

V255
1983

PUBLIC HEARING
before
SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE
on
STRUCTURE AND OPERATIONS OF THE SOUTH JERSEY PORT CORPORATION

Held:
October 4, 1983
City Hall
Camden, New Jersey

PROPERTY OF
NEW JERSEY STATE LIBRARY
DEC 2020
185 W. STATE ST. PO BOX 520
TRENTON, NJ 08625-0520

MEMBERS OF COMMITTEE PRESENT:

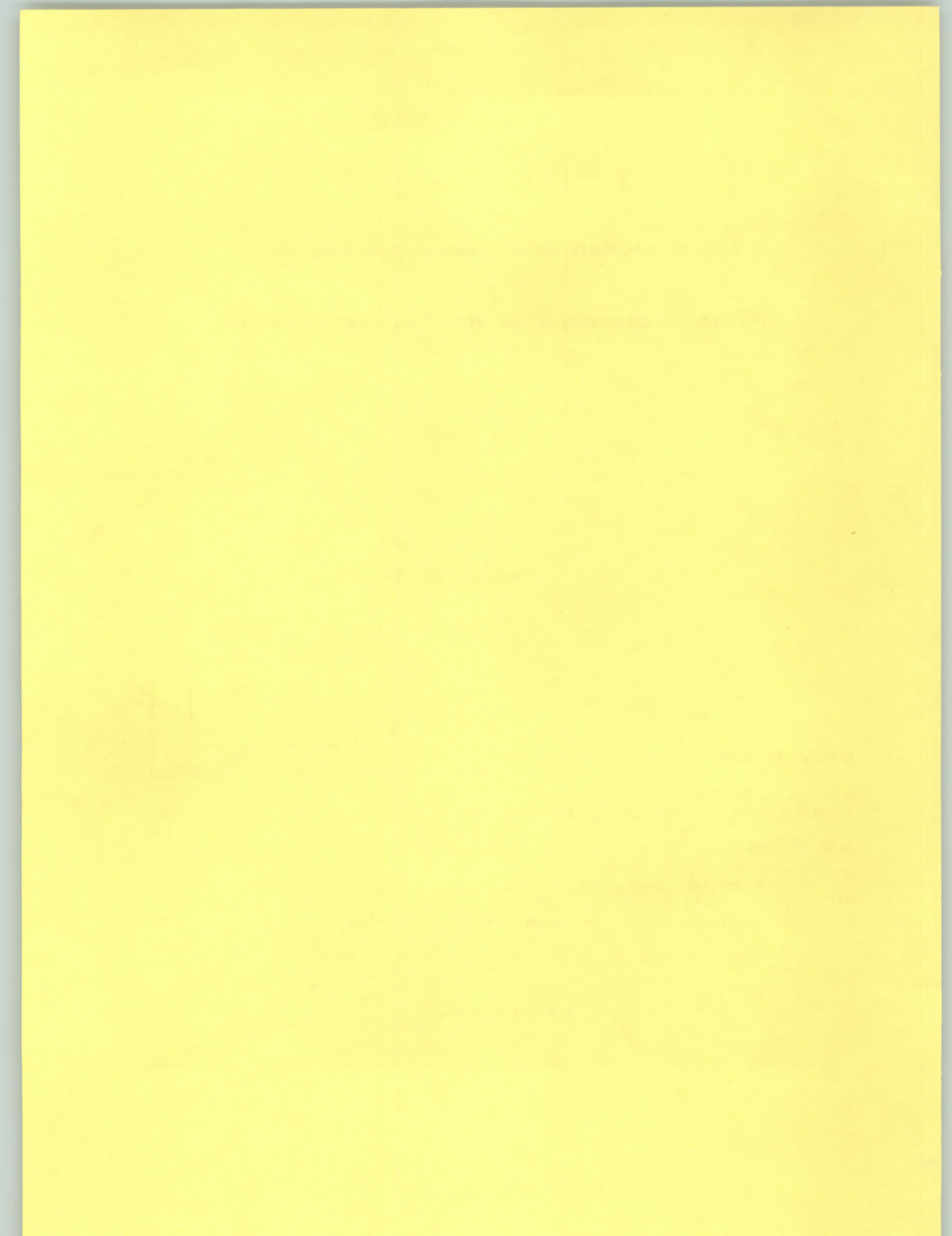
Senator Walter Rand, Chairman
Senator Francis J. McManimon, Vice Chairman

ALSO PRESENT:

Dr. Peter Manoogian, Research Assistant
Office of Legislative Services
Aide, Senate Transportation and Communications Committee

ATTORNEY GENERAL'S LIBRARY

MAR 6 1984



I N D E X

	<u>Page</u>
William Stringer Executive Director Department of the Treasury	2
Dr. Rocco Guerrieri Department of Commerce and Economic Development	9
Melvin R. Primas, Jr. Mayor, City of Camden	14
Edward J. McManimon Chairman, Board of Directors South Jersey Port Corporation	24
Robert L. Pettegrew Executive Director South Jersey Port Corporation	31 & 5x
Leo Donovan Booz, Allen & Hamilton	31
James R. Kelly President Delaware River Port Authority	32
Charles A. Matthews Business Coordinator City of Camden	32
Al Castagnola Vice President I.T.O. Corporation	32 & 1x
Carl Van Wye Hensley Vice President Booz, Allen & Hamilton	32
John Gill	32
ALSO SUBMITTED:	
Statement of William A. Harrison Executive Director The Philadelphia Maritime Exchange	2x

* * * * *

TECHNICAL DIFFICULTIES WERE EXPERIENCED DURING THIS HEARING AND SOME OF THE TESTIMONY IS INAUDIBLE. ALSO, IN THE MIDDLE OF THE HEARING, THERE WAS A BOMB SCARE WHICH CAUSED A ONE-HOUR DELAY. IT WAS AFTER THIS SITUATION OCCURRED THAT PROBLEMS DEVELOPED WITH THE RECORDING EQUIPMENT.

SENATOR WALTER RAND (Chairman): Ladies and gentlemen, my name is Senator Walter Rand, and I am Chairman of the Senate Transportation and Communications Committee. I would like to welcome you here this morning. At this time, I would like to introduce other persons present here with me.

On my left is Assemblyman Wayne Bryant, who is on the Assembly Transportation Committee, and on my right is Dr. Peter Manoogian, the Senate Aide to the Transportation Committee. On my extreme right is Janis Lewandowski who is from the Senate Staff.

If you have any written testimony or wish to be added to our witness list, please contact Dr. Manoogian, our staff aide here, after opening remarks are concluded.

I hereby call this public hearing to order for the purpose of hearing testimony concerning the structure and operations of the South Jersey Port Corporation. This Corporation was established in 1968 under "The South Jersey Port Corporation Act" as the successor to the South Jersey Port Commission.

The Corporation owns the Beckett Street and Broadway Marine Terminals. Certain questions have been raised about the role of the corporation in the Philadelphia/Camden port area. Because of those questions, we are holding this hearing today to receive testimony from interested parties. Although there are many topics which might be discussed, we are particularly interested in four rather broad areas:

1. What has been the role of the South Jersey Port Corporation in the Philadelphia/Camden port area?

2. What should be the role of the South Jersey Port Corporation in the port area?

3. What improvements should be made in the legal, financial and organizational structure of the South Jersey Port Corporation and in its operations?

4. Should changes be made in the Corporation's fundamental mandate, such as its control or ownership of the Broadway Terminal, its

role in waterfront development, and its relations with other authorities and corporations in the port area?

We look forward to hearing from those giving testimony today concerning these and other issues relevant to the Corporation and its future.

The first witness I would like to call is Mr. William Stringer, Executive Director of the Department of the Treasury. Good morning, Bill. You may speak from wherever you like -- from the podium or from the table. It is your choice.

W I L L I A M S T R I N G E R: Mr. Chairman and Assemblyman, my name is Bill Stringer. I am the Executive Director and the Deputy Treasurer of the Department of the Treasury of the State of New Jersey.

I would like to introduce Mr. Dick Stoddard, who is a consultant to the Department of the Treasury. He has a long history of working with the South Jersey Port Authority in its financing. Dick, I believe, will be available most of the day to answer any questions that might arise in regards to that financing.

I congratulate you on holding these hearings. I think they will be a vital contribution to the workings of the Port itself, and we certainly welcome them in the Treasury.

The public purpose of the South Jersey Port is to create jobs. So far, it has produced \$80 million a year in direct economic benefits to the southern county region of South Jersey, according to the New Jersey Institute of Technology's study. It has produced 13,600 jobs, both directly and indirectly. Port-related industry has paid two to three million dollars a year in State and local taxes. I wouldn't want to venture that it has met the goals that we have set for it, but it certainly has made a vital contribution to the City of Camden and the surrounding area.

The State of New Jersey -- the Treasury in particular -- has a vital physical interest, as well as a public policy interest in this Port. The State of New Jersey has made its moral pledge to back the debt of the Corporation. As you know, the authorizing legislation for all State entities provides for the specific budgetary procedure with respect to servicing the obligations issued by those agencies.

Pursuant to such legislation, the Port Corporation -- for that matter, also the New Jersey Housing Finance Agency -- requires a designated official to certify any deficiency in a debt service reserve fund maintained to meet payments of principal and interest on the obligations.

Subsequently, it is assumed -- and I stress the word "assumed" -- that a State appropriation in the amount of the deficiency is made. However, as we all know, such an appropriation is not legally mandatory. That is why we have the words "moral pledge." It is a moral pledge of the State. Bonds issued pursuant to authorizing legislation of this type may be issued by any of three State agencies -- the South Jersey Port Corporation, the Housing Finance Agency, and the Meadowlands Sports Authority. The Meadowlands Sports Authority, at this time, doesn't have any outstanding debts. So, we really have two agencies which issue moral obligation debt.

The debt amounts to \$29.5 million, with a maximum annual debt service of \$2.8 million. The series A bonds issued in 1970 bear an average interest rate of 6-1/4%, while the series B bonds issued in 1980 bear a 10-1/2% rate. The money was borrowed to:

- a. Purchase the Broadway Terminal in 1970,
- b. Install the 80-ton Kocks Marine Crane last year,
- c. And, to extend the Beckett Street pier 740 feet at a depth of 40 feet.

Revenues of the South Jersey Port Corporation were not sufficient to cover debt service on its Marine Terminal Revenue bonds in calendar years 1972 through 1977, and the State provided the necessary funds by appropriations equal to the certified deficiencies in the debt service reserve fund. In calendar years 1978, 1979, 1980, and 1981 revenues of the Corporation were sufficient to cover debt service on its bonds. The Corporation certified a deficiency of \$1.26 million for 1982, which was covered by appropriations, and we had estimated in the budget for this year that we would require an appropriated amount of \$2,051,000 to cover the deficiencies of the debt service reserve. However, our most recent information indicates that maybe we will not need an amount this great.

