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PUBLIC HEARING

before

ASSEMBLY ECONOMIC DEVELOPMENT AND AGRICULTURE COMMITTEE

Testimony concerning State policies affecting businesses
in southern New Jersey and the opportunities, problems,
and obstacles facing businesses in that part of the State

October 6, 1987
Salem County Courthouse
Salem, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Jack Collins, Vice Chairman
Assemblyman John T. Hendrickson, Jr.
Assemblyman Anthony S. Marsella

ALSO PRESENT:

Assemblyman Gary W. Stuhltrager
District 3

Gregory L. Williams
Office of Legislative Services
Aide, Assembly Economic Development
and Agriculture Committee

* * * * *

Hearing Recorded and Transcribed by
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NOTICE OF PUBLIC HEARING

September 22, 1987

The Assembly Economic Development and Agriculture Committee will hold a public hearing on Tuesday, October 6, 1987 at 1:00 p.m. The hearing will be held in the Freeholder Room of the Salem County Courthouse, 92 Market Street, Salem, New Jersey.

Testimony will be taken concerning State policies affecting businesses in southern New Jersey and the opportunities, problems and obstacles facing businesses in that part of the State. Anyone wishing to testify should contact Gregory L. Williams, Committee Aide, at (609) 984-0445.

DIRECTIONS

Take New Jersey Turnpike south to its end; make a right turn after the last toll booth on the turnpike (just before the Delaware Memorial Bridge entrance); take Pennsville/Salem exit and make a right onto Rt. 49; take Rt. 49 through Pennsville to Salem; once in Salem go over the bridge and then take a right at the traffic light; at the next traffic light, the Courthouse is on the left side.

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ASSEMBLYMAN JACK COLLINS (Vice Chairman): Good afternoon, ladies and gentlemen. Welcome to Salem County, the Third Legislative District. My name is Assemblyman Jack Collins, and I am the Vice Chairman of the Assembly Economic Development and Agriculture Committee. Chairman Joseph Azzolina, unfortunately, will not be able to be here today, so in his absence, I will be chairing this particular hearing before the Committee.

Before I make opening remarks and introduce to you the members of the Committee, it is an honor for me to ask Freeholder Director Joe Dyer, who many of us in this room know is the person behind this Committee coming down here today, to say a few words of welcome to the Committee. Director Dyer.

FREEHOLDER DIRECTOR JOSEPH DYER (speaking from audience; no microphone): Thank you, Assemblyman. It is a pleasure to welcome you to the garden spot of the Garden State -- Salem County. We are pleased to have the Assemblymen in our district here today bring us some words of wisdom, and perhaps hear something about economic development in this agricultural community.

I see that there are a lot of speakers here. I see a lot of people are interested in hearing what the Assembly can help us with through the State offices. We do have an Economic Development Committee active in this county, and we are searching for ways to increase the (indiscernible) and the base for our whole State and our whole county.

So, we welcome you to Salem County. I hope this will be a very productive afternoon. Thank you very much, Assemblyman.

ASSEMBLYMAN COLLINS: Thank you, Mr. Director.

Before I make my opening remarks and we start taking testimony from the many of you who are committed to economic development in the southern part of the State of New Jersey, I would like to introduce to you the members of this Committee.

To my far right is Assemblyman Jack Hendrickson, from the Ninth Legislative District. Assemblyman Hendrickson is also the Assistant Majority Leader in the Assembly. We welcome you, Assemblyman, to Salem County.

ASSEMBLYMAN HENDRICKSON: Thank you very much, Chairman Collins. It is a pleasure to be in Salem. It was a nice trip coming down from part of the tourism county -- Ocean County -- through our road system.

ASSEMBLYMAN COLLINS: To my far left is Assemblyman Anthony Marsella, from the Fourth District. Assemblyman Marsella is also the Minority Whip of the Assembly. He just had a little trip, but it is still good to get him out of Gloucester County down here into Salem County.

ASSEMBLYMAN MARSELLA: Thank you, Jack. It's a pleasure coming down to the far south of South Jersey. I am from the Gloucester County area. I can tell you this: Jack Collins does a good job on this Committee as the Vice Chairman, seeing that the southern part of this State is protected, and also trying to go forward in economic development.

ASSEMBLYMAN COLLINS: Thank you, Assemblyman. To Assemblyman Marsella's right is my fellow Assemblyman from the Third District, Assemblyman Gary Stuhltrager, who is here today to respond to the discussion. He is Vice Chairman of the Judiciary Committee. We decided -- Tony, Jack, and I, and we even called John Rooney, who may well be here -- Assemblyman Rooney is en route -- that we were going to let this gentleman join us today. So, welcome to this Committee, Assemblyman.

ASSEMBLYMAN STUHLTRAGER: Well, Jack, it is certainly a pleasure to be here. I serve on two other Committees in the Assembly -- Appropriations and Judiciary -- and today I have an opportunity to sit in with this Committee. Anything that concerns economic development in Salem County is of interest to those of us who represent this area, and I wanted to take this opportunity to be here to hear the testimony, so that when we

go back to Trenton after November 3, we can move forward with some of the economic development programs that affect us right here in Salem. Chairman?

ASSEMBLYMAN COLLINS: And, to my left is Deb Smarth, who is an Aide for the Assembly Majority. To my right is Mr. Greg Williams, who is the Legislative Aide from the Office of Legislative Services.

Before we call our first testifier, I would like to make a few opening comments. First off, as I have already mentioned, we on the Committee are appreciative of the Salem County Economic Development Committee's invitation to come here to Salem. We are looking forward to an exchange of ideas.

Economic development takes a wide variety of forms, such as industrial attraction, business retention, and expansion. Offering businesses opportunity for growth is a key component of business retention and development. Offering businesses a regulatory climate which is non-duplicative, consistent, and unburdensome is also a key consideration.

There is no doubt that businesses substantially contribute to job creation and job retention. Approximately 97% of all businesses reporting to the New Jersey Labor Department -- that's 100 or fewer employees -- are small businesses. Ninety-seven percent are small businesses. Ninety-five percent of such companies have 10 or fewer employees. So often these small businesses are overlooked. We just get tied up in the giant corporations, but so many of our citizens are tied to small businesses, as I know that some of you in this room are.

It is no secret that New Jersey's competitive advantage, which includes lower energy costs and rental services, enables the Garden State to lure business and financial services from the New York City area, which is a key component in the northern part of the State. What's happening is, with no room for growth there, they are looking further

south. We hope that that kind of economic growth philosophy will work here in South Jersey.

As a matter of fact, the Bureau of Labor Statistics indicates that between June, 1977, and June, 1986, employment in New York, in such sectors as wholesale trade, transportation, and port-related activity, declined by 42,000 jobs, while New Jersey's sector gained 80,000 jobs over this 10-year period. We need to work together to ensure that business development and growth continue throughout the whole State.

Several initiatives released by this Committee during the past two years aim at achieving these goals:

Assembly Bill 3151, sponsored by former Assemblyman Dick Zimmer -- now Senator Dick Zimmer -- provides that the Department of Commerce and Economic Development take on new responsibilities to encourage cooperative business arrangements between small businesses and large businesses in the State.

The legislation is intended to promote marketing partnerships, and manufacturing partnerships between large and small businesses, as well as potential investment by large corporations in small companies.

According to testimony at past Committee hearings, there is a lack of seed capital financing being directed to business start-ups and expansion from conventional funding sources. Only one bank in the State -- MidLantic -- has a loan program strictly tailored towards seed capital for small high-tech companies.

A-3282, and its companion measure, A-4184, provide substantial funding for seed capital investments in those enterprises that cannot get conventional private funding, but seek to develop innovative technology, new products, and industrial processes. Under the terms of this legislation, the New Jersey Development Authority can execute an agreement with a major private investor to manage the pool of funds to assure successful endeavors.

The use of incubator facilities can help small businesses better cope with such problems as cash flow and personnel shortages. Incubators provide low cost rental space, shared administrative personnel, as well as certain consulting services. At least 11 states have used the incubator facility approach. They include: Arkansas, Illinois, Iowa, Kansas, Louisiana, Michigan, Mississippi, Missouri, North Carolina, Ohio, and Pennsylvania.

Assembly Bill 4170, sponsored by Assembly Economic Development Committee member Rooney -- who hopefully will be here today -- will be amended to provide \$2 million to promote the establishment of such incubator facilities in locations with higher-than-average unemployment rates. That brings us right here to Salem and Cumberland Counties.

There is a piece of legislation that I sponsored, along with Assemblyman Catrillo, which will have a statewide study done in three counties -- Cumberland, Salem, and Hudson -- to see what is going on with the higher unemployment rates in those areas, as compared with the rest of the State. That legislation, hopefully, will be wending its way through the Legislature, and will be signed into law by the Governor, so we can help those areas -- and we have a number of them here in South Jersey -- to deal with what's happening in the unemployment areas.

Every year, the State adds -- and in many cases unfortunately, I think -- hundreds of new regulations to its 33 volumes of Administrative Code. Between 1978 and 1985, the number of pages in the "New Jersey Register" increased from 573 to 3033 pages -- a 530% increase. These 33 volumes of the Administrative Code are regulations that have been called the "fourth branch" of government.

To deal with this maze of oftentimes duplicative, inconsistent, and unnecessary regulations, we have several measures we are trying to move through the Assembly Regulatory

Efficiency and Oversight Committee. Most notable is A-10, which provides for regulatory flexibility based on size, type, and nature of a business.

So, there are so many aspects to what is going on statewide, here in economic development. As I look out into the audience, I find I am familiar with some faces, both from Trenton and further north and, of course, local business people, who are committed to helping economic growth here in Salem County and in southern New Jersey. I know I speak for the other Committee members, when I say I look forward to your testimony. Before you even start, I want to thank all of you for taking the time to come here today -- those of you who will share your thoughts and ideas concerning business opportunities and growth in our State. We look forward to working with all of you in the challenges that face us as we move into the 1990s, really into the twenty-first century.

So, enough of those words, because we are really here to have a dialogue, and to listen to you, the real experts in this. We want to learn today. That is why we are all here. We are going to start learning-- We are going to put the heat, right away, on the first speaker who is going to kick this hearing off, Jane Morris, of the Office of Small Business Assistance, Department of Commerce and Economic Development. Is Jane here? (affirmative response) Why don't you come up here, Jane, and please share your ideas with us?

JANE MORRIS: With your forbearance, Mr. Chairman, I have brought with me some materials descriptive of the programs which I am going to describe. I would like to leave these materials with the Committee.

ASSEMBLYMAN COLLINS: Thank you, Jane. We won't read them now. We are going to listen to your every word.

MS. MORRIS: Oh, good, all right.

If I may, Mr. Chairman, first I would like to put me in context by describing the fact that I am a Financial

Specialist with the Office of Small Business Assistance, of which Lois Rand is the Chief. The Office of Small Business Assistance is one of four offices within the new Division within the Department of Commerce and Economic Development. The new Division is the Division of Development for Small Business and Women and Minority Businesses, referred to as the "SBWM" Division.

So, we now have four offices which are sensitive to, and responsive to constituencies. The Office of Small Business Assistance is the same as it always was. We now have a Bureau of Hispanic Enterprise; Rolando Alum, Jr. is the Administrator. We have an Office of Minority Business Enterprise; Lee Davis is the Chief. And the legislation which created the Division also created the Office of Women Business Enterprise, and Norma Chandler Brown is the Chief.

The programs I am going to describe do not vary, really, from office to office, but one of the things we are able to do is give particular reference and particular sensitivity to the constituencies. It is very comforting to our Hispanic constituencies, to the minority constituencies, and to the women constituencies, to be able to go to those specialized offices, with the specialized problems the constituencies have.

So, with that framework in mind, I will launch into my major programs.

ASSEMBLYMAN COLLINS: Okay.

MS. MORRIS: I would also like to identify myself further as being the Financial Specialist who put the deal together for the oysters.

ASSEMBLYMAN COLLINS: Very good.

MS. MORRIS: If you all remember me down there.

ASSEMBLYMAN COLLINS: We remember that, right, Assemblyman?

ASSEMBLYMAN MARSELLA: We remember that well.

MS. MORRIS: Now I am working on the lobstermen at Shark River.

ASSEMBLYMAN MARSELLA: What about clams? Assemblyman Hendrickson is a clam man, himself.

ASSEMBLYMAN STUHLTRAGER: He needs some clams out there.

ASSEMBLYMAN COLLINS: Those ocean clams are what he is interested in.

MS. MORRIS: They haven't spoken to us lately. They must be in good shape.

ASSEMBLYMAN HENDRICKSON: That's for another county.

MS. MORRIS: All right. Mr. Chairman, some of the programs I am going to describe -- and it depends on the Committee which details you would like me to go into, because I can certainly go into a lot of detail--

ASSEMBLYMAN COLLINS: Jane, just one second, since you gave me the opening. There is something I wanted to mention earlier. With the exchange of ideas we hope to get here today-- We have a good number of speakers. Assemblyman Marsella and Assemblyman Hendrickson, sometime in the future here this afternoon, will have to be leaving. So, what we would like to do is-- I am not putting any time frame on anyone, but try to keep it somewhat concise, and then, for more detail later, even between the people in the audience and the Assemblypeople-- That is something we can pick up later. Okay? If everyone would keep that in mind-- There is absolutely no time frame, but try to be considerate of the good number of speakers who are here.

MS. MORRIS: I will be succinct.

ASSEMBLYMAN COLLINS: Thank you.

MS. MORRIS: The programs I am going to describe at this very moment, are programs that are available to the constituency in the whole State. No one need be deprived of these. These are available to your constituencies in southern New Jersey just the same as they are available to

constituencies in northern New Jersey or central New Jersey. Many of the programs have, for many years, been targeted, but that is to make the best possible use of the moneys available. The prospect of having the greatest generation of jobs and the greatest creation of ratables for the money that is utilized in the program has to be taken in mind.

So, let's go right on to the New Jersey Economic Development Authority. The New Jersey Economic Development Authority has two divisions: One is the Division of Project Development, which does the long-term, tax-free bonds. Mr. Hughes is on the agenda, but I don't see Mr. Hughes and I am not going to take his--

ASSEMBLYMAN COLLINS: Mr. Hughes couldn't come down today.

MS. MORRIS: Okay, so perhaps my remarks are appropriate. If it pleases the Chair, I will continue.

ASSEMBLYMAN COLLINS: Please do so.

MS. MORRIS: All right. We have the Division of Project Development, which does the long-term, tax-free bonds. It can go up to \$10 million. They are now restricted to projects which have to do with manufacturing operations in targeted areas -- 501(c)3's, nonprofit corporations and first-time farmers. I think that is an important item, particularly down here. I am from Hunterdon County, and it is particularly important in Hunterdon that they now have the ability to do first-time farming. You know it is under severe allocation restrictions -- the EDA Program for long-term bonds.

The Division of Project Development calls upon the Division of Finance for the guarantee when the bankers ask for it. Therefore, in the Division of Finance-- That particular Division provides direct loans and loan guarantees. Unfortunately, it is also on the basis of targeting, but that is the way it has to be. That does not exclude any constituency from down here, as long as it meets the Urban Aid

Community qualifications and meets the requirements of the UIR Index of the EDA.

