the part of his district that has the operative sewer system, not the part that doesn't have the sewer system. (laughter)

SENATOR SINAGRA: Who represents the other side?

ASSEMBLYMAN CORODEMUS: Senator Bennett.

SENATOR SINAGRA: Okay. One of the things that I found very successful, Harriet, Jeff and myself have done, is try and call a meeting among all the parties -- the DEPE--

ASSEMBLYMAN CORODEMUS: He's done that.

SENATOR SINAGRA: --and just sit around the table. We've had success with that, actually. Being a businessman, I'm not an attorney--

MR. RUNFOLA: We've talked to everyone in the State, and everybody has their heart in the greatest place, but just getting things done is just impossible. It just takes too long, too much paperwork, too many issues, too many questions, too many big people involved -- just too much.

ASSEMBLYMAN SMITH: May I?

SENATOR SINAGRA: Certainly.

ASSEMBLYMAN SMITH: For your information, there are several bills in the hopper in regard to preparing people better for the work force, especially in the area of vocational training. We'll give you a copy of those bills, or send you a copy of that bill that would help you and your industry.

MR. HEALEY: Thank you.

SENATOR SINAGRA: Thank you.

ASSEMBLYWOMAN DERMAN: Mr. George Tyler.

G E O R G E J. T Y L E R, E S Q.: Good morning, Mr. Chairman, and members of the Committee. With me this morning is Andrew Robbins from my law firm. My name is George Tyler. I'm with Giordano, Halleran and Ciesla in Middletown. I Chair the Environmental Law Department there.

First, I'd like to express my sincere appreciation to the Committee for allowing me this opportunity to speak. Andy

and I are here today as private citizens. We practice environmental law, and we'd like to address some economic development issues, but we're not speaking on behalf of any particular client.

If you have to speak late enough on the docket, inevitably people cover what you want to talk about, and the speaker who went before me touched on a subject that I've been working on, sort of as an advocacy, which is the resurgence of New Jersey as a manufacturing center. I think it is critical, and I would love to see this Committee work in this area more. I think it is critical that the State continue to focus on manufacturing. We have too many people who are just going to stay where they are economically, without an ability to work their way up, and they can't do that in a brokerage house or a bank. It's just not going to happen.

We have an enormous wealth of talent here from our past manufacturing heyday, so I came with a few suggestions for the Committee to consider. Then I'd like to talk about a few of my favorite bureaucratic problems that I deal with on a day-to-day basis.

First of all, with respect to manufacturing I think there's an excellent program in the State Department of Labor, on an OSHA basis, where an industry can call a State Inspector for a voluntary compliance check and that program should happen in environmental law. Too often the first information, and especially what a small company has about the need for a permit or the need for certain compliance steps, is the notice of violation and the penalty. It's not that they don't want to comply. I mean, I have legions of files in my office of cases where people come in, and the very first information that they got about the need to do something, was the penalty. There should be a place they could call and have an inspector come and just tell them, from soup to nuts, "These are the things you have to do," and go do them. It's done with amnesty. It's

not a situation where the person comes and writes up a violation.

I think that would go a tremendous way towards changing the image the State has. I know there's a lot going on, and I don't mean to be critical. Both at the gubernatorial level, and in the Legislature, lots of work is being done to encourage both manufacturing and economic development in general. But the word doesn't always get out to the small businessman who's faced with what to him is mindless bureaucracy.

I heard the water quality example. It sounds like a water quality planning problem where multiple jurisdictions have to sign-off on multiple occasions, just to put a little pipe in. Those rules were promulgated a couple of years ago. We challenged them on behalf of the Builders' Association and we were successful in having something called the Copermittee Rule Repeal. The court said that that was illegal. But with respect to many of the other planning issues, the court said that was good, indeed, to use discretion under the law and they got to keep it. And that's what requires all these sign-offs. The Department's trying to fix it, but it's just taking a long time now.

The other thing I would suggest with respect to manufacturing is that there be continued legislative oversight of the new project development. Right now there is legislative oversight of several selected permit programs and there are other permit programs that are on fixed time clocks: 90-day, 45-day time clocks. I would encourage this Committee to increase that level of oversight. That accountability, I can see in cases where we're prosecuting permits, gets a response. They know they're going to have to answer in a legislative report: How long the permit has been around: why is it there for so long? That kind of scrutiny is immensely helpful. It keeps the process moving.

In addition, and when I was part of the government I probably would have resisted this, but I think every permit program should have a time deadline, and it's approved if it's not acted on by that date. A 90-day permit program works. It should be expanded and there's probably not a DEPE official who'd support that. That's besides the point. Once you see that there's that kind of accountability and the adherence to the deadline built into the law, it works and decisions are made. They may be negative; they may be positive. Whatever, but you get a decision and you get it in a good time frame.

With respect to two other points: I would put two points on the table, near and dear to the hearts of the Chairman and Senator Bennett. The first is ECRA reform. I applaud what's happened and then I would suggest that I have suggestions for some post Monday continued ECRA reform. I think the bill that passed the Senate is a positive, but it has a few wrinkles in it that ought to be addressed. I think, hopefully, they'll be addressed in the Assembly before the final bill gets out. I would really resist -- and I recommend to the Assembly members here today -- to really resist any theory that it has to be just the way it is, because there are a few things that crept in at the end of the Senate process that are of great concern to us.

First of all, the bill was intended to encourage privatization -- a private sector cleanup. Yet somehow, there are specific prohibitions built into the law for certain at-risk cleanups. They could be interpreted to be extremely broad prohibitions, so that in effect, the language that's in there -- and I think with candor it came from DEPE -- could actually be a step backward with respect to some at-risk private sector cleanups.

In addition, I would suggest that the Legislature, especially in the Assembly now, consider a total privatization process. In other words, for certain cleanups where two

businessmen are willing to take the risk, and are willing to negotiate who pays for what, let them go ahead. Let them have mandatory submissions to the Department, and let the Department oversee the transaction, but after the fact. Right now, if two businessmen get together and want to negotiate a transaction, they have to invite the DEPE to the lunch, and they have to be there all throughout the process before the transaction can go forward.

I'm sure, from my experience, that is something that retards development in New Jersey. People will avoid a deal if it involves a New Jersey industrial facility, because for the rest of the country they go forward, but for a facility in New Jersey the entire transaction can get stalled. So that total privatization concept, maybe with some extra oversight strings-- But will it now -- it passed the Senate -- repeal the Department's ability to void the transaction? That's great. That's commendable. Maybe put that back in, that total privatization. If somebody does go forward at risk and they do make all the submissions, but they cheated or something, give the Department the right in those limited cases, perhaps, to void the transaction.

The second major area which is of grave concern is the one in one million health risk. I candidly believe there was not significant public debate -- not significant enough public debate on that issue. I think now our experts in the medical community, in the Federal public health community, in OSHA, in NAIOSH, in the National Academy of Sciences, who would give us some insight as to when that makes sense and when it doesn't, and I think that could be a show stopper.

A third issue I would put on the table for further ECRA reform is alternate dispute resolution. That is, when you're really bogged down in the bureaucracy, there should be a mechanism to short-circuit it. Go to an outside expert. Get a nonbinding opinion, and put that on the Commissioner's desk.

The bill started out that way in the Senate, and then the Department weighed in and tried to protect their turf. I probably would have done the same thing if I was there, and now you have to go to the next guy up, and the next guy up, and the next guy up in DEPE.

In all candor, that's the way it is now. Ninety percent of the time in an ECRA case, the staff person makes a decision. You go to the superior, and the superior says, "I'm going to back my staff." You work it up, and if you have enough energy and your client has enough that he could put on the table in terms of legal fees, it eventually makes it to the Commissioner and you might get a reversal -- or maybe the Assistant Commissioner -- but you generally don't get it until you get to that level.

So I would suggest an alternate dispute resolution mechanism in the bill where anybody could elect to go to an outside expert who gives an opinion, "Hey, look, this is what's going on. This is silly." I won't burden you with my war stories, but I could tell you lots of silly war stories about silly cases that you can't get fixed.

Finally, we would suggest that in the ECRA cleanup process there are often needs for permits and one-stop shopping for those permits would make a lot of sense through the cleanup program.

We also have some ideas and we'd be glad to provide them to the Committee -- and we will in the ECRA process in the Assembly as well -- on expanding the de minimis exemptions to ECRA.

Finally, one issue that's near and dear to my heart, and I'm sure to Senator Bennett's, is the Clean Water Enforcement Act. I think now that we have a couple of years experience with it, it might be time for some legislative review of a few elements of it. I would also commend any legislator that takes a business position on that law or any

environmental law. No matter how reasonable, you're bound to be castigated at some point in the process by large groups of students from Rutgers and things like that.

There's a couple of issues in Clean Water Enforcement I think do great damage to the State's economic reputation. First of all, the whole idea of nondiscretionary penalty settlement bothers me as a former public official, and I don't think the experience there warrants continued nondiscretionary penalty setting. Too often a hardship case creeps in where there's no environmental impact, but the law locks you in somehow, and the Department can't settle the case for a reasonable number anymore.

Secondly, there's the idea of posting bonds or letters of credit to get a hearing. To me, that means if you're rich enough, you can have a hearing; if you're not rich enough you can't have a hearing. And it's all based on the staff's assessment of the penalty, not the penalty after it's adjudicated.

I know I'm raising controversial issues, but these are really troublesome issues. We've had small developers who have small rental operations with little more than a septic type system, NJPDES permit-- You have 20 days to get your hearing request in, and in that same 20 days you have to hire an attorney, prepare very detailed hearing request. You also have to go to the bank and arrange financing or a letter of credit just to get the hearing, and if you don't do it, you're denied the hearing.

I think those kinds of reforms would fit in now if we're looking at ways to change the State's image with respect to economic development.

I'd also encourage the Legislature, finally, going back to the manufacturing jobs, to use the State's assets in innovative environmental technology and in recycling, to go out somehow and attract industry that could use our recyclables as



raw materials, like the glass industry. We have dormant glass furnaces in the State. Maybe we could do something to open some of these up. Right here in Monmouth County we have a couple. Certainly down in the southern part of the State we have dozens. We are well known for our environmental technology at the New Jersey Institute of Technology, Rutgers Cook College-- We have great programs there. If we could do something there to deal with our manufacturing base so those components are made here and not somewhere else. I think that would be excellent.

Thank you for your attention. I apologize for going on so long. If I could answer any questions, I would be glad to try.

ASSEMBLYWOMAN DERMAN: Thank you for very specific recommendations.

Do any of the members have any questions?

SENATOR BENNETT: No, but I just think it's a real pleasure to have Mr. Tyler opposite me again. I realize I should come up with something, because when he was the Assistant Commissioner we used to have some real go-rounds when I was sitting over here and he was sitting over there. It's been so many years since it's been that way, I ought to have something to be able to--

MR. TYLER: This was a much more pleasant experience than my last hearing here.

SENATOR BENNETT: Yes. We're on the same side on some of this. Very good.

ASSEMBLYWOMAN DERMAN: Thank you for your very specific recommendations.

Mr. Ronald Morris.

SENATOR BENNETT: Mr. Morris is taking care of lunch? Is that what you're saying?

ASSEMBLYWOMAN DERMAN: I was just going to ask and you preempted me.

Do you have samples, at the very least?

R O N A L D L. M O R R I S: Pretty close to that time, isn't it?

Thank you very much. I'm Ronald Morris. I'm the Pizza Hut franchisee for Monmouth and Middlesex Counties of New Jersey. I've been a Pizza Hut franchisee for 19 years; nine in Virginia and about 10 now in New Jersey. I'm the exclusive franchisee in Monmouth and Middlesex Counties. We currently have 19 stores with plans to build, roughly, oh, probably half a dozen more over the next couple of years. I got the invitation for this meeting on Monday, on my desk, so I haven't -- this will be very informal -- taken a lot of time to develop a real formal presentation. However, I do have about eight or 10 quick items to discuss with you.

We have currently about 600 employees, so we're not a small contributor to the two counties in terms of employment, and obviously that will grow over the next few years. Pizza Hut is a Pepsico owned company. Pizza Hut is a franchise, and has been in existence since 1957, so we're about 36 years old. Although we sell pizza, it is a very sophisticated and highly technologically-driven business.