I should stress that moral obligation debt is viewed with some suspicion in the financial market, even though the State of New Jersey considers such moral obligation tantamount to a general obligation debt of the State. There are pressures to reduce such moral obligation debt. The Treasury at this time is endeavoring to reduce any reliance on moral obligations of the State. That is, it is better to have general obligation debt or revenue debt than moral obligation debt.

The State has provided the Port with revenues on an annual basis, as I said. The State paid \$9.4 million from 1971 to 1982 to fund the debt service reserves and to pay local governments the share of property taxes they would receive if the property were privately owned -- so-called "payment in lieu of taxes."

The State subsidized the Port's budget as follows:

- a. \$2.6 million in debt service from 1972 to 1978
- b. \$6.8 million in in-lieu-of-property-tax payments from 1971 to 1982

The South Jersey Port and the Kean Administration have agreed to pay an additional \$300 thousand per year to Camden City to increase the Port's property tax payment. This was partially because the City of Camden has not revalued property since 1958. The payment is retroactive to 1981. That is the year that the agreement between the South Jersey Port and the City of Camden expired. So, that \$300 thousand a year retroactive for three years means that the appropriated amount of payment this year will be \$900 thousand.

Because of the Treasury's and the State's interest in the South Jersey Port and because of the financial interests that we have, I do support two pieces of legislation which Senator Rand is working on:

First, to permit the State of New Jersey, through its appropriations, to reimburse directly to Camden City and Camden and Gloucester Counties, for State aid in-lieu-of property taxes, rather than to rely upon an agreement between the Port and the localities. Right now, with regards to our deficiency in the Tax Reserve Fund,

payment is made from the State to the Port. It is then made to the localities. It makes a lot more sense to make that payment directly.

Secondly, I support the legislation to add the Commissioner of Commerce and Economic Development and the State Treasurer to the board governing the Port Corporation.

With regard to the payment in-lieu bill that the Treasury supports, the Port--

SENATOR RAND: May I interrupt you for just one minute, Bill? Did you say you want to have the Commissioner of Commerce and the State Treasurer--

MR. STRINGER: Yes, sir. We support that legislation which would add them.

SENATOR RAND: Would you have any objection if we put a permanent member on from the City of Camden?

MR. STRINGER: I would have no objections. As a matter of fact, I believe that is also a good idea.

SENATOR RAND: Thank you.

MR. STRINGER: With regard to the payment in-lieu, the structure presently provides monies going from the State to the Port, and then to the municipalities. The South Jersey Port is the only agency of State government making payments directly to the municipalities in which they are located.

Each year since 1978, the Treasury has made these payments directly to certain municipalities from the State, not through the agency. It has been included in the appropriated amount, which I believe, during the last three years, has been \$13 million. It has been allocated by formula. I don't propose to put the South Jersey Port Corporation within that formula, but I do propose to have the amount appropriated directly.

It is inefficient and cumbersome for the Treasurer to continue to funnel payments to Camden through the Port Corporation. We simply want to treat Camden the same way we treat everyone else, and not to disadvantage the Port in its financial comparisons.

With regard to the second legislative initiative -- that is, adding State representatives, and possibly a representative from the City of Camden, to the Board -- the Port Corporation's operation is

within the budgetary and reporting auspices of the Department of Commerce -- the Commissioner of Commerce. You will hear from him next, I believe. It would make sense that the Department of Commerce's desires be expressed on the Board. As I have already mentioned, we have a vital fiscal interest in the South Jersey Port, and it makes sense that those interests also be expressed.

As I've mentioned, there has been a great deal of progress in meeting the public policy objectives of the South Jersey Port. I've visited the Port and I deal frequently with the Port. New Jersey taxpayers, through the Department of Treasury, have lent their support to these objectives by meeting the moral obligation debt service and tax reserve responsibilities. On behalf of those taxpayers, the Treasury expects and shall press for improvements in the Port's financial position. It is not that the Port should operate at a profit. Indeed, I don't believe that there is any port in the United States that does. But, we should see an improved financial standing. The legislation we have discussed will be helpful toward that goal. I hope that other suggestions will surface during today's hearing.

I congratulate you again for holding these hearings. Thank you, sir.

SENATOR RAND: Thank you very much. We are going to have some questions, if you don't mind. Assemblyman Bryant?

ASSEMBLYMAN BRYANT: Yes, Mr. Chairman. Mr. Stringer, you've talked about removing the actual burden of taxes being paid through the Port to the City, and having them come straight from the State. My understanding today is that that is an agreement between the Port and the City, and it guarantees the City a certain amount of income.

You also made a statement that the City would not be placed like other facilities from State government, where they would have to go into the pot of money which is appropriated. How do you expect that to happen, so that the City can be guaranteed it would still receive its \$900,000 per year?

MR. STRINGER: The original piece of legislation which created the South Jersey Port required that the Port, the City of Camden, and the surrounding counties not receive less than they were presently receiving in property taxes from the terminal as it existed.

Since then, the amount has increased due to certain add-ons. The amount is eventually planned for in the budget, and it has been appropriated in the budget every year. It just would appear that it makes more sense to graze that appropriation to a higher level of discussion, rather than to funnel it through this route of going from the State, to the Port, to the City. It is no less guaranteed than it has always been.

ASSEMBLYMAN BRYANT: I understand that. What I am trying to understand is whether or not there is going to be legislation which will be necessary in order to guarantee that the City would get that set amount, as opposed to being part of the overall (inaudible) for State facilities.

MR. STRINGER: The legislation could easily separate this payment-in-lieu from the formula. In other words, you can state that the appropriation will not be included in the formula.

ASSEMBLYMAN BRYANT: I would be interested in talking to you about that concept.

SENATOR RAND: Bill, I suppose what we would do is, when we get the legislation, it would probably become part of the budget in State aid as it is on page 330, where you pick up the appropriation for whatever deficit there is. I suppose that line item would be included under the Department of Commerce. Is that correct?

MR. STRINGER: That is my understanding, sir.

SENATOR RAND: And, that is the way we are going to handle that?

MR. STRINGER: That is exactly the way it was handled this year.

SENATOR RAND: Okay. Of course, it gives the Budget department all types of leverage to certify the money properly.

MR. STRINGER: Yes, sir, we require certification.

SENATOR RAND: So, what we would have now is, instead of just the \$1.6 million which is in there for the Port, we would probably have two line items -- one of which would be direct payments to Camden. Would you include Gloucester in that also?

MR. STRINGER: I would hope to include Gloucester and Camden Counties in the legislation.

SENATOR RAND: You would put the County, Gloucester City and Camden City in the same legislation.

MR. STRINGER: Yes, sir.

SENATOR RAND: Okay, and it would become part of this category under the Department of Commerce and State aid as you have it in the budget book.

MR. STRINGER: Yes.

SENATOR RAND: Is there any other type of legislation that you have any recommendations about? I know, we've been pursuing a course of trying to correct some of the deficiencies we see as far as financing to help the poor, so that their bottom line is not reflected with a deficit as it has been. Is there any other thing that you have in mind, Bill?

MR. STRINGER: As you know, we discussed various other forms of legislation. I believe that the attention you and I are giving the South Jersey Port has made some of that legislation less necessary than it would have been otherwise. There were some matters that we've also discussed regarding the bond covenants presently in the series A and series B bonds. There are rather restrictive covenants in those bonds. We have discussed the possibility that over time, if the market proves right, (inaudible) a 6-1/2% rate on the series A bonds. That really lies somewhere off in the future. When the financial picture is right, it is possible that we should refund those bonds and even change some of the covenants in those bonds.

SENATOR RAND: Then I can assume, on your recommendation, that we're going to move legislation that will take the State appropriation directly to Camden City and Gloucester City and Camden County, making it a line item in that Department of Commerce under the State Aid Division of the budget.

MR. STRINGER: We would support it, sir.

SENATOR RAND: And number two, you are recommending that a seat be given to the Treasury Department and the Department of Commerce and a permanent seat be given to the City of Camden, which the Mayor will designate -- similar to that type of legislation.

MR. STRINGER: Yes, sir.

SENATOR RAND: Fine. Thank you very much. Are there any other questions? Assemblyman Bryant? (no questions) Dr. Manoogian? (no questions)

Bill, I thank you very much. Maybe out of this dialogue here today, we will get some additional legislation that will streamline the Port or help them. We think there are many other areas besides these two that we might be able to explore to get some legislation to where -- I know we have had a stage of depression in shipping during the past couple of years, but maybe with the economy taking an upturn, we can begin to really streamline the Port's operation.

MR. STRINGER: We welcome the opportunity to work with you on that legislation.

SENATOR RAND: Thank you very much, Mr. Stringer. Thank you, Dick. Mr. Stringer, do you have a prepared statement?

MR. STRINGER: Yes.

SENATOR RAND: I would appreciate that, because we can make copies of that. Peter, will you get that?

Dr. Rocco Guerrieri, Department of Commerce and Economic Development? Good morning, sir.

D R. R O C C O G U E R R I E R I: Good morning, Senator. Thank you, Senator Rand and members of the Senate Transportation and Communications Committee, for inviting testimony from the Department of Commerce and Economic Development.

My name is Dr. Rocco Guerrieri, Chief of the Office of Business Advocacy, and I am here on behalf of Commissioner Borden R. Putnam, who had an unavoidable conflict which precludes him from being here today.

The Department is appreciative of your invitation to provide a statement at this public hearing, for it provides an opportunity to share with you some thoughts on the South Jersey Port Corporation, an element within our Department, which by legislative mandate, operates under guidelines quite differently than our other functions.

Let me describe briefly the role of State government that the legislation has prescribed vis-a-vis operation of the Port. The South Jersey Port Corporation Act of 1968 establishes the Port as a

semi-autonomous instrumentality of the State. A seven-member Board of Directors appointed by the Governor with the advice and consent of the Senate is entrusted with governance of the Corporation. The Governor retains veto power over the actions by the Board by virtue of the requirement to approve Board minutes. Day-to-day operations are the responsibility of the Executive Director.

The Corporation operates under its own budget, independent of that of the State. As provided in the enabling legislation, the State assumes debt service obligations that the Corporation cannot meet. This action, which is subject to appropriations by the New Jersey Legislature, has made it possible to float the bond issues on which the very existence of the Corporation is predicated. Testimony of the Department of Treasury will provide detail on these costs.

Placing the Port Corporation within the Department of Commerce and Economic Development is essentially a mere organizational expedient. No direct authority has been provided the Commerce Department in governance of the Port. Nonetheless, we are vitally interested in the functions of the Corporation and the role it plays. Its port-related facilities serve as movers of goods that provide a vital transportation link in the chain of production. Its other facilities provide valuable industrial, warehousing and office space, put to good use by a variety of business interests. Representatives of some of these enterprises are here today and will address you directly on the role they are playing. These firms, together with the port-related facilities, spell employment and economic well-being for the area in which they are located.

