
Task Force Meeting

of

ASSEMBLY TASK FORCE ON BUSINESS RETENTION, EXPANSION, AND EXPORT OPPORTUNITIES

*“Testimony regarding the issues and concerns of the business community and
recommendations for new policy initiatives for the task force to consider”*

LOCATION: Room 109
State House
Trenton, New Jersey

DATE: October 4, 2000
2:00 p.m.

MEMBERS OF TASK FORCE PRESENT:

Assemblyman Joseph Azzolina, Chairman
Barbara Amen, Ph.D.
Anastasius Efstratiades, Esq.
Michael Katz
Richard Klein, Ph.D.
Diahann W. Lassus
Richard P. Miller
John A. Pell
Eugene Simko, Ph.D.



ALSO PRESENT:

Deborah K. Smarth
Tasha M. Kersey
Assembly Majority

Meeting Recorded and Transcribed by
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TABLE OF CONTENTS

	<u>Page</u>
Charles E. "Sandy" Hance Secretary and CEO New Jersey Commerce and Economic Growth Commission	1
Joan Verplanck President New Jersey Chamber of Commerce	4
Philip Kirschner Senior Vice President Governmental Affairs New Jersey Business and Industry Association	12
Stephen R. Sasala II Executive Director Prosperity New Jersey	17
Kathleen Davis Senior Vice President Chamber of Commerce Southern New Jersey	25
APPENDIX:	
"The Edison Partnership" plus attachments submitted by Stephen R. Sasala II	1x
lmb: 1-59	

ASSEMBLYMAN JOSEPH AZZOLINA (Chairman): Well, first, I want to thank everyone for coming. And I want to thank Deb Smarth, who has put all this -- and Nasha -- where are you, Nasha? Where are you?

MS. SMARTH (Assembly Majority): Tasha.

ASSEMBLYMAN AZZOLINA: Tasha, I mean. Tasha.

It must be my cough drops to keep me from coughing.

Anyway, Tasha, thank you. I want to thank the team here for putting this together, and it's been a lot of work. And I know Deb has been a nervous wreck for a long time to make sure everything is put together, and I want to thank her very much.

Do we have any of those chairs (indicating) for a whole bunch of people who just walked in? Excuse me a minute, we need more chairs. God, what do we have, a whole team here? (laughter)

Okay. We want to thank everyone for coming again and to benefit -- or Sandy, the new head of the Commission. What do we call that now, the Commerce Commission?

CHARLES E. "SANDY" HANCE: For short, yes. (laughter)

ASSEMBLYMAN AZZOLINA: For short.

MR. HANCE: Okay, fine.

ASSEMBLYMAN AZZOLINA: Sandy, in the past, we have created this document through hearings and ideas that came up, that we proposed legislation that passed and passed, and some of it became law. Some didn't, but there's a lot of good ideas here. This is a mixed -- mixture group of people in the business world, professional world. We put it together to really help the business community and help you and the administration and to help

build new ideas to help small businesses. And I'm going to ask you to say a few words later, so I'm just getting organized now.

Do you have a time limit, Sandy?

MR. HANCE: Three o'clock, is that reasonable?

ASSEMBLYMAN AZZOLINA: Oh, that's fine.

We just first want to start out by the Task Force -- if you have any ideas to propose, we can either do them now or later or submit them later on, on ideas where you think we need the legislation. And what we can do is wait--

And I'd like to call on Sandy from the Commerce and Economic Growth Commission. That's it. I helped write the damn law, too, and I forgot. (laughter) Not me, you know, the guys in the Legislative Services who do it. (laughter)

Anyway, would you like to say some words -- what you think we can do as a Task Force or ideas to come up or-- Suppose we do this for you, because you're new. Suppose we go around the table, give your names, and tell him what you do in the real world. (laughter)

DR. AMEN: Barbara Amen, Ballantrae International, international management consulting.

DR. SIMKO: Eugene Simko. I'm an associate professor in the School of Business at Monmouth University, in West Long Branch.

MR. PELL: John Pell. I just retired. I was President of Worldwater Corp., a small exporting company here in New Jersey. And for my sins, I was a banker for most of my career. (laughter)

ASSEMBLYMAN AZZOLINA: You were in Hong Kong then, right?

MR. PELL: I lived in both England and Hong Kong. I preferred both, I guess.

DR. KLEIN: I'm Dick Klein, the President and CEO of Sybron Chemicals, at least for the next two weeks, if -- depending on how our opposition goes.

ASSEMBLYMAN AZZOLINA: Will you be around after that?

DR. KLEIN: I'll be around.

ASSEMBLYMAN AZZOLINA: Go ahead.

MR. KATZ: My name is Mike Katz. I'm President of Cenogenics Corporation. We manufacture medical diagnostic products and operate in 70 countries.

ASSEMBLYMAN AZZOLINA: Watch this one, Sandy.

MS. LASSUS: I am Diahann Lassus. I'm a wealth manager. My company is Lassus Wherley and Associates. We deal with all kinds of financial aspects of individuals' lives, including the family office, doing bill paying, managing their assets, etc. We have clients in four countries and fifteen states.

MR. MILLER: I'm Rich Miller. I'm the President and CEO of Virtua Health, which is a large health-care organization in the southern part of the state.

MR. EFSTRATIADES: I'm Anastasius Efstratiades. I'm a partner in the law firm of Obermayer, Rebmann, and I specialize in business law and represented many businesses in New Jersey, both domestic and international matters.

ASSEMBLYMAN AZZOLINA: Sandy, would you like to speak now or wait later?

MR. HANCE: Whichever you prefer. I do have some prepared remarks, but whatever your pleasure is.

ASSEMBLYMAN AZZOLINA: Well, we'd like to hear, maybe, since you have a little time, we hear from the Chamber of Commerce and the Business Industry to see what they have to say.

MR. HANCE: That would be fine.

ASSEMBLYMAN AZZOLINA: Okay. This way it helps you, too.

MR. HANCE: Yes. That would be fine.

ASSEMBLYMAN AZZOLINA: Okay. Joan, would you like to say-- Come on up here, Joan. You have to have one of those speakers there. (indicating recording microphones) Give your name when you speak. Each one that comes up to speak, give your name so it gets recorded, then we have it on forever.

JOAN VERPLANCK: Forever. I'm Joan Verplanck--

ASSEMBLYMAN AZZOLINA: State President of the Chamber of Commerce, right?

MS. VERPLANCK: --and I'm President of the State Chamber of Commerce, and I welcome this opportunity. Actually, when we were invited to participate, we reached out to our members, which you can now do very effectively through electronic means, to gather information from them as well. So we weren't really going with our guts with what we thought for the last 10 years. And then another piece of information came across my desk that I think everybody will find pretty interesting. Maybe I'll start with that.

There is a small business survival committee based out of Washington. They're sort of a think tank, and they gather information on

small businesses nationally. So they have no real ax to grind with New Jersey. It's no reason for it to be political. We rank 43rd out of 50 when it comes to small business survival and what makes us attractive. We also know, in this state, that small business is our future. It's where all our growth is. That's why we're seeing the entrepreneurs -- are the ones building wealth, as Diahann will tell you, because she's managing it for them. And so I thought I'd talk you through the positives and the negatives, as they presented it, in their report.

Positives are health insurance taxes, gas taxes, workers' compensation costs are low, with general sales tax -- excuse me -- ranking fairly low as well. Also, no Internet access tax. That's a positive, and I wanted to point that out because we struggle with that. We know that there are certainly people out there who would like to tax the Internet.

On negatives, our property taxes are very high, as are electric utilities taxes, corporate income and unemployment taxes. Personal income and capital gains levies are in the high side, too. Added death taxes are imposed.

Now, this is something that makes us very unattractive. I thought I would just give you, of these rankings, the ones that are, I think, most striking from a business standpoint. Capital gains, we ranked 34th; corporate income tax, 41st.

ASSEMBLYMAN AZZOLINA: Does that mean we're 41st best or 41st worst?

MS. VERPLANCK: We're close to the bottom. (laughter) That would be toward the bad side.

Property taxes, of course, are 48th, and that's probably not news to anybody around this table; unemployment tax, 35th; electric utilities tax, 47th. I, for one, serve on the Employment Security Council, and I think there's something that we can do legislatively. We know we have a huge amount of money in the UI Fund. We must ensure it's not spent for anything but UI. But in the meantime, it is a huge fund. It's over \$3 billion at this point. I think we're second only now to one other state. We're not necessarily the biggest state in the union.

There was a promised rollback, an extra table to ratchet down the taxes for New Jersey employers. I think there was a press conference that said it's coming soon to a state near you. I don't think we've seen it yet. So that's a focus we'd like to see you really take a look at.

I think that for us to rank that low in the kind of economy we're in in this state is pretty telling.

MR. PELL: How do we rank on income taxes?

MS. VERPLANCK: Twenty-ninth. You know, where we rank well is, the general sales tax is tenth. I guess most states are pretty much where we are, so it's not that bad. And health insurance tax rate is sixth.

ASSEMBLYMAN AZZOLINA: Well, most states, I think, tax more items than we do in sales tax, and more of the revenue comes from sales tax.

MS. VERPLANCK: And workers' comp. Yes, workers' comp is second. So there are some areas that we, on the business standpoint, excel. But there are clearly issues that we can remedy in this state, not painlessly, but not terribly painfully either.