ASSEMBLYMAN COLLINS: I have a question, Jane. When you say "Urban Aid requirements," are you saying the State-mandated criteria that determine Urban Aid Communities?

MS. MORRIS: That is just about what I'm saying, Mr. Chairman, because there is a list. It is prepared within the State, and it is updated every six months. The Urban Aid Communities are calculated by the Community Affairs Department.

ASSEMBLYMAN COLLINS: Absolutely. So, therefore--

MS. MORRIS: It isn't just because someone thinks they ought to put another name on the list.

ASSEMBLYMAN COLLINS: Right. I am very familiar with it, because I have a bill that is waiting to be voted out of the Senate right now, that is going to amend the Urban Aid criteria, and which will allow a number of communities, including the one in which you now sit -- Salem City -- to be included in the Urban Aid Program of this State. What you're saying is, if that becomes the law of this State, then those communities, along with all the other Urban Aid advantages they would get, will also be eligible for this program, which they are not eligible for now, because they are not Urban Aid. Is that right?

MS. MORRIS: That's right. I am supplying the Committee with this list, so the Committee can see for itself which communities -- and it is by county-- You will find that some communities are on twice, because they meet the Urban Aid requirements, as well as the requirements for the New Jersey EDA -- the UIR Index -- which is unemployment, income per capita, and ratables per capita, calculated by their department. I think that that is enough now on EDA.

ASSEMBLYMAN COLLINS: Okay, but I just have one other question: When you say "targeted areas"-- I read-- Maybe I was going too far, but you said, "targeted areas, and even down

here." Am I to read in that comment that none of the targeted areas are in the southern part of the State?

MS. MORRIS: Yes, they are.

ASSEMBLYMAN COLLINS: Oh, okay.

MS. MORRIS: There is this misconception that there are no targeted areas down here.

ASSEMBLYMAN COLLINS: No, I just took from your comment--

MS. MORRIS: All one has to do, is do his homework.

ASSEMBLYMAN COLLINS: You are going to give us that document?

MS. MORRIS: Yes.

ASSEMBLYMAN COLLINS: Thank you, Jane.

MS. MORRIS: If you do your homework, there it is.

ASSEMBLYMAN COLLINS: All right.

MS. MORRIS: Let us realize that there are many lists of communities. The Federal government has a list for Urban Development Action Grants -- for UDAGs. It has a list of the large communities; it has a list of the smaller communities. We have New Jersey's Small Cities Community Development Block Grant. I think this is a very good point for me now to get into this, because this is Housing and Urban Development money, which is passed through Community Affairs. The State of New Jersey elected to administer this. Therefore, instead of the communities of the State of New Jersey having a block grant given to them by HUD, the moneys are received by the State. The State, long ago, presented a program satisfactory to HUD. Now we have our Small Cities Community Development Block Grant.

There are 17 eligible activities, all the way from housing, to community development, to economic development. You see (holding up list), here is another list.

ASSEMBLYMAN COLLINS: Yeah, we are familiar with lists.

MS. MORRIS: In almost all cases, you will find that the communities on this list are the ones which are not

communities involved in urban counties or entitlement counties. They did not subscribe to that particular program of HUD. Therefore, we now have 195 communities which can apply to Community Affairs with a proposal -- it is competitive -- up to \$500,000. Just let me, if I may, Mr. Chairman--

Salem County has Alloway Township, Carneys Point Township, Elmer Borough, Elsinboro Township, Lower Alloways Creek Township, Mannington Township, Oldmans Township, Penns Grove Borough, Pennsville Township, Pilesgrove Township, Pittsgrove Township, Quinton Township, Salem City, Upper Pittsgrove Township, and Woodstown Borough. Every one of those communities are eligible to apply for a grant of up to \$500,000 for a deserving project in community development, economic development, or housing, in accordance with the 17 eligible activities on this list.

ASSEMBLYMAN COLLINS: It's very helpful right here in Salem County. Did they get them all, Mr. Director?

FREEHOLDER DYER: I don't know.

ASSEMBLYMAN COLLINS: I was a little worried when I didn't hear Upper Pittsgrove, but then she slipped it in at the end, so we're all right.

MS. MORRIS: Well, after all, it begins with a "U." This is available for the Committee. All right?

ASSEMBLYMAN COLLINS: Thank you.

MS. MORRIS: We have an outstanding program in New Jersey, which is the New Jersey Local Development Fund. The Legislature made these moneys available. They are being administered very ably by Director Steve Brame, Esq. Just to refresh your memories, this program provides for matching loans -- I didn't say "grant" -- of up to \$2 million, at approximately 4%.

ASSEMBLYMAN COLLINS: Four percent?

MS. MORRIS: For 25 years. This program is designed to induce public-sector participation in the deal. The

eligible municipalities include this list, and I am going to leave it with the Committee for your study, so you can see what is available.

ASSEMBLYMAN COLLINS: Thank you.

MS. MORRIS: For example, in Cumberland County, we have Bridgeton, Millville, and Vineland, but that is what you would expect from a program like this.

ASSEMBLYMAN COLLINS: Yes, ma'am.

MS. MORRIS: Okay. Now, Director Brame also has the Urban Enterprise Zones. I don't need to tell you that you have three Enterprise Zones down here.

ASSEMBLYMAN COLLINS: Yes, you don't have to remind me, as I sit in Salem, that there are three Enterprise Zones down here. This is not one of them, nor are any in Salem County, but go ahead on.

MS. MORRIS: But go ahead on anyhow. There are three communities, but they are considered two zones--

ASSEMBLYMAN COLLINS: Yes, ma'am.

MS. MORRIS: --because of Millville/Vineland. The inducements, incentives, and benefits to a business desiring to move into the Urban Enterprise Zone, or already being in the zone, qualifying as a qualified business -- to apply to become a qualified business-- For the sake of brevity, I am just going to say that there is a tremendous number of benefits and incentives. And I am going to leave this with the Committee (referring to paperwork), because-- I will just pick one at random. A business, being fully qualified in the zone, can have a forgiveness of the sales tax up to 3%, so many of them advertise a 3% sales tax on your purchases as part of their public relations policy.

Another thing, if you should desire to build, or to improve a site, the owner of the building does not have to pay any sales tax on the raw materials utilized in the renovation, reconstruction, or expansion of the building.

ASSEMBLYMAN COLLINS: Jane, excuse me for one minute. Assemblyman Stuhltrager has a question, but before he asks it-- Assemblymen Marsella and Hendrickson, we are going to be getting, I think, through this, and the other testimony, a great deal of information, so please let's feel free to jump in with a question at any time, instead--

MS. MORRIS: I welcome them.

ASSEMBLYMAN COLLINS: --of waiting until the end. You don't even have to ask the Chairman. We are going to have an open forum here today. Just wait for your moment, and go for it. Go ahead, Assemblyman Stuhltrager.

ASSEMBLYMAN STUHLTRAGER: Jane, you talk about Urban Enterprise Zones, and Jack pointed out that Salem County is not part of that. I see we have John Bradway here today. He works for a company that is outside of an Enterprise Zone. How do we reconcile the fact that we have businesses in our district, let's say -- legislative district -- that are outside the Enterprise Zone, trying to compete with those businesses within the Enterprise Zone? Is there a way we can reconcile this, so that is is not a case of unfair competition, yet at the same time, recognize the need to try to help those areas that have been named the Enterprise Zone?

MS. MORRIS: I'm very glad you asked that question, because we have been struggling with it for quite a while. I refer you to Director Steve Brame, Esq., for any comments he would care to make on the solution of that problem, because it has been given considerable thought.

ASSEMBLYMAN STUHLTRAGER: Because, as we sit in Trenton, there are bills pending to expand the number of Enterprise Zones, and with each expansion those which are in it are going to benefit proportionately less, and those that are right around it, which we are, and we have Delaware across the river, which has a different taxing system than we have-- The competition is very great, especially speaking to Mr. Bradway.

When you are talking about a lumber company, and you're buying a large amount of lumber, say to construct a home, and you're a contractor-- If you are going to buy \$10,000 worth of materials, the difference between the sales taxes could make a difference in where you go.

MS. MORRIS: The present structure does not appear to have a remedy for this, but I direct--

ASSEMBLYMAN STUHLTRAGER: I'm afraid that is the conclusion I have reached, but--

MS. MORRIS: --your attention to Steve Brame, because I am not the Administrator of the program. Let me say, once again, that I am a Financial Specialist for the Office of Small Business Assistance. It is my job to be up to speed on all the programs and utilize them to the best advantage for the small business applicant. That is what I do.

ASSEMBLYMAN COLLINS: Jane, this would be the moment now, because there are some small business people in the audience-- The information you are giving now, and you are going to leave with the Committee, and which I know is available-- How do small business owners, citizens of the State-- Do they just call your office -- the Office of Small Business Assistance -- or the Department of Commerce and Economic Development? How is this material dispensed to the general public?

MS. MORRIS: Oh, Mr. Chairman, I don't know how many miles and how many hours we have put into having seminars to reach out to the various counties. We have been all over the State. I think we have been to every county twice. We welcome invitations to make our presentations. We are constantly seeking Assemblymen, we are constantly seeking Senators, Chambers of Commerce, who would like us to make a presentation on what is available.

You know, we work very closely with New Jersey Small Business Development Centers. They are headquartered in

Newark. They have an office in Newark, and there is an office in Camden. The Director is Dr. Pat Peacock -- she happens to be in the audience -- and a great deal of information is disseminated by her.

May I give you an example? Last night, the Economic Development Director for the County of Monmouth, had his fourth series of a seminar called, "The Money Hunt." I was present there last night up until midnight, in Hazlet, talking about the programs available to small business and how to package them. It is a tremendous effort for even a Department, a Division, and an office as efficient as ours.

ASSEMBLYMAN HENDRICKSON: Just one question. It was very nice to hear that you have been in all of the counties. But, if I may make a suggestion, with the Assemblyman-- We from South Jersey always seem to feel, either rightly or wrongly, that we are not always that close to the State development guides--

MS. MORRIS: Well, may I--

ASSEMBLYMAN HENDRICKSON: In my county, I know we hear from our municipalities that the formula and criteria set -- that our municipalities, once they make an application, for one reason or another, there isn't a program that seems to be slotted that they can equal to. I'll give you an example: One of them could be income and unemployment, and yet they could have a high, real property value. Now, it does happen. They seem to slip between the cracks.

Maybe it is something we are not doing. I sure appreciate being in touch, and perhaps we could set up some of these seminars for our area of the State, in order to get that information out. I know it's been good just to come down to listen to you, because we have had a lot of questions on economic development for the smaller communities, that are really in a squeeze, both for unemployment and tax base.

MS. MORRIS: There are many things at the grass-roots level and self-help the smaller communities can do. They can take advantage of any structures that are available -- one of them is the Economic Development Corporation, which is a public, nonprofit corporation -- to make applications for proposals.

Another thing I would like to call the Committee's attention to is, I personally, many times, have set up all-day appointments in the Governor's South Jersey office. I sit there and hear constituents by appointment. I am arranging to do the same thing with Dr. Peacock's office in Camden. I can do that anywhere. I had a number of appointments in the offices of Assemblymen and Senators.

We are here. I would like to leave my cards. I would like to leave information on the various offices and the phone numbers of the Department of Commerce, because there isn't an entity that I can think of that has worked so hard to get around, truthfully. I think we are a pretty dedicated lot, myself. That is probably an unwise comment, but that happens to be the way I feel.

ASSEMBLYMAN COLLINS: I wouldn't say it was unwise. I'm sure it is a truthful one, so--

ASSEMBLYMAN HENDRICKSON: We agree with that; we agree with that.

MS. MORRIS: Well, I feel that way about it.

There are two programs that I haven't mentioned which are certainly available to any constituent in the State of New Jersey. One is the Small Business Administration. That is a Federal program, so there are no locational requirements; there are no SIC Code requirements.

ASSEMBLYMAN HENDRICKSON: We are familiar with the SBA.

MS. MORRIS: Okay.

ASSEMBLYMAN COLLINS: And then there was another one?

MS. MORRIS: Are you familiar with the Certified Lenders and the Preferred Lenders Program?

ASSEMBLYMAN HENDRICKSON: No.

MS. MORRIS: Okay. That is the really big part of the Small Business Administration Program. Those banks that have a very good track record in doing loans and guarantees for the SBA, are awarded, and deserve, the Certified Lenders label. If they are really good, they get the Preferred Lenders label. That means they can make a commitment. The bank can make a commitment, and advise the SBA of the guarantee needs. The Certified Lending Program-- The bank says, "Okay, I will do this deal for you, but I want it strengthened. I want a guarantee from the SBA." They go to the certified lender, and the certified lender must give them a five-day turnaround time on yes or no. So, I've got that in the thing.

We have Small Business Investment Corporations throughout the State, and I am going to leave the information for the Committee, because it is for venture capital purposes. It goes hand in glove, I think one would say, with the incubators.

The Small Business Innovation and Research Program has to do with funding new inventions. Under the auspices of the Small Business Innovation and Research Program of the SBA, it gives inventors and anyone with a patent-- It allows moneys to be given to them by the 25 departments within the umbrella of the program -- outright grants. And the important thing, gentlemen and ladies, is that the State of New Jersey has a bridge loan between Phase 1 and Phase 2 of this program, so that the awardee can survive and eat.

ASSEMBLYMAN COLLINS: How much money is tied into that inventors' program?

MS. MORRIS: It's hard to say, because every department of the Federal government -- the Department of Defense, the Department of Transportation, National Institute

of Health-- It just goes on and on, so I don't know that there is a dollar figure on that.

ASSEMBLYMAN HENDRICKSON: Mr. Chairman, if I may make a suggestion-- It may be an excellent opportunity to have Ms. Morris come down and perhaps set up a whole seminar for one or two days down here for your people.

ASSEMBLYMAN COLLINS: Well, I'm sure that the county Economic Development Committee is listening attentively. I'm sure they will be working with Jane Morris.

ASSEMBLYMAN HENDRICKSON: I would like to have her in Ocean, also.

ASSEMBLYMAN COLLINS: Jane, if you could sort of--

MS. MORRIS: I would be very pleased to do that.

ASSEMBLYMAN COLLINS: --wrap it up.

MS. MORRIS: Okay. Here is the Minority Enterprise Small Business Investment Companies (referring to list), which is part and parcel of the SBICs. The only difference between a MESBIC and a SBIC is that the one is for minority enterprise.

Last but not least, is the Business and Industry Loan Guarantee Program of the Farmers Home Administration. That is the program you see identified by a large "F," a small "m," a big "H," and a big "A," of the Department of Agriculture. Their State office is in Mount Holly. It is very effective. They do not only farmers, but remember I said the Business and Industry Loan Guarantee Program. That isn't necessarily for farmers. Cliff Rossingold (phonetic spelling) tells me that there is still a little bit of money left in his Federal Economic Development Administration.

ASSEMBLYMAN COLLINS: Assemblyman Hendrickson will be writing up there, I'm sure.

ASSEMBLYMAN HENDRICKSON: Our fire companies need fire houses. We've been there with that.