During the past fifteen years, there has been no significant legislative change in the enabling act, except for several organizational transfers of the Corporation, the most recent one placing it in our Department. The framers of the legislation did not and could not foresee the variety of factors relevant to financing, international trade, and urban development which have modified the role they envisioned for the Port Corporation. The Senate Transportation and Communications Committee is to be commended for providing the impetus which led to the preparation by Dr. Peter Manoogian of the recently circulated preliminary analysis dealing with "The South Jersey

Port Corporation: Problems and Prospects for Port Development." This work provides a valid starting point for an effort which might lead to legislative action improving both the mission and operational capability of the Port Corporation in light of current conditions and years of operating experience.

The Delaware River Port System has a significant economic impact on the Delaware River Region and contributes over \$1 billion in personal income each year to residents of the States of Pennsylvania, New Jersey, and Delaware. As an integral part of this regional port system, operations of the Port Corporation play an important role in the economic well-being of Southern New Jersey and particularly the Camden area. A 1982 study conducted by one of our testifiers here today from the New Jersey Institute of Technology quantified the specific economic impact of the Corporation on the City of Camden and the surrounding counties. To single out just one facet of that impact, estimates indicate total direct employment of approximately 1,600 full-time jobs and as many as 12,000 jobs indirectly related to activities of the Corporation. Continued development of this economic resource remains a goal for the Department.

As part of a commitment to improving the business climate in our State, and as one of the first initiatives of the recently created Department, the Division of International Trade has embarked on an intensive program of promoting exports, as well as attracting foreign investments into New Jersey. The results of this effort, if successful, will be reflected in increased prosperity and levels of activity in our port areas.

The Department of Commerce and Economic Development provides direct support to the Corporation through the services provided by the Division of Economic Development, its Office of Business Advocacy and the Economic Development Authority. In addition, various tenants have utilized Industrial Revenue Bonds of our Economic Development Authority as a financing tool. The State has supported worthwhile improvements to the physical structure of the Corporation, such as the recent acquisition of the 80-ton Kocks Marine Crane and the removal of the derelict Spruce Street Pier.

So much for our review of current realities. The Department of Commerce and Economic Development is prepared to actively participate in steps that will lead to a fuller utilization of our valuable port resources.

Dr. Manoogian, in his analysis, suggested a possible change in the composition of the South Jersey Port's Board of Directors. Should the Legislature choose to expand direct State participation in the operational scheme of the Corporation by following this suggestion, we are ready to provide Departmental representation to such a role.

Senator, we concur with the sentiments expressed by Mr. Stringer and yourself concerning the City of Camden, the Treasury Department, and the Commerce Department as being active participants on the Board of Directors, should that legislative action occur.

Regional and worldwide economic changes have severely modified waterborne activities during the last few years. The future of such commerce will be a bright one only if policies are implemented which will focus on market share recovery, cost reductions and productivity improvements. For the Port, future success will entail additional investment for more port infrastructure and demolition/renovation of existing underutilized facilities.

The actual level of investment required will be based on the degree of success of management strategies developed to stimulate both total tonnage and market share. The 1983 Booz, Allen & Hamilton study of the Delaware River Port specifically addresses some of the strategies, of which I would like to quote three.

"The South Jersey Port Corporation should develop a long-term strategy that would focus on a long-term land-use plan, an expanded industrial development role and access to capital under more flexible terms.

"First a land-use plan of existing terminal and adjacent sites should be developed." In addition to having my own thoughts, I am interested in hearing Booz, Allen's thoughts a little later today on some of the specifics of that land-use plan as related to the Port itself.

"Secondly, the South Jersey Port Corporation should investigate the need to expand its traditional waterfront operations'

mission and to perform industrial development activities on behalf of the seven South Jersey counties to which it is responsible.

"Finally, in order to accomplish both the existing mission of the Port Corporation, as well as expanded missions, the agency will probably require less restrictions on access to and uses of funds. It would appear that existing bond coverage tests and 'in-lieu-of' tax payments may restrict the Port from pursuing projects that would otherwise provide compensating economic benefits to the seven county areas in southern New Jersey."

Generally, we agree with these findings of that report and would recommend them to you as a starting point for legislative initiatives you might consider relevant to the future of the Port.

Financial considerations have been addressed by the Treasurer, and we concur the need for the in-lieu-of tax payments. We concur with the desirability, I should say, of the in-lieu-of tax payments being a direct appropriation through the State and Legislature to the Cities of Camden and Gloucester, and the County of Camden, as has been discussed by our previous testifier.

In conclusion, let me express our confidence that judging by the variety of interests scheduled to testify here today, this hearing will provide new insights, as well as a well-rounded picture of what is currently and satisfactorily at the Port and what requires improvement in the area of port-related activities. The resources of the Department of Commerce and Economic Development are available for any assistance you might require in your task of translating today's input into meaningful action.

Thank you very much.

SENATOR RAND: I hope you are going to stay around for a few more minutes.

DR. GUERRIERI: I sure am.

SENATOR RAND: The reason I am going to ask you to do that is because Mayor Primas has another appointment, and I want to hear him first.

The Port Commission has a direct influence and impact on this City. There are a lot of questions that I want to ask you, but I just want to give the Mayor the opportunity to make a statement. We will get back to you in a few moments.

Mayor Primas?

MAYOR MELVIN R. PRIMAS, JR.: Senator, thank you very much for giving me the opportunity to speak. I assure you I will not take too much time.

As the Senate is aware, we are opening up a house for kids at eleven o'clock, and I am expected to be there.

I do appreciate the opportunity to testify in regards to the South Jersey Port Corporation. The Corporation, I think, has a significant impact on the economic sector of the City of Camden. I believe that the Port and the land operated and controlled by the South Jersey Port is, in fact, the most important economic sector that we have.

We were, obviously, very supportive of the South Jersey Port Corporation in terms of their progress and in terms of operating the Port. I personally agree with the report that Dr. Manoogian worked on where it indicated that there has been undercapitalization of the South Jersey Port operation. My own personal belief is that if we are to progress as a port, then the capital dollars are going to have to be made available to the South Jersey Port Corporation for their operation. I think we all recognize the fact that -- particularly when we look at the Broadway Terminal -- we are looking at what was a shipyard. I just personally believe that there are a number of obstacles that one would have to overcome to operate the Port as though it were a shipyard. So, from my own personal observations, I think that those kinds of capital commitments would have to be made to give the Board and the offices of the South Jersey Port Corporation the resources and tools to market the Port in order to bring about an increase in economic activity, which is what all of us in South Jersey are certainly looking for.

I am also very supportive and very encouraged by the comments I heard this morning as they relate to the payment of taxes coming directly from the State of New Jersey to the City of Camden, as well as additional representation on that Board coming from the State, and a seat coming from the City of Camden. We think that we have a right to that because of the fact that the majority of it is located in our City. Again, we would be looking for a close-working relationship with them.

We believe rightfully that the economy of Camden is dependent upon the activities of the South Jersey Port Corporation. We think that it offers a tremendous opportunity for bringing jobs, revenue, and industry into the entire South Jersey region. I think that we have a unique opportunity because it happens to be located in the City. I wanted to express those thoughts to you, to indicate our support and our thoughts as they relate to the direction of the Port.

Anything that we can do to be supportive of those efforts, we would certainly be happy to do.

SENATOR RAND: Thank you very much, Mayor. Assemblyman Bryant, do you have a question? (no response) Mayor Primas, I have one question, if you don't mind. I know you are in a hurry, but I would like to ask you this. Do you believe that the Port should expand its operations in other areas and maybe even go into Gloucester County, or do you believe that the Port has a direct impact on the City of Camden and should consolidate itself and operate just for the City of Camden? I know that is a tough question.

MAYOR PRIMAS: Yes. I would probably not be in a position to answer that. I would say that if there were some economic opportunities which made sense for the Port to participate in, and if they happened to be outside the City of Camden, obviously there would probably be shipping involved which would, in fact, take place in the City. I don't think I would be opposed to that, because if it could be shown that that would be an economic benefit to the South Jersey Port Corporation as a whole, I think it benefits our position in our City, and it would strengthen the South Jersey Port.

SENATOR RAND: I am going to ask Dr. Guerrieri that same question -- whether we should ought to go on a large base or whether we ought to concentrate on what we have here in order to streamline it, etc.

MAYOR PRIMAS: I think it would take a very detailed market analysis to determine the economic feasibility of going abroad. I guess I am assuming that when you saying going abroad -- I'm assuming that if there was a tract of land that could be developed in another part of Camden County or somewhere in South Jersey that would be port-related -- is that the direction you are going?

SENATOR RAND: Yes, that is exactly what I mean. There are reports out which believe that the South Jersey Port ought to become part of an umbrella situation where port activities are expanded into the southern part of the State, going down even as far as Gloucester County. Again, we are trying to explore those possibilities here today to see what impact they will have on the entire State, as well as Camden. I think the South Jersey Port ought to be the catalyst for development in the City of Camden. I just wanted to get your feelings on that matter.

Thank you very much.

MAYOR PRIMAS: Thank you very much.

SENATOR RAND: Dr. Guerrieri, now we're back to you. Assemblyman Bryant, I know that you are due in court in a half-hour, so we're going to let you go first.

ASSEMBLYMAN BRYANT: Doctor, I would like to ask just one question. I got from your testimony -- maybe I am reading into it -- that you are basically saying that the Department of Commerce does not have, or is not by statute given the role that the Department believes it should have as far as the South Jersey Port is concerned. One of the suggestions is that you be placed on the Board of Directors. Is that the only area where you think the Department needs to have more teeth statutorily in terms of helping the Port do its mission?

DR. GUERRIERI: Yes, legislatively. The way the current legislation is, the Corporation has its own budget and it really operates in an autonomous manner. I think that the relationship that exists between the Corporation -- its trustees and bondholders -- is one where I wouldn't see any need for any legislative change. To answer directly, the only legislative change relevant to management of the Corporation that would be desirable, from my way of thinking at his point in time, would be to add additional members from Commerce to the Board.

SENATOR RAND: Thank you very much, Assemblyman Bryant. You spoke on page three about your Division of International Trade. Does the South Jersey Port have any Department of International Trade, or does it become an adjunct of another division, or do they have their own development? What is the position of their promotion or publicity in the Port itself?

DR. GUERRIERI: New Jersey's International Trade Division, which is headed by Ming Su, is involved in promoting New Jersey as an export and trade leader in the United States and in expanding its export capabilities. Therefore, when that occurs, there will be indirect benefits between each of the ports of Camden, which include the South Jersey Port. Directly in working with the South Jersey Port Corporation, on its marketing, I believe the Delaware River Port Authority directly assists in merchandising and marketing with the South Jersey Port. So, we are not a direct merchandiser or marketer, but rather one that hopefully sets a climate conducive to a broader economic growth in the State from which the ports would totally benefit.