When we went out to our memberships and asked them what their challenges were, overwhelmingly it's workforce. It's finding the employees with the skills for the jobs that are available in this state. We really have to pay attention to that, K through 12 and onward, with technology and the community colleges and workforce training and development. That is a huge nut to crack. I mean, I had a long conversation last night at an event with Guy Gregg, who was talking about getting people to work in his restaurant in Chester. You just can't find people.

ASSEMBLYMAN AZZOLINA: How about supermarkets?

MS. VERPLANCK: Supermarkets, yeah.

ASSEMBLYMAN AZZOLINA: I have 1400 people. I'm short 100 people.

MS. VERPLANCK: And you can't find them?

ASSEMBLYMAN AZZOLINA: Can't find them.

MS. VERPLANCK: I won't tell you who the company was, but one of our members who has a security company-- When we were talking about drug testing, he said, "Are you kidding? I can't drug test. I wouldn't have any employees." Thank about that. I mean, we're to the point where this thing -- well, I'd rather not drug test, because I don't want to know, because I can't find anybody else. So we've got to start really taking a look at the workforce.

The S corporation legislation--

MS. SMARTH: I have a question, Joan.

MS. VERPLANCK: Yes.

MS. SMARTH: The workforce development, you know, program -- the training grants that goes to corporations and then individuals who may be unemployed -- from where you sit with your members and what you've seen out there, is that really-- I mean, are we putting our money where we are going to get our biggest bang?

MS. VERPLANCK: In most cases, yes. We do a lot of ISO 9000 training which, at this international community we live in now, is extremely important in bringing New Jersey companies up into that bigger marketplace -- is really a good idea. There are still some challenges with the Department of Labor in that they don't connect a lot of times where they might with the Department of Education. Everybody has their own silo, and they really don't want to work together as much as we would like them to work together. So we do have some cracks that develop between those two departments.

There is an issue in the Department of Labor with their computer system being antiquated. So even though we gather a lot of good information, and we can get-- We're now using intake centers. The old version, you went to unemployment, you went to an intake center, and you filled out paperwork, and then you went there every week and got your check. This day, no, no. Phone it in, but by the way, we're going to write a resume for you and put you automatically on-line into a job bank. That makes total sense. We're really pleased with that progress. But then, they don't really have the computer capabilities in the Department to handle all this and to facilitate it in a way that makes sense. So it's got to be probably a \$25-million investment in just the computer technology in the Department of Labor to make that happen.

The *S* corporation legislation -- and I think we go around and around with, you know-- There are 43 other states that have taken *S* corporations to parity, and for some reasons, we choose not to do that. That needs to be looked at.

Right now, we're looking at watershed regulations. They're going to impact development. That's going to be a very big issue. We've asked that nobody rush to judgment on that and maybe deal with some amendments that could make development take place in brownfields now that we've singled them out and made it possible. Now we're putting restraints on our ability to actually get the job done.

International trade needs more cohesive state strategy. I would encourage the Commerce Commission to -- in encouraging the small business global growth package to assist small and medium-sized businesses to expand their international trade capabilities. That's something, certainly, the department could do and get behind.

Yeah, we always fight. You know, the right-to-sue legislation and health care, that could be detrimental to us -- certainly, paid family leave. I also had a chance to talk with Arline Friscia last night about that, and I'm going to go spend some time with her. She's convinced it's not going to cost anybody anything. I will tell you, whenever you give a benefit that puts money in people's pockets, it's got to cost somebody something. Any my only concern, quite honestly, if we're already ranking 43rd, why would we want to do this until it's a national program. So we're not making ourselves less attractive in a region of the country. Why would we want to set ourselves apart as a state that pays for family leave when our competitors in Connecticut

and New York and Pennsylvania aren't doing it? But if it's a national program, then I think we have to come to terms with it and sit down and reason out a way to do it and put safeguards in. But for the State of New Jersey to take that on as a stand-alone is not going to help in what's going to help small business.

I will tell you, in closing, that that's one issue that I think business used to look at as a cost issue only. At some point, we're going to pay it out of some pot of money. Nobody ever has the political will to take anything back once you've granted something like this, and so, when that pot runs out, where does the money come from? Well, of course, it's going to come from the business community. That whole thing because of the workforce situation has changed to one of, "Great, I pay you to take 12 weeks off. How do I replace you? There's nobody out there." And now, all of a sudden, I've made it very easy for people to take 12 weeks off. I really don't have to think about it too much. And here I am, a business owner who can't find the cooks, who can't find the people for my supermarket, who can't find -- and that many more people have been taken out of the workforce. So it's been a shift in supply and demand, I guess, in the best of free enterprise systems.

So are there any questions?

Yes.

MR. PELL: There was an article in *The New York Times* recently about the very high cost of doing business in Manhattan, the fact that you can't get any more space or the construction possibilities are diminished. And a lot of companies are going to be heading for New Jersey, which we used to

think was good. But now I'm wondering, do we have room for all these companies?

MS. VERPLANCK: Well, judging by the stock of available real estate that's either in planning for development or it's been developed, I guess it's going to be the highest bidder, because there just isn't that much left anymore. You go to key northern communities that are very attractive to the New York market, and they're pretty much either built out or sold out. And the more expensive, the higher cost A space, they can't build it fast enough. So it's good news and it's bad news, but I'll remind everybody it was similar to this in the '80s, when everybody built out, because there were tax incentives for doing that. And a lot of communities sat at 26 percent and 30 percent vacancy rates for a lot of years eating that real estate. So it's only as good as the moment.

MR. MILLER: I would also suggest that, in terms of businesses moving from Manhattan, being a southern New Jersey resident and living in Burlington and Camden County, there's a lot of people transplanting from New York living in Burlington County and traveling to Manhattan on a daily basis. So there is a lot of viability in -- for example, in Burlington County, in southern New Jersey, for growth. I would suggest that that might be an avenue to even look at. Although people might think that's far away from New York City, it's not that far away from New York City.

MS. VERPLANCK: Actually, it's part of a planned-growth program that Prosperity New Jersey has been looking at.

MR. MILLER: Right.

MS. VERPLANCK: You know, you've got the northern part of the state that's pretty much built out, that's got the high tech and the farmers and the rest, and there's really no feasible way to find incubator space, company growth space, in that part of the state. But in southern New Jersey, they've got the land available, as well as a really good workforce.

MR. MILLER: Right.

MS. VERPLANCK: But even there, labor is becoming really stressed.

MR. MILLER: It's tight.

ASSEMBLYMAN AZZOLINA: Okay. Thank you very much.

MS. VERPLANCK: Thank you for taking me -- taking me first.

ASSEMBLYMAN AZZOLINA: How about the New Jersey Business and Industry? Phil, are you going to take that on? How many minutes do you need, about 15 or 20 minutes?

PHILIP KIRSCHNER: Sure. That would be fine.

ASSEMBLYMAN AZZOLINA: Okay. I wanted you to pick up all this stuff as long as you're here. Is that helpful to you?

MR. KIRSCHNER: It is.

ASSEMBLYMAN AZZOLINA: Good.

MR. KIRSCHNER: Thank you, Mr. Chairman.

I am Phil Kirschner. I'm Senior Vice President of the New Jersey Business and Industry Association. We have 16,500 members in the state, and it was brought out, 85 percent of them have less than 25 employees. So this really is a small-business state. There are a diverse range of services and products that they offer. But what I think you're doing here today is very, very

important. I think a lot of government decision makers, particularly the last few years, has taken for granted, because the economy is so good that it just sort of happens. Well, it doesn't just sort of happen. And this Task Force and the Legislature and the Governor set policy, and government policies can help businesses expand and grow and have more opportunities here for jobs. And so it's very important, particularly in this time of growth, to keep planning those strategies and seeing what we can do to even attract more business to the state. And notwithstanding our growth, we do face a number of challenges.

One of the things I wanted to talk about was, in terms of getting help for the small business, the department of commerce -- the Commerce Commission has a lot of very valuable programs that they offer. Many businesses take advantage of them. The overwhelming number of employers, despite the best efforts of the department and other organizations, are completely unaware of what those programs are and how they could make use of that. The commission and the department needs to be given more resources to get the word out. The Web site is valuable, but it's not enough, whether it's public service announcements, whether it's paid media in the business media that people listen to. We have a lot of wonderful things going on in the Commerce Commission and the Department of Labor that truly the overwhelming number of employers simply don't know about. And that's a shame, and it's going to need some hard dollars, I think, to get the word out. A lot of it is being done now, but that word has to get out.

I think coupled with that is a message that we want to help business here in this state, that the emphasis in the state should be on business retention and expansion. Sure, attracting new businesses into the state is very

glamorous, and everyone likes when we can attract the business from another state that brings 400, 500, 600 jobs into the state. That's important. But we think you get more bang for the buck by helping the businesses stay here so that they don't go elsewhere. The businesses are already here. They have their infrastructure here, make them expand here. And when they are a part of a multistate operation where that operation is expanding a new product line, it should be here and not in some other state. Those, I think, should be the emphasis. We think very, very strongly should be the emphasis.

ASSEMBLYMAN AZZOLINA: I think you're absolutely right. That's part of our job also.

MR. KIRSCHNER: Thank you.