We manage our businesses by referencing a tenth of a percent of sales, so we know on a daily, and even an hourly basis, the weights of dough, sauce and cheese that it could take to accommodate the sales that we're generating, to the extent that we know almost to the wafer the number of pepperonis that should have been distributed on a pizza, had it been made ideally.

In terms of labor we're very computerized. Schedules are made based on recent histories. Labor is monitored on a daily basis and reported on a weekly basis if there are any variations. So, although we may appear to be just a pizza place, it's very technical and sophisticated. We watch our dollars and cents very, very carefully.

The recession has been fairly devastating to our business. We've had two years of negative sales, I'm not proud to announce. We see some signs of a reversal, but it's going to take some pretty dramatic improvements to get back to 1989-1990 kinds of sales volumes.

So, the first thing I'd like to talk about is the minimum wage increase of last year. This has nothing to do with what you can do for us in the future; it has to do with what you did to us in past. I testified before a committee similar to this about a year ago, and gave some words of wisdom about what it was going to do to us, and now I can tell you what it did do.

In the case of my small company, it appeared that the cost of the minimum wage increase was going to be in the neighborhood of \$100,000 to the bottom line in an already very competitive industry where \$100,000 amounts to not just .1 percent when you're talking about really watching costs, but more like 1 to 1.5 percent. Fortunately, it didn't really cost us that much because we did what we said we would have to do. We hired fewer people, and those people that did work for us, and do work for us, work fewer hours. So, whatever it was supposed to do, it didn't work in our case. Even at that, the cost to us was about 65 percent of what I just announced, so there was a substantial labor cost to our company resulting in about .5 percent less margin at the end of the fiscal year, and that was only since April 1 of last year.

So, my recommendation here-- Oh, and incidentally, now we've got the higher minimum wage. We're paying it. What's done is done. It will take about a 2.5 percent increase in net sales in 1993 and on, just to get back to even. So, in an environment where we've had two years of negative sales, it's fairly disappointing to have to realize that I have to get back 2.5 percent of it before I get back to square one -- even to start bucking the negative trend that already exists.

I'd like to speak for a second about insurance. Mandatory health benefits would be an additional devastation to our business, and I would encourage you, if that's on the table at the State, to move forward very carefully in that field. We currently provide health benefits to hourly employees. They pay their own premiums, however there's no wait. So, although it's not great, there are health benefits available to them. If they want to take it, they pay the premiums and there's no waiting time. Management people in my company all have health care. They share in the cost of the premiums, and there's a 60-day wait. Everyone's happy so why mess with it?

State unemployment and disability insurance: incredible increases. I just had my people compile some statistics for me yesterday. The increases from '90-'91 amount to about 23 percent, and '91-'92 it's a compounded 19 percent increase on top of that. In the quick-service restaurant industry we hire 16-, 17-, 18-year old kids. It's an opportunity for those type folks to have a job. We know that the work is temporary. It's part-time. Even full-time folks we know are probably temporary, and so it's natural and expected for us to turn our entire waitress and production back of the house prove twice a year. One hundred percent turnover is not unusual. Well, think about the impact of unemployment and disability insurance. Our employees never reach the \$14,000 or \$15,000 so we're paying that twice per year per position filled. So increases in unemployment and disability insurance is extremely expensive in my industry.

Moving to tax on paper products, just because one of the issues discussed here was essentially taxes: We would propose that taxes on paper products be dropped. I will read to you what the tax code says about taxes on paper products: "Restaurant paper products are exempt from sales tax when they meet two conditions. They must be 1) nonreturnable food containers or wrappings, and 2) incidental to delivery of prepared foods to the customer."

Two tests: nonreturnable food containers or wrappings and number two, incidental to delivery of prepared food to the customer. Now, it would seem pretty simple to pass that test. The last sentence in the code says, "Items such as straws, napkins, plastic forks, knives, spoons and stirrers are taxable. That doesn't make any sense to me. So we pay an incredible amount of taxes on those paper and plastic goods, and I'd like to see those taxes repealed.

Smoking in restaurants: I'm a nonsmoker and smokers irritate me. I'm not about to come in here and say that that's not an issue for me personally. However, in my restaurants we have smoking sections. A half or a third of the dining rooms are all divided up to allow space for smokers, and the other half, or in most cases maybe 60 or 70 percent, are for nonsmokers. That's the way it is now. No one's complaining. I would propose that we just leave it alone. To absolutely disallow smoking in restaurants may, or probably will, cause a reduction in the number of visits that customers would elect to make to restaurants, in particular to Pizza Hut restaurants.

Lastly, I would like to make a few statements about development. As I said, I have 19 stores. I'll probably end up with 24 or 26 restaurants, so I'm nearing the end of the saturation of Pizza Hut restaurants in Monmouth and Middlesex Counties. I would like to have made the following plea 10 years ago instead of today. However, things are getting so much worse, it's better late than never.

I'll use some examples. First of all, the DEPE-- You've just heard from some speakers who have had some issues about environmental issues. I'll tell you a war story. Not only will I tell you a war story, I'll show you a picture of a war story. I'm currently waiting for construction to start on my 20th restaurant, and for four or five months, the first spade has been disallowed to be placed into the ground to start the site work because of a DEPE issue, and it involves the wetlands. (displays survey)

This is a an outbound and topographic survey of the site for a new Pizza Hut. It's roughly an 1.5 acres, something like 50 or 60,000 square feet to accommodate a freestanding Pizza Hut and 50 or 60 parking spaces. In the westernmost edge of the parking field there's a line -- a dash line -- called wetlands line. The wetlands on this site plan extend the parking field by five feet, so there's a triangle five feet on a side which is roughly 12.5 square feet of the 50 or 60,000 square feet that this site represents. It has a little weed growing on it that some DEPE guy decides needs to be preserved into the future, and it appears now we're going to have to allow some sort of a buffer around that little triangle and probably lose three or four parking spaces. That's okay. It's ridiculous. We propose to put just a wood beam structure around it and isolate it. Whatever we have to do, we'll probably do.

The issue is: It's been six months waiting for someone to tell us what we can do. In the meantime the developer spent tens of thousands of dollars on professional and legal fees, and myself as the future tenant and operator of the Pizza Hut is suffering lost sales and revenues from having made the deal and not being allowed to open because of about 12 square feet of wetlands. If you go there on the site, you can't tell the difference if you're a layperson in the topography of the land, number one, and the color or kinds of weeds that lie within this 12 square feet and the other 50,000 square feet that are on either side of it.

The Department of Transportation, the DOT--

ASSEMBLYWOMAN DERMAN: Mr. Morris, before you move on, this Committee would like to send a letter on your behalf to the DEPE and ask them to move on that--

MR. MORRIS: Great. I appreciate it.

ASSEMBLYWOMAN DERMAN: --and see if we can get something going, because the faster it gets going the faster

you get up, the faster we have jobs, and the faster we have pizza.

MR. MORRIS: I appreciate it. Thank you.

DOT issues: I could go into a half a dozen examples about the new curb cut rules. They could have been worse, they're still very onerous. We're working on a site right now in Monmouth County where there are about four or five curb cuts for the existing use on the corner. The DOT has reviewed that site plan and decided that none of those curb cuts will be allowed; none of the four or five. If we do the site, there will be three new uses; it's a fairly large parcel, about 3.5 acres. If we do develop the property, there will be one curb cut allowed and it will be down the highway past the logical place for the curb cut and driveway to be. I'm not about to propose that all five should be allowed or four should be allowed, but one reasonable curb cut in a logical place that any reasonable businessman for sure could identify and it should be allowed-- So, the DOT is an issue.

Let me wrap it up by talking the BOCA Code for restaurants in general, just the building itself, not the site plans, whatever. Right now, building in New Jersey, the code is the BOCA Code. It's fairly specific and although it's troublesome in some parts, it's at least a code and you work with it. However, I want to point out to the Committee, the BOCA code for rest rooms is not used. In New Jersey, there's another code that's used when it comes time to design the rest rooms, and that's a code and I can't-- It's got an official name, obviously.

It turns out, I worked with my architect and he has done some research. It turns out that the code that identifies the number of rest room fixtures in a restaurant in New Jersey was written by the manufacturers of rest room facilities -- toilets, urinals, and such. So, what's going to happen when you let the manufacturers of products write the code? They want you to have 100 of them, right?

Well today, my restaurant design calls for 130 seats. The code, when you have 130 seats in a Pizza Hut restaurant, officially says there has to be four toilets in the ladies and four toilets -- or two toilets and two urinals in a mens room. At least one in each of those facilities has to be large enough for the handicapped.

Folks, I got to tell you: Four toilets in the ladies room and four positions in a mens room is almost big enough to accommodate the first Pizza Hut I opened in 1974. It's absolutely ridiculous. This is all new; it's only happened in the last couple of years.

I would propose on the part of DEPE, DOT, and then the construction codes that someone, somewhere take all the lists and wrap it into one package and make it more usable and reasonable.

ASSEMBLYWOMAN DERMAN: Senator Bennett.

SENATOR BENNETT: Thank you, Madam Chairman.

I have a question or two, and basically it just needs clarification for me. I understand the expansion mode that Pizza Huts are in now is resulting in some six new stores that you're opening in your area in the foreseeable future. But you talked about the impact that the minimum wage increase last year had upon you and I'm curious. You're still in a growth mode. What would have happened had that not gone into place? Would you have had a greater growth mode?

MR. MORRIS: Actually, I'm not anxious to open any more Pizza Huts. Pizza Hut, Inc. is anxious for me to open more Pizza Huts. I'm a franchisee; they're the franchisor.

SENATOR BENNETT: Okay.

MR. MORRIS: We have a development schedule--

SENATOR BENNETT: They're putting in more competitors for you, then.

MR. MORRIS: They take a royalty off the top line. They're fairly insensitive to my issues locally. They'll



listen, but my development schedule is something we negotiate every two years. I'm lobbying for no more growth, and they're pushing for a few more stores. I would have stopped a year or two ago, but this is a development schedule that was negotiated in early 1990 and goes until 1996 -- late '95, so it's about a 5-year development schedule.

Coming off of 1989, I was still fairly excited about expansion, and so we negotiated the development schedule. I signed it, and I'm living with it right now, but I'm arguing. Times have been tough for the last couple of years. I'm developing, but I'm not excited about it, and the increase of the minimum wage didn't help.

SENATOR BENNETT: No, but I guess I'm getting more confused. We'll take out the minimum wage for this moment. We're in a growth mode with Pizza Hut, expansion in the area because of contracts that were entered into relating to that growth, back in '89. But due to economic condition changes such as minimum wage increase, if you had you're druthers you would be saying don't do them. Are we now going to be building new Pizza Huts that are going to become empty shells?

MR. MORRIS: Well, no. We will just be less successful unless the economy improves. I will submit this: We are encouraged that we're seeing some improvements. Just, as a matter of fact, this year we're showing some growth over last year. Remember I said I needed a two-and-a-half percent growth to get back the increase in the minimum wage? Well, we are currently achieving that, and we would be doing better than that had it not been for six out of the last eight weekends having snowstorms.

SENATOR BENNETT: Right.

MR. MORRIS: I am encouraged about our start already in 1993.

SENATOR BENNETT: Good. That makes me feel a little more comfortable because I was getting concerned that we're

building but we're going down in our economy. So things are turning around, at least you're seeing some positive signs.

MR. MORRIS: I think so. Yes.

SENATOR BENNETT: On the smoking aspect, and I'm not going to beat this one to death, but you have no complaints presently in any of the stores with the smoking -- or minimal complaints, I guess maybe would be fairer?

MR. MORRIS: Actually, customers are pretty verbal. We have a lot of good customers that come in very frequently and we hear from them if there are issues, and I've got to tell you I don't ever remember getting a letter or even a phone call in the office about smoking sections or not, or pluses or minuses. Having a smoking section is very important. We get complaints if for some reason there's confusion about whether or not there is a section, or whatever.

SENATOR BENNETT: Thank you.

ASSEMBLYWOMAN DERMAN: Assemblyman Smith? Assemblyman Corodemus?

ASSEMBLYMAN CORODEMUS: Just one suggestion, Mr. Morris, if you haven't already looked into this with your wetlands problem. Currently, developers are taking advantage of a little known program in the DEPE where they utilize a wetlands bank which means that you can use that wetlands onsite if you purchase an off-site wetlands. Perhaps that can maintain the integrity of your parking lot and recreate that wetlands that you're allegedly depriving State the use of, somewhere else. I don't which county this site is in, but I know the Monmouth County Board participates in that type of program.