SENATOR RAND: Okay, we're going to ask that question later on. Let me just continue with my line of questioning.

The original legislation enacted asks the Port Commission to develop the Port, but it certainly doesn't given them any tools. They created them, and then they said, "Well, go ahead. Do it yourself. Travel at your own risk." I know the State guaranteed the moral obligation of the debt service and whatever the bottom line was, if they ran into a deficit, the State picked it up. In fact, there used to be legislation once a year, and that has been changed so that we don't have to go through the legislative process. We have put it into the budget and allowed it to go through the budgetary process so that it doesn't become a traumatic piece of legislation on the floor of either the Assembly or the Senate.

Is there anything that we can do, as far as your Department is concerned, in the financial end or in other areas where we can give them some extra tools to begin? We're zeroing in now on the development of the Port. We're going to go in a little later on, I hope, into the internal workings, and then we're going to see where we go from here. Do you have any suggestions or recommendations on that end?

DR. GUERRIERI: Yes. As far as speaking for the Commerce Department, direct dollars from the Commerce Department, I would expect, would be nonexistent and not possible. I know of our budgets concerns every year for direct dollars that relate to our own

legislatively mandated operations. I would expect that those dollars would be nonexistent.

From a larger viewpoint outside of Commerce, the type of support that went into the renovation of Spruce Street and the removal of derelict facilities there and the expansion of the Beckett Street Terminal, I believe, was assisted to some degree by the Department of Environmental Protection through one of their harbor cleanup bond programs or another program of that type. Perhaps those types of programs could continue to be utilized by the Port Corporation for some of their major renovations and for some of their derelict facilities which they have that are only very marginally utilized right now for becoming a viable port asset. I think that maybe more research has to be done as far as the Department of Environmental Protection's program on harbor cleanup and bond programs on harbor cleanup are concerned.

Our Economic Development Authority, which is in, but not of, the Commerce Department, does provide support in researching. Recently the Kocks Crane was not a State EDA, but rather a Federal EDA grant program. I believe that the Executive Director and the Board of Directors are now taking some steps to seek out grants which are available -- primarily Federal grants -- that would be similar to that which got the Port Corporation the Kocks Crane from EDA. The seeking out of grants, I think, is an important step that should be taken by the Port Corporation.

I don't see many direct dollars going to the Port Corporation from one of the twenty State departments, including the Department of Commerce.

SENATOR RAND: Well, I would say to you, Doctor, that it is the South Jersey legislators who have finally been getting some dollars. We got approximately \$1 million to clean up the dilapidated Spruce Street Pier, and we have \$1 million awaiting us now for a harbor cleanup that the DEP will be coming down shortly to do. Of course, they are going to go around the northern part.

I'll just ask you one more question, which we have been leading to. I'm coming back to the long-term strategy plan. Do you think that we ought to put the emphasis on the Port improvements and its development in the City of Camden, or do you think -- I'll say it

just as I said it to the Mayor -- that the Port ought to be under an umbrella where we can go into unused land? I'll give you an example very quickly: You can go much further north, but you can go south too. By going south, you may have to hop, but you go into Gloucester County -- I won't mention the size of the acreage -- but there is acreage available that does not fit into the respective nonused issues, such as the wetlands, etc. Is that worthwhile exploring to improve the South Jersey Port?

DR. GUERRIERI: As the Mayor also answered, it is a difficult question to answer. Let me give you some thoughts on it though.

The first thought involves, and it really directly relates to the question -- when we look at the the Board of Directors, as presently constituted, we see there is a legislative mandate which is being carried out and has representation from various counties. So, the direct relevance of your question is, should a decision be made to concentrate efforts in Camden? Maybe we should look at that legislation and make a legislative change to have more representation from the County and the City of Camden, and less from Burlington, Gloucester or whatever. That is an adjunct thought in terms of legislation.

I believe that--

SENATOR RAND: (interrupting) We have representation from Gloucester, don't we?

DR. GUERRIERI: Yes, but what I am saying is, depending on the answer to the question that you are posing, you might want to get rid of Gloucester, if that is the case. If it is concentrated on Camden, then maybe Camden should be the focal point for a Board of Directors, rather than the broader one that now exists.

SENATOR RAND: Yes, I understand. That is why we are looking for direction.

DR. GUERRIERI: I believe that the Port Corporation does have an obligation and a duty to be more than an entity unto itself. The type of action that we saw a week ago, with the HWR Corporation in their groundbreaking ceremony, is what I'm referring to. With reference to stimulating economic growth in the region -- in this case, it happened to be the City where HWR is locating and with the

involvement of the Port Corporation -- I think that is very definitely a responsibility and charge of a port corporation to assist the area in economic growth.

So, the first obvious answer, I guess, is that certainly they should expand and contribute beyond their borders of their gates and into Camden. That is clear.

By history in Gloucester -- not legislative history -- there are certain properties that are leased by competitors and neighboring corporations. When I get to thinking about other areas all the way up to Mercer and Gloucester Counties, I don't know what the restrictions have been that have kept the Port Corporation from going outside of Camden. I don't know what opportunities have arisen in the past fifteen or so years, where it would have been logical and desirable to do the type of thing that was done for HWR Corporation, let's say two miles down the river, or one mile down the river, in Gloucester, as well as further down the river.

This is not going to be a direct answer because I don't have one, but if there are legitimate opportunities in other counties, then the legislation is broad enough for that to happen. Without having any knowledge of why they have been constrained or felt constrained to just operate in Camden, then that question becomes a little difficult.

SENATOR RAND: The reason why we are (inaudible), Doctor, is that I would be less than honest with you if I didn't tell you that it has been kudos and criticism leveled at the port: that they don't do enough port; that they do too much port; they do industrial warehousing; they shouldn't be doing industrial warehousing. What we are looking for very frankly, and we're getting some answers as far as the competency of the Board of Directors and as far as the shifting of the financial burden, which is on the Port, but what we would really like to know is, in what direction should the Port go and do we need legislation to address that -- whether the expansion is the direction they should go, whether there should be improvement of their own facilities and not look at expansion until they do improve their own facilities -- and, we have to give them some help on that -- or, whether they should be strictly a shipping outfit, a port-development outfit, or an industrial warehouse outfit, or an industrial development outfit?

I think that once you define what they should do -- and I don't think they have ever really been defined, we should set up an objective and give them the help that they need, and let's do it.

DR. GUERRIERI: Senator, I agree. In our statement, we point out what we see to be a need for a plan by the Port Corporation itself for what is within its borders. Should Beckett Street concentrate on -- I believe it should, of course -- being a marine terminal, a job which it does best? The Broadway Terminal is more difficult to answer. It is, in large part, an industrial park, and it is in large part, derelict.

I think an immediate step needs to be an articulation of, first of all, looking at what the Port has -- what its resources are internally -- and setting up goals and objectives for which piers and docks they would like to see replaced over time internally and also the immediate surrounding areas. If Flintcoat is neighboring on Beckett Street, or if Holt is neighboring on Broadway, what would the Port itself like to see in terms of relationship? What properties would they like to have? I think this should somehow be articulated in advanced planning.

I would say this: Unless there is a clear opportunity in one of the other counties for which the Port could contribute, then the Port, in my view, should continue right where it is in Camden, in the absence of a clear activity.

SENATOR RAND: Doctor, thank you very much. Please extend our thanks to Commissioner Putnam, who has been at least cognizant of our problems down here. I want to compliment him, because he recognizes that it is not only a New York/New Jersey Port Authority, but we do have some port development in South Jersey. So, please extend to him our deep appreciation.

Assemblyman Bryant?

ASSEMBLYMAN BRYANT: Could I ask you one question? It is in terms of legislation, which would put a member of your Department on the Board. Do you want to be on the Board and the Mayor have some control over what they do, or is it the Department's position that even though they might have adequate funds to provide, they do have technical assistance? I am wondering if the Department feels that it

is their responsibility to offer that technical assistance to locate grants or funds for that Port. I would be much more inclined to see the Department sit on the Board if I knew also that it was mandated to use or increase the Port's ability to locate funds. The Port does have a staff, but I know that their staff does not have all the adequate means to go throughout the Federal government and other places to find those kinds of funds that would phase in to those things they are doing.

If the Department is willing to take that mandate, as well as have a position, then I think it is a responsible position to be on the Board. If not, I have some questions as to whether the Department should just be on the Board without a mandate to assist in some way through its physical resources.

DR. GUERRIERI: I agree, and I would say that there would be enhanced direct support in terms of physical assistance in trying to improve the operation of the Port. I don't know if it would go to the area of seeking out Federal grants. I don't know that we have in-house personnel to seek out these grants, but certainly in seeking out State funding sources, there would be assistance. There would be assistance in policy setting and in working out some of the parameters as far as what would be desirous of an operational plan of the Port Corporation.

We were interrupted, but I answered in terms of seeking out Federal grants. I think that one stage would be of some assistance, but maybe limited. In looking at State opportunities and other things that could be beneficial, I think we would be very beneficial and very up-front in the amount of assistance that we could provide.

Researching Federal grants is a whole entity in itself that requires considerable time and expertise. The Department has a Planning Department in which we could devote our resources, but I'm not prepared to say today whether or not the Commissioner would change the priorities of his planning people. I think certain functions are better served by--

ASSEMBLYMAN BRYANT: You're right, you can't answer it. The Commissioner might not be able to answer it today. But, I would like to know if there is any legislation, if it were proposed, that the Commissioner would not object to?

SENATOR RAND: Assemblyman Bryant, let me just tell you one thing. I sit on the Joint Appropriations Committee, and it is quite an experience. If we are going to put the Department, which is under the South Jersey Port, which is really under the Department of Commerce, it is "under" it, but not "within" it so to speak. If we put the Commissioner on there, you can rest assured that we are going to charge him with the responsibility to oversee it and to certainly streamline it and to do those things which are going to improve the South Jersey Port in this particular area. We will certainly do that, I can assure you.

It is also interesting to note that I believe -- I think Dick Stoddard and Bill Stringer are here -- that technically the Treasury Department really does have an overview of it, because they can pretty well get involved and they do get involved. But, I think the Commissioner of Commerce really has no way of getting directly involved, because as I say, it is within his Department, but not a part of it. If we came down to the nitty-gritty, and if I had to choose between the Treasurer -- and certainly they are very good friends of ours -- it would seem to me that the Department of Commerce ought to be directly sitting on that Board to give them that type of representation. The Treasury Department has a lot of control over it, even though they are not on that Board. Do we agree on that, Doctor?

DR. GUERRIERI: Yes.