We talked a little bit about export opportunities. Again, that's another untapped market for small business. The Speaker and you, Mr. Chairman, have unveiled a package of bills -- I believe A-2503 through A-2508 -- that will help small businesses break into the export market. They have products and services that can go overseas, but they need assistance, they need seed money, they need expertise from other businesses and the government in order to accomplish that. And that is really a way to expand business and help small business do more business by expanding their markets.

The Commerce Commission's staff has not really been given adequate resources in that area to help businesses in this field.

ASSEMBLYMAN AZZOLINA: Amen.

MR. KIRSCHNER: I mean, really, even across the-- In Pennsylvania, they have a much, much larger and well-funded export expansion program than we do here. So, to some extent, we have to put our

money where our mouth is. And I don't think we're talking a lot of money in the scheme of things, but it's going to take some hard dollars from the General Fund. In terms of the Department of Labor that was talked about, they have also a number of great workforce development-type programs.

A question was asked on the customized training. That is a good program. A lot of businesses have taken advantage of it, but there's money unspent there. Because again, a lot of the businesses don't know, and employers, what's available, what they have to do in order to qualify for it, how easy it generally is to get that money, but you need to know. And there again, we need to put some money there.

DR. KLEIN: It's not always that easy to get that money. I think part of the question is to make it more user-friendly so that those funds are available with a lot less red tape and bureaucracy to set them loose.

MR. KIRSCHNER: Well, that's part of it, but they have to know that it's there first.

DR. KLEIN: You have to know it's there first. But once you start going for it sometimes, the process costs you more than what you're going to pay.

MR. KIRSCHNER: Right. I understand. There's limits to the grants and things of that sort, and that all should be looked at. The Department of Labor is looking for different sources for \$20 million in terms of doing what we think is some of their basic jobs in terms of literacy training, workforce development. And traditionally, hardly any of that money has come from the State budget, it's come from Federal budget, from other sources.

Again, the State budget is a statement of priorities. If it's important, if workforce development is important, the General Fund has to step up and put some money towards that rather than seeking the \$20 million from all kinds of other funds.

The lack of skilled labor we've talked about, when the New Jersey Business and Industry Association every year does a survey of its members, and the impact on that question, skilled labor, was very interesting. You can quote numbers, and this was a record 78 percent of the employers said they were having trouble finding skilled employees. Well, that's a nice number, but in and of itself, what does it mean? And we tried to quantify that, and 40 percent of our members -- 38 percent of our members said what it meant is they would expand further, they would hire more people if they could find them. So, as good as the economy has been, it would be even better if there were enough people. When you have about four out of ten businesses saying, "Yeah, I would grow more. I'm not going to grow if I don't have the right people, but I could if I could find them--"

The other things I did want to mention is, and not talked about yet, is some of the regulatory obstacles. Everything that we have surveyed -- every year we ask, is government really becoming more business friendly in terms of regulatory obstacles, DEP, and other organizations? In 1996, we ask this every year, a high of 51 percent of the employers said, "Yes. DEP is getting better in terms of removing regulatory obstacles, in terms of facilitating permits in this state." I think the Department started patting themselves on the back a little bit too early, because every year since then, that number has declined and declined, to last year was 33 percent who felt that the DEP was

helpful in that respect and getting better. And what it means for business expansion and development again, bottom line, it takes two, three, or four times longer in this state to put a shovel in the ground to expand the facility or build something anew that creates jobs or even to get a new product line in there than it does in other states. We're not talking South Carolina and North Carolina. We're talking Pennsylvania, New York, and some of the neighboring states here that are our real competitors. That's the backsliding on permits.

We're not talking about changing standards. Whatever the standards are, just get those permits out in a timely fashion. If other states can do it in 12 months sooner, there's no reason that New Jersey can't, particularly on renewals. It's not on a new permit. It's just a renewal of a permit. You see what happened the last five years, and you go from there. That makes no sense whatsoever -- and really has to be renewed emphasis on administrative reform. Last but not least, also, on the S corp legislation -- very important for our small companies. We're at a competitive disadvantage with most of the other states in the country. It's time for that to end.

So with that-- Those are some of the important things we stand for, ready to work with you on any way that you think we can be helpful and appreciate the opportunity.

ASSEMBLYMAN AZZOLINA: Thank you.

Any questions? (no response)

MR. KIRSCHNER: Thank you.

ASSEMBLYMAN AZZOLINA: I'll move on to Steve, Prosperity New Jersey.

STEPHEN R. SASALA II: Mr. Chairman, good afternoon. Committee (*sic*) members, Mr. Secretary, how are you? Thanks for giving us the opportunity to come over and chat with you this afternoon.

I think Joan stole most of my thunder, so I don't know if I have much to say. But seriously, I'm going to take a little different tact than my colleagues at the Chamber of Commerce and the Business and Industry Association. The reason I'm going to do that is because one of the things that I've done since I've taken the helm at Prosperity a little over a year ago is to, if you will, scan the environment of all the business organizations around the state and try to make some decisions about how we might best utilize Prosperity New Jersey.

And for those of you who don't know what it is -- Dick, of course, does, because he's on the board -- but it's a public-private partnership dedicated towards looking at economic issues that are important to New Jersey's economic viability. As I joke around about it, we wonder how well we've done until the prosperity that we are engaged in ends. So we'll see how well it is down the road sometime.

But having said that, we tend to take a different view of how our job is to be approached. And I believe one of the reasons you asked me to come over here is to talk about our public-private partnerships. I have spent a lot of time working on public-private partnerships with the various business organizations around the state, including the Commerce Commission, through which our funds flow. And I wanted to -- the reason I passed out that package is because I want to give you some understanding of what we've been involved in, in the last two years, basically.

I don't think anybody around this table would be surprised when I say that one of the things that New Jersey needed to do, as every other state is doing right now, is figuring out how it fits into this "new economy." In other words, as we transition from an industrial-based economy into an information-aged economy, where does, in fact, New Jersey fit. We at Prosperity created a task force, which we dubbed the Edison Partnership, which was chaired by Harold Shapiro, the President of Princeton University; Tom Uhlman, who is the President of New Ventures at Lucent Technologies; Caren Franzini, who you may know, is the Executive Director of the New Jersey Economic Development Authority. They, leading the charge with about 100 other people from various sectors around the state, business, government, industry, education, spent about a year and a half doing an assessment of where New Jersey fit in this new economy.

The reason I think it's important to talk about this is because New Jersey fits in extraordinarily well. I can get down a whole list of things -- I think they're in the folder -- where New Jersey is number one. Number one in private research and development. Number one when you look at the number of technical support that you need to nurture these new businesses today, scientists, researchers, engineers. One in ten New Jersey private sector workers works in a high-tech job. High-tech employees in New Jersey typically make twice as much money as an average private sector New Jersey worker in other fields.

So we spent a lot of energy and a lot of time looking at where New Jersey positions itself, because quite frankly, I don't think I need to tell any of you that New Jersey has been blessed because of the diversity of its economy,

because it has so many industry clusters in this state that it was important to determine how we were going to position ourselves for the, again, “new economy.” The answer is, extremely well. But to understand, everything is not a rosy picture. For example, when you take a look at the research and development dollars on an aggregated basis, not only the private sector dollars, but also the public dollars that go in, and you can read that either as government dollars or dollars that universities are able to acquire from various funding sources, we drop out of the top 20. We drop down significantly. So one of the things that we will hopefully be recommending to the Governor this year is to try to enhance the amount of moneys that get allocated in the State budget so that we can then, in fact, leverage those with Federal dollars to enhance that positioning. Because again, if you look at the success stories around the country, the Silicon Valley, Research Triangle Park, Group 128, there is a very strong business-government-university connection. And quite frankly, in New Jersey, that does not exist in such a fashion as we would like to see.

I would also like to pick up on a point that that gentleman--

I'm sorry, sir, I didn't get your name there.

MR. MILLER: Rich Miller.

MR. SASALA: Rich. Actually, we met down at--

MR. MILLER: We met down in South Jersey.

MR. SASALA: Yes, we did, in South Jersey. I wanted to make a point about something -- about the outcommutation from Manhattan. I tend to do this when I go around the state. New Jersey does not end in Trenton. It's important for people to understand that there is tremendous opportunities

in southern New Jersey. One of the things that we're going to be doing-- I'll switch a little bit out of the high-tech arena. One of the things we've been doing in talking with various State agencies is to try to garner the fiscal resources to move ahead with an economic scenario-building initiative. A lot of people get a little -- what's the right word? -- paranoid, perhaps skittish, at least, when you talk about state planning and that sort of thing. The reality is that we firmly believe at Prosperity that you need to do proper planning, because the realities are -- and those of you who are in private business will appreciate this -- that if you don't have a sound business plan, you tend to get off target, you get off budget, and things get squandered. I don't need to tell you that in the most densely populated state in the country that we need to be playing close attention to this.

Needless to say, it's easy to do that at 30,000 feet. Once you get down into the weeds, it becomes a more difficult problem. So what we've decided that we felt was an appropriate approach was rather than go out and just endorse the State plan as the State plan, to look at it from an economics standpoint. In other words, if we built various scenarios in New Jersey, if we do the what-if scenarios that a lot of businesses do and try to do it in terms of how business would respond to it, not State government, how business would respond to this, then we believe that we'll be in a better position to start forming public opinion and create the kind of collaborations that we feel are necessary to make sure that we don't tip the balance against maintaining the high quality of life that we have in this state and allow commerce to continue to thrive. So that's another initiative that we're working on at Prosperity.

