
Committee Meeting

of

SENATE NATURAL RESOURCES AND ECONOMIC DEVELOPMENT COMMITTEE

SENATE BILL No. 95

(Authorizes bonds for \$450 million for hazardous site cleanups, related water supply projects, loans for underground storage tank upgrades and cleanups, construction of subaqueous pits and containment island for dredged material, and dredging projects)

LOCATION: Seamen's Church Institute
Port Newark, New Jersey

DATE: March 28, 1996
10:00 a.m.

MEMBERS OF COMMITTEE PRESENT:

Senator Joseph M. Kyrillos Jr., Chair
Senator James E. McGreevey

ALSO PRESENT:

George J. LeBlanc
Mark T. Connelly
Office of Legislative Services
Aides, Senate Natural Resources
and Economic Development Committee



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SENATOR JOSEPH M. KYRILLOS JR.(Chair): Ladies and gentlemen, if I may, I would ask you to take your seats and we will begin this meeting of the Senate Natural Resources and Economic Development Committee.

I want to wish you all a good morning and let you know that we meet today in the very heart of New Jersey's economic lifeline. The \$20 billion economic activity zone that has created 180,000 jobs this Port has generated is absolutely critical to the State's future economic prosperity.

I think all of us know that nature and the recent inability to dredge the channels leading into the Port have combined to create a crisis that threatens the viability of these facilities, along with the precious jobs and dollars that they produce annually. Every year, silt deposited naturally by the Hackensack, Passaic, and Hudson Rivers clogs the channels leading into the Port of New York and New Jersey, inhibiting fully loaded ships from docking at the terminals. This is no secret to anyone here.

Instead, ships are forced to call on other ports or use other processes to deliver their cargoes. This process is not only more costly and more time-consuming for shippers, but presents more risks regarding environmental concerns, and what not.

This underscores the need to make our Port more attractive and more feasible to shipping companies by deepening the channels, and we need to act soon. We need to act soon, so that shippers will not change venues to other Atlantic Coast destinations, leaving the New Jersey Port industry to literally suffocate on the silt of its own waters.

The Senate President, Don DiFrancesco, has taken the lead on this issue. He took the lead last year when he unveiled a bond program that would provide \$300 million to fund the dredging of the Port. It is a sound plan that will preserve the economic vitality of the Port industry, while remaining environmentally safe. The plan would dispose of the dredged materials in pits in a containment area to ensure that Port waters would remain clean and free from harmful materials.

The Senate President's plan outlines a solid blueprint for preserving the economic and environmental security of our ports for years to come. But the next 18 months will be crucial to our efforts of saving this important economic lifeline to New Jersey's economy.

I am pleased to have the Commissioner of Environmental Protection, Bob Shinn -- our old colleague -- and the Commissioner of Commerce, Gil Medina -- my good friend -- here today to expound on the administration's plan for an effective short-term solution to the dredging problem.

It is imperative that New Jersey work together with New York, the Port Authority, and the Federal government to identify safe disposal options that would allow dredging to begin immediately. Only by doing that can we prevent an exodus of shipping companies to Nova Scotia, Canada, Norfolk, Virginia, or other locations. The window of opportunity we have for saving this vital component of the State's economy is closing, and it is closing quickly. So we have to act now to save the ports and ensure the economic prosperity of New Jersey for years to come.

This is a public hearing. There will be an official written transcript of our proceeding today.

We have a lot of people who have signed up to testify. There are others who have presented written testimony, and that will be made part of the official transcript.

Without further ado, let me call up our first witness, my colleague, our Senate President, Don DiFrancesco.

Mr. President, let me congratulate you on being the first, really, to try to tackle what seems to be an insurmountable problem, but one we need to face. It is good to have you here.

SENATOR DONALD T. DiFRANCESCO: Thank you, Joe. Let me turn around a little bit, Joe. Because of the lack of a microphone, let me at least face part of the audience.

I would like to, again, as Joe has, welcome Commissioners Medina and Shinn, and thank Joe and the members of his Committee for having this first hearing here in the Port, for a variety of reasons, which are obvious. And I want to thank everyone who is here for being here today, for taking the time out of their busy schedules to talk about a very important subject and, of course, in my view, a very important issue that is in bill form that must move forward this spring.

Joe has already mentioned the names Halifax, Baltimore, Norfolk, and that is really a short list of the ports that are quickly becoming the shipping industry's ports of choice. Every day, the shipping industry is bypassing the Port of New York and New Jersey, the nation's third largest

container port, in favor of deeper, more navigable destinations. No one has disputed that statement since everyone started making that statement.

Each time a ship is forced to go to another port or barge its cargo to the piers, the State risks losing an economically vital industry, and a New Jersey worker risks losing his or her job. This is no easy, quick-fix way to save our ports, as this is a complex issue, and yet the economic emergency facing our Port demands immediate attention.

That is why I thank Senator Kyriillos and his Committee members for meeting right here in Port Newark, so we can bring the kind of attention to the problem facing the Port that we think it merits.

I am hopeful that we can accomplish three things today. First, obviously, discuss S-95, which is cosponsored by myself and Senator O'Connor, a Democratic leader in the Senate, so it is a bipartisan issue, not a partisan one. I want to discuss it and the potential I believe it holds for bringing about long-term relief to the Port.

Second, I hope to hear from -- and obviously he is put on the hot seat every day on all kinds of issues around the State -- the administration, specifically Commissioner Shinn, and Commissioner Medina, who have joined us here today, as to more immediate responses. Let me quickly add that Commissioner Medina has a whole host of ideas about bringing jobs to New Jersey and creating jobs. Obviously, his ideas are for naught if we are to lose so many jobs in the Port. So it is very important to him, for lots of reasons.

Third, we want to allow individuals and organizations that have an expertise in this issue to share their experience and their knowledge with us. I am anxious to let these others have their say today. However, I would really

like to briefly explain the merits of my legislation, which would authorize the issuance of bonds to be used exclusively for dredging projects. Specifically, the legislation, as Joe indicated, provides for \$300 million in bonds to be dedicated to improving the depth of the channels in the Newark Bay and the Port region.

It would also be used to construct subaqueous pits in the floor of the Port area in which dredged materials can be buried, as well as a containment area, also known as a containment island, that would be used for future disposal purposes. This plan represents a real serious investment in our maritime industry, one that adequately and appropriately addresses both the need for dredging deeper channels and the concern over the disposal of the dredged materials.

But I have to also point out that this investment also represents New Jersey's stake in the Port. We cannot and should not do it alone. New York and Washington, through our Congress, must also do their parts to save the Port. I might add that people might say, "Well, why are we doing a bond issue for dredging? Isn't it really a regional thing, as opposed to a statewide thing?" Well, I have been in the Legislature for a long time, and we have supported bond issues for a variety of reasons, whether for Green Acres, open land preservation, recreation, whether for group homes -- the availability of group homes for the mentally retarded -- or educational purposes. But this is a priority for New Jersey. All of New Jersey is affected by the inability of these ships to come to the Port of New York and New Jersey. That is why I am comfortable in suggesting that everyone in New Jersey is affected by this problem.

I know that Representative Bob Franks -- my former colleague, in my district actually -- has introduced legislation in the Congress called the Port Revitalization Act of 1996, which complements my proposal by providing the Federal cooperation and funding necessary to assist in the construction and operation of a containment area.

This new measure provides added momentum to what I hope will be the swift approval of S-95 by both the legislators this spring and by the voters this November. In the meantime, I pledge to be part of the effort to resolve not only the long-term needs of the Port, but also the immediate emergency facing our maritime industry.

I want to thank everyone again for being here. Joe, thank you for allowing me to speak for a couple of minutes. I am anxious to hear what people have to say.

SENATOR KYRILLOS: Absolutely.

SENATOR DiFRANCESCO: Thank you.

SENATOR KYRILLOS: Mr. President, thank you.

Once again, let me speak on behalf of the members of this Committee in saluting you and congratulating you for your leadership and your vision on this issue and let you know that -- as all of your committees do when you give us the call -- we stand ready to work with you on this legislation, and related legislation, to try to address this problem short term and long term.

If you have time right now, Mr. President, please join us for the members of the Cabinet and for the others who have signed up to testify. It is the Senate President's privilege, I think, to serve on any committee he so

chooses. He can even take over as Chairman, should he like to, as he well knows.

With that, let us bring up both Commissioner Shinn and Commissioner Medina. Assistant Commissioner Steinberg, from the Department of Commerce and Economic Development, is here. Alan, please join the panel. There is one microphone for the two of you to share.

We thank all of you for being here. We know you have been working very hard on this problem, as has the Governor.

Commissioner Medina, come on up.

COMMISSIONER GUALBERTO MEDINA: Good morning, Mr. Chairman, and thank you, Senators, for inviting me here, also for inviting Commissioner Shinn, and Alan Steinberg, my very able Assistant, to talk about this most important issue.

Before I begin, however, I want to take a moment to commend Senate President DiFrancesco for his leadership on a subject that is of paramount importance not only for economic development, but for our environment, for our quality of life, and, most importantly, for the livelihoods of tens of thousands of New Jerseyans. The Senate President has demonstrated on this issue the type of leadership that has made him one of the most effective political forces in New Jersey's political history.

Senate President DiFrancesco is absolutely correct in his assertion that this is a statewide issue. It is not an issue that only affects northern counties. My county, Camden County, is also affected by this issue, as is Cape May County, and every other county in the State of New Jersey.

This discussion about dredging is not new. There have been task forces and discussions about it ever since the 1970s, but while people talk, the silt in Newark Harbor has literally continued to build and build upon the bay floor. Ladies and gentlemen, we are running out of time.

Unless we act quickly, this harbor, which is a bustling key cog in the economic vitality of our State, will, for all intents and purposes, no longer be a hub port, but a feeder port. The difference between these two ports is staggering. It is the difference between having the world recognize this Port as the premier East Coast destination, unloading their cargo here in New Jersey, rather than unloading it in Charleston or Hampton Roads, Virginia. It is the difference between having 166,000 people busily employed by the Port moving our nation's commerce or having those workers idle. It is the difference between having cargo destined for this region unload right here or having it unload somewhere else, adding one million out-of-state trucks to an already crowded roadway.

The Port of New York and New Jersey is the third largest port in the United States, behind the California Ports of Long Beach and Los Angeles. It is the largest local containerized port on the East Coast, and employs more than 166,000 people. Annually, the Port loads and unloads more than 2 million, 20-foot equivalent unit cargo containers, 400,000 automobiles, 32 million tons of bulk cargo, and more than 400,000 passengers on 222 cruise ships.

More than 30 billion gallons of petroleum product enter and leave the Port each year. In all, the Port contributes -- Mr. Chairman, as you indicated -- in excess of \$20 billion in annual regional sales, \$6.2 billion in

regional wages, and \$500 million in regional income in sales taxes. Its economic activity alone is responsible for 2.3 percent of the gross regional product.

During the next four years alone, inbound containerized cargo is expected to increase by more than three million units, with tonnage increasing from approximately 80 million metric tons to 120 million metric tons by the year 2000.