SENATOR RAND: It may be a matter of numbers; three and seven gives them ten. I don't look for a standoff very frankly, but if it is ever a five to five, I guess, legal counsel makes the decision on how it goes.

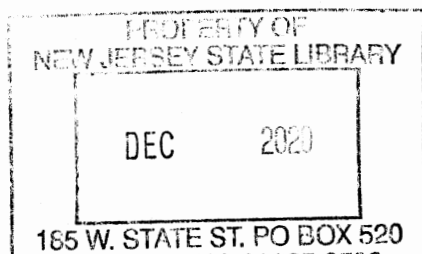
All boards are usually odd numbers so they tell me, so we have a problem in that.

Is there anything else? (no response)

Thank you very much, Doctor.

We have just been joined by Senator McManimon. Good morning.

We will now hear from Edward J. McManimon. Well, that is a coincidence. Edward J. McManimon, Jr., Chairman of the Board of Directors of the South Jersey Port Corporation. Good morning, Bud.



E D W A R D J. M c M A N I M O N: Senator Rand, thank you for inviting me to appear before your Committee today. As background, I was appointed to the Board of Directors of the South Jersey Port Corporation as Vice Chairman by Governor Hughes in 1969. I became Chairman later that year.

I would first like to provide some background on the structure of the Port. South Jersey Port Corporation was established under Chapter 60, Laws of 1968, which declares that overlapping jurisdiction and responsibility for port development is not conducive to the provision of adequate port facilities in southern New Jersey.

The legislative mandate of the Corporation is to establish, acquire, construct, rehabilitate, improve, operate, and maintain marine terminals in the seven counties of New Jersey, which border the Delaware River from Mercer County on the north to Cape May County on the south. These counties are further divided into three districts: Cape May, Cumberland, and Salem Counties, which is the first; Gloucester and Camden Counties are the second; and, Burlington and Mercer Counties comprise the third.

Our Board is comprised of seven Directors appointed by the Governor, with the advice and consent of the Senate. The Chairman and Vice Chairman are appointed by the Governor and serve at his pleasure. The Act which established the South Jersey Port Corporation provided that this agency would acquire Beckett Street Terminal from its predecessor, the South Jersey Port Commission, and further, it provided that the Corporation enter into an agreement with the State of New Jersey, whereby such sums as have been paid by the State in discharge of the obligation of the predecessor agency, the South Jersey Port Commission, be repaid. As of this date, a total of \$5,855,865 has been paid by the State in discharge of these obligations and such amount is, and will be, ultimately due the State from the Corporation.

The Act further provided that the Corporation be empowered and directed to enter into agreements with any county or municipality wherein it had facilities and whereby it would undertake to pay a fair and reasonable sum to compensate the said local unit of government for any loss of tax revenue by reason of Port Corporation acquisition of property in that jurisdiction. I would like to add here that this

agency is one of only a miniscule number of public ports in the country required to make such tax payments. Our tax obligations last year were \$763,816.00.

The first order of business after creation of the Corporation was for the Directors to develop a plan to update the Beckett Street Terminal with available funds. This was done, albeit, on a very limited scale because of the limited resources of the Corporation. A second initial objective was to determine revenue sources to determine whether additional terminals should be acquired. An obvious possibility which had received at least passing attention of other public agencies was the just then defunct New York Shipbuilding Corporation properties in South Camden.

An initial comprehensive feasibility study of such acquisition was undertaken which determined that in order to do a first-class job, an expenditure in the magnitude of \$43 million in 1969 would be required to convert the New York Shipbuilding facilities into a viable marine terminal. Clearly, an expenditure of this magnitude was beyond the capability of the Corporation, and it was determined that a more appropriate approach would be to estimate the revenues which the New York Shipbuilding properties, with modest rehabilitation, could generate. This figure was then used to determine the size of the Port's initial revenue bond offering of \$16 million. In retrospect, by utilizing this approach, I believe that the Corporation unwittingly aided and abetted its initial problem, a problem which continues to this date -- that of being underfunded. Nevertheless, at that time, it was important to the region and to the City of Camden in particular, that some solution be found to mitigate the demise of one of the most important employers in the region.

Our Executive Director will describe both the New York Shipbuilding and the Camden Marine Terminal facilities in detail. I would mention here, however, that we took over facilities which did not have an imposing track record. For example, in the forty years between 1929 and 1969, the Port tonnage at Beckett Street Terminal had increased to only 542,000 tons of cargo. The Camden Marine Terminal was one of the few marine terminals in the nation which actually handled less cargo during World War II than it has previously. As for

New York Shipbuilding, little or no cargo had been handled, and the piers and structures on the property were not particularly conducive to cargo-handling activities.

I believe that during the Port's rather brief history, impressive progress has been made over and above increases in cargo statistics and revenue, for the Port is now recognized as a major competitive factor within the Ports of Philadelphia. This agency, since its inception, has progressed a slow but sure program to develop an independent identity among the other terminals, both public and private, which comprise the Ports of Philadelphia.

For example, we are currently participating in the port-wide advertising program sponsored by the Delaware River Port Authority, which is sorely needed to overcome the perception of the Delaware Valley as a location surrounded by more viable ports. By that, I am referring to the modern marine terminal developments in New York Harbor, and equidistant to the south, the large, modern, publicly financed marine terminal in Baltimore. In addition, the latter Port for years has had a distinct advantage of lower inland freight rates between the industrial heartland of the country and the eastern seaboard.

Secondly, along with other terminals in the region, we are actively participating to ensure that current efforts of the Federal government to impose user charges on our deep-water marine terminals, which would make us noncompetitive, are not allowed to become law.

At the Port itself, our staffing is limited, but, I believe highly qualified. We obtained our Executive Director with the cooperation of the State, by asking the Port Authority of New York and New Jersey to loan us one of their staff members to become our new Executive Director.

Bob Pettegrew was the person who they and we jointly selected. Bob served on loan with the South Jersey Port Corporation for five years before we asked him to assume the post on a permanent basis.

Our Deputy Executive Director, Joe Balzano, is acknowledged as being among the most talented and dedicated marine terminal manager on the entire East Coast.

Our General Manager, Gilbert Carter, is a professional registered engineer who joined the Port after serving with the New York Shipbuilding Corporation, which in turn, had hired him as Facilities Manager after a long distinguished Air Force engineering career.

I could go on and cover each of our other staff members who are distinguished in their own career specialties. The point I am making is that we have a qualified, dedicated staff who is recognized among its peers as outstanding.

I would be remiss if I did not mention that each of the Governors of New Jersey who have appointed Directors to our Board have done so with careful attention to the qualifications and to the contribution each individual Director could make. My fellow Board members who have served the Port during its brief history have been dedicated to serving the State, region, community, and the Port. It has been these Board members who have had the vision to see the Port in the long run, not only as an equal amongst marine terminals in the Delaware Valley, but also and certainly of greater importance, as a major generator of economic development and commerce in all of South Jersey.

Creation of jobs, not necessarily on the Port's payroll, but with companies located within the Port or doing business with the Port, has been our prime objective. We see no reason why the substantial contribution which this agency has made to the community in terms of jobs and other economic benefits and which have been documented in a study conducted by the New Jersey Institute of Technology will not continue to increase. We also enjoy, and will continue to promote, cordial and truly cooperative relationships with Mayor Primas and his administration, as well as with Camden County and the other six counties comprising the Port district.

In conclusion, I would add again that I welcome the opportunity to appear here today. I am especially pleased that you will be hearing from some of our many tenants, customers, and others whose livelihoods depend upon the existence and growth of the South Jersey Port Corporation.

I will be happy to answer any questions you may have.

SENATOR RAND: Thank you very much, Mr. McManimon. I am going to go to Dr. Manoogian's reports, and I am going to ask you some questions. We have no quarrel with your administrative staff. We think that they are certainly functioning very strongly, but Dr. Manoogian recommends a strengthening of administrative staff functions. I would like to ask you directly about that.

Do you have anybody employed directly by the Port who has any liaison with the Delaware River Port Authority in the field of international trade?

MR. McMANIMON: The direct liaison would be our Executive Director.

SENATOR RAND: That is Mr. Pettegrew. You don't have a--

MR. McMANIMON: We do not have, although one of my comments was going to be that (inaudible) the strengthening depends on marketing and planning (inaudible).

SENATOR RAND: Yes, because I will quote from Dr. Manoogian's report. He said, "It is an oddity that the Corporation has no employees, and the sole function is in the sales, marketing, and promotion area." Don't you have a public relations person down there?

MR. McMANIMON: Oh, yes, we have a public relations person.

SENATOR RAND: What does he do?

MR. McMANIMON: Well, his responsibility is to (inaudible) from the advertising of the Port. (inaudible)

SENATOR RAND: Isn't he in liaison with the Delaware Port Authority?

MR. McMANIMON: Yes, he is. He participates in their advertising program.

SENATOR RAND: Then why is Mr. Pettegrew burdened with that task?

MR. McMANIMON: (inaudible)

SENATOR RAND: What function does a man who does publicity have in the overall scheme? I don't see him fitting in here. I'm trying to find out where he belongs and what he does.

MR. McMANIMON: (inaudible)

SENATOR RAND: Whoever you said was doing promotion. I don't know. You said that there is somebody who does promotion work in the Port.

MR. McMANIMON: Oh, yes. We have a company (inaudible)

SENATOR RAND: I'm trying to find out exactly what he does and in what area does he fit to take the pressure off of Mr. Pettegrew. According to Dr. Manoogian's report, Mr. Pettegrew may be overburdened with some detail.

MR. McMANIMON: That is right.

SENATOR RAND: What I am trying to find out is, regarding the respective individuals who are -- I don't even know if there is one there.

MR. McMANIMON: His responsibility is (inaudible).

SENATOR RAND: Wouldn't it be advisable to put this person -- and, as I said, I have no idea if you had such a person -- somewhere in order to fit in with the international trade? I am told, and I must be very honest with you, Bud, that a shipper went overseas and they never heard of the Port of Camden. I can only repeat what has been told to me.

MR. McMANIMON: (inaudible)

SENATOR RAND: I heard from a shipper that they went overseas, they were told to ship via the Port of Camden, and these people had never heard of the Port of Camden. That is strictly a statement that was made to me. I can only take it on the face of it. Whether it is facetious or not, I have no idea.

MR. McMANIMON: That is very interesting, because we have received some very favorable comments. We were one of the only ports that printed up an article promoting the Port in ten different languages. It was hand-delivered by our International Trade Commission, which (inaudible)

SENATOR RAND: That is not meant as a criticism. I'm just making it as a statement, only in relation to the fact that you have somebody. I think he should be involved somewhere in international or foreign trade.

MR. McMANIMON: Then, I agree with you on that.