ASSEMBLYMAN COLLINS: Thank you very much, Jane. It was quite expansive to go over all of the various programs. I'm sure we will play off them as the day goes on.

MS. MORRIS: It was my pleasure. Mr. Chairman, I have only hit the high spots.

ASSEMBLYMAN COLLINS: I know. Thank you.

MS. MORRIS: Thank you very much for the opportunity.

ASSEMBLYMAN COLLINS: May we have Mr. Charles Coyle, Office of Business Development, Department of Commerce and Economic Development?

C H A R L E S C O Y L E: Mr. Chairman, after what Jane has covered, and what she hasn't covered, I would like to read my speech.

MS. MORRIS: Okay, Charlie.

MR. COYLE: Good job, Jane; very nice.

Good afternoon. I am Charles Coyle. I work for the State Office of Business Development. I am here today on behalf of the State Commerce Department, Division of Economic Development.

The Commerce Department is one of the younger State agencies, formed just five years ago in 1982. In that short time, due to the Administration's leadership and a number of legislative initiatives, we helped to create a positive business climate and are providing a variety of services to further the State's economic growth.

According to the U.S. Bureau of Labor Statistics, between 1979 and 1986, New Jersey ranked thirteenth in the nation in job growth. In comparison, New York ranked twenty-third; Pennsylvania was forty-first. In case you are skeptical of government reports, Salomon Brothers, the New York investment counselors, reported that New Jersey ranked eighth in the nation in job growth between 1982 and 1985. The State had ranked forty-seventh between 1970 and 1979, which was quite a progress. In comparison between those two same time periods, New York rose from fifty-first to forty-seventh, and Pennsylvania dropped from fiftieth to fifty-first.

We are also proud to report that last year, per capita personal income rose nearly 6%. Housing starts increased 28% in New Jersey, compared to just 4% nationwide. Retail sales rose nearly 10%, three points above the national average. Employment reached an all-time high in New Jersey, and the unemployment rate remains about two percentage points below the national average.

To further these positive economic trends, the State Commerce Department's Division of Economic Development provides a wide range of services to help bring new companies to the State, and to help existing firms expand. You have heard some of this through Jane. But these also include site selection assistance, business retention surveys, licensing and permit coordination services, and other programs designed to cut red tape and expedite job growth.

During 1986, the Division's Office of Business Development helped 55 firms expand, and helped to bring 90 new companies into the State. Among the new firms is Delta Trailers of Hampton, New York. After taking the company representatives on several site tours, the trailer manufacturing company purchased a 230,000 square foot building on 26 acres in Bridgeton, creating 410 new jobs. We also helped Delta Trailers obtain various State permits, State job training services, and more than \$4 million in financing.

To help attract new businesses and retain and expand our existing ones, the Commerce Department administers a number of programs. These include the Local Development Financing Fund, a matching grants program administered by our Office of Urban Programs. Now in its third year, the LDFF Program has provided urban business with more than \$26 million in low-interest loans, creating 3890 jobs, and triggering more than \$103 million in private investment.

Some of last year's LDFF recipients include the Milven (phonetic spelling) Insurance Development Company, which

received a \$950,000 loan to build an office center, and the 1054 Associates of Camden, which received a \$160,000 loan for renovation of a plant in Camden. But by far the most exciting of our programs is the Urban Enterprise Zone Program, which was cited as a national model for economic development at this year's National Association of Economic Development Agencies.

Since its implementation in late 1984, more than one billion dollars in private funds has been committed for investment in the 10 zones, which include parts of Trenton, Camden, Bridgeton, Vineland, and Millville. Tax credits and other expansion incentives offered in the zones helped to bring Cadillac Laundry from Philadelphia to Camden, where it invested \$4 million, and created 117 new jobs. In Bridgeton, Four Star Productions, a poultry processor, invested \$2 million, creating more than 165 new jobs.

I should also mention one other program the Department is involved with, and that is the newly created Urban Development Corporation. Using funds from the 1982 Community Development Bond Act, the UDC will provide financial, technical, and other forms of assistance to those launching redevelopment projects in any of 65 qualified cities. It doesn't have the power for eminent domain, but it can buy, sell, and lease property, make loans, construct projects, enter into joint ventures, create subsidiaries, and buy and sell stock in those subsidiaries.

The UDC has solicited input from local economic development officials, and the private sector as well, on what needs to be done in areas of high unemployment, and what role the UDC should play so it is properly focused, and complements, not duplicates, existing programs. It recently hired an Executive Director, Phil Rowan (phonetic spelling), a resident of Bridgeton, and it is scheduled to launch its first project in December.

To sum it all up, our economy is excellent. The forecast remains good. Five years after our creation, we at the Commerce Department are better equipped than ever to help business grow strong here in the Garden State. We look forward to serving the needs of the business community here in South Jersey and across the State during 1988.

ASSEMBLYMAN COLLINS: Thank you, Mr. Coyle. Any questions? (no response) Just as a follow-up to Assemblyman Stuhltrager's question to Jane, you mentioned the Urban Enterprise Zones, and you have already heard Assemblyman Stuhltrager's concern, in which I join him, because of our unique position here in the Third District. Do you have an answer to those of us who are squeezed between Enterprise Zones? I assure you, we can see the bigger picture. I mean, you talk about 100 jobs here and 120 jobs there, and it is very important. We understand that.

MR. COYLE: Remember, the reason for government programs is because there is a vacuum; there is a need for them. If those areas where the Urban Enterprise Zones were not created weren't in need of that kind of governmental support, then it wouldn't exist. So, there had to be some disadvantage in that particular area; otherwise, business itself would have been there, and thrived. But the fact that the businesses have thrived and moved to the other areas, means that there was a competitive advantage to what they saw there. So, what any project, any program is doing, really, is trying to relieve a dearth, or a wrong that might exist on an economic basis.

Now, that is theoretical. All right? On a practical basis, the thing to do is to match the competition. Each area has its own benefits -- its own advantages -- and a better means of learning how to exploit those and popularize them and merchandise them is what is going to really benefit the area you're in. I think that is the answer to your question. I know I have had Realtors talking to me in terms of, "Well, how

can we compete with land in the Enterprise Zone?" Well, they weren't competing in the first place, because the land was not competitive. Business was moving out, or business was declining.

ASSEMBLYMAN STUHLTRAGER: You have answered the question in the theoretical sense, but in a practical sense, when government gets involved-- You said it got involved because of a need, but it could have overreacted to a need. There are people who are going to be on the outskirts of these Urban Enterprise Zones who don't have any real way to compete, now that government has given an artificial advantage to those within the zones.

MR. COYLE: Yes.

ASSEMBLYMAN HENDRICKSON: Couldn't a hard look be given to-- I think we feel, or I feel personally, that the 3% tax is the biggest part of it; allowing that tax deduction, or that tax break, if you will. Couldn't it be more in-depth, with perhaps some initiative other than a sales tax? Are we at least looking at it, because some of us-- That is the edge of the sword that seems to be the most difficult when you are on the outer edge -- on the periphery, if you will.

MR. COYLE: Well, it is probably comparable to the \$1500 credit that they get for employees. To some companies, I'm sure that one has a greater benefit than the other.

ASSEMBLYMAN STUHLTRAGER: I think the sales tax-- I'll have to jump in, Jack. I think the sales tax is the one that to the consumer -- to someone who is going to go to the store-- They can see it right up-front. The credit for employees, other tax advantages that have to be worked through the system of that enterprise, aren't as readily apparent to the person who goes in. But if I know I am going to go in and I am going to save 3%, I see it right off the top. Otherwise, there is going to be a lot more price comparison, and I don't think the competitive disadvantage would be as great. I think Jack's point about the sales tax is probably valid.

MR. COYLE: I am really not the most qualified person to give you a response in those particular areas, because I deal with companies that have a choice of anyplace in the State they want to come. Companies coming in-- Some companies are attracted by the Urban Enterprise Zone, and some companies prefer not to be there at all. So, there are trade-offs. There are different reasons why companies move in. Many companies would prefer a new shell, a new building in an industrial park, rather than moving into what would be termed an Enterprise Zone. They don't see the benefit of the tax break, and they don't see the benefit of the worker investment.

ASSEMBLYMAN HENDRICKSON: Well, I think we can understand that. The sales tax would be a benefit to a few, and then may not be any benefit at all to move into anything. I think we would like to see an in-depth analysis, if you will, of just why they would come into an Enterprise Zone on the sales tax only. Is that the real--

MR. COYLE: I wouldn't be surprised. I think probably Gary Garofalo, who is the Coordinator of the Enterprise Zones, may have some of those figures, or Commissioner Blekicki. That would be interesting to see.

ASSEMBLYMAN HENDRICKSON: Yes.

ASSEMBLYMAN MARSELLA: Charles, isn't the sales tax issue you are addressing-- Isn't that on a sliding scale for the Enterprise Zone? They only get the sales tax deduction -- what, for three years?

MR. COYLE: I think so, and then I think it is only a portion for the first part of it.

ASSEMBLYMAN MARSELLA: Then it's only a portion. So, it's a three-year tax advance on the sales tax, but there is a host of other things, as Gary has mentioned -- the amount of employees they hire, and so forth and so on. That is probably the biggest thrust of them moving into the Enterprise Zones, not just the sales tax.

MR. COYLE: With the companies I deal with -- and these are national companies -- that invest me credit -- the job credit -- is much more meaningful than the idea of the sales tax. So, it depends on who you are talking to, who is going to benefit most by this specific advantage, including the entire concept of the Enterprise Zone.

ASSEMBLYMAN HENDRICKSON: The second point then is, what incentive do we have-- I didn't want to bring it up, but since it has been brought up-- As there is a time period -- a time frame -- in there, if they are moving in because of the advantage of the 3%, doesn't it kind of make sense that they might only stay the three years?

MR. COYLE: I think there is a contract in the moving in that binds them for a longer period.

ASSEMBLYMAN HENDRICKSON: Okay.

MR. COYLE: I'm not sure, but I think so.

ASSEMBLYMAN COLLINS: Okay, thank you, Mr. Coyle.

Next we will hear from Gerard Santerre, Division of International Trade, Department of Commerce and Economic Development.

GERARD SANTERRE: Thank you, Mr. Chairman. I am not here to give you figures on New Jersey's percent of sales over other states in the Union. I am here to present what we can do, and what we have been doing in South Jersey. That is the reason we're here.

I would like to mention that I am with the Division of International Trade. I am a Foreign Trade Representative. My main responsibility is promotion overseas, taking companies overseas -- small and medium-sized companies -- and also liaison with South Jersey, which I enjoy very much.

During the last year and a half, we have found it was very important to get South Jersey involved in international trade, despite the fact that maybe its manufacturing base is not as strong as up north. It is developing, as you mentioned

earlier; they are coming down here. We have to help the companies here get into international trade. So, a year and a half ago, I started to meet with different counties, and I can say that we succeeded in developing, in Gloucester County, an International Trade Council -- a very strong one. In Cumberland County, we also have a very strong one. We have had international trade seminars -- educational programs. We are working with the other counties now.

Yesterday we had a meeting with the South Jersey Development Council, with Congressman Florio and Senator Lautenberg in Riverton. They are going into international trade now. So, everybody is getting in on international trade. Our job in our Division is to make sure we have the right programs for the manufacturers to get involved. I can say that of late, since we started the commissions or the councils here, South Jersey manufacturers are participating in our exhibits overseas. As an example, in June we went to the Paris Air Show. Of the seven companies we have in New Jersey, five were from South Jersey in avionic equipment. For the avionic show we have in Singapore coming up in January, we already have five from South Jersey, which is a very good indication that what they need is a program and a quarterback, or just the quarterback.

Just recently, we had a show in Mexico. I just got back last Tuesday. We sold over \$1,300,000 there at the show. Two companies were from South Jersey. They brought the equipment and sold it right there. They appointed a distributor, and they have sales of \$200,000 coming up. So, even Mexico, where they have a surplus -- believe it or not -- was an excellent place to have a show.

I am leaving next Thursday for Saudi Arabia. We don't have any companies from South Jersey going to Saudi Arabia. But following that, we are going immediately to Korea, and two companies from South Jersey are going to Korea. The product is a made in U.S. product, in Korea.

So, in the shows we have selected, we have given priority to South Jersey companies, since it is their first time to go overseas. As I say, we coach them along. We prepare the booth for them. We get the interpreters for them; the equipment for them; the advertising and publicity for them. When they arrive, on the day of the opening, there is a big advertisement of New Jersey companies being there. Also, we put out information concerning investment in New Jersey.

These are basically the programs we have in the International Trade office. Thanks to the Assemblymen here-- You have been funding us very amply to increase our personnel. Our personnel was too short to cover what we wanted to do. But the results are showing.

I would like to mention the shows coming up. After the Saudi Arabia and Korea shows, we have a show in Dusseldorf -- medical equipment -- where we can only handle five companies. Nine companies signed up. I don't know how they are going to fit into 100 by 100 square feet. This is how popular it is becoming for the small businessman. Selling eyeball-to-eyeball, with a weak dollar, he has a chance to get into the marketplace. We have a show, as I said, in January, in Singapore -- an air show again. This is where South Jersey is quite strong, in avionic equipment. I was surprised, but they are, especially around the Cherry Hill area and Pennsauken -- the components of the aircraft, even parachutes.

ASSEMBLYMAN HENDRICKSON: That's Switlik.

MR. SANTERRE: We once sold a million and a half dollars worth of parachutes in Paris.

ASSEMBLYMAN COLLINS: In Paris?

MR. SANTERRE: In Paris -- parachutes.

ASSEMBLYMAN HENDRICKSON: That's Switlik, an Ocean County resident.

MR. SANTERRE: Then we have Asian print -- graphic and printing equipment in Hong Kong in February, and a computer and

office equipment show in March. Again, South Jersey is strong in office equipment and computer equipment. We have very large booths this time in Germany. The show will be in Hanover, Germany in March. We are preparing for it right now. At the seminar we had in Asbury Park on September 12, before I left for Mexico, five people signed up for the Seabrick (phonetic spelling) Show.

So, there is an interest in South Jersey companies getting to these shows. We will help them to get there. We will get the distributors. Sometimes the sales are perpetual and increase the jobs we need here in this area.

ASSEMBLYMAN HENDRICKSON: Where did you say you were going in Germany?

MR. SANTERRE: Hanover.

ASSEMBLYMAN HENDRICKSON: Hanover?

MR. SANTERRE: Yes. It's the largest show in the world, actually -- the Seabrick Show. We have been there about five or six times; this year, at the request of Mike Manning, from the U.S. Department of Commerce, who gives us a lot of assistance in getting participants to go. We have 41 square meters, which is a very large booth. It is very expensive, but it pays off for the companies. Then, one more show in London -- a safety and security equipment show in April. Again, people are signing up for that show.

I am open to questions before I go.

ASSEMBLYMAN MARSELLA: You mentioned all the shows and all the products -- or, you didn't mention the products. What types of products are we talking about?