Joan made another point that I would like to make. Actually, Joan and Phil both made the point. The point I want to make is that the other thing that Prosperity will be doing, starting, actually-- We have an organizational meeting in November, and we'll be getting into this in earnest in January, is that we're very sensitive to the fact that workforce is the dominant issue today. And the question is, if we're successful-- Actually, if the secretary is successful with his private sector colleagues, who are looking at the immediate short-term issues, are successful in continuing to expand the businesses that are here, retain the businesses that are here and, hopefully, bring new businesses in, the question is, are we going to be able to fulfill the promise of having the sufficient workforce to deal with these new jobs?

Again, for those of you involved in this, I think you'd appreciate the fact that the nature of how business is employed today, the kind of skill sense that people need today to take on these jobs, are tremendously different than they were even five or ten years ago. So what we're embarking on again is an effort similar to our Edison Partnership, wherein we will bring in academia, private industry, and government to work collaboratively -- to again at a 30,000-foot level, but that's usually the safest and best place to start -- but to begin looking at issues that are important to create the kind of supply chain, if you will-- Let me translate that. That's primary, secondary, and postsecondary education such that we can meet the demands of the new economy.

That, in a nutshell, is the kind of stuff that we're working on, and I'll be happy to answer any questions if you have them.

Deb.

MS. SMARTH: I had a question on-- When you were talking about high tech and one of ten workers are high technology, you got involved with a discussion of research and development dollars and then you sort of, kind of got involved with this whole thing about the General Treasury needs to put more moneys into this area -- the \$165 million, you know, the high-technology program that the Governor in her State of State--

MR. SASALA: Right. Right. Yes.

MS. SMARTH: --and the follow-up on that, are you talking in addition to that? I mean, what specifically are you talking about?

MR. SASALA: The answer is yes. For those of you who don't know, there was a-- The Governor, based on the efforts of the Edison Partnership, allocated it, and the Legislature saw fit to agree to it -- to put \$165 million into the current State Fiscal Year Budget 2001 for various initiatives, and I'll try to remember what they are. There was money in there for university of research and development. I think that was \$15 or \$25 million for that. Ten million dollars in venture capital funds that were to be leveraged with private sector dollars to create a venture capital fund of somewhere between \$30 million and \$40 million-- That is proceeding through EDA, with the New Jersey Technology Council. There is money in there for seven new incubators through the Commission on Science and Technology.

There is money in the budget, \$5 million, for the creation of a new technology center in southern New Jersey. There is one currently in North Brunswick, for those of you who don't know that. And there was \$2 million in the budget for cyber districts, which Jane Kenny, at DCA, is responsible for, to start looking at how we might begin looking at some of the urban centers in

this state to begin -- whether it's wiring buildings or trying to create the critical mass necessary to start bringing businesses back into our urban centers. There was \$2 million for Prosperity New Jersey to do a rebranding effort, which we dubbed the Innovation Garden State Campaign, which will deal, by the way, with the issue of getting -- as Phil said -- the message out, because we're actually launching a Web site this month, which will be a virtual business community which will have links to Commerce, EDA, Labor, etc., etc, but it will be used, hopefully, as a business tool by technology executives.

I think those were the major components. A lot of that was, of course, leveraged with Federal dollars and private dollars. And again, the hope is because New Jersey-- I want to make a point about this. If you take a look when we did our analyses, when New Jersey was compared against other states, even our neighbors -- not necessarily Michigan, that put a tremendous sum of its tobacco money in for technology initiatives, or Colorado, which is actually creating a brand-new university out of nothing -- I mean, literally from the ground up, just for the purposes of dealing with technology -- if you look at New York, you look at Pennsylvania, they're in the half-billion-dollar range. But the reason they're in the half-billion-dollar range is because they're starting at a different point than New Jersey.

We're much further ahead of the game than the rest of those states are, but the reality is-- And again, those of you -- I see a couple of heads shaking. I'll take that as acknowledgment and agreement. The fact of the matter is that we cannot rest on our laurels. Even though we have the AT&Ts, the pharmaceutical cluster which is, by far, the strongest on the planet, we can't rest on our laurels. We need to continue to be out there, looking to do

more research and development, nurturing those university-business connections so that we can continue to grow the businesses that need to be grown here so that we can all have a good economy.

So those are the reasons that we'll be going back, this year, to the Governor to ask for similar kinds of contributions to this so that we can continue to keep New Jersey in the very strong economic position that it's in, and also to act as a fail-safe when the economy does, in fact, start going down.

ASSEMBLYMAN AZZOLINA: It's going to go down eventually.

MR. SASALA: Eventually, Assemblyman. I'm afraid so.

ASSEMBLYMAN AZZOLINA: That's what we want to be ready for.

MR. SASALA: What goes up, comes down, exactly.

So that's my little pitch, and I'll be happy to answer any questions if you have them. Otherwise, thank you.

ASSEMBLYMAN AZZOLINA: Any questions now? (no response) No.

Steve, thank you very much.

MR. SASALA: You're most welcome. Thanks for the opportunity.

ASSEMBLYMAN AZZOLINA: We want to hear from the commissioner now.

Commissioner, can you wait for one second? She wants to say a few words now for the Chamber. Kathy, is it?

KATHLEEN DAVIS: Thanks. I'm afraid at this point it will be a little redundant.

Good afternoon, Chairman Azzolina.

ASSEMBLYMAN AZZOLINA: Give your name.

MS. DAVIS: My name is Kathleen Davis. I'm Senior Vice President of the Chamber of Commerce, Southern New Jersey. I'm really proud today to have two of our leaders here on the Task Force: Rich Miller, who is Chairman of our Board of Directors, and Dick Klein, who is a member of our board and is past chairman of our Board of Directors.

I was going to focus today on two issues, and they've already been touched upon, so I won't take a lot of time. Finding a trained, competent workforce is an issue of great concern to our members and has been for at least the last three years that we've conducted a survey of our members. It's ratcheted up higher and higher each year, and I think that the challenges that we face in southern New Jersey are the same in the other parts of the state as well.

I do want to emphasize, too, that 85 percent of our members are small businesses with 50 or less employees. We have 2000 member companies, so we have about 1600 to 1800 of those member companies who are small business. So a lot of the focus of the work that we do on the legislative front and in fulfilling our mission particularly targets the small and medium-sized businesses. And that's why we were so pleased to, the week before last, support the package of export bills that you, Chairman Azzolina, and Speaker Collins had introduced that really will, hopefully, open up some exporting opportunities to the small and medium-sized businesses.

I wanted to return to a point that Dr. Klein was talking about before, because the Department of Labor's customized training grant program has a pretty nice pot of money. I agree with Phil Kirschner's assessment that

some of that message isn't reaching down to the small businesses and utilizing that. But I also think that the process for obtaining the grants are pretty cumbersome and at best would take six to nine months to get those training dollars. I think that looking at the process and looking to maybe streamline that process a little bit or helping to get the word out a little bit more to small and medium-sized businesses could really go a long way to ensuring that the workforce that they have at least can be trained. Of course, finding the workforce to hire in the first place is quite another issue as well and needs to be attacked on several other levels.

I also wanted to return to the point of the impact of regulations on our business community and particularly the manufacturing community. For the past three years, the Chamber has partnered with the environmental law firm of Macco, Gold, and Katcher (phonetic spelling) to conduct a survey of manufacturers in southern New Jersey. The respondents to that survey, a vast majority, are small manufacturers with 50 or less employees. And what we found in this year, I think more than others, is really getting a good snapshot of the real picture, that how environmental laws are implemented or carried out on the regulatory front is having a very real impact on the manufacturing sector. Forty-seven percent of our respondents indicated that environmental regulations had an impact on their decision to locate facilities outside of New Jersey, and that was up from 24 percent in the prior year.

The permit processing delays are impacting both new product development and the ability of manufacturers to expand their business. So here we see, again, the very real impact of the time it takes to get an answer from the Department, how that has an impact on manufacturers running their

business. I think that the key message that I would like to convey that we heard from the survey respondents was that manufacturers don't have a real beef with the environmental regulations and the environmental laws. They live and work in the community. They want to live and work in a clean environment and have a very high respect for the quality of life that we have in southern New Jersey. But where they have the problem is a length of time it gets to even get a decision from the Department.

So those are just the kind of two generic issues that I wanted to touch upon. I appreciate your indulgence in hearing it again from me. Of course, the Chamber very much supports the *S* corp tax cuts that have been working its way through the legislative process and are hopeful that they will be successful as well.

And I'll be happy to answer any questions.

ASSEMBLYMAN AZZOLINA: Thank you, Kathy.

I now have the commissioner, or Secretary.

DR. KLEIN: Kathy, just one point relative to the permit issue with Phil. On the Commerce Commission Economic Development Program, the annual strategic plan that we put together, we addressed that issue in terms of trying to get acceptance of the idea to bring outside expertise in to expedite the permitting process. So, where the Department is backed up in terms of people or time to process these permits, the company could go outside and hire what might be considered an authenticated outside source, like a consultant or something, to get that permit expedited. And that's something that we would certainly hope could move forward quickly, possibly through this course.

MS. DAVIS: And we did ask our manufacturing members how they felt about doing that, and they were all overwhelmingly in support of that.

ASSEMBLYMAN AZZOLINA: Well, thank you very much.

MS. DAVIS: Thank you.