SENATOR RAND: Yes, that is the only thing. I again go to Dr. Manoogian's report and he said, "Because of this, it does not have the capability to deal with the analysis planning and research functions which should be carried on."

One of Dr. Manoogian's critiques in his prepared report was that the Port doesn't have the ability to plan and do research functions. I would ask him exactly what he means. I think he knows what he means. It may be long-term planning; it may be the type of planning that Dr. Guerrieri spoke about.

Is there anybody in the overall function of the Port, Bud, who does some type of long-term planning or research in the--

MR. McMANIMON: We have been in bootstrap operations, so we have (inaudible). We have a Facilities Manager, and we have an Executive Director (inaudible)

SENATOR RAND: Would you emphasize the bootstrap operation?

MR. McMANIMON: Yes, the bootstrap operation (inaudible)

SENATOR RAND: That is the area that we may have to develop. If we are going to put you under the Department of Commerce, we would certainly want to develop that type of expertise within the framework of your own organization.

MR. McMANIMON: But, I would hope that the Department of Commerce would have constant involvement (inaudible)

SENATOR RAND: Yes, but we're not just going to stick the Commissioner on there to be just a figurehead, or come in there and run your Board of Directors. That is not the purpose, as Assemblyman Bryant mentioned before. We're going to put the Commissioner of Commerce in there for a very specific purpose -- to help develop this Port in becoming a viable agency, which cannot operate within the bootstrap, so-to-speak.

MR. McMANIMON: As you probably know, the Commission's representative has attended regularly for more than a year. (inaudible)

SENATOR RAND: I take it by your report that the Beckett Street Terminal makes money.

MR. McMANIMON: Beckett Street is probably the most efficient terminal on the East Coast, if not the entire country. If we had Beckett Street (inaudible).

SENATOR RAND: Do you need modernization there?

MR. McMANIMON: Plenty.

SENATOR RAND: Let me ask you a question. I'll ask you two questions. One, do you anticipate that if you would get some remedial help that you could make Broadway a moneymaker, or do you think that Broadway will remain a constant deficit to us? If so, what type of help would you need? Now, let me ask you the opposite question. Do you think we ought to retain the Broadway situation, or do you think it is worthwhile to explore some other possibilities?

MR. McMANIMON: I think we should retain the Broadway Terminal. (inaudible)

SENATOR RAND: Bud, thank you very, very much. We appreciate your comments. If you want to come later on and give us additional information, we would be very glad to hear from you.

MR. McMANIMON: Thank you. There is a gentleman from NJIT, Dr. Levinson, who has to leave. Is Dr. Levinson here? (no response) Not hearing him, I'll call upon Mr. Pettegrew, the Executive Director of the South Jersey Port Corporation. Good morning, Bob.

R O B E R T L. P E T T E G R E W: Senator, before (inaudible), I would like you to hear from Mr. Leo Donovan.

SENATOR RAND: Absolutely.

MR. PETTEGREW: (inaudible)

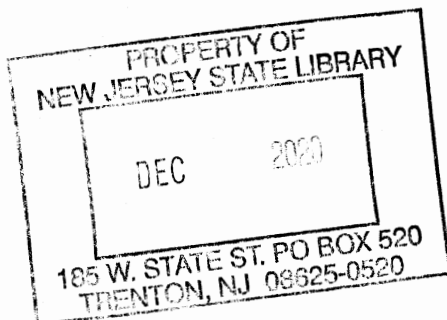
SENATOR RAND: No problem whatsoever. I'm going to call on him next. Mr. Donovan? Mr. Donovan is from Booz, Allen & Hamilton. Is that correct?

L E O D O N O V A N: Yes, sir.

SENATOR RAND: And, he is a paid consultant.

MR. DONOVAN: Yes, sir.

CONTINUED ON NEXT PAGE



DUE TO TECHNICAL DIFFICULTIES, TESTIMONY BY REMAINING WITNESSES WAS
UNABLE TO BE TRANSCRIBED. WRITTEN TESTIMONY BY THESE WITNESSES, IF
SUBMITTED, HAS BEEN INCLUDED.

Leo Donovan

Robert Pettegrew

James R. Kelly

Charles A. Matthews

Al Castagnola

Carl Van Wye Hensley

John Gill

End of transcript

October 4, 1983

STATEMENT

A. J. Castagnola - Vice President

I.T.O. Corporation
Tioga Marine Terminal
Philadelphia, Pennsylvania 19134

I.T.O. Corporation is a fully-owned subsidiary of International Terminal Operating Company, Inc. ITO's stevedoring and terminal activity in the area include leasing of Pier 5 Broadway Terminal, Camden; leasing Tioga Marine Terminal, Philadelphia; stevedoring at Beckett Street Terminal, Camden; and stevedoring at Wilmington Marine Terminal, Wilmington, Delaware. We are the largest stevedoring company in the Delaware Valley.

During 1982, our Company generated a total of approximately 900,000 stevedoring man hours ~~in our area~~ of which 250,000 hours were worked in Camden. Through the first eight months of 1983, we totaled 750,000 stevedoring man hours ^{of which} with 185,000 ^{were} worked in Camden.

We have leased Pier 5 Broadway Terminal from South Jersey Port Corporation since 1973. The facility is an important part of ITO's operation. We handle containers, general cargo, steel, tractors, plywood and heavy lifts through this pier.

Presently, SJPC responsibilities include the operation of the Beckett Street Terminal, leasing Broadway Terminal, port marketing, and developing the Port of Camden. We believe that the SJPC should continue with these functions. However, we believe that the funding of the Corporation should be reviewed so that they may properly perform. We also believe that a study of some of the major Port Corporation/Port Authorities from Boston, Mass to Houston, Texas would answer some of the questions concerning the organization and operation of the SJPC. We believe you will find that the function of these Authorities are not as a revenue center but as a developer of cargo and pier facilities ~~and~~ for the economic growth of the region.

Broadway Terminal is a good example of lack of development due to insufficient funds. When we negotiated our lease in 1982 for Pier 5, money was diverted from Beckett Street to Broadway to make the necessary improvements. Much to our dismay, our cargo shed square footage had to be reduced by 20,000 square feet due to insufficient funds.

We believe that development of Broadway Terminal is necessary to meet the future needs of our Port.

Thank You

/x

Edward J. Desher, *President*
Henry F. Corry, *Vice-President*
William A. Harrison, *Executive Director*
and Secretary
Charles E. Mather III, *Treasurer*
James F. Young, Esq., *Solicitor*

THE PHILADELPHIA MARITIME EXCHANGE

913 LAFAYETTE BUILDING, PHILADELPHIA, PA. 19106-2488
(215) 925-1522

Statement of William A. Harrison, Executive Director of The Philadelphia Maritime Exchange, presented October 4, 1983 in Room 210, City Hall, Camden, New Jersey before the Senate Transportation and Communications Committee concerning the structure and operations of the South Jersey Port Corporation.

INTRODUCTORY REMARKS

My name is William A. Harrison, and I am Executive Director of The Philadelphia Maritime Exchange. The Philadelphia Maritime Exchange is a private, non-profit corporation founded in 1875. It serves as port-affairs spokesman for its membership of over 250 steamship and allied business firms and individuals associated with port operations in the tri-state Delaware Valley region. The Exchange operates under the principle that waterborne commerce received and shipped via the Ports located along the Delaware River, offers profound economic benefits, over \$1 billion, which accrue to the citizens of Pennsylvania, Delaware, and New Jersey. It follows that this commerce should be protected and its growth encouraged.

TESTIMONY

We note that the subject of the hearing is the structure and operations of the South Jersey Port Corporation. We consider both to be sound and if there is a perception otherwise, in our opinion, the world economy is the villain.

Ports throughout the country have all experienced depressed conditions as a result of the economy coupled with the strong dollar which has drastically reduced the nation's export potential. Likewise our Delaware River ports have also felt the impacts. We have seen a substantial

fall-off in ship calls during this period. In 1980 the Ports of Philadelphia recorded 3,574 ship arrivals, and by the end of 1982 these had declined to a total of 3,009. In the current year we have through the month of August a further reduction of 132 vessels. Things have been difficult at the Ports of Philadelphia.

What is heartening, however, is to see the substantial improvement programs which have taken place during this down period. The advertising program for the Port, as directed by the Delaware River Port Authority, has been beefed up. The Port of Wilmington has invested several million dollars in improving its facilities. It has a new container crane. The Port of Philadelphia has undertaken an expanded marketing program and as you undoubtedly know the South Jersey Port Corporation has made several significant and substantial improvements in its own plant. A new multi-purpose crane is in place as is a freezer warehouse. Additionally, many of us were present on September 27, 1983 for the groundbreaking ceremonies for the new cocoa bean warehouses.

There are strong signs that the economy is now turning around, and we at the Maritime Exchange are convinced that this Port Community will be among the first to enjoy the results of the turnaround; principally because so many positive steps have been taken here.

If there is one recommendation I might make to this Committee it would be that you consider an additional allocation to the South Jersey Port Corporation in order to establish a marketing branch so as to develop additional business for your port. You obviously have a heavy investment. I think you can better protect that investment by providing some of the force involved in marketing your port. This, of course, would be

supplementary to the marketing efforts already being undertaken on your behalf by the Delaware River Port Authority.

STATEMENT OF ROBERT L. PETTEGREW
EXECUTIVE DIRECTOR, SOUTH JERSEY PORT CORPORATION
BEFORE THE SENATE TRANSPORTATION AND COMMUNICATIONS COMMITTEE
CITY HALL, CAMDEN, NEW JERSEY
OCTOBER 4, 1983

Senator Rand and members of the Senate Transportation and Communications Committee, I want to thank you for inviting me to appear here today. My name is Robert L. Pettegrew and I am the Executive Director of the South Jersey Port Corporation. I have held this position since 1971, prior to which I was Manager of Freight Transportation Planning in the Planning and Development Department of the Port Authority of New York and New Jersey. I would like to describe for you briefly, the facilities and operations of the South Jersey Port Corporation.

This agency has been in existence for approximately 15 years. The first asset acquired by the Corporation was Beckett Street Terminal, sometimes known as Camden Marine Terminal, located at Second and Beckett Streets in Camden. Construction of this terminal took place in the late 1920's, at which time a marginal wharf of 1,050 ft. was constructed. This wharf was backed up by two transit sheds totaling 76,000 sq. ft. and two warehouses, totaling 80,000 sq. ft. Expansion of the terminal took place in 1952 when a 51,000 sq. ft. warehouse was constructed, followed in 1960 by a 21,000 sq. ft. warehouse, and in 1967 when the wharf was extended southward by 500 ft.