Geographically, the Port of New York and New Jersey is in a prime location to capitalize on projected increases in world cargo trade. The trend in world shipping is to leave the production centers on the Pacific Rim, sail through the Suez Canal, and head directly to the Port of New York and New Jersey to unload. Needless to say, the Pacific Rim is the fastest growing economic region in the world, with gross domestic product already closing on \$6 trillion.

But we are not going to be in a position to take advantage of these increases or our location unless we act now. The terminal operators are not renegotiating their leases, waiting to see whether the States of New York and New Jersey are serious about dredging the Port. If the terminal operators decide that we are not serious, then it will not take much for them to decide to move their operations to North Carolina or Virginia. We cannot afford to let that happen.

Almost five million cubic yards of materials must be dredged from the Port of New York and New Jersey. In addition to the sediment that has been building up over time, ships are getting larger and larger. We must also dredge to accommodate ships exceeding 40 feet and drafts. The situation is

now so critical that we must immediately remove one and a half million cubic yards of dredge spoils this calendar year, and preferably within the next several months. We estimate that it will cost the State of New Jersey between \$35 million and nearly \$60 million to remove these dredge spoils if the State were to do the work, depending upon the disposal options available today.

According to the Army Corps of Engineers, at least two-thirds of the dredge spoils are Category 3 and cannot be disposed of in the ocean. Twenty percent is Category 2, and there is little or no room at the mud dump site for disposal of that material, regardless of the controversy. That leaves only 14 percent Category 1 that can and likely will be disposed of in the ocean.

As you can clearly see, we must find alternatives. Governor Whitman has recognized the critical nature of this issue and she concurs completely with the Senate President that it is one of the most critical issues challenging the State of New Jersey. Since the day she took office, she has focused on this issue to a degree that has not been seen before. As The New York Times editorial of March 24, 1996 noted, "Mrs. Whitman has been way out in front on this issue."

I would like to summarize some of the steps that the Governor has taken. One of her first acts was to establish the Governor's Dredged Materials Management Team, which in six months recommended several viable, near-term alternatives which are now underway. Following the Team's recommendation, the Port Authority took the lead for permitting and engineering combined disposal facilities in Newark Bay. In fact, we expect that those facilities -- the so-called "subaqueous pits" -- in Newark Bay will cost

approximately \$50 million, and we anticipate that they will be open for business in the summer of 1997.

Governor Whitman has also appointed the State's first Director of Maritime Resources, who drafted the first comprehensive dredging plan ever developed in the State of New Jersey, which was issued on December 20, 1995. For the first time, the State has inventoried and quantified the cost of dredging the harbor. Mr. Chairman, I cannot overstate the importance of this work. For the first time in the history of this debate, we can comprehend the magnitude of the problem, segment the problem into various projects based on whether they are public or private, and allocate the costs to each segment.

The Department of Environmental Protection has also established an in-house dredging team to process, assist in, and expedite permit applications. The team recently published the first ever technical guidance document for dredged materials management, which is currently undergoing public comment and review.

The Governor also established a Cabinet level finance team, which is looking at options to finance the extraordinary costs of dredging and dredge management, focusing on the immediate problem and on the intermediate problem. In the very near future, the Governor will be able to assess the various funding alternatives that have been presented to her by this committee. We are working on strategies to not only fund the cleanup in the harbor, but identify polluters, recover some of our costs, and reduce the contamination which created the problem in the first place.

We are now contending with the thorniest of questions: Where do we place the dredge spoils and, as importantly, how do we pay for their

removal? We have to recognize that we have an immediate crisis, as well as a long-term crisis, and we must separate the issues. Unfortunately, in the past, attempts to resolve the entire problem immediately caused a certain amount of confusion among people who are involved and interested in this debate. By segregating the issues and focusing attention on the immediate and intermediate issues, I believe we have advanced the debate, at least within the administration, substantially. As I have stated, we have determined that we must remove 1.5 million cubic yards of dredge spoils immediately, in order for the harbor to remain viable.

I am pleased to tell you, Mr. Chairman and Mr. President, that this administration -- as you know, Mr. President -- is closing in on how we can finance both the immediate and intermediate range dredging projects. In consultation with the Senate President and his staff, we have, I believe, identified some solutions, and I expect that the Governor will make an announcement early in April.

That still leaves us with the long-range dredging problems, which, frankly, we are still working on. As you know, Mr. Chairman, the development of upland sites as well as decontamination technologies are controversial and complex, but also demand attention. We are working with the U.S. Army Corps of Engineers, the U.S. Environmental Protection Agency, as well as other agencies. Here in the State, the Senate President, the Treasurer, the Chief of Policy and Planning, the Commissioners of the Departments of Environmental Protection, Commerce, and Transportation are all working together diligently to develop options which will be available next year. We are actively seeking

a comprehensive solution to the problem, whether it be upland sites used for facilities, decontamination technology, or other approaches.

I would also like to note some additional steps we are taking: Frank McDonough, our Maritime Resources Director, has been participating in discussions with both New York State and New York City to develop a comprehensive regional approach toward the siting and construction of regional disposal facilities.

Again, the Senate President is absolutely accurate in saying that the solution to this problem has to come not only from Trenton, but from New York, and also from Washington, D.C. The meetings are currently in the education mode as we attempt to bring New York up to date on the comprehensive research and analysis that we in New Jersey have performed. The goal is to complete these discussions and arrive at a consensus in terms of the long-term problem by the fall of this year. Our hope is that, in consultation with the Senate President, the Governor will be able to make an announcement of the technologies and methodologies to be used to resolve the ongoing long-term dredging issue in New Jersey by September of this year.

On June 20 and 21, Frank McDonough, in conjunction with the Sediments and Dredge Materials Technology Institute, will conduct a working conference on the business of dredging to provide assistance in the areas of: permitting, financing, developing markets, and gaining public acceptance for decontamination technology, disposal sites, and the beneficial reuse options.

The New Jersey Department of Transportation, meanwhile, is currently conducting an inventory of all beneficial reuse and construction projects which could employ dredge materials.

Finally, with the assistance of the Graduate School of Management at Rutgers, we have started the drafting of a long-range dredging plan which will provide recommendations for the dredging needs of the entire State of New Jersey. Along with you, the Legislature, with the very strong and very able leader, the Senate President, we recognize how critically important our dredging needs are and how they can no longer wait. We understand that historically there has been a failure to recognize the extent of the problem, a failure to develop a plan to deal with it, and a failure to achieve a consensus when plans were proposed.

I can assure you that that will not happen this time. This administration is committed to the Senate President and to the people of the State, and will continue to commit tremendous attention to resolving this issue. We know you are equally committed. The leadership you have shown on this issue will ensure that we will not have to revisit this problem in the future. Together, we will solve it once and for all.

Thank you, Mr. Chairman.

SENATOR KYRILLOS: Thank you very much, Commissioner.

Before we get into any questions or comments, Commissioner Shinn, welcome. Thank you for being here. We are interested in hearing your comments.

COMMISSIONER ROBERT C. SHINN JR.: Thank you, Chairman Kyrillos and Senate President DiFrancesco, for your attention to this issue and your leadership, because the resolution of this issue is about leadership and consensus and resolving the issue. I think that although the

process we have been through is frustrating, we are arriving at some consensus on ways to address this issue.

Gil mentioned several of the areas that we are exploring. I think some of the progress that we have made that does not seem to garner the amount of attention that it should is the amount of progress we have made in permitting different techniques for dredging, whether it is uplands, subaqueous pits, or beneficial reuse. I think a lot of progress has been made. We have a manual out on those permitting processes. We are sharing that data with New York.

I met with Port Authority of New York officials last week at the World Trade Center and reviewed some of the processes that New Jersey is pursuing. I think there is a working relationship between the two states that is starting to gel. That is very important to the ultimate solution, because New York is a critical part of this process.

I can tell you that we are looking at all aspects, whether subaqueous pits in the harbor, subaqueous pits in the ocean, upland disposal in various areas. We are working with officials in Bayonne on some of their concepts. We are working with our Hazardous Site Mitigation people on using dredge sediments for part of the closure process on hazardous waste sites. An area where I think we have a lot of potential is creating products from a beneficial reuse and blending process. That is certainly an area we are going to give a lot of attention to.

I think we are really poised for a solution. The commitment by the Senate President, I think, on a bipartisan basis -- as the Senate President

pointed out -- is part of the solution. Making dollars available when we have the solution implemented is absolutely key to the process.

I just want to thank this Committee's leadership and the Senate President's leadership for addressing the issue. I guess I have said this several times, but I think the various approaches we are taking to this issue, the flexibility, whether it be upland, whether it be an island, whether it be subaqueous pits, having the dollars being able to be allocated to the solution when that solution comes to the forefront, I think, is a very critical part, and I think you have addressed that.

I thank you for inviting me here today. I can tell you, there isn't any higher priority in our Department than the Port dredging.

Thank you.

SENATOR KYRILLOS: Very good. Commissioner, thank you very much.

I think it was Commissioner Medina who said he is looking at September for the Governor to make some sort of a decision, at least from the administration's point of view, on what to do for the medium term -- long term. That is good timing, because that is about when we would need to approve the Senate President's legislation, probably a little bit before that early September deadline if it were to appear -- or so it could appear on the November 1996 ballot. As most people here know, bond issues need to be ratified by the electorate on election day.

I take it from your comments that as we begin to crunch out the details of what to do for the long haul and how to finance it, we have a pretty

good product here, at least to begin with, with the Senate President's bill. Is that correct?

COMMISSIONER MEDINA: That is correct.

SENATOR KYRILLOS: As far as the short term is concerned, it appears to me that you are all working very diligently on some big decisions and some difficult decisions. I know that when you step down and we hear from Brian Maher, of Maher Terminals, Inc., and we hear from the people from the New York Shipping Association, and the representative from the International Longshoremen's Association -- the list goes on and on, the New Jersey Chamber of Commerce -- they are going to be making some pretty clear sounds about the need for a near-term decision that is, in essence, an immediate decision. We have to move forward.

You may not be prepared to get very specific here this morning, but could you speak to what our short-term plan is here in New Jersey from the Governor's point of view?

COMMISSIONER SHINN: I feel strongly that we have some opportunities. I am just going to talk about a situation that really came together in the last 10 days, which we responded to, I think, very effectively.

We have an arsenic/lead contamination problem in the southern part of the State. We went to the local government level and said, "You know, we need a blending site to blend this material to a product level that we can use on DOT contracts, or we can use as daily cover for a solid waste facility." We asked the county government to hire a contractor to operate that site, that we would reimburse them for that activity. What we planned to do -- in the next 30 days -- was remove material that is contaminated from a site, put it

through a blending process, and use it for daily cover in a solid waste facility, or use it for a construction project, and develop a quality of material that lets it be beneficially reused.

I think the same concept-- It struck me going through this process, that reuse process that we put together in a very critical pathway is the same kind of a process we need to look at for exploring beneficial reuses. It is one thing to have a construction project that can use a certain amount of these materials. It is another thing to have a site to prepare materials and get blending for what qualifies as a daily cover or final cap material. It is like the chicken and the egg. You need the site, you need the blending process, you need the development materials, and you need certain standards both from a leaching aspect and from an acceptability process for daily cover at landfills.