ASSEMBLYMAN AZZOLINA: Mr. Secretary, give your full name and title.

What she has said and others have said-- By the way, I visited a plant a couple of years ago in Eatontown, and they were going to expand. They decided to go to Illinois, because it took six-to-eight months, maybe a year or less. Here, it would take two or three years to expand here. I think they may have left the state altogether now. I'm going to check again, but that's the problem we have with industry here expanding.

Go ahead. I'm sorry.

MR. HANCE: My given name is Charles Hance. Most people call me Sandy -- other things, too. And I think probably what I should do is put aside my prepared remarks and try to address some of the things we've heard about.

ASSEMBLYMAN AZZOLINA: By the way, give your title so it's on the thing here, the tape.

MR. HANCE: I am the Secretary and CEO of the New Jersey Commerce and Economic Growth Commission, which is the successor of the Commerce Department. For short, we call ourselves the Commerce Commission. So feel free, whatever you want to call us, we'll try to answer.

ASSEMBLYMAN AZZOLINA: Sandy is fine. (laughter)

I hope what we let you hear or asked you to hear is helpful to you.

MR. HANCE: It is helpful. I'm a big believer that two minds are usually better than one, and three are usually better than two, etc. No, it has been helpful, and I think it always will be helpful, frankly. So I wouldn't have it stop here in terms of input.

But perhaps what I should do is explain to you some of the things that we are doing at the Commerce Commission, especially of late. They're the ones that I'm most familiar with, because some of them do touch on at least some of the concerns here. And then we can go from there in terms of questions or, please, interrupt anytime, because you're not interrupting anything now except my notes.

The new structure, I think, of the Commission is very helpful to us, particularly with respect to our ability to reallocate resources and then particular people, people resources. We, I think, have a lot more freedom in undertaking new initiatives and suggesting to people that they ought to help with these new initiatives than we otherwise would have if we were still a department in the normal sense. So I think the Commission's structure is very helpful to us.

It's also helpful to us, I think, in connection with our partnerships, and those partnerships are invaluable to us. There's a lot of what we work on where we don't work alone. The people that you've just heard from are good examples of that. Prosperity New Jersey, the State Chamber, the New Jersey Business and Industry Association, all of those we have active partnership work going on, and it's very, very important. Partnership (*sic*) New Jersey, for example, was the source of a lot of our organization within the Commission. We've reorganized ourselves into what we call an account management system.

And much of that, where it came from, a study done by Partnership New Jersey -- Prosperity New Jersey and their recommendations. So that's one thing I should underscore. We have recently undertaken some, what we call, new initiatives, and I'll go through them in an attempt to address some of the things that have been raised.

In the urban -- we have what we call an urban initiative. It started out to -- as our share of implementation of the Governor's initiative, to try to bring this prosperity to a broader section of New Jersey people, specifically to bring more of it into the urban centers. You asked, legitimately, the question, "Do we have room for the growth?" I think the answer to that is clearly, yes -- is our cities. What we need to do is make those cities-- We need to find out what those cities want in terms of development, where they want it, how much square footage where, and then make those properties development-ready, for lack of a better term.

Some of them will be brownfields. Some of them may be landfills. Some of them may be -- none of those two. And that's something we may want to talk about, because I think we need to-- And the Governor said this-- And we recently had a conference on smart growth that the Governor addressed, and one of the things she asked us to do, which was timely, I think, was to look again at the incentives that we use to attract businesses to New Jersey and see if they should be modified in some way so as to encourage more of that business to float to the urban centers. And that, I think, is a very legitimate agenda item. In that connection, should we have, for instance, an incentive above and beyond brownfields and landfills? Should we have more

of an incentive to go to other sections of the city designated by the city for growth?

From a commerce point of view, we can market that if we know if a particular city wants a certain type of development on a certain plot of land. Jersey City uses the example where they preapprove sections for certain square footage and types and with the expectation that if a developer comes in with a plan that's reasonably related to that preapproval, then that developer will get permits within 90 days. That's a great plan. I think it's very attractive, and that accounts in part, I think, for the competitiveness of us relative to Manhattan.

It also addresses, Assemblyman, I think, your point that sometimes we're not ready for expansion or development when one of our businesses needs it. That would help in that direction, and frankly, I think if every municipality could address where they want development and then go through the steps to make it development-ready, we would be competitive for a very, very long time. Those municipalities would grow in the way they want to grow, which, of course, is integral to our home rule concept. So that's one initiative.

Another initiative, with respect to the urban areas, is more help for our urban enterprise zone representatives so that each of them, at least those that have not been as successful as some of the others, can raise their level of success with our help. We administer that program as part of our department.

Another aspect of the urban initiative is to see if we can identify particular businesses or growth sectors that might be appropriate for particular urban areas. Warehouse distribution, for instance, is one that we have recently

noticed has become one of our growth areas. For those urban areas that are close, particularly to highways, but also to ports, that might well be a good stepping stone for them for their future. So we're in the process of trying to identify why those warehouse distribution companies are locating where they are and what we might do to attract other ones, again, for cities who might want them. Proximity to highways, particularly interstate highways, are important in that respect. But these are the types of things where we think we can help perpetuate the prosperity that we're having and broaden it out to some areas that haven't had as much as others.

In the high-tech area, Steve Sasala has done, as he always does, a good job in identifying the characteristics of our high-tech situation and what's needed in the future in that regard. And this is a good example, I think, of where partnerships are involved. Steve, I think, will quickly suggest that it's not Prosperity New Jersey's job to actually meet with people who are considering moving to New Jersey. In a global sense, he's selling New Jersey in a very effective way. When it comes down to "if I move to New Jersey, am I entitled to this incentive or that," he will, I think, gladly turn those people over to us.

So we need to be tied into high technology in a way that is supplemental to and supportive of what Steve is trying to do. So, in that connection, we are trying to identify with more precision where the high-tech companies and industries are in the state. Again, identify why they're there and what would interest them in staying and growing in the state instead of moving out, if they expand, whatever.

In the export area, we have concentrated, at least in the last several years, in areas where the Commission and State government can contribute in ways that the private sector cannot. When the Governor goes on a trade mission to South America or Japan or wherever -- and she's been good about doing this, I think -- we get into doors and meetings that private citizens and private companies couldn't get into. The Governor is very good about bringing people with her. That, I think without question, is a proper role for state government to play in international trade, and so that's the type of thing we've been doing.

Fortunately, there are other partners of ours that do other things in international trade that are very important, and that is giving advice to small and medium-sized companies that want to go into the export business, the community colleges that set up international trade curriculum and centers. What we need to do, I think, and -- is to continue to identify where State government has a role and what that role is and then do that role and help in the identification of what else might be done. And what else might be done may be for the state, and it may not be.

The initiative that we have here, for instance, is to identify and catalog the various other sources of help with respect to exporting. There's the U.S. Department of Commerce -- has a role in this regard. We consider ourselves partners with them to a lesser degree, perhaps, than Partnership New Jersey, but it's still a very real partnership. So that's our initiative there. And through that initiative, I think we will help to identify, anyway, gaps that might occur with respect to services to small and medium-sized businesses, and then help decide whether that's something that we should do or whether that's

something that the private sector should do. There are, without question, a number of private sector companies that are in business for a profit to help people with exporting, and that's a legitimate role, I think, for the private sector also. So I think it's an area where we have to identify any gaps that might exist and then help decide how to fill those.

With respect to the workforce development, our view is that we have a role and a responsibility in bringing to other departments of State government information or feedback that we get from the private sector and that we get in the course of doing our jobs of trying to keep businesses in New Jersey and having them expand in New Jersey and attracting new ones. And sometimes we do get feedback, to go to the warehouse or distribution example -- logistics, some people call it. We were getting feedback that, while some warehouse distribution companies were coming, others were cautious about whether or not they could find workers in at least one or two areas of New Jersey. And so what we did was, we called a meeting of the other related departments of State government to pass that along to them, frankly, and ask what we could do, in addition of anything in this regard and how this communication should be set up. It was a good meeting, I think.

We also talked about another area. The hospitality or tourism business in Atlantic City, for instance, has similar concerns about expansion. It fits right into the previous comments about, "well, we'd expand if we knew we could get the employees." The hotel and casino businesses are in that position. They've told me that. So we were talking with the Department of Labor and the Department (*sic*) of Higher Education as to how we can integrate some type of program to address that. And we made some progress,

I think, in that regard. We're going to have another meeting to talk about where we go from there.

Workforce development, without question, is critical to us -- probably not something that the Commerce Commission has a major role in, more of a supportive role, I think. That's more for the Department of Labor, I think, and the Department of Education. But we certainly have a role to play, I think, at least in terms of providing information or feedback to the other departments.

One of the other things that we're going to look into -- and one of Dr. Kleins's very good suggestions, I think -- at our meeting not too long ago of the Commerce Commission, was to look further into the transfer of technology into the manufacturing sector, so that our manufacturers here in the state can remain competitive, become more competitive. We do quite a bit, I think, in terms of supporting the development of technology. I think-- Well, Steve made one reference to it in his remarks about the importance of developing the connection between business and the development of technology in that regard, and manufacturing is a good source.