I would like to mention that Berths 1 and 2 are now obsolescent and, further, have rather little economic life remaining. The obsolescence factor is caused by changing patterns in shipping. These berths were designed at a time when ships were much smaller and, as such, were designed so that they can be dredged to only a maximum of 30 ft. mlw.* Additionally, the narrow string piece in this portion of the wharf limits usage of modern cargo handling gear. The completion of open Berth 3, in 1967, gave the Port badly needed increased capacity to attract and handle much larger vessels. At present, this berth is dredged to 35 ft. mlw. The importance of this cannot be overestimated, as is demonstrated by the fact that in recent years, as the terminal's tonnage increased 164% from 493,000 tons in 1967 to 1.3 million tons in 1981, two-thirds of that tonnage moved over Berth 3, or just over one-third of the total wharf length. This increasing tonnage formed, in large part, the basis for the planned expansion of the terminal during the 1970's.

During the 1970's, many other improvements were implemented at Beckett Street Terminal. These included extensive paving of certain open areas, replacement of transit shed doors, provision of employee and longshoremen parking areas for safety and security purposes, installation of improved lighting for a safer workplace, and, of course, the purchase of additional cargo handling equipment such as forklifts, front-end loaders, etc. All of the foregoing improvements cost in excess of \$1,200,000 and in general, were purchased with operating funds since the Bond issue made no provision for renovation or improvements at Beckett Street Terminal.

*mean low water

There is one other point regarding Beckett Street Terminal which should be made. Beckett Street Terminal is a public terminal, that is, it is open to all shippers on a first-come, first-served, basis, in contrast to private terminals which can, and do, select a piece of business with higher profitability than another.

The Port Corporation acquired the north yard of the New York Shipbuilding Corporation from Meritt Chapman Scott in December, 1970. This purchase was accomplished through the sale of our Series "A" Revenue Bonds, totaling \$16 million dollars. After purchase of Broadway Terminal and associated bond expenses, \$3,685,900 remained for conversion of certain of the piers and docks at Broadway Terminal to commercial cargo handling use and further provided \$2,769,900 for the construction of a 200 ft. extension of the Beckett Street Wharf. No Series "A" Bond funds were allocated for renovation and conversion of upland buildings at Broadway Terminal, which conversion was necessary to permit their use for other than shipyard activities. An example of this is the fact that only two buildings at Broadway Terminal had truck back-up platforms, since the majority of shipyard commodity movements were by rail. This defect has slowed down rental of such buildings since the Port found it necessary to depend upon prospective tenants to effect such improvements at their own cost.

When the Port acquired Broadway Terminal, practically none of the open land and few of the buildings were leased. Since that time, occupancy of buildings and land at Broadway Terminal has increased dramatically, although there have been some tenants who have relocated to more

modern and attractive industrial parks elsewhere, and, of course, some tenant businesses have failed.

The first major waterfront tenant we acquired was International Terminal Operating Company, a subsidiary of the Ogden Corp. Prior to 1972, that firm operated only two dilapidated finger piers in Philadelphia. Their decision to lease Berths 5 & 6 in 1972, together with 15 acres of upland and 130,000 sq. ft. of transit shed space, was in large part, the keystone on which the subsequent development of Broadway Terminal was based. I am happy to report that ITO continues as the major tenant at Broadway Terminal even though they now lease and operate modern Tioga Marine Terminal in Philadelphia.

Utilizing the photograph here, I would now like to point out some of the users and tenants at both of our marine terminals.

A Port basically has two major resources: facilities and personnel. With regard to the latter, I think I can best describe Port staff as lean and dedicated. For example, in 1971, the Port had 132 full-time employees, while it was handling under 600,000 tons of cargo. Today, we have 104 employees, and, as I mentioned earlier, are handling well over one million tons annually. Part of this workforce reduction has occurred because of changes in cargo mix, mechanization of cargo handling methods and the hiring of motivated individuals. I am sure you will be interested to know that Camden residents account for 28% of our total employees, and of our employees, 32% represent minority groups.

The union employees are represented by Local #18 of the International Federation of Professional & Technical Engineers, AFL-CIO.

I would now like to show you several charts which I believe illustrate graphically, some of the progress the Port has made.

The trends are basically on the right track, but a word is needed regarding 1982, which was disastrous for us and for many other ports as well. First, tonnage declined as the nation suffered through a severe recession. This, was coupled with the fact that the Port saw our mandated Debt Service on our bonds more than double, from approximately \$1.2 million to \$2.6 million. This increase resulted from construction of Berth 4 at Beckett Street Terminal, together with purchase of our new multi-purpose crane at a cost of \$4.7 million. These latter improvements were funded through sale of our \$14.5 million Series "B" revenue bond issue. Either one of these events would have been sufficient to provide the Port with a rough road to hoe. Taken together, the bottom dropped out, literally.

An additional word on new Berth 4. This new berth has increased the capacity of Beckett Street Terminal by about 50%. I hope, you will understand, that by adding this much capacity at one time, it will take some period to build up cargo volume sufficiently to fully utilize this fine new addition. Without Berth 4, however, the terminal definitely would have stagnated, especially now that Berths 1 and 2 are more than fifty years old.

Senator, this concludes my prepared remarks, but I will be happy to respond to any questions you or the committee may have.

copy 1

OUR NATION'S PORT SYSTEM HAS EVOLVED SUCH THAT THE PUBLIC SECTOR HAS BEEN REQUIRED TO DEVELOP AND PROMOTE MARINE TERMINALS

- Our early ports were developed by a narrow set of stakeholders:

Early 19th Century

- Commodity owners
- Railroads
- Coastal steamship firms

- Competition and the natural development of our transportation system turned the ports from profit centers to cost centers

Ports were less important

- Prices became non-remunerative / Private sector disinvested
- Void filled by public sector

to next slide

- Today, while there is a trend toward turning private, few ports are / will be financially self sufficient.

- Multimodal ports
- Ports with unique market niches (critical mass).

101

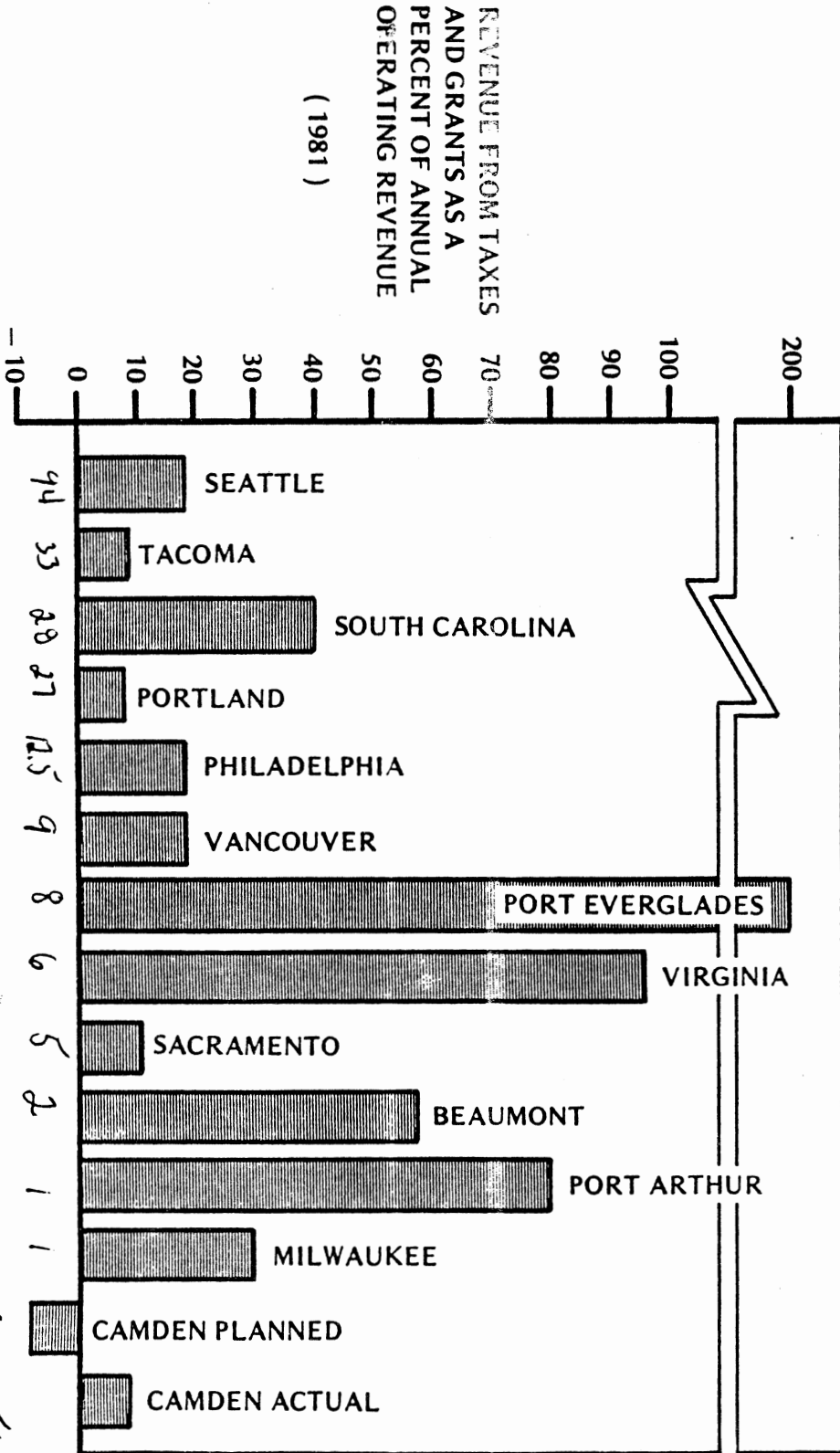
THE TREND TO PUBLIC SECTOR CONTROL OF OUR NATION'S SEAPORTS IS DEMONSTRATED EVEN DURING THE SHORT INTERVAL SINCE 1966

Year	No. of Terminals	Percent Owned By			
		Private Sector	Public Sector		
			State Government	Municipal Government	Total
1966	2,401	63%	12%	25%	37%
1980	2,939	51%	12%	37%	49%

Sources: Federal Port Policy in the United States, U.S. Department of Transportation June 1979
 National Port Assessment 1980/1990 U.S. Department of Commerce/Maritime Admin.
 June 1980

X//

MOST PORTS IN THE UNITED STATES REQUIRE AN ANNUAL OPERATING SUBSIDY



TAX OF 714%
on Rev of 9147 = 8%

**THERE ARE A NUMBER OF FORMS OF SUBSIDY OR SUPPORT
THAT ARE REQUIRED BY NEARLY ALL U. S. PORTS**

- Most ports were "given" their facilities through:
 - Navy surplus programs for old facilities
 - G. O. bonds for new facilities

not on balance sheet

- The large state port authorities (Ga., S.C., NOLA) were beneficiaries of G. O. bonds where debt service is not on the balance sheet.
- The states with multiple ports (Fla., Texas, Wash., Oregon) support their ports with property tax assessments.