MR. SANTERRE: Well, we make a survey first. We check with the U.S. Department of Commerce, the embassies and the consulates. We usually go to a show that is sponsored by-- Like, in Mexico, it was the U.S. Trade Center. They put on a show of food processing and packaging equipment, which is high-tech stuff in these foreign countries. We will go with

leading high-tech equipment. Now, if you are going with a can opener, you better have a new can opener, not just a regular can opener, or you are not going to sell them. The competition is very high. But if we go with a new product, it is good for three, four, five years, then you develop new ones again, because someone always copies it. We always keep in touch with new products, and we test them out in the market before we go. If we feel that your product won't sell, we tell you very frankly, or if something is missing in your program, or your brochures, or something like that.

ASSEMBLYMAN COLLINS: Are the majority of these large businesses, or medium-sized, or small businesses?

MR. SANTERRE: Small and medium. We have some as small as five employees, ten employees. The big ones don't need us.

ASSEMBLYMAN COLLINS: Right.

MR. SANTERRE: They can tell us how to do it. But we help them out.

ASSEMBLYMAN COLLINS: Very good.

MR. SANTERRE: We coach them along, and eventually many will go on their own, and will get a booth the next show, because they feel they need more space. They know how to do it now, and they will pay the extra money for it. Usually, we will only charge anywhere from probably \$300 to \$700, where if you go on your own, it will cost you around \$4000 or \$5000 for the space. So, we do subsidize that part, to get you into international trade.

ASSEMBLYMAN COLLINS: Thank you, Mr. Santerre. We appreciate your testimony.

Next we will hear from John Bradway.

J O H N W. B R A D W A Y: Good afternoon. I am John Bradway, from Smick Lumber. The problem I would like to address Assemblymen Collins and Stuhltrager are quite aware of -- the economic disadvantage the Urban Enterprise Zone has

placed us in. We are a retail business dealing in lumber and building materials, which is a highly competitive business to start with. We are located approximately 10 miles from the closest Urban Enterprise Zone, and only 10 miles from the Delaware Memorial Bridge, which gives the State of Delaware merchants the advantage of no tax. Actually, we are caught between two fires. Our customers have a choice of no tax or 3%.

On the average house job we sell, there is approximately \$35,000 worth of building materials. When you cut 3% off of that, that places us at a \$1000 disadvantage, to a business that once was as competitive as any around.

We need some direction, and some relief. I am sure there are other merchants in this State, particularly in the county area around this, who are feeling the problem just as greatly as we, particularly in lower Gloucester County and Salem County.

So, with that, and in the interest of time, I have no further remarks. I appreciate the comments I have heard here today. I am most anxious to secure the addresses of those who we can pursue this matter with.

ASSEMBLYMAN STUHLTRAGER: John, you and Harold and Jack and I have had an opportunity to talk about this subject more than once. I hope I didn't take your thrust by raising the question, but I wanted to make sure we got it to the people who were here. It is a difficult problem. You know, when I see in Trenton-- The Urban Enterprise concept -- and I have never wanted to mislead you -- is a popular concept. It is one that is probably not going to go away, realistically. But when I saw the statistics up there, and they talked about what a great thing this is, you know, I mentioned your case. Are they keeping statistics on what we are losing at the same time we are gaining?

I know one of the speakers was talking about companies coming in from out-of-state, but in some cases this whole thing

is "robbing Peter to pay Paul," because if it wasn't in Bridgeton, it might be in Hopewell. If it is going to one town versus another, you really haven't gained anything, unless you find some specific advantage to going to one town versus another.

You heard the answers when we raised the point earlier, or the lack of answers, quite frankly.

MR. BRADWAY: I appreciate your input earlier, too. Thank you very much.

MR. WILLIAMS (Committee Aide): Excuse me. Did you fill out one of our forms?

MR. BRADWAY: Yes, I did.

ASSEMBLYMAN HENDRICKSON: If I may, what we would like is something in writing from your company, about just exactly what you find being on that periphery. I think that analysis, if we can get that, and get enough of that, perhaps we can take some direction. We can't promise anything, but we have to have the facts about everything out there that is going on, in order to try to help.

MR. BRADWAY: Okay. We will be more than happy to--

ASSEMBLYMAN HENDRICKSON: I'm sure Gary and Jack already have information along those lines.

ASSEMBLYMAN STUHLTRAGER: John, do you think-- I mean, Jack Hendrickson talked about the sales tax. Do you think the sales tax is the prime thing that people differentiate on?

MR. BRADWAY: Yes, the sales tax is the big drawing card. I mean, they can put a salesman on the road, to go out and say, "Okay, you know, get your prices, and we can be competitive." In fact, we can beat them within \$500 before you put the sales tax on, but when you put the \$500 -- or you put the sales tax on, then we slip from \$500 to the advantage to \$500 to the disadvantage. I am not here to cry, but I am here to state a fact. In a town of 500 people, we employ 30 people, and it makes a difference to the impact of what we're doing.

ASSEMBLYMAN STUHLTRAGER: Of course, the problem, when you start comparing us versus, say, the State of Delaware, that is something that is beyond our control.

MR. BRADWAY: I realize that.

ASSEMBLYMAN STUHLTRAGER: But it is one of the things that when we are up there and we are talking about how to use surpluses, and so forth-- I think it might be a good idea to look toward tax reduction, as opposed to new programs, and the sales tax certainly would be an industrial economic boost from that end.

MR. BRADWAY: I only pointed out the fact about Delaware because we are actually between two fires.

ASSEMBLYMAN COLLINS: Absolutely.

MR. BRADWAY: It is not a case where you just have to fight it from one angle. You're looking at it from two angles. The business we deal in works off a profit of 2%. So, when you slice 3% off of business that has been netting a 2% profit, you destroy the incentive to expand. We are currently on the verge of ground breaking for an expansion program, but we are hesitant to do it at the location where we are right now.

ASSEMBLYMAN COLLINS: It seems that the three of us can go on with this, which we have. We have talked with Assemblyman Marsella about it, and Assemblyman Hendrickson, who sits on the Committee with us also. But we are much more unique than even the Fourth District up in Gloucester, or even in Ocean, because of the State of Delaware sitting there with no sales tax, and you sitting there. Of course, Gary's and my district runs over into Cumberland County, just short of Bridgeton. We have many companies there which are just over the line from Bridgeton; I mean, over the line by a couple of hundred yards, and in the same business. The plumbing business comes to my mind.

It is really a difficult situation. I think you realize that. That doesn't mean that it shouldn't be solved,

because it's difficult, but it's something that we have to move on. As Gary said, when you go to Trenton -- and it is the State Capital, and we are one State from north to south, no matter what the arguments may be at times -- and when you hear the statements that are made by urban areas about the regrowth, and so on, I'll tell you, it's tough, John, as we are facing it, to turn our backs on those statistics. But, on the other hand, you're a human being sitting in front of us, and you made a good point. Five hundred people live in the community, and you employ 30. That is a heck of a large business tied to that community. It is something we just have to continue to be responsive to.

I'll tell you, the two men on the end are very, very supportive of South Jersey and our philosophy of life, let alone our business way of life. We will keep plugging away, but you heard the testimony earlier. That is not to knock Jane or Charles, but it is really a problem. But we will keep at it. That is all I can offer. Okay?

MR. BRADWAY: Thank you very much.

ASSEMBLYMAN COLLINS: Thank you, John.

Next we would like to hear from Dr. Pat Peacock, Director, Regional Small Business Development Center, Camden. I understand that with you, Pat, are three business owners who are going to come up -- Charlotte Novak, Heuristic Solutions, Inc., Brenda L. Lingo, B. L. Lingo Doll Designing, and Lorraine Wylie, Busy Hands Preschool and Child Care Center. If you three ladies would like to come forward, you can-- (brief discussion regarding seating arrangement)

By the way, I do want to make mention of two points: One, if anyone would like to speak who has not filled out one of these forms, the forms are in the front of the desk. Secondly, all of the comments here are going to be part of a transcript at the conclusion of this hearing. And, as I mentioned earlier, Assemblyman Hendrickson and Assemblyman

Marsella will soon have to be leaving. I just want to make the point very clear that the transcript is the official record that these Assemblymen will be reading, particularly the Chairman of this Committee, Joe Azzolina. So, please don't feel slighted as we move through, or some of you speak later. The record will be on that transcript, and we will be more than happy to very much take into consideration your thoughts and ideas.

ASSEMBLYMAN MARSELLA: If I may just add one thing to what Chairman Collins has said. This transcript is available to the entire General Assembly. All 80 members are entitled to get this transcript. So, if you see some of us going to other appointments we have, we are still going to get a transcript, and most of the Assemblypeople will read what you have to say.

ASSEMBLYMAN HENDRICKSON: Just one thing, I would like to make my apologies. I will be here for a while yet, but I have a two-hour trip and a long evening ahead of me. It has been enjoyable. I will let you know when I have to split, Mr. Chairman.

ASSEMBLYMAN COLLINS: Thank you, Assemblyman. Pat?

D R. P A T P E A C O C K: Thank you, honorable members of the New Jersey Assembly, residents of South Jersey, and friends. We appreciate the opportunity to come before this Assembly Committee to address some of the issues of economic development that are of concern to us. I am Pat Peacock, Director of the Regional Small Business Development Center, which is housed at Rutgers University in Camden.

In order to better appreciate our sensitivity to these issues of economic development, permit me to present some facts and figures about our eight counties -- Cape May, Atlantic, Gloucester, Cumberland, Ocean, Burlington, Camden, and Salem -- and I hope I have not forgotten any. While the State of New Jersey has experienced a modest population increase of 2.67%, our eight southern counties have witnessed a growth of 5.24%.

The residents of South Jersey are younger than those of the State as a whole, the State's average being 32.2 years, and our southern New Jersey age being 28.6 years. The average work force -- individuals between the ages of 15 and 63 statewide -- is 66.9%; this figure in South Jersey equals 64%. High school completion statewide is 67.4%; South Jersey runs an average of between 53.3% in Cumberland County, to about 65%, with the only exception being Burlington County. The median income for the State was reported at \$22,906; the median income for our eight southern counties, including Burlington, is \$19,906. And we can go on -- poverty figures for the State and the impact of poverty on South Jersey, both by families and by persons. And we can go on with regard to our heritage and our racial mixture. More importantly, we can go to small business, because small business struggles in its ability not only to establish itself, but also to expand.

So, in 1979, when the State had new births of 1700 new businesses, the eight southern counties of which I speak had only 3700, or roughly 21% new births. In 1980, 20% new births; in '81, again 20%. In 1982, it dropped to 19%; in '83, to 18.9%. And these are figures which are collected through the unemployment insurance data the State has. New business births in South Jersey represent only about 17.39% of the statewide growth. Now, some explanation of this can be found in the limited access of assistance, information, training, and counseling. While high-tech may characterize the State of New Jersey as a whole, South Jersey, again with the exception of Burlington County, does not enjoy the same fruits of this opportunity. The statewide average for high-tech is a little better than 10%, while the eight southern counties of South Jersey average about 4.8%. Burlington County, as I noted, is an exception at 12%.

Other industrial opportunities in the southern part of the State are equally limited, with manufacturing only

representing about 14%; communications a little over 11%; computers, 14.4%; research and development, less than 1%. Opportunity may be limited to factors such as age, education, income, and the like, but perhaps opportunity is also hampered by an attitude which fosters dependency, rather than independence.

Consider the opportunity for small, individually owned service businesses in South Jersey, not as competition, though that would not be a bad thing either, but as a complement and a support to the growing demands made by this State's emerging small business community. Small business ownership is a viable career option, but only if it is fostered and developed in a thoughtful frame. It is not only our intent to encourage the careless who would "plan to fail," and therefore fail, to join the ranks of the failure statistics of 80% to 85% of all new businesses which, in fact, within the first three to five years, do end up as failures in start-up. Small business ownership as a career option for our residents must focus on the dissemination of information from our many State agencies which support the growth and development of small business. More importantly, this information, and accompanying services, must be made available on a consistent and reasonable, albeit affordable, basis.

That is the role of a small business development center. We, at Camden, and our sister program in Atlantic County, are resources, but we are very, very, very limited resources. In your efforts to hear the needs of South Jersey, and to exercise sensitivity in addressing them, may I offer our services to you as a cornerstone of a future plan, and a little background about the concept of small business development centers?

The New Jersey Small Business Development Center, or the NJSBDC, is located in the Graduate School of Management at Rutgers University in Newark. There are five satellite centers

serving New Jersey: Atlantic Community College, in Atlantic City; Brookdale Community College, in Lincroft; Mercer Community College, in Trenton; Rutgers, Newark; and Rutgers, Camden. According to the 1986 end of the year report, the SBDC network had served roughly 1100 clients around the State of New Jersey, with an average of four to five hours per client of counseling. Of the individuals counseled, roughly 20% were minorities and 30% women. I know within our program, 85% represent women and minorities.

The SBDC network sponsored 146 training events, attended by roughly 4200 participants. The New Jersey Small Business Development Center network receives a quarter of a million dollars from the New Jersey State Department of Commerce, out of the Division of Small Women-Owned and Minority Businesses. These funds are matched with funds from the sponsoring colleges and universities, and then are leveraged with these moneys to the Small Business Administration of the Federal government, so that the 1986 budget from the SBA itself totaled a little more than a quarter of -- rather a half a million dollars.

It is of interest to recognize that in South Jersey -- and I represent a program that services five of the eight southern counties -- in the first year we were established, and our grant was awarded in July, 1986 -- I'm sorry, 1985-- We had an Acting Director until February, 1986, when I took over. In 1986, we serviced 152 clients on a short-term basis, meaning less than 12 hours; 54 on a long-term basis; held seminars and workshops in 11 locations; and had workshops with participants totaling more than 650 people. This year alone, we have seen more than 251 short-term clients; 22 long-term; held seminars and workshops in more 32 locations; and have had workshops with participants in excess of 400 people.

Our staff consists of myself as Director, and I now have a secretary, and a faculty person who works two and a half

days a week. But, that is enough about what we do to try to interface. Believe me, it is not enough, but we are a young program. I think after 19 months we are beginning to establish ourselves. More importantly, however, I want you to hear from business owners, who have, at one point or another, come to us for some assistance. We have supported them, and we have backed them. Maybe through this outreach we can encourage more business owners and potential business owners to get in touch with us. So, let me turn the conversation over to Charlotte, shall I?

C H A R L O T T E C U L P N O V A K: Okay. Honorable members of the New Jersey Assembly, residents of South Jersey, and fellow small business owners: My name is Charlotte Novak. I am the President of Heuristic Solutions, Inc. It is a Mount Laurel-based management and computer systems consulting firm.

I am pleased to be able to give testimony today before the Assembly Economic Development and Agriculture Committee. I hope to provide insights into some obstacles confronting business, and address State policies aimed at southern New Jersey business development, based on my somewhat unique background with both large and small business in the State of New Jersey.

As the Corporate Finance Department representative to the E.I. duPont de Nemours manufacturing facilities at Deepwater and Gibbstown, I was exposed to the day-to-day operations and State reporting requirements of large corporations in the State of New Jersey. In 1983, I founded my own small business in Burlington County, and have dealt with the operating problems and reporting requirements with which all small businesses must deal. During several semesters as a coadjutant professor of management at Rutgers University, Camden Campus, I became involved in adult business education. Finally, my ongoing affiliation with the Regional Small Business Development Center in Camden, as an instructor to developing businesses, has also given me the opportunity to

make contact with business people, as they try to learn more about the mechanics of starting and operating successful businesses in the State.