One of the things we found, again, consistent with some of the earlier remarks, was what are you doing for business that's already here in New Jersey. The response we get when we asked that question is training money, perhaps. We'll look for other things, but the one thing that we know could help more would be training money. We've gotten the sense that there is or soon will be more demand than supply, and that's one of our tools to incent companies to come to New Jersey. It is available to companies in New Jersey,

so it's one of the few incentives that are available across the board, and there may be a need for more of it. Certainly, the department--

I'm sorry.

DR. SIMKO: No. Just a comment--

MR. HANCE: Yes.

DR. SIMKO: --on why the short labor supply. If you linked high-technology adaptation to warehousing and logistics, that could solve a major problem, because the right technology in a warehouse could actually reduce the need for a small company, or even a large company, to go out a look for extra people--

MR. HANCE: Absolutely.

DR. SIMKO: --through automation.

MR. HANCE: Yes. I agree with you. And that's what I think we need to do, is to try to identify more where the technology that we're supporting might have a more direct application to the businesses that are here or want to come here. I was talking-- When one of the South Korean delegations was here, I was talking to my counterpart from South Korea, and he was saying-- We were talking about technology and the need for it, and he was commenting that there are some jobs that the South Korean -- some products that the South Koreans used to make they can't make anymore. They're not competitive anymore, because there are other developing countries that have basically knocked them out of the market. And so they're looking for what is going to be new.

We, of course, need to continue to do the same thing. And if we can apply the technology innovations that we have more directly to what those businesses are or will be, we'll all be better off.

In terms of permit processing, the last note that I have on my chart--

ASSEMBLYMAN AZZOLINA: That's not your baby, though.
(laughter)

MR. HANCE: It's not. Although we do have an office of--

ASSEMBLYMAN AZZOLINA: We'll bring in Shinn next time.

MR. HANCE: We do have an Office of Business Efficacy, which Chuck Jones-- Chuck Jones is here, and he heads up.

ASSEMBLYMAN AZZOLINA: Yeah. I was wondering. Is that the one that was once in the State Department, Department of State?

MS. SMARTH: Yes. Yes. They put it back in.

ASSEMBLYMAN AZZOLINA: Okay, back in now in the Department of State?

UNIDENTIFIED SPEAKER FROM AUDIENCE: (indiscernible)

ASSEMBLYMAN AZZOLINA: Back to Commerce, okay. Because I was wondering what happened to it.

MS. SMARTH: But you still have no teeth. You don't have any teeth in terms of-- Like, in other words, you work as a coordinator in trying to alleviate the problems, but you really don't have the formal authority to interject in the process.

ASSEMBLYMAN AZZOLINA: How do we get that? Change the law? (laughter) Help us out. Well, that's one of the ideas that we want.

Okay. We're looking for ideas here in how to help businesses move faster, get permits, whatever the help is, we want to do, if it has to be through your department, DEP, wherever, and help you, because you're the advocacy person. So we hope we can do this, but we have to work altogether. We want to try to work as a team and work with you and not against you. And when you have ideas, we'd like to have them brought back so we can propose it, too, not just be a lone star.

MR. HANCE: We would like that.

ASSEMBLYMAN AZZOLINA: That's a good idea.

MR. HANCE: We would be happy to--

ASSEMBLYMAN AZZOLINA: Plus, I'm the Chairman of the Commerce Committee anyway, besides being in this Task Force. So I have experts around here that will help me with my Commerce Committee.

MR. HANCE: Right. Well, I hope that my remarks might have been helpful. Certainly, it was helpful for me to be here, so I appreciate that.

ASSEMBLYMAN AZZOLINA: I'd like to ask a question. I know in the past, we've brought up foreign trade offices. Now, I know you have a few.

MR. HANCE: Yes, we do.

ASSEMBLYMAN AZZOLINA: Where are they now?

MR. HANCE: We have different gradations of representation.

ASSEMBLYMAN AZZOLINA: Right.

MR. HANCE: And the highest gradation of representation is to actually have an office.

ASSEMBLYMAN AZZOLINA: Right.

MR. HANCE: And we have-- I'll take a shot at it and then I'll rely on my friends here to supplement, because I still consider myself a rookie. We have one in London. We have one in Tokyo. We have one in Israel. We're opening one in Brazil.

ASSEMBLYMAN AZZOLINA: Where?

MR. HANCE: Brazil. And we're opening one in Egypt. And I left out Mexico.

ASSEMBLYMAN AZZOLINA: Do you have relationships there or actual offices there?

MR. HANCE: Those are where we have actual offices.

ASSEMBLYMAN AZZOLINA: There are that many now. I didn't realize. At one time, you had two or three.

MR. HANCE: Right. Two are new.

ASSEMBLYMAN AZZOLINA: In the beginning or start, I think there were two, if there were that.

MR. HANCE: Right.

ASSEMBLYMAN AZZOLINA: And then you said you had relationships. What do you mean, working through companies that are already there?

MR. HANCE: Yes, or individuals that are already there, oftentimes with or through chambers of commerce that are located in that particular country. We have a few of those.

ASSEMBLYMAN AZZOLINA: There are a number of American chambers of commerce, I think, in different countries also. The Chamber of

Commerce is there, but I think they're made up -- because I know, I'm familiar with a few of them -- of American companies, I guess, that are in that country.

MR. HANCE: That or other companies in that country that want to do business with the United States.

ASSEMBLYMAN AZZOLINA: Yeah, both.

MR. HANCE: They will be members also.

MR. PELL: I've gone around in England and Hong Kong and Japan. We used to work very closely with the Port Authority, which has an office in London. I assume your office in London is also a liaison with those people.

MR. HANCE: Yes. Is it there? Is it where the Port Authority--

UNIDENTIFIED SPEAKER FROM AUDIENCE: (indiscernible)

MR. PELL: I mean, that's not strictly a New York state authority, you know, there's New Jersey and New York.

MR. HANCE: We will oftentimes piggyback on those types of relationships.

MR. PELL: Yeah, sure. Right.

MR. HANCE: If they're interested in having us there, we're interested. And sometimes we get either free or very inexpensive space as a result of that.

MR. EFSTRATIADES: Mr. Secretary.

MR. HANCE: Yes.

MR. EFSTRATIADES: How active are those offices, and how do New Jersey businesses use them?

MR. HANCE: Typically, they will act as a hub, and they will develop people in their respective country that want to do business with the United States. And then our office or-- We'll perhaps interact with them about companies in New Jersey that want to do business in that particular country. So they're kind of a hub. We're actually -- the next stage in that actually is to try to do that on a Web site, and we are exploring that possibility. Actually, we're about to go into the funding stage to see if we can find some money for it. But the idea would be that, not just our office, but there would be a Web site that would support that so that ultimately the companies in country A can communicate directly with the companies in New Jersey that have been identified through this Web site so that our office might be an initial contact, but then these two companies that might trade with one another will communicate directly.

So that's kind of the next step. We're pretty optimistic about it, actually, and we've had a lot of enthusiasm about it, so I think it will work.

MR. PELL: Does your London office try and cover the continent at all? There's a lot of German investment in the state in particular. Of course, there are some major Dutch companies.

MR. HANCE: Right. Absolutely. They're one of our largest trading partners--

MR. PELL: Yeah.

MR. HANCE: --the Dutch are. The answer is yes to your question. I don't have all the details.

John, do you want to offer anything further?

UNIDENTIFIED SPEAKER FROM AUDIENCE: (indiscernible)

MS. SMARTH: Well, after a trade mission, do the people in that particular foreign office, whatever foreign office, whether it be London or Tokyo, do they deal with businesses that might have gotten contacts at that trade mission to like kind of hook them up to, you know, distributors and stuff like that? Do you have any fact sheets you can give us on that in terms of percentage of people that went on these trade missions or companies that literally consummated deals? Do you have information like that?

UNIDENTIFIED SPEAKER FROM AUDIENCE: (indiscernible)

ASSEMBLYMAN AZZOLINA: About five years ago, I was visiting Hungary, and I had the time on my hands. I was told about the Chamber of Commerce, and I went and visited them. And I told them I was a legislator and interested in foreign trade, and not for me, but just to know more about it. And they said to me, "Oh, you ought to contact this one woman who is the mission from Illinois." So they arranged for me to meet her, and she had an office in an accounting -- one of the large accounting firms, a spot there. The secretarial help and all that was all from the accounting firm -- helped out -- and I think all they had to pay was the phone bill and they had free office space. I had a good talk with her. And she told me, by her being physically there in Budapest, she was able to arrange -- get people together in Hungary with a company in Illinois and to get a major part-- I think it was revamping their telephone system.

So physically being in these developing countries may be a help, too. And she was responsible-- She had the contacts in a few of the neighboring countries, also. But that's the first I had an inkling of that, and

I thought it was a great idea and it saves you money, too. I don't know. Do you have some of these partnerships?

MR. HANCE: We do. In fact, that's-- The one that we're--

ASSEMBLYMAN AZZOLINA: But she's paid from Illinois, though. I mean, from the state of Illinois. She was Hungarian at one time. Well, she was Hungarian. By her going over and speaking the language, it helped her.

MR. HANCE: Our first step is usually that type of an arrangement. We'll actually have a part-time type of arrangement where somebody will contract, and normally the level of expenditure, for instance, is in the \$20,000 range per year. And so we'll say, okay, we'd like to make an arrangement where we get *X* amount of your time in office and an office space with a telephone and whatever.

ASSEMBLYMAN AZZOLINA: This person was paid, sent over from Illinois to be in that office?