MR. MORRIS: Well, the law firm that's involved in this is Giordano, so the guys that just spoke are probably aware of that.

ASSEMBLYMAN SMITH: May I ask just one question? That DOT problem, is that on Route 36?

MR. MORRIS: Yes, it is.

ASSEMBLYMAN SMITH: That's where they want you to build a turnaround, or a cul-de-sac, or something?

MR. MORRIS: Oh, no, no, no. That's in Eatontown or West Long Branch.

ASSEMBLYMAN SMITH: West Long Branch, yes.

MR. MORRIS: This is on Route 36 in Hazlet.

ASSEMBLYMAN SMITH: Where?

MR. MORRIS: Hazlet.

ASSEMBLYMAN SMITH: Oh, okay.

ASSEMBLYWOMAN DERMAN: I have one question. I noticed that you didn't mention anything about New Jersey's franchise law. Does that mean that it's satisfactory? You have no complaints about that?

MR. MORRIS: New Jersey's franchise law is fairly decent.

ASSEMBLYWOMAN DERMAN: Enough protections against your franchisors?

MR. MORRIS: Yes. That's not necessarily a concern of mine. In fact, New Jersey at least has some franchise laws. A lot of states don't have any at all. But New Jersey's is fairly reasonable, and it's fairly protective of franchisees.

ASSEMBLYWOMAN DERMAN: Thank you very much.

MR. MORRIS: Thank you.

ASSEMBLYWOMAN DERMAN: Ms. Wiley. Mary Jane Wiley.

**M A R Y J A N E W I L E Y:** Thank you. On behalf of the Monmouth County Department of Economic Development, I would like to state how important it is to encourage retention and expansion of the small businesses. We support bills No. A-5046 and No. S-3595, Business Retention and Equitable Taxation Act. To impose local property taxes on manufacturing facilities would encourage layoffs and closings and possible relocation out of this State.

Manufacturing is a critical segment of New Jersey's economy. New Jersey has lost more than 200,000 jobs during the past decade. There was a time when New Jersey was a major manufacturing State. The decline has been going on for more than 20 years. During the 1980s, one of the most economical robust periods in the State, more than 190,000 manufacturing jobs were lost.

A recent report released by the State Department of Labor said that 536,000 new jobs are expected to be created in New Jersey over the next few years, and they will be in the research and technical fields. The next big category is expected to be the service occupations, followed by marketing and sales. Sadly, among the only category showing decline is manufacturing. This report reinforced expectations in a continuing long-term decline in manufacturing jobs in New Jersey, with employment of machine operators and laborers projected to fall by 2.4 percent between 1990 and 2005.

In conclusion, we feel that more dollars should be made available to reenergize our banks which would benefit the small businesses. If New Jersey would consider tax incentives for relocation and retention in the manufacturing field, we feel this will help bring economic growth to Monmouth County and the State of New Jersey.

I'd like to thank you for allowing me to speak today, and representing Monmouth County. I also would like to thank all of you on the panel, especially the three Monmouth County legislators that are here.

Thank you very much.

ASSEMBLYWOMAN DERMAN: Could you give me the bill number again that you were talking about?

MS. WILEY: Yes, it's A-5046.

ASSEMBLYWOMAN DERMAN: Fifty forty-six?

MS. WILEY: Yes, and S-3595.

ASSEMBLYWOMAN ERMAN: Oh, old numbers. Wasn't this passed?

SENATOR BENNETT: Yes.

ASSEMBLYWOMAN DERMAN: Oh, okay.

Thank you very much.

Ms. Eugenia Pitts.

**E U G E N I A W. P I T T S:** Otherwise known as Deedee. (laughter) Thank you for letting me speak this morning. I am Eugenia Pitts, Executive Director of the Monmouth Ocean Development Council. MODC is a private, nonprofit, nonpartisan organization of over 500 members dedicated to the balance, growth and development of the economic, cultural, educational and environmental aspects of Monmouth and Ocean Counties.

Our members represent a wide spectrum of employers from sole proprietors to large manufacturers. One of our objectives is to promote the controlled growth of the two counties through the interaction of our members and community leaders.

I am here today to express MODC's concerns with New Jersey's current economic condition. As you know, Monmouth and Ocean Counties' employment rates have consistently been higher than the State average. Now with the threat of the base realignment of Fort Monmouth and threatened closure of McGuire Air Force Base, we are concerned that there will be an additional negative impact on the bicounty area's economic recovery efforts.

MODC has recently taken a position on a number of issues that we feel would benefit the economy locally. For example, on October 2, 1992, we adopted a resolution supporting the legislation expanding the Urban Enterprise Zone to 10 more localities. We understand the legislation has been approved by the Assembly and is now waiting approval in the Senate. The Urban Enterprise Zone Program has a proven track record for

generating jobs and private investment in the designated zones. Expanding the classification to Asbury Park, Long Branch, and Lakewood, would provide a badly needed economic boost for those municipalities and their surrounding areas. The key to the success of the program is the tax incentives included in the legislation.

And additional tax incentive which MODC favors is the legislation exempting subchapter "S Corporations" from the corporate income tax. Passage of this legislation would encourage retention of existing small businesses and the startup of new ones. On February 5, MODC adopted a resolution in support of Assembly Bill No. 273, and Senate Bill No. 19, and forwarded that resolution to our legislators.

MODC supports other measures having a positive impact on the economy. On January 3, we adopted a resolution supporting the extension of the commuter rail service from Matawan to Lakewood. Not only would many jobs be created in the expansion process, but congestion on our highways, particularly Route 9, would be reduced.

We also supported a resolution on February 7, 1992 encouraging the legislators to lift the cap on the State Transportation Trust Fund, and we're gratified that the Legislature did so. Part of the purpose of raising the cap was to stimulate the economy. MODC would like to see some of that Trust Fund money spent in Monmouth and Ocean Counties so that more people would be put to work, and soon.

We also support increasing the State budget for tourism promotion. The New Jersey Division of Travel and Tourism released a 1991 study which reported that for every \$1 million invested, \$70 million is generated in increased business. Because of the unfavorable publicity generated by the December 11 northeaster, it is more important than ever that the State increase the tourism budget. Tourism, the No. 2 industry in the State, is vital to the economic life of the

Jersey Shore which contributes half of the State's tourism revenue.

On a slightly different note but related to the economy, our members have repeatedly expressed their frustration with the regulatory processes in the State. They're frustrated by the delays between applications and final approvals. Those delays represent unnecessary costs which translate directly into slow growth and decreased competitiveness of New Jersey businesses.

If New Jersey is to have a healthy economy, it must attract new businesses and retain existing ones. First, we need to change the antibusiness perception of our State. We can do this in several ways, one of which is through education. I understand that one of the purposes of the Municipal Business Retention Expansion Program is to educate. If its budget were increased, it, perhaps, would be able to service all communities in the State more rapidly.

As I mentioned earlier, MODC favors increasing tourism dollars. An increase in the State economic development advertising dollars, as well, would be economically beneficial. We need to let the rest of the world know we are business friendly. We want to bring businesses to the State. We want them to know that New Jersey is an attractive place in which to do business and for their employees to live. We need tax incentives to keep us competitive. Tax abatements and other incentives can be extremely attractive, and in the long run a great revenue enhancer for the region and the State as well.

Monmouth and Ocean Counties are beginning to see glimmers of the turnaround in our economy. We are all anxious for that positive economic ball to continue rolling. Our counties have much to offer our residents and others in the State. We believe that some of the tax incentives we have supported as well as other incentives, will aid the process. MODC urges you to enact their implementation.

Thank you for listening to me this morning. I have another little addendum to this. As I was listening to some of the speakers this morning, there were about three of them discussing, again, their frustrations with our regulatory processes. I was actually speaking with one of our members before I came here -- I guess it was on Monday -- talking about perhaps there should be some way, some kind of compromise between these regulatory agencies so that people are not bouncing around all over the place. I don't know how that can be accomplished, but it's something that maybe we ought to pay attention to.

ASSEMBLYMAN SMITH: You realize that under this program we're trying to streamline that process so that it's not that much paperwork to be done? I am pleased to hear you speak of the Urban Enterprise Zone because that happens to be my bill, and we hope that we can get it before the Senate and get it out as soon as we possibly can because that's very important legislation as far as the urban cities are concerned.

You know there are four cities that are up for grabs. When I say up for grabs, it has not been committed out of the ten. There are only six that are committed: those are Asbury Park, Long Branch, Perth Amboy, and Lakewood. Lakewood came in late, but they're in. We've had inquiries from Freehold. Freehold indicates that they might want to join the program. But you see, Freehold doesn't have the requisites of joining the program because their unemployment isn't that high. All the cities in the Urban Enterprise Zone have high unemployment, and that's the reason why this bill be passed as soon as possible.

MS. PITTS: Good. I hope it does go through.

ASSEMBLYWOMAN DERMAN: Do you know the bill number?

ASSEMBLYMAN SMITH: A-1259.

ASSEMBLYWOMAN DERMAN: A-1259.

Thank you very much. I'm sorry about the name.



MS. PITTS: Oh, no. That's all right. You had it right.

ASSEMBLYWOMAN DERMAN: Okay.

Ms. Pappas.

S I A P A P P A S: Good afternoon. I'm Sia Pappas and I'm the Executive Director of the Greater Eatontown Area Chamber of Commerce. Unfortunately, I found out about this meeting only yesterday.

What I would like to say to the Committee is that the people-- It's a very, very small community, and the Chamber is small. However, the businesspeople there are very, very concerned about the processes that go on in bringing industry and development into the area, especially in light of the fact that all indications are that Eatontown will be adversely affected by the closing or the downgrading of Fort Monmouth. In light of these future closings and downgradings, it would be very, very important to attract new businesses into the area to see that the area is not adversely affected economically, not only with larger companies but very, very small businesses.

Eatontown has a lot of small businessmen of mom and pop type organizations, as well as the industrial way. We, at the Chamber, see complaints that some of the restrictions and paperwork that have to go in to attract new businesses actually are hindering businesses coming into the area. Anything that the State can do to ease some of their burdens and to attract new businesses, not only to attract them, but keep them here because we are losing businesses -- they are leaving New Jersey -- would be greatly appreciated.

Thank you.

ASSEMBLYWOMAN DERMAN: Thank you.

Ms. Jane Palaia-Verdoni.

J A N E P A L A I A - V E R D O N I: First of all, I want to know why the women are going last?

ASSEMBLYWOMAN DERMAN: Let me assure you it was inadvertent.

MS. PALAIA-VERDONI: Well, I just thought I'd get your attention. (laughter)

ASSEMBLYWOMAN DERMAN: But, I was beginning to think -- I must say for the record-- I was beginning to think we only had businessmen in this State, that there are no businesswomen.

SENATOR BENNETT: Just note that the Committee is not at 8:00 in the morning, however.

MS. PALAIA-VERDONI: It's an inside joke.

My name is Jane Palaia-Verdoni and I am the Director of Human Resources for the Bel-Ray Company, a manufacturing firm in Monmouth County. That should have got your attention. We employ about 100 people, most of whom are in the 11th District. I'm a constituent of Senator Bennett's, but most of our employees are from the 11th District.

Our company was started in 1946. My boss is the founder and the owner of the company, and he's 72 years old and still works full-time. One of the reasons is, as he puts it, "government regulation." This is a person who built a business from a garage. He started his business in a garage. We make lubricants -- industrial lubricants that are sold worldwide. The obstacle that he has not been able to overcome is government regulation, and we know when he comes in with that on his lips, that we're going to have quite a day.

I wanted to just talk about-- If you look into my remarks, you'll see some of the history of the company. I won't go into that. I wanted to get specifically to the recommendations that we would have as far as what you can do.

First of all, you've made a lot of good steps. ECRA reform, wonderful. The Health Care Reform Act, wonderful. Legislative Oversight, wonderful.