I think this is one of the areas that we are really starting to focus on as an opportunity to have some short-term activities that could happen very quickly. So one of the areas we are looking at is also part of closure plans for hazardous waste facilities. The capping process of that-- We are looking at Category 3 material, as capping is part of closure for hazardous waste sites. We are identifying them. We are looking at what kind of capacity is available at those sites.

So I think we are coming to more of a consensus with all the various groups that are involved in this issue. I think we have some very good opportunities, in the short-term, to really address this issue seriously.

SENATOR KYRILLOS: Commissioner, on the beneficial use side, how much can be diverted for that use -- for beneficial use -- as opposed to

some other way of dealing with this problem? Is it a large percentage? Is it a small percentage?

COMMISSIONER SHINN: Well, I don't have a cubic yard answer for you, but I can tell you that the landfill that I am familiar with in Burlington County buys 750,000 cubic yards a year of daily cover, for daily and intermediate cover on their solid waste facility. That is a facility that has a volume of about 500 tons per day, so it is not a vastly large facility. We have several operating landfills throughout the State, so there is a significant amount of capacity available for daily cover.

Construction projects, what quality of materials we can build for beneficial reuse, is another issue that I do not have a finite answer for. However, I can tell you that I have had discussions with Commissioner Wilson, and he is very susceptible to looking at materials for beneficial reuse on highway construction projects, blended materials to conform to a certain standard. I think between those two uses there is some significant capacity. If you look in the areas of hazardous site mitigation and the identification for the need for capping of those sites, and using Category 3 material in that capping process, this is a very viable option and has some significant capacity available.

We have not gotten all of those specifically identified for capacity, but there are more opportunities, and every opportunity we have we need to put together resources to take advantage of them. So I think we are coming closer to those types of reuse opportunities.

SENATOR KYRILLOS: For those kinds of opportunities, what would be the funding source to pay for it?

Well, obviously, we need funding sources, and I think Commissioner Medina may be able to address that more in the short term. When we have a need for funding, we always turn to the Port Authority to be a lead on some of these projects. They have been very responsive. We are talking to them about the lead on the EIS for the ocean pit investigation. So the Port Authority is one avenue that we have been successful with to this point as a lead, but we certainly need other opportunities. I think Gil may talk to some State funding opportunities and certainly a need for a larger funding area. This is very evident and this is what this bill addresses. I can tell you from my perspective that that is a very welcome addition to our tools to get this job done.

SENATOR KYRILLOS: I want to take a moment, Commissioners, to welcome our colleague, Senator McGreevey, from Middlesex County, who has joined us since the meeting began.

Commissioner -- well, either one of you, really -- when we talk about short term, I suppose that is defined differently by different people.

COMMISSIONER MEDINA: Yes, yes.

SENATOR KYRILLOS: So for me, you know, who is not working on this issue on a daily basis as you are, or the key members of your staff are, what do you mean by that? How does that jibe with what other people are going to say when they get up here?

COMMISSIONER MEDINA: Chairman, that is a very important question, because I think one of the problems we have had in the past when we have discussed the dredging issues was that we have not had terminology that everyone understood in the same way. From a cash flow standpoint, we

can divide the dredging issue into three distinct phases: First, immediate, and that is the dredging that has to be done within the next six months. Second, intermediate, the dredging requirements over the course of the next year to three years. When we refer to long term, we are talking about a solution that is going to be in place and is going to be a permanent solution three years and more out.

Our proposed approach is to develop a proposal to resolve the immediate and intermediate dredging issues, and, with regard to the long-term dredging issues, in consultation with the Senate President, try to come up with technologies, methodologies, and identifying sources of funds that can supplement the State commitment to this project.

As I said before, there are the three categories. The Army Corps of Engineers and the EPA have basically indicated to us what the percentage of the dredge spoils are with each of these categories. The cost for the dredging of each is incremental. For Category 1 materials, if you do ocean dumping, we estimate that the standard cost would be about \$8.60 a cubic yard. For Category 2 materials that have to be disposed, they can be disposed in the ocean under Federal regulations. The cost would be about \$35.00 per cubic yard. If we have to do any type of upland disposal, we estimate that the cost would be \$57.50 per cubic yard.

That, I think, gives you a sense of the quantities we are talking about and the costs. There are two different kinds of projects that we have identified. Public projects: These are projects that basically are common areas that are within the public domain and, therefore, the public has to pretty much dredge these areas. Private projects: These are basically areas that are owned

by private operators, and they will be incurring the costs. We hope that in the future we can announce some support to those private operators in the dredging process.

One of the intermediate solutions that we are looking at very closely is a Newark disposal facility. We feel that would be the intermediate solution to the problem of dredging. As I said in my testimony, that will cost the State approximately \$50 million, in our estimate right now. That's our estimate.

SENATOR KYRILLOS: This is a New York site you are talking about?

COMMISSIONER MEDINA: The Newark Bay facility.

SENATOR KYRILLOS: Newark Bay facility, I'm sorry.

COMMISSIONER MEDINA: Yes, the subaqueous pit in the Newark Bay.

Those are the types of projects we have identified as the projects that have to be resolved in the intermediate and immediate terms. In terms of financing mechanisms, that is precisely what this Cabinet committee the Governor has created is considering. We have several recommendations. I prefer not to discuss them right now until the Governor accepts one of the recommendations that are being submitted. But I can tell you that in terms of the immediate and intermediate, we have identified sources and uses of funds to resolve those problems.

Obviously, if we are looking at projects that are going to cost-- If an intermediate and an immediate term we are looking at cost up to \$90 million, it would seem that the Senate President's numbers in terms of the

long-range problem may be on target. The question is going to become: To what extent can we rely upon sources other than State sources, such as Federal sources and Port Authority sources? To what extent is the State of New York going to cooperate with us? Those are the issues, I think, that the Senator very appropriately indicated today have to be worked through.

His leadership has been very instrumental in keeping the focus, not just on the part of New Jersey, but also on the part of our congressional delegation and the State of New York on this issue.

SENATOR KYRILLOS: The recommendations you alluded to, to the Governor, they are recommendations for a short and intermediate term response?

COMMISSIONER MEDINA: Yes, yes. In terms of a long-term response, what we would like to do is work with the Senate President and his staff and, Mr. Chairman, you and your Committee, to explore all the options. I think the Senate President has indicated very clearly that we have to make certain that our partners in this process -- the State of New York and the Federal government -- really come to the table with us in a significant way. I think that is going to be the challenge over the next six months in terms of the long-term solution.

SENATOR KYRILLOS: So you expect, Commissioner, some kind of an announcement of sorts from the Governor or from members of her Cabinet on these recommendations?

COMMISSIONER MEDINA: Yes. It will be the Governor who will make the announcement.

SENATOR KYRILLOS: Relatively soon.

COMMISSIONER MEDINA: Yes, sir. I would say in April. The Governor is going to look at all the options that we propose to her. After she has had a change to review them, she will meet with the Senate President to get his advice on what he feels would be the most appropriate mechanism. Hopefully, in April, the Governor and the Senate President will be able to announce a solution to the immediate and intermediate problems.

SENATOR KYRILLOS: So if we were holding this hearing in late April or early May, we would have some news to convey to interested parties and people concerned about our economy?

COMMISSIONER MEDINA: Yes, sir, that is our anticipation, yes. If everything stays on schedule, that is what is going to happen.

SENATOR KYRILLOS: Commissioner, you probably don't want to comment as to whether or not the recommendations require legislation or not. I mean, those are things that you think the Senate President and the Governor have to iron out.

COMMISSIONER MEDINA: Yes, I think those are the things that the Senate President and the Governor, once the Governor has had a chance to explore the recommendations of her Cabinet committee, will discuss and agree upon.

SENATOR KYRILLOS: The \$90 million figure that you referenced to pay for the near term and intermediate term, was that the correct figure?

COMMISSIONER MEDINA: Yes, that is the correct figure.

SENATOR KYRILLOS: That figure is chunked up by New Jersey, the Federal government, the Port Authority?

COMMISSIONER MEDINA: No, that is New Jersey. That is going to be only the New Jersey State share. That is assuming that the State of New Jersey--

SENATOR KYRILLOS: Even for the short term?

COMMISSIONER MEDINA: For the intermediate and the immediate term, if the State of New Jersey goes at it alone, with support from the Port Authority and with Federal support that we think will be available, that will be the State's share. So this is a very costly process when you start looking at the long-term solution. That is why the Senator's numbers--

SENATOR KYRILLOS: The \$90 million figure is above and beyond the long-term bond issue response of the Senate President.

COMMISSIONER MEDINA: Yes.

SENATOR KYRILLOS: You think the \$90 million is just the State's share?

COMMISSIONER MEDINA: That is going to be approximately the State's share just to resolve the immediate and intermediate dredging problem. We are assuming that the Port Authority of New York and New Jersey, and we are assuming that the Federal government will provide additional resources to help to support this project, but that is above and beyond--

SENATOR KYRILLOS: Above and beyond the \$90 million?

COMMISSIONER MEDINA: Above and beyond that. We are still trying to determine how much we can secure from the Port Authority and from the Federal government.

SENATOR KYRILLOS: The private channels that need to be dredged are handled, I take it, very differently from the public projects?

COMMISSIONER MEDINA: Right. Now, keep in mind, also, that we are also assuming that in terms of the Newark Bay disposal facility, there are going to be tipping fees. We feel that private operators will be able to dispose of their dredge materials there for a reasonable fee, which, I think, will be acceptable to all parties.

SENATOR KYRILLOS: Does that contribute to the State's share that you are talking about?

COMMISSIONER MEDINA: That contributes to the \$90 million, yes. It will contribute--

SENATOR KYRILLOS: It does. You don't know what percentage?

COMMISSIONER MEDINA: I prefer not to comment, Mr. Chairman, because the tipping fee -- how much that fee is -- is something that is part of the different formulas we are looking at. Until the Governor decides what her preference is going to be and she meets with the Senate President--

SENATOR KYRILLOS: So what you are saying is, we may have to have a public hearing just on the tipping fee alone someday for this crowd?

COMMISSIONER MEDINA: Well, I think considering the various options, Mr. Chairman, the tipping fees are going to be viewed as a very, very attractive option. As I said, if--

SENATOR KYRILLOS: An important investment for people?

COMMISSIONER MEDINA: Absolutely. If we were to do ocean disposal of Category 2 material today, we estimate it would cost about \$35 a

cubic yard. So if we can charge an amount that is substantially less than that, we feel that anyone would be more than willing to avail themselves of those facilities that, hopefully, we are going to constructing.

SENATOR KYRILLOS: Senator McGreevey, any comments?

SENATOR MCGREEVEY: Sure.

I just applaud Senator DiFrancesco for moving forward on this legislation. In fact, in the last session, I drafted legislation which proposed a siting commission when this was less of an attractive issue than it is today.