An obstacle I would like to address, is the inevitable reporting requirements of many State agencies, and the problems a small business encounters while dealing with these agencies. Although I concede that a large, complex business operation will have proportionately larger reporting requirements, there exist minimum quantities of reporting that all businesses, both small and large, must address. In a large, or even mid-size business, the resources are available to hire specialists in the area of reporting, most notably the areas of finance and personnel. A small business owner may not have the resources to pay for specialized help. It is this entrepreneur who may not have the ability to cope with the deluge of reports which need to be made to the State on a regular basis.

Small business owners want to comply with reporting requirements, and want to submit accurate reports. In a small business where the staff may consist of only a few persons, the owner may be required to spend the equivalent of one day per week to keep records and file the necessary forms, in order to stay current with his reporting obligations. With the complexity of the tax schedules and forms themselves, mistakes in reporting are commonplace and can require more hours of the entrepreneur's time -- not to mention costly penalties and fines -- to achieve compliance with the State agencies' reporting requirements. Instead of being able to generate sales for their time to produce products and services, the entrepreneur finds a great deal of his time spent dealing with his confusion over exactly what the State agency requires of him.

A perfect example of this dilemma is the frustration I have had while dealing with the State Department of Labor. I would like to add, at this point, that I have a master's degree

in business administration -- accounting -- so I should be able to understand what they want. I knew that my first corporate payroll would exceed \$6000 and would immediately put my company in the position of having to withhold disability and unemployment insurance from employee paychecks, and then report and make payment to the State at the end of that quarter. My frustration was in trying to ascertain withholding rates from employee pay. I was told, during repeated phone calls to the Department of Labor, that they could not give me any information until my payroll had exceeded \$1000, at which time they would begin to process my application for an identification number, a process, which I was to learn, takes approximately six weeks.

I was caught in a Catch-22 position. I had to generate a payroll in order to get a number, but I couldn't find out what my withholding was until I had that number. So, I had to generate a payroll based on guesstimates of withholding for disability and unemployment and, therefore, paid a guesstimated amount to the State. I received my Department of Labor identification number finally, several weeks later, finally with the information regarding withholding rates and filing procedures.

I then spent considerable time, which I could have spent with clients generating revenue for my company, correcting the next two payrolls, so that my year-to-date withholding balances for my employees were correct. This week, I have to file an amended third quarter return to the State Department of Labor. I will spend another afternoon, and file the amended return.

Since the Department of Labor is unable to process applications prior to a payroll exceeding \$1000, and once the payroll is generated it takes almost two months to process the paperwork and put the company in a position to pay the taxes due the State, it occurs to me that any business start-up where

a large payroll is generated immediately will almost certainly be in default of reporting and paying unemployment and disability taxes, if it commences business at any time other than the first month of a quarter. It is possible that under these circumstances the system is causing 75% of the above-mentioned businesses to endure past-due penalties and the paperwork aggravation.

Information in the form of withholding rates is all I was lacking, but I couldn't find any help. It would have saved me a great deal of time, and in my business, time is money. That is my product.

What we need to do is reach those who are starting a business with information to make their report generating efforts as efficient as possible. Knowledge can go a long way toward making reports correct the first time, thus saving the business owner the effort and cost of amending reports to State agencies, and saving the State agencies the resources consumed in correcting taxpayer mistakes. But, how can we achieve this?

I am a great believer in accomplishing tasks through existing means. Many of the State departments have in place impressive training programs to educate business people in reporting requirements. I have attended the seminars offered by the Department of Revenue (sic) and the Department of Labor, and found these Departments' staffs to be enthusiastic and anxious to reach State business people. Representatives of these Departments have admitted to me that they feel as though they are not reaching the great number of people in need of their services, and testimony today proves that.

We heard from Jane Morris, and we heard from Charles Coyle and Gerard Santerre, who have programs in place, but how are they disseminating this information to the small businesses in New Jersey? It is very difficult as a small business owner, unless you are really tuned in to the network, to find these programs. Each department utilizes a different method of

making businesses aware of their programs. There appears to be very little cooperation among these departments that are trying to reach the same group. Overlap of services exists in some instances, and a duplication of efforts wastes resources which can be used more efficiently elsewhere.

The most surprising thing is that the departments seem to be unaware that there is a State-funded Small Business Development Center that would provide the perfect conduit for information from these State agencies to the majority of business start-ups. I suggest that an effort be made to get the key players in this educational effort together, so that a state of cooperation between agencies is begun. The natural clearing house for this activity would be the Small Business Development Center. Not only can a direct line of communication be established from State agencies to the business owner, but the Regional Small Business Development Center can provide the agencies a grass-roots perspective into those problems and obstacles that exist for businesses.

We are all here to give testimony regarding ways to stimulate business, especially here in southern New Jersey. While it would be nice to get something for nothing, we all realize that the efforts of our Regional Small Business Development Centers are limited by their modest budgets. I cannot say that I understand the reasoning used by the New Jersey Small Business Development Center and other State business development agencies to allocate funds to regional centers throughout the State, but it appears to me that allocations to the northern communities, versus the southern communities, may be based on some formula which uses current revenues generated by businesses already located in these areas as a gauge. While there may appear to be logic to this formula, I suggest that investing the bulk of State and Federal business development dollars in areas which are already highly developed may be ignoring the potential which exists in

underdeveloped areas, such as Salem, Gloucester, Burlington, Cumberland, and Ocean Counties.

I obtained some 1986 budget allocation statistics from the New Jersey Small Business Development Center, and found that of a budget of \$881,000 in 1986, the allocation was broken down as follows: Central Jersey -- which is a two-county location -- received 10% of these funds. South Jersey -- which is eight counties -- received 18%. North Jersey -- which is 11 counties -- received 72% of these funds. I use the term "underdeveloped areas" because I believe that a great potential for development exists in the southern half of this State. Certainly, the allocation of business development funds by the New Jersey Small Business Development Center is grossly inadequate for the successful development of business in the central and southern portions of the State, where real potential exists. Surely a more equitable allocation of development funds will be needed to fund those activities which I have suggested for the benefit of business owners.

I ask this Committee to recognize the need for an organized method for dissemination of information by State agencies, and for those collaborative activities I have outlined. I also ask you to use your considerable influence on behalf of your small business dependent constituents, by effecting an equitable allocation of business development dollars to the southern portion of the State, where it is badly needed.

Thank you very much.

ASSEMBLYMAN COLLINS: Ms. Novak, just a comment. That was an excellent presentation. A lot of research went into it. For one thing, we are going to find out why it takes the Labor Department so long to respond, once they ever respond.

MS. NOVAK: Listen, I want to address that. After that whole situation happened, I personally called many different places. Tenacity is not one of my shortcomings. I found--

ASSEMBLYMAN COLLINS: I get that feeling as I listen to you.

MS. NOVAK: --to my surprise, that the Department of Labor has someone who is putting together educational programs. I contacted her, and she is outstanding. I put her in contact with Dr. Peacock. I connected her with the network to communicate with South Jersey business, and I am going to make this one of my things -- to make sure people understand that help is there. If I had known her name when all that trouble happened, it would have save me a lot of trouble. I don't want to make it look as though they are not making an effort. I think I just got connected to several people who shouldn't have telephones on their desks, in my opinion.

ASSEMBLYMAN HENDRICKSON: If I may, Mr. Chairman-- Assemblyman Collins and Assemblyman Stuhltrager made a good point, that we are trying to solidify the State of New Jersey. Being a South Jersey resident and Assemblyman, your comments are well taken. It wasn't too many years ago that about 10 of us tried to split the State of New Jersey, with those seven counties. We got it on the ballot, and we won five out of the seven. So, our sympathy--

You were excellent. I hope we can get the printout of the report to help us in that way. It is not only the Department of Labor. DEP, we get it from, Health, and Human Services. There seems to be some lack of rapport, or at least expediency for the people out there in their time of need. Again, your points are well taken.

Mr. Chairman, will you excuse me?

ASSEMBLYMAN COLLINS: Yes.

ASSEMBLYMAN HENDRICKSON: It's been a pleasure. I will come back, or whatever.

ASSEMBLYMAN COLLINS: Your Swedish heritage brings you back.

ASSEMBLYMAN HENDRICKSON: That's right. No question, we're close to the Delaware. Thank you very much.

ASSEMBLYMAN COLLINS: Who will be next, Dr. Peacock?

DR. PEACOCK: Brenda Lingo.

ASSEMBLYMAN COLLINS: Go right ahead, Brenda.

B R E N D A L. L I N G O: B. L. Lingo is a company dedicated to the marketing of a product named Emmanuel. The purpose of the product--

ASSEMBLYMAN COLLINS: Excuse me for a moment. The transcriber is all right, but I am sure that some of the people in the back of the room are not going to be able to hear you, so you might have to really let it go, because we want to hear about B. L. Lingo. Go ahead.

MS. LINGO: I just want you all to know that B. L. Lingo is a company-- My name is Brenda L. Lingo. We are a company dedicated to the marketing of a new product by the name of Emmanuel Doll. The purpose of the product is to take advantage of the rapidly increasing demand for religious toys in the marketplace.

Prior to my designing the doll-- I am basically a housewife with three children, married 12 years. So I had no knowledge of the business world, or anything, and I needed help in everything. I was in touch with Dr. Peacock on July 17 of this year, and within eight weeks I will have the doll. Well, basically it was already copyrighted and everything. We now have a manufacturer. The designer, who is an artist out in California, is going to make the doll. We will have the first copy the first week of November, and hopefully the doll will be ready for sale by February. We expect to make a profit of over \$5 million the first year with this product.

ASSEMBLYMAN COLLINS: Was that \$5 million?

MS. LINGO: Yes.

ASSEMBLYMAN COLLINS: One other question: How many employees do you have?

MS. LINGO: Basically, what we are hoping to do-- A company out in California is going to handle most of the

manufacturing and the procedures with the doll, because I am very unfamiliar, and they have the expertise.

ASSEMBLYMAN COLLINS: Five million the first year?

MS. LINGO: Yes.

ASSEMBLYMAN COLLINS: Okay, go right ahead.

MS. LINGO: I would just like to say that it would not have been possible if it weren't for Pat, because I wasn't even aware that I needed a business plan. All I knew was that I had an idea, and I went on and had it copyrighted and, you know, different things like that. She got me in touch with the right people. Also, I will be attending an international toy fair in New York on the second Monday in February. These are things that I found out were available through Pat -- different trade shows, how to market your product, how to seek out the artists and the manufacturers, and different things like that.

So, I am pleased to have met Pat. She has been a great help to me. Thank you.

ASSEMBLYMAN COLLINS: Thank you.

ASSEMBLYMAN STUHLTRAGER: I would like to ask a question of you, and I guess maybe of Pat. You take a concept, which was yours, and you are a resident of New Jersey-- Pat, when you work with someone, and it begins with a concept-- Here we have a manufacturer-- The jobs, in this case, are out in California.

DR. PEACOCK: That is a real drawback. One of the things that Brenda and I have talked about is whether or not there would be a company in southern New Jersey. I believe you live in Cumberland County, don't you?

MS. LINGO: Yes.

DR. PEACOCK: You know, nothing would please us more than to be able to put these pieces together. It simply isn't here yet. That doesn't mean, though, that as the business begins to take hold, that she wouldn't, at some point in time, be able to find a source here.

MS. LINGO: One thing Pat told me to make sure of, basically, was that the company that is going to be handling the doll -- which is called Heaven-- We are only going to give them the right to have manufacturing rights for two years. By then, hopefully, we will have sought out a company within the State. We have done some research, and as far as working with dolls, there are companies, but their products are being made in Korea. So, they won't take in new ideas, or anything like that. They deal within their own companies. That is the problem I have found I have been having.

The company out in California also deals with Korean trade. This is where the doll will be manufactured. But, hopefully, within the two years, after we get the people with the right expertise to handle such a company, we will be able to do this right here in the State.

ASSEMBLYMAN STUHLTRAGER: Just so I understand it, you had a concept to make a doll. It could be making a toaster oven, or whatever the concept is. Tax dollars of New Jersey are paying some of these fine people here to tell you how to do this -- how to get it copyrighted; you need a manufacturer; you need an artist. I am glad you live here in Cumberland County, and I hope you make a lot of money. But, other than you, what is New Jersey -- and this is for Dr. Peacock -- getting? We have Korea manufacturing. We have an artist in California. You probably have some lawyer in Washington who did the copyright.

MS. LINGO: No, right here in New Jersey.

ASSEMBLYMAN STUHLTRAGER: Okay.

DR. PEACOCK: They are southern designers and artists. The only difficulty in this whole concept-- Initially, she was exploring overseas in terms of the manufacture of the doll. The only shortcoming with the design, at this point, is having to tap into a resource in the State of California, and that's not bad, considering all of the other potential that could come out of a plan like this.

But I think more important is being able to take a concept -- an idea -- as Brenda had, and be able to put it down in terms of potential ability to make a profit, and to put her in touch with the right resources, because, you see, I am equally concerned that she succeeds, since the track record for success in small business is worse than going to Atlantic City and betting on the games.

ASSEMBLYMAN COLLINS: If I may just jump in now. That is great philosophically. We would like to see small business do well, and I'm glad that Brenda is going to do well as an individual. But, let's not -- just as we have already been through here in some of the other philosophical arguments on Urban Enterprise Zones, or whatever else-- Philosophy is great. I think that with having more people successful in small businesses, having more women involved, more minorities, more all of the other things we can have, we also have the bigger picture we always have to deal with, which is the entire State of New Jersey -- potential employees in New Jersey, and so on.

So, your out, being the potential here-- Maybe it will only be two years, and maybe it will come back to New Jersey. We don't want to stop creativity among New Jersey residents as individuals, or as groups, but also let us really be fair, and keep in perspective here the Assemblyman's comment. We have moved far beyond what our ultimate goal would be when we go all around the country, even though a New Jerseyan -- and I am happy to say that the creativity is in New Jersey, and probably in your three children, and will continue, and we can go on from there-- But, also, let's not put blinders on, and say, "Well, this is great because it is a concept in small business and an individual is succeeding," because we are a State of seven and a half million individuals.

MS. LINGO: I would like to add that the business plan does call for the hiring of six people. I guess you would

actually have to understand the plan. They are going to handle the work in California. The dolls will be shipped here to the State of New Jersey, and sold from the State of New Jersey. Okay? Everything will be handled here. But, the people out there, the ones I was in touch with, have the expertise to help make the business, you know, successful.

ASSEMBLYMAN COLLINS: Well, just so we all understand. We have another small business owner.

L O R R A I N E W Y L I E: Good afternoon. I am Lorraine Wylie. I am the owner and director of Busy Hands Preschool and Child Care Center. We are located in three locations. We have a preschool in Penns Grove -- this is all Salem County -- we have a school in Pennsville, and we have a school in Sharptown. We have been in the preschool business for six years. My sister and I -- she is the other co-owner and co-director -- have always wanted to expand our business to become a full-scale day-care center. We, at the time, were only in churches. We rented their facilities. We were very limited in our business, realizing the fact that overnight it could really go to smithereens, if laws were changed where we could not have a profit-making organization within a nonprofit organization, and so on.