MR. HANCE: Okay. We usually use--

ASSEMBLYMAN AZZOLINA: There's other methods, too.

MR. HANCE: Right. We usually use a national of that country--

ASSEMBLYMAN AZZOLINA: Right. Okay.

MR. HANCE: --and then go from there.

DR. AMEN: Excuse me.

ASSEMBLYMAN AZZOLINA: Yes.

DR. AMEN: On the listing of the companies in terms of matching technologywise through the Internet, the regional business partnership, I think, is just finishing up an effort to list all New Jersey exporters on-line. So you

may be able to work with them and build on that in terms of working with companies.

MR. HANCE: Yes. That's soon. That will be soon, I think, that they will have that.

DR. AMEN: I think it's very soon.

MR. HANCE: Right.

DR. AMEN: It's going to be launched very soon.

MR. HANCE: I think that's about right.

ASSEMBLYMAN AZZOLINA: Is there a list of all your key people and telephone numbers that -- also with your key people in these foreign offices with telephone numbers and names that we could have available?

MR. HANCE: Yes. We have internal lists. We can certainly get one for you.

ASSEMBLYMAN AZZOLINA: Yeah, could you give us the internal list, because it's helpful when we, even myself, want to call for some information or people want to know where they call for this or that.

MR. HANCE: And that's the type of thing, I think, that this initiative of ours -- to create a catalog.

ASSEMBLYMAN AZZOLINA: There's been a big change. I don't know who's who anymore.

MR. HANCE: Exactly.

ASSEMBLYMAN AZZOLINA: I used to know who was who.

MR. HANCE: It will help, right. We want to do more on our Web site. We're going to update our Web site in this connection. But also,

we've produced some printed material that we can distribute across the state virtually.

ASSEMBLYMAN AZZOLINA: Do you have a copy? We'd like to have it sent to Deb. This way, we can-- Okay.

MR. HANCE: Sure.

ASSEMBLYMAN AZZOLINA: Any other questions you'd like to ask?

Yes, sir.

MR. KATZ: Mr. Secretary, I am very concerned about the banking climate within New Jersey, and I liked your comment that there are tiers of concern and expedition that comes from various legislative levels. One of the privileges that New Jersey previously had was a very strong relationship with the key bankers that served our state.

ASSEMBLYMAN AZZOLINA: You're right on. I'll follow up behind you. (laughter)

MR. KATZ: Oh, thank you.

What we've lost is all of those handshakes. And what we've lost is even a concern for the help that small and midsized businesses need in the banking community that is now so large that loans under 25 million are not really their basic concern. It's only one issue, but it becomes a key one for implementing business, especially in our state.

When the country was in recession at the beginning of President Clinton's administration, we sent out individuals throughout the country and polled businesses through various little task force assemblies that what was their concern. And in every quadrant of the country, it was a banking concern.

Therefore, his administrative role was to work with Secretary Rubin at that time to give incentives to banks to pay attention to American business. And of course, as one of those elements, a very robust economy occurred.

We're not going to have strong business in New Jersey if we don't have, at the administrative level, strong administrative ties that bring together and keep in focus New Jersey's business concerns. That's one element. The other that I really liked is that, and that's really why this Task Force has assembled, is we can come up with many great ideas and what will be the resources for the implementation. So I can see that from among the many of the great ideas will come some hierarchy that helps us to jump into the 21st century.

I'm a business that battles in 70 country arenas, including in the United States. We have seen phenomenal pressures against margins, just on the competitive side of business. We have seen that in the world as a business arena that there is now almost \$7.2 trillion of goods and services being made in the world that don't come to the United States -- I'm using this as a particular example -- of which the United States only has \$982 billion of that total market. But what that really says, that different, that huge-- If we were to graph it and to see a gap like this, what does that really mean? What that really means is that there is a manufacturing infrastructure that exists worldwide that is making commodities and services that really makes almost every country in the world pretty much self-sufficient. And we battle against that.

Now, we battle against it a different way, because the comment came up that there are goods and services that freely access the U.S. markets

at lower manufacturing costs, and therefore, they take their position in our market, so that the role of a commission like this is not really too soon. It is a coordinated attack, really, that has brought you to this table that we can't really ever loosen. We need this total look from all the levels of our New Jersey administration to help New Jersey business now.

MR. HANCE: I might be able to give you a little bit of comfort on the first point, and maybe it carries over into the second. I just recently had a meeting with the new head of the New Jersey division of a very large bank, and he wanted to know what he could do to make his bank's role in New Jersey more meaningful and more successful. So I think even with a large bank there are probably -- there is the right person to talk to. We need to get to those right people, I think

MR. KATZ: Yes, but that's exactly the issue. The issue really is-- And I'm really glad that you put it that way, because it's a key issue that's been ignored for several years.

MR. HANCE: I am hopeful that maybe that same analogy carries over into other aspects of it, too. As we get into this -- well, new economy, for lack of a better term -- where are we going to be? What is New Jersey's place in that, and how do we play it? How do we play it so that we will be successful in however we define success? We need to know what's possible, what is-- There are some industries that are not knocking down doors to get here, but there are others that are. And so we need to be smart, I think, in the sense of not banging our heads against the wall in futility in an area that we're not going to have success anyway. So I think we need to identify our choices,

reasonable choices, and then select which ones we want and then get on to business that's trying to get there.

MR. PELL: Sandy, one of the-- As a retired banker, one of the things--

ASSEMBLYMAN AZZOLINA: John, could you speak louder so I can hear?

MR. PELL: Yeah. One of the things you might consider, and maybe you're already doing this, is -- does the New Jersey State Treasury, which uses banks for clearings and deposits and uses banks occasionally, as opposed for underwritings or short-term securities and whatnot, is there any matching up of those decisions with the particular -- the different banks' performance in working with U.S. and New Jersey's smaller companies?

MR. HANCE: That's a very good point.

MR. PELL: There should be a grading system.

MR. HANCE: Absolutely.

MR. PELL: And I'll tell you, it's not unique. Major corporations do the same thing with banks. They rate them, and then they decide who's going to get the business.

MR. HANCE: Who's going to get the business, right.

MR. PELL: I think we can reverse that process.

MR. HANCE: I think that's true. Just to give you an interesting example, we were just-- When I was down in the Wildwoods talking about tourism and one of the owners of one of the boardwalks was saying, "One of our problems is that the weathermen now" -- maybe to cover themselves -- "almost every noon are saying chance of showers," and that adversely affects

their day business, when I suggested to him that he buy a TV station, he said he didn't have the money. But what we decided just a couple of days ago was that we have a new marketing budget that the Governor substantially increased, and we can go, when we buy TV time-- We can buy advertising for The Weather Channel. We can buy advertising for the weather forecasting segment of the news on any channel, and we may be able to straighten out, if that's the right word, some of this forecasting. I mean, that's exactly the type of things we ought to look at doing, because we do have a clout, I think, to the extent that we're spending money, you know. We ought to get responsiveness.

MR. PELL: That's a point very well taken.

ASSEMBLYMAN AZZOLINA: I think we ought to bring in the bank commissioner, DEP, and Labor in the future meetings just so we -- would help us just like we have today. But I have a bitch with the banks. I'm probably considered, because I have 1400 employees in supermarkets, started on a corner grocery store, learned the business, and built on what I learned from my father over the years with his chain of supermarkets, I'm probably considered big, but I'm really small in my field. And we're small because the competitive edge and you hardly make -- you make very little money when you make it. We need to borrow a lot of money to grow fixed assets.

And I found that when Midlantic was here, before they got in trouble, and other smaller, local banks were very helpful in helping me grow. Then they become a big bank. First they start with First Union-- It wasn't First Union, it was somebody else.

MR. PELL: Yeah.

ASSEMBLYMAN AZZOLINA: So then they became First Union, and it got out of line. They bring guys in from out of state. They don't know what they're doing. They don't understand our business. We had to get the hell out of there. We went to Midlantic.

I'll give you an example, now, of the frustration. Went to Midlantic, the people knew me there locally, and they helped us grow. Then PNC Bank comes in. We're dealing with some people who don't even understand our business. They have all kind of authority, which they don't, and you're dealing with somebody that doesn't even know you. So I pulled out of there now about a year ago, maybe a year and a half. I went to Commerce. I was looking for a bank that is still in New Jersey. I was almost going to go to Summit, but figured let's go to Commerce, they're a less chance to merge. (laughter) And I don't even know if they're getting too big now. I don't know. You know, they all want your business, and they tighten up on you. But anyway, it's a vicious cycle, this whole banking, and major frustration to even the smaller companies than me. You're really not dealing with anybody local anymore who has any authority.

Before, you went in and saw the president of the bank, which we did, or you knew the chairman of the board. Even Midlantic, I got to know the chairman of the board and the president. If I had a problem, I'd call the president up and tell him. He said, "I'll send people down and straighten it out," you know. But now, it's all strangers, and that's what I think you're talking about, too.

Now these banks have gotten so large, like the European banks of yesterday, that you deal with conglomerates or whatever you want to call them,

and they're not really tuned to small businesses. And you really need money to grow, and they don't want to take the chance. That's another thing. And you have to take a chance or you don't grow. I gambled all my life in my business. I could have gone broke many times, but I gambled, fought hard, and kept growing, kept growing. Competition keeps getting tougher and tougher like it is today. I'm going through the same problem. I did it four or five times before, but I'll survive, because I got my kids involved in the business now. I could have sold my business not long ago for a fortune. I didn't do it. I said forget it. I don't want to do that to my people, and because they grew up with me and the whole company, and I don't want to do it to my family, but we need banking relationships that are good. I think I'll survive, but there's other companies that are not going to.