The concern I have for both Commissioners representing the Governor is that we talked this issue literally to death, and yet the Port is strangling. One of the things I am concerned about is -- I guess for Commissioner Medina or Commissioner Shinn -- do you agree with the Governor's position not to utilize the mud dump for Category 2 sediment?

COMMISSIONER MEDINA: Let me explain the justification here.

SENATOR MCGREEVEY: No, I know, I am very familiar with it.

COMMISSIONER MEDINA: Let me explain the administration's perspective on this, Senator, if I may. On the one hand, we have the Port facility, which is a \$20-plus billion dollar revenue generator a year. On the other hand, we have our travel and tourism industry, which is--

SENATOR MCGREEVEY: Commissioner, I am very familiar with the issue.

COMMISSIONER MEDINA: Senator, if you want me to answer the question, I will, Senator. If you want to answer the question for me, then you answer it.

SENATOR KYRILLOS: Senator, let me jump in here.

Commissioner, you may answer in your own way, but we will keep it tight so that Senator McGreevey can move on with his line of questioning.

COMMISSIONER MEDINA: It's a very simple thing, Mr. Chairman. We have two contending concerns here. We have two very important industries to the economy of the State: Travel and tourism, which generates \$22.8 billion worth of revenue a year; and our ports which generate in excess of \$20 billion a year.

The concern the administration had was that even the perception that our beaches were somehow or other being jeopardized by the disposal of dredge materials at sea could injure the travel and tourism industry. Those were the two concerns that the Governor was trying to balance.

The obvious solution here is-- Since we are not dealing with a lot of Category 2 materials, the obvious solution to this problem is that if State government develops and imposes standards that are above and beyond the Federal standards, the State government should come up with a subsidy to compensate private operators who now are going to have to basically abide by a higher standard than they would have but for the concerns for the travel and tourism industry.

I think, Senator, that I am trying to tell you that that is the Governor's rationale. It is a very reasonable, I think, concern. It is a very rational concern, and, yes, I do support it. I do support the Governor's position.

SENATOR DiFRANCESCO: May I jump in here, Jim, and then come back to you? (no response)

You know, we have been talking about this for a long time. As a result of talking about this -- as Senator McGreevey has indicated -- I became more and more frustrated, and I think, sometime in October of 1995, I tried to bring this issue more to the forefront than it had been from a media standpoint. Now it is April 1, about, and I have to accept a little bit of what Jim says. Believe me, I know you are our friends, both of you are our friends, all three of you are our friends, and you are merely messengers here. I think everyone in this room understands that.

It is now almost six months since I wanted to bring this issue to the forefront because of the problem with the short-term solution. As you have indicated, the work and the planning and the discussion regarding the intermediate solutions and the long-term solutions have been much greater and much more detailed than any other administration ever got involved in. There was very little involvement in the past by any Republican or Democrat administration. But that is the way it is.

We stopped. The sludge doesn't go into the ocean anymore. Solid waste is not dumped into the ocean anymore. But everyday household waste is disposed of in the land somewhere in this country, toxic substances that people dispose of in their solid waste somewhere in the land, somewhere in this country -- New Jersey, Alabama, Indiana, and what have you.

We need to deal with it now with a short-term solution. It is ironic to me -- and I know I am not asking any questions, but it is frustrating for me -- that we are criticized as a legislative body for hesitating to require the much more stringent admission standards that the EPA wants the Northeast to have for cars, inspections, and things, because of clean air.

In this instance, the Environmental Protection Agency, which is the same Agency, says it is okay. It is okay. It is safe to dispose of these Category 2 materials in this mud dump. We don't dispose of the toxic substances. The beaches have never been cleaner, Gil. I walked them a lot more, probably, than 95 percent of the people in this room for 45 years. I have been doing that, and they are cleaner, much cleaner than when I was a kid, because of all of the things that have been done.

SENATOR McGREEVEY: Forty-five?

SENATOR DiFRANCESCO: Well, I'm 51 now, Jim. (laughter) But the house has been there for 45 years -- my mom's house, not mine -- my mom's, in Lavallette.

So I recognize a lot that has occurred, and I supported those issues -- as did other members of the Senate -- over the years. Tom Kean, particularly, I know, took a strong stand against ocean dumping, and so has the Federal government. But in this instance, you know, this is something that has been going on that we have stopped. We have stopped -- this administration has stopped doing what previous administrations have been allowing to be done with respect to the Port.

Now, if, in fact, we have identified some particular industry or shipper or whoever was responsible for this problem, of course, we would look to that individual, that entity, but that is not the case here. They are not responsible for the problem that we have created. We have created it by inaction in their industry. We deal with all kinds of industries every day all over the State trying to solve their problems, whether it be the hospital industry, or some other entities as an industry. I know you do. You deal with

them, and so does Bob. Bob is dealing with-- He mentioned the Burlington County issue. The Ocean County issue got a lot of publicity, where the cancer rate among children is higher than they say it should be. Right now, they are testing the water down there because of, perhaps, land dumping that occurred in the past, or whatever.

We continue to dump into the land in the United States. These materials, as has been stated by the Army Corps and the EPA, which are generally pretty tough, are okay to dispose of, at least on a short-term basis. I think the crux of the matter here is that you are actually developing alternatives. You are actually working on intermediate solutions that have not been done in the past. You are actually working on long-term solutions. You have proof of that. The Port Authority and everyone else involved know that 12 months from now, or 18 months from now, there will be alternatives. Tomorrow, there is no alternative, and that is the frustration of it, because it is already six months since I said, "We need a short-term solution," and six months is short term. Six months have gone by, and today I have to tell people, "We are working on a short-term solution," six months after I said, "We are working on a short-term solution." We have to fish to cut bait -- sorry to use that expression -- at this time.

You are the messengers, I know, and you are my friends. I probably know how you personally feel. A higher authority has to be more involved in this issue, with New York, with the Port Authority. Mr. McDonough has done a lot of work on this issue, I understand that. I am very interested in protecting the shore, or we wouldn't have \$15 million a year in

the budget to protect the shore. At Joe's urging, we adopted this in the budget several years ago -- in 1992 or 1993.

But there is a balance here. You know, we need to do things for tourism, and we will continue to do that. This will not affect-- The short-term solution here has never and will not in the future affect our ability to develop the tourism industry along the coast. It is, I think, as strong as it has been. Under your leadership, it has been stronger the last couple of years. I see it myself firsthand, and I commend you for that. Your ads are a lot better than the tax amnesty ads, let me tell you. (laughter)

COMMISSIONER MEDINA: And they cost much less.

SENATOR DiFRANCESCO: They are the worst ads I have ever seen -- or heard, because I refuse to see them -- I have ever heard in my life. They are New Jersey at its worst, but that is another issue. I had to say that.

COMMISSIONER MEDINA: Mr. President, if I may respond to your concerns and Senator McGreevey's concerns: Obviously, they are very, very important concerns. Let me just propose two points here in justification of the administration's position on Category 2 materials.

First of all, tourism in the United States is declining. In 1995, we lost eight million visitors in the U.S. Fortunately, New Jersey, while the national tourism numbers were decreasing, ours were increasing. Ours increased by 300,000. Last year, in terms of revenue, we had the best year we have ever had. I would just like to propose that when you are dealing with something like tourism, where people have a lot of choices of venues, perceptions are sometimes even more important than facts.

I would just like to say that with regard to Category 2, the Army Corps of Engineers has indicated that only 20 percent of the dredged materials that we are contending with are Category 2. The majority of the problem is Category 3, which represents two-thirds of the dredge spoils.

My recommendation to the administration is that if we are going to impose standards that are higher than Federal standards, the State should subsidize the operators of terminals for that differential. That should not be a cost that they should incur. I believe that is the kind of solution that we have to move forward with. What it would do is protect two important industries, and it would not impose externalities of our decisions on the shipping industry.

I think, Mr. President, that probably is the most rational and fair solution.

SENATOR DiFRANCESCO: But if we are to have a short-term alternative of disposing of these materials on land somewhere -- and the only site I have heard is that Orion site, and even that is in dispute -- then we should be doing that. I guess that is what I am saying. We should be doing something now. It has been six months since I even said something about it, and it was a year before that since we started talking about this crisis. So the short term has passed, from that standpoint.

COMMISSIONER MEDINA: Well, I would just like to propose, Mr. President, that this has been an issue that has been confronting -- as you yourself have mentioned -- various administrations for the past two and a half decades.

I guess what I am saying is, the process has been a very difficult one. The process has been difficult because building a consensus in a State like

New Jersey is very difficult when we have so many contending interests and contending views.

I guess what I am trying to say to this Committee today, and particularly to you, Mr. President, because of your leadership in this area, is that by April, we will have a solution to the immediate and intermediate problems. By the fall of this year, we are going to have a solution -- with your support, advice, and participation, a solution to the dredging issue, so that future generations of legislators and people in the administration will not have to deal with this issue again.

I wish we had been able to come up with a solution the first six months that we were in office. I wish that the Byrne administration had come up with a solution to this problem.

SENATOR DiFRANCESCO: Gil, let me just say this: In 1976, my first year in the Legislature, they came up with a solution for education funding. It is 20 years later, and we are still coming up with solutions.

SENATOR McGREEVEY: Exactly.

SENATOR DiFRANCESCO: But we need to make progress. We made progress then, presumably. We will make more progress this year. But there is no progress here, and that is--

Jim, I'm sorry.

SENATOR McGREEVEY: No, no, I just-- Through the Chair, through Senator Kyrillos, one, this isn't a partisan issue, by any stretch of the imagination. What is problematic is, as of 1993, 95 percent of the harbor sediment tested as clean, Category 1. As you are well aware, subsequently, the U.S. EPA, Region II, shipped to the protocol.

The problem I have with the entirety is, Senator DiFrancesco has put forth a proposal that I think merits strong support. I just have a number of questions. The first one to Commissioner Shinn: What is the latest result from the sampling at the mud dump regarding the preliminary evaluation?

COMMISSIONER SHINN: The general sampling protocol basically indicated that aside from the southwest quadrant, I guess, of the mud dump-- When I talk about the mud dump-- I am talking about a small area, and the mud dump area is a larger area. When you leave the mud dump area, I guess, aside from most of the northeast and northwest quadrants of the mud dump -- has been indicated as exposed Category 3 material from historic dumping practices. They go back, I guess, to the turn of the century.

As you know, the EIS that is going on by the Army Corps currently will make recommendations on whether we need to cap that parahistoric area, which is roughly 10 square miles, or there will be hot-spot capping, because there is biological activity that goes on there.

The recent tests I have seen on fish in the area have been positive. The levels in fish tissue have been lower than the EPA-established health levels by FDA. So that is encouraging. There are some other shellfish tests that are in process that we haven't seen the results of yet, but they will be forthcoming shortly. They are more sensitive to pollution.

The southwest quadrant is where we are looking at the subaqueous pits for Category 2. We have done some seismic studies out there that are completed relative to the highest quality material, where the optimum areas are to do our core borings for those materials to be beneficially used.