We have a great sales manager at Bel-Ray, and he always tells me this story. He says, "Jane, I could go out and make the sale for you, but once the sale is made, somebody has

to pick up the phone. Somebody has to answer the call for the person who's placing an order, and that person can make or break the sale." The point is, you guys have done a great job in trying to make New Jersey more business friendly. Somebody better tell the people, and I hate to use the word "bureaucrats," but somebody better tell the bureaucrats that this is the message that is supposed to get out. I made up an acronym, B - A - A - -- "Bureaucratic Attitude Adjustment." Total quality management: these are all things that we have to invoke in industry to make ourselves a better manufacturing company and better businesspeople. Somebody better get the message out.

I think some of the opportunities have already been mentioned: parity with the private sector, civil service reform, parity as far as benefits go, downsizing with logic, and accountability. Nobody has talked about accountability. There's definitely an opportunity in the defeat of Initiative and Referendum, and I know that Senator Bennett says he talks for the people, but the people that I know want to keep their jobs in New Jersey. So, they may be in favor of I&R, but I don't know if they would be if they knew it might cost them their jobs.

Other opportunities are in the area of unemployment and workers' compensation reform.

ASSEMBLYWOMAN DERMAN: What specific recommendations did you have with respect to accountability?

MS. PALAIA-VERDONI: Holding people accountable for doing their jobs. In other words, for example, one of the ways that we measure how effective our support staff is, is how many times the call has to get transferred before a person gets an answer.

I spoke to most of our top people in our company and one of the things they said is when you call the DOT or the DEPE, you never get an answer. It could be something as-- If

somebody calls in with a question, who is responsible for that caller? Who tracks whether or not the businessperson gets an answer? It's very simple. All of you hold your staff accountable. If a constituent calls in, you expect that staff person to get an answer to their question. I don't think that happens in the DOT, the DEPE, or any of the other State agencies. I'm sure there are many fine people that work in those agencies, but I don't think they're answering the telephones.

ASSEMBLYWOMAN DERMAN: Any questions, Senator Bennett?

SENATOR BENNETT: No, I have no questions.

ASSEMBLYWOMAN DERMAN: Assemblyman Smith? No?

Thank you very much.

Charles Lein?

SENATOR BENNETT: Just on a point that on the international aspect that your company is involved in, we are going focusing specifically on that aspect at a hearing on April 21 at the Port Authority Tower -- hopefully everything's okay, if we can be there -- that's being designated as Trade and Economic Revitalization Day. We're specifically going to be focusing on the opportunities for New Jersey businesses to expand the exportation of their products overseas. So, I know that's something you're involved in.

MS. PALAIA-VERDONI: Wonderful. You're going to drive, right? (laughter)

SENATOR BENNETT: Sure. We'll take the train.

MS. PALAIA-VERDONI: Okay. Thank you.

ASSEMBLYWOMAN DERMAN: Charles Lein. L-E-I-N.

UNIDENTIFIED SPEAKER IN AUDIENCE: He's not here. He'll be back.

ASSEMBLYWOMAN DERMAN: Ray Kalainikas.

R A Y K A L A I N I K A S: As a private citizen not belonging to any group--

ASSEMBLYWOMAN DERMAN: Excuse me. Mr. Lein? I called you, so you'll go next. All right?

MR. KALAINIKAS: Go right ahead.

ASSEMBLYWOMAN DERMAN: No, go ahead. You're sitting here.

CHARLES LEIN: I'll go next.

ASSEMBLYWOMAN DERMAN: Go ahead.

MR. KALAINIKAS: All right. As a private citizen, I would simply like to convey even it would seem the tax incentive to have industry and to have business prosper in the State of New Jersey would be to come to recognize that taxation, in and of itself, is legal fact in the sense that you're using the machinery of government to steal from the people. It's immoral with respect to the purpose of government. The purpose of government is merely to secure our rights. It's to prohibit one or more individuals from willfully depriving us of the rights of life, liberty, and the pursuit of happiness.

If an individual catches you in the alleyway and says, "Your money or your life?" we say that's wrong. But if a group of people organize and call themselves government and say, "Your money or your life?" we say that's okay, in the form of taxation. If I'm the property of the political state, the political state can take my life, can take all my money. But if I'm the property of the Creator, however you should define that term -- Creator -- the political state has no right to take my money or my life.

Somewhere, somehow, those in government must come to understand you can't use an immoral means to attain a moral end. You would call the moral end good government. You cannot use the immoral means of taxation to achieve that. There is a process of denial going on, and has been going on for quite some time. It's not recent. No one seems to want to say that there is the possibility that taxation is immoral; that it is ethically wrong. Everyone closes their eyes and their ears to that kind of understanding.

Two thousand years ago, a carpenter when asked the question, "Is it lawful to give tribute to Caesar--" Another way of putting it, is it lawful to give tribute to the political state? And the answer, "Give to Caesar that which belongs to Caesar, and give to the Creator that which belongs to the Creator." The reason the people fell over backwards to that response, because they understood it-- We, in our time, seem not to understand the response. Human life, the land, the water, the air, are all creations and the property of the Creator. None of it belongs to Caesar.

If Caesar should take a piece of metal and shape it into a coin and put his inscription on it, the metal and the inscription are his, but if he should designate on the coin \$100 and say that now represents \$100 of your assets and then proceeds to take the coin -- claiming it represents the \$100 -- he cannot do that. He can take the coin back, and the coin only, in terms of the metal and the inscription, but it cannot represent \$100 of your assets. When someone gives to Caesar that which belongs to Caesar, your labor does not belong to Caesar. It's yours.

We've been operating under an assumption that somehow taxation is okay. It's not. The alternative to taxation for the running of government is payment for services rendered and accepted. That's one. The second option is voluntary cooperation similar in nature to a volunteer fire company or a volunteer first aid squad -- what the farmer is in concept to the Amish. That's the ideal, actually.

Ben Franklin put forth a notion that public servants should not be paid. He did not win his argument, but if he could come forward with the Founding Fathers and they could see what's going on today and he could go back with the Founding Fathers, I suspect he would win his argument.

Payment for services rendered and accepted. Many people in government seem not to understand that concept. If

you go to a plumber and you want a job done, the plumber says, "I will charge you this much for this kind of work," and he does it and you agree to it, you must pay him. It's not a voluntary payment. You must pay him. But if you say, "I will not accept your offer," he cannot take the money from you. But we all know with regard to property taxation, if I suppose as a homeowner say, "I do not want the services connected with a property tax. Therefore, I will not pay and I will not accept the services," and government says to you, "That's too bad. We will now take your house and property from you, irregardless if you want the services or not." So there is no true private property in our society. We all lease or rent from government. If you don't pay your rent, you're out.

I'm saying this to you as people in government, but the question is, "Do you really want to know the truth?" And so many times I've spoken to committees of government, the impression I get after a very long period of time is, you really don't want to know the truth because of the price you might have to pay, yourselves. It's a big price. None of you would have \$35,000 a year plus the benefits if you agree to what I'm saying. Many of you would have to-- If you're going to run and say, "I'm opposed to taxation," then the political parties would not support you. So do you really want to know what I'm talking about here this morning? I suspect not.

The argument obviously for helping business in the State of New Jersey is to phase out taxation entirely. Do away with the property and income tax first; they're the most onerous and burdensome. Then eventually phase out the sales tax entirely, so all government is payment for services rendered and accepted and in voluntary cooperation. Eventually, voluntary cooperation must be the ideal for all government activity. In my personal opinion, this is the biggest piece of advice I can give you this morning, if you really are concerned about economic growth. Taxation is legal

fact. It is immoral with regard to the purpose of government and the only alternatives are payment for services rendered and accepted, and voluntary cooperation similar in operation to a volunteer fire company, as an example.

I don't know if you have any questions. The amazing part when I've been before people of government, they listen but they never have any questions.

ASSEMBLYWOMAN DERMAN: I've a question.

MR. KALAINIKAS: Yes?

ASSEMBLYWOMAN DERMAN: Do you know of any society in which your plan has worked?

MR. KALAINIKAS: Because-- Perhaps in a smaller society, yes. In other words, when this country was first initiated, in many towns there was no taxation at all. But over a period of time, people began to say-- People that wanted to, shall we say, take control, have power, put money in their pocket, began justifying slowly -- but ever so slowly -- the concept of taxation. You know the way we began. It was essentially imposed as an excise tax, sales tax on tobacco and liquor, and as time moved forward it began to be an income tax and property tax, and then we reached the point where we're being taxed to death.

And you know, the average citizen is frightened to death to speak out and say what I'm saying, because he's afraid of his own government. You know that. The most feared organization on the planet is not the CIA to the average citizen. It's the IRS. They have untold power. Prior to this century, to what extent was there a property tax or an income tax? The Founding Fathers -- I'm thinking of Thomas Jefferson who was Quaker and Unitarian in his religious beliefs; he was raised Church of England -- I think basically rejected that. The early Quakers held that since your Creator is your Creator, that's your only master. No human being has the right to be master over any other human being. All human relationships must be voluntary.



Harriet, I think, I'm not sure-- I don't know what your religious persuasion is, but I do know in the religion of Judaism, taxation is accepted. In pure Christianity it is not. So, when people say this is a Christian nation, I say, "Nonsense. It's not." We agree to more principles of Judaism than we do the principles of Christianity. Fact; not myth; fact. This is a Judaic nation. Fact: in terms of the principles we are currently abiding and living by. There's very little Christianity in this country. Pure Christianity would exclude taxation totally and completely.

ASSEMBLYWOMAN DERMAN: I've read your material on this and I really had hoped that I wouldn't have to get into it, but I find your statement extremely objectionable, just as I found your letter that you left in all of our mailboxes extremely objectionable.

MR. KALAINIKAS: What's objectionable, Harriet?

ASSEMBLYWOMAN DERMAN: Are you suggesting that because of some Jewish influence that we have taxes in the United States of America?

MR. KALAINIKAS: I'm saying that's upholding the whole tax structure.

ASSEMBLYWOMAN DERMAN: You make some very, very strong points, and let me just suggest to you, by making statements like this, you detract from your own credibility.

That's all I really have to say on the subject.

MR. KALAINIKAS: I guess what I'm saying to you in so many words is, the religion of Judaism has more control and influence over government than the religion of Christianity, and that's a fact. That's the reason taxation continues to exist and it will continue to exist.

ASSEMBLYWOMAN DERMAN: Well, I find your statement totally outrageous, really, and I'm personally insulted by what you have to say.

MR. KALAINIKAS: We're talking about religions.

ASSEMBLYWOMAN DERMAN: Well, I'm sure you're aware of separation of church and state matters, and I'm committed to upholding-- I really think that this conversation is going to deteriorate. And, you make some very good points -- some cogent points with which, I'm sure, we all agree that we would rather have less taxation rather than more. But you do yourself a tremendous disservice by bringing in whether we're a Judaic or Christian society in this country.

MR. KALAINIKAS: I'm talking in terms of principles by the way the government is operating. We're not operating on principles stemming from a Christian understanding. We're operating on principles consistent with the Judaic understanding; particularly in our justice system. There is no real consent for rehabilitation and love of your fellow human being; it is more punishment. It is very vindictive, not at all consistent with a Christian basis of what, perhaps, government could be. That is a real barometer of this society. Take a look at the justice system and that will tell you where this society is going. The concept of love your enemy is almost alien in our society, and that's unfortunate, but that's the heart of Christianity -- love your enemy. It doesn't exist in this society. You all scream for the death penalty. You all scream for greater and more severe punishment for your fellow human beings. The concept of forgiveness is alien in this society.

Again, we're talking about two religious concepts; two religious creeds; two religious understandings; and the religion of Judaism is predominant in terms of controlling this government. I'm sorry, but that's a fact.

ASSEMBLYWOMAN DERMAN: Excuse me. Assemblyman Smith, do you have any questions?

ASSEMBLYMAN SMITH: No, I think we should cut this conversation off because it has no part in what we're considering this morning.

ASSEMBLYWOMAN DERMAN: Assemblyman Corodemus?

ASSEMBLYMAN CORODEMUS: I support that.

ASSEMBLYWOMAN DERMAN: Okay. Thank you very much.

MR. KALAINIKAS: Okay.

ASSEMBLYWOMAN DERMAN: Charles Lein.

MR. LEIN: Good afternoon. My name is Charles Lein. It's spelled L-E-I-N and pronounced L-A-N-E. Thank you.

I'm an economic developer for Marlboro Township, also the Deputy Mayor, so I'm actually here to speak on behalf of Matt Scannapieco, the Mayor of Marlboro -- your host.