So, we decided we were going to pursue this interest. We wanted to have our own building, whether it be constructed or we buy an already existing building. We wanted to do it right, so we took a course offered by the Rutgers University Development Center on business plans. We took the six-week course given by Jim Eulich (phonetic spelling) from Rutgers University in Camden, and we proceeded from there. He got us in contact with Dr. Peacock, and from there, she took us to polish our business plan and to really guide us as far as refining ourselves financially, giving us all sorts of suggestions and whom to contact.

When it was all said and done, we put a lot of time, a lot of work, and a lot of effort into it. We really kind of had a business plan in our heads, but today, everything has to go down on paper. She was able to help us do this, and realize different facets of our business so we could become successful.

We did this back in the spring, probably, what, about May?

DR. PEACOCK: Yes.

MS. WYLIE: Somewhere around in there -- spring of '87. We purchased an already existing building, and we had settlement on July 31, 1987. Before settlement, people knew we were coming to the area. We hired 14 local residents to work in the facility, and before we had settlement on the thirty-first, we had full enrollment. They were good problems to have, to be so full at the time.

I just want to add that the reason I am here is to support the efforts of the center that Dr. Peacock represents, and works for, because without her I don't think we would be as successful as we are. You know, even the banks-- On our business plan, their comment was that it was the best they had ever seen -- the best that had ever come across, and how could anyone dispute what came across? If it weren't for Dr. Peacock, I don't think we could have done that.

So, I am here to really support, you know, additional funding for the area she is working in. We have always sought our training through workshops and professional people. We feel that is the only way it can be done. You can't go out on your own to do it. You need this professional training. As long as it is there, I think there can be growth in South Jersey.

ASSEMBLYMAN COLLINS: Thank you all very much. It was quite enlightening. Thank you.

DR. PEACOCK: Thank you.

ASSEMBLYMAN COLLINS: Next we will have Dr. Raymond Heinzelmann, Director of the World Trade Division, Delaware River Port Authority, and Mr. Harry Kennedy, Manager, Government Relations, Delaware River Port Authority. You don't have to wait for him, Doctor. By the time he hands out all these things--

D R. R A Y M O N D G. H E I N Z E L M A N N: He's always one step behind. He's the lead-off speaker, so I am just going to have to--

ASSEMBLYMAN COLLINS: He is?

DR. HEINZELMANN: Yes.

H A R R Y J. K E N N E D Y, J R.: That's testimony in itself, right, Mr. Vice Chairman?

Thank you very much, Vice Chairman Collins, Assemblyman Stuhltrager, ladies and gentlemen. First of all, I would like to take the opportunity to certainly commend you for having this hearing in South Jersey. It seems all too often we go to Trenton, or sometimes to Newark, in order to talk about economic development, and it is indeed a pleasure to be able to travel to Salem County, and go home to Gloucester County afterward, instead of going home to Gloucester County from Newark.

Dr. Heinzelmann and I are here today to represent the Delaware River Port Authority, which, as you are aware, is a bistate transportation agency serving southern New Jersey and southeastern Pennsylvania. It owns and operates four highway toll bridges across the Delaware River and, through its subsidiary, the Port Authority Transit Corporation, manages a 14.5-mile rapid transit line.

The DRPA's port district includes Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Ocean, and Salem Counties in New Jersey, and Philadelphia and Delaware County in Pennsylvania. The DRPA's jurisdiction overlaps with many other agencies; however, we are the primary agency between

Camden and Gloucester County and Philadelphia, as far as the bridge crossings are concerned, and the only other agency besides New Jersey Transit that operates mass transit in southern New Jersey.

We are very proud of our mass transit operation. I'm sure, as you gentlemen are aware, that it has the highest return, based on revenue, of any transit system in the world. It operates more closely to its actual costs than any other transit system in the entire country, and has an on-time percentage of 99.6%, the highest in the entire industry.

We are also very proud of our bridges and the record of safety. The fact is, this year we will be carrying approximately 80 million passengers across those bridges.

ASSEMBLYMAN COLLINS: And on one of the bridges it will be well-lit as they go over. Is that right?

MR. KENNEDY: Yes.

ASSEMBLYMAN COLLINS: That's what I thought.

MR. KENNEDY: Thanks very much to the support of the Assembly and the Senate, as well as the Governor. The Ben Franklin Bridge commemorates the joining together of the two states, and without the generosity of the State of New Jersey, of course, that might not have been possible. We certainly appreciate your support, Assemblymen.

We would also like to point out that we support, along the Delaware River, many of the activities that stimulate economic development. In the past 10 years, the DRPA has been involved in over \$700 million worth of capital improvements for the region, many of these impacting on the Third and Fourth Legislative Districts. We are very proud of that chance to interact with the community.

At this time, I would like to have Dr. Heinzelmann talk about our largest engine for economic development, hopefully one that certainly the Assembly will be getting involved with sometime in the next year, and certainly with the

help of both of you gentlemen at that time, to help generate some more economic revenue. That is in the area of port unification, which will be discussed at greater length in the future. But, at the present time, we are involved in generating economic revenue, and Dr. Heinzelmann is the Director of the World Trade Division. I would like to turn it over to Dr. Heinzelmann.

DR. HEINZELMANN: Thank you, Harry. Thank you, Assemblymen, for the opportunity to be here today to share with you some of the activities of the World Trade Division.

The mandate by the two Governors when the Delaware River Port Authority was formed, and the result of the World Trade Division, was to promote commerce on the Delaware River. The point I would like to make-- The most important point I would like to make here today is, the port complex here in South Jersey is probably the most important economic tool available to South Jersey for economic development. If you take the three states -- and I only have numbers for the three states, at the moment -- the tristate port complex, approximately 100,000 jobs are directly and indirectly related to international trade and the port complex. Every time we can route additional cargoes through the ports here in South Jersey, we are talking about adding new jobs, as well as new revenues for the economic base of the Delaware Valley, and particularly of South Jersey.

In order to carry out this mandate of promoting commerce on the Delaware River, the Delaware River Port Authority has established a world-wide network to promote commerce through the port facilities here on the Delaware River. We have offices around the world. We have offices in Sydney, Australia and, by the way, that office is largely responsible for maintaining the flow of particularly the Australian meat that is coming into the states. Most of that is coming through facilities here in South Jersey.

In Tokyo, we work very closely with Miss Ming Hsu, from the Department of Commerce, particularly in the areas of reverse investment, to find leads of Japanese companies that are looking to establish either offices or distribution facilities in the states. We also have offices in Antwerp. We are in the process of relocating our office in South America to Sao Paulo, which is a major exporter of cocoa beans and steel and other products, and we have offices in Hong King.

In the United States, we have offices in Philadelphia, Pittsburgh, Chicago, New York, and Houston; again, all responsible for promoting commerce through the Delaware River Ports. Overall, we have a staff of 35 people, 25 of which are professionals who are responsible particularly for-- They are well-recognized for their knowledge in the field, or the area of logistics and international trade.

Our primary objectives for our trade representatives are to identify new cargoes, and to work very closely with the terminal operators in putting together products that will attract those cargoes through the port facilities here on the river; then, working in kind of a task force approach, to put together a marketing strategy that will bring that cargo into the ports. We work very closely, as a result, with South Jersey, with Holt, and with the Salem Port Authority, in order to accomplish these objectives.

One of the programs that we have available to promote the area includes a regional advertising program which markets, or highlights the strong points of the ports on the Delaware River. It is an international program in excess of \$250,000 a year. We developed the literature which you have in front of you, which highlights each of the port facilities. We have a public relations program; a government relations program, which Harry Kennedy heads up. We have one of the most extensive marketing research bases available to the community -- the port

facilities -- as well as to banks and other agencies, or businesses that are involved in international trade. We make that research available to all businesses or interested parties. We publish trade statistics of what is happening in the port area. We conduct trade missions. We are about to leave for South America. Overall, we have 25 agencies, businesses -- representatives from government agencies and businesses in the Delaware Valley. We have at least, I would guess, about eight people from South Jersey going on this trade mission; again, to promote commerce through the South Jersey port facilities.

We will be going to Brazil, Argentina, and Chile. We also have what we call our "road-show program," which is a domestic trade mission, where we take representatives to Chicago, to Pittsburgh, and to Central New Jersey, to bring cargoes into the port. We carry out commodity workshops. We have a program in which we welcome first-time vessels into the port.

In addition to our marketing efforts, we have an extensive program in reverse investment; that is, we have one person responsible to work with our people overseas to identify companies, especially foreign companies, that are interested in, as I said, locating their operations, or facilities in the United States. Our purpose there is to highlight the benefits -- the economic benefits -- for locating those facilities in the Delaware Valley.

We are putting together, at the moment, an extensive data base, which identifies plots of land, warehousing, and other facilities along the Delaware River, which are available for occupancy, for development, by these companies; again, in hopes of bringing them into the Valley, and then putting them in contact with the local economic development people, in order to attract them into this area.

We are currently in the process of putting together a five-year Regional Port Development Plan, and a long-range 20-year Regional Port Development Plan. The objectives of those plans are to identify what facilities and resources are needed in order to keep this port -- the port facilities on the river -- up-to-date and economically viable, for attracting cargoes from around the world. Again, the port facilities here on the Delaware River are some of the most important economic tools that can be developed, and we encourage each of you to take an active part. In fact, we encourage you to become part of our trade missions. We had Ken LeFevre with us last year to Europe. I think when Ken came home he seemed to be smiling. He had a lot of leads. Now, whether he did anything with them or not, we don't know. But, he came back happy. We are hoping that other people from the Assembly will join us on some of these trade missions, to help us in our promotion of the Delaware Valley as an international gateway into the United States.

Thank you.

ASSEMBLYMAN COLLINS: Thank you, Doctor. In my tour of your facility up there, and the whole philosophy of what you are trying to do, I have been quite impressed, but I do have a question as you talk about a 20-year plan, and a more expansive plan.

When you say the ports of the Delaware River, what exactly-- What do you mean? What communities are involved? What kind of ports? How far north does it go? Does it go over to Wilmington?

DR. HEINZELMANN: Well, our primary interest, of course, would be South Jersey. We include from Salem to Trenton, but it doesn't go much beyond Petty Island. I guess, that is the furthest north where we get involved with any terminals. But, again, we are looking at land resources above that, when we start talking about a 20-year regional port

development facility. We will probably go up as far as-- The river goes to 40 feet, which I believe is up at Fairless right now. The Morrisville/Trenton area would be the northernmost port. And when we go south, we are looking all the way down into Delaware Bay, in terms of the 20-year plan. We also include the entire Pennsylvania side. Again, from a long-range planning, we have to take into consideration Wilmington because, again, Wilmington can benefit all other ports, because it is part of the total attraction into the Delaware River. Once it gets into the Delaware River, it becomes an economic factor just where they go. So, we do include, in our marketing efforts, Wilmington, but in our economic development, our 20-year plan will be primarily South Jersey and Pennsylvania.

ASSEMBLYMAN COLLINS: And, as I remember, from our previous meeting when I was up at the Port Authority, your purpose is to get the ship into the Delaware River.

DR. HEINZELMANN: Yes.

ASSEMBLYMAN COLLINS: After that, you are not pushing them one way or the other. It is wherever has the best economic program for that particular ship. Is that correct?

DR. HEINZELMANN: Yes, then it becomes people like Mr. Pettegrew, who is here, or Mr. Holt, and the people on the Pennsylvania side. They put together their marketing package. We will work with them. In many cases, we will work directly with Bob or one of the other terminal operators to go after specific business. Then, at that point, it is no longer who has the package, but it is cargo that is targeted for a specific terminal. So, I mean, we work in different approaches. One could be a very specific, direct approach; another will be just an attraction, and then at that point it becomes a terminal operator responsibility to attract them to his individual facilities.

ASSEMBLYMAN STUHLTRAGER: Dr. Heinzelmann, I guess nothing struck me more, from your testimony, than the

interdependency there is between countries throughout the world, in terms of trade. Your testimony -- reading between the lines of it, and maybe extrapolating from it-- You know, I pick up the paper, and with each month's statistics someone writes an article about the deficit. It is higher this month; it is lower this month; dollar values and exchange rates changing. I listen to your testimony, and you are talking about meat from Australia and cocoa from Sao Paulo, and the fact that we benefit when these countries choose to come to the port. You talk about how we have trade missions in a number of countries, encouraging these ships to come here with their products. You talk about reverse investment, where they are going to relocate here. Then I will read an article about the Japanese are buying up everything in New York, and out from there.

I guess my question is, is there a missing component here? Are we doing as much to take our products to those countries? And a specific question: What percentage of the ships that come in leave with something, as opposed to leaving empty?

DR. HEINZELMANN: We are a consumption area. At the moment, in terms of general cargo, about 80% of the tonnage we handle is imports, and about 20% is exports, in terms of tonnage. Probably in dollar value, it would be 90% imports and 10% exports, because in this region, if you take the Delaware Valley, there is very little manufacturing left. Whatever manufacturing or exporting there is comes primarily from western Pennsylvania, you know, in large volumes -- large shipments.

Our philosophy is that this cargo is coming into the United States, unless there are some trade barriers that restrict it. If the ports of Philadelphia don't handle it, then New York and Baltimore will. So we go after it in every way possible, to bring it through our ports here. Our trade

missions, however, are not limited to importing into the states. We are also encouraging exporting. We meet with buyers, as well as exporters, in Europe and South America. We want them, because a strong port is a port that can generate cargoes in both directions.

ASSEMBLYMAN STUHLTRAGER: That would seem to make sense to me. You make money if it goes out, don't you?

DR. HEINZELMANN: We work as hard trying to find exports. Unfortunately, they are much more limited than the imports. But we do work very hard in terms of trying to find companies that are exporting and will route their cargoes through the ports. We work, to a lesser degree-- We do not have the resources to work with small companies on a one-on-one basis. We do work with the Wharton Program, which works with small businesses to try to encourage them. It identifies markets for their products, etc. We work with them in whatever way we can. We deal with as many -- or work with as many of the different programs that encourage exports as we can -- the U.S. Department of Commerce -- in every way possible.

ASSEMBLYMAN STUHLTRAGER: Are we making any progress?

DR. HEINZELMANN: It's very small. You know, periodically we will see a flurry of cargo, but the last few months it has been down again. It was up for a period of time, and then it comes back down again. If you ask me why, I really don't know. But we look purely at the numbers, and some months it is up, and some months it is down. Just why that happens-- I can't answer that question.

ASSEMBLYMAN STUHLTRAGER: Let me ask a question that just occurred to me. I must have read an article somewhere. I don't know whether it is a softball question you can go off on, or it is an embarrassing one. I'm not sure which. I ride past the old New York port there, and I see all these vehicles parked off on the right -- right north of the Walt Whitman Bridge.

DR. HEINZELMANN: Yes?

ASSEMBLYMAN STUHLTRAGER: Am I correct-- Did I read an article that we have all these vehicles there, but they are actually not coming in from the ships. They are actually being stored there. They are coming in by truck.