So when you look at short-term capacity at the mud dump, depending on whose estimate, but I think generally, we have-- If the administration would say, "You can go to the mud dump with Category 2 today," there is very limited capacity there for Category 2, because of the depth constraints, the minus 75 feet, and so on. It is part of the EIS that is going on now. They are looking at both the depth restrictions and the area of the mud dump for disposal of Category 1 and Category 2. So, under the restrictions that are imposed now, there is very little capacity available for Category 2, if we could go there today.

I think there is a lot of frustration on this issue, but I think there is a lot more progress than meets the eye both on looking at environmental impacts on dredge disposal and going through the permitting process of what we have to look at, whether it is upland, subaqueous pits, reprofiling, beneficial use, the whole litany. We have protocols to bring those applications through the process. I guess the applications that have gone through the process provided some disappointment to me. We did a lot of work on the MOTBY application and issued a permit. Ultimately, the MOTBY facility went through closure. We have not lost sight of that yet. We are still working with Bayonne on that issue, but we have not lost sight of the ability that that permit holds.

Orion, as the Senate President mentioned-- We got our test results in last Friday. We are quality assuring that data now. We expect, hopefully, by the end of next week that we will have an Orion permit produced on that site. So even though that is only something in the area of 150,000 cubic yards, it is--

UNIDENTIFIED SPEAKER FROM AUDIENCE: We can't hear you back here.

COMMISSIONER SHINN: I'm sorry. I'll grab the microphone.

Even though the Orion site is only in the area of 150,000 cubic yards, I think it is very significant because it is an upland process that went through a lot of scrutiny from an environmental standpoint, and we are issuing an upland permit.

SENATOR MCGREEVEY: One of the concerns -- and perhaps Commissioner Medina, again-- I just want Gil to know that I like him personally.

This issue has been particularly frustrating, because as the administration puts forward the most recent plan -- and it is my understanding that it will accommodate upwards of three million cubic yards of material-- According to information I have received from the Port Authority, the Port Authority estimates note that over 20 million cubic yards of material must be dredged through 1999, at, approximately, an average of four million per year.

What is of concern is, concurrent with that obvious backlog, the Corps has a backlog of more than 20 permits to dredge awaiting approval. The frustrating aspect is that the Corps estimates that at the end of 1996, more than 10 million cubic yards of contaminated sediment will have to be dredged merely to keep the Port, at a minimum, operational. At the end of 1997, the total will rise to 15 million cubic yards; at the current rate of accumulation, 20 million cubic yards to require disposal.

The concern is that the project -- you know, Assemblyman Corodemus and the Dredging Materials Management Team -- looking at the utilization of the Newark pit--

Two questions: It is my understanding that there will only be three million cubic yards of storage capacity at a cost which is, obviously, in flux.

Due to contamination at the site itself, that will actually utilize a certain percentage, and-- The obvious question would be: If we need 20 million cubic yards of storage through 1999 and we are planning for 3 million, what in God's name are we going to do with the 17 million?

COMMISSIONER SHINN: Let me just tell you where we are on the numbers. Mine are staying in the numbers, see. The most recent inventory of the dredged material that I saw was at the EPA/Army Corps presentation about two weeks ago. It indicated that we have 20 million cubic yards over the next five years--

SENATOR McGREEVEY: Yes.

COMMISSIONER SHINN: --54 percent of which are Category 3. That means that we have 10 million cubic yards Category 3 to deal with from an existing inventory over the next five years--

SENATOR McGREEVEY: Right.

COMMISSIONER SHINN: --or 4 million yards a year, half of which is Category 3 -- or, we are looking at 2 million yards of Category 3 annually.

The Newark Bay Pits, where initially we were looking at 14 million cubic yards of capacity, because of cores and identified past Category 3

materials that were deposited on those proposed areas, the 14 million, in relocating the pits and in the relocation process-- Those pits were relocated in areas where borings indicated that this material that is on top of the proposed pits may well, in fact, be Category 1 materials. So there is very little of that material that will require Category 2 or Category 3 disposal capacity.

We are looking very close to a net capacity of three million yards in those pits. So if you are looking at two million yards a year, basically that facility alone provides, like, a year and a half capacity for disposal. You had the Orion type capacity. I think that once you get through this first permit of upland disposal, I think we are going to see more upland disposal applicants from the private sector. Certainly MOTBY holds some promise for some dredging activity. I think there are roughly 350,000 cubic yards there. We are working very hard on an upland beneficial reuse of soil blending for either construction or daily cover for land filling activities. We think that holds some significant capacity for Category 3 material.

In general, those are the types of processes we are looking at.

SENATOR MCGREEVEY: Through the Chair, Commissioner, this is the Port's evaluation. You are not debating the figures, which is something that-- Thankfully, there is something in government on which all parties can agree, that, ultimately, there will be 20 million cubic yards of material, and roughly 4 million per year.

I mean, the concern is, immediately, you know, when we move forward on 3 million, we are at 17 million. The reality is, I mean, 17 million for upland storage is bordering on absurdity.

SENATOR DiFRANCESCO: Well, you are discounting the technological potential.

SENATOR McGREEVEY: Technological -- I hear that word all the time, technological wonderment. Frankly, I mean, we are not going to have a miracle.

SENATOR DiFRANCESCO: It's real, you use a fax machine. I mean, there is the potential -- strong potential--

SENATOR McGREEVEY: The reality is -- to the Commissioner-- I didn't realize that we had a technological expert on the--

The reality is, we are having a rough time with 3 million, and there are 17 million that are unaccounted for. The problem is-- I realize that under the best case scenarios that immediately the Governor must provide a way to dispose of -- and this is the Port's evaluation -- 2.3 million cubic yards of contaminated sediment. That's immediately, 2.3. That is enough material to cover 800 acres of open ground in a layer of mud over 2 feet deep, for that 2.3.

Now, to think that somehow we are going to times that by seven, at a minimum, is not at all realistic. I realize the scope of the problem is very substantial, Commissioner, but one of the things that is particularly frustrating is that-- I mean, we have a long-term solution on containment now, which is something, frankly, that I have been talking about for a long time, and I am glad for this concurrence with maybe a few individuals on both sides of the aisle, and Commissioners. That is the long term.

My concern is that the ostensibly interim solution is de facto unacceptable by virtue of the fact that it simply will not accommodate anywhere near the necessary dredge spoils. We can't talk this problem to

death, which we are all equally guilty of doing. The reality is that there is not a finite, detailed, specific plan to accommodate these 20 million cubic yards of dredge spoils. There is nothing in writing. What we are talking about are 3 million, 4 million at best. The problem is, we are going to be back here next year, the year after that, even if we move to utilize the pits.

COMMISSIONER MEDINA: You know, Senator, you have raised a point that is very important, which is that we have to segment the problem into the immediate, intermediate, and long term. We plan to have a proposal announced in April to resolve the immediate and intermediate problems, the three million, approximately, cubic yards you talked about, which will keep us for, you know, possibly up to three years, maybe less.

In the meantime, we are going to be working with all interested parties. We will be consulting with Senator DiFrancesco and his staff, with your Committee, with you, Senator, and hopefully by the fall we will have a definitive solution for that long-term problem. There are a lot of options that are being considered. Commissioner Shinn is working continuously on developing-- There are alternatives. The question is going to be: Which alternatives are we going to choose as a State?

There are alternatives to accommodate the approximately four million, five million cubic yards a year. The questions are going to be, Senator: Which ones are we going to choose as a State, and how do we pay for it? What is the methodology for paying for it?

SENATOR KYRILLOS: Senator, can we wrap up your remarks so we can move on?

SENATOR MCGREEVEY: Sure, I will wrap up.

I have the greatest respect for the job Commissioner Shinn is doing. The frustration is that a corporation such as GATX, which is in my district, was informed by McDonough that they will not be able to use the storage space. The reality is, within my district, the 19th District, within my community of Woodbridge, Chevron, Shell, Hess have all told me, frankly, that there are job losses due to the inability to bring up containment vessels.

What is particularly frustrating is that -- whether it is a Republican or Democratic administration -- there is not the wherewithal to make a bloody decision, to articulate a specific game plan, to adhere to it with definitive guidelines. It is particularly frustrating when there are actual job losses being impacted as a result of the inability to set forth a course of action.

I am mindful-- I mean, I sort of debated, I debated Steve and Cindy Zipf on New Jersey Network. Ultimately, it is, as Gil said, a balance. But what is particularly frustrating is that when we talk about an ostensible interim solution which is not an interim solution-- I mean, it is as if, you know, we are hamsters on a wheel, that we are going to be back here doing the same -- undertaking the same discussions. In the meantime, people aren't working, the Port is dying, people are going to Halifax. One hundred and fifty ships were turned away last year from the Port Authority. That is one every other day.

What is particularly frustrating, not only in terms of the maritime industry, to the ILA, is the impact this will have on our economy. Once these ships go to Halifax, to Norfolk, or to Baltimore, those patterns are established. The Corps is moving out of the Port Authority of New York and New Jersey.

I think this is a slow, strangling process. I think we need an interim plan which handles -- which proposes an interim solution.

I was with Congressman Menendez yesterday. Both Congressman Menendez and Congressman Franks are willing to assist in providing the containment island, but I think it is particularly frustrating that the State government itself isn't willing to step forward and place a definitive, scheduled, interim plan which is realistic.

SENATOR KYRILLOS: Let me interject here. I think the tone of Senator McGreevey's remarks is on target, but we are not going to craft a plan here this morning. We cannot micromanage the process from this Committee table.

SENATOR MCGREEVEY: We'll wait another two years.

SENATOR KYRILLOS: We are going to eagerly await the April report, the September report. It may need to be more like a late July report. If we are going to move on this bond issue now, we need to start to think about that. I think it is early August that the Legislature has as a deadline to pass it so it can be on the ballot in November.

You have enormously difficult jobs. I know that, we all know that. Nobody has been a stronger proponent of the tourism industry -- the travel and tourism industry -- in New Jersey than I have. I am very concerned about what happens along the New Jersey coast. But I have to tell you, as a member of the Appropriations Committee, a Committee assignment, another one that the Senate President has given to me, it is becoming enormously difficult to make sure that shore protection dollars are there, to make sure that there are adequate moneys for travel and tourism advertising, to make sure, Gil, that

you have the tools you need to do a good job to promote economic development in New Jersey.

There have been some proposed cuts, tough cuts to your Department that I am not sure I agree with. I think that is one area of State government that we ought to beef up and enhance, so we can compete for many of the jobs we are losing around the country and around the world. If we do not grapple with this problem and we continue to hemorrhage jobs, we are not going to have the dollars in the State budget to make sure we have the kind of travel and tourism industry that we have now and we want to continue to have in the future. I would maintain that its health is directly linked to this issue and to other job-oriented issues like it. I know you feel the same way. So we are going to continue to move forward.

Thank you very much.

SENATOR DiFRANCESCO: Thank you for being here.

COMMISSIONER MEDINA: Thank you.

COMMISSIONER SHINN: Thank you.

SENATOR DiFRANCESCO: It was difficult for Alan to sit there that long without saying anything. (laughter) I have never seen that.

A S S T. C O M M. A L A N J. S T E I N B E R G: I have become a model of placidity.