So, good afternoon. Probably what I had to say, most of which you've heard already today, which in a way makes me feel good because it's a problem that we, in the administration/township point of view, is being felt and seen by the business world out there that has spoken to you already.

The first thing I want to talk about was mentioned a little while ago. Well, I'll go back way earlier. One of your earlier and better speakers was Mr. Healey who spoke for the yacht business. He spoke eloquently. It just so happens we in Marlboro have had the impact of his business. We used to have a yacht builder in Marlboro -- a major yacht builder. He's no longer here. He's Chapter 13 is the easiest way to put it. So that was the result of economic bad times, possibly a result of the Luxury Tax. So we, in Marlboro, felt the direct impact on an industry that was spoken about earlier, that being the yacht building. But, as a result of that, that leads me to the progress of where do we go? The past is past. History is on the books.

I have, as a member of Marlboro administration, a piece of property that used to have the yacht building. In the not so recent past, an individual wanted to come to Marlboro and was very much interested in purchasing the former yacht building for his own business purposes. But he said to me personally, "What can you do for me?" Now it happened to be a

business in North Jersey who liked what he saw down here and wanted to relocate to Marlboro. He liked the area. He liked the facilities that were available to him.

What I'm about to say not only applies to somebody relocating -- and I know you're not so concerned about relocation in the State because that keeps the business of economics in the State -- but what applies is the principle. Maybe this individual was just across from the Pennsylvania border or the New York border. So he said, "What can you do for me, that I should move down and purchase this property, and move my business to this town?"

So I speak to you from a township point of view. Yes, we have a commercial piece of property sitting vacant. It doesn't produce any jobs. It doesn't produce any ratables. It doesn't produce any economy for the State or the town. It sits idle. Looking at what we can do for an individual, we came back empty. We as a township can't induce businesses into town. We have nothing. He says, "What kind of carrot can you offer me?" And legally -- we are a legal administration -- we can't offer anybody any tax abatements, any inducements, to come here, whether it's from another county or another state.

All businesses start in a township. You've heard from an individual who had a sewer problem between two townships. Every business starts-- You're looking at it from the statewide perspective which is looking down, and I'm going to tell you from the perspective of the administration and the township perspective, we're looking up. But it should all work together. Every little town builds your State. Every little municipality has to deal with their problems, and all together all the municipalities is the State of New Jersey.

So we have to work together on how do we improve the economic development of the towns. If we can improve the economic development of every town, you put it together: You can improve the economic development of the State. Then it

goes up, and then it comes down. I'm not saying looking at it from your perspective is a negative perspective. I want you to consider the smaller entities -- the townships.

Hence, the first thing I bring to you as a problem-- Now I have to be honest. I haven't heard from this potential businessman in over a month. Has he relocated elsewhere? Has he relocated outside the State? Has he moved to another township? I don't know. This is a building industry. He felt he had to move his facilities to somewhere else. He found one in Marlboro, and to this day I can tell you, we have not heard from him again. I could not offer him anything.

Possibly some kind of incentives the towns could offer, out of town, out-of-state-- Even across the State, I know, again, moving from one county to another doesn't affect the State economy, but the same principle applies if somebody from Pennsylvania wants to move across the border or somebody from New York wants to move across the border. Our towns, and specifically Marlboro because that's who I represent, but every town has the same problem: Our towns have to be able to attract. And he said to me, "What kind of carrot-- What can you do? What incentive can you give me to move to your town?" And having said, and analyzed-- The answer was, "We're good people." But, isn't everybody nice? We couldn't give them any tax incentive, any financial incentive. They're businesspeople. They're looking for some kind of financial gain, be it hard dollars or soft dollars. They're looking for something.

So I appeal to you to look at an approach from a township's point of view by which you can help the townships offer soft or hard dollars; that which reaches the bottom line to companies, by which they want to move to my town. If the Mayor of Colts Neck sat here, that Mayor would say the same thing. The Mayor of Manalapan, whatever township, that mayor or deputy mayor, or economic developer for that township, would say, "Give me something to attract something to my township."

So from the State's point of view -- your Committee's point of view -- please consider the help that you can give the townships to help the companies. We want to be business friendly, but when I can say only, "We're nice people. Come on down." Now, isn't everybody nice? Come on down. So please look at that aspect. That's my first aspect.

Second aspect is--

ASSEMBLYWOMAN DERMAN: Excuse me. What you're suggesting is that there isn't sufficient latitude in order to offer tax incentives or tax abatements within our legislative system.

MR. LEIN: Exactly. There may be zones for depressed areas which are specific to certain-- But to the Township of Marlboro and most of the townships in this State, there's no incentive that we as a township can do to attract anybody.

ASSEMBLYMAN SMITH: Would you give tax abatements if you could?

MR. LEIN: If it was legal. Yes, sir. A limited amount. I wouldn't say forever. As a matter of fact, this individual proposed a situation to me. When I investigated, I found out that it's not legal for us to do it. He says, "I know what my taxes would be if I bought this piece of property." He says, "I propose a situation by which over a five-year period, you give me a break on 50 percent tax reduction the first year, and reduce that and scale it down. After five years I'll pay my full taxes." That would have ended up being like a \$70,000 incentive to him, and he would have liked that.

ASSEMBLYMAN SMITH: Yes, but when you get to the tax abatement, is your community ready to accept tax abatement, because if you give him a reduction in taxes, some other taxpayer has to make up that reduction?

MR. LEIN: Sir, I can tell you right now, that property's not drawing down any taxes. So for me to get him in-- If I give him tax free for one year, I'm not worse off

than I was last year. But the following year I'm starting to get some taxes back and then another-- You know what I'm saying? That property has been sitting idle for two years, maybe, three years. Right now there are no taxes there. The rest of the community is picking up the entire tax void. If we still have to bring business in, even if it were void for one year, we still have to increase-- I proposed that as a possibility. It was proposed to me.

The point is, if we get people come in who take vacant property, or come in and build, even if you give them an abatement for two years, the third year or fourth year -- or whenever you do it, whatever the incentive is -- somewhere down the line there are going to be positive dollars. Right now an empty lot or an empty building is no income, and the township has to pick up that void of zero. Do you get my calculations? Do you see what I'm saying? But two years down the line or five years down the line, whatever it may be, that incentive is now positive dollars on the tax books and now that does help contribute to the rest of the township.

ASSEMBLYMAN SMITH: Well, there are abatement laws on the books.

MR. LEIN: Excuse me?

ASSEMBLYMAN SMITH: There are abatement laws on the books.

MR. LEIN: No, not for our township, sir.

ASSEMBLYMAN SMITH: For new construction and also for improvements that make, 20, 40, 60, 80, 100 percent.

MR. LEIN: Not for this township. I'm saying we don't have tax abatements. I'm saying a proposal was made to me as an idea from a business. That's not what's on the books. I can't grant it as a township administrator.

ASSEMBLYMAN SMITH: Well, if you're going to do like New York is doing-- New York is offering tremendous abatements to people to stay in the City of New York who are threatening to move out. Is that what you're talking about? You want some

legislative intent, legislative wherewithal so that you can do this?

MR. LEIN: I would like to see something, some kind of incentive to attract. You're saying to keep. I'm not saying we have an influx of people leaving town, I'm trying to attract people into town to develop undeveloped property, commercial, light industry area, or buy it empty. So what I've got is an empty light industry zone. I've got empty buildings.

ASSEMBLYMAN SMITH: Every small town does.

MR. LEIN: Exactly. So from the State point of view, if you can help the townships, every township-- I'm not saying I'm raiding another county. That happened to be the situation. They came to us from another county. But, if you have the incentive, what you might be doing is attracting somebody from New York who feels he's had it up to here with his taxes, and can find his bottom line a little bit more attractive in Marlboro Township or whatever township it may be -- of course, I speak for Marlboro -- or Pennsylvania, crossing the border into a western county or further over. He might want to be closer to the shore, or Monmouth County.

So what I'm suggesting is, some sort of tax abatement scheduling. I'm not looking for-- This individual comes, and he's talking dollars -- \$70,000. I haven't heard from him since, because I couldn't do it for him. You have to be able to provide some reason people want to come to your town. Every town needs that reason. So, if you see what I'm saying, before I move to my next point. Does that answer your question, sir?

ASSEMBLYMAN SMITH: I understand. I'm from a small city that has a greater problem than your city does.

MR. LEIN: Well, I'm sure you do. But the point is, we all have our problems and I'm speaking from the townships, such as Marlboro Township. I have an empty building. I have empty lots. And you're saying the rest of the town has to pick up the tax load if I give an abatement.



ASSEMBLYMAN S TH: It does.

MR. LEIN: It doesn't, sir, because that empty lot and empty building aren't creating any rate. There's no ratable coming in now. If I can attract somebody to take that property or develop that land, in possibly two years I now have the ratable that will help defray the rate to the rest of the residents. I'm not eliminating the tax. I don't have any income from that empty building at the moment. That's sitting empty. It's not doing me or the economy any good. So that's my proposal.

Give us something to help attract to the township level. Okay. That was number one.

Number two was mentioned several times this morning, and I think Mr. Morris from Pizza Hut touched on it. I want to also touch on it because, again, if you hear it more than once, maybe you'll say, "Gee, it's coming from different points of view, different perspectives. We should consider it seriously."

It is the permit process at the State level. The permit process at the State level is strangling the townships. What I want to refer to is that a legitimate individual, developer, business, wants to come into a town and he wants to develop. By the time he has to go through all this permit process -- and the major ones of DEPE-- Again everybody loves to hear that -- DEPE -- because that's the one that really stops them cold in their tracks. I think somebody mentioned earlier about a 90-day process. Do it or don't do it in 90 days. The DOT-- These are the major agencies.

The agencies at the State level are not helping the townships develop. They really aren't. And no matter what your corporation, major or small; businesses big or small, are going into townships. But once you get through the township process -- which in its own way is a little problem -- but once you get past the township process you have to get through the

State process. We need relief at the permit process processing. It has to be faster. It just has to be. I mean, these are just discouraging people. It's costing them money. If you want to generate income and economy, don't keep charging it--

Where the money goes is to the accountants and attorneys. Maybe the accountants and attorneys don't want to hear that, but the businesspeople have to pay a tremendous amount of resources, of their limited income, where they may have to turn around and ask for loans. On the other hand, they're paying part of their money to attorneys to get these things all processed.

The process at the State level is just smothering, especially the small businessmen, and it's slowing down the big businessmen. The State processing of permits has to be examined. It has to help the townships get these things approved so then they can then go on to do their property, the development or whatever it is they want to do.

The third topic -- I only have four -- is infrastructure. Can the State help townships with infrastructure? In the way of grants-- I'll be a little specific. What comes to my mind is, in Marlboro Township we have an area zoned for light industry. It's in a corner of our town, but our sewer and our water -- city sewers, city water -- do not go to that section of town. This is a deterrent for anyone coming into that zoned area to develop. Then they'd have to run sewer and water lines an extensive distance which is very expensive. The process that's now applied-- I have no problem with the process that now applies. A developer comes in and he's got to connect up to the local sewer line or the water line, and he pays that expense. I have no problem with it except if we have in our particular case a commercial zone or industrial zone that's so far away from the hook-up that it's not economically feasible for him to do it, he's not going to do it.

What I suggest as a possibility is some kind of grant money that these utilities can expand their sewer and water lines to the zones so that it makes it more attractive and less expensive for a developer to come in and develop the industrial area, hence creating-- He might like the area of Marlboro, but by the time he put these utilities in, it's not worth his while. He'll go elsewhere. And I've got to believe, and you people understand a little bit more than I do, that in suburban areas of town -- not the major cities, of course -- there's a lot of areas that don't have sewer and water situations spreading to city sewer and city water. So I just present that as something for your consideration.

Yes, sir? You have a question?

ASSEMBLYMAN SMITH: Infrastructure is a very important part of what is being considered anyway in regard to that. There are grants available for the using of television cameras and checking a system to see if there are any breaks, because in the infrastructure, in your sewer system, there's a lot of wastewater leaking into the sewer system, and it causes pollution. So many of our towns are so old that their infrastructure is crumbling. There are some grants available for checking your infrastructure to see where it needs repair.