DR. HEINZELMANN: That has changed. The first ship -- I believe it came in from Europe -- arrived about a week ago, and over the next 12 months there is a contract to import 25,000 cars from Europe, via vessels directly through the ports. So, yes, some of the cars you have seen there in the past have been trucked up from Baltimore. But that is changing now. I understand there are other potential contracts. We are not directly involved with this, so I can't really give you any detailed information, but we do work very closely with the Port Corporation, which is the owner of that particular facility.

ASSEMBLYMAN STUHLTRAGER: Was there a reason? Was there a competitive economic reason that made it cheaper to come into Baltimore, unload them, and put them on a truck to bring them up here?

DR. HEINZELMANN: Well, this is the first major facility. It has only been completed for several months now. They are just in the process now of putting together the contracts -- or selling those facilities, you know, very strongly. Up until then, the facility was incomplete. Again, you are bringing cars in, in shipload lots. Many of your importers have long-term contracts for facilities. Baltimore has been in the business much longer than we have, as far as the ports of Philadelphia are concerned. We are just getting into that now. We are putting together those long-term contracts. I think now that a facility is available, you can go out and begin marketing it. I know we have met with a few-- We have Subaru right here in South Jersey. We have been pestering Subaru on a monthly basis to make this port their primary port of entry; however, they have contracts in

Baltimore. They keep saying to us, "Yes, we would like to do more in Philadelphia," but they have contracts in Baltimore which cannot be broken, or which are difficult to break.

So, again, it takes time for those contracts to run out, and then to market the port facilities here. Facilities take time to market.

ASSEMBLYMAN STUHLTRAGER: That is an interesting area, though. Thank you for coming.

ASSEMBLYMAN COLLINS: I thank you both very much, gentlemen. We appreciate your coming.

MR. KENNEDY: thank you.

ASSEMBLYMAN COLLINS: Robert Pettegrew, Executive Director, South Jersey Port Corporation.

R O B E R T L. P E T T E G R E W: Good afternoon, Mr. Chairman and members of the Assembly. It is a pleasure to be here. If you don't mind, I will read part of my written statement, and then I would like to touch on some of the questions that Assemblyman Stuhltrager asked.

ASSEMBLYMAN STUHLTRAGER: I guess I should have saved them for you, oh, well.

MR. PETTEGREW: Well, I won't be able to answer all of them, but I'll give it a try.

My name is Robert L. Pettegrew. I am Executive Director of the South Jersey Port Corporation in Camden. We are a self-sustaining, semi-autonomous agency of the State, operating under the aegis of the Department of Commerce and Economic Development. Our legislative mandate covers the seven counties of southern New Jersey from Cape May north to and through Mercer County.

Over the last decade, our two marine terminals have grown substantially, to the point where we are now handling approximately two million tons of import/export cargo annually, and with revenues of approximately \$12 million. Other marine terminals on the New Jersey side of the Delaware have also made

great progress in recent years. I refer here to the Port of Salem, which is a municipal port authority; Holt's Systems Terminal in Gloucester City; and the Crowley Marine Terminal in Pennsauken. Both of the latter are somewhat unique, in that they are privately owned, which is somewhat of a rarity in this country.

In addition, we have two privately owned oil company marine terminals in South Jersey, one owned by Coastal Oil in Westville, and Mobil Oil's Refinery and Marine Terminal in Paulsboro.

The substantial growth of our South Jersey marine terminals tend to obscure what I see as several disturbing long-range trends which do not bode well for commerce on the Delaware River, but we are on a roll right now, not only our terminals, but, as Ray Heinzelmann pointed out, all of the marine terminals in South Jersey.

First, with respect to employment in the oil business, there is a growing trend toward Third World countries desiring to export more finished products, such as gasoline and heating oil, rather than simply producing the crude and exporting it to consuming nations.

Second -- and I think this is much more important -- deregulation of inland transportation, particularly rail deregulation, is beginning to have, and will continue to have, an adverse impact on containers shipping to East Coast ports. I might add here that container shipping is really the name of the game today. Most of the high-value general cargo -- the high revenue-producing cargo -- does move in containers. Recent statistics carried in a national transportation publication showed that four times as many marine containers with high-value general cargo are arriving in this country from Pacific-rim nations than are arriving from Europe. Many of these containers which formerly were handled by vessels from the Far East through the Panama Canal to our East Coast, are

now being discharged at Pacific Coast ports, particularly the mammoth ports of Los Angeles and Long Beach, which are actually side-by-side ports in different municipalities, and the same situation with Seattle-Tacoma.

These containers are then being transshipped by ship line on double-stack container trains across the country. Here the rail equipment is actually owned by the steamship line, and the railroad merely provides the mode of power. Each ton of cargo so shipped deprives an East Coast port of badly needed revenue and job opportunities, and even further compounds our problem by increasing the competition among these ports for a slice of a smaller pie.

One container line has already placed an order for several jumbo-size ships, which are too large to transit the Panama Canal. With that line at least, it is thus assured that no container that line handles will ever touch the East Coast except by rail.

Another commodity with which our terminals are well-acquainted, is structural lumber. Much of the structural lumber used in this area and up and down the coast is produced in British Columbia. When I first arrived in Camden in 1971, we also received some West Coast U.S. lumber. That lumber is still available today, but there is no U.S. flag steamship line available to carry it. So, all of our import lumber now comes from British Columbia.

Prior to rail deregulation, Port Newark in North Jersey and Camden were the number one and number two ports, respectively, on the East Coast and Gulf Coast as the largest lumber handlers. We still maintain that position, but we see a great threat on the horizon. With the rail deregulation in this country and further deregulation on the horizon in Canada, we are witnessing-- Railroads have gotten their act together, and are now establishing what we term "load centers" in the east. These load centers consist of nothing more than perhaps

a team track on a county road near a metropolitan area, where the cars are spotted -- rail cars coming across country through Canada to Conrail, unloaded by gypsy truck drivers, and delivered either to lumberyards or directly to building sites.

At the moment, the reload centers are predominantly located in New England, but they are moving south. One has already been established, incidentally, on a marine terminal in Baltimore. So, it's coming very close to one of our main sources of revenue, and I might add, to the main source of revenue in Wilmington, as well.

In an effort to counteract these trends, many East Coast ports, with the support of their state and local governments, are expending very substantial sums to improve their facilities and services. Close to home, we have seen very large sums of state funds from the Commonwealth of Virginia and the State of Maryland funneled into the marine terminals of those states, in order to make them more competitive. States in the southeast are also developing new modern terminals to expand their share of world commerce. Why do these states do this? Very simply, ports are tremendous economic generators. The statistic commonly used for this, is that each dollar of revenue generated at a marine terminal has a multiplier effect of at least four to one in the local and regional economy.

The point I hope to make here is that we must begin to recognize this fact and, where appropriate, enlist the support of our elected officials. New Jersey, unfortunately, has no substantial track record in this field, and with good reason. Very simply, in the past, there was little or no need for State assistance. The Port Authority of New York and New Jersey, which is the oldest port authority in this country, was created as recently as 1921, but that agency itself did not enter the marine terminal business until 1947 -- quite a few years after its formation -- when at least Port Newark, from the City of Newark--

In the following years, because the City of New York wished to maintain its own identity as a shipping center, the Port Authority concentrated its marine development efforts in our State at Port Newark and later at Hoboken and Elizabeth. That agency, because of its other substantial sources of revenue -- that is, tunnels, bridges, airports and, more recently, the World Trade Center -- has been able to subsidize construction and operation of its marine terminals. To the best of my knowledge, that agency has never requested State assistance with regard to its marine terminals, and I did spend 20 years employed by that agency.

This is a day and night situation, as compared to the situation in Virginia, where the high point on a port official's calendar -- on various port officials' calendars -- is their biannual trek to Richmond to explain their need for multi-million-dollar amounts for port development. These pleas do not fall on deaf ears, because state officials are well-aware of the economic benefits which the Hampton Roads region furnishes the rest of the Commonwealth. For example, the Virginia Legislature, last September, established a Port Trust Fund providing one-half of 1% from the Virginia sales tax to provide for capital improvements and repairs to Virginia ports. It is estimated that this fund will provide \$20 million annually for this purpose. The State of Virginia also pays approximately \$9 million annually toward the debt service of the Virginia Port Authority.

I will digress here just to amplify those figures, and I will leave this (referring to written material) with your Committee members and staff. I obtained these figures from the Delaware River Port Authority, but they were published by the American Association of Port Authorities, covering support, or aid to public ports -- deep-water ports -- for the years 1977 to 1984. I won't go through all of them, but very simply: Of the 21 states from Maine all around through the State of

Washington on the West Coast, 18 states provided assistance to their public ports. The only states which did not were: The States of Washington, New Hampshire, Massachusetts, and New Jersey. Now, of the states which did -- and there were 25 of them -- seven of them provided a total of \$849 million over that eight-year period, a phenomenal amount of money, in my opinion. Even the states bordering New Jersey, but including Virginia -- that's four states -- over that eight-year period, provided public assistance -- public funds of \$192 million. I won't bore you with any other statistics.

In another area, I am the first to admit -- and this has been a sensitive subject -- that ports in the northeast, in years gone by, have not been exactly renown for their labor productivity. This is beginning to change. The International Longshoremen's Association is beginning to take heed of the need for increased productivity. While this is encouraging, additional efforts in this area are still needed. We are in a buyer's market, and ship owners are in a high-risk business, as evidenced by the recent demise of the United States Lines. That company guessed wrong regarding type, size, speed of their new vessels, and their marketing technique. New lines are springing up, and none of these are wedded to any single port or any terminal. Cost and service are all they look at. It is a day-to-day struggle for most of us in the public port business to stay competitive, simply because the ship owners are in an equally competitive situation, and the pressure drifts downward.

Lastly, ports have a new major problem confronting them. I refer here to dredging costs for new projects. Last year, Congress passed a law which requires that any port needing a new dredging project must be willing to pay the U.S. Army Corps of Engineers between 25% and 35% of the total cost of that project up-front, before the project can commence. This is a new program which will make it much more difficult

for ports to develop their terminals in a way needed to handle the new larger ships coming into service. I know that is a major concern here in Salem with the Port of Salem, and I sympathize with that problem.

Early this year, our own port paid the Federal government approximately \$1.5 million for our local share toward our Becket (phonetic spelling) Street Terminal 37-foot dredging project. Fortunately, the dredging bids came in much lower than expected, and we received a rebate -- unheard of -- from the Federal government of approximately a half a million dollars. Nevertheless, the million dollars which we paid could have been used for other badly needed capital projects, had we not badly needed this one-shot deal to get our berths down to the proper depth.

In conclusion, public ports in South Jersey are on a positive roll right now, but there are clouds on the horizon, and it behooves all of us, and I think especially our leaders in government, to realistically assess the benefits that derive from our ports and the needs of those ports, if we are to remain competitive.

That is the end of my prepared statement.

Those earth movers in Gloucester City are handled by another terminal, but I can give you case in point. Just a few years ago, we handled John Deere tractors. Everyone thought they were exports, but they were actually imports from Germany. At that time, John Deere's marketing department felt that chartering a full ship-- Charter rates were low and full ships were the way to go, so they were discharging entire loads of tractors at our terminal. Somewhat later, they sharpened their pencils. Liner rates had come down, and they began to find it cheaper not to tie capital up in inventory, with these hundreds of tractors sitting on a pier until they were ordered and delivered, but rather to put them on liner vessels. John Deere actually went to Zoom (phonetic spelling) Lines in Baltimore, where each ship handled a few tractors.

I guess what I am saying is, this is a very fluid business, and what makes sense today to the consumer or producer, may not make sense tomorrow.

One last comment with regard to imports versus exports. We sometimes say at our terminals -- and this is strictly by luck -- that our import tonnage is identical to the export tonnage, but there is quite a difference in the character of the tonnage. The exports are primarily ferrous scrap going to steel mills overseas, and Pennsylvania coal going to South Korea. But, it is just a statistical happenstance that the import and export tonnage are the same.

ASSEMBLYMAN STUHLTRAGER: The values are different, no?

MR. PETTEGREW: The values are completely different.

ASSEMBLYMAN COLLINS: Anything else? (no response)

Thank you very much, Mr. Pettegrew.

James Storm, Salem Marine Terminal Corporation?

J A M E S S T O R M: Mr. Chairman, my name is James Storm. I am President of the Salem Marine Terminal Corporation, based in the Port of Salem, Salem, New Jersey. We have consolidated over one million dollars of land and buildings to develop a transportation and trading operation. If you look at the Port of Salem's brochure, you will see, on the left-hand side, which encompasses a large parking area, a building, and a grassy area, that that is now the Salem Marine Terminal. We are a public terminal privately operated, one of its kind in the Port of Salem, and in New Jersey. We have 26,000 square feet of buildings, with approximately six acres of terminal area, and three acres of macadamed area for staging and storing purposes.

I took with great interest the testimony of Mr. Pettegrew and Dr. Heinzelmenn. I have a familiarity with both public sector development of public ports, and now the private sector development of public ports. I use the words "public ports" because all ports of entry in this country are a public right. They are public windows for trade and development. I

concur with Dr. Heinzelmann's and Mr. Pettegrew's analysis of the development potentiality of a port, and it truly has been said, and it is a fact, that a port is the purest economic development tool within a country, as evidenced by the ports in the Caribbean that I have personally visited over the past year. There are some very classic examples of that.

You're asking, what would be helpful? I believe the Port of Salem has a unique ability to develop exports for southern New Jersey, thereby developing manufacturing and ratables and jobs within our hinterland. The why so of that is, the Salem Port Authority is the only municipal port of entry in New Jersey. It is, I believe, the only municipal port of entry in the north United States. It employs local labor, and for that purpose, the development opportunities are enormous.

The Salem Marine Terminal is processing, at this time, trade contracts in three various Caribbean countries. I recently had the Ambassador from Haiti visit in Salem County. I believe for the first time in the past 200 years, a representative from a foreign nation was here to announce an actual trade contract. We, as of last week, met with the President of Haiti. I use Haiti only as an example, whereby there is a unique opportunity for southern New Jersey, specifically Salem and Gloucester and Cumberland Counties, to develop their hinterlands to serve the Caribbean.

We are a niche port. As Mr. Pettegrew said in the hallway, "Everyone says they're a niche," but, indeed, we truly are. We are a new port. We are only three to four years old. I am the President now of a privately operated public terminal, again a unique -- a first of its kind.

Listening to the testimony of the various elements, I remember back to 1972. I have served in the public sector, as well as the private. I see something here, and that is that each port, or bistate agency, is selling its wares. The

economic development agencies have very little understanding of maritime transportation, international trade, and development as it relates to those two areas. The transportation people have very little understanding of maritime transportation and international trade. So, consequently, what you have are mini circles that are constantly overlapping each other.

It's true that New Jersey has not taken a maritime interest in the past. The reason is the Ports of New York, Philadelphia, and Delaware. We all know that the jurisdictional questions are what are involved, and Salem, of course, was a unique exception.

My suggestion would be a coordination of the economic development governmental people, such as EDA and Commerce -- I am just mentioning State now -- and even a liaison with the Federal people, and maybe having one office that could help to coordinate the economic development agencies that are land-based with the maritime questions and trade and transportation. If you go to Dr. Heinzelmann, he is looking at an overall trade situation. We have unique, in southern New Jersey -- and in these three counties specifically -- opportunities. So, I think that some way to coordinate all of those various interests--

For the first time, we have a seaport to develop. Recently, we have a zone. We have a foreign trade zone which was just recently approved. I personally had an appointment this morning with a group from England, who are here to look at 150,000 square feet of distribution warehousing.