SENATOR KYRILLOS: It finally took Gil Medina to train Alan Steinberg, to tame him. Even Chuck Haytaian couldn't do it, Mr. President.

ASSISTANT COMMISSIONER STEINBERG: You always hold the pit bull in reserve. (laughter)

SENATOR KYRILLOS: I guess that means that Senator McGreevey was calm this morning. I am not sure that that means exactly.

Phil Beecham, from the Alliance for Action.

Phil, before you begin -- and each and every person who will come up to testify -- I have a sense of what you are going to say. I know the Senate President does, too. I am going to ask everyone to keep your remarks to between three and five minutes. At the five-minute mark, I am going to cut everyone off, for certain. I hope you can summarize before that point. If you have a written statement, give it to us and we will make it a part of the official transcript. You may summarize it orally before us today.

With that, Phil Beecham, welcome. It is good to have you with us.

PHILIP BEECHAM: Thank you, Senator Kyrillos.

Members of the Committee, I am Phil Beecham, President of the New Jersey Alliance for Action. For those of you who do not know, the Alliance for Action is a nonprofit organization representing some 600 members on economic development issues, with specific emphasis on infrastructure issues.

The channels we are talking about, and the berthing areas, are essentially the highways of our water. There is no greater issue impacting the economy of this region than the lack of dredging. There is no greater legislation impacting the economy of this region than the legislation you have before you today. I might add, there is no greater legislation which will have a positive impact on the environment of this region than the legislation you are considering today.

You are facing a decision, a fundamental decision as to whether the Port in this region will be a world-class Port, or whether the Port in this region will become a second-class Port. It is as an important decision as one that was made many years ago when the decision to provide containerized infrastructure on this side of the Port was made. At that point, the industry was changing, and changing dramatically. You made the decision, this region made the decision to invest in the infrastructure that secured the survival of this particular Port.

You have a very historic decision that you are making here, no less important than the one that was made by your predecessors.

I want to congratulate Don DiFrancesco. I have been to meetings for the past nine years on this dredging issue. I have heard more nonexperts give expert testimony on dredging than I care to even enumerate. I have heard more experts talk about how their technology would solve this problem, yet I have not seen any action until this legislation. Senator, I want to congratulate you personally for taking the initiative to put something down that we could take action on.

I want to pledge the support of the New Jersey Alliance for Action and our county affiliates to this legislation, not only to secure passage in the legislative body, but I want to assure you that we will work diligently to convince the voters of New Jersey to support this legislation when it comes before them on the ballot in November.

I also want to pledge our continued support to Commissioners Shinn and Medina, the members of this Committee, and the Legislature to work on resolving the immediate crisis that impacts many applicants who have

permits that cannot move forward in order to secure the necessary disposals they need.

Thank you.

SENATOR KYRILLOS: Phil, thank you very much. Having worked with you on efforts to pass bond issues in the past, anyway the Transportation Trust Fund bond issue last year, I know how potent a force the Alliance for Action can be to make sure that the vote gets out and that there is a successful outcome.

MR. BEECHAM: Thank you, Senator.

SENATOR KYRILLOS: Give our regards to El Caesar.

MR. BEECHAM: Will do.

SENATOR KYRILLOS: I know he has a severe time constraint, so I want to bring up John Holtz, from the New Jersey Petroleum Council, for a quick few minutes.

JOHN HOLTZ: Thank you, Senator. I appreciate your courtesy.

We also support S-95. We think it is a great thing.

By the way, just by way of introduction to the Committee and those who do not know me, I am John Holtz, with the New Jersey Petroleum Council. We represent the oil companies that operate here in New Jersey, and in particular those that use the New York Harbor to move their oil.

With me is Mike Karlovich, who is with the Bayway Refining Company.

SENATOR KYRILLOS: Right. Welcome, Mike.

MR. HOLTZ: Mike has a couple of things to say as well.

As probably everyone else in the room will say, we enthusiastically support Senator DiFrancesco's bill, S-95. It will provide funding -- much needed funding -- to take care of some of the dredging problems that have been enumerated time and time again.

Just two weeks ago, I was up in the same area when Congressman Franks pledged his efforts to provide the Federal share of that money. I think the two legislations certainly complement each other, and they are going to make a big difference in the long term.

I have to emphasize -- and I know you feel the same way, Senator -- that for all its merits, S-95 is really about the long-term picture. It doesn't do much to solve our short-term dilemma. I am encouraged by the things I have been hearing, most recently from Commissioner Shinn as to his efforts to make some headway on this immediate situation.

From our perspective-- We have a little bit of a unique perspective, in that the New York Harbor is the busiest oil-handling Port in the U.S. In fact, the Bayway Refinery is the number one shipper of oil in and out of this harbor. Not only is there an economic side to that story, but there is also an environmental concern here. I know you are concerned about shore protection. So, while we cannot dredge, the liability and the increased risk of spills is something that needs to be considered as far as protecting New Jersey's number one natural resource, our shore area.

We have seen, over the last several years, that lightering has increased tremendously. Lightering is the process of off-letting oil from the larger vessels to smaller vessels because they cannot get in, because there is mud in their berths. You know, it is the type of problem that you can literally

measure with a yardstick. We have berths that need drafts of 36 feet that are silted to 20 feet. That is not an exaggeration, anyone will tell you. You can go see it for yourselves.

The point is, we keep hearing about the short-term solution. Well, so much time has gone by. As Senator DiFrancesco said, you can't tell the difference anymore between the long-term and the short-term solution. We would encourage this Committee, when appropriate, to pass this bill, move it along, so we can secure the funding to take care of some of the disposal projects for the longer term.

The one thing I would like from a specific amendment for the bill, if possible -- really, two things, frankly-- One is, I think the language needs to be changed a little bit so it is more flexible -- to use Commissioner Shinn's words -- to recognize some of the emerging options that are coming along, not just the specific projects that are mentioned in the provisions of this bill.

I think, if not this vehicle, certainly at some point, we cannot forget that we also have shipping going on down at the other end of the State along the Delaware River. There will be some dredging concerns there as well.

With that, I would like to turn it over to Mike for a couple of minutes.

SENATOR KYRILLOS: John, thank you. We will take note of those suggestions.

MICHAEL C. KARLOVICH: Good morning, Chairman Kyrillos, and staff. Thank you very much for having us here.

I am Michael Karlovich. I am with Tosco Refining Company in Linden. Just as background, we are the largest oil refinery on the East Coast

of the U.S. We process and make about 12.5 million gallons a day of oil products. Our shipping into the harbor represents about 5 percent of the total number of vessels that call on the Port of New York and New Jersey every year. So this is a very important issue to us.

Commissioner Shinn mentioned earlier that we have been involved with DEP on some innovative strategies. We have been able to dredge several times in the last few years while the public policy debate raged. We see our upland storage and reprofiling as just temporary solutions, and we look forward to resolutions such as the one offered in S-95.

I would just echo the comments made earlier to cut it short. I will give you my written testimony. We feel that as a regional issue, this is at the top of the heap. This is one way to address the intermediate to long-term solutions.

SENATOR KYRILLOS: Michael, thank you very much.

I understand what you are saying. Please convey to the people back home that we are happy you are here. We are happy that you have such a presence in New Jersey. We want to make life easier for you. We want you to stay here.

Thank you for being with us, both of you.

MR. KARLOVICH: You're welcome.

SENATOR KYRILLOS: Next will be Jim Capo and Greg Storey, from the New York Shipping Association.

JAMES A. CAPO: Good morning.

Mr. Chairman, Senators: I would first like to thank you for allowing us the opportunity to speak on Senate Bill No. 95.

I do have a written statement which I will submit for the record, but I will try to summarize it here in the interest of time.

My name is James A. Capo, and I am the President of the New York Shipping Association, representing the Port employers of New York and New Jersey marine operations. Our 73 member companies are the shipping lines, the marine terminal operators, and other maritime businesses that employ labor in the bistate Port, the majority of which are located in the State of New Jersey -- Port Elizabeth, Port Newark.

Our Association has been and continues to be deeply disturbed at the dredging crisis and the imminent threat that we believe it poses to the Port and the State and its citizens. And I will speak to that more fully in a moment.

First, let me say for the record that we wholeheartedly support Senate Bill No. 95. In and of itself, we think it is a prudent, far-sighted proposal that helps to ensure the survival of New Jersey's gateway to global markets by addressing its long-term needs.

The bill recognizes that the Port is critical to the future of New Jersey, and it acknowledges that a commitment by the State is critical to the future of the Port.

The bill makes a commitment that New Jersey will share -- with the Federal government and with the State of New York -- the heavy financial burden that is required to fund essential long-term Port dredging, and to dispose of the mud that this dredging will produce.

We believe it is a responsible measure, and a wise one.

Commissioner Medina has already spoken on the economic impact of the Port, and I will not be repetitive. However, I would like to add one or two points that I think perhaps were missed in his testimony.

The success or failure of the Port will have an impact on jobs and many other sectors of this region. Oftentimes, we do not make the linkage. I would point out among them, as examples, the New Jersey retail industry, which could be seriously affected if this Port were to fail; New Jersey manufacturers who sell their goods overseas, or who might like to; and the one industry which stands to lose as much as any and is highly linked to the success of the Port, the tourism industry, which we believe depends very heavily on New Jersey and regional residents for their business.

I believe you understand fully the need to dredge and, of course, I think you also know that you can't dredge if you can't dispose of the material. This material is harbor mud. It is not sewage sludge; it is not medical waste; it is, in fact, mud. Yes, some of this mud bears pollution from past days when it was not unusual for both private industry and the government alike to exhibit little concern for the environment.

We believe that most of the pollution is in minute traces and the risk, if any, is highly arguable. However, right or wrong, that perception now does have an impact on dredging and dredged material disposal. It makes it highly controversial -- and highly expensive.

That is why we think this bill is important, because it does make a commitment to deal with the almost overwhelming financial burden in addressing dredged material disposal on a long-term basis.

So, while our Association strongly urges approval of S-95, I must also point out that it does not deal with the immediate crisis with which we are faced. We are losing cargo to other ports, which are growing at rates double and triple our own. We will continue to lose even more as long as this crisis continues.

Worst of all, we are really in danger of losing our long-term future. The dredging crisis jeopardizes our opportunity to become a load center -- one of the handful of superports in which the shipping industry will consolidate the bulk of its operations.

As the marine gateway for a region of 17 million consumers, our Port is ideally situated to become a load center. But if ships cannot get into our Port, they will bypass it, and it will wither into a third-rate feeder Port. All of this is a result of political gridlock that has left the Port and the State without a long-, intermediate or short-term plan to deal with the disposal of dredged materials.

Senators, our Port is being placed at great risk, along with you, me, and the citizens of New Jersey. This issue must be addressed, and addressed quickly.

While I would certainly not want to try and diminish the efforts of the administration, I must also point out to you that when you run a business, you don't run a business based on effort. You have to run a business based on results. This is not a situation where we can give the administration "A" for effort. We must have results, and, to date, the results are not there. We don't need any more studies, we don't need more announcements; we need action, we need to dredge.

In conclusion, I would just say that our industry does support and applaud S-95 as a solid proposal for the future. I certainly hope that we will be around to share in that future.