MR. LEIN: Well I think that's excellent. I think that's excellent, sir, that there is grant money available for the examination and repair of existing systems. What I'm proposing for consideration is that systems be expanded. Now, major cities have possibly a full system of city water and city sewers. In Marlboro, our town is not completely lined with waterlines and pipelines. My suggestion is possibly grant money be considered to expand the waterlines and sewer lines to the areas of town for new construction. The new construction itself would add jobs. So the construction-- It has a twofold approach here. You're bringing a service to an area that then can be developed for economic, commercial, and industrial

purposes, but also the development of the economic lines and laying the sewer and laying the water is also developing jobs in the process of providing that. It approaches the construction aspect to put in the water and sewer and then brings it to an area where someone else might want to come in and develop it.

My last would be touching the topic of township properties, which every township is involved in. Again, I'm talking about construction. We're a developing town. Development has slowed in the last several years, like every other recessionary aspect has slowed down everything.

The people who have talked today about the recession is starting to pull up, I agree. Yes, that's true. I think we can be happy to say that. I think we've seen bottom. But it's going to be a slow grind to get back to where everybody feels very comfortable in their jobs and the expansion.

With growing towns such as Marlboro, everything's exploding at the municipal level. We're in the process of building a municipal recreation building. We would like to consider building and expanding our police force which, when I moved into town 23 or 24 years ago, maybe we had a police force of two or three, and the police force is over 50. Obviously our facilities that were built 20 years ago can't accommodate our police department. So consideration for construction of a new police department, and all the other aspects of municipal construction--

If more money could be made available on a grant basis, we cannot only service the communities at the lower level, but also put people back to work in the construction area. If at this time of need, could there be more aid given to municipal construction projects? I just mentioned a couple, but every town's got a jail, or a police department, or a municipal recreation, or a whatever. Everybody's got their township needs, and everybody's got to do it through their own bonding and taxing.

SENATOR BENNETT: Community center, here.

MR. LEIN: Well, I may have said recreation--

SENATOR BENNETT: Not a jail.

MR. LEIN: Well, some towns have the need. We don't. We don't have the need. We have a holding area.

ASSEMBLYMAN SMITH: You don't have a jail?

MR. LEIN: We have a holding area.

ASSEMBLYMAN SMITH: You have holding cells -- holding cells.

MR. LEIN: Cells. As matter of fact they may be directly below you. Don't fall through.

ASSEMBLYMAN SMITH: You don't keep any prisoner overnight?

SENATOR BENNETT: Very seldom.

MR. LEIN: I don't know how long the Police Department holds them. It's just a holding area. The County is just down the road a piece, so we use their facilities.

These are needs from the township perspective that I wish would be considered again. I've overlapped with several other speakers who talked from a business perspective. So you can see their needs and our needs are basically the same needs, and it would stimulate townships, and every township combined stimulates the State. We're only one part of the State, but it takes all the parts to make the whole.

I would appreciate if you would consider some of the ideas and thoughts I've thrown out. I thank you very much for your time. Any questions before I leave?

ASSEMBLYWOMAN DERMAN: No, thank you very much.

I believe that concludes our session for this morning and afternoon. Thank you very much.

(MEETING CONCLUDED)

**APPENDIX**



273 BRANCHPORT AVENUE, LONG BRANCH, N.J. 07740-6899  
(908) 222-6880  
FAX (908) 222-8707

March 24, 1993

Mr. Chris Berry  
Office Of Legislative Services  
Joint Legislative Committee on Economic Recovery  
New Jersey State Legislature  
Legislative Office Building  
CN-068  
Trenton, NJ 08625-0068

Dear Chris:

As you requested, enclosed is a copy of my speech before members of the Joint Legislative Committee on Economic Recovery at the Marlboro Town Hall Courthouse on Wednesday, March 24, 1993.

I would appreciate receiving from you a list of the Committee members who were present.

I appreciate the fact that the Committee gave me a chance to speak and if I can be of any further assistance, please contact me.

Yours truly,

A handwritten signature in dark ink, appearing to read "Joe", written over a large, stylized circular flourish.

Joseph P. Henry  
Vice President  
Finance/Administration

JPH:jsr

Enclosure

DEAR COMMITTEE MEMBERS:

MY NAME IS JOSEPH P. HENRY. I AM VICE PRESIDENT OF FINANCE/ADMINISTRATION AND SECRETARY/TREASURER OF WHEELLOCK, INC., A MANUFACTURING COMPANY LOCATED IN LONG BRANCH, NEW JERSEY AND WE ARE INCORPORATED IN NEW JERSEY. WE ARE A SMALL BUSINESS AS DEFINED BY THE SMALL BUSINESS ADMINISTRATION AND EMPLOY APPROXIMATELY 250 PEOPLE. WE MANUFACTURE AUDIBLE AND VISUAL NOTIFICATION APPLIANCES FOR USE IN THE LIFE SAFETY AND TELEPHONE MARKETS.

AS YOU KNOW, NEW JERSEY HAS BEEN STEADILY LOSING MANUFACTURING JOBS. ACCORDING TO AN ARTICLE PUBLISHED IN THE ASBURY PARK PRESS ON SUNDAY, DECEMBER 20, 1992, THE TOTAL JOB LOSS DURING THE RECESSION WAS 325,000 JOBS, WITH 132,000 OF THESE JOBS IN MANUFACTURING. FURTHER, THE SAME ARTICLE POINTS OUT THAT IN EACH YEAR SINCE 1987 MORE PEOPLE HAVE MOVED OUT OF NEW JERSEY THAN HAVE MOVED IN. SOME OF THIS HAS BEEN DUE TO DOWNSIZING, BUT IN MANY INSTANCES COMPANIES HAVE LEFT THE STATE OF NEW JERSEY DUE TO THE HIGH COST OF DOING BUSINESS IN THIS STATE AND I QUOTE FROM AN ARTICLE WRITTEN BY RANDALL KIRKPATRICK IN THE BUSINESS JOURNAL OF NEW JERSEY ENTITLED WHY NEW JERSEY DOESN'T WORK. "WITH SOME OF THE MOST OPPRESSIVE RULES AND REGULATIONS IN THE NATION, NEW JERSEY IS CHOKING THE LIFE OUT OF SMALL BUSINESS - AS WELL AS ITS OWN ECONOMIC FUTURE. CAN TRENTON



LOOSEN THE RED TAPE BEFORE EMPLOYERS TAKE THEIR BUSINESS ELSEWHERE?"

OUR PRESIDENT CURRENTLY SPENDS ONE THIRD OF HIS TIME REVIEWING DOCUMENTS FOR APPROPRIATE COMPLIANCE TO CODES, REGULATIONS AND STANDARDS AND TO ANTICIPATE HOW WE AS A COMPANY NEED TO PROTECT OURSELVES AGAINST THE EVER CHANGING AND EVER EXPANDING POSSIBLE REASONS FOR BEING SUED. WE NOW HAVE A "BUNKER" MENTALITY. WE ARE REACTIVE INSTEAD OF PROACTIVE AND WE NEED TO SPEND LESS TIME REVIEWING AND REACTING TO OPPRESSIVE RULES AND REGULATIONS AND MORE TIME BEING CREATIVE TO GROW OUR BUSINESS AND CREATE MORE JOBS IN THE STATE OF NEW JERSEY.

*Shaw  
Pham*

AS A FURTHER EXAMPLE, OUR LEGAL COSTS HAVE QUADRUPLED IN THE LAST THREE YEARS. I SPEND 100% OF MY TIME ON LEGAL MATTERS AND WE WILL BE ADDING, PROBABLY THIS YEAR, A FULL-TIME IN-HOUSE LAWYER TO OUR STAFF.

I REALIZE THAT MANY OF YOU AND YOUR COLLEAGUES ARE LAWYERS AND I DO NOT WANT TO OFFEND YOU, BUT WE ARE PRODUCING SOMEWHERE BETWEEN 35,000 AND 40,000 NEW LAWYERS EACH YEAR RESULTING IN AN OVERSUPPLY. IS THERE ANY CONNECTION BETWEEN THE OVERSUPPLY OF LAWYERS AND THE GROWING MORASS OF LAWS?

WE ARE AMERICANS AND SUPPORT EQUAL JUSTICE FOR ALL, BUT WE ARE STIFLING RISK TAKING AND CREATIVITY WITH LEGISLATIVE OVERKILL.

THE WALL STREET JOURNAL ON FEBRUARY 16, 1993 SAID "THE NUMBER OF EMPLOYEES WORKING FOR FEDERAL, STATE AND LOCAL GOVERNMENTS SURPASSED THE LEVEL OF MANUFACTURING JOBS IN 1992. THE 18 MILLION GOVERNMENT EMPLOYEES, WHICH EXCLUDES MILITARY PERSONNEL, EXCEEDED THE SLIPPING MANUFACTURING SECTOR BY 100,000. TO SUPPORT IT ALL, THE AVERAGE FAMILY PAYS \$16,110 IN TAXES, SAYS THE DALLAS BASED INSTITUTE FOR POLICY INNOVATION."

FURTHER, AN ASBURY PARK PRESS ARTICLE ON FEBRUARY 16, 1993, POINTS OUT THAT "SINCE NOVEMBER, 1990, NEW JERSEY STATE GOVERNMENT HAS HAD A HIRING FREEZE. HOWEVER, 8,134 EMPLOYEES WERE HIRED."

OBVIOUSLY TO BEGIN WITH, GOVERNMENT MUST DO WHAT BUSINESS DOES, CONTROL YOUR COSTS AND DOWNSIZE YOUR OVERALL STAFFS. I CITE AGAIN FROM THE BUSINESS JOURNAL OF NEW JERSEY IN FEBRUARY, 1993 AND I QUOTE "CUTTING THE FAT OUT OF THE STATE'S CORPULENT BUREAUCRACY, SAYS PRINCETON AUTHOR AND CONSULTANT STEVEN SCHLOSSSTEIN, IS A RESPONSE TO REAL-WORLD STIMULI. 'NEW JERSEY HAS A HISTORY OF HEAVY GOVERNMENT,

WHERE MORE REGULATION IS SUPPOSEDLY BETTER THAN LESS. WE'RE NOW SEEING PRESSURE BUILDING ON OUR STATE GOVERNMENT IN GENERAL TO REDEFINE THEIR BUREAUCRACIES,' HE SAYS. 'THEY ARE THE SAME PRESSURES TO DOWNSIZE OR DECENTRALIZE AS THOSE BEING FELT BY COMPANIES LIKE IBM OR GM."

WE MUST ENCOURAGE COMPANIES TO STAY AND EXPAND IN NEW JERSEY AND ALSO ENCOURAGE COMPANIES TO MOVE INTO NEW JERSEY.

LET ME PROVIDE YOU WITH SOME WAYS WHICH I FEEL CAN ACCOMPLISH THIS. FIRST, MANY YEARS AGO I ATTENDED A MEETING ON SIMILAR ISSUES AT RIDER COLLEGE. ONE OF THE MAIN POINTS THAT I BROUGHT UP AT THIS MEETING WHICH WAS UNANIMOUSLY ENDORSED BY THE GROUP AND WAS SUPPOSED TO HAVE BEEN PRESENTED TO GOVERNOR KEAN, WAS TO HAVE NEW JERSEY STREAMLINE THEIR CORPORATE TAX SYSTEM AND HAVE IT COMPLETELY COMPATIBLE WITH OUR FEDERAL TAX SYSTEM AND ALLOW S CORPORATIONS. I URGE YOU TO PASS THIS LEGISLATION NOW.

ALSO, I THINK WE SHOULD ALLOW COMPANIES TAX INCENTIVES TO COME INTO OUR STATE. THERE ARE FIGURES AVAILABLE WHICH SHOW WHAT EVERY EMPLOYEE HIRED IN THE STATE AT CERTAIN INCOME LEVELS WILL CONTRIBUTE TO THE STATE IN PERSONAL INCOME TAXES AND SALES TAXES. YOU COULD PROVIDE A TAX REBATE TO INCOMING COMPANIES FOR A PERIOD OF YEARS BASED UPON THESE

CALCULATIONS. THIS REBATE COULD BE BASED UPON THE NUMBER OF JOBS CREATED. AS THEY GROW THEIR EMPLOYEES, CONTINUE THIS REBATE FOR X NUMBER OF YEARS. FURTHER, THIS NEW EMBEDDED JOB BASE WILL SPEND MONEY IN NEW JERSEY AND FURTHER STIMULATE THE LOCAL AND STATE ECONOMIES AND GENERATE MORE TAX REVENUE.