I think we need your help. As Salem Marine Terminal, I am a private businessman. I am not speaking on behalf of the Port of Salem. But I am in the business, and good business to us is the public business, because as we generate cargo and trading opportunities, and thereby development programs, distribution warehousing, etc., the port then benefits and, of course, the job creation and ratables are self-explanatory.

So, that would be my testimony. I would be happy to answer any questions.

ASSEMBLYMAN COLLINS: I have a question, Mr. Storm. You mentioned the Haitian possibility, and this morning you were talking to people from England. How far can, not just Salem Marine Terminal Corporation go, but the whole port area? I mean, is it controlled-- Is its future growth controlled by the dredging of the river, as Mr. Pettegrew said?

MR. STORM: There are three elements to the development of a port: One is the water draft; two is the air draft; and three is the amount of land. If you can imagine flying into an international airport, and you have 350 passengers on board, on Eastern, and they discharge into a very small little house and they all can't fit in, even though you can land the plane, you can't discharge the passengers, or in this case, the cargo. So, land becomes critical.

ASSEMBLYMAN COLLINS: Absolutely.

MR. STORM: Water becomes critical, which means the ships' restraints -- that is the runway itself -- and how smart we are in terms of developing and enticing foreign interest. Certain ports of the world make sense for large ships. Certain ports of the world make sense for small ships. I know the controversy going on between the Port of New York and Savannah and the river ports, and they have themselves a problem. There is no doubt about that.

We are uniquely positioned for the Caribbean. If you look at our history in Salem County, you will see that that was the area of trade -- that and England and Scandinavia -- that called here. They were small ships, and today we have small ships. You don't send a 20,000-ton ship to a country of six million people. There just simply isn't enough freight for the people. You send a ship of 3000 tons.

I have personally visited the Dominican Republic, Jamaica, Haiti, the Windward Islands, the Dutch Antilles,

Curacao. We have, as I said earlier, entered into agreements for feeds which are New Jersey manufactured -- Bordentown -- wood which is New Jersey grown, manufactured cargoes. As we all know, for instance, in the Dominican Republic and in Haiti, there is a great deal of textiles that are being refashioned. The materials are coming from here, and the product is sold here.

Lastly, we have the cocoa industry and the coffee industry. Salem makes an ideal port for those industries, because it is extremely labor-intensive. Salem has a niche in the port market. Salem Marine Terminal, as the first and only privately operated public terminal-- We have taken a great risk. As I say, we have now consolidated over one million dollars of land and buildings, and we are very bullish on the region.

ASSEMBLYMAN COLLINS: Well, when you mention land-- Let me get back to water, air, and land. Should I take land to mean the space along the river that would control any future growth, or are you talking about the fact that you could move inland off the river to do other things?

MR. STORM: How it works is, the space along the river is really the transient space. You can manage the terminals publicly, manage them privately, or a combination thereof. You will find that in the Port of New York, you have Outerbridge Terminal, SeaLand, and Marr (phonetic spelling). They are lease terminals, and this is generally the way it works in the industry, because trade deals can be done privately. But, once you pass the terminal, and again, we are in a unique position similar to Marr Terminal now, because our land is privately owned-- But once you pass that window, the development then becomes greater, and you could be looking at, for instance, in Mount Olive, two and a half million square feet of development.

Business has to have a reason to locate. We have good labor; we have inexpensive land; and now we have a seaport that

can give them a throughput contract, which is transportation -- marine transportation -- which goes to their bottom line, because a manufacturing company needs the raw materials and/or sends us finished product. It's all transportation.

Lastly, we now have the foreign trade zone, which you know has certain advantages in terms of customs, duties, tariffs, manipulation of same, assembling, repacking, labeling -- that sort of thing. So we have all the tools in the tool chest. Just looking at pure trading cargoes, we are at almost 100,000 tons this coming year.

Now, I personally have experienced -- and I did this morning -- a company that is importing and exporting a great deal of cargo through regional ports. They are very interested in Salem because of its unique niche; interested from the tail end of that to develop 150,000 square feet of distribution warehousing and light manufacturing. So, ports were originally devised to be economic development tools. They became tonnage tools. The ports then became competitive, competing among themselves, and they didn't really think about the economic development consequences -- what they were there for in the first place.

Salem is brand-new, the first port of entry in the northeast since 1930 -- the only municipal New Jersey port of entry. We are sitting out there with a great deal of land, rail, a local labor situation, and a foreign trade zone.

Back to your question: There is a finite amount of tonnage that can develop through the river front itself. Wilmington has 2200 feet of lineal pier. Salem has 3100 lineal feet. So, if you are looking at "the size of the port--" I was a northeastern person, and I believed a port was the Statue of Liberty and the Hudson River and the bay. In the rest of the world, that is not a port. A port is a right to enter foreign product with security, having customs, immigration, etc., etc. This concurrent jurisdiction is really something

that is very confusing. But if you said we had 3000 feet, given the right draft, we would do, from a tonnage point of view, as much as Wilmington, and from a development point of view, I think we could do some very interesting packages. That is why I would suggest, having my background on both sides, that someone in State government specifically be assigned for southern New Jersey to develop export trade. Each department has a number of people doing all of this. Have one person who understands maritime issues, international trade, and development, or one office.

I think there are tremendous opportunities to develop our hinterland, which is jobs and ratables, and become that exporting port. We may be the one which can export, or is exporting. My little example back with the Dominican Republic -- a huge consumer of food items; we in southern New Jersey grow a lot of food. They are a huge consumer of manufactured items. They are net importers. They are all islands. We can manufacture the heck out of anything. So, the transportation is the most expensive part of the item, and we can reduce the transportation costs.

ASSEMBLYMAN COLLINS: Thank you very much.

The last speaker I have scheduled is Hugh Fenwick, New Jersey Commission on Science and Technology. (Mr. Fenwick not present) He's not here, okay. Mike Chapman, of The First National Bank of New Jersey/Salem County? (affirmative response) There he is.

M I C H A E L C H A P M A N: I am privileged to serve on the Economic Development Committee of Salem County, so I guess in one aspect I am here for them; also, coincidentally, my employer, which is The First National Bank of New Jersey/Salem County. Having never appeared before a Committee like this, I was really unsure of exactly what remarks to prepare.

ASSEMBLYMAN COLLINS: Whatever you want to say, but remember, that machine is listening. Earlier, I went "Oops,"

and I know that is going to show up in there. They do it to me all the time.

MR. CHAPMAN: I won't give any interest rates or any quotes during the hearing.

ASSEMBLYMAN COLLINS: Okay.

MR. CHAPMAN: Essentially, our bank originates, I guess you could say in Ocean County. Originally it was The First National Bank of Toms River, and then a holding company was formed -- the Statewide Bankcorp. So, we are very experienced in seeing the growth that has taken place in southern New Jersey.

This past year, a new bank was formed -- The First National Bank of New Jersey/Salem County. It is part of the Statewide Bankcorp. It is a separate subsidiary. The reason it was formed as a separate subsidiary was so that we could respond to the opportunities of growth in Salem County. Through out statewide organization, we have seen economic development. We experienced 43% in loan growth last year alone, and we feel that within the next 10 years, we will see figures of the same type in Salem County.

Essentially, what we have planned in Salem County-- We have purchased land for two additional branches in Salem County, which should be completed, we hope, within the next nine months, providing all the construction takes place properly. We anticipate going from 52 employees to 70 employees, which makes us one of the larger employers in Salem County. We also expect very vigorous growth in the amount of -- very vigorous financial growth. We predict that by the end of 1988, we will have reached an asset size of \$180 million, from that of approximately \$84 million just two months ago. All this growth, though it is predicated on what we feel are our innovative banking services, will not take place, unless the economic growth does take place in Salem County.

We have taken other steps. I guess in our Ocean County subsidiary, we find that the commercial loan demand far exceeds the supply of funds that our bank has available, where conversely in Salem County, the funds-- There are much more funds to be lent than there is demand for commercial loans, at this point. We are in the process-- We have hired people to promote commercial loan growth. It appears from the various State agencies and committees, that Salem County, and the southern New Jersey area, have been targeted legislatively and fund-wise for this economic growth. Through our expansion into this area, we feel we are in a good position to aid in that economic growth.

I think speaking for myself, as well as for the management of the bank, we feel there is-- The beginning stages are being set for strong and substantial economic growth in the county. We feel there is ample land supply. It is a prime geographic location in relation to major population centers, and an excellent transportation system of I-95, 295, and the New Jersey Turnpike, all just within miles of each other.

We look for the emergence of light industry, and to accompany that will be, I think, substantial residential growth, as well as related services. In the 43% loan growth our bank experienced last year, 64% of it was comprised mainly of residential development, shopping centers, and office and professional space. So it is that type of growth that I think would be an off-spin of the light industrial growth we will see in this county.

Our bank played an important role in the growth of the Ocean County area, and they foresee the same future, because that area is growing very rapidly. They feel that this area will do the same thing.

Having heard the prior testimony, I agree that the Urban Enterprise Zone is a very important thing, and I have

talked about it before. We do sit in a very, very -- I guess you could call it a unique area. Minutes away there is no sales tax, and then a little further away, there is half the sales tax. I think that whatever can be done to remedy that situation would certainly help out, at least from the standpoint of local retail, or retail businesses, or other businesses within this area.

ASSEMBLYMAN COLLINS: Thank you very much, Mike. Ken Porter, Anchor Glass Container, Salem?

K E N N E T H P O R T E R: I'm not really sure, first of all, why I came. Being new to the area -- I just moved here recently from Los Angeles; I moved out just in time-- (laughter) I have worked for Anchor Glass Container since June, I guess. Anchor Glass Container, for those of you who are not familiar with it, is probably one of the largest employers in Salem County. We employ approximately 600 employees, who are within walking distance--

ASSEMBLYMAN COLLINS: We know where it is, the Assemblyman and I, as do most of the people remaining in the room probably. It is the largest employer in Salem City, I would guess, so it is a good name here. Go ahead, Ken.

MR. PORTER: I came, I guess, just to listen to what this Committee is trying to do for Salem County and southern New Jersey. Not being familiar with a lot of the regulations and a lot of the legislation, as far as affecting employment in the county, it is a little difficult for me to testify before this Committee.

Being the Personnel Director, I have encountered some particular difficulties. The number one difficulty I have encountered is the employment picture, as far as going through the Employment Development Department and trying to secure good qualified help. In working with the Department, the numbers of people we were trying to employ-- They didn't have enough resources for us to look at. So, I went on my own, and I

published advertisements in local newspapers trying to entice people to come in to apply for jobs at Anchor. This seems to have helped somewhat. I am not really sure why we were having that problem, or why we still continue to have that problem.

The other thing I would like to mention is regarding the mandatory recycling bill the State of New Jersey has passed. I want to commend the State. I think it is an excellent bill. I think it is excellent legislation, not only for other industry, but for the glass industry especially to survive in the State. This particular plant, as I said, employs almost 600 employees. The average starting salary is about \$10 an hour. So, you know, it is a good revenue base for the city, as well as the county.

We have just recently put in a processor. It is a glass recycling processor, where we can process raw cullet into a form where we can readily use it in the furnace, as a means to handle all of the recycling of glass containers we had been wanting to get back to the factory. It cost probably three-quarters of a million dollars to put this piece of equipment in, and preparing for this, the legislation.

Being in the glass industry for 15 years at a competitor company, I know that glass recycling is a means for us not only to get back the raw material, but it is a means for us to survive, as far as getting back the product we make.

The main point I want to make today is, I know this legislation is still in its infancy, and I know that programs are being developed to try to get it going. But I definitely support it. Anchor Glass Container supports it. We will do everything in our power to make it work, whatever that takes.

ASSEMBLYMAN COLLINS: Thank you very much, Ken, for testifying. Welcome to South Jersey and Salem County. You are with a company that we think very highly of for what they have done, and they continue to fight to preserve our area. So, we thank you.

Is there anyone else? (no response) South Jersey Gas
-- would you like to comment? (negative response)

Well, if not, we would like to thank everyone for
testifying. Of course, many people have left. There are
coffee and cookies over there. Someone said I was supposed to
announce that earlier, but if you take them with you as you
leave, then the purchaser of them will not be upset that the
money went for naught.

Thank you all very much.

(HEARING CONCLUDED)

APPENDIX



New Jersey Food Processors Association, Inc.

P. O. BOX 359 • BRIDGETON, NEW JERSEY 08302-0277

Office of
SECRETARY/TREASURER

October 20, 1987

Mr. Gregory Williams, Committee Aide
Office of Legal Services
State House Annex
CN-068
Trenton, NJ 08625

Dear Mr. Williams

This correspondence is in response to the State Assembly's Economic Development and Agricultural Committee's hearing on "State Policies Affecting Businesses in Southern New Jersey, and the opportunities, problems and obstacles facing businesses in Southern New Jersey".

The New Jersey Food Processors Association, Inc. is a trade association whose members are engaged in the processing and distribution of food and beverage products. The processing plants of our member firms are located in the southern half of the State.

As a preface to our comments, we would like to point out that several national companies have ceased operations in Southern New Jersey for various reasons. Among those are: Heinz, Hunt-Wesson, Curtis Burns, Del Monte, Seabrook Farms and Green Giant. Also, Campbell Soup has curtailed first processing of fresh vegetable in their Camden, New Jersey operation.

The following is a list of major concerns affecting food processing operations in New Jersey:

1. The higher economic costs of doing business in New Jersey as compared to other states due to DEP's strict interpretation of regulations without consideration of a cost benefit. In addition, the DEP's ability to increase permit fees to fund the increased costs of their operations without review process, further burdens New Jersey industry.
2. We are concerned about the higher costs of disposal of solid waste material and the recycling program. We are in agreement with proper disposal of waste materials, but consideration should be given to the type waste. Non-hazardous wastes should not be treated in the same manner as hazardous type materials. We are also concerned about sludge disposal costs. Current regulations do not distinguish between industrial and agricultural sludge.

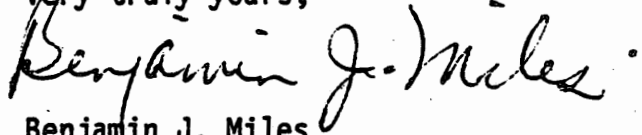
New Jersey Food Processors
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3. We are concerned with the proposed fresh water wetland regulations and their affects on existing businesses. These proposed changes will have a detrimental affect and will retard the growth of some existing facilities.
4. New Jersey state insurance regulations and their interpretation results in insurance costs higher than other states.

The overall affect of the above mentioned issues create a higher cost environment in New Jersey versus other states. This combined with pending regulations will have a negative affect on the future of the food processing industry in New Jersey.

If there are any questions or additional information is required, please do not hesitate to contact me.

Very truly yours,



Benjamin J. Miles
Exec. Secretary/Treasurer

BJM/cc

cc: Arthur Brown - Dept. of Agriculture