We have those problems in New Jersey. I guess all over the country. And the little banks can't help you, because they're too little, like the people that helped us grow now have started new banks themselves, but they're too little to help you. So you know what I'm talking about -- Midlantic.

MR. PELL: Yeah.

ASSEMBLYMAN AZZOLINA: You were there, right? But it's a vicious cycle.

MR. PELL: I must say, when your stuff went through the loan committee, I-- (laughter)

ASSEMBLYMAN AZZOLINA: Took a chance. Today-- They took a chance. Today, forget it, you haven't got a chance.

MR. KATZ: Well, I'd like to add something. It was actually Midlantic that took a chance on me.

ASSEMBLYMAN AZZOLINA: Yes, they did. But if they didn't take a chance on me, I would have been dead.

MR. KATZ: The basic rule, and I'll tell you a funny story, too, after this rule, is that the bank's mindset is asset-based lending. We can't blame them. They're in business, and I always look at them as kind of being the social crutch. They certainly went into a recession when real estate tumbled many years ago -- what? -- 12 years ago. And so everybody looks to them for -- to be everybody's savior, but they can't. But there are strong businesses that really do have the asset base on which to borrow.

Now there was a northeast president -- one of those quarterly conferences, oh, roughly 12 or 15 years ago -- where the issue of what banks could do to foster international trade was the subject. And there was a banker from Maine who got up to speak on the issue. And he said, "Not in a God's chance would this bank loan one penny to a company that was doing international business." But right now, at that particular point, I was kind of sweating a little bit, because we were 63 percent of what the total turnover was in an overseas market, so I can say that thank God I wasn't Midlantic with that attitude. But his attitude was, suppose that they don't get paid, how are they going to get their money?

This was the attitude, and it was mimicked by a variety of other guys who were bankers from New Hampshire and that upper region. But fortunately, a fellow from Chase jumped up, and actually it was Chemical at the time, and he said, "What we look at is the total balance sheet of the company."

So what we have in this particular region between New York and Philadelphia, or what we had, actually, not so good lately, there were bankers who really did understand many industries, and they definitely understood the international trade area. And what the position is that we are in now, which was quite different from 15 or 18 years ago, is that both the SBA and the Ex-Im Bank had loaning vehicles and other vehicles where they can guarantee the money, that really can go -- almost go invoice by invoice. That didn't exist. Ex-Im was a million dollars asset--

MR. PELL: They're much more user-friendly today.

MR. KATZ: Yes, much more. And what we have to really do is-- This comes now to the sorrowful point is-- And it could even be this major group that you're talking about. Let me really be very specific about it. The core, when they were operating in New Jersey and Connecticut in this general region, Philadelphia through Connecticut, was literally doing hundreds of SBA loans a year. No difficulties. And the group who took them over had a reputation of only doing 25. Now, does a businessman of any size influence a bank? No. No. But the influence comes from a state government. That's what will lead, you know, the acclimate. And the ideas then become a marriage of the expeditors of which we are part.

MS. LASSUS: Aren't there-- I know my dealings with the SBA-- They have a rating service. They go in, they look at the banks in regional areas and rank them according to service and how many loans they're doing to small business. And as a small business owner, we look at that. I mean, we make decisions about who we're going to do business with. So it seems to me like it would be a really good fit for us to focus on some of those same kinds of things

to try to get some of these larger banks more interested in helping us grow smaller business here.

ASSEMBLYMAN AZZOLINA: That would be a topic we ought to work at.

John--

Well, commissioner-- Well, Mr. Secretary, I keep wanting to call you commissioner, but you're the Secretary. Whatever, right?

Sandy.

MR. HANCE: Right.

ASSEMBLYMAN AZZOLINA: John, just quickly, brief the Secretary that the committee you've been chairing for a long time in trying -- getting matching funds, and it gets shot down every time. It doesn't make sense. And he's an expert. He spent time in Hong Kong.

MR. PELL: In committee, we came up with an idea of an export financing company, not a bank, but doing what the banks in the state won't do. I ran the international department at Midlantic. And to the best of my knowledge, we're the only bank that would do preexport financing. That means there are a lot of small companies that got an order, that got a solid contract, maybe it's to Italy or Brazil or God knows where, but they're a little short on the working capital to buy the components and complete the order. And generally, New Jersey banks would not look at that. We did. And they wouldn't look at it, because they considered, well, there's a performance risk. We put up the money, and then if the company can't complete the order or something goes wrong, there's no source of repayment, because they can't complete the contract.

So anyway, what we did was go in and look at the performance risk. We'd actually go to the company, look at their client setup, their staff, form some kind of a judgment, and go ahead. I remember, we did a \$2 million deal for a small company -- actually, it was out of state. It was in New York state, but their export agent was from New Jersey. He brought this to our attention. They had a \$2 million solid order from India backed by a state -- one of their top banks' letters of credit. The company was up in Ithaca, New York. I went up there and tied it in with a Princeton-Cornell game, so it was convenient. All of these guys were engineering graduates of Cornell. They worked seven days a week. We checked their customers. We checked their suppliers. They needed to issue a letter of credit to Korea to get the chips that they were going to need to complete this motherboard that was going to run all the branches of this major bank in India. And to make a long story short, we did the deal. We didn't charge normal bank fees. We charged more than that, because there is a risk element.

So that led me to this idea of a specialized export financing company that could deal with smaller or midsized companies that had excellent prospects for export sales and were having difficulty with their banks. And that's probably, for the reasons you just mentioned, even a more likely scenario today, where two or three banks control most of the banking in New Jersey. And the idea was State seed money, which would be repaid after three years. And then our original idea was to bring in banks as shareholders. We had no luck with the banks at all. We got to second base with the General Electric Capital Corporation up in Greenwich. At the first tier, they liked the idea. They were going to put up \$5 million. But the next tier, they knocked it

down. Eventually, you know, New Jersey seed money was withdrawn by the Governor. That killed it, but we can look at it again.

There might be some way of harnessing the community banks in some fashion, but-- We had a meeting. They have an association of community banks in the state. We attended a meeting. The problem is, they're mostly obsessed with local equity home mortgage loans and what's going on in their particular communities, so that might be a difficult sell.

Another thought is going out to the business community in New Jersey and selling equity shares in this thing. That might be feasible. We could do-- I forget the name of this. There's a certain kind of registration that's fairly simple and--

ASSEMBLYMAN AZZOLINA: We had a couple of million dollars State money in the budget for a while to try to put that together, but that was taken out.

MR. PELL: Taken out, right.

MR. HANCE: I think the EDA, the Economic Development Authority, was doing some of that, and I don't know whether they do it anymore.

MR. PELL: They were totally opposed to us, because they said, "Well, we're doing that, what you're proposing to do." The fact is, they weren't. I mean, we looked into that. They were absolutely not doing what we proposed to do. And the then Commissioner, who was close to the Governor, finally persuaded her to knock it out of the budget.

MR. HANCE: I think we ought to try to find somebody--

MR. PELL: Take another look at it.

MR. HANCE: --to-- I mean, maybe it's this banker that came to see me. I guess my own orientation is to see if there's somebody in the private sector that's willing to do this. And then, if there's not, then it becomes a legitimate question -- issue of the State somehow, either through seed money or otherwise -- urge it along.

MS. SMARTH: With all due respect, Mr. Secretary, this was a law that the Governor signed and actually *The Star-Ledger* and a few of the papers had a picture of her and Commissioner Medina. When she signed the law, everybody was very excited. This particular council that was set up, by law, did all its work. It had a mandate. It did all its work. They did surveys. They did all sorts of scientific outreach. And the last part of their mandated goal, set in that law, they could not go forth on, because the \$2 million seed money, which would have been the carrot to get the rest of the investors in, was literally taken out at the last minute after the Legislature had passed in the Budget Act that 2 million set aside for that particular program. By taking that out, what they literally did is undid the work of the council for two-and-a-half years.

MR. PELL: There is the (indiscernible).

MS. SMARTH: So it's not a matter of is it needed. It is needed.

MR. PELL: And we'll have a copy sent to you.

Could you do that, Debbie?

MS. SMARTH: Yeah, I'll do that.

ASSEMBLYMAN AZZOLINA: So we need the new board to get it back in again. Then maybe we work together to try to find this private money.

MR. HANCE: Some solution. Yeah.

ASSEMBLYMAN AZZOLINA: We've got a great expert over here.

MR. HANCE: Right. On the private side, the--

ASSEMBLYMAN AZZOLINA: A volunteer, too.

MR. HANCE: --first I do is call up this banker that wanted to know how he could be helpful.

ASSEMBLYMAN AZZOLINA: Right. Right. Okay.

Well, listen, I want to thank everybody. It's getting late.

Commissioner, I want to thank you. I know it's beyond what you wanted to stay, but I think we learned a lot today.

MR. HANCE: That's fine. It's been very helpful.

ASSEMBLYMAN AZZOLINA: It was good having a discussion, I think, rather than just a presentation.

MR. HANCE: It was.

ASSEMBLYMAN AZZOLINA: Thank you very much.

(MEETING CONCLUDED)