I HAVE ANOTHER INNOVATIVE IDEA AND THAT IS TO PAY A FINDER'S FEE TO ANY INDIVIDUAL OR CORPORATION WHO BRINGS NEW BUSINESSES TO THE STATE. THIS FEE WOULD BE IN THE FORM OF A ONE-TIME TAX CREDIT BASED UPON THE SALES OR NUMBER OF EMPLOYEES GENERATED BY THE NEW COMPANY.

THERE ARE MANY SPECIFIC AREAS IN WHICH NEW JERSEY COMPANIES FACE INCREASING COSTS. SUCH AS THE COST OF HEALTH INSURANCE PER WORKER AND THE COST OF WORKERS COMPENSATION. I QUOTE FROM AN ARTICLE THAT APPEARED IN THE KIPLINGER WASHINGTON LETTER DATED NOVEMBER 20, 1992:

"EMPLOYERS LOOK TO OREGON FOR IDEAS ON HOLDING DOWN THEIR COSTS. WORKERS' COMP PREMIUMS THERE HAVE DROPPED 30% IN THE PAST THREE YEARS. THOSE FILING CLAIMS IN OREGON MUST PROVE THAT AN INJURY IS WORK RELATED. LAWYER FEES ARE LIMITED TO 10%. WORKERS MUST USE

MANAGED-CARE DOCTORS. ANYONE HURT MUST BE REHIRED BUT  
CAN'T FILE ANOTHER CLAIM FOR THREE YEARS."

IN CLOSING, I APPRECIATE THE FACT THAT YOU HAVE GIVEN ME  
THIS OPPORTUNITY TO TESTIFY BEFORE YOU TODAY. I TRUST THIS  
TESTIMONY WILL NOT FALL ON DEAF EARS AND THAT YOUR COMMITTEE  
WILL TAKE POSITIVE ACTION TO BRING ABOUT ECONOMIC RECOVERY  
IN THE STATE OF NEW JERSEY.

ROBERT L. HILLY  
CHANDLER, CT

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**NEW JERSEY BOATBUILDERS PROPOSE  
ECONOMIC RECOVERY ACTION**

**NJ Joint Legislative Committee on Economic Recovery  
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New Jersey is a boatbuilding state. Historically, New Jersey craftsmen have set the standard for Boatbuilding. American Boatbuilders have set the standard in the world market place. Recently, however, these efforts have been undermined by unfair legislation. Its time for recovery.

As a result of the imposition of the 10% federal excise tax on new boats over \$100,000 effective January 1, 1991, eight New Jersey boat manufacturers have been devastated. Due to a drastic fall off of new boat sales (75%), New Jersey boatbuilding employment has dropped 87%: 4,500 jobs in 1990 to 600 jobs today. In 1990, New Jersey boatbuilders also employed 10,000 local people in marine related businesses. Today, only 2,500 of those jobs remain. This equates to 75% unemployment in marine sustained businesses in New Jersey!

Washington lawmakers now agree that this excise tax has caused great harm and must be repealed. This tax costs the federal and state governments significantly in lost income taxes and unemployment compensation. Repeal of the 10% federal excise tax is expected within the next 30 to 180 days.

These long established boatbuilders have been financially crushed and need immediate assistance to bring back their companies and 11,500 jobs that have been lost.

New Jersey boatbuilders foresee an upturn in the economy and the repeal of the 10% federal excise tax which will deliver a surge in sales from a two year penned up demand. They have the plants, equipment, and tooling to meet the anticipated upsurge, but have been drained of the liquidity to meet payrolls and purchase materials needed to substantially increase production.

If the State, through the appropriate legislation, could provide the assistance needed, 7,000 jobs could be restored within the first year and 4,500 jobs in the second year.

# REGRESSIVE EXCISE TAX FACT SHEET

A. This is a jobs issue.

Since the 10% federal excise tax on new boats costing over \$100,000 took effect on January 1, 1991, the marine industry has been devastated. Here are the gruesome facts:

- 150,000 marine industry employees have lost their jobs.
- 56.5% of boatbuilding manufacturer's workers have been let go.
- 100 manufacturing companies have gone out of business.
- \$5.00 is added to the federal deficit for every \$1.00 of excise tax collected.
- Sales of new boats affected by the tax are off 75%. During the recessions of 1975-76 and 1980-81, sales were off by 35%.
- As every day goes by, more companies are being forced to close and more jobs are being lost.

B. Immediate repeal of the Regressive Excise Tax will enable boat builders to re-employ 25,000 workers plus many others in related businesses.

C. This small industry has lost over \$1 billion in capital over the last two years and desperately needs an equity infusion.

D. The repeal must be retroactive to January 1, 1992 to impart re-capitalize the manufacturers and dealers who have borne the cost of this tax.

E. The American boat building industry is #1 in both sales and quality in the world. The boating industry is one of the few American manufacturing industries that maintains a net trade surplus: \$616 million in 1990, while import penetration in the U.S. market was under 5% in 1989.

F. Building a boat is very labor-intensive. For example, to build a 60' boat employs 60 people for over 100 days.

G. Why is it that other recreational items -- vacation homes, country club memberships, skis, etc. -- are not burdened by excise taxes? The premise of an excise tax is undemocratic and in this case increases the deficit and puts decent hardworking Americans out of work and on the street.



MAP-28-100 (REV. 10-1-77) (NON-ELECTRONIC) (RE-3) (NO TEL NO-508-522-7114)  
TO: CHRIS BERRY  
FROM: SAL RUMFALA

5 PAGES INCLUDING THIS.

TESTIMONY PRESENTED TO THE JOINT LEGISLATIVE COMMITTEE ON  
ECONOMIC RECOVERY  
NEW JERSEY STATE LEGISLATURE

Senator Sinagra (Jack)

Assemblywoman Derman (Harriet)

Assemblyman Corodemius (Steve)

and other members of the Joint Legislative Committee on Economic Recovery.

Thank you for giving me the opportunity to testify today and participate in this very important issue.

I understand that I only have 10 minutes so I will be brief and to the point.

Economic recovery can come about in many ways, but the quickest and most sustaining recovery will come about from the redevelopment of the manufacturing base in New Jersey. While the service sector helps and the research and development facilities create opportunities for the future, the greatest amount of wealth to the local communities will come from manufacturing.

If I may, I will use some statistics from the company I work for, Electronic Measurements of Neptune.

We are a \$25 million manufacturing company that produces electronic power supplies that are used in various commercial and industrial applications. We are a clean manufacturer in that we produce no toxic or hazardous waste and we do

not pollute our soils. We perform simple electronic assembly operations requiring a trained work force.

We employ 250 people in Neptune, of which approximately 140 are involved in the manufacturing process. Approximately 40% are minorities. Almost all of the manufacturing people come from the local communities of Asbury Park, Tinton Falls and Neptune, communities that have had their share of economic recovery problems.

Our financial contributions to the communities in our area of New Jersey are as follows:

\$ 6,800,000	in direct salaries
\$ 350,000	in State and local taxes
<u>\$ 6,000,000</u>	in purchases from other businesses in the State
\$13,150,000	Total benefit just from the manufacturing portion of our operation

The figures I can't give you are the dollar values of secondary and tertiary activities from our manufacturing that are performed by other companies such as transportation, other manufacturing services and organizations. If this committee wants to understand the fundamentals of manufacturing to the economic recovery, think of what would happen if Electronic Measurements decided to become a distribution operation and subcontract its manufacturing to manufacturers in the southern states, Mexico or elsewhere:

New Jersey would loose 140 jobs and gain 140 more people on government assistance.

Over \$ 9,800,000 in cash would be out of circulation in New Jersey and

on its way elsewhere, creating jobs, wealth and a better way of life for other people.

Therefore, we begin to look now at the questions of how do we attract, retain and develop the state as a manufacturing economy. Some ideas I can give you in my 10 minutes are:

First: The State needs to take an aggressive stance on breaking down the bureaucratic impediments that exist today. We need a "bureaucracy buster". Let me give you an example on this issue. Electronic Measurements has two buildings at its operations in Neptune. One building is actually in Neptune, while our other building, across our parking lot is actually in Tinton Falls. The building in Neptune is on a sewer system, while the building in Tinton Falls is on a septic system.

In February 1992, the ground water table changed, causing the septic system to fail. The Monmouth County Board of Health condemned the system, requiring us to keep it empty. This costs us \$1,000 per week.

When the septic system failed, we applied to Neptune to allow us to connect to the sewer system in our other building. What seems like a simple solution has become a nightmare.

Electronic Measurements is trying to deal with four bureaucracies: Borough of Tinton Falls, Township of Neptune, Township of Neptune Sewer Authority (a separate entity) and the New Jersey Department of Environmental Protection - each agency with its own agenda to protect. In 1992 we spent \$40,000 pumping this system. For the first two months of this year we have spent \$15,000. Instead of pumping out products, we're spending our money and management attention on pumping out ground water and we are not any closer to connecting up to the sewer system than we were last year. We estimate that we will spend another

4

\$60,000 to \$70,000 before this is over. That means a total of \$130,000 just to run a pipe 50 feet to carry toilet waste.

Members of this committee, you should realize that a company coming into the state would have decided by now to go elsewhere; a company in the state trying to expand would probably give up and subcontract its work out of the state; and a company like Electronic Measurements begins to think about leaving the state for more accommodating states like Tennessee, South Carolina and Florida.

I think Governor Florio understands some of this by his appointment of Mr. Robert E. Huey as Chief of Economic Recovery to help companies. Unfortunately, his office has received more publicity than it has substance and Mr. Huey's organization is a disappointment and is powerless to help except for low cost loans.

So - my first idea is a "bureaucracy buster".

Second - I must give my compliments to the Department of Labor, specifically the Office of Customized Training. This office has the charter of helping businesses to retrain the work force. As our companies begin to move to a more competitive stance, a total quality focus and an aggressive effort to empower the work force to resolve and improve processes, the work force must be educated to understand the issues.

In August of 1992 we began the process of applying for customized education. Last week we passed the last hurdle and our application is now on Commissioner Bramucci's desk. We are hopeful that we will soon begin training 72 or half of our manufacturing workers.

My suggestion is to expand this program, make it speedier and less bureaucratic and consider expanding it to the management work force in the state. If we now know that our work force needs to have new and better skills, how could we not think the same of our managers and leaders? The Department of Labor needs to expand Customized Training to teams of managers from companies and offer training in the enlightened way of competition in the 1990's and beyond.

Third, the State needs to offer tax incentives for companies to relocate, remain or expand manufacturing in the State. Companies need tax credits for:

Research and Development - it ensures future economic life;

Hiring of unskilled workers that will have to be retrained; and

Tax exemptions for manufacturing expansions.

Fourth, and my final suggestion, is to overhaul the high school and college education curriculums to include apprenticeships and cooperative programs with industry. The Pennsylvania Pilot Youth Apprenticeship Program would be a good model for New Jersey. I would probably be on the mark if I said our educational institutions train our people better to work at McDonalds than they do to work with industrial applications of simple math, manual dexterity skills, blueprint reading and working with teams. Our colleges need to instill the excitement of making THINGS instead of making money for the individual at the loss of benefit to our society.

As I said earlier, manufacturing creates wealth for a larger amount of society and New Jersey must pursue, with a vengeance, the growth of manufacturing in the State.

Thank you.

SAL RUNFOLA

GIORDANO, HALLERAN & CIESLA

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FURTHER ECRA REFORM

BEYOND S-1070

SENATOR SINAGRA, ASSEMBLYWOMAN DERMAN, JOINT COMMITTEEMEMBERS.  
THANK YOU FOR THIS OPPORTUNITY TO DISCUSS SOME POSSIBLE  
INNOVATIONS TO OUR STATE'S ENVIRONMENTAL CLEANUP LAWS WHICH WOULD  
ALLOW FOR THE CREATION A MORE ENHANCED ENVIRONMENT -- BOTH FOR  
OUR CITIZENS AND FOR OUR ECONOMY.