Thank you.

SENATOR KYRILLOS: Thank you very much. We appreciate it.

Do you have anything to add to that, Mr. Storey?

GREGORY STOREY: No, sir.

SENATOR KYRILLOS: Very good. We appreciate your thoughtful remarks.

Is Brian Maher here, from Maher Terminals, Inc.? (affirmative response from audience) Mr. Maher, welcome.

After Mr. Maher, we will hear from Mr. Cernadas, from the International Longshoremen's Association.

BRIAN MAHER: Mr. Chairman, thank you very much, first of all, for having this meeting here in the Port. We certainly appreciate that. Also, I want to thank Senate President Don DiFrancesco for introducing Senate Bill No. 95, which I think goes a long way toward solving the funding problem of the long-term solutions. And, of course, it dovetails very well with the legislation that was introduced by Congressman Franks and is supported by Congressman Menendez and others to bring about the Federal contribution to this problem.

There has been a lot said this morning, and I will try not to-- I will try to add something of interest, I hope.

The Port is definitely losing business in the short-term. I can identify 20,000 containers that my company will not handle this year because our customers are calling on the Port of Halifax in order to lighten their vessels before they come to the Port of New York and New Jersey, which they can do by discharging and loading Midwest cargo in Halifax and railing it to and from the Midwest to the United States.

Those 20,000 boxes represent \$5 million of revenue to my company, and \$2 million to \$2.5 million of wages to the people who work for us. That is being lost today.

I am also aware that major carriers in this Port -- carriers we serve and carriers that we do not serve -- are making long-term plans which may not include this Port, certainly not as the first port of call, because we cannot, and they have no confidence that we will have the depth necessary. There has been much work done on long-term plans and intermediate plans, but because of the stalemate we have here many of these carriers really don't have any confidence that the problem will be solved.

I am aware that Merse Klein and Sealand, two big carriers in this Port which are presently in the process of combining their operations, are considering alternatives to New York as a load center. They are also making decisions to bring services to Halifax first before they come to the Port of New York and New Jersey.

The Port is in crisis today. There are alternatives presently available. I listened intently to Commissioner Shinn and to Commissioner Medina. There is capacity in the mud dump. Commissioner Shinn referred to the control level. I was at a meeting of the Dredge Materials Management

Team last week when, as a result of questioning of Assemblyman Corodemus, the EPA and the Corps acknowledged, or advised that the 75-foot control level in the mud dump could be raised simply by a decision of the EPA and the Corps, without the involvement of anybody else. Apparently, they may be considering raising the control level from 75 feet to 65 feet or 55 feet. I understand that every 10 feet brings about a million cubic yard additional capacity in the mud dump.

So there is currently available in the mud dump, or could be available in the mud dump, between one million and two million cubic yards of capacity in this year.

I also understand that the testing on the Kill Van Kull Channel, which needs to be dredged this year to get back to its 40-foot authorized depth, and requires 300,000 cubic yards of capacity someplace -- that those tests may prove to be Category 2, not Category 3. So my question to the Commissioners would have been: What would you do with the 300,000 cubic yards, because if you use up the capacity at Orion, or if you put it in the pits, if we can wait that long -- the Newark Bay Pits -- we then exclude the use of those facilities for the real problem, which is the Category 3 material?

So there is, currently, a short-term solution for Category 2, to the extent that we have Category 2.

The last thing I would say is this, and I certainly don't want to go back and rehash all of the environmental considerations: A great deal has been done by the administration. There is no question about that. Governor Whitman came in and she has been determined to find alternatives to ocean dumping, and she has really directed resources to do that. I applaud the

administration for that. But we are risking, in the short term, the viability of this Port.

I suggest that, given the economic difficulties of the late 1980s and the early 1990s, especially in this Northeast region, that we are playing a very dangerous game here with a very significant economic generator, which is this Port.

I thank you.

SENATOR KYRILLOS: Very well said. Thank you, Mr. Maher, very much.

Next will be Al Cernadas, from the International Longshoremen's Association, to be followed by Jim Leonard, of the New Jersey Chamber of Commerce.

A L C E R N A D A S: Good morning.

SENATOR KYRILLOS: Good morning.

MR. CERNADAS: Unfortunately, the speakers ahead of me already took up most of my comments.

SENATOR KYRILLOS: They stole your thunder, so to speak.

MR. CERNADAS: Well, not all of it. There is always something left.

I am Al Cernadas. I am the Executive Vice President of the ILA.

I also support the legislation, Senate Bill No. 95, but again, we go back to the fact that it is a long-term solution. And our solution that we presently need in the Port is today, or actually should have been yesterday. We are talking about the subaqueous pits. Well, I don't think those pits will be ready for another two to three years, at the earliest.

The only solution we have at the present time -- and that is the only alternative that I see, unless someone else tells me one -- is the ocean. That would be the expansion of the mud dump. All we are looking for are the acceptable levels that the EPA says are acceptable for ocean disposal to be put there. We know about Category 3. We are going to have to find another alternative. It just can't go to the ocean. But we know that Categories 1 and 2 can go to the ocean.

The expansion of the mud dump -- as our previous speaker, Brian Maher, said -- would give us enough to put over a million cubic yards there in this next coming year. I understand that presently on the 75 feet, there is still a capacity of approximately 400,000. That was what I understood as of last week. I think the EPA stated that to us.

Now, in parts of S-95, assuming that the bond project goes forward, how much time would have to pass before the moneys would be available to construct the pits? I don't know that.

To what extent would the funding for the dredging projects be funded from this bond issue?

Will it make a dent in the disposal of 19 million cubic yards of sediment that must be removed over the course of the next four to five years?

These are some of the questions that are not answered. We're losing jobs. When we lose 20,000 containers-- When Maher loses 20,000 containers -- and he is only one of the operators in the Port -- other carriers in the Port are diverted into shifts and diverted into cargoes to other ports, such as Halifax, probably Baltimore, or Norfolk. That should be our work.

When people are so concerned about the tourism industry, I will have you know that I am a tourist, and most of the members in the ILA are tourists. There has not been one bit of proof presented about how this would affect the tourism industry. I think we are playing Russian roulette with our Port. I am glad that Commissioner Medina has stated that the Governor was going to make an announcement in April. She said she was going to make one in November, as Senator DiFrancesco said. She didn't, and now it is April. I am glad anyway, because we in the ILA plan to make a mass demonstration in Trenton sometime in May. So if she announces it in April, we will be able to cancel the buses and the truckloads of people that we intend to bring into Trenton so that all of you Senators, Assemblymen, and the Governor will pay some special attention to us.

Thank you for the opportunity.

SENATOR KYRILLOS: I think Commissioner Shinn was writing down a note about the buses.

MR. CERNADAS: I think he was also.

SENATOR KYRILLOS: How many people do you represent? How many guys here are working?

MR. CERNADAS: In the Port of New York?

SENATOR KYRILLOS: Yes.

MR. CERNADAS: We represent, in the Port of New York, about 5000.

SENATOR KYRILLOS: Very good, great.

Thank you, Al.

Jim Leonard, New Jersey Chamber of Commerce. Next up, we are going to hear from Captain Deane Sandy Hook Pilots Association.

Jim, thank you. Welcome. It is good to have you with us.

JAMES F. LEONARD: Thank you, Senator Kyrillos. Thank you for the opportunity.

I am distributing, right now, my written testimony. I am going to truncate those and be brief in the honor of time.

The bill before you today, the "Environmental Cleanup and Containment Bond Act of 1996" tackles the dredging crisis head-on and strikes a balance between economic development and environmental concerns. This is the first serious long-term plan which addresses the dredging crisis and encourages continued activity in the Port. Containment islands and subaqueous pits have long been recognized as viable dredged material disposal options. The concern, however, has always been how the costs associated with the construction of such projects could be borne.

Senate Bill No. 95 proposes a solution that will protect and enhance New Jersey's role as a leader in international trade, while securing jobs of tens of thousands of Garden State residents.

While S-95 takes a long-term approach to solving our dredging problems, construction of containment islands and subaqueous pits will be inconsequential unless short-term solutions are identified and implemented immediately. It is the belief of the State Chamber that not one, but several short-term solutions can be implemented simultaneously to speed up the process.

One of the solutions that we currently advocate deals with decontamination. Attached to my testimony you will find correspondence from a member of the State Chamber, Hydropress Environmental Services. Last October, we provided Hydropress with specific samples of dredged materials from the Port and asked them to run them through their current technology. Hydropress, right now, takes materials from municipalities and runs them through their process to decontaminate them, and they turn that material into top soil.

Initial test results -- which I have also attached -- indicate that the dredged materials from the Port can successfully be decontaminated and turned into top soil. We can do this today, Senator. I talked to Hydropress as late as this morning, and they said they could start their process whenever you want. They are willing to meet with you, other members of your Committee, and other members of the Legislature at any time to do a demonstration project. They have asked me again to try to get dredge materials that are the most contaminated materials I can get my hands on. They want to run them through their process and prove definitively to one and all that, in fact, their technology can be used as one of the short-term solutions to this problem.

I ask you and your colleagues to take this as a serious opportunity as one of the viable short-term alternatives.

Again, I commend you and Senator DiFrancesco on the long-term approach, but, again, the problem is short term. We need to get that taken care of as quickly as possible. The proposal that we have just presented to you is something that can be taken on immediately.

SENATOR KYRILLOS: Jim, thank you very much for your comments. I appreciate hearing about the possible opportunity to have one of your Chamber members try to take a crack at this stuff and go through the decontamination process. I would encourage you to talk to Commissioner Shinn at DEP to see if this could be incorporated as part of the Governor's short-term proposal. I know the Senate President and I would be very eager to work with the Chamber on legislation that would create a pilot program source to see if we could prove once and for all that the process you have outlined can work, or cannot work. We look forward to working with you on that. Very good.

MR. LEONARD: Thank you, Senator.

SENATOR KYRILLOS: Captain Deane, United N.J. Sandy Hook Pilots Assoc. Captain, remind me. You have a few guys coming with you -- not all guys, I take it. Excuse me.

CAPTAIN ROBERT A. DEANE: Well, I have two pilots.

CAPTAIN JAMES H. PETERSON JR.: Two guys and a gal.

CAPTAIN DEANE: As I look against the wall, I see our poster that we celebrated our 300th anniversary in 1994.

SENATOR KYRILLOS: You are my constituent. Where are you from?

CAPTAIN DEANE: Well, I am in Wall Township.

SENATOR KYRILLOS: Wall Township, nearby, but there is a whole bunch in Middletown that are a part of your Association.

CAPTAIN DEANE: Oh, yes, a lot of your neighbors happen to be members of the Sandy Hook Pilots Association.

SENATOR KYRILLOS: I happen to know that. So you are going to get five and a half minutes, instead of five.

CAPTAIN DEANE: I don't have that much, because everybody has said everything before. But I will tell you that at the Sandy Hook Pilots, the Port of New York, and the Ambrose Channel, which was dug in the early 1900s to 30 feet, and later on, in 1938, to 45 feet-- It was dug to 45 feet in order to accommodate the Queen Mary and the Queen Elizabeth coming into the Port of New York.