**IT APPEARS THAT ONLY FOUR U. S. PORTS
MAKE PAYMENT IN-LIEU-OF TAX**

- **MASSPORT and the N.Y. / N.J. Port Authority make significant contributions as a result of their non maritime activities.**
- **The Port of Galveston pays \$ 160,000 per year to the city - less than 1 % of revenue.**
- **South Jersey is obligated for \$ 764,000 per year - 10 % of revenue.**

— TO NEXT SLIDE

X71

EVEN BIG BROTHER DOES NOT DO SO WELL WITH HIS
MARITIME PROPERTIES

(MILLIONS OF 1980 DOLLARS)

	MARITIME	AIRPORTS	OTHER
REVENUE	51	313	171
OPERATING EXPENSE	28	205	204
DEPRECIATION	15	51	35
INTEREST	28	93	64
NET INCOME	-20	-36	+70
PERCENT OF REVENUE	-39 %	-12 %	19 %

15x

7.

SUMMARY OF DEBT SERVICE AND TAX OBLIGATION OF THE
STATE OF NEW JERSEY AND THE SOUTH JERSEY PORT CORP.

(DOLLARS IN THOUSANDS)

YEAR	REVENUE	DEBT SERVICE				TAX OBLIGATION			
		REQT.	PERCENT OF REVENUE	PERCENT PAID BY PORT	PERCENT PAID BY STATE	REQT.	PERCENT OF REVENUE	PERCENT PAID BY PORT	PERCENT PAID BY STATE
	\$	\$	%	%	%	\$	%	%	%
1972	2,836	1,291	46	37	63	687	24	0	100
1973	3,183	1,291	41	64	36	687	22	0	100
1974	4,199	1,291	31	63	37	687	16	0	100
1975	4,714	1,291	27	85	15	687	15	0	100
1976	5,101	1,291	25	75	25	714	14	0	100
1977	5,698	1,291	23	73	27	714	13	0	100
1978	6,650	1,291	19	100	0	714	11	86	14
1979	6,486	1,291	20	100	0	714	11	8	92
1980	6,905	1,291	19	100	0	714	10	0	100
1981	9,147	1,291	14	100	0	714	8	0	100
1982	7,432	2,814	38	55	45	764	10	0	100

x 9/1

↑
Ask
BoS

THE SOUTH JERSEY PORT CORPORATION HAS THE HIGHEST
DEBT SERVICE-TO-REVENUE RATIO OF ALL U. S. PORTS

- The AAPA conducted a survey of 40 U. S. ports during 1982
- Using the equation

$$\frac{\text{ANNUAL DEBT SERVICE} - (\text{INTEREST INCOME} + \text{CONTRIBUTION})}{\text{TOTAL REVENUE}}$$

- The annual debt service of 25 of the 40 ports was offset by either interest income or contributions (gifts)
- Debt service (after offsets) represented between 0 and 10 % of revenue in 11 ports.
- Only four of the 40 ports had debt service ^{more} ~~less~~ than 10 % of revenue.
 - The Port of Chicago represented 23 %.
 - Manatee (Fla.), Richmond (Cal.) and South Jersey represented 35 - 40 %.

17x

SOURCES OF INVESTMENT CAPITAL FOR THE NATION'S SEAPORTS SINCE 1966
(IN PERCENT OF TOTAL INVESTMENTS)

PERIOD	EXTERNAL SOURCES (SUBSIDIZED)				INTERNAL SOURCES (SELF-GENERATING)		
	FEDERAL GRANTS	STATE AND LOCAL SUBSIDY	GENERAL OBLIGATION BOND	SUBTOTAL	PORT REVENUE	REVENUE BONDS	SUBTOTAL
	%	%	%	%	%	%	%
1966 - 1972	7	15	36	58	18	24	42
1973 - 1978	12	13	28	53	22	25	47

AND THE SOUTH JERSEY PORTS BETWEEN 1970 AND 1982

PLAN	11	0	0	11	1	88	89
ACTUAL	19	19	0	38	2	60	62

x 81

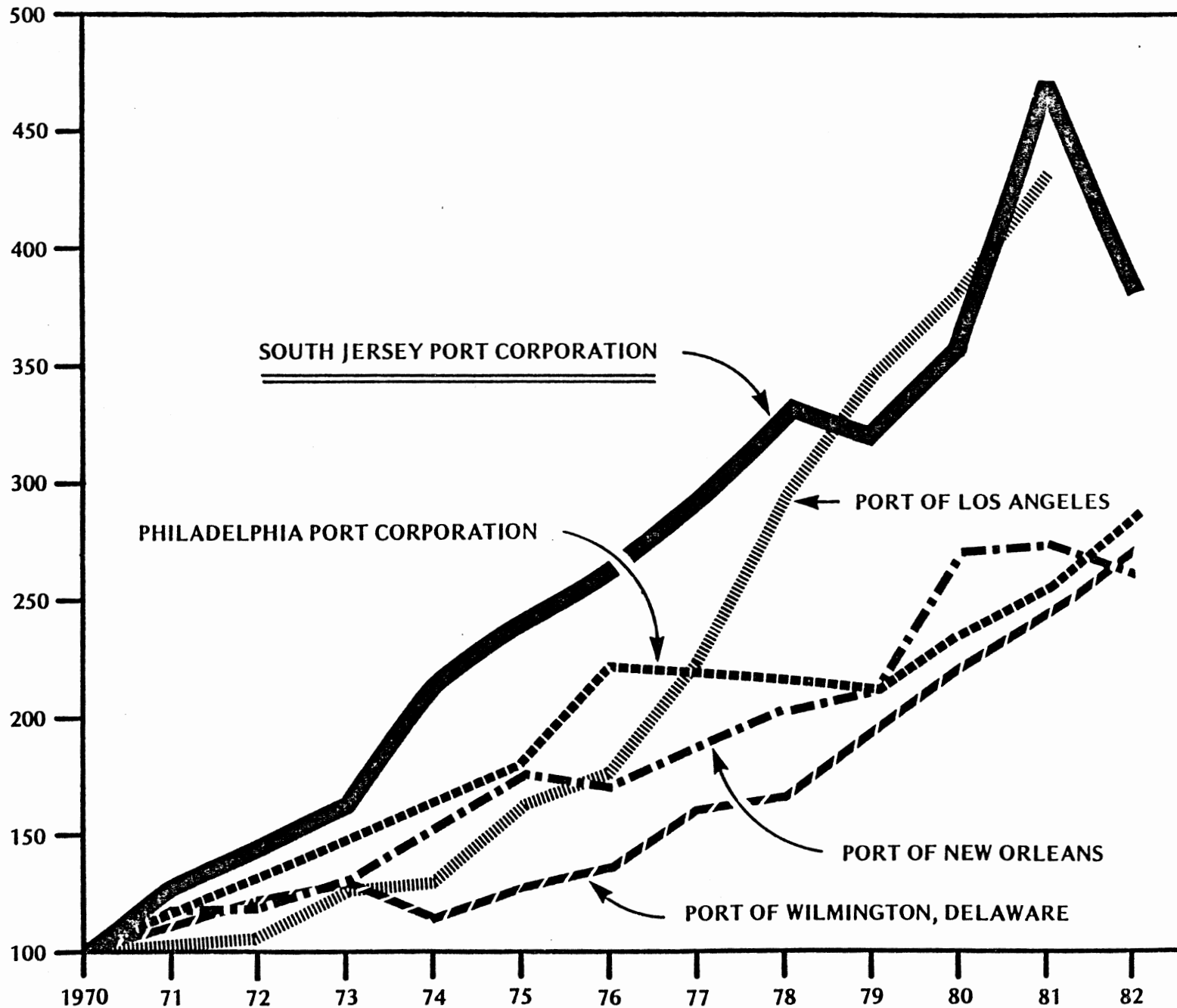
→ Ports Great
Pressure on
revenue
& that's bad

COMPARISON OF PORT REVENUES 1970 - 1982

1961

INDEX OF
PORT REVENUES

1977 = 100



THE NORTH AND EAST PORTS HAVE DOMINATED MARITIME ACTIVITY IN THE UNITED STATES THROUGH THE EARLY 1970s

20x

Coastal Range	Annual Capacity (in Millions of Tons)	Percent of U.S. Capacity
North Atlantic	604	32%
South Atlantic	103	6%
Gulf	401	21%
South Pacific	212	11%
North Pacific	189	10%
Great Lakes	366	20%
TOTAL	1,875	100%

THE TREND AWAY FROM THE NORTHEAST IS APPARENT EVEN SINCE 1970

	1970		1975		1980		
	No. of Arrivals	%	No. of Arrivals	%	No. of Arrivals	%	
EAST COAST							
New York	9,066	-	7,838	-	6,723	-	-26%
Hampton Roads	4,075	-	4,090	-	4,053	-	+0
Baltimore	3,988	-	4,033	-	3,986	-	+0
Philadelphia	5,084	-	4,675	-	3,574	-	-30%
Boston	1,525	-	1,178	-	1,082	-	-29%
Regional Subtotal	23,738	54%	21,359	50%	19,418	42%	
GULF COAST							
New Orleans	4,231	-	4,700	-	5,038	-	
Houston	4,335	-	4,571	-	5,476	-	
Regional Subtotal	8,566	20%	9,271	22%	10,514	23%	
WEST COAST							
Los Angeles/Long Beach	4,000	-	4,804	-	7,122	-	
San Francisco/Oakland	4,099	-	3,698	-	3,982	-	
Seattle/Puget Sound	1,810	-	2,038	-	3,033	-	
Portland/Columbia River	1,637	-	1,930	-	2,239	-	
Regional Subtotal	11,546	26%	12,470	28%	16,376	35%	
TOTAL	43,850	100%	43,100	100%	46,308	100%	

2/x

THE FUTURE GROWTH IN THE DELAWARE RIVER PORT SYSTEM WILL BE WITH PORTS SUCH AS CAMDEN

YEAR	TOTAL TONNAGE ON RIVER (millions)	SHARE HELD BY			TOTAL
		CAMDEN	GLOUCESTER	WILMINGTON	
		%	%	%	%
1979	80.4	2.9	0.3	3.3	6.5
1980	67.6	2.9	0.6	4.3	7.8
1981	66.1	2.8	0.7	4.6	8.1
1982	58.0	3.1	0.8	4.3	8.2
1983 -1st.Q.	11.3	4.9	1.2	4.2	10.3

22x

**BOOZ - ALLEN'S REGIONAL PORT STUDY SUGGESTS A NEED FOR
MORE PLANNING, AN EXPANDING ROLE AND MORE FINANCIAL
FLEXIBILITY AT THE SOUTH JERSEY PORT CORPORATION**

- A land use plan integrating all waterfront assets in Southern New Jersey
- More focus on Industrial Development
- Fewer financial restrictions

23x