BRIEFLY, THE FOLLOWING OUTLINE SETS FORTH SEVERAL POINTS WHICH WE  
RECOMMEND BE CONSIDERED AS PART OF THE ONGOING LEGISLATIVE EFFORT  
TO IMPROVE THE METHOD BY WHICH WE WORK TO ADDRESS ENVIRONMENTAL  
CLEANUP SITES:

1. EXPAND THE USE OF PRIVATIZATION.
  - MAJOR TRANSACTIONS - PERMIT MAJOR TRANSACTIONS TO GO FORWARD WITH CLEANUPS "AT RISK" (WITHOUT PRIOR DEPE OVERSIGHT).
  - LOW ENVIRONMENTAL CONCERN CASES - ALLOW CERTIFICATION BY LICENSED CONSULTANTS THAT NO ENVIRONMENTAL CONCERNS REMAIN.
  - DECREASE DATA REVIEWS BY USE OF CERTIFICATIONS BY LICENSED CONSULTANTS
2. ALLOW RISKS GREATER THAN  $10^{-6}$ .
  - CONDUCT SCIENTIFIC STUDIES BEFORE SPECIFYING RISK AT  $10^{-6}$
  - ALLOW CONTINUATION OF LANDFILL CLOSURE RISK ANALYSIS
  - USE GREATER FLEXIBILITY IN INDUSTRIALIZED AREAS
3. ALTERNATIVE DISPUTE RESOLUTION
4. EMPLOY ONE-STOP PERMITTING FOR CLEAN-UP SITES
5. EXPAND THE AVAILABILITY OF DE MINIMIS EXEMPTIONS BASED ON EXPERIENCES WITH LOW ENVIRONMENTAL CONCERN CASES

WE WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE REGARDING THESE IDEAS OR OTHER POTENTIAL IMPROVEMENTS.

GEORGE J. TYLER

ANDREW B. ROBINS

16X

**Joint Legislative Committee on Economic Recovery Meeting**  
**Wednesday, March 24, 1993**  
**Marlboro Town Hall Courthouse**

Good morning Mr. Chairman and members of the committee. I am Eugenia Pitts, Executive Director of Monmouth-Ocean Development Council. MODC is a private, non-profit, non-partisan organization of over 500 members dedicated to the balanced growth and development of the economic, cultural, educational and environmental aspects of Monmouth and Ocean Counties. Our members represent a wide spectrum of employers from sole proprietors to large manufacturers. One of our objectives is to promote the controlled growth of the two counties through the interaction of our members and community leaders.

I am here today to express MODC's concerns with New Jersey's current economic condition. As you know, Monmouth and Ocean Counties' unemployment rates have consistently been higher than the State average. Now, with the threat of the base realignment of Fort Monmouth and the threatened closure of McGuire Air Force Base, we are concerned that there will be an additional negative impact on the bi-county area's economic recovery efforts.

MODC has recently taken a position on a number of issues that we feel would benefit the economy locally.

For example on October 2, 1992, we adopted a resolution supporting the legislation expanding the Urban Enterprise Zones to 10 more localities. We understand the legislation has been approved by the Assembly and is now awaiting approval by the Senate. The "Urban Enterprise Zone" program has a proven track record for generating jobs and private investment in the designated

zones. Expanding the classification to Asbury Park, Long Branch and Lakewood would provide a badly needed economic boost for those municipalities and their surrounding areas. The key to the success of the program is the tax incentives included in the legislation.

An additional tax incentive which MODC favors is the legislation exempting Sub-Chapter S corporations from the corporate income tax. Passage of this legislation would encourage retention of existing small businesses and the startup of new ones. On February 5, MODC adopted a resolution in support of Assembly Bill #273 and Senate Bill #19 and forwarded that resolution to our local legislators.

MODC supports other measures having a positive impact on the economy. On January 3, 1992 we adopted a resolution supporting the extension of commuter rail service from Matawan to Lakewood. Not only would many jobs be created in the expansion process, but congestion on our highways, particularly Route 9, would be reduced.

We also support a resolution on February 7, 1992 encouraging the legislature to lift the cap on the State Transportation Trust Fund and were gratified that the Legislature did so. Part of the purpose of raising the cap was to stimulate the economy. MODC would like to see some of that Trust Fund money spent in Monmouth and Ocean Counties so that more people would be put to work and soon.

We also support increasing the State budget for tourism promotion. The New Jersey Division of Travel and Tourism released a 1991 study which reported that for every \$1 million invested \$70 million is generated in increased business.



Because of the unfavorable publicity generated by the December 11 nor'easter, it is now more important than ever that the State increase its tourism budget. Tourism, the number two industry in the State, is vital to the economic life of the Jersey Shore which contributes half of the State's tourism revenue.

On a slightly different note, but related to the economy, our members have repeatedly expressed their frustration with the regulatory processes in the State. They are frustrated by the delays between applications and final approvals. Those delays represent unnecessary costs which translate directly into slowed growth and decreased competitiveness of New Jersey business.

If New Jersey is to have a healthy economy it must attract new businesses and retain existing ones. First we need to change the anti-business perception of our State. We can do this in several ways, one of which is through education. I understand that one of the purposes of the Municipal Business Retention Expansion Program is to educate. If its budget were increased MBREP would be able to service all communities in the State more rapidly.

As I mentioned earlier MODC favors increasing tourism dollars. An increase in the State economic development advertising dollars as well would be economically beneficial. We need to let the rest of the world know that we are business friendly. We want to bring businesses to the State and we want them to know that New Jersey is an attractive place in which to do business and for their employees to live. We need tax incentives to keep us competitive. Tax abatements and other incentives can be extremely attractive and in the long run are great revenue enhancers for the region and State as well.

Monmouth and Ocean Counties are beginning to see glimmers of a turnaround in our economy. We are all anxious for that positive economic ball to continue rolling. Our counties have much to offer our residents and others in the State. We believe that some of the tax incentives we have supported, as well as other incentives, will aid the process. MODC urges you to enact their implementation.

Thank you.

TESTIMONY OF JANE PALAIA-VERDONI

DIRECTOR, HUMAN RESOURCES

BEL-RAY COMPANY, INC.

FARMINGDALE, NEW JERSEY

GOOD MORNING, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. MY NAME IS JANE PALAIA-VERDONI AND I AM DIRECTOR OF HUMAN RESOURCES FOR THE BEL-RAY COMPANY, INC, A MANUFACTURING FIRM LOCATED IN FARMINGDALE, NEW JERSEY. I AM ALSO THE CHAIRWOMAN OF THE MONMOUTH COUNTY EMPLOYER LEGISLATIVE COMMITTEE -- COMMONLY KNOWN AS THE ELC. THE MONMOUTH COUNTY ELC IS COMPRISED OF 100 MEMBER COMPANIES REPRESENTING A WIDE SPECTRUM OF EMPLOYERS FROM SOLE PROPRIETORS TO LARGE MANUFACTURERS.

I AM HERE TODAY TO PRESENT THE THOUGHTS OF MR. WILLIAM C. KIEFER, THE PRESIDENT AND FOUNDER OF BEL-RAY COMPANY, INC.. Bel-Ray Company, Inc. was started in a small garage near Madison, New

Jersey and was incorporated in 1946. At that time, special lubricants were developed especially for the baking industry. They were primarily three high temperature lubricants, two of which remain in the product line today.

New lubricants were continuously developed through the years. Today they number approximately 1,200 and serve every industry.

The early 1950's saw expansion to new markets in Europe bringing about the need for additional manufacturing facilities. In 1959 the Company relocated to the present 32 acre site in Wall Township. Since then, many additions to the original building in Wall Township were necessary to meet the steadily increasing volume of business. Additional manufacturing facilities around the world have been constructed to better serve our ever expanding business.

Bel-Ray Company has become a world leader in lubrication technology.

UNFORTUNATELY DUE TO SOME OF THE MOST OPPRESSIVE RULES AND REGULATIONS IN THE NATION, NEW JERSEY IS CHOKING THE LIFE OUT OF BEL-RAY, AND OTHER COMPANIES LIKE US. REGULATIONS HAVE CAUSED THE OPERATIONAL OVERHEAD TO INCREASE. THIS MEANS LESS FUNDS FOR NEW JOBS AND EXPANSION.

ONE OF OUR PRODUCT LINES IS INDUSTRIAL LUBRICANTS. THESE PRODUCTS ARE SOLD TO MANUFACTURING CONCERNS FOR PLANT MAINTENANCE. ONE OF OUR DISTRICT SALES MANAGER REPORTS THAT BUSINESS IN PENNSYLVANIA IS GOING "GANG BUSTERS" BECAUSE OF ALL THE INDUSTRY THAT HAS MOVED THERE FROM NEW JERSEY. WHILE MORE DOORS HAVE OPENED TO HIM IN NEW JERSEY SINCE THE BEGINNING OF THE YEAR, THE INCREASED ACTIVITY HAS NOT MEANT INCREASED JOBS. NEW JERSEY COMPANIES ARE DOING MORE WITH LESS. SOME ARE STILL DOWNSIZING, OR RESORTING TO LEASED OR TEMPORARY EMPLOYEES SO AS NOT TO INCREASE OVERHEAD.

WE ARE BECOMING LESS AND LESS COMPETITIVE IN FOREIGN MARKETS. THIS IS BECAUSE OUR PRICING HAS BEEN INCREASED TO COVER THE OVERHEAD.

OUR EXPORT DISTRIBUTORS WANT OUR TECHNOLOGY, BUT THEY CANNOT AFFORD TO HAVE OUR WORKERS BLEND AND PACKAGE OUR PRODUCT. MORE AND MORE THEY WANT TO PURCHASE OUR PRODUCT IN CONCENTRATE OR SIMPLY TO BUY RIGHTS TO MANUFACTURE TO OUR SPECIFICATIONS IN THEIR COUNTRIES. WE ARE NOT TALKING THIRD WORLD COUNTRIES HERE. WE ARE TALKING EUROPE.

HOW CAN THIS BE? THIS IS A QUESTION THAT KEEPS MY BOSS, BILL KIEFER, AWAKE AT NIGHT.

SHORTAGE OF CAPITAL ALSO MEANS LESS DOLLARS INVESTED IN DEVELOPING TECHNOLOGY. WE NEED ONE HALF TO THREE QUARTERS OF A MILLION DOLLARS TO UPGRADE OUR TECHNOLOGY, THIS IS ESPECIALLY TRUE FOR OUR FOOD GRADE LUBRICANTS. WE WERE WORLD LEADERS IN THIS FIELD AND HAVE THE MOST COMPLETE LINE OF TECHNICALLY ADVANCED FOOD GRADE LUBRICANTS AVAILABLE IN THE WORLD. WE PIONEERED BACTERICIDE ADDITIVES TO REDUCE CONTAMINATION OF OUR LUBRICANTS USED BY OUR NATIONS FOOD PROCESSORS. WHILE EXHIBITING AT THE INTERNATIONAL EXPO FOR FOOD PROCESSORS FOUR YEARS AGO WHEN WE COULD STILL AFFORD TO EXHIBIT, WE

WERE BESIEGED BY EUROPEAN AND RUSSIAN DELEGATES SEEKING OUR  
ADVANCED TECHNOLOGY.

WE NEED FINANCIAL HELP FROM THE GOVERNMENT TO EXPAND OUR BUSINESS,  
THIS WILL IN TURN HELP CREATE MORE JOBS FOR NEW JERSEY.

SOME IDEAS ON WHAT NEEDS TO BE DONE TO IMPROVE THIS:

RELAX REGULATIONS

SUPPORT BUSINESS/DON'T DESTROY IT

HELP THOSE STARTING OUT IN BUSINESS, DON'T DESTROY THEM

HOW ABOUT TOTAL QUALITY MANAGEMENT FOR THE BUREAUCRACY? NOW THERE'S  
A CONCEPT.

ONE OF THE MOST FRUSTRATING ASPECTS OF DEALING WITH GOVERNMENT

REGULATORS IS THE ATTITUDE OF WORKING AGAINST RATHER THAN WITH US.

IT HURTS.

THE LEGISLATURE IS TRYING TO HELP THE ECONOMY, AND WE APPRECIATE  
THE PLANS, AND A FORUM SUCH AS THIS TO HELP US EXPRESS OUR IDEAS.

BUT SOMEONE BETTER TELL THE GOVERNMENT REGULATORS THAT INDUSTRY  
MEANS JOBS-- MAYBE THEIR OWN. WITHOUT US, THERE WILL BE NO ONE TO  
REGULATE. MAYBE THAT WILL GET THEIR ATTENTION.

THANK YOU FOR YOUR TIME AND ATTENTION.