The Port of New York: Every day I am called from different shipping companies about what size or what depth or draft or ship can come into the Port of New York. The Sandy Hook Pilots set that draft limitation by the depth of the channels.

Also, when they say, "Can I bring a ship of 43 feet up to Port Newark and Port Elizabeth?" I say, "I can get the ship up there, but you can't get alongside the berth." Then if the ship does get up there and it does get to the berth, it is going to go aground. All the stress and strain that is put on a ship that is over 800 feet long, drawing 40 feet, we are going to wind up with a real disaster here.

There is an immediate need to dredge and maintain what we have today, and we have to dig the channels down to 45 feet-plus. Forty-five feet is what we need now. We should probably have 50 feet. Then the Ambrose Channel won't be deep enough.

SENATOR KYRILLOS: Understood.

CAPTAIN PETERSON: As the senior New Jersey pilot, with 44 years of service--

SENATOR KYRILLOS: You are?

CAPTAIN PETERSON: Jim Peterson.

SENATOR KYRILLOS: That is for the record.

CAPTAIN PETERSON: I have a family from the shore down in North Long Branch. We built several homes down there. I can remember a lot of good times.

It just seems kind of ironic that a situation arose where I sailed a ship from this young lady's terminal -- Global Terminal -- last night, and had one in this morning. In betwixt, a Senator Line ship, which is one of their general callers, had to go to Red Hook, Brooklyn, because there was no draft in Global Channel. She was drawing about 40 feet.

Now, historically, it takes, nationwide, 28 years from the time you submit a dredging permit to the time you can actually get the scoop in the water and get cleared away. In Oakland, Charlie Wilson, who is the port director there, spoke to President Clinton. President Clinton said, "Let's dredge now." It took three years from the time Clinton gave him the go to get the dredging done. We need immediate help right now.

The ship that went to Red Hook is this generation's ship. The next generation's ship is going to be 1160 feet long -- Regina Mersk (phonetic spelling), there are already 12 of them on the line. They are going to draw 46 feet. That means that all the terminals, be it in Brooklyn or Staten Island, you are going to need a 45-foot channel so that Bob and I can drive these ships in riding the average rise of tide, which is four and a half, five feet.

The situation-- I have worked with the people from Global Terminal for, it must be 10 years, and we have nothing.

Your turn.

KATHY MAK: Thank you, Captain.

My name is Kathy Mak. I am from Global Terminal. In fact, Global Terminal has been working very closely with Frank Madonna regarding the situation in the Port of New Jersey Channel. That channel, currently, is only 34 feet deep. From time to time, even the vessels that call at this terminal, we have to wait for high tide to get the vessels in. As the Captain just mentioned, one of the vessels is only 3000 TAU. Only 3000 TAU vessels (indiscernible), even though during the high tide we cannot let the vessel in, because the channel is only 34 feet deep, although the terminal-- We are able to handle 40 feet.

Now, currently, as we talk now, the vessel is already at Red Hook. What we look at is, from time to time, from the steamship companies we deal with, they tell us that because of the channel depth, they have to control cargo coming to the terminal. This time, because of the very strong booking, they cannot let the vessel halfway full. That is why, this time, they have to go to the other terminal to handle it.

Now, according to the information we received, the next vessel coming in also requires a 40-foot deep draft. They might have to go for the same exercise. Currently, we are working with a major user of the terminal. They are talking about bringing in a vessel -- a whole series of vessels that are going to carry 4500 TAU, which is, compared to the 3000 TAU-- We know there is no way the vessels can come through.

So it is up to us, up to the government officials, to determine what to do. Now, we are talking about this Global Channel, 34 feet deep

currently. If we try to make it 38 feet, in the natural water other channels have now, it only requires to dredge 66,000 cubic yards, only 66,000 cubic yards, and that is all Category 2 materials.

The government officials have difficulties handling that nowadays, and I don't know what we can do to handle the millions of cubic yards in Category 3. I think we are talking about a short-term solution -- that is at a very, very critical stage -- how we are going to handle it. We heard a lot about solutions, proposals, and studies, yet they have difficulties for six months already to handle 66,000 cubic yards, Category 2.

CAPTAIN PETERSON: May I? This problem has existed for a very long time. The Port Authority and the Corps recommended a 45-foot channel to the Arthur Kill and the Kill Van Kull back in 1957. We are talking about almost 40 years, and all we hear is rhetoric.

We have to dredge now. The Category 2 material has to go to the mud dump.

SENATOR KYRILLOS: Okay.

CAPTAIN PETERSON: I'm sorry. People do not recognize this, because we drive ships all night. They do not see the traffic in the harbor. We have to be alongside the berth at 6:00 in the morning so the longshoremen can work, and the ship sails during the night. So, you know, there is a PR problem here.

CAPTAIN DEANE: If I may just make one statement for Senator McGreevey?

SENATOR KYRILLOS: We are going to have to move on.

CAPTAIN DEANE: There are 33 feet, 6 inches reported down off Perth Amboy, and we can't get ships now to go to GAT except the draft we should be bringing up there.

SENATOR MCGREEVEY: Yes. I talked to them last week.

CAPTAIN DEANE: That's a problem.

SENATOR KYRILLOS: Thank you very much.

SENATOR MCGREEVEY: Thank you.

CAPTAIN DEANE: I thank you.

MS. MAK: Thank you.

SENATOR KYRILLOS: We have one more witness, Tom Adamski, from the New Jersey Motor Truck Association.

SENATOR MCGREEVEY: This is a rough group.

SENATOR KYRILLOS: I want to point out -- as has been noted to me -- that there is an aide that has been with us from Senator O'Connor's office. Senator O'Connor is the prime cosponsor with the Senate President of the legislation before us today.

SENATOR MCGREEVEY: How come Sam is not testifying?
What's the matter with the big guy?

SENATOR KYRILLOS: I think this is Sam's representative.
Senator McGreevey is concerned about you, Sam Cunningham.

SAM CUNNINGHAM: (speaking from audience) Thank you.

SENATOR MCGREEVEY: I have to make sure he is earning his living.

SENATOR KYRILLOS: Welcome. Thank you for wrapping up for us today, Tom.

THOMAS ADAMSKI: My pleasure. Thank you for allowing New Jersey Motor Truck Association to speak. My name is Tom Adamski. I am Chairman of the Bistate Harbor Carrier Conference, which is a Division of the New Jersey Motor Truck Association, and I am First Vice President of the New Jersey Motor Truck Association.

I want to thank you. Quite frankly, I want to support S-95. New Jersey Motor Truck supports S-95. However, it is my opinion, why open the store if no one lives there? If time is of the essence and we have three more years of the help we have gotten from the administration, I don't think there is a need to open the store here in three more years.

I suggest to you that I have listened very patiently here for the past two and a half hours with absolutely no confidence in anything being achieved in the near future. I listened to Category 1, Category 2, and Category 3. These are sciences of obvious biology. They are sciences, obviously, of chemistry. But do you know what I think is really miring the Port in this quagmire we are in? It is a science, but it is called "political" science. That is the unfortunate thing that we are being hung up with now.

I heard all the speakers previous to me speak about a whole host of different spins they have on what affects their business. Let me tell you what affects our business, the trucking industry. I have been asked recently to give some comments on how we get trucks back on the Turnpike. Gee, this is a problem. I think maybe there probably is a little bit of a solution to that. If you close the Port of New York, obviously the trucks will be coming from other sources onto the Turnpike, so you will enhance the revenues of the Turnpike.

They are not our trucks. They are not worked by our longshoremen and they are not worked by our terminal operators. This is not a solution, gentlemen. But to understand the quagmire, so we can put it in some sort of perspective, understand what the Turnpike is now suffering. It is a hell of a dilemma. They doubled the Turnpike tolls a number of years ago. That was traumatic to our industry. They are now looking to get that cargo back onto the Turnpike.

This is the same problem the Port of New York will have in getting the cargo back after it is closed. You are not going to get it back that easily. The Turnpike would offer, probably, free fuel, and they are not going to get the truckers back.

SENATOR MCGREEVEY: Let's not get carried away.

MR. ADAMSKI: I'll exaggerate as much as I think we were exaggerating the first hour of testimony, for all intents and purposes. (laughter)

SENATOR MCGREEVEY: I know a few truckers.

MR. ADAMSKI: Okay, then you should understand our testimony. For all intents and purposes, what I am suggesting to you is that it is a most difficult task to try to get that business that you lose back. Brian Maher and Al Cernadas, good friends, came up and said 20,000 loads. Those are 40,000 trucks. I am going to tell you how many toll activities that denies the New Jersey Turnpike from. But again, we could sit here and I could probably take -- probably another two hours, but let's talk a little bit more about another analogy I like to draw on.

You know, right now we are sitting here in what I perceive as a patient sitting in a doctor's office with the need for a quadruple bypass. If the fifth one comes, obviously you are in deep trouble. But the concern that is even more apparent -- and it became more apparent as I listened to all of this testimony -- is that we are willing to give this patient an appointment in two years. He's dead in two years. He does not exist in two years.

This, I think, unfortunately -- or whatever the term should be -- is at the expense of an industry giant. I can think of no other industry in the very proximity of this Port that can generate 180,000 jobs. None. But what is even more concerning is, right now, there is a dubious distinction that the Northeast has, especially New Jersey. We are the second of industrialized states in unemployment, far higher than the national percentage -- far higher.

What concerns me more is, what if we were to take the 180,000 jobs and spread them over a ten-year period, because some of the suggestions I have listened to here have five- to ten-year increments. Suppose we just took 10 percent off each year, and we added 18,000 jobs in one year. That would dwarf what AT&T is doing. That dwarfs what may happen in any other industry that elects to leave here.

Then, all of a sudden, we sit down and-- I represent tourists also, as Al Cernadas does. Who the hell is going to go down the shore? Do you think that people are going to fly in from Ohio to come to the New Jersey shore? Probably not. You have to get real with this situation. What has to be done has to be done immediately.

In closing, I think the most apropos place to hold these hearings are here, because it is very apparent to me that divine intercession is necessary.

I happen to be Roman Catholic, and I salute any other religious group that will plead for that, because-- You know, there is a saint that I pray often to. He is called St. Jude, the saint of the hopeless. But there is one other saint that I think we ought to take into consideration. That is St. Anthony. He is the patron of lost articles. It is my hope that common sense and prudence can be found by all involved, so that this Port can continue to prosper.

I thank you.

SENATOR MCGREEVEY: Great testimony.

SENATOR KYRILLOS: Thank you.

I think that is good testimony to conclude our meeting with.

I want to note that Andy Willner, Director of Baykeeper of the American Littoral Society has submitted some written testimony, as has Clean Ocean Action.

Senator McGreevey, a very strong member of our Committee, my personal friend, thank you for being here.

SENATOR MCGREEVEY: Thank you, Joseph. Thank you for your leadership.

SENATOR KYRILLOS: Thank you for your comments and your contribution to this issue.

With that, the meeting is adjourned.

(MEETING CONCLUDED)